**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 1 of the Agenda
# of the extraordinary General Meeting of Shareholders on 15 January 2021
# (Exclusion of the shareholders´ subscription rights to convertible bonds to be issued pursuant to Section 174 AktG)

Pursuant to Section 174 (4) in combination with Section 153 (4) AktG, all members of the Management Board submit to the extraordinary General Meeting of Shareholders of DO & CO Aktiengesellschaft on 15 January 2021 the following Report by the Management Board of DO & CO Aktiengesellschaft, domiciled in Vienna:

The Management Board of DO & CO Aktiengesellschaft, domiciled in Vienna and residing at 1010 Vienna, Stephansplatz 12, registered in the Company Register of the Republic of Austria under FN 156765 m (hereinafter referred to as "DO & CO" or the "Company"), intends to propose that the extraordinary General Meeting of Shareholders on 15 January 2021 adopts the following resolutions, namely

- as to Agenda Item 1:

  a) The Management Board is authorized, subject to the consent of the Supervisory Board, to issue, also in several tranches, for a period of five years from the date on which this resolution is adopted, pursuant to Section 174 AktG convertible bonds of an overall nominal amount of up to EUR 100,000,000.-- which grant subscription and/or conversion rights to up to 1,350,000 bearer shares of the Company.

  b) For satisfying subscription and/or conversion rights, the Management Board may use the conditional capital to be newly created under Agenda Item 2 of the extraordinary General Meeting of Shareholders on 15 January 2021.

  c) The issue price and the terms and conditions of issuance of the convertible bonds (in particular interest rates, term, denominations, conversion modalities, subscription and/or exchange conditions) are to be determined by the Management Board subject to the consent of the Supervisory Board, provided that the issue price shall be determined in accordance with recognized financial-mathematical methods customary in the market as well as the price of the Company´s shares in a recognized pricing procedure.

d) The shareholders´ subscription right within the meaning of Section 174 (4) AktG to convertible bonds to be issued is excluded.

and

- as to Agenda Item 2:

a) The share capital of the Company shall, with the cancellation of the relevant resolutions adopted under Item 8 of the Agenda of the 10th Ordinary General Meeting of Shareholders on 10 July 2008 and under Item 8 of the Agenda of the 15th Ordinary General Meeting of Shareholders on 4 July 2013, be conditionally increased pursuant to Section 159 para. 2 no. 1 AktG by up to EUR 2,700,000.-- by issuing of up to 1,350,000 new bearer shares with no par value (no-par value shares) for issue to creditors of convertible bonds, for which the Management Board has been granted authorization pursuant to the resolution adopted by the General Meeting of Shareholders held on 15 January 2021. The capital increase may only be carried out to the extent that creditors of convertible bonds exercise their subscription and/or conversion rights to shares of the Company. The issue price and the exchange ratio shall be determined in accordance with recognized financial-mathematical methods and the price of the Company's shares in a recognized pricing procedure. The shares newly issued under the conditional capital increase shall have an entitlement to dividends corresponding to the shares traded on the stock exchange at the time of issue. The Management Board shall be authorized, subject to the consent of the Supervisory Board, to determine further details of the implementation of the conditional capital increase. The Supervisory Board is authorized to resolve on amendments of the Articles of Association which result from the issuance of shares under the conditional capital (Conditional Capital 2021).

b) Clause 5 (4) of the Company´s Articles of Association shall be amended accordingly so that this provision shall in its entirety read as follows:

"*The share capital of the Company shall be conditionally increased pursuant to Section 159 para. 2 no. 1 AktG by up to EUR 2,700,000.-- by issuing of up to 1,350,000 new bearer shares with no par value (no-par value shares) for issue to creditors of convertible bonds, for which the Management Board has been granted authorization pursuant to the resolution adopted by the General Meeting of Shareholders held on 15 January 2021. The capital increase may only be carried out to the extent that creditors of convertible bonds exercise their subscription and/or conversion rights to shares of the Company. The issue price and the exchange ratio shall be determined in accordance with recognized financial-mathematical methods and the price of the Company's shares in a recognized pricing procedure. The shares newly issued under the conditional capital increase shall have an entitlement to dividends corresponding to the shares traded on the stock exchange at the time of issue. The Management Board shall be authorized, subject to the consent of the Supervisory Board, to determine further details of the implementation of the conditional capital increase. The Supervisory Board is authorized to resolve on amendments of the Articles of Association which result from the issuance of shares under the conditional capital (Conditional Capital 2021).*"

As the General Meeting of Shareholders on 15 January 2021 shall resolve on the exclusion of the shareholders´ subscription rights to convertible bonds to be issued, the Management Board, pursuant to Section 174 (4) in combination with Section 153 (4) AktG shall furnish a written report on the reasons for such exclusion of subscription rights to the General Meeting of Shareholders.

