FREQUENTIS AG
Registration Number: 72115 b

Report relating to TOP 8 of the Agenda of the AGM on 8 April 2019

Report of the Executive Board of FREQUENTIS AG in connection with the authorization of the Executive Board to increase the share capital of the Company under the exclusion of subscription rights of the shareholders (Sec 170 para 2 in connection with Sec 153 para 4 of the Austrian Stock Corporation Act).

1. Authorization

The Executive Board and the Supervisory Board of FREQUENTIS AG ("**FREQUENTIS**") intend to propose a resolution to the Company's General Meeting authorizing the Executive Board, subject to the approval of the Supervisory Board, to increase the share capital of the company until 7 April 2024 by up to EUR 6,000,000 by issuing up to 6,000,000 new, no-par value bearer shares against cash contribution or contribution in kind, at once or in several tranches, also by way of indirect offer for subscription following acquisition by one or several credit institutions according to Sec 153 para 6 of the Austrian Stock Corporation Act. The Executive Board shall be authorized, subject to the approval of the Supervisory Board, to exclude, completely or partially, in this connection the subscription rights of the shareholders and subject to the approval of the Supervisory Board, to determine the details of the conditions of issuance (in particular issue price, object of the contribution in kind, content of the rights vested in the shares and exclusion of subscription rights etc.) (authorized capital). The Supervisory Board shall be entitled to adopt amendments to the Articles of Association resulting from the issuance of shares from the authorized capital.

In accordance with Sec 170 para 2 in connection with Sec 153 para 4 of the Austrian Stock Corporation Act the Executive Board provides the following report on the authorization entailed in this proposal to also completely or partially exclude the subscription right of shareholders with regard to the shares issued in the course of the authorized capital:

2. Purpose of the Authorized Capital

The proposed authorization to issue shares from authorized capital under the complete or partial exclusion of subscription rights is in the interest of the Company and its shareholders.

FREQUENTIS is planning to grow in the coming years also by acquiring or fully integrating existing participations in companies. The expansion and the entry into new markets (also by acquisitions) in all business areas and the complete integration of existing participations will therefore continue to be one of the strategic goals of FREQUENTIS in the future to strengthen the profitability of the group and to promote the sustainable growth of FREQUENTIS.

The preparation and structuring of transactions in connection with the realization of such objectives requires the greatest possible flexibility for the Executive Board with regard to the utilization of the financing instruments available.

It is of great importance for the expansion strategy pursued by the Company that the Executive Board may also make use of the possibility to acquire existing companies, shareholdings or other assets in preparation for a market entry or to strengthen an existing market position. The acquisition of existing companies can be of advantage, as it allows a swift market entry, building on an already existing customer base and the takeover of employees familiar with the local market. Furthermore, strategic partners are often interested in transferring companies or other assets to the Company as a contribution in kind against the granting of shares or in an exchange of shares. In order to be able to make use of the possibility of acquiring companies, shareholdings or other assets as well as the conclusion of strategic partnerships by means of contributions in kind to the Company and, if necessary, without any loss of time, the Executive Board must also be entitled to completely or partially exclude shareholders' subscription rights. This shall also be possible with regard to cash contributions if the Company has a specific interest in such contributions and the statutory requirements are met, *inter alia*, in case of a cooperation with another company that is in the interest of the Company, if the partner makes its involvement dependent on a shareholding, if a strategic partner wishes to acquire a shareholding in the Company and such an interest is of material interest to the Company, or if a third party offers necessary additional financial benefits that are otherwise not obtainable for the Company, or if the participation of persons is required for marketing and market reasons. Also specific transaction structures that are in the interest of the Company and its shareholders may render the issuance of shares under the complete or partial exclusion of subscription rights necessary.

Moreover, by using shares from authorized capital as consideration, a better purchase price may be achieved in many cases compared to cash payments. Therefore, despite the fact that FREQUENTIS currently has sufficient flexibility for raising debt capital in view of its existing capital structure, the Executive Board considers it appropriate to be able to finance further expansion steps also by using shares from authorized capital.

The possibility of equity financing of expansion measures also has the advantage that, in the absence of a cash purchase price, there is no outflow of liquidity from the Company and thus the Company's equity base is not adversely affected.

