FREQUENTIS AG
Registration Number: FN 72115 b

Report of the Executive Board of FREQUENTIS AG

regarding the exclusion of subscription rights in the context of a potential capital increase utilizing authorized capital pursuant to Sec 171 para 1 in connection with Sec 153 para 4 of the Austrian Stock Corporation Act

In the Annual General Meeting of FREQUENTIS AG (the "**Company**") from 8 April 2019, the Executive Board of the Company was authorized to increase the share capital of the Company and to exclude in this connection the subscription rights of the shareholders (authorized capital).

In partial utilization of such authorization pursuant to the aforementioned resolution of the Annual General Meeting, the Executive Board has adopted a resolution on 2 March 2020 to, *inter alia*, – subject to the approval of the Supervisory Board of the Company – increase the share capital of the Company from currently EUR 13,200,000 by up to EUR 80,000 to up to EUR 13,280,000 by issuing up to 80,000 new, no-par value bearer shares ("**new shares**") against cash contribution under the complete exclusion of subscription rights of the shareholders. This corresponds to an increase in the share capital of approximately 0.6%.

In the business year 2020, an employee participation program shall be implemented under which employees entitled to participate in the program shall be given the opportunity to acquire shares in the Company at a reduced price. Entitled to participate shall be employees of the Company as well as employees of certain Austrian and German subsidiaries of the Company, unless they are excluded from participating in the employee participation program. The extent of the offer made to employees entitled to participate in the program shall be limited in total to a maximum number of 80,000 shares of the Company and additionally by a maximum amount in EUR per employee (therefore, in the event of any oversubscription by participating employees, a corresponding curtailment of the shares allotted to the employees concerned shall be made). The offer period, during which participating employees may subscribe for shares in the Company, is expected to commence on 3 April 2020, 8:00 CEST and is expected to end on 20 April 2020, 15:00 CEST.

The purchase price per share to be paid by participating employees shall amount to 80% of the closing price of the share of the Company at the Vienna Stock Exchange on 4 May 2020 (the "**purchase price**"). Therefore, participating employees may acquire shares in the Company at a discount of 20% to the market price of the share of the Company at the Vienna Stock Exchange on 4 May 2020. In particular such discount of 20% of the relevant market price of the share of the Company shall constitute the benefit granted to the employees by the Company under the employee participation program.

The new shares shall have a dividend entitlement as from 1 January 2019 and apart from that, the same rights as the existing shares of the company with ISIN ATFREQUENT09.

The shares required for the employee participation program shall be created by partially utilizing the authorized capital under the complete exclusion of the subscription right of the current shareholders. In compliance with Austrian stock corporation provisions, the Executive Board of the Company provides the following report regarding the basis and reasons for the exclusion of the subscription right.

1. Authorization

In the Annual General Meeting of the Company from 8 April 2019, the Executive Board of the Company was authorized, "subject to the approval of the Supervisory Board to increase the share capital of the company until 7 April 2024 (April seventh two thousand and twenty four) by up to EUR 6,000,000 (Euro six million) by issuing up to 6,000,000 (six million) 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 was further 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 Executive Board has already made use of such authorization once by resolutions of the Executive Board regarding the utilization of the authorized capital from 26 April 2019 (basic resolution) and from 8 May 2019 (resolution of execution) insofar as the share capital of the company was increased from EUR 12,000,000 by EUR 1,200,000 to EUR 13,200,000 by issuing 1,200,000 new, no-par value bearer shares.

As of the date hereof, the authorized capital pursuant to Art 3.5(a) and (c) of the Articles of Association therefore amounts to up to EUR 4,800,000 (Euro four million eight hundred thousand), divided into up to 4,800,000 (four million eight hundred thousand) shares.

In preparation for the adoption of the resolution in the Annual General Meeting from 8 April 2019 regarding the authorization to exclude the subscription right of the shareholders, the Executive Board had provided a written report in accordance with Sec 170 para 2 in connection with Sec 153 para 4 of the Austrian Stock Corporation Act in which it explained in detail the reasons why an exclusion of the subscription rights was objectively justified; such reasons were approved by the General Meeting. On this basis, the present written report of the Executive Board in accordance with Sec 171 para 1 in connection with Sec 153 para 4 of the Austrian Stock Corporation Act is now provided, whereby reference is made additionally to the report provided prior to the Annual General Meeting on 8 April 2019 (see www.frequentis.com > Investor Relations > Publications > Capital Increase for Employee Participation Program 2020):

2. Reasons for the Exclusion of Subscription Rights

In connection with the envisaged employee participation program 2020 of the Company, the new shares created in the course of the potential capital increase shall, subject to the approval of the supervisory board, be issued exclusively to the employees entitled to participate in the program at a reduced purchase price and under the complete exclusion of subscription rights of the shareholders.

The discounted issuance of shares from authorized capital under the complete exclusion of subscription rights in connection with the envisaged employee participation program of the Company is objectively justified in particular for the following reasons and is therefore in compliance with statutory requirements and with the provisions of the Articles of Association:

2.1. Interests of the Company

As already described in detail in the report issued prior to the Annual General Meeting from 8 April 2019, it shall also be possible to use the shares from the authorized capital, *inter alia*, for the issuance to employees, senior employees of the Company or one of its affiliates including for satisfying existing or future share transfer programs, in particular of 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).

By issuing the shares from the authorized capital at a reduced price to persons participating in the envisaged employee participation program ("**participating employees**"), the Company intends in particular to direct the focus of the participating employees towards the long-term value of the Company and to increase their motivation.

