UniCredit Markets & Investment Banking

Execution policy of UniCredit CAIB AG
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1. General principles of order execution

1.1. Introduction

The present "Execution Policy of UniCredit CAIB AG" (hereinafter also referred to as the "Bank") lays down the principles for the execution of client orders for the acquisition and disposal of financial instruments in the client's best interest. The "General Terms and Conditions of UniCredit CAIB AG" shall apply to supplement said Execution Policy.

The client's consent to the "Execution Policy of UniCredit CAIB AG" is required for the execution of client orders for the acquisition and the disposal of financial instruments. In case such consent is declined, Bank shall accept no further such client orders from the client. In case of a revocation of such consent, Bank shall accept no further acquisition orders; Bank shall, however, continue to accept disposal orders and orders for the closing of open derivative positions, and carry them out in accordance with the client's explicit instructions.

Bank hereby alerts clients that a client instruction to carry out an order in deviation from its Execution Policy will prevent Bank, with regard to the elements covered by such instruction, from taking the meas-ures it has laid down and implemented in the course of its Execution Policy so as to achieve the best pos-sible result in the execution of services.

Detailed information on the types of products described in the following (hereinafter also referred to as "asset classes") is provided in the brochure "Investment-Related Information – Disclosure of Risk" ("Informationen über Veranlagungen – Risikohinweise"). The brochure can be downloaded from Bank's website (www.ca-ib.com).

1.2. Determination of the client's interest

Pursuant to § 52 through § 54 of the Securities Supervision Act of 2007 (Wertpapieraufsichtsgesetz, WAG), banks are under an obligation to establish an execution policy for the execution of client orders for the acquisition and the disposal of financial instruments (hereinafter also referred to as the "Execution Policy") so as to achieve the best possible result for their clients in the execution of client orders. The determination of the best possible execution venue is no guarantee that the best possible result will in fact be achieved for each individual order. The Bank is under an obligation to take all appropriate measures to achieve the best possible result for the client on a consistent basis. The procedure used for the execution of client orders must typically lead to the best possible result for the client.

Within the scope of legislative requirements, the establishment of an Execution Policy is the duty of the Bank. The Bank shall establish an Execution Policy at its own discretion, taking into account the following aspects:

- The price of the financial instrument
- The costs related to execution of the order
- The speed of execution
- The probability of execution and processing of the order
- The size and type of the order
- All other aspects relevant to achieving the best possible result in the execution of the order

For retail clients, achievement of the best possible result shall be assessed on the basis of the total consideration and the result of execution. The total consideration shall be calculated on the basis of the price of the financial instrument and the costs related to the execution of the order. Further aspects shall be taken into account to the extent that they directly affect the total consideration.

In selecting the relevant execution venues, the Bank shall take into account those execution venues where significant amounts of the financial instruments concerned are traded. In selecting the execution venues, the Bank has furthermore taken into account whether it can trade directly at the execution venue or whether it will have to use the services of a financial intermediary (see 1.2.2.2) for that purpose.

If the client assesses individual aspects or factors in a different way than the Bank did in establishing its Execution Policy, and if the client therefore prefers to have his order executed at an execution venue which differs from the Execution Policy, the client must issue an explicit instruction with regard to the execution venue he prefers.

1.2.1. Price

To determine the advantageous nature of an execution venue with regard to the price, the Bank shall assess the price discovery mechanisms of the execution venues. In particular, price quality depends on the number of market participants, the possibility of assigning market makers, and, if applicable the alignment with a lead exchange (reference market principle).

1.2.2. Costs

The costs shall be determined as part of the total consideration, taking into account the following criteria:

1.2.2.1. Direct execution by the Bank in a stock market

In addition to the fees and commissions of the Bank, the costs shall include the fees of third parties (e.g. of the stock exchanges or the exchange brokers/market makers active at the stock exchanges – this also includes the costs of a central counterparty), as well as all other fees paid to third parties involved in the execution of the order (taxes, clearing and processing fees), to the extent that these are charged to the client.

