

Schramberg
ISIN: DE0005156236
WKN: 515 623

Information on agenda item 10

Report of the Executive Board on agenda item 10 in accordance with Section 221(4) Clause 2 German Stock Corporation Act (AktG) in conjunction with Section 186(4) Clause 2 German Stock Corporation Act (AktG)

By authorising the Executive Board to issue convertible bonds, warrant bonds, participation rights, profit-making bonds or combinations of these instruments, further attractive financing alternatives are to be opened up to the company.

In addition to the traditional forms of borrowing and equity capital, the issuing of bonds and the possibility of issuing bonds without a term limitation also offer the company the opportunity to use attractive financing alternatives on the capital market, depending on the market situation. In particular, the authorisation to issue profit-dependent or profit-oriented instruments such as participation rights and profit bonds expands Schweizer Electronic AG's existing possibilities to strengthen its financial resources by issuing so-called hybrid financing instruments and in doing so, to ensure the conditions for future business development. The so-called hybrid financing instruments are now making more use of innovative forms of financing, which also provide for an indefinite term. Against this backdrop, a rigid fixation on instruments with a limited duration does not seem appropriate. For this reason, the proposal is made to the Annual General Meeting to create an authorisation to issue convertible bonds, warrant bonds, participation rights, participation bonds or combinations of these instruments, even without a term limitation and, where applicable, against contributions in kind. The proposed authorisation should enable adaptation to current legal and market practice as well as further flexibilisation. In total, bonds with a total nominal value of up to EUR 35,000,000.00 can be issued and conversion or option rights to new, registered no-par-value shares of the company with a pro-rata amount of the share capital of up to EUR 4,832,026.93 can be granted to holders or creditors of convertible or warrant bonds.

The issue of bonds in the above-mentioned sense enables the borrowing of debt capital, which, depending on the structure of the bond conditions, can be qualified both for rating purposes and for balance sheet purposes as equity or as equity-like, with attractive conditions. The potential classification as equity benefits the capital base of the company and thus enables it to take advantage of attractive financing opportunities and the inflow of capital with low current interest rates. The further envisaged possibility of establishing conversion obligations in addition to the granting of conversion or option rights, as well as the possible combination of convertible bonds, warrant bonds, participation rights and participation bonds expand the scope for structuring these financing instruments. The authorisation also gives the company the necessary flexibility to place the bonds itself or through direct or indirect group companies. In addition to euros, bonds may also be issued in other currencies, such as the legal currency of an OECD country, with or without a maturity limit.

In order to increase flexibility, the bond conditions may provide that the company shall not grant shares in the company to a person entitled to conversion or options, but shall pay the equivalent in cash, in whole or in part.

The conversion or option price to be determined in each case may not fall below 80% of the share price of the company in XETRA trading on the Frankfurt Stock Exchange (or a comparable successor system), even in the case of a variable exchange ratio or a variable conversion or option price. For this purpose, the average closing price on the ten trading days prior to the date of resolution by the Executive Board shall be decisive for the issue of the respective bonds, unless subscription right trading takes place, in which case the days of subscription right trading shall be relevant, with the exception of the last two trading days of subscription right trading. Insofar as bonds are subject to a conversion/option obligation or the company has a right to tender for the delivery of shares, the conversion/option price may be at least either the above-mentioned minimum price or the average volume-weighted price of the share of the company on at least three trading days in XETRA trading on the Frankfurt Stock Exchange (or a comparable successor system) immediately before the calculation of the conversion/option price (in accordance with the respective conditions). This also applies if this average price is below the above-mentioned minimum price (80%).

The conversion/option price must therefore not fall below a minimum issue amount, the calculation of which must be based on the stock exchange price of the Schweizer Electronic AG share in relation to the time of issue of the bonds or the stock exchange price in relation to the time of determining the conversion/option price.

The conversion/option price is reduced in certain cases in accordance with the conversion/option conditions if, for example, there are changes in the capital of the company or further bonds are issued during the term of the bonds. In other cases, the conversion/option conditions may result in an adjustment of the option rights or conversion rights or obligations.

