DO & CO Aktiengesellschaft
Vienna, FN 156765 m
Report by the Management Board
pursuant to Section 174 (4) in combination with Section 153 (4) AktG
on Item 7 of the Agenda
of the 15th Ordinary General Meeting of Shareholders on 4 July 2013
(exclusion of shareholders' subscription rights
when issuing financial instruments within the meaning of Section 174 AktG)

At the 10th Ordinary General Meeting of Shareholders on 10 July 2008, resolutions were adopted under Item 7 of the Agenda, authorizing the Management Board to issue financial instruments within the meaning of Section 174 AktG, and under Item 8 of the Agenda to authorize a conditional increase of the share capital pursuant to Section 159 (2) 1 AktG.

In accordance with the statutory provisions, an authorization within the meaning of Section 174 AktG is valid for just five years after the date of its adoption, while the conditional increase of the share capital remains valid under Section 159 (2) 1.

Accordingly, the authorization to issue financial instruments within the meaning of Section 174 AktG pursuant to the resolution by the General Meeting of Shareholders of 10 July 2008 under Item 7 of its Agenda will end on 9 July 2013, i.e. a few days after the next ordinary General Meeting of Shareholders is scheduled to take place.

The Management Board has so far not made use of this authorization. However, in order to enable it to respond flexibly and rapidly, as it has done in the past, the intention is to authorize the Management Board once again and after 9 July 2013, so that a new resolution within the meaning of Section 174 AktG is envisaged. Content, scope and purpose are the same as the resolution of Agenda Item 7 of the General Meeting of Shareholders of 10 July 2008.

Ad Agenda Item 7, the Management Board of DO & CO Aktiengesellschaft proposes the following motion:

Resolution to authorize the Management Board, subject to the consent of the Supervisory Board, to issue, for a period of five years from and including the date on which this resolution is adopted, financial instruments within the meaning of Section 174 AktG, including but not limited to convertible bonds, warrant bonds, participating bonds, hybrid bonds, profit participation rights, altogether of an overall nominal amount of up to € 200,000,000.–, which may grant subscription and/or conversion rights to the acquisition of altogether up to 3,897,600 shares of the Company and/or which are designed so that they can be posted as equity, optionally in several tranches and varying combinations, including indirectly by way of a guarantee for the issuance of financial instruments by an associated enterprise of the Company with the right of conversion to shares of DO & CO Aktiengesellschaft. For servicing, the Management Board may use authorized but unissued capital or own shares. The amount and terms of the issue, as well as any exclusion of shareholders' subscription rights to the financial instruments to be issued shall be defined by the Management Board subject to the Supervisory Board's consent.

Exclusion of subscription rights and reasoning:

It shall be possible to exclude, subject to the Supervisory Board's consent, the shareholders' subscription rights to the financial instruments within the meaning of Section 174 AktG, including but not limited to convertible bonds, warrant bonds, participating bonds, hybrid bonds, profit participation rights.

In the opinion of the Management Board, excluding subscription rights in connection with this resolution to authorize the issuance of financial instruments within the meaning of Section 174 AktG may be in the predominant interest of the Company, but also – at least indirectly – in the interest of the Company's shareholders. According to the relevant statutory provisions, the Management Board submits the following report presenting the legal and economic grounds and justification for an exclusion of subscription rights.

Exclusion of subscription rights to financial instruments within the meaning of Section 174 AktG must be viewed from five key aspects: comparatively low and therefore attractive financing costs for the Company, optimizing a high conversion price, tapping into new potential investors, raising of capital by a part of the Group that will actually use the funds thus obtained, and opening up hybrid capital.

For these reasons it may be necessary to exclude the subscription rights of shareholders to the financial instruments within the meaning of Section 174 AktG to be issued by the Company.

A Better financing options

I. CONVERTIBLE BONDS

Investors obtain interest payments from convertible bonds at a relatively low risk regarding repayment of the capital invested by them. At the same time they are granted the right to acquire, at some time in the future, shares of the Company at a price defined already at the time the convertible bond is issued ("conversion price"), which allows creditors access to the substance and profitability of the Company once they have converted.

Convertible bonds are a reasonable tool for the Company to keep its capital cost at the lowest possible level. Components such as excellent security for bondholders and an opportunity to participate in share price rises through the conversion right give the Company flexible and rapid access to attractive financing terms which is usually below the level of (pure) debt instruments.

The terms customary in the capital market for convertible bonds will produce an initial offering price for the shares to be issued above the share price applicable at the time the convertible bond is issued ("conversion premium") so that the Company can achieve a higher issue price than if it were to increase its capital immediately, which will yield additional capital for the Company.

Convertible bonds have a two-fold value: the bond component and the option component entitling bonds to be converted into shares. Due to the option component, whose value depends on the share's price development, investors as a rule accept a lower interest rate compared to typical company bonds. The conversion premium also evaluates the option component the price of which depends on the term and interest rate as well as, to a large extent, on the price development and volatility of the share, where a high volatility (and consequent price opportunities) technically improves the value of the option component within the scope of the calculation methods customarily used and ultimately results in a relatively low interest rate for the convertible bonds. Such bonds are thus an opportunity to exploit price volatilities (as they do occur for shares of DO & CO Aktiengesellschaft) for the benefit of the Company and thereby reduce the cost of capital for the Company.

