



kontron

Half-year Report 2023

01

KONTRON GROUP OVERVIEW

Key Figures

IN EUR MIO.	6M 2023 CONTINUING OPERATIONS	6M 2022 CONTINUING OPERATIONS
Revenues	560.9	492.6
EBITDA	60.9	48.5
Result after non-controlling interests	34.0	19.0
Earnings per share (in EUR Cent) ¹⁾²⁾	56 Cent	38 Cent
Operating cash flow ²⁾	7.3	-71.1
Operating cash flow from continuing operations	7.0	-44.4

1) Earnings per share undiluted

2) Including discontinued operations

IN EUR MIO.	30.06.2023	31.12.2022
Cash and cash equivalents	326.0	437.8
Net Cash (+) / Net debt (-) ³⁾	105.7	118.3
Equity	597.8	635.7
Equity ratio	47.2%	44.1%
Backlog	1,599.5	1,459.6
Project-pipeline	3,409.1	3,407.2
Employees ⁴⁾	4,547	4,475

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

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



Increasing margins as an IoT provider is a reality

The second quarter of 2023 underlines the new strength Kontron has gained by focusing on the IoT market. Profit margins are rising significantly following the sale of IT service activities.

Kontron is on course to match the most successful IoT competitors. In the second quarter of 2023, a gross margin of over 40% was achieved for the first time in the company's history. Net income from continuing operations after non-controlling interests, EUR 17.4 million or 6.2% of revenue, also reached a record level. Before the sale of the IT services business in December 2022, net income in the second quarter of 2022 was still EUR 12.8 million or 3.9% of revenue. Organic revenue growth rose to 15.2% in the second quarter compared to the same quarter of the previous year, with revenue amounting to EUR 283 million. This enabled us to gain new market shares.

The key figure here is the further increase in the gross margin. In the second quarter, gross margin was 40.6%, which corresponds to an increase of value added of 2.8 percentage points compared to the same quarter of the previous year. This shows how the share of technology in our portfolio is continuing to grow and our products' added value for our customers is also increasing. The driving force behind margin growth in the second quarter was once again our "Software + Solutions" segment, with a gross margin of 65.9%.

In the next 4 years, we plan to expand the Kontron Group's gross margin even further to over 50%. In addition, we have set a target of achieving over 50% of revenue in the "Software + Solutions" segment by 2027. Kontron is already the market leader in Europe for IoT solutions for high-speed trains and sees enormous growth potential in infrastructure projects for public transport, particularly in Europe. For example, the European Union intends to expand high speed rail tracks from 11,000 to 33,000 kilometers. On the other hand, Kontron's proprietary susietec® software solutions make smart factories possible that enable extensive automation of operations with robots. As a result, the "Software + Solutions" segment – just under 20% of revenue today – is expected to grow to become Kontron's largest segment by 2027. In addition to considerable technical expertise, Kontron's solutions require long-term service contracts for the lifetime of the networks and ensure stable revenue over many years.

Following the sale of the IT segment, Kontron's coffers are full to the brim. As announced, EUR 73 million was spent on a special dividend and share buybacks in the first half of 2023, and Kontron reduced its financing, leasing and overdraft liabilities by around EUR 100 million, which was a priority in times of high interest on borrowings. However, we still have cash on hand of EUR 326 million in addition to EUR 59 million in outstanding purchase price payments from the sale of the IT business. With this, we intend to acquire further companies in the IoT sector. On July 3, we were able to announce the purchase of the "Cellular Automotive Module Unit" from Telit Inc (USA), a specialist in 5G machine networking. This was followed on July 6 by the acquisition of Comlab AG (Switzerland) which deals with data communication on trains. Both companies add to our expertise in IoT solutions and create potent synergies with our existing business lines. We are currently working on five more acquisitions which will fundamentally expand the IoT product range and expertise in the "Software + Solutions" segment. In addition, these acquisitions are expected to replace all EUR 387 million of revenue that was "sold" with the IT business over the next few quarters.

We expect 2023 to be a very good year for Kontron. Despite fears of a recession and our customers' high stock levels, we once again achieved a high order entry in the second quarter of EUR 310 million compared to EUR 283 million in revenue. The order backlog of the new Kontron thus rose by EUR 140 million to EUR 1,600 million in 2023. This means that all planned revenues for 2023 and around 80% of the revenues for 2024 have already been covered. The aim of the new Kontron is to increase the company's profitability. At the end of March, Kontron raised the net income guidance to EUR 66 million, with an EBITDA margin of 11%. This represents an increase of more than 20% compared to the previous year. After a strong first half year, we are even likely to exceed this profit.

With the planned acquisitions, we are well on track for our target of EUR 2,000 million in revenue in 2025 – at the same time at significantly increasing profitability.

Hannes Niederhauser, CEO



HALF-YEAR MANAGEMENT REPORT

Strong organic growth, positive operating cash flow and high liquidity

The first half of 2023 was characterised by strong organic growth in the Kontron Group. The delivery delays caused by the chip crisis were further reduced. They have now fallen to around EUR 72 million. Revenue rose by 13.9% compared to the same period of the previous year to EUR 560.9 million (H1 2022: EUR 492.6 million). The gross margin improved significantly from 37.0% in the same period of the previous year to 39.6% in the full first half of 2023. EBITDA also rose by 10.9% to EUR 60.9 million (H1 2022: EUR 48.5 million), driven by the “Software + Solutions” and “Global” segments.

