ubm development

Interim Report on the 1st Quarter 2020

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key performance indicators.

Key earnings figures (in €m)

	1-3/2020	1-3/2019	Change
Total Output[1]	86.3	71.6	20.5%
Revenue	41.3	36.0	14.6%
EBT	39.3	7.9	398.0%
Net profit	22.9	5.9	289.9%

Key asset and financial figures (in €m)

	31.3.2020	31.12.2019	Change
Total assets	1,348.0	1,316.4	2.4%
Equity	483.3	462.5	4.5%
Equity ratio	35.9%	35.1%	0.7 PP
Net debt[2]	463.2	442.4	4.7%
Cash and cash equivalents	187.0	212.4	-11.9%

Key share data and staff

	31.3.2020	31.12.2019	Change
Earnings per share (in €)[3]	2.74	0.55	401.6%
Market capitalisation (in €m)	204.7	352.7	-41.9%
Dividend per share (in €)[4]	2.20	2.20	0.0%
Staff[5]	392	389	0.7%

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 Earnings per share after the deduction of hybrid capital interest (change in calculation method beginning in 2020, comparative prior year data adjusted). Reported amounts based on the first quarter.
4 The dividend is paid in the respective financial year, but is based on profit for the previous financial year.
5 Of which 54 employees ubm hotels in Q1/2020 (2019: 55 employees)

On the cover: **siebenbrunnen 21., Vienna (Residential)**

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at a glance.

strategic partnership with ARE.
Risk diversification and steady earnings

exceptionally strong Q1 results.
High earnings as a good buffer for the future

secured liquidity.
Strong balance sheet and low net debt

clearly prioritised pipeline.
Prepared for all scenarios

management’s introduction.

Dear Shareholders,
Dear Stakeholders


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With a record year behind us and a high-quality record pipeline, we started 2020 at full speed. We were, however, forced to reduce this speed to a minimum within a very short time due to the outbreak of the COVID-19 pandemic and the resulting fog bank. Our prudent financial policy and consequent risk minimisation strategy pay off in a situation like this. UBM had a high equity ratio of 36% at the end of the first quarter, our net debt was comparatively low and is still under control. We have liquid funds of almost €190m at our disposal – a strong and important buffer which also makes it possible to successfully dive through a longer phase of uncertainty without any external help. From a strategic standpoint, we have also done a lot right: All the projects scheduled for completion in 2020 have already been sold through forward deals. In addition, we have diversified our risk through partnerships on large-scale projects to protect the continuity of UBM’s earnings.

Our efforts in this difficult market environment also included the finalisation of a strategic partnership during April. The cooperation with ARE (Austrian Real Estate), a highly professional and financially strong partner under Austrian government ownership, represents an absolute win-win situation for both sides. UBM is investing in one of the largest urban development projects in the heart of Vienna, while ARE is acquiring an interest in the Baubergerstrasse project in Munich, our largest undertaking in Germany. The net profit of roughly €23m generated in the first three months of 2020 has created a sound earnings buffer for the future – and the challenging times that lie ahead. The effects of travel restrictions on the hotel business and delayed real estate transactions will only become visible in our earnings during the coming quarters. We are currently preparing for all possible scenarios, but we can now only run on sight and that is not very far. However, one thing is certain: We must, to a certain extent, reinvent ourselves. Because a developer can always make money – during a boom through top prices on sales and in a crisis through favourably-priced acquisitions. Our current objective is to manage the transition as best as possible. Thank you for your continuing trust in UBM!

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

one group.

General economic environment

The January 2020 forecast by the International Monetary Fund (IMF) pointed towards a moderate improvement in the global economy from the reserved growth of 2.9% recorded in 2019 to a slightly higher 3.3% in 2020. The onset of the COVID-19 pandemic subsequently led to corrections in this estimate. The IMF is now projecting a worldwide recession with a 3.0% decline in global output. This scenario calculation also assumes a global recovery beginning in the second half of 2020, which will form the basis for an upturn in the following year. Global growth is now expected to reach 5.8% in 2021.[1]

The eurozone will experience a stronger downturn than the global economy in 2020 because of the measures implemented to limit the spread of the virus. Economic output for the first quarter of 2020 was 2.9% lower than the comparable period in 2019, and the European Commission expects a 7.7% decline for the full 12 months of 2020. However, 2021 is expected to bring an upturn in line with the global trend which could be slightly higher than global growth at 6.3%.

According to initial estimates, Germany's gross domestic product will decline by 6.5% in 2020. This export-oriented economy should, however, see a return to growth of 5.9% in 2021. Forecasts by the Austrian National Bank (OeNB) for the domestic economy range from -3.2% to -8.3% for 2020, depending on the scenario. The Commission also assumes stronger growth here in 2021, with first calculations indicating an increase of 5.0%. The CEE/SEE region is expected to record an average decline of 4.5% in 2020 and an increase of 3.0% in 2021.[2,3]

Developments on the real estate markets

The impact on the real estate market is extremely difficult to estimate at the present time due to the uncertainties surrounding the extent and duration of the COVID-19 pandemic. Initial reactions in the form of delayed transactions are already visible, and a sharp drop in property transactions can be expected – at least during the first half of 2020. The current travel and trade restrictions have had a particularly severe effect on the hotel and retail asset classes. The medium-term fallout of the pandemic is dependent, above all, on the scope and duration of the anticipated recession. The expected continuation of low interest rates should further increase the relative attractiveness of real estate investments, whereby the prevailing uncertainty is expected to result in higher risk premiums and more careful selection by investors.[4,5]

Stock exchanges and the UBM share

The international markets started 2020 with a phase of stagnation, before the COVID-19 pandemic led to a complete collapse at the beginning of March. The MSCI World index lost more than one-fifth of its value during the first quarter, while the Dow Jones, the pan-European EURO STOXX 50 and the DAX were hit somewhat harder and fell roughly 25% from year-end 2019 to the end of March. The ATX recorded an even stronger decline of 37% during this same period.

The UBM share followed the 41% increase recorded in 2019 with a substantial loss in the first quarter of 2020. The share price fell by 41.9% from year-end 2019 to 31 March. However, the weeks from the end of March to mid-May brought a sound recovery of 27.7% – compared with the 6.5% increase in the ATX and 0.8% decline in the IATX. The international indexes were also weaker with growth below 10%. The average daily trading volume of the UBM share on the stock exchange equalled 8,062 shares during the first quarter of 2020 (2019: 3,579).

