

**Report by the Executive Board of
Kontron AG, Linz, FN 190272 m**

**on Item 9 on the Agenda
of the 25th Annual General Meeting on 6 May 2024**

**pursuant to Section 170 Paragraph 2 in conjunction with Section 153 Paragraph 4 Austrian
Stock Corporation Act on the Authorisation to Exclude Subscription Rights/Set Authorised
Capital 2024**

All members of the Executive Board of Kontron AG (the “**Company**”) submit the following report to the 25th Annual General Meeting on 6 May 2024 regarding item 9 on the agenda (“**Agenda Item 9**”) in accordance with Section 170 Paragraph 2 of the Austrian Stock Corporation Act in conjunction with Section 153 Paragraph 4 of the Austrian Stock Corporation Act:

The Executive Board of the Company, together with the Supervisory Board, intends specifically to propose the following resolution to the Annual General Meeting on Agenda Item 9:

2. *The Executive Board is authorised for a period of five years after entry of the corresponding amendment into the Articles of Association in the Commercial Register pursuant to Section 169 of the Austrian Stock Corporation Act, with the consent of the Supervisory Board, to increase the Company’s share capital by up to EUR 4,386,056 by issuing up to 4,386.056 new bearer shares in the Company in one or more tranches in exchange for cash and/or non-cash contributions and to determine the issue price, which may not be less than the pro rata amount of the share capital, as well as the issue conditions and the further details of the implementation of the capital increase in agreement with the Supervisory Board. The Executive Board is authorised, with the consent of the Supervisory Board, to exclude shareholders’ subscription rights in whole or in part. The Supervisory Board is authorised to adopt amendments to the Articles of Association resulting from the issue of shares from authorised capital (“Authorised Capital 2024”).*
3. *Section 5 (Share capital) of the Articles of Association shall be amended so that Paragraph (4) reads as follows: “(4) The Executive Board is authorised for five years after entry of this amendment into the Articles of Association, in accordance with Section 169 of the Austrian Stock Corporation Act and with the consent of the Supervisory Board, to increase the share capital by up to EUR 4,386,056 by issuing up to 4,386.056 no-par value bearer shares of the Company in one or more tranches in exchange for cash and/or non-cash contributions and to determine the issue price, which may not be less than the pro rata amount of the share capital, as well as the issue conditions and the further details of the implementation of the capital increase in agreement with the Supervisory Board. The Executive Board is authorised, with the approval of the Supervisory Board, to exclude shareholders’ subscription rights in whole or in part. The Supervisory Board is authorised to adopt amendments to the Articles of Association resulting from the issue of shares from the authorised capital (“Authorised Capital 2024”).”*

In accordance with the statutory provisions, the Executive Board of the Company therefore submits the following written proposal to the 25th Annual General Meeting on 6 May 2024 pursuant to Section 170 Paragraph 2 in conjunction with Section 153 Paragraph 4 of the Austrian Stock Corporation Act.

REPORT

on the justification for the authorisation to separately exclude subscription rights in connection with the issue of shares from Authorised Capital 2024:

1 General information

- 1.1 The Executive Board of the Company can only issue shares from the Authorised Capital 2024 with the approval of the Supervisory Board, regardless of whether the new shares are issued in exchange for cash or contributions in kind, with or without the exclusion of subscription rights. The issue price, the issue conditions and the further details of the implementation of the capital increase can only be determined by the Executive Board in agreement with the Supervisory Board.
- 1.2 The new Authorised Capital 2024 (Section 5 (Share Capital) Paragraph (4) of the new version of the Articles of Association) in the amount of up to EUR 4,386,056 can be used once or several times within five years of the corresponding amendment to the Articles of Association being entered in the Commercial Register. A maximum of 4,386,056 new no-par value bearer shares with voting rights may be issued from the Authorised Capital 2024.
- 1.3 Kontron AG intends to continue its growth strategy (in existing business areas, possibly also in new business areas; on existing markets, possibly also by establishing and expanding new markets) at home and abroad, and in doing so may also acquire other companies or shares in companies. Flexibility in raising capital by means of both cash capital increases and non-cash capital increases is crucial for the Company and its shareholders.
- 1.4 The Executive Board is to be authorised, with the consent of the Supervisory Board, to exclude subscription rights in whole or in part in the event of capital increases in exchange for cash and/or non-cash contributions in the following cases:

