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Report

of the Management Board

of

UBM Development AG

pursuant to Section 153 para 4 and Sections 169, 170 para 2 Stock Corporation Act

(Exclusion of subscription rights)

Item 6. of the Agenda

1. BACKGROUND

The Management Board and the Supervisory Board of UBM Development AG (**"UBM"** or **"Company"**) intend to ask the shareholders' meeting of the Company for the authorisation, within five years from the entry of the respective change in the articles of association with the companies register to increase the share capital by up to EUR 2,241,654.00 by issuing up to 747,218 new, no-par value bearer shares against cash payment and/or contribution in kind, also in more tranches, also under partial or full exclusion of the subscription right, and to determine the issue price as well as the terms and conditions for the issue. The subscription right in the event of overallotment options in the course of the issue of shares against cash payment shall be excluded.

The Supervisory Board is authorised to adopt amendments to the articles of association resulting from the exercise of the authorised capital. The articles of association of the Company are to be amended accordingly.

According to the current proposal for resolution, the new paragraph 4 of section 4 of the articles of association shall read as follows, implementing this item of the agenda:

"*(4) The Management Board is authorised, with the approval of the Supervisory Board, to increase the share capital of the Company by up to EUR 2,241,654.00 (two million two hundred forty one thousand six hundred fifty four euros) by issuing up to 747,218 (seven hundred forty seven thousand two hundred eighteen) new, no-par value bearer shares within five years from the date of the entry of the authorisation resolved at the annual general meeting on 23 May 2017 into the companies register against cash payment or contribution in kind, also in several tranches, including by way of an indirect subscription right as defined in Section 153 para 6 (section one hundred fifty three paragraph six) Stock Corporation Act (authorised capital) and to determine the issue price, the terms and conditions for the issue, the subscription ratio and the other details of implementation in agreement with the Supervisory Board. The subscription right of the shareholders with regard to the new shares issued from the authorised capital shall be excluded if the authorisation (authorised capital) is exercised by issuing shares against cash payments in the case of overallotment options in the course of the placement of new shares of the Company. In addition, the Management Board is authorised, subject to the approval of the Supervisory Board, to exclude shareholders' subscription rights. The Supervisory Board is authorised to adopt amendments to the articles of association resulting from the exercise of this authorisation by the Management Board.*"

The hereby to be resolved authorised capital shall be exercised primarily without he exclusion of subscription rights, however, the possibility exists to fully or partially exclude the subscription right.

2. LEGAL BASIS

With regard to the possibility to exclude the subscription right when exercising the authorised capital, the Management Board must present to the shareholders' meeting a written report for the reason of the exclusion of the subscription right pursuant to Section 153 para 4 and Sections 169, 170 para 2 Stock Corporation Act.

The Management Board of the Company can only resolve on the issue of new shares from the authorised capital with the consent of the Supervisory Board, irrespective whether the issue of new shares is made against cash or contribution in kind or happens with or without the exclusion of subscription rights. The issue price and the terms and conditions of the issue, as well as, if at all, the exclusion of the subscription right may only be determined by the Management Board with the consent of the Supervisory Board.

The authorised capital to be resolved upon provides for the possibility to exclude the subscription right. The possibility to exclude the subscription right does not mean that the subscription right will be excluded in any case, but only that the possibility for it exists. The authorisation of the Management Board also does not mean that the share capital will actually be increased in the course of the authorised capital. The Management Board will only be authorised, but not obliged to increase the share capital.

Pursuant to the provisions of the Stock Corporation Act, it is required already at the time of creation of the authorised capital to present a report on the exclusion of subscription rights to the shareholders' meeting in case the authorised capital provides for the possibility of an exclusion of subscription rights. In the event it is intended to make use of the authorisation, then a further report by the Management Board will be required in which the specific reasons for the exclusion of the subscription rights are described. Only with respect to overallotment options, the subscription right is directly excluded.