1.2.2.2. Indirect execution by a financial intermediary (e.g. a broker)

In some cases, the Bank will not execute the order itself at the execution venue, but instead assign a commission merchant to do so. In such cases, the costs shall also include the costs of the commission merchant, in addition to the costs listed in item 1.2.2.1.

1.2.2.3. Special features of fixed price deals

In the case of fixed price deals, the transaction costs are already taken into account in the cost (price) of acquiring the security or other financial instrument.

1.2.3. Other aspects of order execution

Pursuant to legislative requirements, the Bank shall also take the following aspects into account in the execution of orders:

1.2.3.1. Speed of execution

The speed of execution is understood to mean the period of time from acceptance of the client order to the time the client order could theoretically be executed at the execution venue. The speed of execution at the execution venue is significantly determined by the type of market model.

1.2.3.2. Probability of execution and processing

The probability of order execution at a certain execution venue depends significantly on the liquidity at that execution venue. Under this aspect, the Bank shall also consider the risk of partial execution, which may have a direct effect on the total costs of execution.

The probability of processing depends on the risks of carrying out the individual execution transactions, which may impair the delivery of financial instruments.

1.2.3.3. Type and size of the order

Based on the characteristics of the client order, the Bank shall also take into account the type and size of the order.

A type of order executed at a certain execution venue may at the same time constitute an exclusion criterion for another execution venue.

1.3. Client classification

Pursuant to legislative requirements, the client shall be classified as a "retail client", a "professional client" or an "eligible counterparty" and informed of his classification.

The classification may have an influence on the execution of the client order as regards the execution venue. For retail clients, achievement of the best possible result shall be assessed on the basis of the total consideration and the result of execution. The total consideration shall be calculated on the basis of the price of the financial instrument and the costs related to the execution of the order. Further aspects shall be taken into account to the extent that they directly affect the total consideration.

1.4. Asset classes

Financial instruments with the same terms shall be combined in so-called asset classes and shall be subject to equal treatment for each asset class within the scope of the principles of execution.

1.5. Scope of application

The Bank shall apply this Execution Policy to the execution of orders by retail clients and professional clients placed by such clients for the purpose of the acquisition or the disposal of securities or other uncertificated financial instruments.

Discretionary orders or similar orders which do not allow for the determination of a single execution venue are executed by the Bank at its own discretion, preserving the interests of the client. In the execution of such orders, the Bank will equally strive to achieve the best possible result for the client.

1.6. Trading hours of the Bank

Client orders received outside the Bank's customary trading hours shall be considered in the order of receipt after resumption of trading.

1.7. Execution venues and types of execution

In the course of establishing the present principles complete with a list of execution venues, the Bank considered and assessed particularly the domestic and foreign stock exchanges and multilateral trading facilities (MTF) in which it is a direct participant.

The Bank shall make use of a financial intermediary, e.g. a commission merchant, if it has no direct access to an execution venue. The Bank cooperates with different financial intermediaries. In the past, these financial intermediaries have provided rapid and reliable execution without any differences in quality being noticeable in detail. In order to achieve execution conditions as favourable as possible in the interest of the clients, the Bank shall review the financial intermediaries' choice on a regular basis.

The Bank also reserves the right to effect execution by trading for own account in the interest of the client. As a rule, trading for own account will be used in order to provide the client with liquidity and reduce the processing risks.

1.8. Aggregation of orders

The Bank reserves the right to aggregate client orders with orders of other clients or with transactions for own account. However, client orders may only be aggregated if it can be expected that overall, such an aggregation will not be disadvantageous to the client or clients.

It must be stated as a matter of principle that the aggregation of an order with other orders and transac-tions may, however, at times be disadvantageous with regard to a certain order.

In order to regulate the fair allocation of aggregated orders and transactions, guidelines for the allocation of aggregated orders have been laid down and effectively implemented within Bank. These guidelines govern the fair allocation of aggregated orders and transactions also with a view to how the volume and price of orders determine the allocation and partial execution of orders. Bank shall allocate aggregated transactions in accordance with its guidelines for the allocation of orders.

