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ubm development

Interim Report on the 1st Quarter 2019

key performance indicators.

Key earnings figures (in €m)

	1-3/2019	1-3/2018	Change
Total Output[1]	71.6	219.9	-67.4%
Revenue	36.0	176.1	-79.5%
EBT	7.9	8.2	-4.1%
Net profit	5.9	6.4	-7.6%

Key asset and financial figures (in €m)

	31.3.2019	31.12.2018	Change
Total assets	1,247.3	1,234.6	1.0%
Equity	436.3	436.3	0.0%
Equity ratio	35.0%	35.3%	-0.3PP
Net debt[2]	462.0	421.9	9.5%

Key share data and staff

	31.3.2019	31.12.2018	Change
Earnings per share (in €)[3]	0.78	0.91	-14.3%
Market capitalisation (in €m)	270.5	249.6	8.4%
Dividend per share (in €)[4]	2.20[5]	2.00	10.0%
Staff	368	365	0.8%

Note: The key data were rounded using the compensated summation method. Changes were calculated using the exact amounts.

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 Net debt equals current and non-current bonds and financial liabilities, excluding leasing liabilities, minus cash and cash equivalents.

3 The values and the change are based on 1–3/2019 and 1–3/2018.

4 The dividend is paid in the respective financial year, but is based on profit for the previous financial year.

5 Recommendation to the Annual General Meeting on 29 May 2019.

On the cover: Zalando headquarters, Berlin

UBM has demonstrated its ability to develop top quality working worlds time and time again. The company is a proven office developer for the digital industry of the 21st century.

With the development of the headquarters for Europe's leading online retailer Zalando, UBM has set new standards. The innovative building complex embodies the future of the new working world. This project also shows just how UBM exactly meets its customers' requirements and how large-scale projects with a volume of roughly €200m can be successfully realised.

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at a glance.

profit before tax of €7.9m.
Focus on sustainable earnings power

strong financial position.
Further optimisation of financing structure

demand overhang on the real estate market.
Continuing tailwinds in all asset classes

on course for guidance.
Repeat of record year without spectacular completions

management's introduction.

Dear Shareholders,
Dear Stakeholders.

UBM Development remained on course during the first quarter of 2019 to repeat the record results generated in 2018. We previously announced a "slow start" for 2019 because major project completions are only scheduled for the coming months and a large number of future projects will become suitable for a forward structure during the second half-year. Nevertheless, we produced solid results in the first quarter: Earnings before tax totalled €7.9m and net profit reached €5.9m. With an equity ratio of 35%, we also have a very strong financial position. This solid balance sheet gives us an important competitive advantage over other developers who cannot refinance on the capital market.

Our optimism not only relates to the current financial year, we are also convinced that we have created an excellent position for the future. Our pipeline is well-filled with a sales volume of €1.8 bn by 2022 – and we see steady tailwinds in our markets and asset classes. However, we remain cautious and are pursuing a "hedging strategy" in spite of this positive market environment. We are focusing on forward sales and we pay strong attention to ensure that all new projects are based on realistic parameters. The primary objective for our business activities is to protect UBM's sustainable and continuous earning power. We want to remain a reliable and transparent partner for our stakeholders – and, above all, for our owners.

We want our shareholders to share in this successful business development and the positive earnings outlook. A record dividend of €2.20 per share will be distributed following the approval by the Annual General Meeting in June. That makes UBM not only the leading hotel developer in Europe, but also one of the top dividend shares on the Vienna Stock Exchange.

The Management Board

Thomas G. Winkler	**Martin Löcker**	**Patric Thate**
CEO	COO	CFO

highlights.

january.

Successful sale at the beginning of the year
At a prime location on the customs harbour grounds in Mainz, UBM is developing a new business budget hotel which will be operated under the Super 8 brand. UBM secured the €24m purchase price one year prior to completion through a forward sale to a German insurance company.

Acquisition of a 3ha site in Munich
UBM acquired a 28,000m² site on the Baubergerstrasse in Munich-Moosach through an off-market deal. Plans call for the development of a mixed-use quarter with apartments and offices at this location. The conception phase is expected to take three to four years.

february.

Topping out ceremony at the customs harbour in Mainz
In mid-February, UBM celebrated the topping out ceremony with numerous distinguished guests for its projects on the customs harbour grounds in Mainz. Fifty percent of the Waterkant residential project with 82 apartments have already been sold one year before completion, and the adjoining Super 8 hotel was sold in January through a forward deal.

LeopoldQuartier – modern urban development in Vienna
UBM's largest hotel to date – the LeopoldQuartier with more than 700 rooms – will be developed on a 23,000m² site by 2023. This project sets a new milestone with regard to size for UBM. The company also plans to realise approximately 700 residential units with modern and flexible housing models at the site.

march.

UBM to develop voco hotel in the Netherlands
The InterContinental Hotels Group (IHG) has selected UBM, the leading hotel developer in Europe, for the realisation of its first voco hotel on the continent. In a historic former bank building in the centre of The Hague, UBM will develop roughly 200 rooms and suites in the upscale segment by 2020.

2018 financial year brings record results
UBM announced convincing preliminary financials at the beginning of March: with record profit before tax of €55m and an equity ratio of 35%, this leading hotel developer underscored its solid financial position. The company's future earnings power is also protected by a €1.8 bn project pipeline.

one share.

Stock exchange developments

The stock markets started 2019 with substantial price gains and a noticeable recovery from the previous year's declines. The MSCI World global index rose by 11.9% over the level at year-end 2018. The European markets benefited from a shift in US interest rate policy during the first quarter, but were negatively influenced by the uncertainty surrounding the process and effects of the Brexit. The leading EURO STOXX 50 increased by 14.1% in the first quarter of 2019. The Vienna Stock Exchange also started the year on a positive note, with a 10.5% increase in the ATX since the end of 2018. The leading German DAX index failed to keep pace with the other European indexes and recorded a more moderate increase of 9.2 %.

The UBM share

The UBM share has been listed on the Vienna Stock Exchange since 10 April 1873 and in the prime market, the top segment of the Vienna Stock Exchange, since August 2016. The share is also included in the IATX real estate stock index.

