one company.

Interim Report on the 1st Quarter 2018

key performance indicators.

Key earnings figures (in € m)

	1-3/2018	1-3/2017	Change
Total Output[1]	219.9	116.5	88.8%
Revenue	176.1	85.9	105.0%
EBT	8.2	6.8	21.4%
Profit for the period	6.4	5.3	19.2%

Key asset and financial figures (in € m)

	31.3.2018	31.12.2017	Change
Total assets	1,128.7	1,130.9	-0.2%
Equity	466.9	355.4	31.4%
Equity ratio	41.4%	31.4%	10.0PP
Net debt	320.2	477.9	-33.0%

Key share data and staff

	31.3.2018	31.12.2017	Change
Earnings per share[2] (in €)	0.91	0.65	39.2%
Dividend per share[3] (in €)	2.00	1.60	25.0%
Market capitalisation (in € m)	305.6	304.9	0.2%
Staff[4]	784	748	4.8%

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 The amounts and changes are related to the first quarter of 2018 and the first quarter of 2017.
3 The dividend is paid in the respective financial year, but is based on profit for the previous financial year.
4 Distribution: Development 302 and Hotel 482 (31.3.2018); Development 309 and Hotel 439 (31.12.2017)

contents.

at a glance.

real estate market booms.
Strong momentum and unabated demand

EBT rises by 21%.
Earnings per share reach €0.91

total output doubles.
Large-scale property sales realised

net debt at record low.
Normalised level approx. €400m

transformation to pure play developer.
Sale of further standing assets

guidance for 2018 confirmed.
Record year expected – high visibility

one goal.
one team.
one company.

Full identification with the company is a key success factor. That is why we understand and present UBM internationally as a single organisation under a single brand: UBM Development. This belief strengthens our team spirit and sharpens our profile. As one company.

Dear Shareholders,
Dear Stakeholders,

We started the 2018 financial year on a very successful note, as is demonstrated by our results for the first quarter. Profit before tax rose by more than 20% and brought us one step closer to our goal of topping the previous record results of €50m this year. From a strategic standpoint, we also accomplished a great deal at the beginning of 2018 and consistently pursued our transformation into a pure real estate developer. Our new "Pure Play Program PPP" led to the sale of standing assets with a value of approximately €65m during the first three months alone, and additional sales with a volume of over €100m are expected to follow by mid-2019. The available resources can then be used for the further reduction of net debt and/or for new development projects.

One thing is crystal clear: real estate development is UBM's DNA. In recent years we have grown to become the leading hotel developer in Europe and have also been very successful in the office and residential asset classes. We now want the capabilities and expertise of the entire UBM Group to become more visible externally: starting in mid-June, the UBM Development logo will stand for the entire UBM Group. This common name underscores our focus on real estate development and makes one factor even more evident for our customers and partners: whether you buy an office complex in Munich, apartments in Vienna or a hotel in Danzig, you can rely on UBM's efficiency and quality. This uniform branding creates high external recognition – as well as a strong internal sense of identity. Together we have "the power of one".

Our goal is to produce a record year in 2018, and our pipeline is also well-filled beyond that time. With a steady focus on our core expertise, our course is set. We would be pleased to have you join us on this journey.

Martin Löcker
COO

Thomas G. Winkler
CEO

Patric Thate
CFO

highlights.

january.

Numerous sales mark the beginning of the year
The start of the year brought a series of successful sales. Two office buildings and two hotels in Poland were sold for a total of €160m. In addition the Hauptpost Potsdam, a standing asset, was sold for approx. €19m.

New major hotel project in Berlin
UBM underscores its position as the leading hotel developer in Europe with the acquisition of a new hotel project in the heart of Berlin. Close to Alexander Square, a double hotel with more than 550 rooms is scheduled for construction. The hotel pipeline is well-filled with eight hotels and over 2,000 rooms and creates a solid foundation for future earnings of the company.

february.

Successful placement of a hybrid bond
Against the backdrop of very positive feedback from investors, UBM issues a deeply subordinated hybrid bond with a total volume of €100m and an annual interest rate of 5.50% within only a few hours at the end of February. This strong interest confirms the great confidence in UBM's strategy.

march.

With "PPP" to "Pure Play Developer"
Through the "Pure Play Program PPP", UBM is strengthening its focus on the consistent reduction of the standing assets portfolio and its transformation into a pure real estate developer. Plans call for the sale of investment properties totalling €170m by mid-2019 in order to reduce the standing assets portfolio to €350m.

Sale of two Park Inn Hotels
UBM further reduces its standing assets portfolio with the sale of two Park Inn Hotels. The transaction for the Park Inn Linz is included in results for the first quarter, while the sale of the Park Inn Krakow will close during the second or third quarter of 2018. The proceeds for the sale of both hotels total approx. €52m – with a share of roughly €26m attributable to UBM.

reference projects.

office.

Leuchtenbergring Office/Munich
Asset class: Office
Gross floor area: approx. 47,000 m²
Lettable space: approx. 13,300 m² (office), approx. 8,400 m² (retail)
Completion: Q2/2018

hotel.

Double hotel Eiffestrasse/Hamburg
Asset class: Hotel
Gross floor area: approx. 24,000 m²
Hotel brands: Holiday Inn and Super 8
Rooms: 316 (Holiday Inn), 276 (Super 8)
Operators: Primestar Hospitality GmbH (Holiday Inn), GS Star GmbH (Super 8)
Completion: Q3/2019

residential.

Rosenhügel/Vienna
Asset class: Residential
Gross floor area: approx. 11,000 m²
Apartments: 205
Parking spaces: 239 (auto) and 14 (motorcycle)
Completion: Q2/2018

investor relations.

Stock market performance

The exhilarating mood on the stock markets continued into the beginning of 2018. Nearly all international indexes recorded share price gains and rose to new record highs at the end of January. This optimism was subsequently dispersed by fears of an increase in inflation, which originated in the USA and triggered a global correction on the stock markets from the end of January to mid-February 2018. The increasingly nervous market climate was responsible for a sideward movement in prices during the second half of the quarter. The US Dow Jones Index (DJI) closed the first quarter with a moderate loss of 2.5%. The European markets did not recover as quickly, in spite of the good economic fundamentals, and the EURO STOXX Index lost roughly 4.1% compared with year-end 2017. A lack of positive impulses from the corporate sector combined with political uncertainty – such as the punitive tariffs planned by the USA – also led to share price declines on the German market. The DAX ended the first quarter with a loss of more than 6.4%.

