



**one.**

# key performance indicators.

## Key earnings figures (in € m)

	2017	Change <sup>2</sup>	2016	2015
Total Output <sup>1</sup>	<b>744.7</b>	33.6%	557.5	593.3
Revenue	<b>364.7</b>	-12.6%	417.0	307.8
EBT	<b>50.5</b>	26.0%	40.1	50.3
Net profit	<b>37.0</b>	25.9%	29.4	37.3

## Key asset and financial figures (in € m)

Total assets	<b>1,130.9</b>	-8.3%	1,233.8	1,185.2
Equity	<b>355.4</b>	4.1%	341.5	332.0
Equity ratio	<b>31.4%</b>	3.7 PP	27.7%	28.0%
Net debt	<b>477.9</b>	-30.9%	691.2	609.7

## Key share data and staff

Number of shares (weighted average)	<b>7,472,180</b>	-	7,472,180	6,901,962
Earnings per share (in €)	<b>4.88</b>	25.3%	3.90	4.90
Market capitalisation (in € m as of 31 Dec)	<b>304.9</b>	31.6%	231.6	272.7
Dividend per share (in €)	<b>2.00<sup>3</sup></b>	25.0%	1.60	1.60
Staff <sup>4</sup>	<b>748</b>	4.5%	716	685

<sup>1</sup> Total Output represents the revenue of fully consolidated companies and those accounted for under the equity method as well as sales proceeds from share deals (respectively in accordance with the amount of the interest held by UBM).

<sup>2</sup> The figures are rounded using the compensated summation method. Changes are calculated using the exact values.

<sup>3</sup> Proposal to the Annual General Meeting on 29 May 2018

<sup>4</sup> Breakdown: Development 309 and Hotel 439 (31.12.2017); Development 309 and Hotel 407 (31.12.2016)

**three letters.**

**three core markets.**

**three asset classes.**

**one sound.**

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**one goal.**

**one team.**

**one company.**

**one ubm.**

## vision.mission.transformation.



**Dear shareholders,  
Dear stakeholders,**

A common goal is important. It bonds people. It aligns everyone's focus in the same direction and generates valuable synergies. We have defined our **one goal** as increasing the value of the company – measured by the share price. In 2017 we more than succeeded in this objective: UBM's value on the stock exchange climbed by 31.6%.

This goal not only safeguards our entrepreneurial independence on the market, it is also in the interests of all our stakeholders. For example, it is easier for us to access money on the capital market, as the successful placement of our €150m bond in autumn clearly illustrates. This in turn allows us to acquire even more ambitious projects with higher credit requirements and to execute them for our customers. In 2017 we realised more large-scale projects than ever before and generated cash from sales

of around €600m. All of this has had a significant impact on the company valuation. UBM has proven to be a reliable partner to investors, general contractors and suppliers – as well as being a secure and attractive employer.

Our strategic goal to act even more noticeably as an entity – as **one** or rather **one ubm** – is not only emphasised on the cover of this report, but also in our daily business. By renaming Münchner Grund as UBM Development Deutschland or Strauss & Partner as UBM Development Oesterreich in June 2018, we are sending out a clear signal. Our future all-encompassing brand UBM Development bundles our competencies and thereby conveys **the power of one** – a power that has the potential to drive the largest transformation in our 145-year history.

At this point we would like to thank our shareholders, customers, suppliers and employees for placing their trust in this mission. All of you give us the strength we need for 2018, a year in which we intend to set new records.

We'll keep you posted.

Handwritten signature of Martin Löcker in black ink.

**Martin Löcker**  
COO

Handwritten signature of Thomas G. Winkler in black ink.

**Thomas G. Winkler**  
CEO

Handwritten signature of Patric Thate in black ink.

**Patric Thate**  
CFO

**one goal.**

## direction.leadership.alliance.



From left: Peter Oberhuber (MD PL), Erwin Zeller (Controlling), Jan Zemanek (MD CZ), Udo Sauter (MD DE), Claus Stadler (Authorised signatory AT), Christian Berger (MD DE), Ralf Mikolasch (Legal), Milena loveva (IR & Communications), Thomas Winkler (CEO), Ernst Gassner (MD AT), Rolf Hübner (MD Hotels), Gerald Beck (MD AT), Peter Wöckinger (Technology), Andreas Zangenfeind (Transactions), Patric Thate (CFO), Sebastian Vetter (MD PL), Martin Löcker (COO), Berthold Wild (MD DE)

As an expanded management body, the Executive Committee bears responsibility for UBM as a corporation. 18 members sat on the Committee at year-end, consisting of the three members of the Management Board and 15 managers from the core markets and all divisions.



**one team.**

## unity.brand.identity.



**UBM Development AG**  
**UBM Development Deutschland**  
**UBM Development Oesterreich**  
**UBM Development Polska**  
**UBM Development Czechia**  
**UBM Development Netherlands**  
**UBM Development Romania**  
**UBM Development Bulgaria**  
**UBM Development Hungary**  
**UBM Development Slovakia**

A common goal, working together in a team and full identification with the company are key for UBM's success. They form the foundation for exceptional performance and confident positioning on the market. The name UBM Development and the logo in British racing green also play their part. They create an internal identity coupled with external recognition.

Utilising this vast potential for a compelling brand identity merely requires a focus on what's essential and what's unifying. As with a team kit or a national flag, the same applies here: consistency is the only way to leave a lasting impression.

This is why the UBM Development logo will stand for the entire UBM Group from mid-2018. The uniform name takes the shared focus on real estate development at its word. And every single UBM project to come – be it in Germany, Austria, Poland or other countries – will leave a lasting impression, both through its uniformly high quality and through the uniform branding.

**one company.**

## Staff

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# one review.

## february.

### Start of “Fast Track 17”

The sale of the office property Pilot Tower for around €22m to First Property marks the start of the year for UBM’s accelerated sales programme “Fast Track 17”.



### Reduction in standing assets through the sale of two hotels

The Thai investor U City Public Company acquires two angelo hotels for €34m – one in Katowice, Poland, and one in Plzeň, Czech Republic. This transaction leads to a further reduction in the standing portfolio of UBM.

## march.

### Foundation stone for Granaria

Together with the city of Gdansk and the real estate developers Immobel and Multibud, UBM is developing a new city quarter on Granary Island in Gdansk harbour. The first phase of the “Granaria” project will see the construction of a residential and commercial complex as well as a four-star hotel.

### Handover of the HIEX Klosterstraße in Berlin

With the Holiday Inn Express Klosterstraße in Berlin-Mitte, another successful hotel development is handed over by UBM. The longstanding UBM partner Union Investment buys the 186-room hotel.



# projects.sales.achievements.

## april.

### Forward sale of Zalando headquarters

A South Korean investor purchases the new headquarters of Zalando SE, Europe's leading online fashion retailer, for €196m. Two building segments are under construction on the plot measuring around 10,000 m<sup>2</sup> and will provide a work-space for some 2,700 employees. Completion is planned for autumn 2018.



## june.

### Sale of standing asset package in Austria

UBM sells a package of standing assets in the Greater Graz and Vienna area, to a group of private Austrian investors for €53m. This marks a further step in the transformation to a pure-play developer.

### Potsdam Hauptpost and adjacent development site acquired

UBM strengthens its development pipeline in Germany with the purchase of the heritage-protected Potsdam Hauptpost and an adjacent vacant plot. Following the rapid sale of the existing building at the end of the year, UBM focuses on its core competency – development. A new construction with mixed use will be built on the empty plot starting in 2018.



## july.

### Functional Management Board for UBM

The Management Board is reorganised as of 1 July 2017. As part of the clearer division of responsibilities between the strategic holding company and the operating companies in each country, a streamlined, functional Management Board is established. Thomas G. Winkler hands over CFO responsibilities to Patric Thate, allowing him to focus on his Chairmanship of the Management Board. COO Martin Löcker is responsible for the operating business of UBM.

## august.

### Large-scale project Leuchtenbergring in Munich sold

The major development Leuchtenbergring in Munich is sold to Real I.S. for €190m in the form of a forward deal, almost one year before its planned completion. An advance payment of €75m is already received in the fourth quarter of 2017.



### Forward sale of double hotel in Hamburg

More than two years before the planned completion date, the forward sale of two hotels in Hamburg for around €90m to Union Investment shows just how sought-after hotels are as an asset class. UBM is developing around 600 rooms in Eiffestraße together with a longstanding partner.

## september.

### Micro Living in QBC sold in forward-funding structure

With 131 serviced apartments, the innovative Micro Living project QBC 6.2 is taking shape in Vienna's new city quarter, Quartier Belvedere Central (QBC). The property is sold in the form of forward funding to Corestate for €27m long before completion.





## october.

### Successful bond exchange and placement of new five-year bond

In the course of issuing a new corporate bond with a 3.25% coupon, the first stage sees a volume of €84m exchanged and prolonged from an existing bond into the new UBM bond. In the second stage, the volume of the heavily oversubscribed bond is increased to €150m and the new issue placed in just a few hours.

### Hyatt Regency Hotel in Amsterdam sold

With the development of the Hyatt Regency in Amsterdam's historic centre, UBM once again underlines its position as one of Europe's leading hotel developers. After a successful operating start, the joint venture partner Aedes Real Estate acquires the five-star hotel with award-winning sustainability credentials.



## december.

### Sale of Polish office property Kotlarska

Kotlarska, an office building situated in the heart of Krakow, is sold immediately upon completion for around €30m. The Polish project thereby rounds off the successful accelerated sales programme "Fast Track 17" in the 2017 business year.



# one strategy.

UBM Development leaves its current strategy unchanged. The transformation into a pure-play developer will be consistently pursued in the future through the continuing sale of standing assets.

## **Three core markets, three asset classes**

The focus on the three core markets Germany, Austria and Poland will also remain unchanged. Medium-term planning provides for around 50% of investments to go to Germany, around 30% to Austria and around 20% to flow into other markets. The same holds true for the focus on the three asset classes Hotel, Office and Residential. The plan here is to continue to expand the Group's position as the leading hotel developer in Europe. In addition, UBM Development's profile as an office developer for the digital industry of the 21<sup>st</sup> century should be heightened, as should its role as a developer of high-end housing.

## **Minimizing risk**

In terms of strategy, minimizing risk is the priority when doing business. This is achieved in multiple dimensions. With regard to transactions, the goal of UBM Development is to achieve transaction reliability early by means of forward sales or forward funding. Alternatively, the Group is pursuing an asset-light strategy through joint ventures, facilitating a higher number of transactions and thereby a more diversified portfolio.

## **Uniform processes and 360° view**

In terms of the operating business, the standardization of processes and an institutionalized 360° view aim to reduce risk exposure significantly. In concrete terms: in the course of the

"Next Level" efficiency programme, all of the core and support processes were evaluated on the basis of clearly defined "Quality Gates" and were made binding for the entire UBM Development. On top of this is the 360° view based on checklists and applied during every project stage. In addition to encouraging an approach based on one's own core competencies, it obliges users to evaluate every aspect critical to the success of the respective stage.

## **Finance strategy**

The focus on having a well-balanced balance sheet remains in place. Four pillars are at the heart of this strategy: increasing equity, keeping total assets as low as possible, controlling net debt, and smoothening the repayment profile. Even with significant progress already made in this area, the focus on these aspects needs to be maintained through continuous improvement efforts.

## **Dividend policy**

The dividend is based on continuity and reflects the future earnings power of UBM Development. This continuity serves as a counterbalance to the volatility that is inevitably linked to the Group's business activity as a developer. Estimating future earnings power is important in order to be proactive and avoid drawing too much liquidity from the business. In this regard the record dividend for 2017 of €2.00 sends out a clear signal. With this, UBM Development is not only one of the stocks with the highest dividend yield in the industry, but also on the whole of the Vienna Stock Exchange.

## facts.figures.data.

### who we are.

- UBM is the leading hotel developer in Europe
- The three core markets are **Germany, Austria and Poland**
- The focus is on the three asset classes **Hotel, Office and Residential**

### stock exchange.

- UBM shares are listed on the prime market of the **Vienna Stock Exchange** ensuring maximum transparency
- A syndicate of the industrialists **Ortner and Strauss** is the core shareholder with approx. 39%
- The top management (Executive Committee) has invested **€5m in UBM shares**
- Share options enable the Executive Committee to participate in **5% of future value creation**

### league.

- UBM has around **750 employees**; 310 in Development and around 440 in the Hotel Business
- UBM develops hotels with **over 500 rooms**, residential buildings with **more than 500 apartments** and offices with **project volumes of approx. €200m**
- UBM covers the **entire development value chain** in-house

### figures.

- Development pipeline: **€1.8 bn**
- Portfolio value: **€1.3 bn**
- Total assets: **€1.1 bn**
- Equity: **€355m**

# one quality.



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## Zollhafen, Mainz

**Gross floor area:** 8,149 m<sup>2</sup>  
**Hotel brand:** Super 8  
**Rooms:** 216  
**Completion:** Q3/2019

A new business budget hotel is being built on the site of the former Mainz customs port under the Super 8 brand. Spacious windows create an inviting atmosphere in the open-plan lobby and adjoining café and lounge area.

## Eiffestraße, Hamburg

**Gross floor area:** 24,143 m<sup>2</sup>  
**Hotel brand:** Holiday Inn and Super 8  
**Rooms:** 316 (Holiday Inn), 276 (Super 8)  
**Operator:** Primestar Hospitality GmbH (Holiday Inn); GS Star GmbH (Super 8)  
**Completion:** Q3/2019

Two linked hotels are under construction in a central location in Hamburg. Both hotels are right on trend with their open lobby concept. With open work areas, quiet spaces, and a café atmosphere, the common areas invite guests to share their creativity or simply relax.



© UNZSTUDIO GMBH

## hotel.office.residential.



### Granaria, Gdansk

**Gross floor area:** 14,600 m<sup>2</sup>

**Hotel brand:** Holiday Inn

**Rooms:** 240

**Operator:** InterContinental Hotels Group (IHG)

**Completion:** Q2/2019

On Granary Island in the heart of Gdansk UBM is developing a new hotel under the motto "Flow". Its location directly on the water and the corresponding energy are clearly reflected in the concept. The hotel will be operated under the Holiday Inn brand. The development is part of a new city quarter that is set to house commercial and office space as well as apartments.

# one quality.



## Zalando, Berlin

**Gross floor area:**  
approx. 46,500 m<sup>2</sup>  
**Lettable space:**  
approx. 28,150 m<sup>2</sup> [section A]  
approx. 13,400 m<sup>2</sup> [section B]  
**Completion:** Q3/2018

UBM's largest single project is currently under construction in Berlin: the headquarters of Zalando SE, Europe's leading online fashion retailer. The atrium extends across the entire height of the building, with its bright and warm atmosphere serving as the heart of the new headquarters. An open-space office concept promises maximum flexibility as well as fluent communication and a dynamic way of working. Once completed it will offer space for around 2,700 employees.

## hotel.office.residential.

### Leuchtenberggring Office, Munich

**Gross floor area:** approx. 47,000 m<sup>2</sup>

**Lettable space:**  
approx. 13,300 m<sup>2</sup> (office),  
approx. 8,400 m<sup>2</sup> (retail)

**Completion:** Q1/2018

In the course of the large-scale project Leuchtenberggring, six storeys aboveground are being developed as high-end office and retail space. A green inner courtyard provides an inviting space to relax. More than 90% of the space has already been let before completion in the second quarter of 2018 and the property was sold in August 2017 in a forward deal.



### QBC 1 & 2, Vienna

**Gross floor area:** approx. 40,500 m<sup>2</sup>

**Lettable space:** approx. 36,000 m<sup>2</sup>

**Completion:** Q2/2020

The lots QBC 1 & 2 in the new Vienna city quarter Quartier Belvedere Central (QBC) comprise three office buildings that are interlinked across the entire ground floor. Every building has eight storeys aboveground and a rooftop terrace that is open to all tenants. The construction start in the first quarter of 2018 marks the beginning of the final construction section.

# one quality.



## Rosenhügel, Vienna

**Gross floor area:** approx. 11,000 m<sup>2</sup>  
**Apartments:** 205  
**Parking spaces:** 239 for cars and 14 for motorbikes  
**Completion:** Q2/2018

The Rosenhügel project shows how well nature and urbanization can meld in harmony. On the site of the former Rosenhügel film studios, UBM is developing 205 privately financed freehold flats. The residential project consists of seven architecturally sophisticated buildings and will be completed in May 2018, whereby the majority of flats have already been sold.

## Storchengrund, Vienna

**Gross floor area:** approx. 6,940 m<sup>2</sup>  
**Apartments:** 82  
**Parking spaces:** 31  
**Completion:** Q2/2019

Living in the beating heart of the city – that’s the promise of UBM’s new residential development. In the up-and-coming 15<sup>th</sup> district of Vienna, 82 privately financed flats are taking shape, boasting top transport links and good infrastructure.





## hotel.office.residential.



### **WATERKANT, Mainz**

**Gross floor area:** 10,083 m<sup>2</sup>

**Apartments:** 82

**Parking spaces:** 48

**Completion:** Q3/2019

UBM is developing a new residential project in Mainz, directly beside the former harbour basin. 82 apartments with efficient floor plans will be built in a six-storey block with a typical brickwork facade. Some of the flats will have a private garden in the landscaped inner courtyard that also offers ample space for joint use.

# one environment.

## UBM's sustainable developments

Sustainability is a top priority for UBM and an integral part of its corporate policy. UBM has recognised how sharply interest in sustainable property development has grown among all stakeholders and is thereby encouraged to keep on developing this issue consistently. At the end of 2017 a dedicated staff unit for Green Building was established in order to securely anchor the importance of sustainability into the organisation. This staff unit should guarantee in-house support for sustainability issues from a single source and right from the start. In addition, UBM draws on the know-how of external experts for certain projects to ensure high-level sustainable development at every stage of the value chain.

The success of UBM's sustainability activities is also reflected in the numerous certificates held. Eleven completed projects have been certified to LEED or DGNB for sustainable construction since 2016. Two additional projects that are still under development have received preliminary certification. The far-reaching certification requirements cover aspects such as the conservation of resources like water or energy as well as the reduction of emissions. Moreover, impacts on health, safety and security are incorporated right from the planning and construction phases. Alongside this, UBM increasingly makes use of alternative energy sources. Photovoltaic systems were integrated into the buildings at the major Viennese project Quartier Belvedere Central (QBC), for example. UBM takes a holistic approach, looking far beyond the date of completion.

More details on sustainability activities can be found in the separate UBM Sustainability Report 2016/2017 which will be published in May 2018.

## Green beacon project Hyatt Regency Amsterdam

The five-star Hyatt Regency Amsterdam is the first hotel in the history of UBM to be realised under the BREEAM standards. BREEAM is a world leading sustainability assessment method for infrastructure and buildings. It reflects the value of highly efficient facilities across their entire lifecycle and rates projects in six categories.

With a total score of 73.3%, the Hyatt Regency achieved the rating "Excellent" under the BREEAM certification and is thereby among the most sustainable hotels in the Netherlands. With this project UBM has shown that five-star comfort can be sustainable as well. The following measures play a key part in the high rating:

- The energy needed for heating and cooling is generated by groundwater. A 120-meter-deep well removes water from two aquifers and returns it.
- A dedicated heat recovery system has been installed for the kitchen's cold storage.
- All of the lighting in the rooms and common areas uses LED technology in order to enhance energy efficiency.
- Every guest room has an occupancy-control system that controls the room's temperature and lighting based on the actual presence of the guests. This keeps energy consumption and costs at an absolute minimum.

## green.building.sustainability.



Nesting boxes integrated into the facade



Greened interior for sustainable wellbeing



Preserving the heritage-protected exterior facade

The sustainable design of the interior is also exemplary. The lobby impresses with its creative integration of plant life and shows what is possible in terms of ecological design – with a five-star finish.

Consideration of the micro-climate and biodiversity is another focus when promoting the Sustainable Development Goals of UBM. Included here are facade greening, landscaping roof surfaces with plants that retain water, and integrating nesting boxes for swifts and bats into the facade.

# one share.

## Performance of the stock markets

The year 2017 on the stock exchanges was characterized by a steady upward trend. Supported by constant economic growth and solid corporate results, multiple stock markets achieved significant gains in 2017. Optimistic economic forecasts and the continuation of low interest rates lifted the mood on the markets and led to all-time highs on many stock indices.

The ongoing economic growth and postponement of the planned tax reform in the USA led to a significant appreciation in the value of the euro. This development stoked fears of a loss of competitiveness against the USA, with one consequence here being price corrections on the European indices. The political conflict between the USA and North Korea also weighed on the stock exchange. Despite the severe hurricane season in the USA, a noticeable decrease in risk perception was observed in late summer, whereby a positive turnaround was felt on the global markets at the start of September. The US share index Dow Jones Industrial broke records multiple times throughout the course of the year and ended the year up by around 25%.

The performance of the stock markets in Europe was somewhat more subdued. The eurozone index EURO STOXX 50 closed up by around 6.5%. In addition to political developments such as the elections in France or Germany, the European markets continued to be heavily affected by the loose monetary policy of the ECB. The historically low interest level remained untouched once again in 2017. In September the ECB took a first cautious step to normalise fiscal policy. ECB President Draghi announced that the bond-buying programme would be cut by half from January 2018 from the previous €60 bn per month to €30 bn. At the same time, he assured market participants that the programme would continue until at least September 2018. Buoyed by the favourable export economy, the leading German index DAX reached new record highs over the course of the year. The gridlock in the coalition negotiations in Germany and profit-taking at year-end led to index gains that were moderate compared to the USA of 12.5%.

The performance of Austria's leading index ATX was markedly better. With an annual performance of 30.6%, the Vienna Stock Exchange was one of the best performing indices worldwide and topped the list of the European stock markets in 2017. The ATX reached its year-high of 3,445.23 points at the start of November. International demand and a growing appetite for domestic investments served as strong drivers; this in turn benefited the financial performance of the companies and subsequently the Austrian stock market.

## Performance of the UBM share

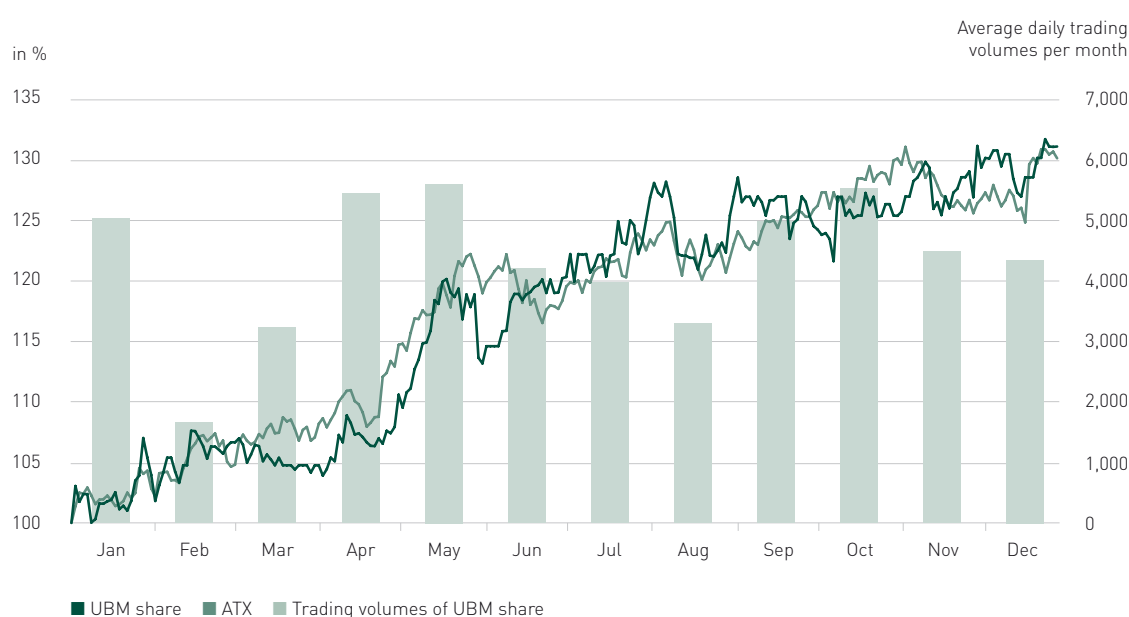
The UBM share has been listed on the Vienna Stock Exchange since 10 April 1873. On the date of this Annual Report's publication, 10 April 2018, UBM thereby celebrates its 145-year stock-exchange anniversary. Since 22 August 2016 the UBM shares have been listed in the prime market, the top segment of the Vienna Stock Exchange with the highest transparency standards. The share is also included in the real estate index of the Vienna Stock exchange (IATX).

Following a weaker start to the year, the performance of the UBM share was very positive from May onwards. The price rise was supported by solid performance indicators in the first half year and by the success of the sales programme "Fast Track 17". In August there was a temporary reversal in some of the price gains achieved – the result of increased risk aversion and a slowdown on the entire market. However, the price losses could be made up at the end of the third quarter. After a stable period at the start of the fourth quarter, the share passed the €40-mark in November and closed 2017 at a price of €40.80. Encouraged by the positive business performance and good market environment, the share achieved an impressive 31.6% increase in 2017, outperforming even the Austrian index ATX (30.6%).

As of 31 December 2017 the market capitalisation of the UBM share stood at €304.9m. The average trading volumes reached 4,281 shares per day and the total turnover was around 1.1m shares.

# prime market. prime relations. prime performance.

## Performance of the UBM share and trading volumes in 2017



## UBM share – key indicators

	2017	2016	2015
Price at year-end (in €)	40.80	31.00	36.49
Year high (in €)	40.99	35.40	43.80
Year low (in €)	31.01	26.56	22.86
Earnings per share (in €)	4.88	3.90	4.90
Dividend per share (in €)	2.00 <sup>1</sup>	1.60	1.60
Dividend yield (in %)	4.9%	5.2%	4.4%
Payout ratio (in %)	41.0%	41.0%	32.6%
Market capitalisation (in € m as of 31 Dec)	304.9	231.6	272.7
Price-earnings ratio	8.4	7.9	7.5
Number of shares (weighted average)	7,472,180	7,472,180	6,901,962

<sup>1</sup> Proposal to the AGM

### Analysts' coverage

The following five investment firms regularly publish recommendations and analyses on UBM: Kepler Cheuvreux, Baader Bank, Raiffeisen Centrobank, SRC Research and Erste Group. With four buy and one hold recommendation for the UBM share and an analyst consensus with a target price of €44.9 as of year-end, the analyses confirm the price potential on the basis of guidance of €4.4 EPS (earnings per share) and net debt of €520m for 2017.

### Shareholder structure

The share capital of UBM Development AG totalled €22,416,540.0 as of 31 December 2017 and is divided into 7,472,180 shares. The syndicate of the IGO-Ortner Group and the Strauss Group held an unchanged 38.8% of the shares outstanding as of 31 December 2017. The remaining shares are held in free float (61.2%)<sup>1</sup>.

In March 2018 investors from Austria made up the largest share of free-float shareholders, accounting for 31%. The share of German investors was 28%, followed by the UK with 20%. Investors in other European countries accounted for 20%<sup>2</sup>.