[1] IMF: World Economic Outlook – The Great Lockdown – April 2020
[2] European Commission: European Economic Forecast – Spring 2020
[3] Austrian National Bank: Konjunktur aktuell – May 2020
[4] CBRE: Potential Impacts of COVID-19 on EMEA Real Estate – March 2020
[5] Savills: COVID-19 and the consequences – March 2020

Business performance

UBM Development generated Total Output of €86.3m in the first quarter of 2020, compared with €71.6m in the comparable prior year period. This improvement was supported, above all, by the progress of construction on previously sold real estate projects, which are recognised to revenue and earnings over time based on the progress of construction and sale. The largest contributions to Total Output were made by the QBC 1&2 in Vienna, which was forward sold in mid-2019, and by a hotel and residential project in the former Mainz customs harbour. There were no major property sales during the first quarter of 2020, with the exception of a residential project in Vienna and an office project in Prague, also as a result of investors' uncertainty over the COVID-19 pandemic. Total Output in the hotel business fell to €8.6m (Q1 2019: €14.9m) due to the sale of two hotels in Paris in 2019 as well as the travel restrictions implemented during the first quarter of 2020.

The **Germany segment** recorded a decline in Total Output to €20.9m for the reporting period (Q1 2019: €26.8m). Total Output in both the first quarters of 2019 and 2020 resulted primarily from the progress of construction on previously sold apartments, in particular one project each in Mainz and Berlin. Another positive factor was the progress of construction on the forward sold Super 8 Hotel in the Mainz customs harbour.

Total Output in the **Austria segment** doubled from €19.3m in the first quarter of 2019 to €38.9m in the first quarter of 2020. Nearly half the Total Output in the reporting period was attributable to the forward sold QBC 1&2 office project, the final section of construction in the development of the Quartier Belvedere Central. The residential business was also responsible for a major component of Total Output, primarily through the progress of construction on the barany.7 residential project, which was sold at the end of 2019, and the Pohlgasse residential project, which was sold during the first quarter of 2020. Both projects are located in Vienna and involved global sales to institutional investors. Further progress was also made on the streamlining of the standing asset portfolio through the sale of additional logistics properties in the Austrian province of Styria.

In the **Poland segment**, Total Output amounted to €19.1m (Q1 2019: €19.6m). Two hotel projects – a Mercure Hotel in Katowice and an ibis styles Hotel in Krakow – were forward sold at the end of 2019 and are now included in Total Output based on the percentage of completion. Another sale involved an office property in Danzig, which adjoins the Hotel Holiday Inn Gdansk City Centre that was completed in 2019.

The **Other Markets segment** recorded an increase in Total Output from €6.0m in the first quarter of 2019 to €7.4m in the first quarter of 2020. Total Output for the reporting period resulted chiefly from the progress of construction on a previously sold office project in Prague and the operation of a hotel in the Netherlands.

Total Output by region

in € m	1-3/2020	1-3/2019	Change
Germany	20.9	26.8	-21.9%
Austria	39.0	19.3	101.9%
Poland	19.1	19.6	-2.4%
Other markets	7.4	6.0	22.6%
Total	**86.3**	**71.6**	**20.5%**

The **Residential segment** reported Total Output of €16.2m for the first quarter of 2020 (Q1 2019: €22.8m). Total Output for the reporting period consisted mainly of the progress of construction on previously sold apartments from projects in Germany, Austria and the Czech Republic, including the "immergrün" project in Berlin, the "Waterkant" project in Mainz and the "barany.7" and "Pohlgasse" projects in Vienna.

Total Output in the **Hotel segment** amounted to €16.2m in the first quarter of 2020 (Q1 2019: €24.0m). Positive contributions were made by the progress of construction on the hotels in Katowice and Krakow which were forward sold at the end of 2019 and the hotel in the Mainz customs harbour. Hotel operations were responsible for nearly half of Total Output in the reporting period – Total Output in this business amounted to €8.6m, which represents a year-on-year decline of 42.2%. This reduction reflects the sale of the two Disney hotels in Paris, which were no longer leased by UBM when the sale closed in mid-2019. Moreover, Total Output from the other hotels declined due to the implementation of wide-ranging travel restrictions, especially towards the end of the first quarter, in connection with the global COVID-19 pandemic.

The **Office segment** recorded Total Output of €28.9m in the first quarter of 2020 (Q1 2019: €3.0m). Total Output for the reporting period was related primarily to the QBC 1&2 office project at Vienna's main railway station, which was forward sold in August 2019. The "Astrid Offices" property in Prague, which will be completed in mid-2021, was also forward sold during the first quarter of 2020. In addition, UBM sold a smaller office property in Danzig during the reporting period.

Total Output in the **Other segment** amounted to €12.0m in the first quarter of 2020 (Q1 2019: €6.8m). The reporting period included the sale of a logistics property in the Austrian province of Styria and, above all, revenue from the rental of mixed-use standing assets in Austria and Germany.

Total Output in the **Service segment** declined slightly from €15.0m to €13.1m in the first quarter of 2020. A major component resulted from the provision of services for various projects in Germany. This position also includes charges for management services and intragroup allocations.

Total Output by asset class

in € m	1-3/2020	1-3/2019	Change
Residential	16.2	22.8	-29.0%
Hotel	16.2	24.0	-32.7%
Office	28.9	3.0	n.m.
Other	12.0	6.8	75.5%
Service	13.1	15.0	-12.4%
Total	**86.3**	**71.6**	**20.5%**

Financial performance indicators

Business development and earnings

The core activities of the UBM Group revolve around 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. In accordance with the application of IFRS 15 since 2018, real estate projects are recognised as of the signing based on 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 revenue from companies accounted for at equity and the results of 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 principally related to large-scale or residential construction projects.

Total Output rose by 20.5% to €86.3m in the first quarter of 2020 (Q1 2019: €71.6m). In addition, revenue as reported on the income statement increased by 14.6% from €36.0m to €41.3m. Revenue for the reporting period was influenced mainly by the progress of construction on previously sold real estate projects, which is recognised over time based on the progress of completion and sale. The largest contributions to revenue in the first quarter of 2020 were made by a residential project in Germany and by office projects in the Czech Republic and Poland.