The Vienna Stock Exchange was also unable to disengage completely from the difficult market environment. Based on the positive impulses created by the favourable earnings position of Austrian companies and sound economic growth, the ATX recorded a slight plus of 0.3% by the end of March.

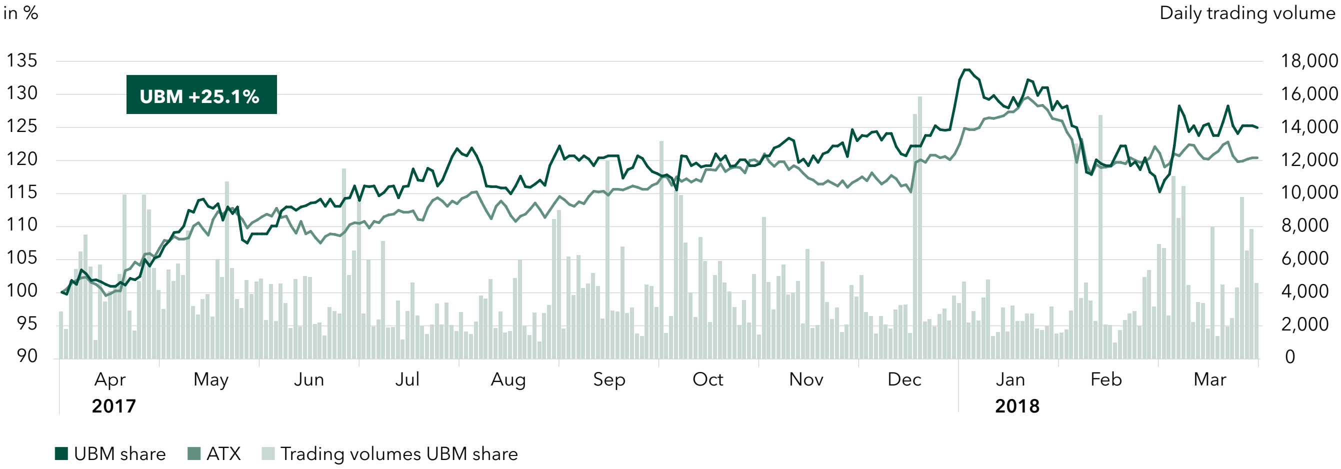
Development of the UBM share

The start of the year brought a strong gain for the UBM share. In the first week of January, the share price matched the previous all-time high of €43.80 which was recorded in May 2015. The UBM share was then negatively influenced by the global price corrections and lost most of the previous gains. The announcement of preliminary results for 2017 on 6 March 2018 served as a positive impulse. Market participants reacted favourably to the reduction in net debt and the sound development of earnings in 2017, and the price of the UBM share rose by 0.2% during the first quarter. In addition, the trading volume grew to an average of 4,492 shares per day – 35.5% more than in the same period of the previous year (3,315 shares).

Shareholder structure

Share capital totals €22,416,514.00 and is divided into 7,472,180 shares. The syndicate comprising the IGO-Ortner Group and the Strauss Group held 38.8% of the shares outstanding as of 31 March 2018. Management and the members of the Supervisory Board held 10.8% The remaining free float was held by investors in Austria (34%), Germany (29%) and the UK (20%).

Performance of the UBM share vs. indexes and trading volumes from April 2017 to March 2018



interim management report.

General economic environment

The world economy grew by 3.8% in 2017 supported, in particular, by global trade, investment activity and attractive financing conditions. Despite the uncertainty on the financial markets, the worldwide upturn also continued into the first quarter of 2018. Current forecasts by the International Monetary Fund (IMF) indicate that this trend should be followed by a plus of 3.9% in 2018.

The eurozone also benefited from this first quarter momentum, which was supported by a broad basis of countries and sectors. In addition to the expansive monetary policy, the economic drivers also included improvements on the labour market and strong exports. Forecasts by the IMF call for GDP growth of 2.4% in the eurozone during 2018.

Supported by the strong rise in employment and the sound development of demand, the German and Austrian economies remained on an upturn. Development was also fuelled by well-filled order books and full capacity utilisation in the industrial sector. The IMF is expecting robust growth in both Germany (+2.5%) and Austria (+2.6%) during 2018, whereby a further increase in momentum is not expected during the course of the year. Sustained improvement is also forecasted for all regions in the CEE countries during 2018.

Developments on the real estate markets

The demand for commercial properties was unchanged following the record year in 2017. As a result of the strong economic growth and continuing low interest rates, no signs of market weakness are expected in 2018 or 2019.

This development was also reflected in the volume of investments in Europe, which reached the prior year level of approx. €57 bn in the first quarter of 2018. The steady and strong demand has been contrasted by an increasingly shorter supply, which is only scalable to a limited extent because of the long approval periods.

An analysis of the German market confirms the sustainability of the current boom phase. Commercial property investments totalled roughly €12 bn in the first quarter of 2018, which reflects the quarterly average for the past five years. The continuing demand for office space in the top cities, historically low vacancy rates and pre-let development projects continue to form the basis for the attractiveness of the German real estate market for national and international investors. Most of the activity in the first three months of this year was concentrated in the top seven cities, where the yields for office properties at prime locations have remained stable at an average of 3.3% since 2017.

The upward trend also continued on the commercial property market in Austria. The record year in 2017 was followed by a record first quarter with an investment volume of approx. € 1 bn. In comparison with the first three months of the previous year, the volume rose by roughly 11%. The development of the so-called "prime office yield" in Vienna differed from Germany with a slight decline to 3.8% since the end of 2017.

Investor interest in the CEE countries also remained high. The real estate investment market in Poland entered the new year with the strongest first quarter since the start of record-keeping. The investment volume exceeded €2 bn and consisted, for the most part, of retail transactions. Investments in office properties were comparatively low due to the limited supply, but should change during the year following the completion of numerous projects currently under construction.

