REPORT

of the Management Board of

UBM Development AG

("Company")

pursuant to Section 174 para 4 in conjunction with Section 153 para 4 Stock Corporation Act

on the resolution regarding the authorization to issue convertible bonds

(Exclusion of subscription rights)

on agenda item 10.

The Management Board and the Supervisory Board of UBM Development AG (**"UBM"** or "**Company"**) have proposed to the Annual General Meeting of the Company to pass the following resolution on agenda item 10.:

> *In accordance with Section 174 para 2 Stock Corporation Act the Management Board shall be authorized, within five years from the date of the resolution and with the approval of the Supervisory Board, to issue convertible bonds conferring the right of conversion or subscription for the acquisition of up to 747,218 new, no-par value bearer shares of the Company with a pro rata amount of the share capital of up to EUR 2,241,654.00, also in several tranches, and to determine all further terms, the issue and the conversion procedure with regard to the convertible bond, the issue price as well as the exchange or conversion ratio. The subscription right of the shareholders is excluded. In addition to a subscription or conversion right, the terms and conditions of the issue may also constitute a mandatory conversion at the end of maturity or at another time. The conversion or subscription rights can be serviced by means of conditional capital or treasury shares (own shares) or a combination of both. The issue price of the convertible bonds is to be determined by means of a market standard price determination scheme in consideration of generally acknowledged methods of mathematical finance.*

The authorization of the Management Board to issue convertible bonds shall be resolved with the exclusion of subscription rights, whereby the conversion and/or subscription rights from such convertible bonds shall be served by shares from conditional capital or treasury shares (own shares) or a combination of both.

Therefore, the members of the Management Board provide the following

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to the Annual General Meeting on the resolution on the issue of convertible bonds, in particular on the reason for the complete exclusion of subscription rights in accordance with Section 174 para 4 and Section 153 para 4 Stock Corporation Act.

1. INTEREST OF THE COMPANY

The Company would like to actively shape its capital structure in order not least to be able to achieve an optimization of the capital costs. The issue of convertible bonds is an appropriate instrument for achieving this goal which is in the interest of the Company. Among other things, there is also the possibility of issuing convertible bonds which provide for a mandatory conversion into shares in case certain events occur. In general, there are three advantages of issuing convertible bonds under direct exclusion of subscription rights which are described in more detail below: low and therefore attractive financing costs for the Company, a high issue price because of the conversion premium, and the exploitation of new groups of investors.

1.1 Improved financing possibilities

Investors in convertible bonds receive, in their capacity as bond holders, interest payments, have usually a right for repayment of principal and have simultaneously the right to acquire shares of the Company in the future at a price which is already determined at the time of the issue of the convertible bonds, which also enables participation in the substance and profitability of the Company. In this way, investors are also given the opportunity to participate in an increase in the value of the company, with a relatively lower risk of default compared to a direct share investment. In the case of mandatory convertible bonds, it needs to be considered that such convertible bonds are converted mandatorily when certain events occur.

Convertible bonds usually provide for interest payments and grant the right to convert the convertible bonds into shares either during or at the end of the term or – if there is no conversion – to receive a repayment of principal at the end of the term. Only mandatory convertible bonds do not provide for repayment of principal, but for the mandatory conversion when certain events occur.

The Company actively manages its capital structure in order to keep the capital costs of as low as possible. Convertible bonds constitute for the Company an appropriate instrument in order to achieve this goal.

Due to the high level of security for the bondholders and the simultaneous possibility of participating in an increasing share price by way of conversion, the Company has a flexible and quick access to attractive financing conditions, usually below the level of (ordinary) debt instruments. In addition, the issue of convertible bonds on the capital market is often seen as a positive sign of management's confidence in the future development of the share price.