The profit from companies accounted for at equity fell from €–0.4m in the first quarter of 2019 to €–4.7m in the reporting period, primarily as a result of foreign exchange effects related to the Polish zloty. These negative foreign exchange effects more than offset the positive earnings contributions from current real estate projects like the QBC 1&2 office project in Vienna.

Income from fair value adjustments to investment property totalled €69.9m in the first quarter of 2020 (Q1 2019: € 7.0m). The fair value adjustment in the reporting period involved a large-scale project in Munich and resulted from the sale of a 40% interest in this project shortly after the end of the first quarter. This project is currently in the approval phase – a mixed-use quarter with commercial, office and residential space is planned for this three-hectare site. The expenses from fair value adjustments were immaterial in the first quarters of 2019 and 2020.

Other operating income amounted to €2.2m in the first quarter of 2020 and included, among others, revenue from third-party charges, foreign exchange gains, income from the release of provisions and various other positions. In the previous year, other operating income totalled €0.7m. Other operating expenses rose to €25.5m (Q1 2019: €7.9m), chiefly due to foreign exchange losses of €17.7m. The value of both the Polish zloty and the Czech krone fell substantially compared with the euro as of 31 March 2020. Other operating expenses also include administrative costs, travel expenses and advertising costs as well as charges and duties.

The cost of materials and other related production services totalled €31.2m in the first quarter of 2020 (Q1 2019: €18.6m). These expenses consist largely of material costs for the construction of fully consolidated residential properties and various other development projects which were sold through forward transactions. They also include the book value disposals from property sales in the form of asset deals and purchased general contractor services. There were no significant book value disposals in the reporting or comparative period; only a small office building in Poland was transferred during the first quarter of 2020. The cost of materials in the first quarter of 2020 was influenced by the construction of several residential projects, primarily in Berlin and Vienna, and by forward sold investment properties in Mainz and Prague.

The changes in the portfolio related to residential property inventories and other IAS 2 properties led to expenses of €0.6m, in contrast to income of €4.0m in the first quarter of the previous year. The slightly negative earnings effect in the reporting period is attributable to the increased sale of apartments in residential construction projects.

Personnel expenses rose by €1.3m year-on-year to €8.6m (Q1 2019: €7.2m), in part due to a hotel operation in Poland which has not yet been transferred to UBM Hotels. The valuation of the UBM share option programme, which was approved by the Annual General Meeting in May 2017, added €0.2m to personnel expenses (Q1 2019: €0.3m). The UBM Group companies included in the consolidation employed a total workforce of 392 at the end of March 2020, which roughly reflects the level at year-end 2019 (31 December 2019: 389).

EBITDA rose by €29.0m to €42.6m in the first quarter of 2020. Depreciation and amortisation amounted to €1.0m and were slightly lower than the first quarter of 2019 (€1.2m). EBIT increased by €29.2m to €41.7m in the first quarter of 2020 (Q1 2019: €12.5m). Financial income rose to €2.5m (Q1 2019: €1.8m). No income from share deals was recognised in the first quarters of 2020 or 2019. Financial costs declined from €6.4m to €4.9m, whereby neither the reporting period nor the comparable prior year period include material impairment losses.

EBT increased by a significant €31.4m to €39.3m (Q1 2019: €7.9m) and was supported chiefly by the sale of an interest in a Munich project. Tax expense equalled €16.4m in the first quarter of 2020, which represents a tax rate of 41.7% (Q1 2019: 25.6%). The substantial increase in the tax rate is mainly attributable to a higher earnings contribution from Germany combined with tax effects from at-equity profits.

Profit for the period (net profit after tax) totalled €22.9m and was €17.0m higher than the first quarter of 2019 (€5.9m). Net profit attributable to the shareholders of the parent company amounted to €20.5m in the first quarter of 2020 (Q1 2019: €4.1m). Beginning with the 2020 financial year, the calculation of net profit attributable to the shareholders of the parent company will include a deduction for the share attributable to the hybrid capital holders; the comparative prior year data were adjusted accordingly. The share attributable to the hybrid capital holders equalled €1.7m in the first quarter of both 2019 and 2020. The resulting earnings per share rose from €0.55 in the first quarter of 2019 to €2.74 in the reporting period.

Asset and financial position

Total assets recorded by the UBM Group rose by €31.8m over the level at year-end 2019 to €1,348.2m as of 31 March 2020, chiefly as the result of valuation adjustments to investment properties. The carrying amount of investment properties increased by €64.7m to €532.3m at the end of the reporting period. At the same time, property, plant and equipment declined slightly by €2.4m to €37.8m. A major component of this position involves the capitalised rights of use from lease liabilities, which totalled €34.3m as of 31 March 2020.

The carrying amount of the investments in equity-accounted companies totalled €111.6m at the end of March 2020 and was €22.9m below the level on 31 March 2019. Project financing increased by €23.6m to €204.8m at the end of the first quarter of 2020.

Current assets amounted to €428.1m at the end of the reporting period, which represents a decline of €40.0m in comparison with year-end 2019. Cash and cash equivalents were €25.3m lower because the proceeds from property sales were exceeded by increased investments in ongoing projects during the first three months of 2020. Moreover, tax payments of €11.4m were made during the reporting period. Cash and cash equivalents were still at a high level of €187.0m by the end of March 2020.

Inventories totalled €121.6m at the end of March 2020 (31 December 2019: €128.2m). This position includes miscellaneous inventories as well as specific residential properties under development which are designated for sale. Trade receivables declined slightly from €103.3m at year-end 2019 to €99.4m as of 31 March 2020. 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.

The substantial improvement in earnings during the reporting period led to an increase of €20.9m in equity over the level at year-end 2019 to €483.3m as of 31 March 2020. This amount does not include the dividend for the 2019 financial year which will be paid on 5 June 2020. The equity ratio equalled 35.9% at the end of March 2020 and exceeded the upper end of the 30–35% target range (31 December 2019: 35.1%).

Bond liabilities generally reflected the year-end 2019 level with €485.2m as of 31 March 2020 (31 December 2019: €484.7m). Financial liabilities (current and non-current) declined by €7.3m during the reporting period to €212.5m. Trade payables amounted to €56.9m at the end of March 2020 (31 December 2019: €57.2m) and consisted mainly of outstanding payments for subcontractor services. Other financial liabilities (current and non-current) rose from €25.6m as of 31 December 2019 to €30.7m. Deferred taxes and current taxes payable amounted to €50.2m (31 December 2019: €41.6m) based on the sound development of earnings.