Another objective of the issuance of shares from authorized capital at a reduced price to participating employees is to strengthen their identification with the company.

In addition, the issuance of shares from authorized capital at a reduced price to participating employees is intended to tie such employees more closely to the Company. This applies in particular to qualified persons, as these are of great importance to the Frequentis Group and are difficult to replace.

Furthermore, the issuance of shares from authorized capital at a reduced price to participating employees shall also increase the attractiveness of the Company as an employer.

Ultimately, the issuance of shares from authorized capital at a reduced price to participating employees also results in an increase of the free float on the long term, thus increasing the liquidity of the Company's shares on the stock exchanges.

The preferential issuance of shares to employees of the Company or an affiliated company, moreover, already constitutes a sufficient reason for the exclusion of the subscription rights of the shareholders in accordance with Sec 153 para 5 of the Austrian Stock Corporation Act.

2.2. Suitability and Necessity

The implementation of the capital increase from the authorized capital under the exclusion of subscription rights of the shareholders and the issuance of shares from authorized capital at a reduced price to participating employees is suitable to achieve the abovementioned interests of the Company:

The issuance of shares from authorized capital at a reduced price to participating employees constitutes an essential and highly important measure to increase the commitment and dedication of employees, the positive effects of which, such as increased employee satisfaction, performance increase, identification with the Company and the loyalty of participating employees to the Company, are not only beneficial to the participating employees and the Company, but ultimately also to the shareholders.

The issuance of shares from authorized capital to participating employees also results in an increase of the free float and therefore the liquidity of the Company's shares on the stock exchanges on the long term, which in turn increases the attractiveness of the shares and thus benefits all shareholders.

The measure is also necessary to achieve the abovementioned interests of the company:

The objectives pursued by the issuance of shares from the authorized capital at a reduced price to participating employees cannot be achieved to the same extent by means of a capital increase while upholding the shareholders' subscription rights. Since the Company currently does not hold any own shares, the shares required for the employee participation program cannot be served by own shares. Moreover, the (timely) procurement of own shares would not be possible or only in connection with considerable costs. Due to the shareholding structure of the Company, it would not be possible to acquire the number of shares required for the employee participation program on the stock exchange (in a timely manner). The acquisition of the shares required for the employee participation program by way of a voluntary partial offer pursuant to Sec 4 et sequ. of the Austrian Takeover Act (*Übernahmegesetz*; ÜbG) would entail – also due to the low volume required for the employee participation program – unreasonably high costs for the Company. The measure therefore constitutes the only reasonable option.

2.3. Proportionality

The interests of the Company in the measure outweigh the interests of the shareholders excluded from their subscription rights. The issuance of shares from the authorized capital at a reduced price under the exclusion of subscription rights does not unduly affect the legal position of the shareholders excluded from their subscription rights.

Since the capital increase is limited to up to 0.6% of the share capital, the effects on the shareholders are therefore kept within reasonable proportions.

As already stated above, the purchase price per share shall amount to 80% of the closing price of the share of the Company at the Vienna Stock Exchange on 4 May 2020 and is therefore linked to the market price of the Company's share; a dilution of the shares of existing shareholders can therefore, in combination with a cost-efficient form of issuance, be avoided as far as possible. Furthermore, a discount of 20% of the market price is in line with the customary market practice for employee participation programs of Austrian issuers.

Due to the Company's listing, a dilution of the shareholders' voting power can in principle be compensated by additional purchases on the stock exchange.

Compared to the procurement of own shares by way of a voluntary partial offer pursuant to Sec 4 et sequ. of the Austrian Takeover Act, the issuance of shares from the authorized capital provides for a more cost-efficient form of issuance. In particular, due to the option available to shareholders to compensate any potential dilution of their voting power by means of additional purchases on the stock exchange, the Company's interest in the more cost-efficient issuance of new shares under the exclusion of subscription rights outweighs the protection of any minority interests of shareholders.

3. Justification of the Purchase Price

The shares from the authorized capital shall be issued to the persons participating in the envisaged employee participation program. The definite purchase price per new share has not been established at the time of the publication of the present report. The definite purchase price per new share shall amount to the closing price of the share of the Company at the Vienna Stock Exchange on 4 May 2020 less a discount of 20%.

By determining the purchase price on the basis of the market price of the Company's shares, it is ensured that the purchase price per share is based on the valuation of the Company on the stock exchange. Moreover, under employee participation programs of listed companies shares are commonly issued at a discount or (in case of the acquisition of a certain number of shares) free of charge. A purchase price, which entails a discount of 20% to the market price of the Company is therefore market standard and, moreover, conforms to customary practice for employee participation programs of Austrian issuers.

4. Result

In summary, after weighing the above circumstances, it can therefore be concluded that the intended exclusion of subscription rights is suitable, necessary, appropriate and in the prevailing interest of the Company and is thus objectively justified and warranted.

The present report of the Executive Board will be published in accordance with Sec 171 para 1 of the Austrian Stock Corporation Act on the website of the Company registered in the commercial register. For good order, the report of the Executive Board pursuant to Sec 170 para 2 in connection with Sec 153 para 4 of the Austrian Stock Corporation Act issued prior to the Annual General Meeting from

8 April 2019 will also be published on the website of the Company registered in the commercial register. Both reports are also available for inspection at the Company's registered seat. A reference to such publication will be made in the "Wiener Zeitung". A Supervisory Board resolution required for the approval of the exclusion of the subscription right will be adopted in accordance with the statutory provisions at the earliest two weeks after publication of the present report.

Vienna, March 2020 The Executive Board