Report on item 10 of the agenda of the General Meeting

Report by the Executive Board of FREQUENTIS AG in connection with the authorization of the Executive Board to issue convertible bonds with the possibility to exclude the shareholders' subscription right in whole or in part (Section 174 Para 4 in conjunction with Section 153 Para 4 Stock Corporation Act)

1. Authorization

The Executive Board and the Supervisory Board of FREQUENTIS AG ("**FREQUENTIS**") envisage to propose a resolution to the General Meeting, by which the Executive Board shall be authorized to issue, until 31 May 2028 and with the approval of the Supervisory Board, convertible bonds once or repeatedly in a total amount of up to EUR 80,000,000.00, with conversion and/or subscription rights to up to 6,640,000 no-par value bearer shares of the Company representing a pro rata amount of the nominal capital of up to EUR 6,640,000.00, with full, partial or no exclusion of subscription rights, in accordance with the terms and conditions of convertible bonds to be determined by the Executive Board. The fulfilment of the conversion and/or subscription rights may be effected through conditional capital, authorized capital, out of treasury shares or by way of delivery from third parties, or a combination thereof.

The Executive Board shall be authorized to determine with the approval of the Supervisory Board and under consideration of the regulations under stock corporation law the issuance and configuration features as well as the bond terms for the convertible bonds (in particular interest rate, issue price, term and denomination, dilution protection provisions, conversion period, conversion rights and obligations, conversion ratio and conversion price).

The price of the convertible bonds is to be determined using standard market calculation methods.

The issue price of the shares to be issued upon conversion (exercise of conversion and/or subscription rights) and the conversion and/or subscription ratio shall be determined taking into account standard market calculation methods and the price of the shares of the Company (basis for calculating the issue price); the issue price may not be lower than the pro-rata amount of the nominal capital.

The statutory subscription right may be granted to the shareholders in such a way that the convertible bonds are underwritten by a bank or a syndicate of banks with the obligation to offer them to the shareholders in accordance with their subscription right (indirect subscription right). However, the Executive Board shall be authorized to exclude shareholders' subscription rights to the convertible bonds in whole or in part.

The convertible bonds may also be issued by a company wholly owned directly or indirectly by FREQUENTIS; in this case, the Executive Board shall be authorized, with the approval of the Supervisory Board, to assume a guarantee for the convertible bonds on behalf of the company and to grant the holders of the convertible bonds conversion and/or subscription rights to shares in FREQUENTIS.

With regard to the economic justification of such authorization as well as with regard to the authorization to fully or partially exclude shareholders' subscription rights included in this proposal, the Executive Board reports pursuant to Section 174 Para 4 in conjunction with Section 153 Para 4 Stock Corporation Act as follows:

2. Purpose of the convertible bond

The proposed authorization of the Executive Board to issue convertible bonds with the possibility to exclude the shareholders' subscription right in whole or in part is in the interest of the Company and the shareholders.

The advantages of such convertible bonds can generally be seen in the following main aspects:
(i) improved financing conditions for the Company, (ii) tapping of new investor groups, and (iii) an attractive issue price for the Company.

(i). Improved financing conditions

The issue of convertible bonds can be a suitable instrument for actively shaping the Company's capital structure and optimizing its cost of capital. By subscribing for convertible bonds, investors receive not only interest on their invested capital but also the right to acquire shares in the Company in the future at a price already fixed when the convertible bond is issued, thus enabling them to participate in the substance and earning power of the Company. This also gives investors the opportunity to participate in a possible increase in the value of the Company, with relatively low default risk compared to a direct equity investment. By issuing convertible bonds, the Company can achieve flexible and fast access to attractive financing conditions, which are usually below the level of pure debt instruments. Convertible bonds also offer the opportunity to use any strong volatility in the Company’s advantage and thereby lower the Company’s capital costs.

