

## **Delivery Hero SE – Annual General Meeting 2019**

### **Agenda Item 6:**

**Resolution on the cancellation of the previous authorization to issue convertible bonds, bonds with warrants, profit participation rights and/or profit participating bonds (or combinations of these instruments) with the possibility of excluding subscription rights and Conditional Capital 2017/I; resolution on a new authorization to issue convertible bonds, bonds with warrants, profit participation rights and/or profit participating bonds (or combinations of these instruments) with the possibility of excluding subscription rights and on the creation of Conditional Capital 2019/I as well as on the corresponding amendment to Article 4 of the Articles of Association**

**Report of the Management Board to the Annual General Meeting pursuant to § 221 (4) sentence 2 in conjunction with § 186 (4) sentence 2 AktG on the authorizations of the Management Board to exclude subscription rights listed under agenda item 6**

Under agenda item 6 of the Annual General Meeting on June 12, 2019, the Management Board and the Supervisory Board propose that the existing authorization from 2017 to issue convertible bonds, bonds with warrants, profit participation rights and/or participating bonds (or combinations of these instruments) (together referred to in the authorization as "**Bonds**") with the option to exclude subscription rights and the corresponding Conditional Capital 2017/I be cancelled and replaced by a new authorization and a new Conditional Capital (Conditional Capital 2019/I). The new authorization to issue convertible bonds, bonds with warrants, profit participation rights and/or participating bonds (or combinations of these instruments) again also provides for the authorization to exclude the subscription right. Pursuant to § 221 (4) sentence 2 in conjunction with § 186 (4) sentence 2 AktG, the Management Board submits this report to the Annual General Meeting on agenda item 6 regarding the reasons for the authorization to exclude subscription rights:

#### **a. Initial situation**

The Extraordinary General Meeting of the Company held on 13 June 2017 authorized the Management Board under agenda item 3 to issue, with the approval of the Supervisory Board, bearer or registered convertible bonds, bonds with warrants, profit participation rights and/or profit participating bonds (or combinations of these instruments) with a nominal value of up to EUR 2,000,000,000.00 on one or more occasions until 12 June 2022 with or without a limited term and to grant the creditors or holders of bonds conversion or option rights to shares of the Company with a proportionate amount of the share capital of up to EUR 61,219,560.00. To service the option and conversion rights arising from these bonds, the same Annual General Meeting resolved the Conditional Capital 2017/I in the amount of EUR 61,219,560.00 (§ 4 (9) of the Articles of Association).

In accordance with §§ 221 (4) sentence 2 in conjunction with 186 (3) sentence 4 AktG, this authorization provides, among other things, for the possibility of excluding shareholders' subscription rights when issuing bonds with conversion or option rights against cash payment if the issue price of the bonds is not significantly below the hypothetical market value and the bonds grant or impose conversion or option rights to shares representing a maximum of 10 %

of the share capital, either at the time this authorization becomes effective or at the time it is exercised. This 10 % limit shall include, inter alia, those shares which, during the term of this authorization, are issued from authorized capital under exclusion of subscription rights in accordance with § 203 (2) sentence 1 in conjunction with § 186 para. 3 sentence 4 AktG.

The existing authorization to issue convertible bonds has not yet been exercised. However, in December 2017, the Company carried out a cash capital increase in the amount of EUR 10,500,000.00 using the Authorized Capital/VII at the time, whereby shareholders' subscription rights were excluded in accordance with § 186 (3) sentence 4 AktG. The above-mentioned authorization to facilitate the exclusion of subscription rights can therefore no longer be exercised in full due to the imputation regulation also with regard to the issue of convertible bonds with facilitated exclusion of subscription rights.

In order to continue to provide the Company with the necessary flexibility to issue convertible bonds and/or bonds with warrants for corporate financing in the future (including the issue with simplified exclusion of subscription rights), the Management Board and the Supervisory Board propose that a new authorization to issue convertible bonds or bonds with warrants and a new conditional capital (Conditional Capital 2019/I) be resolved.

