

REPORT
of the Management Board and the Supervisory Board
of
UBM Development AG
pursuant to Section 159 para 2 no 3 Stock Corporation Act
on the resolution on a Longterm-Incentive-Programme 2017
and
on the resolution on a capital increase pursuant to Section 159 para 3 Stock Corporation Act
(authorised conditional capital)
Item 8. of the Agenda

The Management Board and the Supervisory Board of UBM Development AG ("**UBM**" or "**Company**") intend the introduction and execution of a Longterm Incentive Programme 2017 ("**LTIP**"), whereby for the service of stock options pursuant to the LTIP an authorised conditional capital shall be resolved.

The resolution on the LTIP shall in accordance with Rule 28 of the Austrian Corporate Governance Code ("**ACGC**") be passed by the ordinary shareholders' meeting of the Company convened for 23 May 2017 ("**Shareholders' Meeting**") because the LTIP provides also for the granting of stock options to the members of the Management Board of UBM. The Management Board and the Supervisory Board have therefore proposed to the Shareholders' Meeting on agenda item 9. the resolution on the Longterm-Incentive-Programme 2017.

In addition, the Management Board and the Supervisory Board have proposed to the Shareholders' Meeting the resolution to agenda item 8. on the authorisation of the Management Board, with the consent of the Supervisory Board, to conditionally increase the share capital of the Company by up to EUR 1,678,920.00 for the purpose of serving stock options in the course of the Longterm-Incentive-Programme 2017 to employees, officers and members of the Management Board of the Company or its direct and indirect group companies, also in more tranches (authorised conditional capital). The Management Board and the Supervisory Board intend for this reason, to address the following proposal for resolution to the Shareholders' Meeting as agenda item 8.:

- a)** In accordance with Section 159 para 3 Stock Corporation Act the Management Board is authorised, with the approval of the Supervisory Board, 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 to conditionally increase the share capital of the Company, even in several tranches, by up to EUR 1,678,920.00 by issuing up to 559,640 new, no-par value bearer shares for the purpose of serving stock options under the Longterm-Incentive-Programme 2017 to employees, officers and members of the Management Board of the Company and its affiliates. The issue price of the shares is the unweighted average of the closing prices of the UBM share (ISIN AT0000815402) on the Vienna Stock Exchange in the period from 24 May 2017 (inclusive) to 21 June 2017 (inclusive). The Supervisory Board is authorised to adopt

amendments to the articles of association resulting from the implementation of the conditional capital increase.

and

b) The corresponding amendment to the articles of association in Article 4 (Amount and Division of the Capital; Authorised Capital) is made by inserting a new paragraph (6) which reads as follows:

"(6) In accordance with Section 159 para 3 (section one hundred fifty nine paragraph three) Stock Corporation Act the Management Board is authorised, with the approval of the Supervisory Board, 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 to conditionally increase the share capital of the Company pursuant to Section 159 para 2 no 3 (section one hundred fifty nine paragraph two number three) Stock Corporation Act , even in several tranches, by up to EUR 1,678,920.00 (one million six hundred seventy eight thousand nine hundred twenty euros) by issuing up to 559,640 (five hundred fifty nine thousand six hundred forty) new, no-par value bearer shares for the purpose of serving stock options under the Longterm-Incentive-Programme 2017 to employees, officers and members of the Management Board of the Company and its affiliates. The issue price of the shares is the unweighted average of the closing prices of the UBM share (ISIN AT0000815402) on the Vienna Stock Exchange in the period from 24 May 2017 (inclusive) to 21 June 2017 (inclusive). The Supervisory Board is authorised to adopt amendments to the articles of association resulting from the implementation of the conditional capital increase.

The described preferred issue of shares in the course of the LTIP to members of the Management Board of the Company and other officers determined by the Management Board of UBM Group who shall receive an offer from the Company for the participation in the LTIP constitutes a sufficient reason for the exclusion of the subscription right pursuant to Section 153 para 5 Stock Corporation Act.

The Management Board and the Supervisory Board present the following report for the passing of the resolution on the authorisation for the conditional increase of the share capital of the Company pursuant to Section 159 para 3 Stock Corporation Act (report pursuant to Section 159 para 2 no 3 Stock Corporation Act on an authorised conditional capital).

