

# QUARTERLY STATEMENT

Q3 2022



# 01

## KONTRON GROUP OVERVIEW



### KEY FIGURES

IN EUR MIO.	9M 2022	9M 2021 (adapted)
Revenues from continued and discontinued operations	1,020.7	913.8
Revenues from continued operations	755.0	688.5
Gross profit from continued operations	272.9	255.8
EBITDA from continued operations	69.5	63.0
Amortisation and depreciation from continued operations	35.8	37.4
Result after non-controlling interests	32.7	30.7
Adjusted result after non-controlling interests (before divestment related expenses)	35.1	30.7

IN EUR MIO.	30.09.2022	31.12.2021
Cash and cash equivalents from continued and discontinued operations	162.3	296.5
Equity	442.8	423.3
Equity ratio	34.1%	31.3%
Backlog from continued operations	1,395.0	1,159.3
Project-pipeline from continued operations	3,317.5	2,967.1
Employees from continued operations *)	4,343	4,532
Assets classified as held for sale	219.5	0
Liabilities classified as held for sale	109.7	0

\*) Number of employees on full time equivalent basis without employees on parental leave, trainees and apprentices



## THE NEW KONTRON KEEPS ON MOVING FORWARD

The transformation of Kontron into a pure IoT provider is progressing in leaps and bounds. In Q3, we reached another milestone on our journey by selling a large part of our IT services business to the Vinci Energies Group. The transaction was signed on August 10, 2022. Vinci is a French company with over 200,000 employees that wants to expand its IT service activities in Central and Eastern Europe. The sale still requires antitrust approval, which we expect by the end of the year in order to complete this important transformation step. Kontron predicts proceeds of around EUR 400 million from the sale.

From 2023, the Kontron Group will no longer be comparable with the old S&T – that is why we have already changed the company name in Q2. We are focusing on the IoT market, which is already our biggest margin earner today. The IoT market is generally characterised by higher growth and higher profit margins; Kontron's net profits and EPS in particular will rise significantly. Our organisational structure is becoming simpler and therefore more transparent and our dependence on Eastern Europe has been reduced. As a result, our peers (comparable companies) are also changing. Our business model can no longer be compared with IT service companies; our competitors in the future will primarily be companies such as Advantech, Seco and Mercury.

Why are we rebuilding Kontron? For 10 years, Kontron has been growing steadily with solid profits. Ultimately, a large part of this development has been due to our IoT activities. That is why we have decided to focus our future growth in this area, especially as we also expect significantly stronger growth in our IoT activities over the next few years compared to the IT service sector.

Our Q3 results also reflect the change and cannot be compared with past results. In accordance with legal requirements, we are publishing the results of Continued Operations; activities that are no longer carried out are presented in compact form as Discontinued Operations. As expected, earnings in Q3 are affected by one-off costs from the sale of the service division, but we expect to generate a high profit from the sale in Q4. The adjusted results bring to light our growth trajectory and improved profitability. Revenue increased by 9.6% to EUR 755.0 million in the first nine months compared to the previous year, and Q3 even shows an increase of 10.5% to EUR 262.4 million. Including Discontinued Operations, revenue was EUR 1,020.7 million. Net income (adjusted for one-off costs from the FOCUS divestment) is even higher in the first nine months, increasing by 14.4% to EUR 35.1 million.

Order intake was again significantly higher than generated revenue at EUR 319,8 million and above target for the seventh time in a row, with a book-to-bill ratio of 1.22. This represents a robust path of growth while facing a challenging market environment. The value of overdue orders was reduced slightly to EUR 124 million. Despite the market environment, we remain optimistic for 2022 and 2023. Over the last seven quarters, the order backlog has risen by 63% or EUR 542 million – that is EUR 542 million in future revenue growth.

We therefore expect ongoing double-digit growth for Continued Operations to around EUR 1,100 million revenue in 2022. The consolidated result is expected to rise by 16% to EUR 56 million, significantly more after adjustment for the profit from the sale of the IT services business. Starting in 2023, we plan to replace the lost revenue from IT services with IoT acquisitions in the short term and expect growth as well as an increase in revenue to EUR 2,000 million by 2025 with a significantly increased EBITDA margin of 13%.