For this purpose, the previous authorization of the Extraordinary General Meeting of the Company of June 13, 2017 to issue convertible bonds, bonds with warrants, profit participation rights and/or participating bonds (or combinations of these instruments) with the option to exclude subscription rights and the associated Conditional Capital 2017/I shall be revoked and an essentially identical authorization shall be created.

#### **b. Advantages of such financing instruments**

Adequate capital resources constitute an essential requirement for the Company's business development. The proposed authorization to issue Bonds shall make it possible for the Company to use attractive financing opportunities in a flexible and timely manner. This shall enable the Company to use, apart from the typical means of borrowed capital (bank loans) and equity capital, also the instrument of Bonds for the purpose of financing acquisitions and other expansions of its business thereby being in a position to address different groups of investors in order to select, in the interest of the shareholders, the most suitable financing instrument in the relevant market situation in relation to the possibilities of placement and achievable prices. Furthermore, the Company can provide for a conversion or warrant obligation or a put option of the issuer and service the Bonds by offering treasury shares, offering shares from authorized capital or making a cash payment thereby extending the leeway for such financing instruments.

For reasons of flexibility, the Company acting through affiliated companies (*verbundene Unternehmen*) within the meaning of §§ 15 et seqq. AktG shall also be able to use German or international capital markets, depending on the market situation, and to issue the Bonds also in the statutory currency of an OECD country, apart from euro.

#### **c. Conversion or warrant price**

The conversion or warrant price shall not fall short of a minimum issue amount, whose calculation basis is precisely specified. In each case, the calculation shall be based upon the

stock exchange price of the Delivery Hero share at the time when the Bond is placed or in the case of a conversion or warrant obligation or a put option, if any, alternatively upon the stock exchange price of the Delivery Hero SE share at the time when the conversion/warrant price is determined as more closely specified in the bond conditions.

The conversion/warrant price may be adjusted in specific cases as more closely specified in the bond conditions in order to provide protection against dilution in accordance with the authorization. A protection against dilution or adjustments can be stipulated in particular for cases of changes in the capital of the Company during the term of the Bonds, but also in relation to dividend payments, the issuing of further convertible/warrant bonds, transformation measures as well as in case of any other event with effects on the value of the conversion or warrant rights that may occur during the term of the Bonds (e.g. acquisition of control by a third party). A protection against dilution or adjustments can be provided or made especially by granting subscription rights, changing the conversion/warrant price and changing the grant of a cash component.

**d. Subscription right and authorization to exclude subscription rights**

The shareholders shall, in principle, have a subscription right when Bonds of this type are issued (§ 221 (4) in conjunction with § 186 (1) AktG). The Management Board may also use the possibility to issue the Bonds to a credit institution or the members of a consortium of credit institutions or companies deemed equivalent to them according to § 186 (5) sentence 1 AktG with the obligation to offer the Bonds to the shareholders in line with their subscription right (indirect subscription right within the meaning of § 186 (5) AktG). This is no restriction on the shareholders' subscription right. The shareholders are finally granted the same subscription rights as in case of a direct subscription. For reasons of technical processing, only one or several credit institutions or companies deemed equivalent to them will be involved in the processing.

The Management Board can, however, with the consent of the Supervisory Board, exclude the shareholders' subscription right in specific cases:

*(i) Exclusion of the subscription right for fractional amounts*

The authorization to exclude the subscription right for fractional amounts serves the purpose that, with regard to the amount of the respective issue, a practical subscription relationship can be presented. The value of the fractional amounts is, as a rule, low for each shareholder and thus the potential dilution effect is to be considered insignificant as well. However, the expenditure involved in an issue without such an exclusion is substantially larger. The exclusion serves the feasibility and facilitated execution of an issue. Therefore, the Management Board and the Supervisory Board deem the potential exclusion of the subscription right for fractional amounts to be objectively justified and appropriate by considering the shareholders' interests. The Bonds excluded from the shareholders' subscription right as free peaks are sold in the best possible way for the Company either by sale via the stock exchange or in any other manner.