In principle, shareholders are to be granted a subscription right. In order to facilitate processing, it should also be possible to exercise the option of issuing the bonds to credit institutions or companies within the meaning of Section 186 (5) Clause 1 German Stock Corporation Act (AktG) with the obligation to offer them to shareholders for purchase. However, the Executive Board is authorised, with the consent of the Supervisory Board, to exclude shareholders' subscription right in certain cases.

- In accordance with Section 221(4) Clause 2 German Stock Corporation Act (AktG), the provision of Section 186(3) Clause 4 German Stock Corporation Act (AktG) shall apply mutatis mutandis to the exclusion of subscription right when issuing convertible/warrant bonds. Therefore, insofar as convertible or warrant bonds are issued against cash contributions, the Executive Board, with the consent of the Supervisory Board, is to be authorised to exclude the subscription right in the corresponding application of Section 186 (3) Clause 4 German Stock Corporation Act (AktG) to the extent that the issue of shares is limited to up to 10% of the company's share capital due to conversion or option rights or conversion obligations. The issue of new shares shall be credited against this restriction of 10% of the share capital with cash, insofar as it takes place after this authorisation comes into effect, taking advantage of an authorisation to issue new shares from authorised capital in accordance with Section 186 (3) Clause 4 German Stock Corporation Act (AktG) and excluding the subscription right. The sale of treasury shares must also be taken into account if the shares are sold after this authorisation comes into effect in accordance with Section 186 (3) Clause 4 German Stock Corporation Act (AktG) to the exclusion of the subscription right. These credits ensure that no convertible or

warrant bonds are issued if, as a result, the subscription right of the shareholders in direct or indirect application of Section 186 (3) Clause 4 German Stock Corporation Act (AktG) would be excluded for more than 10% of the share capital. This further limitation is in the interests of the shareholders in maintaining their participation share. In the event of a subscription right exclusion when issuing convertible or warrant bonds, the corresponding validity of Section 186 (3) Clause 4 German Stock Corporation Act (AktG) does not require a determination of the issue price of the bonds significantly below the market value. This takes into account the need to protect shareholders from dilution of their shareholdings. Due to the determination of the issue price of the bonds provided for in the authorisation, the value of a subscription right would no longer be a significant figure. In order to ensure this requirement for the issue of bonds, the issue price must not fall significantly below the theoretical market value of the convertible or option bond determined according to recognised financial mathematical methods. In this case, the shareholders are protected against dilution of their shareholdings and they do not suffer any economic disadvantage due to the exclusion of subscription right. Shareholders wishing to maintain their share in the share capital of the company may do so by purchasing shares through the market.

The aforementioned option of excluding subscription right gives the company the flexibility to take advantage of favourable capital market situations in the short term and enables it to use a low interest rate level or a favourable demand situation flexibly and in the short term for an issue. Achieving the best possible issue result depends largely on the ability to react to market developments in the short term. Favourable conditions that are as close to the market as possible are generally only guaranteed if the company is not bound for an excessively long offer period by the conditions. In the case of issues with subscription right, the subscription price (and thus the conditions of this bond for warrant bonds and convertible bonds) must be published in accordance with Section 186 (2) German Stock Corporation Act (AktG), but no later than three days before the end of the subscription period. Even within this short period, there is still a market risk, which would lead to considerable safety margins in the definition of bond conditions and would have a negative effect on the issue result for the company. In addition, the lead time associated with the subscription right is omitted, which is beneficial both in terms of the costs of borrowing and in terms of the placement risk.