After a strong first quarter, revenue rose by a further 15.3% to EUR 283.2 million in the second quarter of 2023 (Q2 2022: EUR 245.6 million). The gross margin rose to 40.6% (Q2 2022: 37.8%). EBITDA for the isolated second quarter of 2023 increased by 26.3% to EUR 31.3 million (Q2 2022: EUR 24.8 million), driven by the “Software + Solutions” and “Global” segments.

Personnel costs increased by 11.4% to EUR 139.7 million in the first half of 2023 (H1 2022: EUR 125.5 million). The number of employees (not including apprentices and staff on parental leave or training courses) rose from 4,297 employees as of June 30, 2022 to 4,547 as of June 30, 2023. At the end of 2022, the number of employees was 4,475.

Depreciation and amortisation fell from EUR 23.9 million in the same period of the previous year to EUR 18.1 million in the first half of 2023 as a result of the strategic realignment of Kontron AG. The financial result improved to minus EUR 2.8 million (H1 2022: minus EUR 4.0 million). Income tax expenses rose from EUR 2.1 million in the first half of 2022 to EUR 6.0 million in the reporting period, mainly due to the significantly better pre-tax result.

The result from the period attributable to owners of interests in Kontron (after non-controlling interests) in the first half of 2023 amounted to EUR 34.0 million compared to EUR 19.0 million in the corresponding period in 2022, representing an increase of 78.9%. Earnings per share (undiluted, including discontinued operation) rose significantly to 56 cents in the past six-month period (H1 2022: 38 cents).

Strong results in all business segments

Since the beginning of 2023, the Kontron Group's business activities have focused on the IoT market and the business segments are presented in a new format in accordance with the structure. The sale of the majority of the “IT Services” business was completed in December 2022. Since the first quarter of 2023, the group of companies has been reported and managed in the three segments “Europe”, “Global” and “Software + Solutions”.

About the three segments of the Kontron Group:

- › **“Europe”:** This segment covers all activities of the Kontron Group relating to development of secure solutions for machine networks by means of a combined portfolio consisting of hardware, middleware and services in Europe. The focus of the business segment is on the products (proprietary technologies) and solutions developed by the Kontron Group for industrial automation, medical technology, connectivity and communications solutions and smart energy markets. In addition, the remaining IT services business is reported in this segment.

In the second quarter of 2023, revenue in the “Europe” segment rose by 13.2% to EUR 184.6 million (Q2 2022: EUR 163.1 million). At 36.9%, the gross margin was significantly above the previous year (Q2 2022: 34.5%). EBITDA before headquarters charging remained stable year-on-year at EUR 18.3 million (Q2 2022: EUR 18.3 million) due to exchange rate gains in the previous year. Excluding this effect, the EBITDA margin was stable compared to the previous year.

In the first half of 2023, revenue in the “Europe” segment rose by 10.6% to EUR 364.0 million (H1 2022: EUR 329.1 million). The gross margin improved from 32.9% to 35.3%. EBITDA before headquarters charging rose slightly by 1.0% to EUR 34.7 million (H1 2022: EUR 34.3 million), also due to exchange rate gains in the previous year.

On July 3, 2023, Kontron reported the acquisition of Telit Cinterion's CellularAutomotive Module Unit. The products of the unit complement Kontron's 5G and real-time technologies for the automotive industry. The Unit generated revenue of just over

EUR 100 million in 2022 and is expected to be consolidated in the "Europe" segment after the transaction has been completed in August 2023.

- › **"Global":** The "Global" segment presents the former "IoT Solutions America" segment as well as Kontron Group's business in Asia.

In the second quarter of 2023, revenue in this segment rose by 5.5% to EUR 50.4 million (Q2 2022: EUR 47.8 million), partly due to the general recovery in the aviation industry. The gross margin also improved from 25.1% in the second quarter of 2022 to 29.8% in the second quarter of 2023. EBITDA before headquarters charging in this segment more than doubled to EUR 4.9 million (Q2 2022: EUR 2.1 million). On the one hand, the trend toward rising prices for product components has slowed as a result of the further easing of supply chain difficulties. On the other, the successful restructuring programme in North America continues to contribute to better EBITDA.

In the first half of 2023, revenue in the "Global" segment rose by 16.1% to EUR 100.0 million (H1 2022: EUR 86.1 million). The gross margin climbed from 25.7% in the previous year to 30.5% in the first half of 2023. EBITDA before headquarters charging tripled to EUR 8.9 million (H1 2022: EUR 2.8 million) due to the above-mentioned changes in prices for product components and the restructuring programme in North America.

- › **"Software + Solutions":** In this segment, the Kontron Group presents its higher-margin software solutions for automation and solutions for high speed trains.

The "Software + Solutions" segment recorded an increase in revenue of 38.8% to EUR 48.2 million in the second quarter of 2023 (Q2 2022: EUR 34.7 million). The highest gross margin of all segments in the second quarter of 2023 is 65.9% (Q2 2022: 70.9%). EBITDA before headquarters charging almost doubled and amounted to EUR 8.2 million in the second quarter of 2023 (Q2 2022: EUR 4.4 million). In addition to the good order situation, acquisitions in the second half of the previous year were responsible for the increased earnings.

