EXECUTIVE BOARD REPORT

on Item 1 of the Agenda

of the Extraordinary General Meeting

of Kontron AG

on 8 November 2023

Report of the Executive Board of Kontron AG on excluding subscription rights in connection with the authorisation of the Executive Board to issue financial instruments pursuant to Section 174 Paragraph 4 in conjunction with Section 153 Paragraph 4 of the Austrian Stock Corporation Act

1 Authorisation

The Executive Board and the Supervisory Board of Kontron AG (the "**Company**") have submitted the following proposal for resolution to the Extraordinary General Meeting of the Company regarding item 1 of the Agenda:

a) The Executive Board is authorised, with the consent of the Supervisory Board and for a period of five years from the date of the resolution being passed, to issue financial instruments within the meaning of Section 174 of the Austrian Stock Corporation Act, in particular convertible bonds, profit participation bonds or profit participation rights, which carry a subscription and/or conversion right or a subscription or conversion obligation for a total of up to 6,386,056 new bearer shares of the Company along with a pro rata amount of the share capital of the Company; the Executive Board may issue or provide for the issuance of new bearer shares of the Company with a pro rata amount of the share capital of up to EUR 6,386,056 in total, also in several tranches, against cash contributions and determine all other terms and conditions of the financial instruments. The financial instruments may be issued against cash contributions and also against contributions in kind. The financial instruments may be structured in such a way that they can be presented as debt or equity.

b) The authorisation to issue financial instruments within the meaning of Section 174 of the Austrian Stock Corporation Act may also be utilised multiple times. In this case, the sum of (i) the shares already delivered to holders of financial instruments in accordance with this authorisation and (ii) the shares for which conversion and/or subscription rights or conversion or subscription obligations from financial instruments already issued and to be issued within the framework of exercising the re-utilisation may not exceed the maximum number determined in this resolution.

c) The subscription and/or conversion rights from the financial instruments may be serviced by conditional capital, in particular the new Conditional Capital 2023 to be created in accordance with item 2 of the Agenda, treasury shares, delivery by third parties, or a combination thereof.

d) The issue amount and the issue conditions of the financial instruments, in particular interest rate, term, ranking (including subordination), denomination, protection against dilution, conversion modalities (in particular conversion rights and/or obligations, conversion price, exchange ratio as well as exchange and/or subscription conditions) as well as the possibility of cash compensation, shall be determined by the Executive Board with the consent of the Supervisory Board. The price of the financial instruments shall be determined by the Executive Board considering customary market calculation methods as well as the stock exchange price of existing shares of the Company using a recognised pricing procedure.

e) The shareholders' subscription rights to the financial instruments pursuant to Section 174 Paragraph 4 of the Austrian Stock Corporation Act are excluded (direct exclusion).

In addition, the Executive Board and the Supervisory Board of the Company have submitted the following proposals for resolution to the Extraordinary General Meeting of the Company regarding item 2 of the Agenda:

a) The authorisation of the Executive Board pursuant to Section 169 of the Austrian Stock Corporation Act, passed at the Annual General Meeting of 27 June 2017, to increase the share capital within five years after registration of the corresponding amendment to the Articles of Association in the commercial register, with the approval of the Supervisory Board, by up to EUR 10,000,000, by issuing up to 10,000,000 new no-par value bearer shares with voting rights in one or more tranches against contributions in cash and/or in kind, also by way of indirect subscription rights pursuant to Section 153 Paragraph 6 of the Austrian Stock Corporation Act, and to determine the issue price and the terms and conditions of the issue in agreement with the Supervisory Board, and, with the approval of the Supervisory Board, to exclude the statutory subscription rights of the shareholders (Authorised Capital 2017), has been revoked.

   The following authorisation now stands in Article 5 Paragraph 5: The capital stock of the Company shall be conditionally increased pursuant to Section 159 Paragraph 2 (1) of the Austrian Stock Corporation Act by up to EUR 3,616,000 by issuing up to 3,616,000 new no-par value bearer shares for issuance to creditors of financial instruments within the meaning of Section 174 of the Austrian Stock Corporation Act, which the Executive Board shall be authorised to issue at the Extraordinary General Meeting of 8 November 2023 with the consent of the Supervisory Board (Conditional Capital 2023). The Conditional Capital increase shall only be implemented to the extent that the creditors of the financial instruments exercise their subscription and/or conversion rights or are obliged to subscribe or convert. The issue amount and the exchange ratio shall be determined in a recognised pricing procedure, taking into account calculation methods customary in the market and the stock exchange price of existing shares, and may not be lower than the pro rata amount of the share capital. The new shares issued from the Conditional Capital 2023 shall carry the same dividend rights as the existing shares of the Company. The Executive Board is authorised to determine the further details of the implementation of the Conditional Capital increase. The Supervisory Board is authorised to resolve on amendments to the Articles of Association resulting from the issue of shares from conditional capital.