Business performance

UBM Development generated Total Output of €219.9m in the first quarter of 2018, compared with €116.5m in the first quarter of the previous year. This increase of €103.4m, or 88.8%, resulted primarily from the substantial growth in property sales. In connection with the new "Pure Play Program PPP", the sale of standing assets and the related transformation into a pure real estate developer also continued during the reporting period. Approx. €65m were recorded on the sale of an office property in Wroclaw and a hotel property in Linz during the first quarter of 2018. The largest sale in the development area was the Twarda hotel project in Warsaw, which resulted in proceeds of over €40m. In addition to successful sale activities, which also led to a plus in residential properties, a significant increase was recorded in the Total Output from hotel operations (+14.5% to €23.7m).

The increase in Total Output was also supported by the mandatory application of IFRS 15 as of 1 January 2018, which changes the timing of revenue recognition. Depending on the respective contract, sales of development projects are now recognised 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. The initial application of this standard had a positive effect of €30.9m on revenue in the first quarter of 2018. Even without this accounting effect, Total Output increased by a sound €72.5m, or 62.2%, during the reporting period due to the good development of the operating business.

Total Output in the **"Germany" Segment** declined from €46.3m to €43.1m during the first quarter of 2018. The comparable prior year period was influenced by the completion of a large-scale development project, the Holiday Inn Express Hotel in the Klosterstrasse, but the major projects currently in progress in Germany – for example the Leuchtenbergring office and hotel project in Munich and the Zalando headquarters in Berlin – will only be completed during the course of the year. Based on the recognition of revenue over time as required by IFRS 15, part of the sales result from the Leuchtenbergring project has already been recognised in revenue and Total Output; the remainder will be recognised in the second quarter of 2018 when the project has been completed. An improvement in the Total Output from hotel operations was also recorded in the first quarter.

In the **"Austria" Segment**, Total Output rose from €47.2m in the previous year to €54.5m in the first quarter of 2018. This increase was supported, above all, by the sale of the standing asset Park Inn in Linz as well as higher revenue from the sale of residential properties in the Vienna area, Salzburg and Tyrol. The growth in Total Output in the residential business resulted in part from the initial applica-

Total Output by region (in € m)	1-3/2018	1-3/2017	Change
Germany	43.1	46.3	-6.9%
Austria	54.5	47.2	15.5%
Poland	114.2	14.5	686%
Other Markets	8.1	8.5	-4.3%
Total	**219.9**	**116.5**	**88.8%**

tion of IFRS 15. Contrary factors included a year-on-year decline in the Total Output from project management which was provided by the Austrian subsidiary in 2017, chiefly for major projects in Vienna, Salzburg and Graz.

The **"Poland" Segment** recorded an increase in Total Output to €114.2m in the first quarter of 2018 (Q1/2017: €14.5m). This sound improvement resulted, in particular, from two large-scale property sales – the Twarda hotel development project in Warsaw and the sale of the Pegaz standing asset in Wroclaw. Revenue from hotel operations remained stable, but rental income declined due to the sale of the Pegaz office property. A smaller component of the increase in Total Output and revenue in the Poland Segment was also attributable to the initial application of IFRS 15.

Total Output in the **"Other Markets" Segment** declined from €8.5m in the previous year to €8.1m in the first quarter of 2018. The most important components of Total Output were the revenue from the hotels in France and the Netherlands, rental income from standing assets in the Czech Republic and planning services provided by the Czech subsidiary.

The **"Hotel" Segment** recorded Total Output of €83.3m in the first quarter of 2018 (Q1/2017: €46.0m). This substantial increase was supported, above all, by the sale of two hotels during the reporting period, which generated proceeds of approx. €55m. Property sales included the newly developed Twarda Hotel in Warsaw, Poland and the standing asset Park Inn in Linz, Austria. This was contrasted by the sale of the Holiday Inn Express Hotel in Berlin's Klosterstrasse during the first quarter of 2017. Hotel operations were responsible for Total Output of €23.7m in the reporting period, which represents a year-on-year increase of 14.5% (Q1/2017: €20.7m). In addition, the initial application of IFRS 15 had a slight positive effect on Total Output in this segment.

In the **"Office" Segment**, Total Output amounted to €77.6m and clearly exceeded the prior year value of €6.4m. There were no property sales in this segment during the first quarter of the previous year, but UBM realised proceeds of over €50m in the reporting period from the sale of the Pegaz standing asset in Poland. Total Output for the first quarter also includes the proportional share of €17.6m from the progress of construction on the large-scale Leuchtenbergring project in Munich, which has already been sold through a forward deal. The rental income from office properties also declined during the first quarter due to the increased focus on the sale of standing assets.

Total Output by asset class (in € m)	1–3/2018	1–3/2017	Change
Hotel	83.3	46.0	81.1%
Office	77.6	6.4	1,117%
Residential	32.3	9.7	233%
Other	5.5	5.1	7.9%
Service	20.5	48.7	-58.0%
Administration	0.9	0.6	33.7%
Total	**219.9**	**116.5**	**88.8%**

Total Output in the **"Residential" Segment** equalled €32.3m, compared with €9.7m in the first quarter of the previous year. More than half of this €22.6m increase resulted from the initial application of IFRS 15, which led to the recognition of revenue from sold apartments based on the percentage of completion. The remaining increase was attributable, above all, to the completion of several residential construction projects in the greater Vienna area and in Tyrol.

The **"Other" Segment** reported Total Output of €5.5m in the first quarter of 2018, for a slight increase over the comparable prior year period (Q1/2017: €5.1m). The main component represents rental income from mixed-use standing assets in Austria and Germany.

In the **"Service" Segment**, Total Output equalled €20.5m for the reporting period. The substantially higher amount recorded in the first quarter of 2017 (€48.7m) reflected the settlement of two projects in Vienna and Klagenfurt through share deals.

Total Output in the **"Administration" Segment** equalled €0.9m (Q1/2017: €0.6m) and consists solely of services provided by UBM Development AG as well as charges for management services and intragroup allocations.

