Half-Year Report 2019

key performance indicators.

Key earnings figures (in €m)

	1-6/2019	1-6/2018	Change
Total Output[1]	182.6	552.8	–67.0%
Revenue	92.0	367.9	–75.0%
EBT	29.3	28.1	4.3%
Net profit	21.3	20.8	2.5%

Key asset and financial figures (in €m)

	30.6.2019	31.12.2018	Change
Total assets	1,253.6	1,234.7	1.5%
Equity	433.4	436.3	–0.8%
Equity ratio	34.6%	35.3%	–0.7 PP
Net debt[2]	478.3	421.9	13.4%

Key share data and staff

	30.6.2019	31.12.2018	Change
Earnings per share (in €)[3]	3.01	2.53	18.6%
Market capitalisation (in €m)	287.7	249.6	15.3%
Dividend per share (in €)[4]	2.20	2.00	10.0%
Staff[5]	376	365	3.0%

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 1–6/2019 and 1–6/2018.
4 The dividend is paid in the respective financial year, but is based on profit for the previous financial year.
5 Of which 55 employees ubm hotels in H1/2019 (2018: 52 employees)

▸ On the Cover: Holiday Inn Gdansk City Centre

UBM has developed real stars for more than 25 years. With the Holiday Inn Gdansk City Centre as its 53rd hotel project, the company has further expanded its position as the leading hotel developer in Europe.

The “FLOW” motto runs like a continuous thread throughout the entire building – from the selection of materials and colours to the furniture, lighting and furnishings. The concept was created and implemented by our own hotel interior design team. These features are enhanced by the hotel’s unique location on historic Granary Island near the old city, which alone carries the potential to become an architectonic gem in Gdansk.

contents.

at a glance.

guidance raised by 18%.
Higher earnings also in the future

pipeline at record level.
€200m more new projects

earnings per share up by 19%.
Good starting base for the second half

lowest risk premium ever.
Successful tap of bond 2018-2023

highlights.

april.

Strong demand for QBC 1&2
Nearly 50% of the 36,000m² office space in UBM's QBC 1&2 project have already been rented to first-class tenants one and a half years before completion. Investors' interest in this currently most popular office location in Vienna has also risen substantially in recent months.

Completion of the Storchengrund property
West of the city centre in Vienna's 15th District, 82 privately financed rental apartments were completed at the beginning of the second quarter. The entire property has already been sold to the Hamburger Trust Group.

may.

Record dividend of €2.20
UBM's 138th Annual General Meeting on 29 May 2019 approved the distribution of a €2.20 dividend per eligible share for the 2018 financial year. This is a sign of recognition for the best year in the company's 145-year history.

Completion of the QBC 6.2.
The QBC 6.2. with its 131 serviced apartments was sold in 2017 and completed this year in May. Embedded in the new Quartier Belvedere Central (QBC) at the main railway station, the property combines hotel service with an individual lifestyle and offers optimal connections to the local and long-distance transport networks.

june.

Opening of the Holiday Inn in Gdansk
At the end of June, UBM celebrated the opening of the Holiday Inn together with the hotel operator IHG and the new owner Union Investment. The selected guests included Gdansk's Mayor Aleksandra Dulkiewicz and former Polish President Lech Walesa.

Tap of the 3.125% bond
UBM tapped its 3.125% corporate bond 2018–2023 by €45m through a private placement up to a total volume of €120m. The proceeds will be used to restructure existing financing and, in addition, will create room for investments in new projects.

management's introduction.

Dear Shareholders,
Dear Stakeholders.

The first half of 2019 was so successful that we were able to raise our year-end guidance for EBT by 18% to €65m. The reason for this step lies in our successful sales activities. By the time these six-month results are announced, we have already signed all trade sales set for 2019 as well as the most important forward sale planned for 2019. The QBC 1&2, the final and largest part of our successful project, the Quartier Belvedere Central (QBC), in Vienna's new "financial district" has been sold a year and a half before completion – in total, the sale proceeds for this urban quarter development amounted to over €450m. However, what is even more important for the future is our pipeline for the next three and a half years: It has grown to a new record level of €2 bn and includes 16 new hotels with more than 4,000 rooms and 3,500 apartments in the high-demand cities of Vienna, Berlin, Munich and Prague.

Our results for the first half-year show that we only promise what we can deliver. Earnings before tax are slightly higher than the previous year at €29.3m, and earnings per share rose by a significant 18.6% year-on-year to €3.01. UBM's financial strength is also underscored by an equity ratio of 35%, a standing that is not only valued by our shareholders but also by our creditors. Our risk premium on bonds has dropped by almost half in recent years and equalled 250 basis points when we recently tapped our 2018 bond. We are currently able to refinance at more favourable rates than ever before. And that also represents a major competitive advantage which supports our common goal – to increase the value of the company based on the share price.

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

one share.

Stock exchange developments

The international stock markets continued to recover from the previous year's declines in 2019. The MSCI World global index increased by 15.6% during the first half year, and the leading EURO STOXX 50 rose by 15.7% over the level at the end of 2018. The German DAX outperformed both international indexes with an increase of 17.4% during this same period. The Austrian ATX recorded substantial share price gains at the beginning of the year, but momentum slowed slightly during the second quarter. In total, the leading Austrian index increased by 8.4% in the first half of 2019 and closed slightly under 3,000 points at the end of June. Global trade conflicts represent one of the major risks for the international financial markets due to their potential impact on export-oriented economies like Austria.

