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**Report on Item 8 of the Agenda  
of the 31st Annual General Meeting  
of S IMMO AG  
on 12 October 2020**

**Report by the Management Board of S IMMO AG in accordance with § 170 (2) in conjunction with § 153 (4) AktG on the authorisation to exclude subscription rights in connection with the authorisation of the Management Board to increase the share capital according to § 169 AktG in exchange for cash contributions or contributions in kind**

**1. AUTHORISATION**

In the 31st Annual General Meeting of S IMMO AG (the “Company”), the following resolution is to be proposed under item 8 of the agenda:

1. For a period of five years after the corresponding amendment of the articles of association has been entered into the commercial register, the Management Board shall be authorised according to § 169 AktG, with the approval of the Supervisory Board, to increase the share capital in one or more tranches by up to EUR 133,728,461.81 by issuing up to 36,804,448 new ordinary shares in the company in exchange for cash contributions or contributions in kind and to set the issue price, which must not be less than the proportionate amount of the share capital, and the terms and conditions of the issue with the agreement of the Supervisory Board. The Management Board shall be authorised, with the approval of the Supervisory Board, to exclude subscription rights of shareholders in full or in part (i) in case of a cash capital increase if the number of the shares issued under exclusion of subscription rights does not exceed 10 (ten percent) of the Company’s total share capital at the date the authorisation is exercised, (ii)

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if some or all of the capital increase is in exchange for a contribution in kind, (iii) to serve an over-allotment option (greenshoe) or (iv) for the elimination of fractions of shares. The total interest in the share capital notionally attributable to the sum of the shares issued in accordance with this authorization with the shareholders' subscription right excluded in exchange for a cash contribution or contribution in kind must not exceed 10% (ten percent) of the company's share capital at the date the authorization was granted. All subscription and conversion rights to new shares granted for a convertible, exchangeable or warrant-linked bond issued during the term of this authorisation shall be counted towards this limit. The Supervisory Board is authorised to amend the articles of association in connection with the issue of shares out of authorised capital.

2. The cancellation of the so far unused authorized capital pursuant to the resolution of the Annual General Meeting of 3 May 2018 under item 8.

To prepare this resolution, the Management Board submits a written report to the Annual General Meeting - pursuant to § 170 (2) in conjunction with § 153 (4) AktG - on the grounds for the authorisation to exclude subscription rights and also substantiating the proposed issue price for the shares.

## 2. GENERAL

In item 8, the Annual General Meeting of 3 May 2018 authorized the Management Board to increase the share capital within a period of five years after the corresponding amendment of the articles of association had been entered into the commercial register and subject to the approval of the Supervisory Board. Such increase (Authorized Capital) to be effectuated in one or more tranches amounting up to EUR 48,628,711.07 by issuing up to 13,383,435 bearer shares against cash or contribution in kind, in defined cases under partial or total exclusion of shareholders' statutory subscription rights. The Management Board shall set the price and the terms of the share issue in agreement with the Supervisory Board.

Based on this authorization and on the resolution of the Management Board of 30 December 2019 and of the Supervisory Board of 15 January 2020, 6,691,717 new shares have been issued, thereby bringing the amount of outstanding shares to 73,608,896 and increasing the share capital from EUR 243,143,569.90 to EUR 267,457,923.62.

To ensure the Company's flexibility on capital measures and to give the Management Board the opportunity to act swiftly and appropriately within a changing economic environment, a motion shall be submitted to the Annual General Meeting to approve authorised capital in the amount of 50% of the share capital, again authorising the Management Board to exclude subscription rights.

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Under the proposed resolution, the authorisation to exclude subscription rights in whole or in part pertains to the following cases:

- (i) utilisation of the authorised capital against cash (cash capital increase). In this case, the restriction applies that the shares issued by the Company in exclusion of subscription rights cannot exceed the limit of 10% of the Company's share capital (at the time the authorisation is exercised);
- (ii) capital increase for contributions in kind;
- (iii) grant of an overallotment option (greenshoe) for a capital increase in cash; and
- (iv) to adjust fractions of shares.

### **3. CASH CAPITAL INCREASE**

The authorisation of partial or total exclusion of shareholders' subscription rights is in the Company's interest on the following grounds:

It is in the company's interest to quickly cover a financing requirement or strengthen the Company's capital structure by issuing larger blocks of shares. Such financing requirement may specifically arise financing a company acquisition or purchasing real estate, or to cover a refinancing need of the Company or one of its subsidiaries, e.g. to repay a bond, convertible bond, credit, or other financing. Particularly in these cases, it may be necessary or expedient to quickly place shares of the Company, as by an accelerated book building

A capital increase can take place much faster and more cost efficient if subscription rights are excluded, because if shares are issued with subscription rights, there is a minimum two-week subscription period for the shareholders (§ 153 (1) AktG) and a much longer preparatory period to compile an issue prospectus and to obtain its approval. Issuing shares with the exclusion of subscription rights and with an exemption from submitting an issue prospectus avoids these obstacles. A prospectus-free issue can also significantly reduce the liability risks of the company compared to a share issue that includes a prospectus.

