Deutsche Beteiligungs AG

Written report of the Board of Management pursuant to sections 221 (4), 186 (4) sentence 2 of the AktG re: agenda item 13 regarding the reasons for the authorisation of the Board of Management to exclude shareholders' subscription rights in respect of the issuance of bonds cum warrants and/or convertible bonds

Under agenda item 7, the Annual General Meeting on 17 February 2022 authorised the Board of Management to issue, by 16 February 2027, bonds cum warrants and/or convertible bonds (collectively the "Bonds") with a total nominal value of up to 210,000,000.00 euros and to grant option or conversion rights or obligations with regard to the Company's no-par value registered shares with a proportionate interest in the share capital of up to 13,346,664.34 euros in total. The existing authorisation has not been utilised to date.

The Company intends to cancel this authorisation and replace it with a new authorisation for the issuance of bonds cum warrants and/or convertible bonds in order to be able to avail itself, in future, of the option of a simplified exclusion of subscription rights under section 186 (3) sentence 4 of the AktG of up to twenty per cent of the share capital if need be. This option was introduced by the German Financing the Future Act (*Zukunftsfinanzierungsgesetz* – ZuFinG), German Federal Gazette 2023 I No. 354 dated 14 December 2023. It is intended to cancel the existing Conditional Capital 2022/I and to replace it with the new Conditional Capital 2024/I. The new Conditional Capital 2024/I is intended to remain at a level of approximately twenty per cent of the current share capital; going forward, the option of excluding subscription rights when notes are issued is intended to be restricted to a maximum of twenty per cent of the share capital, with any shares issued or sold on the basis of any other authorisation that excludes subscription rights counting towards this maximum limit.

The Board of Management and the Supervisory Board therefore propose to the Annual General Meeting re: agenda item 13 to cancel the existing authorisation to issue Bonds, to create a new authorisation to issue Bonds, including the option of excluding the subscription right, and to cancel the existing Conditional Capital 2022/I and to create new Conditional Capital 2024/I, along with the requisite amendment of the Articles of Association.

Along with the traditional methods of raising equity and borrowing, the proposed authorisation to issue Bonds against cash payment is intended to provide the Company with opportunities to utilise attractive financing alternatives in the capital market, depending on the market situation. The issuance of Bonds facilitates the raising of external funds which, depending on the actual terms of issue, may be classified as equity capital or quasi-equity capital, for both rating and balance sheet purposes. The option or conversion premiums as well as the inclusion in equity will benefit the Company's capital basis. The plan to also establish option or conversion obligations in addition to granting option or conversion rights will provide the Company with more scope for structuring these financing instruments. This authorisation is intended to enable the Company to issue Bonds either itself or via companies domiciled in Germany or abroad, in which the Company holds a direct or indirect majority interest, and to use the German or international capital markets by issuing the Bonds, apart from the euro, also in the legal tender of any OECD country.

With the exception of those cases that require an option or conversion obligation, a right to alternative performance or a tender right of the issuer of the Bonds in respect of the delivery of shares, the option or conversion price of the shares to be subscribed upon the exercise of option or conversion rights must be no less than 80 per cent of the market price of the no-par value registered shares of the Company that was ascertained close to the point in time when the Bonds associated with option or conversion rights are issued. The possibility of a premium (which may increase depending on the maturity of the Bond) will create the prerequisites for the terms and conditions of the Bonds being such that they can accommodate the prevailing capital market conditions at the time of their issuance. In the case of an option or conversion obligation, or a right to alternative performance, or a tender right of the issuer of the Bonds in respect of the delivery of shares, the option or conversion price of the new shares must – in concordance with the Bond Terms – correspond either to the aforementioned minimum price or the volume-weighted average stock exchange price of the Company's shares during the closing auction on Xetra (or a comparable successor system) at the Frankfurt Stock Exchange on the ten consecutive exchange trading days before or after the final maturity of the Bonds, even if the last stated average price is below the above-mentioned minimum price.

As a rule, the shareholders have a statutory subscription right to Bonds (section 221 (4) in conjunction with section 186 (1) of the AktG). In order to facilitate settlement, it is intended that the Bonds be also underwritten by one or more credit institutions or companies within the meaning of section 186 (5) sentence 1 of the AktG specified by the Management Board, subject to the obligation that they offer them to the shareholders for subscription (so-called indirect subscription right).