The UBM share

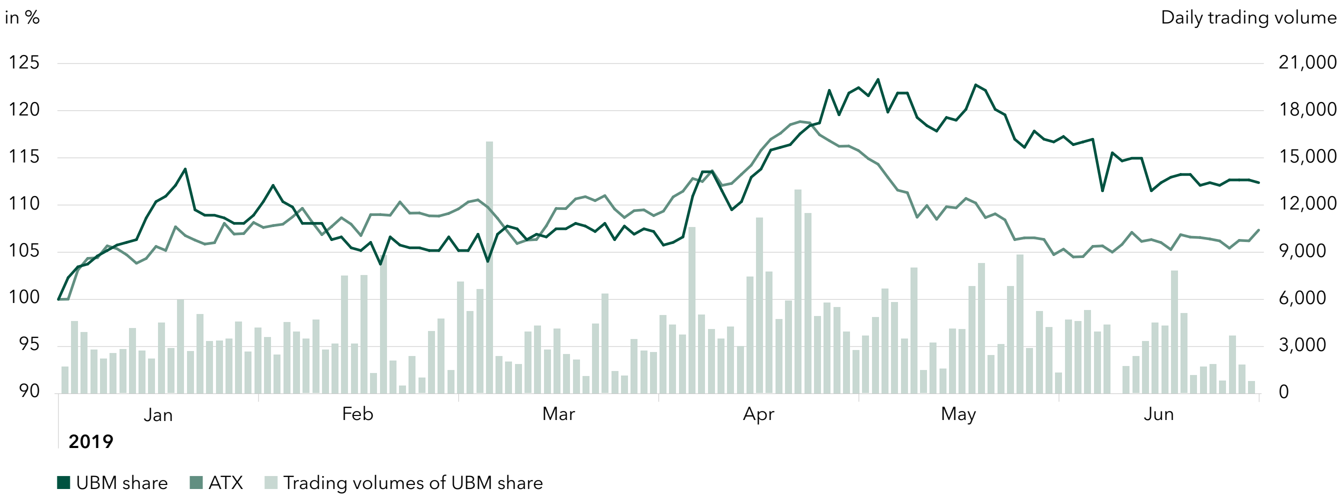
The UBM share has been listed on the Vienna Stock Exchange since 10 April 1873 and in the prime market, the top segment of the Vienna Stock Exchange, since August 2016. The share is also included in the IATX real estate stock index.

The positive trend continued from the first quarter into the second quarter of 2019, whereby the development of the UBM share – like the entire market – was characterised by high volatility. UBM outpaced the ATX with an increase of 15.3% from the end of 2018 to 30 June 2019. The record results reported for the 2018 financial year and the announcement of a record dividend of €2.20 per share triggered a sharp rise in the share price beginning in mid-April. The reporting period high was reached at the beginning of May with €42.3. Following the payment of the record dividend at the beginning of June, the share levelled off at roughly €38.5 and closed the first half of 2019 at this price. The average daily trading volume on the Vienna Stock Exchange equalled 4,039 in the first half of 2019.

Shareholder structure

The share capital of UBM Development totalled €22,416,540 as of 30 June 2019 and is divided into 7,472,180 shares. The syndicate comprising the IGO-Ortner Group and the Strauss Group held an unchanged 38.8% of the shares outstanding as of the reporting date. In addition, the IGO-Ortner Group held 5.8% outside the syndicate and Jochen Dickinger, a private investor, held 5.0%. Free float comprised 50.4% of the shares and included the 3.7% of the shares held by the Management and Supervisory Boards. Most of the remaining free float is held by investors in Austria (38%), Germany (35%) and the UK (13%).

Performance of the UBM share vs. indexes and trading volumes from January to June 2019



one group.

General economic environment

Global economic trends reflected the second half of the previous year with reserved growth in the first six months of 2019. This general loss of momentum resulted primarily from concerns over the further escalation of international trade conflicts, political uncertainty that includes a "no deal" Brexit, a stronger decline in the Chinese economy and corrections on the financial markets. Forecasts by the ECB, OECD and the European Commission estimate global growth at 3.2% to 3.3% in 2019 and 3.4% to 3.6% in 2020.

The European economy remained robust despite the tense global environment, with growth exceeding expectations in the face of difficult conditions. The strong domestic economy and continued low-interest policy are expected to support moderate growth of 1.2% in 2019 and 1.4% in 2020. In Germany, real GDP growth weakened somewhat in the course of the year after a stronger first quarter. Real growth is projected to reach 0.5% in 2019 and 1.5% in 2020.

The slowdown in the global economy has also been responsible for weakness in Austria, but sound domestic demand has limited the effects. The Austrian National Bank is expecting real GDP growth of 1.5% in 2019 and 1.6% in 2020. Growth in the CEE/SEE region should average 3.6%, with above-average increases in the larger countries like Poland.[1,2]

Developments on the real estate markets

The investment year began at a slower pace for the European real estate market. The transaction volume amounted to €114.3 bn in the first half of 2019, a year-on-year decline of 15%. This development was not caused by a lack of investor interest, but rather by a shortage of attractive investment properties. In contrast to the market trend, the transaction volume in the hotel asset class rose by 3% over the previous year.[3]

Germany remained the top address for investors in Europe with a commercial property transaction volume of more than €24 bn in the first half of 2019. The office segment remained the most popular commercial asset class with 49%, followed by the retail (20%), industry/logistics (10%), hotel (7%) and other (14%) segments. The top German cities were responsible for 55% of the total investment volume with €13.5 bn. The attractiveness of German properties is explained, among others, by the current investment environment. Prime yields for office properties are currently 340 basis points higher than ten-year federal bonds, which have a negative yield at the present time. This difference is the third highest in the past 30 years. With prime yields of 3.7% to 4.5%, investors in the hotel segment have been able to enjoy even higher returns. Transactions in the residential investment segment exceeded €7 bn in the first half of 2019, which represents the third best half-year results in the past decade. The demand overhang also dominated the market in this segment and led to a further decline in yields.[4,5,6]

Transactions on the Austrian investment market totalled €1.7 bn in the first half of 2019. In the comparable prior year period – whereby both 2017 and 2018 were considered unusually strong investment years – the transaction volume rose to over €2 bn. This decline reflected the lack of investment opportunities. In the course of the year the transaction volume should again rise towards €4 bn in 2019. Office properties were again the strongest asset class in the first half-year at €640m (38% of the total volume), followed by hotels at €480m (28%) and residential properties at €282m (17%).