Pursuant to Section 153 para 4 Stock Corporation Act, the Management Board must present a report on the partial or full exclusion of the subscription right, therefore a report on the objective justification. The exclusion of the subscription right must be in the interest of the Company, must be suitable, to promote the interest of the Company and must be the mildest means for the pursuit of this goal, and it must be proportionate and must comply with the principle of equal treatment of shareholders.

For this reason, the Management Board presents with respect to the proposed authorisation for the exclusion of subscription rights the following

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to the shareholders' meeting.

3. INTEREST OF THE COMPANY AND ADVANTAGES FROM THE ISSUE OF NEW SHARES BY EXCLUDING SUBSCRIPTION RIGHTS

The interest of the Company in issuing new shares by excluding the subscription rights can have many aspects. In general, the advantages from the exclusion of subscription rights, as proposed in the proposal for resolution, are in the interest of the Company in particular with regard to the following aspects:

- attractive financing possibilities for the Company;
- quick execution of a capital increase;
- settlement of fractional shares and overallotment options (Greenshoe);
- a favourable possibility for acquisition financing; and
- the exploitation of new groups of investors.

3.1 Background

The Company is a real estate development company with a special focus on residential, hotel and office properties in Austria, Germany and Poland. On a project and opportunistic basis, UBM Group is also active in other European countries.

The Company shall also in the future have the possibility to react quickly and flexibly on national and international markets on favourable offerings or other opportunities for the acquisition of undertakings, businesses or participations in companies or the combination with companies (e.g. project development companies).

The proposed authorised capital therefore provides the Company the opportunity, to either raise fundings by way of cash payments against the issue of shares on the capital market, in order to finance the acquisition of such business entities, or to acquire business units by way of a contribution in kind against issue of shares of the Company. In addition, there shall be the possibility to approach also new investors in the course of the exclusion of subscription rights in order to expand the investor base of the Company. The proposed authorised capital is limited to up to 747,218 new shares, this corresponds to 10% of the currently issued 7,472,180 shares of the Company.

The current authorised capital of the Company, however, does not provide for the exclusion of subscription rights of the shareholders.

3.2 Attractive financing possibilities for the Company – Exclusion of subscription rights in a capital increase against cash payment or contribution in kind

The preservation of the subscription rights of the shareholders is usually not compatible with the requirements of a quick placement of shares, for example for providing funds for acquisition projects, because a capital increase with the preservation of the subscription rights does not lead to the required short-term funding in the course of acquisitions, and the granting of subscription rights makes the short-term placement of larger blocks of shares with qualified investors very difficult, if not all impossible.

The issue of shares under preservation of the subscription right to an unknown group of people constitutes a public offering and requires the preparation of a prospectus pursuant to the provisions of the Capital Markets Act (CMA). Such a prospectus can hardly be prepared in short time between commercial agreement and the closing of a transaction.

The extent of the proposed authorised capital of up to 10% of the current share capital makes it possible to have the new shares also admitted to trading immediately after the issue because the Stock Exchange Act currently does not provide for any further requirements, inter alia no prospectus, for an issue of about 10% (10% minus one share) within a period of 12 months.

The funding by one or more qualified investors does not only save the costs for the preparation of a prospectus, but in particular also the costs of a potential bridge financing for the period between closing of a business acquisition and a subsequent capital increase.

Because of the quick issue of new shares, the Company can in single cases cover a special financing need cheaper than by way of a debt financing. In particular in the event of the financing of a business acquisition or a property, but also relating to the coverage of refinancing needs of the Company or one of its subsidiaries, e.g. when a loan expires, it may happen, for example, due to the size of the required financing requirement and/or the tight time frame, that the required financing needs cannot be covered by way of debt financing.

In addition, recent years have shown that the situation on the capital market may change very quickly. Very often, there are only short time periods during which shares may be placed on the market. Long waiting which may result from the requirement to prepare a prospectus pursuant to the CMA or a two-week subscription period may lead to the effect that the initially positive mood on the capital market has changed, and that a placement (at beneficial terms for the Company) is after the end of the work on the prospectus or the subscription period no longer possible.

