Half-Year Report 2017

Key Performance Indicators

Key earnings figures (in € mn)	1–6/2017	1–6/2016	Change[2]
Total Output[1]	422.1	255.3	65.3%
Revenue	234.2	189.7	23.4%
EBT	22.6	15.5	46.5%
Net profit	16.3	12.0	36.0%

Key asset and financial figures (in € mn)	30.6.2017	31.3.2017	Change[2]
Total assets	1,207.8	1,311.9	-7.9%
Cash and cash equivalents	138.8	59.5	133.4%
Equity ratio	27.7%	26.4%	1.3PP
Net debt	578.6	744.0	-22.2%

Key share data and staff	30.6.2017	30.6.2016	Change[2]
Earnings per share (in €)	2.09	1.60	30.8%
Share price (in €)	37.37	29.50	26.7%
Market capitalisation (in € mn)	279.2	220.4	26.7%
Staff[3]	745	641	16.2%

1 Total Output represents the revenue of fully consolidated companies and those accounted for under the equity method as well as sales proceeds from deals based on the equity interest held by UBM.
2 The figures have been rounded using the compensated summation method. Changes are calculated using the exact values.
3 Breakdown as of 30.6.2017: Development 305 and Hotel 440; 30.6.2016: Development 309 and Hotel 332

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We develop stars.

Many travellers are our guests without realising it. As a developer, we are number one in Europe, as a leaseholder we are a reliable partner. This is how we develop hotels that appeal to international operators and investors – and provide a warm welcome for people from all over the world.

developing hotels.
realising opportunities.

Functional Management Board

Since 1 July 2017, from left: Martin Loecker, COO – Thomas G. Winkler, CEO – Patric Thate, CFO

Executing and Delivering

"Executing and Delivering" is our key motto for the year 2017. With a reduction in net debt to €579 mn and a net profit of €16 mn, UBM has delivered at the end of the first half. We have thereby come a major step closer to our goal for year-end – €550 mn net debt and around €33 mn net profit.

However, "one goal" cannot work without "one team" – success is only possible in a team. This has been proven by the success of our sales programme "Fast Track 2017". And this also holds true for the second UBM programme: "Next Level". Next Level will make us even more efficient and effective, facilitating savings of €12 mn a year from 2019.

With the "Long-Term-Incentive Plan", we are aligning the focus of our top management even more strongly with the capital market. The members of the Executive Committee can participate directly in the future value growth of UBM via the UBM stock option programme. The decisive factor here: managers turn into entrepreneurs! Through personal investments, the Executive Committee holds shares in UBM with a value of around €5 mn.

Our transformation process on the path to becoming "one company" is far from over, and yet UBM can point to first successes. Naturally we are benefiting from the good market environment at present, but especially in this phase we are striving towards greater efficiency in the future. With a streamlined, functional Management Board since 1 July, UBM is a role model for the entire Group.

Because "after the first half-year is before the second half-year", we will continue to invest in our future. We have a full pipeline to the end of 2018. On top of this, most of the projects involve forward sales, i.e. they have already been sold long before completion. We are now making the most of the new league we are playing in, as well as the increased interest from overseas investors, to develop first-class assets with sustainable returns to 2020 and beyond. In the current environment, this is a challenge that will not change in the future – and neither will our focus on the three asset classes (Hotel, Office, Residential) and the three core markets (Germany, Austria, Poland).

€579 mn net debt
exceeds expectations

Earnings per share
rise by over 30%

Focus on Pure Play Developer
becomes visible

Asset-light strategy
successfully implemented

Future earnings power
secured via pipeline

Guidance 2017
€550 mn net debt, €33 mn net profit

Vienna, August 2017

Thomas G. Winkler
Chairman

Highlights

3 April / Forward sale of the new Zalando headquarters

The sale of the Zalando headquarters in Berlin marks another milestone in UBM's "Fast Track 2017" accelerated sales programme. The project was sold to the South Korean Capstone Asset Management for €196 mn through a forward deal. Completion is planned for the third quarter of 2018.

26 April / Topping-out ceremony for Leuchtenbergring Office in Munich

Even a full year before completion, 75% of the project Leuchtenbergring Office had already been let; following the shell completion, the final construction phase was ushered in with a topping-out ceremony. The completion of the entire project is planned for the second quarter of 2018.

6 June / UBM subsidiary buys Potsdam Hauptpost with adjacent development site

With the purchase of the heritage-protected Potsdam Hauptpost and an adjacent vacant plot, UBM has strengthened its development pipeline in Germany. The prestigious project is planned as a new construction with mixed use and construction is set to begin in the second quarter of 2018.

26 June / Functional Management Board for UBM

The Management Board of UBM is being re-organized. As part of the clearer division of responsibilities between the strategic holding company and the operating country organisations, a lean, functional Management Board has been established. From 1 July 2017 Patric Thate takes over from Thomas G. Winkler as the new Chief Financial Officer, while Winkler will concentrate on his role as CEO. The third Management Board member, Martin Loecker, takes on the COO function for the entire UBM Group. Claus Stadler becomes the General Representative for Austria. Upon mutual agreement, Michael Wurzinger does not extend his mandate.

29 June / Sale of a major standing asset package in Austria

Standing assets owned by UBM in the Greater Graz area and Vienna were sold for a total of €53 mn. The buyer is a group of private Austrian investors.

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4 July / Prague standing assets sold for €10 mn

UBM intensifies its trade-developer focus. Three standing assets in Prague – the largest Multiplex cinema in the Czech Republic, a large garage with 293 underground parking spaces and the inner courtyard – were sold to Cinestar, the operator of the Multiplex cinema, for a total of €10 mn with effect from the end of June.

Investor Relations

Positive trend on the stock markets

The environment for shares remained favourable in the first half of 2017. The performance boost seen in the first months of the year continued in the second quarter. While the US stock markets climbed continuously, the European stock exchanges instead proved rather volatile.

The good corporate fundamentals in the USA provided positive stimuli; the election of pro-Europe President Macron inspired price growth in the eurozone. At the end of the second quarter European capital markets were shaken by uncertainty emanating from the European Central Bank, as the first hints of a tighter monetary policy approach appeared.[1]

The US share index Dow Jones Industrial (DJI) closed up by an impressive 8.0% at the end of the reporting period, despite irritations caused by erratic US politics. The eurozone index EURO STOXX 50 closed up by 4.6% at the end of the first half of 2017. A clear outperformer was the Vienna Stock Exchange, with a plus of 18.6% against the end of 2016.

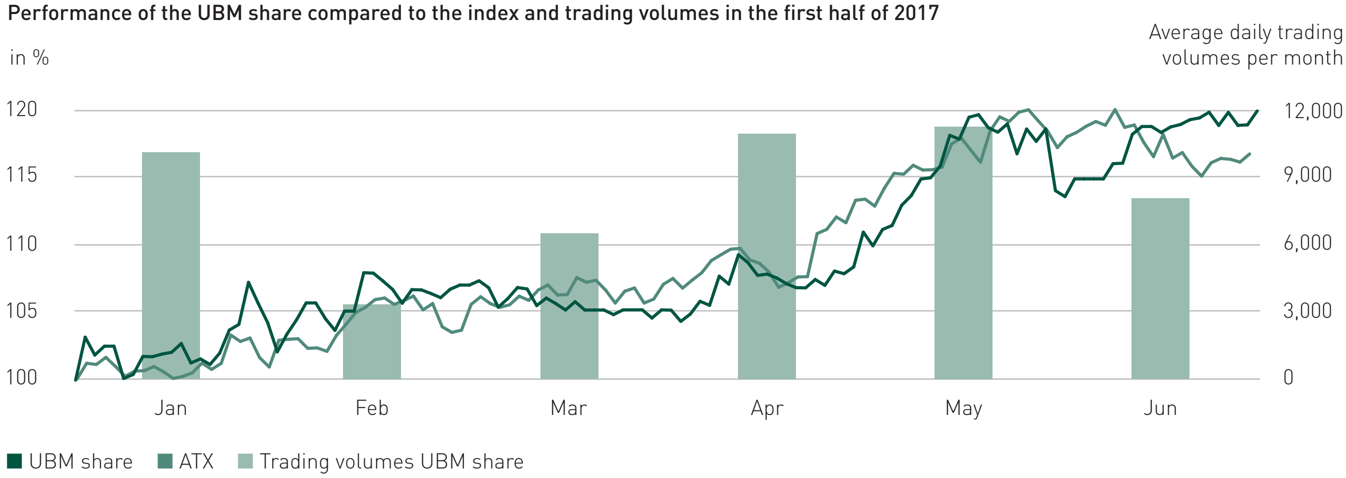
UBM share as outperformer

UBM shares are listed on the Prime Market Segment of the Vienna Stock Exchange and on the Immobilien-ATX (IATX). After the share hit its low of €31.01 on 9 January 2017, it picked up momentum and reached its year-high of €37.44 in the second quarter in May. On 30 June 2017 the share closed the first half of 2017 at a price of €37.37. This significant increase of 20.5% against year-end 2016 meant that the UBM share even outperformed the ATX. Market capitalisation stood at €279.2 mn as of 30 June 2017.