Hannes Niederhauser, CEO

## NOTES TO THE COURSE OF BUSINESS

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### STRONG GROWTH IN REVENUES, CHIP CRISIS BURDENS WORKING CAPITAL, ONE TIME COSTS FOR FOCUS DIVESTMENT

The Kontron Group made a big leap forward in its transformation into a pure IoT provider in Q3 by signing the sale of a large part of its IT service activities to the Vinci Energies Group. The transaction was signed on August 10, 2022. In accordance with accounting regulations, the quarterly results are published for Continued Operations (CO), and the activities to be sold are shown in the quarterly report as Discontinued Operations (DCO). Kontron currently expects the transaction to close at the end of 2022. After closing, segment reporting will be adjusted accordingly in 2023. The comparability of segment reporting with previous years is limited due to the reporting of DCO, particularly for IT service operations.

Operationally, the effects of the chip and component shortage remained visible in the past quarter, although somewhat reduced: Despite another record backlog at the end of Q2 2022 and another strong order intake in Q3 of 2022, the lack of availability of some components and delivery delays for intermediate products is reflected in liquidity development and working capital. Revenue (CO) increased by 9.6% to EUR 755.0 million compared to the same period of the previous year, and Q3 even shows an increase of 10.5% to EUR 262.4 million. Including Discontinued Operations, revenue was EUR 1,020.7 million (11.7% over the same period in the previous year). The increase in consolidated results (adjusted for one-off costs from the FOCUS divestment) was even higher in the first nine months at 14.4%. Adjusted consolidated results amounted to EUR 35.1 million compared to EUR 30.7 million in the previous year. EBITDA from Continued Operations rose by 10.2% from EUR 63.0 million to EUR 69.5 million. The volume of products that could not be delivered due to the chip crisis remained at a high level of around EUR 124 million as of September 30, 2022 (compared to EUR 127 million as of June 30, 2022).

Revenues in the isolated Q3 of 2022 grew from EUR 237.4 million to EUR 262.4 million compared with the same period of financial year 2021, and from EUR 313.2 million to EUR 360.0 million when Discontinued Operations are included.

Consolidated results (after minority interests) increased slightly from EUR 10.2 million to EUR 10.7 million (adjusted for one-off costs from the FOCUS divestment) for Q3 in isolation. Undiluted earnings per share increased in the reporting period to 51 cents (PY: 48 cents). The results already include some of the costs associated with the sale of IT services.

### VERY DIFFERENT DEVELOPMENTS IN EACH BUSINESS SEGMENT DUE TO FOCUS DIVESTMENT

To date, the Kontron Group has been managed using the following three segments:

- › **„IT Services“:** This segment covers all IT services business activities in the DACH and Eastern Europe regions. In this segment, the sale of 15 group companies was signed on August 10, 2022. Kontron expects the transaction to close at the end of 2022 after all conditions precedent have been met. Following the sale of the companies, Kontron will then only have IT service companies in Austria, Hungary and Romania, which will be used in the future to service and support growth in the IoT sector. These companies are shown under CO. As a consequence, there is only very limited comparability with the previous year's figures, especially as this sector will take on a changed role in the context of IoT services in the future.
- › **„IoT Solutions Europe“:** This segment focusses on the development of secure solutions using a combined range of hardware products, middleware and services in the areas of IoT and Industry 4.0. In particular, this segment serves customers in the fields of industrial automation, medical technology and transport.



- › **„IoT Solutions America“:** This segment brings together activities in the North America region. Product development and the portfolio focuses particularly on the areas of communication, aviation and autonomous driving.