The CEE market was led by the Czech Republic in the first half of 2019 with a year-on-year increase of 83% in commercial property transactions. Investments in this region are expected to total €11 bn in 2019.[7]

[1] Austrian National Bank: Konjunktur aktuell – June 2019
[2] European Commission: European Economic Forecast 2019 – May 2019
[3] Real Capital Analytics: Europe Capital Trends – Q2 2019

[4] Savills: Investmentmarkt Deutschland – July 2019
[5] Colliers: Investment – H1 2019
[6] BNP Paribas: Wohn-Investmentmarkt Deutschland – Q2 2019
[7] EHL: Immobilieninvestment Update – H1 2019

Business performance

UBM generated Total Output of €182.6m in the first half of 2019, compared with €552.8m in the first half of the previous year. This decline resulted primarily from lower income from property sales, which fell from €438.3m in 2018 to €99.3m. The first half of 2018 included, for example, the completion and transfer of the large-scale Leuchtenbergring project in Munich with a contribution of €180m to Total Output as well as the sale of standing assets totalling €120m, while the reporting period saw only smaller property sales and transfers that were concentrated chiefly in the residential segment. The comparatively very good results for the first half of 2019 resulted from substantial progress on various trade and forward sales which led to valuation adjustments and a subsequent increase in earnings during the reporting period but will only be reflected in Total Output during later quarters. Total Output from hotel operations fell from €53.1m to €32.6m in the first half of 2019, whereby the year-on-year decline is attributable to the sale of a 50% interest in the hotel management company.

Total Output in the **"Germany" segment** declined from €240.0m to €60.1m. In the first half of 2019, Total Output resulted primarily from the sale of a hotel in Hamburg (UBM share 40%) and the progress of construction on the forward sold Super 8 Mainz Zollhafen hotel and on previously sold apartments from projects in Berlin, Mainz and Hamburg. A year-on-year comparison shows a decline in general contractor and project management services as well as a lower contribution from hotel operations.

The **"Austria" segment** reported Total Output of €63.8m, which was generated primarily in the residential business. The largest effect resulted from the Storchengrund residential project in Vienna following its sale and transfer to an institutional investor during the reporting period. Apartments in previously completed projects in Vienna, Salzburg and Tyrol were also sold during the first half of this year. In addition, progress was made on the adjustment of the property portfolio with the sale of smaller logistics properties near Graz. Total Output in the comparable prior year period amounted to €138.0m and included the sale of a standing asset hotel and two large residential projects in Vienna.

In the **"Poland" segment**, Total Output for the first half-year fell from €154.9m in 2018 to €38.4m. Results for the previous year included the sale of the Holiday Inn Warsaw City Centre and the Pegaz office standing asset in Wroclaw. A positive effect in the reporting period was created by the completion of the forward sold Holiday Inn Gdansk City Center, whereby the results were included in Total Output on a proportional basis during earlier quarters based on the progress of construction. The Total Output from hotel operations was also lower in the first half of 2019.

The **"Other Markets" segment** generated Total Output of €20.3m in the first half of 2019, compared with €19.9m in the first half of the previous year. Total Output for the reporting period resulted primarily from hotel revenue in France and the Netherlands as well as the sale of land in Romania.

Total Output by region

in € m	1–6/2019	1–6/2018	Change
Germany	60.1	240.0	-74.9%
Austria	63.8	138.0	-53.8%
Poland	38.4	154.9	-75.2%
Other markets	20.3	19.9	2.2%
Total	**182.6**	**552.8**	**-67.0%**

The **"Hotel" segment** reported Total Output of €70.1m, compared with €201.3m in the first half of 2018. Hotel operations were responsible for nearly half of these results in the reporting period – Total Output in the hotel operations business amounted to €32.6m, which represents a year-on-year decline of 38.6%. This reduction is attributable, above all, to the sale of a 50% interest in the hotel management company. The sale of a hotel in Hamburg, the completion of a hotel in Gdansk and the progress of construction on the forward sold hotel project in Mainz also had a positive effect on Total Output in the first half of 2019, while the comparable prior year period was influenced by the sale of hotels in Munich, Warsaw and Linz.

Total Output in the **"Residential" segment** amounted to €44.3m, compared with €101.5m in the previous year. The first half of 2018 included the completion of two larger residential construction projects in Vienna, while Total Output in the reporting period was based primarily on the progress of construction on already sold apartments from projects in Berlin, Hamburg and Mainz. The first half of 2019 also included the sale of apartments from previously completed projects in Vienna, Salzburg and Tyrol.

In the **"Office" segment**, Total Output equalled €6.7m in the first half of 2019, compared with €193.9m in the previous year. The decline is a result of timing effects. The first half of the previous year included the sale of the Pegaz standing asset in Poland and the large-scale Leuchtenbergring project in Munich as well as the progress of construction on the Zalando headquarters in Berlin.

The **"Other" segment** reported a year-on-year increase in Total Output from €17.3m to €30.9m. Total Output includes, in particular, proceeds from the rental of mixed-use standing assets in Austria and Germany as well as the sale of two logistics properties near Graz.

Total Output in the **"Service" segment** declined from €36.6m to €27.2m in the first half of 2019. The previous year included, above all, a higher volume of services in Germany in line with the maturity of the project portfolio.

The **"Administration" segment** covers services provided by UBM Development AG as well as charges for management services and intragroup allocations.

Total Output by asset class

in € m	1–6/2019	1–6/2018	Change
Hotel	70.1	201.3	-65.2%
Residential	44.3	101.5	-56.3%
Office	6.7	193.9	-96.5%
Other	30.9	17.3	78.8%
Service	27.2	36.6	-25.7%
Administration	3.4	2.3	50.9%
Total	**182.6**	**552.8**	**-67.0%**

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 business performance, UBM also reports Total Output. 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 of sales through share deals. Total Output is based on the amount of the investment held by UBM. It does not include down payments, which are primarily related to large-scale or residential projects.

Total Output in the first half of 2019 amounted to €182.6m and was substantially lower than the previous year (H1/2018: €552.8m). Revenue as reported on the income statement also declined from €367.9m to €92.0m. The comparable prior year period was influenced by the completion, respectively sale and transfer of several large-scale projects, while sales during the reporting period were related primarily to smaller transactions in the residential business. At the same time, work started on major trade and forward sales which will contribute to revenue later this year. 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 profit from companies accounted for at equity was lower than the previous year at €13.2m in the first half of 2019 (H1/2018: €14.4m). Most of these at-equity results are attributable to valuation adjustments on the QBC 1&2 office project, which represents the last section of construction for the Quartier Belvedere Central (QBC) project in Vienna. The increase in value was based on a transaction price (letter of intent) with the potential buyers.

The income from fair value adjustments to investment property totalled € 27.9m for the reporting period, compared with minus €2.2m in the first six months of 2018. Earnings were positively influenced, above all, by the fair value adjustments to two projects: The progress of contract negotiations for the sale of land in Germany resulted in an increase in value up to the expected selling price, while the fair value of the Sugar Palace hotel project in Prague was increased to reflect the progress of the municipal approval process and a letter of intent for the sale of a 25% interest. Contrasting factors included a write-down to the LeopoldQuartier project in Vienna based on the current approval situation and fair value adjustments to standing assets in Poland.

