

**REPORT OF THE MANAGEMENT BOARD**

of

**AUSTRIACARD HOLDINGS AG**

with its seat in Vienna and  
the business address at Lamezanstraße 4-8, 1230 Vienna,  
registered under FN 325889 f with the companies register held by the Commercial Court Vienna  
(the „Company“)

**pursuant to Sec 65 para 1b and Sec 170 para 2 and Sec 153 para 4 Austrian Stock Corporation  
Act  
(Acquisition and disposal of own shares by the Company)**

**in connection with agenda item 7  
of the annual general meeting on 30 June 2023**

The management board of the Company hereby submits the following report pursuant to Sec 65 para 1b and Sec 170 para 2 and Sec 153 para 4 Austrian Stock Corporation Act (AktG) to the annual general meeting of the Company, which will be held on 30 June 2023 (the “**Annual General Meeting**”):

**1. Resolution proposal**

The management board and the supervisory board have made the following resolution proposal in connection with agenda item 7:

*“a. The management board shall be authorized for a period of 30 months from the date of today's resolution in accordance with Sec 65 para 1 no 8 and para 1a and 1b AktG to acquire own shares of the Company.*

*The consideration to be paid per share when acquiring shares must not be lower than EUR 1.00 (i.e., the calculated proportion of the share capital per share) and must not be more than 20% above the volume-weighted average price of the last 20 trading days preceding the respective purchase. The management board is authorized to determine the terms of reacquisition. Trading in own shares is excluded as a purpose for purchase.*

*The management board may exercise this authorization within the statutory limits on the maximum number of own shares either once or on several occasions up to 10% of the share capital, provided that the percentage amount of the share capital of the Company relating to shares held by the Company on account of this authorization or otherwise does not exceed 10% of the share capital at any time. Repeated exercise of this authorization is permissible. Also, it may be exercised for one or several purposes by the Company, by a subsidiary (Sec 189a no 7 Austrian Commercial Code) or by third parties acting on behalf of the Company.*

*The acquisition may take place at the discretion of the management board, with the consent of the supervisory board, via the stock exchange or a public offer or in any other legally permissible, appropriate manner, in particular, also under exclusion of the shareholders' pro-rata rights of re-purchase (reverse exclusion of subscription rights).*

*b. The management board is also authorized to dispose of the acquired own shares without an additional resolution by the general meeting via the stock exchange or a public offer and to determine the terms of disposal.*

*Further, the management board is authorized for the period of five years from the date of today's resolution in accordance with Sec 65 para 1b AktG, to adopt a resolution, subject to the consent of the supervisory board, on the disposal of own shares using a different legally permitted method of disposal than via the stock exchange or a public offer and on an exclusion of pre-emption rights (subscription rights) of shareholders, and to determine the terms and conditions of the disposal of own shares. This authorization includes, in particular, but is not limited to, the transfer of own shares by using a different legally permitted method of disposal than via the stock exchange or a public offer for the following purposes: (i) transferring shares to employees, senior executives as well as members of the management board of the Company or its subsidiaries (Sec 189a no 7 Austrian Commercial Code) for remuneration purposes, and (ii) use as consideration in connection with the (also indirect) acquisition of companies, businesses, parts of businesses or participations in one or more companies both nationally and internationally.*

*c. In addition, the management board is authorized to cancel the own shares acquired in whole or in part without an additional resolution by the general meeting with the consent of the supervisory board. The cancelation causes a capital reduction by the portion of the share capital that is attributable to the canceled shares.*

*All authorizations (items a.-c.) may be used once or on several occasions, in whole or in part, individually or jointly.”*

**2. Authorization for the disposal and the exclusion of the shareholders' repurchase right (subscription right)**

Pursuant to Sec 65 para 1b in conjunction with Sec 47a of the Austrian Stock Corporation Act, the Company must ensure equal treatment of all shareholders of the Company when acquiring and selling own shares. The acquisition or sale of own shares via the stock exchange or by means of a public offer satisfies the requirements of this principle of equal treatment in any case.