b) Article 5 Paragraph 5 of the Articles of Association shall be amended to read as follows:

   (5) The share capital of the Company shall be conditionally increased pursuant to Section 159 Paragraph 2 (1) of the Austrian Stock Corporation Act by up to EUR 3,616,000 by

issuing up to 3,616,000 new no-par value bearer shares for issuance to creditors of financial instruments within the meaning of Section 174 of the Austrian Stock Corporation Act, which the Executive Board was authorised to issue at the Extraordinary General Meeting of 8 November 2023 with the consent of the Supervisory Board (Conditional Capital 2023). The Conditional Capital increase shall only be implemented to the extent that the creditors of the financial instruments exercise their subscription and/or conversion rights or are obliged to subscribe or convert. The issue amount and the exchange ratio shall be determined in a recognised pricing procedure, taking into account customary market calculation methods and the stock exchange price of existing shares, and may not be lower than the pro rata amount of the share capital. The new shares issued from the Conditional Capital 2023 shall carry the same dividend rights as the existing shares of the Company. The Executive Board is authorised to determine the further details of the implementation of the conditional capital increase. The Supervisory Board is authorised to resolve on amendments to the Articles of Association resulting from the issue of shares from conditional capital.

c) The authorisation of the Executive Board pursuant to Section 169 Austrian Stock Corporation Act granted at the Annual General Meeting of 21 May 2019 to increase the share capital – in several tranches of necessary – by up to EUR 6,600,000 by issuing up to 6,600,000 new bearer voting shares in one or more tranches in exchange for cash and/or contributions in kind within five years of registering the corresponding amendment to the Articles of Association in the commercial register and subject to the approval of the Supervisory Board, also by way of indirect subscription rights pursuant to Section 153 Paragraph 6 Austrian Stock Corporation Act, and to determine the issue price and the terms and conditions of the issue in agreement with the Supervisory Board (Authorised Capital 2019), including the direct exclusion of the shareholders' statutory subscription rights, along with the authorisation to exclude the shareholders' statutory subscription rights, shall be revoked to the extent not yet utilised.

d) The Articles of Association shall be amended in Article 5 Paragraph 6 in in such a way that the provision shall be omitted, but the paragraph shall be kept free.

With regard to the exclusion of subscription rights to be passed by the Extraordinary General Meeting upon utilisation of the authorisation pursuant to item 1 of the Agenda, the Executive Board shall submit the following written report to the General Meeting pursuant to Section 174 Paragraph 4 in connection with Section 153 Paragraph 4 Austrian Stock Corporation Act.

2 Report

The exclusion of shareholders' subscription rights when issuing financial instruments within the meaning of Section 174 Austrian Stock Corporation Act (direct exclusion) is in the interests of the Company and is suitable, necessary, appropriate and proportionate for the following reasons.

2.1 Interests of the Company

Issuing financial instruments within the meaning of Section 174 Austrian Stock Corporation Act enables the Company to actively shape its capital structure. The financial instruments usually provide for better financing conditions than (pure) debt instruments, so that the cost of capital can be kept as low as possible. The authorisation to issue financial instruments enables the Company to finance current or future projects quickly and to react flexibly to financing needs resulting in particular from acquisitions as part of its growth strategy.

2.1.1 Convertible bonds

Convertible bonds bear regular interest and provide for a right to repayment of capital. Furthermore, they grant bondholders the right to acquire shares instead of a capital repayment. The conversion right gives creditors the opportunity to participate directly in the Company and to benefit from the Company's substance and earning power. In the case of mandatory convertible bonds, investors are subject to a conversion obligation should certain events occur. Since the usual market conditions of convertible bonds mean that the conversion and/or subscription price for the shares to be issued in the event of conversion is usually higher than the share price at the time of issue, a higher issue amount can be achieved through the issue of convertible bonds compared to an immediate capital increase, so that additional capital is injected into the Company.

2.1.2 Profit-participation bonds

In addition to the right to the repayment of the capital, profit-participation bonds also give their holders a share in the profits of the Company, so that an interest rate dependent on the Company's earnings is paid out instead of or in addition to a fixed interest rate. If the Company does not achieve sufficient earnings or even makes a loss, investors are not entitled to interest, which is an advantage for the Company and its shareholders compared to an (exclusive) fixed interest rate .

