

kontron

Annual Report 2023



01

KONTRON GROUP OVERVIEW

Key Figures 2023 | 2022

IN EUR MIO.	2023	2022 ¹⁾
Revenues	1,225.9	1,063.7
EBITDA	126.0	70.0
Result after non-controlling interests	75.3	55.5 ²⁾
Earnings per share (in EUR cent)	1 EUR 23 cent	3 EUR 65 cent
Operating cash flow	116.9	44.4

1) Reclassification, see section A, Changes in accounting policies

2) Adjusted for extraordinary effects in connection with the sale of the IT service companies and the realignment of the Group

IN EUR MIO.	31.12.2023	31.12.2022
Cash and cash equivalents	332.2	437.8
Net Cash (+) / Net debt (-) ³⁾	121.2	118.3
Equity	604.0	635.7
Equity ratio	44.1%	44.1%
Backlog	1,686.2	1,459.6
Project-pipeline	4,099.9	3,407.2

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

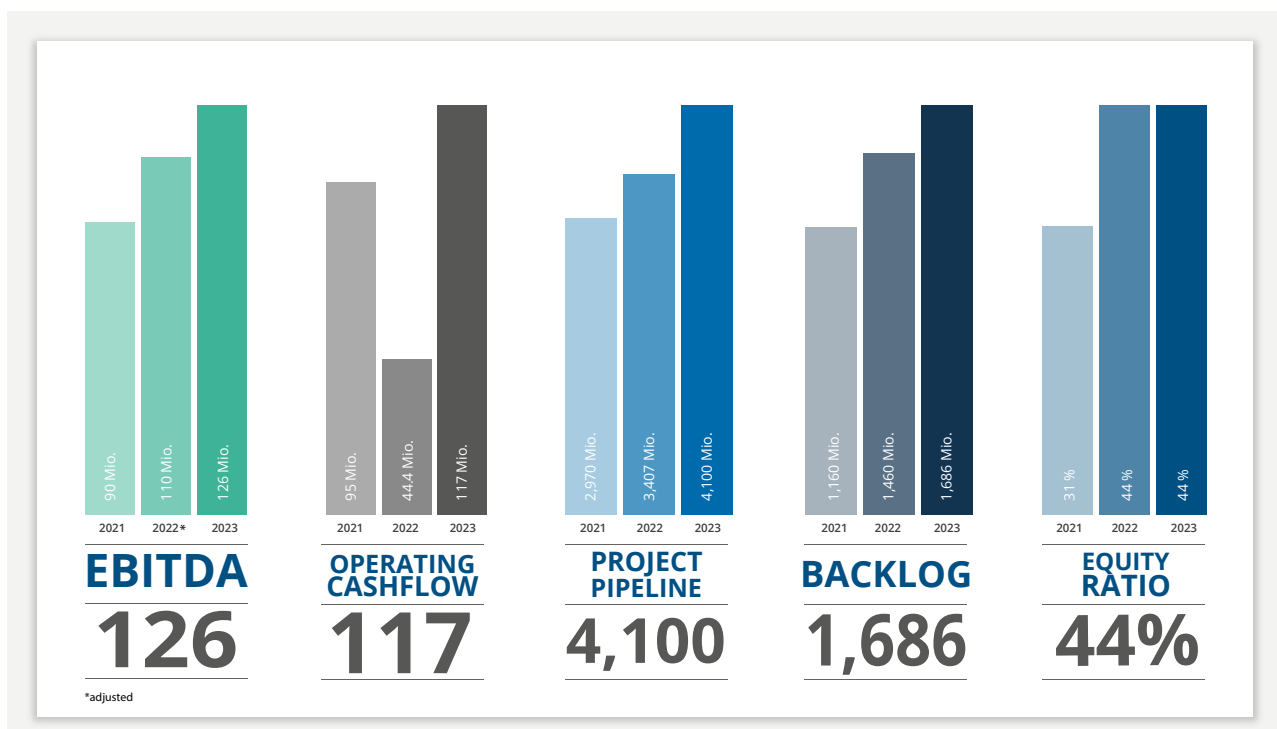
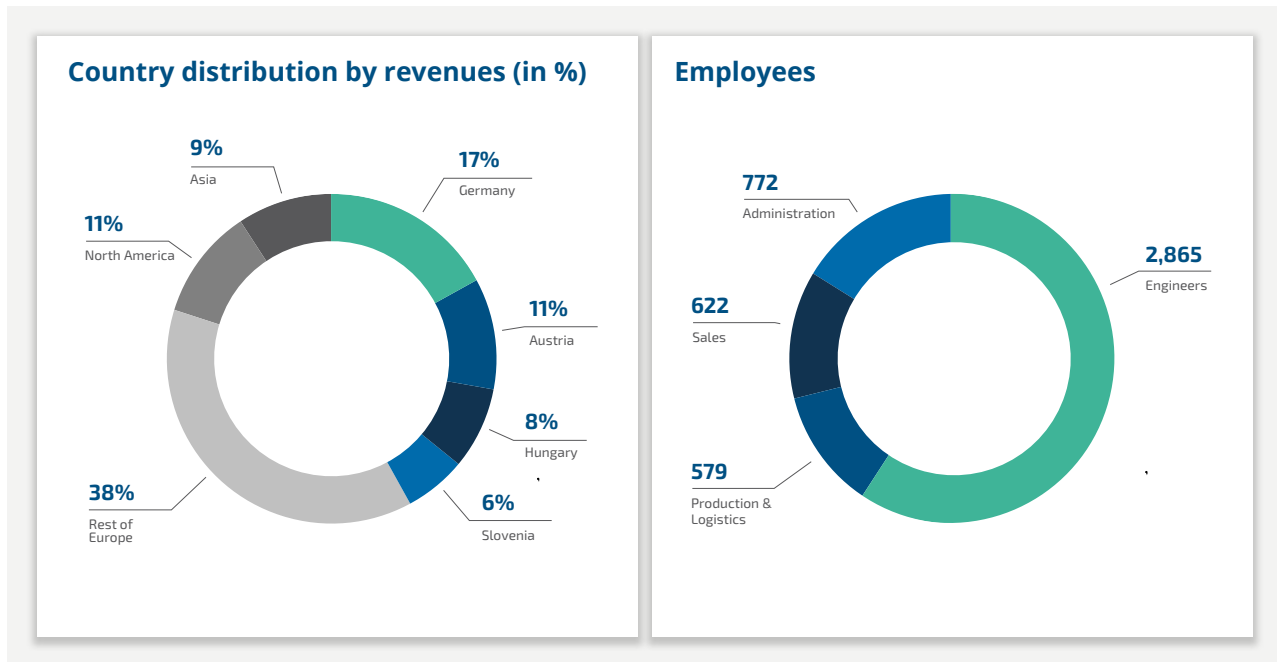
ESG INDICATORS	31.12.2023	31.12.2022
Employees ⁴⁾	4,838	4,475
Share of female employees in %	29.0%	28.7%
Share of male employees in %	71.0%	71.3%
Total energy consumption in MWh	27,623	29,715
Share of self-generated electricity in % ⁵⁾	2.6%	1.3%

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

5) Self-generated electricity in relation to total electricity consumption (from renewable and non-renewable energies)

KONTRON GROUP OVERVIEW

Key Figures 2023



Company

Kontron AIS GmbH

Customer

Meyer Burger Technology AG

Solution

Fully integrated MES for gigawatt scale production for an HJT solar cell factory and SmartWire solar module production

Industry

Smart Energy

Market

Germany

case study



Transforming solar manufacturing with FabEagle®MES

In the transition to green energy, the photovoltaic industry is making a significant contribution in achieving the target of 100% renewable energy. High-efficiency solar modules are the key to this journey. At the heart of solar module production is the solar cell manufacturing – one of the most crucial steps in the photovoltaic value chain for high-efficiency solar modules. Typically, production relies on a Manufacturing Execution System (MES) that helps to ensure quality, improve processes and reduce costs by monitoring and controlling manufacturing operations.

Meyer Burger, a leading solar technology company, has evolved from an equipment manufacturer to a provider of solar modules. To enhance their production, they sought an effective MES solution and chose FabEagle®MES from Kontron AIS for its established tracking abilities and advanced features, making it an ideal match for their needs.

FabEagle®MES has been seamlessly integrated into Meyer Burger's heterojunction technology (HJT) solar cell factory in Thalheim and the SmartWire solar module production facility in Freiberg, connecting more than 500 machines of different types. Its distinguishing feature is its precision in data collection and traceability, tracking individual solar cells with virtual single wafer tracking, ensuring comprehensive genealogy for solar modules. This MES solution isn't just about efficiency; it's about taking photovoltaic factory operations to a new level, paving the way for a greener and more sustainable future.

Meyer Burger, in partnership with Kontron AIS and FabEagle®MES, is at the forefront of this transformation, reaffirming the photovoltaic industry's commitment to a cleaner and more sustainable world.





FOREWORD

The desire for more starts here

The year 2023 was pivotal in the history of Kontron, signalling the beginning of a new era. At the end of 2022, we sold the majority of our IT service activities, the original backbone of the business that made the company grow. By selling the IT service business, Kontron sold a third of its total business, which while profitable and stable in the long term, was not aligned with our focus on the Internet of Things (IoT).

Since 2023, we have been a focused Internet of Things (IoT) provider with numerous proprietary products. This market is characterized by higher growth and better margins, but also higher risks in the technology sector.

Connected machines simplify production processes and are now an indispensable part of daily life. Self-driving smart cars, connected trains, construction machinery, airplanes, automated factories, and robots make our world smart without human intervention. Today, over 30 billion machines are connected to the internet, a figure that increases by 32% every year. Our new strategic alignment was manifested in 2023 with the new company name "Kontron", accompanied by an updated and modern overall appearance and logo.

Success proves us right. In the financial year 2021, the net profit was EUR 49.0 million (including EUR 30.5 million in the IoT sector). In 2022, the IoT sector accounted for EUR 55.5 million, and in 2023 that figure reached EUR 75.3 million from ongoing business. As a result, IoT profit more than doubled in two years, by 147% to be precise, and in 2023 we earned 54% more than altogether with the IT service business in 2021.

As promised, we invested the EUR 394.2 million purchase price from the sale of pioneering technologies and companies that are strengthening our IoT activities. EUR 108.9 million benefited our shareholders in the form of share buybacks and a special dividend. We have invested and will continue to invest EUR 300 million in acquisitions to strengthen our IoT business and meet our ambitious Agenda 2025 with a targeted revenue of EUR 2 billion.

We were also able to acquire key technologies for our Group. With Comlab, we are expanding our leading position in high-speed trains, the Telit carve out enables particularly easy 5G networking of machines, and the merger with Bsquare strengthens our software footprint in the USA. The acquisition of Hartmann und W-IE-NE-R bolsters our presence in the highly specialized aviation sector.

Following the takeover of the Katek Group at the beginning of 2024, and together with our new GreenTec Division, Kontron is now a leading provider of environmental technology (photovoltaic controls and intelligent e-mobility charging systems). This rapidly growing area will be networked with IoT in the coming years and offers a high level of synergies with our software products. This concludes our acquisition program for the time being. In 2024, the focus will be on integrating the acquired companies, realizing synergies, and increasing profitability.

The successful focus on IoT and our promising acquisitions represent a starting point for the new Kontron and increase the desire for more. Kontron currently has the most comprehensive technology portfolio in the IoT industry, and we want to ensure that this remains the case. With 3,600 engineers (incl. Katek), Kontron has the strongest technological "brainpower" compared to our competitors. We expect a head-to-head race against the previous market leader Advantech in 2024 for global IoT leadership. Technologically, we have many brand-new "game-changer" products ready to go. With our new operating system (KontronOS) and our Grid software susietec®, we want to set the standard in the networking of machines (IoT). Kontron is already a leader in specialized markets like high-speed trains, autonomous driving, aviation, and now environmental technology. The topic of artificial intelligence will significantly shape the IoT market in the coming years because IoT without AI is like a brain without synapses. This combination will further increase our growth. Technology leadership and superior products are what will make the difference.

In 2024, our organic growth will continue. We received EUR 1,452 million in new orders, which is 16% more than revenues in 2023 (EUR 1,226 million). Our order backlog already covers the revenue and growth planned for 2024. The year 2024 will be another very good year for Kontron. We expect a revenue of EUR 1.9 billion, with net profit expected to rise by about 30% to around EUR 100 million. Looking to the future, we are eager for more. As early as 2025, having integrated Katek and the planned synergies, we will see another significant increase in earnings.

Hannes Niederhauser, CEO



Company

Kontron Transportation

Customer

Slovakia Railways (Železnice Slovenskej republiky)

Solution

New turnkey GSM-R infrastructure for ETCS Level 2 on the line into the ŽSR network on the section Varín – Košice – Čierna nad Tisou – state border

Industry

Transportation

Market

Slovakia

case study



New turnkey GSM-R infrastructure for ETCS L2 for Slovakia Railways

With the GSM-R mobile communication system, co-financed by the Connecting Europe Facility (CEF) fund, a further milestone in the Slovakian Railway communication will be set. The objective of this modernisation project is interconnecting Slovakia's West and East by high quality railway infrastructure in accordance with the TEN-T interoperability requirements and the transport policies of Slovakia and the EU.

The GSM-R system will ensure mobile telecommunication and data communication for the needs of railway operation and for the introduction of the ERTMS system, i.e. the European Rail Traffic Management System, on the section of the railway infrastructure Varín – Košice – Čierna nad Tisou. It's the main corridor in the Slovakian Republic and it is connecting West and East Europe.

A digitally enabled railway network will be built, that brings benefits for railway operators and passengers. For example, a modern communication system enables railways to better inform passengers and a reliable radio coverage increases the safety of drivers, maintenance teams and passengers. A consortium of the companies Kontron Transportation s.r.o., AŽD Praha s.r.o. and Elektrizace železnic Praha a.s., will work on the realisation of this project. Kontron Transportation leads this consortium.

Kontron Transportation will do the development, the design, the integration and the implementation of all components together with the partners in the consortium. The implementation started in 2023 and will take approximately two years.



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03

MANAGEMENT TEAM OVERVIEW

EXECUTIVE BOARD



Hannes Niederhauser

CEO

Hannes Niederhauser is CEO of Kontron AG and has been CEO of KATEK SE, which was acquired by Kontron AG, since March 4, 2024. Following his studies in electrical engineering at the Graz University of Technology, the Austrian-born manager worked as a developer of microchips and in the embedded computer segment. Before joining Kontron (then: S&T), Hannes was the main shareholder and CEO of the then Kontron AG from 1999 to 2007, which developed into the world's largest provider in the field of embedded computing. Hannes is tirelessly driving Kontron's growth and positioning as a leading provider of IoT solutions.



Clemens Billek

CFO

Clemens Billek has been a member of the Management Board of Kontron AG since 2022. As CFO of the Kontron Group, he has many years of professional experience in the field of capital markets as well as legal, compliance, and risk management at listed companies and in the digitalisation sector as the founder of a telemedicine platform. After starting his career at the Austrian Takeover Commission as a stock exchange supervisory authority and as an investment banker at an international investment bank, Clemens most recently worked as head of the office for the Takeover Commission.



Michael Riegert

COO EVP Industrial

Michael Riegert was appointed to the Executive Board of Kontron AG in December 2021. Michael has worked in the embedded industry – as an engineer and manager – for more than 25 years. With one exception, he has spent his career at Kontron, where he has held a variety of management positions. Following his appointment to Penta/ADLINK management at the end of 2015, in 2017 he became Executive Vice President for the APAC and Americas regions within the Kontron Group (then: S&T) and in 2019 Managing Director of Kontron Transportation.

SUPERVISORY BOARD



Claudia Badstöber

Chairwoman of the SVB

Claudia Badstöber holds a degree in Business Administration and worked as admitted tax consultant and auditor for a renowned audit firm for many years. She later joined Group conwert, one of the leading real estate companies in Austria, and acted as CFO with a focus on group accounting, taxes, controlling, risk management and capital markets. From 2011 until 2019, Claudia Badstöber led the finance division at Liechtensteinische Landesbank (Österreich) AG (former Semper Constantia Privatbank Aktiengesellschaft) and served as member of the supervisory board of two companies during this period. In 2019, the financial expert joined the Austro Holding and grosso holding Groups, where she holds positions as managing director in several companies of the each Group.



Bernhard Chwatal

1st Vice Chairman of SVB

Bernhard Chwatal is a proven expert in handling (major) insolvencies and restructurings with a focus on Retail, Industry and Real Estate and has core competences in Finance, Corporate & Insolvency Law, Due Diligence, etc. combined with a high affinity for technology. In the course of his activities, Bernhard Chwatal has already founded and managed several companies in the fields of consulting, fiber optic network construction and biotechnology and is currently Managing Director and co-Owner of CableRunner International GmbH (installation of glass fiber optic networks worldwide). He also holds shares in a biotech company and is member of several Advisory Councils and Supervisory Boards. In the past, Bernhard Chwatal was significantly contributing in the turnaround of Libro AG, Ankerbrot AG and the Waagner-Biro Group.



Steve Chu

2nd Vice Chairman of SVB

Steve Chu holds a degree in electrical engineering. He worked for Foxconn from 2002 to 2011. Subsequent to that, he was appointed CEO of Ennoconn Corporation, which, under his leadership, was listed on the Taiwan Stock Exchange. In addition to his work for Ennoconn, Steve Chu is CEO of Goldtek Technology, and Member of the Board at Ennoconn International Investment Co., Ltd. Chu also serves on the boards of EnnoMech Precision Co., Ltd. and of CASwell, Inc.



Joe Fijak

Supervisory Board Member

Joe Fijak currently holds the position of Global Executive Vice President at Ennoconn Corporation. Joe has built excellent relationships within the high-tech industry with numerous Tier 1 global customers, suppliers and investment partners executive management teams. He brings more than 40 years in the electronics distribution, OEM and contract manufacturing industry to the table. Before joining Foxconn, Joe worked as Executive Vice President of American Industrial Systems, Inc. as well as for Fortune 500 high-tech global distributor Avnet Electronics and Sanmia Corporation. Originally from Chicago, Joe Fijak is an accomplished business leader, frequent keynote speaker at top industry conferences and has served on numerous technology company and industry boards.



Yolanda Wu

Supervisory Board Member

Yolanda Wu has over 30 years of experience in finance. Her expertise is in capital markets and derivatives markets with a focus on corporate governance, risk management, internal control, auditing and accounting standards. Yolanda Wu served as Chief Financial Officer of Ennoconn Corporation until end of August 2022 and she is the President of the Diamond Biofund Corporation. Previously, she served as a director of the Financial Supervision Commission (FSC) in Taiwan and London representative office and as an auditor.

Brand
susietec®

Solution
Upgrade with FabEagle®Connect,
KBox A-250 gateway hardware and
FabEagle®Monitoring

Industry
Software/Automation

Market
Europe

case study



Production digitalisation with the susietec® toolset

In the dynamic and rapidly evolving landscape of Industry 4.0, the Internet of Things (IoT) plays a pivotal role in shaping industrial operations. As the trend moves towards a future characterised by interconnected devices and data-driven decision-making, the urgency to modernise and enhance control systems of machines and production lines is increasingly important. An electronic components manufacturer's journey to revamp its production control stands as a use case for the crucial impact of digitalisation in forging an IoT-centric future in manufacturing.

The susietec® toolset empowers our client to boost their competitive edge by enhancing reliability, enabling connectivity, and streamlining maintenance. This seamless transformation for the electronic component manufacturer commences with our experts conducting a comprehensive analysis of their operations against the envisioned architecture. This is followed by updating components, modifying control software at the machine level (such as PLCs), and making process-specific adjustments.

For instance, integrating the KBox A-250 IoT gateways with the FabEagle®Connect low-code interface integration solution marks the first step towards connecting OT/IT and data lakehouses. The subsequent incorporation of the FabEagle®Monitoring system unlocks capabilities in visualisation and reporting, offering insights into key performance indicators (KPIs). Real-time analytics of machine data facilitate automated maintenance recommendations, aiding in downtime reduction. Customised dashboards offer insights into key performance metrics like Overall Equipment Effectiveness (OEE) and equipment availability.

The collaborative use of susietec® toolset products like FabEagle®Connect, along with hardware such as the KBox and FabEagle®Monitoring, ensures swift and dependable connectivity between OT and IT. This integration continuously refines production processes. Our client reaps the benefits of deeper insights, enhanced transparency, and better evaluation tools, fostering long-term improvements in their production operations.



ABOUT KONTRON

Kontron – a multinational IoT solution provider

Kontron AG is a leading IoT technology company based in Linz, Austria. For more than 20 years, Kontron has been helping companies from a wide variety of industries to achieve economic goals using intelligent solutions. From automated industrial processes, smarter and safer transportation to advanced communication, medical, and energy solutions, the company offers its customers value-adding technologies.

In the financial year 2023, Kontron operated locations in 23 countries worldwide and employed at year-end 4,838 people.

Following the sale of the majority of companies in the IT services sector as of December 29, 2022, the company gradually pushed ahead with its focus on the Internet of Things (IoT) business in financial year 2023. The sale was preceded by the change in the company name from S&T AG to Kontron AG in June 2022. Kontron AG has been operating in the three business segments “Europe”, “Global” and “Software + Solutions” since January 2023. All three business segments focus on developing secure and intelligent solutions through a combined portfolio of hardware, software and services in the areas of Internet of Things (IoT) and Industry 4.0. The segments are divided primarily by their focus on various vertical markets and regions.

Overview: The three business segments of the Kontron Group in financial year 2023

- › **“Europe”:** In this segment, the Kontron Group bundles its activities to develop secure solutions for networked machines by means of a combined portfolio of hardware, software and IoT services in Europe. The business segment focuses on the Kontron Group's proprietary technologies and solutions, in particular for the industrial automation, 5G connectivity and communication solutions as well as medical technology and smart energy markets. In addition, the remaining IT services business is reported in this segment.
- › **“Global”:** The Global segment presents the Kontron Group's business activities in North America and Asia. In addition to its own portfolio, products and solutions from the Europe segment are also marketed. The areas of avionics and communication/connectivity are also covered by this segment.
- › **“Software + Solutions”:** The segment comprises the group-wide software portfolio, primarily for the industrial automation sector, Kontron's own operating system (KontronOS) and the solutions business in the transport sector. This segment has the areas with the highest margins and the highest growth rates in the Group.

With its business segments, Kontron presents a comprehensive portfolio of IoT-enabled products and solutions as well as services for various customer segments and vertical markets. The broad and complementary technology portfolio, comprehensive know-how and extensive engineering capacities within the group of companies enable the end-to-end implementation of IoT projects. The way Kontron is configured also allows quick and flexible adjustment to market requirements.

As an established and renowned manufacturer of industrial technology solutions, Kontron has developed into a major provider in the Industrial Internet of Things (IIoT) sector over the past decades and has continuously expanded its range of proprietary technologies and software solutions. This is done both through internal research and development projects and through targeted acquisitions. In financial year 2023, Kontron further strengthened its IoT business strategy by acquiring four companies.

With our future-safe portfolio of proprietary products and technologies in the context of Industry 4.0, in recent years we have developed into a company focused on intelligent Industrial IoT solutions. The offering includes embedded industrial computer systems, network and security solutions, and the software required to operate such systems.

Our overall goal is to always be able to address current trends and customer needs in relevant areas and to establish Kontron as a leading technology company.

Kontrons target markets



GreenTec (since 2024)

Pioneer for regenerative technologies

With its new future-oriented GreenTec division, Kontron offers high-quality solutions in the areas of solar energy and E-mobility. An important part is the control electronics for photovoltaic systems and the rapidly growing range of intelligent charging solutions for electric vehicles.



Aerospace

Ultra-robust solutions for the IFEC market

Kontron offers a wide range of IFEC systems hardware and software. Since 2023, Kontron has also been providing solutions that enable satellite-based connectivity via geostationary (GEO), medium (MEO) and low Earth orbits (LEO).



Automation

Solutions for industrial automation

Kontron supports customers in their digitisation transformation with the proprietary developed susietec® IoT toolset. As part of the toolset, our KontronOS operating system provides the highest security standards for IoT applications.

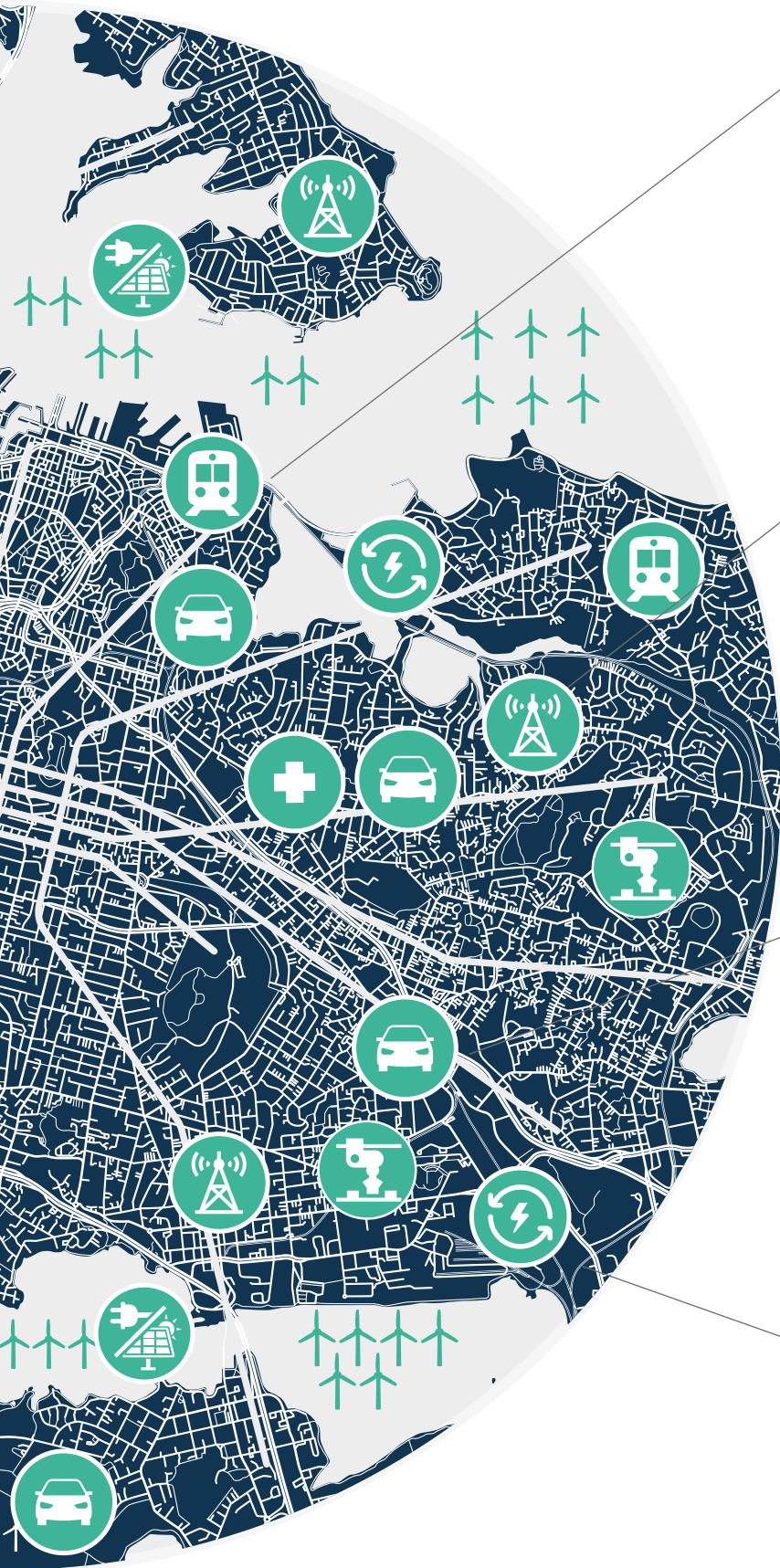


Medical technology

Digital innovation in healthcare

The Internet of Things (IoT) continues to rapidly drive the transformation of the healthcare market. Using intelligent and practical applications that provide real-time data, Kontron creates added value for patient care with its solutions.





Transport Rail digitalisation

With our comprehensive mobility solutions using intelligent and reliable IoT services, we support the digitalisation of the transportation sector. Kontron is deeply involved in researching the future train communication technologies such as FRMC.



Communications & connectivity 5G evolution

Kontron is a leading European IoT provider for the digital transformation of telecommunications. Our 5G and RAN technology expertise opens up new opportunities for our customers.



Automotive Enabling autonomous driving

Based on over 20 years of experience in infotainment and telematics, Kontron offers application-specific connectivity solutions with its Network Access Devices (NADs) to enable extended connectivity for the automotive industry.



Energy Smart energy solutions

Kontron is driving forward the development of hardware and software product solutions for intelligent power grids, energy providers and industrial customers. That is how our smart energy solutions help to save resources and reduce carbon emissions.

Our vision for creating more value

Kontron is the world's leading technology company in decisively shaping the IoT evolution. Based on our strong position in the area of industrial automation, and thanks to our continuous exploration of technological opportunities, intensive research and development, and the integration of sustainability into our business activities, our employees are taking our company's performance to a new level. Our shared values and our brand provide the foundation for a focused, successful and value-creating company.

Our vision

At Kontron, we strive to become the leading global IoT company and a pioneering force, developing secure, sustainable, and cutting-edge technologies.

We are making the world a better place through smart technologies. At Kontron, we work every day to create value with our IoT solutions, while prioritising environmental sustainability, enabling businesses to thrive in a rapidly evolving digital landscape.

Our mission

We are making the world a better place using smart technologies.

At Kontron, we work every day to create added value with our IoT solutions, while taking into account the impact our solutions have on the environment, in order to be successful in a dynamically growing digital landscape.

Kontron's mission is to make a tangible difference. We use smart technologies to improve the world and ensure that our IoT solutions are developed with the goal of improving society and the environment. It is about creating value that not only moves companies forward but also contributes to a sustainable future.

Our tagline: "The Power of IoT"

During 2023, Kontron made significant progress – both technologically and in terms of company growth. Our new tagline "The Power of IoT" is more than just a phrase – it's our shared promise and reminds us of the strength we use every day to develop smart and sustainable innovations. It commits us to unleashing the full potential of IoT to drive forward innovation worldwide and support companies in a rapidly evolving digital world.



Kontron's portfolio of products and services

The transformation to a pure "IoT player" includes increasing the share of software in the various vertical end markets and building an offering for IoT as a Service with service-oriented service level agreements (SLAs) in the IoT sector. Kontron is consistently focusing its service portfolio on the extensive and expanding Industrial IoT market. This involves the development of integrated solutions that can be used in a variety of vertical markets.

In addition to industrial automation, the developments that are driving Kontron's technological progress include artificial intelligence (AI), 5G connectivity, high-speed trains, autonomous vehicles, medical technology and connectivity in air traffic.

The smart factory: solutions for industrial automation

With the increasing digitalisation of business and production processes, the need for advanced and efficient automation solutions is increasing. For years, the Kontron Group has focused on the rapidly growing automation market and offers a comprehensive portfolio of hardware, software and service solutions. Customers benefit from accelerated time to market for products and services, lower total operating costs and, in many cases, the opportunity to develop new business models.

Kontron provides the tools and expertise needed to unleash the full potential of the intelligent factories of the future. Especially in production environments where intelligent machines are essential for daily operation, Kontron solutions ensure a secure 24/7 connection in real-time.

Current influences on technological solutions in industrial automation also include the current trend of nearshoring. This refers to the relocation of factories and production facilities back to Europe, which leads to increased automation budgets for robotics solutions and networked IoT production machines.

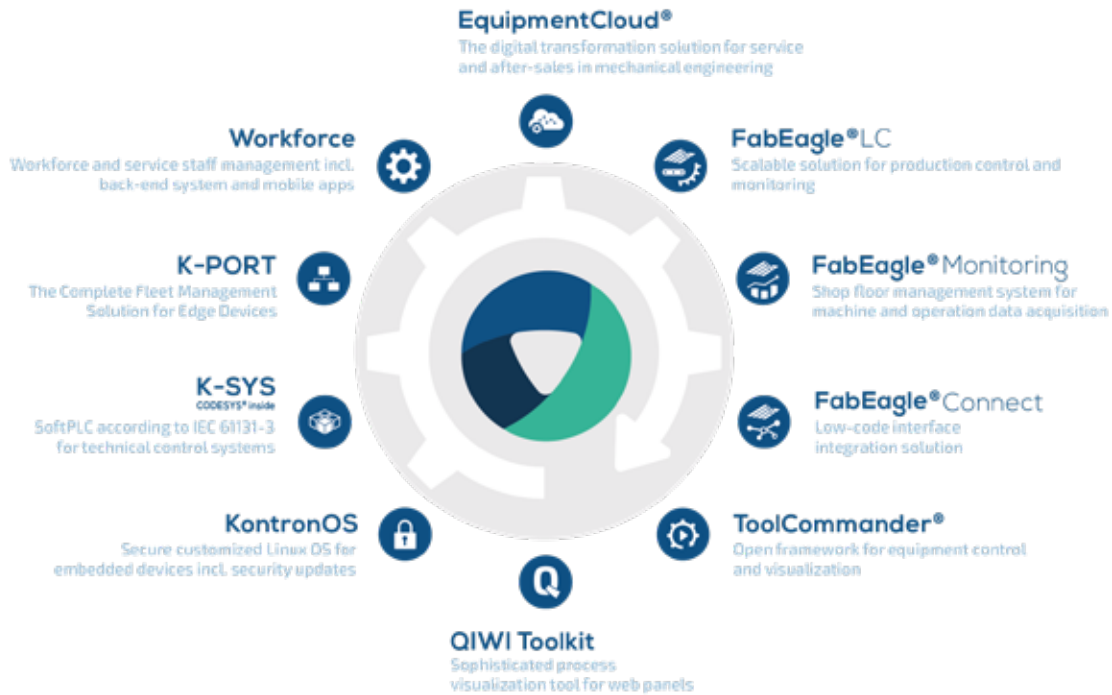
Digitalisation made easy: the Kontron susietec® toolset

The susietec® IoT toolset developed by Kontron enables customers to create individual solutions using software, hardware and expertise that meet a wide range of work environments and requirements. The Kontron susietec® toolset uses proven software solutions as the key to digital transformation. By integrating hardware solutions, comprehensive digitalisation projects can be implemented vertically. The susietec® toolset is already being used successfully in machine and plant control systems as well as in production environments at existing plants (brownfield) and new plants (greenfield). Kontron uses its own operating system (KontronOS), which was developed within the Group for IoT applications and has the highest security standards, particularly for critical infrastructure.

KontronOS is designed to integrate quickly and reliably into existing business processes as well as into devices, machines and systems. By harmoniously combining existing software products and customer-specific implementations, it forms the basis for securely connecting employees, processes, plants and systems with each other digitally.

The Kontron Operating System combines the many years of experience and expertise of Kontron engineers with innovative technologies.

The susietec® portfolio



KontronOS increases cybersecurity for IoT applications

At the end of 2023, at the leading trade fair for smart and digital automation, SPS (smart production solutions), Kontron presented the new Kontron operating system KontronOS, an industrial IoT-to-cloud operating system based on Linux, which is used primarily in cybersecurity. In this area, IoT devices are generally considered a critical security risk. Just as devices in the smart home sector are still rarely or not at all secured, manufacturing and industrial plants are also sometimes seriously lacking in terms of information (IT) and operational technology (OT) security. Most hacker attacks are aimed at blackmailing companies. However, plants could also be hijacked, causing massive harm to personnel and the environment. As an interface between IT and OT, IIoT (Industrial Internet of Things) solutions must therefore guarantee special security technologies. That is why starting in August 2024, the Cybersecurity Act and the Cyber Resilience Act will come into force at the EU level.

The digital security of in-house development is therefore of enormous importance for integrated devices: The growing number of autonomous devices without operators represents a significant threat exposure for companies. Different user groups have different needs and security requirements. KontronOS provides a tailor-made, Linux-based operating system for networked devices that is based on the specific requirements of customer software and hardware. The automated update process ensures that the system is always up-to-date. Especially with large numbers of devices, Kontron ensures that all devices in the field are at the same update level despite different schedules and threat scenarios.

Customer-specific software projects and implementations

Customers worldwide and across industries rely long-term on Kontron's proven industrial software products and digital transformation solutions, which are constantly setting new standards. That is how we are covering new ground in automation with mechanical engineering companies and factory operators to deliver sustainable competitive advantages.

German customers Gebr. Becker GmbH, an internationally active expert in the field of vacuum and compressed air technology, implemented in 2023 a machine link with FabEagle@Connect using the very latest IoT modules to capture digital signals. FabEagle@Connect is the decisive component for integrating over 40 CNC machines into the company's production IT. It transmits all important data and signals relating to the machine status to the higher-level MES (Manufacturing Execution System). Data is even provided from existing machines without a modern data interface by evaluating digital signals. The result is reliable and high-performance data transmission for all of the company's existing machines. Integration does not require machine downtime and commissioning can be completed while production is ongoing.

Digital in transportation: the path to secure and connected mobility

Kontron offers a wide range of solutions for various forms of transportation and reinforces its expertise in this market with a comprehensive portfolio. The company focuses on providing mobility solutions for public transport, high-speed trains, civil aviation and the automotive sector, particularly in the context of autonomous vehicles.

With the increasing demand for intelligent and reliable vertical IoT services, the Kontron portfolio of solutions for the transportation sector has recently expanded significantly. Kontron's solutions help to make traffic flows safer and more efficient.

Rail safety: tomorrow's rail communication solutions

Through its subsidiary Kontron Transportation GmbH (KTR), a leading global provider of dedicated end-to-end communication solutions for mission-critical networks, Kontron supports customers with solutions to their communication challenges. The company's main focus is on producing, transporting and processing voice, data and video information reliably, securely – and sustainably. The central product portfolio includes GSM-R (Global System for Mobile Communication-Railway), FRMCS (Future Railway Mobile Communication System), MCx (Mission-Critical via public networks), 4G/5G solutions for public networks and IIoT solutions with a focus on data processing. The main customers include railway companies and public transport companies.

Research on future train communication technologies such as FRMC and 5G, which are currently still under development and where Kontron is significantly involved in various projects, represents a major driver in the future for the company. As part of the 5G Victory project, Kontron Transportation's mission-critical (MCx) communication system excelled this year. End-to-end application scenarios for rail transport were validated using the advanced MCx service over a standalone 5G network. The results provided valuable insights into FRMCS services in 5G networks as well as the end-to-end performance of MCx-based services using 5G. In 2024, further research will be carried out in follow-up projects, where Kontron Transportation will play a leading role.

This research initiative has made significant progress because it ensures seamless communication between trains and stations. Kontron has successfully shown how to implement geo-based emergency calls and demonstrated the possibility of making prioritised switching when there are insufficient resources in the network. Ultimately, we established a comprehensive test environment for rail applications, which gave us valuable insights into the performance of FRMCS services in 5G networks and the end-to-end performance of MCx-based services using 5G.

In addition, with the significant expansion of high-speed train lines from 11,000 kilometers to 33,000 kilometers across Europe, the EU Green Deal opens up major business opportunities for Kontron.

Rail sector customers

The projects that Kontron Transportation won in 2023 include the implementation of new turnkey GSM-R infrastructure in the ŽSR network (Železnice Slovenskej republiky) for ETCS Level 2 for the “Varín – Košice – Čierna nad Tisou – State Border” section. This project, financed by the Connecting Europe Facility fund, will set another milestone in the communication on Slovakian railways. The modern communication system enables railway companies to better inform passengers, while reliable radio coverage increases the safety of passengers, train drivers and maintenance teams. A consortium led by KTR Kontron Transportation and the participating companies AŽD Praha s.r.o. and Elektrizace železnic Praha a.s. will work on the implementation of this project.

Kontron Transportation and Thales GTS România S.R.L. have signed contracts to implement a GSM-R system in Romania. The new communication system increases rail safety on the “Lugoj – Timisora East” and “Cluj Napoca – Oradea – Episcopia Bihor” railway lines. This project will expand rail communication in Romania and set a milestone in the further development of railways in Romania. Implementation work has already begun and the planned project duration is three years.

Kontron Transportation is driving forward the development of the next generation of broadband solutions for business-critical networks, for example as an associate member of the European research initiative Shift2Rail and has been developing, building, implementing and supporting end-to-end RDN (Railway Dedicated Network) solutions based on GSM-R for more than 20 years. Kontron Transportation GmbH's secure and scalable infrastructure alone connects more than 90,000 kilometers of rail routes throughout Europe, Africa and Asia.

Some of the largest IP-enabled rail communication networks in the world based on GSM-R, including the networks of Austrian Federal Railways (ÖBB), Deutsche Bahn, Network Rail, SNCF Réseau/Synerail as well as important routes in China, Algeria, Saudi Arabia, Egypt and many others are operated by Kontron Transportation. Kontron Transportation has actively contributed to creating new standards in train radio technology and is a partner for numerous rail operators that are preparing to switch from GSM-R to a next-generation radio infrastructure standard (FRMCS). As a manufacturer and system integrator, Kontron Transportation combines technical trends with the very latest technologies and expertise. Kontron Transportation focuses specifically on railways and is therefore in a position to offer customised solutions and special consulting competence in terms of investment protection and sustainable development.

susietec® in transportation

In addition to Kontron Transportation solutions, Kontron also offers automation solutions in the rail sector with its susietec® IoT toolset. For these applications, Kontron AIS offers automated solutions for train sequencing and assembly systems. Marshalling yards and hump yards for dismantling and assembling freight trains are at the heart of single-wagon traffic and their complexity presents considerable challenges. Kontron software solutions optimise handling and ensure smooth, future-focused yard operations – from speed control and route control to predictive maintenance, marshalling yard efficiency and reliability are optimised.

Kontron subsidiary Kontron Europe GmbH provides services and embedded computing for the rail sector, dedicated networks for train radio, embedded systems for the vehicle sector and ticketing solutions. To ensure that rail infrastructure functions optimally, the company offers extensive customisation of Commercial Off-The-Shelf (COTS) computing platforms to ensure critical safety and performance up to Safety Integrity Level (SIL) 4, helping to ensure that public transport can be used safely. Kontron technology not only supports public transport staff with digital communications while they are working, but also promotes a seamless service to passengers without technical disruptions.

Company

Kontron Transportation

Customer

NAT (National Authority for Tunnels),
project by a consortium lead
by Siemens Mobility

Solution

Greenfield GSM-R turnkey deployment
for the Egypt High Speed Rail

Industry

Transportation

Market

Egypt, Africa, Middle East



case study

Kontron Transportation supports major High Speed Rail project in Egypt

Kontron Transportation was awarded the greenfield GSM-R turnkey deployment for the Egypt High Speed Rail project by a consortium led by Siemens Mobility. This project will mark the beginning of a new area for the railway system in Egypt, Africa, and the Middle East. A new electrified train network will connect 60 cities throughout the country with 2.000 kilometers of state-of-the-art high-speed rail network.

Kontron Transportation delivers the most advanced Railway Radio Communication technology, which is fully compliant to UIC Railways standards. It is based on an IP cybersecured technology portfolio, which will pave the way to Next Generation 5G FRMCS and ensure smooth GSM-R/FRMCS transition. Kontron Transportation GSM-R technology will be deployed over the three lines.

This will sustainably connect millions of people and allow them access to urban infrastructure also for healthcare and education. This makes the project a valuable contribution to global initiatives to reduce carbon emissions.

Kontron Transportation brings its vast GSM-R and FRMCS experience and credibility, whereby the lifecycle management in supply and maintenance will be enriched.



The future is taking off: The connected aircraft

Following the corona epidemic, the aviation industry has been undergoing a significant recovery phase in recent years, reaching a new high. There is currently a change in technology from geostationary to low-Earth and mid-range satellite constellations, which will shape satellite connectivity in aerospace and other markets in the coming years. Kontron is already providing solutions that enable satellite-based connectivity via geostationary (GEO), medium (MEO) and low Earth orbits (LEO) – and is therefore at the forefront of this trend.

With more than 30 years of experience and as the world's leading provider of in-flight entertainment and passenger communication systems, Kontron is one of the most sought-after suppliers when it comes to providing high-quality IoT services to the commercial aviation industry. Kontron is a pioneer in the development of ultra-rugged platforms for commercial and military aerospace and, as a result, is well-positioned to meet the requirements of the IFEC market. As a leading provider of integrated hardware systems for the commercial aviation industry, Kontron solutions include critical system components for secure in-flight broadband services such as Internet, email, VPN access, multimedia functionalities, video on-demand, games and other additional forms of entertainment for the implementation of a fully integrated wireless networked cabin with broadband board-to-ground or board-to-satellite connections.

Aerospace customers

Kontron supports numerous airlines with a wide range of hardware and software solutions for connectivity and on-board entertainment. These solutions enable airlines to offer their passengers advanced services, such as video and media streaming and Internet connectivity. Today, more than 5,000 commercial, government and business aircraft use Kontron technologies all over the world.

By using Kontron solutions, companies can surpass conventional product life cycles. With the help of “Bring Your Own Device” (BYOD) models, new sources of revenue can also be developed while achieving greater operational efficiency. Kontron products in this market include controllers for satellite communications, media streaming servers, and wireless access points. All of these products are specifically tested and certified for operation and maintenance in the highly regulated environment of commercial aircraft and business jets. Our solutions also include media delivery software that enables operators to quickly deploy flight-specific services with minimal development costs.

In recent years, the Kontron Group has positioned itself as a leading provider due to its focus on domestic traffic, business jets and the Asian market, as well as a main supplier of the latest satellite connectivity controllers. The trend towards LEO (Low-Earth Orbit) satellite constellations opens up new perspectives for Kontron in providing services with extended bandwidth and improved global coverage. This also offers the opportunity to extend and deepen our aerospace expertise to other application areas, such as land or sea transport.

Kontron in the defense sector

As an embedded computer supplier, Kontron products are also used in defence. These are primarily solutions in the area of control and defence technology. The main market covers North America, although the proportion of defence business accounts for less than 5% of total revenue. Kontron provides its customers with a comprehensive platform of base computer products at board and system level as well as customised software support. Extensive development and manufacturing capabilities make it possible to adapt standardised Kontron products to meet specific requirements, whether for individual application requirements, official military programs or innovative technologies.

Autonomous vehicles: Safe and smart in road traffic

The future of transportation is decisively shaped by developments in the area of autonomous vehicles. In addition to cars, there are also trains as well as construction and harvesting machines that are being operated without a driver, changing our everyday lives as a consequence. The continuous development of autonomous means of transport offers the potential for high-cost savings and will also contribute to an increase in road safety in the future.

The acquisition of the Cellular Automotive Module Unit from Telit Cinterion in financial year 2023 sees Kontron expand its range of IoT solutions in the area of telematics and providing connectivity solutions for automotive OEMs.

Network Access Devices (NADs)

Kontron network access devices (NADs) for the automotive sector offer customised connectivity solutions that improve the driver and passenger experience. These NADs are developed based on more than 20 years of experience in infotainment and telematics.

Kontron Automotive NADs provide secure mobile connectivity for all global wireless networks and are designed to withstand extreme temperatures, severe vibrations, bad weather, and high humidity. The NADs also offer full support for automotive functions such as “eCall”, an automatic emergency call system that provides rapid assistance in the event of an accident.

Following this acquisition, Kontron has also taken over advanced 5G development, which will be used by automotive customers in the future. Customer testing started in the third quarter of 2023 and a start of production for these NADs is planned for the second half of 2025 in coordination with customer projects.

Smart connectivity

Cities are increasingly investing in ICT (Information and Communication Technology) infrastructures. Thanks to advanced developments in 5G networks, the Internet of Things (IoT) and artificial intelligence (AI), cities will become more connected and at the same time more efficient. In the future, ICT solutions will enable cities to not only reduce costs and environmental impact through energy management, but also improve mobility through real-time traffic information. Thanks to their high speed and low latency, 5G networks not only enable immersive and interactive virtual entertainment technologies, but also tele-surgery, autonomous driving and automation in industry.

With years of experience and unique expertise, Kontron develops comprehensive ICT solutions for the digitalisation of numerous industries: intelligent, secure and reliable solutions for a better, connected world. By using robust Kontron infrastructure, operators are creating the basis for improving fibre optic, LTE and 4G connectivity and making it easier to build 5G networks in the areas of telecommunications, media, avionics, defence, transportation, broadband, Industry 4.0 and more. As a result of the rapid evolution of the telecommunications industry, the introduction of new technologies such as 5G and the increasing use of Open RAN technologies has made a significant impact. These pioneering technologies open up new opportunities and business models for service providers. Kontron works closely with telecommunications and network equipment manufacturers to offer an ideal mix of integrated hardware and software platforms for specific network solutions at the system level.

Virtual radio access networks (vRAN) and open-access broadband connectivity

Kontron's advanced solutions meet the requirements of a dynamic, digital world. They play a crucial role in the development of a connected, sustainable and secure society. Kontron has been a leader in virtual radio access network (vRAN) technology for public and private mobile networks for many years. Kontron provides robust servers that can be used at the edge of mobile networks and feature advanced processors. As a result, they can be used in widely varying environmental conditions, consume little power and integrate AI processors to bring intelligence to the edge of networks. Kontron solutions target remote mobile network access points, rural deployments and private industrial networks, covering the extreme edge where conventional servers cannot be deployed.

The subsidiary Kontron Slovenia is an industry leader in providing open-access broadband connectivity for such projects. In financial year 2023, Kontron signed a contract with Speed Connect Austria, a provider of high-speed FTTH (Fibre To The Home) networks with the latest standard (XGS PON based) for rural areas in Austria. The contract includes the supply of optical broadband products and the provision of services for the open access FTTH network for Austria. With broadband products developed and manufactured by Kontron Slovenia specifically for this purpose, many households and companies will have faster Internet access in the future.

Digital innovation in healthcare

The healthcare market is changing rapidly, driven by the Internet of Things (IoT) and its focus on connectivity, security, scalability, and sustainability. Applications range from IoT devices to infrastructure systems that go beyond mere data acquisition. Intelligent and practical applications that provide real-time data create added value for patient care and at the same time reduce care costs.

Kontron helps its customers by bundling the potential in the digital medical sector to improve healthcare with medical innovations. Modern medical care is based on real-time applications. Networking, security, scalability and sustainability have become key concepts in hospitals and other medical facilities.

Kontron operating system in healthcare

Kontron also provides solutions in the medical field with its Kontron operating system by combining hardware and software to form cloud-based applications that are specifically tailored to the needs of medical technology, resulting in a better and faster service experience, which increases the overall performance of devices and services. As a result, health workers gain valuable time and can focus on their patients, improving the quality of care in busy hospitals.

An important factor is the security of sensitive patient data. Failures, minimal capabilities or latency can result in damage or even life-threatening consequences for patients. The combination of on-premises solutions and state-of-the-art cloud infrastructure makes it possible to continuously monitor the evaluated measured values and diagnostic data and automatically request a service technician if a defect is imminent.

As an industry leader in medical technology, Kontron also helps develop devices that are easier to operate, cost less and enable connected healthcare using IoT. This includes solutions for patient diagnostics and imaging to help physicians diagnose disease, determine severity, and monitor patients. Another area is clinical and critical care. Kontron helps its customers develop solutions for innovative and productive workflows as well as evolving the very latest systems for patient monitoring, ventilation as well as reliable analytical instruments.

Recently, Kontron solutions made a significant contribution to optimising the operation of a cutting-edge DNA sequencing system that processes enormous quantities of data. By using Kontron's powerful COMe-Bep7 module, the customer, a well-known medical company, was able to implement fast and secure data processing for their client and even complete the development schedule faster than the competition.

Smart energy solutions for a sustainable future

Automation is becoming increasingly important in the area of intelligent and environmentally friendly energy solutions. Climate change remains an urgent challenge and requires stricter regulations for companies. The EU Green Deal sets the tone for the whole of Europe. The Internet of Things (IoT) and artificial intelligence (AI) are at the forefront of energy innovations. Networked solutions can identify outages and faults in advance and fix them in real-time. This not only leads to savings on repairs and improved energy efficiency, but also helps to reduce the carbon footprint.

As one of the most well-known providers of smart energy solutions, Kontron AG is among the industry leaders in 23 countries. The focus is on the development and distribution of solutions and products produced by the company and external partners, including proprietary hardware and software products for intelligent power grids, energy suppliers and industrial customers. Kontron offers complete solutions for the control and optimisation of energy networks (distribution system operators) and generators (power plants) and is involved in transforming simple power grids into intelligently controlled smart grids.

Customers and their requirements in the energy sector

To efficiently make power available, reliable and generate cost-effective benefits, it is essential that computing solutions are able to withstand the stress of mechanical shock and vibration, temperature, airborne dust and other adverse conditions in the operating environment. It is also indispensable for energy companies to have access to components with guaranteed long-term availability, as well as safe and cost-effective energy solutions that feature increased reliability. Hardware and software products are combined to ensure the transformation to intelligently controlled distribution networks. Kontron solutions include data centre software systems for energy suppliers and devices compatible with the OSGP (Open Smart Grid Protocol) standard for smart metering as well as control and processing of network data with the Grid Management System (GMS). In the DACH region alone, Kontron Smart Energy already manages over 350,000 OSGP devices. Customers include energy suppliers such as Linz Netz GmbH, Industrielle Werke Basel (IWB), Swiss Billing (SWiBi) and Energie Klagenfurt.

The Kontron SHAPE solution for participation in the intelligent network

Kontron also offers a range of solutions that help transmission system and distribution system operators overcome complex challenges. Network planning requires transparency, numerous real-time calculations and ongoing analyses. In order to overcome the challenges of outage planning and increase reliability, European networks need to use their connections efficiently and take into account specific grid conditions such as capacity, excess generation, consumption demand, flexibility, etc.

By implementing the IEC Common Information Model (CIM), the SHAPE solution provides the basis for participation in the intelligent network. The joint structure enables seamless cooperation between internal IT/OT systems and compliance with the relevant regulations.

The SHAPE data integration platform includes an ecosystem for developing next-generation applications using machine learning and artificial intelligence. It is a platform for connecting a wide range of data sources, which enables companies to integrate their data into a cloud-based system.

Public sector contracts

As key pillars of society, public sector institutions are often well networked at national and international levels. This networking is increasingly extending to the technologies used. In various sectors of public service, Kontron know-how and solutions are already being used to increase efficiency and functionality.

Thanks to the company's experience with public sector contracts, Kontron has the know-how in terms of the requirements of public sector clients and procurement procedures. Kontron has already provided services to large nationalised companies, including numerous public sector railway companies.

Due to the future-driven technology transformation in the public sector, as well as the increased infrastructure investments by nations to support and stimulate the economy, Kontron sees a positive order intake outlook driven by the specific solutions needed for public sector institutions.

Continuous development of the Kontron product portfolio

Kontron's continuous development in its product portfolio reflects the company's efforts to further develop its own innovative solutions. By focusing on research and development and targeted acquisitions, Kontron keeps its finger on the pulse of the technology landscape as it evolves.

Following four successful acquisitions in 2023 and the majority takeover of Katek SE at the beginning of 2024, Kontron has significantly expanded its service portfolio.

The Katek Group is a leading European electronics company that offers high-quality electronic solutions, particularly in the areas of solar energy and e-mobility. Control electronics for photovoltaic systems and the rapidly growing range of intelligent charging solutions for electric vehicles are an important part of the product range. This makes Katek one of the pioneers in renewable energy technology.

For Kontron, there will be significant synergy effects in the future from the complementary product portfolio. The takeover sees Kontron expand its range of intelligent solutions for renewable energies and other industries. In doing so, Katek products will be upgraded with Kontron software expertise and IoT connectivity. Backed by the Kontron operating system (KontronOS), existing Katek products will also be significantly more secure with firewall functionality, the ability to connect to complex grids, and they can also be remotely controlled and maintained.

The latest development of the Kontron portfolio shows not only the company's ability to adapt to new market requirements, but also the company's commitment to producing first-class products. The expanded product range is evidence of Kontron's quest for excellence in providing customers worldwide with solutions to meet their specific IoT technology requirements.

Company

Kontron America

Customer

Turner Imaging Systems

Solution

Portable Smart-C® powered by Kontron

Industry

Medical

Market

North America



case study

Kontron America realises introduction of portable X-ray to the market

With the support of Kontron SMARC (Smart Mobility ARChitecture) modules and their expertise in embedded computing, Turner Imaging successfully developed and swiftly introduced its revolutionary portable X-ray device to the market. The SMART-C® has emerged as a game-changer, opening up diverse opportunities in the healthcare sector. This cordless, battery-powered, and lightweight device weighing just 16 pounds offers exceptional X-ray imaging quality in virtually any location, facilitating point-of-care imaging for accelerated diagnosis, treatment planning, and recovery.

Kontron's hardware and software solutions played a pivotal role in achieving all design and performance goals. These objectives encompassed delivering the necessary processing and graphics power for performing diagnostics and surgical procedures in areas with limited power and X-ray equipment availability. Additionally, the SMART-C® needed to be compact, lightweight, and energy-efficient. Kontron addressed these requirements by recommending the SMARC-sXAL4 module, featuring the Intel N4200 SoC. This choice provided a compact footprint and energy-efficient CPU performance without compromising processing power.

Moreover, Kontron's extensive experience in pioneering the SMARC small form factor, established by SGET (Standards Group for Embedded Technologies), proved invaluable. Their comprehensive portfolio of SMARC products with Intel x86 and ARM processors aligned seamlessly with the project's long-term objectives. The Kontron SMARC-sXAL4 module enabled a cost-effective, flawless design with a well-balanced processor and graphics performance. It met the demands of long product lifecycles and addressed general performance and I/O requirements, aligning perfectly with industry standards. For these compelling reasons, the Kontron SMARC design stood out as the ideal choice for Turner Imaging.