Also, new shares can be admitted to stock exchange trading immediately after issue – without approval and publication of an issue prospectus, as under Art. 1 (5) (a) of the Prospectus Regulation (EU) 2017/1129, securities are not subject to the obligation to publish a prospectus, provided that they represent, over a period of 12 months, less than 20% of the number of securities already admitted to trading on the same regulated market.

By issuing larger blocks of shares with the exclusion of subscription rights, the Company shareholder structure can also be expanded or stabilised. This concerns anchoring of the Company's shareholder

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base with institutional investors (especially financial investors and strategic investors). The (partial) exclusion of subscription rights puts the Company in a position to address an institutional investor, or a group of selected institutional investors, who commit to subscribing to a certain number of shares (so-called “anchor investors”). Being able to commit to a certain allotment of new shares to such investor(s) regularly translated into a higher issue price. This fixed placement with an anchor investor regularly sets a positive market signal for a possible subsequent capital increase with subscription rights and thereby favourably affects the probability for a successful transaction, thereby benefiting the Company’s interests.

Furthermore, based on the Company’s strategic considerations, it can be advantageous to acquire an investor as new shareholder who, due to expertise and/or investment capital, broadens the business activities for the company or stabilises and strengthens the Company’s market position.

By complying with a two-week subscription period, there is a risk that institutional investors may not be addressed or may take up only a reduced number of shares, because of the allocation structure and/or the prolonged market exposure risks during the subscription period.

The capital increase with exclusion of shareholder subscription rights allows for quick placement within a short offer period. In this manner, the Company can swiftly and flexibly make use of market opportunities, in particular regarding the price level for shares, for a capital increase.

This particularly applies to negative share price developments during the offer period with adverse effects on the success respectively the costs of capital measures (especially in volatile markets) and the avoidance of a risk of speculation (short selling) against the share during the offer period. Reducing the placement risk is important especially in a difficult market environment. Especially in an unstable and volatile market environment due to macro-economic factors, the Company can be subject to adverse share price risks.

The authorisation for excluding subscription rights specifically allows the Company the benefits of an accelerated book building, thereby greatly reducing the placement risk associated with a capital increase.

With accelerated book building, the Company can assess the market price precisely and more swiftly during a short offer period; this would not be possible if the offer included subscription rights because in this case, the issue price would be determined in the course of the offer period.

Thus, accelerated book building can minimise the risk that conditions, once established, are no longer in line with market conditions by the time actual market placement occurs. Experience shows that market views can be subject to significant changes within a two-week subscription period. However, if

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an issue (partially) excludes subscription rights, the Company can define an optimum issue price, taking account of current market conditions – if possible – in a relatively quick and flexible manner and establish this price for the capital increase.

International market practice has also shown that better pricing has been achieved in the course of accelerated book building due to the immediate placement, which eliminates market risk factors otherwise reducing the offered price by institutional investors. Accelerated book building also provides higher transaction security, as the willingness of existing shareholders to exercise their subscription rights remains uncertain (Claw Back Risk), which is detrimental to the placement with institutional investors. The (partial) exclusion of subscription rights for a capital increase in exchange for a cash capital increase reduces the Claw-Back rRsk, because not (all) of the allocation is subject to the exercise of subscription rights; thus, discounts of the investors on the issue price can be reduced.

The authorisation for exclusion of subscription rights is suitable, necessary and reasonable:

The authorisation of the Management Board regarding the above-mentioned exclusion of subscription right is both suitable and necessary in order to raise equity in a quick and flexible way to address financial needs or to strengthen the Company's capital structure and to extend or stabilise the shareholder structure of the Company and to address certain groups of investors as well as to exploit market opportunities swiftly and flexibly and to reduce the placement risk.

Within the scope of standard trading volume, the shareholders are free to purchase shares via the stock exchange. Consequently, even in the case of a capital increase with the exclusion of shareholder subscription rights, shareholders should have the opportunity to avoid a dilution of their share proportion by purchasing shares on the stock exchange. If subscription rights were excluded in the case of a cash capital increase with a limit of 10% of the share capital, a dilution of the shareholding quota in the value of the enterprise as well as the voting rights would be confined to reasonable limits. Even if excluding the subscription rights poses some disadvantages to existing shareholders, limiting the share capital increase to 10% of the share capital will keep these disadvantages within reasonable limits. For this reason, German stock corporation laws generally consider the exclusion of subscription rights to be permissible.

For the above reasons, the company's interest in the purposes pursued by the exclusion of subscription rights and the relevant actions – which are also in the interest of all shareholders – take priority, so the exclusion of shareholder subscription rights is not unreasonable.

