

## **I. Report on the intended disposal of own shares**

The Management Board and the Supervisory Board of Kontron AG, FN 190272 m, (the “**Company**”) hereby submit the following report to the shareholders of the Company pursuant to Section 153 (4) in connection with Section 159 (2) 3 Austrian Stock Corporation Act (analogously) on the intended sale of treasury shares of the Company for the purpose of servicing stock options to employees, executives, and members of the Management Board of the Company or of an affiliated company within the framework of the Stock Option Program 2018 (tranches 2018 and 2019) (the “**Stock Option Program**”).

### **1 Stock option programme**

The 20th Annual General Meeting of Kontron AG (formerly S&T AG (the “Company”)) on 21 May 2019 passed a resolution, pursuant to Section 159 (2) 3 of the Austrian Stock Corporation Act, to authorise the Management Board to conditionally increase the share capital by up to EUR 1,500,000.00 by issuing up to 1,500,000 new no-par-value bearer shares, subject to the approval of the Supervisory Board, in the period up to five years after the amendment to the Articles of Association has been entered in the company register for the purpose of granting share options to employees, executives and members of the Management Board of the Company or one of its affiliated companies. The capital increase is earmarked for a specific purpose and may only be carried out to the extent that the options are exercised by holders of options from the Company’s Stock Option Programme 2018 (SOP 2018) tranche 2018 and tranche 2019 as well as a potential future programme, which must be first exercised no earlier than 3 years after the granting of the option and an exercise threshold of 25% of the stock exchange price of the Company’s share on the Frankfurt Stock Exchange, which must be higher than the exercise price. The authorised conditional capital may be utilised in one or more tranches within the specified maximum amount. Pursuant to Section 145 of the Austrian Stock Corporation Act, the Supervisory Board is authorised to adopt amendments to the Articles of Association to the extent that such amendments are necessary after the authorisation granted to the Management Board has been utilised. Accordingly, the Supervisory Board is authorised in particular to amend the Articles of Association regarding the amount of the share capital and the number of no-par value shares.

The amendment to the Articles of Association was registered on 26 June 2019. By resolution of the 21st Annual General Meeting of the Company on 16 June 2020, the existing authorisation was partially revoked to the extent of EUR 500,000 or 500,000 no-par value bearer shares, which can no longer be utilised, so that the authorised conditional capital 2019 comprises a remaining authorisation to conditionally increase the share capital by up to EUR 1,000,000 for the granting of share options until 25 June 2024, subject to the approval of the Supervisory Board.

The details of the stock option programme are set out in the report of the Management Board and the Supervisory Board pursuant to Section 159 (3) of the Austrian Stock Corporation Act, which is available on the Company’s website at: [https://ir.kontron.com/13\\_S\\_T\\_AG\\_Bericht\\_Vst\\_Top\\_8\\_Genehmigtes\\_bedingtes\\_Kapital a.pdf](https://ir.kontron.com/13_S_T_AG_Bericht_Vst_Top_8_Genehmigtes_bedingtes_Kapital_a.pdf) as well as in the remuneration report 2022, which is available at [https://ir.kontron.com/Remuneration\\_report\\_2022\\_en.pdf](https://ir.kontron.com/Remuneration_report_2022_en.pdf)

## **2 Repurchase and resale authorisation**

The Annual General Meeting of the Company on 6 May 2022 authorised the Management Board to acquire treasury shares in accordance with Section 65 (1) line 8, (1a) and (1b) of the Austrian Stock Corporation Act, both on the stock exchange and over the counter, in an amount of up to 10% of the Company's share capital. Furthermore, the Annual General Meeting authorised the Management Board, pursuant to Section 65 (1b) of the Austrian Stock Corporation Act, with the consent of the Supervisory Board, to decide on a method of sale or use of own shares other than via the stock exchange or by means of a public offer, excluding the right of repurchase (reverse subscription right), and to determine the conditions of sale (the "**repurchase and resale authorisation**"). A report of the Management Board pursuant to Section 170 (2) in conjunction with Section 153 (4) in conjunction with Section 65 (1b) of the Austrian Stock Corporation Act is available on the website of the Company at [https://ir.kontron.com/ST\\_HV\\_2022-Bericht\\_TOP\\_8\\_final.pdf](https://ir.kontron.com/ST_HV_2022-Bericht_TOP_8_final.pdf).

## **3 Number of share options**

Under the stock option programme, taking into account the partial revocation as set out in item 1, a total of 1,000,000 share options were granted to employees, executives, and members of the Management Board of the Company or an affiliated company, entitling them to subscribe for a total of 1,000,000 shares in the Company. The details on the granted share options can be found in the remuneration report 2022, which is available at [https://ir.kontron.com/Remuneration\\_report\\_2022\\_en.pdf](https://ir.kontron.com/Remuneration_report_2022_en.pdf).