### Dividend policy

UBM pursues a dividend policy characterised by continuity and focused on earnings development. The concrete dividend proposal is generally presented in tandem with the publication of the annual financial results. For 2017 UBM proposes a record dividend of €2.00 (for 2016: €1.60) per share, representing a payout ratio of 41.0%. On the basis of the closing price of €40.80 as of 31 December 2017, the dividend yield amounts to 4.9%. The Company thereby wants to ensure that the shareholders also benefit from the successful business year in 2017 and the increased profits.

### Bonds

In the course of an exchange offer and subsequent subscription offer, €84m of the UBM bond 2014–2019 was exchanged for the new bond with a term of 2017–2022. The conversion ratio of 42.0% was significantly higher than the Austrian average. Despite increasing the bond volume to €150m at short notice, the new issue was placed within just a few hours and heavily oversubscribed. The exchange and issue of a new bond strengthens the future financial power of UBM and smoothens its repayment profile.

### Investor Relations

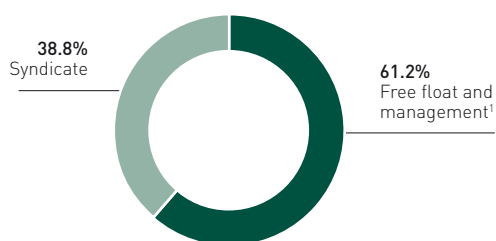
Continuous dialogue and a transparent and timely information policy is at the heart of UBM's communication strategy, with the goal of giving every shareholder a fair and realistic picture of the company. Through its investor relations activities UBM focuses on contact with existing investors, as well as bringing on board new investors with a long-term focus. Together with the support of the Investor Relations Team, the UBM management held numerous one-on-one meetings with investors and analysts in Europe's most important financial centres, including London, Munich, Vienna, Frankfurt and Zurich, and participated in numerous international investment conferences. In addition, UBM gives regular reports on its business performance in the course of quarterly telephone conferences for analysts, institutional investors and banks, as well as at press conferences.

Details on the UBM share, up-to-date information on the Company and the markets, the latest financial reports and presentations as well as the dates for upcoming investor relations events can be found at [www.ubm-development.com](http://www.ubm-development.com). In addition, investors can register with [investor.relations@ubm-development.com](mailto:investor.relations@ubm-development.com) to receive regular updates on the company.

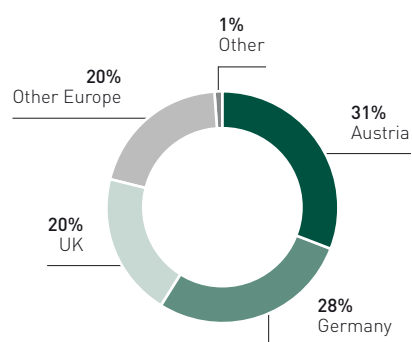
<sup>1</sup> incl. 10.8% Management and Supervisory Board

<sup>2</sup> geographic split excludes 10.8% Management and Supervisory Board

**Shareholder structure (in %)**



**Regional breakdown of free float (in %)²**



<sup>1</sup> incl. 10.8% Management and Supervisory Board

<sup>2</sup> geographic split excludes 10.8% Management and Supervisory Board

**Financial Calendar 2018**

Record date for participating in the 137 <sup>th</sup> Annual General Meeting	19.5.2018
137 <sup>th</sup> Annual General Meeting, EURO PLAZA, Am Euro Platz 2/Building G, 1120 Vienna, 2 pm CET	29.5.2018
Publication 1 <sup>st</sup> quarter 2018	30.5.2018
Ex-dividend trading on the Vienna Stock Exchange	5.6.2018
Dividend record date	6.6.2018
Dividend payout day for the 2017 business year	7.6.2018
Interest payment UBM bond 2015	11.6.2018
Interest payment UBM bond 2014	10.7.2018
Publication 1 <sup>st</sup> half 2018	30.8.2018
Interest payment UBM bond 2017	11.10.2018
Publication 3 <sup>rd</sup> quarter 2018	29.11.2018
Interest payment UBM bond 2015	11.12.2018

# one board.



The success enjoyed in the 2017 business year is proof of UBM's strategy as a pure-play developer with a clear focus on the asset classes Hotel, Office and Residential. In line with this strategy, the Company expedited the further sale of standing assets. Internally, the Management Board continued with the optimization and efficiency programme launched in 2016 and reported to the Supervisory Board on the progress made. Furthermore, the Supervisory Board was informed about the accelerated sales programme "Fast Track 17". The significant reduction in net debt resulting from these measures was welcomed by the Supervisory Board. The Supervisory Board is confident that Thomas Winkler's Management Board team is pursuing the right strategic agenda.

The Supervisory Board has been updated regularly and in detail by the Management Board on the progress made in implementing the strategy, whereby the Supervisory Board 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 evaluated and discussed with the Management Board.

The Supervisory Board has actively encouraged and supported the Company's development within the scope of the responsibilities assigned to it. In line with Section 81 of the Stock Corporation Act, the Management 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 investments, of staff and planning matters and of investment and acquisition

projects through spoken and written reports. The Management Board has discussed strategy, business development and risk management with the Supervisory Board. In a total of five meetings, the Supervisory Board passed the relevant resolutions that were required. The necessary approval for the transactions for which consent is required under Section 95 Paragraph 5 of the Stock Corporation Act and pursuant to the rules of procedure for the Management Board was obtained; in urgent cases, written voting was used for authorisation of this nature. The average level of attendance at Supervisory Board meetings was 92.2%.

On 25 June 2017 a meeting of the nomination committee was held at which the new functional composition of the Management Board was discussed and the requisite resolutions passed. Patric Thate was appointed as the new CFO in the course of this meeting. In addition, the decision was made not to extend the Management Board mandates of Claus Stadler and Michael Wurzinger.

In the 2017 business year the audit committee met on 5 April 2017, 20 September 2017, 30 November 2017 and 6 December 2017. The meeting on 5 April 2017 was held in the presence of the auditor for the purpose of auditing and preparing the approval of the 2016 consolidated financial statements. In the meeting on 20 September 2017, which was also attended by the auditor, the audit committee addressed the Company's ongoing and planned internal audit negotiations and the audit planning for the individual and consolidated financial statements for 2017. A meeting of the audit committee without the presence of the Management Board was held on 30 November 2017 in accordance with Rule 81a of the Austrian Code of Corporate Governance, in which – together with the (Group) auditor – the audit planning, focal points of the audit, and mutual communication between the auditor and audit



## supervisory.board.chairman.

committee were discussed. This meeting also gave the audit committee and the (Group) auditor the opportunity for additional communication without the presence of the Management Board. In the final meeting of the year on 6 December 2017, 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 with the audit plan and material findings, in accordance with Rule 18 of the Austrian Code of Corporate Governance.

The annual financial statements of UBM Development AG as of 31 December 2017, 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 2017 in accordance with International Financial Reporting Standards (IFRS), as applied in the EU, 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 Management 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 the financial statements, the Corporate Governance report, the Management Board's proposal on the appropriation of profits and the audit report prepared by the auditor were dealt with in detail with the auditors on 9 April 2018 in the audit committee and submitted to the Supervisory Board. Following intensive discussion and auditing, the audit committee and the Supervisory Board have approved the annual financial statements as of 31 December 2017 and the Group management report, the Corporate Governance Report and the Management Board proposal on the appropriation of profits. The annual financial statements as of 31 December 2017 have thereby been adopted. In addition, the audit committee and the Supervisory Board have approved the consolidated financial statements for 2017 that had been prepared in accordance with IFRSs and the Group management report.

The Supervisory Board agrees with the proposal of the Management Board regarding the appropriation of profits. The agenda of the Annual General Meeting, which will vote on the appropriation of profits for the 2017 business year, will thereby contain a draft resolution for the payout of a dividend of €2.00 per share.

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 Management Board and all UBM Development AG employees for their tireless dedication and exceptional work in the past year.

Vienna, April 2018

### **Karl-Heinz Strauss**

Chairman of the Supervisory Board

# one culture.

## 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 Management 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 Management Board and the Supervisory Board committing itself to observance of the Austrian Code of Corporate Governance. Pursuant to Section 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 Section 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. UBM has thereby formally committed 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 website of the Austrian Working Group for Corporate Governance at [www.corporate-governance.at](http://www.corporate-governance.at).

This Corporate Governance report is published as part of the Annual Report and is available on the Group's website [www.ubm-development.com](http://www.ubm-development.com) under the submenu Investor Relations/Financial Reports or Corporate Governance.

In accordance with Rule 36 of the Austrian Code of Corporate Governance, in 2017 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 27:** The remuneration of the Management Board members consists of fixed and variable components. The variable components are exclusively related to annual EBT for a single business year. 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 Management 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 Management Board contract with good cause. The Management 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 Management

## corporate.governance.codex.

Board member. Adherence to the rules of the Austrian Code of Corporate Governance was not yet a focal point when the existing Management Board contracts were concluded. In order to promote equal treatment, adherence to this rule was also not adopted for the newly concluded Management Board contract of the Chief Financial Officer.

**C Rule 38:** The job profile and the procedure for appointing Management Board members is defined on a case-by-case basis. When a Management 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 Management 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 used 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.

UBM amended its Comply or Explain catalogue in December 2017, as the Company now adheres to C Rule 18 (dedicated staff unit for Internal Audit at UBM) and C Rule 83 (external risk assessment by the auditor).

### Members of the Management 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 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 held 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 was CFO of Lenzing AG. From 2012 until April 2015 he additionally served on the Supervisory Board of ÖIAG Österreichische Industrie-holding AG, most recently as Deputy Chairman. Since 2014 he has been a Senior Advisory Board Member at Minsait (formerly Indra Business Consulting), Spain. Until April 2015 he was also Chair of the Audit Committee and an independent member of the Supervisory Board of Bashneft JSOC, Russia. As of 1 June 2016, Thomas G. Winkler took over as Chairman of the Management Board of UBM Development AG. As the Chairman of the Management Board and CEO, he is responsible for Strategy, Investor Relations & Communications, Transactions & Market Research, Legal & Compliance, Human Resources, and Mergers & Acquisitions.

**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. Since 2007 he has held management positions at UBM AG and its subsidiary Münchner Grund. He has been a member of the Management Board since 1 March 2009. In accordance with the rules of procedure of the Management Board, Martin Löcker is responsible for Project Acquisition Controlling, Operational Project Controlling, Business Development Austria, Technical Competences, Green Building, CSR & Work Safety, Quality Management & Integrated Management System.

**Patric Thate** was born in Bergisch Gladbach, Germany, in 1973. After studying economics at the universities of Wuppertal and Nottingham, he started his career in 1999 at Deutsche Telekom in Bonn, where he held various management positions in finance until the end of 2010. He then headed up the entire finance division of Lenzing AG, Austria, as Vice President Global Finance until 2015. Moreover, Patric Thate has been substantially involved in major international capital market transactions, including the Re-IPO of Lenzing AG. In his most recent post, Patric Thate was Head of Finance and a member of the Executive Committee of UBM Development AG. Since 1 July 2017 he is the CFO of UBM and responsible for Financial Controlling & Reporting, Accounting & Consolidation, Treasury, Tax, IT and Insurance.

**Claus Stadler** tendered his resignation as a Management Board member of UBM with effect from 31 August 2017; since then he has been a fully authorised signatory of UBM Development AG. He was born in Vöcklabruck, Austria, in 1970. In 1997 he graduated in architecture from 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. Until his resignation from the Management Board of UBM, his responsibilities included Property Development (Research and Valuations, Planning and Architecture, Project Management, Project Control) for Austria, as well as IT and Quality Management.

**Michael Wurzinger** tendered his resignation as a Management Board member of UBM with effect from 31 October 2017. He 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 Executive Board and COO of Immofinanz AG. In 2011 he became the spokesperson for the Executive Board of PORR Solutions Immobilien und Infrastrukturprojekte GmbH (now Strauss & Partner Development GmbH). In January 2015 he was appointed as a member of the Management Board of UBM Development AG. Until his resignation from the Management Board he was responsible for Property Marketing and Sales, Asset Management and Legal.

## The Management Board

In accordance with Section 6 of the UBM statutes, the Management Board consists of between two and six people. From 1 January 2017 to 30 June 2017 the Management Board consisted of four people; from 1 July 2017 to 31 August 2017 it consisted of five people; from 1 September to 31 October it consisted of four people and since 1 November 2016 it consists

of three people. The Supervisory Board can name a member of the Management Board as Chairman and name members as Deputy Chairmen. The Management Board passes resolutions by a simple majority of votes cast. If the Supervisory Board appoints a member to chair the Management Board, they have a casting vote in the event of a tie.

The members of the Management 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 Management Board before the end of their 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 Management Board member.

The Management 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 Management Board in line with maintaining the overall responsibility of the Management Board as a whole. The Management Board requires Supervisory Board approval in order to undertake any business dealings specified in the relevant version of Section 95 Paragraph 5 of the Austrian Stock Corporation Act. In as far as legally permitted by Section 95 Paragraph 5 of the Austrian 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 (Section 95 Paragraph 5 Austrian Stock Corporation Act). The Supervisory Board has issued appropriate rules of procedure for the Management Board. The Management Board must report regularly to the Supervisory Board on its activities.

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

The following table shows the Management 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 2017 the following people sat on the Management Board:

**Members of the Management Board**

Name	Date of birth	Position	Member since	Appointed until/Left on*
Thomas G. Winkler	24.6.1963	Chairman of the Management Board	1.6.2016	31.5.2019
Martin Löcker	13.3.1976	Management Board member	1.3.2009	31.12.2020
Patric Thate	25.5.1973	Management Board member	1.7.2017	30.6.2020
Claus Stadler	4.7.1970	Management Board member	29.5.2015	31.8.2017*
Michael Wurzinger	9.4.1971	Management Board member	15.1.2015	31.10.2017*

**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 BauWelt Handels-Aktiengesellschaft.

The Management Board members Martin Löcker and Patric Thate 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).

Michael Wurzinger did not fulfil any functions of this kind until he retired from the management board.

**Executive and non-executive board positions in significant subsidiaries:**

Claus Stadler was also Managing Director of Strauss & Partner Development GmbH until 31 August 2017. Martin Löcker is an authorised signatory of UBM hotels Management GmbH.

The Management Board members Thomas G. Winkler, Patric Thate and Michael Wurzinger have not held 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 Section 110 Paragraph 1 of the Labour Constitutional Act, certain members are also appointed by the Works Council. In accordance with Section 9 of the UBM statutes, the number of members appointed by the general shareholders' meeting must be at least three and not more than twelve. In 2017 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 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 their 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 their 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 their Deputy in the case of their 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 their seat on the Supervisory Board effective immediately if the Supervisory Board member steps down before the end of their 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 they take 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 they have 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 their 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 their 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 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 they are 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 they be incapacitated.

In line with its legal responsibilities and those arising from the statutes, 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 Section 110 Paragraph 1 of the Labour Constitutional Act. This does not apply to meetings and votes which relate to relationships between the Company and the Management Board members, except resolutions on the appointment or revocation of a Management 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 2017 the Supervisory Board held five 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 Management 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 them 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 their 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.

Supervisory Board 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 2017, 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 <sup>1</sup>	27.11.1960	Chairman	14.4.2011	AGM 2019
Iris Ortner <sup>2</sup>	31.8.1974	Deputy Chair	14.4.2011	AGM 2019
Christian B. Maier <sup>5</sup>	9.1.1966	Member	3.5.2013	AGM 2019
Klaus Ortner <sup>3</sup>	26.6.1944	Member	15.1.2015	AGM 2019
Ludwig Steinbauer <sup>5</sup>	26.10.1965	Member	15.1.2015	AGM 2019
Paul Unterluggauer	28.4.1967	Member	15.1.2015	AGM 2019
Bernhard Vanas <sup>5</sup>	10.7.1954	Member	15.1.2015	AGM 2019
Susanne Weiss <sup>5</sup>	15.4.1961	Member	15.1.2015	AGM 2019
Martin Kudlicska	14.2.1972	Member	30.6.2016	n/a <sup>4</sup>
Günter Schnötzingler	20.8.1973	Member	30.6.2016	n/a <sup>4</sup>
Hannes Muster	28.11.1967	Member	30.6.2016	n/a <sup>4</sup>
Johann Kaller	6.1.1955	Member	30.6.2016	n/a <sup>4</sup>

<sup>1</sup> Karl-Heinz Strauss was Deputy Chair of the Supervisory Board from 27 February 2013 and has been Chair since 18 September 2014.

<sup>2</sup> Iris Ortner has been Deputy Chair 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.

<sup>3</sup> Klaus Ortner was previously a member of the Supervisory Board from 18 March 2000 to 14 May 2014.

<sup>4</sup> appointed by the Works Council on 30 June 2016 in accordance with Section 110 Paragraph 1 Labour Constitutional Act.

<sup>5</sup> independent member that does not hold shares of more than 10% [C Rule 54]



The members of the Group's Supervisory Board each fulfilled the following additional functions on Supervisory Boards or comparable positions in (non-consolidated) Austrian and foreign companies as of 31 December 2017:

**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 <sup>1</sup>	Supervisory Board member
	PORR Bau GmbH	Chair of the Supervisory Board
	PORR Deutschland GmbH	Chair of the Supervisory Board
	PORR SUISSE AG	President of the Administrative Board
	TEERAG-ASDAG Aktiengesellschaft	Chair of the Supervisory Board
	PORR Construction Holding GmbH	Chair of the Supervisory Board
Iris Ortner	ELIN GmbH	Deputy Chair of the Supervisory Board
	PORR AG <sup>1</sup>	Supervisory Board member
	TKT Engineering Sp. z o.o. (Poland)	Deputy Chair of the Supervisory Board
Christian B. Maier	PORR Bau GmbH	Deputy Chair of the Supervisory Board
	Rath Aktiengesellschaft <sup>1</sup>	Supervisory Board member
	TEERAG-ASDAG Aktiengesellschaft	Deputy Chair of the Supervisory Board
	Raiffeisenbank Aichfeld eGen	Supervisory Board member
	PORR Construction Holding GmbH	Supervisory Board member
Klaus Ortner	ELIN GmbH	Chair of the Supervisory Board
	PORR AG <sup>1</sup>	Deputy Chair of the Supervisory Board
Ludwig Steinbauer	-	-
Paul Unterluggauer	-	-
Bernhard Vanas	PORR AG <sup>1</sup>	Supervisory Board member
	SDN Beteiligungs GmbH	Supervisory Board member
Susanne Weiss	ROFA AG	Chair of the Supervisory Board
	PORR AG <sup>1</sup>	Supervisory Board member
	Schattdecor AG	Supervisory Board member
	Wacker Chemie AG <sup>1</sup>	Supervisory Board member
Martin Kudlicska	-	-
Günter Schnötzing	-	-
Hannes Muster	-	-
Johann Kaller	-	-

<sup>1</sup> 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 statutes shall be independent of the Company and its Management Board. A Supervisory Board member shall be considered independent if they do not have any business or personal relationship with the Company or its Management 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 Management 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 Management 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 Management Board of a different company in which a Management 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 Management Board, or of a person to whom any of the aforementioned a) to e) items apply.

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

### Committees

The statutes specify that the Supervisory Board can form committees made up of its members. The following three committees were formed in the 2017 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 Section 4 Paragraph 2 (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 (Section 5 of EU Regulation Nr. 537/2014 and Section 271a Paragraph 6 of the Austrian Commercial Code apply); (v) producing the report on the results of the audit for the Supervisory Board along with 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 their fee and preparing the Supervisory Board's recommendation on the choice of auditor (Section 16 of EU Regulation Nr. 537/2014 applies).

The audit committee met four times in the 2017 business year. A meeting of the audit committee was held on 5 April 2017 in the presence of the auditors for the purpose of auditing and preparing the approval of the 2016 consolidated financial statements. At the same meeting, the Supervisory Board selected the auditor for the individual and consolidated financial statements as of 31 December 2017. In a meeting on 20 September 2017 the audit committee dealt with the amendment to the Audit Act, the internal control system, the internal audit system of the Group and audit planning for the individ-

ual and consolidated financial statements. A meeting of the audit committee in accordance with Rule 81a of the Austrian Code of Corporate Governance was held on 30 November 2017, without the presence of the Management Board, to determine the audit planning, audit focal points and the mutual communication between the auditor and the audit committee. In a meeting on 6 December 2017 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 (Chair), Iris Ortner, Christian B. Maier (financial expert) and Susanne Weiss.

**Nomination committee:** The nomination committee has the following responsibilities: (i) preparing Management Board appointments including successor planning: before appointing Management Board members, the nomination committee shall define the profile for the Management 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 their professional reliability into question.

In 2017 the nomination committee held one meeting. The change in the Management Board was discussed in the meeting on 25 June 2017 and Patric Thate was appointed as the CFO. In addition, resolutions were passed not to extend the Management Board mandates of Claus Stadler and Michael Wurzinger. The nomination committee consists of the following Supervisory Board members: Karl-Heinz Strauss (Chair), Iris Ortner and Susanne Weiss.

**Remuneration committee:** The remuneration committee has the following responsibilities: (i) handling matters related to the remuneration of the Management Board members and the content of the employment agreements with Management Board members, particularly specifying the underlying principles of Management 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 Management Board members at regular intervals; (iii) approving additional duties of Management Board members.

The remuneration committee met once in 2017. The variable/performance-related remuneration of the Management Board members was discussed in the meeting on 15 March 2017. The remuneration committee consists of the following members: Karl-Heinz Strauss (Chairman), Iris Ortner and Susanne Weiss (remuneration expert).

### Positive action for women

UBM has strengthened its efforts to increase the number of women in the organisation. Compared to other companies in the real estate sector, UBM measures up positively, with fifteen women in management positions as of 31 December 2017 (31 December 2016: eleven), (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 socially relevant topics, 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. 35 new employees were recruited across the Group in 2017, of which 17 were women and 18 were men (excluding hotel workers). There are no salary differences between men and women performing the same activity and with the same qualifications. In job advertisements women are specifically addressed. In order to support a balance between professional and family life, the Company offers flexible working hours through a 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.

More detailed information is available in a special, non-financial report that fulfils the legal requirements in accordance with Section 243b of the Austrian Commercial Code in conjunction with Section 267a of the Austrian Commercial Code. This report will be published in May 2018.

### **Diversity concept related to the composition of the Management Board and Supervisory Board**

With regard to the composition of the Management and Supervisory Boards, the Supervisory Board does not employ any particular diversity concept. UBM is working hard on increasing the percentage of women in management positions. Furthermore, employees are not discriminated against in any way – regardless of function and hierarchical level – on the basis of gender, social background, sexual orientation, nationality, religion or age. With this in mind, the Supervisory Board considers setting diversity targets for control bodies to be neither expedient nor useful. Educational and vocational background plays a significant role insofar as the person being considered for a Supervisory Board post must be in a position to optimally fulfil this mandate. These preconditions shall not be defined in advance in an abstract manner, but rather evaluated individually in each concrete instance. Therefore, when preparing the respective proposals for the Annual General Meeting, the competencies and the concrete needs in the respective employment situation are the only deciding factors. The Supervisory Board has decided that the same applies for the composition of the Management Board.

### **Remuneration report**

#### **Remuneration of the Management Board**

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

**Fixed remuneration:** The amount of the fixed salary of each Management 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 Management 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 Management Board members also receive additional, non-cash fringe benefits (company car, telephone, travel expenses), which are in principle equally available to all Management Board members.

**Variable/performance related remuneration:** The maximum value of the variable performance bonus for the Chairman of the Management Board amounts to 2.5% of the EBT up to a maximum of €300,000.00 gross per year. If the annual earnings meet or exceed the amount defined with the remuneration committee, the Chairman of the Management 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 Management Board members Martin Löcker and Patric Thate receive a variable performance bonus under the aforementioned scheme, albeit up to a maximum of €200,000.00 gross per year. The former Management Board members Claus Stadler and Michael Wurzinger received a variable performance bonus for 2017, respectively amounting to €200,000.00 and €300,000.00 gross. In addition, Michael Wurzinger received a one-off payment of €200,000.00.

**Long-Term Incentive Programme for managers:** In 2017 UBM introduced a share-option programme for managerial staff and the Management Board. Under this scheme, those eligible had the right to make a personal investment in UBM shares at the latest by the point at which the options were granted. This personal investment has to remain in place without interruption until the options are exercised by the people participating in the option programme and proven upon exercising the option. For each personal investment share, five share options were allocated at a strike price of €36.33 per share. The options can be exercised in the period 1 September 2020 to 26 October 2020 or in the period 1 Sep-

tember 2021 to 26 October 2021, if (i) the unweighted average of the closing price of the UBM share is at least €40.00 on at least fifteen consecutive trading days in the period 2 September 2019 to 31 August 2020 and (ii) the ratio between the market capitalisation and net debt as of 31 December 2019 does not exceed 1:2.40.

**Pension regulations:** Annual payments are made to a pension fund for individual Management Board members. The amount paid in is based on the age of the member.

**D&O liability insurance:** D&O liability insurance covers the members of the Management 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).

**Management Board remuneration 2017 (in €)**

Name	Salary	Variable gratuities <sup>1</sup>	Non-cash benefits	Pension fund/ employee welfare fund	Total
Thomas G. Winkler	450,000.00	300,000.00	11,520.00	9,737.92	771,257.92
Martin Löcker	300,000.00	200,000.00	11,520.00	17,634.21	529,154.21
Patric Thate <sup>2</sup>	150,000.00	100,000.00	2,936.48	2,008.02	254,944.50
Claus Stadler	199,999.99	200,000.00	5,760.00	5,172.16	410,932.15
Michael Wurzinger	291,666.67	500,000.00 <sup>3</sup>	7,666.06	14,218.58	813,551.31

<sup>1</sup> probable variable gratuities for 2017, payable in 2018

<sup>2</sup> since 1 July 2017

<sup>3</sup> €200,000.00 special bonus and €300,000.00 annual bonus

### Supervisory Board remuneration

In addition to the 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.

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 Section 110 Paragraph 1 of the Labour Constitutional Act do not receive any additional payment for their work on the Supervisory Board.