The exclusion of the statutory subscription right of shareholders when issuing convertible bonds pursuant to Section 174 (4) AktG is for the following reasons in the predominant interest of the Company and is adequate and necessary and reasonable and therefore objectively justified:

## 1. More favorable financing conditions

1.1 In particular, due to the difficult and challenging economic conditions caused by the COVID-19-crises which affect all divisions of DO & CO-Group as well as the necessity to further develop the business organically and inorganically and to maintain the liquidity of DO & CO-Group, the Company may at a short-term require financing and/or refinancing (for example in connection with the establishment of new business units in the USA).

In order to achieve such flexibility, it is necessary that the Company is in a position to implement capital measures at short notice and obtain favorable financing.

1.2 Convertible bonds are a reasonable tool for the Company to keep its capital cost low. By financing through convertible bonds, the Company can usually obtain better financing conditions than by (pure) debt instruments (loan financing, bonds). The financing of the Company by issuing convertible bonds enables the Company to decrease the financing costs and to optimize the capital structure. The more favorable financing conditions result from the following factors:

From convertible bonds, investors obtain interest payments on the invested capital. At the same time they are granted the right to acquire, at some time in the future, shares of the Company at conditions already determined at the time the convertible bond is issued, which allows the creditors access to the substance and profitability of the Company once they have converted.

By such components, namely the relatively higher security for bondholders – compared to an investment in shares – and the opportunity to participate in the rise of the share price through the right to convert in shares, the Company obtains flexible and rapid access to attractive financing terms which are usually below the level of (pure) debt instruments.

The terms customary in the capital market for convertible bonds will produce an initial offering price of the shares to be issued which lies 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 – in other words – 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 of convertible bonds, 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 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. A high volatility (and respective price opportunities) technically improve within the scope of the calculation methods customarily used the value of the option component and ultimately result in a relatively low interest rate for the convertible bonds. Convertible bonds are thus an opportunity to exploit price volatilities (as they do occur for shares of DO & CO) for the benefit of the Company and thereby reduce the cost of capital for the Company.

1.3 Practice has shown that the issuance of convertible bonds that excludes subscription rights usually achieves better terms as it allows 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 subscription rights for which, under statutory provisions, a subscription period of at least two weeks must be observed. 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 common practice to exclude subscription rights when convertible bonds are issued to the capital market.

1.4 Such disadvantages resulting from a delay in the placement may also arise if an authorization of the Management Board to exclude the subscription right were adopted and the Management Board were to decide to exclude the subscription rights in the course of the issue procedure. In such case, the publication of a further report of the Management Board is mandatory and a waiting period of at least two weeks must be observed prior to the required resolution of the Supervisory Board to implement such measure.

1.5 Therefore, more attractive financing at more favorable conditions can be obtained if the Company is able to react swiftly and flexible to favorable market conditions. These advantages would not be achievable to the same extent if a period of two weeks for exercising the subscription rights or a waiting period of two weeks in case of an authorization to exclude the subscription rights were to be observed. The issuance of convertible bonds under the proposed exclusion of subscription rights can be processed faster and more cost-efficiently since neither subscription periods nor waiting periods have to be observed nor preparation for drafting of and obtaining the approval for a prospectus is required (as issues under the exclusion of subscription rights may, if the same are structured appropriately, be made without a prospectus).

**2. Institutional investors**

2.1 Convertible bonds are usually taken up by institutional investors that are specialized in this type of investment and who are to be targeted when convertible bonds are to be issued on the basis of this authorization.

2.2 Thus, by issuing convertible bonds the Company is enabled to gain access to a new investor base. If, however, convertible bonds that incorporate subscription rights were issued, then these investors, due to the unaccustomed arrangement and allotment mechanisms and/or the market risks arising to these investors from a subscription period of at least two weeks, either could not be approached at all or could only be approached with a lower issuing volume. The same applies, if in case of an authorization of the Management Board to exclude the subscription rights a further report of the Management Board were to be published and a waiting period of two weeks prior to the implementation of such measure were to be observed (see 1.4 above).