Our strategic course with IoT megatrends

With the acquisition of Katek at the beginning of 2024, Kontron reaches new dimensions in the market. Our company now has almost 8,000 employees and expects revenues of around EUR 1.9 billion for financial year 2024. With the acquisition, the “Software + Solutions” segment will be expanded to include the “GreenTec” division, Katek’s avionics business will be seamlessly integrated into Kontron’s existing aviation business in North America, and the current Electronics business will be further developed into an ODM (original development manufacturer) business.

Kontron’s strategic course continues to prioritise IoT technology trends, including the megatrends of 5G connectivity, artificial intelligence and security software. Following the acquisition of Katek, the focus is also on sustainable solutions from the “GreenTec” division with solar energy and electromobility:

- › **5G:** The adaptation of 5G remains a central focus at Kontron, as 5G connectivity will take developments in the Internet of Things to the next level. 5G offers faster speeds, lower latency, and higher capacity, and has huge potential to revolutionise numerous industries and enable new applications and services that were not possible with previous generations of mobile technology. In the “Transportation” sector, Kontron is playing a pivotal role in developing the new communication system for rail transport systems – the Future Railway Mobile Communication System (FRMCS) – which is based on 5G. In addition, 5G modems are connected to Ethernet in all modules, boxes and boards. In the field of communication and connectivity, Kontron’s 5G mobile private networks (MPN) offer a new level of connectivity and security for a wide range of industries and companies. Kontron’s 5G MPN enables industries and companies to automate their processes, reduce security risks, and protect employees in hazardous environments. Private networks can be easily combined with automated robots on production lines, real-time pipeline monitoring at energy providers, asset tracking in logistics, and even securing multicasts in emergency situations.
- › **Artificial intelligence:** The topic of artificial intelligence (AI) is becoming increasingly important and is at the heart of many Kontron development projects. Kontron’s activities in the field of artificial intelligence focus on image processing, in particular with regard to optimising quality and manufacturing, as well as monitoring and safety in the production environment. Neural networks can perform human tasks such as error detection. Kontron is an important partner here, taking responsibility for executing commands and transmitting data from the sensors to the AI. The high computational effort needed to run complex AI models requires high-end hardware. Another important area of application is autonomous driving for vehicles, rail transport, factory logistics and construction or harvesting machines. With the acquisition of the Cellular Automotive Module Unit of Telit Cinterion in financial year 2023, Kontron significantly expanded its product portfolio and internal development capacities in the field of 5G and real-time technologies for the automotive industry, enabling it to meet the increasing demand for modern 5G solutions in the future.
- › **Security software:** The demands made on security systems are constantly increasing, particularly for machines and infrastructure. “Security by design” is now also intended, as a concept established by law, to ensure that manipulation from outside is all but eliminated. With IEC 62443, an international cybersecurity standard applies to industrial automation and control systems. Kontron is currently working to complete certification early, in spring 2024. To do this, guarantees must be in place, both in the development process and in the production process of a computer system, ensuring that no malware can infiltrate hardware or software at any point. This is where Kontron’s KontronOS solutions come in. With KontronOS, Kontron has its own hardened Linux-based operating system, which is designed for the reliable operation of customer applications in embedded devices. Increasing connectivity requires increased security. Kontron is a pioneer in this field. KontronOS is particularly suitable for operating critical infrastructure.
- › **GreenTec:** The newly created “GreenTec” division is geared towards high-quality solutions and products for solar energy and electromobility. The strategic focus is on control electronics for photovoltaic systems and the rapidly growing range of intelligent charging solutions for electric vehicles. Katek’s products are being upgraded with Kontron’s software expertise and IoT connectivity. The upgrade based on the Kontron operating system (KontronOS) makes the products significantly more secure. They get firewall functionality, can be connected to complex grids and can also be maintained remotely. Upgrading Katek products with Kontron software is expected to increase gross margins by around 5 percentage points in the medium term.

WHY INVEST IN KONTRON?

Profitable long-term growth

- › Excellent position to profit from the mega-trends digitalisation, AI and sustainability via IoT products
- › EBITDA margin improvement of GreenTec products through IoT software (remote maintenance, security firewall etc.)
- › Utilise European technology and security worldwide
- › Highly diversified, global and long-term customerbase in a niche market with high entry barriers



Engineering excellence

- › Unmatched R&D power of 3,600 engineers (incl. Katek) and annual spending of EUR 200m
- › Cost-efficient in-house engineering resources in CEE (average salary: 47k p.a.) as an attractive Western employer
- › Increasing share of software in portfolio (proprietary IoT toolset susietec®) and GreenTec products (solar inverters, E-Mobility)
- › Customised IoT solutions for Smart Factories, Medical, Defense, 5G Connectivity, Aerospace, Transportation, GreenTec



Strong financial position

- › Cash conversion rate target of 75%
- › Solid tax shield in Austria
- › Favorable low debt profile in high-interest environment
- › <0.75x Net debt/EBITDA expected, will improve in view of planned inventory reduction



Attractive shareholder return

- › Strong cash-generating business
- › 50% of net income distributed to shareholders
- › Dividend proposal to the AGM 2024 of EUR 0.50 per share
- › Upside potential: PE ratio of 13.7 (2024E)*

*Based on closing price
31.12.2023: EUR 21.5



REPORT OF THE SUPERVISORY BOARD

Dear Shareholders, Colleagues, Ladies and Gentlemen,

As a Chair of the Supervisory Board of Kontron AG, it falls to me to report on the past financial year 2023:

The year 2023 was characterised by geopolitical risks, economic uncertainties and continued vulnerable supply chains. The war in Ukraine has been causing untold human suffering for two years now. From today's perspective, there is not end to the conflict in sight. The escalation of the Middle East conflict has added another crisis. Inflation rates were high in 2023 and central banks raised their base interest rates accordingly. High inflation rates combined with high interest rates have significantly dampened economic growth in Europe. Although supply chain problems have been partly alleviated, the vulnerability of supply chains is now an integral part of commercial life.

Despite the difficult market environment, Kontron was able to report growth in all segments, with the high-margin "Software + Solutions" segment achieving the highest growth. Overall, revenue for financial year 2023 increased to EUR 1,225.9 million, which corresponds to an increase of over 15%. The net result of around EUR 75 million exceeded the two-time increase in guidance to more than EUR 72 million, which once again shows a considerable improvement from the previous year. Earnings per share (EPS) exceeded the EUR 1 point in purely operational terms for the first time and amounted to EUR 1.23 in the year under review. The order backlog of around EUR 1.7 billion has reached a new high and shows the continued strong demand for our products and services.

Following the sale of the IT services division at the end of 2022, Kontron focused more on its alignment as a pure IoT provider in financial year 2023. With the income from the sale, the following four strategic acquisitions in the IoT sector were carried out during financial year 2023. Telit Cinterion's Cellular Automotive Module Unit will complement Kontron 5G and real-time technologies for the automotive industry. Comlab AG, a Swiss specialist for data communication repeaters in trains, was acquired. The NASDAQ-listed company Bsquare Corporation is a US specialist in the development and use of software technologies for manufacturers and operators of connected devices. Additionally, Hartmann and W-IE-NE-R, a group of computer system manufacturers for the avionics and defence sectors, was acquired.

In financial year 2023, we also expanded our portfolio to include the latest IoT technologies. As a result, Kontron has been able to further establish itself on the market as an IoT specialist. With the pioneering KontronOS operating system, a security feature was added to the susietec® toolset in 2023. It now provides protection against compromises and external access to the corporate network as well as uncontrolled updates. In addition, a new release of the Connect IoT bundle was presented in 2023, providing an extended range of versatile functions for machine manufacturers and operators. Kontron has also launched several product innovations in the areas of high-performance motherboards with high scalability, high-performance computer-on-modules for edge applications and web panels for industrial applications. These support smart technologies as well as scalable solutions and comprehensive services based on Time Sensitive Networking (TSN) and Artificial Intelligence (AI) for intelligent edge computing and complement the offering for the Smart Factory.

At the beginning of 2024, the future-focused acquisition of 60% of Katek SE was also carried out. Katek is one of the pioneers in renewable energy technology (green/clean energy). Control electronics for photovoltaic systems and the rapidly growing area of intelligent charging solutions for electric vehicles are an important part of the product range. Complemented by Kontron's software expertise and IoT connectivity, the gross margins of Katek products will increase by five percentage points in the medium term. With this acquisition, Kontron is sharpening its profile as an innovative IoT provider in a future-oriented market worth billions.

In addition, Kontron has continued to simplify its legally complex structures and increase transparency. Moreover, the Kontron Group sees it as its duty to contribute to achieving climate goals not only through its efficiency-boosting customer solutions, but also as a group of companies. As its key environmental goal, Kontron aims to halve the Kontron Group's carbon emissions for Scope 1 and Scope 2 by 2030. In the social sector, another employee survey has been carried out and suitable measures for increasing employee satisfaction are being derived from the results. In financial year 2024, the next round of the Sustainable Leadership Academy will be held with a focus on female managers.

Furthermore, in my capacity as Chair of the Supervisory Board, I would like to inform you that in financial year 2023, the Supervisory Board of Kontron AG performed all of its legally prescribed duties and control functions in close consultation with the Executive Board of the company and was involved in all strategic and material corporate decisions at an early stage and to an appropriate extent. The Executive Board provided the Supervisory Board with regular, timely and comprehensive information and prepared and presented the relevant information and key figures.



In financial year 2023, the Supervisory Board held four regular meetings, two extraordinary meetings and two audit committee meetings. A meeting of the Nomination and Remuneration Committee was also held.

Apart from the regular meetings, various discussions took place between the Chair of the Supervisory Board, the members of the Supervisory Board and the CEO and CFO of the company on issues of strategy, current business development, the risk situation, risk management and compliance of the company. Whenever the agreement or approval of the Supervisory Board was required for decisions or measures taken by the Executive Board, draft resolutions were submitted to the members of the Supervisory Board in advance for examination and then decided upon in meetings by way of vote or circulation.

In the financial year 2023, no conflict of interest arose in the Supervisory Board; all resolutions were passed unanimously by all members of the Supervisory Board, unless abstention was necessary or advised. With effect from December 31, 2023, the mandate of Dr. Peter Sturz expired due to the expiry of the employment contract and the reaching of retirement age. The composition of the Supervisory Board remained unchanged in financial year 2023. In accordance with the principles of the German Corporate Governance Code and in order to perform its duties efficiently, the Audit Committee, the Remuneration Committee and the Nomination Committee, each of which consists of three Supervisory Board members, are each composed of a majority of independent Supervisory Board members. Likewise, in accordance with the recommendations of the German Corporate Governance Code, the role of the Chair of the Supervisory Board was separated from that of the Chair of the Audit Committee. Full details on this can be found in the chapter "Corporate Governance Report".

The consolidated financial statements were prepared in accordance with IFRS. As in the previous year, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft was appointed as auditor for 2023 by the Annual General Meeting on May 22, 2023. The consolidated financial statements, the Group management report as well as the auditor's report were submitted to all members of the Supervisory Board and the Audit Committee. The financial statement documents have been discussed in detail by the Supervisory Board and the Audit Committee in the presence of the auditor following an auditor's report. The Supervisory Board approved the consolidated financial statements prepared by the Executive Board. The Supervisory Board is in agreement with the Group management report and in particular with the assessment of the further development of the company.

The Supervisory Board, together with the Executive Board, has submitted a Corporate Governance Report in accordance with its obligation to comply with the German Corporate Governance Code as per section 243c of the Austrian Commercial Code (UGB) and has made this available to the shareholders in the company's annual report in the chapter "Corporate Governance Report".

We would like to assure you as shareholders that the recent acquisitions have strengthened Kontron in its position as an IoT player. With combined revenues of around EUR 1.9 billion and a target net result of around EUR 100 million for the financial year 2024, we see a promising future. The will to succeed, a unifying mindset and the drive to be among the best in the industry characterise this group of companies, to which the Supervisory Board welcomes all employees of the Katek organisation.

With these words, I would like to conclude my remarks and say thank you, dear shareholders, for the trust you have placed in us, along with the Executive Board, and thank you to all employees for your commitment and achievements in financial year 2023. In the future, the Supervisory Board will continue to focus extensively on the strategic and long-term alignment and development of the Kontron Group and will actively drive this forward.

Vienna, March 2024

for the Supervisory Board

Chair of the Supervisory Board

CORPORATE GOVERNANCE REPORT

Kontron AG is a joint stock company listed on the officially regulated Prime Standard market of the Frankfurt Stock Exchange (FSE) under Austrian law. In accordance with the Austrian Stock Corporation Act, the Executive Board manages the company independently and it exercises this responsibility in the best interests of the company, taking into consideration the interests of the shareholders and employees. The Supervisory Board supervises the management and supports the Executive Board in significant decisions.

§ 243c and § 267b of the Austrian Commercial Code stipulates that a joint stock company whose shares have been authorised for trading on a regulated market is required to compile a Corporate Governance Report. To fulfil this obligation the following Corporate Governance Report is provided:

Corporate Governance Code

As an Austrian company and a stock corporation listed in Germany, Kontron AG voluntarily complies with the German Corporate Governance Code (§ 243c Paragraph 1 N 1 and § 267b UGB). The German Corporate Governance Code is publicly available at <https://www.dcgk.de/> in the version dated April 28, 2022.

Declaration of Compliance with the German Corporate Governance Code

The Executive Board and Supervisory Board of Kontron AG make the following declaration in accordance with § 243c and § 267b UGB with regard to the recommendations of the "Government Commission on the German Corporate Governance Code":

Kontron AG complies with all recommendations of the German Corporate Governance Code ("DCGK") as amended on April 28, 2022 and published by the Federal Ministry of Justice in the official section of the Federal Gazette, complied with them and will continue to comply with them in the future, with a few exceptions, the reasons for which are explained in detail in the following report.

Principles of business management

For a number of years, Kontron AG has been pursuing a strategy designed to yield a sustained and long-term increase in corporate value. The Executive Board and the Supervisory Board have committed themselves to managing and controlling Kontron AG and its subsidiaries in a responsible way. The value-based principles of proper business management constitute an essential component of these policies. In their actions, the company and its governing bodies are conscious of the company's role in society and its social responsibility. Social and environmental factors influence the company's success and the company's activities have an impact on people and the environment. The Executive Board and Supervisory Board take this into account when managing and monitoring in the context of the company's interests. The Principles laid down in the Corporate Governance Code have been part of Kontron AG's corporate and leadership culture for many years. They facilitate the increasing of value and the strengthening of investor confidence. The foundations of the German Corporate Governance Code are the rules contained in German law pertaining to shares, securities and capital markets, and in the OECD directives on Corporate Governance. The Code becomes effective through the company's voluntary commitment to it. This commitment entails the necessity of justifying any nonconformity with recommendations ("comply or explain").

Fundamentals of the corporate structure

Together with its affiliated companies, Kontron AG forms the Kontron Group. Kontron AG is a stock corporation under Austrian law. Its head offices are in Linz. It has three boards: Annual General Meeting, Supervisory Board and Executive Board. Their duties and powers arise from the Austrian Stock Corporation Act and the Articles of Association of Kontron AG. This includes, in particular, the following duties and powers:

- › As owners of the company, the shareholders exercise their rights at the Annual General Meeting. In particular, these rights include decisions on the appropriation of retained earnings, the election of Supervisory Board members, the discharge of the Executive Board and Supervisory Board, the election of the auditors of the annual accounts and the auditors of the legally required sustainability report, any capital decisions arising, the definition of the remuneration policy and the annual review of the compensation report for the Executive Board and Supervisory Board. The Chair of the Supervisory Board, or her deputy if she is unable to attend, chairs the

Annual General Meeting and is responsible for ensuring that the Meeting runs smoothly and for an appropriate length of time, while taking shareholders' interests into account. One share in Kontron AG entitles the holder to one vote. No special rights are granted to particular shareholders or classes of shares.

- › The Supervisory Board appoints the members of the Executive Board and is entitled to ask them to stand down at any time if there is just cause for doing so. For particular significant business transactions, the Executive Board is required either by law, the Articles of Association of Kontron AG or the internal by-laws of the Executive Board or the Supervisory Board to seek the approval of the Supervisory Board. However, the Supervisory Board is not entitled to take any management measures. The close cooperation between the Executive Board and the Supervisory Board is called the dual management system.
- › The Executive Board manages the company independently. The Supervisory Board exercises a supervisory and advisory function. The Executive Board reports to the Supervisory Board and supplies it with regular, prompt and complete information in accordance with the principles of conscientious and accurate reporting, pertinent legislation and the reporting directives laid down by the Supervisory Board. The Chair of the Supervisory Board is informed immediately of all events that are of material importance for assessing the situation and current developments as well as for managing the company.

Executive Board

The Executive Board manages the company independently and in the best interests of the company with the aim of sustainable value creation. This includes taking into account the interests and well-being of shareholders, employees, customers and suppliers as well as other groups associated with the company (stakeholders).

§ 7 Paragraph 1 of the Articles of Association stipulates that the Executive Board of Kontron AG consists of a minimum of one and a maximum of seven members. The exact number of members within these parameters is determined by the Supervisory Board. As of December 31, 2023 the Executive Board consisted of the following four members:

- › Mr. Hannes Niederhauser, born November 25, 1962, CEO/Chair of the Executive Board: Overall Strategy, Research and Technology Development, Corporate Development, M&A, Corporate Communications, Internal IT, coordination of the individual Executive Board remits and representation of the Executive Board to the Supervisory Board;
- › Dr. Clemens Billek, born on May 19, 1980, CFO: Accounting & Tax, Controlling, Legal & Compliance, Treasury & Finance, IR & Corporate Marketing, Environmental Social Governance (ESG) and Internal Audit;
- › Mr. Michael Riegert, born July 9, 1963, COO: Overall responsibility for operations, production, purchasing & logistics, sales for the Industrial Division (excluding CEE), which he also managed at operational level;
- › Dr. Peter Sturz, born on October 31, 1958, COO CEE: Kontron business in Eastern Europe and the IT & IoT Services divisions, which he also managed at operational level.

The mandate of Dr. Peter Sturz as a member of the Executive Board of Kontron AG expired with effect from December 31, 2023 due to the expiry of the employment contract and the reaching of retirement age. Dr. Peter Sturz remains employed by the company.

The Executive Board reaches decisions together with the management of Kontron AG, determines the strategic orientation of the Kontron Group, coordinates it with the Supervisory Board and carries it out. Together with the Supervisory Board, the Executive Board is responsible for long-term succession planning. Potential candidates for the Executive Board require not only appropriate professional qualifications for the duties they are to assume, but also the necessary leadership qualities and international experience. Appointment to the Executive Board of Kontron AG and renewal of a seat on it are for a maximum of three years. The Supervisory Board decides whether to renew a position on the Executive Board six months before it is due to expire. Contrary to Principle 9, Recommendation B.5 of the DCGK, a fixed upper age limit was not imposed, as this is not considered useful and appropriate and the required qualifications of a board member are considered more relevant in the composition of the Executive Board. Contracts for members of the Executive Board generally end no later than the date on which a member becomes eligible for retirement.

With regard to the composition of the Executive Board, the Supervisory Board has introduced a diversity scheme which also takes account of recommendations in the German Corporate Governance Code. Its objective is to increase diversity both on the Supervisory Board and the Executive Board, as well as in management positions. When a new member of the Executive Board is appointed, Kontron AG's Compliance officer informs the new member of the essential parameters relating to performance of the duties involved, the by-laws to be observed, the internal policies and directives, the legal framework and the German Corporate Governance Code. The composition of the Executive Board of Kontron AG as of December 31, 2023 does not yet comply with this diversity concept due to the lack of a female Executive Board member. The overriding consideration in the composition of the current Executive Board was the members' qualifications, and the Nomination Committee and the Supervisory Board gave these precedence in the interests of the company. For future new appointments, the Supervisory Board should take account of diversity on the Executive Board provided that this is appropriate.

The Executive Board is also responsible for ensuring that all legal regulations are adhered to and for implementing the in-house directives together with the central functions. The Executive Board is also responsible for appropriate risk management and risk control throughout the company. Kontron has an effective internal control system based on the internationally recognised COSO model. Adherence to this system and to all other legal and internal requirements is monitored by the Kontron Group internal Audit Committee. The essential outlines of the internal control system and the risk management system are described each year in the Kontron AG Management Report. The internal control system and the processes defined also cover risks and goals relating to sustainability. In addition, Kontron has established a whistleblower platform and a 24/7 hotline that can be used by third parties and employees to provide protected information about breaches of the law within the company.

The risks and opportunities for the company that are associated with social and environmental factors as well as the environmental and social effects of company activities are systematically identified and assessed by the Executive Board. In addition to long-term economic targets, environmental and social goals are also sufficiently considered and enshrined in the corporate strategy. Corporate planning includes appropriate financial and sustainability-related goals. In the social area, Kontron AG is targeting a Group-wide increase in the proportion of female employees to 50% and an increase in the proportion of women in management positions of 20% (compared to 2022) by 2030 as part of "Vision 2030". To attract, retain and train key employees for management positions, annual training is to be stepped up and training hours increased. The overarching environmental goal is to halve the Kontron Group's CO₂ emissions for Scope 1 and Scope 2 by 2030; beyond that, further environmental goals will be defined on a site-specific basis.

Members of the Executive Board are obliged to uphold and represent the interests of the company. Decisions they make must not serve their personal interests where these conflict with the activities of the Kontron Group, and they are debarred in particular from pursuing any business opportunities to which their employer would be entitled. They are permitted to assume additional responsibilities or positions, for example on the Management or Supervisory Boards of companies outside the Kontron Group or relevant holdings, solely with the permission of the Executive Board Nomination Committee. This is laid down in accordance with labour law in the Executive Board members' employment contracts in the form of a comprehensive non-competition clause.

With the approval of the Supervisory Board, the Executive Board has established by-laws and an organisational chart which governs allocation of the various responsibilities among the members of the Executive Board. The Executive Board's rules of procedure also set out the principle of joint responsibility of the Executive Board as well as cooperation with the Supervisory Board. The Executive Board members keep the Chair of the Executive Board and the other members regularly informed about important activities and the development of business in their respective departments. The Chair of the Executive Board coordinates developments in the individual areas of responsibility of the Board members with the company's overall targets and projects.

Meetings of the Executive Board are convened and chaired by the Chair of the Executive Board. If the Chair of the Executive Board is unavailable, he is represented by the deputy Chair. Whenever appropriate, associate members of the Executive Board or members of the Extended Management Team are also asked to attend the meetings. Resolutions of the Executive Board are passed either by the members in physical attendance at the Board meetings, in video conferences or in writing by circular letter.

In dealings with the Supervisory Board the Executive Board is represented by the Chair of the Executive Board or, in his absence, by his deputy. The latter maintains regular contacts with the Chair of the Supervisory Board and furnishes her with prompt reports on all relevant issues. The Supervisory Board has passed resolutions stipulating in the by-laws of the Executive Board that the Supervisory Board's approval is required for business transactions of fundamental importance. In reporting to the Supervisory Board, the Executive Board observes the principle of regular, timely and full information, especially with respect to the development of the business and deviations from the underlying plans, and to the risk situation, risk management and compliance.

In his capacity as a representative of the company, the Chair of the Executive Board provides his shareholders with frequent and detailed information – far beyond what is required by law. One of the most important principles of Kontron AG's capital market communication

is to inform institutional investors, private shareholders, financial analysts, employees and all other interest groups simultaneously and comprehensively about the company's situation through regular, open and up-to-date communication. In doing so, Kontron AG strictly follows the applicable legislation and the requirement of equal treatment of all shareholders: All the information and presentations received by financial analysts and investors, for example, are also immediately made available to all these interest groups in German and/or English.

Regular discussions and meetings with analysts and investors at conferences, roadshows and individual meetings are a central part of Kontron AG's investor relations work. Telephone conferences (earnings calls) are held in conjunction with the publication of quarterly and annual results, enabling analysts, investors or other interested parties to ask questions directly about the current development of the company. Company presentations are always available to all interest groups on the company's website.

Kontron AG's corporate website <https://www.kontron.com> serves as a central platform for providing up-to-date information about the company and its progress. The Kontron AG investor relations website <https://ir.kontron.com> also provides access to financial reports (annual reports, interim reports and announcements), current presentations from analyst and investor conferences, as well as press releases and ad-hoc announcements from the company. The dates of the main recurring publications and events (Annual General Meetings, press and analysts' conferences) are published in the corporate financial calendar at the beginning of each year and regularly updated.

With respect to remuneration of the Executive Board, the Supervisory Board, in conjunction with the Remuneration Committee, drew up the remuneration policy for the Executive Board and submitted it to the company shareholders at the Annual General Meeting on June 8, 2021, to be voted on. The Supervisory Board subsequently implemented the content of this amended remuneration policy. In addition to the overall target compensation, it also includes corresponding short-, medium- and long-term incentives as well as other benefits, such as a company car. This new remuneration policy also increasingly incorporates non-financial, medium-term objectives in line with the company's ESG tier scheme. Details of the benefits granted and received are published annually in the remuneration tables contained in the annual accounts. No private pension plan was taken out for any member of the Executive Board and no special agreements exist relating to benefits due following termination of contracts. Assumption of additional positions within the company does not give rise to any additional compensation. In accordance with the legal requirements, the Remuneration Report for financial year 2023 will be submitted to the next Annual General Meeting for approval on May 6, 2024.

The Supervisory Board

The Supervisory Board has the task of supervising and advising the Executive Board in the management of Kontron AG. In accordance with § 9 Paragraph 1 of the Articles of Association of Kontron AG, the Supervisory Board consists of three to five shareholder representatives who are elected by the Annual General Meeting. No employee representatives currently have a seat on the Supervisory Board of Kontron AG. The members of the Supervisory Board are elected by the Annual General Meeting on the basis of resolutions proposed by the company boards or by motions tabled on the initiative of shareholders. When putting forward candidates for the Supervisory Board, care is taken to ensure that all members of the Supervisory Board collectively have the knowledge, skills, professional experience and expertise required to properly perform their duties on sustainability issues that are important to the company. The Supervisory Board has defined specific targets with regard to its composition, adopted a diversity scheme and drawn up a qualifications profile. In its role as a supervisory and advisory body, the Supervisory Board attaches particular importance to addressing sustainability issues and has encouraged the Executive Board to take these into account in corporate objectives. The Executive Board has defined appropriate ESG goals. Any connections to related companies or shareholders of Kontron AG are disclosed at the Annual General Meeting.

In addition, diversity and the defined targets are taken into account. As of December 31, 2023 the Supervisory Board of Kontron AG consists of the following members:

- › Ms. Claudia Badstöber, born February 3, 1968, Chair of the Supervisory Board
- › Mr. Bernhard Chwatal, born October 12, 1970, 1. Deputy Chair of the Supervisory Board
- › Mr. Fu-Chuan Chu (Steve Chu), born June 18, 1962, 2. Deputy Chair of the Supervisory Board
- › Mr. Joseph John Fijak, born June 22, 1961, Member of the Supervisory Board
- › Ms. You-Mei Wu (Yolanda Wu), born July 10, 1964, Member of the Supervisory Board

Ms. Claudia Badstöber and Mr. Bernhard Chwatal are proven financial experts who have served as auditors and tax consultants for international corporations or as CFOs for international corporations. Ms. Yolanda Wu is also an experienced financial expert who worked as CFO of Ennoconn Corporation and as a director at the Financial Market Supervisory Authority in Taiwan. The Supervisory Board currently includes two members, Ms. Badstöber (Chair of the Supervisory Board) and Mr. Chwatal (1. Deputy Chair of the Supervisory Board), who, by virtue of direct ownership of 1,992 shares (Ms. Badstöber) and 0 shares in Kontron AG (Mr. Chwatal) and indirect ownership of 416,219 shares (Ms. Badstöber as board member/managing director of Austro Holding AG and grosso Holding Gesellschaft mbH) are independent members of the Supervisory Board.

Second Deputy Chair of the Supervisory Board Mr. Steve Chu and the other members of the Supervisory Board Mr. Joseph John Fijak and Ms. Yolanda Wu, are proven industry and financial experts and have many years of management experience in large technology companies. Mr. Steve Chu, Mr. Joseph John Fijak and Ms. Yolanda Wu each have or have had a business relationship with Kontron AG shareholder Ennoconn Corporation, which at 27.5% holds more than 10% of the voting shares in Kontron AG. With a current share of 40% women on the Supervisory Board, the diversity target for the Supervisory Board in terms of the share of women in the Kontron Group was achieved in 2023. Neither the Chair of the Supervisory Board nor any other member of the Supervisory Board has ever served on the Executive Board of Kontron AG.

The competencies of the Supervisory Board of Kontron AG are summarised in the following quality matrix:

Competence Profile

BOARD MEMBER	CLAUDIA BADSTÖBER	BERNHARD CHWATAL	FU-CHUAN CHU (STEVE CHU)	JOSEPH JOHN FIJAK	YOU-MEI WU (YOLANDA WU)
Position	Chair of the Supervisory Board	1. Deputy Chair	2. Deputy Chair	Member	Member
Independence	independent	independent	Connection with shareholder Ennoconn Corp.	Connection with shareholder Ennoconn Corp.	Connection with shareholder Ennoconn Corp.
Control and risk management	X	X			X
Accounting	X	X			X
Audit (including Sustainability Reporting)	X	X			X
Industry know-how		X	X	X	
Sustainability issues	X	X	X	X	
Compliance	X				X

X > Competencies and professional experience in the field

The Supervisory Board is consulted on all decisions with relevance to Kontron AG. The Supervisory Board appoints the members of the Executive Board and determines their remuneration. In the event that there is just cause for doing so under the terms of the Austrian Stock Corporation Act, the Supervisory Board can cancel the appointment of a member to the Executive Board. Members of the Executive Board of Kontron AG are obliged to uphold and represent the interests of the company. Decisions they make must not serve their personal interests and they are not permitted to pursue any business opportunities to which the company is entitled. The members of the Supervisory Board are obliged to inform the Executive Board of any conflicts of interest, especially those that may arise from their membership of boards of suppliers, e.g. Ennoconn Corporation. If such a case arises, the Supervisory Board member concerned does not take part in votes pertaining to relevant topics.

The members of the Supervisory Board of Kontron AG must ensure that they have sufficient time to properly perform their duties on the

Supervisory Board. Consequently, no member shall accept a position on more than three supervisory boards of listed companies outside the Kontron Group or in supervisory bodies that make comparable demands on their time. When a new member of the Executive Board is appointed, the Compliance Officer informs the new member of the essential parameters relating to performance of the duties involved, especially the Kontron Code of Conduct and other relevant Group policies, the Corporate Governance Code and personal obligations to cooperate in the event of issues resulting in an obligation to report or requiring the approval of the Supervisory Board.

Modus operandi of the Supervisory Board: at the constituent meeting, the elected members of the Supervisory Board of Kontron AG elect the chairperson and their deputy chairs from among its members. At the same meeting, the members decide on the affiliated committees and choose the members of these. The following committees have been set up at Kontron AG to ensure efficient operations:

- › Audit Committee
- › Nomination Committee
- › Remuneration committee

The Supervisory Board of Kontron AG holds at least four meetings per calendar year. In addition, at least two meetings of the Audit Committee are held. Further, the Supervisory Board meets without the Executive Board whenever circumstances require. The main topics dealt with at the meetings each year are summarised in the Supervisory Board's annual reports. The Chair of the Supervisory Board coordinates the work of the Board, convenes its meetings and presides over them. The same applies to the Chair of the Audit Committee. The Chair of the Supervisory Board represents the interests of the Board externally and represents the Supervisory Board in its dealings with the Executive Board. This also includes contacts with investors providing the issues dealt with do not relate to operative management of the business, but to the annual audit, Corporate Governance or Compliance, for example. The Supervisory Board constitutes a quorum if all the members were invited to a meeting at least one week in advance and if at least three of its members participate in the vote. Resolutions in the Supervisory Board are generally passed by a simple majority of the votes cast. If an equal number of votes for and against a proposal has been cast, the Chair of the Supervisory Board has the casting vote ("casting vote right").

The resolutions of the Supervisory Board and its committees are regularly passed in the corresponding meetings. These either take place in the company offices in Linz or Vienna with the members attending in person or as virtual meetings with a two-way visual and audio connection. Any member of the Supervisory Board unable to attend a meeting can vote by appointing a proxy who either casts the absent member's written vote during the meeting or has been given written authorisation by that member to vote on his or her behalf. This also applies to casting the second vote of the Chair of the Supervisory Board. In addition, resolutions adopted on certain topics are passed in writing by circular letter. The Supervisory Board's resolutions and meetings are recorded in minutes which are signed by the person who chaired the meeting. The Supervisory Board can invite experts such as accountants, lawyers or persons able to provide specific information to its meetings when particular topics are on the agenda.

The composition of the Supervisory Board and its committees complies with applicable legislation, the Articles of Association and rules of procedure as well as the principles of the German Corporate Governance Code, especially with regard to the professional qualifications of the members.

- › Ms. Claudia Badstöber is Chair of the Supervisory Board, the Nomination Committee and the Compensation Committee.
- › In accordance with the requirements of the German Corporate Governance Code, the Audit Committee is not chaired by the Chair of the Supervisory Board, but by Mr. Bernhard Chwatal.
- › The Audit Committee, Nomination Committee and Remuneration Committee each consist of three members, the majority of whom are independent members.

The Supervisory Board has adopted regulations for the rules of procedure for the work of the Supervisory Board and its committees. The committees only have a quorum if all their members participate. Resolutions of the committees are passed with a simple majority subject to legislation to the contrary.

The responsibilities of the Audit Committee include monitoring the accounting process, the audit of the consolidated annual accounts and individual financial statements by the independent auditor, ensuring the efficacy of the internal control system and the risk management system and putting forward a recommendation for the proposed annual auditor and the auditors of the legally required Sustainability Report for submission to the Annual General Meeting. The Audit Committee prepares the vote of the Supervisory Board on the annual accounts and the consolidated annual accounts. Additionally, the Audit Committee is responsible for supervising the auditing system and compliance as well as examining and supervising any actions that may be necessary relating to possible neglect of duty on the part of members of the Executive Board as preparation for adoption of a resolution by the Supervisory Board.

If necessary, the auditor informs the Chair of the Audit Committee outside formal meetings about particular circumstances that may have arisen, risks that have been identified or changes in legislation. In accordance with the regulations of the German Corporate Governance Code, the Chair of the Audit Committee is independent and not a former member of the Executive Board of the company. Mr. Chwatal has particular knowledge and experience of applying invoicing principles and internal control procedures.

The Audit Committee was in regular contact with the auditors in financial year 2023. Apart from the audit results, the chief topics discussed included assessment of audit risk, the audit strategy and audit planning.

AUDIT COMMITTEE MEMBERS	POSITION	INDEPENDENCE
Bernhard Chwatal	Chair	independent
Claudia Badstöber	Deputy Chair	independent
You-Mei Wu (Yolanda Wu)	Member	Connection with shareholder Ennoconn Corp.

The Nomination Committee prepares the decisions of the Supervisory Board relating to the appointment and, if need be, dismissal of members of the Executive Board and is responsible for the long-term succession planning in association with the Supervisory Board and the Executive Board. In addition, the Nomination Committee, in consultation with the Remuneration Committee, prepares the decisions of the Supervisory Board relating to the remuneration, regular review of the remuneration system and the Remuneration Report to the Annual General Meeting. The Remuneration Committee is responsible for remunerating members of the Executive Board, concluding, amending and cancelling employment contracts with members of the Executive Board and preparing and concluding other contracts with members of the Executive Board wherever necessary. In particular, this includes granting loans to members of the Executive Board, which are only granted in exceptional circumstances, concluding certain contracts with members of the Supervisory Board, taking account of related persons or companies, and approving additional positions taken on by members of the Executive Board, especially positions accepted on the boards of companies outside the Kontron Group.

NOMINATION COMMITTEE MEMBERS	POSITION	INDEPENDENCE
Claudia Badstöber	Chair	independent
Bernhard Chwatal	Deputy Chair	independent
You-Mei Wu (Yolanda Wu)	Member	Connection with shareholder Ennoconn Corp.

REMUNERATION COMMITTEE MEMBERS	POSITION	INDEPENDENCE
Claudia Badstöber	Chair	independent
Bernhard Chwatal	Deputy Chair	independent
You-Mei Wu (Yolanda Wu)	Member	Connection with shareholder Ennoconn Corp.

The Supervisory Board regularly reviews the efficacy of its activities. To this end, discussions take place within the Supervisory Board and one-to-one discussions are held with the Chair of the Supervisory Board.

The Supervisory Board arrived at the following self-assessment as of December 31, 2023:

- › The Supervisory Board and its committees perform their duties effectively.
- › According to the assessment of the Supervisory Board, its composition as of December 31, 2023 meets the membership targets sets out above with the exception of the independence of the three members with business relationships with Ennoconn Corporation, contrary to Principle 12, Recommendation C.7. Ennoconn Corporation is to be regarded as the controlling shareholder. According to Principle 12 C.7, more than half of the shareholder representatives should be independent of the company and the Executive Board. This recommendation was not met here, as preference is given to the qualifications, expertise and experience of the non-independent members of the Supervisory Board. Potential significant conflicts of interest are met with the necessary diligence and effective measures, e.g. abstentions.
- › Information regarding professions practised and seats held on other Supervisory Boards to be constituted in accordance with legislation is disclosed on the company website. This reveals that the Supervisory Board is composed of a diverse range of members, including financial experts and branch experts, and possesses the requisite experience of supervising international corporations. Apart from the three representatives of Ennoconn Corporation, the 1. Deputy Chair of the Supervisory Board also has many years of experience in the field of future-oriented communications and security thanks to his work as an entrepreneur in the telecommunications sector, and can therefore be regarded as an industry expert. Furthermore, the Chair of the Supervisory Board, with her experience in tax consultancy and auditing and her previous position as CFO of a private bank, is a proven financial expert, as is Ms. Yolanda Wu, who was CFO of Ennoconn Corporation and a director at the Financial Market Supervisory Authority in Taiwan. Mr. Chwatal also has financial expertise thanks to his work for auditing companies and as a restructuring manager.
- › As of the reporting date, the Supervisory Board comprised two women (40%) and three men (60%). According to applicable legislation in Austria, Kontron AG is not subject to a mandatory quota for women. This 40% share of women on the Supervisory Board is higher than the average share of women in the Kontron AG workforce overall.
- › It is the view of Kontron AG that a statutory particular age limit for members of the Supervisory Board as stipulated in Principle 11, Recommendation C.2. is neither helpful nor appropriate. For Kontron AG, the qualifications and experience of candidates are more important than the recommended age limit, so that this deviation from Principle 11, Recommendation C.2 appears appropriate and justifiable. As of December 31, 2023, the longest period of membership of the Supervisory Board is ten years. Each member's length of membership is given below. As recommended by the German Corporate Governance Code, no member of the Supervisory Board has served on it for longer than 12 years or is a close relative of a member of the Executive Board.

Composition of the Supervisory Board until the end of the ordinary Annual General Meeting 2023

BOARD MEMBER	POSITION	INITIAL APPOINTMENT	END OF TERM	INDEPENDENCE
Claudia Badstöber	Chair of the Supervisory Board	June 16, 2020	AGM 2025	independent
Bernhard Chwatal	1. Deputy Chair	May 17, 2013	AGM 2025	independent
Fu-Chuan Chu (Steve Chu)	Member	June 27, 2017	AGM 2027	Connection with shareholder Ennoconn Corp.
Joseph John Fijak	Member	May 6, 2022	AGM 2027	Connection with shareholder Ennoconn Corp.
You-Mei Wu (Yolanda Wu)	Member	June 8, 2021	AGM 2026	Connection with shareholder Ennoconn Corp.

Composition of the Supervisory Board since the end of the ordinary Annual General Meeting 2023

BOARD MEMBER	POSITION	INITIAL APPOINTMENT	END OF TERM	INDEPENDENCE
Claudia Badstöber	Chair of the Supervisory Board	June 16, 2020	AGM 2025	independent
Bernhard Chwatal	1. Deputy Chair	May 17, 2013	AGM 2025	independent
Fu-Chuan Chu (Steve Chu)	2. Deputy Chair	June 27, 2017	AGM 2027	Connection with shareholder Ennoconn Corp.
Joseph John Fijak	Member	May 6, 2022	AGM 2027	Connection with shareholder Ennoconn Corp.
You-Mei Wu (Yolanda Wu)	Member	June 8, 2021	AGM 2026	Connection with shareholder Ennoconn Corp.

Supervisory Board meetings

BOARD MEMBER	POSITION	28/03/2023	24/04/2023	05/05/2023	22/05/2023	27/09/2023	07/12/2023
Claudia Badstöber	Chair of the Supervisory Board	P	P	P	P	P	P
Bernhard Chwatal	1. Deputy Chair	P	P	P	P	P	P
Fu-Chuan Chu (Steve Chu)	2. Deputy Chair	V	V	V	V	V	V
Joseph John Fijak	Member	V	V	V	V	V	V
You-Mei Wu (Yolanda Wu)	Member	V	V	V	V	V	V

P > Present in person | V > Video/telephone conference or proxy

Meeting of the Audit Committee

BOARD MEMBER	POSITION	28/03/2023	07/12/2023
Bernhard Chwatal	Chair	P	P
Claudia Badstöber	Deputy Chair	P	P
You-Mei Wu (Yolanda Wu)	Member	V	V

P > Present in person | V > Video/telephone conference or proxy

Meetings of the Nomination and Remuneration Committees

BOARD MEMBER	POSITION	24/04/2023
Claudia Badstöber	Chair	P
Bernhard Chwatal	Deputy Chair	P
You-Mei Wu (Yolanda Wu)	Member	V

P > Present in person | V > Video/telephone conference or proxy

Shares owned by members of corporate institutions

As of December 31, 2023, the Executive Board and Supervisory Board hold the following number of shares, stock options and warrants. The shares held (including shares held indirectly) represent around 5.57% of the company's share capital.

BOARD MEMBER	POSITION	NUMBER OF SHARES	NUMBER OF STOCK OPTIONS	NUMBER OF WARRANTS 2020
Claudia Badstöber*	Chair of the Supervisory Board	418,211	0	0
Bernhard Chwatal	1. Deputy Chair of the Supervisory Board	0	0	0
Fu-Chuan Chu (Steve Chu)	2. Deputy Chair of the Supervisory Board	0	0	0
Joseph John Fijak	Supervisory Board member	0	0	0
You-Mei Wu (Yolanda Wu)	Supervisory Board member	0	0	0
Hannes Niederhauser**	CEO	3,117,533	572,000	678,294
Dr. Clemens Billek	CFO	0	200,000	0
Michael Riegert	COO	10,625	215,000	151,000
Dr. Peter Sturz	COO	8,833	140,000	211,000

*1,992 shares held directly; 416,219 shares held indirectly as managing director of Austro Holding GmbH and grosso holding Gesellschaft mbH

** 1,366,629 shares held directly; 1,750,904 held indirectly as 47.5% shareholder of grosso tec AG

Linz, March 26, 2024

The Executive Board of Kontron AG



Dipl.-Ing. Hannes Niederhauser



Dr. Clemens Billek



Michael Riegert

THE KONTRON SHARE

Share price development 2023

Kontron shares achieved a pleasing performance in 2023. The opening price of 2023 was also the annual low price of EUR 15.15 and was recorded on January 2, 2023. With the announcement of the annual outlook on January 16, 2023, the share price increased to over EUR 18. Between March and September 2023, the share was in a range of EUR 17 to EUR 20. The results for the first and second quarters and the return of Kontron AG's share to the TecDAX® on May 9, 2023 each provided positive impetus. With the results in the third quarter of 2023 and the announcement of a second share buyback program, a high-volume rally began, which led to an annual high (intraday) of EUR 22.72 on November 27, 2023.

The share closed financial year 2023 at a price of EUR 21.50, which meant a sharp increase of 40.6% compared to the end of 2022. TecDAX® and SDAX® showed an increase of 14.3% and 17.1% in the same period. In financial year 2023, Kontron shares were listed on Deutsche Börse's SDAX® and TecDAX®. 44 million shares were traded with a revenue of around EUR 862 million.

	31/12/2023	31/12/2022	CHANGE IN %
SDAX® (points)	13,960	11,925	17.1 %
TecDAX® (points)	3,337	2,921	14.3 %
Kontron AG (EUR)	21.50	15.29	40.6 %

Share price development since 2016

The Kontron share started 2024 in a positive way. On January 18, 2024, Kontron announced the acquisition of a majority stake in Katek SE, a leading European electronics company. The share responded with its (intraday) high for 2024 to date of EUR 23.32. The price then settled between EUR 21 and EUR 22.

The development of the share was characterised by upward and downward trends from 2016 to the beginning of 2022 and over the past two years – in connection with the transition to a pure IoT player – was able to record a steady upward trend.

It followed an upward trajectory from the beginning of 2016 to September 2018, and the acquisition of Kontron AG in October 2016 had a particularly positive effect at that time. As a result of a general decline in the price of technology stocks, the share price dipped from November 2018 to end that year at EUR 15.81. During 2019, the share price fluctuated between EUR 17 and EUR 19, influenced by volatile developments on the capital markets. From the end of February 2020, the share price fell to an annual low of EUR 13.20. In the following months, the share price recovered steadily, but fell back to EUR 13.24 at the end of the year.

From March 2022, the share recovered and closed 2022 at around EUR 15. On December 29, 2022, Kontron AG completed the sale of its IT service business and has since developed into a pure IoT provider. Since then, there has been a steady upward trend.

On the operational side, the company has seen very positive development over the last few years. Revenue increased from EUR 503.7 million in 2016 to EUR 1,225.9 million in 2023. EBITDA also increased significantly from EUR 34.4 million to EUR 126.0 million in the same period. Earnings per share went up from EUR 0.33 in 2016 to EUR 1.23 in 2023. In purely operational terms, the EPS ratio was therefore above EUR 1 for the first time.

DEVELOPMENT 2016-2023	2016	2017	2018	2019	2020	2021	2022 ¹⁾	2023 ¹⁾
Revenues in EUR million	503.7	882.0	990.0	1,122.9	1,254.8	1,342.0	1,063.7 ²⁾	1,225.9
EBITDA in EUR million	34.4	68.1	90.5	111.7	130.0	126.3	109.5 ³⁾	126.0
EBITDA margin in %	6.8	7.7	9.1	9.9	10.4	9.4	10.3 ³⁾	10.3
EPS in EUR	0.33	0.43	0.70	0.75	0.86	0.75	3.65 ⁴⁾	1.23
XETRA closing price in EUR	8.70	17.99	15.81	21.28	19.30	14.66	15.29	21.50
PER	26.36	41.83	22.58	28.37	22.44	19.55	4.19	17.48

1) Continuing operations (excluding DCO).

2) Reclassification, see section A, Change in accounting policies.

3) Adjusted EBITDA and adjusted EBITDA margin adjusted for special effects from the sale of IT service companies and the restructuring of the Group.

4) EPS including proceeds from the "Focus" project.

Capital market communications

The Executive Board and the Investor Relations department were in regular contact with interested investors in the 2023 financial year within the framework of ten roadshows, eleven conferences as well as video and telephone conferences. Overall, with 403 investor meetings (242 personal discussions, 161 people in earnings calls), Investor Relations activities intensified compared to the previous year (PY: 252 investor meetings (108 personal discussions, 144 people in earnings calls)). The talks focused on the strategic repositioning of the Kontron Group as a pure IoT player and the resulting growth opportunities. In addition, as a result of the high cash balance, M&A activities were communicated following the sale of the IT service business in December 2022. The roadshows in 2023 focused on Germany, Austria, France, Great Britain, Sweden, Finland and the USA. The majority of the events were held in person.

Kontron AG took part in the following conferences in 2023:

- › German Corporate Conference hosted by UniCredit and Kepler Cheuvreux in January 2023, Frankfurt
- › Alster Research pop-up conference in February 2023, online
- › Jefferies Pan-European Mid-Cap Conference UK in March 2023, London
- › Stifel German Corporate Conference in May 2023, Frankfurt
- › HAIB Stockpicker Summit in May 2023, Mallorca
- › ERSTE Consumer & Technology Conference in June 2023, Warsaw
- › Commerzbank and ODDO BHF's Annual Corporate Conference in September 2023, Frankfurt
- › Berenberg and Goldman Sachs Twelfth German Corporate Conference in September 2023, Munich
- › Baader Investment Conference in September 2023, Munich
- › The Finest CEElection Equity Investor Conference in October 2023, Vienna
- › German Equity Forum in November 2023, Frankfurt

The Executive Board of Kontron AG also plans to participate in numerous conferences in the financial year 2024 and to continue to engage in intensive dialogue with investors.

At the end of financial year 2023, Kontron shares were covered by eight analysts who had published the following recommendations and price targets for Kontron as of December 31, 2023:

Erste Group	Buy	EUR 26.50
Hauck & Aufhäuser	Buy	EUR 30.00
Jefferies	Buy	EUR 29.00
Kepler Cheuvreux	Buy	EUR 25.00
mwb research (prev. AlsterResearch)	Buy	EUR 32.00
Pareto Securities	Buy	EUR 28.00
Stifel	Buy	EUR 27.00
Warburg Research	Buy	EUR 27.00

Annual General Meeting

On May 22, 2023, the Supervisory Board and Executive Board of Kontron AG welcomed shareholders to the company's 24th Annual General Meeting.

The shareholders represented by proxies accounted for approximately 51% of the subscribed capital of Kontron AG (PY: approximately 52% of the subscribed capital). All resolutions proposed by the Executive Board were adopted by the majority of votes required. These included elections to the Supervisory Board, changes in the remuneration policy with regard to the basic principles for the remuneration of members of the Supervisory Board and lifting the requirement of contingent capital in accordance with the resolution of the Annual General Meeting of June 25, 2015.

On November 8, 2023, the company invited to an extraordinary general meeting. The shareholders represented by proxies accounted for approximately 45% of Kontron AG's subscribed capital. All proposed resolutions were adopted with the required majority of votes. Among other things, the resolution authorising the Executive Board to issue financial instruments for 5 years in accordance with Section 174 of the Austrian Stock Corporation Act with the approval of the Supervisory Board was adopted.

Dividend & Share buybacks

The Executive Board of Kontron AG pursues the successful implementation of its continuous growth strategy as the primary goal of its business policy.

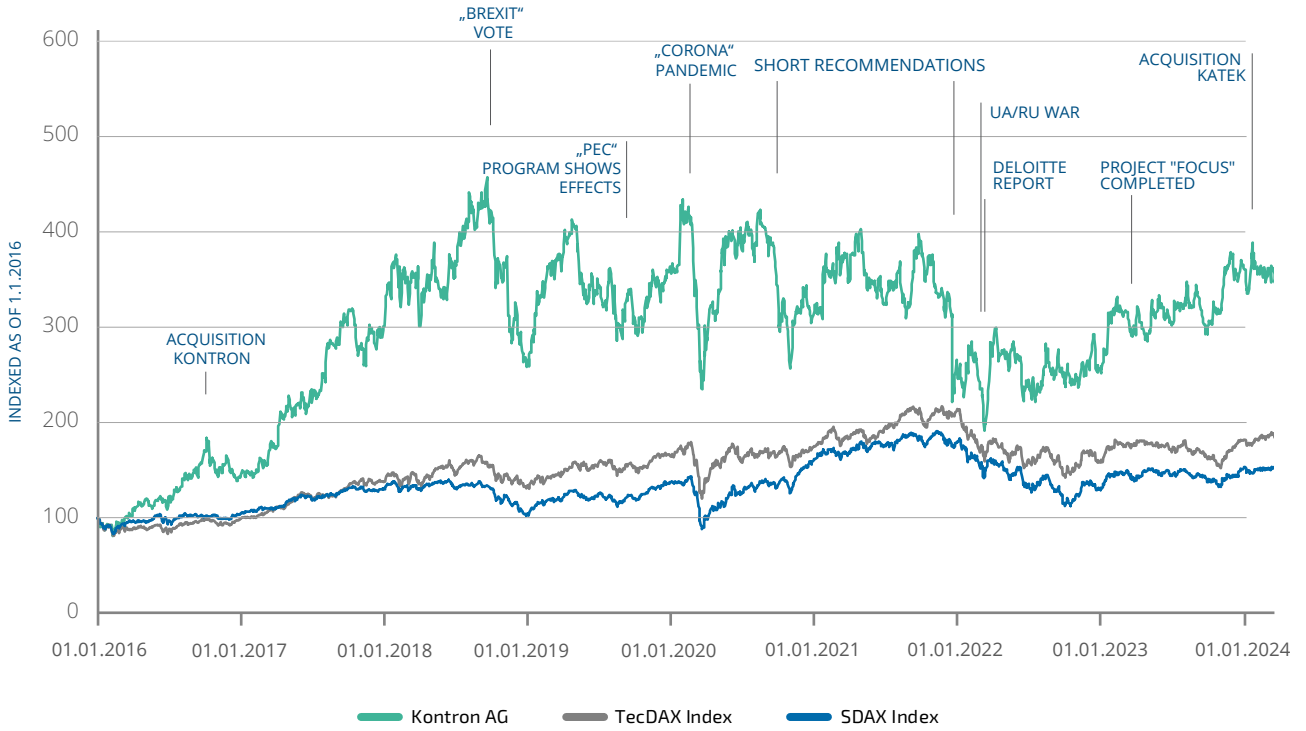
Based on the equity of EUR 602.0 million attributable to shareholders as of December 2023 (PY: EUR 633.8 million), the Executive Board and Supervisory Board of Kontron AG plan to propose a dividend of EUR 0.50 per share to the shareholders of Kontron AG for resolution at the Annual General Meeting on May 6, 2024.

In addition, Kontron bought back a total of 2,249,793 of treasury shares in 2023 at a total price excluding ancillary costs of EUR 45,501,523.65 in the course of two share buyback programs. Share Buyback Program II 2023 ran until January 18, 2024 and was terminated in connection with the announcement of the acquisition of the majority shares in Katek SE and the associated change in liquidity usage priorities.

KEY SHARE INDICATORS 2023

Stock exchange	Frankfurt Stock Exchange
Stock exchange segment	Prime Standard
Index membership	TecDAX® (since May 9, 2023) & SDAX®
Securities identification number	A0X9EJ
Stock exchange symbol	KTN
ISIN	AT0000A0E9W5
Number of shares 31/12/2023	63,860,568
Number of treasury shares as of 31/12/2023	2,112,093
Price range 1.1 - 31/12/2023	EUR 15.15 – 22.78
XETRA closing price 30/12/2023	EUR 21.50
Average XETRA trading volume per day	87 thousand shares
Market capitalisation 31/12/2023	EUR 1,373.0 million
Market capitalisation free float 31/12/2023	EUR 855.7 million
Free float 31/12/2023	62.32%
Designated sponsor	Oddo Seydler Bank AG (until 31/12/2023) Pareto Securities AS
Analysts as of 31/12/2023	Erste Group – Daniel Lion Hauck & Aufhäuser – Tim Wunderlich Jefferies – Martin Comtesse Kepler Cheuvreux – Patrick Steiner mwb research (prev. AlsterResearch) – Thomas Wissler Pareto Securities – Knud Hinkel Stifel – Adrian Pehl Warburg Research – Malte Schaumann

Share price development



Company

Kontron, d. o. o. Slovenia

Customer

Speed Connect Austria

Solution

Next-generation optical broadband network

Industry

Communications

Market

Austria

case study

Fibre-to-the-home for many households in the rural areas in Austria

Kontron contributed to the access to modern optical broadband networks by implementing the active network equipment for Speed Connect Austria's fibre-to-the-home solution.

Many households and companies in Austria will have faster internet access thanks to Iskratel broadband products developed and manufactured in Europe by Slovenia's Kontron. The implementation work started at the end of June 2023. Only one month later, the first households, companies, and municipalities in the rural areas of Lower Austria were connected to the next-generation optical broadband network, based on the XGS-PON technology.

The advanced XGS-PON access solution including Optical Line Terminals (OLTs) and Optical Network Terminals (ONT) from Iskratel broadband product family, combined with networking equipment and services from the IT Infrastructure portfolio, play a crucial role in providing Speed Connect's customers with faster and more reliable internet access across Austria.

"Sealing our shared vision with ink and commitment, we proudly announce the successful signing of the supply contract for delivery of network components and services initiating a new era of collaboration and mutual success, propelling us successfully forward to the implementation of our Speed Connect Austria FTTH network."

Antonio de Vall, CFO Speed Connect Austria

MANAGEMENT REPORT

01 Business environment

Economic environment

Following a phase of robust expansion after the pandemic in 2021 and 2022, the EU economy lost some momentum in 2023 and the current increased vulnerability of supply chains, the war in Ukraine and increasing geo-economic fragmentation have had a dampening effect on the economy. At the beginning of October 2023, the escalation of the Middle East conflict added another crisis. In China, the domestic real estate market crisis also had a negative impact on the economic environment. By contrast, economic activity in the USA has been robust, supported by strong consumption as a result of a tight labour market.

According to the European Commission's winter forecast, economic growth in the euro area and throughout the European Union for 2023 is 0.7% and 0.6% respectively, following an increase in economic output of 3.3% and 3.5% in the previous year. In the domestic market of Kontron AG, Austria, there was a significant decline in economic growth from 4.8% in the previous year to 0.1%. In Germany, Kontron Group's most important sales market, economic output fell by 0.5% in the year under review, while growth of 1.8% was still recorded in 2022. While gross domestic product growth in Switzerland also declined – from 2.7% in the previous year to 0.9% in 2023 – economic output in the USA was stable at 2.1% in both years. In China, GDP growth also improved from 3.0% to 5.0%. While a slight improvement in economic performance is consistently forecast for 2024 in European countries, the International Monetary Fund (IMF) expects economic growth to slow down in Russia, the USA and China.

The US Federal Reserve raised its short-term base interest rate in three steps from 4.5% to 4.75% in December 2022 and from 5.25% to 5.5% in July 2023. The European Central Bank (ECB) has raised base interest rates – the interest rate on main refinancing operations, interest rates on the marginal refinancing facility and the deposit facility – to 4.5%, 4.75% and 4.0%, respectively. Inflation rates in the USA and the euro area fell from 8.0% and 8.4% in 2022 to 4.1% and 5.6% in 2023. A further reduction of 2.8% and 3.3% is forecast for 2024.

