# one goal.

Interim Report on the First Three Quarters of 2018

# key performance indicators.

**Key earnings figures (in € m)**

| | 1–9/2018 | 1–9/2017 | Change |
|---|---|---|---|
| Total Output[1] | 670.1 | 529.7 | 26.5% |
| Revenue | 446.9 | 296.9 | 50.5% |
| EBT | 35.4 | 30.5 | 15.8% |
| Net profit | 27.8 | 21.7 | 27.9% |

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

| | 30.9.2018 | 31.12.2017 | Change |
|---|---|---|---|
| Total assets | 1,128.4 | 1,130.9 | -0.2% |
| Equity | 420.5 | 355.4 | 18.3% |
| Equity ratio | 37.3% | 31.4% | 5.9PP |
| Net debt | 329.7 | 477.9 | -31.0% |

**Key share data and staff**

| | 30.9.2018 | 30.9.2017 | Change |
|---|---|---|---|
| Earnings per share (in €) | 3.66 | 2.81 | 30.0% |
| Share price (in €) | 40.30 | 38.64 | 4.3% |
| Market capitalisation (in € m) | 301.1 | 288.7 | 4.3% |
| Staff[2] | 678 | 773 | -12.3% |

1 Total Output corresponds to the revenue generated by fully consolidated companies and companies consolidated at equity as well as the sale proceeds from share deals in proportion to the stake held by UBM.
2 Distribution: Development 308 and Hotel 370 (30.9.2018); Development 306 and Hotel 467 (30.9.2017).

# contents.


3 Management's Introduction

4 Highlights

5 Reference Projects

6 Investor Relations

7 Interim Management Report

18 Consolidated Interim Financial Statements

26 Notes to the Consolidated Interim Financial Statements

44 Financial Calendar

45 Contact, Imprint


# at a glance.

**30% earnings increase.**
Earnings per share rise to € 3.66

**strong financial position.**
Investments in Q4 protect future profitability

**booming real estate market.**
No end to demand in sight

**record year.**
Outlook for 2018 confirmed

# one goal.
# one team.
# one company.

Our common goal and top priority is to increase the value of the company. And we are currently proving this with our operating performance. Because we are convinced that our fundamentals will be consistently reflected in an increase in our share price – since the capital market is never wrong over the long term.


**Dear Shareholders,
Dear Stakeholders.**

After nine months, we stay on record course. Earnings per share rose by 30% year-on-year to €3.66 in the first three quarters. Our other fundamental parameters like Total Output, EBT and Equity also suggest that we will top our previous record results in the full 2018 financial year.

Net debt of only €330m creates room for new investments which will allow us to secure UBM's future profitability today. In the fourth quarter alone, we are planning to invest €150–200m in the acquisition of new projects. Our interest rate scenario and the uncertainties connected with the Brexit and Italy point to limited room for an increase in interest rates in Europe and a potential influence on real estate during the next two to three years. This assessment is confirmed by the unbroken demand in our sector, the resulting rise in rents and the steady decline in vacancy rates in UBM's core markets.

Why can we get so excited over this operating performance? Because it represents the most important requirement to reach our clearly defined "one goal" – an increase in the value of our company. And even though the capital market is influenced by many factors over the near term – it is never wrong in the long run. In other words, the increase in the value of our company should be reflected in the share price over the medium term.

**Martin Löcker**
COO

**Thomas G. Winkler**
CEO

**Patric Thate**
CFO

# highlights.

## july.

**130 apartments sold before the start of construction**
Two of the six planned buildings in "immergrün", a large-scale project on Thulestrasse in Berlin-Pankow, were sold out prior to the start of construction and long before completion. An institutional investor purchased the roughly 130 apartments for approximately €50m. The entire project is scheduled for completion at the beginning of 2021.

**Record numbers in the residential asset class**
UBM currently has 32 residential projects with over 3,750 apartments in the sale process or development pipeline. These projects, which are located almost entirely in the company's core German and Austrian markets, have a total volume of approximately € 1 bn. The sale process has already started for 20 projects with roughly 2,000 apartments – and 60% of the offered units have already been sold.

## august.

**Luxury hotel project in Prague**
At the end of August UBM Development acquired a spectacular hotel project in Prague, the second-most popular tourist destination in Europe. A five-star hotel with roughly 175 rooms will be built in the heart of the historical city centre. It represents the fifth hotel project acquired by UBM this year. Construction is expected to start in autumn 2019, and completion is planned for the end of 2021.


## september.

**Topping out ceremony for "NeuHouse" residential project in Berlin**
"NeuHouse", an urban residential project, is currently under development in the Berlin district of Kreuzberg. The topping out ceremony for the distinctive ensemble – which consists of a listed older building and a complementary, modern new structure – was held at the beginning of September. This project involves the realisation of 75 condominiums and six commercial units. Completion is planned for 2019.

# reference projects.

## office.

**Zalando Headquarters/Berlin**
**Asset class:** Office
**Gross floor area:** approx. 46,500 m²
**Lettable space:** approx. 41,000 m²
**Completion:** Q4/2018


## residential.

**Anders Wohnen/Munich**
**Asset class:** Residential
**Gross floor area:** approx. 41,500 m²
**Apartments:** 463
**Parking spaces:** 440
**Completion:** Q2/2021


## hotel.

**Holiday Inn Gdansk City Centre/Gdansk**
**Asset class:** Hotel
**Gross floor area:** approx. 13,000 m²
**Hotel brand:** Holiday Inn
**Rooms:** 240
**Operator:** IHG
**Completion:** Q2/2019

# investor relations.

## Stock exchange developments

Rising corporate profits and ongoing favourable economic reports turned the mixed climate that characterised the stock markets in the first half of 2018 temporarily into a more friendly mood during the third quarter. The generally positive development of the global stock markets was, nonetheless, influenced by significant regional differences. The US markets, in particular, were nearly indifferent to the growing trade conflict with China and climbed to new all-time highs. The Dow Jones Industrial Index rose by 9.0% in the third quarter and by 7.0% from January to September. In contrast, the Italian budgetary crisis and the standstill in the Brexit negotiations led to share price losses on the European exchanges. The European EURO STOXX 50 index remained 3.0% below the level at year-end 2017.

The leading Austrian ATX index clearly outperformed the European trend with a third quarter increase of 2.7%. However the ATX closed 2.2% below year-end 2017 at the end of September 2018.

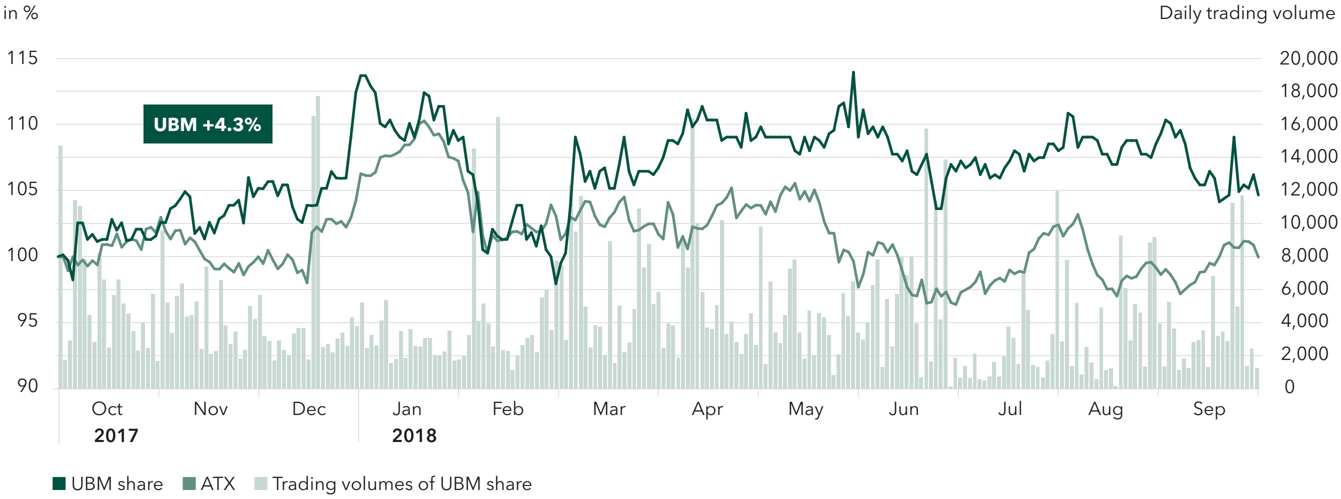
## The UBM share

UBM followed a reserved start into the third quarter with an announcement in August of the highest net profit ever recorded in a first half-year. In spite of positive fundamental data, the share was unable to disengage from the volatile market sentiment. The UBM share traded at €40.30 at the end of September, for a slight decline of -1.2% in the first three quarters. With the same price decline since year-end 2017, the UBM share developed better than the Austrian and European markets. The average trading volume equalled 4,277 shares per day during the reporting period, or 3.9% more than in the first three quarters of 2017.

## Shareholder structure

The share capital of UBM Development totals €22,416,540.00 and is divided into 7,472,180 shares. The syndicate comprising the IGO-Ortner Group and the Strauss Group holds an unchanged 38.8% of the shares outstanding. Management and the members of the Supervisory Board hold 10.8% and Jochen Dickinger, a private investor, holds 5.0%. The remaining free float is held by investors in Austria (35%), Germany (33%) and the UK (17%).

**Performance of the UBM share vs. indexes and trading volumes from October 2017 to September 2018**



# interim management report.

## General economic environment

The global economy remained on a growth course throughout the reporting period, but momentum has slowed considerably since the beginning of the year. The International Monetary Fund (IMF) reduced its forecasts for 2018 and 2019 by 0.2 percentage points each to 3.7% – among others due to new trade restrictions. Also, the economic indicators for the eurozone were weaker than expected. The pace of growth in the European economy declined in comparison with the second quarter, with first estimates pointing to a third quarter increase of 0.2%.

In contrast to the further tightening of monetary policy by the US Federal Reserve, the loose monetary policy in the eurozone is only gradually approaching an end. The ECB plans to hold the key interest rate at 0.0% at least up to summer 2019.

Germany took a brief break from its growth course during the summer months but, according to ifo Institut, the business climate brightened substantially again at the same time. The IMF is expecting GDP growth of 1.6% for 2018.

The Austrian economy has shown positive development since the beginning of the year and remained untouched by the global political uncertainty. The current IMF forecast points to growth of 2.8% in 2018.

The Polish economy has also followed a growth course since the beginning of the year, driven by strong private consumption and rising investments. Growth is projected to reach 4.4% for the full 12 months of 2018.

## Developments on the real estate markets

The strong demand for real estate in Europe during the first half-year continued into the third quarter. In spite of the continuing supply shortage, the transaction volume reached €69.2 bn and exceeded the comparable quarter of the previous year by roughly 5%. Transactions with a total volume of €314.1 bn have been recorded since the beginning of 2018, which represents a year-on-year increase of 9%.