2.1.3 Profit-participation rights

Profit-participation rights can be structured flexibly, thereby combining the advantages of equity and debt. Creditors can be granted the right to participate in profits and/or substance, whereby loss participation is also possible. Furthermore, profit participation rights can securitise a conversion right or an obligation to convert into shares. Depending on the respective structure, the Company receives equity capital without the capital providers receiving membership rights that would impair the existing shareholders' rights of control. Moreover, in the case of profit-oriented servicing with an upper limit, there is no significant interference with the asset rights of shareholders.

The exclusion of subscription rights when issuing financial instruments within the meaning of Section 174 of the Austrian Stock Corporation Act is in the interests of the Company. Issues for which subscription rights are excluded regularly achieve better conditions on the capital market since immediate placement reduces price risks. Furthermore, the Company can react flexibly to favourable market conditions, thereby optimizing its financing conditions.

In the case of an issue with pre-emptive subscription rights, however, a subscription period of at least two weeks must be observed. This also applies if the General Meeting merely authorises the Executive Board to exclude subscription rights. This is because in the case of a mere authorisation to exclude subscription rights, a two-week waiting period after publication of the (detailed) Executive Board report must be observed before a resolution is passed by the Supervisory Board. The consideration and observance of such a subscription or waiting period leads to designs or allocation mechanisms that are not customary in the market and/or to market risks for the investors addressed, so that the investors cannot be addressed as a result or only with a lower issue volume. It is therefore in the interests of the Company to have as much control as possible over the timing of the allotment of an issue. In particular, it is clear from the observed volatility of the stock markets as a whole, as well as the volatility of the Company's share, that both the share price trend and the market assessment may well be subject to very significant changes within a two-week subscription or waiting period – which would have to be observed without the direct exclusion of subscription rights.

Under the proposed exclusion of subscription rights, issuing convertible bonds could be carried out more quickly and cost-effectively, taking into account the requirements of Article 1(4) of Regulation (EU) 2017/1129 (Prospectus Regulation) and the applicability of the prospectus exemption, as neither subscription periods nor waiting periods need to be observed and no lead time for the preparation and approval of an offering prospectus is necessary. A placement under the exclusion of subscription rights and application of a prospectus exemption avoids these disadvantages. A prospectus-free issue can also significantly reduce the Company's liability risks compared to a prospectus issue.

2.2 Necessity of excluding subscription rights

The exclusion of shareholders' subscription rights is necessary for a successful issue for economic and strategic reasons.

Financial instruments within the meaning of Section 174 Austrian Stock Corporation Act are predominantly acquired by institutional investors who specialise in such forms of investment. Institutional investors have special requirements with regard to the structuring and conduct of an issue. A subscription period of at least two weeks, which must be observed in an issue with pre-emptive subscription rights, is contrary to international capital market practice. Therefore, an issue of this kind would not appeal to institutional investors or only to a limited extent, which would result in a significantly reduced issue volume. This also applies if the General Meeting only authorises the Executive Board to exclude subscription rights. This is because in the case of a mere authorisation to exclude subscription rights, a two-week waiting period after publication of the (detailed) Executive Board report must be observed before a resolution is passed by the Supervisory Board.

Since the stock exchange price of the stock as well as the market conditions at the time of the issue have a considerable influence on the bond conditions, it is in the interests of the Company to carry out the placement as quickly and flexibly as possible. In the case of an issue for which subscription rights are excluded, the Company can therefore avoid price risks and usually achieve more attractive financing conditions than if it has to comply with a subscription rights period.

It may also be in the interests of the Company to be able to issue financial instruments within the meaning of section 174 of the Austrian Stock Corporation Act against contributions in kind, in particular in the context of mergers or for the acquisition of companies, equity interests or other assets. The financial instruments can thereby be used as acquisition currency for strategic transactions, so that the Company does not have to use liquid funds and strengthens its competitive position. Since the assets to be transferred are usually individual and cannot be raised by all shareholders, a structure such as this requires the exclusion of subscription rights.

As part of the framework of excluding subscription rights, the Company can also approach investors in the run-up to the issue who commit to acquiring financial instruments. In addition to the increased financing security, this also provides the Company with the opportunity to acquire selected investors and to develop new business areas through their experience and/or capital. Furthermore, tapping such investors can also be seen as a positive signal regarding the development potential of the Company.