Development of real GDP and inflation in Kontron Group markets (in%)¹⁾

	REAL GDP			INFLATION		
	2022	2023e	2024e	2022	2023e	2024e
Austria	4.8	0.1	0.8	8.6	7.8	3.7
Germany	1.8	-0.5	0.9	8.7	6.3	3.5
Eurozone	3.3	0.7	1.2	8.4	5.6	3.3
European Union	3.5	0.6	1.3	9.2	6.5	3.5
Switzerland	2.7	0.9	1.8	2.8	2.2	2.0
USA	2.1	2.1	1.5	8.0	4.1	2.8
Russia	-2.1	2.2	1.1	13.8	5.3	6.3
China	3.0	5.0	4.2	1.9	0.7	1.7

1) <https://www.imf.org/en/Publications/WEO/Issues/2023/10/10/world-economic-outlook-october-2023> (Page 40-42)

https://economy-finance.ec.europa.eu/economic-forecast-and-surveys/economic-forecasts/autumn-2023-economic-forecast-modest-recovery-ahead-after-challenging-year_en#executive-summary

https://economy-finance.ec.europa.eu/economic-forecast-and-surveys/economic-forecasts/autumn-2023-economic-forecast-modest-recovery-ahead-after-challenging-year_en

Overview of the Internet of Things (IoT) market¹⁾

The market for the Internet of Things (IoT) recorded worldwide revenues of over EUR 1 trillion in 2023 (EUR 1,000 billion). For the period from 2023 to 2028 – regardless of the current weak phase in the global economy – an annual growth rate of the IoT market of over 10% is expected, resulting in an expected market volume of over EUR 2 trillion (EUR 2,000 billion) in 2028, with the USA generating the largest share. The growth of the IoT market is closely linked to the development of other important technologies such as 5G and cloud computing. The introduction of 5G communication standards is of particular importance, as it enables faster and more stable networking of intelligent devices. This results in a significant increase in the efficiency and effectiveness of IoT applications. In addition, global demand for IoT solutions, driven by the increasing networking and automation of business processes in various industries, is expected.

02 Foundations of the Group

Business Model

Kontron AG, based in Linz, Austria, is the top parent company of the Kontron Group, an international provider of self-developed hardware and software products as well as solutions for the Internet of Things (“IoT”) and Industry 4.0. applications. The offering includes related implementation and operational services in the vertical markets of industrial automation, rail infrastructure, 5G connectivity, aerospace technology and smart energy. Most of the underlying technologies are developed in Europe and sold through subsidiaries in Europe, North America and Asia, with some of them also being adapted and implemented. Kontron plans to offer its own technologies as service models (IoTaaS) following implementation.

In the past financial year, the Kontron Group was mainly active in the core markets of the European Union, Eastern Europe and North America as well as Asia. As of the reporting date, Kontron AG was represented by 46 (2022: 48) active direct and indirect fully consolidated subsidiaries in the following 23 (2022: 24) countries: Austria, Belgium, Bulgaria, Canada, China, Czech Republic, France, Germany, Great Britain, Hungary, Kazakhstan, Malaysia, North Macedonia, Poland, Portugal, Romania, Russia, Slovenia, Spain, Switzerland, Taiwan, Uzbekistan, the United States of America.

Within the Group, Kontron AG assumes a holding function for the Group companies in addition to its operating activities in Austria. While most of the operational business processes of the subsidiaries were defined and controlled locally in 2023, the following were carried out centrally: the control and monitoring of the Group’s processes in the areas of internal IT, risk management, internal audit, license management, group accounting and group controlling, as well as insurance and financing. Due to the necessary customer interaction or the increasing share of services, the essential business processes are locally oriented. Due to the presence across many countries, regional customer needs can be covered very well and promptly. Kontron is therefore positioned both as a multinational provider and as a local partner.

The main external factors influencing both the business and business development of Kontron Group are the investment and spending behaviour of companies and public customers. These, in turn, are directly conditioned by financial budgets and their own economic development, as well as non-financial factors such as new technologies or data security, for example. The resulting demand behaviour has a direct influence on Kontron Group’s business potential. Cost savings by companies or public customers can have an impact on the Kontron Group in two ways: on the one hand through reduced demand, as new investments or replacement investments are delayed, and on the other hand, through increased demand due to investments to achieve cost reductions through outsourcing or to make cost structures more variable. Topics such as investments to achieve climate goals, for example in public transport, offer further potential for the Kontron Group.

1) <https://de.statista.com/outlook/tmo/internet-der-dinge/weltweit>

In the past financial year 2023, the following factors in particular had an impact on the Kontron Group's business:

- › the increased vulnerability of global supply chains,
- › increased inflation rates,
- › the escalation of the Middle East conflict in October 2023,
- › the war of aggression by Russia in Ukraine,
- › the further development of proprietary technologies, particularly in the software area, and the synergetic linking of the Kontron Group portfolios, as well as
- › the expansion of the product portfolio and geographical expansion through targeted acquisitions.

Segmentation

Due to the concentration of the Kontron Group's business activities on the IoT market in the wake of the sale of the majority of the "IT Services" business completed in December 2022, the presentation of the Kontron Group's business segments has been reorganised in accordance with the new configuration. In line with the portfolio priorities in the past financial year 2023, the group of companies was reported and managed in the "Europe", "Global" and "Software + Solutions" segments.

Europe

The "Europe" segment covers all activities of the Kontron Group relating to own-development of secure solutions for networked machines by means of a combined portfolio consisting of hardware, middleware and services in Europe. The business segment focuses on the Kontron Group's own-developed products (proprietary technologies) and solutions, in particular for the industrial automation, 5G connectivity and communication solutions as well as medical technology and smart energy markets. In addition, the IT services business in Austria, Hungary and Romania is reported for servicing and supporting the IoT business in this segment.

The products and systems are standardised products for the focus market segments, as well as custom-built hardware and software-based special systems, which are developed for the above-mentioned markets and adapted to customer requirements. From a technological point of view, this includes, for example:

- › network and communication solutions, both cable and radio-based, for real-time and secure networking, based on the new 5G mobile radio standard,
- › the standard and customer-specific development of embedded systems, especially for industrial applications and medical technology,
- › the development of tools and software interfaces (APIs) for access to various hardware and software components.

Examples of applications include:

- › Solutions for the control of production machines, including the necessary hardware components such as control computers, touch screens, driver developments and BIOS adaptations.
- › Embedded cloud computing including special security solutions with which the customer can control his industrial application and process and/or store his data securely in cloud environments (public or private cloud).
- › Hardware-based solutions for the medical technology sector that support artificial intelligence applications and are used, for example, in ventilators, patient monitoring systems and medical technology imaging products such as ultrasound devices, computer tomographs and MRI devices.

Global

The “Global” segment represents the Kontron Group's business activities in North America and Asia. In addition to its own portfolio, it also covers products and solutions from the “Europe” segment. In addition, the areas of avionics and communication/connectivity are reported in this segment in 2023.

Some example areas of application for the solutions of the “Global” segment are:

- › satellite-based in-flight entertainment and communications (IFEC) systems and satellite-based connectivity via geostationary (GEO), medium (MEO) and low Earth orbits (LEO);
- › high-performance edge servers that enable demanding applications such as Radio Access Network (RAN), ultra-low latency, high bandwidths, data caching, and artificial intelligence (AI) close to the user, solving network congestion and power supply issues.

Software + Solutions

The “Software + Solutions” segment consists of the group-wide software portfolio, primarily for the industrial automation sector, and the solutions business in the transport sector. This segment has the areas with the highest margins and the highest growth rates in the Group. From a technological point of view, this includes, for example,

- › the self-developed IoT software toolset susietec® as a new software product for connecting and controlling industrial/IoT applications as well as Kontron's own operating system for controlling, maintaining and monitoring IoT modules. The application-ready Internet of Things (IoT) toolset enables customers to create high-quality, customised computing solutions for their diverse work environments and requirements.
- › End-to-end communication solutions for mission-critical networks in the rail sector, based on GSM-R and FRMCS for example, as well as mobility solutions for public transport that cover the entire service value chain by supporting, for example, passenger information systems, network video surveillance, data storage and processing, and train management systems.

Management system

The goal of Kontron Management remains unchanged to sustainably increase the value of the Kontron Group. As a result, Kontron plans to increase the Group's added value by developing its own technologies and to continuously increase the Group's financial strength through profitable growth. To achieve this strategic goal and measure progress, an internal control system is used.

When managing the Group in 2023, the focus was on the following aspects in particular:

- › Increase in operating profitability (EBITDA) and earnings per share (EPS) which accompany the growth;
- › Optimisation of working capital and improvement of both operating and free cash flow;
- › Expansion of market shares in the IoT and embedded systems sectors;
- › Increasing the share of proprietary software in the IoT solutions environment and expanding the IoTaaS portfolio;
- › Initiation and monitoring of strategic or synergetic research and development projects;
- › Regular acquisitions to combine organic with inorganic growth and expand technological know-how.

The relevant key figures on the basis of IFRS accounting are primarily revenue, gross margin and income before interest, taxes, depreciation and amortisation (EBITDA), as well as net result. Liquidity management is based on the key figures net debt and operating cash flow. Apart from managing the equity ratio, for Kontron the debt-equity ratio is also relevant.

Starting back in the financial year 2019, a stronger focus has been placed on working capital, because due to the IoT Solutions business – which is more working capital intensive than the former IT services business – and the supply chain problems, the working capital has increased both as an absolute and relative value compared to the revenue of the Kontron Group as a whole.

As a result of the chip crisis caused by the corona pandemic, there was an increased inventory of semi-finished products in 2022, which could not be shipped because components were missing. In 2023, this backlog of inventory was significantly reduced. In the medium term, the aim is to reduce working capital.

The operating income of each company is also monitored by a designated member of the executive board as part of regional management. In addition to the development of revenue and order intake, key figures for this include, in particular, gross margin, personnel costs and EBITDA before headquarters costs. Since financial year 2021, operative cash flow was also introduced as an additional key performance indicator for the remuneration of the Executive Board and local management in order to increase cash conversion.

Project controlling, which is used to monitor longer-term project business, ranges from the preparation and approval of bids to project completion. Among other things, a special "red flag system" is used, which specifies criteria that, if exceeded, result in immediate action by the local management of the subsidiaries.

The cost items in the Kontron Group are subject to regular budget control. In the process, the individual profit and cost centres are checked monthly for compliance with the budgets and forecast costs. The basis for this is a dynamic budget model, with which the essential components of the cost budget remain flexible in relation to the development of revenue and margins. In order to achieve the planned profitability, the cost budget is adjusted as necessary during the year in line with the development of revenue.

As a developer and producer of proprietary technologies, the company's long-term success is based on strategically and technologically relevant acquisitions as well as research and development with the resulting innovations. That is why the product portfolio is continuously being developed. The necessary use of resources is optimised through a combination of technological-strategic acquisitions, collaborations and in-house developments.

The management of liquidity and operating cash flow is significantly influenced by management of receivables. This is operated locally and is subject to internal control processes. While operational cash management is largely carried out locally, strategic cash management and larger financing transactions are mainly managed centrally.

In addition, an ESG reporting tool is used to uniformly regulate the collection and monitoring of ESG-relevant key figures across the Group. This should enable progress in achieving the Kontron Group's ESG goals to be measured in a standardised way in the future and to facilitate reporting in this respect.

Further information on the risk management organisation and internal processes is available in the "Forecast, Opportunities and Risk Report" and in the "Internal Control System, Group Accounting Process and Risk Management System" section of this report.

Research and development

The development and distribution of self-developed products and solutions was also continued and promoted in 2023. The following research areas and projects provide some examples:

- › In avionics, Kontron has supported the integration of multi-orbit satellite connectivity systems with next-generation electronically steerable antennas (ESA), which are able to send and receive signals from conventional geostationary, medium-sized, and near-Earth satellites. The projects include the development of aerospace-grade power supplies for ESA, the design and validation of highly integrated subsystems, antenna control, sensors, modems and management functions, and multi-modem communication management controllers. In collaboration with several providers of satellite communications services, antenna manufacturers and aircraft system integration specialists, Kontron is leading the wave of new connectivity systems with greater geographical coverage and higher bandwidth. Kontron's systems offer airlines and integrators the opportunity to switch between different satellite technologies and operate completely independently of any network.
- › In the rail sector, with the completion of the 5G rail project led by UIC, in which Kontron was significantly involved, an important milestone was reached on the road to commercialising FRMCS. In parallel, Kontron is involved in several research and innovation projects, including the EU flagship project R2DATO and the 5G-RACOM (5G for Resilient and Green RAIL COMMUNICATIONS) project, which, in close cooperation with Deutsche Bahn and SNCF, aims to achieve radio coexistence to facilitate the migration and validation multipath technology to meet reliability and performance requirements. Kontron has led the FRMCS specification and validation activities to bring the technology and products to market. The aim is to support smooth migration and coexistence with existing GSM-R networks.

The costs for research and development and engineering in financial year 2023 amounted to EUR 196.4 million (PY: EUR 176.4 million from continuing operations). Of this, development costs of EUR 24.7 million (PY: EUR 23.4 million from continuing operations) were capitalised in the past financial year. This means that around 16.0% of revenue (PY: 16.1%) is invested in research, development and engineering services.

03 Economic Report

Strong results again with significant growth in revenue for the Kontron Group

Following completion of the “Focus” project and the associated sale of a large proportion of the IT services companies at the end of 2022, the Kontron Group continued realignment during financial year 2023 to become a pure IoT provider. In addition, work was also carried out to further reduce complexity and streamline structures within the group. As a result of the sale and mergers of subsidiaries, the number of operating companies in the Kontron Group was reduced again in 2023 – despite acquisitions in the IoT sector. The Kontron Group focuses on increasing profitability by growing the share of proprietary technologies and software for IoT applications in various sectors – particularly in the areas of 5G, connectivity, critical infrastructure, smart factories and artificial intelligence. Kontron also focused on optimising working capital and cash conversion rates, making significant progress in 2023.

Key events for the Kontron Group in financial year 2023 include:

- › The ongoing uncertainties due to the tense geopolitical situation in connection with the Russian war in Ukraine and the escalation of the Middle East conflict in October 2023, which are also having an impact on Kontron's economic environment. The persistently high inflation rates in 2023 – also due to higher energy prices – led to a sharp rise in base interest rates, with economic growth in Europe declining markedly.
- › Following the completion of the “Focus” project in the previous year and the associated alignment of the Kontron Group as a pure IoT provider, the segments were also adjusted accordingly. The Group is now managed in the segments “Europe”, “Global” and “Software + Solutions”. The two companies in Moldova that had not been sold in the previous year but that had already been assigned to discontinued operations, were sold in financial year 2023.
- › During financial year 2023, further acquisitions in the IoT sector were made through subsidiaries of the Kontron Group to drive the Kontron Group's ongoing growth. The Cellular Automotive Module Unit of Telit Cinterion, a US company headquartered in Irvine, California, was assigned to the “Europe” segment. The products from the acquired unit complement Kontron's 5G and real-time technologies for the automotive industry. The purchase was carried out as an asset deal and the division has been incorporated into Kontron Europe GmbH, Ismaning, Germany, and consolidated since August 1, 2023. In financial year 2023, the NASDAQ-listed acquired company Bsquare Corporation was assigned to the “Global” segment. This company was acquired by means of a two-step merger and, after reaching the required acceptance rate, was delisted from NASDAQ by means of a squeeze-out. The acquisition of this company sees the addition of a US specialist in the development and use of software technologies for manufacturers and operators of networked devices. Bsquare has been consolidated since December 7, 2023. In the “Software + Solutions” segment, Comlab AG was also acquired in financial year 2023. Comlab is a Swiss specialist for data communication repeaters in trains and has been consolidated since July 1, 2023. The “Software + Solutions” segment also saw the acquisition and consolidation since November 1, 2023 of Hartmann and W-IE-NE-R, a specialised group of computer system manufacturers for the avionics and defense sector based in Germany and the United States.

Earnings

Revenue development was very positive in all three segments of the Kontron Group, with the “Software + Solutions” segment achieving by far the highest revenue growth. Overall, revenue for financial year 2023 increased to EUR 1,225.9 million (from continuing operations (CO)), following a previous year's revenue of EUR 1,063.7 million (PY adjusted¹). This represents revenue growth of around 15%. Part of this revenues growth is attributable to the acquisitions made in financial year 2023, although organic growth (adjusted for company acquisitions and disposals) also showed a positive trend with an increase of 9.5%. Revenue including discontinued operations amounted to EUR 1,231.3 million (PY adjusted: EUR 1,451.1 million). In financial year 2023, the two remaining IT services companies in Moldova were classified as “discontinued operations” and these companies were sold on June 30, 2023.

Delivery delays caused by the chip crisis were further reduced during 2023 and there was also an easing on the cost side as a result of improvements in chip availability. This development also had a positive effect on Kontron's gross profit, which increased from EUR 369.5 million in the previous year (CO) to EUR 466.2 million. This represents an increase of over 26%. Despite the restructuring of the remaining IT service business, the gross margin also improved significantly from 34.7% (PY adjusted) to 38.0% in financial year 2023.

¹ Adjustment due to changed assessment of principal/agent status (see explanation in Section B, Note (1) in the Notes to the consolidated financial statements)

Personnel costs of the Kontron Group increased in financial year 2023 compared to the previous year in continuing operations. This is primarily due to the new group companies included in the scope of consolidation and the first time full year inclusion of subsidiaries acquired in the previous year. Parts of the salary bonuses for Kontron executives from the successful sale of the IT Services division were already paid out in financial year 2023. Due to the use of the provisions made for this purpose in the previous year, this did not affect the results in 2023. As a result of the above effects, personnel expenses in financial year 2023 amounted to EUR 291.8 million (CO), compared to EUR 258.8 million in the previous year.

Other operating income in financial year 2023 for continuing operations amounted to EUR 15.4 million and was therefore below the previous year's level (EUR 19.7 million). Other operating expenses in financial year 2023 amounted to EUR 88.4 million (CO) compared to the previous year's figure of EUR 83.8 million. While the increase in the previous year was primarily attributable to special costs in connection with the sale of the majority of IT services companies, there were higher other operating expenses in financial year 2023 primarily as a result of the new companies added to the consolidation group and as a result of currency translation expenses. In total, a significantly higher EBITDA from continuing operations of EUR 126.0 million (PY: EUR 70.0 million) was achieved with an EBITDA margin of 10.3% (PY: 6.4%), with this margin increase only being an intermediate stage.

After the depreciation of tangible assets and amortisation of intangible assets were burdened in the previous year due to impairments as part of the "Focus" project, this resulted in significantly lower amortisation expenses in financial year 2023. Depreciation and amortisation on tangible and intangible assets amounted to EUR 39.5 million in financial year 2023, after a previous year's figure of EUR 72.0 million (from continuing operations). As a result of these developments, the Kontron Group was able to achieve an EBIT of EUR 86.6 million in financial year 2023 (PY: EUR -2.0 million from continuing operations, with this figure being burdened by one-off effects from the restructuring of the IoT service sector following the sale of IT service activities).

Finance expenses for continuing operations in financial year 2023 amounted to EUR 16.1 million, which represents a significant increase compared to the previous year (PY: EUR 10.0 million). This shows the effects of the sharp rise in key interest rates since the end of 2022, which accordingly raised interest rates on the Kontron Group's variable-interest financing liabilities. On the other hand, the "Focus" transaction also generated higher income from interest in financial year 2023 due to fixed-term deposits of existing cash and cash equivalents – finance income correspondingly amounted to EUR 8.9 million (PY: EUR 1.4 million). As a result of these effects, the total finance result was EUR -7.3 million (CO), after a previous year's figure of EUR -8.6 million, an improvement despite the significantly increased interest rate landscape.

Net income from continuing operations (before shares without controlling influence) stood at EUR 75.8 million in financial year 2023, after the previous year's result was affected by special effects in connection with the "Focus" project (PY: EUR -12.8 million). The result from discontinued operations amounted to EUR 2.4 million (PY: EUR 244.7 million). Net income before non-controlling interests totalled EUR 78.2 million (PY: EUR 231.9 million); after non-controlling interests, net income was EUR 77.8 million (PY: EUR 232.5 million). The bottom line was EUR 75.8 million after income taxes from continuing operations (PY: EUR -12.8 million).

Earnings per share (EPS) amounted to EUR 1.23 in financial year 2023, after a previous year's figure of EUR 3.65, which, however, was influenced by sales proceeds from the IT services business in connection with the "Focus" project.

The Kontron Group order backlog amounted to EUR 1,686.2 million as of December 31, 2023 (PY: EUR 1,459.6 million), which represents another increase and a new record level. This order backlog includes contractually fixed orders and deliveries as well as deliveries expected from existing framework agreements.

Development of the business segments

Since 2023, the Kontron Group has differentiated between the three business segments “Europe”, “Global” and “Software + Solutions” in reporting and managing the group of companies. The business development in accordance with the segments for continuing operations is as follows:

IN EUR MIO.	EUROPE ¹⁾		GLOBAL		SOFTWARE + SOLUTIONS		KONTRON GROUP	
	2023	2022 ²⁾	2023	2022	2023	2022	2023	2022 ²⁾
Total revenues	912.8	807.5	258.6	245.7	261.9	199.1	1,433.3	1,252.2
Internal revenues	-124.9	-116.1	-50.9	-46.7	-31.6	-25.8	-207.4	-188.5
Revenues	788.0	691.4	207.7	199.0	230.3	173.2	1,225.9	1,063.7
Gross profit	264.0	216.6	65.5	46.9	136.7	105.9	466.2	369.5
EBITDA	68.6	40.8	19.1	4.1	38.3	25.1	126.0	70.0
Depreciation and amortisation	-24.0	-44.5	-6.3	-17.7	-9.2	-9.9	-39.5	-72.0
EBIT	44.6	-3.7	12.8	-13.6	29.1	15.2	86.5	-2.0
Finance income							8.9	1.4
Finance expenses							-16.1	-10.0
Income taxes							-3.5	-2.2
Profit/loss from continuing operations							75.7	-12.8

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

2) Reclassification, see section A, Changes in accounting policies

- › The “Europe” segment is the largest segment of the Kontron Group in terms of both revenue and profitability (in absolute terms). Segment revenue increased to EUR 788.0 million compared to the previous year's figure of EUR 691.4 million. This corresponds to a growth in revenue of around 14%, which, on top of company acquisitions, is primarily due to the positive operational development through the optimisation of supply chains. Organic revenue growth therefore amounted to around 8%. Revenue in the “Europe” segment contributes over 64% of total revenue attributable to the Kontron Group's continuing operations in financial year 2023. Gross profit increased to EUR 264.0 million compared to the previous year (PY: EUR 216.6 million), which in turn led to an increased gross margin of 33.5% (PY: 29.9%). This significantly improved gross margin also led to an increase in EBITDA for the segment in financial year 2023. Note that, on the one hand, the operating costs of the “Europe” segment include all Kontron Group headquarters costs, and on the other hand, this segment also charges brands, licenses and HQ charges to the other two segments “Global” and “Software + Solutions”. EBITDA before headquarter charges amounted to EUR 68.6 million, after the previous year's figure of EUR 40.8 million, which corresponds to an EBITDA margin for this segment of 8.7% for financial year 2023 (PY: 5.9%).
- › The “Global” segment includes the Kontron Group's operations in North America and Asia and also improved in financial year 2023. Revenues in this segment amounted to EUR 207.7 million, representing an increase of just over 4% compared to the previous year (PY: EUR 199.0 million). Organic revenue growth amounted to around 3%. Gross profit also improved from EUR 46.9 million in the previous year to EUR 65.5 million in the past financial year. This corresponds to a gross margin of 31.6%, which also significantly exceeds the previous year's figure of 23.6% as a result. These improved results are primarily based on several price adjustments in the USA. After

the “Global” segment and the other segments were affected by special impairment and write-off effects in the previous year, EBITDA before headquarter charges recovered significantly again in financial year 2023 and amounted to EUR 19.1 million (PY: EUR 4.1 million). The EBITDA margin was 9.2%, following a previous year's figure of 2.1%.

- › The segment “Software + Solutions” is the segment with the highest margins and the highest growth rates in the Kontron Group. With a segment revenue of EUR 230.3 million in financial year 2023, there was very significant revenue growth of around 33% compared to the previous year (PY: EUR 173.2 million). This is primarily organic revenue growth (around 26%) due to the good order situation. As a result of this positive development in revenue, gross profit also increased to EUR 136.7 million in the past financial year, after a previous year's figure of EUR 105.9 million. The corresponding gross margin in financial year 2023 was 59.4% and was thus slightly below the gross margin in financial year 2022 (PY: 61.1%). This segment's EBITDA before headquarter charges also increased significantly and amounted to EUR 38.3 million (PY: EUR 25.1 million). This corresponds to an EBITDA margin of 16.6% in financial year 2023, compared to the EBITDA margin of 14.5% in the previous year. As a result, the EBITDA margin increased again in 2023.

In addition to the three segments shown in the table, the Kontron Group also generated income from discontinued operations (DCO) in financial year 2023. In 2022, all IT services companies that were sold in connection with the “Focus” project were reported here. In financial year 2023, the results of the two remaining companies in Moldova, which were sold in 2023, were reported in DCO. Revenue from these discontinued operations in financial year 2023 amounted to EUR 5.4 million (PY: EUR 387.4 million). Gross profit amounted to EUR 1.3 million (PY: EUR 141.0 million), while EBITDA stood at EUR 1.2 million (PY: EUR 269.9 million). The previous year's figure includes the sales proceeds from the “Focus” transaction, which was shown in other operating income.

Finances

SUMMARISED CASH FLOW STATEMENT (IN EUR MILLION)

	2023	2022
Cash flow from operating activities	116.9	44.4
Cash flow from investing activities	25.7	143.7
Cash flow from financing activities	-190.2	-90.8
Cash and cash equivalents	332.2	437.8
Financing liabilities	211.0	319.5
Net Cash (+) / Net debt (-) ¹⁾	121.2	118.3

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

Operating cash flow increased significantly in financial year 2023 and amounted to EUR 116.9 million following a previous year's figure of EUR 44.4 million. This positive trend was driven by the Kontron Group's strong operational development and the easing of supply chains in 2023. As a result, the trend of cash conversion continued after realignment of focus on IoT business. The target of a cash conversion rate (cash flow from operating activities in relation to EBITDA) of 75% of EBITDA was clearly exceeded with a value of around 93% (PY: 63%), although EBITDA was burdened by one-off effects from the restructuring of IoT service units.

Cash flow from investment activities amounted to EUR 25.7 million in financial year 2023, a significantly lower figure than in the previous year (PY: EUR 143.7 million). The previous year's cash flow from investment activities was heavily influenced by the sale of the majority of the IT services business, and also in financial year 2023 this resulted in effects from further payments from the Vinci Group for the sold “Focus” companies in the amount of EUR 119.5 million. In addition, investment activities primarily concerned investments in property, plant and equipment and intangible assets of EUR 46.2 million, as well as payments for the acquisition of subsidiaries (Asset Deal Telit, Comlab, Hartmann/W-IE-NE-R, Bsquare) in the amount of EUR 53.3 million.

Cash flow from financing activities amounted to EUR -190.2 million in financial year 2023, after a previous year's figure of EUR -90.8 million. The main financing activities included the repayment of long-term financing and repayments of financial leasing liabilities totalling EUR 75.4 million, the distribution of the record dividend for the financial year 2022 of EUR 63.4 million, and payments for the purchase of treasury shares as part of two share buyback programs in the amount of EUR 45.5 million. In addition, the cash flow from financing activities also shows interest payments of EUR 13.5 million.

In line with the goal of aligning financing with matching maturities and as a precaution for further growth, a bonded loan was placed for the first time in financial year 2019. With a volume of EUR 160 million and terms of five and seven years, the Kontron Group was able to secure long-term financing. 53% (EUR 85 million) of the bonded loan was borrowed on a fixed basis and the rest was borrowed on a variable basis. In 2021, another final tranche of EUR 7.5 million was issued with a term until 2026 and a fixed interest rate. In financial year 2021, a loan agreement for EUR 37.5 million was concluded with a fixed interest rate for the purpose of refinancing the "Iskratel" share purchase, which is repayable on the basis of quarterly repayments by December 31, 2025. In financial year 2022, a further financing framework for general working capital financing in the amount of EUR 50 million was agreed, which was not used as of December 31, 2023. In financial year 2023, it was agreed to increase the revolving working capital loan from EUR 15 million to EUR 60 million. However, as of December 31, 2023, it had not been used. These lines and other current account lines in the Kontron Group have variable interest rates and are linked to the development of EURIBOR and corresponding reference interest rates. Kontron AG continued to monitor the development of the interest rate landscape in financial year 2023 in order to protect itself in good time against any increase. Due to the development of interest rates and swap rates, no further variable financing was fixed in the past financial year. However, Kontron is constantly evaluating the development of the interest rate landscape.

Due to the effects described above, cash and cash equivalents decreased from EUR 437.8 million as at December 31, 2022 to EUR 332.2 million as at the 2023 balance sheet date. Because this reduction in cash and cash equivalents was accompanied by a simultaneous reduction in financial liabilities, net cash was able to be further increased and amounted to EUR 121.2 million at the end of 2023 – excluding rental and lease liabilities in accordance with IFRS 16 – following net cash in 2022 of EUR 118.3 million. Cash and cash equivalents amounting to EUR 4.3 million (PY: EUR 3.5 million) were subject to restrictions on availability due to collateral provisions.

Assets and liquidity

BALANCE SHEET INDICATORS (IN EUR MIO.)	31.12.2023	31.12.2022
Non-current assets	492.5	412.1
Inventories	229.1	192.6
Trade receivables	213.6	148.1
Contract assets current	38.1	54.2
Other current receivables and assets	65.2	189.7
Cash and cash equivalents	332.2	437.8
Assets classified as held for sale	0.0	6.3
Total assets	1,370.7	1,440.9
Equity	604.0	635.7
Financing liabilities non-current	60.1	193.8
Non-current and current provisions	60.8	46.8
Other liabilities non-current	48.4	39.0
Financing liabilities current	150.9	125.7
Trade payables	273.1	226.3
Contract liabilities current	69.6	78.5
Other liabilities current	103.7	90.3
Liabilities classified as held for sale	0.0	4.8
Total equity and liabilities	1,370.7	1,440.9
Equity ratio ¹⁾	44.1%	44.1%
Net Cash (+) / Net debt (-) ²⁾	121.2	118.3

1) Share of consolidated equity (including stakes held by shareholders with non-controlling interests) in total equity (balance sheet total)

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

Regarding the consolidated balance sheet and its presentation in connection with discontinued operations (DCO), note that the two Moldovan companies in the sold IT Services division were also sold by the balance sheet date 2023. The assets and liabilities of these two companies are shown in the consolidated balance sheet in the comparative figures for the previous year under the items "assets classified as held for sale" and "liabilities classified as held for sale." As of December 31, 2023, these two positions no longer contain any assets due to the sale of the Moldovan companies.

The Kontron Group's balance sheet total decreased compared to the previous year as a result of a balance sheet reduction, which was primarily due to the repayment of financial liabilities and the purchase of treasury shares. As a result, equity also decreased in absolute figures. However, the equity ratio remained unchanged at 44.1%. The reduction in non-current financing liabilities is primarily due to the

reclassification of the existing bonded loan due in 2024 into current financing liabilities. Despite the repayment of some current credit lines, current financing liabilities increased overall. Equity and non-current financing covered around 48% of the balance sheet total as of December 31, 2023 (PY: 58%). In order to secure Kontron AG's financing over the long term, it is planned to raise new financing in financial year 2024. Cash and cash equivalents decreased in financial year 2023 and accounted for around 24% of the balance sheet total (PY: 30%). At EUR 121.2 million, the Kontron Group's net cash position increased slightly again compared to the previous year.

Trade receivables stood at EUR 213.6 million as of December 31, 2023, up from EUR 148.1 million, which represents a significant increase. The increase is due, firstly, to the newly acquired companies in financial year 2023; and secondly, to individual subsidiaries of Kontron AG, for which additional revenue from major IoT projects led to a correspondingly higher level of trade receivables as of the 2023 balance sheet date. In the other subsidiaries, both as a result of improved receivables management and the use of central factoring programs, the status of trade receivables was largely improved. As of December 31, 2023, the factoring programs sold around EUR 23 million fewer trade receivables and factoring was reduced as expected. Trade payables also rose to EUR 273.1 million due to the newly acquired companies and the increase in revenue and costs of goods and services (PY: EUR 226.3 million).

Inventories increased from EUR 192.6 million at the end of the last financial year to EUR 229.1 million as of December 31, 2023. This increase is primarily due to acquisitions of companies in financial year 2023. Working capital is to be further reduced in 2024 by more efficient warehouse management, reducing stock backlog and subsequent shipment of finished products, optimised purchasing processes and renegotiations on the supplier and customer side.

Non-current assets increased to EUR 492.5 million as of the 2023 balance sheet date, compared to a previous year's figure of EUR 412.1 million. This increase is due, on the one hand, to tangible assets acquired as part of company acquisitions in financial year 2023 and, on the other hand, from the addition in intangible assets. This also resulted in increases in goodwill as a result of the acquisitions made; moreover, development costs from individual research projects in financial year 2023 were capitalised. In total, cash-effective investments in property, plant and equipment and intangible assets amounted to EUR 46.3 million (PY: EUR 40.5 million, including discontinued operations) in financial year 2023.

Non-current and current provisions amounted to EUR 60.8 million (PY: EUR 46.8 million) as of the 2023 balance sheet date. This increase is primarily due to higher pension provisions following changes in the scope of consolidation and changes in financial assumptions in individual subsidiaries. Other current receivables and assets decreased as this item included the remaining purchase price for the "Focus" companies due in the previous year, the majority of which has already been paid in financial year 2023. This receivables position has been reduced accordingly. Other current liabilities increased to EUR 103.8 million compared to the corresponding figure for the previous year (PY: EUR 90.3 million). The increase in this position is primarily due to tax liabilities.

In the year under review, there was a capital increase of EUR 230,000.00 from the approved conditional capital. As a result, the subscribed capital increased from EUR 63,630,568.00 in the previous year to EUR 63,860,568.00 as of December 31, 2023. In addition, 208,700 options relating to the stock option program 2018 and 162,000 options relating to the stock option program 2018 (tranche 2019) were exercised in financial year 2023. In financial year 2023, shares were bought back as part of the existing share buyback programs ("Share buyback program I 2023" and "Share buyback program II 2023"). The number of treasury shares held by the Kontron Group thus amounted to 2.112.093 shares as of December 31, 2023 (December 31, 2022: 0 shares). Accordingly, the number of Kontron shares issued as of December 31, 2023 amounts to 63,860,568 (December 31, 2022: 63,630,568 shares). The equity attributable to the shareholders of Kontron AG increased to EUR 602.0 million as of December 31, 2023 compared to the previous year's figure of EUR 633.8 million.

The Executive Board and the Supervisory Board therefore plan to propose a dividend of EUR 0.50 per share to the shareholders of Kontron AG at the Annual General Meeting on May 6, 2024.

Non-financial indicators of performance

As required by the implementation of the requirements imposed by Austria's Act on Sustainability and Improvement of Diversity, Kontron AG has compiled a separate report on sustainability for the past financial year. As in previous years, it contains in-depth reporting on matters pertaining to the environment and to employees. Kontron AG joined the UN Global Compact in 2021 and has identified eleven sustainability goals (SDGs – Sustainable Development Goals). Further steps were also taken in preparation for the CSRD (Corporate Sustainability Reporting Directive) requirements of the European Union in the financial year 2023 to expand ESG reporting, including carrying out a double materiality analysis and improving the ESG data report.

Protection of the environment

The quantities of electronic devices and electronic waste introduced to Kontron's markets continue to grow. They not only contain partly hazardous components, but also important raw materials that can be used for recycling. For Kontron, the conscious use of available resources is important. Proper disposal, corresponding resource-saving technology concepts and efficient processes in procurement, distribution and production are therefore strived for as a contribution to sustainability. The same applies to auxiliary materials used to package or transport the Kontron Group's electronic devices: The focus here is on using packaging materials as efficiently as possible and the recyclability of the materials used. This is also monitored by external parties through appropriate environmental audits and ISO certifications.

Furthermore, the Kontron Group strives to continuously optimise the electricity efficiency of the data centres it operates and uses its latest proprietary technologies in the smart meter sector. In addition, the proportion of energy generated by Kontron Group at its own production sites is constantly increasing. As in previous years, more in-house photovoltaic systems were put into operation in 2023. In addition, the vehicle fleets at several subsidiaries were expanded in 2023 to include electric and hybrid vehicles in order to reduce carbon emissions – mainly electric vehicles are to be integrated into the vehicle fleet in the future and the use of public transport is to be encouraged. From 2024 onwards, only electric vehicles are to be purchased as company cars. In addition, charging stations are being installed at all Kontron sites to increase the availability of charging facilities across the Kontron Group and, ideally, operate them with electricity generated at the sites themselves.

Employee welfare and protection

The following table shows the development in the number of personnel¹⁾ at Kontron Group in each segment and division:

SEGMENT / DIVISION	2023	2022	Change
Segment "Europe"	3,155	3,034	4.0%
Segment "Global"	518	452	14.6%
Segment "Software + Solutions"	1,165	989	17.8%
Kontron Group	4,838	4,475	8.1%
as of Research & Development and Engineering	2,658	2,478	7.3%
as of Product-related Support Services	207	209	-1.0%
as of Production & Logistics	579	529	9.3%
as of Sales & Marketing	622	545	14.1%
as of Management & Administration	772	714	8.1%

1) Employees on a full-time equivalent basis, excluding employees in training or on parental leave or apprentices/trainees

The growth in employees compared to the previous year is primarily due to acquisitions made in financial year 2023.

Statutory and voluntary social security costs, including severance payments, amounted to EUR 59.2 million (PY: EUR 49.7 million) for the continued operations in financial year 2023. The focus of human resources work on the integration of the acquired companies, business units and employees will continue in the future due to the recent acquisitions. Integration is also being driven forward through the introduction of uniform processes in human resources, standardisation and migration to common supporting IT systems, as well as by strengthening the employees' sense of belonging to and loyalty to the company. To this end, the results of a newly conducted group-wide employee survey Kontron AG at the end of 2023 were analysed in detail. Based on the findings of this survey, measures have been compiled in various areas to continuously improve employee satisfaction and the attractiveness of the Kontron Group as an employer.

The health and safety of Kontron Group employees is also an important concern: The various aspects of occupational health – both to avoid physical impairments caused by monotonous VDU work, for example, and mental stress caused by increased work demands – are taken into account by means of training by external experts (occupational physicians) and ergonomic office equipment. As in previous years, various training courses and support opportunities were offered in 2023 on topics such as occupational psychology that also included dual-location work (working from home) and ergonomic work. Internal and external training courses are also held on an ongoing basis for employees in the production environment to raise awareness of safety issues and ensure occupational safety.

Provided that their activities permit it, employees can work from home in coordination with the requirements of the respective team, and employees can use office space on site whenever they need it.

The long-standing philosophy of Kontron Group – "hire for attitude, train for skills" – remains unchanged and is driven forward by internal programs for the personal and professional development of our colleagues. That is why the second round of the "Sustainable Leadership Academy" organised by Kontron AG was launched at the end of 2023. This one-year training program is aimed in financial year 2024 especially towards female junior executives in a wide variety of fields who will be prepared for their next career steps within the Kontron Group by external trainers and Kontron managers. In addition, the Kontron Group also provides financial support for its employees to take advantage of external training programs and courses. In financial year 2023, the Kontron Group spent EUR 1.2 million on employee training measures for continued operations (PY: EUR 1.1 million). In addition, Kontron employees continuously take part in training courses run by Kontron's industry partners in order to continue to expand the high level of certification with individual manufacturers.

The Executive Board of Kontron AG thanks all employees for their outstanding performance once again in financial year 2023.

Summary

The success of the Kontron Group's strategic realignment to focus on the IoT sector was clearly evident in financial year 2023. Despite subdued economic growth, Kontron was able to increase revenue again in financial year 2023 – at EUR 1,225.9 million, revenue was above the forecast of around EUR 1,200 million. Compared to the previous year's revenue of EUR 1,063.7 million (in each case for continuing operations, PY adjusted), this represents growth of over 15%. In addition to the revenue growth from company acquisitions, organic growth of 9.5% was also achieved. Following a two-time increase in the guidance for the annual target, the forecast for the net result in financial year 2023 was EUR 72 million. With a net result of EUR 77.8 million, this target was also clearly met. The net result in the previous year was influenced by the "Focus" transaction and the consequent sales proceeds and amounted to EUR 232.5 million. The resulting net result per share was EUR 3.65, whereas in financial year 2023, the net result was EUR 1.23 per share. At the next Annual General Meeting on May 6, 2024, Kontron AG's management will submit a proposal to shareholders to pass a resolution on a dividend payment of EUR 0,5 per share.

04 Forecast, Opportunities, Risk Report

Forecast

For 2024, most forecasts assume no or low economic growth in the European Economic Area, while inflation rates are expected to continue to weaken compared to the previous years. The central bank interest rate hike cycle is likely to have peaked in financial year 2023. Nonetheless, inflation rates are currently still above the target ranges set by central banks, while base interest rates have reached record levels and supply chain vulnerability remains high. In addition, the further course of the war in Ukraine, the escalation of the Middle East conflict and further geopolitical tensions are increasing the uncertainty of forecasts.

Despite this scenario, the Kontron Group's long-term objectives – profitable growth and market leadership in the IoT segment – remain unchanged, as the increasing demand for digital machine communication solutions also creates opportunities for the Kontron Group. Kontron will continue to focus on increasing profitability, generating positive cash flows and optimising working capital – before revenue growth. By further developing the Kontron Group as an innovative technology company and IoT solution provider with an increasing share of in-house developments and high-margin services that increase added value, the gross margin and profit margin are to be further increased.

As mentioned previously, the acquisitions carried out in financial year 2023 and at the beginning of 2024 will replace discontinued revenue from the IT services sector. In 2024, the focus will be on integrating the acquired companies and upgrading their products with the Kontron Group's existing IoT know-how.

Following the takeover of Katek SE announced on January 18, 2024 and carried out on February 29, 2024, Kontron has increased its guidance published on January 15, 2024. For financial year 2024, Kontron now expects revenues of EUR 1.9 billion, an EBITDA of EUR 190 million and a net profit of around EUR 100 million.

Report on opportunities and risks

The Kontron Group is an internationally active technology company and is therefore exposed to a wide range of financial, industry-specific, business and ESG risks. At the same time, the industry and the company offer a multitude of opportunities. As part of intra-group opportunity and risk management, Management's aim is the timely realisation of opportunities that arise in a manner that increases the value of the company, and to actively reduce risks by means of countermeasures, in particular in order to avoid risks that could jeopardise the continued existence of the company.

To achieve this objective, it is necessary to create awareness of the existing and potential risks and opportunities in the company among all employees and especially among decision-makers. By means of a group-wide risk management system, risks and their risk structure in particular, are to be recorded and updated. In 2021, Kontron introduced and continuously developed an internal control system based on the COSO reference model. Local risk/control self-assessments are used to identify risks so that they can be pinpointed and counteracted at an early stage. In addition, risk/control self-assessments serve as a basis for the headquarters to be able to take countermeasures in good time. The internal audit regularly reviews and monitors the implementation of measures and reports progress to the Executive Board of Kontron AG on a regular basis.

The systems are continuously supplemented and reviewed to take account of regional and technological expansion of business activities at Kontron. Acquired subsidiaries must implement the group's standardised policies when they are integrated into the Kontron Group. Implementation is monitored, among other things, by means of an internal audit.

In addition to primarily administrative areas such as IT, personnel, finance and controlling, risk identification and risk management also cover the areas of sales, project management, production, purchasing, development, warehouse management and occupational health and safety, including facility management.

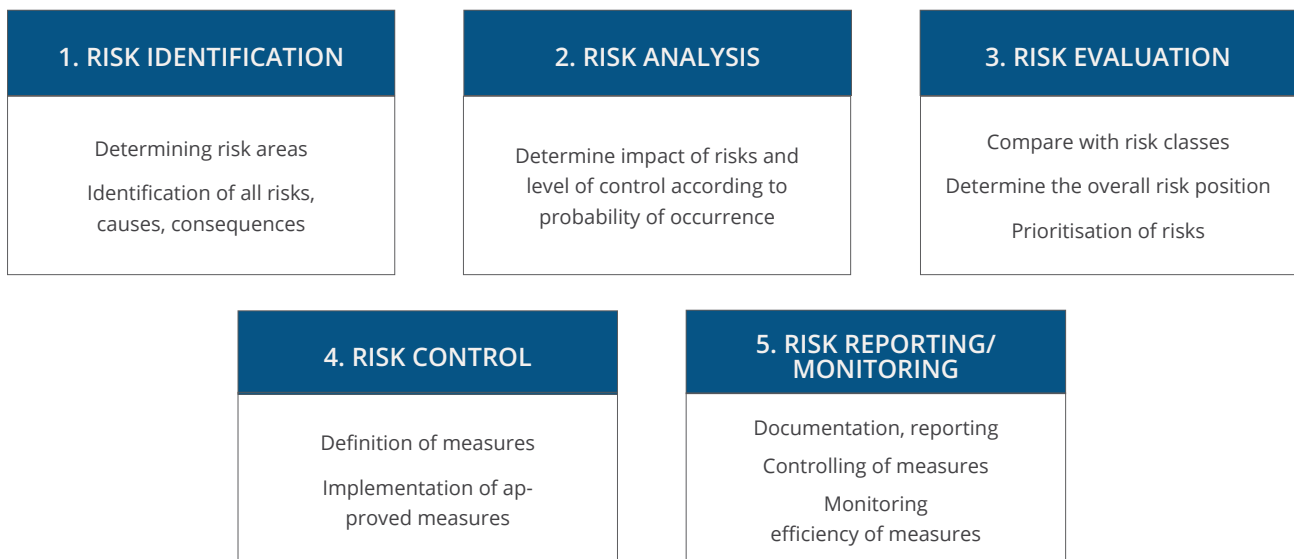
Regular or ad-hoc internal and external audits, risk assessments and certifications also provide insights into improvement opportunities and additional risk factors. The risk parameters are monitored in two stages: firstly, by means of a standardised process and regular reports to the Executive Board and Supervisory Board of Kontron AG, and secondly, by means of self-assessments and predefined "red flag" criteria, which, if exceeded, result in immediate measures being taken by the local management of the subsidiaries.

Risk management system

Risk and opportunity management constitutes an important component of Kontron's handling of its business. Kontron generally avoids risks that endanger its corporate existence. Nevertheless, Kontron's business activities do expose it to risks that directly result from corporate actions. In order to identify risks at an early stage, to assess them appropriately and to limit them through taking suitable measures, we have set up a Group-wide risk management system. The risk management system fosters an awareness of risk and increases the trust that our stakeholders place in our company. It also improves the bases of our planning and decision-making.

Our internal system of risk management complies with the guidelines agreed upon with our Supervisory Board and Executive Board and covers the handling of risks facing the company. Our organisational chart makes the system part of our internal audit team, which reports to the Executive Board as a collegial body. The Group's risk manager regularly reports to the Executive Board and the Supervisory Board and monitors adherence to the risk management process and the reporting routines that have been established.

The Group-wide risk management process is presented and explained in a Group manual which describes in detail the individual steps in the risk management process, from risk identification to risk reporting:



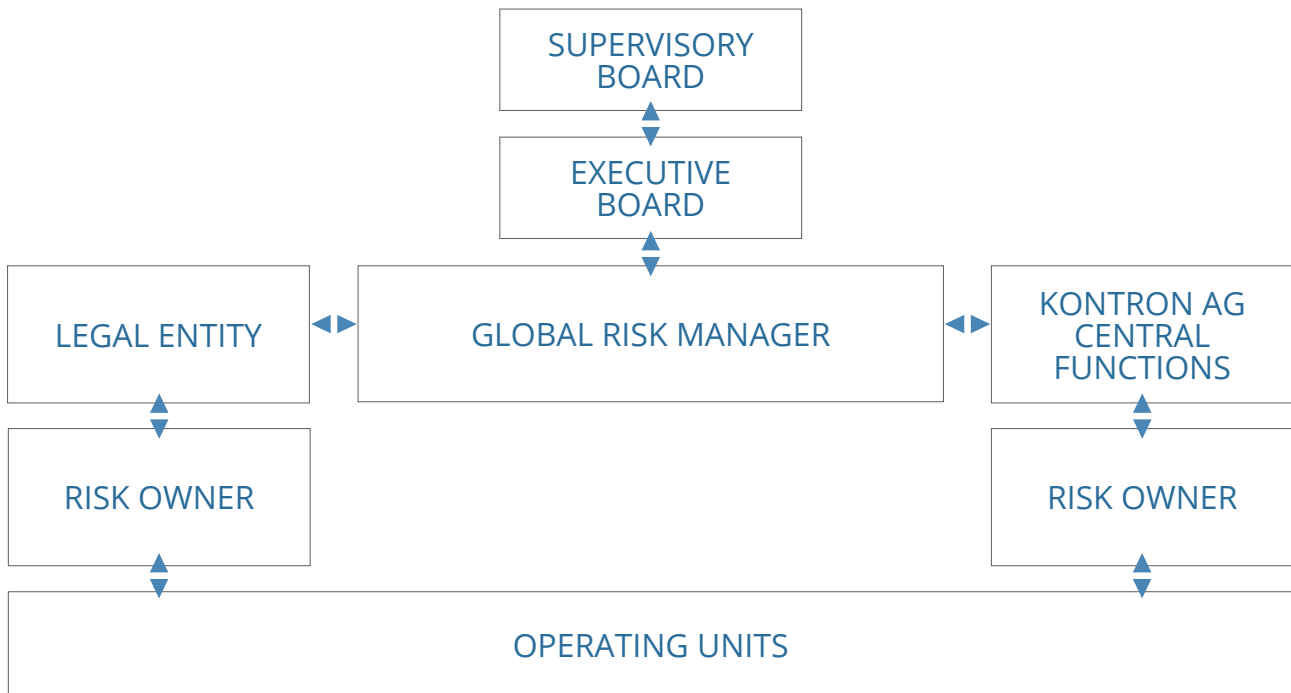
The Group Risk Manual determines the responsibilities and procedures comprised in the risk management system. It lays down clearly defined directives, such as the definition of the principles of risk management, which are binding for all parties.

The risk management manual has been sent to all Group companies for use and can be viewed by all companies at any time in Kontron AG's central filing system. Newly acquired companies are introduced to risk methodology by the Group Risk Manager, including training in the risk management process.

Every six months, all key operating areas and companies in the Kontron Group report on their risks and name a "risk owner" who is responsible for each of these risks. This results in the compilation of a risk report covering the entire Kontron Group which is then supplied to the Executive Board.

In addition to regular standard reporting, the companies are required to report risks ad-hoc if they exceed predefined limits.

Risk management organisation



The probability of occurrence and the possible financial impact are assessed according to predefined criteria. A rating system has been introduced which enables the comprehensive depiction of the relevance of the risks.

Each risk is assigned to a “risk owner”, whose responsibility it is to monitor the risk and the measures taken to manage it. Risk assessment updates and risk tracking takes place in the regular reports to the Group’s risk manager, who aggregates these reports and forwards them to the Executive Board. The Executive Board regularly briefs the Supervisory Board on the main risks.

This system ensures the Group-wide transparency and the effective handling of the risks facing the company.

Opportunity management

Opportunity management means taking advantage of appropriate market developments through business activities and turning them into economic success for the Kontron Group. Kontron is continuing to move forward with a strategy of focusing on the IoT sector in order to take advantage of excellent opportunities for stable growth in revenue and earnings in this area. This also includes the goal of further developing the software share in the various segments towards integrated hardware and software solutions and building up the new business areas that arise, such as IoT as a Service (IoTaaS).

This means specifically adapting the international structure of the Kontron Group to the market conditions in order to exploit development, sales and cost synergies and develop markets even more profitably.

Kontron sees consistent involvement with new technologies, particularly in the areas of mobility, secure networking, artificial intelligence and high-performance computer systems, as well as the further development of its own existing technologies, as a constant opportunity to expand the Group’s product and service portfolio and strengthen its own value chain. Together with the focus on new safety requirements and their standard-compliant implementation in hardware and software, risks are minimised.

The Kontron Group considers the following areas to be among the main opportunities:

Digitalisation and Smart Everything

Digitalisation continues in all areas of life. The consistent expansion of the Kontron susietec® toolset supports this by continuing to drive digital transformation in Kontron markets. From consulting and system integration, software development, hybrid cloud, hardware/software bundles and installation to operation and maintenance, Kontron is an agile partner.

The Kontron Group is creating the best possible position to exploit and monetise the opportunities arising from digital transformation.

Upcoming technology changes in mobile communications

With the technology switch from 4G to 5G, special industrial frequencies now enable private networks for “smart factories” based on the 5G mobile wireless standard. Among other things, this provides high bandwidths, real-time applications and increased security despite larger numbers of subscribers. By creating its own business areas for Mobile Private Networks (MPN) and Mobile Solutions, Kontron is seizing the opportunities that arise in these business areas for end-to-end solutions with 5G devices and network solutions from a single source. This also includes the area of mission critical mobile communication in the rail sector, which will be upgraded to the 5G-based FRMCS standard in the medium term, an area for which Kontron is excellently positioned due to its new end-to-end 5G technology offering.

Artificial Intelligence

Artificial intelligence is showing strong growth rates in all areas. Kontron is taking advantage of these opportunities by expanding its hardware portfolio with high-performance platforms and co-processors to calculate neural networks. Together with partners, suitable software applications are integrated and implemented on a project basis for the customer. The planned expansion of software activities will ensure further growth here.

Software and services focus

For the entire Kontron Group, we see great potential in the implementation of the software middleware strategy as part of our Industry 4.0 and IoT focus. The existing hardware portfolio was expanded with the addition of supplementary middleware solutions including seamless integration into private and public clouds. This enables us to offer innovative products, solutions, platforms and new developments in the Internet of Things sector. The improved integration of hardware-based security solutions enables us to meet market requirements in terms of data protection and data security. In the future, the flexible IoTaaS (IoT as a Service) will also be expanded, particularly with regard to software, in order to tap into more recurring revenues and to achieve even greater customer loyalty to the Kontron Group.

Scaling our service and support offering

The expansion of our range of services also holds opportunities for the Kontron Group. Our primary goal is to further increase the customer benefits of our products and solutions through services primarily for operating activities, as well as to develop new comprehensive services in products and solutions-based environments. This enables us to offer our customers complete solutions – from the necessary hardware and software to integration and operating services – from a single source. In addition, we can also support our customers throughout the entire product life cycle. In addition, the new size of the Kontron Group and its global spread offer further potential for synergies and optimisation.

Extension of existing and new partnerships

The Kontron Group sees targeted acquisitions, investments and partnerships as opportunities to complement and extend its core technological competencies. They also allow us to develop our product portfolio further and increase our market coverage. We therefore continuously monitor the markets and constantly explore opportunities to expand beyond organic growth through strategic acquisitions and partnerships and to supplement our technology portfolio in selected areas.

GreenTec

Many solutions from the Kontron Group already help to save energy and use resources more efficiently and therefore reduce carbon emissions. Kontron therefore sees a large number of new fields for the Group that arise from the social need to contain the climate crisis.

Expansion of the company's own photovoltaic systems

In order to counteract volatile energy prices on the energy market, Kontron is increasingly focusing on expanding its own PV systems and switching to renewable energy sources so its can meet its own energy requirements independently. Independence from energy price market policy leads to better financial planning in the company's own production and business activities and, among other things, ensures reduced greenhouse gas emissions within scope 1 and scope 2 of the GHG Protocol standard.

Risk management

Strategic risks

A strategic focus at Kontron is to increase synergies between the Kontron Group's hardware and software portfolio as well as to service and supplement existing IoT solutions with the remaining IT Services. With regard to the Kontron Group's IoT Solutions segments, this means further integration of the product portfolio as well as the joint, cross-group development of new hardware and software solutions. Failure to implement this strategy could have a direct impact on the Group's risks. Despite the above, Kontron's strategy can turn out to be entirely or partially unproductive. For example, it cannot be ruled out that demand for the services offered by the Kontron Group that feature proprietary technologies fails to materialise or is lower than anticipated, that the necessary resources are not available or that the expansion of these business segments does not proceed as expected.

In each of the above cases, investments made with a view to implementing the strategy may be lost in whole or in part, especially since the technology industry is subject to constant change. The market is characterised by rapidly changing technologies, frequent introductions of improved or new products and services, as well as constantly changing and new customer requirements and changes in the regulatory area, e.g. data protection. To maintain the success of the Kontron Group it is therefore indispensable to anticipate new trends and developments in good time – for example in applications related to Industry 4.0, 5G applications or cloud computing – or changes in data protection, to constantly adapt and improve existing products and services and develop new products in order to adapt to changing technologies, regulations, competitor products and customer demands. This requires the use of appropriate technical, human and financial resources. Any delay or prevention of the introduction of improved or new products and services, or their lack of or delayed market acceptance, may adversely affect the competitive position.

Acquisition risks

The Kontron Group's strong organic growth is continuously accompanied by company acquisitions and therefore external growth. Company acquisitions involve a number of risks. That is why it is important to implement appropriate measures designed to minimise these risks. In particular, thorough due diligence in the acquisition process and years of industry experience help to minimise acquisition risks such as paying a purchase price that is too high, overestimating the synergy effects and legal risks that could arise from the acquisition.

Following an acquisition, rapid group integration, taking cultural differences into account and transparent communication are required in order to reduce risks and avoid omissions that prevent taking full advantage of synergy effects. The implementation of Kontron AG standards and policies is an important point here, also in order to minimise risks.