In financial year 2022, supply chain disruptions associated with the chip crisis also had a significant impact on operating earnings development. While comparability in the “IT Services” segment is very limited due to the sale of a large part of the activities from this segment and marks the reorientation towards support for IoT services, the development of the “IoT Solutions America” segment was characterised by the restructuring of the operations bundled within it. At the same time, the “IoT Solutions Europe” segment developed very positively with its incoming orders and order backlog, even though the current chip crisis has impacted liquidity development.

The situation in terms of development of the individual sectors in the Kontron Group is as follows:

IN EUR MIO.	IT SERVICES		IOT SOLUTIONS EUROPE		IOT SOLUTIONS AMERICA		KONTRON GROUP	
	9M 2022	9M 2021	9M 2022	9M 2021	9M 2022	9M 2021	9M 2022	9M 2021
Total revenues	161.2	173.4	627.5	538.1	100.3	81.3	889.0	792.8
Internal revenues	-6.0	-6.9	-117.3	-88.4	-10.7	-8.9	-134.0	-104.2
Revenues	155.3	166.5	510.1	449.7	89.6	72.4	755.0	688.5
EBITDA before HQ-Charging*)	4.3	6.7	60.5	50.6	1.6	2.9	66.4	60.2
EBITDA after HQ-Charging**)	13.3	15.1	55.8	46.6	0.3	1.3	69.5	63.0

\*) EBITDA adjusted for headquarter charging of Kontron AG

\*\*\*) EBITDA after all headquarter charging of Kontron AG

IN EUR MIO.	IT SERVICES		IOT SOLUTIONS EUROPE		IOT SOLUTIONS AMERICA		KONTRON GROUP	
	Q3 2022	Q3 2021	Q3 2022	Q3 2021	Q3 2022	Q3 2021	Q3 2022	Q3 2021
Total revenues	49.3	59.5	223.2	182.8	39.0	28.6	311.5	270.9
Internal revenues	-2.3	-2.1	-42.7	-28.5	-4.2	-2.9	-49.2	-33.6
Revenues	47.1	57.4	180.5	154.3	34.8	25.7	262.4	237.4
EBITDA before HQ-Charging*)	0.3	2.1	18.4	15.0	0.7	1.9	19.4	19.0
EBITDA after HQ-Charging**)	3.6	5.0	16.7	13.6	0.2	1.3	20.4	19.8

\*) EBITDA adjusted for headquarter charging of Kontron AG

\*\*\*) EBITDA after all headquarter charging of Kontron AG

The "IT Services" segment contributed 20.6% to segment revenue for Continued Operations in the first nine months, the "IoT Solutions Europe" segment 67.6% and the "IoT Solutions America" segment 11.8%. The EBITDA (before headquarter charging) of the "IT Services" segment can in fact only be compared with previous years to a very limited extent due to the reorientation of this sector. While revenue in the "IoT Solutions America" segment rose by 23.8% to EUR 89.6 million in the first nine months, EBITDA before headquarter charging in this segment fell from EUR 2.9 million to EUR 1.6 million. In the "IoT Solutions Europe" segment however, EBITDA rose by 19.6% from EUR 50.6 million to EUR 60.5 million in the reporting period. Despite the shortage of components, the segment benefitted from a very favourable environment for selling IoT components and software.

## FINANCIAL POSITION REMAINS STRONG, WORKING CAPITAL AND CASH FLOW TEMPORARILY STRESSED BY CHIP CRISIS

The net assets and liquidity situation in the current financial year remains satisfactory: Equity increased from EUR 423.3 million as of December 31, 2021 to EUR 442.8 million, due to positive earnings development and despite payment of a dividend of EUR 22.3 million. The equity ratio increased to 34.1% as of September 30, 2022 (December 31, 2021: 31.3%). Cash and cash equivalents of the Continued Operations however, fell compared with December 31, 2021, from EUR 296.5 million to EUR 118.7 million: This is primarily due to the dividend paid, the repayment of financial liabilities and, in particular, due to the build-up of inventory as a result of supply chain distortions in chip deliveries. The decline also reflects the additional costs of purchasing and redesigning products based on available components as well as part of the sales costs associated with the FOCUS transaction. The current and non-current financing liabilities of Continued Operations amounted to EUR 313.2 million (December 31, 2021: EUR 310.7 million), bringing the Kontron Group net debt to EUR 194.5 million as of September 30, 2022 (December 31, 2021: net debt of EUR 14.2 million | September 30, 2021: net debt of EUR 87.5 million) (Cash and cash equivalents minus current and non-current financing liabilities).