If the Bank aggregates a client order with a transaction for own account and the aggregated order is partially executed, the Bank shall accord priority to the client over its own transactions in the course of allocation of the aggregated transactions; however, if the Bank is able to demonstrate conclusively that without the aggregation, it would not have been able to carry out the order on such advantageous terms, or at all, it may allocate the transaction for own account proportionally in accordance with its order allocation policy.

In order to keep the processing costs low, the Bank shall aggregate orders for the acquisition and the disposal of subscription rights in the interest of the clients.

In order to keep the processing costs low, orders for the acquisition and the disposal of third-party domestic or foreign shares in investment funds shall be aggregated and transmitted to the relevant institution accepting the order (depositary or investment company).

The Bank reserves the right to aggregate client orders placed in the course of asset management services (discretionary asset management, investment advisory agreements or similar agreements) with other client orders or also with transactions for own account. For such aggregations, the special principles of order execution (see item 2) shall also apply. In the case of discretionary asset management services, the Bank shall decide at its own discretion at which of the execution venues provided for by the Execution Policy the best possible result for the client can be achieved on a consistent basis.

1.9. Allotment in the case of offerings

In the case of an initial public offering (IPO) and initial listing on a stock exchange, as well as in the case of subscriptions in the course of capital increases, the allotment of shares shall be effected by the lead manager for the offering (the lead bank assigned by the issuer).

If the lead manager sets no specifications for allotment or if the allotment received is too low, the Bank shall choose a mode of allotment. The following are determined as potential modes of allotment: percentage-based allotment, grading of order volumes, time of receipt of the subscription order, according to a special key or drawing by lots.

Irrespective of the mode of allotment chosen, the Bank shall ensure that in the interest of all clients, the allotment is effected fairly and – if possible – in tradable minimum volumes.

2. Special principles of order execution

2.1. Introduction

The Bank shall assign the best possible execution venue to each individual client order, taking into account the order's individual characteristics.

For client orders placed in the course of asset management services (discretionary asset management, investment advisory agreements or similar agreements), the Bank shall decide at its own discretion at which of the execution venues provided for by the Execution Policy the best possible result for the client can be achieved on a consistent basis.

In individual cases, characteristics of the order may mean that the Bank cannot determine any execution venue in accordance with its Execution Policy in the interest of the client. In such cases, the Bank shall accept orders only on the basis of explicit client instructions with regard to the execution venue. If the Bank executes an order in accordance with an explicit client instruction with regard to the execution venue, the Bank shall not be under any obligation to achieve the best possible result with regard to the choice of the execution venue. Such client instructions are to be given per each individual transaction.

Please note: If the Bank executes an order in accordance with an explicit client instruction conflicting with the Execution Policy, such client instruction will prevent Bank, with regard to the elements covered by such instruction, from taking the measures it has laid down and implemented in the course of its Execution Policy so as to achieve the best possible result in the execution of its services. The Bank has no obligation to inform the client of this effect of an explicit client instruction in each individual case.

2.2. Shares and equity-related securities

In addition to shares and equity-related securities, exchange traded funds (ETFs) are also included in this asset class.

2.2.1. Execution venues

Orders regarding the asset classes mentioned in items 2.2.2 and 2.2.3 shall be executed in stock markets to which Bank has direct access by means of a stock exchange link. On the basis of the consistently highest liquidity as well as rapid and cost-efficient execution, the Bank shall transmit all orders in this asset class for execution directly through the electronic trading systems on a regular basis provided the client order was placed during the trading hours. Orders placed after the close of trading can be executed in floor trading systems, where applicable, or the Bank can effect their over-the-counter execution by trading for own account. If orders are not executed, such orders shall be considered on the following business day in the order of receipt.

Orders regarding securities for which Bank has no stock exchange link shall be transmitted for execution to financial intermediaries who will, as a rule, also have access to their local stock

exchanges. In such cases, Bank shall, however, be subject to the principles of order execution of the financial intermediary in question. Therefore, execution directly on the stock exchange cannot be guaranteed by Bank, which means that Bank cannot accept explicit client instructions in this respect for such orders.