Personnel risks

Our employees, their individual skills and their professional competence are a key driver for the success of the Kontron Group. Our goal of becoming one of the leading providers and employers in the technology sector creates the basis for attracting the best talents to the Kontron Group. This is highly relevant because in all the regions the Kontron Group operates in the availability of highly qualified employees is significantly below their demand and it is therefore becoming increasingly difficult to fill all vacant positions at short notice. Through cooperation with schools, technical colleges and universities, the Kontron Group endeavours to compete for the best minds at an early stage and to show them the values and opportunities of working for the Kontron Group, for example in the form of internships

or opportunities to do degree-level research. In addition, the acquisition of companies, particularly in the software sector, represents an opportunity to acquire engineering capacities on a larger scale. The loss of key personnel represents a significant risk for Kontron, and the lack of attractiveness as a future employer can also hamper the Kontron Group's plans for growth.

Risks from technologies

The Kontron Group develops its own Industrial IoT products for a large number of vertical markets. The products are based on computer technology (chips) from major manufacturers (e.g. Intel) and electronic carrier boards for these chips, application-specific housings and interfaces, as well as communication and display technologies. Proprietary software products are divided into low-level firmware, operating systems (Kontron has developed its own operating system for IoT applications: KOS) and applications in the IoT environment, which also make use of open source technologies. In general, these are based on industry standards to ensure compatibility with other market participants.

Regarding newly introduced products and product lines with a correspondingly large proportion of new technologies, there is a risk that they will prove to have missed the mark or be uncompetitive and as a result the expected sales and contribution margins cannot be achieved. In addition, it cannot be ruled out that they will not be accepted by the market or customers for other reasons and therefore cannot be realised in a profitable way.

In the case of standard systems with a long-term roadmap and a high level of market acceptance, it is primarily delays in development that can mean that the product in question cannot be brought to market on time and thus partially miss the market window.

When it comes to new technologies and standards, there is a risk that the implementation periods specified by analysts are too short and that there are significant delays before meaningful sales can be achieved on the market. In rare cases, it can happen that a new standard is not introduced in the end.

In all cases, the acquisition or development costs incurred and the related planned revenues and earnings contributions could be lost in whole or in part. The development process itself is being continuously optimised. The potential for obtaining funding from the public sector is also constantly being reviewed and used whenever possible.

New cyber security standards need to be addressed in order to rule out corresponding risks in the field.

Risks from sales markets

Economic slumps or recessions in the countries in which Kontron AG operates can especially lead to their public or private sector's responding to the need to cut costs by awarding fewer or no commissions, or to receivables due from customers in these countries becoming delinquent. As a result, the order and earnings situation may deteriorate, to the detriment of the Kontron Group's assets, financial position and earnings. For Kontron, the high competitive pressure and changes in the propensity to consume and invest also represent significant risks. Therefore, it is important to recognise trends at an early stage through continuous market observations and to quickly and reliably align products to meet the needs of customers. Kontron is constantly trying to take advantage of emerging trends. Short response times, lean internal processes and entrepreneurial thinking on the part of our employees enable and promote this process. There is also increasing evidence of the formation of new collaborations and increased competition on the market. Kontron is responding to this by establishing or intensifying new or existing partnerships.

More and more customers are also specifying general (ISO 27001) or industry-specific (e.g. in the rail sector) IT security certifications, the absence of which can lead to exclusion from the customer's order awarding process.

Risks from customers

Due to Kontron's business model, the company has a diversified customer structure, often with close customer relationships that have lasted for years or even decades. In the past, neither disproportionately high customer losses nor significant bad debts were recorded. The wide diversification of customers in a wide variety of business segments reduces dependence on individual customers or major customers. In some markets (for example in the transportation sector) in which Kontron Group companies operate – and particularly in long-term project business – the issue of long-term business relationships and their development is crucial, since a complex decision-making process involving planned infrastructure projects of public-sector customers sometimes takes several years. Sales activities must therefore be planned for the long term. On the other hand, there is always the risk that a project will not be won.

We believe that payment default of one or more customers is manageable under normal circumstances: Kontron has a highly diversified customer base with a four-digit number of customers. With regard to possible bad debt losses, Kontron also works with credit insurance and receivables factoring to reduce risk. Credit limits for customers are mainly granted individually on the basis of customer ratings or credit limits from recognised commercial credit insurers. Outstanding receivables are monitored by the management of the Group companies and are subject to a standardised valuation based on the requirements of IFRS 9.

Kontron will continue to operate strict receivables management in combination with credit insurance and factoring in the future to minimise the default risk of receivables.

Product-related risks

In the area of product quality, there is a fundamental risk that defective products will lead to damage on the customer's side and that the customer will assert warranty claims or demand additional compensation. We counter this risk through numerous measures, in particular through comprehensive technical quality assurance stretching from product development to production. In addition, all important suppliers are regularly audited via a professional quality management system. Furthermore, our worldwide service and repair centres ensure that faulty Kontron products can be quickly and effectively repaired and returned to our customers.

In addition, we cover our product risks with appropriate central and specific local insurance, in addition to special sector-specific insurance, for example in the aviation industry. It is equally important that the relationship between customised development orders and standard product orders is managed in the best possible way so that both are balanced. Strongly customer-driven business activities have caused an imbalance in distribution in the past and thus led to high complexity-caused costs. The existing high number of variants of the individual products also makes handling in the operational area more difficult. We are countering this risk by coordinating more intensively between the various parts of the company, from development right up to the production process. Continuous assessment of the product portfolio in the Group companies and the focus on innovative products helps to reduce product-related risks.

Risks from projects and operating contracts

Among other things, the Kontron Group also carries out IT projects in which IT solutions tailored to a customer's needs are planned and implemented. IT projects are regularly characterised by a high degree of complexity and incur a considerable expenditure of time and money. The same applies to so-called "design ins" in the Embedded Systems sector as well as to the implementation or deployment of GSM-R projects in the train radio sector, which usually take several years. The agreement of advance payments is not or only rarely possible for the majority of projects, especially for public sector clients. The services of the Kontron Group can therefore usually only be invoiced after the completion of pre-agreed project sections (milestones) or even after the completion of the entire project (go-live), so that the Kontron Group sometimes has to make considerable payments in advance when carrying out projects.

However, it cannot be ruled out that projects may be delayed, cancelled or for other reasons not lead to the hoped-for success, which may also result in milestones and the go-live date (i.e. the project acceptance date) not being achieved. This may lead to the partial or complete loss of investments already made or in services already rendered not being invoiced and any claims for damages against

clients not being asserted or – for legal, economic or practical reasons – not being enforced. In addition, customer relationships can be broken off or permanently impaired in these cases. Group-wide methods and tools for project management and project controlling are used for risk management. In addition, the project controlling of the companies is regularly monitored centrally. Known project risks are adequately taken into account through the formation of appropriate risk provisions.

Risks from procurement and production

The Kontron Group sells hardware products such as Embedded Boards, Embedded Servers, IPCs, network and security components, and Smart Meters. The procurement of goods and the punctual delivery of the products offered place high demands on the organisation and logistics of the Group. Kontron has outsourced parts of the logistics process, meaning that Kontron is unable to influence them directly or only to a limited extent in order to prevent or rectify disruptions. Wars, forces of nature, epidemics, pandemics or strikes which hinder the production or transport of raw materials or finished goods may also lead to delays in the delivery of the goods.

After the consequences of the coronavirus pandemic still led to major challenges in terms of supply and production chains in 2022, this issue has been significantly reduced in the second half of 2023 and delivery times have returned to almost pre-crisis levels. That said, material costs often remained at crisis levels in 2023. Kontron had to pass on this new pricing structure to its customers and further price increases cannot be ruled out. Especially in the DRAM and NAND sectors, there were already significant price increases in the second half of 2023, which the Kontron Group was also unable to avoid.

In the area of logistics, too, the costs of logistics services may increase due to political and geo-political issues, including fees and duties, thus reducing sales margins or leading to complete delivery restrictions or embargoes. Any disruption, interruption or significant increase in the cost of this logistics chain within and/or outside Kontron Group may adversely affect its business activities.

The pandemic has shown how difficult it is to ensure delivery to customers in a complex environment while taking into account all prevailing parameters. Because this is such an important factor, Kontron has decided to strengthen and expand its own production sites in Europe. This meets the market's requirements for more resilience and more sustainability in the supply chain. 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.

So-called rare earths are used in key technologies in the technology sector. The largest deposits of rare earths are in China. In the past, the market for rare earths has been kept artificially tight, leading to an increase in the corresponding commodity prices and the general price level of the products in which these commodities were used. In addition, technology leaders have outsourced their production to third parties and become massively dependent as a result. Price increases and capacity bottlenecks cannot therefore be ruled out in the future. Rising labour costs, increased transport costs and increased demand can also influence these price levels.

Material procurement is based on demand forecasts. If the quality of the forecast is poor, inventories that are too large or too small can result. Kontron counters this risk with a wide range of measures designed to improve sales and production planning processes. The Kontron Group made the most of 2023 and began to make its supply chains more crisis-proof by improving supply contracts, but also by focusing more on demand, planning and execution. Kontron will continue to expand and improve this trend in 2024.

As markets cool, the potential loss of key suppliers is also a risk. Kontron is constantly striving to establish "second sources". However, this is not practicable in every area and could also lead to a loss of economies of scale. In addition, there is the risk that individual Group companies are sometimes dependent on particular suppliers. Should a supplier no longer be able or unwilling to meet its delivery obligations, this can influence Kontron's business success.

In general, Kontron is also affected by the current high inflation rates. This has an effect on procurement costs and the overall cost structure, as Kontron employees, for example, demand inflation compensation. Higher energy costs (e.g. for electricity) are also leading to higher production costs. In principle, there is always a latent risk of power outage for certain period of time due to electricity grid operators, but in retrospect this only happened rarely.

Risks from financing and liquidity

In the past financial year, banks had sufficient credit lines available to provide financial leeway even in the short term, in the context of M&A activities, for example. Kontron's good equity cover contributes to financial stability. When selecting banks, Kontron AG also takes their creditworthiness into account. Accordingly, financing and investments are only concluded with banks that can be expected to have low default risks. In order to diversify, the Kontron Group has business relationships with several banks; in addition, financing is not only concluded centrally, but also locally by the subsidiaries. Compared to the beginning of 2022, the changes in the interest rate landscape at the end of 2023 is leading to a significant increase in the price of outside capital with variable interest rates. At present, it is not yet foreseeable when the ECB will cut interest rates.

Risks from changes in interest rates

Interest rate risk represents the risk of changes in the value of interest-bearing financial instruments used to finance the Group due to fluctuations in market interest rates. Around 47% of the loans taken out and overdraft facilities used by the Kontron Group as of the balance sheet date 2023 amounting to a total of EUR 211.0 million have a variable interest rate, and EUR 112.0 million have a fixed interest rate. Regarding the bonded loan taken out in 2019, EUR 85 million of the EUR 160 million is fixed, while interest rates for the remaining part are continuously monitored and quotations obtained for any conversion. The development of benchmark and swap rates of interest formed the basis for the decision to date to refrain from securing a fixed rate of interest. 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 to be 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.

Risks from currencies

Due to Kontron's international orientation, a high proportion of transactions are conducted in currencies other than the reporting currency EUR. These include in particular the US dollar as well as, to a lesser extent, for example, the Hungarian forint and Czech koruna. The volatility of individual currencies can have a significant impact on the revenues and earnings of Kontron AG and its subsidiaries. The ruble in particular has undergone a significant decline since financial year 2022 and during financial year 2023, which can only be partially offset and is having a particular impact on the revenues of the Russian subsidiary. The foreign currency risk is countered by financing transactions in matching currencies, procuring external services in the respective local currency and agreeing currency fluctuation clauses. In individual cases, derivative financial instruments are used for hedging. Speculative transactions, i.e. taking risks outside the scope of operating activities, are not permitted within the Kontron Group. Only existing balance sheet items or cash flows that are highly likely to occur are used for hedging. As of the balance sheet date, subsidiaries of Kontron AG carried out a forward exchange transaction that was accounted for in order to hedge purchasing volumes and other positions. The group of persons who can conclude corresponding hedging transactions is very limited. Existing transactions are reported on an ongoing basis and continuously monitored in a group-wide IT system (TM5). For further information on the currency risk, please refer to the explanations on risk management in the notes to the consolidated financial statements.

Legal risks

Like any internationally active group of companies, Kontron AG and its subsidiaries are exposed to legal risks to varying degrees. A fundamental distinction must be made between risks under company law, contract risks, patent risks and also tax and customs risks. Basically, the risk is minimised via standard processes and approval procedures as well as the use of standardised order and business terms and conditions. If necessary, external lawyers, auditors and tax advisers or other experts are involved in addition to the internal legal departments in order to assess risks, avoid legal risks or process matters.

We protect and monitor patents and trademarks by involving external patent and trademark attorneys. To raise awareness of possible compliance issues and avoid possible violations, Kontron has a compliance management system which is administered by the compliance management team at Kontron AG's headquarters and by local compliance officers. Kontron compliance standards are based on standard market best-practice standards at both operational and procedural levels. Depending on the topics, the Kontron Compliance Program is implemented either globally or locally and is subject to an ongoing monitoring and optimisation process.

Ongoing compliance training for employees in exposed areas is also an important focus of compliance. This is carried out partly by an external service provider and partly by internal experts.

Political risks

The global political environment is highly volatile. Tensions in Asia (China vs. Taiwan – in Taiwan, for example, Ennoconn is Kontron's largest shareholder), the ongoing war in Ukraine, conflicts in the Middle East, upcoming elections in the USA, etc. make the current global political environment incalculable. Decisions made by governments can also often no longer be accepted as constant or predictable in terms of a secure investment environment.

As a consequence of weaker growth rates, government investment has also been reduced, which primarily affects Kontron companies that generate a significant proportion of their revenue from the public sector.

Russian troops invading Ukraine at the end of February 2022 and the ensuing armed conflict means that local projects can be delayed or become completely impracticable. At the same time, the sanctions imposed on Russia by the international community, such as the exclusion of Russia from international payment transactions SWIFT or the ban on exports of high-tech products to Russia, mean massive restrictions on financial systems and the real economy in the CIS region. Kontron has also continuously reduced its exposure to the whole of the CIS region during this financial year.

IT risks

Breaches of data protection laws can lead to severe penalties. This includes in particular the General Data Protection Regulation (GDPR) valid in the EU. In order to raise awareness among employees at Kontron about this, but also to sensitise employees to general IT security issues, a series of online training courses on IT security was held in financial year 2023.

Cyber attacks in the areas of IT (Information Technology) and OT (Operational Technology) represent one of the highest risks. In 2023, a range of activities was carried out to reduce the likelihood and/or impact of such potential cybersecurity attacks. These activities included regular group training to raise employee awareness of cybersecurity, extending the use of multi-factor authentication within the Kontron Group, and increasing the utilisation of advanced cybersecurity protection mechanisms in the cloud supported by artificial intelligence. Kontron also improved its own Security Operations Centre (SOC) group service to capture a higher volume of different data sources, enabling better correlation and prediction of potential cybersecurity threats.

Unmanaged mobile devices present a high risk. As a result, Kontron has implemented an MDM solution in some companies to better manage cybersecurity and establish more restrictive policies for mobile devices when they are used for business purposes.

The avoidance of licensing risks, both in the IT and development sectors, is reduced by regular monitoring.

Climate risks

The internal risk assessment identified physical risks as effects of the climate crisis, such as droughts, storms, earthquakes and floods, as having a possible influence on Kontron and its business activities with its customers. According to this analysis, there is a potential risk of flooding in at least two locations and an earthquake risk considered likely in two locations as well. A potential water shortage in the value chain also brings the risk of production downtime. The supply of components and products could be interrupted as a result. The risk of rising energy prices, which are driven, among other things, by environmental influences, has a high probability of occurrence. There may also be a temporary or longer-term shortage of energy, primarily electrical energy.

This assessment will be reviewed on an ongoing basis, also as part of the risk management process, and amended if necessary. The social risks arising from the climate crisis are obvious and measures are constantly being taken to reduce the impact of the Kontron Group's activities on global warming and to make a positive contribution to achieving climate goals.

05 Internal control system, group accounting process and risk management system

Business monitoring systems (internal control systems – ICS) are becoming increasingly important and gaining in relevance. Internal control is an integral part of enterprise-wide risk management within the Kontron Group. The internal control system is understood to be the principles, regulations and procedures introduced by the Executive Board of Kontron AG and the local managing directors of the subsidiaries, which are aimed at the organisational implementation of management decisions. The objectives to be safeguarded are the protection of assets against loss, misuse and damage, the achievement of organisational goals, the assurance of proper, economic, efficient and effective processes, the reliability of operational information, in particular the reliability of accounting, and compliance with laws and regulations. The ICS has a preventive and detective function and supports the flow of corporate processes.

Internal control is a process embedded in the work and operations of an organisation, carried out by management and staff to identify risks, manage them and provide reasonable assurance that the organisation is achieving its objectives in fulfilling its mission. In this context, an ICS refers to all essential business processes. One of the important foundations for a functioning ICS is the definition of the structural and procedural organisation in the company.

In order to optimise the ICS, Kontron AG applies an independent ICS manual. In addition to the significance and importance of an effectively implemented internal control system, specific requirements for the subsidiaries are also regulated in this ICS manual, which is applicable throughout the Group. In this context, the ICS also aims to ensure that the subsidiaries comply with Kontron Group processes and guidelines. The aim of this guideline is to define and establish minimum standards for internal controls, to ensure their application and to derive measures that comply with ICS principles.

As with any general activity, there should be a balance between risk and control of the business, i.e. the cost/benefit aspect should be considered. The ICS comprises measures and controls based on the following principles, among others: transparency, confirmation by a second person, separation of functions and minimum scope of information. In general, the ICS manual of Kontron AG is based on the international COSO Model. The COSO model is a basic model for assessing the internal control system of companies, published by the Committee of Sponsoring Organization (COSO) of the US Treadway Commission and is regarded as a standard worldwide. The respective objectives and components (e.g. control environment, risk assessment, monitoring) of the COSO reference model are described in detail in the ICS manual of Kontron AG.

With regard to the role of the internal audit, its tasks and activities, such as the procedure for audit planning, audit execution and the control process with regard to the improvement measures defined in the audits, are described in detail in the manual. In addition, the manual includes references regarding equally important ICS topic areas, such as business ethics and compliance.

The management of all subsidiaries of Kontron AG is obliged to comply with the requirements of the ICS manual. The monitoring of compliance with the requirements of the ICS manual as well as the assessment of the general control environment at the subsidiaries is carried out within the framework of regular or ad-hoc internal audits at the Group's companies. These are carried out by the central audit department at Kontron AG. In addition, the responsible Kontron Group functions, such as the Accounting or Internal IT departments, are required to continuously monitor compliance with the Group-wide guidelines for their areas of responsibility.

The main components of the internal reporting system are the standardised reports and scorecards, which are generally sent to the management on a monthly basis and to the company's supervisory board on a quarterly basis. In addition, the BI and analytics tool provides management with all key financial figures on a daily basis through direct access to the local financial systems of the main subsidiaries. Standardised core processes and job descriptions have defined procedures and internal controls. The guidelines for the subsidiaries are stored in a central information system of Kontron AG.

The reporting, management and controlling of risks is structured hierarchically. The requirements of the accounting process are implemented by the finance department at the respective companies. Risks of accounting errors are largely eliminated or minimised by the following processes:

- › Uniform IFRS accounting guidelines, supported by standardised reporting forms or files, are mandatory for accounting and consolidation. The Group Accounting Manual covers the relevant accounting standards as well as significant accounting issues, which are mandatory for all Group companies. The accounting manual is adapted to new developments and continuously updated. Newly acquired subsidiaries are connected directly to the COGNOS IT system for reporting to parent companies, thus establishing a single-stage consolidation process.
- › Local management is responsible for ensuring compliance with Group-wide requirements, while the central finance department at Kontron AG collates and evaluates all data before submitting standard reports to the Executive Board of Kontron AG and the management of the subsidiaries.
- › The authorisation concept for the central accounting programs is uniformly regulated and centrally monitored. The aggregated and consolidated data of the COGNOS system can only be accessed by Kontron AG's finance department employees.
- › All Group reports are reviewed within the central finance department and also by other internal and external persons.
- › Furthermore, the completeness and correctness of accounting data are regularly checked by the central finance department on the basis of random samples and plausibility checks, both manually and with the help of IT. On the basis of detailed monthly and quarterly financial reports, deviations in the earnings and asset situation from planned and previous year's values are identified and analysed. Another focus is on working capital and cash management, which is taken into account using centralised monthly reporting and analysis of developments. The results are discussed directly with the people responsible at the subsidiaries and decisions are made during regular visits to the companies on site or conference calls by the executive board member responsible for the respective subsidiary.
- › For more complex issues and for the evaluation of actuarial issues or, for example, the option pricing for the stock option programs, external experts are commissioned by Kontron AG or at local level.
- › All Group reports are reviewed within the central finance department and also by other internal and external persons. In addition, the internal audit validates and monitors bottom-up risk reporting.
- › The management of the companies is obliged to comment on significant risks. This is done through a regular risk assessment process coordinated by the Group-wide Head of Internal Audit. There, the bottom-up risk reporting is validated and monitored. As part of one of these regular processes of supplementary ad-hoc risk reporting, the subsidiaries are required to report new risks that may exceed a certain loss limit or significant deteriorations in existing risks. This is also the basis for determining or carrying out ad-hoc internal audits outside the standard audit calendar.

Further information on the risk management organisation and process is available in the "Forecast/Opportunities and Risk Report".

06 Disclosures in accordance with § 243a UGB (Austrian Commercial Code)

1. As of the balance sheet date of December 31, 2023, share capital of Kontron AG amounts to EUR 63,860,568.00 and is divided into 63,860,568 no-par value bearer shares. The equity developed as follows:

IN EUR	2023	2022
Subscribed capital as at 01.01.	63,630,568.00	66,096,103.00
+ Increase in capital by authorised conditional capital	230,000.00	0.00
- Capital reduction through redemption of treasury shares	0.00	-2,465,535.00
Subscribed capital as at 31.12.	63,860,568.00	63,630,568.00

As of December 31, 2023, the company held 2,112,093 treasury shares.

2. The right to exercise votes at the annual general meeting is unlimited. There are no other limitations that might affect voting rights or the transferring of shares.
3. With 27.5% of the shares and voting rights held via two subsidiaries affiliated with Ennoconn Corporation, the Ennoconn Corporation, Taipei, Taiwan, is, as of December 31, 2023, the largest shareholder of Kontron AG known to Kontron AG.
4. No shares exist that grant special rights of control. Employees who own shares in Kontron AG can exercise their voting rights at the Annual General Meeting directly and at their own discretion. There is no associated voting rights control or the possibility to exercise voting rights with stock options or warrants.
5. No stipulations exist that exceed the bounds of law and apply to the members of the Executive Board and Supervisory Board. According to Kontron AG's articles of association, the Annual General Meeting decides by a simple majority of the votes cast, and in cases where a majority of the share capital is required, by a simple majority of the share capital represented at the time of resolution, unless the law or Kontron AG's articles of association provide for a larger majority.
6. Issuance of financial instruments in accordance with Section 174 (2) of the Austrian Stock Corporation Act (AktG), conditional, authorised and authorised conditional capital:

› Conditional capital 2023:

At the Extraordinary General Meeting of Kontron AG on November 8, 2023, the Management Board was authorised in accordance with Section 174 (2) AktG for a period of five years from the date of the resolution, with the approval of the Supervisory Board, to issue financial instruments within the meaning of Section 174 AktG, in particular convertible bonds, participating bonds or profit participation rights, which may also provide for the subscription and/or conversion right to acquire a total of up to 6,386,056 shares in the company, also in several tranches, and to determine all other conditions of the financial instruments with the approval of the Supervisory Board. Shareholders' subscription rights were excluded (direct exclusion).

In order to service the subscription and/or conversion rights of creditors of these financing instruments, the Executive Board was authorised at the same Extraordinary General Meeting to conditionally increase the share capital of the company by up to EUR 3,616,000 in accordance with Section 159 paragraph 2 No. 1 AktG by issuing up to 3,616,000 bearer shares with the approval of the Supervisory Board (Conditional Capital 2023). The conditional capital increase will only be carried out to the extent that the creditors of the financial instruments exercise their right of subscription and/or conversion or are obliged to subscription or

conversion. The par value and the exchange ratio must be determined in a recognised pricing process taking into account standard market calculation methods and the stock exchange price of existing shares and must not be less than the proportionate amount of the share capital.

› Authorised conditional capital 2019:

By resolution of the Annual General Meeting on May 21, 2019, the Executive Board was authorised, with the approval of the Supervisory Board, to conditionally increase the share capital by up to EUR 1,500,000 in order to grant stock options to employees, executives and members of the Executive Board of the company or an affiliated company for a period of up to five years after the amendment to the articles of association was registered in the commercial register (Authorised conditional capital 2019). The capital increase is earmarked and may only be carried out to the extent that holders of options from the 2018 stock option program (AOP 2018) tranche 2018 and tranche 2019, as well as from a possible future program that stipulates initial exercise of the options no earlier than three years after the options were granted and a threshold of 25% of the trading price of the company share on the Frankfurt Stock Exchange, exercise these options. Initial exercise of the options in AOP 2018 was permitted in an exercise window after expiry of the closed period on December 18, 2021.

The Annual General Meeting of June 16, 2020 decided to partially revoke the existing authorisation of the Executive Board relating to the Authorised Conditional Capital 2019, specifically the no longer usable sum of EUR 500,000 or 500,000 bearer shares, so that the Authorised Conditional Capital 2019 comprises a residual authorisation to conditionally increase the share capital for granting stock options by up to EUR 1,000,000 by June 25, 2024, subject to the approval of the Supervisory Board.

› Authorised capital 2020:

The Annual General Meeting on June 16, 2020, authorised the Executive Board to increase the share capital by up to EUR 2,000,000 for the purpose of servicing conversion or subscription rights under warrants (Authorised capital 2020) and in accordance with Section 169 of the Austrian Stock Corporation Act.

At the same general meeting, it was decided to issue 2,000,000 warrants (instruments pursuant to Section 174 of the Austrian Stock Corporation Act). 1,500,000 warrants were allotted to selected members of the Executive Board of Kontron AG (those eligible for allotted shares) by the Supervisory Board. 500,000 warrants were publicly offered to selected key employees of the Kontron Group for subscription against the offer price per warrant as of July 13, 2020, on the basis of a prospectus approved by the Austrian Financial Market Authority. After the end of the offer period and a so-called short placement of warrants not subscribed in the public offer, the Executive Board, with the approval of the Supervisory Board, decided on the final number of warrants to be issued and the allocation of the warrants offered on the basis of the subscription declarations received. A total of 2,000,000 warrants were issued, consisting of 1,500,000 warrants allocated to those eligible and the 500,000 warrants offered to selected key employees of the Kontron Group. 112 eligible subscribers who had delivered subscription certificates for a total of 420,665 offered warrants received the full allocation according to the classification of the respective Group company and the respective management level of the eligible subscriber in accordance with the parameters set out in the prospectus. The remaining number of 79,335 offered warrants were issued to those eligible on the basis of their subscription certificates received for the short placement, against payment of the offer price per warrant. As of July 30, 2020, the warrants were admitted to official trading on the Vienna Stock Exchange and subsequently delivered to the respective subscribers and allottees.

The first exercise of the conversion or subscription right under the warrant is possible at the earliest 36 months after the issue of the warrant and only if the price of the Kontron AG share exceeds EUR 32.86, adjusted, if necessary, on the basis of the terms and conditions of the issue.

7. Acquisition and use of treasury shares:

› Share buyback program I:

On February 3, 2023, the Executive Board of Kontron AG decided to carry out a new buyback program of treasury shares in accordance with Section 65 (1) 8 of the Austrian Stock Corporation Act ("Share buyback program I 2023") on the basis of the authorising resolution of the Annual General Meeting of May 6, 2022, which was published on May 6, 2022 via an electronic information dissemination system. The share buyback program I 2023 was completed on August 4, 2023 and on August 7, 2023 the final report on the share buyback program I 2023 was published via an electronic information dissemination system.

In total, Kontron AG bought back a total of 539,430 shares at a weighted average price of EUR 18.3646 per share under the share buyback program I 2023. This corresponds to 0.845% of the company's share capital. The total price excluding additional costs of the repurchased shares was EUR 9,906,428.81.

› Share buyback program II 2023:

On May 6, 2022, the Annual General Meeting authorised the Executive Board, in accordance with Section 65 (1) 8 paragraph 1a and 1b of the Austrian Stock Corporation Act, to purchase bearer shares of the company totalling no more than 10% of the company's share capital for a period of 30 months from the date of resolution, both on the stock exchange and over the counter, the equivalent value of which may not be more than 10% below or above the average stock market price of the last five trading days before the purchase of the shares. An over-the-counter purchase can also be made under exclusion of the shareholders' pro rata right of sale (reverse exclusion of subscription rights).

On the basis of this authorisation, the Executive Board of Kontron AG decided on September 27, 2023, to carry out a buyback program for treasury shares ("Share buyback program II 2023") in accordance with Section 65 paragraph 1 No. 8 of the Austrian Stock Corporation Act. The share buyback program II 2023 provides for purchases totalling up to EUR 70 million with a maximum price of EUR 23.00 per share or up to 4,000,000 shares (6.26% of the share capital) and runs until October 1, 2024.

The Extraordinary General Meeting on November 8, 2023, revoked the authorisation granted by the Annual General Meeting on May 6, 2022, with respect to the amount of unused shares and granted the Executive Board a new, identical authorisation for a period of 30 months from the date of resolution.

On November 8, 2023, the Executive Board decided to continue share buyback program II 2023 unchanged on the basis of the new authorisation.

The share buyback program II 2023 was completed ahead of schedule on January 18, 2024 and on January 22, 2024 the final report on the share buyback program II 2023 was published via an electronic information dissemination system.

In total, Kontron AG bought back a total of 1,792,381 shares at a weighted average price of EUR 20.8251 per share under the share buyback program II 2023. This corresponds to 2.807% of the company's share capital. The total price excluding additional costs of the repurchased shares was EUR 37,326,540.72.

› Use of treasury shares

The Executive Board was authorised by the Annual General Meeting on May 6, 2022 to determine, with the approval of the Supervisory Board and without the need for a new resolution of the Annual General Meeting, a type of sale or use of treasury shares other than on the stock exchange or through a public offer, including one that excludes shareholders' repurchase rights (reverse exclusion of subscription rights), for a period of five years from the passing of the resolution, and to stipulate the conditions of sale. In addition, the Executive Board was authorised to reduce the share capital if necessary by redeeming these treasury shares with the approval of the Supervisory Board and without a further resolution of the Annual General Meeting.

These authorisations were revoked by the Extraordinary General Meeting on November 8, 2023 and new, identical authorisations were issued for a period of five years from the date of resolution.

8. There are loan agreements whose conditions could change in the event of a "change of control" or which could lead to a termination of the loan agreement. Kontron AG's loan agreements with the financing banks provide for a termination option on the part of the banks in the event of a change of control at Kontron AG. A change of control is basically defined as when a person or a group of persons acting in concert acquires 50% of the shares and/or voting rights or is given the opportunity to determine the majority of the members on the Executive Board and/or the Supervisory Board. The above definition was included in the following loan agreements, among others: OeKB Participation Financing 2021 and the facility agreement dated August 8, 2022 concluded with Erste Group Bank. In part, an increase in the shares of Ennoconn Corporation is exempted from the "change of control" in the loan agreements. The

latter exception also applies, among other things, to the bonded loan agreements concluded in 2019. Change of control is defined in the concluded agreements as obtaining a controlling interest in Kontron AG, whereby an increase in the (direct or indirect) interest of Ennoconn Corporation (or its legal successors) in Kontron AG does not constitute a change of control.

9. Indemnification agreements as defined by Section 243a (1) 9 of the Austrian Commercial Code do not exist.

Linz, March 27, 2024



Dipl.-Ing. Hannes Niederhauser



Dr. Clemens Billek



Dipl.-Ing. Michael Riegert

This management report contains statements that relate to the future development of Kontron AG as well as its economic development. These statements represent estimates that Kontron AG has made on the basis of all information available at the time of reporting. If the underlying assumptions do not materialise or further risks occur, the actual results may differ from the results currently expected. Kontron AG can therefore not accept any liability for this information.

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT IN TEUR	NOTES	2023	2022 *
Revenues	(1)	1,225,947	1,063,702
Capitalised development costs	(2)	24,708	23,393
Other income	(3)	15,423	19,651
Expenses for materials and other services purchased	(4)	-759,723	-694,244
Personnel expenses	(5)	-291,818	-258,755
Depreciation and amortisation	(6)	-39,546	-72,009
Other operating expenses	(7)	-88,515	-83,754
Result from operations		86,476	-2,016
Finance income	(8)	8,882	1,411
Finance expenses	(8)	-16,139	-10,049
Financial result		-7,257	-8,638
Earnings before taxes		79,219	-10,654
Income taxes	(9)	-3,541	-2,180
Profit/loss from continuing operations		75,678	-12,834
Profit/loss from discontinued operations	(10)	2,439	244,714
Net income		78,117	231,880
Results from the period attributable to owners of non-controlling interests		407	-576
Results from the period attributable to owners of interests in parent company		77,710	232,456
Earnings per share from continuing operations (undiluted)	(11)	1.19	-0.19
Earnings per share from continuing operations (diluted)	(11)	1.15	-0.19
Earnings per share attributable to owners of interests in parent company (undiluted)	(11)	1.23	3.65
Earnings per share attributable to owners of interests in parent company (diluted)	(11)	1.19	3.59
Average number of shares in circulation (in thousands undiluted)		63,175	63,631
Average number of shares in circulation (in thousands diluted)		65,513	64,828

*) Reclassification, see section A, Change in accounting policies

STATEMENT OF OTHER COMPREHENSIVE INCOME

STATEMENT OF OTHER COMPREHENSIVE INCOME IN TEUR	NOTES	2023	2022
Net income		78,117	231,880
Items that will not be reclassified to profit or loss			
Remeasurement according to IAS 19			
Gains (+) / losses (-) from remeasurement	(23)	-1,438	4,255
Results from remeasurement of financial instruments at fair value through other comprehensive income	(23)	-10	-1
Deferred taxes on items that will not be reclassified to profit or loss	(23)	447	-978
		-1,001	3,276
Items that may be subsequently reclassified to profit or loss			
Unrealised gains/losses from currency translation		-5,779	3,489
Net loss on debt instruments at fair value through other comprehensive income		-16	-43
		-5,795	3,446
Other comprehensive income		-6,796	6,722
Comprehensive income		71,321	238,602
of which attributable to			
the owners of non-controlling interests		530	-265
the owners of interests in parent company		70,791	238,867

CONSOLIDATED BALANCE SHEET

ASSETS IN TEUR	NOTES	31.12.2023	31.12.2022
NON-CURRENT ASSETS			
Property, plant and equipment	(12)	110,427	95,477
Intangible assets	(13)	102,434	72,424
Goodwill	(13)	216,599	189,412
Financial assets non-current	(14)	11,353	11,714
Contract assets non-current	(1)	855	1,061
Other non-current assets	(15)	7,709	8,960
Deferred tax assets	(9)	43,128	33,050
		492,505	412,098
CURRENT ASSETS			
Inventories	(17)	229,070	192,633
Trade receivables	(18)	213,556	148,085
Contract assets current	(1)	38,112	54,227
Financial assets current	(19)	20,778	134,326
Other receivables and assets current	(20)	44,401	55,421
Cash and cash equivalents	(21)	332,235	437,760
Assets classified as held for sale	(22)	0	6,310
		878,152	1,028,762
Total assets		1,370,657	1,440,860
EQUITY AND LIABILITIES IN TEUR			
EQUITY			
Subscribed capital	(23)	63,861	63,631
Capital reserves	(23)	127,148	122,582
Accumulated results	(23)	462,838	449,616
Other reserves	(23)	-8,913	-1,994
Treasury shares	(23)	-42,973	0
Equity attributable to owners of interests in parent company		601,961	633,835
Non-controlling interests	(23)	2,010	1,831
		603,971	635,666
NON-CURRENT LIABILITIES			
Financing liabilities non-current	(24)	60,138	193,768
Other financial liabilities non-current	(25)	36,300	27,714
Contract liabilities	(1)	6,778	5,532
Other liabilities non-current	(26)	0	1
Deferred tax liabilities	(9)	5,339	5,725
Provisions non-current	(27)	27,543	19,886
		136,098	252,626
CURRENT LIABILITIES			
Financing liabilities current	(24)	150,873	125,703
Trade payables	(28)	273,056	226,336
Contract liabilities	(1)	69,638	78,493
Other financial liabilities current	(29)	28,951	24,979
Provisions current	(27)	33,275	26,950
Other liabilities current	(30)	74,795	65,348
Liabilities classified as held for sale	(22)	0	4,759
		630,588	552,568
Total equity and liabilities		1,370,657	1,440,860

CONSOLIDATED CASH FLOW STATEMENT



CONSOLIDATED CASH FLOW STATEMENT IN TEUR

	NOTES	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES FROM CONTINUING AND DISCONTINUED OPERATIONS			
Earnings before tax from continuing and discontinued operations		81,732	245,062
Depreciation and amortisation		39,546	84,927
Interest expenses		16,235	11,477
Interest and other income from the disposal of financial assets		-10,268	-1,603
Increase/decrease of provisions		-131	-5,466
Gains/losses from the disposal of non-current non-financial assets		-549	1,157
Changes in inventories		-15,079	-17,808
Changes in trade receivable and contract assets		-17,347	-22,802
Changes in other receivables and assets		11,300	-13,710
Changes in trade payable and contract liabilities		18,534	23,990
Changes in other liabilities		4,141	-9,203
Other non-cash income and expenses		-1,210	-7,920
Gain on disposal of discontinued operations	(A)	-1,350	-234,504
Cash and cash equivalents from operations		125,554	53,597
Income taxes paid		-8,691	-9,154
Net cash flows from operating activities		116,863	44,443
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire property, plant and equipment and intangible assets		-46,286	-40,489
Payments received for the disposal of property, plant and equipment and intangible assets		1,713	3,057
Disposal/purchase of financial instruments		2,777	12,962
Payments to acquire subsidiaries less cash assumed and plus current account liabilities assumed	(A)	-53,261	-20,527
Proceeds /Payments from disposal/sale of subsidiaries less cash disposed and plus current account liabilities disposed	(A)	2,763	-1,735
Proceeds (net) from disposal of discontinued operations	(19)	110,969	189,410
Interest income		7,053	991
Net cash flows from investing activities		25,728	143,669
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in financing liabilities and financial liabilities		1,926	1,726
Decrease in financing liabilities and financial liabilities		-75,425	-58,422
Interests paid		-13,451	-8,661
Acquisition of non-controlling interests	(A)	-130	-3,155
Dividends to owners of interests in parent company		-63,398	-22,271
Payments for acquisition of treasury shares		-45,502	0
Capital increase (less transaction costs)		5,765	0
Net cash flows from financial activities		-190,215	-90,783
Changes in exchange rates		-3,143	413
Changes in financial funds		-50,767	97,742
Financial funds as of the beginning of the period	(31)	365,676	267,934
Financial funds as of the end of the period	(31)	314,909	365,676
Overdrafts	(31)	12,993	68,542
Restricted cash	(31)	4,333	3,542
Total cash and cash equivalents from continuing and discontinued operations	(31)	332,235	437,760

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DEVELOPMENT OF EQUITY IN TEUR	NOTES	EQUITY ATTRIBUTABLE TO OWNERS OF INTERESTS IN PARENT COMPANY	
		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	(38)	0	-773
		0	-773
TRANSACTIONS WITH OWNERS OF INTERESTS			
Acquisition of non-controlling interests	(23)	0	-545
Dividends	(23)	0	0
Withdrawal of treasury shares	(23)	-2,465	-44,383
		-2,465	-44,928
as of December 31, 2022		63,631	122,582
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	(38)	0	2,415
		0	2,415
TRANSACTIONS WITH OWNERS OF INTERESTS			
Change in non-controlling interests	(23)	0	-1,232
Dividends	(23)	0	0
Repurchase of treasury shares	(23)	0	0
Capital increase	(23)	230	3,383
		230	2,151
as of December 31, 2023		63,861	127,148

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
232,456	0	0	232,456	-576	231,880
0	6,411	0	6,411	311	6,722
232,456	6,411	0	238,867	-265	238,602
0	0	0	-773	0	-773
0	0	0	-773	0	-773
0	0	0	-545	-2,610	-3,155
-22,271	0	0	-22,271	0	-22,271
0	0	46,848	0	0	0
-22,271	0	46,848	-22,816	-2,610	-25,426
449,616	-1,994	0	633,835	1,831	635,666
449,616	-1,994	0	633,835	1,831	635,666
77,710	0	0	77,710	407	78,117
0	-6,919	0	-6,919	123	-6,796
77,710	-6,919	0	70,791	530	71,321
0	0	0	0	-1,921	-1,921
-1,090	0	2,529	3,854	0	3,854
-1,090	0	2,529	3,854	-1,921	1,933
0	0	0	-1,232	1,570	338
-63,398	0	0	-63,398	0	-63,398
0	0	-45,502	-45,502	0	-45,502
0	0	0	3,613	0	3,613
-63,398	0	-45,502	-106,519	1,570	-104,949
462,838	-8,913	-42,973	601,961	2,010	603,971

A.

General information

About Kontron AG

Kontron AG is a leading IoT technology company. For more than 20 years, Kontron has been helping companies from a wide variety of industries to achieve economic goals using intelligent solutions. From automated industrial processes, smarter and safer transportation to advanced communication, medical and energy solutions, the company offers its customers value-adding technologies. Kontron is listed on Deutsche Börse's SDAX® and TecDAX® and employs around 4,700 people in more than 20 countries worldwide.

Kontron AG is a public limited company under Austrian law and its headquarters are in 4020 Linz, Industriezeile 35, Austria. It is registered at the commercial register court in Linz under FN 190272 m. The company's shares are listed in the Prime Standard of the Frankfurt Stock Exchange (FWB) in Frankfurt am Main, Germany.

Principles of accounting

The consolidated financial statements of Kontron AG 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, and the additional statements according to Section 245a (1) of the Austrian Civil Code (UGB). Unless otherwise noted, all amounts are denominated in thousands of euros (TEUR).

In accounting and valuation, the assets and liabilities are based on the continuation of the company.

When rounded amounts and percentages are added up, rounding-related calculation differences may occur due to the use of automated calculation aids.

Macroeconomic uncertainties and risks

The year 2023 was characterized by low economic growth and continued high inflation rates, although these declined over the course of the year as a result of the tight interest rate policy of central banks. The war in Ukraine has now lasted two years and the escalation of the Middle East crisis sees the addition of another source of conflict. Supply chain problems have largely relaxed compared to the previous year, although supply chains remain vulnerable.

As an internationally active group of companies, Kontron cannot ignore the latest developments and discussions regarding climate change and sustainable business. Group management is committed to achieving the climate targets set by politicians (e.g. European Green Deal) and has voluntarily committed itself to the UN Global Compact. With this in mind, management continuously analyses potential sustainability risks, particularly in the areas of climate change and resource shortages. Kontron currently sees only minimal risks to its business model in these areas and no need for impairment of the assets recorded or adjustments to their defined useful lives and no need for adjustments in the recognition and measurement of provisions. As a result, no significant impact of such risks on the presentation of the Group's net assets, financial position and earnings is currently expected.

New and changed standards and interpretations

The following new or changed standards and interpretations were mandatory for the first time in financial year 2023:

NEW AND CHANGED STANDARDS AND INTERPRETATIONS – MANDATORY SINCE JANUARY 1, 2023

IFRS 17	Insurance contracts (published: May 2017)
IAS 1	Amendments to IAS 1 Clarification criteria for classifying liabilities as short or long term (published: January 2020)
IAS 8	Amendments to IAS 8 Definition of accounting-related estimates (published: February 2021)
IAS 1/ IFRS PS 2	Amendments to IAS 1 and IFRS Practice statement 2 Disclosure of Accounting Policies (published: February 2021)
IAS 12	Amendment to IAS 12 Deferred Tax related to Assets and Liabilities from a Single Transaction (published: May 2021)
IAS 12	Amendment to IAS 12 International Tax Reform - Pillar Two Model Rules (published: May 2023)

Regarding the amendment to IAS 12 (International Tax Reform – Pillar Two Model Rules) please refer to Section B, Note 9.

The first-time application of these new or revised standards had no significant impact on Kontron AG's consolidated financial statements.

The following standards and interpretations or changes to standards have been adopted by the IASB, but are not yet mandatory to apply to financial year 2023. An early application of these standards is not planned at this time. It is expected that the application of these standards and interpretations will not have material effects on the consolidated financial statements.

STANDARDS ADOPTED BY THE IASB – NOT YET MANDATORY TO APPLY IN FINANCIAL YEAR 2023

PERIOD OF APPLICATION

		PERIOD OF APPLICATION
IFRS 16	Amendments to IFRS 16 lease liabilities from sale and leaseback transactions (published: September 2022)	January 1, 2024
IAS 1	Amendments to IAS 1 Classification of liabilities as current or non-current (incl. deferral of effective date and non-current liabilities with covenants)	January 1, 2024
IAS 7 / IFRS 7	Amendments to IAS 7 and IFRS 7 Statement of cash flows and IFRS 7 financial instruments: Disclosure supplier finance arrangements	January 1, 2024
IAS 21	Amendments to IAS 21 The effects of changes in foreign exchange rates: Lack of exchangeability	January 1, 2025

Changes in accounting policies

In financial year 2023 Kontron made a change to its revenue recognition based on the classification of services related to certain customer contracts after the closing of the Focus sale (IT Service business). Sales of hardware, software and services previously evaluated as having principal status are now evaluated as having agent status due to a change in the interpretation of the accounting method. The revised statement was made retroactively, meaning that the information provided in this consolidated financial statement has been adjusted for the comparison period of 2022. There were no effects on the results presented in the Consolidated Statement of Comprehensive Income during the reporting and comparison period due to the reclassification, as the items 'Revenues' and 'Expenses for materials and other services purchased' were reduced by the same amount. The reduction for fiscal year 2022 amounts to TEUR 32,393.

Accounting principles – accounting policies

The accounting policies used by Kontron are described at the beginning of each chapter and are marked with the heading *Accounting methods*>>.

Currency conversion

The consolidated financial statements are prepared in euro, which is the functional currency of the parent company.

Foreign subsidiaries

Each fully consolidated subsidiary determines its functional currency, which is the currency of the primary economic environment. The functional currencies of the subsidiaries are usually the respective national currencies.

The balance sheet values of the subsidiaries are converted into the presentation currency (euro) at the exchange rate on the balance sheet date. Expenses and income are converted at annual average exchange rates. The resulting exchange differences are included in Group equity under "Settlement accounts from currency conversion".

Foreign currency transactions

Foreign currency transactions are converted into the functional currency at the spot rate applicable at the time the transaction is first recognised. Monetary assets and liabilities denominated in a foreign currency are converted into the functional currency at each reporting date using the closing spot rate. Differences arising from the settlement or conversion of monetary items are recognised in profit or loss.

Significant exchange rates

The exchange rates of the most important currencies for the Kontron Group are as follows:

CURRENCY 1 EURO =	2023 AVERAGE Y-T-D RATE	2023 CLOSING RATE	2022 AVERAGE Y-T-D RATE	2022 CLOSING RATE
BGL	1.95583	1.95583	1.95583	1.95583
CAD	1.45947	1.46420	1.36949	1.44400
CHF	0.97180	0.92600	1.00471	0.98470
CNY	7.66002	7.85090	7.07880	7.35820
CZK	24.00428	24.72400	24.56593	24.11600
GBP	0.86979	0.86905	0.85276	0.88693
HUF	381.85267	382.80000	391.28646	400.87000
KZT	493.75156	503.48200	486.06617	495.42150

CURRENCY 1 EURO =	2023 AVERAGE Y-T-D RATE	2023 CLOSING RATE	2022 AVERAGE Y-T-D RATE	2022 CLOSING RATE
MKD	61.58741	61.49240	61.60729	61.76473
MYR	4.93196	5.07750	4.62787	4.69840
PLN	4.54197	4.33950	4.68611	4.68080
RON	4.94672	4.97560	4.93131	4.94950
RUB	92.18002	99.19190	72.64626	75.65530
TWD	33.69482	33.83700	31.33854	32.85820
USD	1.08127	1.10500	1.05305	1.06660
UZS	12,700.84418	13,619.60000	11,647.13191	12,014.69122

Discretionary decisions, estimates and assumptions

The preparation of the consolidated financial statements requires Management to make discretionary decisions, estimates and assumptions relating to the use of accounting methods and the reported amounts of assets, liabilities, income and expenses. All estimates and assumptions are assessed on an ongoing basis, and if required re-evaluated, and are based on historical experience and expectations with regard to future events. As a result of the uncertainty associated with these assumptions and estimates, actual results in future periods may result in adjustments to the assets and liabilities affected.

The war in Ukraine and the Middle East conflict as well as other geopolitical developments are being monitored continuously. This approach enables Kontron to counteract potential effects on the Group in the best possible way. According to Management's current assessment, these geopolitical developments have no direct significant impact on the Group's net assets, financial and earnings situation.

Main areas of application for discretionary decisions, estimates and assumptions

Primarily, the Group has made important future-focused discretionary decisions, estimates and assumptions in the areas of accounting for acquisitions, the subsequent accounting for goodwill and other intangible assets, the recognition of deferred taxes on tax loss carryforwards, the measurement of inventories and trade receivables, the measurement of provisions, the accounting for leases and the assessment of legal risks as well as the recognition of revenue from contracts with customers. As far as the assumptions are concerned, we refer to the explanations on the individual items.

Changes in estimates

In financial year 2023, no changes were made to estimates and assumptions with a significant impact on the consolidated financial statements.

Consolidation principles

Kontron AG's consolidated financial statements include Kontron AG (formerly S&T AG) and all group companies (subsidiaries) controlled directly or indirectly by Kontron AG as fully consolidated companies. As part of determining the scope of consolidation, Kontron AG (investor) analyses whether it directly or indirectly controls the potential subsidiary (investee). Control exists when

- › Kontron AG has power of disposition over the investee,
- › Kontron AG is exposed to variable returns or its rights to these variable returns due to its relationship with the investee, and
- › Kontron AG has the opportunity to use its power over the investee company to influence the level of variable returns.

The management of Kontron AG reviews the extent to which the requirements for consolidation continue to be met at each reporting date.

Subsidiaries are fully consolidated from the time when Kontron AG has control over them and can exercise control at any time. With regard to the group companies in Russia, there are no restrictions that lead to loss of control.

Subsidiaries are deconsolidated as soon as control by the parent company ends; the assets and liabilities as well as proportionate equity components are derecognised accordingly.

Companies over which Kontron AG can have a significant influence (associated companies) are included in the consolidated financial statements using the equity method.

Shares in companies with a shareholding level below 20%, over which Kontron AG cannot exercise any significant influence, are recognised as financial assets and assigned to the category "at fair value without recycling gains or losses" in accordance with IFRS 9.

The uniform reporting date for all companies included in the consolidated financial statements is December 31.

The assets and liabilities of domestic and foreign companies included in the consolidated financial statements are recognised according to consolidated reporting and measurement methods.

All intragroup balances, business transactions, unrealized gains and losses from intragroup transactions and dividends are eliminated in full. In the consolidation processes, the income tax effects are taken into account and deferred taxes are recognised if necessary.

A subsidiary's losses are also attributed to non-controlling interests if this results in a negative balance.

A change in the amount of investment in a subsidiary is recognised as an equity transaction, unless there is a loss of control associated with it.

Business combinations are accounted for using the acquisition method. The cost of a company acquisition is calculated as the sum of the consideration transferred, measured at the fair value at the acquisition date, and the non-controlling interest in the acquired company. For each business combination, Kontron AG measures the non-controlling interest in the acquiree either at fair value or at the corresponding share of the acquiree's identifiable net assets measured at fair value. Costs incurred as a result of the business combination are recognised as an expense and reported as other operating expenses. The results of the companies acquired are included in the consolidated financial statements from the related acquisition date.

If the Group acquires a company, it assesses the appropriate classification and designation of the financial assets and liabilities assumed in accordance with the terms of the contract, economic circumstances and prevailing conditions at the time of acquisition.

An agreed contingent consideration is recognised at fair value at the acquisition date. Subsequent changes in the fair value of a contingent consideration that represent an asset or a liability are recognised through profit or loss. A contingent consideration that is classified as equity is not revalued and its subsequent settlement is accounted for in equity.

Callable or fixed-term equity shares in subsidiaries with tender rights that are held by non-controlling shareholders represent financial liabilities for the Kontron Group. Such liabilities are initially recorded at fair value in accordance with IFRS 9. Regardless of whether the non-controlling shareholders are currently beneficial owners of the shares or not, the first consolidation takes place as an early acquisition, i.e. the shares covered by the tender right are attributed to the Kontron Group from the outset as if the right had already been exercised. As a result, the liability from the right to tender is measured at fair value in profit or loss on each reporting date.

At initial recognition, goodwill is measured at acquisition cost, which is measured as a surplus of the total consideration transferred and the amount of the proportion with non-controlling interest over the acquired identifiable assets and assumed liabilities of the Group. If

the fair value of the acquired net assets exceeds the total consideration transferred, the Group reassesses whether it has correctly identified all acquired assets and all liabilities assumed and reviews the procedures used to determine the amounts that were to be reported at the acquisition date. If, after reassessment, this consideration is still below the fair value of the acquired subsidiary's net assets, the difference is recognised through profit or loss.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of the impairment test, goodwill acquired in a business combination is assigned on the acquisition date to the cash-generating units of the Group that are expected to benefit from the business combination. This applies regardless of whether other assets or liabilities of the acquired company are allocated to these cash-generating units.

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. On December 31, 2023, Kontron AG's scope of consolidation consisted of 46 fully consolidated companies (PY: 48). Of these, 5 companies (PY: 6) are based in Austria and 41 companies (PY: 42) are based abroad. As of December 31, 2023, and as in the previous year, the Group has no shareholding in any company that is accounted for using the equity method. Furthermore, two companies are not included in the consolidated financial statements due to their minor importance.

The number of fully consolidated companies has developed as follows:

GROUP COMPANIES (NUMBER)	2023	2022
Number of fully-consolidated companies as of January 1	48	78
Companies founded	1	0
Group companies merged	-7	-8
Companies acquired	8	2
Disposals	-4	-24
Number of fully-consolidated companies as of December 31	46	48

Change in the group of consolidated companies in 2023

In October 2023, Kontron America Inc., San Diego, USA, founded Kontron Merger Sub. Inc., San Diego, USA. The company was founded to acquire the shares in Bsquare Corporation, Renton, USA, and merged into Bsquare Corporation after this transaction.

The following companies were merged in the financial year 2023:

- › Affair OOO, Moscow, Russia: absorbing company JSC Iskra Technologies (formerly AO IskraUralTel Yekaterinburg), Yekaterinburg, Russia
- › SecureGuard GmbH, Linz, Austria: absorbing company Kontron Technologies GmbH, Linz, Austria
- › Lucom GmbH Elektrokomponenten und Systeme, Fürth, Germany: absorbing company Kontron AIS GmbH, Dresden, Germany
- › RTSoft AO, Moscow, Russia: absorbing company JSC Iskra Technologies (formerly AO IskraUralTel Yekaterinburg), Yekaterinburg, Russia
- › Kontron Operations Hungary Kft. (formerly S&T Services Kft.), Budapest, Hungary: absorbing company Kontron Hungary Kft. (formerly S&T Consulting Hungary Kft.), Budapest, Hungary
- › W-IE-NE-R Power Electronics Corp., Springfield, USA: absorbing company Kontron America Inc., San Diego, USA
- › Kontron Merger Sub. Inc., San Diego, USA: absorbing company Bsquare Corporation, Renton, USA

In financial year 2023, the Kontron Group acquired shares in the following companies as part of company mergers, which will be fully consolidated within the Group:

- › Comlab AG, Ittigen, Switzerland
- › Comlab Deutschland GmbH, Hilden, Germany
- › Comlab Beijing Radio Frequency Technology Co. Ltd., Beijing, China
- › Hartmann Electronic GmbH, Stuttgart, Germany
- › W-IE-NE-R Power Electronics GmbH, Burscheid, Germany
- › W-IE-NE-R Power Electronics Corp., Springfield, USA
- › Bsquare Corporation, Renton, USA
- › Bsquare EMEA Ltd., Wiltshire, United Kingdom

Acquisition of 100% of the shares in Comlab AG, Ittigen, Switzerland, as well as 100% of the shares held by Comlab AG in Comlab Deutschland GmbH, Hilden, Germany, and 45.9% of the shares in Comlab Beijing Radio Frequency Technology Co. Ltd., Beijing, China

On July 6, 2023, Kontron Transportation GmbH, Vienna, Austria, a 100% subsidiary of Kontron AG, signed a notarial purchase agreement for the acquisition of 100% of the shares in Comlab AG, Ittigen, Switzerland, as well as 100% of the shares held by Comlab AG in Comlab Deutschland GmbH, Hilden, Germany, and 45.9% of the shares in Comlab Beijing Radio Frequency Technology Co. Ltd., Beijing, China. 10% of the shares in Comlab Beijing Radio Frequency Technology Co. Ltd., Beijing, China, are held without voting rights by the company's employees, which is why 45.9% represent a dominant share. As a result, Comlab AG, Ittigen, Switzerland, was renamed Kontron Transportation Schweiz AG. Comlab has been developing high-frequency technology since 1971 and also supplies it to railway companies. The acquired companies have their own product portfolio, high development capacities and a strong market presence in Switzerland, Germany and China, and their products play an essential role in mission-critical networks by amplifying and repeating signals.

The purchase price for all previously mentioned shares consists of a fixed cash purchase price of EUR 3. The newly acquired companies will be included as one of Kontron Group's consolidated companies starting July 1, 2023.