Stock option programme strengthens focus on capital markets

With the "Long-Term-Incentive Plan", UBM is once again strengthening the focus of the top management on the capital market and the sustainable growth in the value of the share. Under this programme, members of the Executive Committee can participate directly in the future value growth of the company. For every share invested, each participant receives five option rights with a holding period of three or four years. At present the Executive Committee holds a total of around 125,000 shares valued at almost €5 mn. (see Notes, item 13)

Performance of the UBM share compared to the index and trading volumes in the first half of 2017

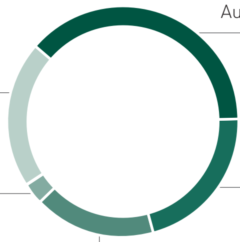


[1] Union Investment, Market reports 2017

Shareholder structure in %

[1] including 11.0% Management Board and Supervisory Board

Breakdown of free float by region in %



Shareholder structure remains unchanged

The share capital of UBM Development AG totals €22,416,540.00 and is divided into 7,472,180 shares. The Syndicate (IGO-Ortner Group, Strauss Group) held an unchanged 38.8% of the outstanding shares as of 30 June 2017. The remaining shares are held in free float (61.2%), whereby most of these investors are located in Austria (38.8%), followed by investors from Germany (20.1%) and UK (18.8%).

Analysts' coverage increases

UBM Development AG is currently analysed by five investment firms. In the second quarter Raiffeisen Centrobank (RCB) initiated a coverage of UBM. At present, three analysts – Kepler, Erste Group and SRC – have issued buy recommendations. Baader Bank and RCB gave a hold recommendation for the UBM share. Prior to the publication of the half-year results 2017, the consensus of the analysts was €38.9.

Financial Calendar 2017

Publication of the Interim Report on the 3rd Quarter 2017	28.11.2017
Interest payment UBM bond 2015	11.12.2017

Interim Management Report

General economic environment

Interest rates spread between USA and eurozone
The global economic upswing that took hold in mid-2016 picked up pace slightly again in the first half 2017. For 2017 the International Monetary Fund (IMF) has forecast GDP growth of 3.5% compared to 3.1% in the previous year, supported by good fundamentals. High employment rates and private spending in particular have established themselves as economic pillars. Against this backdrop, the US Federal Reserve raised key interest rates by 25 points in mid-March and mid-June respectively to a new range of 1.0 to 1.25%.[1]

In contrast, the European Central Bank maintained its ultra-loose monetary policy approach in the first half of 2017 with an interest rate of 0.0% and massive bond buying. The brightening of the political situation had a stabilising effect. The uncertainty of the election year 2017 has reduced considerably following the election of the pro-Europe President Macron in France and the defeat of Wilders in Holland. In the second quarter of 2017 the eurozone recorded its strongest economic growth in more than six years; the IMF forecast has been raised to 1.9%[2].

The German economy maintained its strong momentum in the second quarter. For the year 2017 the IMF expects growth in Germany of 1.8%. Attractive construction activity, employment growth and higher investments were the drivers behind this growth. Austria is also displaying unexpectedly high growth – GDP is set to grow by at least 2.0% in the year under review.

The upward trend in Poland and the Czech Republic is also continuing, with GDP growth for the full year 2017 forecast at 3.8% and 3.1% respectively.[3]

Developments on the real estate markets

Investment boom in Europe[4]
European investment volumes in commercial property continued in the second quarter (€74.2 bn) after a good start to the year. In the first half of the year investments totalled around €130 bn, representing an increase of 13% against the comparable period of the previous year.

As was the case in the first quarter, the highest transaction volumes were seen in the office asset class with €24.4 bn. The momentum on the hotel investment market remained just as strong – hotels accounted for transactions of €5.5 bn in the second quarter.

Germany – the rally continues
Germany has profited particularly strongly from its role as an anchor of stability in Europe. Positive economic growth, good long-term fundamentals, and the potential for rental increases are leading to a continued rise in interest from international and national investors. In the first half of 2017 real estate transaction volumes reached a new record value of €25.8 bn, marking astounding growth of 45% against the previous year. The investor focus was clearly on the Top-5 cities, which accounted for 40% of investment volumes (€10.3 bn).[5] The office segment remained the top performer among the asset classes, buoyed by hikes in rents and strong employment figures[6].

Serious pressure to invest, the ongoing inflow of cash and increased interest from overseas investors led to a further compression in yields for real estate investors. Institutional investors from Asia in particular are increasingly active on the market – on the hunt for major projects. The average prime yields in the Top-5 cities fell to 3.32% in the first half of 2017. The focus was clearly on Berlin and Frankfurt, followed by Munich and Hamburg.[7]

[1] World Economic Outlook, Update 24 July 2017
[2] IHS Market Composite Index Eurozone 5.7.2017
[3] Erste Group Research: CEE Insight/16.8.2017
[4] CBRE European Investment Market Snapshot, Q2 2017
[5] CBRE Germany Investment Market H1 2017
[6] CBRE Germany Office Investment Market Q2 2017
[7] CBRE Germany Investment Market H1 2017

Driven by a strong economy and rising RevPAR figures, the German hotel investment market was 50% higher than its five-year average at €1.8 bn. There was very strong demand for new project developments in the hotel sector, representing around one-third of all hotel investments. Yields in this asset class continued to be higher than for other real estate projects.[8]

In the first six months of 2017 the residential market generated a volume of €6.2 bn and was with 40% significantly higher than the previous year despite the scarcity of supply. Project developments and forward deals accounted for almost 30% of the transactions.[9]

Positive trend continues in Austria[10]
With an investment volume of €2.5 bn, the second quarter in Austria was exceptionally strong. The value increased two-fold against investments in the first three months of 2017. The office sector remained the most popular asset class with a 60% share and prime yields of 3.95%. Residential properties gathered pace with a plus of 12%, while hotels reported a 9% increase. There was a massive slump in investments in retail, which CBRE has attributed to the growth in online shopping. The high number of large-volume transactions was also striking.

Record highs in Poland and the Czech Republic[11]
The CEE countries achieved a strong first half. With commercial real estate investments of €5.6 bn, momentum accelerated and they are preparing for another record year. The Czech Republic in particular achieved an impressive rise of 37%, followed by Poland with 29%. The new investment record in the Czech Republic (€2 bn) was primarily caused by demand for commercial property in prime locations. The Polish investment market (€1.7 bn) was mainly characterised by transactions in retail and hotel properties. With a full pipeline for the second half of 2017, JLL is expecting a new all-time-high of €13 bn for the full-year 2017.

Business performance

Total Output and segments
In the first half of 2017 UBM Development AG achieved significantly higher Total Output of €422.1 mn (H1/2016: €255.3 mn). The increase of 65.3% against the same period in the previous year was primarily caused by the accelerated sales programme "Fast Track 17". Standing assets of around €100 mn were sold in the second quarter alone. This was complemented by large-scale projects such as the two hotels in Quartier Belvedere Central in Vienna and the new Zalando headquarters in Berlin (equity partner).

Total Output by region (in € mn)	1–6/2017	1–6/2016	Change[12]
Germany	88.5	108.6	-18.5%
Austria	231.3	97.8	136.6%
Poland	68.4	29.5	131.9%
Other markets	33.9	19.4	74.4%
Total	**422.1**	**255.3**	**65.3%**

[8] JLL, German hotel market on course to high transaction volumes in 2017 12 July 2017
[9] JLL, Investment Overview Germany Q2 2017
[10] CBRE Press Release (12.7.2017): Austria appeals to investors. EUR 2.5 bn investment volumes in first half 2017
[11] JLL CEE Investment Market H1 2017
[12] The figures have been rounded using the compensated summation method. Changes are calculated using the exact values.

Total Output in the "Germany" segment stood at €88.5 mn in the period under review, thereby declining by around 19% year-on-year (€108.6 mn). The decrease was mainly caused by the higher completion and handover of residential construction projects in the previous year (incl. Frankfurt Central Living II). The Total Output includes the sale of the Holiday Inn Express hotel and a plot in Berlin, as well as the sale of residential units in Berlin-Hohenzollern, general contractor services for the Leuchtenbergring project and services rendered in operating the German hotels.

Total Output in the "Austria" segment amounted to €231.3 mn in the first half of 2017 (H1/2016: €97.8 mn). The considerable growth was primarily generated by the sale of standing assets; these included various standing assets in Premstätten, Graz and Vienna. Other factors were the handover of the two Accor Hotels in Quartier Belvedere Central and a logistics property in Thondorf, as well as a higher volume of project management services by the Austrian subsidiary STRAUSS & PARTNER for major projects in Vienna, Salzburg and Graz.

In the "Poland" segment UBM generated Total Output of €68.4 mn (H1/2016: €29.5 mn). With the sale of standing assets in Krakow (Pilot Tower) and Katowice, Total Output more than doubled in the period under review. Increased revenue from letting hotels as well as rental income from standing assets – particularly from the Poleczki Business Park – and project management services also contributed to UBM's Total Output in Poland.

The "Other markets" segment recorded Total Output of €33.9 mn from January to June 2017 (H1/2016: €19.4 mn). The increase came primarily from the sale of standing assets in "Andel City" in Prague and the sale of a hotel in Pilsen. This was complemented by revenue from hotels in France and the Netherlands, rental income from standing assets in the Czech Republic and Romania, as well as project management and planning services provided by UBM Bohemia.