The possibility to issue shares from authorized capital under the complete or partial exclusion of subscription rights of the shareholders therefore allows in particular to finance expansion steps and to swiftly and flexibly take advantage of market opportunities as well as opportunities arising in new markets and to cover the resulting capital requirements within a short time. By foregoing the time-consuming and costly procedure of a subscription offer to the shareholders, the Company's capital requirements resulting from short-term market opportunities may be covered in a very timely manner. Furthermore, the flexibility required to seize such market opportunities and possibilities may also render it necessary to issue shares from authorized capital for the purpose of servicing convertible bonds.

For the aforementioned reasons, the complete or partial exclusion of subscription rights of the shareholders, if required, is beneficial to the Company and thus also to existing shareholders.

Furthermore, the Executive Board of the Company shall be able, by completely or partially excluding the shareholders' subscription rights, to issue shares on domestic and foreign stock exchanges (IPO) and, moreover, to offer shares by way of a public offering or by way of an accelerated book building procedure also after an IPO in the event of capital increases from the authorized capital, in particular in order to achieve the most favourable conditions possible for financing the Company or to expand the investor base. The complete or partial exclusion of shareholders' subscription rights shall also be possible in order to avoid the formation of free fractions or to be able to issue additional shares on domestic and foreign stock exchanges and to service an over-allotment option (greenshoe).

In case of a public listing: As a rule, only with the possibility of excluding subscription rights can a sale of shares, which is directed exclusively at qualified investors, take place without the preparation of a capital market prospectus and without being tied to subscription periods or stock exchange hours, thereby creating the flexibility required to be able to make optimum use of any time frames for favourable financing in a volatile market environment. In particular, this may reduce the price risk and transaction costs, minimize the risk of speculation against the Company's shares, broaden the shareholder base, and achieve an issue price as close as possible to the current market price. Existing shareholders also have the opportunity to purchase shares in the Company on the stock exchange, so that the risk of dilution of shareholders' rights can generally be minimized in this respect, while providing the Company with additional flexibility, which allows for swift and attractive financing of the Company, which is in the interest of the Company and all shareholders.

Moreover, it shall also be possible to use the shares from the authorized capital, *inter alia*, for the issuance to employees, senior employees and or members of the executive board/management of the Company or one of its affiliates including for satisfying existing or future share transfer programs, in particular of stock options, long-term incentive plans or other employee participation programs (such as models under which employees may receive bonus shares up to a certain maximum amount and subject to a retention period in the event of the acquisition of shares in the Company). This shall also enable the transfer of shares from the authorized capital to natural and legal persons who may hold such shares in trust or otherwise for the benefit or in the interest of employees and executives, including members of executive bodies. Thereby FREQUENTIS intends in particular to increase the focus of participating persons towards the long-term value of the Company. Another objective of the option to allocate shares is to strengthen the identification with the Company. In addition, it is intended to tie the participating persons more closely to the company and to make the Company more attractive. The shares from the authorized capital may also be used to satisfy stock options of employees, senior employees and members of the executive board/management of the Company or of an affiliated company. A resolution to exclude the subscription rights of shareholders is not required for such purpose.

In order to enable the implementation of capital increases, the Executive Board shall also have the possibility to offer the shares by way of indirect subscription rights in accordance with Sec 153 para 6 of the Austrian Stock Corporation Act.

If the Executive Board should use the authorization granted to it for the issuance of shares under the complete or partial exclusion of subscription rights, the approval by the Supervisory Board is required. The Executive Board therefore has to draw up a new, written report with regard to the reason of the complete or partial exclusion of subscription rights pursuant to Sec 171 para 1 Stock Corporation Act and has to publish such report two weeks prior to the resolution by the Supervisory Board. In such a case, all other provisions of stock corporation and capital market law applicable to such an issuance, in particular publication and announcement obligations, must also be observed.

3. Balance of Interests

In summary, the proposed authorization is objectively justified by the aforementioned purposes and is suitable for achieving the desired objectives.

It is expected that the Company's benefit from the utilization of the authorization to issue shares from authorized capital under the complete or partial exclusion of subscription rights will also be to the advantage of all shareholders. Such benefit clearly outweighs any proportionate loss of participation by the shareholders excluded from their subscription rights. The Company's interests therefore outweigh any disadvantages for shareholders that may arise from the complete or partial exclusion of subscription rights.

For the reasons given, and under weighing all circumstances to be taken into account, the proposed authorization to completely or partially exclude subscription rights is necessary, suitable, appropriate and in the prevailing interest of the Company and is thus objectively justified and warranted.

Vienna, April 2019 The Executive Board