- Furthermore, the subscription right can also be excluded if the bonds are issued in return for a contribution or benefits in kind. Among other things, this should enable the Executive Board to use the bonds as an acquisition currency in order to be able, in appropriate individual cases, in the context of company mergers or for the (also indirect) acquisition of companies, businesses, parts of companies, Investments or other assets or claims on the acquisition of assets, including claims against the company or its group companies, to acquire such contributions in kind or benefits in kind against the transfer of such financing instruments. As a supplement to the authorised capital, this creates the scope to take advantage of opportunities to acquire companies or shareholdings in a way that protects liquidity. Such a procedure may also be appropriate from the point of view of an optimal financing structure, depending on the circumstances of the individual case. The authorisation provided enables the Executive Board to react quickly and flexibly to advantageous offers or other opportunities that arise and to exploit opportunities for company expansion by acquiring companies or company shares against the issue of bonds in the interest of the company and its shareholders. In each individual case, the Executive Board will carefully examine whether it should make use of the authorisation to issue the bonds, excluding subscription right, if opportunities for the acquisition of assets, in particular companies or company participations, become more concrete. It shall only exclude the subscription right of the shareholders if this is in the well-founded interest of the company.

- Furthermore, the Executive Board should be given the opportunity, with the consent of the Supervisory Board, to exclude the subscription right of the shareholders in order to grant subscription right to the holders or creditors of conversion or option rights or also of convertible bonds with conversion obligations, to the extent that they would be entitled to after exercising the conversion or option rights or after fulfilling the conversion obligations. This prevents the option or conversion price for the holders from being reduced for existing conversion rights or options or conversion obligations when utilising the authorisation, or the need to make a cash compensation payment to the holders of the aforementioned rights or obligations in order to protect them from dilution to the extent provided for in the option or conversion conditions there.

- The option to make fractional amounts exempt to subscription right makes sense and is in line with the market in order to be able to establish a practical subscription ratio. Exclusion of the subscription right in these cases facilitates the processing of the issue. The free fractions excluded from the shareholders' subscription right are utilised either by sale on the stock exchange or otherwise in the best way possible for the company.

- Insofar as participation rights or participation bonds are to be issued without conversion rights, option rights or conversion obligations, the Executive Board is finally authorised to exclude the subscription right of the shareholders as a whole with the approval of the Supervisory Board, If these rights of participation or participation bonds are furnished in a manner similar to those of obligations, i.e. do not create membership rights in the company, do not grant a participation in the liquidation proceeds and the amount of the interest is not calculated on the basis of the amount of the annual surplus, the balance sheet profit or the dividend. In addition, it is necessary that the interest and the issue amount of the participation rights or participation bonds correspond to the current market conditions for comparable borrowings at the time of issue. If the aforementioned conditions are met, the exclusion of the subscription right does not result in any disadvantages for the shareholders, as the participation rights or participation bonds do not create any membership rights and also do not grant any share in the liquidation proceeds or in the profit of the company. It can be provided that the interest rate depends on the existence of an annual net profit, a balance sheet profit or a dividend. On the other hand, it would be inadmissible to have a provision that a higher net profit, a higher balance sheet profit or a higher dividend would lead to a higher interest rate. Therefore, the issue of the participation rights or participation bonds does not change or dilute the voting right or the participation of the shareholders in the company and its profits. In addition, as a result of the market-appropriate issue conditions, which are mandatory for this case of exclusion of subscription right, there is no significant value for subscription right.

According to the authorisation, the sum of the shares issued under the exclusion of the subscription right may not exceed 20% of the share capital, neither at the time of the effective date nor – if this value is lower – at the time of the exercise of this authorisation. Shares that are (i) issued or sold during the term of this authorisation on the basis of another authorisation to the exclusion of subscription right, or (ii) issued on the basis of convertible or warrant bonds during the term of this authorisation on the basis of the utilisation of another authorisation, to the exclusion of subscription right are credited against this limit. Since, according to the above authorisation, the possibility of excluding the subscription right is already very limited, this additional restriction, in addition to the legal restrictions, keeps the impairment of shareholders within narrow limits.

The provided conditional capital is used to fulfil the conversion or option rights or conversion obligations or service rights associated with the convertible or option bonds, unless treasury shares or other forms of fulfilment are used for this purpose.