2 Issuing new shares in exchange for cash contributions

- 2.1 The full or partial exclusion of subscription rights in the case of a cash capital increase is in the interests of the Company, as it enables it to cover capital or financing requirements quickly by placing shares. While a subscription period of at least two weeks must be observed in the case of a share issue with subscription rights and a certain lead time is required for the preparation and approval of a capital market prospectus, a capital increase with subscription rights excluded can be carried out much more quickly. This enables the Company to react flexibly to favourable market conditions. This may be necessary or expedient, for example, in the event of a company acquisition or refinancing requirements of the Company or its subsidiaries.

- 2.2 As part of the exclusion of subscription rights, the Company can also approach investors in advance of the issue who agree to acquire shares from the Authorised Capital 2024. Subscription rights issues are generally more difficult to place with institutional investors as there is uncertainty regarding exercising subscription rights. Excluding subscription rights reduces this risk, as the allocation does not depend on the subscription behaviour of existing shareholders. In addition to the increased transaction security, the Company also has the opportunity to approach selected investors and use their experience and/or capital to develop new business areas. The acquisition of such investors can be seen as a positive signal with regard to the Company's growth potential.
- 2.3 Compliance with a two-week subscription period leads to unusual market structures or allocation mechanisms and/or to market risks for the investors approached, so that institutional 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 allocation of an issue. This also enables the Company to avoid any potential risks that may occur during the two-week subscription period (in particular negative price changes or speculative risks such as short selling). Reducing price risks is particularly important in a difficult stock market environment.
- 2.4 Finally, a capital increase with subscription rights excluded can also be carried out more cost-effectively than a rights issue, as the Company can determine the denomination and/or the group of investors in such a way that a prospectus-free issue is possible. Compared to a rights issue, the costs of preparing and authorising a prospectus as well as additional liability risks can therefore be avoided.
- 2.5 The subscription price for the issue of shares from the Authorised Capital 2024 will be determined depending on market conditions and taking into account stock market prices. It is therefore not possible to provide more detailed information on the issue price of new shares at the time of preparing this report. However, the requirement to publish a further report before the Supervisory Board passes a resolution on the issue of shares from the Authorised Capital 2024 excluding the subscription rights of existing shareholders (Section 171 Paragraph 1 in conjunction with Section 153 Paragraph 4 Austrian Stock Corporation Act) ensures that existing shareholders are informed of the issue price.
- 2.6 As a result, the authorisation to exclude subscription rights when issuing shares from the Authorised Capital 2024 is appropriate and necessary for raising equity quickly and flexibly.
- 2.7 In addition, the exclusion of subscription rights is not expected to have a significant adverse effect on shareholders, as new shares from the Authorised Capital 2024 may only be issued up to a maximum of 6.87% of the share capital at the time of the authorisation and existing shareholders can also prevent any dilution of their shareholding ratio by purchasing additional shares on the stock exchange. The interests of the Company pursued by excluding subscription rights therefore outweigh the disadvantages for shareholders and are proportionate.