In the "Office" segment, UBM Development AG generated Total Output of €74.0 mn in the first half of 2017 (H1/2016: €63.7 mn). A large share of the Total Output in the first half-year came from the sale of office properties in Krakow, Vienna and Graz.

In the 2017 reporting period the "Hotel" segment achieved Total Output of €176.6 mn (H1/2016: €44.8 mn). The properties sold include the aforementioned hotels in Quartier Belvedere Central in Vienna, as well as hotels in Berlin, Katowice and Pilsen. Revenues from hotel operations complemented the output and amounted to €48.2 mn in the first half of the year. They were thereby up by €3.9 mn or 8.9% against the comparative value for 2016.

In the "Residential" segment UBM recorded Total Output of €18.1 mn from January to June 2017 (H1/2016: €54.5 mn). The higher value in the previous year was primarily due to the completion of two major residential construction projects in Germany and the resultant handover of the apartments that had been sold in advance.

Total Output by asset class (in € mn)	1–6/2017	1–6/2016	Change[1]
Office	**74.0**	63.7	16.2%
Hotel	**176.6**	44.8	294.7%
Residential	**18.1**	54.5	-66.9%
Other	**70.4**	40.8	72.8%
Service	**81.3**	45.5	78.5%
Administration	**1.7**	6.0	-71.1%
Total	**422.1**	**255.3**	**65.3%**

[1] The figures have been rounded using the compensated summation method. Changes are calculated using the exact values.

In the first six months of 2017 Total Output of €70.4 mn was generated in the "Other" segment (H1/2016: €40.8 mn). The output increased significantly year-on-year and included the sale of a logistics facility and a mixed-use standing asset in the Graz area, as well as the sale of a plot in Berlin.

The Total Output of the "Service" segment reached €81.3 mn (H1/2016: €45.5 mn) and comprised management services provided by the subsidiaries Münchner Grund, STRAUSS & PARTNER and UBM Polska, along with the sale of two standing assets in Vienna and Klagenfurt in particular.

Total Output in the "Administration" segment equalled €1.7 mn (H1/2016: €6.0 mn) and consisted entirely of services provided by UBM Development AG, as well as charges for management services and intragroup allocations.

Financial Indicators

Business performance and earnings

The core activities of the UBM Group are focused on the project-based real estate business. Revenue reported in the income statement is subject to strong fluctuations because IFRS accounting requirements only permit the recognition of revenue when these projects – which are carried out over a period of several years – are sold. The sale of properties through share deals and the development of projects within the framework of investments accounted for at equity are not reflected in revenue. This influences the informative value of the financial statements as well as the comparability with previous periods. In order to improve the transparency of information on the development of the business, UBM also reports Total Output. This managerial indicator includes revenue as well as the proceeds from property sales, rental income, income from hotel operations, invoiced planning and construction services for UBM's construction sites, and deliveries and management services provided to third parties. It also includes the profit or loss from companies accounted for at equity and the results from sales in the form of share deals. Total Output is based on the amount of the investment held by UBM. Total Output amounted to €422.1 mn in the first half of 2017, which represents an increase of 65.3% over the comparable period of the previous year (H1/2016: €255.3 mn). Revenue reported in the income statement amounted to €234.2 mn in the first half of 2017, a rise of 23.4% year-on-year. The growth in both Total Output and revenue primarily resulted from an increase in sales activities. The sharper year-on-year rise in Total Output compared to revenue came from a different configuration of sales: fully consolidated, those accounted for at equity, and those from share deals.

The share of profit or loss from companies accounted for at equity amounted to €5.6 mn in the period under review and was therefore at a similar level to the comparable period of 2016 (€5.9 mn).

The gains from fair value adjustments to investment property amounted to €5.3 mn in the reporting period (H1/2016: €18.7 mn). Determining the fair value adjustments is based on purchase agreements already in place and new market price indicators.

In the reporting period other operating income stood at €19.9 mn (H1/2016: €7.8 mn). As in the first quarter of 2017, the significant increase in this item was mainly attributable to gains resulting from the change in the Zloty. Additional factors included third-party charges and rents.

Other operating expenses underwent a slight year-on-year rise from €21.6 mn to €22.7 mn. This item mainly comprises currency translation losses, administrative expenses, travel expenses, advertising costs, other third-party services (e.g. brokerage fees), fees and duties, as well as legal and consultancy costs.

The cost of materials and other production-related services was €179.5 mn, compared to €141.0 mn in the first half of 2016. In addition to expenses for the construction of real estate inventories, this item contains, in particular, book value disposals from property sales attributable to financial assets, which amounted to €105.6 mn in the first half of 2017. The increase in expenses for materials and other production-related services was in line with the growth in revenue and primarily reflects disposals from the sale of real estate.

The total number of employees in the companies included in the consolidated financial statements rose to 745 (31 December 2016: 716) – in particular due to the start of hotel operations, including the Hyatt Regency in Amsterdam. 305 employees (31 December 2016: 309 employees) were active in the area of property development. Personnel expenses were practically unchanged at €22.5 mn.

EBITDA of €22.1 mn was slightly below the previous year's level of €23.2 mn. Financing income of €12.2 mn was significantly higher than the comparable value from 2016 (€3.6 mn). The financing result for the first half of 2017 reflects the income from sales in the form of share deals in particular.

EBT of €22.6 mn was significantly higher than at the end of the first half of 2016, when it stood at €15.5 mn. The tax expense rose from €3.5 mn in the first half of 2016 to €6.4 mn in the comparable period of 2017. This represents a tax rate of 28.1%. In the first half of 2016 the tax rate was just 22.6%. One of the main factors in the change in the tax rate was the difference in the mix of countries included in determining the tax base. The profit for the period 2017 before deduction of the share attributable to non-controlling interests was €16.3 mn and thereby significantly higher than the profit for the comparable period of the previous year (€12.0 mn). This led to a significant increase in earnings per share. In the first half of 2017 earnings per share were €2.09, up by almost 31% against the comparable value of the previous year (€1.60).

Asset and financial position

The total assets of the UBM Group declined by €25.9 mn against year-end 2016 to €1,207.8 mn as of 30 June 2017.

Property, plant and equipment totalled €45.8 mn and was practically unchanged against 31 December 2016 (€44.5 mn).

The sale of standing assets led to a decline in investment property compared to 31 December 2016, decreasing from €496.6 mn to €427.2 mn. The carrying amount of the properties classified as non-current assets held for sale in accordance with IFRS 5 also declined from €157.1 mn as of 31 December 2016 to €81.4 mn as of 30 June 2017. The main reason for this was the sale of the two hotels in lot 5 of Quartier Belvedere Central, the sale of a property in Berlin, and the Pilot Tower in Poland. Investments in companies accounted for at equity rose in the first half of 2017 from €109.6 mn (previous year) to €116.1 mn. This was primarily due to the consolidation at equity of Zalando in Berlin and the purchase of two properties in Germany accounted for at equity.

The increase in project financing to €131.1 mn (31 December 2016: €111.9 mn) reflected an investment-related increase in capital requirements by companies accounted for at equity.

Other financial assets totalled €5.6 mn and were unchanged against 2016 (31 December 2016: €5.6mn). Non-current financial assets of €1.6 mn were at a similar level to 31 December 2016 (€1.5 mn).

Current assets rose from €452.4 mn as of 31 December 2016 to €467.8 mn. The decline in the real estate inventories included under current assets resulted, in particular, from the sale of a hotel in Berlin and apartments in Germany and Austria. Inventories totalled €168.0 mn (previous year: €185.4 mn). As already mentioned in relation to the item "investment property", the item "non-current assets held for sale" underwent a decrease from €157.1 mn at 31 December 2016 to €81.4 mn at 30 June 2017. There was a sharp increase in cash and cash equivalents from €42.3 mn (31 December 2016) to €138.8 mn at the end of the first half of 2017, triggered in particular by the successful sales activities.

At 30 June 2017 trade receivables totalled €41.6 mn, representing a slight increase against 31 December 2016 (€38.6 mn). This item includes, in particular, receivables from the sale of apartments and project development receivables due from companies accounted for at equity.

Other receivables and current assets, which include sales tax receivables in particular, declined slightly to €11.2 mn (31 December 2016: €18.8 mn).

Equity totalled €334.7 mn at the end of the reporting period (31 December 2016: €341.5 mn). The main reason for the decrease was the dividend payout to shareholders as well as the interest paid on the mezzanine and hybrid capital.

The equity ratio was 27.7% and thereby at the same level as 31 December 2016 (27.7%).

Bond liabilities (current and non-current) totalled €322.0 mn as of 30 June 2017, holding almost steady against 31 December 2016 (€321.3 mn). Financial liabilities (current and non-current) of €395.4 mn slipped back against the previous year (€412.2 mn).

Trade payables declined slightly from €77.4 mn to €68.9 mn and included, above all, outstanding payments for subcontractor services.

The other financial liabilities (current and non-current) increased mainly because of the periodic accrual of interest from €36.6 mn to €43.2 mn.

Deferred and current tax payables remained practically unchanged at €27.3 mn.