However, subject to Supervisory Board approval, the Board of Management may exclude shareholders' subscription rights in the following cases:

– to exclude fractional amounts from the shareholders' subscription right;

– if the Bonds are issued against cash and the issue price of the Bonds does not fall significantly below the theoretical market price of the Bonds determined in accordance with recognised mathematical valuation methods. The number of shares to be issued to service Bonds so issued, excluding shareholders' subscription rights, must not exceed a total of twenty per cent of the share capital, neither as at the date this authorisation enters into effect nor as at the date of its exercise. Any shares that are issued or sold during the term of this authorisation, excluding subscription rights, in direct or analogous application of section 186 (3) sentence 4 of the AktG will count towards the maximum limit of twenty per cent of the share capital. Likewise, any shares that are to be issued to service option or conversion rights or to meet option or conversion obligations under convertible bonds and/or bonds cum warrants and/or profit-participation certificates will also count towards this limit, provided that any such bonds or profit-participation certificates are issued during the period of validity of the authorisation on the basis of another authorisation, excluding subscription rights, in analogous application of section 186 (3) sentence 4 of the AktG;

– to the extent required to grant holders or creditors of convertible bonds and/or bonds cum warrants, including option or conversion rights, or option or conversion obligations, previously issued by the Company or by companies in which the Company holds, directly or indirectly, a majority interest, a subscription right for Bonds to the extent they would be entitled to upon the exercise of said option or conversion rights or the fulfilment of said option or conversion obligations;

and only if the aggregate of the new shares to be issued by the Company during the term of this authorisation in respect of such Bonds, which are to be issued subject to the exclusion of subscription rights, as well as any bonds cum warrants or convertible bonds or profit-participation certificates issued on the basis of another authorisation, excluding subscription rights, notionally does not account for more than a total share of twenty per cent in the share capital, i.e. neither as at the date this authorisation enters into effect nor – if this value is lower – at the time the present authorisation is exercised. The following will count towards the aforementioned twenty-per-cent limit:

– treasury shares sold during the term of this authorisation, excluding subscription rights; as well as

– shares issued during the term of this authorisation from authorised capital, subject to exclusion of subscription rights.

The Board of Management renders the following report pursuant to sections 221 (4), 186 (4) sentence 2 of the AktG regarding this authorisation to exclude shareholders' subscription rights subject to Supervisory Board approval:

(1) Exclusion of subscription right for fractional amounts

It is intended to initially exclude the subscription right for fractional amounts. The purpose of this authorisation is to utilise the authorisation in even amounts to achieve a feasible subscription ratio. If the subscription right was not excluded in respect of the fractional amount, the technical implementation of the Bond issuance would be much more difficult. In these cases, the exclusion of the subscription right facilitates the handling of the issue. As freely marketable fractions, the shares excluded from shareholders' subscription rights will either be sold at the stock exchange or otherwise disposed of by the Company on a "best efforts" basis. For these reasons, both the Board of Management and the Supervisory Board consider the authorisation to exclude subscription rights to be appropriate.

(2) Exclusion of the subscription right if the issue price does not fall significantly short of the theoretical market price of the Bonds and the shares created in such a manner, excluding the subscription right, do not exceed a total of twenty per cent of the share capital

In addition, it shall be possible to exclude the subscription right if the Bonds are issued against cash payment and the Bonds are issued at a price that is not significantly below the theoretical market value of the Bonds ascertained in accordance with recognised mathematical valuation methods.

This enables the Company to take advantage of favourable market situations quickly and at short notice, and to achieve more advantageous conditions for the interest rate as well as the option or conversion price of the Bonds by a market-driven determination of terms. This would not be possible if the statutory subscription right was retained. While section 186 (2) of the AktG permits the publication of the subscription price (and, in the case of Bonds, of their terms) by the third-to-last day of the subscription period, in light of the volatility on the equity markets, a market risk exposure extending over several days would lead to haircuts when determining the terms of the Bonds, and thus result in less market-driven terms. Moreover, when retaining the statutory subscription right, the successful placement of Bonds with third parties would be put at risk or associated with additional expenditure as a result of the uncertainty regarding the scope of the exercise of subscription rights. Also, the fact that a minimum subscription period of two weeks must be observed, if the statutory subscription right was to be retained, would slow down the response to favourable or unfavourable market conditions, which could make raising capital less than optimal.

The proposed exclusion of subscription rights in analogous application of section 186 (3) sentence 4 of the AktG would safeguard shareholders' interests by prohibiting the issuance of Bonds at a price significantly below their theoretical market value, as a result of which the notional value of the subscription right falls to close to zero. Shareholders who wish to maintain their share in the share capital can achieve this by buying additional shares on the market. When considering the question of which issue price would correspond to the theoretical market value of the Bond and would guarantee that the issuance of the Bonds does not result in a significant dilution of the value of the existing shares, the Board of Management can avail itself of the assistance of experts, i.e. the underwriting banks or another appropriate expert in this field, if the Board of Management considers this to be appropriate in the given situation. If applicable, the issue price may also be fixed by way of a book-building procedure.