2.3 Moreover, it should be noted that if the issuance of convertible bonds that incorporate 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 relevance on their own.

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

2.5 Convertible bonds which are targeted solely at institutional investors (and for which the subscription right is thus excluded) may be, if structured appropriately, issued without a prospectus. This would significantly reduce the issuing costs compared to an issuing that involves a prospectus and enable a quicker implementation of the issuing.

## 3. Optimizing a high conversion price

3.1 The issue price of the shares to be issued if conversion and/or subscription rights of convertible bond-holders 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 convertible bond, to which a surcharge is added that reflects an assessment of how the Company´s share price will develop in combination with surcharges for comparable transactions in the relevant capital market.

3.2 Considering that the share price at the date of issuance is important for designing the terms of the convertible bond, it is in the Company's interest to be in a position, as much as possible, to determine the reference date and thereby the reference price for the Company's shares.

3.3 Giving due regard to the fluctuations in the stock markets in general and in particular due to the COVID-19-crisis as well as to the volatility (to which the shares of DO & CO are equally exposed), it is obvious that both price development and market assessment could be subject to considerable variations within both, the two-week time limit for subscription and the two-week waiting period, which would have to be observed if subscription rights were not excluded by the general meeting of shareholders.

3.4 However, by exclusion of subscription rights, the Company is able, quite speedily and flexibly, to select a propitious date of allotment.

In this way, the Company 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.

## 4. Issue Price

4.1 In case of an issue of convertible bonds, the Management Board will determine with the consent of the Supervisory Board the issue price and the terms and conditions of issuance. Conversion and/or subscription rights may (also) be covered by conditional capital.

4.2 The price (issue price) of the convertible bonds shall be determined in accordance with recognized financial-mathematical methods as well as the price of the Company´s shares in a recognized pricing procedure. The price (issue price) of a convertible bond shall be determined by the price of an ordinary fixed-interest bond and the price for the conversion rights taking into consideration the other terms and conditions of the convertible bond. The issue price of a bond is determined on the basis of market-standard calculation methods, subject to the maturity of the bond, interest rate of the bond, current market interest rate as well as considering the credit rating of the Company. The value of the conversion and/or subscription right is calculated by methods of option price calculation, in particular considering maturity/exercise period, share price development (volatility) and other financial key performance indicators as well as the relation of the conversion and/or subscription price to the share price and the other terms and conditions of the convertible bond.

4.3 The issue price of the shares issued upon exercise of conversion (exercise of the conversion and/or subscription right) and the conversion and/or subscription ratio shall equally be determined in accordance with recognized financial-mathematical methods and the price of the Company´s shares in a recognized pricing procedure.

4.4 The price (issue price) of convertible bonds as well as the issue price of the shares are thus determined by objective criteria in line with international standards so that the interests of shareholders are preserved.

## 5. Summarizing consideration of interests

5.1 The proposed exclusion of subscription rights is, in light of the pursued goals, namely optimizing the capital structure, reducing financing costs, accessing new investor circles and optimizing a high conversion price, in the interest of the Company and its shareholders.

5.2 Moreover, an exclusion of the subscription right is both reasonable and necessary because the expected inflow of capital by issuing convertible bonds eliminates the need for more cost-intensive capital measures, 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 shareholders. Without excluding the subscription right, the Company is unable to respond to favorable market conditions in an equally rapid and flexible manner and/or to selectively approach institutional investors.

5.3 The benefit reaped by the Company from the issuance of convertible bonds with the exclusion of subscription rights benefits all shareholders and clearly outweighs the (potential) pro rata loss in participation of the shareholders who are excluded from the subscription right so that, overall, the corporate interest outweighs the disadvantage to shareholders resulting from the exclusion of the subscription right.

5.4 Summarizing and considering all circumstances described above, it can thus be assessed that the exclusion of the subscription right lies in the predominant interest of the Company, is required, appropriate and adequate and therefore objectively justified and necessary.

Vienna, December 2020

The Management Board

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| Attila Dogudan | Mag. Gottfried Neumeister |