Net debt totalled €578.6 mn as of 30 June 2017, a significant decrease of €112.6 mn compared to 31 December 2016. The main reason for this was the high level of sales and corresponding inflows.

Cash flows

The cash flow from operating activities amounted to €4.8 mn in the reporting period against €25.5 mn in the comparable period. Here the sharp year-on-year increase in operating cash flow of €20.0 mn was more than offset by the significant rise in cash tied up in working capital. The key factors here were a higher cash commitment in the balance of the items decrease/increase in receivables and decrease/increase in liabilities (without banks) of €2.4 mn in the first half of 2017 compared to a cash release in the item of €3.1 mn, as well as a lower capital release from inventories in the first half of 2017 of €16.8 mn compared to €21.3 mn in the comparable period of 2016. The capital release of €16.8 mn from inventories in the first half of 2017 is, on the one hand, the result of the balance from the sale of properties amounting to €39.6 mn and investments in properties of €26.2 mn; on the other hand, a decline of €3.4 mn with an impact on cash was achieved in other inventories. The effect of other non-cash transactions on cash flow from operating activities amounting to €-12.0 mn was primarily caused by non-cash gains from currency translation in the first half of 2017.

Cash flow from investing activities amounted to €37.2 mn in the first half of 2017 (previous year: €-42.4 mn). There was a positive effect on cash flow from investing activities in the first half of 2017 from the strong cash inflow from payments received from the disposal of intangible assets, inflows from the sale of property, plant and equipment and investment property, payments received from the disposal of financial assets, and inflows from the repayment of project financing, all totalling €171.1 mn. Here, the significant year-on-year increase in inflows from the repayment of project financing of €58.3 mn were generated in particular by settling shareholder loans in the course of selling equity interests in property companies under share deals. This stood in contrast to investments in intangible assets, property, plant and equipment, investment property, financial assets and project financing of €138.7 mn. Income from the sale of consolidated companies is the net item from the inflow of the fully consolidated subsidiaries sold under share deals. The net item consists of inflows from the sales, including profits, less the repayment of borrowed capital and deconsolidated cash items. Cash flow from financing activities of €53.8 mn (previous year: €-14.9 mn) contains the inflows from taking out loans and other financing in the course of the project financing business amounting to €187.9 mn. This contrasts with the repayment of loans and other financing of €116.0 mn. Taking out and repaying loans and other financing resulted in an overall cash inflow of €71.9 mn. Contrasting with this is the cash outflow from the payout of dividends totalling €16.7 mn and payouts to non-controlling interests of subsidiaries of €1.4 mn.

Non-financial Performance Indicators

Environmental issues

Environmental protection and the careful use of resources are an important part of entrepreneurial thoughts and actions for UBM Development AG. Projects and development activities always include a focus on environmentally friendly planning and construction. The conscious use of energy-optimising building materials and energy-saving management concepts transform these UBM development projects into sustainable and environmentally friendly buildings.

Staff

The average workforce, including all Group companies, totalled 745 as of 30 June 2017. In comparison with year-end 2016 (716 employees), this represents an increase of 4.1%.

Approximately 82% of UBM's employees work outside Austria. Vocational education and training measures for personal and professional development are offered in the areas of planning and project development, business management and legal issues, as well as language courses and seminars. Here the individual needs of staff as well as the requirements of the market are taken into account. UBM's broad geographical positioning means that staff are frequently spread out internationally; the resultant knowhow transfer is yet another important factor within the context of comprehensive staff development.

Outlook

It remains impossible to precisely predict the political backdrop and the macroeconomic framework along with the related interest rate environment, making this an uncertainty factor for the future. At the same time, investors are increasingly looking for profitable investments in tangible assets of substance. Real estate has been a particular beneficiary of this trend. Here, Continental Europe currently appears to be in the good graces of global property investors from overseas. In comparison with other boom regions, a stronger catch-up effect is expected here.

With the results for the second quarter, UBM has proven that its strategy of debt reduction and risk mitigation is taking effect and the company intends to forge ahead with this strategy in the coming quarters. Three measures are at the heart of this approach:

- Selling additional standing assets
- Forward sales (with high down payments or forward funding)
- "Smart" new investments

In addition, in the first half UBM started to implement the efficiency initiative "Next Level" and is preparing for the possibility of a more volatile environment by applying streamlined structures and processes.

The second quarter, which was exceptionally strong in terms of sales, has created a solid foundation for the full year in terms of both debt reduction and earnings. From today's viewpoint, the Management Board assumes that net debt can be reduced to a level of €550 mn by year-end 2017. At the same time, net profit is forecast to be at around €33 mn, a year-on-year increase of 10%.

Risk Report

There have been no significant changes with regard to the opportunity/risk profile since the end of the financial year 2016 that could result in new or amended risks for UBM. The statements provided in the "Risk Report" chapter of the 2016 Annual Report are thereby still valid, with the exception of "Other risks".

With regard to "Other risks – Legal disputes", the following change has occurred since the end of the 2016 financial year: the criminal proceedings against the former Management Board members Karl Bier and Heribert Smolé ended in legally binding acquittals.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, we confirm that the consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group over the first six months of the financial year, together with a description of the principal risks and uncertainties associated with the expected development of the Group for the remaining six months of the financial year and with regard to related party disclosures.

Vienna, 29 August 2017

Management Board

Thomas G. Winkler
Chairman

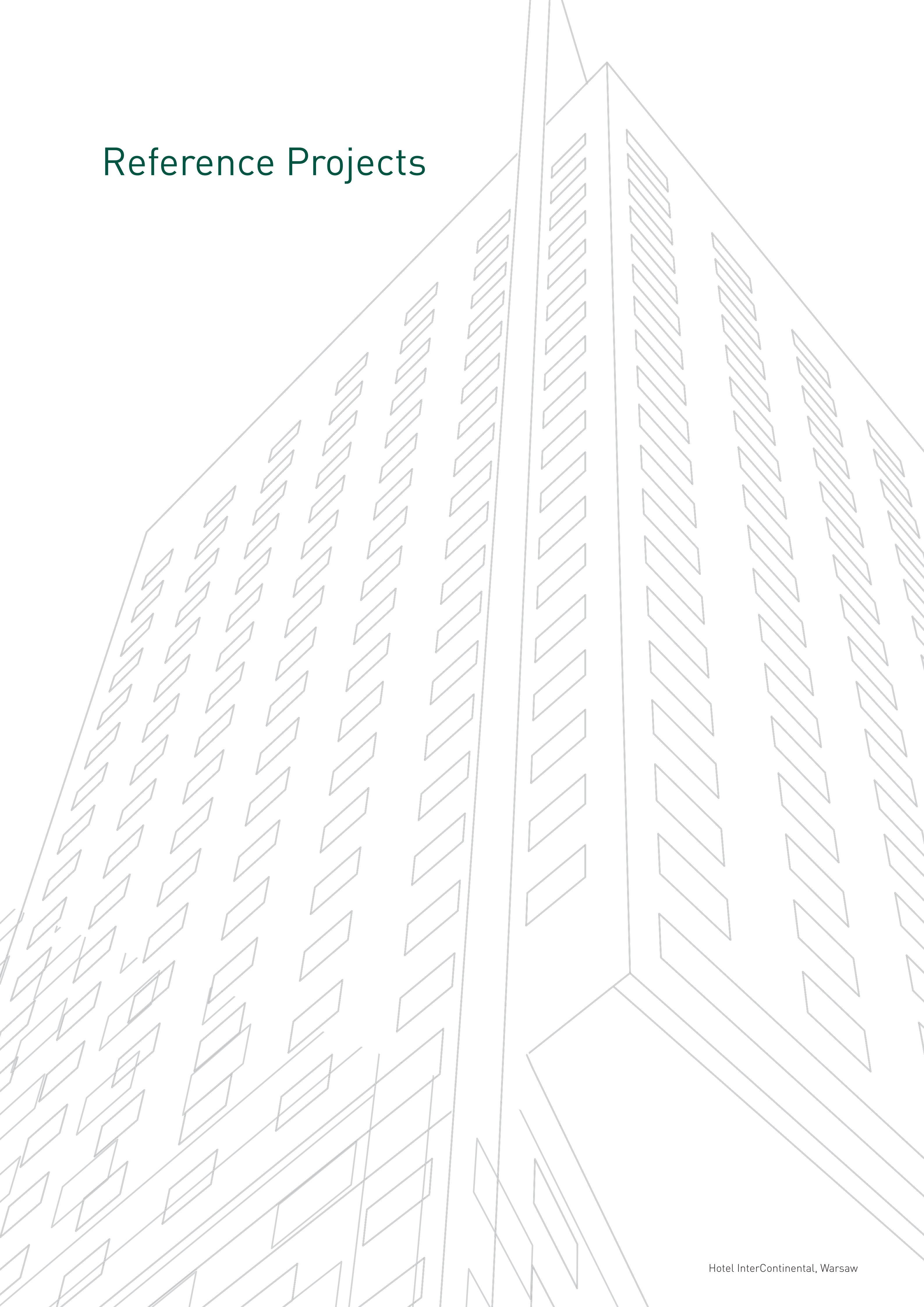
Patric Thate

Martin Loecker

Claus Stadler

Michael Wurzinger

Reference Projects



Hotel InterContinental, Warsaw

Hotel Special

/ Completed

Holiday Inn Express Klosterstrasse, Berlin

Gross floor area: 7,070 m^2
Hotel brand: Holiday Inn Express (HIEX)
Rooms: 186
Operator: InterContinental Hotels Group (IHG)
Completion: Q1/2017 (sold)

This UBM hotel development in Berlin Mitte was successfully handed over to Union Investment at the end of the first quarter of 2017. The Holiday Inn Express Klosterstrasse is another example of the long-standing, successful partnership between UBM, IHG and Union Investment.