3 Issuing new shares in exchange for contributions in kind

- 3.1 New shares from the Authorised Capital 2024 can be issued using the authorisation to exclude subscription rights if the issue of the new shares is required as consideration for acquiring companies, operations, parts of operations or shares in one or more companies at home or abroad or other assets (e.g. patents or other intangible assets such as software).
- 3.2 As already mentioned in item 1.3, Kontron AG intends to continue its growth at home and abroad. As in the past, this growth can also take the form of acquiring other companies or operations. The acquisition of companies, operations or parts of operations can be legally structured both as the purchase of certain assets (and liabilities) of a company, operation or part of an operation (“**asset deal**”) and as the acquisition of shares in a company (“**share deal**”, together with the asset deal (“**company acquisition**”), or as a hybrid of the two variants.
- 3.3 When acquiring a company, the consideration may consist not only of cash, but often also of shares in the acquiring company. This can be in the interests of both the company as the buyer and the seller. In the case of a company acquisition in which the seller transfers the company (or the shares in a company) to Kontron AG as a contribution in kind in return for granting new shares – in this case from Authorised Capital 2024 – the share capital is increased, thereby strengthening the company’s equity.
- 3.4 While the acquisition of a company by means of paying a cash purchase price can result in a high outflow of liquidity for the company, the acquisition of a company through contributions in kind does not result in an outflow of liquidity for the acquiring company (i.e. Kontron AG), but on the contrary an increase in equity. There may also be cases in which it is necessary and expedient for strategic reasons for the seller of the company to acquire a small stake in the company or for the seller to receive a stake in the company in return.
- 3.5 The acquisition of a company in such a way that the company or shares in the company are transferred to the company in exchange for contributions in kind, excluding the subscription rights of the other shareholders, is generally recognised as a factual justification for the exclusion of subscription rights. In view of Kontron AG’s planned growth, the Company has an interest in enabling company acquisitions by means of non-cash contributions while excluding subscription rights and at the same time protecting the Company’s liquidity. The Authorised Capital 2024 and the authorisation to exclude subscription rights allow the Company to act with the flexibility and speed required in such transactions.
- 3.6 The exclusion of subscription rights is necessary because, on the one hand, this is the only way in which the Company can ensure a company acquisition without an outflow of liquidity in the event of a company acquisition in exchange for contributions in kind and, on the other hand, the seller is often only prepared to transfer the company or the shares in it if it receives an interest in the company of equivalent value. From Kontron AG’s perspective, it may be necessary for strategic or organisational reasons to integrate the seller into the Group as a shareholder. When acquiring a company through contributions in kind, the seller as a contributor in kind can only achieve the desired interest if they receive the new shares exclusively; a seller wants to achieve a (percentage-based) equity interest in the company that corresponds to the ratio of the value of their company in relation to the enterprise value of the

company and grants them corresponding voting rights (and thereby participation rights) in the company.

- 3.7 Finally, the exclusion of subscription rights is proportionate because the Company regularly has a particular interest in acquiring the company in question or shares in it. Protecting the interests of existing shareholders is ensured by the fact that shares are granted proportionately when a company is acquired – usually after a company valuation has been carried out. In the event of a company acquisition against contributions in kind through the issue of new shares from Authorised Capital 2024, the value of the company to be contributed or the shares in it are compared with the value of Kontron AG; the contributor in kind receives new shares in the Company in this ratio. The existing shareholders will also participate in the future profits of the acquired company, which should generally increase as a result of the cooperation with the Company.
- 3.8 In view of the duration of the Authorised Capital 2024 of five years, no information can currently be provided on the issue price of new shares to the seller of a company, as this depends on the value of the company to be acquired as well as the performance of the Company and the price level of its shares. In the cases described here, it is not necessary to disclose the issue amount when the authorisation is granted. The existing shareholders are informed of the issue amount by the fact that, when issuing new shares from the Authorised Capital with the exclusion of subscription rights, the Executive Board must publish a further report in analogous application of Section 153 Paragraph 4 of the Austrian Stock Corporation Act no later than two weeks before the Supervisory Board resolution is passed with which the Supervisory Board decides on the approval of the issue of shares from the Authorised Capital, in which, among other things, the issue amount of the new shares is also justified (Section 171 Paragraph 1 of the Austrian Stock Corporation Act).
- 3.9 In summary, the Executive Board of Kontron AG concludes that the granting of an authorisation to the Executive Board of the Company to increase the Company's share capital with the approval of the Supervisory Board, excluding subscription rights if necessary, by issuing new shares from the Authorised Capital 2024 in exchange for contributions in kind, fully complies with the statutory provisions.

4 Utilisation to offset fractional amounts

- 4.1 New shares from the Authorised Capital 2024 can be issued using the authorisation to exclude subscription rights in order to offset fractional amounts. This serves to ensure a practicable subscription ratio with regard to the amount of a capital increase.
- 4.2 The exclusion of subscription rights is necessary because without it, the technical implementation of the capital increase with a round total amount would be made more difficult, particularly in the case of a capital increase. Depending on the amount of authorised capital actually used, unfavourable subscription ratios may arise, and these tend to make it more difficult for shareholders with small holdings in particular to exercise their subscription rights. The new shares excluded from shareholders' subscription rights as fractional amounts are either sold on the stock exchange or utilised in some other way for the benefit of the Company.