Operating cash flow was impacted by the chip shortages in the first nine months: Working capital increased from EUR 149.9 million by EUR 61.1 million to EUR 211.0 million since December 31, 2021 (June 30, 2022: EUR 246.8 million). The main reason for this is in particular an increase in inventory of EUR 55.4 million to EUR 242.7 million (December 31, 2021: EUR 187.3 million), due to the additional purchase of components and the general increase in the stock of products that could not be delivered due to the shortage of some components. Kontron expects a gradual reduction in component bottlenecks and a significant improvement in operating cash flow in 2023.

The number of employees as of September 30, 2022, was 6,084 – including 4,343 employees in Continued Operations – compared with 6,206 employees as of December 31, 2021 (number of employees on a full time equivalent basis excluding employees on maternity leave, interns and apprentices). The average number of employees during the first nine months of the current financial year was 6,048, compared with 6,122 in the first nine months of 2021.



## 04

## CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT IN TEUR	9M 2022	9M 2021 (adapted)	Q3 2022	Q3 2021 (adapted)
Revenues	754,975	688,540	262,382	237,351
Capitalised development costs	17,584	15,189	6,545	7,059
Other income	16,982	6,445	1,440	1,801
Expenses for materials and other services purchased	-482,035	-432,742	-171,642	-154,043
Personnel expenses	-187,673	-170,946	-62,297	-56,966
Depreciation and amortisation	-35,823	-37,433	-11,905	-12,354
Other operating expenses	-50,378	-43,464	-16,049	-15,404
<b>Result from operations</b>	<b>33,632</b>	<b>25,589</b>	<b>8,474</b>	<b>7,444</b>
Finance income	768	786	343	152
Finance expenses	-6,635	-6,898	-2,151	-2,363
<b>Financial result</b>	<b>-5,867</b>	<b>-6,112</b>	<b>-1,808</b>	<b>-2,211</b>
<b>Earnings before taxes</b>	<b>27,765</b>	<b>19,477</b>	<b>6,666</b>	<b>5,233</b>
Income taxes	-2,970	2,143	-884	2,126
Profit/loss from continuing operations	24,795	21,620	5,782	7,359
Profit/loss from discontinued operations	7,505	9,037	2,704	3,171
<b>Net income</b>	<b>32,300</b>	<b>30,657</b>	<b>8,486</b>	<b>10,530</b>
Results from the period attributable to owners of non-controlling interests	-426	-17	137	349
<b>Results from the period attributable to owners of interests in parent company</b>	<b>32,726</b>	<b>30,674</b>	<b>8,349</b>	<b>10,181</b>
Earnings per share from continuing operations (undiluted)	0.39	0.34	0.09	0.12
Earnings per share from continuing operations (diluted)	0.38	0.33	0.09	0.11
Earnings per share from discontinued operations (undiluted)	0.12	0.14	0.04	0.05
Earnings per share from discontinued operations (diluted)	0.12	0.14	0.04	0.05
Earnings per share attributable to owners of interests in parent company (undiluted)	0.51	0.48	0.13	0.16
Earnings per share attributable to owners of interests in parent company (diluted)	0.51	0.47	0.13	0.16
Average number of shares in circulation (in thousands undiluted)	63,631	64,068	63,631	63,710
Average number of shares in circulation (in thousands diluted)	64,631	65,068	64,631	64,710