For the first half of 2023, this segment recorded revenue growth of 25.2% to EUR 96.9 million (H1 2022: EUR 77.4 million). The gross margin in the reporting period was 65.3% (H1 2022: 67.2%). EBITDA before headquarters charging for this segment amounted to EUR 17.4 million in the first half year (H1 2022: EUR 11.3 million), which represents growth of 53.4% and was due to the good order situation and acquisitions in the second half of the previous year.

On July 6, 2023, Kontron announced the 100% takeover of Comlab AG. Comlab is a Swiss specialist in data communication repeaters on trains. The company achieved revenue of EUR 20 million in 2022. From August 2023, Comlab will be consolidated in the "Software + Solutions" segment.

IN EUR MIO.	EUROPE		GLOBAL		SOFTWARE + SOLUTIONS		KONTRON GROUP	
	6M 2023	6M 2022	6M 2023	6M 2022	6M 2023	6M 2022	6M 2023	6M 2022
Total revenues	424.9	378.0	127.0	110.1	108.9	88.3	660.8	576.5
Internal revenues	-61.0	-48.9	-27.0	-24.0	-12.0	-11.0	-100.0	-83.9
Revenues	364.0	329.1	100.0	86.1	96.9	77.4	560.9	492.6
EBITDA before HQ-Charging*)	34.7	34.3	8.9	2.8	17.4	11.3	60.9	48.5

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

IN EUR MIO.	EUROPE		GLOBAL		SOFTWARE + SOLUTIONS		KONTRON GROUP	
	Q2 2023	Q2 2022	Q2 2023	Q2 2022	Q2 2023	Q2 2022	Q2 2023	Q2 2022
Total revenues	216.2	191.2	63.1	60.2	54.3	39.8	333.6	291.2
Internal revenues	-31.6	-28.1	-12.7	-12.4	-6.1	-5.0	-50.4	-45.6
Revenues	184.6	163.1	50.4	47.8	48.2	34.7	283.2	245.6
EBITDA before HQ-Charging*)	18.3	18.3	4.9	2.1	8.2	4.4	31.3	24.8

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

Strong financial position, positive cash flow

The company's financial position and liquidity are favourable in the first half of 2023. As of June 30, 2023, total assets stood at EUR 1,266.7 million (December 31, 2022: EUR 1,440.9 million | March 31, 2023: EUR 1,366.6 million). As of June 30, 2023, cash and cash equivalents amounted to EUR 326.0 million compared to EUR 437.8 million as of December 31, 2022 and EUR 438.4 million as of March 31, 2023. The reduction compared to December 31, 2022 and March 31, 2023 is primarily due to the dividend payment of EUR 1 per dividend-bearing share and the repayment of liabilities. In addition, a total of 505,493 treasury shares were purchased for EUR 9.2 million in the first half of 2023 as part of the "Share Buyback Program I 2023." Equity amounted to EUR 597.8 million as of June 30, 2023 (December 31, 2022: EUR 635.7 million | March 31, 2023: EUR 645.8 million). The equity ratio as of June 30, 2023 was 47.2% (December 31, 2022: 44.1% | March 31, 2023: 47.3%). The Kontron Group's net cash position amounted to EUR 105.7 million as of June 30, 2023 (December 31, 2022: EUR 118.3 million | March 31, 2023: EUR 185.1 million).

Operating cash flow of plus EUR 7.3 million was achieved in the first half of the year. In the second quarter, the positive trend of the first quarter continued. In the first half of 2022, an in comparison very high negative operating cash flow of minus EUR 71.1 million was recorded. This was due to the easing of supply chain problems. Cash flow from investing activities rose from minus EUR 13.3 million in the previous year to plus EUR 60.2 million in the reporting period due to purchase price payments from Vinci. Cash flow from financing activities fell from minus EUR 58.8 million in the first half of 2022 to minus EUR 128.6 million in the first half of 2023 as a result of payment of the record dividend of EUR 1 per share and the repayment of financial liabilities.

Opportunities and risks

Kontron is a well-known manufacturer of industrial technology solutions. With its attractive portfolio of proprietary technologies and products in the Industry 4.0 environment, the company has gradually developed into an established IoT provider in recent years. Following the sale of its IT service companies in December 2022, Kontron became a player dedicated to smart industrial IoT solutions. The multi-faceted portfolio includes industrial middleware systems and modules, network and security solutions, and the software required to operate such systems. The Kontron Group operates mainly in Central and Western Europe, but also in parts of Eastern Europe, in North America and in Asia.

In the reporting period there was a noticeable improvement in the delivery capacity of chips and hardware components. Pricing pressure has also eased, and last year's price increases have in many cases been passed on to Kontron Group customers. However, a risk of further price increases remains which the Kontron Group may not be able to avoid. The Kontron Group has further reduced its vulnerability by increasing buffer inventory and redesigning products based on chipsets and components that are more likely to be available in future. Here, the shift to production partners in Europe or in-house production in Europe reduces the risk of overdependence on production and logistics processes in Asia.

"NextGenerationEU", the European Union buildup plan, also represents an opportunity for progress in this regard. The Kontron Group expects that the buildup plan's focus on digitalisation and green technologies, to name but two priorities, will also open up opportunities for the Kontron Group.

The sanctions imposed on Russia by the international community due to the war in Ukraine restrict the financial systems and the real

economy in the CIS region, making it difficult or impossible to implement existing or new customer projects. Against this background, Kontron has significantly reduced its exposure to Russia and the CIS region and is gradually reducing it further.