### Supervisory Board remuneration 2017 (in €)

Name	Fixed remuneration <sup>1</sup>	Attendance fee for meetings
Karl-Heinz Strauss (Chair)	25,000.00	5,000.00
Iris Ortner (Deputy Chair)	20,000.00	5,000.00
Christian B. Maier	15,000.00	4,000.00
Klaus Ortner	15,000.00	5,000.00
Ludwig Steinbauer	15,000.00	5,000.00
Paul Unterluggauer	15,000.00	5,000.00
Bernhard Vanas	15,000.00	4,000.00
Susanne Weiss	15,000.00	4,000.00

<sup>1</sup> Payout within four weeks following the 2018 Annual General Meeting

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## General economic environment

### Broad-based growth momentum

The global economy continued the upswing that started in mid-2016. In 2017 global economic growth amounted to 3.7%, thereby climbing by half a percentage point against the prior-year value.<sup>1</sup>

The International Monetary Fund (IMF) expects a further increase in growth momentum for the years 2018 and 2019. Taking into account the positive impact expected from the US tax package passed at the start of 2018, the forecasts have been revised upwards to 3.7% and 3.9% respectively.<sup>2</sup>

### Dynamic growth in Europe

The economic upswing in the eurozone also proved dynamic in 2017 and was broadly spread across sectors and countries. In the last business year economic output increased by 2.3%. The economic recovery was also visible on the labour market, with employment rising continuously throughout the year. Furthermore, the increase in consumer confidence and the ongoing favourable financing conditions led to a significant rise in investment activity in the eurozone. All in all, the performance of the indicators suggests ongoing momentum in 2018. In addition, ECB measures such as the low interest rate policy and the liquidity measures (quantitative easing) that will continue until September 2018 at least are serving as favourable factors for the eurozone upsurge.<sup>3</sup>

### Economic boom in Germany

The German economy grew by 2.5% in 2017 and continues to find itself in a boom phase.<sup>4</sup> Industry was the most important domestic growth driver throughout the entire year. There was also significant growth in German exports thanks to flourishing global trade. The prevailing positive macroeconomic mood and the full order books of industrial companies indicate that this dynamic growth will continue.<sup>5</sup>

### Austrian economy makes significant gains

The Austrian economy also continued to boom. For the full year 2017 Austria even managed to achieve economic growth of 2.9%, whereby the growth rested on a broad foundation at the end of the year. In addition to the ongoing high investment demand, strong consumer spending also supported the Austrian economic upsurge.<sup>6</sup> The labour market was highly dynamic, leading to a decrease in unemployment rates. However, the absolute number of jobseekers saw a slower decline as a result of the increase in labour supply.<sup>7</sup>

### Strong performance in Poland and the Czech Republic

Poland's economy achieved its strongest economic growth in a decade with 4.6% in 2017. The main drivers were strong domestic consumption, a continuous increase in exports, and rising investments. As a result of the booming economy, unemployment fell to a historic low of 6.6%.<sup>8</sup>

Driven by strong foreign demand and an increase in spending by private households, the Czech Republic also put in a strong performance in 2017 with growth of 4.5%.<sup>9</sup>

<sup>1</sup> IMF, World Economic Outlook, Update 22.1.2018

<sup>2</sup> National Bank of Austria: Economic Update, January 2018

<sup>3</sup> National Bank of Austria: Economic Update, January 2018

<sup>4</sup> IMF, World Economic Outlook, Update 22.1.2018

<sup>5</sup> German Federal Bank: Monthly Report February 2018

<sup>6</sup> Press release WIFO: Austrian economy remains dynamic at year-end (31.1.2018)

<sup>7</sup> National Bank of Austria: Economic Update, January 2018

<sup>8</sup> Austrian Economic Chambers: Foreign trade update Poland, February 2018

<sup>9</sup> Czech Statistical Office: GDP preliminary estimate, Q4 2017 (16.2.2018)



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## Developments on the real estate markets

### New investment record in Europe

Supported by a flourishing economic environment, the real estate markets managed to achieve correspondingly strong growth. It soon became clear over the course of the year that Europe would be setting new records with its 2017 figures. With a volume of €286 bn, the investment volume in 2017 was 9.3% higher than the prior year. This volume marked a new record for investment activity, not least driven by an array of high-volume transactions. A scarcity of attractive assets was observed across the whole of Europe and led to a further decrease in yields.<sup>1</sup>

### Germany – untrammelled momentum

In 2017, as in the years preceding, Germany was among the strongest real estate markets in Europe. A total of around €57.4 bn was invested overall – 8.4% more than in 2016. The fourth quarter put in a particularly strong performance with a volume of €17.8 bn. Based on its excellent fundamentals, Germany remained one of the world's most sought-after investment markets. International investors in particular upped their stakes in the German market by 19% to €28.2 bn. Alongside European and North American investors, an ever larger share is being accounted for by Asian investors, for whom the appeal of the German market continued to increase.<sup>2,3</sup>

An essential development in 2017 was the further increase in the shortage of supply. In their search for attractive projects and higher yields, investors also turned their gaze to markets outside the top seven cities in the last business year. Despite this tendency around 54% of the investment volume was generated in the top cities. Berlin topped the list with €7.7 bn, followed by Frankfurt with a volume of €7.1 bn. Düsseldorf

and Cologne managed to increase their share significantly; in contrast, Hamburg, Munich and Stuttgart reported significant declines.<sup>4</sup>

The ranking of commercial asset classes was clearly led by office property again in 2017, whereby a sharp decrease in availability was seen in this segment in particular. With an investment volume in excess of €28 bn, almost half of the transactions involved offices. The economic boom led many sectors to expand and rent out higher-end office space. Furthermore, the trend towards more innovative and flexible working environments generated a genuine boom in demand for first-class, modern offices. In terms of investor demand, interest in office properties remained very strong and top yields came under even more pressure.<sup>5</sup> While prime yields at the end of the year fluctuated between just over 3% and 3.5% in the majority of the top seven locations, the value for Berlin plummeted, reaching a historic low of 2.9%.<sup>6</sup>

The German hotel investment market had an outstanding year with an investment volume of €4.2 bn, even though the lack of available properties limited transaction volumes.<sup>7</sup> Institutional investors in particular continue to view Germany, the largest hotel investment market in Europe, as a safe haven.<sup>8</sup>

The German housing market was also at a high level in 2017. The volume invested of €15.2 bn was around 11% higher than the previous year. The growing demand for new developments and high-end housing in the major cities kept purchase prices high. In addition to the increased involvement of international players on the German housing market, last year was characterised by a stronger focus on small-scale homes. Demand was especially high among institutional customers for student flats or micro-apartments due to their good growth prospects.<sup>9</sup>

<sup>1</sup> CBRE press release [16.1.2018]: Record year 2017 on European property investment market

<sup>2</sup> CBRE press release [18.1.2018]: German investment market for commercial property achieves second-best result since 2007 in 2017

<sup>3</sup> CBRE 2018 Real Estate Market Outlook, Germany

<sup>4</sup> JLL Investment Market Overview Germany, Q4 2017

<sup>5</sup> CBRE Germany Office Investment market, Q4 2017

<sup>6</sup> JLL Investment Market Overview Germany, Q4 2017

<sup>7</sup> Colliers: German hotel investment market posts strong 2017 results

<sup>8</sup> CBRE 2018 Real Estate Market Outlook, Germany

<sup>9</sup> CBRE German housing investment market at high level

### Austria – record investment volume

2017 was also a record year for the Austrian real estate market. Investments in Austrian commercial property totalled €4.8 bn at year-end, thereby setting a new all-time record. Compared to the previous year, investments rose by 23%. Here the yields for investors also came under further pressure in 2017 and slipped back slightly again in every asset class.<sup>10</sup>

Accounting for 65% of investment volumes in 2017, office property was the most important asset class on the Austrian market. Prime yields for offices sank to 3.9% (2016: 4.0%).<sup>11</sup> In light of the very strong previous year, the level of new-builds was comparatively low in 2017 with 143,000 m<sup>2</sup>.<sup>12</sup>

After a quiet first half in 2017, investment activity on the Austrian hotel market picked up in the second half of the year. In 2017 the investment volume totalled €510m and was thereby significantly higher than the average of the last five years (€430m). Owing to the limited range of hotels available for sale, investors were very keen on development projects. In the second half-year in particular this led to an increase in forward deals for hotel projects.<sup>13</sup>

### CEE – solid performance growth

The investment activity in the core CEE countries – Poland, Czech Republic, Slovakia, Romania and Hungary – practically matched the prior-year volume in 2017 with around €11 bn (2016: €11.3 bn). As investment yields were at historic lows

in Western Europe, investors looking for stable markets with an attractive yield profile were increasingly concentrating on the aforementioned CEE region. In this region the asset class with the highest demand was once again offices. The trend of larger companies to outsource their back office to CEE countries boosted demand for office space again in 2017 and is set to remain a dominant issue for the market in the coming years.<sup>14</sup>

The Polish real estate investment market saw a further increase in 2017 with a plus of 11% to just over €5 bn. This rise was largely driven by the retail and office sectors. Poland is the first choice when outsourcing back-office activities, which is why Polish cities have reported the highest development activity in this segment.<sup>15</sup> While rents broadly remained unchanged, pressure was put on prime yields which stood at around 5.0% at year-end.<sup>16</sup> Tangible growth was generated on the Polish hotel investment market last year and it set a new record with a volume of €350m. In recent years this asset class has displayed continuous growth and is a focal point for investors not only in Poland.<sup>17</sup>

The Czech real estate market also reported a successful year. After a strong fourth quarter, an investment volume of €3.7 bn was generated for the full-year 2017, almost matching the record level of the previous year (€3.8 bn). The highest demand was for retail property, which accounted for 43%, followed by office property, responsible for 29% of total volumes.<sup>18</sup>

<sup>10</sup> CBRE press release (9.1.2018): Real estate: record investments in Austria

<sup>11</sup> CBRE press release (9.1.2018): Real estate: record investments in Austria

<sup>12</sup> Otto Immobilien press release (12.2.2018): Record investment 2017

<sup>13</sup> Christie & Co press release (9.1.2018): Hotel investment market Austria 2017: Development prove highly popular among investors

<sup>14</sup> CBRE press release (9.1.2018): Real estate: record investments in Austria

<sup>15</sup> CBRE Poland Investment, Q4 2017

<sup>16</sup> JLL CEE Investment Market, H2 2017

<sup>17</sup> CBRE Poland Investment, Q4 2017

<sup>18</sup> Colliers Market Overview Czech Republic, Q4 2017

## Business performance

In the business year 2017 UBM Development AG succeeded in increasing its Total Output by €187.2m to €744.7m (2016: €557.5m). The primary reason behind this significant year-on-year rise of 33.6% was the successful implementation of the accelerated sales programme "Fast Track 17". Numerous high-volume sales of development projects were undertaken along with the sale of standing assets in Austria and Poland in particular, some of which had been in the portfolio for years. Standouts from the development business included the two hotels in Quartier Belvedere Central in Vienna, the Kotlarska office project in Krakow and the luxury Hyatt Regency hotel in Amsterdam. The portfolio of standing assets was reduced significantly through measures including the sale of an office property with adjoining hotel near Graz, as well as an office property in Krakow. Including the deals that were closed just after the turn of the year, the Company managed to sell standing assets with a value of around €200m in the last business year. This substantial reduction led to an enhanced focus on the higher-margin development business, whereby a milestone in implementing the strategy to become a pure-play developer was achieved in 2017. In addition, there was a positive impact on Total Output from the increase in income from hotel operations (+9.8% to €105.3m), while the Total Output from the Service segment also rose sharply in the period under review (+34.4% to €153.6m).

The Total Output of the "Germany" segment reached €130.7m in the reporting period and thereby decreased year-on-year by 52.5% (2016: €275.3m). The decline was mainly caused by the sale of high-volume office projects (Arena Boulevard in Berlin, Trikot Office in Munich) in 2016. The forward sales from the year 2017, such as the Zalando Headquarters in Berlin or the large-scale Leuchtenbergring project in Munich, will have an impact on Total Output in 2018 following their completion and hand-over. In addition, in 2016 there were also more completions and handovers of apartments (including Berlin-Hohenzollern and Frankfurt Central Living II). The Total Output for 2017 includes, for example, the sale of the Holiday Inn Express Klosterstraße hotel and the sale of a plot of land in Berlin, as well as the sale of the remaining residential units in Berlin-Hohenzollern. In addition, general contractor services for the Leuchtenbergring project and income from hotel operations were included in the Total Output.

The Total Output of the "Austria" segment amounted to €350.8m in 2017 following on from €175.0m in 2016. This two-fold increase year-on-year resulted in particular from the sale of standing assets in the Graz area and Vienna, as well as the high number of apartments completed and handed over in Vienna and Tyrol. Another positive effect on Total Output in this segment came from the handover of the two Accor Hotels in Quartier Belvedere Central in Vienna and a logistics property in Thondorf. At the same time, project management services by the Austrian subsidiary also achieved a year-on-year increase in 2017.

### Total Output by region

in € m	2017	2016	Change
Germany	130.7	275.3	-52.5%
Austria	350.8	175.0	100.4%
Poland	140.3	65.2	115.3%
Other markets	122.8	42.0	192.2%
<b>Total</b>	<b>744.7</b>	<b>557.5</b>	<b>33.6%</b>

In the **“Poland” segment** UBM generated Total Output of €140.3m, meaning that Total Output in this segment also more than doubled against the previous year (2016: €65.2m). This significant increase was caused by the strong sales performance in 2017. Alongside the standing assets in Krakow (Pilot Tower) and Katowice, an office development project in Krakow was also successfully completed and sold. Increased project management services, rising revenues from hotel leasing and rental income from standing assets – especially from the Poleczki Business Park – were additional contributors to the positive performance of the Poland segment.

In 2017 the **“Other markets” segment** generated Total Output of €122.8m compared to €42.0m in the previous year. The primary reason for this increase was the sale of the luxury Hyatt Regency hotel in Amsterdam, as well as the sale of standing assets in Andel City in Prague and a logistics centre in Bucharest. These were complemented by revenues from hotels in France and the Netherlands, rental income from standing assets in the Czech Republic and Romania, as well as project management and design services rendered by the Czech subsidiary.

In 2017 Total Output in the **“Office” segment** of €116.4m was around the level of the previous year (2016: €118.2m). A large share of Total Output in the reporting period came from the sale of office properties in Krakow, Vienna and Graz.

The **“Hotel” segment** generated Total Output of €283.2m in the period under review. This twofold increase against the previous year (€142.1) is mainly accounted for by hotel sales in Quartier Belvedere Central in Vienna as well as Berlin, Katowice and Amsterdam. Revenue from hotel operations totalled €105.3m in 2017 (2016: €95.9m).

In the **“Residential” segment** Total Output for the period under review stood at €56.6m (2016: €97.4m). The decrease in output against the comparable period was primarily caused by the completion of two large-scale residential construction projects in Germany in the 2016 business year.

In 2017 Total Output of €100.6m was generated in the **“Other” segment** (2016: €62.9m). This includes the sale of a logistics property and a mixed-use standing asset in the Graz region, the sale of a plot in Berlin, the sale of retail space in Andel City in Prague and the sale of a logistics centre in Bucharest.

The Total Output of the **“Service” segment** stood at €184.5m (2016: €129.8m) and comprises management services provided by the subsidiaries in the core markets of Germany, Austria and Poland.

The **“Administration” segment** containing €3.5m (2016: €7.2m) included only services for UBM Development AG and the allocation of management services and intragroup allocations.

**Total Output by asset class**

in € m	2017	2016	Change
Hotel	283.2	142.1	99.3%
Office	116.4	118.2	-1.5%
Residential	56.6	97.4	-41.9%
Other	100.6	62.9	59.9%
Service	184.5	129.8	42.1%
Administration	3.5	7.1	-50.5%
<b>Total</b>	<b>744.7</b>	<b>557.5</b>	<b>33.6%</b>

## Financial performance indicators

### Business performance and earnings

The core business of the UBM Group is the project-based real estate business. Revenue reported in the income statement is subject to strong fluctuations because IFRS accounting requirements only permit the recognition of revenue as soon as these projects – which are carried out over a period of several years – are sold. The sale of properties through share deals and the development of projects within the framework of investments accounted for at equity are not reflected in revenue. This influences the informative value as well as the comparability with previous periods. In order to improve the transparency of information on the development of the business, UBM also reports Total Output. This managerial indicator includes – analogous to the revenue – the proceeds from property sales, rental income, income from hotel operations, invoiced planning and construction services for UBM's construction sites, and deliveries and management services provided to third parties. In addition it also includes the profit or loss from companies accounted for at equity and the results from sales in the form of share deals. Total Output is based on the amount of the investment held by UBM. Advance payments due, which primarily relate to large-scale projects or residential construction projects, are not included in Total Output.

In the 2017 business year Total Output amounted to €744.7m, which was 33.6% higher than the previous year (2016: €557.5m). The rise resulted in particular from an increase in property sales. Revenue reported in the income statement reached €364.7m in 2017, thereby decreasing against the previous year by 12.6%. This decline came from a significantly higher percentage of sales as share deals and/or sales activities in companies accounted for at equity in the reporting period, which are not included in revenue.

The share of profit or loss from companies accounted for at equity amounted to €16.5m in the period under review and was thereby 34.5% below the comparable period of 2016 of €25.1m. The main reason for the decrease is the one-off effect in the prior-year period related to the sale of the subsidiary hospitals Projektentwicklungsgesellschaft.

The gains from fair value adjustments to investment property amounted to €39.4m in the reporting period and were thereby significantly lower than the level in 2016 of €54.6m. The gains from fair value adjustments were based almost exclusively on properties currently under development and those that have already been sold in the form of forward deals. At the same time there was a decrease in expenses from fair value adjustments from €20.5m in the previous year to €9.2m in the 2017 business year. The net of positive and negative fair value adjustments stood at €30.2m in the period under review (2016: €34.1m).

In the reporting period other operating income amounted to €30.6m (2016: €7.5m). As in the first three quarters, UBM also benefited with regard to the full year from the favourable exchange rates compared to the previous year, in particular the Zloty. In addition, income was generated from third-party charges and from letting properties and land. Other operating expenses slipped back slightly year-on-year from €52.4m to €50.6m. This item mainly comprises currency translation losses, administrative expenses, travel expenses, advertising costs, other third-party services such as brokerage fees, fees and duties, as well as legal and consultancy costs.

The cost of materials and other related production services was €273.4m compared to €300.4m in 2016. In addition to expenses for the construction of real estate inventories, this item contains, in particular, book value disposals from property

sales in the course of asset deals. The lower year-on-year book value disposals from asset deals led to a decrease in this expense item that was analogous to the revenue performance. Total book value disposals amounted to €126.0m in 2017 (2016: €121.2m). This item also includes expenses arising from goods purchased for resale for purchased services in the course of general contractor activities.

The total number of employees in the companies included in the consolidated financial statements rose to 748 (31 December 2016: 716) – in particular due to the start of hotel operations, including the Holiday Inn Express Berlin-Alexanderplatz. The number of employees working in real estate development was unchanged against the previous year and totalled 309 at the end of the reporting period. Personnel expenses fell by €2.9m to €41.3m in the 2017 business year. This decrease primarily resulted from the one-off effects in the prior-year period caused by changes in the Management Board. The valuation of the UBM share option programme, authorised in the Annual General Meeting in May 2017, contributed €0.4m to the item personnel expenses.

EBITDA of €52.4m was 5.7% above the prior-year value of €49.6m. Also EBIT increased by 5.2% in the period under review to €48.6m (2016: €46.2m). In 2017 financial income reached €21.2m, thereby marking a significant increase against the previous year (2016: €13.1m). This was due to the higher number of property sales in the course of share deals than the previous year; these accounted for around €13.5m of financial income in the period under review. EBT of €50.5m was 26.0% higher than the previous year's figure of €40.1m and thereby just surpassed the previous all-time record of €50.3m from the year 2015. The strong improvement in earnings led to an increase in tax expense from €10.7m in 2016 to €13.5m in the period under review. This resulted in a tax rate of 26.8% for the full-year 2017, almost the same as the prior-year rate of 26.7%.

The profit after tax (net profit), before deduction of the share attributable to non-controlling interests, was €37.0m and thereby 25.9% higher than the net profit for the comparable period of the previous year (2016: €29.4m) and similar to the level of the record profit in 2015. The net profit after non-controlling interests totalled €36.5m, which was not just well above the previous year (€29.1m), but also significantly higher than the record year 2015 – when it reached €33.8m.

Earnings per share of €4.88 were generated in the 2017 business year, representing an increase of 25.3% against the comparable value of the previous year (2016: €3.90).

#### **Asset and financial position**

As of 31 December 2017 the total assets of the UBM Group declined in comparison to year-end 2016 by €102.8m to €1,130.9m, broadly as the result of the successful sales activities in the 2017 business year.

Property, plant and equipment totalled €50.7m and was thereby above the level at 31 December 2016 (€44.5m). The increase was caused in particular by the appreciation in value in the course of construction progress made on the Leuchtenbergring hotel project in Munich.

Investment property decreased against 31 December 2016 from €496.6m to €371.8m. This decline resulted from sales in the course of the "Fast Track 17" programme, as well as reclassifications into current assets due to upcoming sales. Ongoing investments in the business year had an opposite effect.

The carrying amount of the properties classified as non-current assets held for sale also declined from €157.1m as of 31 December 2016 to €112.6m as of 31 December 2017. The main reason for this decrease was the sale of two office properties in Krakow, the sale of two hotels in Quartier Belvedere Central in Vienna and the sale of a property in Berlin. As of

31 December 2017, this item included one office property, a retail park and a hotel property in Poland, as well as two smaller properties in Romania and Croatia, whose sale in the next twelve months is considered probable.

Investments in companies accounted for at equity rose in the period January to December 2017 from €109.6m (previous year) to €118.5m. This increase was primarily due to the at equity consolidation of Zalando in connection with the incorporation of a partner, as well as the purchase of two properties in Germany accounted for at equity.

The increase in project financing to €123.5m (31 December 2016: €111.9m) reflected an increase in capital requirements by companies accounted for at equity.

Other financial assets totalled €5.6m as of the reporting date and were unchanged against 2016.

Current and non-current financial assets climbed from €11.7m in 2016 to €14.7m, primarily because of the increase in collectable outstanding purchase price receivables from the high sales volumes in 2017.

Current assets decreased slightly against 31 December 2016 from €452.4m to €444.3m. At the end of 2017 inventories of €181.3m were at a similar level to year-end 2016 (€185.4m). This position mainly includes real estate (especially apartments) held for sale and miscellaneous inventories. While the sale of a hotel in Berlin and multiple apartments in Germany and Austria had the impact of reducing inventories, investments in a mixed-use property in Munich had the opposite effect.

As of 31 December 2017 cash and cash equivalents stood at €75.2m, which was significantly higher than the prior-year level of €42.3m. The UBM sales success in the past business year was also the key factor behind the increase in this item.

Trade receivables totalled €53.2m as of 31 December 2017, thereby rising sharply against 31 December 2016 (€38.6m). The main driver of the increase was the rise in construction contracts measured according to the percentage of completion (PoC) method and higher receivables from services rendered for project developments in companies accounted for at equity.

Other receivables and current assets, which include sales tax receivables in particular, fell sharply to €12.0m (31 December 2016: €18.8m).

As of 31 December 2017 equity totalled €355.4m (31 December 2016: €341.5m), which was primarily due to the good earnings situation. Parallel to the decrease in total assets to €1,130.9m (2016: €1,233.8m), the equity ratio underwent a significant increase to 31.4% (31 December 2016: 27.7%). The successful placement of a €100m hybrid bond at the end of February 2018 is not yet included in the balance-sheet figures as of 31 December 2017.

Bond liabilities as of 31 December 2017 stood at €383.8m and increased against 31 December 2016 (€321.3m). The reason was the issue of a €150m bond with an exchange offer for the 2014–2019 bond in October 2017. Financial liabilities (current and non-current) totalled €169.3m as of the reporting date and underwent a significant reduction against the previous year (2016: €412.2m) as the result of successful sales activities and the accompanying repayment of project financing. Moreover, the Company managed to pay back project financing on other selected properties as well.

Trade payables fell against the previous year from €77.4m to €70.8m at 31 December 2017 and included, above all, payments for subcontractor services that were still outstanding as of the reporting date.

The other financial liabilities (current and non-current) decreased slightly from €36.6m (31 December 2016) to €34.6m. The reduction mainly came from the periodic accrual of interest as a result of the newly issued bond in October 2017 and the related partial exchange of the 2014–2019 bond.

The total of deferred and current tax payables remained practically unchanged at €26.4m (2016: €27.6m).

Net debt totalled €477.9m as of 31 December 2017 and thereby fell over the course of 2017 by €213.3m or 30.9% from €691.2m. The significant decrease was mainly caused by the high level of sales in the full-year 2017.

#### Cash flow

Operating cash flow increased year-on-year by €29.0m. In addition to the significantly higher surplus for the year, the rise was generated in particular by a share of earnings from companies accounted for at equity that was lower than the prior-year period.

In the period under review cash flow from operating activities stood at €2.4m compared to €42.2m in the previous year. In 2017 a significant release of capital from inventories was achieved. The main factors in this freed-up capital were property sales from inventories of €109.8m. This contrasted with investments in inventory properties of €59.8m. Other inventories were reduced by €2.1m in 2017. The high cash release from inventories was set against an increase in cash tied up through a rise in the volume of receivables resulting from the higher Total Output, with an increase of €9.6m. In addition, the cash flow from operating activities was affected in 2017 by other non-cash transactions of €-16.7m, which were primarily caused by the non-cash gains from currency translation in the 2017 business year.

Cash flow from investing activities amounted to €117.5m in 2017 (previous year: €-114.6m) and reflects UBM's sales activities in 2017. There was a positive effect on cash flow from investing activities in 2017 from the strong cash inflow from payments received from the disposal of intangible assets, inflows from the sale of property, plant and equipment and investment property, payments received from the disposal of financial assets, and inflows from the repayment of project financing, all totalling €334.9m. This stood in contrast to investments in intangible assets, property, plant and equipment, investment property, financial assets and project financing of €255.1m.

Income from the sale of consolidated companies of €37.9m is the net item from the inflow of the fully consolidated subsidiaries sold under share deals. The payments received from real estate transactions in the course of share deals totalling €108.7m were offset against the repayment of borrowings related to the respective project companies totalling €69.9m, as well as other non-controlling interests of €0.9m, which are to be shown as a net item in the cash flow statement in the case of share deals.

Cash flow from financing activities of €-87.9m (2016: €21.4m) contains the inflows from taking out loans and other financing in the course of the project financing business amounting to €262.9m, as well as the income of €64.5m from issuing a new bond (2017–2022). This contrasts with the repayment of loans and other financing of €395.4m, which was mainly paid back in the course of sales activities. Added to this is the cash outflow from dividend payments and servicing the mezzanine/hybrid capital in the amount of €16.7m, as well as payouts to non-controlling interests of subsidiaries of €1.8m.



## Non-financial performance indicators

### Environmental issues

With the founding of a Green Building staff unit at the end of 2017, UBM has anchored the issues of the environment and sustainability even more firmly in its corporate policy. Environmental protection and the careful use of resources are a crucial component in the way UBM Development AG thinks and acts and this is underlined even more strongly by the new staff unit. Projects and development activities always include a focus on environmentally sound planning and construction. The conscious use of energy-optimising construction materials and energy-saving management concepts, coupled with the use of renewables, transform UBM development projects into sustainable and environmentally friendly buildings.

### Staff

The average workforce, including all Group companies, totalled 748 as of 31 December 2017 (of which 439 Hotel). In comparison with year-end 2016 (716 employees, of which 407 Hotel), this represents an increase of 4.5%, which was solely generated by employees in the hotel sector and the initial operation of new hotels. Approximately 82% of UBM's employees work outside Austria.

