

## **Report by the Executive Board of Kontron AG on the Exclusion of the Purchase Rights (Subscription Rights) of Existing Shareholders pursuant to Section 170 Paragraph 2 in conjunction with Section 153 Paragraph 4 in conjunction with Section 65 Paragraph 1b of the Austrian Stock Corporation Act in the Event of the Sale of Treasury Shares**

### **1 Sale of treasury shares by other means and authorisation to exclude the purchase rights (subscription rights)**

The Extraordinary General Meeting of Kontron AG (the “**Company**”) held on 8 November 2023 resolved under agenda item 3 to authorise the Executive Board to sell or use treasury shares of the Company (“**treasury shares**”) for a period of five years from the date of the resolution in accordance with Section 65 Paragraph 1b of the Austrian Stock Corporation Act, with the consent of the Supervisory Board and without any new resolution by the Annual General Meeting, also in a manner other than via the stock exchange or by means of a public offer, and to exclude the shareholders’ pro rata purchase rights (subscription rights) and to determine the conditions of sale (“**authorisation**”). The authorisation may be exercised once or several times, in full or in part or also in several partial amounts and in pursuit of one or several purposes by the Company, by an affiliated company (Section 189a no. 8 of the Austrian Commercial Code) or by third parties for the account of the Company. The authorisation is to be applied to treasury shares already held by the Company at the time the resolution was passed. A report by the Executive Board on agenda item 3 of the Extraordinary General Meeting on 8 November 2023 pursuant to Section 170 Paragraph 2 in conjunction with Section 153 Paragraph 4 in conjunction with Section 65 Paragraph 1b of the Austrian Stock Corporation Act is available on the Company’s website at [https://ir.kontron.com/Bericht\\_des\\_Executive\\_Boardes\\_zu\\_TOP\\_3.pdf](https://ir.kontron.com/Bericht_des_Executive_Boardes_zu_TOP_3.pdf).

Kontron Acquisition GmbH, in which the Company holds a 100% indirect interest, concluded an agreement on 18 January 2024 regarding the acquisition of 8,587,138 shares in the listed company KATEK SE from PRIMEPULSE SE. The transaction was completed on 29 February 2024, meaning that Kontron Acquisition GmbH now holds a stake of around 59.4% of the share capital of KATEK SE. Kontron Acquisition GmbH has thereby gained control over KATEK SE and is obliged to make a mandatory offer to the shareholders of KATEK SE to acquire all outstanding shares of KATEK SE in accordance with the provisions of the German Securities Acquisition and Takeover Act. As Kontron Acquisition GmbH intends to withdraw KATEK SE from the regulated market of the Frankfurt Stock Exchange, the mandatory offer will simultaneously be structured as a delisting tender offer (the “**Offer**”). As part of the Offer, Kontron Acquisition GmbH will offer to grant up to 2,100,000 shares in the Company as a voluntary alternative consideration for the tender of shares.

The Company currently holds 2,194,111 treasury shares, which corresponds to approximately 3.44% of the Company’s share capital. Subject to the approval of the Supervisory Board, the Executive Board of the Company plans to make use of the authorisation and to transfer up to 2,100,000 treasury shares in the Company, corresponding to approximately 3.29% of the Company’s share capital, in a first step by way of a contribution to Kontron Acquisition GmbH (or on its instruction to the paying and settlement agent for the Offer), so that Kontron Acquisition GmbH can subsequently fulfil its obligations arising from the Offer. The contribution of treasury shares to Kontron Acquisition GmbH shall be made to the extent that treasury shares are required for delivery to the shareholders of KATEK SE.

## **1. Interests of the Company**

The acquisition of KATEK SE and its subsidiaries is part of the Company's growth strategy and will enable it to expand its range of smart solutions for renewable energies and other industries. The Clean Energy Solutions and Aerospace divisions will be expanded as a result of the transaction, while synergic effects will arise from the complementary product portfolio and the coverage of different markets.

As part of the Offer, Kontron Acquisition GmbH offers the shareholders of KATEK SE the granting of shares in the Company as an alternative to a cash payment.

In the case of company acquisitions, the consideration regularly consists not only of cash, but also partly or wholly in shares in the acquiring company. This can be in the interests of both the buyer and the seller.

By using treasury shares for the acquisition of additional shares in KATEK SE by way of the mandatory offer, the Company can cover the financing requirements to a significant extent and generally reduce the liquidity requirements for the transaction.

Another advantage of using treasury shares is that the typical dilution effect of newly created shares (e.g. from authorised capital) is avoided. Although the participation ratio of shareholders also changes when treasury shares are sold, this only restores the ratio that existed before the Company repurchased the treasury shares and which temporarily changed in favour of the shareholders due to the restrictions on the rights arising from treasury shares for the Company (Section 65 Paragraph 5 of the Austrian Stock Corporation Act).

A public placement of treasury shares or a sale via the stock exchange would entail a noticeable risk of negative price changes (particularly in volatile markets), with detrimental effects on the Company's success. Furthermore, a public offering of treasury shares would generate a considerable amount of time and expense, particularly due to the requirement to prepare a prospectus and the associated liability risks.

The utilisation of treasury shares in the context of the Offer is therefore in the interests of the Company and Kontron Acquisition GmbH.