Practice has shown that issues that exclude subscription rights usually achieve better terms as they allow an immediate placing which avoids risks from changes in the market situation that might affect the price to the detriment of the Company. This has its roots in the structure of an issue for subscription rights which under the law must observe a time limit of at least two weeks. Provided that the market situation is correctly assessed, an exclusion of subscription rights can thus generate more funds for the Company with a lower volume of shares to be issued (when the conversion right is utilized). For this reason, it is now customary to exclude subscription rights when convertible bonds are issued to the capital market.

II. WARRANT BONDS

A warrant bond grants an investor not just a claim to interest payment and repayment of the nominal amount but also the right to acquire a given volume of the Company's shares at a given price within a given period. These warrant rights are typically evidenced in separate warrants which entitle the owner, after a predefined time, to transfer them separately from the actual warrant bonds.

This financial instrument offers investors a fixed interest rate and, with the nominal amount repayable, a computable yield combined with an opportunity to use the warrant

for speculative purposes: a rising share price allows the purchase of shares at low cost through exercising the warrant or the sale of the warrant at a price that will rise disproportionally. This leverage effect is the greater the more shares can be obtained from the warrant and the lower the warrant price.

For the Company, warrant bonds are particularly cost-effective because they enable it to place an instrument at a fixed interest rate which is below the market rate due to the speculative aspect associated with it.

The considerations regarding convertible bonds apply analogously.

III. PARTICIPATING BONDS

This type of bond embodies not just a given monetary claim but also an additional performance calculated in combination with shareholders' profit shares so that in addition or instead of a fixed interest payment it yields an interest depending on the company's result (net profit of the year, year-end results, dividend). In this case, no additional interest or total interest payment is made when the result is negative or if an adequate compensation would produce or increase a balance sheet loss. A catch-up right from future results may be agreed.

The Company is free to decide repayment terms and duration including designing the bond as a "perpetual bond". It is also free to issue a type of bond that mixes characteristics of income, convertible and warrant bonds.

Depending on arrangements, participating bonds thus offer a financing alternative that is beneficial for the Company, avoiding in particular the risk of service if the result is inadequate, which benefits both the Company and its shareholders.

Because of the large range of arrangements possible, participating bonds are typically favored by institutional investors, so that an exclusion of subscription rights may be advantageous.

IV. PROFIT PARTICIPATION RIGHTS

Profit participation rights used to raise capital offer a special advantage in that they can be arranged with great flexibility, combining elements of equity and debt. While they do not grant any rights of membership it is possible to design the outstanding profit-sharing rights so that they can be allocated to equity.

Participating certificates to raise capital are typically made out to their holder and for a given nominal amount. They are issued against a contribution in cash and entitle to an annual payment of an amount usually dependent on the dividend paid by the Company. Arrangements may include a fixed interest rate, preferential rights to the profit same as those granted to preferred stock, participation in the liquidation proceeds or participation in the loss.

Profit participation rights can evidence conversion rights to shares same as an option to be allocated shares of the Company. Repayment terms and duration can be freely arranged.

If properly designed, the Company receives "share-like" capital which does not impair the shareholders' absolute rights and which, if profit-oriented and with a ceiling in its service, does not interfere with their property rights. Even if a profit-dependent interest rate or lower priority participation in the liquidation proceeds is agreed, the fact that profit participation rights do not compete with the shareholders' property rights but only with their risks in terms of assets justifies an exclusion of their subscription rights.

B Amount issued and conversion price

The par value of shares to be issued if conversion and/or subscription rights of bondholders are exercised (conversion price) is calculated in line with international capital market practices, starting out from the Company's share price at the allotment of the bond, to which a surcharge is added that reflects an assessment of how the price will develop in combination with surcharges for comparable transactions in the relevant capital market.

Considering that the share price at the date of issuance is important for the design of the warrant or convertible bond terms it is in the Company's interest to have "control" over the reference price for the Company's shares at the date of allotment.

Giving due regard to the fluctuations in the stock markets consequent to the subprime crisis in the United States as well as their overall volatility (to which the shares of DO & CO Aktiengesellschaft were exposed as well), it is obvious that both price development and market assessment could be subject to considerable variations within the two-week time limit for subscription which would have to be observed if subscription rights were not excluded.

However, if subscription rights are excluded, the Company is able quite speedily and flexibly to select a propitious date of allotment.

In this way, it is enabled to flexibly define attractive terms of issue within the authorization period for an – in its view – optimal date and in this way optimize its conversion and financing conditions in the interest of all shareholders. At the same time, it can account for expected developments in the share price and respond to terms and practices of the international financial markets prevailing at the time of issuance.