Education and training measures for personal and professional development are offered in the areas of planning and project development, business management and legal issues, 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. UBM's broad geographical positioning means that staff are frequently spread out internationally; the resultant know-how transfer is yet another important factor within the context of comprehensive staff development.

### Non-financial information in accordance with NaDIVEG (Austrian Act to Improve Sustainability and Diversity)

UBM Development AG is producing a separate, non-financial report to fulfil the legal requirements in accordance with Section 243b of the Austrian Commercial Code in conjunction with Section 267a of the Austrian Commercial Code. This report will be published in May 2018.

### Research and Development

The Company does not conduct any R&D activities.

### 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

#### Styria branch office:

Thalerstrasse 88, 8141 Unterpremstätten

### Forecast

The International Monetary Fund (IMF) predicts that economic momentum will continue to grow in the year 2018, whereby growth in global economic output has been estimated at 3.9%. In the eurozone as well indicators point to ongoing growth that will be supported by the prevailing low interest rate policy coupled with the liquidity measures by the European Central Bank (ECB) that are still ongoing.<sup>1</sup>

<sup>1</sup> National Bank of Austria: Economic Update, January 2018

Following a record year on the European real estate markets, strong momentum in property investments is expected once again in 2018. A shortage of attractive assets has been observed throughout the whole of Europe, leading to a decrease in yields for investors. Nevertheless, given the lack of alternative investment opportunities, demand for real estate is set to remain unabated. The three core markets of UBM – Germany, Austria and Poland – as well as the three asset classes – Hotel, Office and Residential – should all benefit from this positive market environment. Especially in Germany, experts expect an increase in real estate investments from North America and Asia. The limited availability in the top German cities could also cause an increase in international capital to flow to Vienna.

The positive performance of the business in the past year is proof of the strategic direction of UBM. In 2018 UBM will further concentrate on pure real estate development and expedite its transformation into a pure-play developer. While considerable progress has been made in streamlining the portfolio, the sale of standing assets will be continued in 2018. Here future risks will be mitigated through forward deals, under which prices are fixed well in advance with buyers for projects that are not yet completed. Despite numerous completions by the end of 2017, UBM has a bulging project pipeline for the next three years of €1.6 bn (2018–2020), of which almost 50% has already been sold in forward deals. In addition to this is another €0.2 bn in 2021; which has not yet qualified for a forward structure in light of the early stage of the projects.

With forward sales accounting for 75%, the visibility for the year 2018 is exceptionally high. On this basis UBM is optimistic that it will be able to outperform the Company's previous all-time record year, 2015, in terms of both Total Output and earnings in the 2018 business year. With this in mind, the Management Board forecasts Total Output in excess of €750m and EBT of over €50m. Consequently, earnings per share should surpass the five-euro mark in 2018. At the end of the reporting period 2018 the equity capital is expected to be above €400m.

## Risk report

As a result of the business activity of UBM Development AG and its operating subsidiaries and equity interests in multiple European cities and asset classes, the UBM Group is exposed to a range of risks. However, this diversification, i.e. conducting activities in various countries and multiple asset classes, also promotes risk management and reduction as changes do not usually occur simultaneously and in every market. Furthermore, from a risk-policy angle, the opportunity exists to promote individual asset classes over others and/or to 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
- Meeting (payment) obligations at any time
- Full compliance with the law at all times and being able to prove this to the auditor and FMA
- Recognizing potential risks in a timely manner in order to take countermeasures
- Developing a uniform view of risks – stringent evaluation and documentation

### Material risks

The material risks of UBM lie in the project development business and arise 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 therefore has considerable experience in the early identification, analysis, evaluation, monitoring and control of risks. Thereby all material risks are considered that could have a significant impact on the operating business.

## Risk Management System (RMS) measures in 2017

### 1. Risk identification and analysis

On the basis of the risk identification and analysis carried out in 2016 and applied across the entire UBM value chain, a new evaluation of the individual risks was conducted in 2017.

### 2. Risk evaluation

The evaluation is based on a risk characterisation and on the assessment of the probability of occurrence and the possible extent of the damage of incidents that impact on the annual results in the form of a professional judgement made by the Management Board. This evaluation takes place every six months in order to be able to react rapidly to any possible changes in the individual risk positions.

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 in relation to each individual risk was 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 documentation

The results were summarized in a report that serves as the basis for subsequent prioritising and controlling of risks. The results are reported to the Supervisory Board twice a year.

### 4. Risk control and monitoring

One approach to controlling risks at UBM is the top-down approach. This involves developing work instructions and guidelines. Responsibilities are assigned starting out from the management to the risk owners.

In the bottom-up process the risk owners issue regular status and risk reports to the Management Board.

It is only by constantly addressing risks and engaging in transparent communication that proposals to mitigate risks can be developed in the respective business units and also discussed with the Management Board.

### 5. Risk management

Depending on the importance, risk management is handled in the project team, at departmental level or by the Management Board.

This structured approach is embedded in the RMS as a continuous process.

### Risk categories

A number of the material, individual risks to which UBM is exposed 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 know-how 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 Management 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 control of costs, quality, and construction scheduling during the construction phase. Regular project reports given to the Management 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. Distribution, utilisation and sales risks:** Here differentiation is made between the distribution risks in the process of home ownership, utilisation risks (rental risks for initial letting) and the sales risks when selling complete properties. The main risk in the sales and distribution process comes from the macro factors underpinning the valuation methods. These include the anticipated rental income and the discount 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 that 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 selecting and approaching interested buyers. A dedicated, central transaction team with the requisite experience and contacts work 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 Management 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 Management 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

The criminal proceedings against former Management 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 €600,000.00 made by the Company to a company of Walter Meischberger in 2005, ended in 2017 with acquittals.

Disclosures on risks related to financial instruments are shown in the notes to the consolidated financial statements, note 44 "Notes on financial instruments".

#### Internal control system

The main 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 savings.

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 Management Board. Commercial controlling monitors current business developments for deviations 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 accounting, 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, the department reports directly to the entire Management Board. Internal audit examines corporate processes and the effectiveness of internal controls and contributes to their improvement. When circumstances require it, internal audit carries out ad hoc audits under the corresponding instructions of the Management Board.

Furthermore, internal audit serves as an advisor to the Management 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 regular audits. An audit plan was produced for 2017; the planned audits were carried out and the requisite recommendations were implemented by the respective departments. Two ad hoc audits were conducted when required. The findings have already led to concrete proposals for improvement, which have already been implemented to a significant degree. The internal audit of UBM is supported by external consultants on a project basis.

## Disclosure acc. to Section 243a, Austrian Commercial Code as of 31 December 2017

### 1. Composition of capital

As of 31 December 2017 the share capital is composed of 7,472,180.00 no-par bearer shares, each representing the

same amount of the total share capital of €22,416,540.00. 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 Section 5 Paragraph 3 of the statutes and in line with Section 10 Paragraph 2 of the Austrian 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 Section 1 Paragraph 3 of the Securities Deposit Act or at an equivalent foreign institution.

Section 4 Paragraph 5 of the statutes also stipulates that the share capital as of 31 December 2017 may be conditionally increased in accordance with Section 159 Paragraph 2 (1) of the Austrian Stock Corporation Act up to a nominal of €2,241,654.00 through the issue of up to 747,218 new, ordinary, no no-par bearer shares for issuing to creditors of convertible bonds (conditional capital increase).

### 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 Management 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 of 31 December 2017: 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** in the Company.

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

On 23 May 2017 the general shareholders' meeting approved the Long-Term Incentive Programme 2017 (LTIP). The Supervisory Board of UBM also approved the LTIP in its meeting on 23 May 2017. Item 6 of the LTIP terms and conditions specifies that every stock option is entitled to subscribe to shares in the Company upon expiry of the respective periods laid out in the terms and conditions as long as the specified preconditions are fulfilled. The relevant strike price is defined in item 6.3 of the terms and conditions as the unweighted average of the closing price of the Company's share on the Vienna Stock Exchange in the period 24 May 2017 (inclusive) to 21 June 2017 (inclusive). The strike price for exercising the share options under the LTIP was calculated on this basis and set at €36.33 per share.

**6. Provisions on the composition of the Management Board and the Supervisory Board and on amending the statutes**

In accordance with Section 6 Paragraph 1 of the statutes, the Management Board consists of between two and six people. In line with Section 6 Paragraph 2 of the statutes, the Supervisory Board can appoint deputies to the Management Board. In line with Section 6 Paragraph 3 of the statutes, the Supervisory Board can name one member as the Chairman and one member as the Deputy Chairman. Any deputy Management Board members have the same powers of representation as the regular Management Board members in line with Section 8 Paragraph 3 of the statutes.

In line with Section 9 Paragraph 1 of the statutes, the Supervisory Board is composed of at least three and not more than twelve members appointed by the general shareholders' meeting. In line with Section 9 Paragraph 8 of the statutes, 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 their seat on the Supervisory Board effective immediately if the Supervisory Board member steps down before the end of their 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 they take 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 they have been chosen to represent. In line with Section 9 Paragraph 2 of the statutes, 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 Section 9 Paragraph 6 of the statutes, 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 Section 9 Paragraph 4 of the statutes, the appointment of a member of the Supervisory Board can be rescinded before the end of their time in office by general shareholders' meeting resolution requiring a simple majority of votes cast.

In accordance with Section 19 Paragraph 1 of the statutes, the resolutions of the general shareholders' meeting 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 Management Board, this resolution has reduced the majority of at least three quarters of the share capital represented in voting as generally stipulated by the Austrian Stock Corporation Act for changes to the statutes to a simple capital majority.

#### **7. Authority of the members of the Management Board**

In accordance with Section 4 Paragraph 4 of the statutes, as of 31 December 2017, the Management Board is authorised to increase the share capital by 11 August 2022 by up to €2,241,654.00 with the approval of the Supervisory Board by issuing up to 747,218 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 subscription rights pursuant to Section 153 Paragraph 6 of the Austrian Stock Corporation Act (authorised capital); the Management 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 subscription rights of shareholders relating to the authorised capital from the newly issued shares are excluded if and insofar as the exercising of this authorisation (authorised capital) relates to the issue of shares in exchange for cash under greenshoe options in the course of placing new shares in the Company. Furthermore, the Management Board is authorised, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders. The Supervisory Board is entitled to pass resolutions on amending the statutes to allow the Management Board to make use of this authorisation.

Furthermore, as of 31 December 2017 and in accordance with Section 4 Paragraph 5 of the statutes, the Management Board is authorised to determine the other details related to the

conditional capital increase and its implementation with the approval of the Supervisory Board, especially the particulars of the issue and the conversion procedure for the convertible bonds, the amount of the issue and the exchange or conversion ratio. The Supervisory Board is authorised to pass resolutions on amendments to the statutes arising from the issue of shares from conditional capital. The amount of the issue and conversion ratio shall be determined on the basis of recognised actuarial methods and the share price of the Company using an accepted pricing procedure. In the event of a conversion obligation as specified in the conditions of the issue of the convertible bonds, the contingent capital shall also be used to meet this conversion obligation.

Finally, under Section 4 Paragraph 6 of the statutes and in order to service the stock options granted within the framework of the Long-Term Incentive Programme 2017, the Management Board was additionally authorised, in accordance with Section 159 Paragraph 2 (3) of the Austrian Stock Corporation Act, with the approval of the Supervisory Board, to conditionally increase the Company's share capital, in multiple tranches if so wished, by up to €1,678,920.00 by issuing up to 559,640 new ordinary no-par bearer shares to employees, key managers and members of the Management Board of the Company and its subsidiaries until 11 August 2022. The strike price was €36.33. The Supervisory Board was also authorised to pass resolutions on amendments to the statutes arising from the conditional capital increase.

#### **8. Significant agreements**

In July 2014 a bond (partial debenture) worth €160,000,000.00 (2014–2019) was issued, which was increased by €15,000,000.00 to €175,000,000.00 in December 2014 and by €25,000,000.00 to a total of €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. In October 2017 a bond (partial debenture)



with a total nominal value of €150,000,000.00 and a term to 2022 was issued. An exchange offer was carried out at the same time, under which the partial debentures of the bond issued in 2014 with a total nominal value of €84,047,500.00 were converted into partial debentures of the bond issued in October 2017. In the course of the cash issue of the bond issued in October 2017, partial debentures with a total nominal value of €65,952,500.00 were 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 their 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 Section 243a (8) of the Austrian Commercial Code.

**9. Indemnification agreements** under the terms of Section 243a (9) of the Austrian Commercial Code shall not apply.

Vienna, 3 April 2018

The Management Board



**Thomas G. Winkler**  
Chairman



**Martin Löcker**



**Patric Thate**

# **accounts.notes.audit.**

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**one year.**

## Consolidated Income Statement

for the business year 2017

in T€	Notes	2017	2016
Revenue	(7)	364,668	417,020
Changes in the portfolio	(7)	-24,051	-36,961
Share of profit/loss from companies accounted for at equity		16,469	25,124
Income from fair value adjustments to investment property		39,420	54,570
Other operating income	(8)	30,576	7,450
Cost of materials and other related production services	(9)	-273,429	-300,372
Personnel expenses	(10)	-41,389	-44,278
Expenses from fair value adjustments to investment property		-9,218	-20,514
Other operating expenses	(11)	-50,601	-52,427
<b>EBITDA</b>		<b>52,445</b>	<b>49,612</b>
Depreciation and amortisation	(12)	-3,827	-3,406
<b>EBIT</b>		<b>48,618</b>	<b>46,206</b>
Financial income	(13)	21,233	13,147
Financial costs	(14)	-19,387	-19,288
<b>EBT</b>		<b>50,464</b>	<b>40,065</b>
Income tax expense	(15)	-13,498	-10,709
<b>Profit for the period (net profit)</b>		<b>36,966</b>	<b>29,356</b>
of which: attributable to shareholders of the parent		36,463	29,109
of which: attributable to non-controlling interests		503	247
<b>Basic earnings per share (in €)</b>	<b>(16)</b>	<b>4.88</b>	<b>3.90</b>
<b>Diluted earnings per share (in €)</b>	<b>(16)</b>	<b>4.88</b>	<b>3.90</b>

**Statement of Comprehensive Income**

for the business year 2017

in T€	Notes	2017	2016
<b>Profit for the period (net profit)</b>		<b>36,966</b>	<b>29,356</b>
<b>Other comprehensive income</b>			
Remeasurement of defined benefit obligations	(34)	280	-856
Income tax expense on other comprehensive income		-71	219
<b>Other comprehensive income which cannot be reclassified to profit or loss (non-recyclable)</b>		<b>209</b>	<b>-637</b>
Gains (losses) from fair value measurement of securities		27	-16
Currency translation differences		-2,210	-963
Income tax expense (income) on other comprehensive income		-7	4
<b>Other comprehensive income which can subsequently be reclassified to profit or loss (recyclable)</b>		<b>-2,190</b>	<b>-975</b>
<b>Other comprehensive income for the period</b>		<b>-1,981</b>	<b>-1,612</b>
<b>Total comprehensive income for the period</b>		<b>34,985</b>	<b>27,744</b>
of which: attributable to shareholders of the parent		34,535	27,501
of which: attributable to non-controlling interests		450	243

## Consolidated Statement of Financial Position

as of 31 December 2017

in T€	Notes	2017	2016
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	(17)	2,740	2,841
Property, plant and equipment	(18)	50,709	44,464
Investment property	(19)	371,816	496,583
Investments in companies accounted for at equity	(20)	118,504	109,636
Project financing	(21)	123,479	111,905
Other financial assets	(22)	5,601	5,605
Financial assets	(25)	4,744	1,533
Deferred tax assets	(29)	9,029	8,818
		<b>686,622</b>	<b>781,385</b>
<b>Current assets</b>			
Inventories	(23)	181,261	185,355
Trade receivables	(24)	53,229	38,616
Financial assets	(25)	9,941	10,168
Other receivables and current assets	(26)	12,047	18,825
Cash and cash equivalents	(27)	75,204	42,298
Assets held for sale	(28)	112,629	157,114
		<b>444,311</b>	<b>452,376</b>
<b>Assets total</b>		<b>1,130,933</b>	<b>1,233,761</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	(30, 31)	22,417	22,417
Capital reserves	(32)	98,954	98,954
Other reserves	(32)	150,675	132,422
Mezzanine/hybrid capital	(33)	80,100	80,100
<b>Equity attributable to shareholders of the parent</b>		<b>352,146</b>	<b>333,893</b>
Non-controlling interests		3,301	7,561
		<b>355,447</b>	<b>341,454</b>
<b>Non-current liabilities</b>			
Provisions	(34)	7,749	9,211
Bonds	(35)	383,766	321,296
Non-current financial liabilities	(36)	88,898	193,704
Other non-current financial liabilities	(38)	4,116	6,151
Deferred tax liabilities	(29)	18,376	20,109
		<b>502,905</b>	<b>550,471</b>
<b>Current liabilities</b>			
Provisions	(34)	1,001	4,280
Current financial liabilities	(36)	80,414	218,495
Trade payables	(37)	70,763	77,400
Other current financial liabilities	(38)	30,474	30,460
Other current liabilities	(39)	81,862	3,744
Taxes payable	(40)	8,067	7,457
		<b>272,581</b>	<b>341,836</b>
<b>Equity and liabilities total</b>		<b>1,130,933</b>	<b>1,233,761</b>

## Consolidated Cash Flow Statement

for the business year 2017

in T€	2017	2016
Profit (loss) for the period	36,966	29,356
Depreciation, impairment and reversals of impairment on fixed assets and financial assets	-26,375	-30,649
Interest income/expense	11,608	12,815
Income from companies accounted for at equity	-16,440	-25,124
Dividends from companies accounted for at equity	622	1,204
Decrease in long-term provisions	-1,282	-3,731
Deferred income tax	8,842	1,042
<b>Operating cash flow</b>	<b>13,941</b>	<b>-15,087</b>
Increase in short-term provisions	49	3,205
Decrease/increase in tax provisions	-1,369	1,714
Gains/losses on the disposal of assets	-11,995	-2,937
Decrease in inventories	47,902	29,863
Increase in receivables	-9,632	-3,244
Decrease/increase in payables (excluding banks)	623	34,315
Interest received	1,752	6,355
Interest paid	-22,141	-18,449
Other non-cash transactions	-16,712	6,468
<b>Cash flow from operating activities</b>	<b>2,418</b>	<b>42,203</b>
Proceeds from the sale of intangible assets	20	1
Proceeds from the sale of property, plant and equipment and investment property	205,304	121,467
Proceeds from the sale of financial assets	11,699	20,185
Proceeds from the repayment of project financing	117,908	6,977
Investments in intangible assets	-11	-70
Investments in property, plant and equipment and investment property	-202,570	-213,777
Investments in financial assets	-16,613	-6,303
Investments in project financing	-35,951	-44,926
Proceeds from the sale of consolidated companies	37,853	1,662
Payments made for the purchase of subsidiaries less cash and cash equivalents acquired	-164	175
<b>Cash flow from investing activities</b>	<b>117,475</b>	<b>-114,609</b>
Dividends	-16,725	-16,725
Dividends paid to non-controlling interests	-1,813	-809
Schuldscheindarlehen	-	32,000
Proceeds from bonds	64,510	18,500
Repayment of bonds	-	-51,863
Increase in loans and other financing	262,955	270,979
Repayment of loans and other financing	-395,373	-230,649
Acquisition of non-controlling interests	-1,500	-
<b>Cash flow from financing activities</b>	<b>-87,946</b>	<b>21,433</b>
<b>Cash flow from operating activities</b>	<b>2,418</b>	<b>42,203</b>
<b>Cash flow from investing activities</b>	<b>117,475</b>	<b>-114,609</b>
<b>Cash flow from financing activities</b>	<b>-87,946</b>	<b>21,433</b>
<b>Change to cash and cash equivalents</b>	<b>31,947</b>	<b>-50,973</b>
Cash and cash equivalents at 1 Jan	42,298	93,744
Currency translation differences	959	-473
Changes to cash and cash equivalents resulting from changes in the consolidated group	-	-
<b>Cash and cash equivalents at 31 Dec</b>	<b>75,204</b>	<b>42,298</b>
Taxes paid	6,044	7,967

**Statement of Changes in Group Equity**

for the business year 2017

in T€	Share capital	Capital reserves	Remeasurement of defined benefit obligations	Currency translation reserve
<b>Balance at 1 Jan 2016</b>	<b>22,417</b>	<b>98,954</b>	<b>-2,238</b>	<b>1,204</b>
Total profit/loss for the period	-	-	-	-
Other comprehensive income	-	-	-637	-946
Total comprehensive income for the period	-	-	-637	-946
Dividend	-	-	-	-
Changes in non-controlling interests	-	-	-	-
<b>Balance at 31 Dec 2016</b>	<b>22,417</b>	<b>98,954</b>	<b>-2,875</b>	<b>258</b>
Total profit/loss for the period	-	-	-	-
Other comprehensive income	-	-	209	-2,157
Total comprehensive income for the period	-	-	209	-2,157
Dividend	-	-	-	-
Equity-settled share options	-	-	-	-
Changes in non-controlling interests	-	-	-	-
<b>Balance at 31 Dec 2017</b>	<b>22,417</b>	<b>98,954</b>	<b>-2,666</b>	<b>-1,899</b>



## Consolidated Financial Statements

Available-for-sale securities: fair value reserve	Other reserves	Mezzanine/ hybrid capital	Equity attributable to equity holders of the parent	Non-controlling interests	Total
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
-	31,693	4,770	36,463	503	36,966
20	-	-	-1,928	-53	-1,981
20	31,693	4,770	34,535	450	34,985
-	-11,955	-4,770	-16,725	-1,813	-18,538
-	427	-	427	-	427
-	16	-	16	-2,897	-2,881
51	155,189	80,100	352,146	3,301	355,447

# 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 Section 245a of the Austrian Commercial Code (UGB) in accordance with the International Financial Reporting Standards (IFRS) and adopted by the European Union 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 using the compensated summation method. The year under review corresponds to the calendar year and ends on 31 December 2017.

## 2. Consolidated group

In addition to UBM, 57 (previous year: 63) domestic subsidiaries and 76 (previous year: 81) foreign subsidiaries are included in the consolidated financial statements. In the reporting period eight 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.).

One company was eliminated through an internal transfer in the form of a merger; twelve companies were sold and two companies were liquidated. For a further four companies so many shares were sold that now only significant influence remains and they are accounted for at equity. The sales price of T€54,758 included cash payments of T€50,569, of which T€8,975 was already received as advance payments in 2016 and T€4,189 is still outstanding; for one company this represents a related party transaction. The assets and liabilities over which control was lost break down as follows:

in T€	2017
<b>Non-current assets</b>	
Investment property	92,287
Investments in associated companies	12,821
Other non-current financial assets	178
Deferred tax assets	2,005
<b>Current assets</b>	
Inventories	2,102
Trade receivables	108
Other financial assets	82
Other receivables and current assets	3,068
Cash and cash equivalents	4,210
Assets held for sale	151,220

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in T€	2017
<b>Non-current liabilities</b>	
Financial liabilities	48,281
Other financial liabilities	3,673
Deferred tax assets	14,696
<b>Current liabilities</b>	
Provisions	3,328
Financial liabilities	63,059
Trade payables	2,808
Other financial liabilities	83,493
Tax payables	19

In addition, 33 domestic (previous year: 27) and 27 foreign (previous year: 30) associates and joint ventures were valued under the equity method.

For 18 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. Initial consolidations

In the 2017 business year the following companies were fully consolidated for the first time (see list of investments for details):

Due to new foundations	Date of initial consolidation
Rezidence Tusarova 46 s.r.o.	3.2.2017
Poleczki Parking House Sp.z o.o.	11.5.2017
UBM Twarda Sp. Z o.o.	8.8.2017
UBM Deutschland GmbH	22.9.2017
ML-ZENTRAL Liegenschaftsverwaltungs GmbH	16.10.2017
<b>Due to an increase in the investment held</b>	<b>Date of initial consolidation</b>
Top Office Munich GmbH	26.1.2017
<b>Due to acquisitions</b>	<b>Date of initial consolidation</b>
Sarium Beteiligungsverwaltungs GmbH & Co. "Office Provider" OG	2.1.2017
KLC III CZ s.r.o.*	19.4.2017

\* With effect from 1 July 2017, III CZ s.r.o. merged with Graficka 1 s.r.o. and 50% of the company was transferred with the transfer agreement dated 18 September 2017.

Top Office Munich GmbH is a shell company. Sarium Beteiligungsverwaltungs GmbH & Co. "Office Provider" OG and KLC III CZ s.r.o. involve the purchase of property and the respective financing of this real estate. They are not classified as a business combination pursuant to IFRS 3. The acquisitions are presented as asset deals in the notes.

The assets and liabilities over which control was obtained break down as follows:

in T€	2017
<b>Non-current assets</b>	
Property, plant and equipment	3
Investment property	38,717
Other non-current financial assets	13
Deferred tax assets	20
<b>Current assets</b>	
Trade receivables	4,212
Other financial assets	1,117
Other receivables and current assets	25
Cash and cash equivalents	2,732
<b>Non-current liabilities</b>	
Financial liabilities	28,500
Deferred tax assets	2,468
<b>Current liabilities</b>	
Financial liabilities	6
Trade payables	1,019
Other financial liabilities	7,675
Other liabilities	120
Tax payables	1,966

### 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 as of 31 Dec 2017	Average annual exchange rate
PLN	4.1709	4.2447
CZK	25.5400	26.2892
	Mean exchange rate as of 31 Dec 2016	Average annual exchange rate
PLN	4.4240	4.3757
CZK	27.0200	27.0425

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% (previous year: 10% to 50%) are applied.

The amortisation apportionable to the business year is shown in the income statement under the item "Depreciation and amortisation".

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:

in %	2017	2016
Buildings	1.5 to 33.3	1.5 to 33.3
Technical equipment and machinery	4.0 to 50.0	4.0 to 50.0
Other facilities, fixtures and office equipment	4.0 to 50.0	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€7,348 (previous year: T€10,005) 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 posted 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, all the risks and rewards essentially 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 at equity** 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 investments 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%.

**Share-based payments** in equity instruments are recognised at fair value at the point in time that they are granted. The fair value is recognised under personnel expenses over the vesting period and shown in the capital reserves. The number of options granted shall be re-evaluated at the end of every reporting period; however, a new valuation of the option shall not be carried out.

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 1.90% p.a. (previous year: 1.65%) was applied with salary increases of 2.10% (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 10.5% (previous year: 0.0% to 10.5%) and for anniversary bonuses in Germany a range of 0.0% to 10.6% (previous year: 0.0% to 10.6%) 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 8.50%; previous year from 5.00% to 10.25%) 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.