The focus of investors remained unchanged and was again concentrated on the investment market in Germany. The transaction volume was 8% higher than the previous year at €42.0 bn in the first nine months of 2018. In particular, the third quarter was the best ever recorded with a volume of €16.4 bn. The importance of the seven top cities continues to increase – their share of the total transaction volume now equals 60%. The banking metropolis Frankfurt has ranked first among the most important investment targets since the beginning of the year (€6.9 bn), followed by Berlin (€4.9 bn) and Munich (€4.4 bn). Demand was strongest for the office asset class – office properties represented 45% of the total transaction volume in the first three quarters. The constant momentum on the German office market was responsible for a further decline in prime segment yields. Prime yields in the seven top cities have declined only slightly to 3.20% since the end of June (1–6/2018: 3.24%). Supported by a rising number of overnight stays and sustained sound results from the hotel sector, demand on the German hotel market was strong during the first three quarters. The residential investment market also continued its dynamic development beyond the first half year. The supply shortage was reflected in a growing interest by investors in micro-apartments and student apartments.

The Austrian real estate investment market recorded positive development, but at a lower level than the previous year due to the declining supply. Property transactions totalled approximately €2.8 bn in the first three quarters of 2018 (1–9/2017: €3.9 bn). The CEE region continued its growth course during the third quarter. The transaction volume totalled €9.0 bn for the reporting period, compared with €7.8 bn in the first three quarters of the previous year. The Polish market is seen as the major growth driver in the region because of its sound economic fundamentals.

## Business performance

UBM Development generated Total Output of €670.1m in the first three quarters of 2018, compared with €529.7m in the comparable prior year period. This increase of €140.4m, or 26.5%, resulted primarily from the substantial growth in revenue from property sales. One particular highlight was the Leuchtenbergring project in Munich, which includes office and retail space as well as a fully revitalised and expanded standing asset hotel. The largest development projects since the beginning of the year also included the Twarda hotel project in Warsaw and "Der Rosenhügel" and Quartier Belvedere Central (QBC) 6.1 residential projects in Vienna. In connection with the new "Pure Play Program PPP", the sale of standing assets and the related transformation into a pure real estate trade developer continued: sales by UBM during the first three quarters of 2018 included, among others, office and hotel properties in Poland and a hotel property in Austria. Proceeds from the sale of standing assets (including the hotel at Leuchtenbergring) totalled approximately €140m.

In addition to successful sales activities, the Total Output from hotel operations rose by a significant 7.2% to €83.5m.

Total Output was also influenced by the mandatory application of IFRS 15 beginning in 2018, which defines new rules for the recognition of revenue. Sales of development projects are now recognised, depending on the respective contract, as revenue over time based on the percentage of completion. This applies, above all, to residential properties because they are frequently sold during development, but also involves the forward sale of other development projects. In connection with projects which were still under development as of 30 September 2018, the application of this standard had a positive effect of €52.3m on Total Output in the first three quarters of 2018.

| **Total Output by region (in € m)**[1] | **1–9/2018** | **1–9/2017** | **Change** |
|---|---|---|---|
| Germany | 283.6 | 109.7 | 158.5% |
| Austria | 160.2 | 269.7 | -40.6% |
| Poland | 187.4 | 86.4 | 117.1% |
| Other Markets | 38.9 | 64.0 | -39.2% |
| **Total** | **670.1** | **529.7** | **26.5%** |

[1] The figures were rounded using the compensated summation method. Relative changes were derived from the non-rounded values.

Total Output in the **"Germany" segment** rose from €109.7m to €283.6m in the reporting period. This sound increase of €173.9m was attributable to the completion of the large-scale Leuchtenbergring project in Munich. Total Output for the reporting period also included the sale of the main postal office in Potsdam, the progress of construction on two residential projects in Berlin and Hamburg and various general contractor services.

The **"Austria" segment** reported Total Output of €160.2m for the first three quarters of 2018, compared with €269.7m in the previous year. The first nine months of 2017 included the sale of several standing assets and the transfer of the two Accor Hotels in the QBC, while Total Output for the reporting period was generated primarily by the residential business: for example, "Der Rosenhügel" project with 204 apartments and the QBC 6.1 project with 140 apartments were completed and transferred during the first nine months of 2018. The sale of the Park Inn standing asset in Linz and a logistics property in the Graz area also made a positive contribution to Total Output.

In the **"Poland" segment**, Total Output rose from €86.4m in the first three quarters of 2017 to €187.4m in the reporting period. This substantial increase resulted, above all, from the completion of the Twarda hotel development project in Warsaw and the sale of standing assets in Wroclaw and Krakow. Total Output was also increased by the progress of construction on the hotel project in Gdansk, which is scheduled for completion in 2019 and has already been sold through a forward deal. Rental income declined during the reporting period – above all due to the sale of two office properties, the Pegaz in Wroclaw and the Parkur Tower in Warsaw.

Total Output in the **"Other Markets" segment** amounted to €38.9m in the first three quarters of 2018, compared with €64.0m in 2017. The previous year included the sale of a standing asset in Prague and a hotel in Pilsen as well as a logistics centre in Romania. The biggest components of Total Output in the reporting period were the revenues from the hotels in France and the Netherlands.

The **"Hotel" segment** recorded Total Output of €249.7m in the first nine months of 2018 (1–9/2017: €207.4m), which represents an improvement of €42.3m over the comparable prior year period. Transactions during the reporting period included the sale of the newly developed hotel Twarda in Warsaw and the Holiday Inn Leuchtenbergring in Munich as well as the Park Inn standing asset hotels in Linz and Krakow. IFRS 15 also had a positive effect on Total Output in this segment through the recognition of the progress of construction on the hotel project in Gdansk, which has already been sold through a forward deal. The income from hotel operations rose from €77.9m in the first three quarters of 2017 to €83.5m in the reporting period, which represents an increase of 7.2%.

Total Output in the **"Office" segment** amounted to €196.7m for the reporting period and clearly exceeded the prior year value of €82.3m. Property sales in this segment during the first three quarters of 2017 only involved standing assets, while the reporting period brought the completion of the large-scale Leuchtenbergring project in Munich. This project contributed nearly €110m to Total Output in the first three quarters of 2018. In addition, the Pegaz standing asset in Poland was sold during the first three quarters of 2018. The increased focus on the sale of standing assets was reflected in a decline in the rental income from office properties.

In the **"Residential" segment**, Total Output amounted to €127.4m in the first nine months of 2018 (1–9/2017: €21.7m). Nearly half of the Total Output in 2018 is attributable to the completion of two projects in Vienna – "Der Rosenhügel" with 204 apartments and the QBC 6.1 with 140 apartments. Approximately €20.1m of Total Output for the reporting period resulted from projects under development due to the application of IFRS 15, which led to the recognition of revenue from sold apartments based on the percentage of completion. This involved residential construction projects in Berlin, Hamburg and Bratislava.

The **"Other" segment** recorded Total Output of €42.7m for the reporting period, which represents a substantial decline below the €93.5m recorded in the first three quarters of 2017. The previous year included the sale of standing assets in the Graz area and land in Berlin. Total Output for the reporting period included the sale of a logistics property in the Graz area and, above all, proceeds from the rental of mixed-use standing assets in Austria and Germany.

Total Output in the **"Service" segment** amounted to €50.5m in the first three quarters of 2018. The substantially higher Total Output of €122.5m recorded in the comparable prior year period included two projects in Vienna and Klagenfurt which were sold through share deals.

Total Output in the **"Administration" segment** equalled €3.1m (1–9/2017: €2.4m) and consisted solely of services provided by UBM Development AG, charges for management services and intragroup allocations.

| Total Output by asset class (in € m)[1] | 1–9/2018 | 1–9/2017 | Change |
|---|---|---|---|
| Hotel | 249.7 | 207.4 | 20.4% |
| Office | 196.7 | 82.3 | 139.1% |
| Residential | 127.4 | 21.7 | 487.2% |
| Other | 42.7 | 93.5 | -54.4% |
| Service | 50.5 | 122.5 | -58.7% |
| Administration | 3.1 | 2.4 | 28.3% |
| **Total** | **670.1** | **529.7** | **26.5%** |

[1] The figures were rounded using the compensated summation method. Relative changes were derived from the non-rounded values.

## Financial performance indicators

### Business development and earnings

The core business of the UBM Group is the project-based real estate business. The realisation of these projects over a period of several years can lead to strong fluctuations on the income statement. The initial application of IFRS 15 beginning in 2018 requires the recognition of revenue on real estate projects as of the signing date based on the percentage of completion and not – as before – after completion. This change in accounting method improves the informative value of information on the development of revenue and earnings. The sale of properties through share deals and the development and sale of projects within the framework of equity-accounted investments are still not included as part of revenue. In order to provide a better overview and improve the transparency of information on the development of the business, UBM also reports Total Output. This managerial indicator includes – similar to revenue – the proceeds from property sales, rental income, income from hotel operations, the planning and construction services invoiced for UBM's construction sites as well as deliveries and management services provided to third parties. It also includes the profit or loss from companies accounted for at equity and the results from sales through share deals. Since 1 January 2018, Total Output also contains the effects from the application of IFRS 15. Total Output is based on the amount of the investment held by UBM and does not include advance payments, which are primarily related to large-scale or residential projects.

Total Output amounted to €670.1m in the first three quarters of 2018, which represents an increase of €140.4m, or 26.5%, over the comparable prior year value of €529.7m. Revenue as reported on the income statement increased from €296.9m to €446.9m during the reporting period, above all due to higher revenue from property sales that included the large-scale Leuchtenbergring project in Munich. The initial application of IFRS 15 had a positive effect of €52.3m on Total Output for projects under development as of 30 September 2018 because residential properties that have already been sold and development projects sold through forward deals are now included according to the percentage of completion as soon as the sale has been recorded.

The share of profit or loss from companies accounted for at equity amounted to €21.8m in the first three quarters of 2018 (1–9/2017: €10.5m). The sound positive earnings contribution in the reporting period resulted primarily from the application of the percentage of completion method and the related increase in value based on the progress of construction on the Zalando Campus office project in Berlin, which was sold during the development phase. Other positive effects resulted from the sale of a standing asset hotel in Linz and "Der Rosenhügel" residential contruction project in Vienna as well as the sale of the main postal office in Potsdam.

No income was recorded from fair value adjustments to investment property during the reporting period, in contrast to income of €19.3m in the first three quarters of 2017. Fair value adjustments are calculated on the basis of new market price indicators, whereby purchase contracts were generally used in the past. Due to the application of IFRS 15, increases in the value of a property are recognised to revenue beginning on the date the contract is signed based on the percentage of completion. This tends to reduce the fair value adjustments. The expenses from fair value adjustments were slightly lower year-on-year at €2.2m and involved land in Hungary.