The Bank assumes no guarantee that each order will actually be executed at the execution venue chosen. Orders not executed on the same day they are placed shall remain at the execution venues in question if this is provided on the basis of the type of order and if the client has not provided for the expiry of the order (e.g. in the case of day orders).

If an asset included in this asset class is not traded on the stock exchange indicated or if trading incidents occur (e.g. interruption of the reference market, volatility interruptions or similar), orders may be executed at an alternative domestic stock exchange, preserving the client's interests, or the Bank may execute the order over the counter by trading for own account in the client's interest, or else the Bank shall inform the client in case of cancellation of orders by the stock exchange due to trading incidents.

The acquisition or the disposal of such securities may also be effected over the counter at a fixed price agreed upon with the Bank (in a so-called fixed price deal). The Bank is under no obligation to enter into such transactions. If a fixed-price deal is concluded, the Bank shall offer an immediate price commitment for such securities during the Bank's customary trading hours and in consideration of the market situation. In addition, the Bank shall give a guarantee of immediate full execution in such cases.

2.2.2. Domestic shares

Domestic shares are essentially traded in Austria, so that against the backdrop of the required price quality and the lower costs related to execution, the Vienna Stock Exchange is, in principle, the appropriate execution venue.

On the basis of consistently highest liquidity as well as rapid and cost-efficient execution, the Bank shall therefore execute orders regarding Austrian securities, e.g. orders for the acquisition or the disposal of domestic ETFs, through the electronic trading system of the Vienna Stock Exchange.

2.2.3. Foreign shares

In principle, the local stock exchange of the shares in question (the stock market in the issuer's country of origin or the lead exchange, if different) offers the greatest liquidity and, related to this, the consistently highest probability of execution and probability of best price discovery.

However, as cost advantages only come to bear for larger order volumes, it is more favourable, as a rule,

a. to execute orders regarding securities listed on the Vienna Stock Exchange in Austria, at least for smaller order volumes, and

b. to sell foreign shares in the country where the shares are deposited.

Orders for the disposal of foreign shares shall therefore be executed at the place of deposit. Orders for the acquisition or the disposal of securities listed in Austria shall be executed in Vienna in the case of small order volumes, and at the respective local stock exchange in the case of large order volumes or if the security in question is not listed in Austria.

To avoid separating positions, purchases of positions in addition to existing positions shall be carried out at the existing place of deposit.

Clients desiring a different procedure must give the Bank explicit instructions in this respect.

2.3. Subscription rights

In addition to classical subscription rights, marketable subscription rights as well as redemption rights are also included in this asset class.

In view of the time limit for subscription, the criteria of probability and speed of execution shall be weighted more strongly for subscription rights deposited abroad.

Orders regarding subscription rights listed on a domestic stock exchange shall be executed at the Vienna Stock Exchange on the basis of consistently higher liquidity.

Orders for securities deposited abroad shall be executed over the counter directly through the foreign place of deposit in question.

To keep the processing costs low, the Bank shall aggregate such orders in the interest of the client.

2.4. Fixed-interest securities and bond-related securities as well as structured securities

This asset class includes fixed-interest securities (bonds) and money market securities as well as other bond-related securities and structured bonds.

For securities in this asset class, the Bank offers the option of acquiring them directly from or selling them to the Bank at prices continuously updated upon request. Acquisition or disposal shall be effected at a fixed price agreed upon with the Bank (in a fixed-price deal). The Bank is under no obligation to enter into such transactions. If a fixed-price deal is concluded, the Bank shall offer an immediate price commitment for such securities during the Bank's customary trading hours and in consideration of the market situation. In addition, the Bank shall assume a guarantee of immediate full execution in such cases.

If no fixed-price deal is concluded, the Bank shall transmit orders for the acquisition or the disposal of listed and unlisted securities for execution on the stock exchanges or by appropriate financial intermediaries in the form of commission business.