## STATEMENT OF OTHER COMPREHENSIVE INCOME

STATEMENT OF OTHER COMPREHENSIVE INCOME IN TEUR	9M 2022	9M 2021 (adapted)	Q3 2022	Q3 2021 (adapted)
<b>Net income</b>	<b>32,300</b>	<b>30,657</b>	<b>8,486</b>	<b>10,530</b>
Items that will not be reclassified to profit or loss				
Results from remeasurement of financial instruments at fair value through other comprehensive income	-2	2	0	1
Items that may be subsequently reclassified to profit or loss				
Unrealised gains/losses from currency translation	12,603	5,852	3,307	2,503
Net loss on debt instruments at fair value through other comprehensive income	-47	0	-1	0
	12,556	5,852	3,306	2,503
<b>Other comprehensive income</b>	<b>12,554</b>	<b>5,854</b>	<b>3,306</b>	<b>2,504</b>
<b>Comprehensive income</b>	<b>44,854</b>	<b>36,511</b>	<b>11,792</b>	<b>13,034</b>
<b>of which attributable to</b>				
Owners of non-controlling interests	1,168	665	232	936
Owners of interests in parent company	43,686	35,846	11,560	12,098

## CONSOLIDATED BALANCE SHEET

ASSETS IN TEUR	30.09.2022	31.12.2021
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	100,571	132,536
Intangible assets	103,503	104,207
Goodwill	181,402	208,251
Financial assets non-current	10,534	12,594
Contract assets non-current	51	194
Other non-current assets	13,916	21,018
Deferred tax assets	37,456	40,179
	<b>447,433</b>	<b>518,979</b>
<b>CURRENT ASSETS</b>		
Inventories	242,724	187,349
Trade receivables	164,482	232,546
Contract assets current	30,924	32,834
Financial assets current	18,570	19,902
Other receivables and assets current	56,832	64,011
Assets classified as held for sale	219,478	0
Cash and cash equivalents	118,717	296,512
	<b>851,727</b>	<b>833,154</b>
<b>Total assets</b>	<b>1,299,160</b>	<b>1,352,133</b>
<b>EQUITY AND LIABILITIES IN TEUR</b>		
	<b>30.09.2022</b>	<b>31.12.2021</b>
<b>EQUITY</b>		
Subscribed capital	63,631	66,096
Capital reserves	123,432	168,283
Accumulated results	249,887	239,431
Other reserves	3,407	-8,405
Treasury shares	0	-46,848
Equity attributable to owners of interests in parent company	440,357	418,557
Non-controlling interests	2,412	4,706
	<b>442,769</b>	<b>423,263</b>
<b>NON-CURRENT LIABILITIES</b>		
Financing liabilities non-current	196,240	238,376
Other financial liabilities non-current	31,569	54,084
Contract liabilities	4,297	16,952
Other liabilities non-current	488	488
Deferred tax liabilities	11,499	13,206
Provisions non-current	24,570	25,056
	<b>268,663</b>	<b>348,162</b>
<b>CURRENT LIABILITIES</b>		
Financing liabilities current	116,990	72,319
Trade payables	196,247	269,975
Contract liabilities	67,233	85,025
Other financial liabilities current	23,860	47,712
Provisions current	25,243	31,436
Other liabilities current	48,444	74,241
Liabilities classified as held for sale	109,711	0
	<b>587,728</b>	<b>580,708</b>
<b>Total equity and liabilities</b>	<b>1,299,160</b>	<b>1,352,133</b>