Other operating income equalled €6.0m and consisted primarily of third-party charges and foreign exchange gains. In the first three quarters of the previous year, other operating income totalled €17.7m and included foreign exchange gains of €11.4m. Other operating expenses rose from €30.8m to €39.4m in the first nine months of 2018, chiefly due to foreign exchange losses of €7.2m from the Polish złoty versus the euro. This position also includes administrative expenses, travel expenses, advertising costs, charges and duties as well as legal and consultancy fees.

The cost of materials and other related production services increased from €242.3m in the first three quarters of 2017 to €323.2m in the reporting period. These expenses consist primarily of material costs for the construction of residential properties and various other development projects which were sold through forward sales. The book value disposals from property sales in the form of asset deals are also included in this item. These book value disposals totalled €165.4m in the first three quarters of 2018 and were related, above all, to the large-scale Leuchtenbergring project in Munich as well as the sale of a hotel and an office building in Poland (1–9/2017: €124.4m). The cost of materials also includes expenses for purchased general contractor services.

The changes in the portfolio related to residential property inventories and other IAS 2 properties led to expenses of €28.7m in the first three quarters of 2018 and were based, among others, on the strong sales activities for the QBC 6.2 residential project which is currently under construction (1–9/2017: €5.4m). Due to the application of IFRS 15, the progress of construction on real estate inventories is only reported under changes in the portfolio until the properties are sold (even if they are still under construction). Properties which have been sold are now recognised directly in revenue before they are finished in accordance with the percentage of completion method.

Personnel expenses rose from €30.4m to €35.1m during the reporting period, above all due to a higher staff costs in the hotel business. In the first three quarters of 2018, the Holiday Inn Warsaw City Center opened and the Holiday Inn Munich Leuchtenbergring was substantially expanded. The change in the allocation of expenses to hotels also led to a shift of €2.1m from the cost of materials to personnel expenses. The valuation of the UBM share option programme, which was approved by the Annual General Meeting in May 2017, added €1.2m to personnel expenses at reporting date in the first three quarters of 2018. The total number of employees in the companies included in the consolidated financial statements declined to 678 as of 30 September 2018 (30 September 2017: 773) because two hotels in Munich have been managed as joint ventures since the end of the reporting period. In the development area, the number of employees increased slightly from 306 to 308.

EBITDA totalled €46.1m for the reporting period and was substantially higher than the comparable prior year value of €32.9m. EBIT rose by 45.7% to €43.8m in the first three quarters of 2018 (1–9/2017: €30.0m). Financial income declined from €15.3m in the first nine months of 2017 to €10.9m, whereby the comparable prior year period included €9.8m of income from share deals in contrast to the €3.5m recorded in the first three quarters of 2018. The increase of €1.9m in financial income, excluding share deals, resulted primarily from higher project financing and the related interest expenses. Financial costs rose from €14.9m to €19.3m, among others due to a valuation adjustment of €2.3m recorded to project financing in Poland.

EBT rose by 15.8% year-on-year from €30.5m to €35.4m. Tax expense equalled €7.6m in the first three quarters of 2018, which represents a tax rate of 21.5%. The low tax rate benefited, among others, from the release of deferred taxes in connection with the sale of the Leuchtenbergring and from the release of deferred tax expenses in Poland. Profit for the period (net profit), before the deduction of the share attributable to non-controlling interests, equalled €27.8m, for a year-on-year increase of 27.9% (1–9/2017: €21.7m). The resulting earnings per share rose from €2.81 to €3.66 in the first three quarters of 2 018, for an increase of 30.0%.

**Asset and financial position**

The UBM Group's total assets reflected the end of the previous financial year at €1,128.4m as of 30 September 2018 (31 December 2017: €1,130.9m).

Property, plant and equipment totalled €9.4m at the end of September 2018 and were €41.3m lower than on 31 December 2017. In addition, investment property declined to €340.9m as of 30 September 2018 (31 December 2017: €371.8m). These reductions are attributable to the completion and sale of the large-scale Leuchtenbergring project in Munich. The hotel component of the project was included in property, plant and equipment, while the office component was recorded under investment property. The carrying amount of the investments in equity-accounted companies rose from €118.5m to €148.9m during the period from January to September 2018. It resulted, in particular, from an increase in the value of the investment in the Zalando project based on the progress of construction and from the recognition of revenue from property sales. The financing for various projects rose from €123.5m at year-end 2017 to €167.1m at the end of September 2018.

Current assets declined from €444.3m as of 31 December 2017 to €432.5m as of 30 September 2018. This reduction resulted primarily from a lower balance of real estate inventories and from a decrease in properties held for sale. It reflected, in particular, the sale of a hotel project in Warsaw and an office property in Breslau. The decline in current assets partly offset the increase in cash and cash equivalents, which rose substantially from €75.2m as of 31 December 2017 to €178.3m at the end of the reporting period. This substantial improvement was based on the income from property sales – in particular from the Leuchtenbergring project – and on the issue of a hybrid bond, which increased liquidity by approximately €50m after repayment of the outstanding mezzanine capital.

Real estate inventories totalled €120.4m at the end of September 2018 and were €60.9m lower than at year-end 2017. This position includes miscellaneous real estate inventories and property under development which is designated for sale. The application of IFRS 15 led to a reduction in real estate inventories because properties sold during development are now recorded as trade receivables. Trade receivables subsequently rose from €53.2m at year-end 2017 to €94.1m at the end of September 2018.

Equity totalled €420.5m as of 30 September 2018, compared with €355.4m as of 31 December 2017. In addition to the Group's solid earnings position, this increase also resulted from the above-mentioned issue of a hybrid bond. Contrary effects were the dividend payment and interest expense for the mezzanine and hybrid capital, with a total effect of €21.1m.

Bond liabilities generally reflected the level at year-end 2017 and equalled €383.9m at the end of September 2018. They were contrasted by a substantial reduction in current and non-current financial liabilities from €169.3m to €124.1m, which resulted primarily from successful sales activities and the related repayment of bank liabilities.

Trade payables increased from €70.8m at year-end 2017 to €79.1m at the end of the reporting period and consisted chiefly of outstanding payments for subcontractor services.

Other financial liabilities (current and non-current) rose from €34.6m as of 31 December 2017 to €76.8m. This increase resulted primarily from the acquisition of a new hotel project in the Netherlands.

The total of deferred taxes and current tax payables increased year-on-year to €30.6m (31 December 2017: €26.4m).

Net debt fell by a significant €148.1m during the first three quarters of 2018 to €329.7m as of 30 September 2018 (31 December 2017: €477.9m). In addition to the high level of sales during the reporting period, the decline was also supported by the cash inflow from the issue of a hybrid bond which is attributable to equity.

**Cash flow**
Operating cash flow increased slightly year-on-year from €6.7m to €7.3m. Profit for the period improved from €21.7m to €27.8m in the first nine months of 2018, but was contrasted by an increase in the share of profit/loss from companies accounted for at equity, which only represents a cash effect when the distribution is made. The increase in deferred tax assets also has no direct effect on cash flow. Results from the write-down and write-up of property, plant and equipment and financial assets also had a positive impact on operating cash flow compared with the previous year. In 2017 this position also included the fair value adjustments which do not have a direct effect on cash.

Cash flow from operating activities amounted to €35.9m for the reporting period, compared with €8.9m in the first three quarters of the previous year. The increase was supported, above all, by a reduction of €27.2m in real estate inventories and includes cash inflows of €92.9m which resulted primarily from the sale of residential properties. The additions to real estate inventories totalled €40.1m. In accordance with IFRS 15, cash flow from operating activities also includes the cash flows arising from investments in properties and the cash-effective disposals of properties which are reported as part of trade receivables.

Cash flow from investing activities totalled €50.6m in the first nine months of 2018 (1–9/2017: €56.8m). This position includes cash flows of cash inflows of €187.9m (1–9/2017: €125.8m) from prepayments for the sale of property, plant and equipment and investment properties, while cash outflows for investments in property, plant and equipment and investment property amounted to €111.6m (1–9/2017: €151.8m). Investments during the reporting period included the purchase of a hotel property in the Netherlands for €28.5m.

Project financing during the first three quarters of 2018 involved cash outflows of €33.6m and cash inflows of €15.0m. Cash inflows from the sale of consolidated companies were lower at €0.8m (1–9/2017: €19.5m) and, consequently, also reduced cash flow for the reporting period. A cash contribution of €0.8m was generated by the sale of consolidated companies in Poland through a share deal. The proceeds from the sale of this investment totalled €10.1m and were used almost entirely to repay the external financing for the related standing asset.

Cash flow from financing activities of €16.9m (1–9/2017: €5.9m) included, in particular, cash inflows of €98.5m from the issue of a hybrid bond. These cash inflows were contrasted by the repayment of the outstanding €50.0m balance of mezzanine capital during the second quarter of 2018.

## Non-financial performance indicators

**Environmental issues**
With the founding of a Green Building staff unit at the end of 2017, UBM has integrated the issues of the environ-

ment and sustainability even more firmly in its corporate policy. Environmental protection and the careful use of resources are a crucial component of the way UBM Development thinks and acts. Projects and development activities always include a focus on environmentally sound planning and construction. The conscious use of energy-optimising building materials and energy-saving management concepts, coupled with the use of renewable energy sources, transform UBM development projects into sustainable and environmentally friendly buildings.

Additional information on sustainability activities is provided in the separate UBM Sustainability Report 2017, which is available for download at www.ubm-development.com.

**Employees**
The UBM Group had a total workforce of 678 as of 30 September 2018 (of which 370 Hotel), compared with 773 employees as of 30 September 2017 (of which 467 Hotel). The decline is attributable primarily to the deconsolidation of two hotel companies in Germany due to the formation of a joint venture. Approximately 80% of UBM's employees work outside Austria.

Education and training measures to support 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. These measures are designed to reflect the individual needs of employees as well as the demands of the market. UBM's broad geographical positioning frequently leads to international assignments, and the resulting know-how transfer represents another important factor for wide-ranging staff development.

## Outlook

The demand for high-quality assets on the European real estate markets remains unbroken, but has been accompanied by a visible supply shortage. UBM's three core markets – Germany, Austria and Poland – and three asset classes – hotel, office and residential – should continue to benefit from this positive market environment. Germany, in particular, is seen as having the greatest potential for additional real estate investments compared with the other European countries.

The positive development of business during the current reporting period confirms UBM's strategy. Activities will therefore continue to focus on property development and the company's transformation into a "pure play developer". The portfolio adjustment has reached an advanced stage, and the sale of standing assets is progressing consistently within the context of the new "Pure Play Program PPP". Future risks are minimised by so-called forward deals, which set the prices with buyers at an early stage for projects still under construction. Despite numerous completions in recent months, such as the large-scale Leuchtenbergring project in Munich, UBM still has a well-filled project pipeline of €1.8 bn for the coming years (Q4/2018–2021).