In response to high inflation, central banks worldwide have raised base interest rates since mid-2022. Around two thirds of Kontron AG's loans and overdraft facilities have fixed interest rates. The financing of the Kontron subsidiaries, on the other hand, is largely subject to variable interest rates. There is a risk here that the EURIBOR or other reference interest rate for the local currency will rise, thereby increasing the interest burden on the Kontron Group. This is taken into account through increased internal financing of Kontron Group members by Kontron AG, which can usually refinance itself much more favourably than the local subsidiary.

There is also a risk that taxation regulations may change, which can occur especially if governments have to consolidate their budgets to meet extremely high recent costs. In the course of the COVID crisis, measures were taken to monitor even more strictly or to reduce credit limits due to higher risks in certain customer segments. Although payment defaults were expected as government support measures were phased out, this assumption was not confirmed and there was no "wave of insolvencies." Nevertheless, Kontron will continue to operate strict receivables management in combination with credit insurance and factoring (to a lesser extent) in the future to minimise the default risk on receivables.

Against this backdrop and in addition to the strategic goals, management continues to focus on the ongoing review and optimisation of cost structures. Within the Kontron Group, this also includes the continued reduction of rental space and ongoing restrictive travel expense management. As a result of higher interest rates, there are also opportunities for the Kontron Group for example in M&A through acquiring other IoT competitors at favourable terms as well as to gain market shares through agile warehouse management and a better starting position on the procurement market and to expand its position as a leading player in the IoT sector.

Surveys on the risk situation of companies (for example the Allianz Global Risk Barometer) regularly cite cyberattacks as one of the biggest risks. This is also one of the biggest risks for Kontron. Among the measures Kontron takes to address this is raising employee awareness of IT security issues, for example through central training sessions organized by the Group and constantly improving IT security measures.

The management of the Kontron Group assumes that economic development will continue to be volatile over the medium term against the backdrop of the numerous current uncertainty factors.

Outlook

For the year 2023 overall, we expect Kontron to make a big leap forward in terms of earnings growth. The order backlog of the new Kontron increased in the past six quarters by EUR 440 million to EUR 1,600 million. This means that all planned revenues for 2023 — the target is EUR 1,200 million — have already been covered.

At the end of March, Kontron raised the net income guidance to EUR 66 million, with an EBITDA margin of 11%. This represents an increase of more than 20% compared to the previous year. After a strong first half year, we are even likely to exceed this profit.

With the planned acquisitions, we are well on track for our target of EUR 2,000 million in revenue in 2025 – at the same time at significantly increasing profitability.

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CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT IN TEUR	6M 2023	6M 2022*	Q2 2023	Q2 2022*
Revenues	560,890	492,593	283,219	245,574
Capitalised development costs	9,864	11,039	5,235	5,533
Other income	7,749	15,526	1,027	3,939
Expenses for materials and other services purchased	-338,559	-310,393	-168,217	-152,672
Personnel expenses	-139,740	-125,487	-69,353	-63,559
Depreciation and amortisation	-18,114	-23,918	-9,079	-12,255
Other operating expenses	-39,272	-34,784	-20,601	-14,021
Result from operations	42,818	24,576	22,231	12,539
Finance income	4,471	437	1,357	195
Finance expenses	-7,250	-4,486	-3,757	-2,311
Financial result	-2,779	-4,049	-2,400	-2,116
Earnings before taxes	40,039	20,527	19,831	10,423
Income taxes	-5,958	-2,086	-2,336	-1,527
Profit/loss from continuing operations	34,081	18,441	17,495	8,896
Profit/loss from discontinued operations	1,593	5,373	1,587	3,744
Net income	35,674	23,814	19,082	12,640
Results from the period attributable to owners of non-controlling interests	84	-563	77	-146
Results from the period attributable to owners of interests in parent company	35,590	24,377	19,005	12,786
Earnings per share from continuing operations (undiluted)	0.54	0.30	0.28	0.14
Earnings per share from continuing operations (diluted)	0.52	0.29	0.27	0.14
Earnings per share attributable to owners of interests in parent company (undiluted)	0.56	0.38	0.30	0.20
Earnings per share attributable to owners of interests in parent company (diluted)	0.54	0.38	0.29	0.20
Average number of shares in circulation (in thousands undiluted)	63,375	63,631	63,221	64,130
Average number of shares in circulation (in thousands diluted)	65,875	64,631	65,721	65,130

*) Adjustment due to application of IFRS 5 – see Annual Report 2022

STATEMENT OF OTHER COMPREHENSIVE INCOME

STATEMENT OF OTHER COMPREHENSIVE INCOME IN TEUR	6M 2023	6M 2022	Q2 2023	Q2 2022
Net income	35,674	23,814	19,082	12,640
Items that will not be reclassified to profit or loss				
Remeasurement according to IAS 19				
Gains(+)/losses(-) from remeasurement	47	0	9	0
Results from remeasurement of financial instruments at fair value through other comprehensive income	0	-2	0	-2
	47	-2	9	-2
Items that may be subsequently reclassified to profit or loss				
Unrealised gains/losses from currency translation	-3,575	9,296	-1,903	10,767
Net loss on debt instruments at fair value through other comprehensive income	0	-46	0	-46
	-3,575	9,250	-1,903	10,721
Other comprehensive income	-3,528	9,248	-1,894	10,719
Comprehensive income	32,146	33,062	17,188	23,359
of which attributable to				
Results from the period attributable to owners of non-controlling interests	181	-121	121	710
Results from the period attributable to owners of interests in parent company	31,965	33,183	17,067	22,649