## **2. Suitability, necessity and proportionality**

The exclusion of subscription rights for the use of treasury shares as acquisition currency is suitable, necessary and proportionate in order to achieve the stated objectives in the interests of the Company.

The transfer of treasury shares to Kontron Acquisition GmbH creates the possibility of granting shares in the Company as consideration for the contribution of shares in KATEK SE under the Offer, providing an alternative to cash payments. The transaction structure is therefore suitable for reducing the liquidity requirements for the Offer and thus serves the interests of the Company.

The Company and KATEK SE have different shareholders. The use of treasury shares as consideration for the offer therefore requires the exclusion of the (reverse) subscription rights of the Company's shareholders, as the offer can also be accepted by persons who do not hold shares in the Company. The exclusion of subscription rights for the use of treasury shares as an alternative consideration for the contribution of shares in KATEK SE is necessary in order to achieve the stated objectives in the interests of the Company.

Finally, the exclusion of subscription rights is also proportionate. The financing advantages pursued by using treasury shares cannot be achieved to the same extent if the treasury shares are sold while maintaining the subscription rights of the shareholders or if they are sold via the stock exchange or a public offer. The Company would be exposed to a noticeable risk of price changes if it were to create the liquidity required for the company acquisition by selling shares. Furthermore, such a sale would involve additional transaction costs. The use of treasury shares as an acquisition currency creates transaction security and the decision to include the granting of treasury shares as an alternative consideration in the offer was made taking into account the stock market price. In addition, a maximum of 2,100,000 treasury shares are to be offered to the shareholders of KATEK SE and – depending on the acceptance rate of this alternative – transferred to Kontron Acquisition GmbH. This corresponds to approximately 3.29% of the Company's share capital, meaning that the interests of the Company's shareholders will not be significantly affected by the transaction. Since the exchange ratio will be determined appropriately in the context of the Offer, based on the average historical stock exchange prices of Kontron AG and KATEK SE and taking into account previous acquisitions (see 3. below), there is also no risk of dilution for the shareholders comparable to a capital increase when used as an acquisition currency. In particular for the reasons stated above, the purposes and measures pursued in the interests of the Company by excluding subscription rights – which are in any case also indirectly in the interests of all shareholders – outweigh any disadvantage, whereby the exclusion of shareholders' subscription rights is not disproportionate, but necessary and appropriate.

In addition, the use of treasury shares as part of the Offer and the associated exclusion of subscription rights is subject to the approval, and therefore the control, of the Company's Supervisory Board.

### **3. Justifying the sale price**

As part of the Offer, the shareholders of KATEK SE will be offered the chance to exchange three shares in the Company for four shares in KATEK SE.

The exchange ratio of KATEK SE shares for treasury shares was determined taking into account the price level of the shares in the Company and KATEK SE on the stock exchange within the last three and six months respectively before the publication of the acquisition of control on 29 February 2024 and the advance acquisition of 8,587,138 shares in KATEK SE in accordance with the agreement dated 18 January 2024.

Due to the valuation of both the Company's own shares and the shares of KATEK SE, taking into account the respective stock market prices including the determination of an appropriate premium in favour of KATEK SE shareholders, there is no disproportionate disadvantage for shareholders of the Company due to a quota dilution. The closing price of the KATEK SE share (XETRA trading) on 28 February 2024, the day before the publication of the Company's acquisition of control over KATEK SE on 29 February 2024, was EUR 15.15. This is multiplied by 1.33 offered as part of the share consideration (corresponding to the exchange ratio of three shares in the Company for four shares in KATEK SE), leading to a valuation of one treasury share of the Company in the Offer of EUR 20.20. The weighted average stock exchange price of the KATEK SE share for the three-month period before 29 February 2024 was EUR 14.58; based on this average price, the valuation of one treasury share of the Company in the Offer is EUR 19.44. The weighted average market price of the KATEK SE share for the six-month period ending 29 February 2024 was EUR 14.22; based on this average price, the valuation of one treasury share of the Company in the Offer is EUR 18.96.

The protection of shareholders' interests is also ensured by the fact that the value of KATEK SE was analysed as part of the Offer and its preparation and an appropriate total purchase price for the Company acquisition was determined on this basis, taking into account industry-standard multipliers.

Treasury shares to be sold have the same rights (in particular profit rights) as existing shares. The rights arising from the shares are therefore taken into account in the valuation of the shares on the capital market (in particular the share price).

#### **4. Summary**

After weighing up the reasons above, the exclusion of subscription rights associated with the use of up to 2,100,000 treasury shares of the Company as acquisition currency in the context of the Offer to the shareholders of KATEK SE is suitable, necessary, proportionate and objectively justified and required in the overriding interest of the Company and its subsidiaries.

The approval of the Company's Supervisory Board is required for the exclusion of subscription rights and for the sale of treasury shares. Pursuant to Section 65 Paragraph 1b in conjunction with Section 171 Paragraph 1 of the Austrian Stock Corporation Act, a Supervisory Board resolution on this will be passed no earlier than two weeks after publication of this report and the actual transfer of treasury shares will take place in line with statutory requirements.

April 2024, Linz

The Executive Board of Kontron AG