2.5. Investment fund shares

The acquisition and the disposal of shares in investment funds for which Bank is the depositary shall be executed by Bank as the depositary at net asset value (plus the issue surcharge in case of acquisition).

Orders for the acquisition or the disposal of domestic shares in investment funds for which Bank is not the depositary shall be transmitted to the Austrian depositary for execution before the cut-off time of the fund in question. If the depositary is not the order-receiving agent, orders shall be transmitted directly to the investment company for execution.

Orders for the acquisition or the disposal of foreign shares in investment funds shall be transmitted to an international fund order routing platform (an MTF) for execution. If the fund to which the client's order relates is not a member of the fund order routing platform, orders shall be transmitted directly to the order-receiving agent. The order-receiving agent can be the investment company or its depositary. Bank shall transmit all orders before the cut-off time of the fund in question.

2.6. Participation certificates

The Bank shall deal with all orders regarding listed equity-related and bond-related participation certificates in accordance with the criteria stipulated in item 2.2.1.

If no execution venue with the consistently highest liquidity and related rapid and cost-efficient execution can be determined, the Bank may accept an order for over-the-counter execution in the form of a fixed-price deal with regard to these securities.

2.7. Warrants

The Bank offers the option of acquiring warrants from own issues and third-party issues directly from the Bank or to sell them to the Bank at fair market prices. Acquisition or disposal shall be effected at a fixed price agreed upon with the Bank.

If no fixed-price deal is concluded for warrants, client orders for acquisition or disposal shall be dealt with in accordance with the criteria stipulated in item 2.2.1.

If no execution venue with the consistently highest liquidity and related rapid and cost-efficient execution can be determined, the Bank may accept an order for over-the-counter execution in the form of a fixed-price deal.

Orders for subscription of warrants shall be settled over the counter through the issuer.

2.8. Certificates

The acquisition and the disposal of certificates (structured investment products) for own issues and third-party issues shall be effected at a fixed price agreed upon with the bank (in a fixed-price deal). The Bank is under no obligation to enter into such transactions. During the customary trading hours, the Bank shall set firm prices upon request and provide an immediate price commitment in consideration of the market situation and disclosing all costs related to such execution. In addition, the Bank shall undertake immediate full execution on the condition that liquidity is given.

If no fixed-price deal is concluded, the Bank shall effect execution of the orders through an adequate execution venue which offers the consistently highest liquidity and related rapid and cost-efficient execution. If no adequate execution venue can be determined, the bank shall transmit the orders for execution by means of financial intermediaries at the local stock exchange or through the issuer.

Orders regarding the subscription of certificates (structured investment products) shall be settled over the counter through the issuer.

2.9. Uncertificated financial instruments

This asset class includes derivative contracts such as options, futures, forward rate agreements, swaps and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash.

In addition, this asset class includes the above-mentioned instruments relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties, otherwise than by reason of a con-tractual termination event.

Moreover, it also includes options, futures, swaps and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market and/or an MTF.

Furthermore, this asset class also includes options, futures, swaps, forwards and any other derivative contracts relating to commodities if they satisfy the following conditions:

- They are not spot contracts. (A spot contract means a contract for the sale of a commodity, asset or right, under the terms of which delivery is scheduled to be made within the longer of the following periods: (a) two trading days; (b) the period generally accepted in the market for that commodity, asset or right as the standard delivery period. However, a contract is not a spot contract if, irrespective of its explicit terms, there is an understanding between the parties to the contract that delivery of the underlying is to be postponed and not to be performed within the period mentioned.)

- The contract may not be entered into with or by an operator or administrator of an energy transmission grid, energy balancing mechanism or pipeline network, and it may not be necessary to keep in balance the supplies and uses of energy at a given time.