CONSOLIDATED BALANCE SHEET

ASSETS IN TEUR	30.06.2023	31.12.2022
NON-CURRENT ASSETS		
Property, plant and equipment	101,282	95,477
Intangible assets	76,301	72,424
Goodwill	188,123	189,412
Financial assets non-current	13,425	11,714
Contract assets non-current	1,065	1,061
Other non-current assets	8,202	8,960
Deferred tax assets	32,294	33,050
	420,692	412,098
CURRENT ASSETS		
Inventories	225,934	192,633
Trade receivables	131,367	148,085
Contract assets current	50,372	54,227
Financial assets current	56,099	134,326
Other receivables and assets current	56,213	55,421
Cash and cash equivalents	325,974	437,760
Assets classified as held for sale	0	6,310
	845,959	1,028,762
Total assets	1,266,651	1,440,860
EQUITY AND LIABILITIES IN TEUR		
EQUITY		
Subscribed capital	63,861	63,631
Capital reserves	128,013	122,582
Accumulated results	420,718	449,616
Other reserves	-5,619	-1,994
Treasury shares	-9,247	0
Equity attributable to owners of interests in parent company	597,726	633,835
Non-controlling interests	91	1,831
	597,817	635,666
NON-CURRENT LIABILITIES		
Financing liabilities non-current	65,691	193,768
Other financial liabilities non-current	35,773	27,714
Contract liabilities	7,705	5,532
Other liabilities non-current	1	1
Deferred tax liabilities	6,844	5,725
Provisions non-current	19,782	19,886
	135,796	252,626
CURRENT LIABILITIES		
Financing liabilities current	154,560	125,703
Trade payables	192,532	226,336
Contract liabilities	77,957	78,493
Other financial liabilities current	25,035	24,979
Provisions current	23,792	26,950
Other liabilities current	59,162	65,348
Liabilities classified as held for sale	0	4,759
	533,038	552,568
Total equity and liabilities	1,266,651	1,440,860

CONSOLIDATED CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT IN TEUR

	6M 2023	6M 2022	Q2 2023	Q2 2022
CASH FLOWS FROM OPERATING ACTIVITIES FROM CONTINUING AND DISCONTINUED OPERATIONS				
Earnings before tax from continuing and discontinued operations	41,705	27,615	21,454	15,309
Depreciation and amortisation	18,114	30,140	9,079	15,481
Interest expenses	7,347	5,332	3,806	2,624
Interest and other income from the disposal of financial assets	-5,169	-538	-2,050	-272
Increase/decrease of provisions	-2,766	-131	-1,580	-2,570
Gains/losses from the disposal of non-current non-financial assets	41	361	81	347
Changes in inventories	-35,971	-58,430	-12,797	-28,410
Changes in trade receivable and contract assets	17,594	13,623	8,634	-2,058
Changes in other receivables and assets	634	-8,641	-4,448	3,310
Changes in trade payable and contract liabilities	-22,688	-50,921	-14,269	-1,166
Changes in other liabilities	-3,105	-11,529	-938	-7,913
Other non-cash income and expenses	-2,012	-11,586	422	-2,255
Gain on disposal of discontinued operations	-1,274	0	-1,274	0
Cash and cash equivalents from operations	12,450	-64,705	6,120	-7,573
Income taxes paid	-5,148	-6,348	-4,042	-3,501
Net cash flows from operating activities	7,302	-71,053	2,078	-11,074
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of non-current non-financial assets	-16,780	-17,144	-9,620	-8,651
Proceeds from sale of non-current non-financial assets	22	2,052	-157	846
Disposal/purchase of financial instruments	-511	10,787	-178	3,474
Payments to acquire subsidiaries less cash assumed and plus current account liabilities assumed	0	-8,300	0	-6,230
Proceeds /Payments from disposal/sale of subsidiaries less cash disposed and plus current account liabilities disposed	2,161	-966	0	-966
Proceeds (net) from disposal of discontinued operations	71,020	0	-3,393	0
Interest income	4,264	300	2,018	154
Net cash flows from investing activities	60,176	-13,271	-11,330	-11,373
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in financing liabilities and financial liabilities	680	95	122	0
Decrease in financing liabilities and financial liabilities	-53,560	-30,563	-35,822	-17,123
Interests paid	-6,669	-4,418	-4,346	-2,861
Acquisition of non-controlling interests	0	-1,655	0	-1,686
Dividends to owners of interests in parent company	-63,398	-22,271	-63,398	-22,271
Payments for acquisition of treasury shares	-9,247	0	-3,882	0
Capital increase (less transaction costs)	3,601	0	3,601	0
Net cash flows from financial activities	-128,593	-58,812	-103,725	-43,941
Changes in exchange rates	-1,626	4,164	-1,341	6,112
Changes in financial funds	-62,741	-138,972	-114,318	-60,276
Financial funds as of the beginning of the period	366,996	267,934	418,573	189,238
Financial funds as of the end of the period	304,255	128,962	304,255	128,962
Overdrafts	17,924	33,483	17,924	33,483
Restricted cash	3,795	5,163	3,795	5,163
Total cash and cash equivalents from continuing and discontinued operations	325,974	167,608	325,974	167,608