Balancing the interests of the Company in quick execution of a financing transaction and the interest of existing shareholders to maintain their participation shows that the exclusion of subscription rights is disproportionate. In case of a quick and cost-saving execution of the issue of shares (in particular without the preparation of a prospectus), which is in the interest of the Company and the shareholders, and the before described requirements of such a placement of shares, shareholders do in most cases not suffer any, or in some (few) cases no disproportionate harm because of the exclusion of subscription rights. Usually, shareholders should be in a position, even in case of the exercise of the authorised capital by excluding subscription rights, to prevent a dilution of their proportionate share by way of acquiring shares on the stock exchange. And even if the exclusion of subscription rights leads to proportionate dilution, such dilution is limited due to the limitation of the authorised capital to 10% of the current share capital. For this reason, the exclusion of the subscription right is generally acknowledged as being permissible in the event of a capital increase of up to 10% of the share capital.

The quick execution of a financing and the described cost advantages are in the interest of the Company and the shareholders.

The proposed authorised capital also includes the possibility, apart from a capital increase against cash contribution, also to implement a capital increase against contribution in kind, also in more tranches, also by excluding the subscription right.

The Management Board shall also be authorised to exclude the subscription right to the extent a capital increase by way of a contribution in kind is made. This possibility for excluding subscription rights shall enable the Management Board, with the consent of the Supervisory Board, to acquire, when appropriate, properties, undertakings, businesses or participations in companies or other assets for shares in the Company or to consolidate with other undertakings.

In particular a capital increase against contribution in kind requires the exclusion of the subscription rights of shareholders because the assets to be contributed are usually unique, and may not be provided by all shareholders, e.g. shares in other business entities, as just described.

It is not uncommon that potential sellers of business entities prefer an acquirer who offers the acquisition against the provision of listed shares. This will usually have tax advantages for the seller. In addition, the value of the business entity may be optimally realised by using the respective market developments by the disposal of the "payment shares" in certain situations. And also for the Company, the acquisition against provision of shares may be of advantage because this form of acquisition financing is not burdened with interest payments and reduces liquidity needs.

The proposed authorisation of the Management Board to resolve on capital increases against contributions in kind by excluding the subscription right enables the Management Board to use opportunities quickly and flexibly an at an appropriate price. This is of particular importance for the Company because it must be in a position to efficiently and flexibly make use market chances, and to cover the required capital and special financing needs quickly and to the respective most favourable financing conditions.

The exclusion of the subscription right in the event of a capital increase against contribution in kind for business entities or properties, as described above, is therefore in the interest of the Company and its shareholders because this type of acquisition may provide advantages against other bidders who intend to acquire the same business entity, but who cannot offer listed shares.

3.3 Quick execution

In the view of the Management Board, it is possible to rapidly place shares when investors (usually qualified investors) on short notice intend to acquire large blocks of shares which are not available due to limited trading volumes within a manageable period of time. The quick execution of a capital increase and the described cost advantages are in the interest of the Company and the shareholders.

In order to make use of optimal market chances, it is required that the Management Board can act flexibly and quickly with regard to obtaining capital. A capital increase under exclusion of subscription rights which is directed exclusively to qualified investors may be implemented without a prospectus pursuant to the CMA, the preparation of which is not only cost, but also time consuming and may require a couple of months. At the same time, new investors can be approached when subscription rights are excluded, which will broaden the investor base of the Company.

3.4 Exclusion of subscription rights for settlement of fractional shares and overallotment options

The exclusion of subscription rights for the settlement of fractional shares serves the purpose to provide for a practicable subscription ratio with respect to the amount of the respective capital increase.

Without the exclusion of the subscription right, the technical execution would be massively hindered, in particular when a capital increase is made for a non-full amount. The shares which are created in this course when the subscription right is excluded can either be sold via the stock exchange (if possible) or can be used in any other best possible way. The exclusion of subscription rights for fractional shares does not lead to a material dilution of shareholders.