## Consolidated Financial Statements

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 of 31 Dec 2017			Carrying amount as of 31 Dec 2016		
	168,025			214,792		
	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%	-	21,349	-15,791	-	19,772	-16,885
0.50%	-4,446	6,934	-16,053	-11,615	4,915	-28,908
-0.50%	12,550	26,012	-604	15,933	35,013	-3,743

in T€

Development projects						
	Carrying amount as of 31 Dec 2017			Carrying amount as of 31 Dec 2016		
	203,791			281,791		
Developer profit	-5.00%	5.00%		-5.00%	5.00%	
	24,181	-24,544		35,516	-38,073	
Adjustment to yield	-0.50%	0.50%		-0.50%	0.50%	
	29,993	-26,681		59,656	-52,431	
Adjustment to construction costs	10.00%	-10.00%		10.00%	-10.00%	
	-36,422	36,039		-66,606	64,106	
Adjustment to rental income	-10.00%	10.00%		-10.00%	10.00%	
	-50,171	49,158		-80,026	80,674	

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.

(Investment) properties intended for sale: for any 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 see 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	-3.90%	-2.70%	4.10%	2.80%

	Pension trend +0.25%		Pension trend -0.25%	
	vested	liquid	vested	liquid
Pension DBO	4.10%	2.80%	-3.90%	-2.70%

	Life expectancy +1 year		Life expectancy -1 year	
	vested	liquid	vested	liquid
Pension DBO	3.60%	4.90%	-3.20%	-4.20%

**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 25<sup>th</sup> year of service, 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	-1.88%	-1.94%	1.89%	-1.84%
	Fluctuation +0.50% until 25 <sup>th</sup> year of service	Fluctuation -0.50% until 25 <sup>th</sup> year of service	Life expectancy +1 year	Life expectancy -1 year
Severance DBO	-0.15%	0.14%	0.11%	-0.12%

**Project financing:** As the parent company, UBM issues loans to its companies accounted for at equity 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

### 6.1. Standards adopted for the first time in the year under review

#### Amendments to standards and interpretations

##### 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.

##### 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. In particular, the presentation of cash flows from financing activities is to be complemented by a reconciliation to be disclosed separately from the statement of cash flows (see note 43). The amendments apply to reporting periods beginning on or after 1 January 2017.

### Annual Improvements to IFRSs 2014–2016 Cycle: Clarification to IFRS 12

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. The amendment applies to reporting periods beginning on or after 1 January 2017.

The first-time application of the amendments to the standards did not have any impact on the consolidated financial statements other than disclosures in the notes.

### 6.2. 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 standard includes requirements for the recognition, measurement and derecognition of financial instruments as well as for hedge accounting and replaces the previously applicable standard IAS 39. In particular, the rules for classifying and measuring financial assets have been rewritten and they are now dependent on the business model and contractual cash flows. Depending on the type of financial asset and the two criteria mentioned, the subsequent measurement is at amortised cost, in the income statement or through profit or loss at fair value. The most significant change in IFRS 9 lies in the new requirements for recognising impairment of financial assets, which are now based on the premise of providing for expected losses (expected loss model). IFRS 9 applies to reporting periods beginning on or after 1 January 2018.

The current financial assets in the Group primarily comprise trade receivables, loans, cash and cash equivalents and debt securities. As of 31 December 2017, the new classification of financial instruments has led to a non-material reclassification of T€26 between the income statement and the statement of comprehensive income OCI, as it only relates to interests in funds. The remeasurement of financial investments in equity instruments (IFRS 9.B5.2.3), which were previously measured at cost in accordance with IAS 39.46(c), will not lead to an increase in the carrying amount as they primarily relate to GmbH shares in complementary companies and non-operational project companies. Applying the new impairment requirements will not increase the Group's value adjustments. An examination of historic data showed that no impairment was recognised in the period under review. In exercising its irrevocable right to choose in accordance with IFRS 9.7.2.21, the Group will apply IFRS 9 for the purpose of hedge accounting.

### IFRS 15 – Revenue from Contracts with Customers

The objective of IFRS 15 is to bring together a range of requirements that were previously contained in different standards and interpretations. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework. The model specifies that revenue is recognised as control is passed (control approach), either over time or at a point in time and thereby replaces the previously applied risk and reward model. Furthermore, the scope of the requisite disclosures in the notes has been expanded.

IFRS 15 applies to reporting periods beginning on or after 1 January 2018 and has had the following impact on the Group's consolidated financial statements:

From the first-time application of IFRS 15 the Group primarily expects impacts on the consolidated financial statements in relation to the sale of development projects. In future, depending on the contract, sales will be realised over a period of time in line with the percentage of completion and thereby the contractual assets and/or contractual liabilities will be recognised in the statement of financial position instead of the property assets that were previously entered. This relates in particular to the sale of residential property, which will, as a rule, meet the criteria for revenue that is realised over a period of time; in the past this was recognised at a point in time on the basis of the stipulations of IFRIC 15. Furthermore, in future the costs of securing the contract will be capitalised and recognised as an expense over the period in which the proceeds are realised. This will also have an impact on the earnings from companies accounted for at equity, as certain residential construction projects are realised in joint ventures. As of 31 December 2017 the recognition of revenue based on the percentage of completion results in an effect on earnings in the low to medium single-digit million euro range. Instead of the values of the real estate, as of 31 December 2017 the contractual assets are to be applied in the amount of a medium double-digit figure in the million euro range. With regard to rental revenue and the sale of standing assets (real estate), there will be no changes in relation to the point in time of revenue realisation. For revenue from construction contracts (customer-specific construction contracts), which was already recognised by applying the PoC method in accordance with IAS 11, in future the revenue will be recognised over time and will therefore not diverge from the present revenue recognition. Generally the Group works as a general contractor, which is why, as a rule, the performance obligations can also not be separated in a single contract.

### 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 twelve months or less or the underlying asset has a low value (option to choose). On initial recognition the liability is discounted and in subsequent years it decreases through lease payments, while also increasing through unwinding. At the same time, a right of use in the amount of the present value of future lease payments is capitalised and subsequently written down using the straight-line method. The previous differentiation between operating leases and finance leases is thereby no longer applicable. The standard was published in January 2016 and its application will be obligatory for reporting periods beginning on or after 1 January 2019.

As the Group companies act as lessees under operating leases, the application of IFRS 16 will have an impact on the consolidated financial statements as described above. The business model was evaluated for this reason and an "asset light" model selected, especially for the Hotel segment. In other cases, contracts previously classified as operating leases were capitalised in the amount of T€217,903 as of 31 December 2017. This would lead to an increase in net debt of €215m to €220m, a reduction in the equity ratio of around 5.0% and an increase in EBITDA of €14m to €16m.

#### Amendments to standards and interpretations

##### 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 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.

##### 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 28 “Investments in Associates and Joint Ventures”: Clarifies 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.

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 related 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 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 reclassified as investment property when there was an evident change in use. The amendments apply to reporting periods beginning on or after 1 January 2018.

##### Amendments to IFRS 9: Prepayment Features with Negative Compensation

A narrow-scope exception has been added to IFRS 9 Financial Instruments to allow instruments with symmetric prepayment options to qualify for amortised cost or fair value through other comprehensive income measurement because they would otherwise fail the SPPI (solely payments of principal and interest) condition. The amendments apply to reporting periods beginning on or after 1 January 2019.

## Standards and interpretations not yet adopted by the European Union

### New standards

#### **IFRS 17: Insurance Contracts**

IFRS 17 is applicable to companies that issue insurance contracts and replaces IFRS 4. The focus of the new regulation is on the measurement of underwriting provisions (and assets), the recognition of revenue from insurance contracts in the respective period, as well as comprehensive reporting in the notes. The amendments apply to reporting periods beginning on or after 1 January 2021.

### New interpretations

#### **IFRIC 22: Foreign Currency Transactions and Advance Consideration**

This interpretation aims 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.

#### **IFRIC 23: Uncertainty over Income Tax Treatments**

Within the IFRSs, the specifications regarding the recognition and measurement of actual income taxes, unused tax losses and unused tax credits are uneven and not sufficiently concrete to eliminate the prevailing uncertainty. Now the IFRIC 23 guidelines and the supplementary instructions on the application of IAS 12 have been provided with the goal of achieving uniform recognition of the items mentioned. The amendments apply to reporting periods beginning on or after 1 January 2019.

### Amendments to standards and interpretations

#### **Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures**

The amendments to IAS 28 clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The amendments apply to reporting periods beginning on or after 1 January 2019.

### Annual Improvements to IFRSs – 2015–2017 Cycle

The annual improvements relate to the following four standards:

- IFRS 3: When an entity obtains control of a business that is a joint operation, it must remeasure previously held interests in that business at acquisition-date fair value. Differences between the fair value of the joint operation at the acquisition date and the previous carrying amount are recognised in profit or loss.
- IFRS 11: When an entity was formerly part of a joint operation but does not have joint control and then subsequently obtains joint control of a business that is a joint operation, the entity does not have to remeasure previously held interests in that business. Recognition has thereby been brought in line with that of associates that become joint ventures.
- IAS 12: How to handle income tax consequences resulting from financial instruments recognised as equity.
- IAS 23: Regarding assets that are still in production, the amendments clarify that specific borrowing taken out to acquire or produce the asset is only to be used in determining average borrowing costs while the asset is not yet ready for its final intended use or sale.

The amendments apply to reporting periods beginning on or after 1 January 2019.



## 7. Revenue

Revenue totalling T€364,668 (previous year: T€417,020) includes proceeds from the sale of properties, rental income, income from the hotel business, 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 at equity and subsidiaries which are not consolidated in full.

in T€	2017	2016
<b>Regions</b>		
Germany	130,743	275,263
Austria	350,806	175,014
Poland	140,334	65,193
Other markets	122,848	42,049
<b>Total Group output</b>	<b>744,731</b>	<b>557,519</b>
Less revenue from companies accounted for at equity, subsidiaries and joint ventures	-404,114	-177,460
Less changes to the portfolio	24,051	36,961
<b>Revenue</b>	<b>364,668</b>	<b>417,020</b>

## 8. Other operating income

in T€	2017	2016
Income from the release of provisions	1,085	642
Staff cost allocations	708	494
Exchange gains	21,056	2,345
Rent from space and land	415	567
Miscellaneous	7,312	3,402
<b>Total</b>	<b>30,576</b>	<b>7,450</b>

## 9. Cost of materials and other related production services

in T€	2017	2016
Expenditure on raw materials and supplies and for purchased goods	-135,311	-129,623
Expenditure on purchased services	-138,118	-170,749
<b>Total</b>	<b>-273,429</b>	<b>-300,372</b>

Disposals of carrying amounts from properties sold are recognised in cost of materials. In the reporting period they amounted to T€125,909 (previous year: T€121,232).

## 10. Personnel expenses

in T€	2017	2016
Salaries and wages	-34,519	-38,828
Social welfare expenses	-6,374	-5,005
Expenditure on severance payments and pensions	-496	-445
<b>Total</b>	<b>-41,389</b>	<b>-44,278</b>

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.

Personnel expenses include expenditure totalling T€427 from the Long-Term Incentive Programme (LTIP).

## 11. Other operating expenses

The significant other operating expenses break down as follows:

in T€	2017	2016
Office operations	-11,442	-7,677
Advertising	-1,310	-1,607
Legal and consultancy services	-9,750	-9,450
Depreciation/impairment on current real estate assets	-5,473	-5,547
Exchange losses	-3,416	-8,513
Taxes, contributions and charges	-3,865	-3,137
Bank charges	-2,457	-1,775
Miscellaneous	-12,888	-14,721
<b>Total</b>	<b>-50,601</b>	<b>-52,427</b>

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

## 12. Depreciation and amortisation

Amortisation of T€99 (previous year: T€78) was applied to intangible assets and depreciation of T€3,728 (previous year: T€3,329) to property, plant and equipment.

### 13. Financial income

in T€	2017	2016
Income from investments	-	4,069
of which from affiliates	-	4,068
Interest and similar income	7,778	6,385
of which from project financing for companies accounted for under the equity method and subsidiaries	4,524	4,894
of which from affiliates	1,434	44
Income from the disposal of and reversal of impairment of current financial assets	13,455	2,693
<b>Total</b>	<b>21,233</b>	<b>13,147</b>

### 14. Financial costs

in T€	2017	2016
Interest and similar expenditure relating to bonds and Schuldscheindarlehen	-12,728	-13,336
Interest and similar expenditure relating to other financial liabilities	-3,952	-2,921
Other interest and similar expenses	-2,705	-2,943
Expenditure relating to other financial assets	-2	-88
<b>Total</b>	<b>-19,387</b>	<b>-19,288</b>

### 15. Income tax expense

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 investment in accordance with Section 9 of the 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€	2017	2016
Actual tax expense	4,657	9,667
Deferred tax expense/income	8,841	1,042
<b>Tax expense (+)/income (-)</b>	<b>13,498</b>	<b>10,709</b>

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€	2017	2016
Profit before income tax	50,464	40,065
Theoretical tax expense (+)/income (-)	12,616	10,016
Differences in rates of taxation	2,375	2,940
Tax effect of non-deductible expenditure and tax-exempt income	-1,580	-5,442
Income/expenditure from companies accounted for under the at equity method	817	-3,529
Changes in deferred tax assets not applied in relation to loss carryforwards	-1,392	5,569
Effect of changes in tax rates	66	-141
Tax expenses (+)/income (-) related to other periods	70	-1,110
Other differences	526	2,406
<b>Taxes on income and earnings</b>	<b>13,498</b>	<b>10,709</b>

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€-78 (previous year: T€223) and mostly 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.

	2017	2016
Proportion of annual surplus relating to shareholders of the parent (in T€)	36,463	29,109
Weighted average number of shares issued (=number of basic shares)	7,472,180	7,472,180
Average share options outstanding	-	-
Number of shares diluted	7,472,180	7,472,180
<b>Undiluted earnings per share (in €)</b>	<b>4.88</b>	<b>3.90</b>
<b>Diluted earnings per share (in €)</b>	<b>4.88</b>	<b>3.90</b>

Under the Long-Term Incentive Program 2017 (LTIP), a total of 375,130 share options were allocated. The adjusted strike price as of 31 December 2017 was €43.14, the average share price in 2017 was €36.51. Therefore 0 potential shares required recognition.

## 17. Intangible assets

in T€	Concessions, licences and similar rights	Goodwill	Total
<b>Acquisition and manufacturing costs</b>			
Balance as of 1 Jan 2016	733	3,861	4,594
Changes through corporate acquisition	6	-	6
Additions/disposals through changes to the consolidated group	-117	-21	-138
Additions	70	-	70
Disposals	-83	-	-83
Currency adjustments	-4	-	-4
Balance as of 31 Dec 2016	605	3,840	4,445
Additions	11	-	11
Disposals	-57	-	-57
Reclassifications	3	-	3
Currency adjustments	9	-	9
Balance as of 31 Dec 2017	571	3,840	4,411
<b>Accumulated amortisation and impairment</b>			
Balance as of 1 Jan 2016	529	1,182	1,711
Changes through corporate acquisition	5	-	5
Additions/disposals through changes to the consolidated group	-104	-	-104
Additions	78	-	78
Disposals	-82	-	-82
Currency adjustments	-4	-	-4
Balance as of 31 Dec 2016	422	1,182	1,604
Additions (planned amortisation)	99	-	99
Disposals	-37	-	-37
Currency adjustments	5	-	5
Balance as of 31 Dec 2017	489	1,182	1,671
<b>Carrying amounts – balance as of 31 Dec 2016</b>	<b>183</b>	<b>2,658</b>	<b>2,841</b>
<b>Carrying amounts – balance as of 31 Dec 2017</b>	<b>82</b>	<b>2,658</b>	<b>2,740</b>

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 and amortisation”.

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.

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The recoverable amount of the cash-generating unit corresponds to the value in use. The cash flows were derived from budgets for the year 2017 and the following four years (detailed planning period) with a growth rate of 1% (previous year: 1%) approved by the Management Board and current as of 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 6.68% (previous year: 6.64%), 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 and assets under construction	Technical equipment and machinery	Other facilities, fixtures and office equipment	Payments on account and assets under construction	Total
<b>Acquisition and manufacturing costs and revaluation</b>					
Balance as of 1 Jan 2016	33,166	2,510	15,166	332	51,174
Changes through corporate acquisition	-	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 as of 31 Dec 2016	38,493	3,851	14,939	1,145	58,428
Additions	9,273	56	735	61	10,125
Disposals	-	-61	-1,672	-	-1,733
Reclassifications	-	-1,389	-422	-46	-1,857
Currency adjustments	-	89	211	70	370
Balance as of 31 Dec 2017	47,766	2,546	13,791	1,230	65,333
<b>Accumulated depreciation and impairment</b>					
Balance as of 1 Jan 2016	1,904	1,099	9,422	-	12,425
Changes through corporate acquisition	-	230	46	-	276
Additions/disposals through changes to the consolidated group	-	-59	-281	-	-340
Additions (planned depreciation)	730	951	1,648	-	3,329
Disposals	-272	-10	-333	-	-615
Reclassifications	-	-680	-338	-	-1,018
Currency adjustments	-	-23	-69	-1	-93
Balance as of 31 Dec 2016	2,362	1,508	10,095	-1	13,964
Additions (planned depreciation)	713	1,455	1,560	-	3,728
Disposals	-	-21	-1,078	-	-1,099
Reclassifications	-	-1,701	-452	-	-2,153
Currency adjustments	-	51	133	-	184
Balance as of 31 Dec 2017	3,075	1,292	10,258	-1	14,624
<b>Carrying amounts – balance as of 31 Dec 2016</b>	<b>36,131</b>	<b>2,343</b>	<b>4,844</b>	<b>1,146</b>	<b>44,464</b>
<b>Carrying amounts – balance as of 31 Dec 2017</b>	<b>44,691</b>	<b>1,254</b>	<b>3,533</b>	<b>1,231</b>	<b>50,709</b>

Any impairment recognised in profit or loss is shown together with scheduled depreciation under “Depreciation and amortisation” 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€44,415 (previous year: T€35,867). Property, plant and equipment with a carrying amount of T€44,415 (previous year: T€35,867) is subject to restrictions on disposal. The carrying amounts of property, plant and equipment held under finance leasing agreements amounted to T€2,055 (previous year: T€2,184). These are balanced by corresponding liabilities represented by the present value of the minimum lease payments of T€934 (previous year: T€1,016).

### Operating leases

In the Hotel segment long-term rental agreements are concluded with hotel property companies. The average term of these rental agreements is 20 years.

The Group mainly leases cars and individual properties on the basis of operating leases; in most cases pre-agreed extension options are not exercised. The average term for car leasing agreements is five years.

in T€	2017	2016
Due with 1 year	16,908	14,775
Due within 1 to 5 years	71,040	75,488
Due after 5 years	242,898	259,976

### 19. Investment property

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

in T€	
<b>Carrying amounts</b>	
Balance as of 1 Jan 2016	553,907
Additions/disposals through changes to the consolidated group	12,167
Additions	211,203
Disposals	-118,791
Reclassification IFRS 5	-184,319
Reclassification	-6,616
Currency adjustments	-5,024
Adjustments to fair value	34,056
<b>Balance as of 31 Dec 2016</b>	<b>496,583</b>
Additions/disposals through changes to the consolidated group	-92,287
Additions	192,533
Disposals	-70,370
Reclassification IFRS 5	-147,477
Reclassification	-47,775
Currency adjustments	10,407
Adjustments to fair value	30,202
<b>Balance as of 31 Dec 2017</b>	<b>371,816</b>

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### Reconciliation of Level 3 valuations:

2017 in T€	Austria				
	Office	Other	Residential	Hotel	Land bank
<b>Carrying amount at start of business year</b>	<b>83,884</b>	<b>17,785</b>	<b>25,703</b>	<b>10,092</b>	<b>31,997</b>
Currency adjustments	-	-	-	-	-
Additions in existing properties	37,378	674	21,393	20,051	-
Additions/disposals from expanding the consolidated group	-15,636	-500	-	-	-
Disposals from reclassifying properties as properties held for sale	-14,938	-879	-	-27,711	-12,488
Reclassification from/into property, plant and equipment	-	-	-45,910	-	-
Disposals	-45,532	-3,521	-768	-4,500	-5,454
Net gains/losses from adjustments to fair value*	7,939	-100	-	2,068	2,274
<b>Carrying amount at end of business year</b>	<b>53,095</b>	<b>13,459</b>	<b>418</b>	<b>-</b>	<b>16,329</b>

2016 in T€	Austria				
	Office	Other	Residential	Hotel	Land bank
<b>Carrying amount at start of business year</b>	<b>123,354</b>	<b>47,807</b>	<b>19,302</b>	<b>33,125</b>	<b>38,639</b>
Change of use/new segmentation	10,712	-	-	-	-10,712
<b>Carrying amount at start of business year after new segmentation</b>	<b>134,066</b>	<b>47,807</b>	<b>19,302</b>	<b>33,125</b>	<b>27,927</b>
Currency adjustments	-	-	-	-	-
Additions from property purchases	-	-	5,318	5,600	-
Additions in existing properties	10,552	196	1,226	34,399	-
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	-	-	-	-	-
Disposals	-32,045	-28,800	-138	-	-
Net gains/losses from adjustments to fair value*	-10,881	-1,418	-5	6,239	4,070
<b>Carrying amount at end of business year</b>	<b>83,884</b>	<b>17,785</b>	<b>25,703</b>	<b>10,092</b>	<b>31,997</b>

\* Net income from changes in fair value consists of revaluation gains of T€39,420 (previous year: T€54,570) and revaluation losses of T€-9,218 (previous year: T€-20,514).



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Germany			Poland			Other markets				Total
Office	Hotel	Land bank	Office	Other	Hotel	Office	Other	Residential	Land bank	
<b>94,226</b>	<b>1,802</b>	<b>19,997</b>	<b>76,050</b>	<b>59,253</b>	<b>17,166</b>	<b>17,310</b>	<b>26,914</b>	<b>530</b>	<b>13,874</b>	<b>496,583</b>
-	-	-	4,422	3,337	950	1,297	-116	187	330	<b>10,407</b>
54,438	1,200	202	10,756	434	28,479	1,315	-	15,796	417	<b>192,533</b>
-60,241	-250	-	-	-	-	-	-	-15,660	-	<b>-92,287</b>
-	-	-136	-18,589	-13,298	-40,933	-310	-14,371	-	-3,824	<b>-147,477</b>
-	-	-	-4	-	-	-	-1,861	-	-	<b>-47,775</b>
-	-	-	-	-	-	-	-10,566	-29	-	<b>-70,370</b>
15,942	-	-	-2,679	-1,740	7,244	-989	-	-	243	<b>30,202</b>
<b>104,365</b>	<b>2,752</b>	<b>20,063</b>	<b>69,956</b>	<b>47,986</b>	<b>12,906</b>	<b>18,623</b>	<b>-</b>	<b>824</b>	<b>11,040</b>	<b>371,816</b>

Germany			Poland			Other markets				Total
Office	Hotel	Land bank	Office	Other	Hotel	Office	Other	Residential	Land bank	
<b>88,604</b>	<b>917</b>	<b>9,534</b>	<b>58,510</b>	<b>64,419</b>	<b>8,825</b>	<b>19,051</b>	<b>26,879</b>	<b>525</b>	<b>14,416</b>	<b>553,907</b>
-	-	-	-	-	-	-	-	-	-	-
<b>88,604</b>	<b>917</b>	<b>9,534</b>	<b>58,510</b>	<b>64,419</b>	<b>8,825</b>	<b>19,051</b>	<b>26,879</b>	<b>525</b>	<b>14,416</b>	<b>553,907</b>
-	-	-	-3,259	-1,318	-420	-2	-56	5	26	-5,024
-	250	14,074	50,827	-	3,108	-	-	-	-	79,177
54,599	635	1,126	23,025	-	5,653	202	91	-	322	132,026
-	-	-	12,167	-	-	-	-	-	-	12,167
-	-	-23,500	-73,740	-	-	-	-	-	-	-184,319
-5,598	-	-	-	-1,018	-	-	-	-	-	-6,616
-55,879	-	-	-188	-	-	-851	-	-	-890	-118,791
12,500	-	18,763	8,708	-2,830	-	-1,090	-	-	-	34,056
<b>94,226</b>	<b>1,802</b>	<b>19,997</b>	<b>76,050</b>	<b>59,253</b>	<b>17,166</b>	<b>17,310</b>	<b>26,914</b>	<b>530</b>	<b>13,874</b>	<b>496,583</b>

### 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 Management Board and the valuation team.

In the year under review the market values of all 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€231,588 (previous year: T€367,605). Fewer properties were appraised in 2017; the main reason for this was the high number of forward deals concluded. The fixed prices mean that a property valuation is 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 the 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)

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Property type: Investment property	Segment	Fair value hierarchy	Fair value in T€ as of 31 Dec 2017	Range of non-observable inputs			
				Valuation method	Capitalisation rate in %	Rent in € per m <sup>2</sup> / sales price in € per m <sup>2</sup>	Maintenance in €/m <sup>2</sup> or %
Office	Austria	Level 3	46,435	TR*	5.25–7.25	6.14–17.45	8.00–25.00 €/m <sup>2</sup>
Office	Austria	Level 2	6,660	CV*	-	-	-
Other	Austria	Level 3	4,829	TR*	5.50–8.00	8.40–84.16	6.00–25.00 €/m <sup>2</sup>
Other	Austria	Level 3	8,630	-	-	-	-
Residential	Austria	Level 2	413	CV*	-	-	-
Land bank	Austria	Level 2	10,310	CV*	-	-	-
Land bank	Austria	Level 3	6,019	Residual	5.00	80.00–450.00	3.00%
Office	Germany	Level 2	27,146	CV*	-	-	-
Office	Germany	Level 3	77,589	Residual	5.25	18.50	3.00%
Hotel	Germany	Level 3	2,753	Residual	5.00–5.25	10.50–12.61	3.00%
Land bank	Germany	Level 2	1,568	CV*	-	-	-
Land bank	Germany	Level 3	18,495	Residual	5.50	6.00–18.00	3.00%
Office	Poland	Level 3	63,087	TR*	7.50–8.00	3.83–10.02	9.00–25.00 €/m <sup>2</sup>
Office	Poland	Level 3	6,489	Residual	6.50	9.00–13.50	4.00%
Other	Poland	Level 3	37,093	TR*	8.00	4.62–16.48	2.00–4.00 €/m <sup>2</sup>
Other	Poland	Level 3	10,893	Residual	7.25	5.00–10.22	4.00%
Hotel	Poland	Level 3	12,906	Residual	6.00–7.00	16.76–21.00	3.00–5.00%
Office	Other markets	Level 3	8,440	TR*	7.00–8.00	4.00–11.94	11.50 €/m <sup>2</sup>
Office	Other markets	Level 3	10,183	Residual	6.50	2.35–14.00	2.50–6.00%
Land bank	Other markets	Level 3	10,266	Residual	7.00–8.5	4.50–11.50	4.00–5.00%
Land bank	Other markets	Level 2	774	CV*	-	-	-
Residential	Other markets	Level 3	836	Residual	-	-	-

Property type: Investment property	Segment	Fair value hierarchy	Fair value in T€ as of 31 Dec 2016	Range of non-observable inputs			
				Valuation method	Capitalisation rate in %	Rent in € per m <sup>2</sup> / sales price in € per m <sup>2</sup>	Maintenance in €/m <sup>2</sup> or %
Office	Austria	Level 3	47,504	TR*	6.50–7.50	5.06–9.22	6.00–12.50 €/m <sup>2</sup>
Office	Austria	Level 3	36,380	Residual	5.50–6.00	12.00–16.73	5.39–12.00 €/m <sup>2</sup>
Other	Austria	Level 3	7,403	TR*	6.00–8.00	6.00–45.00	4.00–25.00 €/m <sup>2</sup>
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	-	12.00 €/m <sup>2</sup>
Land bank	Austria	Level 2	16,093	CV*	-	-	-
Land bank	Austria	Level 3	15,904	Residual	5.00–6.00	-	-
Office	Germany	Level 3	87,465	Residual	5.25	18.50	3.00%
Office	Germany	Level 2	6,761	CV*	-	-	-
Hotel	Germany	Level 3	1,802	Residual	5.00	16.00	2.00%
Land bank	Germany	Level 3	18,430	Residual	5.50	14.50–18.00	3.00%
Land bank	Germany	Level 2	1,567	CV*	-	-	-
Office	Poland	Level 3	14,506	Residual	6.00–6.50	13.50–15.00	4.00%
Office	Poland	Level 3	61,544	TR*	7.50–8.00	9.95–10.76	5.00 €/m <sup>2</sup>
Other	Poland	Level 3	10,465	Residual	7.25	9.40–12.55	3.00–4.00%
Other	Poland	Level 3	48,788	TR*	7.00–8.25	4.24–11.67	2.00–4.00 €/m <sup>2</sup>
Hotel	Poland	Level 3	17,166	-	5.75	-	-
Office	Other markets	Level 3	8,968	TR*	6.50	6.00–6.66	6.00 €/m <sup>2</sup>
Office	Other markets	Level 3	8,342	Residual	6.50	6.00–6.66	6.00 €/m <sup>2</sup>
Other	Other markets	Level 3	26,914	TR*	8.25–10.25	4.71–7.48	5.00–8.00 €/m <sup>2</sup>
Residential	Other markets	Level 3	530	-	-	-	-
Land bank	Other markets	Level 3	9,491	Residual	7.00	4.50–11.50	4.00%–5.00%
Land bank	Other markets	Level 2	4,383	CV*	-	-	-

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

**The impact of non-observable inputs on fair value**

- Rent: the higher the price per m<sup>2</sup>, 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€49,353 (previous year: T€75,247). In addition, investment property with a carrying amount of T€135,967 (previous year: T€410,897) was pledged as collateral.