1.2 Optimising of the terms of issue and the share issue price by exclusion of subscription rights

Following the usual conditions of convertible bonds on the capital markets, the conversion price (in the event of the exercise of the conversion and/or subscription right) of the shares to be issued usually is above the share price at the time the convertible bonds were issued, so that the Company may receive a higher issue amount compared to an immediate capital increase. Experience has shown that a dilution of the value of the shareholding of the shareholders can be avoided by the issue price. Practice has also shown that better conditions can be achieved when convertible bonds are issued with the exclusion of subscription rights, because the immediate placement means that price-related risks to the Company's detriment from a changed market situation can be avoided and investors who specialize specifically in convertible bonds can thus be addressed. In addition, in case of issuing mandatory convertible bonds, the Management Board shall be in a position to react quickly when certain events occur and to issue such convertible bonds in discretionary dimensioned tranches. This is because an allocation to institutional investors, for whom such an instrument is appropriate, can be made promptly in order to place issues quickly and successfully.

In contrast, issues with subscription rights require a subscription period of at least two weeks. This also applies in case the Annual General Meeting only authorizes the Management Board to exclude subscription rights. Because a mere authorization to exclude subscription rights requires still to observe a waiting period of two weeks after publication of the report of the Management Board prior to the resolution of the Supervisory Board. The observation of such a subscription period or waiting period leads to unusual concepts or allocation mechanisms and/or market risks for the mentioned investors so that the investors eventually cannot be approached or only with a lower issue volume. This is also the reason why the direct exclusion of the subscription right is meanwhile the usual market standard when issuing convertible bonds on the international capital market.

The share price is an essential criterion for the determination of the terms and conditions of convertible bonds (see also clause 2. of this report on the determination of the issue price). It is therefore in the Company's interest to have the greatest possible control over the timing of an issue's allocation. In particular, the observed volatility of the stock markets as a whole, as well as the volatility of the company's shares, makes it clear that both the price development and the market assessment within a two-week subscription or waiting period – which would have to be observed without the exclusion of subscription rights – can certainly be subject to very significant changes. Not least because of the existing uncertainty with respect to the debt of some euro-countries, there was a remarkable volatility on the capital markets in the past, and a future repetition of such events cannot be excluded.

1.3 Selected investors as target group

Convertible bonds are primarily subscribed by such investors, either institutional investors or particular selected investors, who have specialized in this form of investment. Institutional investors often have special requirements with regard to the denomination, the conditions and the flexible timing when convertible bonds are issued. As already mentioned under clause 1.2 of this report above, a certain market standard has developed from these needs which must be complied with in order to ensure a successful issue. In absence of the time-consuming handling of subscription rights, the Company's capital requirements can be covered very promptly from market opportunities that arise at short-notice, and often additional new investors in Austria and abroad may be attracted. In addition, there is also the possibility, for example, that well-known investors who also intend to invest quickly and promptly can use this form of investment.

Therefore, a strengthening of the equity and reduction of the financing costs by the possibility of the exclusion of the subscription rights is in the interest of the Company and all its shareholders. Furthermore, mandatory convertible bonds are specific financial instruments which require specific knowledge, and which are therefore appropriate for the issue to professional and institutional (or other specially selected) investors, but not for retail investors as such.

Usually, only an issue with exclusion of subscription rights can fulfil the above described requirements. An issue with subscription rights would result in institutional investors, for example, not being able to be approached, or only with a lower issue volume, due to a structure and allocation mechanisms that are not customary in the market and/or the market risks arising for these investors within the at least two-week subscription period. The exclusion of subscription rights is therefore required for strategic, financial markets and corporate organisational reasons in order to be able to place convertible bonds appropriately on the capital market, and to offer them specifically to those investors who are specialising in these instruments, so that the advantages for the Company associated with the issue of convertible bonds can be used optimally.

In the event convertible bonds are issued on the market in the course of a rights offering (*Bezugsrechtsemission*), the advantages described above which result from the comparatively favourable financing conditions, but also from the speed and flexibility for the Company, would be largely reduced by the increased execution costs (time-intensive preparations, in particular with regard to the preparation of a prospectus pursuant to 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)) and the associated one-off and recurring execution costs; it is even possible that the respective advantages may not be achieved at all.

2. DETERMINATION OF THE ISSUE PRICE OF THE SHARES, TERMS OF THE CONVERTIBLE BONDS

The terms and conditions of the convertible bonds, in particular the issue amount (or issue price) will be identified on the basis of the then respective volume-weighted average price of the shares of the Company at the time of the allocation of the bonds, as well as by way of acknowledged methods of mathematical finance.