QBC 5 Novotel and ibis, Vienna

Gross floor area: approx. 27,000 m^2
Hotel brand: ibis and Novotel
Rooms: 311 (ibis), 266 (Novotel)
Operator: AccorHotels
Completion: Q2/2017 (sold)

Directly situated at the new Central Station in Vienna in QBC – Quartier Belvedere Central – UBM developed two hotels for the AccorHotels Group under the ibis and Novotel brands. The two hotels were already sold in November 2016 to Amundi Real Estate in the course of a forward deal and were successfully completed in the second quarter of 2017.

Hyatt Regency, Amsterdam

Gross floor area: 15,883 m²
Hotel brand: Hyatt Regency
Rooms: 211 (of which 15 suites)
Operator: Hyatt
Completion: Q2/2017

The representative five-star hotel is located in Amsterdam's old city near the business district and enjoys excellent links to public transport. The construction and operation both have a strong focus on sustainability: the UBM project was awarded the BREEAM certificate in the category "Excellent".

Hotel Special / Under development

Granary Island, Gdansk

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

A new, mixed-use city quarter is being created on Granary Island in Gdansk as part of an urban development programme. For this project UBM is developing a four-star hotel with a panoramic terrace offering an unrivalled view across the whole of Gdansk from a height of 30 metres.

Eiffestrasse, Hamburg

Gross floor area: 24,143 m²
Hotel brand: Holiday Inn and Super 8
Rooms: 316 (Holiday Inn), 276 (Super 8)
Operator: Primestar Hospitality GmbH (Holiday Inn), GS Star GmbH (Super 8)
Completion: Q3/2019

Two "interlinked" hotels are being built in a central location in Hamburg's Eiffestrasse. Both the Holiday Inn and the Super 8 Hotel are being developed with a modern lobby concept and high standards in terms of architecture and sustainability.

Zollhafen, Mainz

Gross floor area: 8,149 m²
Hotel brand: Super 8
Rooms: 216
Operator: GS Star GmbH
Completion: Q1/2019

In a top location, in the development area of Zollhafen Mainz, UBM is developing a new hotel project. Parts of the ground floor of the five-storey building will be available as commercial space for corresponding use. UBM already managed to close the lease agreement for a business budget hotel with the operator GS Star GmbH in September 2016.

Leuchtenbergring, Munich

Gross floor area: 17,645 m²
Hotel brand: currently: angelo; after completion: Holiday Inn
Rooms (incl. hotel expansion): 279
Operator: currently: Vienna House; after completion: Franchise
Completion (hotel expansion): Q2/2018

Opened in 2008, the hotel continues to shine with its steadily increasing demand and is now being expanded by 131 rooms. The plot with great traffic and transport links will also get a five-storey office building with 385 parking spaces in the two basements along with retail space.

Office

Under development

Mogilska, Krakow

Gross floor area: approx. 13,000 m²
Lettable space: approx. 11,000 m²
Completion: Q1/2020

Another UBM office project is taking shape in Krakow. The development plot is situated directly on Mogilska Street, right next to one of the most important public transport hubs – the upgraded Rondo Mogilska. The project is currently in its development and approval phase with a planned construction start in the first quarter of 2018.

QBC 1 & 2, Vienna

Gross floor area: 44,000 m²
Lettable office and retail space: approx. 36,500 m²
Completion: Q2/2020

The lots QBC 1 & 2 comprise three office buildings whose ground floors will be used for gastronomy and retail space. Every building has eight stories aboveground and a rooftop terrace that is open to all tenants. This project marks the final construction phase of this new city quarter.

Residential / Under development

The Brick (Kühnehöfe), Hamburg

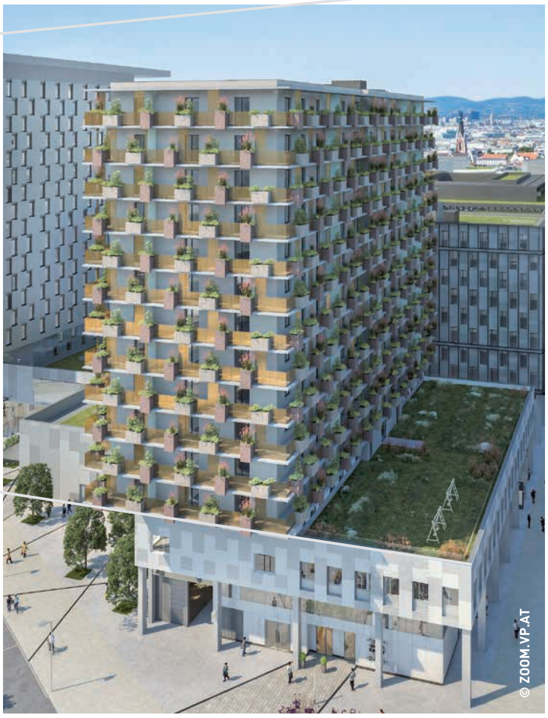
Gross floor area: approx. 8,400 m²
No. of flats: 101
Garage: 61 parking spaces
Completion: Q2/2019

On the grounds of the former Kühne KG headquarters, UBM is developing a mix of high-quality freehold flats and low-cost rental apartments. The Brick (Kühnehöfe) is located in a central but quiet area of Hamburg-Bahrenfeld, Ottensen. In spite of the high population density, the district has expansive green areas and is also close to the inner city and the Elbe.

Living in QBC (QBC 6), Vienna

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

Directly beside the new Vienna Central Station in QBC – Quartier Belvedere Central – UBM is developing 140 privately financed freehold flats as well as serviced apartments.



Consolidated Interim Financial Statements

Granary Island, Gdansk

Consolidated Income Statement
from 1 January to 30 June 2017

in T€	1–6/2017	1–6/2016	4–6/2017	4–6/2016
Revenue	**234,177**	189,710	**148,286**	110,155
Changes in the portfolio	**-15,609**	-13,997	**5,127**	-14,576
Share of profit/loss from companies accounted for at equity	**5,556**	5,877	**6,337**	470
Income from fair value adjustments to investment property	**5,328**	18,700	**5,328**	15,500
Other operating income	**19,920**	7,826	**5,391**	6,011
Cost of materials and other related production services	**-179,479**	-140,957	**-133,250**	-82,322
Personnel expenses	**-22,491**	-22,396	**-11,675**	-13,700
Expenses from fair value adjustments to investment property	**-2,568**	-15	**-2,560**	693
Other operating expenses	**-22,717**	-21,592	**-11,739**	-8,057
EBITDA	**22,117**	**23,156**	**11,245**	**14,174**
Depreciation and amortisation	**-1,963**	-1,647	**-1,035**	-872
EBIT	**20,154**	**21,509**	**10,210**	**13,302**
Financing income	**12,246**	3,570	**10,281**	2,036
Financing costs	**-9,758**	-9,624	**-4,635**	-5,020
EBT	**22,642**	**15,455**	**15,856**	**10,318**
Income tax expense	**-6,367**	-3,489	**-4,914**	-3,289
Profit for the period (net profit)	**16,275**	**11,966**	**10,942**	**7,029**
of which: attributable to shareholders of the parent	**15,644**	**11,985**	**10,770**	**7,066**
of which: attributable to non-controlling interests	**631**	-19	**172**	-37
Earnings per share (diluted and basic in €)	**2.09**	**1.60**	**1.44**	**0.94**

Statement of Comprehensive Income
from 1 January to 30 June 2017

in T€	1–6/2017	1–6/2016	4–6/2017	4–6/2016
Profit (loss) for the period	**16,275**	**11,966**	**10,942**	**7,029**
Other comprehensive income:				
Remeasurement of defined benefit obligations	449	-1,024	449	-1,024
Income tax expense on other comprehensive income	-116	258	-116	258
Other comprehensive income which cannot be reclassified to profit or loss (non-recyclable)	**333**	**-766**	**333**	**-766**
Gains (losses) from cash flow hedges of associates - recycled	-	-	-	-
Gains (losses) from fair value measurement of securities	9	-11	-5	-13
Currency translation differences	-2,368	-873	-2,493	-701
Income tax expense (income) on other comprehensive income	-2	3	1	4
Other comprehensive income which can subsequently be reclassified to profit or loss (recyclable)	**-2,361**	**-881**	**-2,497**	**-710**
Other comprehensive income for the period	**-2,028**	**-1,647**	**-2,164**	**-1,476**
Total comprehensive income for the period	**14,247**	**10,319**	**8,778**	**5,553**
of which: attributable to shareholders of the parent	13,648	10,352	8,606	5,603
of which: attributable to non-controlling interests	599	-33	172	-50