The assets and liabilities acquired were recognised at the following preliminary fair values upon the company's initial consolidation in the Group's consolidated financial statements:

NET ASSETS ACQUIRED	IN TEUR
Cash and cash equivalents	934
Property, plant and equipment and intangible assets	6,205
Deferred tax assets	315
Inventories	9,762
Trade receivables and contract assets (nominal value TEUR 13,355)	9,184
Other current receivables and assets	2,921
Financing liabilities non-current	-1,321
Other non-current liabilities	-1,312
Deferred tax liabilities	-315
Non-current and current provisions	-980
Financing liabilities current	-4,055
Trade payables and contract liabilities	-13,378
Other current liabilities	-10,431
Net assets at fair value	-2,471

GOODWILL	IN TEUR
Consideration transferred	0
Non-controlling interests measured as proportionate net assets	1,540
Net assets at fair value	2,471
Goodwill	4,011

Following this acquisition, Kontron Transportation has further reinforced its strong market position on the rail market. In particular, the resulting potential on the regional markets of Switzerland, Germany and China and the expected synergies are reflected in goodwill.

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The goodwill resulting from the purchase price allocation was assigned to the "Software + Solutions" segment.

The analysis of the cash flows due to the acquisition of the companies takes the following form:

NET CASH FLOW	IN TEUR
Purchase price paid in cash	0
Cash assumed through takeover of subsidiary	934
Cash flow from investing activities	934
Transaction costs from the acquisition of the company	-14
Cash flow from operating activities	-14

Since full consolidation, the company has accounted for TEUR 10,035 of Group revenue and TEUR 262 of net income. Had first consolidation of the companies taken place as of January 1, 2023, Group revenues would have increased by TEUR 9,888 and net income by TEUR 419.

Acquisition of Cellular Automotive Module Unit from Telit Cinterion Deutschland GmbH, Munich, Germany

Effective since August 1, 2023, the Kontron Group, through its wholly owned 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 the Kontron Group to expand its product portfolio, increase its internal development capacities and meet the growing demand for modern 4G/5G solutions.

The exclusively fixed purchase price for this amounted to TEUR 24,500.

The acquired assets represent a business operation in accordance with IFRS 3.

The assets and liabilities acquired were recognised at the following preliminary fair values upon the company's initial consolidation in the Group's consolidated financial statements:

NET ASSETS ACQUIRED	IN TEUR
Property, plant and equipment and intangible assets	8,971
Deferred tax assets	1,070
Inventories	7,676
Trade receivables and contract assets (nominal value TEUR 21,974)	21,974
Other current receivables and assets	1,255
Non-current and current provisions	-10,249
Trade payables and contract liabilities	-11,948
Other current liabilities	-1,331
Net assets at fair value	17,418

GOODWILL	IN TEUR
Consideration transferred	24,500
Net assets at fair value	-17,418
Goodwill	7,082

The acquisition of Telit Cinterion's Cellular Automotive Module Unit is a significant strategic step for Kontron in expanding its Internet of Things (IoT) portfolio with proprietary software technology. Kontron also expects further synergies with their existing customers and technology portfolio. These synergies, as well as the employee base at the acquired company, are the main components of goodwill.

The goodwill resulting from the purchase price allocations was assigned to the "Europe" segment.

The analysis of the cash flows due to the acquisition of the companies takes the following form:

NET CASH FLOW	IN TEUR
Purchase price paid in cash	-24,500
Cash assumed through takeover of subsidiary	0
Cash flow from investing activities	-24,500
Transaction costs from the acquisition of the company	-92
Cash flow from operating activities	-92

Since full consolidation, the acquired Cellular Automotive Module Unit has contributed TEUR 53,018 to Group revenue. Financial information for the period before the acquisition is not available.

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Acquisition of 100% of shares in Hartmann Electronic GmbH, Stuttgart, Germany, W-IE-NE-R Power Electronics GmbH, Burscheid, Germany, and W-IE-NE-R Power Electronics Corp., Springfield, Ohio, USA (“Hartmann and W-IE-NE-R”)

On August 24, 2023, Kontron AG, Linz, Austria, signed a notarial purchase agreement for the acquisition of 100% of the shares in each of Hartmann Electronic GmbH, Stuttgart, Germany, W-IE-NE-R Power Electronics GmbH, Burscheid, Germany, and W-IE-NE-R Power Electronics Corp., Springfield, Ohio, USA. The companies develop and manufacture integrated modular VPX computer systems and redundant VPX power supplies and ultra-high-speed environments that are resistant to radiation and external influences. The largest sales markets are the USA, Germany and Switzerland.

The purchase price consists of a fixed cash purchase price of TEUR 22,109 and a variable purchase price of TEUR 2,881. The newly acquired companies have been included in Kontron Group's consolidated group as of November 1, 2023. Effective as of November 1, 2023, W-IE-NE-R Power Electronics Corp. was merged into Kontron America Inc., San Diego, USA.

The assets and liabilities acquired were recognised at the following preliminary fair values upon the company's initial consolidation in the Group's consolidated financial statements:

NET ASSETS ACQUIRED	IN TEUR
Cash and cash equivalents	1,624
Property, plant and equipment and intangible assets	7,554
Other non-current assets	15
Inventories	6,684
Trade receivables and contract assets (nominal value TEUR 1,994)	1,828
Other current receivables and assets	240
Other non-current liabilities	-334
Deferred tax liabilities	-1,320
Non-current and current provisions	-852
Financing liabilities current	-92
Trade payables and contract liabilities	-876
Other current liabilities	-813
Net assets at fair value	13,658

GOODWILL	IN TEUR
Consideration transferred	24,990
Net assets at fair value	-13,658
Goodwill	11,332

The acquisition allows Kontron to offer solutions in the aerospace and security sectors and thus continues its strategy to strengthen the fast-growing, high-margin “Software + Solutions” segment. In addition, the acquisition will enable customers in the “Global” segment to be served with additional technology.

The goodwill resulting from the purchase price allocation primarily includes future synergies and was allocated in the amount of TEUR 8,320 to the “Software + Solutions” segment and in the amount of TEUR 3,012 to the “Global” segment.

The analysis of the cash flows due to the acquisition of the companies takes the following form:

NET CASHFLOW	IN TEUR
Purchase price paid in cash	-24,990
Cash assumed through takeover of subsidiary	1,624
Cash flow from investing activities	-23,366
Transaction costs from the acquisition of the company	-104
Cash flow from operating activities	-104

Since full consolidation, the companies have accounted for TEUR 2,320 in Group revenue and TEUR -124 net income for that period. Had first consolidation of the companies taken place as of January 1, 2023, Group revenues would have increased by TEUR 16,632 and net income by TEUR 1.569.

Acquisition of 100% of the shares in Bsquare Corporation, Renton, USA, and 100% of the shares held by Bsquare Corporation in Bsquare EMEA Ltd., Wiltshire, Great Britain

On December 7, 2023, Kontron AG, through its 100% indirect subsidiary, Kontron Merger Sub. Inc., San Diego, USA, successfully concluded a previously initiated takeover offer to acquire all outstanding ordinary shares of Bsquare Corporation, Renton, USA, (Nasdaq: BSQR), a specialist in the development and use of software technologies for manufacturers and operators of connected devices, at USD 1.90 per ordinary share. At the expiration date of the offer, around 14,093,157 shares were validly tendered and not legally withdrawn, which corresponds to approximately 70.9% of the total shares outstanding at the expiration date. In addition, 386,424 shares were tendered as part of guaranteed delivery procedures, representing an additional share of approximately 1.9% of the total outstanding shares at the expiration date. By accepting the shares offered as part of the offer, Kontron Merger Sub. Inc. had purchased a sufficient number of shares to complete the merger of Kontron Merger Sub. Inc. with and into Bsquare Corporation without the approval of the remaining public shareholders of Bsquare Corporation under Section 23B.11.030 (9) of the Business Corporation Act of the State of Washington, in accordance with and subject to the terms of the final merger agreement for the proposed acquisition. Following the merging of Kontron Merger Sub. Inc. into Bsquare Corporation on December 7, 2023, trading of the ordinary shares of Bsquare Corporation on NASDAQ was discontinued. The remaining outstanding shares were converted into the right to receive USD 1.90 per share.

The purchase price for 100% of the ordinary shares of Bsquare Corporation is TEUR 34,553. The company and its subsidiary Bsquare EMEA Ltd. will be included in the Kontron Group's consolidation group from December 1, 2023.

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The assets and liabilities acquired were recognised at the following preliminary fair values upon the company's initial consolidation in the Group's consolidated financial statements:

NET ASSETS ACQUIRED	IN TEUR
Cash and cash equivalents	30,087
Property, plant and equipment and intangible assets	1,041
Other non-current assets	22
Inventories	40
Trade receivables and contract assets (nominal value TEUR 4,005)	3,959
Other current receivables and assets	493
Other non-current liabilities	-708
Financing liabilities current	0
Trade payables and contract liabilities	-6,472
Other current liabilities	-658
Net assets at fair value	27,804

GOODWILL	IN TEUR
Consideration transferred	34,553
Net assets at fair value	-27,804
Goodwill	6,749

The acquisition of Bsquare Corporation sees the Kontron Group expand its software portfolio to offer its customers a more comprehensive range of solutions for IoT hardware products and services through its software + solutions segment. In addition, there is cross-selling potential with Kontron America, that can now serve its customers more comprehensively with a wider range of value-added components. Synergies and employee base are included in goodwill.

The goodwill resulting from the purchase price allocation was assigned to the "Global" segment.

The analysis of the cash flows due to the acquisition of the companies takes the following form:

NET CASH FLOW	IN TEUR
Purchase price paid in cash	-34,553
Cash assumed through takeover of subsidiary	30,087
Cash flow from investing activities	-4,466
Transaction costs from the acquisition of the company	-2,291
Cash flow from operating activities	-2,291

Since full consolidation, the company has accounted for TEUR 2,497 of Group revenue and TEUR 219 of net income. Had first consolidation of the companies taken place as of January 1, 2023, Group revenues would have increased by TEUR 26,315 and net income gone down by TEUR 4.069.

Deconsolidations

Sale of the 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 (see Section B, Note (10)).

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

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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
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	2,500
Cash and cash equivalents disposed of	-1,565
Net cash inflow	935

Deconsolidation of other companies of the Kontron Group

The Kontron Group deconsolidated the following companies in the financial year 2023:

- › S&T Plus s.r.o., Prague, Czech Republic: sale, deconsolidation January 2023
- › Kontron Transportation Hungary Kft, Budaörs, Hungary: liquidation, deconsolidation December 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.

In December 2023, Kontron Transportation GmbH, Vienna, Austria, a wholly owned subsidiary of Kontron AG, Linz, Austria, decided to liquidate its subsidiary Kontron Transportation Hungary Kft, Budaörs, Hungary. Following the appointment of the liquidator and loss of control of the company, Kontron Transportation Hungary Kft was deconsolidated as of December 31, 2023.

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

NET ASSETS DISPOSED OF	IN TEUR
Cash and cash equivalents	1,672
Property, plant and equipment and intangible assets	1,574
Deferred tax assets	817
Inventories	3,124
Trade receivables and contract assets	2,725
Other current receivables and assets	502
Financing liabilities non-current	0
Other non-current liabilities	-243
Non-current and current provisions	-631
Trade payables and contract liabilities	-3,885
Other current liabilities	-4,384
Net assets disposed of at carrying amount	1,271
Income from sale of subsidiaries	-3,500
Accumulated amount included in OCI	-648
Result of deconsolidation (profit)	-2,877
Consideration received, satisfied in cash	3,500
Cash and cash equivalents disposed of	-1,672
Net cash inflow	1,828

Acquisition of non-controlling interests

In financial year 2023, Kontron AG acquired additional shares with non-controlling interest in the already fully consolidated SecureGUARD GmbH, Linz, Austria. Following the acquisition of these remaining shares, SecureGUARD GmbH was merged into Kontron Technologies GmbH, Linz, Austria.

COMPANY	SHAREHOLDINGS PRIOR TO PURCHASE	PURCHASE	CONSIDERATION IN TEUR	SHAREHOLDINGS AFTER PURCHASE
SecureGUARD GmbH	69.00%	31.00%	1,202	100.00%

As of the balance sheet date of December 31, 2023 and December 31, 2022, the following companies are part of the Kontron Group:

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NOTES 2023

COMPANY	HEADQUARTERS	DIRECT PARTICIPATION	PARTICIPATION PREVIOUS YEAR	FUNCTIONAL CURRENCY
Kontron AG	Linz, AT	Parent company	Parent company	EUR
Kontron AIS GmbH	Dresden, DE	100%	100%	EUR
RTSoft GmbH	Ismaning, DE	-	100%	EUR
Lucom GmbH Elektrokomponenten und Systeme	Fürth, DE	-	100%	EUR
Kontron Technologies GmbH	Linz, AT	100%	100%	EUR
SecureGUARD GmbH	Linz, AT	-	69%	EUR
CBCX Technologies GmbH (formerly computer betting company gmbh)	Linz, AT	100%	100%	EUR
Kontron Services Romania SRL	Bukarest, RO	100%	100%	RON
S&T Plus s.r.o.	Prague, CZ	-	100%	CZK
Kontron Bulgaria EOOD (formerly S&T Bulgaria EOOD)	Sofia, BG	100%	100%	BGN
Kontron Hungary Kft. (formerly S&T Consulting Hungary Kft.)	Budaörs, HU	100%	100%	HUF
Kontron Operations Hungary Kft. (formerly S&T Services Kft)	Budaörs, HU	-	100%	HUF
S&T Mold S.R.L.	Chisinau, MD	-	51%	MDL
S&T IT Technology S.R.L.	Chisinau, MD	-	100%	MDL
S&T MEDTECH SRL	Bukarest, RO	100%	100%	RON
Kontron Austria GmbH	Engerwitzdorf, AT	100%	100%	EUR
Kontron Electronics AG	Rotkreuz, CH	100%	100%	CHF
Hartmann Electronic GmbH	Stuttgart, DE	100%	-	EUR
W-IE-NE-R Power Electronics GmbH	Burscheid, DE	100%	-	EUR
Kontron Beteiligungs GmbH	Ismaning, DE	100%	100%	EUR
Kontron Europe GmbH	Ismaning, DE	100%	100%	EUR
Kontron Modular Computers S.A.S.	Toulon, FR	100%	100%	EUR
Kontron UK Ltd.	Chichester, GB	100%	100%	GBP
Kontron Electronics GmbH	Frickenhausen, DE	100%	100%	EUR
Kontron Electronics Kft.	Tab, HU	100%	100%	HUF

COMPANY	HEADQUARTERS	DIRECT PARTICIPATION	PARTICIPATION PREVIOUS YEAR	FUNCTIONAL CURRENCY
Kontron America Inc.	San Diego, US	100%	100%	USD
Bsquare Corporation	Renton, US	100%	-	USD
Bsquare EMEA Ltd.	Wiltshire, UK	100%	-	GBP
Kontron Canada Inc.	Boisbriand, CA	100%	100%	USD
Kontron Asia Pacific Design Sdn. Bhd.	Penang, MY	100%	100%	MYR
Kontron Technology Beijing Co. Ltd.	Beijing, CN	100%	100%	RMB
Kontron Hongkong Technology Co. Ltd.	HongKong, CN	100%	100%	RMB
Kontron Asia Inc.	Taipeh, TW	100%	100%	TWD
Kontron Asia Technology Inc.	Taipeh, TW	100%	100%	TWD
Quanmax Malaysia Sdn. Bhd	Penang, MY	100%	100%	MYR
Kontron Transportation GmbH	Vienna, AT	100%	100%	EUR
Kontron Transportation Sp. z o.o.	Warsaw, PL	100%	100%	PLN
Kontron Transportation España SL	Madrid, ES	100%	100%	EUR
Kontron Public Transport Arce S.A.U.	Bilbao, ES	100%	100%	EUR
Kontron Transportation Portugal, Unipessoal LDA	Lisbon, PT	100%	100%	EUR
Kontron Transportation s.r.o.	Prague, CZ	100%	100%	CZK
Kontron Transportation Hungary Kft.	Budaörs, HU	100%	100%	HUF
Kontron Transportation Deutschland GmbH	Immenstaad am Bodensee, DE	100%	100%	EUR
Kontron Transportation France S.A.S.	Saint Quentin, FR	100%	100%	EUR
Kontron Transportation UK Ltd.	Harrow, GB	100%	100%	GBP
Kontron Public Transportation NV	Diegem, BE	100%	100%	EUR
Kontron Transportation Schweiz AG	Ittigen, CH	100%	-	CHF
Comlab Deutschland GmbH	Hilden, DE	100%	-	EUR
Comlab Beijing Radio Frequency Technology Co. Ltd. ¹⁾	Beijing, CN	45,9%	-	RMB
Hemse.one d.o.o. ²⁾	Beograd, RS	100%	-	RSD

10.A

NOTES 2023

COMPANY	HEADQUARTERS	DIRECT PARTICIPATION	PARTICIPATION PREVIOUS YEAR	FUNCTIONAL CURRENCY
Kontron d.o.o. (formerly Iskratel d.o.o.)	Kranj, SI	100%	100%	EUR
Kontron DOOEL (formerly ITS Softver d.o.o.)	Skopje, MK	100%	100%	MKD
IskraCom	Almaty, KZ	100%	100%	KZT
OOO Iskratel Tashkent	Tashkent, UZ	76%	76%	UZS
JSC Iskra Technology (formerly AO IskraUralTel Yekaterinburg ³⁾)	Yekaterinburg, RU	48.4%	48.4%	RUB
Affair OOO	Moscow, RU	-	100%	RUB
RTSoft AO	Moscow, RU	-	100%	RUB
Interactive Energy Lab OOO ²⁾	Moscow, RU	100%	100%	RUB

1) Control based on majority of voting rights

2) Company not consolidated due to minor importance.

3) Control over 51.6% of the shares with non-controlling interest due to a call option exercisable at any time up to and including December 31, 2025. The option is to be seen as a substantive right of Kontron AG as of the reporting date.

Change in the group of consolidated companies in 2022

As of December 31, 2022, purchase price allocations in connection with the acquisitions of Lucom GmbH Elektrokomponenten und Systeme, Fürth, Germany, and in Arce Mobility Solutions S.A.U., Bilbao, Spain, were recorded at preliminary fair values.

Final calculation during financial year 2023 of the acquired assets and liabilities at fair values and the resulting goodwill did not result in any change compared to the preliminary recognition as of December 31, 2022.

B.

Notes to the consolidated statement of profit or loss

01 Revenue from contracts with customers

Accounting methods>>

Revenue includes all income that results from typical business activities and is recognised in accordance with IFRS 15 from contracts with customers. The rules of IFRS 15 are implemented as part of the 5-step model.

Timing of the fulfilment of performance obligations

The group sells consulting, installation and repair services. These services are rendered on a time or material basis and are recognised as revenue according to the time spent or upon acceptance of the service by the customer.

Revenue is recognised over time in cases where:

- › the customer receives the benefit from a service of the company and can use it while the service is being provided,
- › the entity's performance creates or enhances an asset over which the customer acquires control during the creation or enhancement; or
- › the entity's performance creates an asset that has no alternative use to the entity and the entity has a legal right to payment for the services already provided.

If services are provided under a fixed-price contract, whereby the contract duration is usually less than one year, revenue is recognised over time according to the stage of completion. In the case of temporary contracts, the degree of completion is determined on the basis of the hours worked to date in relation to the planned total hours. For material contracts, the degree of completion is determined on the basis of the costs incurred to date in relation to the planned total costs.

If circumstances arise that change the original estimates of revenues, costs or completion degree, these estimates are adjusted. These adjustments may result in an increase or decrease in the revenues recorded so far and are shown in income results of the period in which management has become aware of these circumstances.

If the result from a customer contract cannot be reliably determined, the contract revenue will only be realised in the amount of the costs incurred. If total contract costs are likely to exceed the total contract revenue, the expected loss is recognised immediately as an expense.

Revenue from the sale of goods and products is recognised when the customer has acquired control of the goods and products sold. This generally occurs when the goods and products are dispatched, taking into account the Incoterms agreed with the customer in each case. Price discounts and volume rebates represent variable remuneration that is estimated when the contract is concluded and adjusted accordingly in the revenue, so that no significant reversals are highly likely to occur in later periods once the uncertainty associated with the variable remuneration no longer exists.

Allocating the transaction price to performance obligations

Contracts that include the delivery or provision of several separable products or services must be separated into individual components, with a separate revenue contribution determined for each component. In the Kontron Group, this can relate in particular to the combination of hardware installations combined with service business or product deliveries with extended warranty or maintenance services. The agreed remuneration is allocated to the individual components on the proportionate individual selling prices basis and revenue is recognised separately for each component.

Principal versus agent consideration

When more than one party is involved in providing goods or services to a customer, an entity must distinguish whether it is acting as a principal and consequently recognises revenues on a gross basis, or as an agent with revenues recognised at the net amount. An entity acts as a principal when it has control over a promised product or service before transferring it to the customer. In the Kontron Group, this distinction is particularly relevant when selling hardware and software from third parties, since Kontron has no control over the products delivered to the customer in individual cases.

Contract balances from contracts with customers

In return for the transfer of promised goods and services, payments are made by the customer as remuneration. A contract asset represents the contingent right to consideration in exchange for complete fulfilment of the contractual services. When the right to receive the consideration becomes unconditional, a receivable is recognised accordingly. The contractual liability relates to payments received in advance, i.e. before the contractual services have been performed. Contractual liabilities are recognised as revenues as soon as the contractual services have been rendered.

Performance obligations

Sale of products featuring proprietary technologies (hardware and software)

The performance obligation for the sale of proprietary technology products is fulfilled at the time when the control of the asset is transferred to the customer. This is generally the case on delivery of the proprietary technology products, taking into account the respectively agreed Incoterms. The payment term is usually between 30 and 90 days after delivery. Price reductions or quantity discounts are only granted in exceptional cases. The same applies to return rights: In these cases, proprietary technology products are made available free of charge to customers as part of test positions or proof of concept.

The Group grants customary warranty rights for its own products that represent an assurance that the product in question meets the contractually agreed specifications (so-called assurance-type warranty). In a few cases, additional extended warranties or maintenance services are offered, which constitute a separate performance obligation in a combined contract. In these cases, the total consideration is allocated between performance obligations based on relative individual selling prices and revenues are recognised over the warranty or maintenance period.

Sale of products from third parties (hardware and software)

The performance obligation for trading in third-party products, for example HP, IBM, Cisco or Microsoft, where the sale of the hardware and software is the only performance obligation, is fulfilled at the time when control of the asset is transferred to the customer. This is generally the case when the products are delivered. The payment term is usually between 14 and 30 days after delivery. Subsequent price reductions, quantity discounts or return rights are only granted in exceptional cases. The legal warranty obligation in these cases lies with the manufacturer of the products. In this case, Kontron will only act as an agent for the handling of the manufacturer's warranty obligations against separate commissioning and payment by the manufacturer.

In the majority of cases, various consulting services in the area of product selection or licence optimisation together with the actual transfer of the software licence form a uniform performance obligation, which is why it can be assumed that Kontron acts as the principal. Only in exceptional cases does Kontron engage in pure license trading (such as a value added reseller). In this case, the Group does not acquire control of the delivered products or licenses before they are transferred to the customer. In these cases, Kontron acts as an agent and recognises revenues only to the extent of the net amounts to which it is entitled as consideration for the agency services.

Provision of recurring operating services

The performance obligation for recurring operating services, such as maintenance and support contracts for IT infrastructure and applications, is fulfilled over the period of the underlying contracts. Invoices are usually issued monthly with a payment term of between 14 and 30 days. There are no discounts in this area.

2022 * IN TEUR	EUROPE	GLOBAL	SOFTWARE + SOLUTIONS	TOTAL
Sale of products featuring proprietary technologies (hardware and software)	358,977	144,720	14,472	518,169
Sale of products from third parties (hardware and software)	138,292	34,685	29,293	202,270
Operating services	188,635	19,633	128,488	336,756
One-time project services	5,524	0	983	6,507
Total revenues from contracts with customers	691,428	199,038	173,236	1,063,702

*) Reclassification, see section A, Changes in accounting policies

Of the revenues generated in financial year 2023, TEUR 108 (PY: TEUR 978) result from activities as an agent, which are recognised at their net amount.

No sales with a right of return were made in financial year 2023.

Contract balances

IN TEUR	31.12.2023	31.12.2022
Contract assets	38,967	55,288
Contract liabilities	76,416	84,025

Contract assets are initially recognised as revenue from development and IT projects for which Kontron has (partially) fulfilled its contractual obligations before the customer has paid the consideration or if it represents an unconditional entitlement to payment. Upon maturity, the corresponding contract asset is reclassified to trade receivables.

The development of the contract assets is as follows:

IN TEUR	31.12.2023	31.12.2022
As of 1.1.	55,288	51,489
Additions	27,059	41,958
Partially invoiced	-43,352	-30,838
Reclassification to assets classified as held for sale	0	-7,232
Currency translation	-28	-89
As of 31.12.	38,967	55,288

The contractual liabilities mainly include customer down payments and advance payments received for project services for which the contractually guaranteed goods and services of Kontron have not (fully) been transferred or provided to the customer. Of the contractual liabilities, TEUR 6,778 (PY: TEUR 5,532) are reported under non-current liabilities and TEUR 69,638 (PY: TEUR 78,493) are reported under current liabilities.

10.B

NOTES 2023

The development of contractual liabilities is as follows:

IN TEUR	2023	2022
As of 1.1.	84,025	101,977
Additions	31,619	70,185
Recognised as revenues	-37,862	-53,885
Reclassification to liabilities classified as held for sale	0	-31,612
Disposal from changes in consolidated companies	0	-1,443
Currency translation	-1,366	-1,197
As of 31.12.	76,416	84,025

The Group's performance obligations not fulfilled or only partially fulfilled as of December 31, 2023, will be offset by future revenues (transaction prices) in financial year 2024 and the following financial years:

IN TEUR	EUROPE	GLOBAL	SOFTWARE + SOLUTIONS	TOTAL
Financial year 2024	592,450	208,880	226,205	1,027,535
Financial year 2025	39,092	14,427	77,193	130,712
Financial years after 2025	259,629	29,386	238,966	527,981
IN TEUR	EUROPE	GLOBAL	SOFTWARE + SOLUTIONS	TOTAL
Financial year 2023	465,956	211,896	158,178	836,030
Financial years after 2023	380,665	57,412	185,458	623,535

A breakdown of the previous year's values according to the selected time bands is not available.

02 Capitalised development costs

In the 2023 financial year, development costs in the amount of TEUR 24,708 (PY: TEUR 23,393) were capitalised.

03 Other operating income

Accounting methods>>

In other operating income, Kontron shows all income that is generated in the course of operating activities but is not related to the core business. Benefits received that are related to expenditure types are not shown in other operating income, but reduce the corresponding expenditure type.



Other operating income consists of the following items:

IN TEUR	2023	2022
Income from the derecognition of liabilities	1,106	1,411
Income from the release of contingent consideration	0	11,223
Charging on of costs, indemnification for damages experienced	302	253
Income from deconsolidation	4,151	0
Income from contraventions of contracts by clients	64	16
Income from sale of fixed assets	680	229
Rental income	531	442
Income from recoveries of trade receivables prior written-off	15	48
Income from cost allocations to discontinued operations	7,445	4,073
Other income	1,129	1,956
Total other income	15,423	19,651

Income from the release of contingent consideration in the previous year amounts to TEUR 11,223 and results from the adjustment or derecognition of the purchase price liabilities in connection with the company acquisitions made in the previous periods.

The income from deconsolidation results from the disposal of the net assets presented under Section A.

Income from activity allocation to the discontinued operations includes income from allocation of costs associated with management services and brand usage rights.

NUMBER OF EMPLOYEES	2023	2022
Employees Austria	647	625
Employees outside Austria	4,191	3,850
Employees as of end of the year	4,838	4,475

The average number of employees in the 2023 financial year was 4,629 (PY: 4,378).

06 Depreciation and amortisation

The expense for depreciation and amortisation is composed as follows:

IN TEUR	2023	2022
Depreciation of property, plant and equipment	24,211	23,581
Impairment on tangible assets	0	551
Amortisation of intangible assets	15,335	22,448
Impairment on intangible assets	0	25,429
Total depreciation and amortisation	39,546	72,009

The impairment losses on intangible assets in financial year 2022 are primarily attributable to capitalised development projects, which have been discontinued due to Kontron's strategic realignment.

07 Other operating expenses

Other operating expenses break down as follows:

IN TEUR	2023	2022
Rental and leasing expenses	2,115	1,870
Maintenance and ancillary expenses	16,091	15,893
Insurance	2,420	2,254
Transport expenses	2,910	3,130
Travel expenses and expenses for company cars	9,928	8,198
Mail and telecommunication	1,706	1,776
Expenses for contracted personnel and consulting	14,901	14,053
Expenses for advertising	6,166	5,731
Legal, tax advisor and audit expenses	5,062	4,518
Expenses for training and education	1,249	1,064
Expenses for guarantees and indemnification	538	2,423
R&D expenses not eligible for capitalisation	7,538	4,340
Licenses expenses	3,951	3,763
Commissions	2,110	3,102
Bank commissions and similar expenses	2,158	1,652
Taxes and charges not comprised in taxes on income and earnings	1,106	2,660
Other operating expenses	8,566	7,328
Total other operating expenses	88,515	83,754

The rental and leasing expense item includes expenses for leases with a term of up to 12 months in the amount of TEUR 1,864 (PY: TEUR 1,666). Expenses amounting to TEUR 251 (PY: TEUR 204) are attributable to low-value leasing agreements.

08 Financial result

The financial result is broken down as follows:

IN TEUR	2023	2022
Interest income from banks	7,663	851
Interest income from finance leases	442	515
Other interest and finance income	777	45
Finance income	8,882	1,411
Interest paid to banks	-9,885	-6,579
Interest expenses from finance leases	-1,718	-1,197
Interest expenses from compounded purchase price liabilities	-19	-286
Other interest and finance expenses	-4,517	-1,987
Finance expenses	-16,139	-10,049
Financial result	-7,257	-8,638

Net results from financial instruments:

IN TEUR	2023	2022
At fair value through profit or loss	750	-498
At fair value through other comprehensive income	-26	-44
Financial assets at amortised costs	-2,145	-3,946
Liabilities at fair value	0	11,566
Total	-1,421	7,078

The calculation of the net result from financial instruments includes value adjustments and write-ups, income and expenses from currency translation, gains or losses on disposal and other changes in the fair value of financial instruments recognised in profit or loss. In the previous year, the net result of liabilities at fair value included redemption from contingent considerations for company acquisitions, in particular from the purchase price adjustment in connection with the acquisition of the Iskratel Group amounting to TEUR 10,369.

The income tax expense is broken down as follows:

IN TEUR	2023	2022
Current income taxes	-14,831	-10,634
thereof from prior periods	-252	-336
Deferred taxes	11,289	8,454
Income taxes reported in the consolidated income statement	-3,541	-2,180

The following table shows the reconciliation of expected income tax expense to actual tax expense. The expected tax expense is calculated when Kontron AG's current income tax rate of 24% (PY: 25%) is applied to the reported earnings before income taxes:

IN TEUR	2023	2022
Earnings before taxes	79,219	-10,654
Expenses for income taxes at a tax rate of 24% (PY: 25%)	-19,013	2,664
Divergent non-Austrian rates of taxation	-1,824	639
Income taxes for prior period	2,289	-336
Value adjustment in deferred taxes	9,441	-1,760
Utilisation of losses carried forward not previously capitalised	2,832	1,671
Non capitalised losses carried forward in current financial year	-790	-5,425
Earnings/expenses with no effects on taxes	4,085	588
Other divergences	-561	-221
Income tax expenses/earnings reported	-3,541	-2,180

10.B

NOTES 2023

Deferred tax assets and liabilities arising from temporary differences between tax and accounting valuations, as well as their recognition in the statement of profit or loss and in other comprehensive income, are allocated to the following items:

IN TEUR	DEFERRED TAX ASSETS 01.01.2023	DEFERRED TAX ASSETS 31.12.2023	CHANGE IN THE PERIOD	THEREOF: RECOGNISED IN PROFIT OR LOSS	THEREOF: RECOGNISED IN OCI
PPE and intangible assets	1,442	1,411	-31	14	0
Trade receivables and inventories	6,925	5,778	-1,147	-769	0
Provisions and deferred liabilities	8,952	14,099	5,147	4,416	437
Tax losses carried forward	28,933	34,632	5,699	5,425	0
Tax credits	0	3,967	3,967	3,978	0
Balancing	-13,202	-16,759	-3,557	0	0
Amount recognised in balance sheet	33,050	43,128	10,078	13,064	437

IN TEUR	DEFERRED TAX LIABILITIES 01.01.2023	DEFERRED TAX LIABILITIES 31.12.2023	CHANGE IN THE PERIOD	THEREOF: RECOGNISED IN PROFIT OR LOSS	THEREOF: RECOGNISED IN OCI
PPE and intangible assets	-15,820	-20,206	-4,386	-2,887	0
Trade receivables and inventories	-1,740	-554	1,186	1,117	0
Provisions and deferred liabilities	-1,367	-1,338	29	-5	12
Tax credits					
Balancing	13,202	16,759	3,557	0	0
Amount recognised in balance sheet	-5,725	-5,339	386	-1,775	12

IN TEUR	DEFERRED TAX ASSETS 01.01.2022	DEFERRED TAX ASSETS 31.12.2022	CHANGE IN THE PERIOD	THEREOF: RECOGNISED IN PROFIT OR LOSS	THEREOF: RECOGNISED IN OCI
PPE and intangible assets	599	1,442	843	621	0
Trade receivables and inventories	7,008	6,925	-83	215	0
Provisions and deferred liabilities	10,505	8,952	-1,553	2,807	-1,006
Tax losses carried forward	35,819	28,933	-6,886	-689	0
Balancing	-13,752	-13,202	550		
Amount recognised in balance sheet	40,179	33,050	-7,129	2,954	-1,006

IN TEUR	DEFERRED TAX LIABILITIES 01.01.2022	DEFERRED TAX LIABILITIES 31.12.2022	CHANGE IN THE PERIOD	THEREOF: RECOGNISED IN PROFIT OR LOSS	THEREOF: RECOGNISED IN OCI
PPE and intangible assets	-24,050	-15,820	8,230	6,484	0
Trade receivables and inventories	-2,000	-1,740	260	-553	0
Provisions and deferred liabilities	-908	-1,367	-459	-431	-23
Balancing	13,752	13,202	-550		
Amount recognised in balance sheet	-13,206	-5,725	7,481	5,500	-23

The accrued deferred tax assets from company acquisitions amount to TEUR 1,385 (PY: TEUR 346), and deferred tax liabilities increased by TEUR 1,635 (PY: TEUR 704).

As of the balance sheet date, there were the following loss carryforwards (gross amounts):

IN TEUR	2023	2022
Austria	132,741	136,026
USA	83,552	49,337
France	33,547	36,163
Other tax jurisdictions	170,097	136,380
Total tax losses	419,937	357,906

Kontron did not recognise any deferred tax assets (gross amounts) for the following issues:

IN TEUR	2023	2022
Temporary differences	7,780	19,402
Tax losses	258,770	238,759

As a result of the uncapitalised loss carryforwards (gross amounts), there is a temporary limitation of TEUR 86,463 (PY: TEUR 53,390).

In connection with shares in subsidiaries, no deferred tax liabilities were recognised on temporary differences of TEUR 46,122 (PY: TEUR 42,148).

In the reporting year, deferred taxes in the amount of TEUR 449 (PY: TEUR 1,029) were recognised in the other comprehensive income.

Deferred tax assets are recognised for unused tax loss carryforwards to the extent that it is probable that taxable income will be available for this purpose so that the loss carryforwards can actually be utilised. Assessment of the timing and amount of future taxable income as well as the future tax planning strategy plays an essential role in determining the amount of capitalisable tax assets. If an existing loss carryforward is not expected to be utilised within a reasonable period of five years on the basis of these projections, this loss carryforward will not be capitalised.

As of December 31, 2023, there is an excess of deferred tax assets amounting to TEUR 2,660 capitalised even though the respective taxable entity realised a tax loss in the 2023 or 2022 financial years.

Deferred tax assets on tax loss carryforwards were formed in particular by Kontron AG and the Austrian tax group, of which Kontron AG is the group owner. Loss carryforwards were only recognised to the extent that they can be expected to be utilised in the next five years in accordance with tax planning. If actual tax results deviate from estimates as part of tax planning or if these estimates need to be adjusted in subsequent periods, this could have adverse effects on the Kontron Group's net assets, financial and earnings situation.

10 Income after taxes from discontinued operations

On August 10, 2022, Kontron AG concluded with VINCI Energies S.A., as part of the "Focus" project, contracts for the sale of major divisions of the Kontron Group's IT Services business - for more details, see Section A of Annual Report 2022 under "Project "Focus" - Sale of Significant Parts of the IT Services Business". As a result of this agreement, the affected companies from the Kontron Group's IT services segment were reported as discontinued operations.

The result of discontinued operations in the reporting period and the comparison period is as follows:

IN TEUR	2023	2022
Revenues	5,389	387,418
Capitalised development costs	0	372
Other income	848	1,667
Gain on sale of discontinued operations	1,274	234,503
Expenses for materials and other services purchased	-4,051	-246,414
Personnel expenses	-1,208	-79,414
Depreciation and amortisation	0	-12,919
Other operating expenses	-1,029	-28,260
Result from operations	1,223	256,953
Finance income	1,385	192
Finance expenses	-96	-1,428
Financial result	1,289	-1,236
Earnings before taxes	2,512	255,717
Income taxes	-73	-11,003
Profit/loss from discontinued operations	2,439	244,714

The result of discontinued operations in financial year 2023 includes the earnings of the companies in Moldova up to the date of their sale on June 30, 2023, a purchase price adjustment, interest income from compounding the purchase price claim and other expenses and income attributable to the discontinued activities. As in the previous year, no income taxes were incurred as a result of the sale of the discontinued operations.

11 Earnings per share

Accounting methods>>

Undiluted earnings per share are calculated by dividing the net profit attributable to Kontron AG shareholders by the weighted average number of ordinary shares outstanding during the reporting period. Treasury shares held by the company shall be deducted when calculating the average number of shares outstanding.

To calculate the diluted earnings per share, the consolidated profit attributable to Kontron AG shareholders is divided by the weighted average number of ordinary shares issued in the reporting period, plus the weighted average number of ordinary shares resulting from the conversion of all potential ordinary shares with a dilution effect into ordinary shares. The diluted earnings per share are calculated on the assumption that all option rights under the four stock option programs are exercised. Warrants are not included, as this only has to be done once the exercise price of EUR 32.86 has been reached.



Earnings per share are calculated as follows:

		2023	2022
Profit/loss from continuing operations	TEUR	75,678	-12,834
Profit/loss from discontinued operations	TEUR	2,439	244,714
Results from the period attributable to owners of non-controlling interests	TEUR	407	-576
Net income after subtraction of NCI (non-controlling interest)	TEUR	77,710	232,456
Average number of shares issued (undiluted)	Number in thousand	63,175	63,631
Average number of shares issued (diluted)	Number in thousand	65,513	64,828
Earnings per share from continuing operations (undiluted)	EUR/piece	1.19	-0.19
Earnings per share from continuing operations (diluted)	EUR/piece	1.15	-0.19

The following table shows the development of the average outstanding shares in both undiluted and diluted form:

AVERAGE NUMBER OF SHARES IN CIRCULATION UNDILUTED (NUMBER IN THOUSAND)	2023	2022
Shares issued as of January 1	63,631	66,096
Effect of treasury shares as well as due to withdrawal following resolution by the Annual General Meeting	-600	-2,466
Effect of capital increase	144	0
Average number of shares in circulation undiluted as of December 31	63,175	63,631
AVERAGE NUMBER OF SHARES IN CIRCULATION DILUTED (NUMBER IN THOUSAND)	2023	2022
Average number of shares in circulation undiluted as of December 31	63,175	63,631
Effect of the stock options issued	2,338	1,197
Average number of shares in circulation diluted as of December 31	65,513	64,828

Property, plant and equipment developed as follows:

IN TEUR	PROPERTY, PLANT AND LEASEHOLD IMPROVEMENTS	OTHER FACILITIES, OPERATING AND BUSINESS EQUIPMENT	RIGHT OF USE	TOTAL
ACQUISITION COSTS				
As of January 1, 2023	52,334	53,388	69,393	175,115
Additions	1,588	13,437	18,237	33,262
Additions through changes in consolidated companies	1,730	3,373	3,557	8,660
Reclassifications	-49	49	0	0
Disposals	-80	-1,791	-7,484	-9,355
Disposals from changes in consolidated companies	0	-636	-746	-1,382
Currency translation differences	-523	-1,051	-428	-2,002
As of December 31, 2023	55,000	66,769	82,529	204,298
ACCUMULATED DEPRECIATION				
As of January 1, 2023	9,983	30,676	38,979	79,638
Depreciation of current year	1,965	8,743	13,503	24,211
Reclassifications	-21	21	0	0
Disposals	-57	-1,158	-6,411	-7,626
Disposals from changes in consolidated companies	0	-526	-509	-1,035
Currency translation differences	-158	-676	-483	-1,317
As of December 31, 2023	11,712	37,080	45,079	93,871
Carrying amount as of December 31, 2023	43,288	29,689	37,450	110,427

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IN TEUR	PROPERTY, PLANT AND LEASEHOLD IMPROVMENTS	OTHER FACILITIES, OPERATING AND BUSINESS EQUIPMENT	RIGHT OF USE	TOTAL
ACQUISITION COSTS				
As of January 1, 2022	64,547	65,176	95,914	225,637
Additions	966	9,231	13,620	23,817
Additions through changes in consolidated companies	15	47	681	743
Reclassifications	7	222	-229	0
Disposals	-2,411	-7,732	-13,228	-23,371
Disposals from changes in consolidated companies	-11	-387	-2,054	-2,452
Reclassification to assets classified as held for sale	-11,473	-15,598	-25,727	-52,798
Currency translation differences	694	2,429	416	3,539
As of December 31, 2022	52,334	53,388	69,393	175,115
ACCUMULATED DEPRECIATION				
As of January 1, 2022	9,431	34,175	49,495	93,101
Depreciation of current year	2,203	10,469	16,913	29,585
Reclassifications	8	89	-97	0
Disposals	-2	-5,200	-11,401	-16,603
Disposals from changes in consolidated companies	-1	-93	-1,416	-1,510
Reclassification to assets classified as held for sale	-2,277	-11,191	-14,838	-28,306
Currency translation differences	621	2,427	323	3,371
As of December 31, 2022	9,983	30,676	38,979	79,638
Carrying amount as of December 31, 2022	42,351	22,712	30,414	95,477

The useful lives of property, plant and equipment are based on estimates. Should the current useful life estimate differ significantly from previous estimates, the useful lives will be adjusted accordingly.

Rights of use arising from leases

Accounting methods>>

A lease is an agreement in which the lessor transfers to the lessee, in return for payment or a series of payments, the right to use an asset for an agreed period of time. IFRS 16 specifies a comprehensive model for identifying lease agreements and their recognition in the financial statements of lessees and lessors. For lessees, a distinction is made between service and performance. Kontron recognises the lease payments as an asset on the balance sheet; the service payments are entered directly under expenses. For lessors, a distinction is made between financing and operating leases.

Rights of use are entered in the balance sheet as the cost of the lease liability from the date that the asset becomes available for use, adjusted, where appropriate, for initial direct costs and lease payments made to the lessor on or before the date of provision. Leasing incentives granted by the lessor are deducted when recognizing the right of use. The lease payments are discounted at the incremental borrowing rate, provided that the interest rate implicit in the lease cannot be readily determined. The subsequent measurement is carried out at amortized cost.

The rights of use are amortized on a straight-line basis for the period of the contractual relationship. The specified contract period includes the binding term of the leasing contract. Termination and extension options are considered when their exercise has been assessed with sufficient certainty and all facts and circumstances are taken into account that constitute an economic incentive to exercise such an option.

Exemptions for reporting leases may be applied. Kontron has elected not to recognise lease contracts involving an intangible asset under the terms of IFRS 16. This also applies to leases for assets that are of low value (up to TEUR 5) or contracts that have a term of less than 12 months.

Kontron as lessee

At the beginning of the lease period, Kontron assesses whether the contract creates or contains a lease. This is the case when the contract gives the right to control the use of an identified asset for a certain period in exchange for payment of a fee. The term of the lease is the binding period for which a lessee has the right to use an underlying asset. This period may be extended if it is reasonably certain that Kontron will exercise a lease extension option.

At initial recognition, Kontron activates a right to use the underlying asset and recognises a lease liability for the obligation to make lease payments in the future.

If an agreement contains both lease and non-lease components, the lease payments are allocated between the two items based on their relative individual selling prices and the non-lease payments are recognised as an expense.

The lease liability is recognised at the present value of the lease payments payable over the lease term. The lease payments included in the measurement of the lease liability comprise:

- › Fixed payments, including de-facto fixed payments;
- › variable lease payments linked to an index or (interest) rate, measured for the first time using the index or interest rate applicable on the provision date;
- › amounts payable due to a residual value guarantee; and
- › the exercise price of a call option if the Group is reasonably certain to exercise it, lease payments for a renewal option if the Group is reasonably certain to exercise it, and penalties for early termination of the lease unless the Group is reasonably certain not to terminate early.

The payment series is discounted at the implicit interest rate of the lease or, if this cannot be readily determined, at the appropriate incremental borrowing rate of the lease. The debt interest rates were calculated on the basis of a reference interest rate plus a risk premium.

The acquisition cost of the right of use generally corresponds to the amount of the lease liability at the time of addition. These are to be additionally increased by initial direct costs. Incentive payments from the lessor that have already been paid in reduce the acquisition cost. As part of the subsequent measurement, the right of use is amortized on a straight-line basis over the term of the lease and adjusted for any impairment losses. If the leased asset becomes the property of the Group at the end of the lease or if a purchase option or a right of tender is sufficiently certain, the right of use is depreciated over the economic life of the underlying asset.

The lease term is the reasonably certain period of time over which an asset is leased. In addition to the non-terminable basic lease period, additional periods of extension are included as options if there is sufficient certainty at the start of use that they will be exercised, as are periods of notice if it is not sufficiently certain that they will be exercised. This assessment is reviewed when either events beyond the lessee's control or significant changes in circumstances occur that require a change in the lease term. The lease term is adjusted if a renewal option is exercised or a termination option is not exercised and these were not taken into account in the original estimate. The amendment of the lease term results in an altered future payment series and thus to a revaluation of the lease liability using the current interest rate. The resulting difference is recognised in the right of use without affecting profit or loss. Derecognition amounts that exceed the carrying amount of the right of use are recognised as an expense in profit or loss.

Kontron as lessor

Kontron AG's business activities as a lessor have only insignificant impact on the statement of comprehensive income. Regarding the balance sheet values, see Section C, Note 14 and 19.



The Group has entered into lease agreements primarily for real estate and vehicles. Leasing agreements for real estate usually have terms of between 4 and 10 years. For vehicles, the term is usually between 3 and 5 years.

The carrying amounts of the rights of use break down by asset class as follows:

IN TEUR	2023	2022
Properties	28,742	23,923
Operating and business equipment	329	113
Car fleet	8,380	6,378
Total carrying amount of right of use assets	37,450	30,414

The depreciation amount of the rights of use by asset class breaks down as follows:

IN TEUR	2023	2022
Properties	9,973	11,507
Operating and business equipment	182	673
Car fleet	3,348	4,733
Total depreciation of right of use assets	13,503	16,913

IFRS 16 requires estimates that affect the measurement of lease liabilities and rights of use. These include, among other things, the provisions of contracts that fall under IFRS 16, the contract maturities and the incremental borrowing rate used to discount the future payment obligations. Specifying the term of the lease is a key criterion for applying IFRS 16. If the terms are not contractually defined, they are subject to discretionary decisions and are reviewed periodically. Other discretionary decisions relate to extension options or early termination options.

13 Intangible assets and goodwill

Accounting methods>>

Intangible assets

Intangible assets acquired for consideration and own work capitalized are recognised at acquisition or production costs, taking into account ancillary costs and cost reductions, and amortised on a straight-line basis over their economic useful lives.

Scheduled amortisation of intangible assets is recognised on a straight-line basis over the following useful lives:

USEFUL LIFE	YEARS
Software, licensing and trademark rights	2 – 10
Development costs and technology	3 – 10
Customer relations	3 – 5

Residual carrying amounts, useful lives and amortisation methods are reviewed at the end of each financial year and adjusted prospectively if necessary.

Research costs are recognised as expenses in the period in which they are incurred. Development costs are capitalized as an intangible asset only if the Group can demonstrate both the technical feasibility of completing the intangible asset, thereby allowing its internal use or sale, and its intention to complete the intangible asset and use or sell it. The Group must also demonstrate the generation of future economic benefits from the asset, the availability of resources to complete the asset and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Development costs are measured after initial recognition using the cost model, i.e. at acquisition or production costs less accumulated depreciation and amortization and accumulated impairment losses. Amortisation starts when the development phase is completed and from the time when the asset can be used. Amortisation is recognised over the period over which future benefits are to be expected. An impairment test is carried out annually during the development phase.

Capitalized development costs include all direct costs and proportional overheads directly attributable to the development process.

As part of the purchase price allocation, intangible assets are capitalized for the acquisitions, provided that the requirements for recognition in the balance sheet in accordance with IFRS 3 in conjunction with IAS 38 are met.

Goodwill

Goodwill is measured as the residual value of the acquisition costs of a company acquisition and net worth measured at fair value, taking into account contingent liabilities. If the comparison of acquisition costs and the fair value of the net assets of the acquired company results in a passive difference, this difference is immediately recognised in the profit and loss statement after a further review of the valuation rates.

Goodwill is not subject to scheduled depreciation, but is tested for impairment. The impairment test is carried out at least once a year or when internal or external indicators suggest a decrease in value. Previously, the annual impairment test was carried out on December 31st and was changed to September 30th in the 2023 financial year. The carrying amount of the respective cash-generating unit (CGU) to which goodwill is allocated is compared with its recoverable amount. The recoverable amount is the higher of the two amounts of an asset's net selling price and its value in use. The value in use is determined from the discounted cash flows (Discounted cash flow calculation or DCF method) based on the financial plans approved by management. These cover a period of four years. Cash flows generated after a period of four years are extrapolated using a growth rate of 1.0% (PY: 1.0%), taking into account growth-related accumulation. The planning takes into account past experience as well as the management's current assessments of future market developments. The projected cash flows of cash-generating units are discounted using the weighted average cost of capital (WACC) before tax. The discount rate applied using the DCF method corresponds to the interest rate that reflects current market estimates of the interest rate impact and the specific risks of the asset. If the recoverable amount is less than the carrying amount of the CGU, goodwill allocated to the CGU

is initially impaired. Subsequent value recovery is not permitted.

If the composition of the original cash-generating units changes over time as a result of reorganizations or changes in the reporting structure, the goodwill is reassigned accordingly.

Government grants

Government grants related to fixed assets are deducted from acquisition costs. The grants are essentially research and development grants.

Impairment of intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are regularly reviewed for indications of impairment.

If there are indications of impairment, an impairment test is carried out and, if necessary, an impairment loss is recognised to the recoverable amount. The recoverable amount is the higher of the two amounts of an asset's net selling price and its value in use. The value in use is the present value of the estimated future cash flows expected from the continued use of an asset and the disposal at the end of its useful life.

For assets other than goodwill, an assessment is made at each balance sheet date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. A previously recognised impairment loss is only reversed if there has been a change in the assumptions used in determining the recoverable amount since the last impairment loss was recognised. The value recovery is limited to the extent that the carrying amount of an asset does not exceed its recoverable amount or the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognised for the asset in previous years.



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The development of intangible assets is as follows:

IN TEUR	PURCHASED SOFTWARE AND LICENSES	CAPITALISED DEVELOPMENT COSTS	OTHER INTANGIBLE ASSETS	GOODWILL	TOTAL
ACQUISITION COSTS					
As of January 1, 2023	39,106	122,297	55,920	189,412	406,735
Additions	6,430	24,820	0	0	31,250
Additions through changes in consolidated companies	2,639	2,846	9,625	29,173	44,283
Disposals	-101	-617	-4,070	0	-4,788
Disposals from changes in consolidated companies	-156	0	0	-1,227	-1,383
Currency translation differences	1,670	-2,888	-1,017	-759	-2,994
As of December 31, 2023	49,588	146,458	60,458	216,599	473,103
ACCUMULATED AMORTISATION					
As of January 1, 2023	23,408	73,955	47,536	0	144,899
Amortisation of current year	3,650	6,873	4,812	0	15,335
Disposals	-60	-151	-4,070	0	-4,281
Disposals from changes in consolidated companies	-156	0	0	0	-156
Currency translation differences	1,906	-2,627	-1,006	0	-1,727
As of December 31, 2023	28,748	78,050	47,272	0	154,070
Carrying amount as of December 31, 2023	20,840	68,408	13,186	216,599	319,033

Other intangible assets include the brands identified in the context of company acquisitions with a carrying amount of TEUR 1,471 as of December 31, 2023 (PY: TEUR 2,964), customer relations TEUR 6,080 (PY: TEUR 3,599), order backlog TEUR 1,908 (PY: TEUR 1,144) and technologies TEUR 3,727 (PY: TEUR 677).

IN TEUR	PURCHASED SOFTWARE AND LICENSES	CAPITALISED DEVELOPMENT COSTS	OTHER INTANGIBLE ASSETS	GOODWILL	TOTAL
ACQUISITION COSTS					
As of January 1, 2022	38,142	115,324	74,506	208,251	436,223
Additions	4,215	25,206	0	0	29,421
Additions through changes in consolidated companies	0	0	2,900	9,172	12,072
Reclassifications	-774	774	0	0	0
Disposals	-1,444	-18,758	-379	0	-20,581
Disposals from changes in consolidated companies	-1,120	-2,720	-194	-465	-4,499
Reclassification to assets classified as held for sale	-2,185	-1,431	-21,526	-27,955	-53,097
Currency translation differences	2,272	3,902	613	409	7,196
As of December 31, 2022	39,106	122,297	55,920	189,412	406,735
ACCUMULATED AMORTISATION					
As of January 1, 2022	19,399	48,107	56,258	0	123,764
Amortisation of current year	3,481	42,947	8,914	0	55,342
Reclassifications	0	0	0	0	0
Disposals	-663	-18,371	-233	0	-19,267
Disposals from changes in consolidated companies	-44	-57	-152	0	-253
Reclassification to assets classified as held for sale	-896	-875	-17,563	0	-19,334
Currency translation differences	2,131	2,204	312	0	4,647
As of December 31, 2022	23,408	73,955	47,536	0	144,899
Carrying amount as of December 31, 2022	15,698	48,342	8,384	189,412	261,836

The amortisation of capitalised development costs includes an impairment loss of TEUR 25,429 in financial year 2022. This was due to the strategic realignment of Kontron AG. In financial year 2022, the goodwill disposed of was calculated on the basis of the ratio of the values in use between the discontinued and continuing operations and concerns the cash-generating units "Services DACH" and "Services EE."

Development costs are capitalised in accordance with the accounting method presented above. Initial capitalisation of costs is based on management's judgment that technological and economical feasibility is confirmed. For the purpose of determining the amounts to be capitalized, management makes assumptions about the amount of expected future cash flows, the discount rates to be applied and the period of inflow of expected future benefits.

As of the balance sheet date, the Group had no intangible assets with indefinite useful lives, except for goodwill (PY: TEUR 0).

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The goodwill is spread across the cash-generating units (CGU) as follows:

IN TEUR	2023	2022
Cash-generating unit "OT Services"	30,935	30,716
Cash-generating unit "Industrial"	53,559	46,546
Cash-generating unit "Telecom"	4,882	5,316
Cash-generating unit "North America"	29,035	19,544
Cash-generating unit "Asia"	6,194	6,129
Cash-generating unit "Software"	14,728	16,329
Cash-generating unit "Transport"	68,946	64,832
Cash-generating unit "Aerospace"	8,320	-
Goodwill as of December 31	216,599	189,412

Following the sale of significant parts of the Kontron Group's IT service business at the end of financial year 2022, there was a partial reorganization of business activities and changes in management responsibilities. The "Services DACH" and "Services EE" units, which reported separately in financial year 2022, are under joint management from financial year 2023 and are reported as the "OT Services" cash-generating unit. Due to the changes in portfolio orientation and responsibilities, the entities assigned to the cash-generating unit "IoT Solutions" are reported in the "Industrial" cash-generating unit from financial year 2023. The cash-generating unit "Software", which reports from 2023, consists of the entities that contribute a significant share of the Group-wide software portfolio. In financial year 2022, these entities were reported in the cash-generating unit "IoT Industry". The new "Aerospace" unit, which is reported as of financial year 2023, includes significant parts from the acquisition of Hartmann Electronics GmbH and W-IE-NE-R Power Electronics GmbH.

Reviewing the impairment of goodwill requires estimates of future revenue and cost developments, profit margins, planned investments and resulting cash surpluses. Furthermore, management must make assumptions regarding the discount rates used and this is therefore a source of uncertainty.

The following table shows the pre-tax discount rates used in the impairment tests for the individual cash-generating units:

	2023	2022
Cash-generating unit "OT Services"	13.8%	13.2%
Cash-generating unit "Industrial"	13.0%	13.8%
Cash-generating unit "Telecom"	18.8%	16.0%
Cash-generating unit "North America"	12.0%	12.4%
Cash-generating unit "Asia"	12.2%	12.5%
Cash-generating unit "Software"	11.0%	14.2%
Cash-generating unit "Transport"	12.3%	12.0%
Cash-generating unit "Aerospace"	10.8%	-

With regard to the changes in the composition of cash-generating units, the discount rates for the previous year have not been calculated again for reasons of practicability. The discount rate of the cash-generating unit "Services DACH" reported in the previous year was used as a comparative value for the cash-generating unit "OT Services". The discount rate of the "IoT Solutions" unit reported in the previous year is given as a comparative value for the "Software" unit.