Financial performance indicators

Earnings

The core business of the UBM Group is the project-based real estate business. Revenue reported in the income statement is subject to strong fluctuations because IFRS accounting rules only permit the recognition of revenue on these projects – which are realised over a period of several years – beginning on the sale date. The sale of properties through share deals and the development of projects within the framework of equity-accounted investments are not reflected in revenue. That influences the informative value of the company's report and 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 – 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. 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 €219.9m in the first quarter of 2018, which represents an increase of €103.4m, or 88.8%, over the comparable prior year value of €116.5m. Revenue as reported on the income statement doubled from €85.9m to €176.1m during the reporting period, above all due to higher revenue from property sales that included the Twarda hotel project in Warsaw and the Pegaz office building in Wroclaw. The initial application of IFRS 15 also had a positive effect of €30.9m on Total Output because residential properties that have already been sold and various development projects sold through forward sales 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 €11.8m in the first quarter of 2018 (Q1/2017: €-0.8m). The sound positive earnings contribution in the reporting period resulted, in particular, from fair value adjustments to the Zalando office project in Berlin, which was sold during the development phase, and from the sale of a hotel in Linz.

The income from fair value adjustments to investment property totalled €2.8m in the reporting period, in contrast to the lack of income from these adjustments in the first quarter of 2017. The income from fair value adjustments in the reporting period was related to a hotel project in Poland, which was successfully sold after the first quarter closing date.

Other operating income equalled €3.5m (Q1/2017: €14.5m) , whereby the first quarter of 2017 was influenced chiefly by foreign exchange gains of €11.4m. Other operating expenses rose slightly from €11.0m to €12.0m. This position consists primarily of currency translation losses, 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 €46.2m in the first quarter of 2017 to €149.1m. It includes the cost of materials for the construction of real estate inventories and expenses for purchased general contractor services. Also included here are the book value disposals from asset deals, which rose from €5.4m to €100.0m quarter-on-quarter. The book value disposals recognised during the reporting period were related, above all, to the Twarda hotel project in Warsaw and the Pegaz office building in Wroclaw. At the same time, the initial application of IFRS 15 led to an increase in the cost of materials and a corresponding decline in changes in the portfolio. The post-sale recognition of revenue from real estate inventories according to the percentage of completion now leads to the inclusion of the corresponding expenses directly in the cost of materials and not under changes in the portfolio. This effect, combined with the sale of apartments and lower investments, reduced the changes in the portfolio to €8.4m for the reporting period (Q1/2017: €20.7m).

The total number of employees in the companies included in the consolidated financial statements rose to 784 in the first quarter (31.12.2017: 748) – in particular due to the opening of the Twarda Hotel in Warsaw. The number of employees in real estate development was slightly lower than year-end 2017, with a reduction from 309 to 302. Despite an overall increase in the workforce (+4.8%), personnel expenses declined slightly to €10.6m (Q1/2017: €10.8m). The valuation of the UBM share option programme, which was approved by the Annual General Meeting in May 2017, added €0.2 m to personnel expenses for the reporting period.

EBITDA totalled €14.0m in the first quarter of 2018 and was 28.6% higher than the comparable prior year value of €10.9m. EBIT rose by 32.6% to €13.2m (Q1/2017: €9.9m). Financial income amounted to €2.1m, compared with €2.0m in the first quarter of 2017 – whereby neither the reporting period nor the first quarter of the previous year includes any income from share deals. Financial cost rose from €5.1m to €7.1m because of a €2.3m impairment loss recognised to an investment in Poland during the reporting period. After an adjustment for this effect, the financial cost from various interest payments were lower than the previous year.

EBT rose by 21.4% over the comparable prior year amount of €6.8m to €8.2m. Tax expense equalled €1.9m in the first quarter of 2018 (Q1/2017: €1.5m). Profit for the period (net profit), before the deduction of the share attributable to non-controlling interests, equalled €6.4m, for an increase of 19.2% over the comparable prior year value of €5.3m. Due to the slight negative share of earnings attributable to non-controlling interests, net profit after non-controlling interests amounted to €6.8m and was €1.9m, or 39.2%, higher than the first quarter of the previous year. Earnings per share rose from €0.65 to €0.91 in the first quarter of 2018.

Asset and financial position

The UBM Group's total assets equaled €1,128.7m on 31 March 2018, which reflects the level at year-end 2017 (31 December 2017: €1,130.9m). Total assets were reduced by successful sales in the first quarter of 2018 and by €75.0m from the changed recognition of prepayments on forward deals resulting from the initial application of IFRS 15. The issue of a subordinated hybrid bond with a volume of €100m represented a contrary effect.

Property, plant and equipment totalled €55.0m at the end of March 2018 and was €4.3m over the level on 31 December 2017. This increase resulted, in particular, from the progress of construction on the Leuchtenbergring hotel project in Munich.

Investment property declined, above all, due to the initial application of IFRS 15 and the resulting change in the accounting treatment of forward deals. This was reflected in the reclassification of the Leuchtenbergring office project to current assets. Consequently, investment property declined from €371.8m as of 31 December 2017 to €297.5m. The carrying amount of the at-equity investments in companies rose from €118.5m to €133.4m during the three-month period from January to March 2018. This increase resulted chiefly from a fair value adjustment to the investment in the Zalando project.

Non-current assets held for sale fell from €112.6m as of 31 December 2017 to €17.5m as of 31 March 2018, above all due to the sale of a hotel project in Warsaw and an office property in Wroclaw. The high pace of sales during the reporting period was also reflected in a decline in project financing from €123.5m at year-end 2017 to €115.3m at the end of March 2018.

Current assets rose from €444.3m as of 31 December 2017 to €504.6m. Cash and cash equivalents increased substantially to €202.1m at the end of the reporting period (31 December 2017: €75.2m). This significant increase was based on the income from property sales and on the issue of a €100m hybrid bond in the first quarter of 2018. Of the hybrid bond proceeds, €50m were used for the full repayment of the outstanding mezzanine capital provided by PORR. The repayment was made at the beginning of April 2018 and will lead to a corresponding reduction in cash and cash equivalents as well as total assets during the second quarter.