Net debt rose from €442.4m as of 31 December 2019 to €463.2m as of 31 March 2020. This increase reflected the quarter-on-quarter decline in cash and cash equivalents that was caused primarily by investments and tax payments. Net debt represents current and non-current bonds and financial liabilities, excluding lease liabilities, less cash and cash equivalents.

Cash flow

Operating cash flow totalled €–5.7m in the first quarter of 2020 (Q1 2019: €6.7m). Material fair value adjustments included in profit for the reporting period were excluded from operating cash flow because of their non-cash character. Operating cash flow was increased by substantially higher dividends from companies accounted for at equity.

Cash flow from operating activities improved from €–35.5m in the first quarter of 2019 to €11.0m. The payment of tax liabilities totalling €11.4m led to a reduction in cash flow, which was contrasted by a decrease of €6.6m in inventories and €6.4m in receivables. These latter amounts include cash inflows of €5.0m from the sale of inventories. The additions to real estate inventories totalled €1.2m, and the additions to real estate receivables equalled €12.0m.

Cash flow from investing activities totalled €–24.0m in the first quarter of 2020 (Q1 2019: €3.4m). Investments in project financing amounted to €38.5m, and investments in property, plant and equipment, investment property and financial assets reached €11.3m. Contrasting factors included cash inflows of €15.6m from the repayment of project financing and cash inflows of €9.3m from the disposal of tangible assets/investment properties and financial assets.

Cash flow from financing activities amounted to €–11.8m in the first quarter of 2020 (Q1 2019: €–5.5m). Loans totalling €11.5m were repaid during the reporting period, while new borrowings equalled €6.8m. Interest on the hybrid bond issued in 2018 equalled €5.5m, as in the previous year, and distributions of €1.6m were made to non-controlling shareholders of subsidiaries.

Outlook

The IMF is forecasting a recession for 2020 in its April report with a decline of 3.0% for the global economy as a parallel effect of the COVID-19 pandemic – but this downturn is also expected to be followed by a return to growth in 2021. The decline in the eurozone is projected to be stronger than the global economy in 2020 because of the measures introduced to limit the spread of the virus. The European Commission is estimating a sharp drop of 7.7% for the full 12 months of 2020. In view of these developments, the European Central Bank (ECB) is continuing to hold interest rates low and has taken further steps, e.g. extensive bond purchases, to ease monetary policy. Reliable estimates of the quantitative effects on the individual economic sectors are not possible at the present time, however, due to the uncertainties surrounding the extent and duration of the pandemic. This volatile environment has increased the focus on corporate liquidity and risk positions.[1,2,3]

UBM's liquidity position was sound at the end of the reporting period, with cash and cash equivalents totalling €187.0m as of 31 March 2020. However, the extent of the effects on UBM's business environment from the pandemic and the resulting economic distortions cannot be estimated at the present time. The Management Board has simulated various scenarios and expects significant short- to medium-term variances in the expected cash inflows and necessary expenditures. A large part of the expected cash inflows for 2020 has already been secured through forward sales, but increased attention has been given to internal cash management to allow for flexible reactions to deviations at all times. Expenses can also be influenced over the short-term through the delay or cancellation of projects and the later start of development work. This flexibility leads to the conclusion, from the current point of view, that UBM's liquidity position can be considered secure under each of the scenarios evaluated for 2020.

[1] IMF: World Economic Outlook – The Great Lockdown – April 2020,
[2] European Commission: European Economic Forecast – Spring 2020
[3] ECB: Our response to the coronavirus – 19 March 2020

UBM has a comparatively high liquidity buffer and, at the same time, a flat repayment profile for its bonds and promissory note loans, with repayments of only €50m in December 2020 and a further €50m in November 2021. Consequently, the fluctuations expected at the present time can be offset by the liquidity reserve. Management has also responded systematically to the current economic situation, in part through instruments like short-time work in individual countries.

Serious forecasts over the development of earnings in 2020 are impossible at the present time because of the uncertain market environment. Current travel restrictions have had a direct negative effect on UBM's hotel leasing business. Moreover, valuation adjustments based on the COVID-19 pandemic and its effects on the real estate market can be expected during the course of this year, but were impossible to accurately estimate at the end of the first quarter due to the uncertainties surrounding the further development of the pandemic. Positive effects on earnings development are provided by the high level of sales for the properties which will be completed in 2020. All hotel and office properties have already been forward sold to partners with sound credit ratings, and considerable progress has also been made on the sale of apartments. Consequently, property development is expected to generate cash inflows as well as a corresponding earnings contribution in 2020. Sales activities for the properties scheduled for completion during or after 2021 could, however, be delayed because of the uncertain market environment. Earnings in 2020 are therefore expected to be lower than the record 2019 financial year. A more precise forecast will only be possible later this year due to the substantial uncertainty, also over short-term developments.

A longer recession over more than four quarters, coupled with long-term travel restrictions, reserved consumer spending and extensive corporate cost-cutting programmes, carries inherent risks for UBM, for which the company is making consequent preparations. Alternatively, a rapid recovery after three to four quarters would create opportunities for UBM because companies with sound liquidity can benefit from market shakeouts in the sector. The likely continuation of the low interest environment for many years could further lack of investment alternatives and increase the demand for real estate.

Risk Report

The risks which have, or could have, a significant impact on UBM Development AG are discussed in the 2019 Annual Report on pages 60 to 63. 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 2019 financial year. Therefore, the statements in the 2019 Annual Report/risk report still apply without exception.

This risk report also addresses the risks associated with the COVID-19 pandemic. The global measures introduced to combat infections with the coronavirus have led to the substantial reduction or stillstand of social and economic activities in many regions of the world, including UBM's markets. An impact on economic development in these markets can be expected – and will touch nearly all areas of the economy, together with the real estate sector. The extent of these effects is impossible to estimate at the present time.

The uncertainty over the extent and duration of the crisis as well as the resulting developments make it impossible to issue any serious and reliable estimates over the possible quantitative impact on UBM's business activities. The impact of the government measures introduced to date and their effects on the economy can, however, already be considered significant.