Other operating income amounted to €5.4m in the first half of 2019 and consisted, among others, of 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 €5.7m. Other operating expenses fell from €36.4m in the first half of 2018 to €19.8m, primarily due to lower foreign exchange losses from the Polish Złoty versus the euro. 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 €61.0m in the first half of 2019 (H1/2018: €275.3m). 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. Book value disposals of €4.4m were recorded during the reporting period, in contrast to disposals of €157.5m in the first half of the previous year. 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 resulted in €2.7m of expenses in the first half of 2019 (H1/2018: €12.4m). The year-on-year decline reflects the reduced sales activity as well as increased investments in projects which are in an early development stage and have not yet entered the sale process.

Personnel expenses fell by €4.9m to €18.9m in the first half of 2019 (H1/2018: €23.8m). This reduction resulted primarily from the deconsolidation of UBM hotels Management GmbH. The valuation of the UBM share option programme, which was approved by the Annual General Meeting in May 2017, added €0.5m to personnel expenses in the reporting period (H1/2018: €0.6m). The UBM Group companies included in the consolidation employed a total workforce of 376 as of 30 June 2019, a slight increase over year-end 2018 (31 December 2018: 365).

EBITDA declined by €1.6m to €36.2m in the first half of 2019. Depreciation and amortisation were slightly higher year-on-year at €2.2m (H1/2018: €1.6m). These factors led to a reduction of €2.2m in EBIT to €34.0m for the reporting period (H1/2018: €36.2m). Financial income rose from €5.9m in the first half of 2018 to €7.2m. The income from share deals totalled €1.2m in the comparable prior year period, but rose to €3.5 m in 2019, among others, due to the sale of a residential project in Vienna to an institutional investor. Financing costs were lower than the previous year at €11.9m (H1/2018: €14.0m), in part following the recognition of an impairment loss to an investment in Poland in the first half of 2018.

EBT rose by €1.2m year-on-year from €28.1m to €29.3m. Tax expense equalled €8.0m for the reporting period, which represents a tax rate of 27.2% (H1/2018: 25.9%).

Profit for the period (net profit after tax) totalled €21.3m and was 2.5% higher than the first half of 2018 (€20.8m). Net profit after non-controlling interests increased to €22.5m (H1/2018: €18.9m). The resulting earnings per share rose by 18.6% from €2.53 to €3.01.

Asset and financial position

Total assets recorded by the UBM Group rose by €18.9m over the level at year-end 2018 to €1,253.6m as of 30 June 2019. This increase was supported by the initial application of IFRS 16, which led to the capitalisation of lease contracts totalling €20.6m, and by the €45m tap of the 3.125% UBM bond 2018–2023 in June 2019. Contrasting factors included, among others, a reduction in trade payables.

Property, plant and equipment increased from €2.7m as of 31 December 2018 to €11.5m at the end of June 2019. This change resulted from the capitalisation of lease contracts totalling €9.0m in connection with the initial application of IFRS 16 at the beginning of 2019. Investment property rose by €4.9m to €504.1m at the end of the first half-year, also due to the capitalisation of lease liabilities of €11.6m.

The carrying amount of the investments in equity-accounted companies totalled €118.7m at the end of June 2019 and was slightly higher than at year-end 2018 (31 December 2018: €115.8m). The fair value adjustment recognised to the QBC 1&2 office project was offset by the sale of a hotel in Hamburg. This sale also reduced the level of project financing to €122.9m, compared with €139.9m at year-end 2018.

Current assets rose by €17.6m to €470.6m from 1 January to 30 June 2019. In addition to a reduction in inventories, cash and cash equivalents declined by €18.5m following the increased settlement of trade payables during the reporting period. Cash and cash equivalents remained high at €182.0m as of 30 June 2019. In contrast, non-current assets held for sale – which consist primarily of land in Germany – increased substantially to €57.9m.

Inventories totalled €101.1m at the end of June 2019 (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 €103.3m at the end of the first half-year 2019. 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 €433.4m as of 30 June 2019 and nearly matched the level at year-end 2018 (31 December 2018: €436.3m). The equity ratio equalled 34.6% at the end of June 2019 and reflects the upper end of the target range of 30–35% (31 December 2018: 35.3%).

Bond liabilities rose by €47.3m during the reporting period to €481.7m at the end of June 2019 (31 December 2018: €434.5m). This increase resulted from the €45m tap of the 3.125% bond 2018–2023 in June 2019. Financial liabilities (current and non-current) increased by €11.6m to €199.4m. Of this total, €20.9m are attributable to the capitalisation of lease liabilities following the initial application of IFRS 16.

Trade payables declined from €93.7m at year-end 2018 to €51.4m at the end of the reporting period and consisted mainly of outstanding payments for subcontractor services. Other financial liabilities (current and non-current) increased from €30.8m as of 31 December 2018 to €36.7m. Deferred taxes and current taxes payable totalled €37.6m and were slightly lower than in the previous year (31 December 2018: €39.3m).

Net debt amounted to €478.3m as of 30 June 2019 (31 December 2018: €421.9m). The lower volume of incoming payments from property sales in the first half of 2019 reflected the completion and transfer of only smaller real estate projects during this period. At the same time, UBM continued to focus on the well-filled project pipeline with further investments in ongoing projects. 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 €3.5m in the first half of 2019 (H1/2018: €4.6m) and was influenced primarily by earnings effects related to the timing of sales negotiations.

Cash flow from operating activities fell from €–6.0m in the first half of the previous year to €-50.0m in the reporting period. In the first half of 2019, cash flow was reduced primarily by a €43.4m decline in liabilities following the settlement of most of these items during the first quarter. Contrary effects included a slight reduction of €0.8m in receivables and €4.6m in real estate inventories. This position includes cash inflows of €17.4m from the sale of real estate inventories as well as additions of €12.7m to real estate inventories in the first half of 2019. Cash inflows from the sale of real estate reported in receivables equalled €7.2m, while the additions to real estate receivables equalled €16.9m.