Real estate inventories totalled €152.4m at the end of March 2018 and were €28.8m lower than at year-end 2017. This position includes miscellaneous real estate inventories and property under development which is designated for sale. Real estate inventories declined year-on-year because of the initial application of IFRS 15, which requires the recognition of properties sold during development as trade receivables based on the percentage of completion. This led to a corresponding increase in trade receivables, which rose from €53.2m at the end of 2017 to €110.8m at the end of March 2018. This increase also includes the Leuchtenbergring office project, which was reclassified from investment property to receivables following the initial application of IFRS 15.

Equity totalled €466.9m as of 31 March 2018, compared with €355.4m as of 31 December 2017. In addition to the solid earnings position, the increase resulted from the issue of a €100m hybrid bond. Including the repayment of the €50m outstanding mezzanine capital at the beginning of April, the normalised equity level would exceed €400m and the normalised equity rate would equal roughly 35%.

Bond liabilities generally reflected the level at year-end 2017 and equalled €384.4m at the end of March 2018. They were contrasted by a substantial reduction from €169.3m to €137.9m in current and non-current financial liabilities. This decline resulted primarily from the successful sales activities and the related repayment of bank liabilities.

Trade payables declined from €70.8m at year-end 2017 to €63.4m 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 €40.0m. The increase resulted, above all, from the periodic accrual of interest on bonds and financial liabilities. The total of deferred taxes and current tax payables remained nearly unchanged at €25.7m (31 December 2017: €26.4m).

Net debt totalled €320.2m as of 31 March 2018 and fell significantly by €157.7m during the first quarter of 2018 (31 December 2017: €477.9m). In addition to the high level of sales in the first quarter of 2018, the decline was also supported by the issue of a €100m hybrid bond which is attributable to equity. Including the repayment of the €50m outstanding mezzanine capital at the beginning of April, the normalised level of net debt would be approx. €400m.

Cash flow

Operating cash flow fell by €15.6m year-on-year to €-5.3m. Profit for the period improved slightly during the first quarter of 2018, but the increase was based on a substantial rise in the share of profit/loss from companies accounted for at equity which represent non-cash items.

Cash flow from operating activities amounted to €-35.5m for the reporting period, in comparison with €-7.4m in the first quarter of the previous year. The change resulted, above all, from a higher volume of receivables which reduced cash flow by €20.0m. It is explained primarily by the increase in receivables from the sale of apartments following the initial application of IFRS 15. Another factor was the negative balance of €-6.2m from the changes in real estate inventories during the first quarter of 2018. This amount includes cash inflows of €13.6m from the sale of real estate inventories. This amount generally reflects the additions of €12.1m to real estate inventories. In addition, other inventories rose by €7.7m.

Working capital rose by €22.2m over the level at year-end 2017 in the first quarter of 2018. This change was based on an increase of €7.1m in receivables, a reduction of €10.5m in liabilities (excluding bank liabilities) and an increase of €4.7m in other inventories.

Cash flow from investing activities totalled €95.3m in the first quarter of 2018 (Q1/2017: €-46.9m). The year on-year improvement was based on higher cash inflows from prepayments for the sale of property, plant and equipment and investment property (€101.8m in Q1/2018 versus €5.9m in Q1/2017). Cash flow was also increased by proceeds from the repayment of project financing. These higher cash inflows were contrasted by substantially lower cash outflows. Investments in property, plant and equipment and investment property amounted to €12.3m, while investments in project financing equalled € 2.9m.

Cash flow from financing activities amounted to €67.2m (Q1/2017: €69.5m) and consists primarily of cash inflows of €98.6m from the issue of a hybrid bond. A contrasting factor was the negative balance of €31.5m from the increase in and repayment of loans.

Non-financial performance indicators

Environmental issues

With the founding of a Green Building staff unit at the end of 2017, UBM has anchored the issues of the environment and sustainability even more firmly in its corporate policy. Environmental protection and the careful use of resources are a crucial component 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, available for download at www.ubm-development.com.

Employees

The workforce in the UBM Group totalled 784 as of 31 March 2018 (of which 482 Hotel). In comparison with year-end 2017 (748 employees, of which 439 Hotel), this represents an increase of 4.8% which is attributable primarily to the start of operations in the Holiday Inn Warsaw City Centre (Twarda). Approx. 83% 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 economic upturn continued during the first quarter of 2018 in spite of substantial uncertainty on the financial markets, and the development of the relevant indicators leads to expectations of continuing strong momentum. The demand for high-quality assets on the European real estate markets remains unbroken, but has been accompanied by a noticeable supply shortage. UBM's three core markets – Germany, Austria and Poland – and three asset classes – hotel, office and residential – should benefit from this favourable market environment. Experts see a further increase in real estate investments from North America and Asia, above all in Germany. Current forecasts point to a continuation of this strong demand in both 2018 and 2019.

The positive development of business during the past year and in the first quarter of 2018 confirms UBM's strategy. Also in 2018 activities will therefore focus increasingly 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 by the end of 2017, UBM still has a well-filled project pipeline of €1.6 bn for the next three years (2018–2020) – whereby nearly 50% of this pipeline has already been sold through forward sales. This volume is supplemented by €0.2 bn of projects in 2021, which are not yet suitable for a forward structure due to their early stage.

A 75% share of forward sales creates a very high degree of visibility for 2018. UBM is therefore optimistic that Total Output and earnings will exceed 2015, the previous record year in the company's history. The Management Board expects Total Output of over €750m and profit before tax (EBT) of over €50m in 2018, which means earnings per share should top the five euro mark. Equity is 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.

Statement by the Management Board

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 important events that occurred during the first three months of the financial year and their effects on these consolidated interim financial statements as well as the principal risks and uncertainties for the financial year and the major reportable transactions with related parties.

Vienna, 30 May 2018

The Management Board

Thomas G. Winkler
CEO

Martin Löcker
COO

Patric Thate
CFO

consolidated interim financial statements.