The impact and entrepreneurial risks arising from the COVID-19 pandemic have an influence on UBM's current business model over the short-term (up to year-end 2020), medium-term (up to year-end 2021) and possibly also after that time. UBM's hotel leasing business – where hotels are operated together with a partner (50% interest) – is directly affected. The temporary closing of hotels in reaction to the COVID-19 pandemic has led to significant cancellations and lost earnings. If the pandemic-related travel restrictions continue beyond the summer of 2020 or longer, or if this leads to a general change in travel habits, a decline in earnings from the hotel leasing business below the originally forecasted plans can also be expected over the medium- and long-term. Lost rental income from the standing assets cannot be offset over the short-term, but UBM has substantially reduced its share of these assets in recent years and the focus on property development represents an advantage in this regard.

The impact on the sale of projects currently under development involves the medium- to long-term. All hotel and office properties scheduled for completion in 2020 have been forward sold. Effects on the forward sold properties are conceivable if the buyers' credit standing is so severely impaired by the COVID-19 crisis that the agreed sale price can no longer be paid. A major share of the residential properties which will be completed in 2020 and are designated for sale through individual transactions have also been sold. Potential construction delays of several weeks are equipped with a buffer through corresponding "long-stop dates" for the transfer, but longer delays cannot be excluded due to the uncertainty surrounding the duration and the extent of measures and, in an extreme case, would trigger a right of withdrawal for previously sold properties. Financing for pipeline projects in a very early stage of development could be more difficult to obtain, depending on the effects of COVID-19 on the banking sector. In an extreme case, this could result in slower-than-planned progress on construction due to liquidity shortages and work could also be suspended or not start at all. Based on the uncertain economic environment, the foreign exchange risk connected with the Polish zloty and Czech krone is still considered high in 2020, and the exchange rates are currently subject to high volatility.

A major medium-term risk involves the general development of investors' demand for real estate. This demand is influenced, on the one hand, by the prevailing interest environment and alternative investment opportunities and, on the other hand by investors' assessment of the risk connected with the individual asset classes. The general assumption is that investors will require a higher risk premium for each asset class and, in addition, will become more selective. The office asset class is influenced primarily by global economic developments, the residential asset class by the demand for housing and the hotel asset class by business travel and tourism. If the current COVID-19 pandemic does not lead to a fundamental, long-term change in consumer behaviour throughout Europe, it can be assumed that the megatrend towards urbanisation will continue to support the demand in all UBM asset classes.

Vienna, 26 May 2020

The Management Board

Thomas G. Winkler
CEO

Martin Löcker
COO

Patric Thate
CFO

Consolidated Income Statement
from 1 January to 31 March 2020

in T€	1–3/2020	1–3/2019
Revenue	41,276	36,030
Changes in the portfolio	–653	3,980
Share of profit/loss from companies accounted for at equity	–4,714	–380
Income from fair value adjustments to investment property	69,853	7,022
Other operating income	2,245	701
Cost of materials and other related production services	–31,235	–18,616
Personnel expenses	–8,555	–7,221
Expenses from fair value adjustments to investment property	–91	–5
Other operating expenses	–25,495	–7,873
EBITDA	**42,631**	**13,638**
Depreciation and amortisation	–971	–1,187
EBIT	**41,660**	**12,451**
Financial income	2,595	1,854
Financial costs	–4,931	–6,409
EBT	**39,324**	**7,896**
Income tax expenses	–16,411	–2,019
Profit for the period (net profit)	**22,913**	**5,877**
of which: attributable to shareholders of the parent	**20,490**	**4,085**
of which: attributable to holder of hybrid capital	1,734	1,736
of which: attributable to non-controlling interests	689	56
Basic earnings per share (in €)	**2.74**	**0.55**
Diluted earnings per share (in €)	**2.73**	**0.55**

Consolidated Statement of Comprehensive Income

from 1 January to 31 March 2020

in T€	1–3/2020	1–3/2019
Profit for the period (net profit)	**22,913**	**5,877**
Other comprehensive income		
Currency translation differences	3,378	–131
Other comprehensive income which can subsequently be reclassified to profit or loss (recyclable)	**3,378**	**–131**
Other comprehensive income of the period	**3,378**	**–131**
Total comprehensive income of the period	**26,291**	**5,746**
of which: attributable to shareholders of the parent	23,868	3,952
of which: attributable to holder of hybrid capital	1,734	1,736
of which: attributable to non-controlling interests	689	58

Consolidated Statement of Financial Position

as of 31 March 2020

in T€	31 March 2020	31 December 2019
Assets		
Non-current assets		
Intangible assets	2,726	2,747
Property, plant and equipment	37,801	40,242
Investment property	532,270	467,740
Investments in companies accounted for at equity	111,624	134,484
Project financing	204,788	181,157
Other financial assets	12,605	11,501
Financial assets	3,408	3,412
Deferred tax assets	14,743	10,088
	919,965	**851,371**
Current assets		
Inventories	121,576	128,169
Trade receivables	99,386	103,294
Financial assets	6,942	9,716
Other receivables and assets	13,102	8,751
Cash and cash equivalents	187,044	212,384
Assets held for sale	-	2,704
	428,050	**465,018**
Assets total	**1,348,015**	**1,316,389**
Equity and liabilities		
Equity		
Share capital	22,417	22,417
Capital reserves	98,954	98,954
Other reserves	230,635	205,147
Hybrid capital	126,549	130,315
Equity attributable to shareholders of the parent	**478,555**	**456,833**
Equity attributable to non-controlling interests	4,742	5,673
	483,297	**462,506**
Non-current liabilities		
Provisions	8,216	6,759
Bonds	435,467	435,018
Financial liabilities	178,379	186,145
Other financial liabilities	1,319	1,306
Deferred tax liabilities	28,364	8,327
	651,745	**637,555**
Current liabilities		
Provisions	736	686
Bonds	49,746	49,713
Financial liabilities	34,110	33,680
Trade payables	56,946	57,199
Other financial liabilities	29,391	24,263
Other liabilities	20,256	17,563
Taxes payable	21,788	33,224
	212,973	**216,328**
Equity and liabilities total	**1,348,015**	**1,316,389**