Consolidated Statement of Financial Position

as of 30 June 2017

in T€	30.6.2017	31.12.2016
ASSETS		
Non-current assets		
Intangible assets	**2,788**	2,841
Property, plant and equipment	**45,766**	44,464
Investment property	**427,162**	496,583
Investments in companies accounted for at equity	**116,065**	109,636
Project financing	**131,147**	111,905
Other financial assets	**5,624**	5,605
Financial assets	**1,639**	1,533
Deferred tax assets	**9,839**	8,818
	740,030	**781,385**
Current assets		
Inventories	**168,043**	185,355
Trade receivables	**41,629**	38,616
Financial assets	**26,688**	10,168
Other receivables and current assets	**11,222**	18,825
Cash and cash equivalents	**138,819**	42,298
Assets held for sale	**81,400**	157,114
	467,801	**452,376**
ASSETS TOTAL	**1,207,831**	**1,233,761**
EQUITY AND LIABILITIES		
Equity		
Share capital	**22,417**	22,417
Capital reserves	**98,954**	98,954
Other reserves	**131,749**	132,422
Mezzanine/hybrid capital	**77,715**	80,100
Equity attributable to shareholders of the parent	**330,835**	**333,893**
Non-controlling interests	**3,894**	7,561
	334,729	**341,454**
Non-current liabilities		
Provisions	**7,740**	9,211
Bonds	**322,037**	321,296
Non-current financial liabilities	**222,401**	193,704
Other non-current financial liabilities	**4,063**	6,151
Deferred tax liabilities	**15,373**	20,109
	571,614	**550,471**
Current liabilities		
Provisions	**248**	4,280
Current financial liabilities	**173,022**	218,495
Trade payables	**68,926**	77,400
Other current financial liabilities	**39,108**	30,460
Other current liabilities	**8,273**	3,744
Taxes payable	**11,911**	7,457
	301,488	**341,836**
EQUITY AND LIABILITIES TOTAL	**1,207,831**	**1,233,761**

Consolidated Cash Flow Statement
from 1 January to 30 June 2017

in T€	1–6/2017	1–6/2016
Profit (loss) for the period	16,275	11,966
Depreciation/amortisation, impairment losses and reversals of impairment losses on fixed assets and financial assets	-797	-17,038
Interest income/expense	6,117	9,094
Income from companies accounted for at equity	-5,556	-5,861
Dividends from companies accounted for at equity	-	1,019
Decrease in long-term provisions	-1,072	-3,089
Deferred income tax	-127	-1,224
Operating cash flow	**14,840**	**-5,133**
Decrease/increase in short-term provisions	-757	308
Increase in tax provisions	1,928	2,900
Losses/gains on the disposal of assets	-11,174	-551
Decrease in inventories	16,762	21,276
Decrease/increase in receivables	2,294	-16,721
Decrease/increase in payables (excluding banks)	-4,696	19,893
Interest received	559	530
Interest paid	-2,957	-2,637
Other non-cash transactions	-12,029	5,590
Cash flow from operating activities	**4,770**	**25,455**
Proceeds from the sale of intangible assets	20	22
Proceeds from the sale of property, plant and equipment and investment property	108,477	63,464
Proceeds from the sale of financial assets	4,293	13,335
Proceeds from the repayment of project financing	58,318	57
Investments in intangible assets	-2	-26
Investments in property, plant and equipment and investment property	-122,914	-101,476
Investments in financial assets	-8,192	-112
Investments in project financing	-7,595	-18,498
Proceeds from the sale of consolidated companies	4,966	670
Payments made for the purchase of subsidiaries less cash and cash equivalents acquired	-164	175
Cash flow from investing activities	**37,207**	**-42,389**
Dividends	-16,725	-16,725
Dividends paid to non-controlling interests	-1,370	-759
Increase in loans and other financing	187,919	62,024
Repayment of loans and other financing	-116,003	-59,481
Cash flow from financing activities	**53,821**	**-14,941**
Cash flow from operating activities	**4,770**	**25,455**
Cash flow from investing activities	**37,207**	**-42,389**
Cash flow from financing activities	**53,821**	**-14,941**
Change to cash and cash equivalents	**95,798**	**-31,875**
Cash and cash equivalents at 1 January	42,298	93,744
Currency translation differences	723	-520
Cash and cash equivalents at 30 June	**138,819**	**61,349**
Taxes paid	4,038	1,827

Statement of Changes in Group Equity
as of 30 June 2017

in T€	Share capital	Capital reserves	Remeasurement of defined benefit obligations	Currency translation reserve
Balance at 31 December 2015	**22,417**	**98,954**	**-2,238**	**1,204**
Total profit/loss for the period	-	-	-	-
Other comprehensive income	-	-	-766	-859
Total comprehensive income for the period	-	-	-766	-859
Dividend	-	-	-	-
Changes in non-controlling interests	-	-	-	-
Balance at 30 June 2016	**22,417**	**98,954**	**-3,004**	**345**
Balance at 31 December 2016	**22,417**	**98,954**	**-2,875**	**258**
Total profit/loss for the period	-	-	-	-
Other comprehensive income	-	-	333	-2,336
Total comprehensive income for the period	-	-	333	-2,336
Dividend	-	-	-	-
Changes in non-controlling interests	-	-	-	-
Balance at 30 June 2017	**22,417**	**98,954**	**-2,542**	**-2,078**

Available-for-sale securities: fair value reserve	Other reserves	Mezzanine/ hybrid capital	Equity attributable to equity holders of the parent	Non-controlling interests	Total
43	**122,716**	**80,100**	**323,196**	**8,828**	**332,024**
-	9,600	2,385	11,985	-19	**11,966**
-8	-	-	-1,633	-14	**-1,647**
-8	9,600	2,385	10,352	-33	**10,319**
-	-11,955	-4,770	-16,725	-759	**-17,484**
-	-13	-	-13	-738	**-751**
35	**120,348**	**77,715**	**316,810**	**7,298**	**324,108**
31	**135,008**	**80,100**	**333,893**	**7,561**	**341,454**
-	13,259	2,385	15,644	631	**16,275**
7	-	-	-1,996	-32	**-2,028**
7	13,259	2,385	13,648	599	**14,247**
-	-11,955	-4,770	-16,725	-1,370	**-18,095**
-	19	-	19	-2,896	**-2,877**
38	**136,331**	**77,715**	**330,835**	**3,894**	**334,729**

Segment Report[1]

from 1 January to 30 June 2017

	Germany		Austria	
in T€	1–6/2017	1–6/2016	1–6/2017	1–6/2016
Total Output				
Administration	-	-	1,747	6,047
Hotel	39,435	12,209	92,031	5,529
Office	1,186	25,487	44,191	32,514
Other	22,133	2,679	33,905	34,738
Residential	6,655	44,387	10,935	7,781
Service	19,145	23,869	48,536	11,177
Total Output	**88,554**	**108,631**	**231,345**	**97,786**
Less revenue from companies accounted for at equity and subordinated companies as well as changes in the portfolio	-36,470	-3,313	-110,783	-40,874
Revenue	**52,084**	**105,318**	**120,562**	**56,912**
EBT				
Administration	-	-	2,845	3,587
Hotel	1,469	1,229	1,412	5,685
Office	3,572	-2,894	534	-680
Other	-297	1,548	-1,798	-943
Residential	223	3,963	670	-333
Service	216	11	4,410	2,661
Total EBT	**5,183**	**3,857**	**8,073**	**9,977**

[1] Included in the notes
Intersegment revenues are immaterial.

Poland		Other markets		Group	
1–6/2017	1–6/2016	1–6/2017	1–6/2016	1–6/2017	1–6/2016
-	-	-	-	1,747	6,047
26,392	13,415	18,769	13,597	176,627	44,750
28,465	5,222	165	494	74,007	63,717
1,039	1,560	13,339	1,784	70,416	40,761
351	324	111	2,017	18,052	54,509
12,125	8,962	1,474	1,528	81,280	45,536
68,372	**29,483**	**33,858**	**19,420**	**422,129**	**255,320**
-28,647	-15,503	-12,052	-5,920	-187,952	-65,610
39,725	**13,980**	**21,806**	**13,500**	**234,177**	**189,710**
-	-	-	-	2,845	3,587
696	1,211	-1,448	-257	2,129	7,868
2,398	7,534	-43	-456	6,461	3,504
1,549	-2,606	4,346	213	3,800	-1,788
2,276	-3,782	-337	-383	2,832	-535
285	288	-336	-141	4,575	2,819
7,204	**2,645**	**2,182**	**-1,024**	**22,642**	**15,455**

Notes to the Consolidated Interim Financial Statements

1. General Information

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

These consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, based on the International Financial Reporting Standards (IFRS) which were issued by the International Accounting Standards Board (IASB) and adopted by the European Union, as well as the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

In accordance with IAS 34, the consolidated interim financial statements do not contain every comprehensive entry which is obligatory in the annual financial statements and therefore this interim report should be read in conjunction with the annual report of the UBM Group as at 31 December 2016. As per IAS 34, the consolidated results of the consolidated interim financial statements are not necessarily indicative of the annual results.

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

These consolidated interim financial statements were submitted for an audit review.