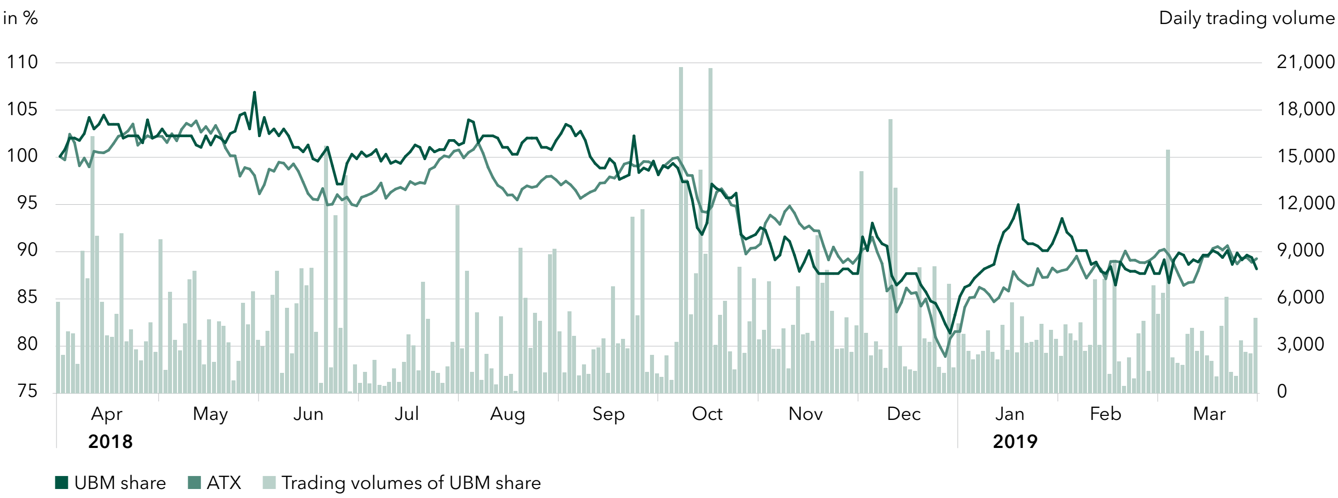
Supported by the positive market climate, the UBM share also started 2019 with sound performance. The share price rose by more than 16% during the first weeks to €39.00 at the end of January, a level last seen in autumn 2018. However, the uncertainties on the European market led to the loss of part of this growth during the first quarter. The announcement of preliminary results for the record 2018 financial year set a positive impulse. In total, the UBM share rose by 8.4% since the beginning of the year and recovered most of the prior year's losses.

The average daily trading volume on the Vienna Stock Exchange equalled 3,579 in the first three months of 2019.

Shareholder structure

The share capital of UBM Development totalled €22,416,540.00 as of 31 March 2018 and is divided into 7,472,180 shares. The syndicate comprising the IGO-Ortner Group and the Strauss Group holds an unchanged 38.8% of the shares outstanding. In addition, the IGO-Ortner Group holds 5.3% of UBM outside the syndicate. Free float comprises 50.9% of the shares and includes the 5.8% of the shares held by the Management and Supervisory Boards. Most of the remaining free float is held by investors in Austria (36%), Germany (34%) and the UK (18%).

Performance of the UBM share vs. indexes and trading volumes from April 2018 to March 2019



one group.

General economic environment

Against the backdrop of the intensifying trade conflict between the USA and China, the global slowdown which began during the second half of 2018 continued into the first quarter of 2019. Estimates by the International Monetary Fund (IMF) for 2019 reflect the related developments with a projected decline in growth. The April forecast includes a reduction of 0.2% in global economic growth to 3.3% in 2019. However, 2020 is expected to bring a renewed increase – the forecast for 2020 remains unchanged at 3.6%.

The European economy continued to present a healthy picture in spite of the tense global environment. The latest forecast by the European Commission points to further growth in all EU member states. The most important drivers include strong domestic demand, rising employment and attractive financing conditions. Real growth of 1.2% and 1.5%, respectively, is projected for 2019 and 2020. The German economy followed a very weak second half of 2018 with a reserved start into 2019. In view of the negative sentiment and the resulting negative influence on private investments, the Commission reduced its forecast for 2019 by 0.6% to 0.5%. Stronger momentum and a GDP increase of 1.5% is, however, expected in 2020. The Austrian economy is projected to follow two solid years in 2017 and 2018 with slightly slower development in 2019. The European Commission still assumes growth will remain robust at 1.5% in 2019 and 1.6% in 2020. Further moderate increases should also be recorded by the CEE/SEE countries.[1,2]

Developments on the real estate markets

The investment year for the European real estate market began at a slower pace. Approximately €44.5 bn were invested in commercial properties in Europe during the first three months of 2019 – which represents a 30% quarter-on-quarter decline as well as the lowest level in six years. This sharp drop was not the result of fading investor interest, but instead reflected the lack of attractive properties. Nevertheless, the experts' outlook for the full year is positive. European real estate remains an interesting target – not least due to the returns, which are still appealing in comparison with other investment alternatives.

Germany was again one of the most popular investment targets in Europe, whereby the steady and robust demand was demonstrated by the strong start into 2019. With an investment volume of €11.1 bn, the first quarter of 2019 was the third best in the last 12 years. Investors' interest remained concentrated on the major cities, which comprised 54% of the total transaction volume. The record prior year value was, as expected, not reached due to a supply shortage at the top locations. The office asset class again dominated the market with a share of 48%. The prime yield fell by five basis points year-on-year to 3.06% and reflects the lack of investment alternatives. The residential asset class was the second most popular in the first quarter with a total investment volume of €3.0 bn. This segment was also characterised by a demand overhang which was responsible for a further decline in yields. The upward trend on the hotel market also continued with a strong start in 2019 and an investment volume of €617m. Despite the supply shortage in all asset classes, the sound performance at the beginning of the year confirms the forecast that 2019 will also prove to be a good, above-average investment year with continuing strong demand.[3,4]

The Austrian investment market smoothly followed the previous year with sound development in the first three months of 2019. From January to March, a total of €900m was invested in commercial properties. Demand was again strongest in the office sector (60%), followed by the hotel asset class (14%).[5] Experts see 2019 as another strong investment year – also in view of the well-filled transaction pipeline. In addition to a focus on the office asset class, investors are increasingly looking towards attractive residential projects.

There were no signs of weakness in investors' interest in the CEE countries during the first quarter of 2019. The focus of international investors was directed, above all, to office properties, with increasing attention on hotels.

1 Austrian National Bank: Konjunktur aktuell – April 2019
2 European Commission Spring Economic Forecast 2019

3 BNP Paribas: Investmentmarkt Deutschland Q1 2019
4 JLL: Investmentüberblick Deutschland Q1 2019
5 EHL – Immobilieninvestmentmarkt Q1/2019

Business performance

UBM Development generated Total Output of €71.6m in the first quarter of 2019, compared with €219.9m in the first quarter of the previous year. The first three months of 2018 were influenced by a number of property sales, including a hotel in Warsaw and a further hotel in Linz as well as an office property in Breslau – while the reporting period did not include any major property sales, with the exception of apartments in various residential projects. The year-on-year decline also reflects the strong sales performance at the end of 2018, while the turn of the year 2017/2018 brought the postponement of several transactions into the following year, i.e. into the first quarter of 2018. Total Output for the reporting period was influenced, above all, by the progress of construction on real estate projects which have already been sold and which are recognised in revenue and earnings over time based on the percentage of completion and the progress of sales. A major part came from two projects: the Holiday Inn Gdansk City Center and the "immergrün" residential project in Berlin. Total Output from hotel operations in the first quarter fell from €23.7m in 2018 to €14.9m in 2019 due to the sale of a 50% interest in UBM hotels Management GmbH to a strategic partner.

Total Output in the **"Germany" segment** declined from €43.1m to €26.8m. In the first quarter of 2019, Total Output resulted primarily from the progress of construction on previously sold apartments – including two projects in Berlin and one project each in Mainz and Hamburg. The progress of construction on the Holiday Inn/Super 8 Hotel in Hamburg, which was forward sold, had also a positive effect on Total Output. A quarter on quarter comparison shows a decline in general contractor and project management services as well as a lower contribution from hotel operations following the sale of the 50% interest in the hotel management company.