Consolidated Statement of Cash Flows

from 1 January to 31 March 2020

in T€	1–3/2020	1–3/2019
Profit for the period (net profit)	22,913	5,877
Depreciation, impairment and reversals of impairment on fixed assets and financial assets	–68,688	–5,921
Interest income/expense	2,300	4,647
Income from companies accounted for at equity	4,714	380
Dividends from companies accounted for at equity	15,000	-
Increase in long-term provisions	1,451	892
Deferred income tax	16,643	848
Operating cash flow	**–5,667**	**6,723**
Increase in short-term provisions	50	-
Decrease in tax liabilities	–11,436	–123
Losses/gains on the disposal of assets	–677	9
Decrease in inventories	6,593	1,784
Decrease in receivables	6,412	5,263
Increase/decrease in payables (excluding banks)	3,583	–48,290
Interest received	68	165
Interest paid	–449	–1,460
Other non-cash transactions	12,519	445
Cash flow from operating activities	**10,996**	**–35,484**
Proceeds from the sale of property, plant and equipment and investment property	3,278	409
Proceeds from the sale of financial assets	5,995	-
Proceeds from the repayment of project financing	15,647	20,247
Investments in intangible assets	-	–7
Investments in property, plant and equipment and investment property	–8,005	–11,313
Investments in financial assets	–3,257	–1,231
Investments in project financing	–38,516	–4,677
Proceeds from the sale of consolidated companies	852	-
Cash flow from investing activities	**–24,006**	**3,428**
Dividends	–5,500	–5,500
Dividends paid to non-controlling interests	–1,620	–1,800
Increase in loans and other financing	6,822	19,910
Repayment of loans and other financing	–11,527	–18,101
Cash flow from financing activities	**–11,825**	**–5,491**
Cash flow from operating activities	**10,996**	**–35,484**
Cash flow from investing activities	**–24,006**	**3,428**
Cash flow from financing activities	**–11,825**	**–5,491**
Change in cash and cash equivalents	**–24,835**	**–37,547**
Cash and cash equivalents at 1 Jan	212,384	200,447
Currency translation differences	–505	–25
Cash and cash equivalents at 31 March	**187,044**	**162,875**
Taxes paid	11,204	1,294

Consolidated Statement of Changes in Equity

as of 31 March 2020

in T€	Share capital	Capital reserves	Remeasurement of defined benefit obligations	Currency translation reserve
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 capital	-	-	-	-
Balance as of 31 March 2019	**22,417**	**98,954**	**–3,066**	**–2,103**
Balance as of 31 December 2019	**22,417**	**98,954**	**–3,651**	**–2,294**
Total profit/loss for the period	-	-	-	-
Other comprehensive income	-	-	-	3,378
Total comprehensive income for the period	-	-	-	3,378
Dividend	-	-	-	-
Equity-settled share options	-	-	-	-
Income taxes on interest for holders of hybrid capital	-	-	-	-
Balance as of 31 March 2020	**22,417**	**98,954**	**–3,651**	**1,084**

Available-for-sale securities - fair value reserve	Other reserves	hybrid capital	Equity attributable to equity holders of the parent	Non-controlling interests	Total
-	**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**
-	**211,092**	**130,315**	**456,833**	**5,673**	**462,506**
-	20,490	1,734	22,224	689	22,913
-	-	-	3,378	-	3,378
-	20,490	1,734	25,602	689	26,291
-	-	–5,500	–5,500	–1,620	–7,120
-	245	-	245	-	245
-	1,375	-	1,375	-	1,375
-	**233,202**	**126,549**	**478,555**	**4,742**	**483,297**

Segment Reporting[1]

from 1 January to 31 March 2020

	Germany		Austria	
in T€	1-3/2020	1-3/2019	1-3/2020	1-3/2019
Total Output				
Residential	12,143	16,331	3,831	6,390
Hotel	4,729	5,750	2,052	2,289
Office	-	-	16,819	116
Other	1,835	2,026	9,157	4,049
Service	2,192	2,658	7,113	6,461
Total Output	**20,899**	**26,765**	**38,972**	**19,305**
Less revenue from associates and companies of minor importance and from performance companies as well as changes in the portfolio	–6,411	–17,060	–33,401	–5,769
Revenue	**14,488**	**9,705**	**5,571**	**13,536**
Residential	51,079	1,008	–816	1,542
Hotel	–909	274	–1,442	402
Office	106	3,785	2,124	–70
Other	13,393	–582	–2,228	–1,013
Service	93	63	–207	691
Total EBT	**63,762**	**4,548**	**–2,569**	**1,552**

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

Poland		Other markets		Group	
1–3/2020	1–3/2019	1–3/2020	1–3/2019	1–3/2020	1–3/2019
-	-	212	85	16,186	22,806
8,142	11,080	1,237	4,879	16,160	23,998
7,202	2,643	4,852	267	28,873	3,026
569	568	429	190	11,990	6,833
3,178	5,270	626	581	13,109	14,970
19,091	**19,561**	**7,356**	**6,002**	**86,318**	**71,633**
–6,901	–7,353	1,671	–5,421	–45,042	–35,603
12,190	**12,208**	**9,027**	**581**	**41,276**	**36,030**
–5,002	–734	–4,131	–1,553	41,130	263
459	521	–894	5,974	–2,786	7,171
–7,357	–560	260	–138	–4,867	3,017
–4,454	–924	385	–296	7,096	–2,815
–103	66	–1,032	–560	–1,249	260
–16,457	**–1,631**	**–5,412**	**3,427**	**39,324**	**7,896**

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 in accordance with IAS 34, Interim Financial Reporting, based on the International Financial Reporting Standards (IFRS) which were issued by the International Accounting Standards Board (IASB) and adopted by the European Union as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). The applied accounting principles also include the standards which required mandatory application as of 1 January 2020.

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 field. 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 59 (31 December 2019: 59) domestic and 83 (31 December 2019: 81) foreign subsidiaries. Two companies were founded and initially consolidated during the reporting period (see note 2.1.).

In addition, 32 (31 December 2019: 32) domestic and 23 (31 December 2019: 22) foreign associates and joint ventures were accounted for at equity. Two companies were initially included following their acquisition and one company was sold during the first quarter of 2020.

2.1. Initial consolidation

The following companies were initially included through full consolidation during the reporting period.

Due to new foundations	Date of initial consolidation
Astrid Office s.r.o.	1.2.2020
Frauentorgraben GmbH & Co. KG	11.2.2020

No material assets or liabilities were recognised in connection with these consolidations.