Consolidated Income Statement
from 1 January to 31 March 2018

in T€	1–3/2018	1–3/2017
Revenue	176,073	85,891
Changes in the portfolio	-8,437	-20,736
Share of profit/loss from companies accounted for at equity	11,773	-781
Income from fair value adjustments to investment property	2,806	-
Other operating income	3,517	14,529
Cost of materials and other related production services	-149,127	-46,229
Personnel expenses	-10,647	-10,816
Expenses from fair value adjustments to investment property	-8	-8
Other operating expenses	-11,973	-10,978
EBITDA	**13,977**	**10,872**
Depreciation and amortisation	-787	-928
EBIT	**13,190**	**9,944**
Financial income	2,110	1,965
Financial cost	-7,063	-5,123
EBT	**8,237**	**6,786**
Income tax expense	-1,880	-1,453
Profit for the period (net profit)	**6,357**	**5,333**
of which attributable to shareholders of the parent	**6,783**	**4,874**
of which attributable to non-controlling interests	-426	459
Basic earnings per share (in €)	**0.91**	**0.65**
Diluted earnings per share (in €)	**0.91**	**0.65**

Statement of Comprehensive Income
from 1 January to 31 March 2018

in T€	1-3/2018	1-3/2017
Profit for the period (net profit)	**6,357**	**5,333**
Other comprehensive income		
Fair value measurement of securities	-	14
Currency translation differences	-246	125
Income tax expense (income) on other comprehensive income	-	-3
Other comprehensive income which can subsequently be reclassified (recyclable)	**-246**	**136**
Other comprehensive income for the period	**-246**	**136**
Total comprehensive income for the period	**6,111**	**5,469**
of which attributable to shareholders of the parent	6,525	5,042
of which attributable to non-controlling interests	-414	427

Consolidated Statement of Financial Position

as of 31 March 2018

in T€	31.3.2018	31.12.2017
Assets		
Non-current assets		
Intangible assets	2,738	2,740
Property, plant and equipment	54,962	50,709
Investment property	297,515	371,816
Investments in companies accounted for at equity	133,366	118,504
Project financing	115,344	123,479
Other financial assets	5,610	5,601
Financial assets	6,233	4,744
Deferred tax assets	8,332	9,029
	624,100	**686,622**
Current assets		
Inventories	152,430	181,261
Trade receivables	110,785	53,229
Financial assets	7,921	9,941
Other receivables and current assets	13,900	12,047
Cash and cash equivalents	202,128	75,204
Assets held for sale	17,461	112,629
	504,625	**444,311**
Total assets	**1,128,725**	**1,130,933**
Equity and liabilities		
Equity		
Share capital	22,417	22,417
Capital reserves	98,954	98,954
Other reserves	161,819	150,675
Mezzanine/hybrid capital	180,731	80,100
Equity attributable to shareholders of the parent	**463,921**	**352,146**
Equity attributable to non-controlling interests	2,964	3,301
	466,885	**355,447**
Non-current liabilities		
Provisions	5,737	7,749
Bonds	384,398	383,766
Non-current financial liabilities	87,058	88,898
Other non-current financial liabilities	3,601	4,116
Deferred tax liabilities	17,579	18,376
	498,373	**502,905**
Current liabilities		
Provisions	2,497	1,001
Current financial liabilities	50,846	80,414
Trade payables	63,404	70,763
Other current financial liabilities	36,361	30,474
Other current liabilities	2,261	81,862
Taxes payable	8,098	8,067
	163,467	**272,581**
Total equity and liabilities	**1,128,725**	**1,130,933**

Consolidated Cash Flow Statement

from 1 January to 31 March 2018

in T€	1-3/2018	1-3/2017
Profit for the period (net profit)	6,357	5,333
Depreciation, impairment and reversals of impairment on fixed assets and financial assets	-2,037	885
Interest income/expense	2,704	3,152
Income from companies accounted for at equity	-11,773	781
Dividends from companies accounted for at equity	1,725	-
Decrease/increase in long-term provisions	-2,057	34
Deferred income tax	-224	77
Operating cash flow	**-5,305**	**10,262**
Increase/decrease in short-term provisions	1,496	-14
Increase in tax provisions	369	688
Losses/gains on the disposal of assets	1,056	-791
Increase/decrease in inventories	-6,173	19,298
Increase in receivables	-20,016	-20,095
Decrease in payables (excluding banks)	-10,452	-4,772
Interest received	2,055	526
Interest paid	-218	-1,032
Other non-cash transactions	1,708	-11,442
Cash flow from operating activities	**-35,480**	**-7,372**
Proceeds from the sale of property, plant and equipment and investment property	101,802	5,970
Proceeds from the sale of financial assets	1	3,589
Proceeds from the repayment of project financing	8,742	2,277
Investments in intangible assets	-12	-
Investments in property, plant and equipment and investment property	-12,292	-70,534
Investments in financial assets	-39	-721
Investments in project financing	-2,856	-2,274
Proceeds from the sale of consolidated companies	-	16,182
Payments made for the purchase of subsidiaries less cash and cash equivalents acquired	-	-1,369
Cash flow from investing activities	**95,346**	**-46,880**
Dividends paid to non-controlling interests	-	-560
Increase in loans and other financing	10,379	136,495
Repayment of loans and other financing	-41,871	-66,408
Hybrid capital	98,648	-
Cash flow from financing activities	**67,156**	**69,527**
Cash flow from operating activities	**-35,480**	**-7,372**
Cash flow from investing activities	**95,346**	**-46,880**
Cash flow from financing activities	**67,156**	**69,527**
Change to cash and cash equivalents	**127,022**	**15,275**
Cash and cash equivalents at 1 January	75,204	42,298
Currency translation differences	-98	686
Changes to cash and cash equivalents resulting from changes in the scope of consolidation	-	1,205
Cash and cash equivalents at 31 March	**202,128**	**59,464**
Taxes paid	1,735	687

Statement of Changes in Equity

as of 31 March 2018

in T€	Share capital	Capital reserves	Remeasurement of defined benefit obligations	Currency translation reserve
Balance at 31 December 2016	**22,417**	**98,954**	**-2,875**	**258**
Total profit/loss for the period	-	-	-	-
Other comprehensive income	-	-	-	157
Total comprehensive income for the period	-	-	-	157
Dividend	-	-	-	-
Changes in non-controlling interests	-	-	-	-
Balance at 31 March 2017	**22,417**	**98,954**	**-2,875**	**415**
Balance at 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 at 1 January 2018	**22,417**	**98,954**	**-2,666**	**-1,899**
Total profit/loss for the period	-	-	-	-
Other comprehensive income	-	-	-	-340
Total comprehensive income for the period	-	-	-	-340
Equity-settled share options	-	-	-	-
Hybrid capital	-	-	-	-
Balance at 31 March 2018	**22,417**	**98,954**	**-2,666**	**-2,239**