Based on the development of business in the first three quarters of 2018, UBM is optimistic that Total Output and earnings will exceed 2015, the previous record year. The

Management Board expects Total Output of over €750m and profit before tax (EBT) of over €50m in 2018. Earnings per share should therefore top the five-euro mark. Equity is also expected to exceed €400m as of the balance sheet date in 2018.

## Risk report

The risks which have, or could have, a significant impact on UBM Development AG are discussed in the 2017 Annual Report on pages 56 to 59. Detailed information on UBM's risk management system is also provided in this section. There have been no significant changes in the risk profile since the end of the 2017 financial year. Therefore, the statements in the 2017 Annual Report/risk report still apply without exception.

The only change involved an increase from "very seldom" to "seldom" in the probability that risks will materialise in connection with the land acquisition process. However, the assessment of the potential amount remained unchanged due to the focus on UBM's core markets.

## Responsibility Statement

We confirm to the best of our knowledge that these consolidated interim financial statements, which were prepared in accordance with the applicable accounting standards, provide a true and fair view of the financial position and financial performance of the Group. Furthermore, we confirm to the best of our knowledge that the interim management report provides a true and fair view of the important events that occurred during the first nine months of the financial year and their effects on these consolidated interim financial statements as well as the principal risks and uncertainties for the remaining three months of the financial year and the major reportable transactions with related parties.

Vienna, 29 November 2018

The Management Board

**Thomas G. Winkler**
CEO

**Martin Löcker**
COO

**Patric Thate**
CFO

## Consolidated Income Statement
from 1 January to 30 September 2018

| in T€ | 1-9/2018 | 1-9/2017 | 7-9/2018 | 7-9/2017 |
|---|---|---|---|---|
| Revenue | 446,921 | 296,938 | 79,026 | 62,761 |
| Changes in the portfolio | -28,661 | -5,391 | -16,221 | 10,218 |
| Share of profit/loss from companies accounted for at equity | 21,808 | 10,462 | 7,440 | 4,906 |
| Income from fair value adjustments to investment property | - | 19,309 | - | 13,981 |
| Other operating income | 6,023 | 17,672 | 322 | -2,248 |
| Cost of materials and other related production services | -323,219 | -242,304 | -47,935 | -62,825 |
| Personnel expenses | -35,093 | -30,411 | -11,299 | -7,920 |
| Expenses from fair value adjustments to investment property | -2,223 | -2,573 | 11 | -5 |
| Other operating expenses | -39,411 | -30,845 | -2,977 | -8,128 |
| **EBITDA** | **46,145** | **32,857** | **8,367** | **10,740** |
| Depreciation and amortisation | -2,389 | -2,817 | -765 | -854 |
| **EBIT** | **43,756** | **30,040** | **7,602** | **9,886** |
| Financial income | 10,928 | 15,348 | 4,998 | 3,102 |
| Financial costs | -19,332 | -14,869 | -5,366 | -5,111 |
| **EBT** | **35,352** | **30,519** | **7,234** | **7,877** |
| Income tax expense | -7,595 | -8,823 | -304 | -2,456 |
| **Profit for the period (net profit)** | **27,757** | **21,696** | **6,930** | **5,421** |
| **of which attributable to shareholders of the parent** | **27,337** | **21,026** | **8,402** | **5,382** |
| of which attributable to non-controlling interests | 420 | 670 | -1,472 | 39 |
| **Basic earnings per share (in €)** | **3.66** | **2.81** | **1.13** | **0.72** |
| **Diluted earnings per share (in €)** | **3.66** | **2.81** | **1.13** | **0.72** |

## Statement of Comprehensive Income
from 1 January to 30 September 2018

| in T€ | 1-9/2018 | 1-9/2017 | 7-9/2018 | 7-9/2017 |
|---|---|---|---|---|
| **Profit for the period (net profit)** | **27,757** | **21,696** | **6,930** | **5,421** |
| **Other comprehensive income** | | | | |
| Remeasurement of defined benefit obligations | - | 449 | - | - |
| Income tax expense/income on other comprehensive income | - | -116 | - | - |
| **Other comprehensive income which cannot subsequently be reclassified (non-recyclable)** | **-** | **333** | **-** | **-** |
| Fair value measurement of securities | - | 14 | - | 5 |
| Currency translation differences | 31 | -2,486 | 453 | -118 |
| Income tax expense/income on other comprehensive income | - | -3 | - | -1 |
| **Other comprehensive income which can subsequently be reclassified (recyclable)** | **31** | **-2,475** | **453** | **-114** |
| **Other comprehensive income for the period** | **31** | **-2,142** | **453** | **-114** |
| **Total comprehensive income for the period** | **27,788** | **19,554** | **7,383** | **5,307** |
| of which attributable to shareholders of the parent | 27,335 | 18,901 | 8,909 | 5,253 |
| of which attributable to non-controlling shareholders of subsidiaries | 453 | 653 | -1,526 | 54 |

## Consolidated Statement of Financial Position

as of 30 September 2018

| in T€ | 30.9.2018 | 31.12.2017 |
|---|---|---|
| **Assets** | | |
| **Non-current assets** | | |
| Intangible assets | 2,711 | 2,740 |
| Property, plant and equipment | 9,402 | 50,709 |
| Investment property | 340,940 | 371,816 |
| Investments in companies accounted for at equity | 148,874 | 118,504 |
| Project financing | 167,069 | 123,479 |
| Other financial assets | 5,695 | 5,601 |
| Financial assets | 6,846 | 4,744 |
| Deferred tax assets | 14,445 | 9,029 |
| | **695,982** | **686,622** |
| **Current assets** | | |
| Inventories | 120,350 | 181,261 |
| Trade receivables | 94,129 | 53,229 |
| Financial assets | 11,161 | 9,941 |
| Other receivables and current assets | 10,717 | 12,047 |
| Cash and cash equivalents | 178,272 | 75,204 |
| Assets held for sale | 17,834 | 112,629 |
| | **432,463** | **444,311** |
| **Total assets** | **1,128,445** | **1,130,933** |
| **Equity and liabilities** | | |
| **Equity** | | |
| Share capital | 22,417 | 22,417 |
| Capital reserves | 98,954 | 98,954 |
| Other reserves | 167,319 | 150,675 |
| Mezzanine/hybrid capital | 128,550 | 80,100 |
| **Equity attributable to shareholders of the parent** | **417,240** | **352,146** |
| Equity attributable to non-controlling interests | 3,232 | 3,301 |
| | **420,472** | **355,447** |
| **Non-current liabilities** | | |
| Provisions | 6,734 | 7,749 |
| Bonds | 269,545 | 383,766 |
| Non-current financial liabilities | 73,330 | 88,898 |
| Other non-current financial liabilities | 6,535 | 4,116 |
| Deferred tax liabilities | 10,020 | 18,376 |
| | **366,164** | **502,905** |
| **Current liabilities** | | |
| Provisions | 2,416 | 1,001 |
| Bonds | 114,396 | - |
| Current financial liabilities | 50,740 | 80,414 |
| Trade payables | 79,079 | 70,763 |
| Other current financial liabilities | 70,280 | 30,474 |
| Other current liabilities | 4,344 | 81,862 |
| Taxes payable | 20,554 | 8,067 |
| | **341,809** | **272,581** |
| **Total equity and liabilities** | **1,128,445** | **1,130,933** |

## Consolidated Cash Flow Statement
from 1 January to 30 September 2018

| in T€ | 1-9/2018 | 1-9/2017 |
|---|---|---|
| Profit/loss for the period (net profit) | 27,757 | 21,696 |
| Depreciation, impairment and reversals of impairment on fixed assets and financial assets | 6,777 | -13,974 |
| Interest income/expense | 9,070 | 9,353 |
| Income from companies accounted for at equity | -21,058 | -10,458 |
| Dividends from companies accounted for at equity | 725 | - |
| Decrease in long-term provisions | -1,150 | -1,508 |
| Deferred income tax | -14,837 | 1,636 |
| **Operating cash flow** | **7,284** | **6,745** |
| Increase/decrease in short-term provisions | 1,631 | -669 |
| Increase in tax provisions | 14,162 | 2,489 |
| Losses/gains on the disposal of assets | -22,462 | -11,355 |
| Decrease in inventories | 27,202 | 19,247 |
| Decrease in receivables | 2,759 | 10,503 |
| Increase in payables (excluding banks) | 5,018 | 1,937 |
| Interest received | 3,592 | 949 |
| Interest paid | -10,192 | -13,866 |
| Other non-cash transactions | 6,906 | -7,105 |
| **Cash flow from operating activities** | **35,900** | **8,875** |
| Proceeds from the sale of intangible assets | - | 20 |
| Proceeds from the sale of property, plant and equipment and investment property | 187,876 | 125,750 |
| Proceeds from the sale of financial assets | 5,009 | 4,872 |
| Proceeds from the repayment of project financing | 14,994 | 81,372 |
| Investments in intangible assets | -14 | -3 |
| Investments in property, plant and equipment and investment property | -111,592 | -151,844 |
| Investments in financial assets | -10,648 | -9,720 |
| Investments in project financing | -33,564 | -13,035 |
| Proceeds from the sale of consolidated companies | -799 | 19,535 |
| Payments made for the purchase of subsidiaries less cash and cash equivalents acquired | -706 | -164 |
| **Cash flow from investing activities** | **50,556** | **56,783** |
| Dividends | -20,533 | -16,725 |
| Distribution to non-controlling shareholders of subsidiaries | -600 | -1,370 |
| Increase in loans and other financing | 105,424 | 228,264 |
| Repayment of loans and other financing | -115,875 | -204,293 |
| Increase in hybrid capital | 98,493 | - |
| Repayment of mezzanine capital | -50,000 | - |
| **Cash flow from financing activities** | **16,909** | **5,876** |
| | | |
| **Cash flow from operating activities** | **35,900** | **8,875** |
| **Cash flow from investing activities** | **50,556** | **56,783** |
| **Cash flow from financing activities** | **16,909** | **5,876** |
| | | |
| **Change in cash and cash equivalents** | **103,365** | **71,534** |
| Cash and cash equivalents as of 1 January | 75,204 | 42,298 |
| Currency translation differences | -297 | 449 |
| **Cash and cash equivalents as of 30 September** | **178,272** | **114,281** |
| | | |
| Taxes paid | 8,270 | 4,211 |