- (ii) *Exclusion of the subscription right in favour of the holders or creditors of previously issued warrant rights or conversion rights or corresponding obligations*

It shall also be possible to exclude the shareholders' subscription right insofar as necessary in order to grant holders or creditors of warrant or conversion rights or warrant or conversion obligations under previously issued Bonds a subscription right to the same extent as they would be entitled to as shareholders after exercising these rights or satisfying these obligations. The customary exclusion of the subscription right in favor of the holders or creditors of previously issued Bonds has the advantage that the warrant or conversion price for the previously issued Bonds regularly provided with an anti-dilution mechanism, e.g. in capital measures, does not need to be reduced. It is thereby possible to place the Bonds in several tranches in a more attractive way allowing a higher cash inflow for the Company on the whole. Therefore, this case of the exclusion of the subscription right is also in the interest of the Company and its shareholders.

- (iii) *Facilitated exclusion of the subscription right by analogous application of § 186 (3) sentence 4 in conjunction with § 221 (4) sentence 2 AktG*

The Management Board shall furthermore be authorised, by analogous application of § 186 (3) sentence 4 AktG, to exclude the subscription right with the consent of the Supervisory Board when issuing Bonds against cash payment, if the issue price of the Bonds is not significantly below their market value. This may be appropriate to place a Bond quickly and flexibly on the market on attractive conditions. As stock markets may be volatile, the achievement of an as advantageous issue result as possible will increasingly depend on whether it is possible to respond to market trends in the short term. Favorable conditions which are, as far as possible, related to the market can, as a rule, be stipulated only if the Company is not bound by them for a too long offer period. When issuing subscription rights, a substantial markdown is, as a rule, required to ensure the chances of success of the issue over the entire offer period. § 186 (2) AktG does in fact permit a publication of the subscription price (and thus the conditions of these warrant and convertible bonds) by no later than three days before the end of the subscription period. In view of the volatility on the stock markets, there is, however, also a market risk over several days, which leads to markdowns when stipulating the conditions for the bonds. The alternative placement with third parties is also in danger or associated with additional expenses when granting a subscription right owing to the uncertainty concerning its exercise (subscription behaviour). Ultimately, granting a subscription right will inhibit the Company from promptly responding to a change in the market conditions due to the length of the subscription period, which may result in a less favorable capital procurement for the Company.

The interests of the shareholders are safeguarded by issuing the Bonds at a price that is not significantly below the market value. It is thereby ensured that a significant financial dilution of the value of the shares will be prevented.

Whether such a dilution effect will occur when issuing corresponding Bonds with conversion or warrant rights or obligations as well as put options, free of subscription rights, can be determined by calculating the hypothetical market value of the Bonds according to recognized, in particular financial mathematical, methods and comparing it with the issue price. If, following a due and proper examination, this issue price is only insignificantly below the hypothetical stock exchange price (market value) at the time when the Bonds are issued, an exclusion of subscription rights is permitted according to the sense and purpose of the provision set out in § 186 (3) sentence 4 AktG owing to the only insignificant deduction. When fixing the price by taking into account the relevant situation on the capital market, the management will keep the discount on this market value as small as possible. Thus, the calculated market value of a subscription right will be low so that the shareholders cannot suffer any significant financial disadvantage from the exclusion of the subscription right.

A stipulation of conditions similar to those available on the market and thus an avoidance of a significant value dilution can also be effected by the Management Board using a book-building process. In this process, investors are requested to submit purchase applications on the basis of provisional bond conditions by specifying, for example, the interest rate deemed fair and/or other economic components. At the end of the book-building period, conditions that have not been stipulated so far, e.g. the interest rate, are fixed on the basis of the purchase applications submitted by investors taking into account the market situation according to the principle of supply and demand. The aggregate value of the Bond is thereby determined in relation to the market situation. Such book-building process allows the Management Board to also ensure that the value of the share will not be significantly diluted by excluding the subscription right.

Furthermore, it is also possible for the shareholders to maintain their share in the Company's share capital on approximately the same conditions by acquiring shares via the stock exchange. Their financial interests are thereby safeguarded. The authorization to exclude the subscription right on facilitated terms pursuant to § 221 (4) sentence 2 in conjunction with § 186 (3) sentence 4 AktG shall apply only to Bonds with rights and obligations to acquire shares in a pro rata amount of the share capital which in total may not exceed 10 % at the time when this authorization comes into effect and - insofar as this amount is lower - at the time when this authorization is exercised.