The **"Austria" segment** reported Total Output of €19.3m in the first quarter of 2019, above all due to activities in the residential business. Sales focused, in particular, on apartments in previously completed projects in Vienna and Salzburg. Total Output in the comparable prior year period amounted to €54.5m and included the sale of a standing asset hotel in Linz and residential properties in Vienna, Salzburg and Tyrol.

In the **"Poland" segment**, Total Output for the first quarter dropped sharply from €114.2m in 2018 to €19.6m in 2019. Results for the previous year included the sale of the Holiday Inn Warsaw City Centre development project and the Pegaz office standing asset in Breslau. A positive effect from property sales in the reporting period was created by the progress of construction on the Holiday Inn Gdansk City Center, which was sold through a forward transaction and will be completed in the second quarter of this year. The Total Output from hotel operations also declined, but would have been substantially higher excluding the sale of the interest in the hotel management company.

Total Output by region

in €m	1-3/2019	1-3/2018	Change
Germany	26.8	43.1	-37.8%
Austria	19.3	54.5	-64.6%
Poland	19.6	114.2	-82.9%
Other Markets	6.0	8.1	-26.2%
Total	**71.6**	**219.9**	**-67.4%**

Note: The figures were rounded using the compensated summation method. Changes were calculated using the exact amounts.

The **"Other Markets" segment** generated Total Output of €6.0m in the first three months of 2019, compared with €8.1m in the first quarter of 2018. Total Output for the reporting period resulted primarily from hotel revenue in France and the Netherlands.

The **"Hotel" segment** reported Total Output of €24.0m, compared with €83.3m in the first quarter of 2018. Hotel operations were responsible for the largest share of these results – Total Output in the hotel business amounted to €14.9m, which reflects a year-on-year decline of 37.2%. This reduction resulted entirely from the sale of a 50% interest in UBM hotels Management GmbH. The progress of construction on hotel projects in Gdansk and Mainz, which were sold through forward transactions, had a positive effect on Total Output in the first quarter of 2019, while the comparable prior year period was influenced by the sale of two hotels in Warsaw and Linz.

In the **"Office" segment**, Total Output equalled €3.0m in the first quarter of 2019, as none of the current office development projects had been forward sold so far. Total Output in the first quarter of 2018 included the sale of the Pegaz standing asset in Poland as well as the progress of construction on two major projects: the Leuchtenbergring in Munich and the Zalando headquarters in Berlin.

Total Output in the **"Residential" segment** amounted to €22.8m in the first quarter of 2019 (Q1/2018: €32.3m). The first quarter of 2018 included the completion of residential construction projects in Vienna and Tyrol, while Total Output in the reporting period was based primarily on the progress of construction on previously sold apartments in projects in Germany – e.g. the projects "immergrün" and "NeuHouse" in Berlin, "The Brick" in Hamburg and the "Waterkant" in Mainz. Apartments in two completed projects in Vienna and Salzburg were also sold during the reporting period.

The **"Other" segment** reported a year-on-year increase in Total Output from €5.5m to €6.8m in the first quarter of 2019. Total Output includes, above all, proceeds from the rental of mixed-use standing assets in Austria and Germany as well as various management services.

Total Output in the **"Service" segment** declined from €20.5m to €13.1m in the first quarter of 2019. The previous year included, above all, a higher volume of services for various projects in Germany.

The **"Administration" segment** consists solely of services provided by UBM Development AG, charges for management services and intragroup allocations.

Total Output by asset class

in €m	1-3/2019	1-3/2018	Change
Hotel	24.0	83.3	-71.2%
Office	3.0	77.6	-96.1%
Residential	22.8	32.3	-29.3%
Other	6.8	5.5	24.3%
Service	13.1	20.5	-36.1%
Administration	1.9	0.9	121.5%
Total	**71.6**	**219.9**	**-67.4%**

Note: The figures were rounded using the compensated summation method. Changes were calculated using the exact amounts.

Financial performance indicators

Business development and earnings

The core business of the UBM Group is the project-based real estate business. The revenue reported on the income statement can be subject to strong fluctuations because these projects are developed over a period of several years. Following the application of IFRS 15 beginning in 2018, real estate projects are recognised as of the signing in line with the progress of construction and realisation (percentage of completion, PoC) and not after completion as before. This leads to a more exact presentation of the development of revenue and earnings. The sale of properties through share deals and the development and sale of projects within the framework of equity-accounted investments are still not included in revenue. In order to provide a better overview and improve the transparency of information on UBM's business performance, Total Output is also reported. This managerial indicator includes – similar to revenue – the proceeds from property sales, rental income and income from hotel operations as well as the general contractor and project management services capitalised or provided to third parties and companies not included through full consolidation. It also contains 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. It does not include advance payments, which are primarily related to large-scale or residential projects.

Total Output in the first quarter of 2019 amounted to €71.6m and was substantially lower than the previous year (Q1/2018: €219.9m). Revenue as reported on the income statement also declined from €176.1m in the first quarter of 2018 to €36.0m. The comparable prior year period was influenced by the sale of two large-scale projects – the Holiday Inn Warsaw City Center and the Pegaz office property in Breslau – while major sales at year-end 2018 led to a reduction in sales during the first quarter of 2019. Revenue was also reduced by the sale of a 50% interest in UBM hotels Management GmbH, which has been accounted for at equity since the end of November 2018.

The share of profit or loss from companies accounted for at equity was slightly negative at €-0.4m in the first quarter of 2019. At-equity results are subject to fluctuations during the individual quarters due to the progress of projects and, additionally, the first quarter of the year is traditionally the weakest in the hotel operations business. In the first quarter of 2018, the share of profit or loss from companies accounted for at equity totalled €11.8m and was increased by the progress of construction on the large-scale Zalando headquarters project in Berlin and the sale of a hotel in Linz.

The income from fair value adjustments to investment property totalled €7.0m for the reporting period (Q1/2018: €2.8m). The fair value adjustments in the first quarter of 2019 were related, in particular, to the "Sugar Palace" hotel project in Prague and reflected the progress in the municipal approval process. The expenses from fair value adjustments were immaterial in both the first quarter of 2018 and 2019.

Other operating income amounted to €0.7m in the first quarter of 2019 and consisted, among others, of third-party charges, foreign exchange gains, income from the release of provisions and various other positions. In the previous year, other operating income totalled €3.5m and included foreign exchange gains of €1.6m. Other operating expenses fell from €12.0m in the previous year to €7.9m, primarily due to lower foreign exchange losses from the Polish Złoty versus the euro and a decline in consultancy fees. This position also includes administrative expenses, travel expenses and advertising costs as well as charges and duties.

The cost of materials and other related production services totalled €18.6m (Q1/2018: €149.1m). These expenses consist primarily of material costs for the construction of residential properties and various other development projects which were sold through forward transactions. Also included here are the book value disposals from property sales in the form of asset deals. No book value disposals were recorded during the reporting period, in contrast to disposals of €100.0m in the first quarter of the previous year from the sale of a hotel and an office project in Poland. The cost of materials also includes expenses for purchased general contractor services.

The changes in the portfolio related to residential property inventories and other IAS 2 properties led to income of €4.0m in the first quarter of 2019 (Q1/2018: expenses of €8.4m). The positive earnings effect in the reporting period is based on increased investments in projects which are in an early development stage and have not yet entered the sale process.