However, attractive financing terms can only be achieved if the Company can respond in a quick and flexible way to favorable market conditions. Such advantage can often not be achieved by a rights issue with a minimum subscription period of at least two weeks. Experience shows that issues without subscription rights offerings usually can achieve better conditions, since by means of an immediate placement price-influencing risks at the expense of the Company due to changing market situations can be avoided and therefore investors being specialized on convertible bonds can be approached. On the contrary, for issuances with subscription rights a minimum subscription period of two weeks has to be observed. A subscription period could lead to the result, that because of the respective structuring or allotment mechanisms and/or market risks for investors during the subscription period, such investors could not be approached at all or only with a lower issuance amount. Usually, if subscription rights are excluded, more funds can be generated for the Company from a lower number of shares to be issued. Therefore, the exclusion of subscription rights is standard practice on the international capital markets for such bond issuances.

Finally, the economic relevance of subscription rights is immaterial if the convertible bonds are valued at market and placed at the best terms available in the markets, as it is intended by the Company in its own interest as well as in the interest of the shareholders. With respect to convertible bonds this can in particular be achieved through determination of the issue price of the shares to be issued upon exercise of conversion and/or subscription rights at a sufficient level above the current share price so that existing shareholders are protected against dilution to the extent possible.

Without the time consuming and costly implementation of the subscription rights, the Company's financing and capital requirements can be met promptly and cost-effectively from market opportunities arising at short notice and, in addition, new investors can be attracted domestically and abroad. The possibility of excluding subscription rights therefore strengthens equity and reduces financing costs in the interests of the Company and all shareholders.

In addition, in line with the usual conditions for convertible bonds on the capital market, the conversion price upon conversion (exercise of conversion and/or subscription rights) of shares to be issued will be higher than the share price at the time of issue of the convertible bonds, so that the Company can achieve a higher issue price compared with an immediate capital increase.

(ii). Tapping of new investor groups

Convertible bonds are predominantly subscribed by institutional investors which are specialized in that kind of investment and which shall be reached by the convertible bond to be issued. Institutional investors make specific demands on the denomination, configuration and temporal flexibility when the convertible bonds are issued. In general, it is appropriate and usual to meet these demands through an issuance under exclusion of subscription rights. Thus, the Company can tap an additional investor base. Any issue with subscription rights could lead to the result, that because of the respective structuring or allotment mechanisms and/or market risks for investors during the subscription period, such investors could not be approached at all or only with a lower issuance amount.

Therefore, the authorization of the Executive Board to exclude shareholders' subscription rights in whole or in part is necessary due to strategic, financial and organizational reasons in order to (i) position the convertible bonds appropriately in the capital markets, (ii) offer them to investors specialized in convertible bonds in the best way possible and (iii) to best utilize the benefits to the Company arising from the issuance of convertible bonds. The issuance of convertible bonds with subscription rights could greatly reduce the advantages explained, which result from the comparatively favorable interest component as well as from the fast implementation possibility and the flexibility for the Company, because of the heavily increased processing efforts (in particular the time-intensive preparation, marketing- and commercial efforts) and the one-time, and recurring processing costs related thereto.

(iii). Issue price, issue terms of the convertible bonds and issue price of shares

When issuing the convertible bonds, the Executive Board shall be authorized to determine with the approval of the Supervisory Board the issuance and configuration features as well as the bond terms of the convertible bonds (in particular interest rate, issue price, term and denomination, dilution protection provisions, conversion period, conversion rights and obligations, conversion ratio and conversion price).

The terms and conditions of the convertible bonds are to be determined using standard market calculation methods.

The issue price of the shares to be issued upon conversion (exercise of conversion and/or subscription rights) and the conversion and/or subscription ratio shall be determined taking into account standard market calculation methods and the price of the shares of the Company (basis for calculating the issue price); the issue price may not be lower than the pro-rata amount of the nominal capital.