Of the 1,000,000 share options, 233,000 have been exercised to date and 233,000 new shares in the Company have been transferred to the exercising beneficiaries from conditional capital or their claims have been paid out in cash.

To date, the Company has received 18,000 additional exercise declarations from qualifying executives, which entitle them to subscribe to a total of 18,000 shares in the Company. The Company will meet the delivery obligation from its treasury shares.

749,000 share options entitling holders to subscribe to 749,000 shares in the Company have not yet been exercised. The deadline for exercising the share options is 21 December 2024 for all option holders who still worked for Kontron AG or a company of the Kontron Group in February 2023. For all option holders who no longer worked for Kontron AG or a company of the Kontron Group in February 2023, the deadline for exercising the share options is 21 December 2023.

## **4 On the exclusion of the shareholders' right of repurchase**

If implemented, the possibility of selling own shares in a way other than via the stock exchange or a public offer for the purpose of servicing the stock option programme would be in the interests of the Company and would be proportionate: Shareholding programmes are common and widespread among listed companies. The opportunity to acquire shares in the company is commonly expected by employees, executives and members of the Management Board. It would therefore be a disadvantage when recruiting new employees and executives if the Company did not have an employee participation programme. Furthermore, employee share ownership programmes are a motivational incentive and

therefore serve to increase the retention rate of existing employees and executives as well as to promote the growth of sales and profits by each individual employee or executive. Stock options are therefore a necessary means of employee retention and contribute to increasing the attractiveness of the Company and its affiliates as employers. In the absence of stock options, the Company and its group companies may be required to pay higher variable salary components to employees, executives and directors. Finally, investors also expect employees and executives to share in the Company's success. The success of the Company's capital measures is therefore also dependent on the existence of a stock option programme.

The possibility of selling treasury shares by means other than via the stock exchange or a public offer for the purpose of servicing stock options is also necessary in order to be able to implement an employee participation programme independently of any conditional and/or authorised conditional capital.

Pursuant to Section 65 (1b) last sentence of the Austrian Stock Corporation Act, the sale of own shares to employees, executives and/or members of the Management Board of the Company or of a company affiliated with the Company for the purpose of servicing stock options is justified by law. The possibility of selling own shares to these persons does not require a resolution (i.e. no separate authorisation) by the General Meeting. In addition, however, the Management Board has been granted the repurchase and resale authorisation by resolution of the Annual General Meeting on 6 May 2022.

The sale of own shares while excluding the possibility of shareholders to acquire these shares does not lead to a "typical" dilution of shareholders. Ultimately, the proportion of existing shareholders or the voting power from the existing shareholders' own shares only "increases" because the Company has repurchased its own shares and the rights from these shares are therefore suspended as long as they are held by the Company as own shares. A reduction in the sphere of the individual existing shareholders only occurs when the Company resells the acquired treasury shares, excluding the shareholders' purchase option. After the sale, the shareholders regain the position they already had before the company acquired the relevant treasury shares. In this context, it should also be noted that due to the small size of the transaction, no controlling interest of an entitled party in the Company can arise. The shareholders will not suffer any material pecuniary disadvantage given the small size of the transaction: The object of the intended sale only concerns up to 18,000 shares (up to 0.028% of the share capital of the Company).

Overall, the exclusion of the repurchase right (subscription right) of the existing shareholders is therefore objectively justified.

The resale of own shares under exclusion of the existing shareholders' repurchase right for the purpose of servicing stock options is a common and generally accepted practice. In addition, the extensive disclosure obligations in connection with the sale of own shares – also in connection with any other disclosure obligations applicable to listed companies – ensure comprehensive transparency in connection with the sale of own shares. Furthermore, the exclusion of the right of repurchase (subscription right) is only possible with the consent of the Supervisory Board. The Management Board of the Company cannot decide alone. The interests of existing shareholders are not exposed to any particular danger as a result.

In summary, the Management Board and the Supervisory Board of the Company therefore conclude that the servicing of the stock options with own shares under exclusion of the repurchase right (subscription right) of the shareholders complies with the statutory provisions.

## **5 Next steps**

After expiry of a period of at least 14 days after publication of this report at the earliest, treasury shares of the Company may be sold under the conditions described above in accordance with the corresponding exercise declarations of the beneficiaries.

Linz, August 2023

The Management Board of Kontron AG

The Supervisory Board of Kontron AG