Cash flow from investing activities totalled €11.5m, compared with €110.2m in the first half of the previous year. The first half of 2018 was influenced by the transfer of the Leuchtenbergring project and the resulting cash inflows of €176.6m from the disposal of tangible assets and investment property. In contrast, the first half of 2019 included cash flows of €4.3m under this position. Cash inflows of €29.3m from the repayment of project financing had a positive influence on cash flow from investing activities and were contrasted by cash outflows of €10.6m for project financing. Cash outflows for investments in property, plant and equipment and investment property amounted to €25.5m in the first half of 2019, compared with €64.4m in the comparable prior year period.

Cash flow from financing activities equalled €19.9m in the first half of 2019. The increase in and repayment of loans were relatively balanced, while the tap of the 3.125% bond led to cash inflows of €46.4m. Interest payments on the hybrid bond which was issued in 2018 and the dividend for the 2018 financial year led to cash outflows totalling €23.5m. Cash flow from financing activities equalled €27.8m in the first half of 2018.

Non-financial performance indicators

Environmental and social issues

UBM carries significant 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 etc.). The inclusion of sustainability aspects during the design, construction and operational phases of a project therefore represents an important instrument for the sustainable preservation of a property. For these reasons, UBM's strategy has included a focus on the environment and sustainability for many years.

Employees

The UBM Group, including all its subsidiaries, had a total workforce of 376 as of 30 June 2019, compared with 760 as of 30 June 2018 (of which 455 Hotel). The substantial decline resulted from the deconsolidation of the subsidiary UBM hotels. Approximately 65% of UBM's employees work outside Austria. Detailed information on environmental and social issues, respect for human rights, the fight against corruption and bribery and employee-related issues can be found in the non-financial statement, which forms 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 still seen as the main economic drivers in UBM's core markets.[1] The European Central Bank (ECB) intends to stand by its low-interest policy for a longer period than originally assumed, and most economists do not expect any substantial, medium-term interest rate hikes with a capacity to significantly impact the real estate sector.[2]

Against this backdrop, the real estate investment market is expected to remain dynamic in 2019 and 2020. The shortage of attractive development projects throughout Europe is approaching a critical point and has been 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 continue to benefit from this positive market environment. Moreover, investment pressure is steadily increasing with the rising inflow of overseas capital.

UBM's strategy has been confirmed by the positive development of business during the past year. 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. Based on the strong development of earnings in the first half of 2019 and the success of trade and forward sales activities, UBM is raising its guidance for the 2019 financial year: The Management Board now expects EBT of €65m for 2019, which represents an increase of 18% over the originally announced €55m. As a result, net profit should be in the range of €47m to €50m (previous guidance: €40m), which would correspond to an increase of 18% – 25%.

The balance sheet was further optimised in recent years – net debt was substantially reduced and the equity ratio has grown stronger. UBM reached the upper end of its 30–35% target range with an equity ratio of 35% at the end of June 2019. In addition, net debt of approximately €478m represents the lower end of the optimal ratio of net debt to total assets for a real estate developer. Although record investments were made in 2018.

Despite a record number of completions in the previous year, the development pipeline has stabilised at a high level with investments of over €300m in new projects alone and has also improved from a quality standpoint. Selected investments in 2019 and valuation adjustments to existing projects based on the excellent demand situation have increased the pipeline by €200m this year. The project pipeline (H2/2019–2022) reached a record €2 bn at the end of June 2019, 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 record-pipeline will support the sustainable earnings development also over the medium-term.

[1] IWF: World Economic Outlook Update – July 2019
[2] Savills: European Investment – March 2019

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 2018 Annual Report/risk report still apply without exception.

Vienna, 27 August 2019

The Management Board

Thomas G. Winkler
CEO

Martin Löcker
COO

Patric Thate
CFO

Consolidated Income Statement
from 1 January to 30 June 2019

in T€	1-6/2019	1-6/2018	4-6/2019	4-6/2018
Revenue	92,046	367,895	56,016	191,822
Changes in the portfolio	–2,680	–12,440	–6,660	–4,003
Share of profit/loss from companies accounted for at equity	13,157	14,368	13,537	2,595
Income from fair value adjustments to investment property	46,265	-	39,243	–2,806
Other operating income	5,418	5,701	4,717	2,184
Cost of materials and other related production services	–61,030	–275,284	–42,414	–126,157
Personnel expenses	–18,867	–23,794	–11,646	–13,147
Expenses from fair value adjustments to investment property	–18,388	–2,234	–18,383	–2,226
Other operating expenses	–19,735	–36,434	–11,862	–24,461
EBITDA	**36,186**	**37,778**	**22,548**	**23,801**
Depreciation and amortisation	–2,189	–1,624	–1,002	–837
EBIT	**33,997**	**36,154**	**21,546**	**22,964**
Financial income	7,247	5,930	5,393	3,820
Financial costs	–11,922	–13,966	–5,513	–6,903
EBT	**29,322**	**28,118**	**21,426**	**19,881**
Income tax expenses	–7,978	–7,291	–5,959	–5,411
Profit for the period (net profit)	**21,344**	**20,827**	**15,467**	**14,470**
of which: attributable to shareholders of the parent	**22,464**	**18,935**	**16,643**	**12,152**
of which: attributable to non-controlling interests	–1,120	1,892	–1,176	2,318
Basic earnings per share (in €)	**3.01**	**2.53**	**2.23**	**1.62**
Diluted earnings per share (in €)	**3.01**	**2.53**	**2.23**	**1.62**

Consolidated Statement of Comprehensive Income

from 1 January to 30 June 2019

in T€	1–6/2019	1–6/2018	4–6/2019	4–6/2018
Profit for the period (net profit)	**21,344**	**20,827**	**15,467**	**14,470**
Other comprehensive income				
Remeasurement of defined benefit obligations	–458	-	–458	-
Income tax expense (income) on other comprehensive income	116	-	116	-
Other comprehensive income which cannot be reclassified to profit or loss (non-recyclable)	**–342**	**-**	**–342**	**-**
Currency translation differences	–490	–422	–359	–176
Other comprehensive income which can subsequently be reclassified to profit or loss (recyclable)	**–490**	**–422**	**–359**	**–176**
Other comprehensive income of the period	**–832**	**–422**	**–701**	**–176**
Total comprehensive income of the period	**20,512**	**20,405**	**14,766**	**14,294**
of which: attributable to shareholders of the parent	21,681	18,426	15,993	11,901
of which: attributable to non-controlling interests	–1,169	1,979	–1,227	2,393