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EQUITY ATTRIBUTABLE TO OWNERS OF INTERESTS IN PARENT COMPANY

Development of equity IN TEUR	Subscribed capital	Capital reserves
as of January 1, 2022	66,096	168,283
COMPREHENSIVE INCOME		
Consolidated income	0	0
Other comprehensive income	0	0
	0	0
OTHER CHANGES		
Stock options	0	52
	0	52
TRANSACTIONS WITH OWNERS OF INTERESTS		
Acquisition of non-controlling interests	0	953
Dividends	0	0
Withdrawal of treasury shares	-2,465	-44,383
	-2,465	-43,430
as of June 30, 2022	63,631	124,905
as of January 1, 2023	63,631	122,582
COMPREHENSIVE INCOME		
Consolidated income	0	0
Other comprehensive income	0	0
	0	0
OTHER CHANGES		
Sale of subsidiaries	0	0
Stock options	230	5,431
	230	5,431
TRANSACTIONS WITH OWNERS OF INTERESTS		
Dividends	0	0
Repurchase of treasury shares	0	0
	0	0
as of June 30, 2023	63,861	128,013

EQUITY ATTRIBUTABLE TO OWNERS OF INTERESTS IN PARENT COMPANY				NON-CONTROLLING INTERESTS	EQUITY
Accumulated results	Other reserves	Treasury shares	Total		
239,431	-8,405	-46,848	418,557	4,706	423,263
24,377	0	0	24,377	-563	23,814
0	8,806	0	8,806	442	9,248
24,377	8,806	0	33,183	-121	33,062
0	0	0	52	0	52
0	0	0	52	0	52
0	0	0	953	-2,607	-1,654
-22,270	0	0	-22,270	0	-22,270
0	0	46,848	0	0	0
-22,270	0	46,848	-21,317	-2,607	-23,924
241,538	401	0	430,475	1,978	432,453
449,616	-1,994	0	633,835	1,831	635,666
35,590	0	0	35,590	84	35,674
0	-3,625	0	-3,625	97	-3,528
35,590	-3,625	0	31,965	181	32,146
0	0	0	0	-1,921	-1,921
-1,090	0	0	4,571	0	4,571
-1,090	0	0	4,571	-1,921	2,650
-63,398	0	0	-63,398	0	-63,398
0	0	-9,247	-9,247	0	-9,247
-63,398	0	-9,247	-72,645	0	-72,645
420,718	-5,619	-9,247	597,726	91	597,817

NOTES

PRINCIPLES OF ACCOUNTING

The interim consolidated financial statements of Kontron AG as of June 30, 2023 have been compiled according to the financial reporting standards of the International Accounting Standards Board (IASB), of the International Financial Reporting Standards (IFRS) and to the interpretations of the IFRS Interpretation Committee (IFRS IC), as they are to be applied in the European Union. The principles of financial reporting and measurement employed in the financial statements for the year ending on December 31, 2022 were applied to the compilation of the present statements without there having been any changes in such.

The interim consolidated financial statements as of June 30, 2023 have been subject to neither an audit nor an auditor's review.

Unless otherwise noted, all amounts are denominated in thousands of euros (TEUR).

GROUP OF CONSOLIDATED COMPANIES

Comprised in the consolidated financial statements are Kontron AG and all subsidiaries upon which Kontron AG directly or indirectly exerts control. The number of companies fully consolidated in the Group developed as follows during the first six months of financial year 2023:

GROUP COMPANIES (NUMBER)	2023
Number of fully-consolidated companies as of January 1	48
Group companies merged	-1
Disposals	-3
Number of fully-consolidated companies as of June 30	44

The following companies were merged into others in the first half of financial year 2023:

- › Affair OOO, Moscow, Russia: absorbing company AO IskraUralTel Yekaterinburg, Yekaterinburg, Russia

Deconsolidations

Sale of companies in Moldova (IFRS 5 - Discontinued Operations)

In June 2023, Kontron AG, Linz, Austria, signed an agreement to sell its 51% interest in S&T Mold S.R.L., Chisinau, Moldova, and 100% of the shares in S&T IT Technology S.R.L., Chisinau, Moldova, held by S&T Mold S.R.L. Both companies were deconsolidated as of June 30, 2023. Both companies were reported as discontinued operations under IFRS 5.

The discontinued assets and liabilities at the time of the deconsolidation and the net cash inflows are as follows:

NET ASSETS DISPOSED OF	IN TEUR
Cash and cash equivalents	1,565
Property, plant and equipment and intangible assets	397
Deferred tax assets	3
Inventories	827
Trade receivables and contract assets	3,261
Other current receivables and assets	515
Deferred tax liabilities	-6
Trade payables and contract liabilities	-603
Other current liabilities	-3,791
Net assets disposed of at carrying amount	2,168
Preliminary income from sale of subsidiaries	-1,597
Non-controlling interests in net assets disposed of	-1,921
Accumulated amount included in OCI	76
Result of deconsolidation (profit)	-1,274
Consideration received, satisfied in cash	0
Cash and cash equivalents disposed of	-1,565
Net cash outflow	-1,565

The cash flows in the cash flow statement attributable to the discontinued operation are shown in the following table:

IN TEUR	6M 2023	6M 2022
Net cash flows from operating activities	274	-26,680
Net cash flows from investing activities	-1,564	-1,565
Net cash flows from financial activities	-68	-4,689

Deconsolidation of other companies of the Kontron Group

The Kontron Group deconsolidated the following companies in the first six months of financial year 2023:

- › S&T Plus s.r.o., Prague, Czech Republic: sale, deconsolidation January 2023

In January 2023, Kontron AG, Linz, Austria, signed an agreement for the sale of 100% of the shares held in S&T Plus s.r.o., Prague, Czech Republic. The purchase price amounts to TEUR 3,500. The discontinued assets and liabilities at the time of sale as well as the deconsolidation result and net cash inflows are as follows:

NET ASSETS DISPOSED OF	IN TEUR
Cash and cash equivalents	1,339
Property, plant and equipment and intangible assets	1,574
Deferred tax assets	817
Inventories	2,990
Trade receivables and contract assets	2,722
Other current receivables and assets	470
Financing liabilities non-current	-243
Non-current and current provisions	-631
Trade payables and contract liabilities	-3,866
Other current liabilities	-3,364
Net assets disposed of at carrying amount	1,808
Income from sale of subsidiaries	-3,500
Accumulated amount included in OCI	-508
Result of deconsolidation (profit)	-2,200
Consideration received, satisfied in cash	3,500
Cash and cash equivalents disposed of	-1,339
Net cash inflow	2,161

Equity

As of June 30, 2023 the share capital of Kontron AG amounted to TEUR 63,861 (December 31, 2022: TEUR 63,631). It is divided into 63,860,568 (December 31, 2022: 63,630,568) no-par value bearer shares. The increase in share capital results from the issuance of 230,000 shares under the stock option program 2018 and the stock option program 2018 (tranche 2019).

Dividends paid

The dividend of EUR 1.00 per share proposed for the financial year 2022 was approved at the 24th Annual General Meeting on May 22, 2023. The dividends were paid on May 31, 2023.

Stock options

As of June 30, 2023 the company has issued two stock option programs. Eligible to participate in these are members of the Executive Board of Kontron AG and employees of Kontron AG and its subsidiaries.

The 2022 annual report contains a detailed description of the stock option programs.

By resolution of the Supervisory Board dated January 30, 2023, the term of the stock option program 2018 (tranche 2018 and tranche 2019) for beneficiaries still employed by the Group as of February 2023 was extended by one year until December 21, 2024. This concerns a total of up to 726,500 stock options.

During the first six months of financial year 2023, 233,000 options were exercised. The outstanding rights for the stock option program 2018 therefore amount to a total of 402,000 (PY: 500,000), for the stock option program 2018 (tranche 2019) a total of 365,000 (PY: 500,000), for the stock option program 2024/2025 (tranche 2024) a total of 750,000 and for the stock option program 2024/2025 (tranche 2025) a total of 750,000.

The expenses for stock options are reported in personnel expense and came to TEUR 970 (PY: TEUR 51).

Segment reporting

In accordance with the new growth strategy in the technology sector which centres on the Internet of Things (IoT), management undertook a reorganisation of the business segments. Since the beginning of financial year 2023, the Kontron Group has reported in the three segments "Europe", consisting of the cash-generating units "Industrial", "Telecom" and "Services"; "Global", consisting of the cash-generating units "North America" and "Asia"; and "Software and Solutions", consisting of the cash-generating units "Transport" and "Software". The previous year's figures were adjusted accordingly.

6M 2023 IN TEUR	EUROPE	GLOBAL	SOFTWARE + SOLUTIONS	TOTAL
Total revenues	424,923	127,030	108,896	660,849
Internal revenues	-60,957	-27,013	-11,989	-99,959
Revenues	363,966	100,017	96,907	560,890
EBITDA before HQ-Charging	34,671	8,874	17,387	60,932
6M 2022 IN TEUR	EUROPE	GLOBAL	SOFTWARE + SOLUTIONS	TOTAL
Total revenues	378,024	110,108	88,339	576,471
Internal revenues	-48,937	-23,978	-10,963	-83,878
Revenues	329,087	86,130	77,376	492,593
EBITDA before HQ-Charging	34,322	2,837	11,335	48,494

Q2 2023 IN TEUR	EUROPE	GLOBAL	SOFTWARE + SOLUTIONS	TOTAL
Total revenues	216,231	63,083	54,308	333,622
Internal revenues	-31,616	-12,701	-6,086	-50,403
Revenues	184,615	50,382	48,222	283,219
EBITDA before HQ-Charging	18,251	4,877	8,183	31,311
Q2 2022 IN TEUR	EUROPE	GLOBAL	SOFTWARE + SOLUTIONS	TOTAL
Total revenues	191,210	60,199	39,777	291,186
Internal revenues	-28,143	-12,430	-5,039	-45,612
Revenues	163,067	47,769	34,738	245,574
EBITDA before HQ-Charging	18,308	2,055	4,431	24,794

“EBITDA before HQ-Charging” represents EBITDA before expenses for headquarters are cleared by Kontron AG. Further, the “Europe” segment comprises all costs ensuing from Kontron AG (expenses for headquarters) that cannot be apportioned among the other segments due to functionalities. The effects upon consolidated income that are not directly associated with the operative businesses of the segments are therefore also reported in the “Europe” segment.