This type of subscription right exclusion is also restricted in terms of volume. Pursuant to section 186 (3) sentence 4 of the AktG (as amended by the ZuFinG), the number of shares to be issued to service Bonds issued during the term of this authorisation, subject to the exclusion of subscription rights (whether on the basis of this authorisation or another authorisation), must not exceed a total of twenty per cent of the share capital, i.e. neither at the time of the authorisation entering into effect nor, if said amount is lower, at the time the authorisation is exercised. The proportion of share capital attributed to the shares issued during the term of this authorisation either on the basis of an authorisation of the Board of Management to exclude the subscription right in direct or analogous application of section 186 (3) sentence 4 of the AktG, or sold as acquired treasury shares in analogous application of section 186 (3) sentence 4 of the AktG, will count towards the aforementioned maximum limit of twenty per cent of the share capital. This ensures that no Bonds are issued where this could result in shareholders' subscription rights being excluded for a total of more than twenty per cent of the share capital in direct or analogous application of section 186 (3) sentence 4 of the AktG.

(3) Exclusion of subscription rights to the extent required to grant holders or creditors of bonds cum warrants or convertible bonds with option or conversion rights, or option or conversion obligations, a subscription right for Bonds to the extent they would be entitled to upon the exercise of said option or conversion rights or upon the fulfilment of said option or conversion obligations

Furthermore, it should be possible to exclude subscription rights to the extent required, to grant holders or creditors of issued bonds cum warrants or convertible bonds which incorporate options or conversion rights or obligations a subscription right to Bonds, as they would be entitled to upon the exercise of the option or conversion right or the fulfilment of an option or conversion obligation. In order to facilitate the placing of Bonds on the capital market, the respective Bond Terms generally contain a protection against dilution. One option in connection with such protection against dilution would be that, for subsequent issues, the holders or creditors of Bonds are granted the same subscription right to Bonds as shareholders are entitled to. That would put them in the same position as existing shareholders. In order to be able to attach such protection against dilution to the Bonds, the shareholders' subscription right to the Bonds must be excluded. This would facilitate the placement of the Bonds and therefore safeguards the interests of shareholders in an optimum financial structure of the Company.

Alternatively, the option or conversion price could be lowered to protect against dilution, provided that the Bond Terms permit this. However, this would be more complicated and costly for the Company in its implementation. In addition, it would also reduce the capital flow from the exercise of option and/or conversion rights or the fulfilment of option and/or conversion obligations. It would also be conceivable to issue Bonds without protection against dilution. However, these would have much less market appeal.

(4) Utilisation of the authorisation and limitation of the subscription right exclusion to a total of twenty per cent of the share capital

Under this authorisation, the issuance of Bonds subject to the exclusion of subscription rights pursuant to the preceding paragraphs (1) and (3) may only take place if the aggregate of the new shares to be issued by the Company during the term of this authorisation in respect of such Bonds as well as any bonds cum warrants or convertible bonds issued on the basis of another authorisation, excluding subscription rights, notionally does not account for more than a total share of twenty per cent in the share capital, neither as at the date this authorisation enters into effect nor – if this value is lower – at the time the present authorisation is exercised. The following will count towards the aforementioned twenty-per-cent limit:

- treasury shares sold during the term of this authorisation, excluding subscription rights; as well as
- shares issued during the term of this authorisation from authorised capital, subject to exclusion of subscription rights.

The options for an exclusion of the subscription right are already very limited under the above authorisation. The additional quantitative limitation that goes beyond the statutory restrictions imposes strict limits on any potential adverse effect on shareholders.

Shareholders have the option of maintaining their share in the Company's share capital by buying additional shares via the stock exchange, even after the exercise of option or conversion rights. In contrast, the Company's authorisation to exclude subscription rights enables a market-driven determination of terms, maximum security with regard to the ability to place the relevant securities with third parties and the short-term leveraging of favourable market situations.

Please note that the Company will no longer have any authorised or conditional capital, other than the new Authorised Capital 2024 proposed re: agenda item 12 while at the same time revoking the existing Authorised Capital 2022, and the new Conditional Capital 2024/I proposed re: agenda item 13 while at the same time revoking the existing Conditional Capital 2022/I. In addition, the Company is also authorised to acquire treasury shares of up to ten per cent of its current share capital of 66,733,328.76 euros or the share capital existing at the time this authorisation is exercised, whichever is less. This authorisation will remain in effect until 27 February 2028. The same volume of treasury shares acquired on the basis of this authorisation may be sold, subject to the exclusion of shareholders' subscription rights. Treasury shares sold, subject to the exclusion of subscription rights, would also count towards the above capital limit for subscription right exclusion when issuing Bonds on the basis of the authorisation re: agenda item 13 if they were sold during the term of the authorisation to issue Bonds.

Both the Board of Management and the Supervisory Board will carefully review, on a case-by-case basis, whether they would utilise one of the authorisations for issuing Bonds, excluding shareholders' subscription rights. This option will only be utilised if both the Board of Management and the Supervisory Board consider this to be in the best interests of the Company and thus of its shareholders.

The Board of Management will notify the next ordinary Annual General Meeting with regard to the utilisation of the above authorisations to exclude subscription rights.