2. Consolidated Group

In addition to UBM, 60 domestic subsidiaries (financial statements 31 December 2016: 63) and 78 foreign subsidiaries (financial statements 31 December 2016: 81) are included in these consolidated interim financial statements.

In the reporting period five companies were included in the UBM consolidated group for the first time as a result of new foundations, an increase in the investment held, or acquisitions (see item 2.1). Six companies were sold and two companies were liquidated. For three companies so many shares were sold that now only significant influence remains and they are accounted for at equity. The sales price of T€26,575 was settled in cash and the sale of one company represented a transaction with related parties. The assets and liabilities over which control was lost break down as follows:

in T€	2017
Non-current assets	
Investment property	76,627
Other financial assets	178
Deferred tax assets	1,781
Current assets	
Inventories	550
Trade receivables	71
Financial assets	12
Other receivables and current assets	2,427
Cash and cash equivalents	3,224
Assets held for sale	105,006
Non-current liabilities	
Financial liabilities	33,892
Deferred tax liabilities	9,351
Current liabilities	
Provisions	3,275
Financial liabilities	54,886
Trade payables	2,034
Other financial liabilities	63,316
Tax payables	19

Furthermore, 29 domestic (financial statements 31 December 2016: 27) and 30 foreign (financial statements 31 December 2016: 30) associates and joint ventures were included by applying the equity method. In the reporting period the stake in one company was increased insofar as to be included fully in the consolidated group for the first time. Three companies were founded, for three further companies so many shares were sold that now only significant influence remains and they are accounted for at equity. Three companies were deconsolidated following their sale, whereby the sales price of T€4,995 included a cash payment of T€3,596. One of these companies involved a transaction with related parties.

2.1. Initial consolidations

The following five companies were included in the consolidated interim financial statements for the first time during the reporting period:

Due to new foundations	Date of initial consolidation
Rezidence Tusarova 46 s.r.o.	3.2.2017
Poleczki Parking House Sp.z o.o.	11.5.2017

Due to an increase in the investment held	Date of initial consolidation
Top Office Munich GmbH	26.1.2017

Due to acquisitions	Date of initial consolidation
Sarium Beteiligungsverwaltungs GmbH & Co. „Office Provider" OG	2.1.2017
KLC III CZ s.r.o.	19.4.2017

Top Office Munich GmbH is a shell company, while Sarium Beteiligungsverwaltungs GmbH & Co. "Office Provider" OG and KLC III CZ s.r.o. involve the purchase of property and the respective financing of this real estate. Neither represents a business combination in the sense of IFRS 3.

3. Accounting and Valuation Methods

The accounting and valuation methods applied in the consolidated financial statements of 31 December 2016, which are presented in the notes to the consolidated annual financial statements, were used, unmodified, in the interim report, with the exception of the following standards and interpretations which were applied for the first time:

Amendments to standards and interpretations
The following standards and interpretations have been published in the period between 31 December 2016 and the preparation of these consolidated interim financial statements and do not yet need to be applied compulsorily nor have they been adopted into EU law:

	Effective date in acc. with IASB
IFRIC 23	1.1.2019
IFRS 17	1.1.2021

The consolidated interim financial statements as of 30 June 2017 use the same consolidation methods and principles for foreign currency translation applied in preparing the consolidated financial statements as of 31 December 2016.

4. Estimates and Assumptions

Producing consolidated interim financial statements in accordance with IFRSs requires management to make estimates and assumptions which affect the amount and disclosure of assets and liabilities in the statement of financial position, income and expense, as well as the disclosure of contingent liabilities in the interim report. Actual results may differ from these estimates.

5. Dividend

A resolution was passed at the Annual General Meeting on 23 May 2017 to pay out a dividend of €1.60 per ordinary share, which corresponds to €11,955,488.00 for 7,472,180 ordinary shares, with the remainder of €41,573.51 carried forward to new account. The dividend was paid out on 1 June 2017.

6. Earnings per Share

in T€	1–6/2017	1–6/2016
Profit for the period attributable to shareholders of the parent	15,644	11,985
Weighted average number of shares issued	7,472,180	7,472,180
Basic earnings per share = diluted earnings per share in €	**2.09**	**1.60**

7. Non-Current Assets Held for Sale

The non-current assets held for sale include an office property in Poland, a logistics centre in Romania and a hotel property in Austria, whose sale is considered highly probable and have therefore been reclassified out of investment property. The non-current assets held for sale are recognised at fair value, which represents the current negotiated purchase prices.

8. Share Capital

Share capital	No. 2017	€ 2017	No. 2016	€ 2016
Ordinary bearer shares	7,472,180	22,416,540	7,472,180	22,416,540

9. Authorised Capital, Conditional Capital, Long-Term-Incentive Plan 2017 and Acquisition of Treasury Shares

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

The existing authorisation of the Management Board, pursuant to Section 4 Paragraph 4 of the statutes (authorised capital 2014) in accordance with the general shareholders' meeting resolution on 30 April 2014, has been revoked. The Management Board was authorised in accordance with Section 169 of the Austrian Stock Corporation Act and under Section 4 Paragraph 4 of the statutes to increase the company's share capital by 11 August 2017, 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 and with the exclusion of subscription rights. Additionally, the Management Board was authorised to determine the issue price, issue terms, subscription ratio and further details in agreement with the Supervisory Board (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, whereby the subscription right for greenshoe options in connection with the issue of shares in exchange for cash contributions is excluded.

Furthermore, the Management Board was authorised, until 23 May 2022, to issue convertible bonds, whose issue relates to an exchange or subscription right to purchase up to 747,218 new ordinary no-par bearer shares in the Company with a proportionate stake in the share capital of up to €2,241,654.00, in one or more tranches, and to determine all of the other conditions, the issue and the conversion procedure for the convertible bonds, the amount of the issue and the exchange or conversion ratio. Subscription rights were excluded.

At the same time, the Annual General Meeting approved a corresponding conditional increase in the share capital, in accordance with Section 159 Paragraph 2 (1) of the Austrian Stock Corporation Act, of up to €2,241,654.00 by issuing up to 747,218 new ordinary no-par bearer shares to be issued to convertible bondholders.

In addition, the Management Board was authorised to determine the other details related to the conditional capital increase and its implementation with the approval of the Supervisory Board, especially the particulars of the issue and the conversion procedure for the convertible bonds, the amount of the issue and the exchange or conversion ratio. The Supervisory Board was also authorised to pass resolutions on amendments to the statutes arising from the issue of shares from conditional capital.

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

The authorisation of the Management Board to purchase, sell and/or use treasury shares in accordance with the general shareholders' meeting resolution on 20 May 2015, which was valid until the Annual General Meeting on 23 May 2017, has been revoked.

At the same time, the Management Board was granted authorisation, with the approval of the Supervisory Board, to acquire treasury shares in the Company up to the legally allowed limit of 10% of the share capital, including previously repurchased treasury shares, during a 30-month period beginning on the date the resolution was passed (23 May 2017, therefore until 23 November 2019) and to sell them within a period of five years.

Further disclosures on authorised capital are given in note 13 "Events after the end of the reporting period".

10. Mezzanine and Hybrid Capital

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

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

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

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

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

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

11. Financial Instruments

The carrying amount of the financial instruments represents a reasonable approximation of the fair value, with the exception of "Held to Maturity" financial assets and "Available for Sale" assets (fair value hierarchy level 1), bonds subject to fixed interest rates (fair value hierarchy level 1) and borrowings and overdrafts from banks subject to fixed interest rates and other financial liabilities subject to fixed interest rates (fair value hierarchy level 3).

The fair value measurement for the bonds is 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 June 2017 was used to discount the cash flow.

The "Available for Sale at Cost" financial assets consist of shareholdings (shares in limited liability companies) of minor importance, which are not quoted on an active market and whose market value cannot be reliably deter-mined. These are financial assets are carried at cost. There are no plans to sell the shares in these project companies as long as the respective projects have not been realised.

