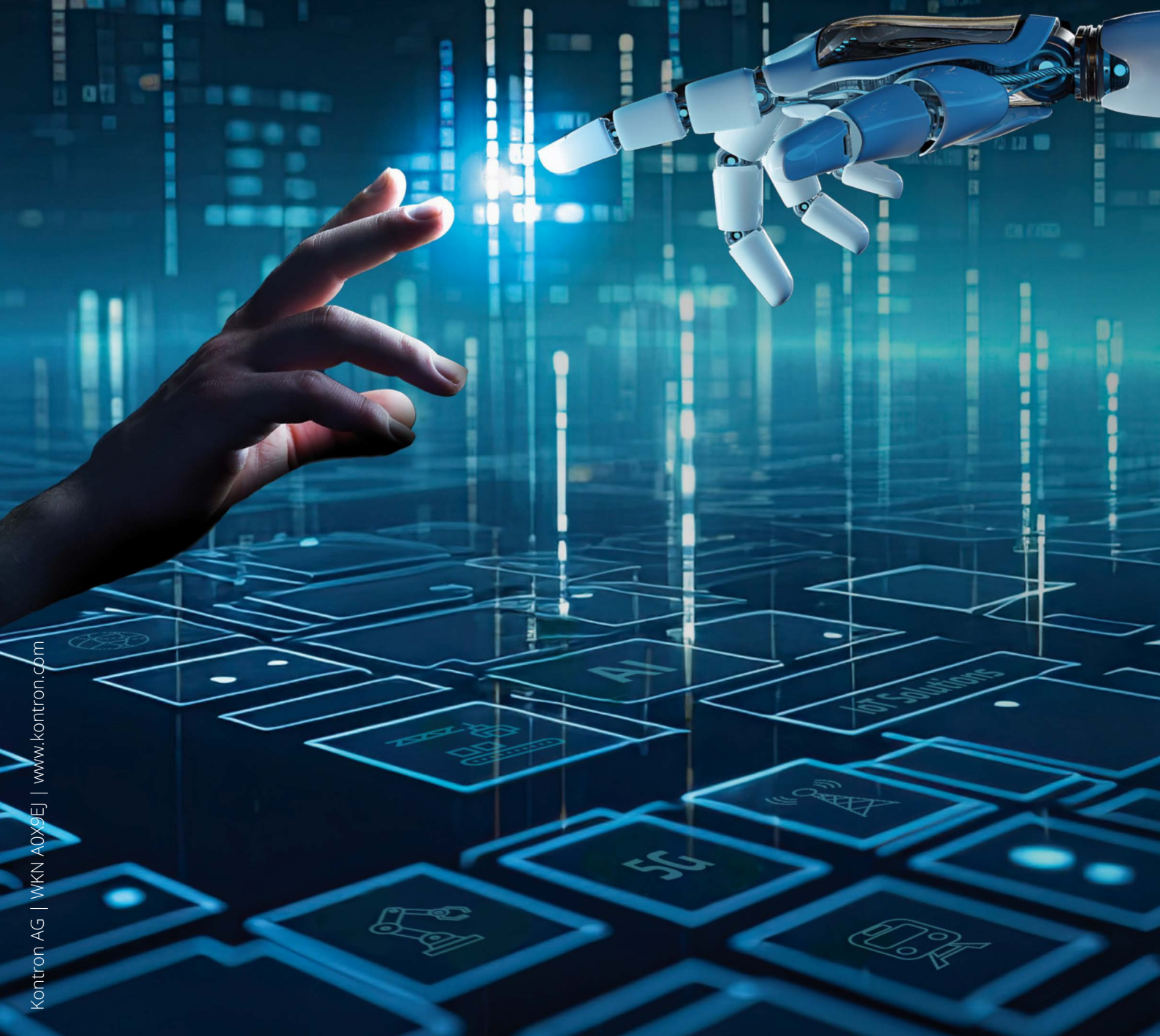


kontron

Quarterly Statement Q1 2024



01

KONTRON GROUP OVERVIEW

KEY FIGURES

IN EUR MIO.	Q1 2024	Q1 2023 ¹⁾
Revenues	356.1	262.0
EBITDA	35.4	29.6
EBITDA (adjusted) ²⁾	39.2	29.6
Result after non-controlling interests	16.2	16.6
Earnings per share (in EUR cent)	26 Cent	26 Cent
Operating cash flow	-10.7	5.2
Operating cash flow (adjusted) ³⁾	23.8	5.2