Personnel expenses totalled €7.2m for the reporting period and were €3.4m lower than the previous year (Q1/2018: €10.6m). This decline resulted primarily from the deconsolidation of UBM hotels Management GmbH, the hotel management company which has been accounted for at equity due to the sale of a 50% interest at the end of November. The valuation of the UBM share option programme, which was approved by the Annual General Meeting in May 2017, added €0.3m to personnel expenses in the reporting period (Q1 2018: €0.2m). The companies of the UBM Group included in the consolidation employed a total workforce of 368 as of 31 March 2019, which reflects the level at the end of the previous year (31 December 2018: 365).

EBITDA declined by €0.3m to €13.7m in the first quarter of 2019. Depreciation and amortisation were slightly higher year-on-year at €1.2m (Q1/2018: €0.8m). These factors led to a reduction of €0.7m in EBIT to €12.5m (Q1/2018: €13.2m). Financial income fell slightly from €2.1m in the first quarter of 2018 to €1.8m. Results for the first quarter of 2019 and 2018 do not include any income from share deals. Financing costs were somewhat lower than the previous year at €6.4m (Q1/2018: €7.1m), among others due to the recognition of an impairment loss to an investment in Poland in the first quarter of 2018.

EBT declined by €0.3m from €8.2m in the previous year to €7.9m in the first quarter of 2019. Tax expense equalled €2.0m in the reporting period, which represents a tax rate of 25.6% (Q1/2018: 22.8%).

Profit for the period (net profit after tax) totalled €5.9m and was €0.5m lower than the €6.4m recorded in the first quarter of 2018. Net profit after non-controlling interests equalled €5.8m (Q1/2018: €6.8m). The resulting earnings per share declined from €0.91 to €0.78.

Asset and financial position

Total assets recorded by the UBM Group rose by €12.7m over the level at year-end 2018 to €1,247.3m as of 31 March 2019. This increase was supported by the initial application of IFRS 16, which led to the capitalisation of lease liabilities of €51.6m. Contrasting factors included, among others, a reduction in trade payables.

Property, plant and equipment increased from €2.7m as of 31 December 2018 to €53.2m at the end of March 2019. This substantial change reflected the capitalisation of lease liabilities totalling €51.4m in connection with the initial application of IFRS 16 at the beginning of 2019. Investment property rose by €14.0m to €513.2m at the end of the first quarter due to the progress on development projects and the absence of investment property sales.

The carrying amount of the investments in equity-accounted companies totalled €116.6m at the end of March 2019 and nearly matched the level at year-end 2018 (31 December 2018: €115.8m). Project financing declined from €139.9m as of 31 December 2018 to €126.0m.

Current assets declined €41.4m below the level on 31 December 2018 to €411.6m as of 31 March 2019. Cash and cash equivalents were €37.6m lower than at year-end 2018 due to the settlement of numerous trade payables during the first three months of 2019. However, cash and cash equivalents were still at a high level of €162.9m by the end of March 2019.

Real estate inventories totalled €119.7m at the end of March 2019 and were only slightly lower than on 31 December 2018 (€121.5m). This position includes miscellaneous inventories and residential property under development which is designated for sale. Trade receivables also declined slightly from €108.2m at the end of 2018 to €102.7m at the end of the first quarter. Included here, in particular, are real estate inventories which are sold during development as well as the proportional share of forward sales of investment properties.

Equity totalled €436.3m as of 31 March 2019 and exactly matched the level at year-end 2018. The equity ratio equalled 35.0% at the end of March 2019 and reflects the upper end of the target range of 30-35% (31 December 2018: 35.3%).

Bond liabilities amounted to €435.3m at the end of March 2019 and generally reflect the level at the end of the previous financial year (31 December 2018: €434.5m). Financial liabilities (current and non-current) rose by €53.4m to €241.2m. Of the total increase, €51.6m are attributable to the capitalisation of lease liabilities due to the initial application of IFRS 16.

Trade payables declined from €93.7m at year-end 2018 to €46.0m at the end of the reporting period and consisted chiefly of outstanding payments for subcontractor services. Other financial liabilities (current and non-current) increased from €30.8m as of 31 December 2018 to €36.3m. Deferred taxes and current taxes payable totalled €41.2m and were slightly higher than the prior year at €39.3m.

Net debt amounted to €462.0m as of 31 March 2019 (31 December 2018: €421.9m). This increase resulted from the settlement of trade payables and the resulting lower balance of cash and cash equivalents at the end of March 2019. Net debt equals current and non-current bonds and financial liabilities, excluding lease liabilities, minus cash and cash equivalents.

Cash flow

Operating cash flow totalled €6.7m in the first quarter of 2019 (Q1 2018: €-5.3m). Non-cash fair value adjustments led to a reduction in cash flow, while interest income had a positive effect. The negative cash flow in the previous year resulted from a high share of non-cash earnings from companies accounted for at equity.

Cash flow from operating activities amounted to €-35.5m for the reporting period and reflected the level in the first quarter of 2018. In the reporting period, cash flow was reduced primarily by a €48.3m decline in liabilities. Contrary factors were a slight reduction of €5.3m in receivables and €1.8m in inventories. This amount includes cash inflows of €8.9m from the disposal of real estate inventories. The additions to real estate inventories amounted to €6.8m during the reporting period. Cash inflows from the sale of real estate reported in receivables equalled €15.1m, while the additions to real estate receivables equalled €12.3m.

Cash flow from investing activities totalled €3.4m, compared with €95.3m in the first quarter of the previous year. The disposal of property, plant and equipment and investment property in the previous year generated cash inflows of €101.8m, while there were no material cash inflows in this position during the reporting period. Cash inflows of €20.2m from project financing had a positive influence on cash flow from investing activities. Contrasting factors included cash outflows of €4.7m for project financing. Cash outflows for investments in property, plant and equipment and investment property amounted to €11.3m in the first quarter of 2019, compared with €12.3m in the comparable prior year period.

Cash flow from financing activities equalled €-5.5m in the first quarter of 2019. The increase in and repayment of loans were relatively balanced, while interest payments of €5.5m for the hybrid bond issued in the previous year were due during the reporting period. In addition, distributions of €1.8m were made to non-controlling interests. In the first quarter of 2018, cash flow from financing activities totalled €67.2m and included the proceeds of €98.6m from the issue of the hybrid bond.

Non-financial performance indicators

Environmental and social issues

UBM carries a high social responsibility through its functions as a project developer and property owner. Especially in the area of real estate development, UBM not only influences its own sustainable business activities, but also creates the foundation for future users (e.g. through the choice of materials, energy supply). The inclusion of sustainability aspects during the design, construction and operational phases of a project is another important instrument for the sustainable preservation of a property. Environmental and sustainability issues have therefore been firmly anchored in the company's strategy for many years.

Employees

The UBM Group had a total workforce of 368 as of 31 March 2019, compared with 784 at the end of March 2018 (of which 482 Hotel). This substantial decline resulted from the deconsolidation of UBM hotels Management GmbH. Approximately 64% of UBM's employees work outside Austria.

Detailed information on environmental and social issues, respect for human rights, the fight against corruption and bribery as well as employee-related matters can be found in the non-financial statement, which is part of the 2018 Annual Report.