Rental income from investment property rented out amounted to T€19,722 in the reporting period (previous year: T€26,321), while operating expenses totalled T€5,059 (previous year: T€5,182). Operating expenses related to investment property which did not generate any rental income in the reporting period amounted to T€393 (previous year: T€924).

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

in T€	2017	2016
Real estate leasing	-	22,499

These carrying amounts are balanced by corresponding liabilities represented by the present value of the minimum lease payments, i.e. of T€0 (previous year: T€13,704).

**20. Investments in companies accounted for at equity**

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. Disclosures relating to the share held and the country are given in the list of investments.

## Associates

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

in T€

Company	Palais Hansen GmbH		
Asset class	Hotel		
Development status	Portfolio	2017	2016
Revenue		3,823	4,287
Profit/loss for the year		-159	4,450
of which depreciation, amortisation and impairment		-	-
of which interest expense		-	-3,082
of which tax expense		-	-
<b>Total comprehensive income</b>		<b>-159</b>	<b>4,450</b>
Non-current assets		121,500	121,800
Current assets		11,612	12,318
of which cash and cash equivalents		3,501	4,165
Non-current liabilities		66,201	66,939
of which non-current financial liabilities		53,222	54,622
Current liabilities		1,594	1,690
of which current financial liabilities		-	-
Net assets		65,317	65,489
<b>Group share of net assets as of 1 Jan</b>		<b>21,982</b>	<b>20,488</b>
Group share of total comprehensive income		-53	1,494
Dividends received		-	-
Group share of net assets as of 31 Dec		21,929	21,982
<b>Carrying amount of companies accounted for at equity as of 31 Dec</b>		<b>21,929</b>	<b>21,982</b>

Disclosures on associates of minor significance:

in T€	2017	2016
Carrying amount of shares in associates as of 31 Dec	3,783	4,146
Group share of		
Profit/loss for the year	-362	1,264
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>-362</b>	<b>1,264</b>

The accumulated amount of non-recognised shares of losses of associates in the full year 2017 stood at T€380 as of 31 December 2017 (previous year: T€374).

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### 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 at equity.

2017 in T€

Company	W 3 AG	Jochberg Errichtungs KG	Anders Wohnen GmbH
Asset class	Other	Hotel	Residential
Development status	Portfolio	Portfolio	Development
Revenue	4,309	1,479	660
Profit/loss for the year	2,381	-1,445	-2,345
of which depreciation, amortisation and impairment	-	-2,179	-
of which interest expense	-573	-628	-422
of which tax expense	-46	-	-
<b>Total comprehensive income</b>	<b>2,381</b>	<b>-1,445</b>	<b>-2,345</b>
Non-current assets	75,500	52,318	49,212
Current assets	415	725	26,177
of which cash and cash equivalents	414	-	446
Non-current liabilities	57,844	21,595	29,649
of which non-current financial liabilities	57,844	21,595	29,649
Current liabilities	1,771	3,182	29,789
of which current financial liabilities	-	-	-
Net assets	16,300	28,266	15,951
<b>Group share of net assets as of 1 Jan 2017</b>	<b>10,907</b>	<b>14,856</b>	<b>8,600</b>
Exchange differences as of 1 Jan 2017	-	-	-
Additions/disposals	-	-	-
Group share in total comprehensive income	2,133	-723	-1,102
Group share of net assets as of 31 Dec 2017	13,040	14,133	7,498
<b>Carrying amount of companies accounted for at equity as of 31 Dec 2017</b>	<b>13,040</b>	<b>14,133</b>	<b>7,498</b>

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Sienna Hotel Spzoo	Warschau Office Center Spzoo	MGO II development KG	MGO I development KG
Hotel	Office	Office	Office
Portfolio	Portfolio	Development	Development
21,201	2,613	-	-
-824	1,710	3,656	7,205
-450	-669	-	-
-	-981	-18	-31
-	-	-1,690	-3,381
<b>-824</b>	<b>1,710</b>	<b>3,656</b>	<b>7,205</b>
12,291	26,174	33,677	67,715
6,285	1,908	4,199	3,616
4,366	484	3,142	1,039
1,283	25,361	24,050	42,656
1,210	25,361	24,050	42,656
1,932	1,011	6,255	13,419
-	-	-	-
15,360	1,710	7,571	15,256
<b>7,629</b>	-	-	-
462	-	-	-
-	-	1,337	2,429
-412	1,265	3,088	6,421
7,679	1,265	4,425	8,850
<b>7,679</b>	<b>1,265</b>	<b>4,425</b>	<b>8,850</b>

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2016 in T€

Company	W 3 AG	Jochberg Errichtungs KG	CCG Nord KG
Asset class	Other	Hotel	Other
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	-	-
<b>Total comprehensive income</b>	<b>1,955</b>	<b>-1,431</b>	<b>4,780</b>
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
<b>Group share of net assets as of 1 Jan 2016</b>	<b>9,149</b>	<b>15,571</b>	<b>96</b>
Exchange differences as of 1 Jan 2016	-	-	-
Additions/disposals	-	-	1,000
Group share in total comprehensive income	1,758	-715	2,390
Group share of net assets as of 31 Dec 2016	10,907	14,856	3,486
<b>Carrying amount of companies accounted for at equity as of 31 Dec 2016</b>	<b>10,907</b>	<b>14,856</b>	<b>3,486</b>



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QBC Gamma KG	Anders Wohnen GmbH	German Hotel Invest I KG	Lanzarota Sienna Hotel SKA	Emma Hotel CV
Office	Residential	Hotel	Hotel	Hotel
Development	Development	Development	Portfolio	Development
-	660	31	22,642	-
2,357	-1,185	5,543	-36	-
-	-	-	-462	-
-	-234	-705	-	-
-	-	-2,690	-	-
<b>2,357</b>	<b>-1,185</b>	<b>5,543</b>	<b>-36</b>	-
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
<b>1,069</b>	<b>9,157</b>	<b>1</b>	<b>6,241</b>	-
-	-	-	-218	-
-	-	-	-	-
1,527	-557	2,447	1,606	12,820
2,596	8,600	2,448	7,629	12,820
<b>2,596</b>	<b>8,600</b>	<b>2,448</b>	<b>7,629</b>	<b>12,820</b>

Disclosures on joint ventures of minor significance:

in T€	2017	2016
Carrying amount attr. to joint ventures of minor significance as of 31 Dec	35,902	20,166
Group share of		
Profit for the year	6,214	1,090
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>6,214</b>	<b>1,090</b>

The amount of non-recognised shares of losses of joint ventures and companies accounted for at equity for the 2017 business year is T€1,120 (previous year: T€793) and the accumulated amount as of 31 December 2017 is T€1,692 (previous year: T€3,506).

As of 31 December 2017 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 at equity.

## 21. Project financing

in T€	2017	2016
Project financing for other shareholders	16,468	16,311
Project financing for companies accounted for at equity	97,994	87,184
Other project financing	9,017	8,410
<b>Total</b>	<b>123,479</b>	<b>111,905</b>

In the past business year impairment of T€8 (previous year: T€4,133) and reversals of impairment of T€4,572 (previous year: T€43) 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€	2017	2016
Investments in non-consolidated subsidiaries	1,535	1,575
Other investments	258	249
Securities available for sale	901	874
Securities HtM	2,907	2,907
<b>Total</b>	<b>5,601</b>	<b>5,605</b>

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

## 23. Inventories

Inventories comprise the following items:

in T€	2017	2016
Properties intended for sale		
under development	148,588	130,162
standing assets	58,399	59,142
Other inventories	228	1,883
Less advance payments	-25,954	-5,832
<b>Total</b>	<b>181,261</b>	<b>185,355</b>

Inventories with a carrying amount of T€134,876 (previous year: T€125,463) were pledged as collateral for liabilities.

The carrying amount of the inventories recognised at fair value amounts to T€46,138 (previous year: T€33,453). In the reporting period allowances of T€5,473 (previous year: T€5,547) 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€	2017	2016
Contract values defined according to PoC method (= contract revenues for the period)	52,814	19,840
Less attributable advance payments received	-46,389	-18,115
<b>Total</b>	<b>6,425</b>	<b>1,725</b>

Proportional contract values capitalised according to the percentage of completion of the contract as of 31 December 2017 are balanced by contract costs valued at T€45,385 (previous year: T€13,617), so that the recognised profit for these contracts amounts to T€7,430 (previous year: T€6,223).

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

in T€	2017	2016
Receivables from third parties	13,913	15,845
Receivables from consortiums	71	65
Receivables from non-consolidated subsidiaries and other investments	794	2,830
Receivables from companies accounted for at equity	32,026	18,151
<b>Total</b>	<b>46,804</b>	<b>36,891</b>

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Receivables from third parties totalling T€6,511 (previous year: T€6,935) were not yet overdue and T€7,402 (previous year: T€8,910) were due for less than a year. All other receivables from non-consolidated subsidiaries, other investments and companies accounted for at equity are not yet due.

Ageing structure of receivables from third parties:

in T€	Carrying amount as of 31 Dec 2017	Of which not overdue at closing date	Of which overdue at closing date in the following time periods				
			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	13,913	6,511	3,697	1,564	310	1,830	-

in T€	Carrying amount as of 31 Dec 2016	Of which not overdue at closing date	Of which overdue at closing date in the following time periods				
			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	-

## 25. Financial assets

in T€	31 Dec 2017	Remaining term > 1 year	31 Dec 2016	Remaining term > 1 year
Other	14,685	4,744	11,701	1,533
<b>Total</b>	<b>14,685</b>	<b>4,744</b>	<b>11,701</b>	<b>1,533</b>

Other financial assets primarily include purchase price receivables from the sale of corporate interests, receivables from managing property and other advances.

## 26. Other receivables and assets

in T€	31 Dec 2017	Remaining term > 1 year	31 Dec 2016	Remaining term > 1 year
Tax assets	12,044	-	18,822	-
Other	3	-	3	-
<b>Total</b>	<b>12,047</b>	<b>-</b>	<b>18,825</b>	<b>-</b>

## 27. Cash and cash equivalents

The cash and cash equivalents include cash at banks amounting to T€75,019 (previous year: T€41,297) and cash in hand of T€185 (previous year: T€1,001).

## 28. Non-current assets held for sale

The non-current assets held for sale relate to one office property, one retail park and a hotel property in Poland, as well as one undeveloped plot in Croatia and one in Romania, whose sale is considered highly probable and have therefore been reclassified out of investment property. The non-current assets held for sale are measured at fair value; this corresponds to the purchase prices negotiated.

## 29. Deferred tax assets

Temporary differences between the valuations in the IFRS consolidated financial statements and the respective valuations for tax purposes had the following impact on the tax deferrals shown in the statement of financial position:

in T€	2017		2016	
	Assets	Liabilities	Assets	Liabilities
Investment property, other valuation differences	3,924	19,674	5,648	21,574
Property plant and equipment	12	1,974	10	6,106
Financial assets and liabilities	8,246	5,879	9,501	6,384
PoC method	-	2,008	-	1,676
Provisions	4,385	66	6,835	45
Tax loss carryforwards	3,847	-	2,657	-
Miscellaneous	39	199	42	199
Offsetting	-11,424	-11,424	-15,875	-15,875
<b>Deferred taxes</b>	<b>9,029</b>	<b>18,376</b>	<b>8,818</b>	<b>20,109</b>
<b>Net deferred taxes</b>	<b>-</b>	<b>9,347</b>	<b>-</b>	<b>11,291</b>

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€24,654 (previous year: T€27,056) as of 31 December 2017. In 2017 there were foreign losses in Austria of T€1,056 (previous year: T€911). Of this total, T€18,018 (previous year: T€22,396) was vested, the remaining T€6,637 (previous year: T€4,660) could be 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, conditional capital and treasury shares

The following resolutions were passed at the 136th Annual General Meeting on 23 May 2017: The existing authorisation of the Management Board, pursuant to Section 4 Paragraph 4 of the statutes (authorised capital 2014) in accordance with the general shareholders' meeting resolution on 30 April 2014, has been revoked.

The Management Board was authorised in accordance with Section 169 of the Austrian Stock Corporation Act and under Section 4 Paragraph 4 of the statutes to increase the company's share capital until 11 August 2022, in agreement with the Supervisory Board, by up to €2,241,654.00 through the issue of up to 747,218 bearer shares in exchange for cash and/or contributions in kind, in one or more tranches, in the form of indirect subscription rights pursuant to Section 153 Paragraph 6 of the Austrian Stock Corporation Act. Additionally, the Management Board is authorised to determine the issue price, issue terms, subscription ratio and further details in agreement with the Supervisory Board. The subscription rights of shareholders to the new shares issued from authorised capital are excluded if and insofar as the exercising of this authorisation (authorised capital) is realised through the issue of shares in exchange for cash contributions under greenshoe options in the course of placing new shares in the Company. Furthermore, the Management Board is authorised, with the approval of the Supervisory Board, to exclude shareholders' subscription rights (authorised capital 2017). The Supervisory Board was authorised to approve amendments to the statutes resulting from the use of this authorisation by the Management Board.

Section 4 Paragraph 5 of the statutes also allows the share capital, in accordance with Section 159 Paragraph 2 (1) of the Austrian Stock Corporation Act, to be increased conditionally up to a nominal of €2,241,654.00 by issuing up to 747,218 new ordinary no-par bearer shares to be issued to convertible bondholders (conditional capital increase). In this regard the Management Board was authorised to determine the other details related to the conditional capital increase and its implementation with the approval of the Supervisory Board, especially the particulars of the issue and the conversion procedure for the convertible bonds, the amount of the issue and the exchange or conversion ratio. The Supervisory Board was also authorised to pass resolutions on amendments to the statutes arising from the issue of shares from conditional capital. The amount of the issue and conversion ratio shall be determined on the basis of recognised actuarial methods and the share price of the Company using an accepted pricing procedure. In the event of a conversion obligation as specified in the conditions of the issue of the convertible bonds, the contingent capital shall also be used to meet this conversion obligation.

In order to service the stock options granted within the framework of the Long-Term Incentive Program 2017, the Management Board was additionally authorised, under Section 4 Paragraph 6 of the statutes and in accordance with Section 159 Paragraph 3 of the Austrian Stock Corporation Act, with the approval of the Supervisory Board, to conditionally increase the Company's share capital in accordance with Section 159 Paragraph 2 (3) of the Austrian Stock Corporation Act, in multiple tranches if so wished, by up to €1,678,920.00 by issuing up to 559,640 new ordinary no-par bearer shares to employees, key managers and members of the Management Board of the Company and its subsidiaries. The Supervisory Board was also authorised to pass resolutions on amendments to the statutes arising from the conditional capital increase.

The authorisation of the Management Board to purchase, sell and/or use treasury shares in accordance with the general shareholders' meeting resolution on 20 May 2015 has been revoked.

At the same time, the Management Board was granted authorisation to acquire treasury shares in the Company up to the legally allowed limit of 10% of the share capital, including previously repurchased treasury shares, during a 30-month period beginning on the date the resolution was passed (23 May 2017). The Management Board was also authorised for a period of five years

from the date the resolution was passed (23 May 2017), with the approval of the Supervisory Board, to sell or utilise treasury shares in the Company including the use of methods other than via the stock exchange or via a public offer. The authorisation can be exercised in full or in part, in multiple instalments if requested, and in the pursuit of one or more objectives. The pro rata purchase rights of shareholders were thereby excluded in the case of selling or usage involving methods other than via the stock exchange or via a public offer (exclusion of subscription rights).

375,130 of the aforementioned share options relating to the Long-Term Incentive Program 2017 (LTIP) were allocated after the predetermined acceptance period from 22 June 2017 to 21 July 2017. The strike price was €36.33 (this is the unweighted average of the closing price of the Company's share on the Vienna Stock Exchange from 24 May 2017 (inclusive) to 21 June 2017 (inclusive)). The share options allocated can be exercised in the windows stated below upon written declaration to the Company. The share options may only be exercised from 1 September 2020 to 26 October 2020 (exercise window 1) and from 1 September 2021 to 26 October 2021 (exercise window 2) and requires that the other preconditions stated in the terms and conditions of the LTIP are met: a valid employment relationship, a valid personal investment, exceeding a specific share price, adhering to certain performance indicators.

The fair value is T€2,982; this corresponds with the original day the option programme was adopted and is spread across the period in which the participants have the chance to acquire the options granted. The following parameters were used to calculate the fair value under the measurement model (Black Scholes): strike price (€36.33), term of the option (9/2017 to 8/2020), share price at valuation date (€38.25), expected volatility of the share price (36.34%), expected dividends (4.2%), risk-free interest rate (0.0%).

Changes in share options were as follows:

Number of share options	2017	2016
<b>Balance as of 1 Jan</b>	-	-
Options granted	<b>375,130</b>	-
Options forfeited	-	-
Options exercised	-	-
<b>Balance as of 31 Dec</b>	<b>375,130</b>	-

### 32. Reserves

The capital reserves result from the capital increases, capital 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, the retained earnings of UBM 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.

Furthermore, there is a share option reserve resulting from the share options mentioned in note 31 as part of the Long-Term Incentive Program 2017, which is classified as an equity settlement.

Net earnings for the year amounting to T€14,972 (previous year: T€11,997) are available for distribution to UBM's shareholders. In addition, the unrestricted retained earnings of UBM, which come to T€27,771 (previous year: T€25,871) as of 31 December 2017 may be released and distributed to the shareholders of UBM in subsequent periods.

In the year under review a dividend of €1.60 per share was paid to UBM's shareholders. The Management Board proposes the distribution of dividends from the 2017 net profit of €2.00 per share, thereby totalling €14,944,360.

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 €100m and hybrid capital totalling €25.3m, issued by PIAG in November 2014, to UBM by way of legal succession. Both the mezzanine capital and the hybrid capital are fundamentally subject to ongoing interest. In December 2015 €50m of the mezzanine capital was paid back; the remaining outstanding amount equals €50m.

UBM is only required to pay interest on the mezzanine capital and the hybrid capital when the payment of a dividend from annual profit is approved. If there is no such distribution from profit, UBM is not required to pay the accrued interest for one year. The interest is accumulated if UBM elects to waive payment, but must be paid as soon as the company's shareholders approve the distribution of a dividend from annual profit.

In the event the mezzanine capital or hybrid capital is cancelled by UBM, the subscribers are entitled to repayment of their investment in the mezzanine capital and/or hybrid capital plus accrued interest up to the cancellation date and any accumulated interest. The hybrid capital can only be repaid under the following circumstances: after the conclusion of proceedings pursuant to Section 178 of the Austrian Stock Corporation Act, at an amount equal to the planned repayment of equity within the framework of a capital increase in accordance with Section 149 et seq. of the Austrian Stock Corporation Act; or in connection with a capital adjustment.

The mezzanine capital and the hybrid capital are classified as equity instruments because the payments – interest as well as principal – must only be made under certain conditions whose occurrence can be caused or prevented by UBM and the Group can therefore permanently prevent payments. Interest paid, less any tax effects, as well as profit distributions, are recorded directly in equity as a deduction.

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



UBM Development AG and PORR AG concluded an agreement on 3 May 2017 to extend the step-up coupon on the existing mezzanine capital of €50.0m from 17 December 2019 to 17 December 2021 in order to improve the planning for both parties. Based on this agreement, the interest on the mezzanine capital will remain at the previous level of 6.5% until 16 December 2021 and will only increase to the 12-month EURIBOR plus 8.5% as of 17 December 2021 if the mezzanine capital is not repaid on 16 December 2021. Premature repayment before 16 December 2021 was excluded under the new agreement.

### 34. Provisions

in T€	Severance	Pensions	Anniversary bonuses	Buildings	Rental guarantees	Other	Total
Balance as of 1 Jan 2016	2,786	6,120	141	454	1,500	1,992	12,993
Currency adjustments	-	-	-	-	-	-39	-39
Transfers	-	-5	-	-	-	-23	-28
Initial consolidation/ deconsolidation	-	-	-	-	-	-23	-23
Reclassification	-	-	-	92	-	-92	-
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
<b>Balance as of 31 Dec 2016</b>	<b>2,117</b>	<b>3,946</b>	<b>202</b>	<b>233</b>	<b>1,500</b>	<b>5,493</b>	<b>13,491</b>
of which non-current	2,117	3,946	202	103	1,500	1,343	9,211
of which current	-	-	-	130	-	4,150	4,280

in T€	Severance	Pensions	Anniversary bonuses	Buildings	Rental guarantees	Other	Total
Balance as of 1 Jan 2017	2,117	3,946	202	233	1,500	5,493	13,491
Currency adjustments	-	-	-	3	-	44	47
Additions	122	64	-8	-	-	851	1,029
OCI additions	-9	-271	-	-	-	-	-280
Amounts used	-288	-92	-19	-133	-113	-3,807	-4,452
Amounts reversed	-	-	-	-	-	-1,085	-1,085
<b>Balance as of 31 Dec 2017</b>	<b>1,942</b>	<b>3,647</b>	<b>175</b>	<b>103</b>	<b>1,387</b>	<b>1,496</b>	<b>8,750</b>
of which non-current	1,942	3,647	175	103	1,387	495	7,749
of which current	-	-	-	-	-	1,001	1,001

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 from the acquisition of undeveloped 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€	2017	2016
Present value of severance obligations (DBO) as of 1 Jan	2,117	2,786
Current service cost	89	104
Interest expense	33	58
Severance payments	-288	-1,096
Actuarial profits(-)/losses(+)	-9	265
of which demographic profits/losses	-	15
of which financial profits/losses	-99	112
of which profits/losses from experience-based adjustments	90	138
<b>Present value of severance obligations (DBO) as of 31 Dec</b>	<b>1,942</b>	<b>2,117</b>

in T€	2017	2016
Current service cost (entitlements)	89	104
Interest expense	33	58
<b>Severance costs (recognised in profit and loss for the period)</b>	<b>122</b>	<b>162</b>
<b>Severance costs (recognised in comprehensive income for the period)</b>	<b>-9</b>	<b>265</b>

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€72 and an interest expense of T€32 are planned.

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

**Pension provisions:**

Pension obligations transferred to provisions:

in T€	2017	2016
Present value of obligations covered by fund assets	7,156	7,479
Fair value of the plan assets	-4,131	-4,188
Net value of the obligations covered by fund assets	3,025	3,290
Present value of obligations not covered by fund assets	622	656
<b>Carrying amount of provisions as of 31 Dec</b>	<b>3,647</b>	<b>3,946</b>

Changes within provisions for pensions were as follows:

in T€	2017	2016
Present value of pension obligations (DBO) as of 1 Jan	8,134	7,463
Transfers	-	-5
Current service cost	-	106
Interest expense	132	165
Pension payments	-269	-267
Actuarial profits(-)/losses(+)	-219	672
of which financial profits/losses	-255	622
of which profits/losses from experience-based adjustments	36	50
<b>Present value of pension obligations (DBO) as of 31 Dec</b>	<b>7,778</b>	<b>8,134</b>

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 Section 20 Paragraph 2 (1) in connection with Section 78 of the Insurance Supervision Law.

Receivables from pension plan reinsurance amounting to T€4,131 (previous year: T€4,188) represent plan assets pursuant to IAS 19 and were offset against the present value of pension provisions.

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Plan assets:

in T€	2017	2016
Fair value of the plan assets as of 1 Jan	4,188	1,343
Contribution payments	-	2,905
Interest income	68	30
Payouts (benefit payments)	-177	-171
Actuarial gains(+)/losses(-)	52	81
<b>Fair value of the plan assets as of 31 Dec</b>	<b>4,131</b>	<b>4,188</b>

Pension obligations (net):

in T€	2017	2016
Service cost (entitlement)	-	106
Interest expense	64	165
<b>Pension costs (recognised in profit/loss for the period)</b>	<b>64</b>	<b>271</b>
<b>Pension costs (recognised in comprehensive income for the period)</b>	<b>-271</b>	<b>591</b>

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€145 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.

According to information provided by the WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group, the part of the plan assets managed by the WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group is invested as follows:

Structure of capital investments in classic cover pool in %	2017	2016
Fixed-interest securities	43.00	38.00
Shares, supplementary/mezzanine/participation capital	4.00	5.00
Investment funds	33.00	35.00
Affiliated and associated companies	6.00	6.00
Loans	9.00	11.00
Properties	4.00	4.00
Bank deposits	1.00	1.00
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

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	1,726	1,699	4,342	13.07	1,812	1,954	6,313	14.75
Severance	683	512	747	7.77	756	745	1,610	9.71

### 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 2017 this amounted to T€184 (previous year: T€184). A sum of T€17 (previous year: T€37) was paid into a pension fund for three Management 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€	2017
Balance as of 1 Jan 2017	321,296
Issue	64,510
Redemption	-
Effective interest	-2,040
<b>Balance as of 31 Dec 2017</b>	<b>383,766</b>

In the business year 2017 a new bond (tenor 2017–2022) was issued with the nominal amount of T€150,000; a cash-settled exchange offer was carried out at the same time, under which the partial debentures of the bond issued in 2014 with a total nominal value of T€84,048 were converted into partial debentures of the bond issued in 2017.