In consideration of all circumstances listed above, it can be determined that the exclusion of subscription rights within the discussed limits, is necessary, suitable and reasonable and is in the overwhelming interest of the company and thus required and justified in objective terms.

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#### **4. CAPITAL INCREASE IN EXCHANGE FOR CONTRIBUTIONS IN KIND**

The Management Board is to be authorised to exclude subscription rights in whole or in part for capital increases in exchange for contributions in kind.

This would enable the Management Board upon consent of the Supervisory Board in suitable cases to acquire real estate, companies, parts of companies and shareholdings, especially companies that hold real estate, or other assets in exchange for company shares.

Depending on market conditions and future company development, strategic transactions will be enabled and it may be useful or necessary when acquiring real estate, companies, parts of companies and shareholdings, especially in companies that hold real estate or other assets, to use company shares as consideration or to issue them as consideration, either in order to provide a settlement for shareholders of the relevant target company or – if the sellers prefer – to receive company shares instead of cash.

Potential sellers often prefer buyers who offer listed shares in exchange for an acquisition. This generally has advantages under tax law for the seller. Moreover, the seller can optimally generate remuneration by taking advantage of relevant market developments with the flexible sale option of shares received in consideration.

Investments/acquisitions in exchange for shares is beneficial for the company as well, because this form of financing does not increase the company's need for liquidity and does not carry interest expenses. Particularly when financial resources are tight and/or it is more difficult to obtain external funds, the use of shares from authorised capital for investments/acquisitions is often a useful form of consideration. The option to use shares from authorised capital as a currency for acquisition gives the company the required flexibility to use acquisition opportunities quickly and flexibly.

Particularly contributions in kind generally require the exclusion of shareholder subscription rights, because the assets to be contributed usually have a unique composition (such as real estate, companies, parts of companies and shareholdings, especially companies that hold real estate or other assets) and cannot be contributed by all shareholders.

The exclusion of subscription rights in the event of capital increases for contributions in kind for the transfer into the Company of real estate, companies, parts of companies and shareholdings, especially in companies that hold real estate or other assets is therefore in the interest of the company and its shareholders, particularly as this type of investment/acquisition can offer an advantage over other investors/bidders and does not burden the company with financing expenses

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If the company intends to make a certain investment/acquisition, the exclusion of subscription rights is suitable and necessary to achieve the above goals. In balancing of interests, the interest of the company and shareholders in the investment/transaction takes priority.

## **5. EXCLUSION OF SUBSCRIPTION RIGHTS FOR OVERALLOTMENT OPTIONS**

When placing new shares of the Company, it may be advantageous to grant over allotment options (“greenshoe”). Greenshoe is used when the new issue of shares is oversubscribed, i.e. when the demand for new shares exceeds the supply. Over allotment offers the opportunity to issue additional shares under the same terms as the shares originally issued in the course of the capital increase. This market standard measure aims at stabilising the share price after placement and as such is not only in the interest of the Company, but also of the shareholders. To perform this function, the subscription rights for shareholders must be excluded for the greenshoe option by the Management Board.

## **6. EXCLUSION OF SUBSCRIPTION RIGHTS TO MAKE UP FOR FRACTIONAL AMOUNTS**

The authorisation of the Management Board to exclude subscription rights to make up for fractions of shares serves the purpose of achieving a useful conversion ratio in relation to the amount of the capital increase in return for contribution of cash considerations. Without such exclusion of subscription rights, the technical execution of the capital increase may be hindered, especially in case of a capital increase by an even sum. The new shares, which have been excluded from shareholders’ subscription rights as fractions of shares, will either be sold on the stock market (stock exchange) or in any other manner be utilised for the Company in the best possible way. This procedure is in line with market standards and objectively justified since the costs of subscription right trading in the event of fractions of shares are disproportionate in relation to the shareholders’ advantage.

## **7. DETERMINATION OF THE ISSUE PRICE**

The issue price for the shares of the Company in case of a capital increase in return for contributions in cash with (partial) exclusion of shareholders’ subscription rights will be set depending on market conditions and the current share price level.

If subscription rights are excluded as part of a capital increase for contributions in kind, the Management Board, with the authorisation of the Supervisory Board, will use the authorised capital

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only if the issue price of the shares to be agreed with the provider of a contribution in kind is adequate in account of the acquisition of the contribution in kind given in consideration.

The offering price in the case an overallotment option (greenshoe) is identical to the offering price of the shares to be issued in the respective capital increase.

## **8. FURTHER REPORTING**

In the event of exclusion of subscription rights, the Management Board shall publish a further report under § 171 (1) in conjunction with § 153 (4) AktG no later than two weeks before the relevant resolution is adopted by the Supervisory Board.

Vienna, September 2020

The Management Board

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