1. PRINCIPLES AND INCENTIVES OF THE LTIP

The LTIP aims at binding the members of the Management Board of UBM and other officers of UBM and its direct and indirect subsidiaries ("**UBM Group**") to the UBM Group, the promotion of motivation and identification with the goals of UBM Group as well as the increase of the attractiveness of UBM Group as an employer. In addition, the participation in the LTIP makes it possible to participate in the commercially positive development of UBM Group. Therefore, such participation constitutes an incentive which exceeds existing, performance-oriented variable parts of remuneration. Additionally, the interests of the officers of UBM Group shall be aligned with those of the shareholders. International investors also expect that key employees and management participate in the success of the undertaking which is the reason why an employee participation strengthens UBM's positioning on the capital markets, and therefore improves the ability to obtain fundings on the capital markets. The LTIP is therefore a required and objectively justified mean to achieve the described purposes.

The members of the Management Board of the Company and those officers of UBM Group as determined by the Management Board of the Company who have received an offer for participation in the LTIP are entitled to participate in the programme ("**Entitled Individuals**"); at

the moment, these are about 15 individuals. Furthermore, the Management Board of the Company is entitled to offer to further officers the participation in the LTIP, however, only up to reaching the maximum volume of 559,640 stock options. In case of a change or an enlargement of the Management Board, the Supervisory Board shall be entitled to offer new members of the Management Board the participation in the LTIP (together with the officers mentioned in the previous sentence the "**Additional Entitled Individuals**"), however, in aggregate again limited to the maximum number of 559,640 stock options. To the extent not otherwise determined in the conditions of the LTIP, the provisions for the Entitled Individuals shall also apply to the Additional Entitled Individuals. The participation in the LTIP is voluntary.

2. NUMBER AND ALLOCATION OF STOCK OPTIONS TO BE GRANTED

A prerequisite for the allocation of stock options in the course of the LTIP is an individual investment by the Entitled Individuals in the minimum amount of 400 shares of the Company, ISIN AT0000815402 ("**Investment Shares**"). Individual investment means that each Entitled Individual is required to have invested in shares of the Company prior to the LTIP coming into force. For purposes of calculation of Investment Shares, it is irrelevant whether the respective Entitled Individual acquires them only in the course of the LTIP (however, at the latest until 21 July 2017), or whether he/she already holds them. The LTIP provides for the Entitled Individuals different maximum numbers of Investment Shares which participate in the LTIP and which are considered. The Entitled Individuals may decide on the individual investment up to the maximum amount in their sole discretion. The maximum number of Investment Shares participating in the LTIP amounts to 25,000 shares for members of the Management Board, and to 10,000 shares for all others. Shares of the Company already held by an Entitled Individual shall be considered in addition to individual investments; furthermore, also such shares of the Company shall be considered which are already held by (1) companies in which an Entitled Individual holds more than 50 % of the voting rights, as well as (2) private foundations whose (non-exclusive) founder and (non-exclusive) beneficiary is the Entitled Individual. The individual investment, as a prerequisite for the allocation, must be evidenced.

3. ALLOCATION

The allocation of the stock options shall be made on or about 28 July 2017 on the basis of the respective participation statement by the Entitled Individual; in case of Additional Entitled Individuals, the point in time for the allocation of stock options shall be determined separately by the Supervisory Board or the Management Board.

For one (1) Investment Share, the Entitled Individual shall be allocated five (5) stock options, subject to the fulfilment of all defined conditions of the plan.

4. EXERCISE

Each stock option entitles the respective holder to acquire shares in the Company at the exercise price in the respective exercise period, after the respective periods set forth in the conditions of the plan, and subject to the fulfilment of the further prerequisites as set forth respectively in the conditions of the plan.

Until the exercise of the stock options, each Entitled Individual must be in a continuous employment relationship or management relationship with a company of UBM Group as of 21 July 2017, and must hold the Investment Shares as provided for in the conditions of the plan. In case of Additional Entitled Individuals the point in time as of which a continuous employ-

ment relationship or management relationship with a company of UBM Group must exist will be determined separately by the Supervisory Board or the Management Board.

For important reasons (e.g. death or retirement), the requirement of a continuous employment or management relationship may be waived in individual cases.

The unweighted average closing price of the share of the Company on the Vienna Stock Exchange in the period from 24 May 2017 (inclusive) until 21 June 2017 (inclusive) shall be the exercise price.