Outlook

For 2019, the International Monetary Fund expects a continuation of the current growth course. Real estate investments and private consumption are again seen as the main drivers for the economies in UBM's core markets.[1] The European Central Bank (ECB) plans to stand by its low-interest policy for a longer period than originally assumed. Most economists do not expect any substantial increase in interest rates over the medium-term that would have a significant effect on the real estate sector.[2]

Against this backdrop, the real estate investment market can be expected to remain dynamic in 2019 and 2020. The shortage of attractive development projects throughout Europe is approaching a critical point and is accompanied by unbroken, high demand in all asset classes. UBM's three core markets – Germany, Austria and Poland – as well as the three asset classes – hotel, residential and office – should benefit from this positive market environment. Moreover, the inflow of overseas capital is leading to an increase of investment pressure.

The positive development of business during the past year confirms UBM's strategy. 2018 marked a new record year in the company's history and demonstrates the sustainability of the earnings power created by this real estate developer over decades in its core markets. Solid results were also recorded in the first quarter of 2019, despite the absence of project completions. The balance sheet was also further optimised in previous years – net debt was substantially reduced and the equity ratio was increased. UBM has reached the upper end of its 30–35% target range with an equity ratio of 35% at the end of March 2019. Net debt of approximately €462.0m also represents the lower end of the optimal level for a real estate developer, also in view of the record investment volume in 2018.

[1] IMF: World Economic Outlook, Update 11.1.2019 / European Commission: Winter 2019 Economic Forecast

[2] Savills European Investment March 2019

UBM invested over €300m in new projects in 2018. Despite the record number of completions in 2018, the development pipeline is now stabilised at a high level and its quality has improved. The project pipeline (2019–2022) totals €1.8 bn, whereby roughly 80% are located in Germany and Austria, and over 80% in the hotel and residential asset classes. The trend towards larger projects continues, and the corresponding economies of scale should have a positive effect on future earnings.

UBM is optimistic that this high-quality pipeline will support further earnings growth over the medium-term. In 2019, the company plans to duplicate the record 2018 financial year and again generate profit before tax (EBT) of approximately €55m and net profit of approximately €40m. Since the project completions in 2019 are scheduled primarily for the second half-year and a number of current real estate projects will only then be suitable for a forward structure, a slower start and stronger second half-year are expected.

Risk report

The risks which have, or could have, a significant impact on UBM Development AG are discussed in the 2018 Annual Report on pages 62 to 64. 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 2018 financial year. Therefore, the statements in the risk report section of the 2018 Annual Report still apply without exception.

Responsibility Statement

We hereby confirm the following 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; that the consolidated interim management report presents the development of business and the position of the Group in a manner which provides a true and fair view of important events which occurred during the first three months of the financial year and their effects on the consolidated interim financial statements; and that the consolidated interim management report describes the major risks and uncertainties of the financial year and the material transactions with related parties which require disclosure.

Vienna, 28 May 2019

The Management Board

Thomas G. Winkler
Chairman

Martin Löcker

Patric Thate

Consolidated Income Statement
from 1 January to 31 March 2019

in T€	1-3/2019	1-3/2018
Revenue	36,030	176,073
Changes in the portfolio	3,980	–8,437
Share of profit/loss from companies accounted for at equity	–380	11,773
Income from fair value adjustments to investment property	7,022	2,806
Other operating income	701	3,517
Cost of materials and other related production services	–18,616	–149,127
Personnel expenses	–7,221	–10,647
Expenses from fair value adjustments to investment property	–5	–8
Other operating expenses	–7,873	–11,973
EBITDA	**13,638**	**13,977**
Depreciation and amortisation	–1,187	–787
EBIT	**12,451**	**13,190**
Financial income	1,854	2,110
Financial costs	–6,409	–7,063
EBT	**7,896**	**8,237**
Income tax expenses	–2,019	–1,880
Profit for the period (net profit)	**5,877**	**6,357**
of which: attributable to shareholders of the parent	**5,821**	**6,783**
of which: attributable to non-controlling interests	56	–426
Basic earnings per share (in €)	**0.78**	**0.91**
Diluted earnings per share (in €)	**0.78**	**0.91**

Consolidated Statement of Comprehensive Income
from 1 January to 31 March 2019

in T€	1–3/2019	1–3/2018
Profit for the period (net profit)	**5,877**	**6,357**
Other comprehensive income		
Currency translation differences	–131	–246
Other comprehensive income which can subsequently be reclassified to profit or loss (recyclable)	**–131**	**–246**
Other comprehensive income of the period	**–131**	**–246**
Total comprehensive income of the period	**5,746**	**6,111**
of which: attributable to shareholders of the parent	5,688	6,525
of which: attributable to non-controlling interests	58	–414

Consolidated Statement of Financial Position
as of 31 March 2019

in T€	31.3.2019	31.12.2018
Assets		
Non-current assets		
Intangible assets	2,720	2,730
Property, plant and equipment	53,202	2,650
Investment property	513,153	499,196
Investments in companies accounted for at equity	116,577	115,770
Project financing	125,979	139,892
Other financial assets	5,716	5,643
Financial assets	4,592	4,475
Deferred tax assets	13,807	11,265
	835,746	**781,621**
Current assets		
Inventories	119,743	121,527
Trade receivables	102,691	108,237
Financial assets	10,477	11,067
Other receivables and assets	12,512	11,756
Cash and cash equivalents	162,875	200,447
Assets held for sale	3,290	-
	411,588	**453,034**
Assets total	**1,247,334**	**1,234,655**
Equity and liabilities		
Equity		
Share capital	22,417	22,417
Capital reserves	98,954	98,954
Other reserves	182,663	177,216
Mezzanine/hybrid capital	126,551	130,315
Equity attributable to shareholders of the parent	**430,585**	**428,902**
Equity attributable to non-controlling interests	5,669	7,414
	436,254	**436,316**
Non-current liabilities		
Provisions	7,573	6,648
Bonds	344,531	344,172
Financial liabilities	161,937	114,500
Other financial liabilities	5,064	3,880
Deferred tax liabilities	10,532	8,576
	529,637	**477,776**
Current liabilities		
Provisions	169	169
Bonds	90,695	90,284
Financial liabilities	79,288	73,368
Trade payables	45,957	93,661
Other financial liabilities	31,271	26,932
Other liabilities	3,442	5,405
Taxes payable	30,621	30,744
	281,443	**320,563**
Equity and liabilities total	**1,247,334**	**1,234,655**