### 36. Current financial liabilities

2017 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
Borrowings and overdrafts from banks subject to interest at variable rates	1.45–3.60	154,536	68,848	82,255	3,433	154,536
Borrowings and overdrafts from banks subject to interest at fixed rates	2.00	1,453	-	1,453	-	1,453
Borrowings from other lenders subject to interest at variable rates	4.50	20	20	-	-	-
Borrowings from other lenders subject to interest at fixed rates	1.00–10.00	12,231	11,390	-	841	-
Lease obligations subject to interest at variable rates	0.89	1,072	156	402	514	-
<b>Total</b>		<b>169,312</b>	<b>80,414</b>	<b>84,110</b>	<b>4,788</b>	<b>155,989</b>

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
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	-	-	-
<b>Total</b>		<b>412,199</b>	<b>218,495</b>	<b>162,678</b>	<b>31,026</b>	<b>398,172</b>

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

in T€	2017			2016		
	Nominal value	Discount	Present value	Nominal value	Discount	Present value
Due within 1 year	164	8	156	1,943	437	1,506
Due within 1 to 5 years	425	23	402	7,392	1,278	6,114
Due after more than 5 years	519	5	514	7,640	445	7,195
<b>Total</b>	<b>1,108</b>	<b>36</b>	<b>1,072</b>	<b>16,975</b>	<b>2,160</b>	<b>14,815</b>

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. As of 31 December 2017 the average effective interest rate was 0.89% (previous year: 2.79%). There are no agreements which involve conditional rental payments, instead all leasing agreements are based on fixed instalments.

### 37. Trade payables

in T€	2017	2016
Payables to third parties	70,763	77,388
Payables to consortiums	-	12
<b>Total</b>	<b>70,763</b>	<b>77,400</b>

All of the payables are due in the following year.

### 38. Other current financial liabilities

2017 in T€	Total	Remaining term < 1 year	Remaining term > 1 year < 5 years	Remaining term > 5 years	Of which secured by
Payables to non-consolidated subsidiaries	2,363	2,363	-	-	-
Payables to companies accounted for at equity	11,715	11,715	-	-	-
Payables related to interest on bonds	4,199	4,199	-	-	-
Payables to staff	7,133	7,133	-	-	-
Miscellaneous	9,180	5,064	4,116	-	-
<b>Total</b>	<b>34,590</b>	<b>30,474</b>	<b>4,116</b>	-	-

2016 in T€	Total	Remaining term < 1 year	Remaining term > 1 year < 5 years	Remaining term > 5 years	Of which secured by
Payables to non-consolidated subsidiaries	1,759	1,759	-	-	-
Payables to companies accounted for at equity	6,865	6,865	-	-	-
Payables to other investments	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	-	-
<b>Total</b>	<b>36,611</b>	<b>30,460</b>	<b>6,151</b>	-	-

### 39. Other current liabilities

2017 in T€	Total	Remaining term < 1 year	Remaining term > 1 year < 5 years	Remaining term > 5 years	Of which secured by
Tax liabilities	704	704	-	-	-
Social security liabilities	419	419	-	-	-
Advances received	80,689	80,689	-	-	-
Miscellaneous	50	50	-	-	-
<b>Total</b>	<b>81,862</b>	<b>81,862</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

### 40. Taxes payable

Advance payments of corporate tax amounting to T€405 (previous year: T€347) 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€132,477 (previous year: T€177,503). Contingent liabilities for companies accounted for at equity amounted to T€115,395 (previous year: T€159,368). An availment of these liabilities is improbable.



### **Collateral provided**

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 on real properties
- Pledging of 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.

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in T€	Germany		Austria	
	2017	2016	2017	2016
<b>Total Output</b>				
Administration	-	-	3,541	7,154
Hotel	57,291	70,914	97,834	11,798
Office	1,706	72,105	50,693	32,518
Other	24,363	5,448	41,812	50,241
Residential	7,366	71,626	47,807	21,518
Service	40,017	55,170	109,119	51,785
<b>Total Output</b>	<b>130,743</b>	<b>275,263</b>	<b>350,806</b>	<b>175,014</b>
Less revenue from associates and companies of minor significance and from performance companies	-87,488	-72,640	-162,912	-61,301
Change in inventories	19,361	57,273	4,673	-20,294
<b>Revenue</b>	<b>62,616</b>	<b>259,896</b>	<b>192,567</b>	<b>93,419</b>
Administration	-	-	3,500	1,065
Hotel	3,072	12,915	-9	7,429
Office	20,806	4,076	9,866	-10,479
Other	388	12,292	-129	-4,070
Residential	-263	8,819	1,867	212
Service	190	2,796	3,323	4,975
<b>Total EBT</b>	<b>24,193</b>	<b>40,898</b>	<b>18,418</b>	<b>-868</b>
of which earnings from associates	9,774	1,984	2,544	11,514
Depreciation, amortisation and impairment	-919	-888	-518	-604
Interest income	1,342	846	6,245	5,488
Interest expense	-1,326	-1,466	-12,209	-14,031
<b>Segment assets as of 31 Dec</b>	<b>349,869</b>	<b>356,554</b>	<b>1,339,650</b>	<b>1,364,175</b>
of which intangible assets, property, plant and equipment, and investment property	168,609	148,645	90,904	177,312
of which associates	27,867	13,531	75,776	68,267
<b>Segment liabilities as of 31 Dec</b>	<b>274,514</b>	<b>281,394</b>	<b>749,216</b>	<b>805,705</b>
Investments in non-current assets, property, plant and equipment, and investment property	65,589	70,899	79,309	57,722
Staff	293	254	134	138

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Poland		Other markets		Reconciliation		Group	
2017	2016	2017	2016	2017	2016	2017	2016
-	-	-	-	-	-	3,541	7,154
41,941	29,159	86,097	30,184	-	-	283,163	142,055
63,627	12,509	336	1,034	-	-	116,362	118,166
2,024	2,960	32,433	4,303	-	-	100,632	62,952
490	707	898	3,510	-	-	56,561	97,361
32,252	19,858	3,084	3,018	-	-	184,472	129,831
<b>140,334</b>	<b>65,193</b>	<b>122,848</b>	<b>42,049</b>	-	-	<b>744,731</b>	<b>557,519</b>
-81,837	-28,739	-71,877	-14,780	-	-	-404,114	-177,460
-	-	17	-18	-	-	24,051	36,961
<b>58,497</b>	<b>36,454</b>	<b>50,988</b>	<b>27,251</b>	-	-	<b>364,668</b>	<b>417,020</b>
-	-	-	-	-	-	3,500	1,065
7,488	-1,149	886	12,987	-	-	11,437	32,182
722	3,674	-1,164	-1,755	-	-	30,230	-4,484
-1,299	-4,643	3,321	292	-	-	2,281	3,871
182	-7,148	-3,684	-5,335	-	-	-1,898	-3,452
1,714	1,160	-313	1,952	-	-	4,914	10,883
<b>8,807</b>	<b>-8,106</b>	<b>-954</b>	<b>8,141</b>	-	-	<b>50,464</b>	<b>40,065</b>
6,996	1,229	-2,845	10,397	-	-	16,469	25,124
-1,771	-1,241	-619	-673	-	-	-3,827	-3,406
150	50	41	1	-	-	7,778	6,385
-4,604	-2,458	-1,246	-1,245	-	-	-19,385	-19,200
<b>349,291</b>	<b>343,902</b>	<b>149,536</b>	<b>151,726</b>	<b>-1,057,413</b>	<b>-982,596</b>	<b>1,130,933</b>	<b>1,233,761</b>
133,677	155,682	32,075	62,249	-	-	425,265	543,888
14,179	12,706	682	15,132	-	-	118,504	109,636
<b>326,351</b>	<b>311,092</b>	<b>94,206</b>	<b>97,883</b>	<b>-668,801</b>	<b>-603,767</b>	<b>775,486</b>	<b>892,307</b>
39,873	83,835	17,722	1,418	-	-	202,493	213,874
196	226	125	98	-	-	748	716

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

in T€	Revenue by customer base 2017	Revenue by customer base 2016
Austria	192,567	93,419
Germany	62,616	259,896
Poland	58,497	36,454
Other foreign	50,988	27,251
<b>Total foreign</b>	<b>172,101</b>	<b>323,601</b>
<b>Total segments</b>	<b>364,668</b>	<b>417,020</b>

### 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 well as interest paid. In contrast, dividends paid are stated under cash flow from financing activities.

The reconciliation of changes in cash flow from financing activities is as follows:

in T€	Financial liabilities	Lease obligations	Assets used to hedge financial liabilities	Bonds	Total
Balance as of 1 Jan 2017	397,349	14,815	35	321,296	733,495
Cash flows (cash changes)	-118,547	-13,836	-35	64,510	-67,908
Non-cash changes					
Corporate sales/acquisitions	-111,341	-	-	-	-111,341
Additions	-	88	-	-	88
Exchange rate effects	779	5	-	-	784
Accrued interest	-	-	-	-2,040	-2,040
<b>Balance as of 31 Dec 2017</b>	<b>168,240</b>	<b>1,072</b>	<b>0</b>	<b>383,766</b>	<b>553,078</b>

The column marked Total in the preceding table corresponds to the balance of current and non-current financial liabilities.

## 44. Notes on financial instruments

### Capital risk management

The Group manages its capital with the goal of maximising the return from its investments through optimising the ratio of equity and debt capital.

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

### Net gearing

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 2017	31 Dec 2016
Debt*	553,078	733,495
Cash and cash equivalents	-75,204	-42,298
<b>Net debt</b>	<b>477,874</b>	<b>691,197</b>
<b>Equity**</b>	<b>355,447</b>	<b>341,454</b>
Net debt to equity ratio	134.44%	202.43%

\* Debt is defined as non-current and current financial liabilities as shown in Notes 35 and 36.

\*\* Equity involves the Group's entire capital and reserves.

As of 31 December 2017 net debt totalled €477.9m (previous year: €691.2m); this corresponds to a 30.9% reduction.

The Group's overall strategy remains unchanged from the 2017 business year.

### Aims and methods of financial risk management

Original financial assets primarily comprise investments in companies accounted for at equity, project financing and other financial assets and trade receivables. Original financial liabilities include bonds 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€149,855 (previous year: T€411,029) as of 31 December 2017, 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 2017. An interest rate bandwidth of 0 BP therefore falls statistically within a probability band of 67% and the probability of an interest rate bandwidth of 1 BP is respectively 99%. The simulated impact on interest rates is as follows:

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in T€	Higher payable interest for the year 2018	Higher payable interest (p.a.) with straight-line extrapolation from 2019
At interest rate rise of 25 PP	266	380
At interest rate rise of 50 PP	532	760

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€617 in 2018 (previous year: T€559).

### 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 diversification and ongoing creditworthiness checks, with regard to project financing please refer to the table below 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. In this regard there was no requirement for an valuation allowance given.

### 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 the Management is informed by regular reports.

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 2017, 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* in T€
-19,634	CZK	501,357	421
-19,056	HRK	141,777	140
-30	HUF	9,310	1
-242,359	PLN	1,012,332	8,381
-3,204	RON	14,927	38

\* 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 €8.98m (previous year: €9.21m).

### Hedging currency risks

The UBM Group had concluded forward exchange contracts of T€0 (previous year: T€626) as of 31 December 2017. Around T€0 (previous year: T€429) were used as hedges for loans financed in euros and the remainder of T€0 (previous year: T€197) for hedging intragroup financing.

As of 31 December 2017 the market valuation of open forward exchange contracts resulted in a fair value of T€0 (previous year: T€35). In the fiscal year 2017 total income of T€36 (previous year: T€290) 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€	2017	2016
<b>Assets</b>		
Derivatives		
without hedges	-	-
with hedges	-	-
<b>Liabilities</b>		
Derivatives		
without hedges	-	35
with hedges	-	-

### Liquidity risk

in T€	Average interest rate	Non-discounted payment flow		
		2018	2019–2022	from 2023
Bonds at fixed interest rates	4.03%	19,770	432,909	-
Borrowings and overdrafts from banks at variable interest rates	2.21%	69,775	88,798	3,903
Borrowings and overdrafts from banks at fixed interest rates	2.00%	35	1,458	-
Payables to other lenders at variable interest rates	4.50%	-	-	-
Payables to other lenders at fixed interest rates	7.00%	10,560	-	1,197
Lease obligations at variable interest rates	0.89%	164	425	519
Trade payables	interest-free	70,763	-	-
Other financial liabilities	interest-free	30,474	4,116	-

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in T€	Average interest rate	Non-discounted payment flow		
		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	4.50%	22	-	-
Payables to other lenders at fixed interest rates	7.00%	14,190	-	1,197
Lease obligations at variable interest rates	2.79%	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	-

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€43,000 as of 31 December 2017 (previous year: T€7,168); 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.



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**Carrying amounts, measurement rates and fair values**

	Measurement in acc. with IAS 39	Carrying amount as of 31 Dec 2017	Measurement in acc. with IAS 39			Fair value hierarchy (IFRS 7.27A)	Fair value as of 31 Dec 2017
			(Continuing) acquisition costs	Fair value other comprehensive income	Fair value affecting net income		
<b>Assets</b>							
Project financing at variable interest rates	LaR	123,479	123,479	-	-	-	-
Other financial assets	HtM	2,907	2,907	-	-	Level 1	3,405
Other financial assets	AfS [at cost]	1,793	1,793	-	-	-	-
Other financial assets	AfS	901	-	901	-	Level 1	901
Trade receivables	LaR	46,804	46,804	-	-	-	-
Financial assets	LaR	14,685	14,685	-	-	-	-
Cash and cash equivalents	-	75,204	75,204	-	-	-	-
<b>Liabilities</b>							
Bonds at fixed interest rates	FLAC	383,766	383,766	-	-	Level 1	407,000
Borrowings and overdrafts from banks							
at variable interest rates	FLAC	154,536	154,536	-	-	-	-
at fixed interest rates	FLAC	1,453	1,453	-	-	Level 3	1,448
Other financial liabilities							
at variable interest rates	FLAC	20	20	-	-	-	-
at fixed interest rates	FLAC	12,231	12,231	-	-	Level 3	11,277
Lease obligations	-	1,072	1,072	-	-	-	-
Trade payables	FLAC	70,763	70,763	-	-	-	-
Other financial liabilities	FLAC	34,590	34,590	-	-	-	-
<b>by category:</b>							
Loans and receivables	LaR	184,968	184,968	-	-	-	-
Held to maturity	HtM	2,907	2,907	-	-	-	-
Available-for-sale financial assets	AfS [at cost]	1,793	1,793	-	-	-	-
Available-for-sale financial assets	AfS	901	-	901	-	-	-
Cash and cash equivalents	-	75,204	75,204	-	-	-	-
Financial liabilities measured at amortised cost	FLAC	657,359	657,359	-	-	-	-

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	Measurement in acc. with IAS 39	Carrying amount as of 31 Dec 2016	Measurement in acc. with IAS 39				Fair value hierarchy (IFRS 7.27A)	Fair value as of 31 Dec 2016
			(Continuing) acquisition costs	Fair value other comprehensive income	Fair value affecting net income			
<b>Assets</b>								
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	-	-	-	-	
<b>Liabilities</b>								
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	-	-	
<b>by category:</b>								
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	-	-	

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 measurement for the bonds 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 2017 was used for the discounting of the cash flow.

The "available-for-sale at cost" financial assets all relate to investments (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 2017
Loans and receivables LaR	7,678	-	4,779	12,457
Held to maturity HtM	87	-	-	87
Financial liabilities measured at amortised cost FLAC	-19,143	-	17,640	-1,503

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 cost)	-	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

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.

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in T€	2017	2016
<b>Accumulated writedowns for project financing LaR</b>		
Value adjustments as of 31 Jan	10,409	6,518
Amortisation and impairment	8	4,133
Appreciation	-4,787	-43
Use	-	-199
<b>Balance as of 31 Dec</b>	<b>5,630</b>	<b>10,409</b>

### 45. Average staffing levels

	2017	2016
<b>Salaried employees and waged workers</b>		
Domestic	134	138
Foreign	614	578
<b>Total staff</b>	<b>748</b>	<b>716</b>
of which salaried employees	526	630
of which waged workers	222	86

### 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 at equity primarily involve project development, construction management, and loans granted with their related interest charges, and are disclosed in the following analysis.

in T€	Selling goods and services		Purchasing goods and services		Receivables		Liabilities	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Companies accounted for at equity</b>								
Joint ventures	54,300	26,206	1,953	6,905	128,420	104,162	10,005	4,406
of which from financing	5,956	4,363	-	-	97,342	86,630	-	-
Associated companies	65	106	-	-	1,600	1,173	1,710	2,459
of which from financing	5	1	-	-	652	554	-	-

### Transactions with related parties

In addition to companies accounted for at equity, related parties pursuant to IAS 24 include PORR AG and its subsidiaries, and 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 connection with the development of a property, the main tenant, PORR AG, provided Strauss & Partner Development GmbH with advance financing of €45m and a term ending in 2019; this financing had been repaid ahead of schedule as of October 2017. For one company 100.00% of the shares were transferred to the PORR Group; the purchase price of T€22 was settled in cash.

In addition, interest totalling T€4,770 was paid to PORR AG for the mezzanine capital and the hybrid capital in the 2017 business year.

in T€	Selling goods and services		Purchasing goods and services		Receivables		Liabilities	
	2017	2016	2017	2016	2017	2016	2017	2016
PORR Group	6,918	7,870	96,549	111,154	830	189	6,504	5,425
of which from financing	-	-	1,322	635	-	-	-	-
IGO-Ortner Group	41	12	25,814	15,297	3	80	3,720	1,158
Strauss Group	9	2	100	299	-	80	-	120
Other	572	-	26	134	677	-	-	4

### 47. Events after the end of the reporting period

On 22 February 2018 UBM issued a subordinated bond (hybrid bond) with a total volume of €100m and an annual coupon of 5.50%. The bond is a perpetual bond with an early redemption option by the issuer after five years.

The Management Board of UBM Development AG reached a basic agreement with PORR AG, whereby UBM will repay the outstanding nominal amount of €50m plus interest accrued from the mezzanine capital provided by PORR; the predicted repayment date is in April 2018.

The Management Board of UBM approved the consolidated financial statements and handed them over to the Supervisory Board on 3 April 2018. The Supervisory Board is responsible for reviewing the consolidated financial statements and declaring whether or not it accepts them.

#### 48. Other information

UBM paid the sum of T€85 (previous year T€65) for the audit carried out by the independent auditor. The auditor of the consolidated financial statements also received the sum of T€70 (previous year: T€133) for other services and T€101 (previous year: T€125) for other attestation services. The other services primarily comprised services related to producing a comfort letter; the other attestation services involved the audit review of the interim financial statements and audit services for subsidiaries.

#### 49. Executive bodies

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

in T€	Management Board remuneration, fixed	Management Board remuneration, variable*	Non-cash benefits	Pension fund/ severance	Total 2017
<b>Management Board remuneration 2017</b>					
Thomas G. Winkler	450	300	12	10	772
Martin Löcker	300	200	11	18	529
Patric Thate	150	100	3	2	255
Claus Stadler	200	200	6	5	411
Michael Wurzinger	292	500**	8	14	814
<b>Total</b>	<b>1,392</b>	<b>1,300</b>	<b>40</b>	<b>49</b>	<b>2,781</b>
of which short-term benefits due	1,392	1,300	40	-	2,732
of which compensation related to the termination of the Management Board employment contract	-	-	-	49	49
<b>Supervisory Board remuneration 2017</b>	-	-	-	-	<b>173</b>

\* probable variable remuneration for 2017, payable in 2018

\*\* T€200 special bonus and T€300 annual bonus

in T€	Management Board remuneration	Management Board remuneration, variable*	Non-cash benefits	Pension fund/ severance	Total 2016
<b>Management Board remuneration 2016</b>					
Karl Bier	363	773	12	671**	1,819
Martin Löcker	227	500	11	23	761
Heribert Smolé	249	500	12	26	787
Claus Stadler	258	300	11	21	590
Thomas G. Winkler	263	275	6	11	555
Michael Wurzinger	297	435	12	22	766
<b>Total</b>	<b>1,657</b>	<b>2,783</b>	<b>64</b>	<b>774</b>	<b>5,278</b>
of which short-term benefits due	1,657	2,783	64	-	4,504
of which compensation related to the termination of the Management Board employment contract	-	-	-	774	774
<b>Supervisory Board remuneration 2016</b>	-	-	-	-	<b>178</b>

\* probable variable remuneration for 2016, payable in 2017

\*\* For this Management Board member who was in office until 31 May 2016, severance of T€671 was paid out; this was covered by a provision of T€752, thereby resulting in a release of T€81.

These payments do not include provisions for pensions for former Management Board members.

There is a pension provision totalling T€4,301 for two former Management Board members (previous year: T€4,459).

There are no provisions for severance payments for former or current Management Board members.

No loans or advances were granted to members of the Management Board.

Under the Long-Term Incentive Programme 2017 (LTIP), 261,300 potential shares were allocated to the Management Board (see note 16). T€298 of the expenditure for the LTIP relates to Management Board members (previous year: T€0).

**Members of the Management Board:**

Thomas G. Winkler, Chairman  
Martin Löcker  
Patric Thate (from 1 July 2017)  
Michael Wurzinger (until 31 October 2017)  
Claus Stadler (until 31 August 2017)

**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  
Günter Schnötzing  
Martin Kudlicska  
Hannes Muster  
Johann Kaller

Vienna, 3 April 2018

The Management Board



**Thomas G. Winkler**  
Chairman



**Martin Löcker**



**Patric Thate**

# Investments

Legal name	Country	Currency	Domicile	Capital share in % direct (31.12.2017)	Capital share in % indirect (31.12.2017)	Type of consolidation	Capital share in % direct (31.12.2016)	Capital share in % indirect (31.12.2016)	Type of consolidation
<b>Subsidiaries</b>									
"Athos" Bauplanungs- und Errichtungsgesellschaft m.b.H.	AUT	€	Vienna	90.00	100.00	F	90.00	100.00	F
"UBM 1" Liegenschaftsverwertung Gesellschaft m.b.H.	AUT	€	Vienna	100.00	100.00	F	100.00	100.00	F
Aighof 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	100.00	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	100.00	F
Emiko Beteiligungsverwaltungs GmbH	AUT	€	Vienna	0.00	100.00	U	0.00	100.00	U
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	0.00		0.00	100.00	F
EPS Immobilienmanagement GmbH	AUT	€	Kematen in Tirol	0.00	100.00	U	0.00	100.00	U
EPS Immobilienmanagement "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



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Legal name	Country	Currency	Domicile	Capital share in % direct (31.12.2017)	Capital share in % indirect (31.12.2017)	Type of consolidation	Capital share in % direct (31.12.2016)	Capital share in % indirect (31.12.2016)	Type of consolidation
EPS RINNBÖCKSTRASSE - LITFASS-STRASSE Liegenschafts-verwertungs- 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
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 GmbH in Liqu.	AUT	€	Vienna	0.00	0.00		0.00	100.00	U
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	0.00		0.00	100.00	F
Gospela Beteiligungsverwaltungs GmbH	AUT	€	Vienna	0.00	100.00	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	100.00	F
Impulszentrum Telekom Betriebs GmbH	AUT	€	Unterpremstätten, pol. Gem. Premstätten	30.00	100.00	F	30.00	76.00	F
Jandl Baugesellschaft m.b.H.	AUT	€	Unterpremstätten, pol. Gem. Premstätten	0.00	100.00	F	0.00	100.00	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	100.00	F
ML-ZENTRAL Liegenschaftsverwaltungs GmbH	AUT	€	Vienna	0.00	100.00	F			
MLSP Absberggasse Immobilien GmbH & Co KG	AUT	€	Vienna	0.00	100.00	F	0.00	100.00	F
MultiStorage GmbH	AUT	€	Salzburg	0.00	75.00	U	0.00	75.00	U
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

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QBC Beta SP Immomanagement GmbH	AUT	€	Vienna	0.00	0.00		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	0.00		0.00	100.00	F
QBC Immobilien GmbH & Co Beta KG	AUT	€	Vienna	0.00	0.00		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	0.00		0.00	100.00	F
Rainbergstraße - Immobilienprojektentwicklungs GmbH	AUT	€	Vienna	99.00	100.00	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	0.00	0.00		50.00	100.00	F
Sabimo Immobilien GmbH	AUT	€	Vienna	0.00	100.00	F	0.00	100.00	F
Sabimo Liebenauer Hauptstraße GmbH	AUT	€	Vienna	0.00	100.00	F	0.00	100.00	F
Sabimo Monte Laa Bauplatz 2 GmbH	AUT	€	Vienna	0.00	0.00		0.00	100.00	F
Sarium Beteiligungsverwaltungs GmbH & Co. "Office Provider" OG	AUT	€	Vienna	0.00	100.00	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	U	0.00	100.00	U
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	0.00		0.00	100.00	U
SP Graumanngasse 8-10 Immobilien GmbH	AUT	€	Vienna	0.00	100.00	F	0.00	100.00	F
St. Peter-Straße 14-16 Liegenschaftsverwertung Ges.m.b.H.	AUT	€	Vienna	50.00	100.00	F	50.00	100.00	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	U	100.00	100.00	U
UBM hotels Management GmbH	AUT	€	Vienna	100.00	100.00	F	100.00	100.00	F
UBM Seevillen Errichtungs-GmbH	AUT	€	Vienna	100.00	100.00	F	100.00	100.00	F

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WLB Projekt Laaer Berg Liegen- schaftsverwertungs- und Beteili- gungs-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	49.00	100.00	F
Wohnpark Laaer Berg Verwer- tungs- und Beteiligungs-GmbH & Co. Bauplatz 4 "blau" Projekt-OG	AUT	€	Vienna	0.00	100.00	U	0.00	100.00	U
UBM BULGARIA EOOD	BGR	BGN	Sofia	100.00	100.00	F	100.00	100.00	F
ANDOVIIEN 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	CZK	Prague	0.36	100.00	F	0.36	100.00	F
Immo Future 6 - Crossing Point Smichov s.r.o.	CZE	CZK	Prague	20.00	100.00	F	20.00	100.00	F
Na Záhonech a.s.	CZE	CZK	Prague	30.12	100.00	F	30.12	100.00	F
RE Moskevská spol.s.r.o.	CZE	CZK	Prague	0.00	100.00	F	0.00	100.00	F
TOSAN park a.s.	CZE	CZK	Prague	100.00	100.00	F	100.00	100.00	F
UBM - Bohemia 2 s.r.o.	CZE	CZK	Prague	100.00	100.00	F	100.00	100.00	F
UBM Bohemia Development s.r.o.	CZE	CZK	Prague	100.00	100.00	F	100.00	100.00	F
UBX 3 s.r.o.	CZE	CZK	Prague	0.00	0.00		100.00	100.00	F
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	U	0.00	100.00	U
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
Bürohaus Leuchtenbergring GmbH & Co. Besitz KG	DEU	€	Munich	0.00	100.00	F	0.00	99.00	F
Bürohaus Leuchtenbergring Verwaltungs GmbH	DEU	€	Munich	0.00	0.00		0.00	100.00	U
City Objekte München GmbH	DEU	€	Munich	0.00	90.00	F	0.00	90.00	F
City Tower Vienna Grundstücks- entwicklungs- und Beteili- gungs-GmbH in Liqu.	DEU	€	Munich	0.00	100.00	U	0.00	100.00	U
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	U	0.00	94.00	U
HPG Hirschgarten GmbH	DEU	€	Munich	0.00	100.00	F	0.00	100.00	F
HPG Klosterstraße GmbH	DEU	€	Munich	0.00	100.00	F	0.00	100.00	F
Immobilien- und Baumanagement Stark GmbH & Co. Stockholm- straße 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	U	0.00	100.00	U
Leuchtenbergring Hotelbetriebs- gesellschaft mbH	DEU	€	Munich	0.00	100.00	F	0.00	100.00	F