1) Reclassification, see Annual Report 2023/section A, Change in accounting policies

2) Adjustments for M&A and one-off costs

3) Adjustments for reduced factoring volume and accrual effect versus FY 2023

IN EUR MIO.	31.03.2024	31.12.2023
Cash and cash equivalents	356.2	332.2
Net Cash (+) / Net debt (-) ⁴⁾	-81.4	121.2
Equity	670.2	604.0
Equity ratio	35.6%	44.1%
Backlog ⁵⁾	1,841.8	1,686.2
Project-pipeline	5,347.0	4,099.9
Employees ⁶⁾	7,838	4,838

4) Cash and cash equivalents less non-current and current financial liabilities

5) Thereof EUR 140.2 Mio. Katek

6) Number of employees on a full-time equivalent basis excluding employees on leave, interns, trainees and temporary workers



Strategic Transformation Approaching Completion

At the end of 2021, we announced that we would sharpen our Group's profile to focus 100% on IoT products and solutions, ushering in the beginning of a new era. The purpose of the realignment is to generate more growth but above all higher profits in this prosperous market. Much has happened since then. At the end of 2022, we sold our IT service activities, which accounted for our original business segment and at least a third of our revenues. The proceeds from the sale are intended to expand our IoT activities, through the acquisition of a synergetic company — a game changer. During the past quarter ended March 1, 2024, we acquired a majority share in the Katek Group, which is also listed on the stock exchange. We have changed the company name to Kontron, our brand for IoT. The figures confirm this decision because, since 2021, our net result in the IoT sector has more than doubled from EUR 31 million (EUR 49 million including the sold IT activities) to EUR 75 million in 2023. We will exceed the planned revenue of EUR 2 billion in 2025.

However, although we are on the home stretch, we are not yet on the finish line. The first step at Katek has been taken, but we still need to leverage many synergies and reduce costs in order to increase EBITDA by 5% to over 10% EBITDA margin. First, we want to increase our share in Katek and carry out a delisting in the first half of 2024.

The stock market initially reacted to the Katek acquisition with scepticism and reductions in the share price. Katek is recognised as an electronics manufacturer and hardware company with low profitability, so how will it help Kontron become a world-leading IoT provider with increasing profits? Our plan is straightforward: We don't want an additional company that does exactly the same thing as Kontron has done so far. We want to integrate a company with lots of synergies but little overlap with Kontron. Improving its profits in recent years, Katek has built a solid business in the areas of charging systems for electric cars, control systems for solar systems and products for the defence market. These highly profitable areas generate half of Katek's revenue and account for a considerable market share, although the products do not yet have sufficient intelligence and no connectivity (IoT). It is connectivity that will be needed in future to be able to market these products effectively in the face of competitive pressure. We see significant synergies here. We can easily integrate our existing IoT software susietec®, KontronOS and Kontron Grid into these products to significantly enhance customer benefits with new, mission-critical functionalities.

We want to use the other half of Katek, which manufactures electronics, to build Kontron products and increase added value as a result. This also complies with many customers' increasing preference for products made locally in Germany. Consequently, only a quarter of Katek's revenues remain in manufacturing electronics that cannot be used directly for our IoT goals. We plan to continue this smaller division under the Katek brand, while three quarters of Katek's output can be optimally integrated into our IoT business and meet margin targets. The high gross margin of 41.3% achieved in Q1 indicates that we are on the right track.

In 2024, the focus is on integrating Katek and increasing profitability. Kontron today has the most comprehensive IoT technology portfolio, developed by over 3,000 engineers. With our new operating system (KontronOS) and our susietec® grid software, we want to set the standard for connecting machines. Kontron is already a leader in specialist markets such as high-speed trains, autonomous driving, aerospace and now environmental technology as well. These technologies are also a prerequisite for the effective application of AI (artificial intelligence) solutions in the future. Kontron is well prepared for this.

Our order backlog of EUR 1,842 million has once again undergone strong growth, already covering sales planned for 2024. We expect revenue of more than EUR 1.9 billion, and net profit is expected to increase by 33% to around EUR 100 million. Following the integration of Katek, we look forward to significant further earnings growth in 2025.