To determine the discount rates, peer groups were determined in each case for the corresponding CGU.

The average revenue and EBIT growth underlying the 2024-2027 financial plans is:

AVERAGE PLANNED GROWTH 2024-2027	REVENUE	EBIT
Cash-generating unit "OT Services"	4.0%	8.3%
Cash-generating unit "Industrial"	7.2%	12.2%
Cash-generating unit "Telecom"	7.4%	11.6%
Cash-generating unit "North America"	11.1%	9.9%
Cash-generating unit "Asia"	6.7%	11.4%
Cash-generating unit "Software"	8.8%	22.4%
Cash-generating unit "Transport"	7.1%	12.7%
Cash-generating unit "Aerospace"	6.9%	16.6%

The average revenue and EBIT growth underlying the 2023-2026 financial plans is:

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AVERAGE PLANNED GROWTH 2023–2026	REVENUE	EBIT
Cash-generating unit "OT Services"	4.7%	5.4%
Cash-generating unit "Industrial"	6.9%	26.0%
Cash-generating unit "Telecom"	10.6%	41.0%
Cash-generating unit "North America"	13.5%	86.4%
Cash-generating unit "Asia"	9.8%	22.2%
Cash-generating unit "Software"	7.7%	32.9%
Cash-generating unit "Transport"	9.8%	34.2%

In the 2023 financial year, as in the previous year, no impairment of goodwill was necessary.

Neither a 10% reduction in expected cash flows nor a 10% increase in the weighted average cost of capital before tax would result in an impairment of goodwill for a cash-generating unit.

14 Non-current financial assets

The non-current financial assets are composed as follows:

IN TEUR	2023	2022
Receivables from finance leases	6,977	6,119
Other investments	874	866
Securities	0	241
Receivables from loans granted	503	840
Deposits	2,343	972
Purchase price entitlements	0	2,340
Other non-current receivables	656	336
Total non-current financial assets as of December 31	11,353	11,714
LEASE RECEIVABLES (FROM THE COMPANY'S LESSOR OPERATIONS)	2023	2022
Lease receivables (gross)		
Remaining term up to 1 year	5,931	6,307
Remaining term between 1 and 5 years	7,507	6,550
Remaining term > 5 years	0	0
	13,438	12,857
Unrealised future interest income from lease receivables	-622	-521
Net receivables from finance leases	12,816	12,336
COMPOSITION	2023	2022
Current receivables (up to 1 year)	5,839	6,217
Non-current receivables (between 1 and 5 years)	6,977	6,119
Non-current receivables (> 5 years)	0	0
Net receivables from finance leases	12,816	12,336

The default risk from lease receivables from customers is managed on the basis of the Group's policies and procedures. Due to the comparable customer portfolio, the expected default rates of the trade receivables are used as a basis. Impairment requirements are analysed at each reporting date using the impairment matrix to determine expected credit losses. Impairment ratios are determined based on days past due with similar default patterns. The analysis did not reveal any material default risk as at the reporting date.

The average interest rate of the lease receivables (short-term and long-term) was 3.61% in the financial year 2023 (PY: 3.43%).

18 Trade receivables

The trade receivables item is composed as follows:

IN TEUR	2023	2022
Trade receivables	221,225	155,942
Value adjustment for expected credit-caused losses	-7,669	-7,857
Trade receivables as of December 31	213,556	148,085

Some companies of the Kontron Group practice the "hold to collect and sell" business model with regard to trade receivables, as the contractual cash flows are collected both through customer payments and through sales to various house banks under factoring agreements. As a result, these trade receivables fall into the category "fair value through other comprehensive income". The classification of trade receivables in this category does not have any material impact on the consolidated financial statements of Kontron, as the majority of trade receivables are expected to be settled within one year and for this reason it is assumed that the fair value approximates the previous measurement standard of acquisition costs. The other trade receivables are classified as "at amortised costs", as the Group applies the "Hold" business model to these trade receivables. The receivables sold are derecognised in accordance with the derecognition rules of IFRS 9. As at the balance sheet date December 31, 2023, trade receivables sold as part of the factoring programs amounted to TEUR 74,981 (PY: TEUR 97,926), of which a first loss risk to the extent of 3.5% or TEUR 1,428 (PY: TEUR 2,006) of TEUR 40,793 (PY: TEUR 57,310) remains with Kontron as a continuing involvement and is recognised as such. The vast majority of the remaining receivables were derecognised due to the transfer of control. Only a risk in the amount of the retention remains with the company. Kontron retains the risk of late payment for all sold receivables.

The Group recognises an allowance for expected credit losses (ECL) on all receivables at fair value through other comprehensive income and at amortised cost. For receivables measured at amortised cost, the allowance is recognised in other operating expenses.

The development of the allowance for expected credit losses from trade receivables is as follows:

IN TEUR	2023	2022
Valuation allowance as of January 1	7,857	8,217
Valuation allowance for expected credit losses	1,057	2,435
Write-off receivables	-831	-190
Disposals from changes in consolidated companies	-3	-253
Reclassification to assets classified as held for sale	0	-2,457
Currency translation differences	-411	105
Valuation allowance as of December 31	7,669	7,857

The Group uses an impairment matrix to measure expected credit losses on trade receivables and contract assets (please refer to section D, note 35). The impairment ratios are determined on the basis of the overdue period for various receivables portfolios.

The impairment matrix is based on the Group's historical default rates adjusted for forward-looking information. The historical default rates are updated at each reporting date. The assessment of the relationship between historical default rates and expected credit defaults is a significant estimate. The Group's historical defaults and future estimate may not be representative of actual customer defaults in the future.

For trade receivables measured at fair value through other comprehensive income, the impairment is recognised in other comprehensive income in accordance with IFRS 9. The impairment loss recognised in other comprehensive income as of December 31, 2023, amounts to TEUR 38 (PY: TEUR 48).

The default risk on contract assets is managed based on the Group's policies and procedures. Due to the comparable customer portfolio, the expected default rates of trade receivables are used as a basis. Impairment requirements are analysed at each reporting date using the impairment matrix to determine expected credit losses. The analysis did not reveal any material default risk as at the reporting date.

19 Current financial assets

The current financial assets break down as follows:

IN TEUR	2023	2022
Receivables from finance leases *)	5,839	6,217
Deposits	11,398	12,662
Current portion of loans granted	511	468
Receivables from annual bonuses	173	102
Creditors with debtor accounts	521	366
Deposits for guarantees	196	497
Purchase price entitlements	1,200	114,014
Other current financial assets	940	0
Total current financial assets	20,778	134,326
*) Receivables from finance leases – gross	5,931	6,307
Unrealised interest income	-92	-90
Present value of receivables from finance leases	5,839	6,217

The reported purchase price receivables as of the balance sheet date of December 31, 2023 and as of the reporting date of the preceding year exist against VINCI Energies S.A. for the IT Service division sold as part of the "Focus" project. Details can be found in Section A under "Project "Focus" – Sale of Significant Parts of the IT Services Business".

22 Assets and liabilities classified as held for sale

The assets and liabilities reported as held for sale as of December 31, 2022 concerned the two Group companies in Moldova (S&T Mold S.R.L., Chisinau, Moldova, and S&T IT Technology S.R.L., Chisinau, Moldova), which were classified as “held for sale” as part of “Project Focus”, the sale of significant parts of the IT services business, as of December 31, 2022. Both companies were sold in financial year 2023, so that as of December 31, 2023, TEUR 0 (PY: TEUR 6,310) was reported as assets held for sale and TEUR 0 (PY: TEUR 4,759) as liabilities held for sale.

23 Equity

Subscribed capital

As of December 31, 2023 the share capital of Kontron AG amounted to TEUR 63,861 (PY: TEUR 63,631). It is divided into 63,860,568 (PY: 66,630,568) no-par value bearer shares.

Authorised conditional capital

By resolution of the Annual General Meeting on May 21, 2019, the Executive Board was authorised, with the approval of the Supervisory Board, to conditionally increase the share capital by up to EUR 1,500,000 in order to grant stock options to employees, executives and members of the Executive Board of the company or an affiliated company for a period of up to five years after the amendment to the articles of association was registered in the commercial register (“Authorised conditional capital 2019”). The capital increase is earmarked and may only be carried out to the extent that holders of options from the 2018 stock option program (AOP 2018) tranche 2018 and tranche 2019, as well as from a possible future program that stipulates initial exercise of the options no earlier than three years after the options were granted and a threshold of 25% of the trading price of the company share on the Frankfurt Stock Exchange, exercise these options. Initial exercise of the options in the 2018 Stock Option Program was permitted in an exercise window after expiry of the closed period on December 18, 2021.

The Annual General Meeting of June 16, 2020 decided to partially revoke the existing authorization of the Executive Board relating to the Authorised Conditional Capital 2019, specifically the no longer usable sum of EUR 500,000 or 500,000 bearer shares, so that the Authorised Conditional Capital 2019 comprises a residual authorization to conditionally increase the share capital for granting stock options by up to EUR 1,000,000 by June 25, 2024, subject to the approval of the Supervisory Board. In the 2023 financial year, a capital increase of EUR 230,000 was carried out from the authorised conditional capital.

Issue of warrants/authorised capital 2020

The Annual General Meeting on June 16, 2020 authorised the Executive Board to increase the share capital by up to EUR 2,000,000 for the purpose of servicing conversion or subscription rights under warrants (“Authorised Capital 2020”) in accordance with Section 169 of the Austrian Stock Corporation Act.

At the same general meeting, it was decided to issue 2,000,000 warrants (instruments pursuant to Section 174 of the Austrian Stock Corporation Act). 1,500,000 warrants were allotted to selected members of the Executive Board of Kontron AG (those eligible for allotted shares) by the Supervisory Board. 500,000 warrants were publicly offered to selected key employees of the Kontron Group for subscription against the offer price per warrant as of July 13, 2020, on the basis of a prospectus approved by the Austrian Financial Market Authority. After the end of the offer period and a so-called short placement of warrants not subscribed in the public offer, the Executive Board, with the approval of the Supervisory Board, decided on the final number of warrants to be issued and the allocation of the warrants offered on the basis of the subscription declarations received. A total of 2,000,000 warrants were issued, consisting of 1,500,000 warrants allocated to those eligible and the 500,000 warrants offered to selected key employees of the Kontron Group. 112 eligible subscribers who had delivered subscription certificates for a total of 420,665 offered warrants received the full allocation according to the classification of the respective Group company and the respective management level of the eligible subscriber in accordance with the parameters set out in the prospectus. The remaining number of 79,335 offered warrants were issued to those eligible on the basis of their subscription certificates received for the short placement, against payment of the offer price per warrant. As of July 30, 2020, the warrants were admitted to official trading on the Vienna Stock Exchange and subsequently delivered to the respective subscribers and allottees.

The first exercise of the conversion or subscription right under the warrant is possible at the earliest 36 months after the issue of the warrant and only if the price of the Kontron AG share exceeds EUR 32.86, adjusted, if necessary, on the basis of the terms and conditions of the issue.

Conditional capital 2023

At the Extraordinary General Meeting of Kontron AG on November 8, 2023, the Executive Board was authorised in accordance with Section 174 (2) Austrian Stock Corporation Act (AktG) to issue, subject to the approval of the Supervisory Board, financial instruments as defined in Section 174 AktG, in particular convertible bonds, income bonds or profit participation rights which may also allow for subscription and/or conversion rights, a total of up to 6,386,056 company shares, also in several tranches, and to determine, with the approval of the Supervisory Board, all other conditions pertaining to these financial instruments, for a for a period of five years from the date of resolution. Shareholders' subscription rights were excluded (direct exclusion).

In order to service the subscription and/or conversion rights of creditors of these financing instruments, the Executive Board was authorised at the same Extraordinary General Meeting to conditionally increase the share capital of the company by up to EUR 3,616,000 in accordance with Section 159 paragraph 2 No. 1 AktG by issuing up to 3,616,000 bearer shares with the approval of the Supervisory Board ("Conditional Capital 2023"). The conditional capital increase will only be carried out to the extent that the creditors of the financial instruments exercise their right of subscription and/or conversion or are obliged to subscription or conversion. The par value and the exchange ratio must be determined in a recognised pricing process taking into account standard market calculation methods and the stock exchange price of existing shares and must not be less than the proportionate amount of the share capital.

Otherwise, the members of the Executive Board have no powers that do not arise directly from the law, in particular with regard to the possibility of issuing or buying back shares.

Treasury shares

The Annual General Meeting on May 6, 2022 authorised the Executive Board to purchase, in accordance with Section 65 paragraph 1 No. 8 and Sections 1a and 1b of the Austrian Stock Corporation Act, to purchase bearer shares of the company totalling no more than 10% of the company's share capital for a period of 30 months from the date of resolution, both on the stock exchange and over the counter, the equivalent value of which may not be more than 10% below or above the average stock market price of the last five trading days before the purchase of the shares. An over-the-counter purchase can also be made under exclusion of the shareholders' pro rata right of sale (reverse exclusion of subscription rights).

On the basis of this authorization, the Executive Board of Kontron AG decided on September 27, 2023 to carry out a buyback program for treasury shares ("Share buyback program II 2023") in accordance with Section 65 paragraph 1 No. 8 of the Austrian Stock Corporation Act. "Share buyback program II 2023" provides for purchases totalling up to EUR 70 million with a maximum price of EUR 23.00 per share or up to 4,000,000 shares (6.26% of the share capital) and runs until October 1, 2024.

The Extraordinary General Meeting on November 8, 2023 revoked the authorization granted by the Annual General Meeting on May 6, 2022 with respect to the amount of unused shares and granted the Executive Board a new, identical authorization for a period of 30 months from the date of resolution.

On November 8, 2023, the Executive Board decided to continue the "Share Buyback Program II 2023" unchanged on the basis of the new authorization.

As of December 31, 2023, Kontron AG holds 2,112,093 treasury shares, which corresponds to 3.3% of the company's share capital. The total acquisition price of all treasury shares as at December 31, 2023, excluding incidental costs of the repurchased shares, was EUR 45,501,523.68.

The Executive Board was authorised by the Annual General Meeting on May 6, 2022 to determine, with the approval of the Supervisory Board and without the need for a new resolution of the Annual General Meeting, a type of sale or use of treasury shares other than on the stock exchange or through a public offer, including one that excludes shareholders' repurchase rights (reverse exclusion of subscription rights), for a period of five years from the passing of the resolution, and to stipulate the conditions of sale. In addition, the Executive Board was authorised to reduce the share capital if necessary by redeeming these treasury shares with the approval of the Supervisory Board and without a further resolution of the Annual General Meeting.

These authorizations were revoked by the Extraordinary General Meeting on November 8, 2023 and new, identical authorizations were issued for a period of five years from the date of resolution.

Capital reserve

The capital reserve mainly includes the premiums paid from capital increases carried out, the offsetting of differences from the acquisition or sale of non-controlling interests, and the offsetting entry of the personnel expenses recognised from the valuation of the share option programs.

Other equity components

Other equity components include changes in equity not recognised in profit or loss, such as revaluations in accordance with IAS 19, currency conversion differences and results from the subsequent measurement and revaluation of financial instruments.

The individual components of other comprehensive income break down into other equity components as follows:

IN TEUR	OTHER COMPONENTS OF EQUITY	DEBT INSTRUMENTS AT FAIR VALUE THROUGH OCI (IFRS 9)	ACTUARIAL GAINS/ LOSSES ACC. IAS 19	MARKET VALUATION RESERVES	ADJUSTEMENTS ITEMS FOR CURRENCY TRANSLATION
As of January 1, 2022	-8,405	49	-2,499	59	-6,014
Other result					
Unrealised profit/loss from currency translation	3,178	0	0	0	3,178
Actuarial gains/losses acc. IAS 19	3,277	0	3,277	0	0
Impairment of debt instruments at fair value through OCI	-43	0	0	-43	0
Result from remeasurement of financial instruments measured at fair value through OCI	-1	-1	0	0	0
As of December 31, 2022	-1,994	48	778	16	-2,836
Other result					
Unrealised profit/loss from currency translation	-5,902	0	0	0	-5,902
Actuarial gains/losses acc. IAS 19	-991	0	-991	0	0
Impairment of debt instruments at fair value through OCI	-16	0	0	-16	0
Result from remeasurement of financial instruments measured at fair value through OCI	-10	-10	0	0	0
As of December 31, 2023	-8,913	38	-213	0	-8,738

Dividends

At the suggestion of the Executive Board and Supervisory Board, the Annual General Meeting of Kontron AG resolved to pay out a dividend of EUR 1.00 per dividend-bearing share on May 22, 2023. The dividend was paid as of May 30, 2023.

24 Financing liabilities

The items non-current financing liabilities and current financing liabilities include loans, overdrafts and bonded loans issued.

The financing liabilities reported in the balance sheet break down as follows:

IN TEUR	31.12.2023			31.12.2022		
	TOTAL	OF WHICH NON- CURRENT	OF WHICH CURRENT	TOTAL	OF WHICH NON- CURRENT	OF WHICH CURRENT
Bonded loans	167,500	43,500	124,000	167,500	167,500	0
Acquisition loans	15,789	7,895	7,895	25,449	15,789	9,659
Other loans	10,262	8,743	1,519	41,981	10,478	31,503
Overdrafts	17,459	0	17,459	84,541	0	84,541
Total financing liabilities	211,011	60,138	150,873	319,471	193,768	125,703

Bonded loans

Kontron AG issued a bonded loan of TEUR 160,000 in April 2019 and a further bonded loan of TEUR 7,500 in March 2021. The issue was made in different tranches with different maturities or interest rate agreements.

DURATION	INTEREST RATE AGREEMENT FIXED / VARIABLE	TRANCHE IN TEUR
Until April 17, 2024	fixed interest / 1.046%	75,000
Until April 17, 2026	fixed interest / 1.439%	10,000
Until April 17, 2024	variable interest / 6mE + 100 bps	49,000
Until April 17, 2026	variable interest / 6mE + 120 bps	6,000
Until April 30, 2026	variable interest / 6mE + 120 bps	20,000
Until March 24, 2026	fixed interest / 1.100%	7,500
Total bonded loans		167,500

The existing promissory note loan agreements and credit agreements contain contractual agreements in the amount of TEUR 167,500 for compliance with financial covenants, which require compliance with a consolidated equity ratio of greater than or equal to 30%. Failure to comply with this financial covenant entitles the lender to terminate the respective financing agreement. In addition, a "margin step-up" was agreed: If the ratio of net debt (including lease liabilities in accordance with IFRS 16) to EBITDA of the previous financial year is greater than 3 on the reporting date, the lender is entitled to an interest rate that is 50 basis points higher than the base conditions. As at the reporting date of December 31, 2023, the Group equity ratio was 44.1% and thus above the contractually stipulated threshold. Furthermore, the net debt to EBITDA ratio as at December 31, 2023, does not lead to an increase in the lenders' margin.

Acquisition loan

The acquisition loans existing as at December 31, break down as follows:

IN TEUR	LOAN AMOUNT	MATURITY	INTEREST	AMORTISATION
Shares in Iskratel	15,789	31.12.2025	0.44%	quarterly

IN TEUR	31.12.2023			31.12.2022		
	TOTAL	OF WHICH NON- CURRENT	OF WHICH CURRENT	TOTAL	OF WHICH NON- CURRENT	OF WHICH CURRENT
Shares in Kontron Electronics GmbH / Kontron S&T AG	0	0	0	1,765	0	1,765
Shares in Iskratel	15,789	7,895	7,895	23,683	15,789	7,894
Total acquisition loans	15,789	7,895	7,895	25,448	15,789	9,659

In financial year 2018, a loan agreement for TEUR 30,000 was concluded with Raiffeisenlandesbank Oberösterreich, Raiffeisen Bank International AG and Raiffeisenlandesbank Steiermark AG for the purpose of refinancing the purchase of shares in Kontron Electronic GmbH and for financing the share purchase program concerning remaining free float shareholders of Kontron S&T AG, which was acquired in 2016. The loan is secured with bill of exchange guarantee from the Republic of Austria. The investment credit line was reduced in its entirety as planned in 2023.

In financial year 2021, a loan agreement for TEUR 37,500 was concluded with Raiffeisenlandesbank Oberösterreich, Raiffeisen Bank International AG and Raiffeisenlandesbank Steiermark AG for the purpose of refinancing the purchase of shares in "Iskratel". The loan is secured with bill of exchange guarantee from the Republic of Austria.

The two equity financings with the Austrian Kontrollbank assuming liability in the original amount of TEUR 37,500 (acquisition of Iskratel) and TEUR 30,000 (acquisition of Kontron Electronics GmbH) provide for a minimum equity ratio of 30% and a maximum ratio of net debt to EBITDA of 3.0. Both financial covenants were met as at December 31, 2023.

In financial year 2022, a loan agreement for TEUR 50,000 was concluded with Erste Group Bank AG for the purpose of general working capital financing (excluding M&A). The term for this overall line has been agreed until August 8, 2027, although utilization is possible in the form of cash advances with terms of between three, six or twelve months. The line is granted as blank credit. As of the reporting date for 2023, a balance of TEUR 0 (PY: TEUR 50,000) is due. The loan agreement provides for a minimum equity ratio of 30% and a maximum ratio of net debt to EBITDA of 3.0. Both covenants were met as at December 31, 2023.

In financial year 2023, it was agreed with UniCredit Bank Austria AG to increase the revolving working capital loan from TEUR 15,000 to TEUR 60,000. As of the reporting date, a balance of TEUR 0 (PY: TEUR 15,000) is due.

Other loans

A financing line at BAWAG of TEUR 30,000 was repaid in its entirety in 2023 (PY: TEUR 30,000), as a result of which the liens in favour of BAWAG were also cancelled (PY: there were a total of TEUR 5,500 in liens on the building leasehold property Industriezeile 35, 4020 Linz).

The loans assumed in the course of the company acquisitions in the financial year 2020 amount to TEUR 9,959 (PY: 14,649) as at the reporting date of December 31, 2023. These form a long-term financing line that matures on September 27, 2030 with a variable interest rate of 4.062% and linked to EURIBOR. The financing is secured with a lien on a commercial building.

The loans assumed in the course of the company acquisitions in the financial year 2023 amount to TEUR 45 as at the reporting date of December 31, 2023 and are secured with liens on property.

Other current financing liabilities – bank overdrafts

As of December 31, 2023, the Group had short-term bank overdrafts totalling TEUR 17,456 (PY: TEUR 84,569). The interest rate for overdrafts ranges from 2.16% to 12.2% (PY: 0.537% and 19.25%).

To secure current account liabilities of subsidiaries, trade receivables of TEUR 0 (PY: TEUR 3,205) were assigned as part of a blanket assignment to secure these short-term financial liabilities and other assets, which are deposited in cash and amount to TEUR 1,085 (PY: TEUR 2,632), were pledged. Furthermore, there are liens on buildings for utilized current account liabilities amounting to TEUR 403 (PY: TEUR 1,445).

In the case of the financing liabilities recognised on the reporting date, no payment disruptions occurred during the reporting period with regard to the redemption and interest payments, the sinking fund or the terms of redemption of the liabilities.

25 Other non-current financial liabilities

The other non-current financial liabilities reported in the balance sheet break down as follows:

IN TEUR	2023	2022
Lease liabilities	33,095	25,806
Liabilities from consideration ensuing from corporate acquisitions	823	0
Liabilities from corporate acquisitions	100	100
Liabilities due to a research support society	2,282	1,808
Total other non-current financial liabilities	36,300	27,714

The leasing liabilities developed as follows:

IN TEUR	2023	2022
As of January 1	42,779	61,999
Additions	18,237	15,442
Additions through changes in consolidated companies	3,557	681
Disposals	-857	-1,135
Reclassification to liabilities classified as held for sale	0	-12,001
Increase in interest	1,720	1,351
Payments	-13,258	-23,558
As of December 31	52,178	42,779
Of which current	19,083	16,973
Of which non-current	33,095	25,806

Possible future cash outflows of TEUR 4,067 (PY: TEUR 2,047) were not included in the lease liabilities, as it is not sufficiently certain that the leasing contracts will be extended.

The total amount of lease payments in the financial year 2023 was TEUR 15,373 (PY: TEUR 25,943), of which TEUR 1,864 (PY: TEUR 2,072) related to short-term leases with a maximum term of twelve months; TEUR 251 (PY: TEUR 313) was spent on leases for assets of low value.

Income from the subleasing of rights of use amounted to TEUR 739 in the current financial year (PY: TEUR 660).

26 Contract liabilities and other non-current liabilities

The other non-current liabilities shown in the balance sheet break down as follows:

IN TEUR	2023	2022
Contract liabilities	6,778	5,532
Other	0	1
Total of contract liabilities and other non-current liabilities	6,778	5,533

27 Provisions

Accounting methods>>

Provisions are formed if the Company has a current legal or constructive obligation to third parties due to a previous event, a resource outflow is probable and a reliable estimate of the amount of the obligation is possible. The provision is valued at the expected settlement amount.

Other provisions

Provisions for guarantees and warranties include statutory and contractual warranty obligations and are made on the basis of past experience and on the basis of individual assessments.

Provisions for pending losses are made when the expected costs of meeting the contractual obligations are higher than the expected revenues. This also includes project follow-up costs for customer projects that have already been accepted.

Provisions for legal and litigation costs mainly include provisions for potential litigation, settlements and penalties for critical projects.

Provisions for long-term personnel obligations

Provisions for long-term personnel obligations include pension commitments, severance payments and anniversary bonuses, which are based on actuarial methods in accordance with IAS 19 using the projected unit credit method.

The present value of the defined benefit obligation (DBO) is calculated on the basis of the length of service and the expected salary development. The revaluations based on experience adjustments and changes in actuarial assumptions are recognised directly in equity in other comprehensive income in the period in which they occur – with the exception of anniversary provisions. Past service cost is recognised immediately in profit or loss irrespective of the vesting date at the time of the commitment.

Defined benefit pension commitments exist towards employees in Germany and France. In Germany, the statutory framework for occupational retirement provision is specified by the Occupational Pensions Act. In France, there are statutory and collective provisions requiring the company to make one-off payments to its employees upon retirement. The payments are regulated by collective agreements and are based on the length of service and the final salary before retirement.

Provisions for severance payments mainly relate to obligations to employees under Austrian law whose employment relationship began before January 1, 2003. Severance payments under Austrian law are one-off settlements that have to be paid due to labour law regulations when employees are dismissed by the employer and regularly when they retire. The severance payment depends on the number of years of service and the amount of remuneration. The Polish and Slovenian subsidiaries have similar obligations.

Benefits for defined contribution plans based on statutory or voluntary obligations are recognised as an expense when incurred.

There is a regular review and adjustment of the estimates. Where the group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense arising from the provision is shown in the income statement less the reimbursement.

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NOTES 2023

S.A.S. are obliged to make one-off payments to their employees upon retirement. The payments are regulated by collective agreements and are based on the length of service and the final salary before retirement. An employee who retires from the company early, whether voluntarily or initiated by the employer, will not receive any payment. As of the reporting date, 94 employees at Kontron Modular Computers S.A.S. (PY: 84 employees) and 154 employees at Kontron Transportation France S.A.S. (PY: 139 employees) participate in the plans.

Significant risks from the defined benefit commitments, which could primarily result from interest rate developments and longevity, are not expected.

Composition and development of the provision:

The following table shows the development of the pension obligation and the plan assets for the defined benefit plans.

IN TEUR	2023	2022
Pension obligations (DBO) as of January 1	8,138	11,251
Changes in consolidated companies	5,507	0
Ongoing service costs	330	409
Interest expenses	398	102
Preliminary total recognised in the net income	728	512
Remeasurement: actuarial gains (-) / losses (+)		
due to demographic assumptions	-12	3
due to financial assumptions	677	-3,162
due to experience-caused corrections	-5	87
Preliminary total contained in other comprehensive income	659	-3,072
Pension payments made	-176	-553
Other changes	16	0
Pension obligations (DBO) as of December 31	14,872	8,138
Market value of plan assets as of December 31	-960	-955
Net liabilities from pension obligations as of December 31	13,912	7,183

The fair value of the plan assets increased by TEUR 5 to TEUR 960 in the reporting period (PY: TEUR 995). Of this change in value, TEUR 38 (PY: TEUR 12) was recognised in net interest profit/loss and TEUR 24 (PY: TEUR -289) in other comprehensive income. The pension benefits paid from the plan assets amounted to TEUR 57 (PY: TEUR 57).

On actuarial gains and losses in the period amounting to TEUR 636 (PY: TEUR 2,783), deferred taxes of TEUR -315 (PY: TEUR -732) were recognised in other comprehensive income.

The valuation of the obligation is based on the following actuarial assumptions:

ACTUARIAL ASSUMPTIONS 2023	GERMANY	FRANCE
Discount factor	3.23%-4.50%	3.20%-3.50%
Remuneration trends	0.00%-2.50%	2.00%-4.00%
Pension Trends	2.00%-2.50%	n.a.

ACTUARIAL ASSUMPTIONS 2022	GERMANY	FRANCE
Discount factor	3.80%-4.21%	3.75%-3.80%
Remuneration trends	0.00%-2.50%	2.00%-2.50%
Pension Trends	2.00%-2.50%	n.a.

The projected unit credit method is used as the actuarial valuation method. The calculations are based on the INSEE 2017–2019 for France (December 31, 2021: INSEE 2016–2018) and the 2018 G mortality tables by K. Heubeck for Germany.

The sensitivity analysis of the basic assumptions results in the following amounts:

	CHANGE OF ASSUMPTION	INCREASE OF ASSUMPTION	REDUCTION OF ASSUMPTION
31.12.2023			
Discount rate	0.50%	-748	834
Future increases of remuneration	0.50%	228	-246
Pension trend	1.00%	417	-349
31.12.2022			
Discount rate	0.50%	-441	478
Future increases of remuneration	0.50%	197	-188
Pension trend	1.00%	371	-312

The increase in life expectancy of one year leads to an increase in the total obligation of TEUR 144.

The following amounts are expected to be paid in the next 10 years in connection with pension benefits:

WITHIN THE NEXT 12 MONTH	BETWEEN 2 AND 5 YEARS	BETWEEN 5 AND 10 YEARS	TOTAL
523	3,180	5,935	9,638

Provisions for severance payments

Obligations from severance payments for employees in Austria whose employment began before January 1, 2003, are covered by defined benefit plans. These are one-off severance payments that have to be paid to employees due to labour law regulations when employees are dismissed and regularly when they retire. The amount depends on the number of years of service and the amount of remuneration.

Obligations from severance payments for employees in foreign subsidiaries also represent one-off severance payments due to labour law regulations that must be paid upon termination of the employment relationship. The amount of the entitlement depends on the length of service and the amount of remuneration.

The valuation of the obligation is based on the following actuarial assumptions:

ACTUARIAL ASSUMPTIONS 2023	AUSTRIA	SLOVENIA
Discount factor	3.30%	3.10%
Biometric calculation basis	AVÖ 2018-P for salaried employees	Mortality Tables Slovenia 2007
Fluctuation	No fluctuation taken into account	age-dependent: 0.00%-17.00%
Salary increases	3.50%	4.30%

ACTUARIAL ASSUMPTIONS 2022	AUSTRIA	SLOVENIA
Discount factor	3.95%	3.80%
Biometric calculation basis	AVÖ 2018-P for salaried employees	Mortality Tables Slovenia 2007
Fluctuation	No fluctuation taken into account	age-dependent: 0.00%-18.00%
Salary increases	3.45%	3.40%

The development of the present value of the defined benefit obligations is as follows:

IN TEUR	2023	2022
Present value of the severance payments obligations as of January 1	9,769	11,504
Service costs	294	354
Interest expenses	354	104
Revaluations	804	-1,523
Benefits paid	-782	-499
Reclassification to liabilities classified as held for sale	0	-168
Changes from currency translation	0	-3
Present value of the severance payments obligations as of December 31	10,439	9,769

The service cost is recognised in the consolidated income statement under personnel expenses; the interest expense is recognised under finance expenses.

The revaluations are made up as follows:

IN TEUR	2023	2022
Alterations in demographic assumptions	161	-799
Alterations in financial assumptions	483	-913
Adjustments based on experience	160	189
Profits (-) / losses (+) recognised from revaluations	804	-1,523

The gains/losses from revaluations are recognised in other comprehensive income (OCI) in equity in the period in which they arise.

A sensitivity analysis of the actuarial assumptions considered material for the calculation of the expected defined benefit obligation shows the effects on the present value of the obligation as presented below:

	CHANGE OF ASSUMPTION	INCREASE OF ASSUMPTION	REDUCTION OF ASSUMPTION
31.12.2023			
Discount rate	0.25%	-186	236
Future increases of remuneration	0.25%	225	-217
31.12.2022			
Discount rate	0.25%	-213	222
Future increases of remuneration	0.25%	214	-207

The sensitivity analysis is based on the change of one assumption while keeping all other assumptions constant. In reality, however, it is rather unlikely that these influencing variables do not correlate.

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For employees in Austria whose employment began on or after January 1, 2003, contributions amounting to 1.53% of remuneration are paid to an external employee pension fund. The payments for this defined contribution plan amounted to TEUR 508 in financial year 2023 (PY: TEUR 461) and were recognised in personnel expenses.

Other provisions

Other non-current provisions developed as follows in the reporting year:

IN TEUR	GUARANTEES AND WARRANTIES	OTHERS	TOTAL
As of January 1, 2022	1,364	2,225	3,589
Change in scope of consolidation	60	0	60
Addition	473	460	933
Reclassification	-415	0	-415
Usage	-13	-669	-682
Release	-459	-21	-480
Reclassification to liabilities classified as held for sale	-16	-86	-102
Currency translation difference	39	-9	30
As of December 31, 2022	1,033	1,900	2,933
Change in scope of consolidation	187	27	214
Addition	636	449	1,085
Reclassification	-62	0	-62
Usage	-12	-487	-499
Release	-389	-2	-391
Currency translation difference	-73	-15	-88
As of December 31, 2023	1,320	1,872	3,192

The other non-current provisions shown in the table above also include provisions for anniversary bonuses.

Other current provisions developed as follows in the reporting year:

IN TEUR	GUARANTEES AND WARRANTIES	LEGAL AND LITIGATION COSTS	PENDING LOSSES	OTHERS	TOTAL
As of January 1, 2022	8,918	8,007	8,479	6,032	31,436
Change in scope of consolidation	0	0	475	-160	315
Addition	3,804	89	2,250	3,880	10,023
Reclassification	415	0	54	-54	415
Usage	-2,900	-10	-1,043	-4,228	-8,181
Release	-860	-71	-1,249	-617	-2,797
Reclassification to liabilities classified as held for sale	-1,234	-1,293	-673	-1,185	-4,385
Currency translation difference	116	-41	8	41	124
As of December 31, 2022	8,259	6,681	8,301	3,709	26,950
Change in scope of consolidation	-367	3,170	1,364	1,562	5,729
Addition	7,559	57	1,655	1,029	10,300
Reclassification	62	0	0	0	62
Usage	-2,604	-85	-1,619	-659	-4,967
Release	-1,926	-99	-701	-1,537	-4,263
Currency translation difference	-182	29	-59	-324	-536
As of December 31, 2023	10,801	9,753	8,941	3,780	33,275

The provisions for product warranties cover the expected warranty claims for sold products during the warranty period.

Provisions for legal and litigation costs mainly include provisions for potential litigation, settlements and penalties for critical projects.

The provision for impending losses includes the risks from the valuation of the regular projects. This also includes project follow-up costs for customer projects that have already been accepted.

30 Other current liabilities

Other current liabilities break down as follows:

IN TEUR	2023	2022
Liabilities from value added tax and wage taxes	17,722	14,864
Liabilities due to employees	31,616	30,096
Liabilities from social charges	4,407	4,792
Current income tax liabilities	17,152	10,722
Prepayments received	412	578
Others	3,486	4,296
Total other current liabilities	74,795	65,348

IN TEUR	2023	2022
Net cash flows from operating activities	273	-14,380
Net cash flows from investing activities	111,905	184,267
Net cash flows from financial activities	-68	-7,140

The net cash flow from investing activities in financial year 2023 includes planned cash inflows from the IT service business sold in the previous year, minus the associated cash outflows.

Refer to Section A for information on the cash effectiveness of business acquisitions.

The following table shows financing liabilities and liabilities from bank overdrafts, insofar as they do not form an integral part of cash management, as well as liabilities from Group leases, broken down into their cash and non-cash effective portions:

IN TEUR	01.01.2023	CASH EFFECTIVE CHANGES	NON-CASH EFFECTIVE CHANGES		31.12.2023
			New leases	Other changes	
Bonded loans	167,500	0	0	0	167,500
Acquisition- and other loans and overdrafts	83,429	-51,139	0	509	32,799
Lease liabilities	42,779	-13,258	18,237	4,420	52,178
Total liabilities from financial activities	293,708	-64,397	18,237	4,929	252,477

IN TEUR	01.01.2022	CASH EFFECTIVE CHANGES	NON-CASH EFFECTIVE CHANGES		31.12.2022
			New leases	Other changes	
Bonded loans	167,500	0	0	0	167,500
Acquisition- and other loans and overdrafts	119,014	-32,371	0	-3,214	83,429
Lease liabilities	61,999	-23,558	15,442	-11,104	42,779
Total liabilities from financial activities	348,513	-55,929	15,442	-14,318	293,708

The lease liabilities are reported under the balance sheet items other current and non-current financial liabilities.

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The other changes in financial year 2023 include non-cash effective changes from company acquisitions amounting to TEUR 4,480 (PY: TEUR 681), a reduction in lease liabilities due to the early termination of leases amounting to TEUR 1,004 (PY: TEUR 1,135), the accrual of interest on lease liabilities of TEUR 1,720 (PY: TEUR 1,351) as well as currency effects, especially concerning the lease liabilities. In addition, the non-cash effective changes include the derecognition of lease liabilities amounting to TEUR 267 (PY: TEUR 12,001) due to deconsolidation. Prior years figures include a derecognition of loans totalling TEUR 3,214 as a result of the deconsolidations.

32 Segment reporting

Due to the concentration of the Kontron Group's business activities on the IoT market in the wake of the sale of the majority of the "IT Services" business completed in December 2022, presentation of the Kontron Group's business segments has been reorganized from financial year 2023 in accordance with the new configuration. In line with the portfolio priorities in the past financial year 2023, the group of companies is reported and managed in the "Europe", "Global" and "Software + Solutions" segments. The presentation of the previous year's values has been adjusted in accordance with the new segment structure.

- › "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 business segment focuses on the Kontron Group's proprietary technologies and solutions, in particular for the industrial automation, solutions for 5G connectivity and communication, medical technology and smart energy markets. In addition, the remaining IT services business in Austria, Hungary and Romania is reported for servicing and supporting the IoT business in this segment.
- › "Global": The "Global" segment presents the Kontron Group's business activities in North America and Asia. In addition to its own portfolio, products and solutions from the "Europe" segment are also marketed. In 2023, the areas of avionics and communication/connectivity are also reported in this segment.
- › "Software + Solutions": The segment comprises the Group-wide software portfolio, primarily for the industrial automation sector, and the solutions business in the transport sector. This segment has the areas with the highest margins and the highest growth rates in the Group.

EBITDA and gross profit (revenues less cost of materials and other purchased services) of the operating segments are monitored separately by the executive board on the basis of IFRS in order to make decisions on the allocation of resources and to determine the profitability of the segments. The development of the segments is assessed on the basis of EBITDA and gross profit and evaluated in accordance with the Group EBITDA and gross profit in the consolidated financial statements.

The transfer prices between the business segments are based on acquisition or production costs on the basis of normal capacity utilization plus a uniform Group mark-up.

2023 IN TEUR	EUROPE	GLOBAL	SOFTWARE + SOLUTIONS	CONSOLIDATION/ RECONCILIATION	TOTAL
Total revenues	912,829	258,569	261,913		1,433,311
Internal revenues	-124,850	-50,887	-31,627	-207,364	
Revenues	787,979	207,682	230,286		1,225,947
Gross profit	264,009	65,536	136,679		466,224
EBITDA	68,614	19,080	38,328		126,022
Depreciation and amortisation	-24,011	-6,300	-9,235		-39,546
EBIT	44,603	12,780	29,093		86,476
Finance income				8,882	8,882
Finance expenses				-16,139	-16,139
Income taxes				-3,541	-3,541
Profit/loss from con- tinuing operations					75,678
Segment assets	756,493	152,165	234,046		1,142,704
Segment liabilities	531,343	71,374	163,969		766,686
Segment investments	26,777	7,401	12,097		46,275

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2022 IN TEUR	EUROPE *	GLOBAL	SOFTWARE + SOLUTIONS	CONSOLIDATION/ RECONCILIATION	TOTAL *
Total revenues	807,497	245,692	199,059		1,252,248
Internal revenues	-116,069	-46,654	-25,823	-188,546	
Revenues	691,428	199,038	173,236		1,063,702
Gross profit	216,629	46,902	105,926		369,458
EBITDA	40,783	4,130	25,080		69,993
Depreciation and amortisation	-44,460	-17,695	-9,854		-72,009
EBIT	-3,676	-13,565	15,226		-2,016
Finance income				1,411	1,411
Finance expenses				-10,049	-10,049
Income taxes				-2,180	-2,180
Profit/loss from continuing operations					-12,834
Segment assets	957,619	124,107	153,566		1,235,292
Segment liabilities	633,796	48,016	120,480		802,292
Segment investments	22,607	5,783	9,338		37,728

*) Reclassification, see section A, Changes in accounting policies

“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 net income that are not directly associated with the operative businesses of the segments are therefore also reported in the “Europe” segment.

Segment assets comprise current and non-current assets without goodwill, investments and securities.

Segment liabilities comprise current and non-current liabilities.

Information about geographical areas:

IN TEUR	2023		2022 *	
	REVENUES	NON-CURRENT ASSETS	REVENUES	NON-CURRENT ASSETS
Germany	213,653	57,680	178,594	44,758
Austria	130,955	35,785	102,568	31,372
North America	130,868	26,609	109,819	14,869
Hungary	103,896	11,438	58,086	9,193
Slovenia	79,293	40,922	68,366	36,686
Romania	68,475	8,408	77,534	9,090
France	57,781	16,386	47,504	14,963
Russia	54,529	5,653	56,297	4,960
China	50,403	1,679	66,968	2,187
Bulgaria	49,317	1,348	12,295	345
Great Britain	32,447	1,032	19,528	834
Switzerland	29,941	7,804	33,579	1,250
Czech Republic	28,822	398	42,414	884
Sweden	23,071	0	14,832	0
Spain	21,954	2,170	8,509	2,916
Other countries	150,543	4,113	166,808	3,867
	1,225,947	221,425	1,063,702	178,175

*) Reclassification, see section A, Changes in accounting policies

The presentation of non-current assets includes property, plant and equipment, intangible assets as well as non-current contract assets and other non-current assets.

The presentation of revenues by geographical area is based on the respective registered office of the customer.

The Group did not generate 10% or more of the reported revenues with any single external customer.

33 Information about financial instruments

Accounting methods>>

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments recognised as financial assets or financial liabilities are generally reported separately.

Financial instruments are initially recognised at fair value. For subsequent measurement, the financial instruments are assigned to one of the measurement categories listed in IFRS 9:

- › financial assets measured at amortised costs
- › financial assets measured at fair value through other comprehensive income (with recycling)
- › financial assets measured at fair value through profit or loss

In the case of financial assets classified as equity instruments, there is an option to measure them at fair value through other comprehensive income (without recycling).

Financial assets

Financial assets include, in particular, trade receivables, cash at bank, cash in hand, derivative financial assets and marketable securities and similar funds and financial investments. The classification of financial instruments is based on the business model in which the instruments are held and the composition of the contractual cash flows.

Financial assets measured at amortised costs (debt instruments)

Financial assets measured at amortised costs are non-derivative financial assets with contractual payments consisting exclusively of interest payments and repayments on the outstanding nominal amount and which are held with the aim of collecting the contractually agreed cash flows, such as trade receivables, finance leasing receivables or cash and cash equivalents ("Hold to collect" business model).

After initial measurement, such financial assets are subsequently measured at acquisition costs using the effective interest rate, less impairment for expected loss. Gains and losses are recognised in net income / loss for the period when the asset is derecognised, modified or impaired. The interest effects from the application of the effective interest method and effects from currency conversion are also recognised in profit or loss.

Financial assets (debt instruments) measured at fair value in other comprehensive income (with recycling)

Financial assets that are measured at fair value through other comprehensive income (with recycling) are non-derivative financial assets with contractual payments that consist exclusively of interest and repayments on the outstanding nominal amount and that are held with the aim of both collecting the contractually agreed cash flows and making sales ("Hold to collect and sell" business model). For financial instruments that are measured at fair value through other comprehensive income (with recycling), interest income, revaluations of foreign exchange gains and losses as well as impairment losses or value recovery are recognised in the income statement and calculated in the same way as for financial assets measured at amortised costs. The remaining changes in fair value are recognised in other comprehensive income. On derecognition, the cumulative gain or loss from changes in fair value recognised in other comprehensive income is reclassified to the income statement.

Financial assets (equity instruments) measured at fair value through other comprehensive income (without recycling)

On initial recognition, the Group may irrevocably elect to classify its equity instruments as equity instruments measured at fair value through other comprehensive income if they meet the definition of equity in IAS 32 (Financial Instruments: Presentation) and are not held for trading. The classification is done individually for each instrument.

Gains and losses on these financial assets are never reclassified to the income statement. Dividends are recognised in the income statement as other income if the legal entitlement to payment exists, unless the dividends recover part of the acquisition costs of the financial asset. In this case, the gains are recognised in other comprehensive income. Equity instruments measured at fair value through other comprehensive income are not tested for impairment.

As of December 31, 2023 and December 31, 2022, the Group does not hold any equity instruments.

Financial assets at fair value through profit or loss

The group of financial assets at fair value through profit or loss includes financial assets designated upon initial recognition as at fair value through profit or loss or financial assets that are required to be measured at fair value. Financial assets are classified as held for trading if they have been acquired for sale or repurchase in the short term.

Financial assets at fair value through profit or loss are recognised in the balance sheet at fair value, with changes in fair value recognised net in the income statement.

Impairment of financial assets

The Group recognises an allowance for expected credit losses on all financial instruments that are not measured at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows to be paid under the contract and the total cash flows the Group expects to receive, discounted at an approximation of the original effective interest rate.

Expected credit losses are recognised in two steps. For financial instruments whose default risk has not increased significantly since initial recognition, a risk provision is recognised in the amount of the expected credit losses based on a default event within the next twelve months (12-month ECL). For financial instruments whose default risk has increased significantly since initial recognition, a risk provision must be recognised in the amount of the expected credit losses over the entire remaining term of the respective instrument, regardless of when the default event occurs (lifetime ECL).

For trade receivables, finance lease receivables and contract assets from customer contracts, the Kontron Group applies a simplified method to calculate expected credit losses in the form of a lifetime ECL using an impairment matrix. Therefore, the Kontron Group does not track changes in credit risk in these financial instruments but instead recognises a provision for risk on the basis of the lifetime ECL at each reporting date.

The provision ratios are determined on the basis of the overdue period in days. The calculation includes the probability-weighted income, taking into account the interest effect as well as appropriate and reliable information on past events, current circumstances and expected future economic conditions available at the balance sheet date.

Impairment losses are reversed through profit or loss when the reason for impairment ceases to exist or there is an improvement.

Derecognition

A contractual asset, or part of a financial asset, is derecognised when the contractual rights to receive cash flows from the financial asset have expired or the contractual rights to receive cash flows from the financial asset have been transferred to third parties.

When the Group transfers its contractual rights to receive cash flows from the asset, it assesses whether and to what extent it retains the risks and rewards of ownership. If substantially all opportunities and risks are transferred, the receivables are derecognised, with any default or dilution reserves being retained. If there is neither a substantial transfer nor retention of all risks and rewards, but a transfer of control has taken place, the receivables are derecognised completely. Otherwise, derecognition only takes place to the extent that there is no continuing involvement. For sold receivables, where a pro-rata retention of risk of default has been agreed, derecognition takes place completely due to the transfer of control. For sold receivables, where a 'first loss' risk is retained, a continuing involvement to the extent of the first loss is still recognised as a receivable.

Financial liabilities

All financial liabilities are initially measured at fair value, less directly attributable transaction costs in the case of loans and liabilities.

The Group's financial liabilities include, in particular, trade payables and other liabilities, loans and overdrafts as well as finance lease liabilities.

Financial liabilities measured at amortised costs

After initial recognition, financial liabilities are measured at amortised costs using the effective interest method.

Liabilities to banks and trade payables are the most significant items in the consolidated financial statements.

The following table shows the carrying amounts of all financial instruments recognised in the consolidated financial statements by category in accordance with IFRS 9:

	MEASUREMENT CATEGORY ACC. IFRS 9	CARRYING AMOUNT 31.12.2023	FAIR VALUE 31.12.2023
ASSETS			
Cash and cash equivalents	at amortised costs	332,235	332,235
Trade receivables			
of which:	at amortised costs	194,184	194,184
of which:	FV through OCI (with recycling)	19,372	19,372
FV hierarchy			LEVEL 3
Other current financial assets	at amortised costs	20,778	20,778
FV hierarchy			LEVEL 2
Other non-current financial assets			
of which:	at amortised costs	8,136	8,136
of which:	FV through profit and loss	874	874
FV hierarchy			LEVEL 3
of which:	FV through OCI (with recycling)	0	0
FV hierarchy			LEVEL 1
LIABILITIES			
Other current financial liabilities	at amortised costs	27,458	27,458
of which:	at amortised costs	27,190	27,190
of which:	FV through profit and loss	268	268
FV hierarchy			LEVEL 3
Trade payables	at amortised costs	273,056	273,056
Current financing liabilities	at amortised costs	150,873	150,873
Non-current financing liabilities	at amortised costs	60,138	58,061
Other non-current financial liabilities	at amortised costs	35,477	35,477
of which:	at amortised costs	35,477	35,477
of which:	FV through profit and loss	823	823
FV hierarchy			LEVEL 3

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	MEASUREMENT CATEGORY ACC. IFRS 9	CARRYING AMOUNT 31.12.2022	FAIR VALUE 31.12.2022
ASSETS			
Cash and cash equivalents	at amortised costs	437,760	437,760
Trade receivables			
of which:	at amortised costs	124,296	124,296
of which:	FV through OCI (with recycling)	23,789	23,789
FV hierarchy			LEVEL 3
Other current financial assets	at amortised costs	134,326	134,326
FV hierarchy			LEVEL 2
Other non-current financial assets			
of which:	at amortised costs	7,295	7,295
of which:	FV through profit and loss	866	866
FV hierarchy			LEVEL 3
of which:	FV through OCI (with recycling)	241	241
FV hierarchy			LEVEL 1
LIABILITIES			
Other current financial liabilities	at amortised costs	24,507	24,507
FV hierarchy			LEVEL 3
Trade payables	at amortised costs	226,336	226,336
Current financing liabilities	at amortised costs	125,703	125,703
Non-current financing liabilities	at amortised costs	193,768	190,502
Other non-current financial liabilities	at amortised costs	27,714	27,714
FV hierarchy			LEVEL 3

34 Capital management

The primary objective of the Group's capital management is to ensure that, in order to support its operations and maximize shareholder value, it has a credit rating with banks that enables it to obtain debt financing at the lowest possible cost. From the management's point of view, a key indicator for achieving the credit rating is the equity ratio in the Group. As at the reporting date, the Group equity ratio was 44.1% (PY: 44.1%). Management monitors capital using the debt-equity ratio, which is the ratio of net financial debt to the sum of equity and net financial debt. Monitoring is carried out as part of the monthly reporting of the Group companies and is reported to the Executive Board. As of the reporting date, net financial liabilities amounted to TEUR 434,451 (PY: TEUR 367,434) and the sum of equity and net financial liabilities to TEUR 1,038,422 (PY: TEUR 1,003,100), resulting in a gearing ratio of 41.8% (PY: 37%). Net financial debt includes interest-bearing loans, trade payables and other liabilities less cash and short-term deposits. Equity capital comprises the equity capital reported in the balance sheet. If necessary, the Group may increase the equity ratio within the framework of the authorised capital by issuing new shares. The Group manages its capital structure and makes adjustments taking into account changes in the economic environment. In order to maintain or adjust the capital structure, the Group may make adjustments to dividend payments to shareholders or issue new shares.

IN TEUR	2023	2022
Equity	603,971	635,666
Total equity and liabilities	1,370,657	1,440,860
Equity ratio	44.1%	44.1%
Non-current liabilities	136,098	252,626
Current liabilities	630,588	552,568
	766,686	805,194
Cash and cash equivalents	-332,235	-437,760
Net financial liabilities	434,451	367,434
Equity	603,971	635,666
Equity and net financial liabilities	1,038,422	1,003,100
Debt ratio	41.8%	36.6%

As of December 31, 2023, no changes have been made to the objectives, policies and procedures. The financial ratios required by the banks for the granting of framework credit lines were met.

35 Risk management

The main financial liabilities used by the Group – except for derivative financial instruments – include bank loans, bonded loans and short-term overdraft facilities, lease liabilities, trade payables and other liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group has various financial assets, such as trade receivables, other receivables as well as cash and current deposits, which result directly from its business activities.

In addition, the Group has derivative financial instruments that are used to hedge against currency and interest rate risks arising from the Group's business activities and its sources of financing. Trading in derivatives for speculative purposes is not conducted in accordance with the Group's internal guidelines.

The Group is exposed to market, credit and liquidity risks. The management of these risks is the responsibility of the Group's management. The management decides on strategies and procedures to control individual types of risk, which are presented below.

Liquidity risk

The Group continuously monitors the risk of a possible liquidity bottleneck by means of liquidity planning in order to identify any financing requirements at an early stage and to coordinate them with its banking partners.

The Group's objective is to maintain a balance between continuously meeting its funding needs and ensuring flexibility through the use of short-term overdraft facilities and other sources of funding.

As of December 31, 2023, the Group's financial liabilities have maturities as shown below. The figures are based on the contractual, non-discounted payments.

2023	UP TO 1 YEAR	FROM 1 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
Financing liabilities	154,999	62,340	1,396	218,735
Lease liabilities	20,244	38,785	1,036	60,065
Trade payables	273,056	0	0	273,056
Other financial liabilities	11,328	2,145	0	13,473
	459,627	103,270	2,432	565,329
2022	UP TO 1 YEAR	FROM 1 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
Financing liabilities	130,098	196,875	2,673	329,646
Lease liabilities	17,612	29,676	1,114	48,402
Trade payables	226,336	0	0	226,336
Other financial liabilities	8,005	1,908	0	9,913
	382,051	228,459	3,787	614,297

The carrying amount of financing liabilities as of December 31, 2023 is TEUR 211,011 (PY: TEUR 319,472) and consists of non-current financing liabilities of TEUR 60,138 (PY: TEUR 193,768) and of short-term bank loans and overdraft facilities amounting to TEUR 150,873 (PY: TEUR 125,703). The interest accrued on interest-bearing liabilities amounts to TEUR 16,112 (PY: TEUR 9,544).

The Kontron Group uses a reverse factoring program for supplier financing in selected Group companies and for certain suppliers.

These agreements may also lead to greater utilization of existing payment terms. The liabilities remain part of the working capital used in the normal operating cycle of the company. However, in balance sheet terms as well as in terms of civil law, there are no effects that result in a reclassification of trade payables to another type of liability in the balance sheet.

The agreement does not result in any extension of existing payment terms (these are generally between 60 and 120 days) and the liabilities covered relate exclusively to the purchase of inventories for production in connection with customer contracts. Kontron is not required to provide (additional) collateral for these liabilities.

As of December 31, 2023, liabilities amounting to TEUR 30,575 (PY: TEUR 40,488) are covered by this program. The liabilities are shown in the consolidated balance sheet under "Trade payables".

Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk includes the following three types of risk: exchange rate risk, interest rate risk and other price risks. Financial instruments exposed to market risk include interest-bearing loans, deposits, available-for-sale financial assets and derivative financial instruments.

Foreign currency risk

The Group is exposed to currency risks from individual transactions. These risks result from purchases and sales of an operating unit in a currency other than the functional currency of that unit. The main currency risks result from the change in the US dollar/EUR exchange rate. As a global company, Kontron makes revenue and material purchases in US dollars and euros. The resulting currency effects are partially offset over time. Remaining peaks are hedged through the use of short-term futures contracts or options transactions. To optimize the hedging strategy, the risk from the difference between foreign currency income and expenses of planned transactions that are highly likely to occur within the framework of Group planning is eliminated or limited by using various hedging instruments.

The fair value of the forward exchange dealings with a nominal volume of TEUR 4,700 as of December 31, 2023 (PY: TEUR 5,005) amounted to TEUR -9 (PY: TEUR 327). The forward exchange transaction was terminated on time on January 31, 2024, and the resulting effect on earnings amounts to TEUR -11.

For the presentation of currency risks, IFRS 7 requires a currency sensitivity analysis that shows the effects of hypothetical changes in relevant risk variables on income and equity. Relevant risk variables are basically all non-functional currencies in which Group companies enter into financial instruments. The periodic effects are determined by relating the hypothetical changes in the risk variables to the portfolio of financial instruments on the reporting date. It is assumed that the portfolio on the balance sheet date is representative for the entire year.

The following table shows the sensitivity of the Group's earnings before tax (due to the change in fair value of monetary assets and liabilities) to a reasonably possible change in the exchange rate of the US dollar. All other variables remain constant.

	EXCHANGE RATE USD	EFFECT ON EARNINGS BEFORE TAXES IN TEUR
Financial year 2023	+10%	-4,363
	-10%	4,363
Financial year 2022	+10%	-1,936
	-10%	1,936

The following table shows the sensitivity of the result from the market valuation of the forward exchange contract existing at December 31, 2023. The impact on the result of a fictitious change of the euro against the foreign currency by 5% or 10% is shown:

CHANGE IN VALUE OF EURO	EFFECT ON EARNINGS BEFORE TAXES IN TEUR	
	FINANCIAL YEAR 2023	FINANCIAL YEAR 2022
+5%	-223	0
+10%	-426	0
-5%	247	0
-10%	521	0

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from variable rate financing and invested time deposits. A change in the general interest rate level could lead to an increase or decrease in interest expenses or interest income.