- The contract is not for commercial purposes and has the characteristics of other derivative financial instruments. This is the case if it satisfies the following conditions:
  - It meets one of the following sets of criteria:
    - it is traded on a third country trading facility that performs a similar function to a regulated market or an MTF;
    - it is expressly stated to be traded on, or is subject to the rules of, a regulated market, an MTF or such a third country trading facility;
    - it is expressly stated to be equivalent to a contract traded on a regulated market, MTF or such a third country trading facility;
  - it is cleared by a clearing house or other entity carrying out the same functions as a central counterparty, or there are arrangements for the payment or provision of margin in relation to the contract;
  - it is standardised so that, in particular, the price, the lot, the delivery date or other terms are determined principally by reference to regularly published prices, standard lots or standard delivery dates.

In addition, this asset class includes derivative instruments for the transfer of credit risk and financial contracts for differences.

It also includes options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties, otherwise than by reason of a contractual termination event.

Furthermore, this asset class includes all derivative contracts based on the following underlyings:

- telecommunications bandwidth;
- commodity storage capacity;
- transmission or transportation capacity relating to commodities, whether cable, pipeline or other means;
- an allowance, credit, permit, right or similar asset which is directly linked to the supply, distribution or consumption of energy derived from renewable resources;
- a geological, environmental or other physical variable;
- any other asset or right of a fungible nature, other than a right to receive a service, that is capable of being transferred;
- an index or measure related to the price or value of, or volume of transactions in any asset, right, service or obligation
- if one of the conditions stated in the following is satisfied:
- the contract is settled in cash or may be settled in cash at the option of one or more of the parties, otherwise than by reason of a default or other contractual termination event;
- the contract is traded on a regulated market or an MTF;
- the following conditions are satisfied in relation to the contract:
  - it meets one of the following sets of criteria:
    - it is traded on a third country trading facility that performs a similar function to a regulated market or an MTF;
    - it is expressly stated to be traded on, or is subject to the rules of, a regulated market, an MTF or such a third country trading facility;
    - it is expressly stated to be equivalent to a contract traded on a regulated market, MTF or such a third country trading facility;
  - it is cleared by a clearing house or other entity carrying out the same functions as a central counterparty, or there are arrangements for the payment or provision of margin in relation to the contract;
  - it is standardised so that, in particular, the price, the lot, the delivery date or other terms are determined principally by reference to regularly published prices, standard lots or standard delivery dates.

2.9.1. Exchange traded derivative contracts

Due to the varying forms of the uncertificated financial instruments mentioned above in markets regulated in various ways, an explicit client instruction is required for the choice of stock market for this asset class.

A list of the stock markets for which the Bank may accept orders with regard to the uncertificated financial instruments listed in item 2.9 can be downloaded from Bank's website (www.ca-ib.com).

2.9.2. Non-exchange traded derivative contracts

For transactions regarding the uncertificated financial instruments listed above, the Bank offers the option of concluding such transactions directly with the Bank at prices continuously updated upon request. Such transactions shall be concluded at a fixed price agreed upon with the Bank (in a so-called fixed price deal).

The Bank is under no obligation to enter into such transactions. If a fixed-price deal is concluded, the Bank shall offer an immediate price commitment for such securities during the Bank's customary trading hours in consideration of the market situation and disclosing all costs related to such execution.

3. Final provisions

If individual financial instruments cannot be definitely assigned to an asset class, an explicit client instruction with regard to the execution venue shall be required.

If the Bank is unable to execute an order at the determined execution venue due to bank holidays, trading incidents or technical limitations at the time the order was placed, the order may also be executed at another execution venue, preserving the interests of the client. If the execution venues chosen by the Bank as appropriate alternatives are not available either, an explicit client instruction with regard to the execution venue shall be required.

If an order is received outside the trading hours of the execution venue determined, the choice of the execution venue shall require an explicit client instruction unless the client desires execution on the next trading day pursuant to these principles of order execution. In the case of an order with an explicit client instruction, the Bank shall not choose a different location for order execution, even if the order will not or cannot be executed at the chosen execution venue for a long period of time. As regards orders not executed immediately or on the first day of validity, the Bank shall keep records of such orders and inform the client in case of any corporate action which leads to the expiry of an order.

The implementation of this Execution Policy shall be supported by the technical system. If such system support should not be available temporarily, the Bank shall determine an execution venue without such system support at its own discretion in accordance with the Execution Policy, thus preserving the interests of the client.