Finally, an issue with subscription rights constitutes a public offering of securities, which is why it requires a capital market prospectus. The preparation of such a prospectus and the approval by the competent supervisory authority demand considerable expenditure of time and money. When issuing financial instruments with subscription rights excluded, on the other hand, the Company can determine the denomination and/or the group of investors in such a way that an issue without a prospectus is possible. Compared to an issue with subscription rights, it is thereby possible to avoid delays and costs as well as additional liability risks.

2.3 Proportionality

The Company's interests that are furthered by the exclusion of subscription rights also outweigh the disadvantages associated with them for the shareholders and they are thereby proportionate. Without excluding subscription rights, the Company would not be equally capable of covering its financing needs flexibly and at attractive conditions nor would it be able to take advantage of acquisition opportunities. These advantages also benefit the Company's shareholders and can be expected to outweigh the proportionate loss of participation.

The exclusion of subscription rights is not expected to have a significant adverse effect on shareholders, as the total volume of new shares to be issued to service subscription and/or conversion rights or subscription or conversion obligations arising from financial instruments pursuant to section 174 of the Austrian Stock Corporation Act does not exceed 10% of the Company's share capital at the time this authorisation is granted, whereby new shares may only be issued from the Contingent Capital 2023 up to a maximum of 5.66% % of the share capital at the time the resolution is passed at the Annual General Meeting. Including the 3,616,000 new no-par value bearer shares to be created from the new Conditional Capital 2023, the 770,000 no-par value bearer shares still available from the Authorised Conditional Capital 2019, and the 2,000,000 no-par value bearer shares still available from the Authorised Capital 2020, the sum of all authorised and Conditional Capital of the Company involves less than 10% of the capital stock at the time of the resolution of the General Meeting.

Furthermore, existing shareholders can maintain their relative shareholding and voting rights by purchasing shares on the stock exchange. Ultimately, the aim is to achieve an issue price that avoids any dilution of shareholders that is not in line with the market.

Finally, it should be noted that if the issue of a financial instrument with subscription rights is valued in line with the market, the subscription rights themselves have no independent economic significance.

2.4 Issue amount

When issuing financial instruments within the meaning of Section 174 of the Austrian Stock Corporation Act, the Executive Board shall, with the consent of the Supervisory Board, determine the issue and features as well as the terms and conditions, in particular interest rate, issue price, maturity, denomination, dilution protection and conversion modalities (conversion period and/or date, conversion rights and/or obligations, conversion ratio, conversion price as well as subscription and/or conversion conditions) in accordance with the provisions of the Austrian Stock Corporation Act.

The subscription and/or conversion rights and/or subscription or conversion obligations may be serviced by conditional capital, in particular the Conditional Capital 2023 that is to be newly created pursuant to item 2 of the Agenda of the Extraordinary General Meeting, treasury shares, delivery by third parties, or a combination thereof.

The price of the financial instruments shall be determined in a recognised pricing procedure, considering calculation methods customary in the market as well as the stock exchange price of existing shares of the Company.

The price (issue amount) of a financial instrument shall be determined in particular from the price (issue amount) of any fixed-interest financial instrument as well as the price for any conversion or exchange right or conversion or exchange obligation, taking into account the other features (e.g. ranking, current interest or early termination rights). When issuing financial instruments against contribution in kind, the issue amount to be agreed with the contributor(s) in kind as consideration for the contribution in kind shall be in an appropriate ratio. The newly issued shares shall carry the same dividend rights as the existing shares of the Company.

The price of the financial instruments and the issue price of the shares shall be determined according to objective criteria in line with international market standards, so that the interests of the existing shareholders are safeguarded and their holdings are protected as far as possible from dilution.

2.5 Weighing up interests – a summary

The exclusion of shareholders' subscription rights (direct exclusion) is objectively justified by the intended objectives, in particular optimising the capital structure, reducing financing costs and increasing flexibility as well as establishing a new group of investors, along with the associated strengthening of the Company's competitive position in the interests of the Company and its shareholders.

The exclusion of subscription rights is also necessary and appropriate since financial instruments within the meaning of Section 174 of the Austrian Stock Corporation Act usually replace more time-consuming and cost-intensive capital measures and achieve attractive conditions, which ensures long-term and flexible financial and business planning and the realisation of corporate goals for the benefit of the Company and its shareholders.

The Executive Board of the Company expects that the advantages of the Company from the issue under exclusion of subscription rights will also benefit shareholders and clearly outweigh the proportionate loss of participation.

As a result, a weighing of the circumstances cited shows that the exclusion of subscription rights is necessary, suitable, appropriate and objectively justified and required in the overriding interest within the limits described.

18 October 2023, Linz

The Executive Board