The following interest rate sensitivity analysis was prepared assuming that interest rates would have been 100 basis points higher or lower in all currencies for variable interest rates and for short-term fixed interest rates (cash advances) during the reporting period. This represents the management's assessment of a justified possible change in interest rates.

As a basis, the interest rate risk exposure of financial instruments was determined as of the balance sheet date, and it was assumed that the outstanding liabilities or receivables were outstanding for the entire year as of the reporting date.

Approximately 46.92% (PY: 31%) of the financing liabilities amounting to TEUR 211,011 (PY: TEUR 319,472) are subject to variable interest rates. This includes tranches from the bonded loan totalling TEUR 75,000 (PY: TEUR 75,000). Acquisition loans amounting to TEUR 15,789 (PY: 25,449), tranches from the bonded loan amounting to TEUR 92,500 (including a new tranche of TEUR 7,500 taken up in 2021) and further bank loans totalling TEUR 3,711 have fixed interest rates.

If interest rates had been 100 basis points higher and all other variables had been constant, interest expenses would have been TEUR 990 higher (PY: TEUR 977). The interest rate fluctuations examined have no direct effect on equity. With regard to the liabilities reported in the balance sheet, the Group is currently not exposed to any material interest rate risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation. The Group is exposed to credit risks in the course of its operating activities (in particular risks arising from trade receivables) as well as risks in the course of financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

To minimize credit risk, depending on the form of payment and amount being serviced, credit rating information is obtained, or historical data from the existing business relationship (and in particular payment patterns) are used to avoid payment defaults. For this purpose, the Group has introduced an accounts receivable management system that monitors the receivables on an ongoing basis. In addition, trade receivables are mainly covered by credit insurance. Insofar as default risks are nevertheless identifiable for the individual financial assets, these risks are recognised through value adjustments. A concentration of default risks from business relationships with individual debtors or groups of debtors is not recognizable.

The balance sheet amount of financial assets indicates, irrespective of existing collateral, the maximum credit risk in the event that business partners are unable to meet their contractual payment obligations. The corresponding disclosures can be found in the chapter "Information about financial instruments".

The following overview shows the default risk position of the Group's trade receivables determined with the help of an impairment matrix:

31.12.2023	NOT OVERDUE	1 TO 60 DAYS OVERDUE	61 TO 90 DAYS OVERDUE	91 TO 180 DAYS OVERDUE	181 TO 270 DAYS OVERDUE	271 TO 365 DAYS OVERDUE	MORE THAN 365 DAYS OVERDUE
Estimated total gross carrying amount of delinquent payments	182,461	21,504	3,849	3,598	1,187	561	8,065
Expected credit losses	411	179	98	284	206	90	6,401

38 Stock option programs

Accounting methods>>

According to IFRS 2, a distinction is made in share-based remuneration between cash-settled and equity-settled transactions. For both instruments, the fair value is determined at the grant date. This is then allocated as a personnel expense over the period during which the beneficiaries acquire an unconditional entitlement to the instruments.

The current remuneration programs of Kontron AG provide for the option to deliver shares to the beneficiaries against payment of the exercise price or to offer a cash settlement, whereby the option lies solely with Kontron AG. As settlement in shares is intended and Kontron AG also has sufficient conditional capital, the commitment must be recognised as an equity-settled transaction. The expenses resulting from the granting of equity instruments and the corresponding increase in equity were recognised for the two 2018/2019 stock option programs (2018 tranche and 2019 tranche) and the two 2024/2025 stock option programs (2024 tranche 2024 and 2025 tranche) over the period in which the vesting conditions must be satisfied (so-called vesting period). This period ends on the day of the first exercise, i.e. the date on which the employee concerned becomes irrevocably entitled to subscribe.

The fair values were determined using appropriate option pricing models. The stock option plan measured at fair value is recognised in personnel expenses and equity.

The company has adopted stock option programs for employees, executives and members of the Executive Board of the company or any of its affiliated companies.



Stock option program 2024/2025

In November 2022, a total of 1,500,000 stock options were granted to the members of the Executive Board of Kontron AG and senior employees of Kontron AG as well as the executives of selected Group companies on the basis of the 2024/2025 stock option program, with 750,000 stock options planned for a 2024 tranche and a further 750,000 stock options for a 2025 tranche.

The term of the stock option programs began on the issue date and ends after 60 months. The stock options can be exercised after a waiting period. The waiting period begins on the date of issue and ends after 36 months. At the time the stock option is exercised, the stock market price must be at least 25% above the exercise price.

Stock options not exercised expire at the end of the term. The stock options are only transferable between option holders, not to third parties. The 2024/2025 stock option program grants the company the exclusive right to deliver shares to the allottees against payment of the exercise price or to pay their entitlement in cash.

The fair value of the stock options granted was determined at the grant date using the Monte Carlo option pricing model and random walk theory.

Stock option program 2018/2019

In December 2018, a total of 1,000,000 stock options were granted to the members of the Executive Board of Kontron AG and senior employees of Kontron AG as well as to executives of selected Group companies on the basis of the 2018/2019 stock option program, with 500,000 stock options planned for a 2018 tranche and a further 500,000 stock options for a 2019 tranche.

The term of the stock option program began on the issue date and ends after 60 months. The stock options can be exercised after a waiting period. The waiting period begins on the date of issue and ends after 36 months. At the time the stock option is exercised, the stock market price must be at least 25% above the exercise price.

Stock options not exercised expire at the end of the term. The stock options are only transferable between option holders, not to third parties. The two stock option programs grant the company the exclusive right to deliver shares to the allottees against payment of the exercise price or to pay their entitlement in cash.

By resolution of the Supervisory Board dated January 30, 2023, the term of the 2018/2019 stock option program 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.

The fair value of the stock options granted was determined at the grant date using the Black/Scholes option pricing model.

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NOTES 2023

The following table shows the key parameters at the time the stock option programs were granted:

	STOCK OPTIONS PROGRAM 2018/2019	STOCK OPTIONS PROGRAM 2024/2025
Number of stock options	1,000,000	1,500,000
Day of issuance	December 21, 2018	November 14, 2022
Term	6 years	5 years
Exercising price	Closing quote on issuance day	Closing quote on issuance day
Stock quote on the day of issuance	EUR 15.71	EUR 15.30
Expected volatility	36.80%	33.29%
Interest rate	2.59%	2.47%
Expected term of the options	5.43 years	3.93 years
Option price	EUR 4.14	EUR 3.42

370,700 (PY: 0) options relating to the 2018/2019 stock option program were exercised in financial year 2023. 230,000 options were serviced through a capital increase carried out in 2023, while treasury shares were used for 137,700 and a cash settlement for 3,000. As of December 31, 2023 outstanding rights for the 2018/2019 stock option program therefore amount to total 605,000 (PY: 1,000,000). Regarding the 2018/2019 stock option program, 24,300 units (PY: 0) lapsed during the financial year due to expiry of the term (19,300 units) or due to the departure of the employee (5,000 units).

With regard to the 2024/2025 stock option program, a total of 280,000 units have not yet been allotted (PY: 320,000 units).

In financial year 2023, expenditure for the stock option programs recognised in personnel expenses amounts to TEUR 1,702 (PY: income of TEUR 774).

In addition, the company issued warrants in 2020 on the basis of a prospectus approved by the FMA. A total of 2,000,000 warrants, comprising 1,500,000 allotted and 500,000 publicly offered warrants, were issued. As of July 30, 2020, the warrants were admitted to official trading on the Vienna Stock Exchange and delivered to the respective subscribers and allottees. The first exercise of the conversion or subscription right is possible at the earliest 36 months after the issue of the warrant and only if the price of the Kontron AG share exceeds EUR 32.86.

39 Remuneration report

The remuneration report presents the basic features, structure and amount of the Executive Board and Supervisory Board remuneration system.

Remuneration of the Executive Board

The current remuneration system for the Executive Board is based on the remuneration policy, which was adopted by a majority of 51.3% at the Annual General Meeting on June 8, 2021. This remuneration policy aims to gear Executive Board remuneration towards sustainable and results-oriented corporate governance. Remuneration of members of the Executive Board is structured in accordance with their responsibilities, scope of activities, individual performance, the size and financial situation of the company or the division for which they are responsible and, in particular, the success and future prospects of the company. In addition, the customary nature of the remuneration structure in the company's peer environment is taken into account. Since 2021, the improvement of the Kontron Group's environmental, social and governance (ESG) performance has also been incorporated in the medium-term incentive.

The total remuneration of the Executive Board members consists of various components, including fixed amounts paid out regardless of the company's success as well as variable short and long-term components that depend on the company's performance. The remuneration packages are reviewed annually by the Remuneration Committee for customary practice.

In financial year 2023, remuneration paid to the Executive Board totalled TEUR 1,383 (2022: TEUR 1,166). No pension commitments or payments were agreed for members of the Executive Board in the event of early termination of Executive Board activities, including following a change of control. No loans or assumption of liability in favour of members of the Executive Board were granted in the reporting year.

It is important to note that the short-term and long-term variable remuneration components can be recovered from the company if the payment was made on the basis of manifestly incorrect data ("clawback"). This underlines the transparency and accountability of Kontron AG's remuneration policy.

The total remuneration granted to the Executive Board in 2023 was TEUR 1,053 (compared with TEUR 4,583 in 2022 and TEUR 1,353 in 2021). The reason for the increased total remuneration in 2022 was the transaction premium for the "Focus" project.

The tables below show the grants awarded and the inflows paid out in the financial year 2023. For the grants awarded, in addition to the actual amount awarded, the possible minimum amount and the maximum amount to be achieved are also indicated. The subscription rights granted for stock options from stock option programs are calculated according to fair value (option price) at the time of granting. The fixed remuneration components and the inflow from the one-year variable remuneration are reported for the inflow in the financial year. If stock options from stock options granted in previous years were exercised in the financial year, the relevant inflow amount for tax purposes is stated.

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NOTES 2023

GRANTS MADE IN THE FINANCIAL YEAR IN TEUR

HANNES NIEDERHAUSER
CEO
21.05.2012

CLEMENS BILLEK
CFO (SINCE 01.10.2022) & CCO (SINCE
02.05.2022) 02.05.2022

	2023	2023 (MIN)	2023 (MAX)	2022	2023	2023 (MIN)	2023 (MAX)	2022
REMUNERATION INDEPENDENT OF PERFORMANCE								
Gross salary	8	8	8	7	200	200	200	100
Fixed remuneration in kind ¹⁾	2	12	12	12	10	12	12	4
Total fixed remuneration	10	19	19	19	210	212	212	104
PERFORMANCE-RELATED REMUNERATION								
One-year variable remuneration ²⁾					100		100	50
Mid-term variable remuneration					19		38	
Multi-year variable remuneration								
Stock option programs - with long-term share-based incentive ³⁾								
SOP 2018 (Tranche 2018)								
SOP 2018 (Tranche 2019)				232				
Warrants 2020 ⁴⁾								
SOP 2024/25 (Tranche 2024)				342				342
SOP 2024/25 (Tranche 2025)				342				342
Total variable remuneration				916	119		138	734
Total	10	19	19	934	329	212	349	838

GRANTS MADE IN THE FINANCIAL YEAR IN TEUR

PETER STURZ
COO, SERVICES EE (UNTIL 31.12.2023)
06.11.2012

MICHAEL RIEGERT
COO, IOT EUROPE
01.01.2022

	2023	2023 (MIN)	2023 (MAX)	2022	2023	2023 (MIN)	2023 (MAX)	2022
REMUNERATION INDEPENDENT OF PERFORMANCE								
Gross salary	280	280	280	270	161	161	161	140
Fixed remuneration in kind ¹⁾	12	12	12	12	10	10	10	24
Total fixed remuneration	292	292	292	282	171	171	171	164
PERFORMANCE-RELATED REMUNERATION								
One-year variable remuneration ²⁾	93		364	552	75		75	40
Mid-term variable remuneration	50		100		34		67	
Multi-year variable remuneration								
Stock option programs - with long-term share-based incentive ³⁾								
SOP 2018 (Tranche 2018)								
SOP 2018 (Tranche 2019)								
Warrants 2020 ⁴⁾								
SOP 2024/25 (Tranche 2024)								342
SOP 2024/25 (Tranche 2025)								342
Total variable remuneration	143		464	552	109		142	724
Total	435	292	756	833	279	171	313	888

1) 1) Fixed remuneration in kind included: Car allowance, if applicable, garage spaces and meal allowances

2) Bonus based on individually agreed performance indicators

3) Allowance from SOP = granted SOP number of units x option price

4) The allocated warrants 2020 represent the long-term variable remuneration of the Executive Board for three financial years. There is a waiting period of three years and an exercise threshold in relation to the development of the share price. In addition, further warrants were acquired for consideration by the Executive Board under the 2020 warrant program on the basis of the public prospectus (for the number of 2020 warrants held as at December 31, 2023, see "Corporate Governance Report").

**INFLOW IN THE FINANCIAL YEAR
IN TEUR**
HANNES NIEDERHAUSER
CEO
21.05.2012

CLEMENS BILLEK
CFO (SINCE 01.10.2022) & CCO (SINCE 02.05.2022)
02.05.2022

	2023	2022	2023	2022
REMUNERATION INDEPENDENT OF PERFORMANCE				
Gross salary ¹⁾	8	7	200	100
Fixed remuneration in kind ²⁾	2	12	10	4
Total fixed remuneration	10	19	210	104
PERFORMANCE-RELATED REMUNERATION				
One-year variable remuneration ³⁾			100	25
Mid-term variable remuneration				
Multi-year variable remuneration				
Stock option programs - with long-term share-based incentive ⁴⁾				
SOP 2018 (Tranche 2018)				
SOP 2018 (Tranche 2019)				
Warrants 2020 ⁵⁾				
SOP 2024/25 (Tranche 2024)				
SOP 2024/25 (Tranche 2025)				
Total variable remuneration			100	25
Total	10	19	310	129

**INFLOW IN THE FINANCIAL YEAR
IN TEUR**
PETER STURZ
COO, SERVICES EE (UNTIL 31.12.2023)
06.11.2012

MICHAEL RIEGERT
COO, IOT EUROPE
01.01.2022

	2023	2022	2023	2022
REMUNERATION INDEPENDENT OF PERFORMANCE				
Gross salary ¹⁾	280	270	151	140
Fixed remuneration in kind ²⁾	12	12	24	24
Total fixed remuneration	292	282	174	164
PERFORMANCE-RELATED REMUNERATION				
One-year variable remuneration ³⁾	540	66	56	
Mid-term variable remuneration				
Multi-year variable remuneration				
Stock option programs - with long-term share-based incentive ⁴⁾				
SOP 2018 (Tranche 2018)				
SOP 2018 (Tranche 2019)				
Warrants 2020 ⁵⁾				
SOP 2024/25 (Tranche 2024)				
SOP 2024/25 (Tranche 2025)				
Total variable remuneration	540	66	56	
Total	832	347	230	164

1) Gross salary granted

2) Fixed remuneration in kind included: Car allowance, if applicable, garage spaces and meal allowances

3) Bonus based on individually agreed performance indicators including transaction bonus for the "Focus" project, amount depends on IT Services sales revenue

4) Allowance from SOP = granted SOP number of units x option price

5) The allocated warrants 2020 represent the long-term variable remuneration of the Executive Board for three financial years. There is a waiting period of three years and an exercise threshold in relation to the development of the share price. In addition, further warrants were acquired for consideration by the Executive Board under the 2020 warrant program on the basis of the public prospectus (for the number of 2020 warrants held as at December 31, 2023, see "Corporate Governance Report").

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NOTES 2023

GRANTS MADE IN THE FINANCIAL YEAR IN TEUR

TOTAL^{*)}

	2023	2023 (MIN)	2023 (MAX)	2022
REMUNERATION INDEPENDENT OF PERFORMANCE				
Gross salary	649	649	649	858
Fixed remuneration in kind ¹⁾	34	45	45	68
Total fixed remuneration	683	693	693	926
PERFORMANCE-RELATED REMUNERATION				
One-year variable remuneration ²⁾	268		539	1,271
Mid-term variable remuneration	102		205	
Multi-year variable remuneration				
Stock option programs - with long-term share-based incentive ³⁾				
SOP 2018 (Tranche 2018)				
SOP 2018 (Tranche 2019)				334
Warrants 2020 ⁴⁾				
SOP 2024/25 (Tranche 2024)				1,026
SOP 2024/25 (Tranche 2025)				1,026
Total variable remuneration	371		744	3,657
Total	1,053	693	1,437	4,583

*) The difference between the total number and the sum of the individual amounts is attributable to former members of the Executive Board.

1) Fixed remuneration in kind included: Car allowance, if applicable, garage spaces and meal allowances

2) Bonus based on individually agreed performance indicators

3) Allowance from SOP = granted SOP number of units x option price

4) The allocated warrants 2020 represent the long-term variable remuneration of the Executive Board for three financial years. There is a waiting period of three years and an exercise threshold in relation to the development of the share price. In addition, further warrants were acquired for consideration by the Executive Board under the 2020 warrant program on the basis of the public prospectus (for the number of 2020 warrants held as at December 31, 2023, see "Corporate Governance Report").

**INFLOW IN THE FINANCIAL YEAR
IN TEUR**
TOTAL¹⁾

	2023	2022
REMUNERATION INDEPENDENT OF PERFORMANCE		
Gross salary ¹⁾	638	858
Fixed remuneration in kind ²⁾	48	68
Total fixed remuneration	686	926
PERFORMANCE-RELATED REMUNERATION		
One-year variable remuneration ³⁾	696	240
Mid-term variable remuneration		
Multi-year variable remuneration		
Stock option programs - with long-term share-based incentive ⁴⁾		
SOP 2018 (Tranche 2018)		
SOP 2018 (Tranche 2019)		
Warrants 2020 ⁵⁾		
SOP 2024/25 (Tranche 2024)		
SOP 2024/25 (Tranche 2025)		
Total variable remuneration	696	240
Total	1,383	1,166

*) The difference between the total number and the sum of the individual amounts is attributable to former members of the Executive Board.

1) Gross salary granted

2) Fixed remuneration in kind included: Car allowance, if applicable, garage spaces and meal allowances

3) Bonus based on individually agreed performance indicators including transition bonus for the "Focus" project, amount depends on IT Services sales revenue

4) Variable remuneration in kind: exercised stock options (number of shares x (share price at disposal date - option price granted)) + granted stock options and warrants (number of shares x option price)

5) The allocated warrants 2020 represent the long-term variable remuneration of the Executive Board for three financial years. There is a waiting period of three years and an exercise threshold in relation to the development of the share price. In addition, further warrants were acquired for consideration by the Executive Board under the 2020 warrant program on the basis of the public prospectus (for the number of 2020 warrants held as at December 31, 2023, see "Corporate Governance Report").

Fixed remuneration component

The non-performance-related fixed remuneration component is intended to create an incentive for the Executive Board members to pursue the Company's objectives to the best of their ability and to act in the interests of the shareholders, the employees and also in the public interest. When determining the fixed remuneration components, the tasks as well as the professional experience of the individual Executive Board members are taken into account. This results in differentiated basic salaries per Executive Board member based on the strategic and operational areas of responsibility. The non-performance-related Executive Board remuneration consists of the fixed gross salary paid monthly and fixed benefits in kind, which cover the use of company cars, car allowance lump sums, meal lump sums and garage parking spaces provided. The fixed salary covers all overtime as well as the assumption of organ functions in Group companies. In financial year 2023, the fixed remuneration of all members of the Executive Board amounted to a total of TEUR 686 (2022: TEUR 926).

Short-term variable remuneration component

Different rules are used to calculate the performance-based one-year variable remuneration of the members of the Executive Board. For example, the CEO does not receive any short-term variable compensation components. The variable remuneration of both COOs is closely linked to the company's financial performance, with operating income and cash flow being used as key figures. In order to achieve pre-agreed performance indicators, extraordinary effects such as acquisitions are measured separately. The key figures are calculated on the basis of the audited consolidated financial statements of the Kontron Group. The CFO's short-term variable remuneration is based on specific targets, in particular ESG (environmental, social and governance) and M&A and integration targets. Extraordinary effects such as acquisitions are taken into account separately here, using the audited consolidated financial statements of the Kontron Group as a basis. Regardless of position, it should be noted that the variable performance bonus for all Executive Board members is limited to a maximum of 75% of their fixed annual salary.

Mid-term variable remuneration component

The medium-term incentive is aligned with the current medium-term planning of the Kontron Group (Agenda 2023) and is based on two key performance indicators (KPIs).

1. with a weighting of 50%: the communicated EBITDA of the Kontron Group (in accordance with IFRS) for the 2023 financial year should amount to at least EUR 220 million
2. with a weighting of 50%: the ESG rating (MSCI: "B" at the time of the target agreement) of the Kontron Group should be brought closer to the values of the peer group and should improve to at least level "BBB".

Long-term variable remuneration component

By granting subscription rights from stock option programs (variable non-cash remuneration), an additional long-term, performance-related, share-based remuneration component was created, which promotes the interest of the beneficiaries in a sustainable corporate and earnings development of the company in the future. The stock options granted under the various stock option programs can only be exercised after multi-year holding periods defined in the programs and when certain thresholds have been reached.

Remuneration of the Supervisory Board

The remuneration of the members of the Supervisory Board in the financial year 2023 consisted of a position-dependent, annual fixed remuneration and attendance fees for participation in Supervisory Board and committee meetings.

The remuneration of the Supervisory Board shall promote the business strategy and long-term development of the company by taking into account the responsibility and scope of activities of the individual Supervisory Board members as well as the economic situation of the company. In order to ensure unbiased supervision of the management by the Supervisory Board, no variable remuneration, bonuses or share-based payments are granted to the members of the Supervisory Board.

Supervisory Board remuneration generally consists of an annual fixed fee and an attendance fee for Supervisory Board and committee meetings. In view of the greater responsibility and the wider scope of activities, the Chair of the Supervisory Board, the Deputy Chair and the Chair of the Audit Committee are granted a higher lump-sum remuneration than the ordinary members of the Supervisory Board. The fixed annual remuneration amounts to TEUR 85 for the Chair of the Supervisory Board, TEUR 70 for his deputy and TEUR 50 for each additional member. The Chair of the Audit Committee is paid TEUR 35 for his work, and the Deputy Chair of the Audit Committee is paid TEUR 20. The fixed annual remuneration was increased in 2023 compared to 2022.

In addition, each member is paid TEUR 2.5 for attending Supervisory Board or committee meetings in person or via video/audio conferencing system. If several sessions are held on one day, the session fee shall only be granted once for that day. The fee was increased in 2023 compared to the previous year.

If members of the supervisory board take on a special activity in the company, they may be granted special remuneration for this by resolution of the Annual General Meeting. This was not the case in the financial year 2023.

COMPONENTS OF SUPERVISORY BOARD REMUNERATION IN TEUR	2023	2022
Chair of the Supervisory Board	85	50
Remuneration of the Deputy Chair	70	40
Remuneration members	50	30
Audit Committee Chair	35	20
Audit Committee Deputy Chair	20	10
Meeting fees for personal attendance or qualified telephone/video participation in Supervisory Board and committee meetings ¹⁾	3	2
Meeting fee per committee meeting (attendance or qualified telephone/video participation) ¹²⁾	3	2

1) Meeting fees for personal attendance or qualified telephone/video participation in Supervisory Board and committee meetings

2) Meeting fees per committee meeting are waived if a Supervisory Board meeting takes place on the same day

The remuneration is paid annually in arrears based on the approval of the Annual General Meeting. In financial year 2023, the remuneration of the members of the Supervisory Board totalled TEUR 463 (PY: TEUR 299), with the difference compared to the previous year resulting from the adjustment of fixed remuneration.

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NOTES 2023

The remuneration of the members of the Supervisory Board in financial years 2023 and 2022, broken down by fixed remuneration component and meeting fees, is as follows:

REMUNERATION OF THE SUPERVISORY BOARD ACCORDING TO MEMBERS IN TEUR	FIXED REMUNERATION		MEETING FEES ¹⁾		TOTAL REMUNERATION	
	2023	2022	2023	2022	2023	2022
Mag. Claudia Badstöber (Chair)	105	60	18	21	123	81
Mag. Bernhard Chwatal (Deputy Chair)	105	60	18	21	123	81
Hui-Feng Wu (Ed Wu) ²⁾	0	15	0	0	0	15
Fu-Chuan Chu (Steve Chu)	70	30	15	15	85	45
Joseph John Fijak ³⁾	50	15	15	11	65	26
You-Mei Wu (Yolanda Wu)	50	30	18	21	68	51
Total	380	210	83	89	463	299

1) Meeting fees based on the number of personal or video participations in Supervisory Board and committee meetings.

2) Hui-Feng Wu (Ed Wu) left the Supervisory Board with effect from May 6, 2022, the fixed remuneration for 2022 was calculated on a pro rata basis

3) Joseph John Fijak joined the Supervisory Board with effect from May 6, 2022, the fixed remuneration for 2022 was calculated on a pro rata basis

In financial year 2023, the members of the Supervisory Board did not receive any other remuneration or other benefits for services rendered personally, such as consulting and mediation services, apart from those mentioned above.

No loans or assumption of liability in favour of members of the Supervisory Board were granted in the reporting year.

D&O insurance

The company has taken out directors' and officers' liability insurance (D&O insurance) in favour of the Executive Board and the Supervisory Board as well as the management of the consolidated subsidiaries. No deductible has been agreed for the D&O insurance, which covers the legal liability arising from Executive Board, Supervisory Board and management activities.

40 Related parties disclosure

In the course of normal business operations, relationships of supply and service provision exist with affiliated companies and persons. Contractual agreements are in place. The fee is settled at market prices. The relationships with related parties in the financial year 2023 and as of December 31, 2023 can be presented as follows:

2023 IN TEUR	PROCURED GOODS AND SERVICES	GOODS AND SERVICES SUPPLIED	FINANCIAL INCOME	FINANCIAL EXPENSE	RECEIVABLES	LIABILITIES
Business relationship with the Executive and Supervisory Board	0	17	0	0	12	0
Business relationship with associated companies	0	0	0	0	0	0
Business relationship with the parent company or its controlling company	70,241	21,409	0	0	4,232	14,805
Business relationship with subsidiaries	492	132	0	0	1,789	244
Business relationship with other related persons and companies	0	3,500	0	95	0	0
2022 IN TEUR	PROCURED GOODS AND SERVICES	GOODS AND SERVICES SUPPLIED	FINANCIAL INCOME	FINANCIAL EXPENSE	RECEIVABLES	LIABILITIES
Business relationship with the Executive and Supervisory Board	0	0	0	0	0	0
Business relationship with associated companies	0	0	0	0	0	0
Business relationship with the parent company or its controlling company	51,643	28,993	0	0	14,619	22,479
Business relationship with subsidiaries	224	769	30	0	0	0
Business relationship with other related persons and companies	347	0	0	357	241	3,632

The supplies and services procured and provided by and with related companies and persons relate primarily to deliveries of goods.

The business relationships with the parent company or its controlling company refer to Ennoconn Corporation, Taiwan, which holds a 27.54% stake in Kontron AG as at December 31, 2023 and in whose scope of consolidation the Kontron Group has been included on the basis of de facto control since July 1, 2017, and Hon Hai Precision Industry Co, Ltd, the largest single shareholder of Ennoconn Corporation with a 28.67% stake. In terms of their content, the goods and services purchased from Ennoconn and Hon Hai Precision Industry Co., Ltd. comprise the order-specific production of electronic products such as embedded boards, industrial PCs or embedded systems for the segments "IoT Solutions Europe" and "IoT Solutions America". The main customer companies within the Kontron Group are Kontron Europe GmbH and its subsidiaries in North America and Canada.

Ennoconn Corporation, Taiwan, participates in a reverse factoring program with Deutsche Bank AG. Under this program, Deutsche Bank

AG discounts Ennoconn Corporation receivables against Kontron Europe GmbH, Kontron Canada Inc. and Kontron America Inc. At the end of the agreed payment term (120 days across the Group), Deutsche Bank AG, which acts as a payment provider for Kontron, debits the accounts of the Kontron companies named with the outstanding invoice amounts.

The business relationships with subsidiaries relate to the goods and services provided and received with affiliated companies not included in the consolidated financial statements.

In January 2023, Kontron AG sold 100% of the shares it held in S&T Plus s.r.o., Prague, Czech Republic, to the company's management.

As in the previous year, there are no value adjustments for receivables from related parties.

With regard to the remuneration of the members of the Executive Board of Kontron AG and the remuneration of the members of the Supervisory Board, please refer to Note (39) Remuneration report.

41 Exempting group accounting

With regard to the consolidated Kontron Beteiligungs GmbH, Ismaning, Germany, the consolidated Kontron Europe GmbH, Ismaning, Germany, and the consolidated Kontron Electronics GmbH, Frickenhausen, Germany, the consolidated financial statements of Kontron AG are deemed to be exempting consolidated financial statements in accordance with the provisions of § 291 German Commercial Code. The consolidated companies Kontron Beteiligungs GmbH, Ismaning, Kontron Europe GmbH, Ismaning, Kontron Electronics GmbH, Frickenhausen, Kontron Transportation Deutschland GmbH, Immenstaad am Bodensee, Kontron AIS GmbH, Dresden, all registered in Germany, make use of the exemption provisions pursuant to § 264 paragraph 3 German Commercial Code; pursuant to § 264 paragraph 3, no. 4 German Commercial Code, this is stated accordingly.

42 Events after the balance sheet date

The following significant events occurred after the reporting date:

- › On January 18, 2024, Kontron announced the acquisition of 8,587,138 shares (59.4%) in Katek SE, a company listed in the Prime Standard. The majority stake in Katek SE was purchased for EUR 128.8 million, or EUR 15.00 per share. Katek Group offers technology solutions in the fields of solar energy, e-mobility, aerospace, and ODM. The acquisition of control was reported on February 29, 2024. Consolidation within the Kontron Group will take place on March 1, 2024. The mandatory offer, which will also be a delisting acquisition offer, will be submitted by March 28, 2024. To finance the transaction, the company has taken out a EUR 125 million loan from OeKB with a repayment period of five years.
- › On January 18, 2024, Kontron announced the termination of the 2023 Share Buyback Program II. The company acquired a total of 1,783,841 shares since October 2, 2023.

43 Proposal for the appropriation of profit

The basis for the proposal for the appropriation of profits is the individual financial statement of Kontron AG prepared in accordance with the provisions of the Austrian Commercial Code.

For financial year 2023, the Executive Board will propose a dividend of EUR 0.50 per share.

44 Release for publication

The consolidated financial statements of Kontron AG were approved for publication by the Executive Board on March 27, 2024.

45 Organs of the Company

The following persons served as Supervisory Board members in 2023 financial year:

- › Mag. Claudia Badstöber, Chairwoman
- › Mag. Bernhard Chwatal
- › You-Mei Wu
- › Fu Chuan Chu
- › Joseph John Fijak

In the 2023 financial year, the following persons served as members of the Executive Board:

- › Dipl.-Ing. Hannes Niederhauser, CEO
- › Dr. Clemens Billek, CFO
- › Dr. Peter Sturz, COO (until December 31, 2023)
- › Dipl.-Ing. Michael Riegert, COO

Linz, March 27, 2024



Dipl.-Ing. Hannes Niederhauser



Dr. Clemens Billek



Dipl.-Ing. Michael Riegert

Report on the Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of

Kontron AG, Linz,

and its subsidiaries ("the Group"), which comprise the consolidated Balance Sheet as at December 31, 2023, and the Consolidated Income Statement, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for the year then ended, and the Notes to the Consolidated Financial Statements.

In our opinion, the consolidated financial statements comply with the legal requirements and present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code).

Basis for our Opinion

We conducted our audit in accordance with the EU Regulation 537/2014 ("AP Regulation") and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section of our report. We are independent of the audited Group in accordance with Austrian company law and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained up to the date of the auditor's report is sufficient and appropriate to provide a basis for our audit opinion on this date.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and, we do not provide a separate opinion thereon.

Capitalization of internally generated intangible assets in accordance with IAS 38

See the notes to the consolidated financial statements, note 13 / Group management report in the fundamentals of the Group section under research and development

Risk for the Consolidated Financial Statements

In the consolidated financial statements of Kontron AG, development costs amounting to EUR 68.4 million are reported under the balance sheet item "Intangible assets" and therefore represent a significant portion of the Group's assets. In accordance with IAS 38, research costs are expensed, while development costs are capitalized if the criteria for capitalization of IAS 38.57 et seq. are met. In addition, development costs that have already been capitalized are reviewed on an ongoing basis to determine whether the recognition criteria of IAS 38 continue to be met.

The main prerequisites for the recognition of development costs as internally generated intangible assets are the ability to demonstrate the feasibility of the development projects (among others the technical feasibility of realization, the intention to complete and the ability to use) and the expected generation of future economic benefits. Furthermore, the company must be able to reliably measure the expenditure attributable to the intangible asset during its development. Due to the Group's technological leadership as a leading Internet of Things (IoT) provider in Europe and the resulting new development projects, the complexity and scale of research and development projects is increasing. The assessment of whether the requirements for the recognition of development costs as internally generated intangible assets are met is subject to a high degree of judgment.

Our Response

We have assessed the recognition of development costs as follows:

- › Obtaining an understanding of the Group's process for deferring research and development costs and evaluating the recognition requirements for development costs in accordance with IAS 38.57ff.
- › Evaluation of the design and implementation of the Group's process level controls regarding the capitalization of development costs. This also includes the assessment of the appropriateness of management's documentation to demonstrate the fulfillment of the capitalization requirements, taking into account the research and development processes established within the Group.
- › Assessment on the basis of samples as to whether a proper distinction has been made between research and development costs and whether the capitalized costs are directly attributable.
- › Assessment on the basis of samples whether the determination of the production costs based on the available cost accounting data is supported by appropriate evidence.

Other Information

Management is responsible for other information. Other information is all information provided in the annual report, other than the consolidated financial statements, the group management report and the auditor's report included in the annual financial report.

We have been provided with the financial statements, the (consolidated) corporate governance report in accordance with § 243c and § 267b UGB and the consolidated non-financial report in accordance with § 267a UGB prior to the date of the auditor's report, where as the remaining parts of the annual report and the annual financial report are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover other information and we do not provide any kind of assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information as soon as it becomes available, to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the consolidated financial statements or any apparent material misstatement of fact.

If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this matter.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with the AP Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the AP Regulation and Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

- › We identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.
- › We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- › We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- › We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the consolidated financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- › We evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- › We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- › We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.
- › We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.
- › From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

Report on Other Legal Requirements

Group Management Report

In accordance with Austrian company law, the group management report is to be audited as to whether it is consistent with the consolidated financial statements and prepared in accordance with legal requirements.

Management is responsible for the preparation of the group management report in accordance with Austrian company law.

We have conducted our audit in accordance with generally accepted standards on the audit of group management reports.

Opinion

In our opinion, the group management report is consistent with the consolidated financial statements and has been prepared in accordance with legal requirements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Statement

Based on our knowledge gained in the course of the audit of the consolidated financial statements and our understanding of the Group and its environment, we did not note any material misstatements in the group management report.

Additional Information in accordance with Article 10 AP Regulation

We were elected as auditors at the Annual General Meeting on May 22, 2023 and were appointed by the supervisory board on September 26, 2023 to audit the consolidated financial statements of the Company for the financial year ending on December 31, 2023.

We have been auditors of the Company, without interruption, since the consolidated financial statements as at December 31, 2022.

We declare that our opinion expressed in the "Report on the Consolidated Financial Statements" section of our report is consistent with our additional report to the Audit Committee, in accordance with Article 11 AP Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 AP Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Group.

Engagement Partner

The engagement partner is Mr Yann Georg Hansa.

Vienna, March 27, 2024

KPMG Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by

Yann Georg Hansa

Wirtschaftsprüfer

(Austrian Chartered Accountant)

This report is a translation of the original report in German, which is solely valid.

The consolidated financial statements together with our auditor's opinion may only be published if the consolidated financial statements and the group management report are identical with the audited version attached to this report. Section 281 Paragraph 2 UGB (Austrian Commercial Code) applies.

STATEMENT OF LEGAL REPRESENTATIVES

We confirm to the best of our knowledge and in accordance with the applicable reporting principles that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and that the Group management report, including the profit or loss of the Group, represents a fair view of the assets, liabilities, financial position and the performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Linz, March 27, 2024



Dipl.-Ing. Hannes Niederhauser



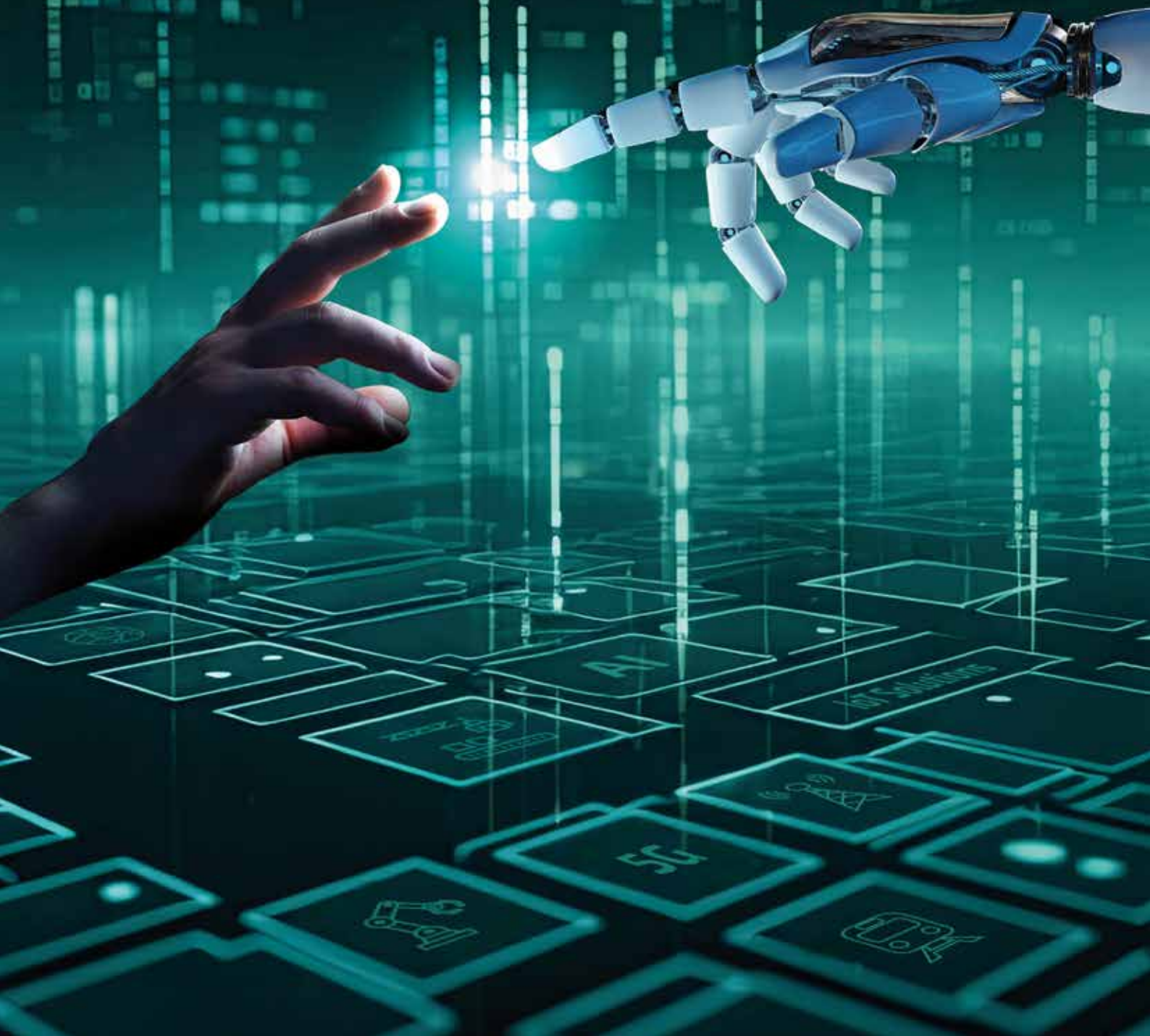
Dr. Clemens Billek



Dipl.-Ing. Michael Riegert

kontron

Sustainability Report 2023



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Company

Kontron Austria GmbH

Solution

Sustainable energy generation through in-house production

Industry

ODM/EMS

Market

DACH



case study

Commitment to sustainability through environmentally friendly measures

The company has been producing environmentally-friendly solar power on a total area of 550 square meters on the roofs of its sites in Ebbs and Engerwitzdorf since autumn 2021. With a total output of 120 kWp, this is a measure that makes a significant contribution to reducing the company's carbon footprint. In 2023, a notable 10,4% of Kontron Austria GmbH's total energy needs were met by solar power produced by their own systems.

Additionally, Kontron Austria GmbH procures all its remaining electricity needs from 100% green hydroelectric sources in Tirol, applied in both sites. The energy Kontron Austria GmbH generates is used in manufacturing and to charge the company's own electric vehicles, ensuring that sustainable energy is used in almost all areas of the company.

Taking sustainability a step further, the company has eliminated the use of fossil fuels at its facilities. In Ebbs, it employs an energy-efficient groundwater heat pump, a carbon-neutral heating solution. Moreover, Kontron Austria GmbH prioritises short delivery routes and local suppliers in its supply chain, aligning with its goal to minimise its carbon footprint and support local economies.

Looking ahead, Kontron Austria GmbH plans to increase its photovoltaic capacity significantly at both sites within the next year, aiming to double its output. This expansion not only affirms their commitment to sustainable power generation but also marks a substantial stride towards achieving energy independence.



SUSTAINABILITY REPORT

Foreword

It is with great pride and certainty that we present the Kontron AG Sustainability Report for the past financial year. It was a year marked by decisive progress and strategic breakthroughs that have brought us closer to the goal of a more sustainable future.

In a world that is permanently involved in the challenges of climate change and the consequent need for sustainable development, at Kontron we see not only a responsibility, but also a unique opportunity. As a leading company in the Internet of Things sector (IoT), we have the opportunity to play a key role in the energy revolution. This is underlined by our clear focus on GreenTec. In recognizing the significant future potential of clean energy, we focus on the development of innovative solutions that not only minimise our ecological footprint, but also support our customers and partner companies in their sustainability efforts.

The recent integration of Katek, a pioneer in the development of regenerative energy solutions, marks another strategic step and expands our portfolio of environmental technologies.

A further focus of our commitment is supporting women in the workplace. Signing the Women's Empowerment Principles is a significant step forward that underscores our commitment to equity and diversity. We are convinced that diversity at management level is not only a question of fairness, it also enriches the innovative strength and creativity of our company. Our Sustainable Leadership Academy 2024 sees us pursue the goal of increasing the proportion of women in management positions and as a result promoting sustainable leadership qualities that are essential for handling future challenges.

Preparing for the Corporate Sustainability Reporting Directive (CSRD), which takes effect starting in financial year 2024, has been another central task over the past year. To achieve our goals and ensure CSRD compliance, we have expanded our step-by-step ESG plan. It is important to us that as well as complying with legal requirements, we also ensure appropriate and transparent reporting.

This sustainability report is proof of our commitment, progress, and vision for a sustainable future. It reflects our certainty that technology and innovation are key components on the journey to a greener and more responsible economy. We invite you to join us on this journey, to see challenges as opportunities, and to actively participate in shaping a sustainable future.

The Executive Board of Kontron AG

Linz, March 26, 2024



Dipl.-Ing. Hannes Niederhauser



Dr. Clemens Billek



Dipl.-Ing. Michael Riegert

Sustainability management at Kontron

Group-wide coordination of sustainability

As a responsibility of Chief Financial Officer Dr. Clemens Billek, ESG topics and the achievement of defined goals are promoted and implemented by the Executive Board, the country managers and the heads of divisions.

Traditionally, many of our sustainability initiatives are carried out by our subsidiaries in their local contexts. In recent years, numerous projects have already been successfully completed. We now recognise that concentrating all our efforts to reach ESG targets at Group level is both advantageous and appropriate under present circumstances. The position of “Group Sustainability Professional” was therefore created in 2021. The person in this position coordinates current and long-term ESG topics, sustainability reporting, ESG initiatives and long-term projects across the Group and networks with the sustainability officers at the subsidiaries. In addition, the position of an ESG trainee was created, as were personnel resources in Controlling, Accounting and Legal/Compliance, to continuously expand ESG reporting in the Group. An extended team of ESG and F&A managers from the individual companies reports ESG issues to headquarters. The employees responsible are in turn trained and guided by headquarters so that ESG goals, projects and topics can be worked on transparently and optimally implemented together with the decentralised departments (Human Resources, Sales, Procurement, etc.).

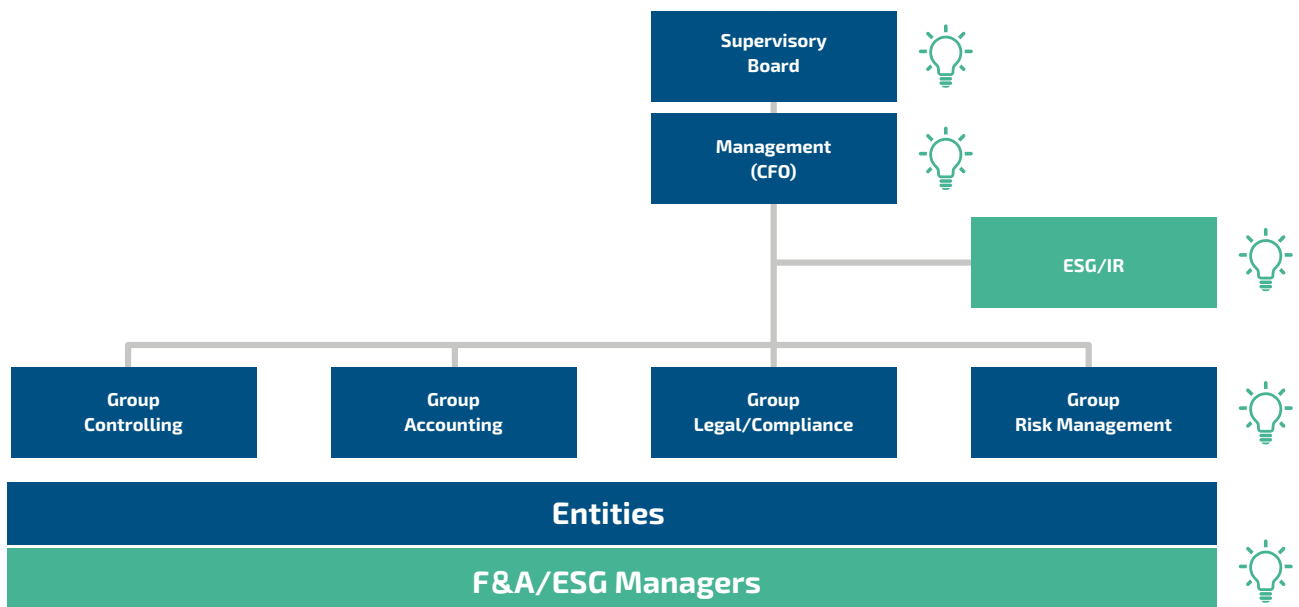


Fig. ESG Governance Organisation Chart

Double materiality analysis

In the second half of 2023, the double materiality analysis (in accordance with ESRS 1, 3.3) was carried out with the support of the audit and consulting organisation Ernst & Young (EY) to identify the material matters for Kontron and to create the basis for the CSRD (Corporate Sustainability Reporting Directive) reporting requirement 2024. In the future, the continuing pertinence of the material matters will be regularly reviewed so that we can adapt them if necessary, e.g. in the event of changes in our business activities. The material matters were identified and assessed in five steps:



* Impacts, Risks, Opportunities

Fig. Step-by-step plan for the double materiality matrix

Steps of the double materiality analysis for Kontron

1. A longlist of all ESRS (European Sustainability Reporting Standards) topics and topics that go beyond ESRS (e.g. SASB standards, software and IT services, electronic manufacturing services & original design manufacturing, hardware) was drawn up. A workshop was held with key Kontron personnel, at which irrelevant topics were identified and removed from the list on the grounds of Kontron's value chain. The shortlisted topics were included in the following steps.
2. In a second step, the impacts, risks and opportunities (IRO) for the various ESRS topics were analysed and assessed by internal departments (ESG, Controlling, Compliance, Human Resources, Accounting, etc.). The impacts, risks and opportunities identified in this step were checked for plausibility by EY and formed the basis for the final assessment of impact and financial materiality.
3. In a stakeholder analysis (see Stakeholders section), nine stakeholder groups at Kontron AG – employees, customers, suppliers, investors, analysts, consultants, Supervisory Board, media, etc. – were asked which sustainability topics they considered highly relevant to the company. The involvement of stakeholders is a central part of sustainability assessments. When evaluating the results of the survey, the stakeholder groups were weighted to avoid distortions caused by disproportionately represented groups. The weighted average was used for further analysis. The relevance of the topics for stakeholders is reflected in the circle size (see Double Materiality Matrix) – a larger circle size indicates topics of greater relevance.
4. The results from steps 1 and 2 were evaluated in a materiality workshop with key personnel from Kontron AG. Based on the impacts, risks and opportunities identified in step 2, the impact and financial materiality of the various ESRS topics was assessed using a transparent evaluation scheme for final prioritisation of the material matters.
5. This prioritisation took the results of the preceding steps into account:
 - › Impact materiality score
 - › Financial materiality score
 - › Stakeholder engagement feedback: Stakeholder feedback was used to validate impact materiality scoring and the internal evaluation.

On the basis of these evaluations, management defined the materiality thresholds and material matters for the Kontron Group's Sustainability Statement 2024. The thresholds were determined on the basis of material matters that were clearly above the materiality threshold of 2.5 (on a scale from 1 to 5). The only exception to this is the topic of "Corruption and Bribery", which was grouped among the non-material matters but is also treated by Kontron as a material matter in order to satisfy stakeholder interest in it.

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SUSTAINABILITY REPORT

Based on the finalised materiality matrix, the ESG strategy is being developed further and work is being conducted on CSRD compliance for the 2024 Sustainability Statement:

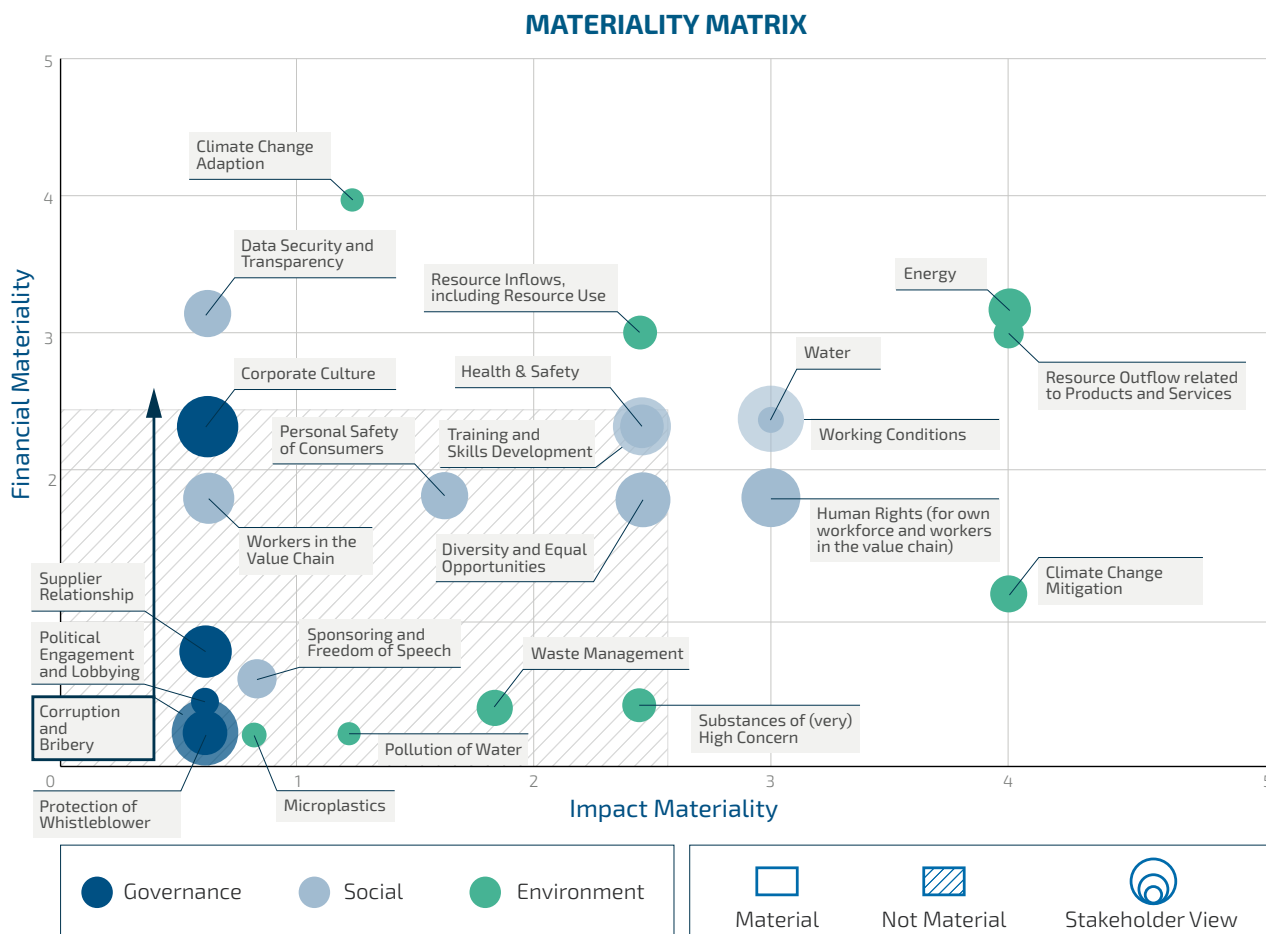


Fig. Double Materiality Matrix

The material matters for Kontron are listed below:

- › Climate Change Adaptation
- › Climate Change Mitigation
- › Data Security and Transparency
- › Water
- › Energy
- › Resource Inflows including Resource Use
- › Resource Outflows related to Products and Services
- › Human Rights (for own workforce and workers in value chain)
- › Working Conditions
- › Corruption and Bribery

ESG step-by-step plan

The Kontron Group's step-by-step ESG plan was drawn up at the beginning of 2021 and aims to achieve gradual improvements in various areas over the coming years. For the Kontron Group, it is important to have an overall ESG concept embedded in the corporate strategy. The plan, developed based on an external ESG analysis, takes this into account. The ongoing dialogue with our stakeholders was also used in 2023 to strengthen our ESG efforts.

ESG reporting was also expanded in 2023. Groupwide, a new ESG reporting tool was implemented in 2022, which enables more comprehensive data collection and evaluation in accordance with recognised sustainability standards. In 2023, more key figures were gathered across the Group to meet the CSRD requirements fully in 2024. In addition to collecting a higher number of key figures (based on the GRI standards), the tool has been used for reporting in accordance with the EU Taxonomy Regulation (see "EU Taxonomy" section). Over the coming years, we aim to present the Kontron Group's corporate carbon footprint in full – in all three scopes – and to report our material matters transparently and completely.

To achieve this ambitious goal, we carried out a double materiality analysis for the first time in 2023 (see "Double Materiality Analysis" section) in accordance with CSRD in order to communicate the key sustainability issues for the Kontron Group in 2024 and to gradually improve the quality of the report. The results of the analysis will be used to develop the ESG strategy further in 2024 and expand the ESG step-by-step plan as follows:

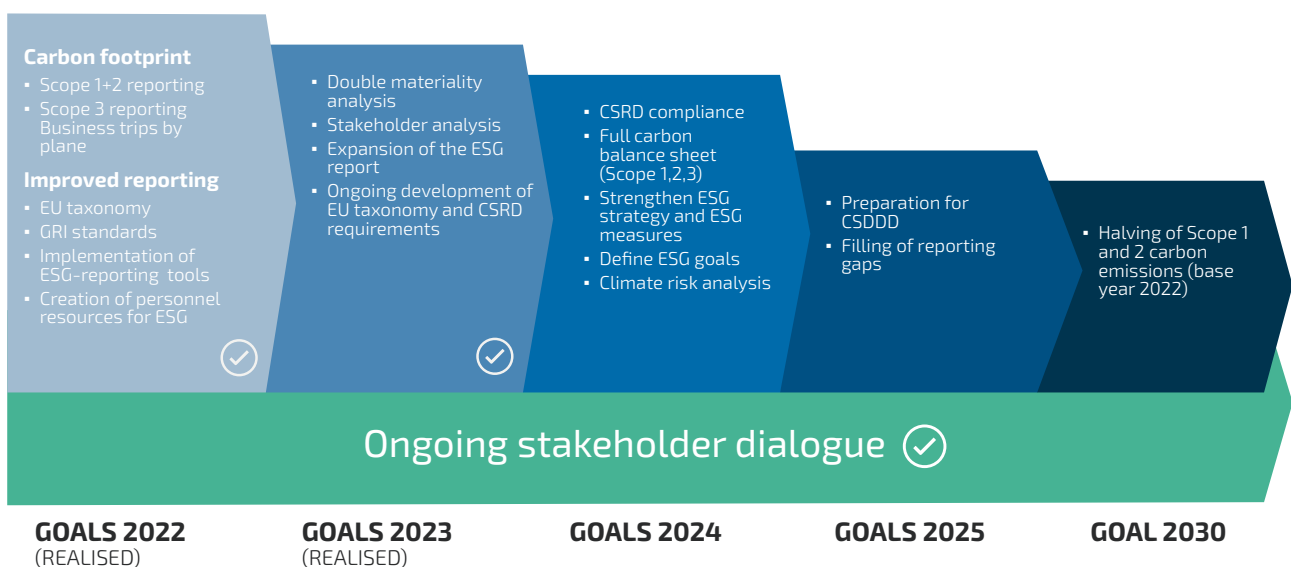


Fig. ESG step-by-step plan

Stakeholders

Kontron defines as stakeholders those individuals or groups of people who are influenced by the business activities of the Kontron Group or, conversely, influence the Group. Kontron actively works and cooperates with a wide range of stakeholders. The ongoing dialogue with stakeholders detailed on the following pages as well as with investors, employees, local organisations, proxy advisors, rating agencies, etc. is of great importance to us and helps us to identify ESG opportunities and recognise ESG risks in good time. In 2023, another stakeholder analysis was carried out in consultation with the specialist departments. The feedback on ESG topics from a stakeholder survey conducted in December 2023 has been incorporated into the current Double Materiality Analysis (see “Double Materiality Analysis” section) in accordance with CSRD and provides us with important impulses for the ESG strategy.