The Execution Policy, including the list of execution venues, shall be reviewed on a regular basis at least once a year and amended if the need should arise. The clients shall be informed of any material changes in the Execution Policy without delay in an appropriate form. The valid version of the Execution Policy

as last amended can be downloaded from Bank's website (www.ca-ib.com).

Annex: List of execution venues

This glossary serves only as information for our customers and is therefore not an integral element of our Execution Policy.

Central counterparty:

A central counterparty (CCP) is a legal entity which acts as an intermediary between sellers and buyers on stock exchanges. In this capacity, the CCP acts as the buyer for every seller and the seller for every buyer.

Certificate:

A certificate enables an investor to participate directly in the underlying instrument.

To acquire the right to participate in an underlying instrument by means of a certificate, the investor pays the full amount of the underlying instrument via the certificate. This is usually calculated on the basis of the subscription ratio of the certificate, multiplied by the price of the certificate.

If the value of the underlying instrument increases, the investor will get the value of the underlying instrument back. If the value of the underlying instrument decreases, the investor will only get his deposit back.

Clearing:

Settlement in futures trading is referred to as clearing.

Derivative contracts:

Generic term for financial instruments, the price of which is derived from the price of other securities or financial products (the so-called underlying instruments or underlyings). Examples of derivatives are options, futures, and swaps.

Exchange broker:

Exchange brokers are responsible for determining exchange prices at stock exchanges.

Exchange traded funds (ETFs):

Exchange traded funds (also called index shares, exchange traded index funds or ETFs for short) are investment funds traded on a stock exchange and generally operated as index funds.

Execution venues:

These include regulated markets, multilateral trading facilities (MTFs), systematic internalisers, market makers, any other liquidity provider or an entity that performs a similar function in a third country.

Financial futures:

Financial futures are futures contracts on shares, fixed-interest securities, foreign exchange, indices and precious metals.

They differ from traditional futures contracts in that financial futures are not, in principle, designed for performance of the contract. In most cases, a cancellation, i.e. an offsetting transaction, is effected before the maturity of the contract.

Financial intermediaries (stock brokers):

Stock brokers advise investors with regard to their investments and handle orders for acquisition and disposal through their membership in stock exchanges.

Fixed-interest securities:

Fixed-interest securities are medium-term and long-term bonds issued by public authorities, certain banks, states and large industrial enterprises.

Contrary to shares, by which an investor acquires shares in property, fixed-interest securities merely entitle investors to payment of interest and eventually to redemption.

Payments for fixed-interest securities have top priority for issuers as default can lead to bankruptcy, while shareholders have no general title to payment of dividends.

Fixed-interest securities may be denominated in different currencies and have various payment and redemption conditions as well as maturities.

Foreign exchange:

Foreign exchange refers to accounts receivable in foreign currency. It can consist of deposits or checks in foreign currency.

Forwards and futures:

Forwards and futures are transactions, especially on the stock exchange, where in contrast to spot trading, the performance of the contract, i.e. the purchase and delivery of commodities, foreign exchange or securities, is effected on a later date at a fixed price or at a price determined on the stock exchange.

The motive for concluding such transactions is the hope for a change or the expectation of a change of the spot price on the settlement day.

A distinction is made between forward transactions with fixed purchase and delivery obligations (firm deals or short sales) and forward transactions where one of the partners reserves the right to cancel the transaction against payment of a premium and, at the same time, has the right to demand the delivery or the purchase of the securities (option bargain).

Fund:

Funds are capital assets administered by investment trusts or investment companies and invested in shares, real estate etc. Investors in such funds receive share certificates for the fund's assets. If an investment fund earns income from stock price gains, dividends, interest etc., these are usually distributed to the holders of share certificates. In the case of growth funds, such earnings are reinvested, which is reflected in a gain in value of the fund shares.

Initial public offering (IPO):

An "initial public offering" means that a company's shares are offered on the stock market for the first time in the course of a capital increase or a replacement. This is related to its general admission to listing and the stock exchange listing.