3. Accounting and valuation methods

These consolidated interim financial statements are based on the same accounting and valuation methods applied in preparing the consolidated financial statements of 31 December 2019, 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 2020 and had no material effect on the consolidated interim financial statements.

New or revised standard	Date of publication by IASB	Date of adoption into EU	Date of initial application
Amendments 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: updating or clarifying which version of the conceptual framework they relate to	29.3.2018	29.11.2019	1.1.2020
Changes to IFRS 3: Definition of a Busines	22.10.2018	21.4.2020	1.1.2020
Amendments to IAS 1 and IAS 8: Definition of materiality	31.10.2018	29.11.2019	1.1.2020
Changes to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	26.9.2019	15.1.2020	1.1.2020

The following standards and interpretations were published after the preparation of the consolidated financial statements as of 31 December 2019. They do not yet require mandatory application and have not yet been adopted into EU law.

New or revised standard	Date of publication by IASB	Date of adoption into EU law	Date of initial application
Changes to IFRS 17 – Insurance Contracts	18.5.2017	-	1.1.2021
Changes to IAS 1: Classification of Liabilities as Current or Non-Current	23.1.2020	-	1.1.2022

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 will be asked to approve a recommendation to distribute a dividend of €2.20 per share for the 2019 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 5 June 2020.

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 - 3/2020**	**1 - 3/2020**	**1 - 3/2020**	**1 - 3/2020**	**1 - 3/2020**
Revenue					
Residential	9,165	755	1	212	10,133
Hotel	2,156	-	9,690	256	12,102
Office	3	17	1,394	4,849	6,263
Other	1,325	253	709	226	2,513
Service	1,839	4,546	396	3,484	10,265
Revenue	**14,488**	**5,571**	**12,190**	**9,027**	**41,276**
Recognition over time	11,250	4,177	5,101	-	20,528
Recognition at a point in time	3,238	1,394	7,089	9,027	20,748
Revenue	**14,488**	**5,571**	**12,190**	**9,027**	**41,276**

	Germany	Austria	Poland	Other Markets	Group
in T€	**1 - 3/2019**	**1 - 3/2019**	**1 - 3/2019**	**1 - 3/2019**	**1 - 3/2019**
Revenue					
Residential	3,746	6,354	3	85	10,188
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
Service	2,337	5,773	1,661	188	9,959
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

	1–3/2020	1–3/2019
Share of profit for the period attributable to shareholders of the parent, incl. interest on hybrid capital (in T€)	22,224	5,821
Less interest on hybrid capital	–1,734	–1,736
Proportion of profit for the period attributable to shareholders of the parent (in T€)	20,490	4,085
Potential shares		
Weighted average number of shares issued (=number of basic shares)	7,472,180	7,472,180
Average number of share options outstanding	45,646	-
Number of shares diluted	7,517,826	7,472,180
Prior basic earnings per share (in €)	**2.97**	**0.78**
Prior diluted earnings per share (in €)	**2.96**	**0.78**
New basic earnings per share (in €)	**2.74**	**0.55**
New diluted earnings per share (in €)	**2.73**	**0.55**

The accounting method for the calculation of earnings per share was changed in 2020. The provisions of IAS 33 concerning the presentation of hybrid financing in equity were subject to differing interpretations by the market in the past. UBM decided to adapt its calculation to the market interpretation beginning in 2020 and is now allocating the interest attributable to the hybrid capital directly to the hybrid capital holders. This leads to a corresponding reduction in the earnings attributable to shareholders.

8. Non-current assets held for sale

UBM had no non-current assets classified as held for sale as of 31 March 2020. 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 2020	€ 31 March 2020	Number 31 Dec 2019	€ 31 Dec 2019
Ordinary bearer shares	7,472,180	22,416,540	7,472,180	22,416,540

10. Authorised capital, conditional capital and treasury shares

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

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

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

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

In order to service the stock options granted within the framework of the Long-Term Incentive Programme 2017 (LTIP), the Management Board was additionally authorised, under Section 4 Para. 6 of the Statutes and in accordance with Section 159 Para. 3 of the Austrian Stock Corporation Act, 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.

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 22,500 stock options were granted during the 2018 and 2019 financial years. A total of 42,000 options expired following the resignation of the respective key employees from UBM. The strike price equals €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€2,825 (2019: T€2,825). 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 (4.20%) and a risk-free interest rate (0.00%).

The stock options were revalued as of 30 September 2019 due to the planned expansion of the programme, whereby the above-mentioned contractual framework and exercise conditions remained unchanged. The following parameters were used for the valuation model (Monte Carlo simulation) to calculate fair value: strike price (€36.33), term of the option (9/2019 to 10/2021), share price on the valuation date as of 30 September 2019 (€42.10), expected daily volatility of the share price (1.71%), expected dividends (4.80%), risk-free interest rate (0.00%).

The following resolutions were passed at the 138th Annual General Meeting on 29 May 2019:

The authorisations of the Management Board to purchase, sell and/or use treasury shares, which were passed by the Annual General Meeting on 23 May 2017, were revoked. At the same time, the Management Board was authorised in accordance with Section 65 Para. 1 Nos. 4 and 8 as well as Paras. 1a and 1b of the Austrian Stock Corporation Act 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. The compensation for these purchases may not be lower than €3.00 and not higher than 10% above the average, unweighted market price on the ten stock exchange trading days prior to the transaction. The shares can be repurchased over the stock exchange, through a public offering or in another legally admissible, expedient manner, above all through off-market transactions or from individual shareholders who are willing to sell (negotiated purchase) and also under the exclusion of the proportional sale rights that can result from this type of purchase (reverse exclusion of subscription rights). The Management Board was also authorised to determine the respective repurchase conditions, whereby the related resolution of the Management Board and resulting share buyback programme, including its duration, must be published in accordance with legal regulations. The authorisation can be used in whole or in part, also in multiple tranches and in pursuit of one or more objectives by the company, by a subsidiary (Section 189a of the Austrian Commercial Code) or by third parties for the account of the company. Trading in treasury shares is excluded as an objective of the repurchase programme.