Consolidated Statement of Financial Position
as of 30 June 2019

in T€	30 June 2019	31 December 2018
Assets		
Non-current assets		
Intangible assets	2,725	2,730
Property, plant and equipment	11,503	2,650
Investment property	504,080	499,196
Investments in companies accounted for at equity	118,748	115,770
Project financing	122,929	139,892
Other financial assets	5,685	5,643
Financial assets	4,474	4,475
Deferred tax assets	12,824	11,265
	782,968	**781,621**
Current assets		
Inventories	101,146	121,527
Trade receivables	103,289	108,237
Financial assets	17,144	11,067
Other receivables and assets	9,147	11,756
Cash and cash equivalents	181,961	200,447
Assets held for sale	57,900	-
	470,587	**453,034**
Total assets	**1,253,555**	**1,234,655**
Equity and liabilities		
Equity		
Share capital	22,417	22,417
Capital reserves	98,954	98,954
Other reserves	180,841	177,216
Mezzanine/hybrid capital	126,782	130,315
Equity attributable to shareholders of the parent	**428,994**	**428,902**
Equity attributable to non-controlling interests	4,392	7,414
	433,386	**436,316**
Non-current liabilities		
Provisions	7,641	6,648
Bonds	390,619	344,172
Financial liabilities	132,730	114,500
Other financial liabilities	4,043	3,880
Deferred tax liabilities	14,578	8,576
	549,611	**477,776**
Current liabilities		
Provisions	1,169	169
Bonds	91,107	90,284
Financial liabilities	66,712	73,368
Trade payables	51,423	93,661
Other financial liabilities	32,640	26,932
Other liabilities	4,489	5,405
Taxes payable	23,018	30,744
	270,558	**320,563**
Total equity and liabilities	**1,253,555**	**1,234,655**

Consolidated Statement of Cash Flows
from 1 January to 30 June 2019

in T€	1–6/2019	1–6/2018
Profit for the period (net profit)	21,344	20,827
Depreciation, impairment and reversals of impairment on fixed assets and financial assets	–25,845	6,083
Interest income/expense	11,428	5,731
Income from companies accounted for at equity	–13,157	–14,368
Dividends from companies accounted for at equity	2,921	284
Increase/decrease in long-term provisions	498	–2,465
Deferred income tax	6,262	–11,483
Operating cash flow	**3,451**	**4,609**
Increase in short-term provisions	1,000	1,415
Decrease/increase in tax provisions	–7,726	11,459
Gains/losses on the disposal of assets	–3,275	–19,100
Decrease/increase in inventories	4,562	11,982
Decrease/increase in receivables	754	–47,706
Decrease/increase in payables (excluding banks)	–43,430	22,743
Interest received	446	3,275
Interest paid	–3,297	–3,910
Other non-cash transactions	–2,502	9,268
Cash flow from operating activities	**–50,017**	**–5,965**
Proceeds from the sale of property, plant and equipment and investment property	4,337	176,600
Proceeds from the sale of financial assets	8,153	1,497
Proceeds from the repayment of project financing	29,270	12,570
Investments in intangible assets	–42	–14
Investments in property, plant and equipment and investment property	–25,456	–64,417
Investments in financial assets	–1,192	–10,510
Investments in project financing	–10,589	–5,767
Proceeds from the sale of consolidated companies	7,025	965
Payments made for the purchase of subsidiaries less cash and cash equivalents acquired	-	–706
Cash flow from investing activities	**11,506**	**110,218**
Dividends	–23,459	–20,533
Dividends paid to non-controlling interests	–1,850	–600
Proceeds from bonds	46,350	-
Increase in loans and other financing	43,159	67,612
Repayment of loans and other financing	–44,283	–67,156
Increase in hybrid capital	-	98,493
Repayment of mezzanine capital	-	–50,000
Cash flow from financing activities	**19,917**	**27,816**
Cash flow from operating activities	**–50,017**	**–5,965**
Cash flow from investing activities	**11,506**	**110,218**
Cash flow from financing activities	**19,917**	**27,816**
Change to cash and cash equivalents	**–18,594**	**132,069**
Cash and cash equivalents at 1 January	200,447	75,204
Currency translation differences	108	–559
Cash and cash equivalents at 30 June	**181,961**	**206,714**
Taxes paid	9,442	7,316

Consolidated Statement of Changes in Equity
as of 30 June 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	-	-	-	–591
Total comprehensive income for the period	-	-	-	–591
Dividend	-	-	-	-
Equity-settled share options	-	-	-	-
Income taxes on interest for holders of hybrid/mezzanine capital	-	-	-	-
Hybrid capital	-	-	-	-
Repayment of mezzanine capital	-	-	-	-
Changes in non-controlling interests	-	-	-	-
Balance as of 30 June 2018	**22,417**	**98,954**	**–2,666**	**–2,490**
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	-	-	–342	–441
Total comprehensive income for the period	-	-	–342	–441
Dividend	-	-	-	-
Equity-settled share options	-	-	-	-
Income taxes on interest for holders of hybrid/mezzanine capital	-	-	-	-
Changes in non-controlling interests	-	-	-	-
Balance as of 30 June 2019	**22,417**	**98,954**	**–3,408**	**–2,411**

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**
-	15,533	3,402	18,935	1,892	20,827
-	82	-	–509	87	–422
-	15,615	3,402	18,426	1,979	20,405
-	–14,944	–5,589	–20,533	–600	–21,133
-	474	-	474	-	474
-	646	-	646	-	646
-	-	98,870	98,870	-	98,870
-	-	–50,000	–50,000	-	–50,000
-	64	-	64	-	64
-	**164,656**	**126,783**	**407,654**	**4,757**	**412,411**
-	**182,252**	**130,315**	**428,902**	**7,414**	**436,316**
-	–127	-	–127	–3	–130
-	**182,125**	**130,315**	**428,775**	**7,411**	**436,186**
-	18,977	3,487	22,464	–1,120	21,344
-	-	-	–783	–49	–832
-	18,977	3,487	21,681	–1,169	20,512
-	–16,439	–7,020	–23,459	–1,850	–25,309
-	497	-	497	-	497
-	1,755	-	1,755	-	1,755
-	–255	-	–255	-	–255
-	**186,660**	**126,782**	**428,994**	**4,392**	**433,386**