Hannes Niederhauser, CEO

NOTES TO THE COURSE OF BUSINESS

Initial consolidation of Katek SE, solid financial position, very strong earnings outlook

In Q1 of the current financial year 2024, the Kontron Group's revenue increased significantly by 35.9% to EUR 356.1 million (PY: EUR 262.0 million). However, Katek SE is only included in the consolidation for one month from March 1, 2024. Its contribution amounted to EUR 54.1 million. Operationally, the high-margin Software + Solutions segment continued to grow. The gross margin was once again very strong at 41.3% (PY: 41.0%). EBITDA increased by 19.6% to EUR 35.4 million (PY: EUR 29.6 million) or EUR 39.4 million when adjusted for M&A costs and one-off effects with a margin of 9.9% and 11.1% adjusted (PY: 11.3%).

Net income assignable to Kontron shareholders (after minority interests) amounted to EUR 16.3 million (PY: EUR 16.6 million), meaning that earnings per share (undiluted) remained unchanged despite these one-off effects at 26 cents in Q1 2024 (PY: 26 cents).

Results driven by Software + Solutions segment

The group of companies will be reported and managed in the three segments "Europe", "Global" and "Software + Solutions."

Business development in the three segments of the Kontron Group is as follows:

"Europe": This segment covers all activities of the Kontron Group relating to development of secure solutions for networked machines by means of a combined portfolio consisting of hardware, middleware and services in Europe. The focus of the business segment is on the products developed by the Kontron Group (proprietary technologies) and solutions for the main markets of smart factories, medical technology and communication solutions. The headquarters are also shown in this segment.

In Q1 2024, revenues of EUR 206.9 million were achieved in the Europe segment (PY: EUR 158.2 million), which corresponds to a growth in revenues of 30.8%. The gross margin remained stable at 36.3% (PY: 36.2%), EBITDA reached EUR 13.1 million (PY: EUR 15.8 million). The slight decrease is mainly due to M&A and one-off costs of EUR 3.8 million.

"Global": The Global segment represents the Kontron Group's business in North America and Asia.

Revenues in this segment amounted to EUR 58.5 million in Q1 2024 (PY: EUR 49.6 million), which corresponds to growth of around 17.8%. The gross margin increased from 31.1% in the same quarter of the previous year to 31.9%. As a result, EBITDA in this segment also improved from EUR 4.0 million to EUR 4.6 million.

"Software + Solutions": In this segment, the Kontron Group presents its software development solutions for automation, technologies and solutions for high-speed trains, as well as the high-margin GreenTec and Aerospace divisions.

In the Software + Solutions segment, revenues of EUR 90.7 million were achieved in Q1 2024 (PY: EUR 54.2 million), which corresponds to a very strong growth in revenues of 67.5%. The Software + Solutions segment also saw significant operational growth. The gross margin was 58.8% (PY: 63.9%) and is therefore comparable with previous quarters. EBITDA even rose by 80.0% from EUR 9.8 million to EUR 17.7 million.

IN EUR MIO.	EUROPE ¹⁾		GLOBAL		SOFTWARE + SOLUTIONS		KONTRON GROUP	
	Q1 2024	Q1 2023 ²⁾	Q1 2024	Q1 2023	Q1 2024	Q1 2023	Q1 2024	Q1 2023 ²⁾
Total revenues	245.2	187.0	74.5	63.9	105.6	60.7	425.2	311.6
Internal revenues	-38.2	-28.7	-16.0	-14.3	-14.8	-6.5	-69.1	-49.6
Revenues	206.9	158.2	58.5	49.6	90.7	54.2	356.1	262.0
Gross profit	75.2	57.2	18.7	15.4	53.3	34.6	147.2	107.3
EBITDA	13.1	15.8	4.6	4.0	17.7	9.8	35.4	29.6
Depreciation and amortisation	-7.5	-5.4	-1.8	-1.5	-4.1	-2.1	-13.4	-9.0
EBIT	5.6	10.4	2.8	2.5	13.6	7.7	22.0	20.6

1) Segment "Europe" including Headquarter-charges not allocated

2) Reclassification, see Annual Report/section A, Change in accounting policies

Solid financial position, very strong adjusted operating cash flow

The financial and liquidity situation at the end of Q1 2024 was influenced significantly by the acquisition of a majority stake in Katek SE. The balance sheet total increased by 37.5% from EUR 1,371 million as of December 31, 2023, to EUR 1,884 million as of March 31, 2024. Equity including non-controlling interests increased by 11.0% from EUR 604.0 million as of December 31, 2023 to EUR 670.2 million. Following the acquisition of the majority stake in Katek, the equity ratio was 35.6% (December 31, 2023: 44.1%).