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**
-	3,682	1,192	4,874	459	5,333
11	-	-	168	-32	136
11	3,682	1,192	5,042	427	5,469
-	-	-	-	-560	-560
-	-182	-	-182	-4	-186
42	**138,508**	**81,292**	**338,753**	**7,424**	**346,177**
51	**155,189**	**80,100**	**352,146**	**3,301**	**355,447**
-51	51	-	-	-	-
-	6,028	-	6,028	77	6,105
-	**161,268**	**80,100**	**358,174**	**3,378**	**361,552**
-	5,138	1,645	6,783	-426	6,357
-	82	-	-258	12	-246
-	5,220	1,645	6,525	-414	6,111
-	236	-	236	-	236
-	-	98,986	98,986	-	98,986
-	**166,724**	**180,731**	**463,921**	**2,964**	**466,885**

notes to the 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 1210 Vienna, Floridsdorfer Hauptstrasse 1. 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 rules defined by the Vienna Stock Exchange as well as the accounting and valuation methods used to prepare the consolidated financial statements as of 31 December 2017. These accounting policies 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 discussed 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 61 (31 December 2017: 57) domestic and 76 (31 December 2017: 76) foreign subsidiaries.

Four companies were included in UBM's consolidated financial statements for the first time during the reporting period following their founding (see note 2.1.).

In addition, 32 (31 December 2017: 33) domestic and 27 (31 December 2017: 27) foreign associates and joint ventures were accounted for at equity. One company was derecognised following its sale during the reporting period.

2.1. Initial consolidation

The following four companies were included in the consolidated interim financial statements for the first time 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

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 have been 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	-	-
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

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 effect of the initial application of IFRS 15 on retained earnings as of 1 January 2018:

in T€	Adjustment following the initial application of IFRS 15 as of 1.1.2018
Other reserves	
Sale proceeds forward deals	-5,959
Sale proceeds apartment sales	12,057
Income tax expense	-70
Effect as of 1 January 2018	**6,028**
Share attributable to non-controlling interests	
Sale proceeds forward deals	352
Sale proceeds apartment sales	-240
Income tax expense	-35
Effect 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 31 March 2018 and to the consolidated income statement and statement of comprehensive income for the period from 1 January 2018 to 31 March 2018. The effects on the consolidated cash flow statement are immaterial and are therefore not presented.

in T€	Consolidated statement of financial position 31.3.2018	Adjustments	Consolidated statement of financial position 31.3.2018 excl. IFRS 15 adjustments
Assets			
Investment property	297,515	81,612	379,127
Investments in companies accounted for at equity	133,366	-5,488	127,878
Non-current assets	**624,100**	**76,124**	**700,224**
Inventories	152,430	18,022	170,452
Trade receivables	110,785	-30,822	79,963
Current assets	**504,625**	**-12,800**	**491,825**
Total assets	**1,128,725**	**63,324**	**1,192,049**
Equity and Liabilities			
Other reserves	161,819	-9,738	152,081
Share attributable to non-controlling interests	2,964	-272	2,692
Equity	**466,885**	**-10,010**	**456,875**
Deferred tax liabilities	17,579	-1,666	15,913
Non-current liabilities	**498,373**	**-1,666**	**496,707**
Other financial liabilities	36,361	75,000	111,361
Current liabilities	**163,467**	**75,000**	**238,467**
Total equity and liabilities	**1,128,725**	**63,324**	**1,192,049**

in T€	Consolidated income statement 1–3/2018	Adjustments	Consolidated income statement 1–3/2018 excl. IFRS 15 adjustments
Revenue	176,073	-30,910	145,163
Changes in the portfolio	-8,437	3,217	-5,220
Share of profit/loss from companies accounted for at equity	11,773	-547	11,226
Cost of materials and other related production services	-149,127	22,774	-126,353
EBITDA	**13,977**	**-5,466**	**8,511**
EBIT	**13,190**	**-5,466**	**7,724**
EBT	**8,237**	**-5,466**	**2,771**
Income tax expense	-1,880	1,561	-319
Profit for the period (net profit)	**6,357**	**-3,905**	**2,452**
of which attributable to shareholders of the parent	6,783	-3,710	3,073
of which attributable to non-controlling interests	-426	-195	-621

Description of revenues and effect 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 (Segments: all)

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 cost as a proportion of the 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 at a specific point in time therefore results in the later recognition of profit. 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 will change 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 (Segments: all)
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 both recognised 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 initial application of IFRS 9 had no effect on retained earnings.

The following table reconciles the effects of the initial application of IFRS 9 on the consolidated income statement and statement of comprehensive income for the period from 1 January 2018 to 31 March 2018.

in T€	Consolidated income statement 1-3/2018	Adjustments	Consolidated income statement 1-3/2018 excl. IFRS 15 adjustments
Financial income	2,110	29	2,139
Income tax expense	-1,880	-7	-1,887

in T€	Statement of comprehensive income 1-3/2018	Adjustments	Statement of comprehensive income 1-3/2018 excl. IFRS 15 adjustments
Fair value measurement of securities	0	-29	-29
Income tax expense (income) on other comprehensive income	0	7	7

Presentation and measurement

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	115,344	115,344
Other financial assets	Held to Maturity	Amortised Cost	2,907	2,907
Other financial assets	Available for Sale Financial Assets (at cost)	FVTPL	1,831	1,831
Other financial assets	Available for Sale Financial Assets	FVTPL	872	872
Trade receivables	Loans and Receivables	Amortised Cost	74,878	74,878
Financial assets	Loans and Receivables	Amortised Cost	14,154	14,154
Cash and cash equivalents	-	-	202,128	201,228
Liabilities				
Bonds	Financial Liabilities Measured at Amortised Cost	Amortised Cost	384,398	384,398
Borrowings and overdrafts from banks	Financial Liabilities Measured at Amortised Cost	Amortised Cost	123,990	123,990
Other financial liabilities	Financial Liabilities Measured at Amortised Cost	Amortised Cost	12,877	12,877
Lease liabilities	-	-	1,037	1,037
Trade payables	Financial Liabilities Measured at Amortised Cost	Amortised Cost	63,404	63,404
Other financial liabilities	Financial Liabilities Measured at Amortised Cost	Amortised Cost	39,962	39,962