## Statement of Changes in Equity
as of 30 September 2018

| in T€ | Share capital | Capital reserves | Remeasurement of defined benefit obligations | Currency translation reserve |
|---|---|---|---|---|
| **Balance as of 31 December 2016** | **22,417** | **98,954** | **-2,875** | **258** |
| Total profit/loss for the period | - | - | - | - |
| Other comprehensive income | - | - | 333 | -2,467 |
| Total comprehensive income for the period | - | - | 333 | -2,467 |
| Dividend | - | - | - | - |
| Equity-settled share options | - | - | - | - |
| Changes in non-controlling interests | - | - | - | - |
| **Balance as of 30 September 2017** | **22,417** | **98,954** | **-2,542** | **-2,209** |
| | | | | |
| **Balance as of 31 December 2017** | **22,417** | **98,954** | **-2,666** | **-1,899** |
| Adjustments due to initial application of IFRS 9 | - | - | - | - |
| Adjustments due to initial application of IFRS 15 | - | - | - | - |
| **Balance as of 1 January 2018** | **22,417** | **98,954** | **-2,666** | **-1,899** |
| Total profit/loss for the period | - | - | - | - |
| Other comprehensive income | - | - | - | -81 |
| Total comprehensive income for the period | - | - | - | -81 |
| Dividend | - | - | - | - |
| Equity-settled share options | - | - | - | - |
| Income taxes on interest for holders of hybrid/mezzanine capital | - | - | - | - |
| Hybrid capital | - | - | - | - |
| Repayment of mezzanine capital | - | - | - | - |
| Changes in non-controlling interests | - | - | - | - |
| **Balance as of 30 September 2018** | **22,417** | **98,954** | **-2,666** | **-1,980** |

| Available-for-sale securities – fair value reserve | Other reserves | Mezzanine/ hybrid capital | Equity attributable to equity holders of the parent | Non-controlling interests | Total |
|---:|---:|---:|---:|---:|---:|
| **31** | **135,008** | **80,100** | **333,893** | **7,561** | **341,454** |
| - | 17,449 | 3,577 | 21,026 | 670 | 21,696 |
| 11 | -2 | - | -2,125 | -17 | -2,142 |
| 11 | 17,447 | 3,577 | 18,901 | 653 | 19,554 |
| - | -11,955 | -4,770 | -16,725 | -1,370 | -18,095 |
| - | 140 | - | 140 | - | 140 |
| - | 19 | - | 19 | -2,896 | -2,877 |
| **42** | **140,659** | **78,907** | **336,228** | **3,948** | **340,176** |
| | | | | | |
| **51** | **155,189** | **80,100** | **352,146** | **3,301** | **355,447** |
| -51 | 1,584 | - | 1,533 | - | 1,533 |
| - | 6,028 | - | 6,028 | 77 | 6,105 |
| **-** | **162,801** | **80,100** | **359,707** | **3,378** | **363,085** |
| - | 22,168 | 5,169 | 27,337 | 420 | 27,757 |
| - | 79 | - | -2 | 33 | 31 |
| - | 22,247 | 5,169 | 27,335 | 453 | 27,788 |
| - | -14,944 | -5,589 | -20,533 | -600 | -21,133 |
| - | 725 | - | 725 | - | 725 |
| - | 1,088 | - | 1,088 | - | 1,088 |
| - | - | 98,870 | 98,870 | - | 98,870 |
| - | - | -50,000 | -50,000 | - | -50,000 |
| - | 48 | - | 48 | 1 | 49 |
| **-** | **171,965** | **128,550** | **417,240** | **3,232** | **420,472** |

## Segment Reporting[1]

from 1 January to 30 September 2018

| in T€ | Germany 1-9/2018 | Germany 1-9/2017 | Austria 1-9/2018 | Austria 1-9/2017 |
|---|---|---|---|---|
| **Total Output** | | | | |
| Administration | - | - | 3,054 | 2,381 |
| Hotel | 103,540 | 49,069 | 19,831 | 94,953 |
| Office | 118,870 | 1,446 | 5,601 | 49,690 |
| Other | 16,940 | 23,168 | 23,109 | 37,427 |
| Residential | 23,126 | 7,363 | 91,978 | 13,434 |
| Service | 21,108 | 28,648 | 16,624 | 71,808 |
| **Total Output** | **283,584** | **109,694** | **160,197** | **269,693** |
| Less revenue from companies accounted for under the equity method and subordinated companies as well as changes in the portfolio | -91,136 | -44,214 | -73,392 | -132,631 |
| **Revenue** | **192,448** | **65,480** | **86,805** | **137,062** |
| **EBT** | | | | |
| Administration | - | - | -1,363 | 856 |
| Hotel | 30,441 | 3,179 | -903 | 851 |
| Office | 32,991 | 10,871 | 2,636 | 3,660 |
| Other | -6,607 | -1,586 | -151 | -1,023 |
| Residential | 3,073 | 2,093 | 887 | 554 |
| Service | 94 | 217 | -1,506 | 2,979 |
| **Total EBT** | **59,992** | **14,774** | **-400** | **7,877** |

[1] Included in the notes. Intersegment revenue is immaterial.

| Poland | | Other Markets | | Group | |
|---|---|---|---|---|---|
| 1-9/2018 | 1-9/2017 | 1-9/2018 | 1-9/2017 | 1-9/2018 | 1-9/2017 |
| | | | | | |
| - | - | - | - | 3,054 | 2,381 |
| 102,087 | 33,738 | 24,221 | 29,623 | 249,679 | 207,383 |
| 71,471 | 30,895 | 803 | 249 | 196,745 | 82,280 |
| 1,552 | 1,554 | 1,050 | 31,364 | 42,651 | 93,513 |
| 812 | 490 | 11,509 | 414 | 127,425 | 21,701 |
| 11,502 | 19,673 | 1,285 | 2,323 | 50,519 | 122,452 |
| **187,424** | **86,350** | **38,868** | **63,973** | **670,073** | **529,710** |
| -42,732 | -37,217 | -15,892 | -18,710 | -223,152 | -232,772 |
| **144,692** | **49,133** | **22,976** | **45,263** | **446,921** | **296,938** |
| | | | | | |
| - | - | - | - | -1,363 | 856 |
| 1,747 | 7,823 | -1,785 | -1,628 | 29,500 | 10,225 |
| -6,980 | 288 | -2,697 | -146 | 25,950 | 14,673 |
| -6,938 | -107 | -302 | 2,375 | -13,998 | -341 |
| -7,053 | 174 | -2,141 | -1,405 | -5,234 | 1,416 |
| -630 | 632 | 2,539 | -138 | 497 | 3,690 |
| **-19,854** | **8,810** | **-4,386** | **-942** | **35,352** | **30,519** |

# notes.
# consolidated interim financial statements.

## 1. General information

The UBM Group comprises UBM Development AG (UBM) and its subsidiaries. UBM is a public limited company under Austrian law which maintains its registered headquarters at 1100 Vienna, Laaer-Berg-Strasse 43. UBM is registered with the commercial court of Vienna under reference number FN 100059x. The business activities of the Group are focused primarily on the development, sale and management of real estate.

These consolidated interim financial statements were prepared in accordance with the guidelines issued by the Vienna Stock Exchange and the accounting and valuation methods applied in preparing the consolidated financial statements as of 31 December 2017. The applied accounting principles also included the standards which required mandatory application as of 1 January 2018, in particular IFRS 15 and IFRS 9. The effects of the initial application of the new standards are presented under note 3.

The reporting currency is the euro, which is also the functional currency of UBM. The functional currency of the subsidiaries included in the consolidated financial statements is the euro or the respective national currency, depending on the business area.

## 2. Scope of consolidation

The consolidated interim financial statements include UBM as well as 62 (31 December 2017: 57) domestic and 84 (31 December 2017: 76) foreign subsidiaries.

18 companies were included in UBM's consolidated financial statements for the first time during the reporting period following their founding or acquisition (see note 2.1.), and one company was derecognised following its sale. The sale of shares in four other companies reduced the investment to a level where UBM can now only exercise significant influence and these companies were subsequently included at-equity.

In addition, 34 (31 December 2017: 33) domestic and 28 (31 December 2017: 27) foreign associates and joint ventures were accounted for at equity.

### 2.1. Initial consolidations
The following 18 companies were initially included through full consolidation during the reporting period:

| Based on founding | Date of initial consolidation |
|---|---|
| WA Terfens-Roan Immobilien GmbH | 20.2.2018 |
| WA Bad Häring Immobilien GmbH | 1.3.2018 |
| Baranygasse Wohnen GmbH | 1.3.2018 |
| UBM CAL Projekt GmbH | 9.3.2018 |
| UBM CAL Projekt GmbH & Co KG | 2.6.2018 |
| UBM Kneuterdijk B.V. | 26.4.2018 |
| UBM Development Slovakia s.r.o. | 9.6.2018 |
| Yavin BIS Spolka z ograniczona odpowiedzialnoscia | 23.7.2018 |
| Yavin Holding Spolka z ograniczona odpowiedzialnoscia | 23.7.2018 |
| Baubergerstrasse GmbH & Co. KG | 5.7.2018 |

| | |
|---|---|
| Unterbibergerstrasse GmbH & Co. KG | 5.7.2018 |
| UBM Košík s.r.o. | 14.8.2018 |
| Oben Borgfelde Projekt GmbH & Co. KG | 7.8.2018 |
| UBM Hotel Mlynska Sp. z o.o. | 8.8.2018 |
| UBM Hotel Mogilska Sp. z o.o. | 8.8.2018 |

| Based on acquisition | Date of initial consolidation |
|---|---|
| SAINTE CHIONIA GmbH & Co KG | 27.7.2018 |
| Paleva s.r.o. | 21.8.2018 |
| UBM Holding Deutschland GmbH | 16.8.2018 |

## 3. Accounting and valuation methods

The consolidated interim financial statements are based on the same accounting and valuation methods applied in preparing the consolidated financial statements of 31 December 2017, which are presented in the related notes. Exceptions to these methods are formed by the following standards and interpretations that required mandatory application for the first time during the reporting period:

The following standards were initially applied by the Group as of 1 January 2018. The only material effects resulted from the initial application of IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments:

| New or revised standard | Date of publication by IASB | Date of adoption into EU law | Date of initial application |
|---|---|---|---|
| IFRS 9 Financial Instruments | 24.7.2014 | 22.11.2016 | 1.1.2018 |
| IFRS 15 Revenue from Contracts with Customers | 28.5.2014 | 22.9.2016 | 1.1.2018 |
| Changes to IFRS 4: Application of IFRS 9 Financial Instruments together with IFRS 4 Insurance Contracts | 12.9.2016 | 3.11.2017 | 1.1.2018 |
| Clarifications to IFRS 15 Revenue from Contracts with Customers | 12.4.2016 | 31.10.2017 | 1.1.2018 |
| Annual Improvements to IFRS – Cycle 2014–2016, Clarifications to IAS 28 and IFRS 1 | 8.12.2016 | 7.2.2018 | 1.1.2018 |
| Changes to IFRS 2: Classification and Measurement of Business Transactions with Share-based Repayment Commitments | 20.6.2016 | 26.2.2018 | 1.1.2018 |
| Changes to IAS 40: Changes in Use of Investment Property | 8.12.2016 | 14.3.2018 | 1.1.2018 |
| IFRIC 22 Foreign Currency Transactions and Advance Consideration | 8.12.2016 | 28.3.2018 | 1.1.2018 |

The effects from the initial application of IFRS 15 and IFRS 9 are related primarily to the following:
- the recognition over time of apartment sales
- the recognition over time of forward deals and a change in the presentation of investment property under contractual assets
- the measurement of investments in unconsolidated companies at fair value

The following standards and interpretations were published since the preparation of the consolidated financial statements as of 31 December 2017, but do not yet require mandatory application or have not yet been adopted into EU law:

| New or revised standard | Date of publication by IASB | Adoption into EU law outstanding | Date of initial application acc. to IASB |
|---|---|---|---|
| Changes to IAS 19: Plan Amendments, Curtailments or Settlement | 7.2.2018 | - | 1.1.2019 |
| Changes to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32: Updates to references to the Framework Concept or clarification as to which version of the Framework Concept is applicable | 29.3.2018 | - | 1.1.2020 |
| Changes to IFRS 3: Definition of a Business | 22.10.2018 | - | 1.1.2020 |
| Changes to IAS 1 and IAS 8: Definition of Material | 31.10.2018 | - | 1.1.2020 |

**IFRS 15 Revenue from Contracts with Customers**

The goal of IFRS 15 is to combine the many different rules contained in numerous standards and interpretations. The underlying principle of IFRS 15 is that revenue should be recognised at an amount that reflects the consideration expected for the performance obligations accepted, i.e. for the provision of goods or services. This underlying principle is implemented with a five-step framework model, which defines that the transfer of control (control approach) determines the point in time or period of time for revenue recognition and replaces the previous risk and reward model (transfer of risks and opportunities). In addition, the scope of required disclosures in the notes was expanded.

