APPENDIX ./5

SCOTTY GROUP SE

REPORT AND PROPOSAL
TO THE GENERAL MEETING
ON JUNE 17, 2016
<u>for the withdrawal of shares from trading on the Third Market of the Vienna Stock Exchange as per item five of the agenda.</u>

Status Quo

- SCOTTY Group SE ("Scotty") shares are traded on the Third Market of the Vienna Stock Exchange ("other securities")
- Although as a Third Market trader, Scotty is not subject to the standard legal obligations of issuers (e.g. ad hoc, control and participation disclosures), the offense "misuse of insider information" (paragraph 48b BörseG) and "market manipulation" (paragraph 48c BörseG) are applicable.
- According to paragraph 8 of the conditions for the operation on the Third Market, Scotty is currently subject to the following disclosure requirements of the Wiener Börse AG:
  - Immediate notification of all important information regarding the issuer and its financial instruments and significant changes (including changes to the company legal status or of the company name, capital structure)
  - Issue all information necessary in order to prove the correct submittal of participation requirements.

New rules: Market Abuse Regulation and Policy

- The main provisions of the Market Abuse Regulation ("MM-VO") shall apply from 3rd of July, 2016 and concern in particular the areas of insider trading, market manipulation, ad hoc disclosure, and directors' dealings
- The MM-VO is supplemented by a Market Abuse Directive, also implemented on July 3, 2016, defining the threshold for insider dealing and market manipulation resulting in criminal penalties.

- Expansion of the scope: while the current Market Abuse Directive only covers regulated markets, the MM-VO and others also apply to financial instruments in Multilateral Trading Facilities ("MTF") and other Organized Trading Facilities ("OTF") and therefore encompasses Scotty as an issuer on the Third Market Wiener Börse (Art 2 MM-VO).

Retaining Scotty shares in the Third Market after the July 3, 2016 would lead to the following consequences:

- Adaptation of the corporate compliance system due to newly required capital market law obligations.
- Demands of additional capacity of the Management Board or employees who are involved with compliance tasks.
- Increased (external) consulting fees, estimated to be at least € 100,000 per year.
- Significant deterioration of the cost-benefit ratio of the listing:

  The already very poor cost-benefit ratio of the listing would deteriorate significantly further because the lack of liquidity of the SCOTTY shares would be coupled with considerably increased time and effort. Note: during the period of November 1, 2015 to February 28, 2016 a total of only 580 shares were traded (i.e. 0.04% of the shares).
- The ad hoc disclosure obligation covers information regarding transactions and contracts that are likely to affect stock prices. Although there are exceptions, in principle these ad hoc reporting requirements override bilateral agreements (NDAs, confidentiality agreements, etc.). This point in particular is very problematic because Scotty has many public and military customers whose orders, especially long-term or other development contracts, are classified secret. This ad-hoc disclosure obligation would even be a threat to this core business which constitutes currently 70% of total sales.

Therefore, in reference to agenda point 5, the Supervisory Board and the Board of Directors of SCOTTY Group SE request the AGM to grant authority to the Board of Directors to withdraw all shares traded on the Third Market of the Vienna Stock Exchange.

Eisenstadt, Austia - May 2016

The Supervisory Board

The Board of Directors