Carrying amounts, measurement approaches and fair values

	Measurement category (IAS 39)	Carrying amount at 30.6.2017	Measurement in acc. with IAS 39 (Amortised) cost	Fair value other comprehensive income	Fair value through profit or loss	Fair value hierarchy	Fair value at 30.6.2017
ASSETS							
Project financing							
at variable interest rates	LaR	131,147	131,147	-	-	-	-
Other financial assets	HtM	2,907	2,907	-	-	Level 1	3,442
Other financial assets	AfS (at cost)	1,834	1,834	-	-	-	-
Other financial assets	AfS	883	-	883	-	Level 1	883
Trade receivables	LaR	36,792	36,792	-	-	-	-
Financial assets	LaR	28,051	28,051	-	-	-	-
Derivatives (without hedges)	FAHfT	276	-	-	276	Level 3	276
Cash and cash equivalents	-	138,819	138,819	-	-	-	-
LIABILITIES							
Bonds							
at fixed interest rates	FLAC	322,037	322,037	-	-	Level 1	338,919
Loans and borrowings from banks							
at variable interest rates	FLAC	339,811	339,811	-	-	-	-
Other financial liabilities							
at variable interest rates	FLAC	19	19	-	-	-	-
at fixed interest rates	FLAC	54,349	54,349	-	-	Level 3	54,183
Lease obligations	-	1,136	1,136	-	-	-	-
Trade payables	FLAC	68,926	68,926	-	-	-	-
Other financial liabilities	FLAC	43,171	43,171	-	-	-	-
Derivatives (without hedges)	FLHfT	108	-	-	108	Level 3	108
BY CATEGORY:							
Loans and receivables	LaR	195,990	195,990	-	-	-	-
Held to maturity	HtM	2,907	2,907	-	-	-	-
Available-for-sale financial assets	AfS (at cost)	1,834	1,834	-	-	-	-
Available-for-sale financial assets	AfS	883	-	883	-	-	-
Financial assets held for trading	FAHfT	276	-	-	276	-	-
Cash and cash equivalents	-	138,819	138,819	-	-	-	-
Financial liabilities measured at amortised cost	FLAC	828,313	828,313	-	-	-	-
Financial liabilities held for trading	FLHfT	108	-	-	108	-	-

	Measurement category (IAS 39)	Carrying amount at 31.12.2016	Measurement in acc. with IAS 39 (Amortised) cost	Measurement in acc. with IAS 39 Fair value other comprehensive income	Measurement in acc. with IAS 39 Fair value through profit or loss	Fair value hierarchy	Fair value at 31.12.2016
ASSETS							
Project financing							
at variable interest rates	LaR	111,905	111,905	-	-	-	-
Other financial assets	HtM	2,907	2,907	-	-	Level 1	3,478
Other financial assets	AfS (at cost)	1,824	1,824	-	-	-	-
Other financial assets	AfS	874	-	874	-	Level 1	874
Trade receivables	LaR	36,891	36,891	-	-	-	-
Financial assets	LaR	11,701	11,701	-	-	-	-
Cash and cash equivalents	-	42,298	42,298	-	-	-	-
LIABILITIES							
Bonds							
at fixed interest rates	FLAC	321,296	321,296	-	-	Level 1	335,600
Loans and borrowings from banks							
at variable interest rates	FLAC	371,480	371,480	-	-	-	-
at fixed interest rates	FLAC	11,877	11,877	-	-	Level 3	12,003
Other financial liabilities							
at variable interest rates	FLAC	19	19	-	-	-	-
at fixed interest rates	FLAC	13,973	13,973	-	-	Level 3	14,502
Lease obligations	-	14,815	14,815	-	-	-	-
Trade payables	FLAC	77,400	77,400	-	-	-	-
Other financial liabilities	FLAC	36,611	36,611	-	-	-	-
Derivatives (without hedges)	FLHfT	35	-	-	35	Level 3	35
BY CATEGORY:							
Loans and receivables	LaR	160,497	160,497	-	-	-	-
Held to maturity	HtM	2,907	2,907	-	-	-	-
Available-for-sale financial assets	AfS (at cost)	1,824	1,824	-	-	-	-
Available-for-sale financial assets	AfS	874	-	874	-	-	-
Cash and cash equivalents	-	42,298	42,298	-	-	-	-
Financial liabilities measured at amortised cost	FLAC	832,656	832,656	-	-	-	-
Financial liabilities held for trading	FLHfT	35	-	-	35	-	-

12. Transactions with Related Parties

Transactions between Group companies and those accounted for at equity primarily relate 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 companies of the IGO-Ortner Group and Strauss Group because they, and their controlling entity, have significant influence over UBM through the existing syndicate.

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

In connection with the development of a property, the main tenant, PORR AG, provided STRAUSS & PARTNER Development GmbH with prefinancing of €45 mn which has a term ending in 2019.

13. Events after the End of the Reporting Period

375,130 of the share options cited under note 9 "Authorised capital", relating to the Long-Term-Incentive Plan 2017, were allocated during the predetermined acceptance period from 22 June 2017 to 21 July 2017. The strike price was €36.33 (this is the unweighted average of the closing price of the Company's share on the Vienna Stock Exchange from 24 May 2017 to 21 June 2017). The share options allocated can be exercised in the windows stated below upon written declaration to the Company. The share options may only be exercised (in addition to meeting the other preconditions stated in the terms and conditions, such as the individual requirements of a valid employment relationship and a valid personal investment) from 1 September 2020 to 26 October 2020 (exercise window 1) and/or from 1 September 2021 to 26 October 2021 (exercise window 2).

Vienna, 29 August 2017

Management Board

Thomas G. Winkler
Chairman

Patric Thate

Martin Loecker

Claus Stadler

Michael Wurzinger

Report on a Review of the Consolidated Interim Financial Statements

Introduction

We have reviewed the accompanying condensed, consolidated financial statements as of June 30, 2017 of

UBM Development AG, Wien,
(referred to as "Company")

comprising the condensed, consolidated balance sheet as of June 30, 2017, the condensed, consolidated income statement, the condensed, consolidated statement of comprehensive income, the condensed, consolidated cash flow statement and the condensed, consolidated statement of changes in equity for the period from January 1, 2017 to June 30, 2017, as well as the notes to the condensed, consolidated interim financial statements which summarise the accounting and measurement methods applied along with other notes.

Management is responsible for the preparation and fair presentation of these condensed, consolidated interim Financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Our responsibility is to issue a report on these condensed, consolidated interim financial statements based on our review.

Responsible for the proper performance of the engagement is Mr Mag. Klemens Eiter Austrian Certified Public Accountant.

With reference to § 87 Abs. 3 Austrian Stock Exchange Act (BörseG) our responsibility and liability is based on § 275 Abs. 2 Austrian Commercial Code.

Scope of review

We conducted our review in accordance with laws and regulations applicable in Austria, especially in accordance with KFS/PG 11 "Standard on Review Engagements" and International Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity". A review of financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed, consolidated interim financial statements does not give a true and fair view of the financial items of the entity as at June 30, 2017, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Statement on the Group Management Report for the Half-Year and on the Statement of the legal representatives pursuant to sec. 87 Austrian Stock Exchange act

We have reviewed the Half Yearly Group Management Report and evaluated it in respect of any obvious contradictions with the condensed, consolidated interim financial statements. In our opinion, the Half Yearly Group Management Report does not contain any obvious contradictions with the condensed, consolidated interim financial statements.

The Half-Yearly Group Report contains a Responsibility Statement as stipulated by Art. 87 Sec. 1 No. 3 Austrian Stock Exchange Act.

Vienna, 29 August 2017

BDO Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Klemens Eiter, m.p.
Auditor

Gerhard Fremgen, m.p.
Auditor

Glossary

ATX	Austrian Traded Index, leading index of Vienna Stock Exchange
BREEAM	Building Research Establishment Limited Environmental Assessment Method
DAX	Leading index of the German Stock Exchange (Deutscher Aktienindex)
DGNB	Deutsche Gesellschaft für Nachhaltiges Bauen – German Sustainable Building Council
DJIA	US Stock Exchange (Dow Jones Industrial Average)
Dividend yield	Dividends per share in relation to the share price
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
EBT	Earnings Before Taxes
Equity ratio	Equity recognised as of the reporting date in relation to total assets
EURO STOXX 50	Stock index that consists of the 50 largest listed companies in the eurozone
FTSE	British Stock Exchange (Financial Times Stock Exchange)
Gross debt	Non-current and current bond liabilities plus non-current and current financial liabilities
IAS	International Accounting Standards
IATX	Immobilien Austrian Traded Index; real estate index that contains the most important real estate companies listed on the Vienna Stock Exchange
IFRS	International Financial Reporting Standards
Impairment test	IAS 36 requires the regular testing of assets for indications of impairment. If an asset is impaired, its carrying amount must be reduced through the recognition of an impairment loss.
LEED	Leadership in Energy and Environmental Design
Letter of Intent (LOI)	A written statement submitted by a negotiating partner which is intended to announce a specific interest in negotiations or the conclusion of a contract.
Market capitalisation	Share price multiplied by the number of shares in issue
Net debt	Non-current and current bonds plus non-current and current financial liabilities minus cash and cash equivalents
P/E ratio	Price-earnings ratio, the share price in relation to earnings per share
Profit for the period	EBT after income taxes
Return on Assets (ROA)	EBT plus interest on borrowings in relation to total capital
Return on Equity (ROE)	EBT in relation to equity
RevPAR	Revenue per available room
Sale proceeds	The share of revenue/Total Output generated by the sale of property projects
Total Output	Total Output corresponds to the revenue of fully consolidated companies and those consolidated under the equity method, as well as sales proceeds from share deals, in proportion to the stake held by UBM.

Disclaimer

This Half-Year Report also contains statements relating to the future which are based on estimates and assumptions made, to the best of their current knowledge, by managerial staff.

Especially future-related statements may be identified as such by expressions such as "anticipated", "target" or similar constructions. Forecasts concerning the future development of the company take the form of estimates based on information available at 30 June 2017. Actual results may differ from forecast values where the assumptions on which these are based should prove incorrect or risks should develop in unforeseeable ways.

Every care has been taken in the compilation of this Half-Year Report as of 30 June 2017 to ensure the accuracy and completeness of information in all sections. However, round-off, typesetting and printing errors cannot be completely ruled out.

This report is a translation into English of the 2017 Half-Year Report published in the German language and is provided solely for the convenience of English-speaking users. In the event of a discrepancy or translation error, the German-language version prevails.

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