UBM selected the cumulative method defined in IFRS 15.C3 b for the initial application. As a result, the effects from the initial application as of 1 January 2018 were recorded directly in equity without retrospective adjustment of the comparative data for 2017. The comparable prior year period is therefore based on IAS 18 and IAS 11, the standards which were applicable at that time.

The following table shows the net effects of the initial application of IFRS 15 on retained earnings as of 1 January 2018:

| in T€ | Adjustment due to initial application of IFRS 15 as of 1.1.2018 |
|---|---|
| **Other reserves** | |
| Sale proceeds from forward deals | -5,719 |
| Sale proceeds from apartment sales | 11,817 |
| Income tax expense | -70 |
| **Effects as of 1 January 2018** | **6,028** |
| **Shares attributable to non-controlling interests** | |
| Sale proceeds from forward deals | -240 |
| Sale proceeds from apartment sales | 352 |
| Income tax expense | -35 |
| **Effects as of 1 January 2018** | **77** |

The following table reconciles the effects of the initial application of IFRS 15 to various positions on the consolidated statement of financial position as of 30 September 2018 and to the consolidated income statement and statement of comprehensive income for the period from 1 January 2018 to 30 September 2018. The effects on the consolidated cash flow statement are immaterial and are therefore not presented.

| in T€ | Consolidated Statement of Financial Position as of 30.9.2018 | Adjustments | Consolidated Statement of Financial Position as of 30.9.2018 excl. IFRS 15 adjustments |
|---|---|---|---|
| **Assets** | | | |
| Investment property | 340,940 | 16,860 | 357,800 |
| Investments in companies accounted for at equity | 148,874 | -671 | 148,203 |
| **Non-current assets** | **695,982** | **16,189** | **712,171** |
| Inventories | 120,350 | 18,653 | 139,003 |
| Trade receivables | 94,129 | -45,759 | 48,370 |
| **Current assets** | **432,463** | **-27,106** | **405,357** |
| **Total assets** | **1,128,445** | **-10,917** | **1,117,528** |
| **Equity and liabilities** | | | |
| Other reserves | 167,319 | -9,646 | 157,673 |
| Shares attributable to non-controlling interests | 3,232 | -424 | 2,808 |
| **Equity** | **420,472** | **-10,070** | **410,402** |
| Deferred tax liabilities | 10,020 | -847 | 9,173 |
| **Non-current liabilities** | **366,164** | **-847** | **365,317** |
| Other financial liabilities | 70,280 | - | 70,280 |
| **Current liabilities** | **341,809** | **-** | **341,809** |
| **Total equity and liabilities** | **1,128,445** | **-10,917** | **1,117,528** |

| in T€ | Consolidated Income Statement 1–9/2018 | Adjustments | Consolidated Income Statement 1–9/2018 excl. IFRS 15 adjustments |
|---|---|---|---|
| Revenue | 446,921 | 51,069 | 497,990 |
| Changes in the portfolio | -28,661 | 17,530 | -11,131 |
| Share of profit/loss from companies accounted for at equity | 21,808 | 4,270 | 26,078 |
| Cost of materials and other related production services | -323,219 | -77,589 | -400,808 |
| **EBITDA** | **46,145** | **-4,720** | **41,425** |
| **EBIT** | **43,756** | **-4,720** | **39,036** |
| **EBT** | **35,352** | **-4,720** | **30,632** |
| Income tax expense | -7,595 | 742 | -6,853 |
| **Profit for the period (net profit)** | **27,757** | **-3,978** | **23,779** |
| of which attributable to shareholders of the parent | 27,337 | -3,852 | 23,485 |
| of which attributable to non-controlling interests | 420 | -126 | 294 |

| in T€ | Statement of Comprehensive Income 1–9/2018 | Adjustments | Statement of Comprehensive Income 1–9/2018 excl. IFRS 15 adjustments |
|---|---|---|---|
| Currency translation differences | 31 | 13 | 44 |

## Description of revenues and effects of the initial application according to revenue type

The effects of the initial application compared with the previously applied accounting and valuation methods on the various types of revenue in the UBM Group are as follows:

**Forward deals (all segments)**
Properties recognised and measured in accordance with IAS 40 are, in some cases, sold to investors during the construction phase through forward deals.

Under the previous accounting methods, these properties were also reported as investment property after the relevant contracts were signed. Measurement at fair value was based on the purchase contract, and the partial gain was capitalised based on the incurred costs as a proportion of the estimated total cost.

In accordance with IFRS 15, the first step involves a decision at the individual contract level as to whether UBM is legally entitled to compensation for the previously provided performance and whether there is no alternative use for the asset. If both conditions apply, revenue is recognised over time; in all other cases, revenue is recognised at a specific point in time after the principal opportunities and risks have been transferred. Recognition over time therefore changes the timing of revenue recognition compared with the previously applied accounting method. Independent of the type or recognition, properties sold through a forward deal are no longer reported under investment property, but as contractual assets. This leads to the offsetting of prepayments received with the contractual asset, in contrast to the previous method which required gross presentation. The new method tends to improve the company's equity ratio.

**Apartment sales (segment: Residential)**
In the Residential segment, UBM develops residential properties (through legal subdivision of a building to create individually saleable apartments). These apartments are often sold before completion.

Apartments (sold as well as unsold) were previously recognised at cost and reported under real estate inventories, while revenue was recognised in accordance with IFRIC 15 at the point in time when the principal opportunities and risks were transferred to the customer. The initial application of IFRS 15 changes the timing of revenue recognition for apartments which have been sold, which have no alternative use and which carry a legal entitlement to payment for previous performance. Revenue must now be recognised over time, which will lead to earlier recognition in some cases. Prepayments from customers will be made in line with the progress of construction, in part based on the application of the Austrian Property Contract Act. Under IFRS 15, these prepayments will be recognised at the latest when there is an unconditional claim to payment.

**Rental income (all segments)**
Lease and rental income from the rental of IAS 40 properties (Office, Retail and Hotel) is recognised over time.

The initial application of IFRS 15 did not lead to any material changes in the previous accounting and valuation methods.

**Income from hotel operations (segment: Hotel)**
The primary income from hotel operations results, above all, from room rentals and gastronomy services. This revenue is recognised both over time and at a point in time.

The initial application of IFRS 15 did not lead to any material changes in the previous accounting and valuation methods.

**Income from invoiced construction services**
Revenue is recognised over time during the performance period. Prepayment invoices are issued in accordance with a pre-defined payment schedule.

There are changes involving the recognition of prepayments. Under IFRS 15, prepayments are recognised at the latest when there is an unconditional claim to payment.

### IFRS 9 Financial Instruments
This standard includes rules for the recognition, measurement and derecognition of financial instruments and for the accounting treatment of hedges. It replaces the previous standard IAS 39.

The transition guidance provided by IFRS 9 calls for retrospective application in accordance with IAS 8 only in exceptional cases (hedges). For UBM, this means the effects from the initial application as of 1 January 2018 were recorded directly in equity without retrospective adjustment of the comparative data for 2017. The comparable prior year period is therefore based on IAS 39, the standard which was applicable at that time.

The following table shows the net effects of the initial application of IFRS 9 on retained earnings as of 1 January 2018:

| in T€ | Adjustment based on initial application of IFRS 9 as of 1.1.2018 |
|---|---|
| **Other reserves** | |
| Exchange of bonds | 2,044 |
| Income tax expense | -511 |
| Effect as of 1 January 2018 | 1,533 |

The following table reconciles the effects of the initial application of IFRS 9 on the consolidated balance sheet as of 30 September 2018 and on the consolidated income statement and the statement of comprehensive income for the period from 1 January 2018 to 30 September 2018. The effects on the consolidated cash flow statement are immaterial and are therefore not presented.

| in T€ | Consolidated Statement of Financial Position as of 30.9.2018 | Adjustments | Consolidated Statement of Financial Position as of 30.9.2018 excl. IFRS 9 adjustments |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | **695,982** | **-** | **695,982** |
| **Current assets** | **432,463** | **-** | **432,463** |
| **Total assets** | **1,128,445** | **-** | **1,128,445** |
| **Equity and liabilities** | | | |
| Other reserves | 167,319 | -1,291 | 166,028 |
| **Equity** | **420,472** | **-1,291** | **419,181** |
| Bonds | 269,545 | 1,506 | 271,051 |
| Deferred tax liabilities | 10,020 | -430 | 9,590 |
| **Non-current liabilities** | **366,164** | **1,076** | **367,240** |
| Bonds | 114,396 | 215 | 114,611 |
| **Current liabilities** | **341,809** | **215** | **342,024** |
| **Total equity and liabilities** | **1,128,445** | **-** | **1,128,445** |

| in T€ | Consolidated Income Statement 1-9/2018 | Adjustments | Consolidated Income Statement 1-9/2018 excl. IFRS 9 adjustments |
|---|---|---|---|
| Financial income | 10,928 | 29 | 10,957 |
| Financial costs | -19,332 | 323 | -19,009 |
| **EBT** | **35,352** | **352** | **35,704** |
| Income tax expense | -7,595 | -88 | -7,683 |
| **Profit for the period (net profit)** | **27,757** | **264** | **28,021** |
| of which attributable to shareholders of the parent | 27,337 | 264 | 27,601 |
| of which attributable to non-controlling interests | 420 | - | 420 |

| in T€ | Statement of Comprehensive Income 1-9/2018 | Adjustments | Statement of Comprehensive Income 1-9/2018 excl. IFRS 9 adjustments |
|---|---|---|---|
| Fair value measurement of securities | - | -29 | -29 |
| Income tax expense (income) on other comprehensive income | - | 7 | 7 |

**Presentation and measurement**

In the past, modifications to debt instruments which did not lead to derecognition were recorded without recognition through profit or loss based on the recalculation of the effective interest rate. The initial application of IFRS 9 led to an increase of T€1,533 in equity because changes in the present value as a result of such modifications must now be recognised through profit or loss and distributed over the remaining term of the instrument based on the effective interest rate method.