Thereby, the market standard calculation methods are to applied and the issue price of the convertible bonds shall be subject to the issue price of a traditional fixed-interest bond, the price for the conversion right (conversion or subscription right) and the other features. The calculation of the issue price of the bond is made by calculating the present value under consideration of the maturity of the bond, the interest of the bond, the actual market interest (EURIBOR/Swap rate) as well as the credit-worthiness of the Company.

The conversion price is thus calculated using the option price calculation methods, taking into account the due date/exercise period, the volatility of the share, the ratio of the conversion and/or option price to the current Company share price, and the current market interest rate (EURIBOR/Swap rate) as well as the dividend yield. Other features, such as a right of early termination by the issuer or a right of early termination by the bondholder (under conditions to be determined) – as well as a conversion obligation, a right to pay a sum of money instead of conversion and a fixed or variable conversion ratio in the case of convertible bonds – are also taken into account when calculating the price

The issue price of the shares to be issued upon exercise of the conversion right is to be determined on the basis of the then respective volume-weighted average price of the shares of the Company at the time of the allocation of the bonds. In doing so, a surcharge should be aimed for, which is derived from the expected price development based on the assessment of analysts and the surcharges achieved in comparable capital market transactions (reference transactions) as well as the current general capital market situation. The so determined minimum issue price is therefore a price determined by objective, international conventions and market standards; it protects the interests of all shareholders because it does not dilute their shareholding.

The Company is enabled, during the authorization period of five years, to flexibly set forth attractive issue conditions. At the same time, the expected development of the share price can be considered, and the usual conditions and conventions of the international financial markets can be reflected. The issue price of the shares to be issued at the time of the exercise of conversion or subscription rights will at the time of the issue be above the then actual share price, and will provide sufficient protection for existing shareholders from dilution in value.

Furthermore, the Management Board shall only be authorized to issue convertible bonds conferring the right of conversion or subscription for the acquisition of up to 747,218 new, no-par value bearer shares of the Company with a pro rata amount of the share capital of up to EUR 2,241,654.00. The respective conditional capital increase shall also correspond to this extent. Therefore, such a capital increase would be limited to 10% of the share capital. As a result, the effect of dilution would be very small.

Finally, issuers can regularly obtain favourable interest levels at convertible bonds which very often are below the market standard interest rates which needed to be paid when issuing mere debt instruments (without conversion right or mandatory conversion). Even in the case of non-conversion, convertible bonds therefore regularly represent favourable means of financing.

3. WEIGHING OF INTERESTS

After weighing up and taking into account all of the above circumstances, the Management Board came to the conclusion that the proposed exclusion of subscription rights is in line with the intended goals, namely an optimization of the capital structure and a reduction in financing costs and thus a strengthening and improvement of the Company's market and competitive position, is objectively justified in the interest of the Company and its shareholders and at the same time is suitable for achieving the intended goals.

In addition, the exclusion of the subscription rights is also appropriate and necessary because the financing and the expected increase of equity through a target group-specific orientation of a convertible bond issue replaces more cost-intensive capital measures, provides for more favourable financing conditions and secures a long-term and flexible financial and business planning and realization of the planned financings and business goals to the benefit of the Company, and thus also of all shareholders.

Without excluding subscription rights, it is not possible for the Company to react comparatively quickly and flexible to favourable market conditions.

In order to avoid diluting the value of the existing shareholders, an issue price (conversion price) is also sought at which the value of the hypothetical subscription right to the convertible bonds to be issued has no economic relevance and is therefore irrelevant for the shareholders.

The Management Board expects that the advantage for the Company from the issue of convertible bonds under exclusion of subscription rights will be for the benefit of all shareholders, and that this advantage will clearly outweigh the proportionate dilution of the excluded shareholders.

Overall, when weighing all described circumstances, it is to be concluded that the exclusion of subscription rights is required, suitable, appropriate and in the predominant interest of the Company and its shareholders, objectively justified and necessary.

Vienna, April 2022

The Management Board