Segment Reporting[1]

from 1 January to 30 June 2019

	Germany		Austria	
in T€	1 - 6/2019	1 - 6/2018	1 - 6/2019	1 - 6/2018
Total Output				
Administration	-	-	3,443	2,281
Hotel	33,289	91,071	3,296	17,823
Office	42	119,716	221	4,608
Other	7,115	3,819	18,395	10,557
Residential	14,308	8,734	28,540	91,485
Service	5,360	16,617	9,898	11,267
Total Output	**60,114**	**239,957**	**63,793**	**138,021**
Less revenue from associates and companies of minor importance and from performance companies as well as changes in the portfolio	–22,630	–83,345	–38,417	–69,523
Revenue	**37,484**	**156,612**	**25,376**	**68,498**
Administration	-	-	4,988	–10
Hotel	–2,529	28,260	2,353	–581
Office	6,692	27,362	8,525	1,675
Other	30,051	–4,304	–15,509	–175
Residential	2,474	1,100	2,628	2,813
Service	–683	–31	–7,489	994
Total EBT	**36,005**	**52,387**	**–4,504**	**4,716**

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

Poland		Other markets		Group	
1–6/2019	1–6/2018	1–6/2019	1–6/2018	1–6/2019	1–6/2018
-	-	-	-	3,443	2,281
20,948	76,578	12,518	15,861	70,051	201,333
5,977	69,034	499	534	6,739	193,892
1,442	1,832	3,901	1,050	30,853	17,258
-	-	1,476	1,263	44,324	101,482
9,982	7,483	1,937	1,188	27,177	36,555
38,349	**154,927**	**20,331**	**19,896**	**182,587**	**552,801**
–15,361	–20,889	–14,133	–11,149	–90,541	–184,906
22,988	**134,038**	**6,198**	**8,747**	**92,046**	**367,895**
-	-	-	-	4,988	–10
620	2,541	7,469	–1,600	7,913	28,620
1,092	–8,123	–188	–2,779	16,121	18,135
–5,988	–7,312	–749	94	7,805	–11,697
–676	–7,752	–1,902	–2,651	2,524	–6,490
–416	–1,087	–1,441	–316	–10,029	–440
–5,368	**–21,733**	**3,189**	**–7,252**	**29,322**	**28,118**

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 2019, in particular IFRS 16. The effects of the first-time application of the new standards are presented under point 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 59 (31 December 2018: 62) domestic and 80 (31 December 2018: 79) foreign subsidiaries. One company was founded and initially consolidated during the reporting period (see note 2.1.).

Two companies were sold during the first half of 2019, an additional transaction involved the sale of enough shares to reduce UBM's influence from control to significant influence. The assets and liabilities over which control was lost comprise the following:

in T€	30.6.2019
Non-current assets	
Intangible assets	12
Property, plant and equipment	29,920
Deferred tax assets	65
Current assets	
Inventories	15,413
Trade receivables	1,030
Financial assets	410
Other receivables and current assets	379
Cash and cash equivalents	1,169
Non-current liabilities	
Financial liabilities	29,628
Other financial liabilities	1,031
Current liabilities	
Financial liabilities	10,120
Trade payables	1,538
Other financial liabilities	1,534
Other liabilities	86

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 initially included following its acquisition, and another company was deconsolidated during the reporting period due to its liquidation.

2.1. Initial consolidation

The following company was initially included through full consolidation during the reporting period (see the list of investments for the capital share).

Due to new foundations	Date of initial consolidation
UBM Invest AG	22.5.2019

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 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 twelve 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 as of 30 June 2019 equalled 3.05%.

Property, plant and equipment included T€ 9,028, investment property T€ 11,564 and financial liabilities T€ 20,914 as of 30 June 2019 from the application of IFRS 16.

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 January 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			
Property, plant and equipment	42,308	-39,658	2,650
Investment property	510,925	-11,729	499,196
Deferred tax assets	11,312	-47	11,265
Non-current assets	**833,055**	**-51,434**	**781,621**
Current assets	**453,034**	**-**	**453,034**
Total assets	**1,286,089**	**-51,434**	**1,234,655**
Equity and liabilities			
Other reserves	177,089	127	177,216
Equity attributable to non-controlling interests	7,411	3	7,414
Equity	**436,186**	**130**	**436,316**
Deferred tax liabilities	164,134	-49,634	114,500
Non-current liabilities	**527,410**	**-49,634**	**477,776**
Other financial liabilities	75,298	-1,930	73,368
Current liabilities	**322,493**	**-1,930**	**320,563**
Total equity and liabilities	**1,286,089**	**-51,434**	**1,234,655**

The adjustments include a lease agreement for a hotel property that was sold as of 30 June 2019.

No other 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 approved the recommendation for the distribution of profit for the 2018 financial year. A dividend of €2.20 per share, representing a total pay-out of €16,438,796.00 based on 7,472,180 shares, was distributed on 7 June 2019 and the remainder of €28,704.34 was carried forward.

6. Revenue

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

in T€	Germany 1-6/2019	Austria 1-6/2019	Poland 1-6/2019	Other Markets 1-6/2019	Group 1-6/2019
Revenue					
Administration	-	1,600	-	-	1,600
Hotel	4,406	-	15,300	44	19,750
Office	2,250	39	3,502	497	6,288
Other	6,059	5,984	2,183	3,382	17,608
Residential	20,007	12,812	6	1,480	34,305
Service	4,762	4,941	1,997	795	12,495
Revenue	**37,484**	**25,376**	**22,988**	**6,198**	**92,046**
Recognition over time	24,366	5,042	12,094	-	41,502
Recognition at a point in time	13,118	20,334	10,894	6,198	50,544
Revenue	**37,484**	**25,376**	**22,988**	**6,198**	**92,046**

in T€	Germany 1-6/2018	Austria 1-6/2018	Poland 1-6/2018	Other Markets 1-6/2018	Group 1-6/2018
Revenue					
Administration	-	728	-	-	728
Hotel	91,407	178	72,195	5,683	169,463
Office	47,147	4,702	57,474	177	109,500
Other	1,616	2,991	1,478	1,021	7,106
Residential	12,204	49,647	825	1,095	63,771
Service	4,238	10,252	2,066	771	17,327
Revenue	**156,612**	**68,498**	**134,038**	**8,747**	**367,895**
Recognition over time	133,672	46,777	14,888	-	195,337
Recognition at a point in time	22,940	21,721	119,150	8,747	172,558
Revenue	**156,612**	**68,498**	**134,038**	**8,747**	**367,895**

7. Earnings per share

	1–6/2019	1–6/2018
Proportion of profit for the period attributable to shareholders of the parent (in T€)	22,464	18,935
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 €)	**3.01**	**2.53**
Diluted earnings per share (in €)	**3.01**	**2.53**

A total of 387,630 share options were allocated in connection with the Long-Term Incentive Programme 2017 (LTIP). The adjusted exercise price equalled €39.37 as of 30 June 2019, and the average share price equalled €38.19 for the reporting period. Therefore, no potential shares were included in the calculation of earnings per share for the first half of 2019.