The Group developed an estimate of the business model for each financial instrument as of 1 January 2018 and subsequently allocated the financial instruments to the appropriate IFRS 9 categories. The reclassifications are shown in the following table:

| in T€ | Old measurement category (IAS 39) | New measurement category (IFRS 9) | Old carrying amount (IAS 39) | New carrying amount (IFRS 9) |
|---|---|---|---|---|
| **Assets** | | | | |
| Project financing | Loans and Receivables | Amortised Cost | 167,069 | 167,069 |
| Other financial assets | Held to Maturity | Amortised Cost | 2,907 | 2,907 |
| Other financial assets | Available for Sale Financial Assets (at cost) | FVTPL | 1,916 | 1,916 |
| Other financial assets | Available for Sale Financial Assets | FVTPL | 872 | 872 |
| Trade receivables | Loans and Receivables | Amortised Cost | 46,496 | 46,496 |
| Financial assets | Loans and Receivables | Amortised Cost | 18,007 | 18,007 |
| Cash and cash equivalents | - | - | 178,272 | 178,272 |
| **Liabilities** | | | | |
| Bonds | Financial Liabilities Measured at Amortised Cost | Amortised Cost | 383,941 | 383,941 |
| Borrowings and overdrafts from banks | Financial Liabilities Measured at Amortised Cost | Amortised Cost | 109,254 | 109,254 |
| Other financial liabilities | Financial Liabilities Measured at Amortised Cost | Amortised Cost | 13,791 | 13,791 |
| Lease liabilities | - | - | 969 | 969 |
| Derivatives | Financial Liabilities Held for Trading | FVTPL | 56 | 56 |
| Trade payables | Financial Liabilities Measured at Amortised Cost | Amortised Cost | 79,079 | 79,079 |
| Other financial liabilities | Financial Liabilities Measured at Amortised Cost | Amortised Cost | 76,815 | 76,815 |

### 1. Impairment of financial assets

IFRS 9 replaces the incurred loss model defined by IAS 39 with the expected loss model. The new model is applicable to financial instruments carried at amortised cost, to contractual assets (IFRS 15) and debt instruments carried at fair value through other comprehensive income and to leasing receivables (IAS 17/IFRS 16).

Financial instruments carried at amortised cost represent project financing and bearer bonds. The financial instruments carried at fair value through profit or loss comprise the unconsolidated investments in subsidiaries and miscellaneous financial assets.

The impairment model defined by IFRS 9 requires the creation of a risk provision equal to the 12-month expected loss (level 1) as of the initial recognition date. Any significant deterioration in credit risk leads to consideration of the lifetime expected loss (level 2). The occurrence of objective evidence of impairment leads to classification under level 3. This does not necessarily lead to the recognition of a further impairment loss, but to the adjustment of cash flows to the net present value for financial instruments recognised on the basis of the effective interest rate method.

In connection with the initial application of IFRS 9, UBM decided to apply the simplified approach provided by IFRS 9.5.5.15 to trade receivables, contractual assets and leasing receivables. Therefore, the loss allowance applicable to these assets equals, at least, the credit losses expected over the term (lifetime expected loss model, level 2). The general impairment model is applicable to all of the other financial instruments listed above.

The Group uses all available information to evaluate a significant deterioration of credit risk after initial recognition and to estimate the expected credit loss. This includes historical data as well as forward-looking information. In general, there are no external credit ratings for financial instruments.

The major financial instruments which must be measured according to the general impairment model represent project financing for equity-accounted companies. Project companies are financed through equity interests and project financing by the owner as well as financing arranged directly by the project company. UBM can generally cover default events resulting from the negative development of a project through shareholder contributions which fall under the scope of application of IAS 28 or IFRS 11. Default incidents connected with project financing are, therefore, immaterial.

### 2. Measurement of the expected credit loss

The expected credit loss is calculated on the basis of the product, the expected net claim to the financial instrument, the period-based probability of default and the loss on actual default.

*2.1. Impairment of financial instruments*
An assessment is required at each balance sheet date to determine whether an asset is impaired. Impairment is seen as given when there are substantial indications of a loss in value and the present value of the expected payments is less than the carrying amount of the asset.

*2.2. Presentation of impairment losses*
Impairment losses to assets carried at amortised cost are deducted directly from the asset. For financial instruments carried at fair value through other comprehensive income, the loss allowance is recognised directly in equity.

Impairment losses to trade receivables and contractual assets are to be reported separately on the income statement. There were no such losses in the first nine months of 2018.

Impairment losses to other financial instruments are reported, as in the past, under financial results in accordance with IAS 39.

*2.3. Effects of the new impairment model*
For assets which fall under the scope of application of the loss allowance rules defined by IFRS 9, impairment losses are expected to be recognised earlier than in the past.

The initial application of IFRS 9 had no effect on the loss allowances as of 1 January 2018.

*Project financing*
The general impairment model is applicable to project financing. An estimate is made on the basis of the time overdue as to whether there has been a significant increase in the credit risk. If the credit risk was classified as low when IFRS 9 was initially applied, UBM assumed there has been no significant increase since that time.

*Recognition of hedges*
With regard to the recognition of hedges, UBM did not exercise the option to continue the application of IAS 39. The exercise of this option had no effect because there were no hedges as of 31 December 2017.

The consolidated interim financial statements as of 30 September 2018 are based on the same consolidation methods and currency translation principles as applied in preparing the consolidated financial statements as of 31 December 2017.

## 4. Estimates and assumptions

The preparation of consolidated interim financial statements in accordance with IFRSs requires estimates and assumptions by management which influence the amount and presentation of assets, liabilities, income and expenses as well as the disclosure of contingent liabilities in the interim report. Actual results may differ from these estimates.

## 5. Dividend

The Annual General Meeting on 29 May 2018 approved the recommendation for the distribution of profit for the 2017 financial year. A dividend of €2.00 per share, for a total of €14,944,360.00 based on 7,472,180 shares, was distributed and the remainder of €27,584.11 was carried forward. The dividend was paid on 7 June 2018.

## 6. Revenue

The following table shows the classification of revenue according to the major categories, the time of recognition and the reconciliation to segment reporting:

| in T€ | Germany 1-9/2018 | Austria 1-9/2018 | Poland 1-9/2018 | Other Markets 1-9/2018 | Group 1-9/2018 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Administration | - | 1,246 | - | - | 1,246 |
| Hotel | 101,648 | 74 | 79,515 | 10,593 | 191,830 |
| Office | 46,322 | 6,158 | 58,773 | 2,327 | 113,580 |
| Other | 13,778 | 8,691 | 2,496 | 676 | 25,641 |
| Residential | 24,909 | 55,897 | 829 | 8,403 | 90,038 |
| Service | 5,791 | 14,739 | 3,079 | 977 | 24,586 |
| **Revenue** | **192,448** | **86,805** | **144,692** | **22,976** | **446,921** |
| Recognition over time | 72,361 | 14,483 | 20,140 | 7,279 | 114,263 |
| Recognition at a point in time | 120,087 | 72,322 | 124,552 | 15,697 | 332,658 |
| **Revenue** | **192,448** | **86,805** | **144,692** | **22,976** | **446,921** |

## 7. Earnings per share

| | 1–9/2018 | 1–9/2017 |
|---|---|---|
| Profit for the period attributable to shareholders of the parent (in T€) | 27,337 | 21,026 |
| Weighted average number of shares issued (= number of basic shares) | 7,472,180 | 7,472,180 |
| Average number of share options outstanding | - | - |
| Number of shares (diluted) | 7,473,397 | 7,472,180 |
| **Basic earnings per share (in €)** | **3.66** | **2.81** |
| **Diluted earnings per share (in €)** | **3.66** | **2.81** |

A total of 385,130 share options were allocated during the first nine months of 2018 in connection with the Long-Term Incentive Programme 2017 (LTIP). The calculated exercise price equalled €41.29 as of 30 September 2018, and the average share price for 2018 equalled €41.42. Therefore, 1,217 potential shares were included in the calculation of earnings per share.

## 8. Non-current assets held for sale

Non-current assets held for sale comprise a retail park in Poland and undeveloped land in Romania. The sale of these assets is considered highly probable and they were therefore reclassified from investment property. The non-current assets held for sale are measured at fair value, which represents the current sale prices.

## 9. Share capital

| Share capital | Number 30.9.2018 | € 30.9.2018 | Number 31.12.2017 | € 31.12.2017 |
|---|---|---|---|---|
| Ordinary bearer shares | 7,472,180 | 22,416,540 | 7,472,180 | 22,416,540 |

## 10. Authorised capital, conditional capital and treasury shares

The following resolutions were passed at the 136th Annual General Meeting on 23 May 2017:

The authorisation of the Management Board, pursuant to Section 4 Para. 4 of the Statutes (authorised capital 2014), which was passed by the Annual General Meeting on 30 April 2014, was revoked.

The Management Board was subsequently authorised, in accordance with Section 169 of the Austrian Stock Corporation Act and under Section 4 Para. 4 of the Statutes, to increase the company's share capital by 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, also through indirect subscription rights pursuant to Section 153 Para. 6 of the Austrian Stock Corporation Act. Additionally, the Management Board was 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 will be excluded if and insofar as this authorisation (authorised capital) is exercised through the issue of shares in exchange for cash contributions under greenshoe options in connection with the placement of new shares in the company. Furthermore, the Management Board was authorised, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders (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 Para. 5 of the Statutes also permits a conditional increase in share capital, in accordance with Section 159 Para. 2 (1) of the Austrian Stock Corporation Act, up to a nominal amount of €2,241,654.00 through the issue of up to 747,218 new ordinary zero par value bearer shares for convertible bondholders (conditional capital increase). In this connection, the Management Board was authorised to determine the remaining details for the conditional capital increase and its implementation with the approval of the Supervisory Board, in particular the details 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 are to be determined on the basis of recognised financial methods and the company's share price using an accepted pricing procedure. If the terms of issue for the convertible bond also include a conversion obligation, the conditional capital will also be used to meet this conversion obligation.

In order to service the stock options granted within the framework of the Long-Term Incentive Programme 2017 (LTIP), the Management Board was additionally authorised, under Section 4 Para. 6 of the Statutes and in accordance with Section 159 Para. 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 Para. 2 (3) of the Austrian Stock Corporation Act, also in multiple tranches, by up to €1,678,920.00 through the issue of up to 559,640 new ordinary zero par value 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 based on the resolution of the Annual General Meeting on 20 May 2015 was revoked.