Tangible assets doubled from EUR 110.4 million as of December 31, 2023 to EUR 224.5 million as of March 31, 2024. Inventories also increased accordingly from EUR 229.1 million as of December 31, 2023 to EUR 443.8 million as of March 31, 2024. As of March 31, 2024, working capital amounted to EUR 357.8 million (EUR 169.6 million as of December 31, 2023). Although payment of the purchase price had already been made, cash and cash equivalents increased to EUR 356.2 million (December 31, 2023: EUR 332.2 million). Non-current financial liabilities increased from EUR 60.1 million as of December 31, 2023 to EUR 233.5 million. Net debt stood at just EUR 81.4 million at the end of Q1 2024 (EUR 121.2 million net cash as of December 31, 2023).

Operating cash flow amounted to EUR -10.7 million or EUR 23.8 million adjusted for reduced factoring and an accrual effect for 2023. The positive momentum of operating cash flow has therefore continued. In the previous year, it was EUR 5.2 million (and the year before EUR -60 million).

The number of employees as of March 31, 2024 was 7,838 (December 31, 2023: 4,838).

Very strong earnings growth of 33% expected for 2024

The order backlog for 2024 will once again trigger a strong growth spurt. We expect revenues of over EUR 1.9 billion following around EUR 1.2 billion for 2023. Net profit is expected to increase by a further 33% to around EUR 100 million. In operational terms, management expects an EBITDA of around EUR 190 million. Following the integration of Katek, we expect a further significant increase in earnings in 2025.

04

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT IN TEUR	Q1 2024	Q1 2023*
Revenues	356,111	262,040
Capitalised development costs	7,854	4,629
Other income	591	6,722
Expenses for materials and other services purchased	-208,920	-154,711
Personnel expenses	-93,081	-70,387
Depreciation and amortisation	-13,436	-9,035
Other operating expenses	-27,122	-18,671
Result from operations	21,997	20,587
Finance income	1,880	3,114
Finance expenses	-5,086	-3,493
Financial result	-3,206	-379
Earnings before taxes	18,791	20,208
Income taxes	-2,117	-3,622
Profit/loss from continuing operations	16,674	16,586
Profit/loss from discontinued operations	114	6
Net income	16,788	16,592
Results from the period attributable to owners of non-controlling interests	491	7
Results from the period attributable to owners of interests in parent company	16,297	16,585
Earnings per share from continuing operations (undiluted)	0.26	0.26
Earnings per share from continuing operations (diluted)	0.25	0.25
Earnings per share attributable to owners of interests in parent company (undiluted)	0.26	0.26
Earnings per share attributable to owners of interests in parent company (diluted)	0.26	0.25
Average number of shares in circulation (in thousands undiluted)	61,678	63,625
Average number of shares in circulation (in thousands diluted)	63,783	66,125

*) Reclassification, see Annual Report 2023/section A, Change in accounting policies

STATEMENT OF OTHER COMPREHENSIVE INCOME

STATEMENT OF OTHER COMPREHENSIVE INCOME IN TEUR	Q1 2024	Q1 2023
Net income	16,788	16,592
Items that will not be reclassified to profit or loss		
Remeasurement according to IAS 19		
Gains (+) / losses (-) from remeasurement	19	38
	19	38
Items that may be subsequently reclassified to profit or loss		
Unrealised gains/losses from currency translation	1,496	-1,672
	1,496	-1,672
Other comprehensive income	1,515	-1,634
Comprehensive income	18,303	14,958
of which attributable to		
Results from the period attributable to owners of non-controlling interests	500	60
Results from the period attributable to owners of interests in parent company	17,803	14,898