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 (Stage 1) as of the initial recognition date. Any significant deterioration in credit risk leads to consideration of the lifetime expected loss (Stage 2). The occurrence of objective evidence of impairment leads to classification under Stage 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 impairment. 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 quarter 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 31 March 2018 are based on the same consolidation methods and currency translation principles 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, will be distributed and the remainder of €27,584.11 will be carried forward. The dividend will be 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€	Austria 1-3/2018	Germany 1-3/2018	Poland 1-3/2018	Other Markets 1-3/2018	Group 1-3/2018
Revenue					
Administration	465	-	-	-	465
Hotel	23	4,862	49,391	3,071	57,347
Office	1,726	19,431	55,955	87	77,199
Other	654	1,008	804	214	2,680
Residential	21,905	6,167	2	404	28,478
Service	5,074	2,098	2,100	632	9,904
Revenue	**29,847**	**33,566**	**108,252**	**4,408**	**176,073**
Recognition over time	18,161	25,279	782	-	44,222
Recognition at a point in time	11,686	8,287	107,470	4,408	131,851
Revenue	**29,847**	**33,566**	**108,252**	**4,408**	**176,073**

7. Earnings per share

	1-3/2018	1-3/2017
Profit for the period attributable to shareholders of the parent (in T€)	6,783	4,874
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)	7,472,180	7,472,180
Basic earnings per share (in €)	**0.91**	**0.65**
Diluted earnings per share (in €)	**0.91**	**0.65**

A total of 375,130 share options were allocated during 2017 in connection with the Long-Term Incentive Programme (LTIP). The adjusted exercise price equalled €41.01 as of 31 March 2018, and the average share price for 2017 equalled €36.51. Consequently, no 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 price.

9. Share capital

Share capital	Number 31.3.2018	€ 31.3.2018	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 existing 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, 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 in accordance with the resolution of the Annual General Meeting on 20 May 2015 was revoked.

At the same time, the Management Board 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). The 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. 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, exceeding a specific share price and 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 changed as follows:

Number of share options	2018	2017
Balance as of 1 January	**375,130**	**-**
Options granted	-	375,130
Options forfeited	-	-
Options exercised	-	-
Balance as of 31 March	**375,130**	**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 fundamentally subject to ongoing interest. In December 2015 €50m of the mezzanine capital was repaid; the remaining outstanding amount equals €50m.

UBM is only required to pay interest on the mezzanine capital and 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 payments, less any tax effects, and profit distributions are recorded directly in equity as a deduction.

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

In order to improve planning for both parties, 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 €50m from 17 December 2019 to 17 December 2021. The interest on the mezzanine capital will therefore 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.

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 31 March 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 31.3.2018	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 on 31.3.2018
Assets							
Project financing at variable interest rates	Amortised Cost	115,344	115,344	-	-	-	-
Other financial assets	Amortised Cost	2,907	2,907	-	-	Level 1	3,369
Other financial assets	FVTPL	1,831	-	-	1,831	Level 3	1,831
Other financial assets	FVTPL	872	-	-	872	Level 1	872
Trade receivables	Amortised Cost	74,878	74,878	-	-	-	-
Financial assets	Amortised Cost	14,154	14,154	-	-	-	-
Cash and cash equivalents	-	202,128	202,128	-	-	-	-
Liabilities							
Bonds at fixed interest rates	Amortised Cost	384,398	384,398	-	-	Level 1	403,446
Borrowings and overdrafts from banks							
at variable interest rates	Amortised Cost	121,811	121,811	-	-	-	-
at fixed interest rates	Amortised Cost	2,179	2,179	-	-	Level 3	2,433
Other financial liabilities							
at fixed interest rates	Amortised Cost	12,877	12,877	-	-	Level 3	12,062
Lease liabilities	-	1,037	1,037	-	-	-	-
Trade payables	Amortised Cost	63,404	63,404	-	-	-	-
Other financial liabilities	Amortised Cost	39,962	39,962	-	-	-	-
By category							
Financial assets at amortised cost	Amortised Cost	207,283	207,283	-	-	-	-
Fair value through profit or loss	FVTPL	2,703	-	-	2,703	-	-
Cash and cash equivalents	-	202,128	202,128	-	-	-	-
Financial liabilities at amortised cost	Amortised Cost	624,631	624,631	-	-	-	-

in T€	Measurement category (IAS 39)	Carrying amount as of 31.12.2017	Measurement in acc. with IFRS 39			Fair value hierarchy (IFRS 7.27A)	Fair value on 31.12.2017
			(Amortised) cost	Fair value (other comprehensive income)	Fair value (through profit or loss)		
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 Strauss Group because they, or their controlling entity, 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 primarily involved construction services.

14. Events after the balance sheet date

The following reportable events occurred after the balance sheet date:

The Management Board of UBM Development AG reached an agreement with PORR AG, which will lead to the repayment of the mezzanine capital provided by PORR at the outstanding nominal amount of €50m together with accrued interest by UBM on 3 April 2018.

The Annual General Meeting on 29 May 2018 approved the recommendation for the use 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, will be distributed and the remainder of €27,584.11 will be carried forward. The dividend will be paid on 7 June 2018.

Vienna, 30 May 2018

The Management Board

Thomas G. Winkler
CEO

Martin Löcker
COO

Patric Thate
CFO

financial calendar.

Ex-dividend trading on the Vienna Stock Exchange	5.6.2018
Dividend record date	6.6.2018
Dividend payout date for the 2017 financial year	7.6.2018
Interest payment UBM bond 2015	11.6.2018
Interest payment UBM bond 2014	10.7.2018
Publication of the interim report on the first half of 2018	30.8.2018
Interest payment UBM bond 2017	11.10.2018
Publication of the interim report on the third quarter of 2018	29.11.2018
Interest payment UBM bond 2015	11.12.2018

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 31 March 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 text of the quarterly report represents the decisive version.

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