A new issue serves to procure venture capital for the company in order to finance various sectors.

Investment company:

Investment companies are companies which collect capital from investors in order to invest it, usually in a diversified way and acting as funds, in certain markets (domestic and/or foreign securities, money market securities, real estate, shareholdings). In return, share certificates in small denominations (in-vestment fund units or shares) are issued, the acquisition of which enables their holders to become proportional owners of the fund's assets by investing a small amount of capital.

Local stock exchange:

This term refers to the stock exchange situated in the geographical vicinity of a company's headquarters.

Market maker:

Market makers continuously make offers for the acquisition and the disposal of financial instruments on the financial markets, and trade in these instruments at the purchase and sale prices offered for own account and employing their own capital.

Option:

An option gives a purchaser an opportunity to either accept or reject a certain previously contractually agreed offer during a maturity period (American style option) or at maturity (European style option). Alternatively, there is the option of receiving the difference by which the exercise price of the warrant exceeds the current price of the underlying instrument on the exercise date.

There are options to buy (call options) and options to sell (put options). While the former entail an option for acquisition, the latter entail an option for disposal. Options on shares, futures or other underlyings are traded at futures exchanges. If an option has not been exercised by the last trading day or sold before that date, it will expire worthless.

Share:

A share corresponds to a certain part of the equity capital of a company, its amount indicated by the nominal value of the share. A shareholder is the rightful owner of a part of the company and participates in the company's profits through dividends. In addition, ownership of shares grants the shareholder voting rights at general meetings of shareholders. By the Stock Corporation Act (Aktiengesetz, AktG), no-par value shares were also introduced into stock corporation law. In the case of such shares, the share capital is represented by a certain number of shares and not by a certain nominal amount (par value shares). While ordinary shares (common shares) entitle their owners to one vote per share, preference shares (preferred stock) do not entail voting rights, but reap a slightly higher dividend than ordinary shares.

Share index:

A share index is an indicator for the price development of the stock market as a whole and/or of individual groups of shares (e.g. DAX® 30). Share indices are intended to offer investors guidance with regard to trends in the stock market.

An index is calculated on the basis of a weighted index number for the average development of stock corporations included in the respective index. Share indices can be either price indices or performance indices.

Subscription right:

In the course of a capital increase, a subscription right guarantees a shareholder the opportunity to maintain his percentage share in equity capital by purchasing new shares. This right is (usually) certificated by a subscription warrant.

Swap:

In the case of a swap, two contracting parties swap their financing conditions and profit from the cost advantages of the respective other party.

Swap transactions are used in particular in the form of currency swaps and interest rate swaps. A currency swap is a swap of an amount of capital plus the resulting amount of interest in one currency against an amount of capital plus the resulting amount of interest in another currency. The swap can be advantageous for both sides under the following conditions:

(1) Two companies in different countries have the same financing interests as regards volumes, maturities and the basis of interest calculation, but opposite currency needs.

(2) Due to the advantage of standing, each of the two enterprises can borrow on more favourable terms on the local market than the respective other enterprise.

In such a case, a currency swap can, for instance, be concluded as follows: a German company and a US company each incur debts in their local markets; the borrowed funds are swapped at the spot rate, the annual interest payment obligations are mutually paid, and on the maturity date, the capital sums are swapped back at the original spot rate. In addition to hedging against currency risk, a currency swaps also grants the parties cheaper access to the respective foreign currency markets.

Interest rate swaps work along the same lines. For instance, fixed-interest securities subject to different financing conditions are swapped, e.g. variable interest rates against fixed interest rates.

Warrant:

A warrant contains the certificated right of exercise for the purchase of a certain number of securities (underlyings) at a fixed price within a certain period of time.

A warrant may be issued together with a bond as a warrant bond, but is traded individually and separately from the bond on the exchange. Due to their leverage, warrants are preferred by speculative investors.

The price of a warrant may diverge from the theoretical value of the warrant if speculative investors, expecting rising share prices, are prepared to pay a premium for leverage.