04

CONSOLIDATED BALANCE SHEET

ASSETS IN TEUR	31.03.2024	31.12.2023
NON-CURRENT ASSETS		
Property, plant and equipment	224,509	110,427
Intangible assets	146,018	102,434
Goodwill	273,679	216,599
Financial assets non-current	16,390	11,353
Contract assets non-current	862	855
Other non-current assets	7,874	7,709
Deferred tax assets	46,887	43,128
	716,219	492,505
CURRENT ASSETS		
Inventories	443,847	229,070
Trade receivables	239,012	213,556
Contract assets current	53,342	38,112
Financial assets current	22,694	20,778
Other receivables and assets current	53,087	44,401
Cash and cash equivalents	356,164	332,235
	1,168,146	878,152
Total assets	1,884,365	1,370,657
EQUITY AND LIABILITIES IN TEUR		
EQUITY		
Subscribed capital	63,861	63,861
Capital reserves	127,496	127,148
Accumulated results	479,135	462,838
Other reserves	-7,406	-8,913
Treasury shares	-44,705	-42,973
Equity attributable to owners of interests in parent company	618,381	601,961
Non-controlling interests	51,840	2,010
	670,221	603,971
NON-CURRENT LIABILITIES		
Financing liabilities non-current	233,516	60,138
Other financial liabilities non-current	95,224	36,300
Contract liabilities	6,465	6,778
Deferred tax liabilities	20,791	5,339
Provisions non-current	32,387	27,543
	388,383	136,098
CURRENT LIABILITIES		
Financing liabilities current	204,045	150,873
Trade payables	325,015	273,056
Contract liabilities	77,483	69,638
Other financial liabilities current	93,758	28,951
Provisions current	38,452	33,275
Other liabilities current	87,008	74,795
	825,761	630,588
Total equity and liabilities	1,884,365	1,370,657

CONSOLIDATED CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT IN TEUR

Q1 2024

Q1 2023

	Q1 2024	Q1 2023
CASH FLOWS FROM OPERATING ACTIVITIES FROM CONTINUING AND DISCONTINUED OPERATIONS		
Earnings before tax from continuing and discontinued operations	18,905	20,251
Depreciation and amortisation	13,436	9,035
Interest expenses	5,086	3,541
Interest and other income from the disposal of financial assets	-1,994	-3,119
Increase/decrease of provisions	-2,687	-1,186
Gains/losses from the disposal of non-current non-financial assets	81	-40
Changes in inventories	2,030	-23,174
Changes in trade receivable and contract assets	22,082	8,960
Changes in other receivables and assets	7,555	5,082
Changes in trade payable and contract liabilities	-63,375	-8,419
Changes in other liabilities	-13,922	-2,167
Other non-cash income and expenses	4,199	-2,434
Cash and cash equivalents from operations	-8,604	6,330
Income taxes paid	-2,099	-1,106
Net cash flows from operating activities	-10,703	5,224
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments to acquire property, plant and equipment and intangible assets	-11,442	-7,160
Payments received for the disposal of property, plant and equipment and intangible assets	152	179
Disposal/purchase of financial instruments	-2,133	-333
Payments to acquire subsidiaries less cash assumed and plus current account liabilities assumed	-64,582	0
Proceeds /Payments from disposal/sale of subsidiaries less cash disposed and plus current account liabilities disposed	0	2,161
Proceeds (net) from disposal of discontinued operations	-392	74,413
Interest income	1,756	2,246
Net cash flows from investing activities	-76,641	71,506
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in financing liabilities and financial liabilities	206,037	558
Decrease in financing liabilities and financial liabilities	-87,129	-67,838
Interests paid	-3,039	-2,323
Acquisition of non-controlling interests	-46	0
Payments for acquisition of treasury shares	-1,731	-5,365
Net cash flows from financial activities	114,092	-74,968
Changes in exchange rates	-2,819	-285
Changes in cash and cash equivalents	23,929	1,477
Cash and cash equivalents as of the beginning of the period	332,235	439,154
Cash and cash equivalents as of the end of the period	356,164	440,631
thereof from discontinued operations	0	2,216
thereof restricted cash	3,913	3,510

FINANCIAL CALENDAR

2024

03.05.2024	Q1-quarterly statement 2024 (Earnings-Call Q1 2024)
06.05.2024	Annual General Meeting
13.05.2024	Dividend ex-date
14.05.2024	Dividend record date
14.05.2024	Stifel German Corporate Conference
15.05.2024	HAIB Stockpicker Summit (15.-17.5.2024)
15.05.2024	UBS Pan European Small and Mid-Cap Conference
16.05.2024	Dividend payment day
07.08.2024	Half-year report 2024 (Earnings-Call Q2 2024)
03.09.2024	Germany Commerzbank and ODDO BHF's Annual Corporate Conference
06.11.2024	Q3-quarterly statement 2024 (Earnings-Call Q3 2024)
27.11.2024	German Equity forum (27.11.- 29.11.2024)

Further details available under

https://ir.kontron.com/Financial_calendar.en.html

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