Allocated options may be exercised in the exercise periods as described below by way of a written notice to the Company. The exercise (in addition to the fulfilment of all other prerequisites set forth in the conditions of the plan, as well as individual requirements of a continuous employment relationship and an continuous individual investment) shall only be possible

a) in the exercise period from 1 September 2020 to 26 October 2020 ("**Exercise Period 1**") if (i) the unweighted average of the closing prices of the share of the Company is at least EUR 40.00 in the period from 2 September 2019 (inclusive) to 31 August 2020 (inclusive) during at least fifteen (15) subsequent trading days, and (ii) the ratio of Market Capitalisation (as defined below) to Net Debt (as defined below) as of 31 December 2019 is at maximum 1 : 2.40 (one to two point forty) or below; as well as

b) in the exercise period from 1 September 2021 to 26 October 2021 ("**Exercise Period 2**") if (i) the unweighted average of the closing prices of the share of the Company is at least EUR 40.00 in the period from 1 September 2020 (inclusive) to 31 August 2021 (inclusive) during at least fifteen (15) subsequent trading days, and (ii) the ratio of Market Capitalisation (as defined below) to Net Debt (as defined below) as of 31 December 2020 is at maximum 1 : 2.40 (one to two point forty) or below;

"**Net Debt**" in this clause means long- and short-term bonds, plus long- and short-term financial liabilities, reduced by liquid funds, as determined respectively in the audited and approved consolidated annual financial statements of the Company as of 31 December 2019 (with respect to Exercise Period 1) or as of 31 December 2020 (with respect to Exercise Period 2). "**Market Capitalisation**" in this clause means the number of shares issued by the Company respectively as of 31 December 2019 (with respect to Exercise Period 1) or as of 31 December 2020 (with respect to Exercise Period 2) multiplied by the closing price of the shares of the Company respectively on the last trading day of the respective year (last trading day in the year 2019 with respect to Exercise Period 1 or last trading day of the year 2020 with respect to Exercise Period 2).

All exercise statements rendered in an exercise period will be collected and controlled by the Company or a service provider appointed by the Company. The shares of the Company to be delivered on the basis of the determined, validly rendered exercise statements will be delivered after the end of the respective exercise period (if relevant, after a capital increase, e.g. out of authorised conditional capital), provided the respective Entitled Individual has paid the respective price of the shares (number of exercised stock options multiplied with the exercise price) on an account as notified by the Company, and the amount paid is at the free disposal of the Company.

In the event of a Change of Control Event (as defined below), the Entitled Individuals shall not be bound to the exercise periods, but still to the unweighted average of the closing prices of the share of the Company of at least EUR 40.00. The Entitled Individuals may exercise their respective stock options ten (10) trading days after the begin of the subsequent period (*Nachfrist*) which follows a voluntary offer aimed at acquiring control pursuant to Section 25a

Takeover Act or a public mandatory takeover offer pursuant to Sections 22 seq. Takeover Act; in this case, the exercise period shall be 20 trading days. The relevant price determination period shall be the period of twelve weeks prior to the day of the public announcement of a takeover offer during at least fifteen (15) subsequent trading days. The criterion of the ratio of Market Capitalisation to Net Debt of at least 1 : 2.40 (one to two point forty) remains unchanged. However, with respect to Net Debt, such last day in a year shall be relevant for which audited and approved consolidated financial statements have been published. With respect to Market Capitalisation, the last trading day of such year shall be relevant.

"Change of Control Event" means obtaining a direct or indirect controlling interest in the Company by one or more individuals or legal entities (and/or together with parties acting in concert) who may neither be accounted to the Ortner/Strauss-Syndicate or one of its members or nor are closely related to them.

The replacement of exercised stock options in cash, fully or partially, is reserved by the Company in its full discretion (reduced by respective taxes), in particular if (i) the delivery of shares of the Company should be impossible or inappropriate in particular countries, in particular outside of Austria and Germany, or (ii) this may lead to an acquisition of shares within a period of twelve (12) months which provides to the Entitled Individual (also together with parties acting in concert pursuant to Section 1 no 6 of the Takeover Act) additionally at least two percent of the voting rights in the Company (Creeping-In pursuant to Section 22 para 4 Takeover Act), or (iii) distortions on the market may be expected due to the delivery of the shares of the Company, or (iv) other objectively justified reasons apply. In case of a replacement in cash, the difference amount between the exercise price on the one hand, and the unweighted average closing price of the UBM share on the Vienna Stock Exchange in the relevant exercise period on the other hand (reduced by withholding taxes) will be paid. Shares acquired in the course of the exercise of stock options are not subject to a lock-up period. Non-exercised stock options will expire without compensation.

Therefore, for the exercise of allocated stock options, a waiting period of at least three years needs to be observed in accordance with rule 28 ACGC, and the exercise is linked to in advance determined, measurable, long-term and sustainable criteria.

5. NUMBER AND ALLOCATION OF ALREADY GRANTED STOCK OPTIONS

The LTIP is the only current stock option programme of UBM Group, and there are no other stock options granted by companies of UBM Group to members of the Management Board and other officers, as determined by the Management Board, of the Company and its direct or indirect subsidiaries.

Vienna, April 2017

The Management Board

The Supervisory Board