



REPORT

of the Management Board

of

UBM Development AG

**pursuant to Section 153 para 4 Stock Corporation Act in conjunction with Sections 169 and 170
para 2 Stock Corporation Act**

(Exclusion of subscription rights)

on agenda item 8.

1. BACKGROUND

The Management Board and the Supervisory Board of UBM Development AG ("UBM" or "**Company**") intend to ask the Annual General Meeting of the Company for the authorization to increase the share capital of the Company 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 several tranches, also with partial or full exclusion of subscription rights, within five years from the registration of the corresponding amendments to the articles of association with the companies register, and to determine the issue price as well as the terms and conditions for the issue with the approval of the Supervisory Board. 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 shall further be authorized to resolve on amendments to the articles of association resulting from the issuance of shares from the authorised capital. The articles of association of the Company shall be amended accordingly.

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

"(4) The Management Board is authorized, 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 registration of the authorization resolved at the annual general meeting on 16 May 2022 with the companies register against cash payment and/or contribution in kind, possibly in several tranches, also by way of an indirect subscription right pursuant to Section 153 para 6 (section one hundred fifty-three paragraph six) Stock Corporation Act and also with the possibility of ex-

cluding the subscription right (authorized capital) and to determine the issue price, the terms and conditions for the issue, the subscription ratio and the further details of implementation with the approval of the Supervisory Board. The subscription right of the shareholders with regard to the new shares issued from the authorized capital shall be excluded if the authorization (authorized 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 authorized, subject to the approval of the Supervisory Board, to exclude shareholders' subscription rights. The Supervisory Board is authorized to adopt amendments to the articles of association resulting from the exercise of this authorization by the Management Board."

The authorized capital to be resolved herewith shall primarily be utilised without excluding the subscription right of the shareholders, nevertheless, the possibility is provided to partially or fully exclude the subscription right.

2. LEGAL BASIS

With regard to the possibility to exclude the subscription right when exercising the authorized capital, the Management Board must present to the Annual General Meeting a written report on the reason for the exclusion of the subscription right pursuant to Section 153 para 4 Stock Corporation Act in conjunction with Sections 169 and 170 para 2 Stock Corporation Act.

The Management Board of the Company can only resolve on the issue of new shares from the authorized capital with the approval of the Supervisory Board, irrespective whether the issue of new shares is made against cash payment 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 approval of the Supervisory Board.

The authorized capital to be resolved 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 merely that the possibility exists to do so. Also, the authorization of the Management Board to increase the share capital under the authorized capital does not in any case mean that there will actually be an increase of the share capital from authorized capital. The Management Board will only be authorized, but not obliged to increase the share capital.

According to the provisions of the Stock Corporation Act (AktG), it is necessary to submit a report on the exclusion of subscription rights to the Annual General Meeting already at the time of the creation of authorized capital if the authorized capital provides for the possibility of excluding subscription rights. In the event that it is intended to make use of the authorization and that shares are to be issued with the exclusion of subscription rights, a further report by the Management Board will be required for this purpose, in which the specific reasons for the exclusion of subscription rights have to be explained. Only with respect to overallotment options, the subscription right is directly excluded.

Pursuant to Section 153 para 4 Stock Corporation Act, the Management Board shall submit a report on the reason for the partial or full exclusion of subscription rights, thus a report on the objective justification. The exclusion of subscription rights must be in the interest of the Company, it must be suitable to promote the interest of the Company and be the least restrictive means to pursue this objective, and it must be proportionate and must comply with the principle of equal treatment of shareholders.

For this reason, the Management Board of the Company with regard to the proposed authorization to exclude subscription rights submits the following

REPORT

to the Annual General 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 in the exclusion of subscription rights, as proposed in the resolution proposal, can be seen as being in the interest of the Company, in particular with regard to the following material aspects:

- attractive financing possibilities for the Company;
- quick implementation 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, office and hotel properties (segments residential, office and hotel) 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 authorized 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 authorized 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.

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 EU prospectus regulation (Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, "**Prospectus Regulation**"). Such a prospectus can hardly be prepared in short time between commercial agreement and the closing of a transaction.

The extent of the proposed authorized 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 Prospectus Regulation currently does not provide for any further requirements, among other things, no listing prospectus, for an issue of about 20% (20% 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. Particularly in the case of financing a company acquisition or a real estate acquisition, but also in the case of covering a refinancing requirement of the Company or one of its subsidiaries, for example when a loan financing expires, it may be the case that the required financing requirement cannot be covered by debt financing, for example due to the amount of the required financing requirement and/or the tight time frame.

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 Prospectus Regulation 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 favourable terms for the Company) is no longer possible after the end of the work on the prospectus or the subscription period.

A weighing of the interests of the Company in the quick implementation of the financing transaction and the interest of the existing shareholders in maintaining their shareholding leads to the conclusion that the exclusion of subscription rights is not 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 authorized 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 authorized capital to 10% of the current share capital. For this reason, the exclusion of the subscription right is generally acknowledged as being permissible under stock corporation law 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 authorized 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 several tranches, also by excluding the subscription right.

The Management Board shall also be authorized 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 approval of the Supervisory Board, to acquire, when appropriate, properties, companies, businesses, parts thereof or interests in companies or other assets in exchange for shares in the Company or to merge with other companies.

In particular a capital increase against contribution in kind requires the exclusion of 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.

Moreover, potential sellers of entrepreneurial units often give preference to an acquirer who offers the acquisition in exchange for listed shares. This usually has tax advantages for the seller. In addition, the value of the business entity may be optimally realized by using the respective market developments by the disposal of the "payment shares" in certain situations. And also for the Company, the acquisition in exchange for shares may be of advantage because this form of acquisition financing is not burdened with interest payments and reduces liquidity needs.

The proposed authorization 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 at an appropriate price. This is of particular importance to the Company because it must be able to take advantage of market opportunities efficiently and flexibly and to meet any required capital or special financing needs quickly and at the most favourable financing terms.

The exclusion of subscription rights 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 implementation

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 implementation of a capital increase and the described cost advantages are in the interest of the Company and the shareholders.

In order to take advantage of optimal market opportunities for the Company, it is necessary for the Management Board to be able to react flexibly and quickly when raising 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 Prospectus Regulation, the preparation of which is not only cost-intensive, 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 implementation would be massively hindered, in particular in the case of a capital increase by a non-round amount. The new shares created as free fractions by the exclusion of the shareholders' subscription rights may either be realized on the stock exchange (if possible) or in any other way in the best possible manner. 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 from authorized 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. They also limit the Company's flexibility, because they restrict the Company's operational options, for example through securities that regularly have to be provided for debt financing. 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 subscription rights 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 and in compliance with the subscription period of at least 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 the exclusion of subscription rights 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 Prospectus Regulation 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. WEIGHING OF INTERESTS AND SUMMARY

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

With regard to the proposed authorization of the Management Board – to implement capital increases also by way of the exclusion of subscription rights – the interest of the Company in aggregate outweighs the disadvantages of the shareholders from the exclusion of the general subscription right. The possible 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 approval 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 weighed at this point in time due to the lack of a specific project. Only when the authorized capital is exercised with a specific exclusion of subscription rights, such reasons may be considered and weighed.

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 in accordance with the Prospectus Regulation which would be required for a public offering (without the existence of a prospectus exemption).

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 authorized 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 authorized 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 subscription rights, there is also no unjustified unequal treatment.

Overall, the exclusion of subscription rights can therefore be regarded as objectively justified.

Vienna, April 2022

The Management Board