The par value of other financial instruments within the meaning of Section 174 AktG, such as participating bonds and profit participation rights which are not provided with a right to conversion into shares, is calculated in line with accepted discounted cash flow methods in an accepted price determination process.

C Aiming at institutional investors

Financial instruments within the meaning of Section 174 AktG are usually taken up only by institutional investors that are specialized in this type of investment. It is these which are to be targeted when a security within the meaning of Section 174 AktG as set out above is issued on the basis of this authorization. Such an issue enables the Company to access a new type of investor. If, however, financial instruments that incorporate subscription rights were issued, the unaccustomed arrangement and allotment

mechanisms and/or the market risks arising to investors from a time limit of at least two weeks would not appeal to potential investors or could reduce the total volume of issues.

Moreover it should be noted that if the issuance of a financial instrument that incorporates subscription rights were subject to a fair evaluation (i.e. at the best terms achievable in the market as is desired by the Company) the subscription rights would not have an economic importance on their own.

By foregoing a time- and cost-intense subscription rights procedure, the Company can quickly raise needed capital exploiting short-term market opportunities and obtain new investors from Austria and abroad.

To summarize, excluding the subscription right thus strengthens equity and reduces the financing cost in the interest of the Company and all its shareholders.

As a final aspect, it is possible to issue financial instruments within the meaning of Section 174 AktG which are targeted solely at institutional investors (and for which the subscription right is excluded) without a prospectus, provided that the denomination and design are right. This would significantly reduce the cost of an issue compared to that expected for an issue that involves a prospectus.

D Guarantee for the issuance of financial instruments by an associated enterprise

The authorization applied for by the Management Board also includes the option to issue financial instruments within the meaning of Section 174 AktG by an associated enterprise of DO & CO Aktiengesellschaft, Vienna, where the Company would guarantee the issue and grant holders of such financial instruments conversion rights to common stock of DO & CO Aktiengesellschaft.

Choosing the issuer’s location would enable the Company to make use of framework conditions and double-taxation regimes favorable under tax law and in this way further

optimize financing conditions. A key consideration is that financing for the Group is raised by its subsidiaries in Austria and abroad rather than by the Company itself, and that the funds raised by the Company are passed on to such subsidiaries through internal routes. The described arrangement would allow the Company to place capital raised by the Group directly where the funds are actually used and/or where financing could be raised only at a substantially higher interest spread which would negatively affect the financing expenditure of the Company and the Group. By combining capital raising schemes by a subsidiary with a conversion right to Company shares, the Company hopes (in addition to the reasons given in Section A above) to address lenders and/or investors which due to their risk profiles or business strategies would be averse to classic loans or corporate bonds.

E Financial instruments of equity status

The Management Board is to be authorized to arrange financial instruments within the meaning of Section 174 AktG, including but not limited to hybrid bonds and profit participation rights, so that they can be posted as equity.

According to a finding by the Expert Committee for Commercial Law and Auditing, this is the case when financial instruments are issued for consideration, the capital transfer is not limited in time, compensation depends on results, the instruments fully participate in the loss, repayment is made in compliance with the rules on capital reduction, or uncommitted reserves are transferred to the share capital to the amount of the repayment, and repayment is assigned a lower priority in the case of insolvency or liquidation.

According to the International Accounting Standards Board (IASB), the following characteristics are required in order to classify redeemable financial instruments as equity: unlimited term, ascending interest rate coupled with a distribution resolution and right of the issuer to call the instrument where the time of the call, e.g. by a jump in interest rates, can with some certainty be predetermined in terms of company policy.

Summarizing the pros and cons

The proposed exclusion of the subscription right can be objectively justified by the desired goals: optimizing the capital structure and reducing financing costs, optimizing a high conversion price, accessing new investor circles, raising capital for the Group directly where such capital is actually used, and access to the hybrid capital market, all of which further strengthens and improves the Company's competitive standing in the interest of the Company and its shareholders.

Moreover, an exclusion of the subscription right is both reasonable and necessary because the expected inflow of outside capital, hybrid capital or equity eliminates the need for more cost-intensive capital measures thanks to the target-group-specific orientation of financial instruments within the meaning of Section 174 AktG, offers better financing terms and enables flexible long-term business planning and implementation of the envisaged corporate targets for the benefit of the Company and thus also for the benefit of all its shareholders. Without excluding the subscription right, the Company is unable to respond to favorable market conditions in an equally rapid and flexible manner.

The Management Board of the Company expects that the benefit reaped by the Company from the issuance of financial instruments within the meaning of Section 174 AktG while excluding the subscription right benefits all shareholders and clearly outweighs the (potential) relative participation loss suffered by shareholders that are excluded from the subscription right, so that, overall, the corporate interest will outbalance the disadvantage suffered by the shareholders through their exclusion from the subscription right. Summarizing and considering all circumstances described above it can thus be said that the exclusion of the subscription right within the limits defined above is adequate as well as objectively justified and necessary in the preponderant interest of the Company.

Vienna, May 2013 The Management Board