Consolidated Statement of Cash Flows

from 1 January to 31 March 2019

in T€	1–3/2019	1–3/2018
Profit for the period (net profit)	5,877	6,357
Depreciation, impairment and reversals of impairment on fixed assets and financial assets	–5,921	–2,037
Interest income/expense	4,647	2,704
Income from companies accounted for at equity	380	–11,773
Dividends from companies accounted for at equity	-	1,725
Increase/decrease in long-term provisions	892	–2,057
Deferred income tax	848	–224
Operating cash flow	**6,723**	**–5,305**
Increase in short-term provisions	-	1,496
Decrease/increase in tax provisions	–123	369
Gains/losses on the disposal of assets	9	1,056
Decrease/increase in inventories	1,784	–6,173
Decrease/increase in receivables	5,263	–20,016
Decrease in payables (excluding banks)	–48,290	–10,452
Interest received	165	2,055
Interest paid	–1,460	–218
Other non-cash transactions	445	1,708
Cash flow from operating activities	**–35,484**	**–35,480**
Proceeds from the sale of property, plant and equipment and investment property	409	101,802
Proceeds from the sale of financial assets	-	1
Proceeds from the repayment of project financing	20,247	8,742
Investments in intangible assets	–7	–12
Investments in property, plant and equipment and investment property	–11,313	–12,292
Investments in financial assets	–1,231	–39
Investments in project financing	–4,677	–2,856
Cash flow from investing activities	**3,428**	**95,346**
Dividends	–5,500	-
Dividends paid to non-controlling interests	–1,800	-
Increase in loans and other financing	19,910	10,379
Repayment of loans and other financing	–18,101	–41,871
Increase in hybrid capital	-	98,648
Cash flow from financing activities	**–5,491**	**67,156**
Cash flow from operating activities	**–35,484**	**–35,480**
Cash flow from investing activities	**3,428**	**95,346**
Cash flow from financing activities	**–5,491**	**67,156**
Change in cash and cash equivalents	**–37,547**	**127,022**
Cash and cash equivalents at 1 Jan	200,447	75,204
Currency translation differences	–25	–98
Cash and cash equivalents at 31 March	**162,875**	**202,128**
Taxes paid	1,294	1,735

Consolidated Statement of Changes in Equity
as of 31 March 2019

in T€	Share capital	Capital reserves	Remeasurement of defined benefit obligations	Currency translation reserve
Balance as of 31 December 2017	**22,417**	**98,954**	**–2,666**	**–1,899**
Adjustments due to initial application of IFRS 9	-	-	-	-
Adjustments due to initial application of IFRS 15	-	-	-	-
Balance as of 1 January 2018	**22,417**	**98,954**	**–2,666**	**–1,899**
Total profit/loss for the period	-	-	-	-
Other comprehensive income	-	-	-	–340
Total comprehensive income for the period	-	-	-	–340
Equity-settled share options	-	-	-	-
Hybrid capital	-	-	-	-
Balance as of 31 March 2018	**22,417**	**98,954**	**–2,666**	**–2,239**
Balance as of 31 December 2018	**22,417**	**98,954**	**–3,066**	**–1,970**
Adjustments due to initial application of IFRS 16	-	-	-	-
Balance as of 1 January 2019	**22,417**	**98,954**	**–3,066**	**–1,970**
Total profit/loss for the period	-	-	-	-
Other comprehensive income	-	-	-	–133
Total comprehensive income for the period	-	-	-	–133
Dividend	-	-	-	-
Equity-settled share options	-	-	-	-
Income taxes on interest for holders of hybrid/ mezzanine capital	-	-	-	-
Balance as of 31 March 2019	**22,417**	**98,954**	**–3,066**	**–2,103**

Available-for-sale securities – fair value reserve	Other reserves	Mezzanine/ hybrid capital	Equity attributable to equity holders of the parent	Non-controlling interests	Total
51	**155,189**	**80,100**	**352,146**	**3,301**	**355,447**
–51	1,584	-	1,533	-	1,533
-	6,028	-	6,028	77	6,105
-	**162,801**	**80,100**	**359,707**	**3,378**	**363,085**
-	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
-	**168,257**	**180,731**	**465,454**	**2,964**	**468,418**
-	**182,252**	**130,315**	**428,902**	**7,414**	**436,316**
-	–127	-	–127	–3	–130
-	**182,125**	**130,315**	**428,775**	**7,411**	**436,186**
-	4,085	1,736	5,821	56	5,877
-	-	-	–133	2	–131
-	4,085	1,736	5,688	58	5,746
-	-	–5,500	–5,500	–1,800	–7,300
-	247	-	247	-	247
-	1,375	-	1,375	-	1,375
-	**187,832**	**126,551**	**430,585**	**5,669**	**436,254**

Segment Reporting[1]

from 1 January to 31 March 2019

	Germany		Austria	
in T€	1-3/2019	1-3/2018	1-3/2019	1-3/2018
Total Output				
Administration	-	-	1,883	850
Hotel	5,750	7,570	2,289	16,801
Office	-	18,709	116	1,984
Other	2,026	2,146	4,049	2,602
Residential	16,331	5,430	6,390	26,437
Service	2,658	9,210	4,578	5,853
Total Output	**26,765**	**43,065**	**19,305**	**54,527**
Less revenue from associates and companies of minor importance and from performance companies as well as changes in the portfolio	–17,060	–9,499	–5,769	–24,680
Revenue	**9,705**	**33,566**	**13,536**	**29,847**
Administration	-	-	3,636	–1,183
Hotel	274	–1,295	402	227
Office	3,785	14,380	–70	–241
Other	–582	–2,524	–1,013	–246
Residential	1,008	690	1,542	2,599
Service	63	1,001	–2,945	–43
Total EBT	**4,548**	**12,252**	**1,552**	**1,113**

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

Poland		Other markets		Group	
1–3/2019	1–3/2018	1–3/2019	1–3/2018	1–3/2019	1–3/2018
-	-	-	-	1,883	850
11,080	52,157	4,879	6,764	23,998	83,292
2,643	56,780	267	87	3,026	77,560
568	571	190	178	6,833	5,497
-	-	85	394	22,806	32,261
5,270	4,719	581	706	13,087	20,488
19,561	**114,227**	**6,002**	**8,129**	**71,633**	**219,948**
–7,353	–5,975	–5,421	–3,721	–35,603	–43,875
12,208	**108,252**	**581**	**4,408**	**36,030**	**176,073**
-	-	-	-	3,636	–1,183
521	4,259	5,974	–1,662	7,171	1,529
–560	–2,594	–138	–116	3,017	11,429
–924	–2,840	–296	–86	–2,815	–5,696
–734	–1,288	–1,553	–600	263	1,401
66	–25	–560	–176	–3,376	757
–1,631	**–2,488**	**3,427**	**–2,640**	**7,896**	**8,237**

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 1100 Vienna, Laaer-Berg-Strasse 43. It 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 voluntarily and based on the accounting and valuation methods applied in preparing the consolidated financial statements as of 31 December 2018. The applied accounting principles also included the standards which required mandatory application as of 1 January 2019, in particular IFRS 16. The effects of the initial application of the new standards are presented under note 3.

The reporting currency is the euro, which is also the functional currency of UBM. The functional currency of the subsidiaries included in the consolidated financial statements is the respective national currency. Amounts are reported in thousands of euros (T€) and rounded using the compensated summation method.

2. Scope of consolidation

The consolidated interim financial statements include UBM as well as 62 (31 December 2018: 62) domestic and 79 (31 December 2018: 79) foreign subsidiaries.

In addition, 35 (31 December 2018: 34) domestic and 22 (31 December 2018: 23) foreign associates and joint ventures were accounted for at equity. One company was deconsolidated during the reporting period due to its liquidation.