# CONSOLIDATED CASH FLOW STATEMENT

## CONSOLIDATED CASH FLOW STATEMENT IN TEUR

	9M 2022	9M 2021	Q3 2022	Q3 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Earnings before taxes	38,467	31,643	10,852	9,333
Depreciation and amortisation	42,934	47,225	12,794	15,537
Interest expenses	7,739	7,697	2,407	2,580
Interest and other income from the disposal of financial assets	-897	-993	-359	-184
Increase/decrease of provisions	-3,791	-8,876	-3,660	-2,391
Gains/losses from the disposal of non-current non-financial assets	433	-1,005	72	2
Changes in inventories	-72,242	-40,367	-13,812	-22,020
Changes in trade receivable and contract assets	3,935	-311	-9,688	-8,374
Changes in other receivables and assets	-13,467	-531	-4,826	6,289
Changes in trade payable and contract liabilities	-35,976	-29,041	14,945	-2,807
Changes in other liabilities	-14,390	-11,688	-2,861	1,206
Other non-cash income and expenses	-9,653	16	1,933	48
<b>Cash and cash equivalents from operations</b>	<b>-56,908</b>	<b>-6,231</b>	<b>7,797</b>	<b>-781</b>
Income taxes paid	-8,001	-8,341	-1,653	-1,191
<b>Net cash flows from operating activities</b>	<b>-64,909</b>	<b>-14,572</b>	<b>6,144</b>	<b>-1,972</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of non-current non-financial assets	-28,608	-32,266	-11,464	-9,559
Purchase/sale of financial instruments	0	-4	0	0
Proceeds from sale of non-current non-financial assets	2,101	2,245	49	1,084
Disposal/purchase of financial instruments	7,162	-285	-3,625	-413
Payments to acquire subsidiaries less cash assumed and plus current account liabilities assumed	-13,678	-3,059	-5,378	-1,490
Proceeds /Payments from disposal/sale of subsidiaries less cash disposed and plus current account liabilities disposed	-966	-3,580	0	-3,580
Interest income	547	624	247	85
<b>Net cash flows from investing activities</b>	<b>-33,442</b>	<b>-36,325</b>	<b>-20,171</b>	<b>-13,873</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Increase in financing liabilities and financial liabilities	95	52,725	0	7,306
Decrease in financing liabilities and financial liabilities	-46,191	-35,027	-15,628	-12,817
Interests paid	-6,080	-4,595	-1,662	-1,055
Acquisition of non-controlling interests	-3,155	-1,003	-1,500	-275
Dividends to owners of interests in parent company	-22,271	-19,183	0	0
Payments for acquisition of treasury shares	0	-20,586	0	-4,569
<b>Net cash flows from financial activities</b>	<b>-77,602</b>	<b>-27,669</b>	<b>-18,790</b>	<b>-11,410</b>
Changes in exchange rates	4,149	2,992	-15	625
<b>Changes in financial funds</b>	<b>-171,804</b>	<b>-75,574</b>	<b>-32,832</b>	<b>-26,630</b>
Financial funds as of the beginning of the period	267,934	254,951	128,962	206,007
<b>Financial funds as of the end of the period</b>	<b>96,130</b>	<b>179,377</b>	<b>96,130</b>	<b>179,377</b>
Overdrafts	60,995	34,991	60,995	34,991
Restricted cash	5,173	4,210	5,173	4,210
<b>Total cash and cash equivalents</b>	<b>162,298</b>	<b>218,578</b>	<b>162,298</b>	<b>218,578</b>

# FINANCIAL CALENDAR

## 2022

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03.11.2022      Q3-quarterly statement 2022 (Earnings-Call Q3 2022)

28.11.2022      Equity forum (28.11. - 30.11.2022)

Further details available under

[https://ir.kontron.ag/Financial\\_calender.en.html](https://ir.kontron.ag/Financial_calender.en.html).

Our annual report, quarterly reports and other bulletins are available at <https://ir.kontron.ag/reports/Reports.en.html> from the day of publication. Any changes to schedules and dates are also announced on our website in good time. This quarterly statement was published on November 3, 2022. The report is available in German and English. The English version is provided for convenience only. The German version is definitive. No liability is assumed for any typographical or printing errors.

This quarterly statement contains statements that refer to future developments. These are based on assumptions and estimates made by the Executive Board. Although we are of the opinion that the assumptions and estimates are realistic and correct, they are subject to certain risks and uncertainties that may cause actual future results to diverge materially from the assumptions and estimates. Factors that may result in a discrepancy include changes in the overall economic, business, financial and competitive situation, exchange and interest rate fluctuations as well as changes to the business strategy. We cannot guarantee that the future development and actual future results will coincide with the assumptions and estimates expressed in this quarterly statement. Assumptions and estimates presented in this half-year report will not be updated.

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