At the same time, the Management Board was authorised to repurchase the company's shares up to the legally allowed limit of 10% of share capital, including previously repurchased shares, during a 30-month period beginning on the date the resolution was passed (23 May 2017). The Management Board was also authorised, contingent upon the approval of the Supervisory Board, to sell or utilise treasury shares in another manner than over the stock exchange or through a public offering during a period of five years beginning on the date the resolution was passed (23 May 2017). This authorisation can be exercised in full or in part, in multiple instalments and in the pursuit of one or more objectives. The pro rata purchase rights of shareholders are to be excluded if the shares are sold or utilised in another manner than over the stock exchange or through a public offering (exclusion of subscription rights).

Of the above-mentioned share options relating to the Long-Term Incentive Programme 2017 (LTIP), 375,130 were allocated after the predetermined acceptance period from 22 June 2017 to 21 July 2017. A further 10,000 stock options were granted during the reporting period to two newly appointed members of the Executive Committee in accordance with the terms of the LTIP. The strike price equalled €36.33 (i.e. the unweighted average closing price of the company's share on the Vienna Stock Exchange from 24 May 2017 (inclusive) to 21 June 2017 (inclusive)). The allocated share options can be exercised during the following windows through 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 compliance with the other preconditions stated in the terms and conditions of the LTIP: a valid employment relationship, a valid personal investment, a share price that exceeds the specified thresholds and the fulfilment of certain performance indicators.

The fair value totals T€2,982. It is based on the original acceptance date for the option programme and distributed over the period in which the participants acquire the entitlement to the granted options. 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%).

The share options developed as follows:

| Number of share options | 2018 | 2017 |
|---|---|---|
| **Balance as of 1 January** | **375,130** | **-** |
| Options granted | 10,000 | 375,130 |
| Options forfeited | - | - |
| Options exercised | - | - |
| **Balance as of 30 September** | **385,130** | **375,130** |

## 11. 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, which was issued by PIAG in November 2014, to UBM by way of legal succession. Both the mezzanine capital and the hybrid capital are principally subject to ongoing interest. The mezzanine capital was repaid in two segments: €50m in December 2015 and the remaining €50m on 3 April 2018.

UBM is only required to pay interest on the hybrid capital when a dividend payment 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.

If the hybrid capital is cancelled by UBM, the subscribers are entitled to repayment of their investment in the 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 as part 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 hybrid capital is classified as an equity instrument 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 payments, less any tax effects, and profit distributions are recorded directly in equity as a deduction.

The hybrid capital is held by PORR AG.

UBM issued a deeply subordinated bond (hybrid bond) with a total volume of €100m and an annual coupon of 5.5% on 22 February 2018. The bond has an unlimited term with an early repayment option for the issuer after five years.

This hybrid bond is classified as an equity instrument 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 payments, less any tax effects, and profit distributions are recorded directly in equity as a deduction.

## 12. Financial instruments

The carrying amount of the financial instruments represents a reasonable approximation of fair value as defined by IFRS 7.29. Exceptions are the financial assets carried at amortised cost and the fixed-interest bonds (fair value hierarchy level 1) as well as the fixed-interest borrowings and overdrafts from banks and other fixed-interest financial liabilities (fair value hierarchy level 3).

The fair value measurement of the bonds is based on quoted prices. Loans and borrowings as well as other financial assets are valued using the discounted cash flow method, whereby the zero coupon yield curve published by Reuters on 30 September 2018 was used to discount the cash flows.

## Carrying amounts, measurement approaches and fair values

| in T€ | Measurement category (IFRS 9) | Carrying amount as of 30.9.2018 | Measurement in acc. with IFRS 9<br>(Amortised) cost | Fair value (other comprehensive income) | Fair value (through profit or loss) | Fair value hierarchy | Fair value as of 30.9.2018 |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Project financing at variable interest rates | Amortised Cost | 167,069 | 167,069 | - | - | - | - |
| Other financial assets | Amortised Cost | 2,907 | 2,907 | - | - | Level 1 | 3,407 |
| Other financial assets | FVTPL | 1,916 | - | - | 1,916 | Level 3 | 1,916 |
| Other financial assets | FVTPL | 872 | - | - | 872 | Level 1 | 872 |
| Trade receivables | Amortised Cost | 46,496 | 46,496 | - | - | - | - |
| Financial assets | Amortised Cost | 18,007 | 18,007 | - | - | - | - |
| Cash and cash equivalents | - | 178,272 | 178,272 | - | - | - | - |
| **Liabilities** | | | | | | | |
| Bonds at fixed interest rates | Amortised Cost | 383,941 | 383,941 | - | - | Level 1 | 403,008 |
| Borrowings and overdrafts from banks | | | | | | | |
| at variable interest rates | Amortised Cost | 105,167 | 105,167 | - | - | - | - |
| at fixed interest rates | Amortised Cost | 4,087 | 4,087 | - | - | Level 3 | 4,077 |
| Other financial liabilities | | | | | | | |
| at fixed interest rates | Amortised Cost | 13,791 | 13,791 | - | - | Level 3 | 12,641 |
| Lease liabilities | - | 969 | 969 | - | - | - | - |
| Trade payables | Amortised Cost | 79,079 | 79,079 | - | - | - | - |
| Other financial liabilities | Amortised Cost | 76,815 | 76,815 | - | - | - | - |
| Derivatives (excl. hedges) | FVTPL | 56 | 56 | - | - | - | |
| **By category** | | | | | | | |
| Financial assets at amortised cost | Amortised Cost | 234,479 | 234,479 | - | - | - | - |
| Fair value through profit or loss | FVTPL | 2,788 | - | - | 2,788 | - | - |
| Cash and cash equivalents | - | 178,272 | 178,272 | - | - | - | - |
| Financial liabilities at amortised cost | Amortised Cost | 662,880 | 662,880 | - | - | - | - |
| Financial liabilities held for trading | FVTPL | 56 | 56 | - | - | - | - |

| in T€ | Measurement category (IFRS 9) | Carrying amount as of 31.12.2017 | Measurement in acc. with IFRS 9 (Amortised) cost | Fair value (other comprehensive income) | Fair value (through profit or loss) | Fair value hierarchy (IFRS 7.27A) | Fair value as of 31.12.2017 |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| 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 | - | - | - | - |
| **Liabilities** | | | | | | | |
| 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 liabilities | - | 1,072 | 1,072 | - | - | - | - |
| Trade payables | FLAC | 70,763 | 70,763 | - | - | - | - |
| Other financial liabilities | FLAC | 34,590 | 34,590 | - | - | - | - |
| **By category** | | | | | | | |
| 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 | - | - | - | - |

## 13. Transactions with related parties

Transactions between Group companies and companies accounted for at equity relate primarily to project development and construction as well as the provision of loans and the related interest charges.

In addition to the companies accounted for at equity, related parties in the sense of IAS 24 include PORR AG and its subsidiaries, as well as the member companies of the IGO-Ortner Group and the Strauss Group because they, or their controlling entities, have significant influence over UBM through the existing syndicate.

Transactions between companies included in the UBM Group's consolidated financial statements and the PORR Group companies during the reporting period were principally related to construction services.

UBM repaid the remaining €50m of the mezzanine capital to PORR AG on 3 April 2018.

Interest of T€5,589 on the mezzanine capital and hybrid capital was paid to PORR AG in 2018.

## 14. Events after the balance sheet date

On 16 November 2018 UBM successfully issued a five-year corporate bond (UBM bond 2018–2023) with a total volume of €75m and an annual coupon of 3.125%. This new emission was accompanied by an offer to exchange a nominal amount of approximately €25m from the UBM bond 2014–2019 for the new UBM bond 2018–2023.

Vienna, 29 November 2018

The Management Board

**Thomas G. Winkler**
CEO

**Martin Löcker**
COO

**Patric Thate**
CFO

# financial calendar.

| 2018 | |
|---|---|
| Interest payment UBM bond 2015 | 11.12.2018 |

| 2019 | |
|---|---|
| Interest payment hybrid bond | 1.3.2019 |
| Publication of annual report/annual financial report 2018 | 11.4.2019 |
| Record date for participation in the Annual General Meeting | 19.5.2019 |
| Publication of the interim report on the 1st quarter of 2019 | 28.5.2019 |
| 138th Annual General Meeting, Vienna | 29.5.2019 |
| Ex-dividend trading day on the Vienna Stock Exchange | 5.6.2019 |
| Dividend record date | 6.6.2019 |
| Dividend payment date for the 2018 financial year | 7.6.2019 |
| Interest payment UBM bond 2015 | 11.6.2019 |
| Redemption and interest payment UBM bond 2014 | 9.7.2019 |
| Publication of the interim report on the 1st half of 2019 | 28.8.2019 |
| Interest payment UBM bond 2017 | 11.10.2019 |
| Interest payment UBM bond 2018 | 18.11.2019 |
| Publication of the interim report on the 3rd quarter of 2019 | 28.11.2019 |
| Interest payment UBM bond 2015 | 9.12.2019 |

## contact.

**Investor Relations &**
**Corporate Communications**
Anna Vay, CEFA
Tel: +43 (0) 664 626 1314
investor.relations@ubm-development.com
public.relations@ubm-development.com

## imprint.

**Media Owner and Publisher**
UBM Development AG
Laaer-Berg-Strasse 43, 1100 Vienna, Austria
Tel: +43 (0) 50 626-2600
www.ubm-development.com

**Concept, Design and Editing**
UBM Development AG, Investor Relations &
Corporate Communications

be.public Corporate &
Financial Communications GmbH
Heiligenstädter Strasse 50, 1190 Vienna, Austria
www.bepublic.at

Tobias Sckaer

## disclaimer.

This Quarterly Report includes forward-looking statements which are based on current assumptions and estimates made, to the best of their knowledge, by the management of UBM Development AG. These forward-looking statements can be identified by words like "expectation", "goal" or similar terms and expressions. The forecasts concerning the future development of the company represent estimates made at the time the quarterly report was prepared. If the assumptions underlying these forecasts do not materialise or if unexpected risks occur at an amount not quantified or quantifiable, the actual future development and actual future results can differ from these estimates, assumptions and forecasts.

Significant factors for these types of deviations can include, for example, changes in the general economic environment or the legal and regulatory framework in Austria and the EU as well as changes in the industry. UBM Development AG will not guarantee or assume any liability that the future development and future results will reflect the estimates and assumptions made in this Quarterly Report.

The use of automated data processing equipment can lead to rounding differences in the addition of rounded amounts and percentage rates.

The Quarterly Report as of 30 September 2018 was prepared with the greatest possible care to ensure the accuracy and completeness of the information in all sections. The amounts were rounded based on the compensated summation method. However, rounding, typesetting and printing errors cannot be excluded.

The English version of the Quarterly Report is provided solely for convenience. In the event of a discrepancy or deviation, the German language version of the Quarterly Report prevails.

The Quarterly Report is available in German and English from the website of UBM Development AG.

**the power of one.**