The Management Board was also authorised to sell or use treasury shares in another manner than over the stock exchange or through a public offering, in agreement with the Supervisory Board, for a period of five years beginning on the date the resolution was passed. This authorisation can be used in whole or in part, also in multiple tranches and in pursuit of one or more objectives. The proportional purchase rights of shareholders in connection with the sale or use in another manner than over the stock exchange or through a public offering were excluded (exclusion of subscription rights). Moreover, the Management Board was authorised to withdraw treasury shares without a further resolution of the Annual General Meeting, in agreement with the Supervisory Board. The Supervisory Board was authorised to pass resolutions on amendments to the statues arising from the withdrawal of treasury shares.

The share options developed as follows:

Number of share options	2020	2019
Balances as of 1 Jan	**355,630**	**387,630**
Options granted	-	10,000
Options forfeited	-	–42,000
Options exercised	-	-
Balance as of 31 March/31 Dec	**355,630**	**355,630**

11. Hybrid capital and hybrid bond

The merger of PIAG as the transferring company and UBM as the absorbing company led to the transfer of hybrid capital totalling €25.3m, which was issued by PIAG in November 2014, 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. Notes on segment reporting

Segment reporting is based on geographical regions in accordance with the internal organisational structure of the UBM Group. The individual development companies in a segment are combined into groups for the purpose of segment reporting. Each of these groups constitutes a business area (asset class) in the UBM Group.

Segment reporting was changed to reflect the new internal reporting and management structure of the UBM Group. The comparative data were adjusted retrospectively to reflect the new structure. As part of this changeover, the administration and service areas were combined into a single asset class.

13. 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 2020 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 2020	Measurement in acc. with IFRS 9: (Amortised) cost	Fair value (other comprehensive income)	Fair value (through profit or loss)	Fair value hierarchy	Fair value as of 31 March 2020
Assets							
Project financing at variable interest rates	Amortised Cost	204,788	204,788	-	-	-	-
Other financial assets	Amortised Cost	8,721	8,721	-	-	Level 1	10,298
Other financial assets	FVTPL	3,096	-	-	3,096	Level 3	3,096
Other financial assets	FVTPL	788	-	-	788	Level 1	788
Trade receivables	Amortised Cost	28,467	28,467	-	-	-	-
Financial assets	Amortised Cost	10,350	10,350	-	-	-	-
Cash and cash equivalents	-	187,044	187,044	-	-	-	-
Liabilities							
Bonds at fixed interest rates	Amortised Cost	485,213	485,213	-	-	Level 1	452,246
Borrowings and overdrafts from banks							
at variable interest rates	Amortised Cost	132,933	132,933	-	-	-	-
at fixed interest rates	Amortised Cost	17,000	17,000	-	-	Level 3	16,928
Other loans and borrowings							
at fixed interest rates	Amortised Cost	15,110	15,110	-	-	Level 3	15,496
Lease liabilities	-	47,446	47,446	-	-	-	-
Trade payables	Amortised Cost	56,946	56,946	-	-	-	-
Other financial liabilities	Amortised Cost	30,710	30,710	-	-	-	-
By category:							
Financial assets at amortised cost	Amortised Cost	252,326	252,326	-	-	-	-
Financial assets at fair value through profit or loss	FVTPL	3,884	-	-	3,884	-	-
Cash and cash equivalents	-	187,044	187,044	-	-	-	-
Financial liabilities at amortised cost	Amortised Cost	737,912	737,912	-	-	-	-

in T€	Measurement category (IFRS 9)	Carrying amount as of 31 Dec 2019	Measurement in acc. with IFRS 9: (Amortised) cost	Measurement in acc. with IFRS 9: Fair value (other comprehen-sive income)	Measurement in acc. with IFRS 9: Fair value (through profit or loss)	Fair value hierarchy	Fair value as of 31 Dec 2019
Assets							
Project financing at variable interest rates	Amortised Cost	181,157	181,157	-	-	-	-
Other financial assets	Amortised Cost	8,721	8,721	-	-	Level 1	10,326
Other financial assets	FVTPL	1,889	-	-	1,889	Level 3	1,889
Other financial assets	FVTPL	891	-	-	891	Level 1	891
Trade receivables	Amortised Cost	35,913	35,913	-	-	-	-
Financial assets	Amortised Cost	13,128	13,128	-	-	-	-
Cash and cash equivalents	-	212,384	212,384	-	-	-	-
Liabilities							
Bonds at fixed interest rates	Amortised Cost	484,731	484,731	-	-	Level 1	508,836
Borrowings and overdrafts from banks							
at variable interest rates	Amortised Cost	137,952	137,952	-	-	-	-
at fixed interest rates	Amortised Cost	17,000	17,000	-	-	Level 3	16,832
Other loans and borrowings							
at fixed interest rates	Amortised Cost	15,108	15,108	-	-	Level 3	15,175
Lease liabilities	-	49,765	49,765	-	-	-	-
Trade payables	Amortised Cost	57,199	57,199	-	-	-	-
Other financial liabilities	Amortised Cost	25,569	25,569	-	-	-	-
By category:							
Financial assets at amortised cost	Amortised Cost	238,919	238,919	-	-	-	-
Financial assets at fair value through profit or loss	FVTPL	2,780	-	-	2,780	-	-
Cash and cash equivalents	-	212,384	212,384	-	-	-	-
Financial liabilities at amortised cost	Amortised Cost	737,559	737,559	-	-	-	-

14. 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 Industries 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.

15. Events after the balance sheet date

No reportable events occurred after the balance sheet date on 31 March 2020.

Vienna, 26 May 2020

The Management Board

Thomas G. Winkler
CEO

Martin Löcker
COO

Patric Thate
CFO

Financial Calendar

2020	
139th Annual General Meeting, Vienna	28.5.2020
Trading ex dividend on the Vienna Stock Exchange	3.6.2020
Dividend record date	4.6.2020
Payment date of the dividend for the 2019 financial year	5.6.2020
Interest payment on UBM bond 2015	9.6.2020
Publication of the Half-Year Report 2020	**27.8.2020**
Interest payment on UBM bond 2017	12.10.2020
Interest payment on UBM bond 2018	16.11.2020
Publication of the Q3 Report 2020	**26.11.2020**
Redemption and interest payment on UBM bond 2015	9.12.2020

Contact

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

Imprint

Media Proprietor and Publisher
UBM Development AG
Laaer-Berg-Strasse 43,
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Tel: +43 (0) 50 626-2600
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