- 4.3 In summary, the Executive Board of Kontron AG concludes that the granting of the authorisation to the Executive Board of the Company to compensate for fractional amounts is customary in the market and objectively justified because the costs of trading in subscription rights for fractional amounts are not reasonably proportionate to the benefit for the shareholders and the effects of the restrictions are barely noticeable.

5 Utilisation for granting greenshoe options

- 5.1 The Authorised Capital 2024 may also be used to grant greenshoe (over-allotment) options. When placing new shares in the Company, it may be advantageous to issue additional securities on the same terms as the shares issued as part of the capital increase. This enables the Company to satisfy demand in excess of the issue volume by issuing additional shares, thereby stabilising the share price.
- 5.2 The issue amount in the context of a greenshoe procedure is determined by the issue amount of the new shares of the capital increase for which the over-allotment option is granted.
- 5.3 Granting over-allotment options is in the interests of the Company, as this regularly results in better issue conditions and price losses can be avoided. Due to the small volume of shares required for the allotment, this is also only associated with a limited dilution of existing shareholders, meaning that the exclusion of subscription rights as part of a greenshoe process is also proportionate.

6 Utilisation of treasury shares to service share options

6.1 General information

- 6.1.1 In addition to meeting revenue, profitability and cash flow targets at the level of the respective subsidiary, a corresponding positive change in Kontron AG's share price is a key parameter for Kontron AG's stakeholders. In order to achieve this goal, parts of the variable remuneration of the Executive Board, the managing directors of selected Group companies and senior executives are to be linked to the performance of Kontron AG's share price. The 2018/2019 share option programme and the 2024/2025 share option programme were rolled out for this purpose. Depending on the success of the short to long-term performance of the Kontron share price, the group of beneficiaries is to participate through cash settlement or delivery of shares from existing or future equity measures.
- 6.1.2 **Share option programme 2018/2019:** The share option programme 2018/2019 ("SOP 2018/2019") consists of two tranches:
- (i) **2018 tranche:** In the 2018 tranche, a maximum of 500,000 (five hundred thousand) stock options entitling the holder to subscribe to a total of 500,000 (five hundred thousand) new no-par value bearer shares with voting rights in Kontron AG may be issued to beneficiaries.

- (ii) **2019 tranche:** In the 2019 tranche, a maximum of 500,000 (five hundred thousand) share options entitling the holder to subscribe to a total of 500,000 (five hundred thousand) new voting bearer shares in Kontron AG may be issued to beneficiaries.
- 6.1.3 **Share option programme 2024/2025:** The share option programme 2024/2025 (“**SOP 2024/2025**”; together with the SOP 2018/2019, the “**share option programmes**”) consists of two tranches:
 - (i) **2024 tranche:** In the 2024 tranche, a maximum of 750,000 (seven hundred and fifty thousand) stock options entitling the holder to subscribe to a total of 750,000 (seven hundred and fifty thousand) new no-par value bearer shares with voting rights in Kontron AG may be issued to beneficiaries.
 - (ii) **2025 tranche:** In the 2025 tranche, a maximum of 750,000 (seven hundred and fifty thousand) stock options entitling the holder to subscribe to a total of 750,000 (seven hundred and fifty thousand) new no-par value bearer shares with voting rights in Kontron AG may be issued to beneficiaries.
- 6.1.4 The Authorised Capital 2024 is to be used to service these existing share option programmes.
- 6.1.5 Without the authorisation of the Executive Board to exclude subscription rights, the objective of delivering new shares to service share option programmes can only be achieved at the expense of the Company’s liquidity. The authorisation is therefore in the interests of the Company, as it ensures that the Company’s liquidity and/or treasury shares are not impaired.
- 6.2 **Principles and performance incentives for share options to employees, senior executives and members of the Executive Board of the Company or an affiliated company**
- 6.2.1 The design of share options granted under the share option programmes is based on the principle that senior executives and members of the Executive Board of the Company and its affiliated companies make a significant contribution to increasing the value of the Company and should therefore participate in this increase in value via an option programme. For senior executives and members of the Executive Board of the Company or one of its affiliated companies, the granting of share options constitutes an incentive system that helps to increase the value of the Company.
- 6.2.2 Employee share ownership programmes are common and widespread among listed companies. It is therefore necessary to be able to offer employees and management the opportunity to acquire shares in the Company, as this is expected by employees and management. It would consequently be a disadvantage when recruiting new employees and managers if there were no share ownership programme. Similarly, such a programme serves to motivate existing employees more strongly, to increase the retention period of employees, and to promote sales and profit growth through each individual employee. The share option programmes are thereby also a necessary means of employee retention and contribute to increasing the attractiveness of the Company and its affiliated companies as an employer. In the absence of share options, the Company and its Group companies could be forced to pay senior employees and management higher variable salary components in cash, which would lead to significant cost increases for the companies. Finally, investors in shares of a listed

company also expect employees and management to participate in the Company's success. The success of the Company's capital measures also depends, among other things, on the existence of a share option programme.