Revenues from contracts with customers are comprised of the following:

6M 2023 IN TEUR	EUROPE	GLOBAL	SOFTWARE + SOLUTIONS	TOTAL
Sale of products featuring proprietary technologies (hardware and software)	190,756	80,307	10,052	281,115
Sale of products from third parties (hardware and software)	73,488	15,234	17,722	106,444
Recurring operating services	89,569	4,476	68,837	162,882
One-time project services	10,153	0	296	10,449
Total revenues from contracts with customers	363,966	100,017	96,907	560,890
6M 2022 IN TEUR	EUROPE	GLOBAL	SOFTWARE + SOLUTIONS	TOTAL
Sale of products featuring proprietary technologies (hardware and software)	155,668	60,822	7,573	224,063
Sale of products from third parties (hardware and software)	74,693	16,328	4,149	95,170
Recurring operating services	91,351	8,980	65,026	165,357
One-time project services	7,375	0	628	8,003
Total revenues from contracts with customers	329,087	86,130	77,376	492,593

Of the revenues achieved during the first six months of financial year 2023, TEUR 67,953 were earned in Austria (PY: TEUR 54,397).

Other information

On February 3, 2023, the Executive Board of Kontron AG decided to carry out a share buyback program ("Share Buyback Program I 2023"). "Share buyback program I 2023" provides for purchases totalling up to EUR 10,000,000 with a maximum price of EUR 20 per share or up to 636,305 shares (1% of the share capital) and runs until August 6, 2023. By June 30, 2023, 505,493 treasury shares had been purchased at the total purchase price excluding incidental expenses of TEUR 9,247.

The 24th Annual General Meeting of Kontron AG was held on May 22, 2023. At this AGM, the following resolutions were passed:

- › Resolution to distribute a dividend of EUR 1.00 per share with dividend entitlement and to carry forward the remaining retained earnings onto new account;
- › Resolution on the election of the auditor and Group auditor KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft for the financial year 2023;
- › Resolution to amend the remuneration policy with regard to the basis of remuneration of the members of the Supervisory Board;
- › Resolution to authorize an increase of the company's capital in accordance with § 169 AktG (authorized capital) by up to EUR 6,363,056 in exchange for cash or other consideration including authorization of the Executive Board to exclude subscription rights, and the authorization to make the corresponding amendment to the articles of association ("Authorized Capital 2023");
- › Resolution on the re-election of Mr. Bernhard Chwatal to the Supervisory Board of Kontron AG.

Disclosure of relationships with affiliated companies and persons

In the course of normal business operations, relationships of supply and service provision exist with affiliated companies and persons, which primarily include Ennoconn Corporation, Taiwan, and Hon Hai Precision Industry Co. Ltd., Taiwan. In this context, a reverse factoring program was initiated in financial year 2022. Business transactions with related companies and persons are conducted at arm's length.

Events after the balance sheet date

- › The Kontron Group, through its 100% subsidiary, Kontron Europe GmbH, Ismaning, Germany, has signed an asset deal with Telit Cinterion, a US company headquartered in Irvine, California, to acquire the Cellular Automotive Module Unit from Telit Cinterion. This acquisition enables Kontron to expand its product portfolio, increase its internal development capacities and meet the growing demand for modern 4G/5G solutions. The unit's assets generated revenue of just over EUR 100 million in 2022 and will be integrated into Kontron Europe GmbH in the "Europe" segment. The purchase price amounts to EUR 24.5 million. Closing was beginning of August. Information on the determination of the fair values of the acquired assets and liabilities is not yet available at this time.
- › The Kontron Group has acquired 100% of the shares in Comlab AG, based in Switzerland, through its 100% subsidiary, Kontron Transportation GmbH, Vienna, Austria. Comlab AG, a specialist in data communication repeaters on trains, has its own product portfolio, high development capacities and a strong market presence in Switzerland, Germany and China, where Kontron Transportation intends to expand its footprint. Comlab AG, which achieved revenue of EUR 20 million with its subsidiaries in China and Germany in financial year 2022 with a balanced result, will be fully integrated into Kontron Transportation in the "Software + Solutions" segment. The transaction was closed by the end of July. Information on the determination of the fair values of the acquired assets and liabilities is not yet available at this time.

Declaration of all legal representatives

We confirm to the best of our knowledge that the condensed interim financial statements give a true and fair view of the assets, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed interim financial statements and of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions to be disclosed.

Linz, August 3, 2023



Dipl.-Ing. Hannes Niederhauser eh



Dr. Clemens Billek eh



Dr. Peter Sturz eh



Dipl.-Ing. Michael Riegert eh

Our annual report, quarterly reports and other bulletins are available at <https://ir.kontron.com> from the day of publication. Any changes to schedules and dates are also announced on our website in good time.

This half-year management report was published on August 3, 2023. The report is available in German and English. The English version is provided for convenience only. The German version is definitive.

This half-year report 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 half-year report. Assumptions and estimates presented in this half-year report will not be updated.

FINANCIAL CALENDAR

2023

03.08.2023	Half-year report 2023 (Earnings-Call Q2 2023)
03.11.2023	Q3-quarterly statement (Earnings-Call Q3 2023)
27.11.2023	Equity forum (27.11. - 29.11.2023)

Further details available under
https://ir.kontron.com/Financial_calendar.en.html

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