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REPORT

of the Management Board

of

Warimpex Finanz- und Beteiligungs Aktiengesellschaft

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

(Exclusion of subscription rights related to the issue of convertible bonds)

Item 9. of the agenda

The Management Board and the Supervisory Board of Warimpex Finanz- und Beteiligungs Aktiengesellschaft (**"Company"** or **"Warimpex"**) intend to ask the Annual General Meeting of the Company for the authorisation of the Management Board to issue convertible bonds.

The resolution proposal regarding agenda item 9. is as follows:

> *9.a) The annual general meeting authorises the management board pursuant to section 174 para 2 Austrian Stock Corporation Act within five years of the date of the resolution and with the approval of the supervisory board to issue convertible and/or option bonds conferring the right of conversion or subscription to up to 9,000,000 ordinary bearer shares in the Company with a proportionate share in the share capital of up to EUR 9,000,000.00, also in one or several tranches, and to determine all further terms, the issue and the conversion procedure with regard to the convertible and/or option bonds, the issue price as well as the exchange and conversion ratio. The subscription right of the shareholders is excluded. The service of the conversion and subscription rights can be effected by means of conditional capital or the own shares or a combination of both. The issue price of the convertible and/or option bonds is to be determined by means of a market standard price determination scheme in consideration of generally acknowledged methods of mathematical finance.*

The authorisation of the Management Board on the issue of convertible bonds shall be resolved by exclusion of subscription rights whereby the exchange 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 entire exclusion of subscription rights pursuant to Section 174 para 4 and Section 153 para 4 Austrian Stock Corporation Act.

1. INTEREST OF THE COMPANY

The Company intends to actively design its capital structure in order to achieve an optimisation of capital structure. The issue of convertible bonds is an appropriate instrument for achieving this goal which is in the interest of the Company. In general, there are three advantages of the issuing of convertible bonds under direct exclusion of the 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, whereby a participation in the substance and the earning power of an undertaking is made available. Thus, investors are offered the chance to participate in an increase of value of the undertaking, with a relatively low risk of default in comparison to direct equity investments.

Convertible bonds usually provide for interest payments and contain the right to convert the convertible bonds either during or at the end of the tenor in shares, or – in case there is no conversion – to receive a repayment of principal at the end of the tenor.

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

Because of the high security for the bondholders and the simultaneous possibility to participate in an increasing share price in the course of the conversion, the Company gets a flexible and quick access to attractive financing conditions, usually below the level of (ordinary) debt instruments. In addition, the issue of convertible bonds is regarded by the capital market often as a positive signal for the confidence of the management with regard to the future development of the share price.

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

Following the usual conditions of convertible bonds on the capital markets, the conversion price (in the event of exercise of the conversion or subscription right) of the shares to be issued usually is above the share price at the time of the issue, so that the Company may receive a higher issue amount compared to an immediate capital increase. According to experience, a dilution of the asset participation by value can be avoided through the issue price. In practice it can be seen that issues of convertible bonds by excluding the subscription rights can achieve better conditions because price-sensitive risks on the account of the Company from a changed market situation can be avoided because the immediate placement, and though investors specialising in convertible bonds can be specifically addressed. This is because an allocation to institutional investors for whom such an instrument is appropriate can be promptly made 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 shareholders' meeting only authorises the Management Board to exclude subscription rights. Because a mere authorisation 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 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 conditions of convertible bonds (see also clause 2. of this report on the determination of the issue price). It is therefore in the interest of the Company to have control as extensive as possible over the point in date of allocation of an issue. In particular, it becomes clear from the volatility of the equity markets in total as well as from the volatility of the share that both the share price development and the market interpretation may be subject to material changes within a subscription or waiting period of two weeks which needed to be observed without the exclusion of subscription rights. 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 predominately subscribed by such investors, either institutional investors or particular selected investors with a specialisation for this type 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 1.2 of this report above, a certain market standard has developed because of such needs which must be followed in order to ensure a successful issue. In absence of the time-consuming handling of subscription rights, the funding requirements of the Company can be covered in a very timely manner from short-notice upcoming market chances, and often additional new investors in Austria and abroad may be attracted. In addition, there is, for example, the possibility that already known investors who also intend to quickly invest use this type 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.

Usually, only an issue under exclusion of subscription rights can fulfil the above described requirements. An issue with subscription rights would result in a scenario where, for example institutional investors, because of unusual conditions and allocation mechanisms and/or market risks for such investors during the subscription period of at least two weeks, could not approached or only with lower issue volumes. The exclusion of the subscription right 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 funding costs, but also from the speed and flexibility of 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 Capital Markets Act) and the associated one-time 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, CONDITIONS OF THE CONVERTIBLE BONDS

The 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.

Therefore, the calculation of the conversion price is made with the methods of option pricing under consideration of the maturity/conversion time, the volatility of the share, the relationship between the conversion and/or option price to the then exiting share price of the share of the Company, the actual market interest (Euribor/Swap rate) as well as the dividend yield. Further features, for example a right to premature termination by the issuer or a right to premature termination by the bondholder (under conditions to be determined) – as well as a mandatory conversion, a right to pay a certain amount instead of conversion and fixed or a variable conversion ratio of the convertible bonds – will additionally be considered 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 this course, it will be aimed for a spread which is to be deducted from the expected share price development, based on expectations from analysts, as well as from spreads achieved in comparable capital markets transactions (reference transactions) and the general capital markets 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 leads to no dilution in their asset participation.

The Company is enabled, during the authorisation 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 authorised to issue convertible bonds conferring the right of conversion or subscription for the acquisition of up to 9,000,000 new, no-par value bearer shares of the Company with a pro rata amount of the share capital of up to EUR 9,000,000.00. The respective conditional capital increase shall also correspond to this extent. Therefore, such a capital increase would be limited to 14.29% of the share capital (based on the assumption of a new share capital of EUR 63,000,000.00). Therefore, the dilutive effect would be insignificant.

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). Also in the event of a non-conversion convertible bonds are regularly favourable funding instruments.

3. BALANCING OF INTERESTS

When balancing and considering all of the above presented circumstances, the Management Board comes to the conclusion that the proposed exclusion of the subscription right is in the interest of the Company and its shareholders objectively justified because of the intended goals, namely the optimisation of the capital structure, and a decrease of funding costs and associated therewith a strengthening and increase of the market and competitive situation of the Company; at the same time, it is suitable to achieve the intended goals.

The exclusion of the subscription rights is in addition also appropriate and necessary because the financing and the expected increase of equity by orientation to specific investors for convertible bonds replaces cost-intensive capital measures, provides for more favourable financing conditions and a log-term and flexible finance and secures business planning and the realisation of planed financings and business goals to the benefit of the Company and also the interest 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 a dilution by value of existing shareholders, it is additionally strived for an issue price (conversion price) where the value of the hypothetical subscription right for the convertible bonds to be issued has no economic relevance and which is therefore irrelevant for 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 balancing 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, May 2018

The Management Board