6.2.3 The share option programmes provide for first-time exercise no earlier than three years after the option is granted and an exercise hurdle of 25% of the market price of the Company's share on the Frankfurt Stock Exchange, which must be higher than the strike price.

6.3 Number and allocation of options to be granted and already granted to employees, senior executives and individual board members

6.3.1 At the time of this report, a total of 1,000,000 share options were granted to the members of the Executive Board and senior executives under the 2018/2019 SOP and 1,500,000 share options under the 2024/2025 SOP. Further information was published in the remuneration report and is available at https://ir.kontron.com/Kontron_Geschaeftsbericht_2023_final_sec.pdf.

6.3.2 Under the 2018/2019 SOP, 370,000 share options have already been exercised, which is why the members of the Executive Board and senior executives can only subscribe to 605,000 shares. This corresponds to 0.95% of the Company's share capital, meaning that the existing shareholders of the Company will only be diluted to a limited extent even if the options are exercised in full. This appears proportionate in view of the expected increase in value as a result of the incentive system.

6.3.3 Under the SOP 2024/2025, up to 1,500,000 shares can be subscribed, which corresponds to 2.35% of the Company's share capital. So only a limited dilution of existing shareholders is therefore to be expected even with the SOP 2024/2025. In view of the participation of the Executive Board and senior executives in the performance of the Company, this also appears proportionate.

6.4 Key terms and conditions of the share option programmes

6.4.1 The exercise price per share option is EUR 15.71 under the 2018/2019 SOP and EUR 15.30 under the 2024/2025 SOP.

6.4.2 The term of the share options under the 2018/2019 SOP is six years and ends on 21 December 2024. The term of the share options under the 2024/2025 SOP is five years and ends on 13 November 2027.

6.4.3 The exercise periods are 30 trading days on the Frankfurt Stock Exchange and begin at the start of the second trading day (i) after the day of the Company's press conference on the annual results and (ii) after publication of the quarterly report for the first, second and third quarters of the Company's financial year. If an option holder leaves the Company, the last exercise of the allocated share options is possible in the next exercise window following the departure of the option holder.

6.4.4 The options can be exercised for the first time in the first exercise window 36 months after being granted at the earliest. In addition, an exercise hurdle of 25% of the market price of the

Company's share on the Frankfurt Stock Exchange, which must be higher than the exercise price, must be reached for the option to be exercised. If the share price does not reach the exercise hurdle in the respective exercise window, it is not possible for option holders to exercise the option.

6.4.5 There is no retention period for the shares purchased as a result of exercising the option.

6.4.6 The Company is free to pay the option holders their claim in cash (cash settlement) instead of delivering Kontron shares (in particular from the treasury shares or the conditional capital) or to determine a combination of a cash settlement and the delivery of Kontron shares.

7 General information on utilising the authorisation

7.1 In summary, the respective authorisation to exclude subscription rights is necessary, suitable and proportionate when considering all of the aforementioned circumstances and within the limits described. It is in the overriding interest of the Company, objectively justified and necessary. The conditions will be determined in due course in such a way that the interests of the shareholders and the interests of the Company are adequately safeguarded, taking into account the respective circumstances. In the case of any capital increase against contributions in kind, the contribution in kind must also be examined by a court-certified expert.

7.2 In the event subscription rights are excluded on the basis of the authorisation to exclude the subscription rights by the Executive Board and with the approval of the Supervisory Board, the Executive Board must publish a further written report on the project in accordance with Section 171 Paragraph 1 in conjunction with Section 153 Paragraph 4 of the Austrian Stock Corporation Act no later than two weeks prior to the relevant resolution by the Supervisory Board.

Linz, 15 April 2024

The Executive Board