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 2018, 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 2019. The only material effects resulted from the initial application of IFRS 16 Leases:

New or revised standard	Date of publication by IASB	Date of adoption into EU law	Date of initial application
IFRS 16 – Leases	13.1.2016	9.11.2017	1.1.2019
Changes to IAS 19: Plan Amendment, Curtailment or Settlement	7.2.2018	13.3.2019	1.1.2019
Changes to IAS 28: Long-term Interests in Associates and Joint Ventures	12.1.2017	8.2.2019	1.1.2019
Changes to IFRS 9 – Prepayment Features with Negative Compensation	12.10.2017	22.3.2018	1.1.2019
Annual Improvements to IFRS – Cycle 2015–2017	12.12.2017	14.3.2019	1.1.2019
IFRIC 23: Uncertainty over Income Tax Treatments	7.6.2017	23.10.2018	1.1.2019

IFRS 16 – Leases

This standard regulates the recognition, measurement and presentation of leases as well as the required disclosures in the notes. It replaces the previous standard (IAS 17) and three interpretations involving leases. IFRS 16 provides a single accounting model for the lessee, which principally requires the recognition of assets and liabilities for all leases. However, there are two exceptions to this general recognition rule: leases with a term of 12 months or less and leases for low-value assets (in both cases, optional). The lease liability is discounted on initial recognition and, in subsequent years, reduced by the lease payments and increased through unwinding. A right of use is also capitalised at an amount equal to the present value of future lease payments and subsequently written down on a straight-line basis. The previous differentiation between operating leases and finance leases is no longer applicable. This standard was published in January 2016 and requires mandatory application for financial years beginning on or after 1 January 2019. IFRS 16 provides for various transition methods – UBM decided against premature application and used the modified retrospective method.

UBM elected to use the following practical expedients provided by IFRS 16.C10 in the initial application of IFRS 16.

- The discount rates for leases of similar assets, similar terms and similar economic environments were determined on a portfolio basis.
- No onerous contracts were identified at the time of initial application; therefore, no adjustments to the rights of use were required.
- Direct costs are excluded from the measurement process.
- Extension and termination options were estimated in connection with the initial application of IFRS 16.

The average interest rate for the first quarter of 2019 equalled 3.19%.

The following table shows the net effects of the initial application of IFRS 16 on retained earnings as of 1 January 2019:

in T€	Adjustment due to initial application of IFRS 16 as of 1 Jan 2019
Other reserves	
IFRS 16: Leases	–173
Income tax expense	46
Effects as of 1 January 2019	**–127**
Equity attributable to non-controlling interests	
IFRS 16: Leases	–4
Income tax expense	1
Effects as of 1 January 2019	**–3**

The following table reconciles the effects of the initial application of IFRS 16 to items on the statement of financial position as of 1 January 2019:

in T€	Consolidated Statement of Financial Position as of 1 January 2019	Adjustments	Consolidated Statement of Financial Position as of 1 January 2019 excl. IFRS 16 adjustments
Assets			
Investment property	53,202	-51,387	1,815
Deferred tax assets	13,807	-47	13,760
Non-current assets	**835,746**	**-51,434**	**784,312**
Current assets	**411,588**	**-**	**411,588**
Total assets	**1,247,334**	**-51,434**	**1,195,900**
Equity and liabilities			
Other reserves	182,663	127	182,790
Equity attributable to non-controlling interests	5,669	3	5,672
Equity	**436,254**	**130**	**436,384**
Deferred tax liabilities	161,937	-49,634	112,303
Non-current liabilities	**529,637**	**-49,634**	**480,003**
Other financial liabilities	79,288	-1,930	77,358
Current liabilities	**281,443**	**-1,930**	**279,513**
Total equity and liabilities	**1,247,334**	**-51,434**	**1,195,900**

No further standards or interpretations were published or adopted into EU law since the preparation of the consolidated financial statements as of 31 December 2018.

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 2019 will be asked to approve a recommendation to distribute a dividend of €2.20 per share the 2018 financial year. This would represent a total pay-out of €16,438,796.00 based on 7,472,180 shares. The dividend would then be distributed on 7 June 2019.

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:

	Germany	Austria	Poland	Other Markets	Group
in T€	1-3/2019	1-3/2019	1-3/2019	1-3/2019	1-3/2019
Revenue					
Administration	-	1,042	-	-	1,042
Hotel	1,978	-	8,041	2	10,021
Office	26	26	1,489	267	1,808
Other	1,618	1,383	1,014	39	4,054
Residential	3,746	6,354	3	85	10,188
Service	2,337	4,731	1,661	188	8,917
Revenue	**9,705**	**13,536**	**12,208**	**581**	**36,030**
Recognition over time	5,729	4,642	6,726	-	17,097
Recognition at a point in time	3,976	8,894	5,482	581	18,933
Revenue	**9,705**	**13,536**	**12,208**	**581**	**36,030**

7. Earnings per share

	1-3/2019	1-3/2018
Proportion of profit for the period attributable to shareholders of the parent (in T€)	5,821	6,783
Potential shares	-	-
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 €)	**0.78**	**0.91**
Diluted earnings per share (in €)	**0.78**	**0.91**

A total of 387,630 share options were allocated in connection with the Long-Term Incentive Programme 2017 (LTIP). The adjusted exercise price equalled €40.01 as of 31 March 2019, and the average share price equalled €36.66 in the first quarter. Therefore, no potential shares were included in the calculation of earnings per share for the first quarter of 2019.

8. Non-current assets held for sale

Non-current assets held for sale comprise undeveloped land in Romania. 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 March 2019	€ 31 March 2019	Number 31 Dec 2018	€ 31 Dec 2018
Ordinary bearer shares	7,472,180	22,416,540	7,472,180	22,416,540

10. Authorised capital, conditional capital and treasury shares

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

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

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

Section 4 Para. 5 of the Statutes also permits a conditional increase in share capital, in accordance with Section 159 Para. 2 (1) of the Austrian Stock Corporation Act, up to a nominal amount of €2,241,654.00 through the issue of up to 747,218 new ordinary zero par value bearer shares for convertible bondholders (conditional capital increase). In this connection, the Management Board was authorised to determine the remaining details for the conditional capital increase and its implementation with the approval of the Supervisory Board, in particular the details of the issue and the conversion procedure for the convertible bonds, the amount of the issue and the exchange or conversion ratio. The Supervisory Board was also authorised to pass resolutions on amendments to the statutes arising from the issue of shares from conditional capital. The amount of the issue and conversion ratio are to be determined on the basis of recognised financial methods and the company's share price using an accepted pricing procedure. If the terms of issue for the convertible bond also include a conversion obligation, the conditional capital will also be used to meet this conversion obligation.

In order to service the stock options granted within the framework of the Long-Term Incentive Programme 2017 (LTIP), the Management Board was additionally authorised, under Section 4 Para. 6 of the Statutes and in accordance with Section 159 Para. 3 of the Austrian Stock Corporation Act until 11 August 2022, with the approval of the Supervisory Board, to conditionally increase the company's share capital in accordance with Section 159 Para. 2 (3) of the Austrian Stock Corporation Act, also in multiple tranches, by up to €1,678,920.00 through the issue of up to 559,640 new ordinary zero par value bearer shares to employees, key managers and members of the Management Board of the company and its subsidiaries. The Supervisory Board was also authorised to pass resolutions on amendments to the statutes arising from the conditional capital increase.

The authorisation of the Management Board to purchase, sell and/or use treasury shares based on the resolution of the Annual General Meeting on 20 May 2015 was revoked.