Since the share price is a key criterion for determining the terms and conditions of convertible bonds, it is in the Company's interest to have as much control as possible over the timing of the allotment of an issue. Both the share price trend and the market assessment may well be subject to very significant changes within a two-week subscription period, whereas in the case of an issue with exclusion of subscription rights, the Company can select an allocation point that it considers to be favorable comparatively quickly and flexibly. As a rule, this allows more funds to be generated in a shorter period of time on terms that are more favorable for the Company. The authorization to exclude subscription rights allows the Company to flexibly set attractive issue conditions within the authorization period and thus optimize the conversion or financing conditions as far as possible in the interests of the Company and all shareholders. At the same time, the expected development of the share price can be taken into account as well as the general capital market situation. In this way, the development potential can be fully exploited to the benefit of the Company and existing shareholders.

Additionally, by the issuance of convertible bonds the capital structure of the Company can be optimized and the balance sheet structure of the Company can be improved. Depending on the structure chosen, some of the debt raised through the convertible bonds may be valued by analysts as equity. Such a valuation can in turn improve the Company's rating with capital providers and thus lead to lower financing costs for the Company's future debt capital. In addition, a convertible bond is often seen as a positive signal on the capital market of the management's confidence in the future development of the share price. This confidence is reflected in the conversion price, which can usually be set higher if subscription rights are excluded for the reasons stated above.

Furthermore, the preparation and structuring of transactions connected to the acquisition of participations, businesses or other assets require the best possible flexibility of the Executive Board with regard to the utilization of the available financing instruments. Also in this respect, the Executive Board needs to have the authorization to exclude the shareholders’ subscription right. This shall not only be possible in the case of contributions in kind, but also in the case of cash contributions if the Company has a special interest therein and the legal requirements are met, e.g. in the case of a cooperation with another company in the interest of the Company, if the partner makes its engagement subject to the acquisition of participations, in the case a strategic partner wants to acquire a participation in the Company and such participation is substantially in the interest of the Company, or if a third party offers necessary additional financial services which cannot be obtained otherwise or in the case of a necessary participation of persons for marketing and market reasons. Also special transaction structures in the interest of the Company and of the shareholders may require the issuance of convertible bonds with the exclusion of the shareholders' subscription rights.

In order to allow the implementation of the issuance of convertible bonds, the Executive Board shall also have the possibility to offer the convertible bonds by way of an indirect subscription right pursuant to Section 153 Para 6 Stock Corporation Act.

Should the Executive Board make use of the authorization granted to it to issue convertible bonds with full or partial exclusion of subscription rights, this shall require the approval of the Supervisory Board. For this purpose, the Executive Board has to prepare a new written report on the reason for the full or partial exclusion of subscription rights and publish it no later than two weeks prior to the adoption of the resolution by the Supervisory Board. In such a case, all other provisions of stock corporation and capital market law applicable to such an issue, in particular publication and announcement requirements, must also be observed.

3. Weighing of interests

The proposed authorization to exclude subscription rights in whole or in part is in any case in the interest of the Company and its shareholders and objectively justified by the objectives pursued, namely in particular to optimize the capital structure and reduce financing costs and thus further strengthen and improve the market and competitive position of the Company.

Furthermore, the exclusion of subscription rights is also necessary and required because the financing and anticipated inflow of equity from the target group specific orientation of the convertible bonds replaces more cost-intensive capital measures, offers favorable financing terms and secures a long-term and flexible business planning and realization of planned corporate goals for the benefit of the Company and therefore also all shareholders. Without the subscription right exclusion, the Company will not be able to respond quickly and flexibly to favorable conditions in the market.

The Executive Board of the Company expects that the Company's advantage from issuing convertible bonds under full or partial exclusion of subscription rights will benefit all shareholders and will clearly outweigh the (potential) pro rata reduction in shareholding of the shareholders excluded from the subscription rights.

The proposed authorization to exclude subscription rights in whole or in part is necessary, suitable, appropriate, and objectively justified and required in the overriding interest of the Company for the reasons set out above, taking into account all the circumstances to be taken into account.

Vienna, May 2023 The Executive Board