In addition, the Management Board is to be authorized at the Annual General Meeting on 30 June 2023 to dispose of own shares in ways other than via the stock exchange or by means of a public offer, so that – if the legal requirements and the requirements specified in this report are met – the shareholders' right to repurchase (subscription right) of the own shares could be excluded.

The possible exclusion of the shareholders' right to repurchase (subscription right) when disposing of own shares is in the predominant interest of the Company for the following reasons and is objectively justified, necessary and proportionate:

a) Transfer of own shares to employees, senior executives, or members of the management board of the Company or its subsidiaries (Sec 189a no 7 Austrian Commercial Code) for compensation purposes

The transfer of shares to employees, senior executives and members of the management board of the Company or its subsidiaries (Sec 189a no 7 Austrian Commercial Code) already constitutes a sufficient reason for the exclusion of the subscription right pursuant to Sec 153 para 5 Austrian Stock Exchange Act.

The exclusion is objectively justified because employee participation or option programmes are in the predominant interest of the Company, for example with the aim of sustainably increasing the Company's success, and employee participation constitutes an efficient means of achieving this goal. The exclusion of the subscription right of the (other) shareholders is in this context in the predominant interest of the Company, objectively justified, necessary and proportionate.

b) Consideration for the (also indirect) acquisition of companies, businesses, parts of businesses or shares in one or more companies in Austria and abroad

The Company generally strives to grow further in Austria and abroad. The Company or its subsidiaries are regularly presented with opportunities to acquire companies, businesses, parts of businesses or shares in companies in Austria and abroad that fit in with the strategic planning of AUSTRIACARD HOLDINGS AG.

When acquiring such investment and acquisition targets, the consideration can consist not only of cash but also of shares. In addition to the necessity of granting own shares as consideration due to the request of the contractual partner, the use of own shares as "transaction currency" can also be advantageous for the Company for the following reasons:

- The use of own shares as a transaction currency reduces the liquidity requirements for acquisitions or investments.
- The possibility of using own shares as transaction currency enables the management board to react quickly, flexibly and cost-effectively to opportunities that arise on the market and to make optimal use of them.

In order to ensure the best possible utilization of own shares – in particular by optimally exploiting the advantages just mentioned for the Company – it is necessary to enable the management board to dispose of own shares in any legally permissible manner – i.e. also off-market and excluding shareholders' subscription rights – and in this context also to grant the management board, with the consent of the supervisory board, the authorization to determine the conditions of disposal.

The envisaged authorization of the management board to decide on a different type of disposal, also under exclusion of shareholders' subscription rights, puts the management board in a position to quickly and flexibly as well as cost-effectively take advantage of the opportunities that arise at the time of disposal. The possibility of disposing of own shares under exclusion of shareholders' subscription rights is of particular importance to the Company because it must be in a position to quickly and flexibly take advantage of market opportunities that arise under dynamic conditions as well as in new markets and to cover the resulting demand at short notice. By eliminating the time-consuming and cost-intensive processing of shareholders' subscription rights, the market opportunities that arise can be optimally used in the interest of the Company as well as its shareholders in order to achieve corporate policy goals. Finally, the exclusion of subscription rights or the disposal of own shares by means other than the stock exchange or a public offer is appropriate because, in the case of the use of own shares as consideration for acquisitions, there is usually a particular interest of the Company in the acquisition or investment in question. The protection of the interests of the existing shareholders is ensured by the fact that in the case of an acquisition of a company, an appropriate granting of shares takes place – usually after a company valuation has been carried out. The value of the acquired company, business, part of a business or shares is compared to the value of the Company; in this ratio, the seller receives own shares acquired by the Company. Furthermore, the existing shareholders shall in future participate in the profits of the acquired company, business, part of a business or shares. By using own shares as consideration in the context of the acquisition or investment, the Company saves a corresponding outflow of liquid funds, which are thus retained by the shareholders. Even if shareholders' subscription rights are excluded, the interests of the Company outweigh the interests of shareholders for the reasons stated above.