At the same time, the Management Board was authorised to repurchase the company's shares up to the legally allowed limit of 10% of share capital, including previously repurchased shares, during a 30-month period beginning on the date the resolution was passed (23 May 2017). The Management Board was also authorised, contingent upon the approval of the Supervisory Board, to sell or utilise treasury shares in another manner than over the stock exchange or through a public offering during a period of five years beginning on the date the resolution was passed (23 May 2017). This authorization 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 and a further 12,500 stock options were granted during the 2018 financial year. 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). Compliance is also required with the other preconditions stated in the terms and conditions of the LTIP: a valid employment relationship, a valid personal investment, a share price that exceeds the specified thresholds and the fulfilment of certain performance indicators.

The fair value totals T€3,082 (2018: T€ 3,082). 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 options (9/2017 to 8/2020), share price on the valuation date (€38.25), the expected volatility of the share price (36.34%), expected dividends (4.2%) and a risk-free interest rate (0.0%).

The share options developed as follows:

Number of share options	2019	2018
Balances as of 1 Jan	**387,630**	**375,130**
Options granted	-	12,500
Options forfeited	-	-
Options exercised	-	-
Balance as of 31 March	**387,630**	**387,630**

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 which was issued by PIAG in November 2014, which has since been repaid in full, and hybrid capital totalling €25.3m to UBM by way of legal succession. The hybrid capital is principally subject to ongoing interest.

UBM is only required to pay interest on 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.

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

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

The hybrid capital is held by PORR AG.

On 22 February 2018, UBM issued a deeply subordinated bond (hybrid bond) with a total volume of €100m and an annual coupon of 5.50%. 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 2019 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 March 2019	Measurement in acc. with IFRS 9: (Amortised) cost	Measurement in acc. with IFRS 9: Fair value (other comprehensive income)	Measurement in acc. with IFRS 9: Fair value (through profit or loss)	Fair value hierarchy	Fair value as of 31 March 2019
Assets							
Project financing at variable interest rates	Amortised Cost	125,979	125,979	-	-	-	-
Other financial assets	Amortised Cost	2,907	2,907	-	-	Level 1	3,390
Other financial assets	FVTPL	1,955	-	-	1,955	Level 3	1,955
Other financial assets	FVTPL	854	-	-	854	Level 1	854
Trade receivables	Amortised Cost	39,606	39,606	-	-	-	-
Financial assets	Amortised Cost	15,069	15,069	-	-	-	-
Cash and cash equivalents	-	162,875	162,875	-	-	-	-
Liabilities							
Bonds at fixed interest rates	Amortised Cost	435,226	435,226	-	-	Level 1	453,522
Borrowings and overdrafts from banks							
at variable interest rates	Amortised Cost	169,565	169,565	-	-	-	-
at fixed interest rates	Amortised Cost	5,766	5,766	-	-	Level 3	5,763
Other loans and borrowings							
at variable interest rates	Amortised Cost	19	19	-	-	-	-
at fixed interest rates	Amortised Cost	14,669	14,669	-	-	Level 3	14,495
Lease liabilities	-	51,169	51,169	-	-	-	-
Trade payables	Amortised Cost	45,957	45,957	-	-	-	-
Other financial liabilities	Amortised Cost	36,335	36,335	-	-	-	-
Derivatives (excl. hedges)	FVTPL	37	37	-	-	-	-
By category							
Financial assets at amortised cost	Amortised Cost	183,561	183,561	-	-	-	-
Financial assets at fair value through profit or loss	FVTPL	2,809	-	-	2,809	-	-
Cash and cash equivalents	-	162,875	162,875	-	-	-	-
Financial liabilities at amortised cost	Amortised Cost	707,537	707,537	-	-	-	-
Financial liabilities at fair value through profit or loss	FVTPL	37	37	-	-	-	-

in T€	Measurement category (IFRS 9)	Carrying amount as of 31 Dec 2018	Measurement in acc. with IFRS 9: (Amortised) cost	Measurement in acc. with IFRS 9: Fair value (other comprehensive income)	Measurement in acc. with IFRS 9: Fair value (through profit or loss)	Fair value hierarchy	Fair value as of 31 Dec 2018
Assets							
Project financing at variable interest rates	Amortised Cost	139,892	139,892	-	-	-	-
Other financial assets	Amortised Cost	2,907	2,907	-	-	Level 1	3,394
Other financial assets	FVTPL	1,913	-	-	1,913	Level 3	1,913
Other financial assets	FVTPL	823	-	-	823	Level 1	823
Trade receivables	Amortised Cost	48,658	48,658	-	-	-	-
Financial assets	Amortised Cost	15,542	15,542	-	-	-	-
Cash and cash equivalents	-	200,447	200,447	-	-	-	-
Liabilities							
Bonds at fixed interest rates	Amortised Cost	434,456	434,456	-	-	Level 1	449,329
Borrowings and overdrafts from banks							
at variable interest rates	Amortised Cost	168,232	168,232	-	-	-	-
at fixed interest rates	Amortised Cost	5,009	5,009	-	-	Level 3	5,007
Other loans and borrowings							
at variable interest rates	Amortised Cost	19	19	-	-	-	-
at fixed interest rates	Amortised Cost	14,452	14,452	-	-	Level 3	14,423
Lease liabilities	-	123	123	-	-	-	-
Trade payables	Amortised Cost	93,661	93,661	-	-	-	-
Other financial liabilities	Amortised Cost	30,812	30,812	-	-	-	-
Derivatives (excl. hedges)	FVTPL	33	33	-	-	-	-
By category							
Financial assets at amortised cost	Amortised Cost	206,999	206,999	-	-	-	-
Financial assets at fair value through profit or loss	FVTPL	2,736	-	-	2,736	-	-
Cash and cash equivalents	-	200,447	200,447	-	-	-	-
Financial liabilities at amortised cost	Amortised Cost	746,641	746,641	-	-	-	-
Financial liabilities at fair value through profit or loss	FVTPL	33	33	-	-	-	-

13. Transactions with related parties

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

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

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

14. Events after the balance sheet date

On 27 May, UBM tapped its 3.125% corporate bond 2018–2023 by €45m through a private placement. The total volume of the bond after the transaction equals €120m. The new notes have the same terms and conditions as the existing notes, including the maturity date 16 November 2023. They will be traded in the Corporates Prime Segment of the Official Market of the Vienna Stock Exchange. UBM intends to use the net proceeds for general corporate purposes.

Vienna, 28 May 2019

The Management Board

Thomas G. Winkler
Chairman

Martin Löcker

Patric Thate

Financial Calendar 2019

138th Annual General Meeting, Vienna	29.5.2019
Ex-dividend date	5.6.2019
Dividend record date	6.6.2019
Dividend payment date	7.6.2019
Publication of the Half-Year Report 2019	28.8.2019
Publication of the Q3 Report 2019	28.11.2019

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 which are based on the information available 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 real estate sector. UBM Development AG will not guarantee or assume any liability for the agreement of future development and future results with 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 2019 was prepared with the greatest possible care to ensure the accuracy and completeness of the information in all sections. The key figures were rounded based on the compensated summation method. However, rounding, typesetting and printing errors cannot be excluded.

This quarterly report is also published in German and is available in both languages on the website of UBM Development AG. In the event of a discrepancy or deviation, the German language version takes precedence.

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