This limit shall include shares issued or sold in direct or analogous application of §186 (3) sentence 4 AktG during the term of this authorization up to the time of it being exercised. Furthermore, this limit shall also include shares to be issued or granted on the basis of a convertible or warrant bond issued during the term of this authorization with a facilitated exclusion of subscription rights in accordance with § 186 (3) sentence 4 in conjunction with § 221 (4) sentence 2 AktG. Counting said shares towards the limit is done in the shareholders' interest in having their holdings diluted as little as possible.

(iv) *Authorization to exclude subscription rights in connection with the issue of bonds against contributions in kind*

Bonds may also be issued against contributions or payments in kind provided this is in the interest of the Company. In this case, the Management Board is also authorized - with the consent of the Supervisory Board - to exclude the subscription right. This shall allow the Company, inter alia, to use the Bonds as an acquisition currency for buying, in suitable specific cases, such contributions or benefits in kind against the transfer of such financial instruments within the scope of mergers of companies or for the acquisition (including an indirect acquisition) of companies, establishments, divisions, shareholdings or other assets or claims for the acquisition of assets, including receivables against the Company or its affiliated companies within the meaning of 33 15 et seqq. AktG. This authorization makes it possible to quickly and flexibly use advantageous opportunities on the national and international market for an expansion of the Company by issuing Bonds in the interest of the Company and its shareholders. In contrast to a cash payment, the issue of Bonds will save the Company's liquidity thus often being the more favorable form of financing. The Management Board is also entitled to grant holders of receivables against the Company or its affiliated companies within the meaning of §§ 15 et seqq. AktG Bonds of the Company, either wholly or partially, instead of a payment of money. This will provide the Company with additional flexibility for implementing measures intended to improve the capital structure.

The management will carefully review on a case-by-case basis whether it should make use of the authorization once the acquisition opportunities materialize. It will exclude the shareholders' subscription right only when such an exclusion is in the best interest of the Company.

When considering all these facts and circumstances, the authorization to exclude subscription rights is, in the different cases and to the extent described, necessary, suitable and reasonable as well as required in the interest of the Company.

**e. Conditional Capital, other options**

The proposed Conditional Capital 2019/I serves the purpose of servicing the conversion and/or warrant rights, conversion and/or warrant obligations or put options associated with the convertible Bonds and/or warrant Bonds.

The conditions may stipulate in each case that in the event of conversion or exercise of options or fulfilment of option and conversion obligations or for the purpose of tender, treasury shares, shares from the Company's authorized capital or other benefits may also be granted. Furthermore, it may be provided that in the event of conversion or exercise of an option or fulfilment of the options and conversion obligations, the Company does not grant shares in the Company to the holders of the bonds, but pays the equivalent value in cash or grants listed shares in another company. On the other hand, the conditions may also provide for the right of the Company to grant shares of the Company or listed shares of another company to the holders

of the bonds in whole or in part - instead of paying the due amount of money - when the bonds mature.

The terms and conditions of the bonds may also stipulate that the number of shares to be subscribed for upon exercise of the conversion or option rights or after fulfilment of the conversion or option obligations is variable and/or that the conversion or option price may be changed during the term within a range to be determined by the Executive Board depending on the development of the share price or as a result of anti-dilution provisions.

This form of bond enables the Company to obtain financing close to the capital market without actually requiring a capital measure under company law. This measure takes into account the fact that an increase in the share capital may potentially be unwelcome at a future time when the Bonds are exercised or corresponding obligations are satisfied. Apart from that, by using the possibility of cash payment, shareholders are protected against a reduction in their participation ratio as well as against a dilution of the value of their shares because no new shares are being issued. On the other hand, the bond conditions may also give the Company the right to grant the holders or creditors of the Bonds on the due date of the Bonds, either wholly or partially, shares in the Company instead of paying the amount due.

The Management Board will inform the General Meeting of any exercise of the authorization.

The Management Board

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Niklas Östberg  
Chair of the  
Management Board

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Emmanuel Thomassin  
Member of the  
Management Board