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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	U	0.00	100.00	U
Mainzer Landstraße Hotelbetriebs GmbH	DEU	€	Munich	0.00	100.00	F	0.00	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 Hotelbetriebs-gesellschaft 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
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	U	0.00	100.00	U
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	U	0.00	100.00	U
SONUS II Verwaltungs GmbH	DEU	€	Berlin	0.00	100.00	U			
Stadtgrund Bauträger GmbH	DEU	€	Berlin	100.00	100.00	F	100.00	100.00	F
Top Office Munich GmbH	DEU	€	Grünwald, Munich municipality	0.00	100.00	F	0.00	50.00	E/J
UBM Deutschland GmbH	DEU	€	Munich	100.00	100.00	F			
UBM hotels München GmbH	DEU	€	Munich	0.00	100.00	F	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	0.00	0.00		50.00	94.00	F
Sitnica društvo s ogranicenom odgovornoscu za usluge	HRV	HRK	Samobor	0.00	100.00	F	0.00	100.00	F
STRAUSS & PARTNER Development d.o.o. za usluge i graditeljstvo	HRV	HRK	Samobor	0.00	0.00		0.00	100.00	U
UBM d.o.o. za poslovanje nekretninama	HRV	HRK	Zagreb	100.00	100.00	F	100.00	100.00	F
Gamma Real Estate Ingtalanfejlesztő és - hasznosító Korlátolt Felelősségű Társaság	HUN	HUF	Budapest	0.00	100.00	F	0.00	100.00	F
UBM Projektmanagement Korlátolt Felelősségű Társaság	HUN	HUF	Budapest	100.00	100.00	F	100.00	100.00	F
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	0.00		0.00	100.00	F
"GF Ramba" Spółka z ograniczona odpowiedzialnoscia	POL	PLN	Warsaw	0.00	100.00	F	0.00	100.00	F
"UBM Polska" Spółka z ograniczona odpowiedzialnoscia	POL	PLN	Warsaw	100.00	100.00	F	100.00	100.00	F
"UBM Residence Park Zakopianka" Spółka z ograniczona odpowiedzialnoscia	POL	PLN	Krakow	100.00	100.00	F	100.00	100.00	F

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"UBM-HPG" Spółka z ograniczona odpowiedzialnoscia	POL	PLN	Krakow	0.00	100.00	F	0.00	100.00	F
Bartycka Real Estate Spółka z ograniczona odpowiedzialnoscia	POL	PLN	Warsaw	0.00	100.00	F	0.00	100.00	F
FMZ Gdynia Spółka z ograniczona odpowiedzialnoscia	POL	PLN	Warsaw	70.30	100.00	F	70.30	100.00	F
FMZ Lublin Spółka z ograniczona odpowiedzialnoscia	POL	PLN	Warsaw	0.00	70.00	F	0.00	70.00	F
FMZ Sosnowiec Spółka z ograniczona odpowiedzialnoscia	POL	PLN	Warsaw	0.00	55.00	F	0.00	55.00	F
Liguria 12 Spółka z ograniczona odpowiedzialnoscia	POL	PLN	Warsaw	0.00	100.00	F	0.00	100.00	F
Oaza Kampinos Spółka z ograniczona odpowiedzialnoscia	POL	PLN	Warsaw	0.00	100.00	F	0.00	100.00	F
PBP IT-Services Spółka z ograniczona odpowiedzialnoscia	POL	PLN	Warsaw	0.00	100.00	F	0.00	100.00	F
Poleczki Development Spółka z ograniczona odpowiedzialnoscia	POL	PLN	Warsaw	0.00	100.00	F	0.00	100.00	F
Poleczki Lisbon Office Spółka z ograniczona odpowiedzialnoscia	POL	PLN	Warsaw	0.00	100.00	F	0.00	100.00	F
Poleczki Madrid Office Spółka z ograniczona odpowiedzialnoscia	POL	PLN	Warsaw	0.00	99.00	F	0.00	99.00	F
Poleczki Parking House Spółka z ograniczona odpowiedzialnoscia	POL	PLN	Warsaw	0.00	99.00	F			
Poplar Company Spółka z ograniczona odpowiedzialnoscia	POL	PLN	Warsaw	0.00	100.00	F	0.00	100.00	F
POPLAR COMPANY Spółka z ograniczona odpowiedzialnoscia Spółka Komandytowa	POL	PLN	Warsaw	0.00	100.00	F	0.00	100.00	F
UBM GREEN DEVELOPMENT SPÓŁKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	POL	PLN	Warsaw	100.00	100.00	F	100.00	100.00	F
UBM Hotel Granary Spółka z ograniczona odpowiedzialnoscia	POL	PLN	Warsaw	0.00	100.00	F	0.00	100.00	F
UBM Hotel Twarda Spółka z ograniczoną odpowiedzialnością	POL	PLN	Warsaw	0.00	99.00	F			
UBM Kottarska Spółka z ograniczona odpowiedzialnoscia	POL	PLN	Warsaw	0.00	0.00		0.00	100.00	F
UBM Mogilska Spółka z ograniczona odpowiedzialnoscia	POL	PLN	Warsaw	0.00	100.00	F	0.00	100.00	F
UBM Nowy Targ Spółka z ograniczona odpowiedzialnoscia	POL	PLN	Warsaw	0.00	100.00	F	0.00	100.00	F
UBM Riwiera 2 Spółka z ograniczona odpowiedzialnoscia	POL	PLN	Warsaw	0.00	100.00	F	0.00	100.00	F
UBM RIWIERA 2 Spółka z ograniczona odpowiedzialnoscia BIS Spółka komandytowa	POL	PLN	Warsaw	0.00	100.00	F	0.00	100.00	F
UBM Riwiera 2 Spółka z ograniczona odpowiedzialnoscia Spółka komandytowa	POL	PLN	Warsaw	0.00	100.00	F	0.00	100.00	F
UBM Twarda Spółka z ograniczona odpowiedzialnoscia	POL	PLN	Warsaw	0.00	100.00	F	0.00	100.00	F

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UBM Zielone Tarasy Spółka z ograniczona odpowiedzialnoscia	POL	PLN	Krakow	100.00	100.00	F	100.00	100.00	F
Yavin Spółka z ograniczona odpowiedzialnoscia	POL	PLN	Poznan	0.00	100.00	F	0.00	100.00	F
Lamda Imobiliare SRL	ROM	RON	Bucharest	0.00	100.00	F	0.00	100.00	F
M Logistic Distribution S.R.L.	ROM	RON	Bucharest	100.00	100.00	F	100.00	100.00	F
UBM DEVELOPMENT S.R.L.	ROM	RON	Bucharest	99.15	100.00	F	99.15	100.00	F
Yipsilon Imobiliare SRL	ROM	RON	Bucharest	0.00	0.00		0.00	100.00	F
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	0.00	0.00		100.00	100.00	F
Tovarystvo z obmezhenouj vidpovidalnistu "UBM Ukraine"	UKR	UAH	Kiev	100.00	100.00	U	100.00	100.00	U

### Associated companies

ASA - Projektentwicklung - GmbH	AUT	€	Vienna	0.00	49.35	E/A	0.00	49.35	E/A
CCG Immobilien GmbH	AUT	€	Werndorf	0.00	24.90	E/A	0.00	24.90	E/A
Ehrenhausen Bauträger GmbH	AUT	€	Bad Gleichenberg	0.00	30.00	E/A	0.00	30.00	E/A
Glamas Beteiligungsverwaltungs GmbH & Co "Beta" KG	AUT	€	Vienna	0.00	26.67	E/A	0.00	26.67	E/A
LiSciV Muthgasse GmbH & Co KG	AUT	€	Vienna	0.00	26.67	E/A	0.00	26.67	E/A
Palais Hansen Immobilienentwicklung GmbH	AUT	€	Vienna	0.00	33.57	E/A	0.00	33.57	E/A
Soleta Beteiligungsverwaltungs GmbH	AUT	€	Vienna	0.00	26.67	U	0.00	26.67	U
CAMG Zollhafen HI IV V GmbH & Co. KG	DEU	€	Grünwald, Munich municipality	0.00	49.90	E/A	0.00	49.90	E/A
CAMG Zollhafen HI IV V Verwaltungs GmbH	DEU	€	Grünwald, Munich municipality	0.00	49.90	U	0.00	49.90	U
German Hotel Verwaltungs GmbH	DEU	€	Grünwald, Munich municipality	0.00	47.00	U	0.00	47.00	U

### Joint ventures

CCG Nord Projektentwicklung GmbH	AUT	€	Werndorf	0.00	50.00	U	0.00	50.00	U
CCG Nord Projektentwicklung GmbH & Co KG	AUT	€	Werndorf	0.00	50.00	E/J	0.00	50.00	E/J
FWUBM Management GmbH	AUT	€	Vienna	50.00	50.00	E/J	50.00	50.00	E/J
Hessenplatz Hotel- und Immobilienentwicklung GmbH	AUT	€	Vienna	50.00	50.00	E/J	50.00	50.00	E/J
Jochberg Hotelprojektentwicklungs- und Beteiligungsverwaltungs GmbH	AUT	€	Jochberg	0.00	50.00	U	0.00	50.00	U
Jochberg Hotelprojektentwicklungs- und Beteiligungsverwaltungs GmbH & Co KG	AUT	€	Jochberg	0.00	50.00	E/J	0.00	50.00	E/J

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Jochberg Kitzbüheler Straße Errichtungs- und Beteiligungsverwaltungs GmbH & Co KG	AUT	€	Vienna	0.00	50.00	E/J	0.00	50.00	E/J
Jochberg Kitzbüheler Straße Errichtungs- und Beteiligungsverwaltungs GmbH	AUT	€	Vienna	0.00	50.00	U	0.00	50.00	U
Jochberg Kitzbüheler Straße Hotelbetriebs GmbH	AUT	€	Jochberg	0.00	50.00	E/J	0.00	50.00	E/J
Karlauerstraße 57 Projektentwicklungs GmbH	AUT	€	Vienna	0.00	70.00	E/J			
Karlauerstraße 57 Projektentwicklungs GmbH & Co KG	AUT	€	Vienna	0.00	71.80	E/J			
KDS 98 Errichtungs GmbH	AUT	€	Klagenfurt am Wörthersee	0.00	0.00		0.00	33.30	E/J
Murgalerien Errichtungs- und Verwertungs-GmbH	AUT	€	Unterpremstätten, pol. Gem. Premstätten	0.00	50.00	E/J	0.00	50.00	E/J
Muthgasse Alpha Holding GmbH	AUT	€	Vienna	0.00	47.06	E/J	0.00	47.06	E/J
Nordbahnhof-Vierte Wohnungs-GmbH	AUT	€	Vienna	0.00	50.00	E/J			
PEM Projektentwicklung Murgalerien GmbH	AUT	€	Unterpremstätten, pol. Gem. Premstätten	0.00	50.00	U	0.00	50.00	U
QBC Alpha SP Immomanagement GmbH	AUT	€	Vienna	0.00	65.00	E/J	0.00	65.00	E/J
QBC Gamma SP Immomanagement GmbH	AUT	€	Vienna	0.00	65.00	E/J	0.00	65.00	E/J
QBC Immobilien GmbH	AUT	€	Vienna	0.00	78.98	E/J	0.00	78.98	E/J
QBC Immobilien GmbH & Co Alpha KG	AUT	€	Vienna	0.00	67.10	E/J	0.00	67.10	E/J
QBC Immobilien GmbH & Co Gamma KG	AUT	€	Vienna	0.00	0.00	E/J	0.00	67.10	E/J
QBC Immobilien GmbH & Co Omega KG	AUT	€	Vienna	0.00	67.10	E/J			
QBC Immobilien GmbH & Co Zeta KG	AUT	€	Vienna	0.00	80.24	E/J	0.00	80.24	E/J
QBC Omega SP Immomanagement GmbH	AUT	€	Vienna	0.00	65.00	E/J			
Rankengasse 28 Projektentwicklungs GmbH	AUT	€	Vienna	0.00	70.00	E/J			
Rankengasse 28 Projektentwicklungs GmbH & Co KG	AUT	€	Vienna	0.00	71.80	E/J			
Rosenhügel Entwicklungs-, Errichtungs- und Verwertungsgesellschaft mbH	AUT	€	Vienna	0.00	50.00	U	0.00	50.00	U
Rosenhügel Entwicklungs-, Errichtungs- und Verwertungsgesellschaft mbH & Co KG	AUT	€	Vienna	0.00	50.00	E/J	0.00	50.00	E/J
Seeresidenz am Wolfgangsee Bauträger GmbH	AUT	€	Vienna	0.00	45.00	E/J	0.00	45.00	E/J
Seeresidenz am Wolfgangsee Beteiligungsverwaltung GmbH	AUT	€	Vienna	0.00	45.00	E/J	0.00	45.00	E/J

**Consolidated Financial Statements**

Legal name	Country	Currency	Domicile	Capital share in % direct (31.12.2017)	Capital share in % indirect (31.12.2017)	Type of consolidation	Capital share in % direct (31.12.2016)	Capital share in % indirect (31.12.2016)	Type of consolidation
Seeresidenz am Wolfgangsee Projektentwicklungs- und Errichtungs GmbH	AUT	€	Vienna	0.00	45.00	U	0.00	45.00	U
Storchengrund GmbH	AUT	€	Vienna	0.00	50.00	U	0.00	50.00	U
W 3 Errichtungs- und Betriebs-Aktiengesellschaft	AUT	€	Vienna	26.67	80.00	E/J	26.67	80.00	E/J
WA Kufstein Salurnerstraße Immobilien GmbH	AUT	€	Kematen	0.00	75.00	E/J			
Wohnanlage Andritz - Stattegger Straße 2 GmbH	AUT	€	Graz	0.00	51.00	E/J	0.00	51.00	E/J
Wohnanlage Geidorf - Kahngasse GmbH	AUT	€	Graz	50.00	50.00	E/J	50.00	50.00	E/J
DOCK V1, s.r.o.	CZE	CZK	Prague	0.00	0.00		0.00	50.00	E/J
Grafická 1 s.r.o.	CZE	CZK	Prague	50.00	50.00	E/J			
UBX Plzen Real Estate s.r.o.	CZE	CZK	Prague	0.00	0.00		50.00	50.00	
UBX Plzen s.r.o.	CZE	CZK	Prague	0.00	0.00		50.00	50.00	E/J
ACC Berlin Konferenz Betriebs GmbH in Liqu.	DEU	€	Berlin	50.00	50.00	E/J	50.00	50.00	E/J
Anders Wohnen GmbH	DEU	€	Grünwald, Munich municipality	0.00	50.00	E/J	0.00	50.00	E/J
CentralTower Berlin GmbH	DEU	€	Berlin	0.00	50.00	E/J			
German Hotel II Verwaltungs GmbH	DEU	€	Grünwald, Munich municipality	0.00	50.00	U	0.00	50.00	U
German Hotel III Verwaltungs GmbH	DEU	€	Grünwald, Munich municipality	0.00	50.00	U	0.00	50.00	U
German Hotel Invest II GmbH & Co. KG	DEU	€	Grünwald, Munich municipality	0.00	50.00	E/J	0.00	50.00	E/J
German Hotel Invest III GmbH & Co. KG	DEU	€	Grünwald, Munich municipality	0.00	50.00	E/J	0.00	50.00	E/J
German Hotel Invest IV GmbH & Co. KG	DEU	€	Grünwald, Munich municipality	0.00	50.00	E/J	0.00	50.00	E/J
German Hotel IV Verwaltungs GmbH	DEU	€	Grünwald, Munich municipality	0.00	50.00	U	0.00	50.00	U
Hotel Invest Hansa FT2 GmbH & Co. KG	DEU	€	Hamburg	0.00	0.00		0.00	47.00	E/J
Lilienthalstraße Wohnen GmbH Münchner Grund und Baywobau	DEU	€	Grünwald, Munich municipality	0.00	50.00	E/J	0.00	50.00	E/J
MGH Potsdam I GmbH & Co. KG	DEU	€	Berlin	0.00	50.00	E/J	0.00	100.00	E/J
MGH Potsdam Verwaltungs GmbH	DEU	€	Berlin	0.00	50.00	U			
MGO I Development GmbH & Co.KG	DEU	€	Berlin	0.00	50.00	E/J	0.00	100.00	E/J
MGO II Development GmbH & Co. KG	DEU	€	Berlin	0.00	50.00	E/J	0.00	100.00	E/J
MGR Thulestraße GmbH & Co. KG	DEU	€	Berlin	0.00	50.00	E/J	0.00	50.00	E/J
MGR Thulestraße Verwaltungs GmbH	DEU	€	Berlin	0.00	50.00	U	0.00	50.00	U
Obersendlinger Grund GmbH & Co. KG	DEU	€	Grünwald, Landkreis Munich	0.00	30.00	E/J	0.00	30.00	E/J
Obersendlinger Grund Verwaltungs GmbH	DEU	€	Grünwald, Munich municipality	0.00	30.00	U	0.00	30.00	U
UBX 1 Objekt Berlin GmbH	DEU	€	Munich	50.00	50.00	E/J	50.00	50.00	E/J



## Consolidated Financial Statements

Legal name	Country	Currency	Domicile	Capital share in % direct (31.12.2017)	Capital share in % indirect (31.12.2017)	Type of consolidation	Capital share in % direct (31.12.2016)	Capital share in % indirect (31.12.2016)	Type of consolidation
HOTEL PARIS II S.A.R.L.	FRA	€	Marne la Vallée	50.00	50.00	E/J	50.00	50.00	E/J
UBX Development (France) Societé par actions simplifiée	FRA	€	Magny le Hongre Cedex 4	50.00	50.00	E/J	50.00	50.00	E/J
Hotelinvestments (Luxembourg) S.à r.l.	LUX	€	Luxembourg	50.00	50.00	U	50.00	50.00	U
Emma Hotel C.V.	NLD	€	Amsterdam	0.00	0.00		0.00	45.24	E/J
Sarphati 104 B.V.	NLD	€	Amsterdam	0.00	0.00		0.00	50.00	E/J
Styria B.V.	NLD	€	Amsterdam	0.00	50.00	E/J	0.00	50.00	E/J
"POLECZKI BUSINESS PARK" SPÓLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA W LIKWIDACJI	POL	PLN	Warsaw	50.00	50.00	E/J	50.00	50.00	E/J
"SOF Hotel Operations" Spółka z ograniczona odpowiedzialnoscia	POL	PLN	Krakow	0.00	50.00	E/J	0.00	50.00	E/J
"UBX Katowice" Spółka z ograniczona odpowiedzialnoscia	POL	PLN	Katowice	0.00	0.00	E/J	0.00	50.00	E/J
Berlin Office Spółka z ograniczona odpowiedzialnoscia	POL	PLN	Warsaw	0.00	74.00	E/J	0.00	74.00	E/J
Hotel Management Angelo Katowice Spółka z ograniczona odpowiedzialnoscia	POL	PLN	Katowice	0.00	0.00		0.00	50.00	E/J
Lanzarota Investments Spółka z ograniczona odpowiedzialnoscia	POL	PLN	Warsaw	34.00	50.00	E/J	34.00	50.00	E/J
Poleczki Amsterdam Office Spółka z ograniczona odpowiedzialnoscia	POL	PLN	Warsaw	0.00	74.00	E/J	0.00	74.00	E/J
Poleczki Vienna Office Spółka z ograniczona odpowiedzialnoscia	POL	PLN	Warsaw	0.00	74.00	E/J	0.00	74.00	E/J
Sienna Hotel Spółka z ograniczona odpowiedzialnoscia	POL	PLN	Warsaw	31.55	50.00	E/J	31.55	50.00	E/J
SOF DEBNIKI DEVELOPMENT SPÓLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	POL	PLN	Krakow	0.00	50.00	E/J	0.00	50.00	E/J
Warsaw Office Spółka z ograniczona odpowiedzialnoscia	POL	PLN	Warsaw	0.00	74.00	E/J	0.00	74.00	E/J

### Other investments

IMMORENT-KRABA Grundverwertungsgesellschaft m.b.H.	AUT	€	Vienna	0.00	0.00		10.00	10.00	U
"S1" Hotelerrichtungs AG	CH	CHF	Savognin	0.00	0.00		1.53	1.53	U
STRAUSS & CO. Development GmbH	DEU	€	Berlin	0.00	6.00	U	0.00	6.00	U
ZAO "AVIELEN A.G."	RUS	RUB	St. Petersburg	0.00	10.00	U	0.00	10.00	U

F = fully consolidated company  
E/A = associated company accounted for at equity  
E/J = joint venture accounted for at equity  
U = companies of minor importance

# 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 (UBM Group) comprising the consolidated statement of financial position as of 31 December 2017, 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 2017 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 the regulation (EU) no. 537/2014 (in the following "EU regulation") and in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing (ISAs). 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 and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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 €736m, which sums up to 65% 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 To 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.

### 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.

### Our audit response

The fair value is determined primarily by external appraisers, and partly also by internal valuations. As of 31 December 2017, real estate classified as investment property, inventory and PPE with a total carrying amount of €316m was valued by external appraisers. Concerning the appropriateness of the fair value for assets held for sale with a total carrying amount of €112m 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 valued 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 and critically assessed with the management.

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.

## 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 €233m as of 31 December 2017, which amounts to 21% 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.

### 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.

### 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 impairment 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.

### 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.

**Additional information in accordance with article 10 of the EU regulation**

We were elected as auditor by the ordinary general meeting at 23 May 2017. We were appointed by the Supervisory Board on 5 August 2017. We are auditors without cease since 2002.

We confirm that the audit opinion in the section "Report on the consolidated financial statements" is consistent with the additional report to the audit committee referred to in article 11 of the EU regulation.

We declare that no prohibited non-audit services (article 5 paragraph 1 of the EU regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

We did not perform additional services for the audited company or entities controlled by it that were not disclosed in the consolidated financial statements.

**Responsible austrian certified public accountant**

The engagement partner on the audit resulting in this independent auditor's report is Klemens Eiter, Certified Public Accountant.

Vienna, 3 April 2018

**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.

Publication or sharing with third parties of the financial statements together with our auditor's opinion is only allowed if the financial statements and the management report are identical with the German audited version. This audit opinion is only applicable to the German and complete financial statements with the management report. Section 281 paragraph 2 UGB (Austrian Company Code) applies to alternated versions.

We draw attention to the fact that the English translation of this long-form audit report according to Section 273 of the Austrian Company Code (UGB) is presented for the convenience of the reader only and that the German wording is the only legally binding version.

## Appropriation of Profits

UBM Development AG ended the 2017 business year with a retained profit of €14,971,944.11. The Management Board proposes a dividend of €2.00 per share, which with 7,472,180 shares totals a payout of €14,944,360.00, with the remainder of the profits totalling €27,584.11 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 €2.00 per share shall ensue from 7 June 2018 through the custodian bank, subject to tax law regulations. The main paying agent is Erste Group Bank AG.

Vienna, 3 April 2018

The Management Board



**Thomas G. Winkler**  
Chairman



**Martin Löcker**



**Patric Thate**

# Responsibility Statement

## Pursuant to Section 124 Paragraph 1 Stock Exchange Act 2018 – 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 as includes all of the companies in the consolidated group, and the Group management report presents the development and performance of the business and the position of the Group in such a way that it gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, together with a description of the principal risks and sources of uncertainty to which the Group is exposed.

Vienna, 3 April 2018

The Management Board



**Thomas G. Winkler**  
Chairman



**Martin Löcker**



**Patric Thate**

# Glossary

<b>ATX</b>	Austrian Traded Index, leading index of Vienna Stock Exchange
<b>BREEAM</b>	Building Research Establishment Limited Environmental Assessment Method
<b>DAX</b>	Leading index of the German Stock Exchange (Deutscher Aktienindex)
<b>DGNB</b>	Deutsche Gesellschaft für Nachhaltiges Bauen – German Sustainable Building Council
<b>Dividend yield</b>	Dividends per share in relation to the share price
<b>EBIT</b>	Earnings Before Interest and Taxes
<b>EBITDA</b>	Earnings Before Interest, Taxes, Depreciation and Amortisation
<b>EBT</b>	Earnings Before Taxes
<b>Equity ratio</b>	Equity recognised as of the reporting date in relation to total assets
<b>EURO STOXX 50</b>	Stock index that consists of the 50 largest listed companies in the eurozone
<b>IAS</b>	International Accounting Standards
<b>IATX</b>	Immobilien Austrian Traded Index; real estate index that contains the most important real estate companies listed on the Vienna Stock Exchange
<b>IFRS</b>	International Financial Reporting Standards
<b>Impairment test</b>	IAS 36 requires the regular testing of assets for indications of impairment. If an asset is impaired, its carrying amount must be reduced through the recognition of an impairment loss.
<b>LEED</b>	Leadership in Energy and Environmental Design
<b>Market capitalisation</b>	Share price multiplied by the number of shares in issue
<b>Net debt</b>	Non-current and current bonds plus non-current and current financial liabilities minus cash and cash equivalents
<b>P/E ratio</b>	Price-earnings ratio, the share price in relation to earnings per share
<b>Profit for the period</b>	EBT after income taxes
<b>Sale proceeds</b>	The share of revenue/Total Output generated by the sale of property projects
<b>Total Output</b>	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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Significant factors for deviations of this kind can include, for example, changes in the general economic backdrop, the legal and regulatory framework in Austria in the EU, and changes in the industry. UBM Development AG gives no guarantee and assumes no liability that the future performance and future results will conform to the estimates and assumptions made in this Annual Report.

Every care has been taken in the compilation of this Annual Report as of 31 December 2017 to ensure the accuracy and completeness of information in all sections. The figures have been rounded off using the compensated summation method. Round-off, typesetting and printing errors cannot, however, be completely ruled out.

This report is a translation into English of the 2017 Annual Report published in the German language and is provided solely for the convenience of English-speaking users. Both versions are available on the website of UBM Development AG. In the event of a discrepancy or deviation, the German-language version prevails.

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