An exclusion of shareholders' subscription rights is therefore objectively justified. Furthermore, the proposed authorization of the management board is in line with the legal motive that own shares shall not remain with a company but shall return to the market.

c) General

The disposal of own shares under exclusion of the possibility of the shareholders to acquire these shares does not lead to a “typical” dilution of the shareholders. Initially, the share of the existing shareholders or the voting power from the shares of the existing shareholders is only “increased” by the fact that the Company reacquires own shares and the rights from these shares are suspended as long as they are held by the Company as own shares. A reduction in the sphere of the individual existing shareholder only occurs if the Company disposes of the acquired own shares under exclusion of the shareholders' purchase rights. In the case of such a disposal under exclusion of the shareholders' purchase rights, the shareholder then again has the status he already had before the acquisition of own shares by the Company. In this context, it should be noted that due to the quantitative restrictions on the acquisition of own shares, an acquirer of own shares generally cannot acquire a “controlling” interest in the Company.

The granting of an authorization to the management board, with the consent of the supervisory board, to dispose of acquired own shares, if necessary, by means other than the stock exchange or a public offer (in particular for the purposes described under a) and b) above) is a common and generally accepted procedure among many listed Austrian (and German) companies.

The management board will only make use of the authorization to dispose of own shares in a way other than via the stock exchange or by means of a public offer under exclusion of the shareholders' subscription rights, and to determine the terms and conditions of the disposal, if the described as well as all legal requirements are met. In addition, the consideration for the own shares disposed of will be determined by management board with the consent of the supervisory board, fully taking into account the interests of the Company and the shareholders. Likewise, the management board will observe the publication and announcement obligations under the laws governing stock corporations and stock exchanges to be complied with in the case of acquisition and/or disposal (with or without exclusion of the shareholders' purchase option).

**3. Authorization to acquire shares over the counter and to exclude the shareholders' pro-rata tender rights (reverse exclusion of subscription rights).**

As described under item 2 above, the management board shall also be able to use own shares (among other things) as transaction currency for acquisitions or investments. Therefore, it is necessary that the management board has as much flexibility as possible to act quickly. For this purpose, it may be necessary to have the required transaction currency available at short notice to the extent required and therefore to acquire own shares in a package from individual shareholders or a single shareholder over the counter. The short-term availability of own shares as transaction currency for the purposes described above constitutes the material justification for the exclusion of the shareholders' right to sell to the Company on a pro-rata basis (reverse exclusion of subscription rights).

**4. Authorization to cancel own shares**

The management board is to be authorized to cancel acquired own shares without a further resolution of the general meeting with the consent of the supervisory board. The cancellation of own shares may have balance sheet advantages for the Company and its shareholders, in particular because reserves must be formed for own shares. Should the permissibly acquired own shares no longer be needed and should there be no better possibility of use than their cancellation, the advance authorization of the management board to cancel the own shares is a suitable means of avoiding the time-consuming and cost-intensive holding of another general meeting which would have to resolve on these measures.

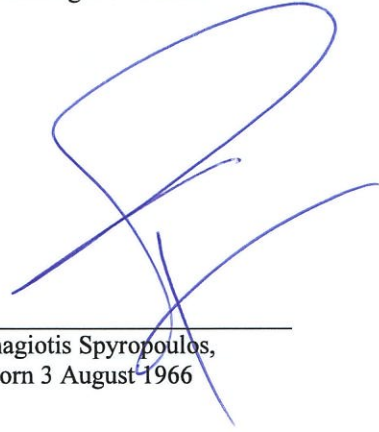
The management board will only make use of the authorization to cancel permissibly acquired own shares if the described as well as all legal requirements are fulfilled. Likewise, the management board will comply with the publication and announcement obligations under laws governing stock corporations and the stock exchange when cancelling own shares.

Vienna, in June 2023



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Nikolaos Lykos,  
born 1 January 1957



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Panagiotis Spyropoulos,  
born 3 August 1966