8. Non-current assets held for sale

Non-current assets held for sale consist of one undeveloped site in Germany. These assets are measured at fair value, which represents the current sales price.

9. Share capital

Share capital	Number 30 June 2019	€ 30 June 2019	Number 31 December 2018	€ 31 December 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.

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 (4.20%) and a 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	2019	2018
Balances as of 1 January	**387,630**	**375,130**
Options granted	-	12,500
Options forfeited	-	-
Options exercised	-	-
Balance as of 30 June	**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 30 June 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 30 June 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 30 June 2019
Assets							
Project financing at variable interest rates	Amortised Cost	122,929	122,929	-	-	-	-
Other financial assets	Amortised Cost	2,907	2,907	-	-	Level 1	3,504
Other financial assets	FVTPL	1,917	-	-	1,917	Level 3	1,917
Other financial assets	FVTPL	861	-	-	861	Level 1	861
Trade receivables	Amortised Cost	37,433	37,433	-	-	-	-
Financial assets	Amortised Cost	21,618	21,618	-	-	-	-
Cash and cash equivalents	-	181,961	181,961	-	-	-	-
Liabilities							
Bonds at fixed interest rates	Amortised Cost	481,726	481,726	-	-	Level 1	500,187
Borrowings and overdrafts from banks							
at variable interest rates	Amortised Cost	163,717	163,717	-	-	-	-
Other loans and borrowings							
at variable interest rates	Amortised Cost	19	19	-	-	-	-
at fixed interest rates	Amortised Cost	14,770	14,770	-	-	Level 3	14,859
Lease liabilities	-	20,914	20,914	-	-	-	-
Trade payables	Amortised Cost	51,423	51,423	-	-	-	-
Other financial liabilities	Amortised Cost	36,683	36,683	-	-	-	-
Derivatives (excl. hedges)	FVTPL	22	22	-	-	-	-
By category							
Financial assets at amortised cost	Amortised Cost	184,887	184,887	-	-	-	-
Financial assets at fair value through profit or loss	FVTPL	2,778	-	-	2,778	-	-
Cash and cash equivalents	-	181,961	181,961	-	-	-	-
Financial liabilities at amortised cost	Amortised Cost	748,338	748,338	-	-	-	-
Financial liabilities at fair value through profit or loss	FVTPL	22	22	-	-	-	-

in T€	Measurement category (IFRS 9)	Carrying amount as of 31 Dec 2018	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 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.

In addition, interest of T€1,520 on the hybrid capital was paid to PORR AG in 2019.

14. Events after the balance sheet date

No reportable events occurred after the balance sheet date on 30 June 2019.

Vienna, 27 August 2019

The Management Board

Thomas G. Winkler
CEO

Martin Löcker
COO

Patric Thate
CFO

report on a review of the condensed, consolidated interim financial statements.

Introduction

We have reviewed the accompanying condensed, consolidated financial statements as of June 30, 2019 of UBM Development AG, Vienna, (referred to as "Company") comprising the condensed, consolidated balance sheet as of June 30, 2019, the condensed, consolidated income statement, the condensed, consolidated statement of comprehensive income, the condensed, consolidated cash flow statement and the condensed, consolidated statement of changes in equity for the period from 1 January 2019 to 30 June 2019, as well as the notes to the condensed, consolidated interim financial statements which summarise the accounting and measurement methods applied along with other notes.

Management is responsible for the preparation and fair presentation of these condensed, consolidated interim financial statements in accordance with IFRS for Interim Financial Reporting as adopted by the EU.

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

Responsible for the proper performance of the engagement is Markus Trettnak, Austrian Certified Public Accountant.

With reference to Section 125 Para. 3 of the Austrian Stock Exchange Act (BörseG) our responsibility and liability is based on Section 275 Para. 2 of the Austrian Commercial Code.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed, consolidated interim Financial statements does not give a true and fair view of the financial items of the entity as at 30 June 2019, and of its financial performance and its cash flows for the period then ended in accordance with IFRS for Interim Financial Reporting as adopted by the EU.

Statement on the Group management report for the half-year and on the statement of the legal representatives pursuant to Section 125 of the Austrian Stock Exchange Act

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

The Half-Year Group Report contains a responsibility statement as stipulated by Art. 125 Sec. 1 No. 3 Austrian Stock Exchange Act.

Vienna, 27 August 2019

BDO Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Markus Trettnak
Auditor

Gerhard Fremgen
Auditor

responsibility statement pursuant to section 125 para. 1 stock exchange act 2018 – consolidated interim financial statements.

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

Vienna, 27 August 2019

The Management Board

Thomas G. Winkler
CEO

Martin Löcker
COO

Patric Thate
CFO

financial calendar.

2019	
Interest payment on UBM bond 2017	11.10.2019
Publication of the Q3 Report 2019	**28.11.2019**
Interest payment on UBM bond 2015	9.12.2019
2020	
Interest payment on hybrid bond	2.3.2020
Publication of the Annual Report 2019	**27.4.2020**
Record date for participation in the 139th Annual General Meeting	18.5.2020
Publication of the Q1 Report 2020	**26.5.2020**
39th 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

Disclaimer

This Half-Year 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 Half-Year 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 Half-Year Report.

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

The Half-Year Report as of 30 June 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 Half-Year 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.

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,
1100 Wien, Austria
Tel: +43 (0) 50 626-2600
www.ubm-development.com

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

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

Created with ns.publish, a product of
Multimedia Solutions AG, Zurich

Translation
Donna Schiller-Margolis

Printing
Druckwerkstatt
Hosnedlgasse 16b, 1220 Vienna