In connection with the implementation of a capital increase out of authorised capital, the granting of overallotment options (greenshoe options) to investment banks may become necessary. In order to be able to serve overallotment options, the exclusion of the subscription right is necessary.

3.5 Favourable possibility for acquisition financing

Because of the general finance and economic conditions, debt financings may not always be obtained at conditions the Company strives for. These also restrict the Company in its flexibility because they usually require collateral which is to be provided in debt capital financings, and that limits the Company's operational options. Debt capital financings also have a negative impact on the equity ratio. The financing of the Company with equity, i.e. by way of a capital increase, constitutes, as just described, for the Company an optimal alternative to debt capital fundings and therefore is in the interest of the Company and the shareholders.

For achieving the before described purposes in the interest of the Company and its shareholders, the exclusion of the subscription right is suitable and required:

- on the one hand, transactions with qualified investors must be negotiated and agreed upon short notice, making use of the respective situation on the market: the preservation of the subscription right to shareholders, together with the preparation of a prospectus as well as the observation of a subscription period of two weeks (Section 153 para 1 second sentence Stock Corporation Act) is in contrast to these requirements; and

- on the other hand, no unconditional (binding) agreement with regard to the subscription of shares could be entered into with qualified investors in case the subscription right is preserved because prior to the fulfilment of such an agreement, the new shares needed to be offered to the shareholders.

3.6 Exploitation of new groups of investors

The issue of new shares under exclusion of the subscription right may also lead to the exploitation of new groups of investors. Although new investors could subscribe for new shares also in the course of a capital increase with subscription rights, a capital increase – as already described above – which is addressed to a broad audience of investors constitutes a public offering for which a prospectus pursuant to the CMA must be prepared. This is associated with a large time and cost expenditure which may lead to the effect that qualified investors are no longer prepared to subscribe for shares. It is therefore in the interest of the Company to have the possibility to quickly implement a capital increase.

4. BALANCING OF INTERESTS AND SUMMARY

The reasons for the exclusion of the subscription right must at the time of the authorisation of the Management Board be in the abstract interest of the Company. This was described above.

With regard to the proposed authorisation of the Management Board – to implement capital increases also by way of exclusion of the subscription right – the interest of the Company in aggregate outweighs the disadvantages of the shareholders from the exclusion of the general subscription right. The exclusion of the general subscription right therefore appears to be objectively justified. The implementation of capital increases as well as the determination of all conditions may only be made with the consent of the Supervisory Board.

The specific reasons for the exclusion of the subscription right (like the suitability of a specific measure, the necessity, the proportionality and the equal treatment) and their consideration cannot be balanced at this point in time due to the lack of a specific project. Only when the authorised capital is exercised with a specific exclusion of subscription rights, such reasons may be considered and balanced.

The exclusion of the subscription rights creates the required flexibility, as described above in detail, for example that a capital increase can be implemented quickly, in particular also without the time-intensive preparation of a prospectus which would be required for a public offering.

The exclusion of the subscription right is from the current point of view also proportionate because the volume would amount of up to 747,218 new shares which would correspond to a capital increase by 10% (in case of full exercise), and this size is assumed to be a permissible dilution of the shares of the existing shareholders. In case the entire authorised capital in the extent of 747,218 new shares is used, in aggregate 8,219,398 shares would be issued (after such a capital increase), namely the existing 7,472,180 shares plus the 747,218 new shares. The 747,218 shares which could be issued when the authorised capital is fully used would then represent a share of about 9.09% (calculated on the basis of the then increased share capital of 8,219,398 shares). Existing shareholders could in addition also acquire shares at any time via the stock exchange. In the event of the exclusion of subscription right, the appropriateness of the issue price as determined by the Company must be strictly tested, so that the issue price of the new shares is oriented at the share price of the share of the Company at the then relevant point in time.

Because of the possibility for the existing shareholders to buy shares on the market also in case of a capital increase by exclusion of the subscription right, there is also no non-justified unequal treatment.

In aggregate, the exclusion of the subscription right is therefore to be regarded as objectively justified.

Vienna, April 2017

The Management Board