The number of discussions held with investors in 2023 is given in the “Share” section of the Annual Report. We are happy to answer our stakeholders' ESG questions and look forward to receiving feedback and suggestions at esg@kontron.com.



Fig. Kontron Stakeholder Analysis

Stakeholder engagement

The channels through which Kontron communicates with its stakeholder groups, and the interests in and expectations of Kontron that the individual stakeholder groups have, are listed below.

STAKEHOLDER GROUP	CHANNELS	INTEREST AND EXPECTATIONS
Employees	Email	Respectful treatment
	Social media	Appreciation
	Internal information channels	Equity
	Employee survey	Compliance
	Employee reviews	Flexible working
	Trainings and e-learnings	Safe workplace
	Policies	Fair compensation
	Corporate publications	Work-life balance
	Events	Health and safety at work
	Whistleblower portal	Involvement in planning
		Professional training and development
	Customers	Email
Phone calls		Complaint management
Personal contact		Return option
Website		Commitment
Corporate publications		Compliance
Audits		Supply chain transparency
Whistleblower portal		Environmental protection
Professional events		Human Rights
		Data Privacy
Suppliers	Email	Liquidity
	Phone calls	Compliance
	Personal contact	Transparency
	Corporate publications	
	Website	
	Audits	
	Whistleblower portal	
	Professional events	
Media	Email	Information
	Phone calls and conferences	Transparency
	Interviews/press releases	Compliance
	Corporate publications	Responsibility
	Website	
	Whistleblower portal	

STAKEHOLDER GROUP	CHANNELS	INTEREST AND EXPECTATIONS
Investors	Email	Information
	Phone calls and conferences	Transparency
	Legal capital market information and ad-hoc statements	Compliance
	Press releases	Responsibility
	Roadshows	Profitability
	Personal contact	Dividends
	Corporate publications	Share price increase
	Website	
	Whistleblower portal	
	Interest groups, NGOs	Email
Phone calls		Transparency
Press releases		Compliance
Corporate publications		Collaboration
Website		Responsibility
Whistleblower portal		

Table: Kontron Stakeholder Dialogue

Customers

Kontron is an internationally renowned company that maintains long-term and trust-driven relationships with many customers. Developing these relationships requires our constant efforts to provide our customers with sustainable, innovative and secure products and services. We have a thorough understanding of our customers' industries and needs, and constantly work to expand it still further to sustain our ability to satisfy complex demands. Our expertise stems not only from our superbly qualified personnel, but also from outstanding partnerships with the international technology suppliers that Kontron works with.

Measures such as customer surveys, external audits within the framework of certification for norms, but also the use or provision of advanced communication and collaboration platforms foster mutual exchange and the transformation of business relationships into long-term partnerships. These activities enable us to successfully operate in an increasingly complex business world, to satisfy our customers' demands, and to set standards of quality.

The Kontron Group has a highly diversified customer structure, comprising several thousand customers in various vertical markets. In financial year 2023, no single customer accounted for a share of Kontron's revenue of more than 3%. In 2023, customers operating in the gambling sector again accounted for around 0.5% (PY: less than 0.5%) of the Group's total revenue.

Management of returns

The management of returns forms a key part of our relationships with customers. At our sites with product manufacturing, we have integrated returns management into our supply chain as part of returns logistics with structured processes. The system plans and manages the flows of goods, information and funds passing among the client returning items, the supplier and the respective facility. The objectives are the quickest possible settlement and delivery to our customers, with efficient further use of products. This corresponds to the focus of our sustainability-oriented environmental management, which strives to conserve resources by effectively repairing items.

Measures ensuring the prevention of defects form a key part of achieving customer satisfaction and preventing, or the least minimising returns. The deployment of the lean approach greatly facilitates continuous improvement, for example through a well-formulated quality planning. The key measures undertaken to prevent returns comprise the regular evaluation of the reasons for returns, and the careful selection of our manufacturers and suppliers.

Suppliers

A constant goal at Kontron is to ensure that our relationships with our suppliers have the form of partnerships. These efforts are based on our engaging in fair operating and business practices and maintaining close working relationships with our suppliers over many years. This maintenance includes ongoing and intensive dialogues on the increasingly demanding requirements placed by markets on quality, performance of supply, innovation, and costs. We place high-quality demands on our proprietary processes and technological solutions. These standards also have to be met as a matter of course by our suppliers. When selecting our suppliers and developing relationships with them, their adherence to our requirements with regard to the environment and sustainability, human rights, occupational safety and compliance is extremely important.

Principles of procurement

Our principles of procurement are summarised in our Supplier Code of Conduct, and express the expectations placed by the Kontron Group on all the suppliers with which it does business. The Supplier Code of Conduct comprises all minimum requirements that Kontron places on its suppliers in terms of responsible conduct, most recently with a particular emphasis on the environment, social concerns and governance, including respect for human rights and other requirements emerging from the ten principles of the UN Global Compact. Kontron is also preparing for new legal requirements in connection with the Corporate Sustainability Due Diligence Directive (CSDDD). In 2023, for example, a comprehensive revision and update of the Supplier Code of Conduct was carried out as a preparatory measure. Relevant topics were addressed to strengthen and promote ethical standards, safety measures and sustainable practices across the supply chain. In doing so, Kontron obliges its suppliers to comply with labour standards, respect human rights, practise environmental protection, fight corruption, adopt fair business practices, and promote diversity, equity and inclusion.

Suppliers are required to sign and comply with the Supplier Code of Conduct in every respect. The guidelines cover all topics included in the chart below and are based on internationally recognised guidelines of the UN Global Compact, the UN Guiding Principles for Business and Human Rights as well as the OECD Guidelines for Multinational Companies, the relevant Conventions of the International Labour Organisation (ILO), the Universal Declaration of Human Rights and the principles of our internal Code of Conduct. Due diligence is becoming increasingly important, particularly as a result of the EU Supply Chain Act (CSDDD) and the minimum safeguards of the EU Taxonomy. Against this background, Kontron will adapt the requirements in 2024 that its suppliers are obliged to meet in order to satisfy the new directives and developments, particularly regarding human rights and environmental protection, with the aim of guaranteeing sustainable and responsible action along the entire value chain, particularly about the new general regulations.

Below are our non-financial principles of procurement:



A central criterion when orders are placed by public authorities and industrial customers is that fundamental labour and social standards are observed in the production of goods. These are laid down by the International Labour Organisation (ILO), the United Nations' Global Compact, or by the respective national laws applicable in the producing country.

Kontron has committed itself to the protection of human rights. It should be noted, however, that the end-to-end – i.e. in every link of the IoT supply chain – adherence to and corresponding documentation of standards of labour and social issues constitutes a challenge.

Consequently, this adherence and documentation cannot always be guaranteed. The Kontron Group therefore assumes responsibility for the protection of human rights within its sphere of influence.

The Kontron Group has many years of experience with public contracts. Consequently, the company has extensive experience regarding the requirements and expectations of public clients, as well as the management and monitoring of suppliers.

More than ten years ago, as a central preventive measure, the Kontron Group introduced a differentiated supplier management system as part of its certified quality management system and has continuously developed it since that time. Supplier management comprises four main activities which form a matrix of responsibility covering the entire supplier management process: selection, implementation, ongoing improvement & maintenance, and phase out. When selecting suppliers, environmental, social and governance (ESG) standards are considered, as are economic criteria.

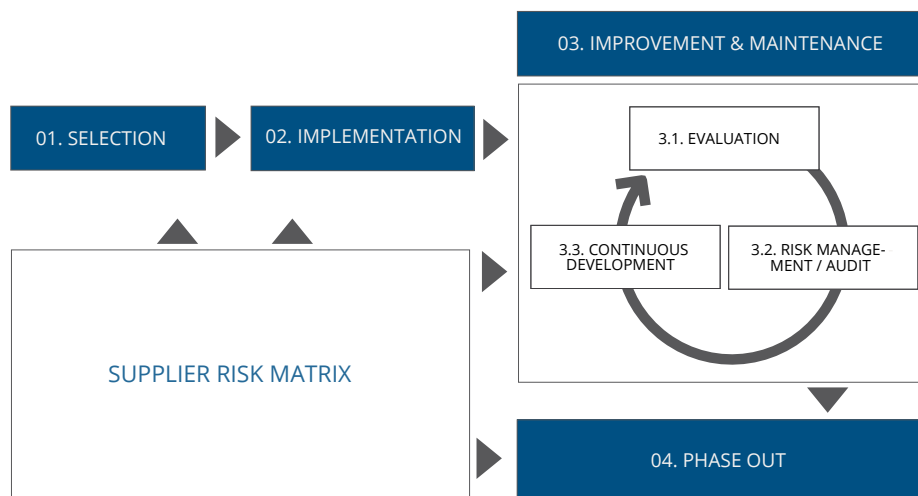


Fig. Kontron Supplier Risk Matrix

Before suppliers are selected, they must submit a self-evaluation or self-declaration, and comply with the Kontron Group's selection and qualification process. This forms the criterion determining whether the supplier will be commissioned. It is designed to ensure adherence to laws, principles of human rights, and labour and social standards. The Kontron Group does not award commissions to suppliers that have received a disqualifying ranking within the process of evaluation. This means that suppliers whose performance or business practices do not meet Kontron's high expectations and are thus disqualified, will not be commissioned. Following a disqualification, a supplier is ineligible to receive orders and may lose all existing contracts that are subject to the principles of procurement.

Reasons for such a disqualification are, for instance, the failure to adhere to relevant environmental, health and security standards and laws, or to the conventions promulgated by the International Labour Organisation and the United Nations. Further causes of disqualification are lack of compatibility with the principles, values and rules of conduct that guide the decision, processes and systems of an organisation in ways leading to its actions benefiting its employees and other important stakeholders. The observation of human rights includes suppliers' enacting processes designed to preclude their use of conflict minerals.

Consequently, suppliers' production processes must also preclude the incorporation of raw materials that originate from high-risk areas, or from regions that are experiencing conflicts. Any procurement is excluded that could lead to a contravention of human rights, to corruption, or to the financing of armed groups, terrorism or similar activities. Particular care must be taken in the event of conflicts, political instability, failure of the rule of law and lack of civil rights. Adherence is continually monitored by submitting database queries to specialised external partners. In cases of non-compliance, suppliers are required to adapt their supply chains. In addition, suppliers must ensure that other applicable product-related requirements, such as the EU guidelines REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) and RoHS (Restriction of Hazardous Substances) are met, and must disclose the content and origin of the products supplied upon request. Suppliers who promote corruption or engage in other practices contravening laws and principles of fair competition are also disqualified.

To monitor suppliers' compliance with the above standards, the Kontron Group also employs the project-related inspection of the test results provided by suppliers. These tests include audit evidence, inspection logs and sustainability reports. In addition to making use of generally available information, Kontron's activities in this area include inspections of facilities and audits of suppliers to examine production conditions on site. Further measures include regular exchanges of information with representatives of the supply chain. Furthermore, particular attention is paid to regularly updating and developing this documentation to ensure that suppliers continuously meet the required standards and that potential improvements can be identified. As part of ongoing business relationships and during order processing, Kontron regularly carries out audits with a particular focus on HSSE (health, safety, security & environment) aspects, including topics such as forced labour, slavery and human trafficking. These measures help Kontron to make the best possible effort to comply with the above standards when manufacturing IoT products.

Employees

Kontron's employees form the backbone of the entire Group. It is thanks to them that the Kontron Group enjoys such great business success. The opinions of our colleagues and dialogue with them are essential for our day-to-day operations in order to improve processes and do what is needed to increase employee satisfaction.

Employee surveys

Regular employee surveys are conducted to find out the prevailing mood in the individual Group companies and identify areas where improvements can be made. The surveys have so far been carried out locally in the companies by an external service provider who ensures that the replies are anonymised. In the fourth quarter of 2023, the second Group-wide employee survey was carried out, and an external service partner was appointed in accordance with all necessary requirements. Around 4,700 Kontron Group employees worldwide were invited to participate in the survey on a voluntary basis. In approximately 50 questions, they were asked about their daily work, how they found their work with colleagues and managers, sustainability, diversity and employer attractiveness.

The anonymised results of the employee survey were made available to management at the beginning of 2024. The results were analysed and, where appropriate, measures were defined together with local management in the subsidiaries to respond to the recommendations and wishes of employees. The aim is to continuously improve employee satisfaction and the attractiveness of the Kontron Group as an employer.

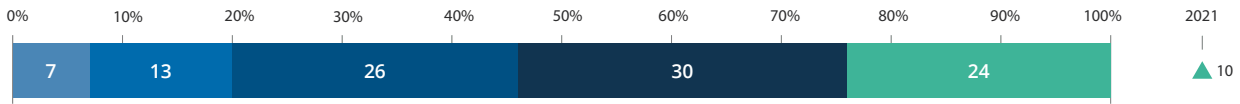
Our employees said they felt 10% better informed about sustainability and related activities, which underscores the effectiveness of our communication and initiatives in this important area. In addition, the importance of sustainability within our corporate culture has increased by 4%, which is in line with our commitment to environmental responsibility. Awareness of their personal contribution to sustainability in the workplace has also improved: 5% more employees recognise how their role influences sustainable practices.

With regard to diversity, we are pleased that 7% more employees feel informed about our diversity efforts. This underlines our commitment to an inclusive and respectful work environment. Our global activities have also become more transparent, as reflected in an increase of 6% in the number of employees who feel informed about our global activities. And finally, we are proud that 4% more employees describe the Kontron Group as a very good employer. In our opinion, this reflects our overall efforts for employee satisfaction and corporate responsibility.

The charts on the next pages show some of the results for the Kontron Group (all employees) in 2023 and compared to the survey results from 2021.

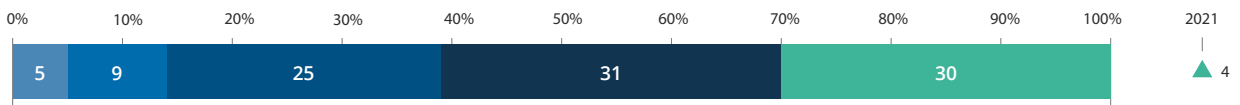
Kontron and Sustainability

I feel sufficiently informed about the subject sustainability and existing sustainability related activities in the company.



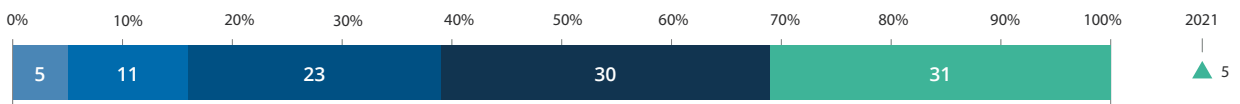
Kontron and Sustainability

I experience sustainability as a subject that is of high importance to the company.



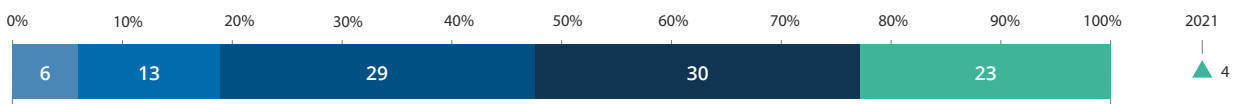
Kontron and Sustainability

I am aware of how I can contribute to sustainability at the company in my job.



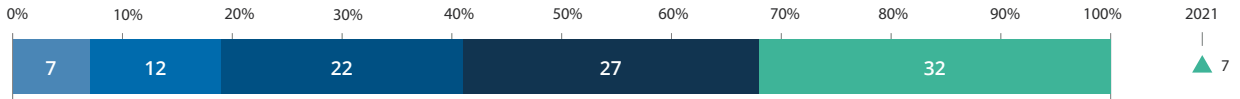
Kontron and Sustainability

From my point of view, sustainability is being lived seriously in everyday work.



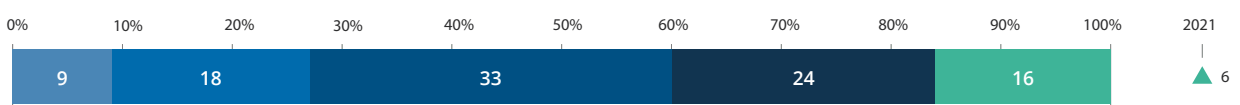
Kontron and Diversity

I feel sufficiently informed about the subject diversity in the company.



Kontron as a Corporate Group

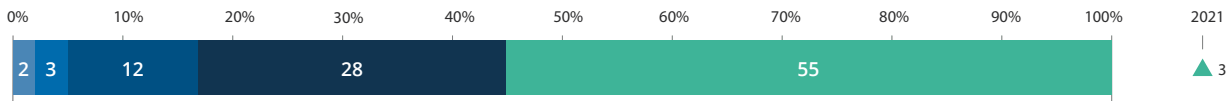
I feel sufficiently informed about the global activities and markets of the Kontron Group.



■ Does not apply
 ■ Tends not to apply
 ■ Partly applies / partly does not apply
 ■ Tends to apply
 ■ Does apply

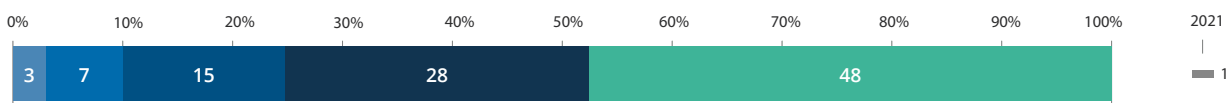
You and your job

I feel motivated to do my best at work.



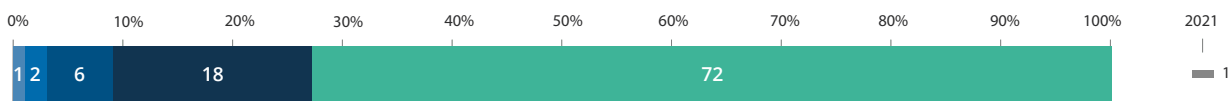
You and your manager

My direct manager provides sufficient support for employees professional training and development.



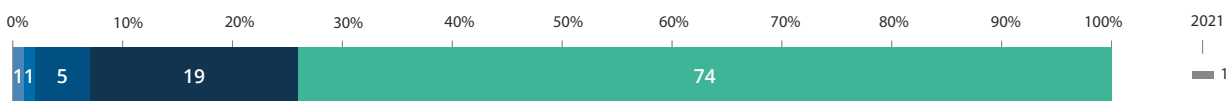
You and your manager

I can talk openly and directly with my direct manager – even in difficult situations, conflicts or on unpleasant topics.



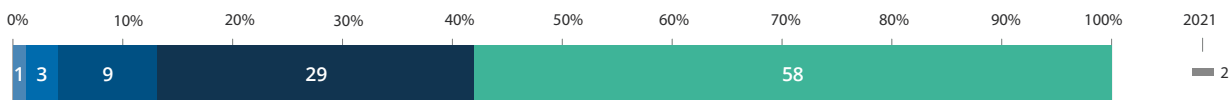
You and your team

We treat each other with respect and appreciation – regardless of age, gender or cultural background.



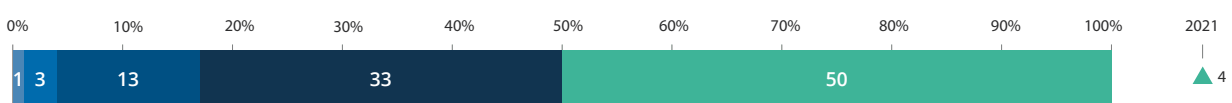
In conclusion

Overall, I really enjoy working in the company.



In conclusion

Overall, the company is a very good employer for me.



■ Does not apply
 ■ Tends not to apply
 ■ Partly applies / partly does not apply
 ■ Tends to apply
 ■ Does apply

Commitment to the ten principles of responsible action

The UN Global Compact contains principles on human rights, labour standards, environmental protection and combating corruption. Companies that join the UN Global Compact voluntarily commit themselves to adhering to these principles and their core precepts. In a letter to the UN Secretary General, Kontron AG committed itself to compliance with the global ethical, ecological, and economic principles and applied for admission. Consequently, Kontron AG has been a UN Global Compact member since January 2022. Membership of the UN Global Compact offers Kontron AG a platform to demonstrate its own corporate responsibility as well as a network that supports the development and implementation of sustainability strategies and the achievement of goals. Events such as workshops, seminars, peer learning groups or an online learning platform provide the opportunity for continuing education on topics such as environmental protection, human rights and gender equality. Kontron confirmed its continuous support by submitting the Communication on Progress (CoP) questionnaire to UNGC at the end of 2023 and renewing the “CEO Statement of Committed Support” of the ten UN Global Compact Principles.

The 10 principles according to the UN Global Compact

Human rights

Principle 1

Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2

Businesses should make sure that they are not complicit in human rights abuses.

Labour

Principle 3

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4

the elimination of all forms of forced and compulsory labour;

Principle 5

the effective abolition of child labour; and

Principle 6

the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7

Businesses should support a precautionary approach to environmental challenges;

Principle 8

undertake initiatives to promote greater environmental responsibility; and

Principle 9

encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

Principle 10

Businesses should work against corruption in all its forms, including extortion and bribery.

UN Women's Empowerment Principles

Signing the CEO statement supporting the Women's Empowerment Principles (WEPs) is a significant step for our company towards reaffirming our commitment to gender equality and the empowerment of women. This statement, an initiative of UN Women and the UN Global Compact, serves as a public commitment by our management team to actively support and implement the seven Women's Empowerment Principles. This commitment includes measures to promote an equality-friendly management culture, to ensure equal treatment of women and men in the workplace, to protect the health and wellbeing of our employees, to promote women's professional development, to empower women in our supply chain and in marketing activities, and to promote equality through community initiatives and active advocacy.

With the signature of CEO Hannes Niederhauser, Kontron demonstrates its commitment to play a leading role in promoting gender equality both within our Group and in the wider business community. We are committed to monitoring and publicly reporting our progress in this area, as well as to ensuring transparency and accountability. We see this as an important opportunity to positively shape both our internal corporate culture and our external business relationships and influences with the aim of ultimately creating an inclusive, fair and sustainable future for all.

Contribution to sustainable development goals (SDGs)

The 17 SDGs of the United Nations (Sustainable Development Goals, <https://sdgs.un.org/goals>) provide guidelines for sustainable economic, ecological and social development. In the course of updating the key sustainability issues, Kontron also analysed the 17 development goals of the United Nations with regard to the company's business activities. The goals relevant for the Kontron Group and which the company can particularly influence are shown below. We identified eleven goals that we help to achieve in various ways through our actions, products, solutions, and initiatives.



EU Taxonomy

As part of the EU action plan to finance sustainable growth (“EU Action Plan on Sustainable Finance”), redirecting capital flows into sustainable investments is a key objective. With this in mind, Regulation (EU) 2020/852 of the European Parliament and of the Council of June 18, 2020 about establishing a framework to facilitate sustainable investments and amending Regulation (EU) 2019/2088 (referred to below as the Taxonomy Regulation) came into force in mid-2020, which, as a uniform and legally binding classification system, defines which economic activities in the EU are considered “environmentally sustainable”. Company-specific reports on the results of this classification are to be presented annually.

Article 9 of the Taxonomy Regulation lists the following six environmental objectives:

- › Climate change mitigation
- › Climate change adaptation
- › Sustainable use and protection of water and marine resources
- › Transition to a circular economy
- › Pollution prevention and control
- › Protection and restoration of biodiversity and ecosystems

The EU-Commission has adopted delegated acts to supplement the requirements for sustainable economic activities under the Taxonomy Regulation. The Delegated Regulation (EU) 2021/2139 of June 4, 2021 (referred to below as Delegated Regulation TB) determines the technical screening criteria for the two environmental objectives “climate change mitigation” and “climate change adaptation”, which are used to determine under which conditions it can be assumed that an economic activity makes a significant contribution to climate change mitigation or climate change adaptation, and on the basis of which it is determined whether this economic activity causes no significant harm to any of the other environmental objectives („Do no significant harm” – DNSH criteria). The Delegated Regulation (EU) 2021/2178 on content and presentation of July 6, 2021 (referred to below as Delegated Regulation I&D), on the other hand, determines the content and presentation of information to be disclosed in relation to environmentally sustainable economic activities and the method used to ensure compliance with the disclosure obligation.

In 2023, the EU taxonomy was expanded with regard to the remaining four environmental objectives – in addition, Delegated Regulation (EU) 2023/2486 of June 27, 2023 established the technical screening criteria for the environmental objectives “Protection of Water and Marine Resources”, “Transition to a Circular Economy”, “Preventing and Reducing Environmental Pollution”, and “Protecting and Restoring Biodiversity and Ecosystems”. In addition, on June 27, 2023, the Delegated Regulation (EU) 2023/2485, an extension of the economic activities and the technical screening criteria of Delegated Regulation (EU) 2021/2139 was published.

Regarding the classification of an economic activity as “environmentally sustainable” as defined by the Taxonomy Regulation, a distinction must be made between taxonomy eligibility and taxonomy alignment. Only economic activities described in the delegated acts relating to the technical evaluation criteria are considered taxonomy-eligible. Any of Kontron AG’s economic activities that are included in the EU catalogue are considered taxonomy-eligible. If an economic activity is classified as taxonomy-eligible in the first step, the next step is to check whether the economic activity makes a significant contribution to an environmental objective, does no significant harm to any of the other environmental objectives and is carried out in compliance with minimum safeguards in accordance with the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights..

Providing these criteria are met in full, the economic activity can be classified as taxonomy-aligned.

Under Art 8 (1) of the Taxonomy Regulation in conjunction with Section 243b or Section 267a of the Austrian Civil Code, Kontron AG is obliged to apply the regulations of the Taxonomy Regulation. In accordance with Section 245a (1) of the Austrian Civil Code, the consolidated financial statements of Kontron AG were prepared in accordance with IFRS as of the closing date. The amounts used to calculate the revenue, CapEx and OpEx key figures are based on the figures reported in the consolidated financial statements. In principle, all fully consolidated group companies are included in this calculation. Please note that these figures relate to the Kontron Group’s continuing operations and, as a consequence, the discontinued operations (DCO) in financial year 2022 and financial year 2023 are not part of the taxonomy figures.

In reporting year 2021, mandatory reporting was limited to the taxonomy-eligible share of turnover, capital expenditure (CapEx) and operating expenditure (OpEx) in accordance with the two environmental objectives of “climate change mitigation” and “climate change adaptation”. Based on this, Kontron AG was required to provide additional taxonomy alignment information for the reporting year 2022. In the reporting year 2023, mandatory reporting of the remaining four environmental objectives (water protection, circular economy, environmental pollution and biodiversity) is limited only to the taxonomy-eligible share of turnover, CapEx and OpEx. Taxonomy alignment with these four environmental objectives must be reported starting with reporting year 2024.

Various steps have been taken to achieve a uniform understanding among the Group companies regarding the allocation of the Kontron Group's activities to the respective economic activities and, in particular, with regard to the specific technical criteria for evaluating taxonomy alignment. A general taxonomy guide explained the objectives and legal basis of the EU taxonomy as well as the process for determining conclusive taxonomy alignment. A further detailed taxonomy manual translated the general explanations into a “Kontron-specific” description with more practical relevance, including specific information on the technical screening criteria, which were obtained during numerous coordination meetings with external taxonomy experts. In addition, as part of the introduction of a group-wide ESG reporting tool, a taxonomy module for reporting at company level has also been implemented and expanded with regard to new economic activities in the reporting year 2023. Using this reporting tool, the respective figures on turnover, capital and operating expenditure were obtained, these values were assigned to the corresponding economic activities, and the significant contribution of these activities was assessed in relation to environmental objectives and the DNSH criteria and minimum safeguards. The cross-departmental team at headquarters level is in continuous intensive contact with the various managers within the individual Group companies, as well as with external taxonomy experts.

With regard to the expansion of the EU taxonomy in 2023, the newly published economic activities were scanned and assessed as to whether they are relevant to Kontron's business activities. As part of this evaluation, it was found that the newly published economic activities of the “circular economy” environmental objective in particular appear more appropriate for part of the Kontron Group's business activities. Accordingly, when allocating the Group's business activities to economic activities according to the EU taxonomy, there were partial reclassifications of revenue, CapEx and OpEx compared to the previous year. In a second step, the Kontron Taxonomy Handbook was amended accordingly and the taxonomy managers at the Group's companies were trained on new economic activities and changes compared to the previous year's reporting.

With regard to taxonomy alignment, the evaluation was carried out on the technical criteria of the identified economic activities within the two climate objectives “climate change mitigation” and “adaptation to climate change”. This evaluation showed that the subsidiaries and their taxonomy areas could not be considered to have met individual technical criteria, as in some cases the necessary external assessments were not available until the report was published. For the reporting year 2023, it should be noted that a large part of the Kontron Group's revenue (as well as CapEx and OpEx) was allocated to newly published economic activities within the four remaining environmental objectives. In accordance with legal requirements, information on the taxonomy alignment of these revenues / CapEx / OpEx will only be presented in the following financial year 2024.

Based on a complete analysis of the company's activities, the share of taxonomy-eligible and taxonomy-aligned revenues / CapEx / OpEx is presented in the respective Group totals for financial year 2023.

KPIs in accordance with the EU taxonomy for financial year 2023

IN %	TAXONOMY-ALIGNED	TAXONOMY-ELIGIBLE	NOT TAXONOMY-ELIGIBLE
Turnover	0.0%	64.9%	35.1%
CapEx	0.0%	53.3%	46.7%
OpEx	0.0%	73.7%	26.3%

The tables showing the respective taxonomy key performance indicators (KPIs) with details of the allocation of turnover, CapEx and OpEx to the corresponding economic activities are presented at the end of this section of the sustainability report. As the activities in the areas of nuclear energy and fossil gas do not apply to the Kontron Group's business activities, only Template 1 is declared in accordance with Delegated Regulation 2022/1214.

Turnover Indicator

The turnover indicator results from the ratio of revenues from taxonomy-eligible and taxonomy-aligned economic activities in a financial year to the total revenues in that financial year. Revenue is based on net revenue resulting from goods or services, including intangible goods in accordance with IAS 1.82(a).

The total revenue for financial year 2023 of EUR 1,225.9 million (PY adjusted¹: EUR 1,063.7 million, from continuing operations) form the denominator of the turnover ratio and can be seen in the Group's statement of profit or loss (see Consolidated Financial Statements 2023, Consolidated Statement of Profit and Loss).

The Kontron Group's revenue shown in the Group's statement of profit or loss (see Notes to the Consolidated Financial Statements Section B, Note (1)) is examined across all Group companies to determine whether they were achieved with taxonomy-eligible or taxonomy-aligned economic activities in accordance with the delegated regulations on the technical screening criteria of all six environmental objectives.

In the reporting year 2023, the Kontron Group identified the following relevant economic activities within the individual environmental objectives to which revenues can be allocated:

Environmental objective "climate change mitigation":

- › 6.14 Infrastructure for rail transport
- › 8.1 Data processing, hosting and related activities

Environmental objective "circular economy":

- › 1.2 Manufacture of electrical and electronic equipment
- › 4.1 Provision of IT/OT data-driven solutions
- › 5.1 Repair, refurbishment and remanufacturing
- › 5.2 Sale of spare parts
- › 5.5 Product-as-a-service and other circular use- and result-oriented service models

In view of the current regulatory status, as significant economic activities of the Kontron Group 1.2 "Manufacture of electrical and electronic equipment" within the meaning of Delegated Regulation 2023/2486 Annex II, 6.14 "Infrastructure for rail transport" and 8.1 "Data processing, hosting and related activities" within the meaning of Delegated Regulation 2021/2139 Annex I have been classified as taxonomy-eligible:

- › 1.2 "Manufacture of electrical and electronic equipment"

Economic activity 1.2 within the "Circular Economy" environmental objective includes the manufacturing of electrical and electronic equipment for industrial, professional and consumer use. In the reporting year 2023, revenue from the sale of Kontron Group products developed and manufactured in-house (especially in the hardware sector) for the industrial automation and communication solutions markets from the "Europe" and "Global" business segments was primarily attributed to this economic activity.

- › 6.14 "Infrastructure for rail transport"

Economic activity 6.14 within the environmental objective "climate change mitigation" as defined by the Taxonomy Regulation, includes the construction, modernisation, operation and maintenance of railways and subways, bridges and tunnels, stations, terminals, rail service facilities and safety and traffic management systems, including architectural services, engineering services, drafting services, building inspection, surveying and mapping services, etc. as well as carrying out physical, chemical and other analytical tests of all types of materials and products. In 2023, the description of this economic activity was extended to specifically address the relevant rail constituents (including train control/signalling, operations management and traffic control, telematics applications). Revenues in the "Transportation" sector were primarily attributed to this economic activity. In this respect, Kontron Transportation (KTR) imple-

¹) Adjustment due to changed assessment of principal/agent status (see explanation in Section B, Note (1) in the Notes to the Consolidated Financial Statements)

ments projects in the rail infrastructure sector and carries out deliveries, commissioning and service along routes (access networks) and in communication centres (core network and software), although rolling stock (including trains, wagons) is not the focus. Kontron Transportation delivers in various constellations: Consortia are often formed with construction companies (infrastructure) or signalling companies (other communication technology along the route), or KTR delivers directly when the focus is on the technology part.

› 8.1 “Data processing, hosting and related activities”

Economic activity 8.1 within the environmental objective “climate change mitigation” as defined by the Taxonomy Regulation includes the storage, manipulation, management, movement, control, display, switching, interchange, transmission or processing of data through data centres, including edge computing. In the reporting year 2023, primarily services and services related to data processing using data centres were assigned to this economic activity.

Revenues were also allocated to the other economic activities listed above 4.1 “Provision of IT/OT data-driven solutions”, 5.1 “Repair, refurbishment and remanufacturing”, 5.2 “Sale of spare parts” and 5.5 “Product-as-a-service and other circular use- and result-oriented service models” – but these only account for a small proportion of Group revenue in relation to the three main economic activities listed above.

Through a detailed analysis of the items included in the revenues, each revenue is assigned to taxonomy-eligible and taxonomy-aligned economic activities. The numerator of the taxonomy-eligible turnover figure is therefore EUR 795.6 million (PY: EUR 676.5 million). This results in a taxonomy-eligible revenue figure of 64.9% in financial year 2023. The taxonomy-aligned revenue figure is 0%. As mentioned above, the taxonomy alignment of those revenues allocated to economic activities within the four newly published environmental objectives will only be presented in the reporting year 2024.

The following table provides an overview of the taxonomy-eligibility and taxonomy-alignment of revenue per environmental objective – more details are provided in the revenue indicator table at the end of this section.

	SHARE OF TURNOVER/TOTAL TURNOVER	
	TAXONOMY ALIGNMENT PER OBJECTIVE	TAXONOMY ELIGIBILITY PER OBJECTIVE
CCM	0.0%	17.3%
CCA	0.0%	0.0%
WTR	0.0%	0.0%
CE	0.0%	47.6%
PPC	0.0%	0.0%
BIO	0.0%	0.0%

CapEx Indicator

The CapEx indicators (Capital Expenditures) provides in accordance with subsection 1.1.2.2 of Annex I of the delegated regulation I&D the share of capital expenditure that

- › refers either to assets or processes associated with taxonomy-eligible and taxonomy-aligned economic activity, or
- › refers to the purchase of products and services resulting from a taxonomy-eligible and taxonomy-aligned economic activity.

Capital expenditure (CapEx) is based on additions to property, plant and equipment and intangible assets during the financial year in question before depreciation and amortisation and any re-measurements, including those resulting from revaluations and impairments, for the relevant financial year. They also include additions to property, plant and equipment and intangible assets resulting from business combinations (application of IFRS [IAS 16, 38, 40, 41, IFRS 16]; as well as national accounting methods). Acquired goodwill is not included.

The company identified total capital expenditure in accordance with the EU Taxonomy Regulation (including assets from business combinations) at EUR 88.3 million for the reporting year (see Notes to the Consolidated Financial Statements Section C, Note (12) and Note (13); PY: EUR 56.9 million).

These form the denominator of the CapEx indicators. In detail, total capital expenditure is as follows:

	IN EUR MIO.
IAS 16 Property, plant and equipment	20.1
IAS 38 Intangible assets	46.4
IAS 40 Investment property	0.0
IFRS 16 Leases (> 12 months)	21.8
Total	88.3
thereof as a result of changes in the group of consolidated companies	23.8

Based on the description of the additions, an analysis of taxonomy eligibility and taxonomy alignment is carried out as well as a comparison with Annex I (Significant contribution to climate change mitigation) and Annex II (Significant contribution to climate change adaptation) of the Delegated Regulation TB. In addition, taxonomy eligibility was also reviewed with regard to the four other environmental objectives published in 2023.

The following relevant economic activities were identified for the Kontron Group within the individual environmental objectives, to which capital expenditure can be allocated:

Environmental objective "climate change mitigation":

- › 6.5 Transport by motorbikes, passenger cars and light commercial vehicles
- › 6.14 Infrastructure for rail transport
- › 7.2 Renovation of existing buildings
- › 7.3 Installation, maintenance and repair of energy efficiency equipment
- › 7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)
- › 7.6 Installation, maintenance and repair of renewable energy technologies
- › 8.1 Data processing, hosting and related activities

Environmental objective "climate change adaptation":

- › 8.2 Computer programming, consultancy and related activities

Environmental objective "circular economy":

- › 1.2 Manufacture of electrical and electronic equipment
- › 5.1 Repair, refurbishment and remanufacturing
- › 5.2 Sale of spare parts

Capital expenditure that has been allocated to economic activities 6.14 "Infrastructure for rail transport", 8.1 "Data processing, hosting and related activities", as well as all listed economic activities within the "Climate change adaptation" and "Circular economy" environmental objectives, relates to assets or processes associated with the respective taxonomy economic activities within the framework of generating revenue. With regard to economic activity 8.2 "Computer programming, consultancy and related activities", please note that,

according to the EU taxonomy, this economic activity is not one of the so-called “enabling” activities and is therefore not included in the calculation of the revenue indicator, but only in the CapEx or OpEx figure.

Capital expenditure that has been allocated to the other listed economic activities, relates to the purchase of products or services from the respective taxonomy-eligible economic activities. These include in particular investments in the vehicle fleet (economic activity 6.5) and investments in connection with buildings and production facilities (economic activities 7.2, 7.3, 7.4, 7.6).

The sum of additions, which reflect a taxonomy-eligible investment with regard to the economic activities mentioned in accordance with the Taxonomy Regulation, is the numerator of the taxonomy-eligible CapEx figure in the amount of EUR 47.0 million (PY: EUR 32.3 million). This results in a taxonomy-eligible CapEx figure of 53.3%, while the taxonomy-aligned CapEx figure is 0%. The following table provides an overview of the taxonomy eligibility and taxonomy alignment of CapEx per environmental objective – more details are provided in the CapEx indicator table at the end of this section.

	SHARE OF CAPEX/TOTAL CAPEX	
	TAXONOMY ALIGNMENT PER OBJECTIVE	TAXONOMY ELIGIBILITY PER OBJECTIVE
CCM	0.0%	18.9%
CCA	0.0%	23.4%
WTR	0.0%	0.0%
CE	0.0%	29.9%
PPC	0.0%	0.0%
BIO	0.0%	0.0%

OpEx Indicator

The OpEx indicators (Operating Expenditures) provide in accordance with subsection 1.1.3.2 of Annex I of the delegated regulation I&D the share of operating expenditure that

- › refers either to assets or processes associated with taxonomy-eligible and taxonomy-aligned economic activity, or
- › refers to the purchase of products and services resulting from a taxonomy-eligible and taxonomy-aligned economic activity.

The basis for operating expenses (OpEx) is the direct, non-capitalised costs for research and development, building renovation measures, short-term leases or low-value asset leases, maintenance and repair as well as for all other direct expenses for the ongoing maintenance of tangible assets by the company or by third parties that are necessary to ensure the continued and effective functioning of these assets.

To determine the denominator, the sum of the above costs was calculated based on a detailed analysis of accounts and cost centres. The total operating expenses in accordance with Taxonomy Regulation Art. 8 Annex I Subsection 1.1.3.1 of Annex I of the delegated regulation I&D amount to EUR 67.2 million (PY: EUR 30.1 million). These form the denominator of the OpEx indicator.

The numerator of the OpEx indicator in accordance with subsection 1.1.3.2 of Annex I of the delegated regulation I&D corresponds to the part of the operating expenditure included in the denominator that relates to assets or processes that are associated with taxonomy economic activities according to Annex I (Significant contribution to climate change mitigation) and Annex II (Significant contribution to climate change adaptation) of delegated regulation 2021/2139 and according to Annex I (Significant contribution to the sustainable use and protection of water and marine resources), Annex II (Significant contribution to the transition to a circular economy), Annex III (Significant contribution to preventing and reducing environmental pollution) and Annex IV (Significant contribution to protecting and restoring biodiversity and ecosystems) of delegated regulation 2023/2486.

The following relevant economic activities were identified for the Kontron Group within the individual environmental objectives, to which operating expenditure can be allocated:

Environmental objective “climate change mitigation”:

- › 6.5 Transport by motorbikes, passenger cars and light commercial vehicles
- › 6.6 Freight transport services by road
- › 6.14 Infrastructure for rail transport
- › 7.2 Renovation of existing buildings
- › 7.3 Installation, maintenance and repair of energy efficiency equipment
- › 7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)
- › 8.1 Data processing, hosting and related activities

Environmental objective “climate change adaptation”:

- › 8.2 Computer programming, consultancy and related activities

Environmental objective “circular economy”:

- › 1.2 Manufacture of electrical and electronic equipment
- › 5.1 Repair, refurbishment and remanufacturing
- › 5.2 Sale of spare parts

Taxonomy-eligible operating expenditure of EUR 49.5 million consists primarily of non-capitalised costs for research and development. In this respect, analysing the taxonomy eligibility or taxonomy alignment of research and development costs is essential when determining OpEx figures. To the extent that these costs for research and development are related to an economic activity that was already identified as taxonomy-relevant in the revenue analysis, the associated R&D expenses have also been allocated to this economic activity. Together with taxonomy-eligible expenses in the areas of maintenance and repair, leasing, buildings and building renovation, the share of taxonomy-eligible OpEx is 73.7%. The taxonomy-aligned OpEx figure is 0%. The following table provides an overview of the taxonomy eligibility and taxonomy alignment of OpEx per environmental objective – more details are provided in the OpEx indicator table at the end of this section.

	SHARE OF OPEX/TOTAL OPEX	
	TAXONOMY ALIGNMENT PER OBJECTIVE	TAXONOMY ELIGIBILITY PER OBJECTIVE
CCM	0.0%	15.1%
CCA	0.0%	20.7%
WTR	0.0%	0.0%
CE	0.0%	53.0%
PPC	0.0%	0.0%
BIO	0.0%	0.0%

When determining the above key figures, various audit steps, including documenting data generation and ensuring consistency with other financial information, prevented any double counting of economic activities.

Template 1 – Nuclear and fossil gas related activities

ROW	NUCLEAR ENERGY RELATED ACTIVITIES
1	<p>The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.</p> <p style="text-align: right;">NO</p>
2	<p>The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.</p> <p style="text-align: right;">NO</p>
3	<p>The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.</p> <p style="text-align: right;">NO</p>
ROW	FOSSIL GAS RELATED ACTIVITIES
4	<p>The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.</p> <p style="text-align: right;">NO</p>
5	<p>The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.</p> <p style="text-align: right;">NO</p>
6	<p>The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.</p> <p style="text-align: right;">NO</p>

FINANCIAL YEAR 2023	YEAR 2023			SUBSTANTIAL CONTRIBUTION CRITERIA						
	ECONOMIC ACTIVITIES (1)	CODE (2)	TURNOVER (3)	PROPORTION OF TURNOVER 2023 (4)	CLIMATE CHANGE MITIGATION (5)	CLIMATE CHANGE ADAPTATION (6)	WATER (7)	POLLUTION (8)	CIRCULAR ECONOMY (9)	BIODIVERSITY (10)
		IN TEUR	IN %	Y; N; N/EL ¹⁾	Y; N; N/EL ¹⁾	Y; N; N/EL ¹⁾	Y; N; N/EL ¹⁾	Y; N; N/EL ¹⁾	Y; N; N/EL ¹⁾	Y; N; N/EL ¹⁾
A. TAXONOMY-ELIGIBLE ACTIVITIES										
A.1. ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (TAXONOMY-ALIGNED)										
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)			0	0.0%						
Of which Enabling			0	0.0%						
Of which Transitional			0	0.0%						
A.2 TAXONOMY-ELIGIBLE BUT NOT ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (NOT TAXONOMY-ALIGNED ACTIVITIES)										
					EL; N/EL ²⁾	EL; N/EL ²⁾	EL; N/EL ²⁾	EL; N/EL ²⁾	EL; N/EL ²⁾	EL; N/EL ²⁾
Infrastructure for rail transport	CCM 6.14	166,741	13.6%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL
Data processing, hosting and related activities	CCM 8.1	45,100	3.7%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL
Manufacture of electrical and electronic equipment	CE 1.2	570,903	46.6%	N/EL	N/EL	N/EL	N/EL	EL	N/EL	N/EL
Provision of IT/OT data-driven solutions	CE 4.1	6,189	0.5%	N/EL	N/EL	N/EL	N/EL	EL	N/EL	N/EL
Repair, refurbishment and remanufacturing	CE 5.1	1,325	0.1%	N/EL	N/EL	N/EL	N/EL	EL	N/EL	N/EL
Sale of spare parts	CE 5.2	869	0.1%	N/EL	N/EL	N/EL	N/EL	EL	N/EL	N/EL
Product-as-a-service and other circular use- and result-oriented service models	CE 5.5	4,460	0.4%	N/EL	N/EL	N/EL	N/EL	EL	N/EL	N/EL
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)			795,587	64.9%						
A. Turnover of Taxonomy eligible activities (A.1+A.2)			795,587	64.9%						
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES										
Turnover of Taxonomy-non-eligible activities			430,361	35.1%						
Total			1,225,947	100.0%						

These footnotes refer to data from this and the two following double-page tables:

- 1) Y - Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N - No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL - not eligible, Taxonomy-non-eligible activity for the relevant environmental objective.
- 2) EL - Taxonomy-eligible activity for the relevant environmental objective
N/EL - Taxonomy-non-eligible activity for the relevant environmental objective

DNSH CRITERIA ("DOES NOT SIGNIFICANTLY HARM")

CLIMATE CHANGE MITIGATION (11)	CLIMATE CHANGE ADAPTATION (12)	WATER (13)	POLLUTION (14)	CIRCULAR ECONOMY (15)	BIODIVERSITY (16)	MINIMUM SAFEGUARDS (17)	PROPORTION OF TAXONOMY ALIGNED (A.1.) OR ELIGIBLE (A.2.) TURNOVER 2022 (18)	CATEGORY ENABLING ACTIVITY (19)	CATEGORY TRANSITIONAL ACTIVITY (20)
Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	IN %	E	T
							0.0%		
							0.0%		
							0.0%		
							9.8%		
							53.0% ³⁾		
							n/a		
							n/a		
							n/a		
							n/a		
							n/a		
							63.6%⁴⁾		
							63.6%⁴⁾		

3) Revenues that were allocated to economic activity 8.1 (CCM) in financial year 2022 were partially reclassified to economic activity 1.2 (CE) in financial year 2023

4) Change in the share of taxonomy-eligible revenues in relation to consolidated revenues due to a reclassification of the previous year's revenues (see explanations in Section B, Note (1) in the Notes to the Consolidated Financial Statements)

FINANCIAL YEAR 2023		YEAR 2023		SUBSTANTIAL CONTRIBUTION CRITERIA					
ECONOMIC ACTIVITIES (1)	CODE (2)	CAPEX (3)	PROPORTION OF CAPEX 2023 (4)	CLIMATE CHANGE MITIGATION (5)	CLIMATE CHANGE ADAPTATION (6)	WATER (7)	POLLUTION (8)	CIRCULAR ECONOMY (9)	BIODIVERSITY (10)
		IN TEUR	IN %	Y; N; N/EL ¹⁾	Y; N; N/EL ¹⁾	Y; N; N/EL ¹⁾	Y; N; N/EL ¹⁾	Y; N; N/EL ¹⁾	Y; N; N/EL ¹⁾
TAXONOMY-ELIGIBLE ACTIVITIES									
ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (TAXONOMY-ALIGNED)									
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0.0%						
Of which Enabling		0	0.0%						
Of which Transitional		0	0.0%						
TAXONOMY-ELIGIBLE BUT NOT ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (NOT TAXONOMY-ALIGNED ACTIVITIES)									
				EL; N/EL ²⁾	EL; N/EL ²⁾	EL; N/EL ²⁾	EL; N/EL ²⁾	EL; N/EL ²⁾	EL; N/EL ²⁾
Infrastructure for rail transport	CCM 6.14	11,255	12.7%	EL	EL	N/EL	N/EL	N/EL	N/EL
Data processing, hosting and related activities	CCM 8.1	665	0.8%	EL	EL	N/EL	N/EL	N/EL	N/EL
Repair, refurbishment and remanufacturing	CE 5.1	8	0.0%	N/EL	N/EL	N/EL	N/EL	EL	N/EL
Sale of spare parts	CE 5.2	17	0.0%	N/EL	N/EL	N/EL	N/EL	EL	N/EL
Manufacture of electrical and electronic equipment	CE 1.2	26,355	29.9%	N/EL	N/EL	N/EL	N/EL	EL	N/EL
Computer programming, consultancy and related activities	CCA 8.2	3,940	4.5%	N/EL	EL	N/EL	N/EL	N/EL	N/EL
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	3,892	4.4%	EL	EL	N/EL	N/EL	N/EL	N/EL
Renovation of existing buildings	CCM 7.2	785	0.9%	EL	EL	N/EL	N/EL	N/EL	N/EL
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	49	0.1%	EL	EL	N/EL	N/EL	N/EL	N/EL
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	28	0.0%	EL	EL	N/EL	N/EL	N/EL	N/EL
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	40	0.0%	EL	EL	N/EL	N/EL	N/EL	N/EL
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		47,034	53.3%						
CapEx of Taxonomy eligible activities (A.1+A.2)		47,034	53.3%						
TAXONOMY-NON-ELIGIBLE ACTIVITIES									
CapEx of Taxonomy-non-eligible activities		41,249	46.7%						
Total		88,283	100.0%						

DN SH CRITERIA ("DOES NOT SIGNIFICANTLY HARM")

CLIMATE CHANGE MITIGATION (11)	CLIMATE CHANGE ADAPTATION (12)	WATER (13)	POLLUTION (14)	CIRCULAR ECONOMY (15)	BIODIVERSITY (16)	MINIMUM SAFEGUARDS (17)	PROPORTION OF TAXONOMY ALIGNED (A.1.) OR ELIGIBLE (A.2.) CAPEX 2022 (18)	CATEGORY ENABLING ACTIVITY (19)	CATEGORY TRANSITIONAL ACTIVITY (20)
Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	IN %	E	T
							0.0%		
							0.0%		
							0.0%		
							12.3%		
							30.8% ³⁾		
							n/a		
							n/a		
							n/a		
							5.4%		
							4.5%		
							0.0%		
							n/a		
							n/a		
							0.6%		
							56.8%		
							56.8%		

3) CapEx that were allocated to economic activity 8.1 (CCM) in financial year 2022 were partially reclassified to economic activity 1.2 (CE) in financial year 2023

FINANCIAL YEAR 2023	YEAR 2023			SUBSTANTIAL CONTRIBUTION CRITERIA						
	ECONOMIC ACTIVITIES (1)	CODE (2)	OPEX (3)	PROPORTION OF OPEX 2023 (4)	CLIMATE CHANGE MITIGATION (5)	CLIMATE CHANGE ADAPTATION (6)	WATER (7)	POLLUTION (8)	CIRCULAR ECONOMY (9)	BIODIVERSITY (10)
		IN TEUR	IN %	Y; N; N/EL ¹⁾	Y; N; N/EL ¹⁾	Y; N; N/EL ¹⁾	Y; N; N/EL ¹⁾	Y; N; N/EL ¹⁾	Y; N; N/EL ¹⁾	Y; N; N/EL ¹⁾
A. TAXONOMY-ELIGIBLE ACTIVITIES										
A.1. ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (TAXONOMY-ALIGNED)										
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0.0%							
Of which Enabling		0	0.0%							
Of which Transitional		0	0.0%							
A.2 TAXONOMY-ELIGIBLE BUT NOT ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (NOT TAXONOMY-ALIGNED ACTIVITIES)										
					EL; N/EL ²⁾	EL; N/EL ²⁾	EL; N/EL ²⁾	EL; N/EL ²⁾	EL; N/EL ²⁾	EL; N/EL ²⁾
Infrastructure for rail transport	CCM 6.14	8,902	13.3%	EL	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Data processing, hosting and related activities	CCM 8.1	336	0.5%	EL	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Repair, refurbishment and remanufacturing	CE 5.1	304	0.5%	N/EL	N/EL	N/EL	N/EL	EL	N/EL	N/EL
Sale of spare parts	CE 5.2	37	0.1%	N/EL	N/EL	N/EL	N/EL	EL	N/EL	N/EL
Manufacture of electrical and electronic equipment	CE 1.2	35,252	52.5%	N/EL	N/EL	N/EL	N/EL	EL	N/EL	N/EL
Computer programming, consultancy and related activities	CCA 8.2	3,799	5.7%	N/EL	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	519	0.8%	EL	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Freight transport services by road	CCM 6.6	80	0.1%	EL	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Renovation of existing buildings	CCM 7.2	12	0.0%	EL	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	260	0.4%	EL	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	1	0.0%	EL	EL	N/EL	N/EL	N/EL	N/EL	N/EL
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		49,502	73.7%							
A. OpEx of Taxonomy eligible activities (A.1+A.2)		49,502	73.7%							
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES										
OpEx of Taxonomy-non-eligible activities		17,652	26.3%							
Total		67,154	100.0%							

DNSH CRITERIA ("DOES NOT SIGNIFICANTLY HARM")

CLIMATE CHANGE MITIGATION (11)	CLIMATE CHANGE ADAPTATION (12)	WATER (13)	POLLUTION (14)	CIRCULAR ECONOMY (15)	BIODIVERSITY (16)	MINIMUM SAFE-GUARDS (17)	PROPORTION OF TAXONOMY ALIGNED (A.1.) OR ELIGIBLE (A.2.) OPEX 2022 (18)	CATEGORY ENABLING ACTIVITY (19)	CATEGORY TRANSITIONAL ACTIVITY (20)
Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	IN %	E	T
							0.0%		
							0.0%		
							0.0%		
							15.4%		
							45.0% ³⁾		
							n/a		
							n/a		
							n/a		
							3.3%		
							2.1%		
							0.3%		
							1.3%		
							n/a		
							n/a		
							67.5%		
							67.5%		

3) OpEx that were allocated to economic activity 8.1 (CCM) in financial year 2022 were partially reclassified to economic activity 1.2 (CE) in financial year 2023

Environment & Climate



Environmental protection and environmental management

The Group's responsible treatment of the environment is important to our management, employees, and stakeholders and is therefore part of our overall strategy. Our company's management has established a detailed set of environmental policies and promotes employees' awareness of environmental issues in their daily work. A further focus of these policies is the creation of solutions to effectively protect natural resources, the environment, our employees, and people who work in our value chain.

We have developed an environment management system for deployment in our production-related premises in Europe and North America. This system assesses the facilities' environmental performance and thus delivers indications on how to improve it on an ongoing basis. The system is based on our environmental policy, from which overarching and specific environmental goals are derived and which ensures that our environmental protection obligations are met within the framework of the environmental management system.

Within the Kontron Group, several companies are already certified in accordance with the international environmental management standard ISO 14001, and certification of further Group locations according to this standard is planned. Steps to secure certification according to ISO 14001 are continually assessed and refined. An important part of our environmental management system is the identification and analysis at each facility of relevant and significant environmental issues. Each of these issues is then evaluated and subsequently classified. This enables the effective implementation of improvement measures. As stipulated by the standard, we have extended our assessment to include evaluation of the opportunities and risks arising from our respective environment-impacting activities. This enables their effective management. The assessment is appraised and updated at least once a year.

We are pursuing the achievement of our environmental goals and the continuous development and improvement of our environmental management system in several areas:



Our environmental management system has been structured in such a way that it helps us to identify and monitor all requirements imposed by the needs of the environment and by the laws of the respective country or location. This in turn guarantees that the requirements comply with applicable legislation. To achieve this, we use an online register of laws that automatically notifies us of changes to laws and directives relating to recycling, the treatment of chemicals, climate protection and conservation of bodies of water. This also encompasses regulations on product-related environmental protection. We use internal audits to determine the strengths and weaknesses of the environmental management system in place at each facility.

We also expect our suppliers to comply with ecological and social standards, which are set out in our Supplier Code of Conduct. This compliance is checked by means of the audits of our suppliers that we conduct. We systematically acknowledge and analyse the expectations of all those stakeholders who are interested in our environmental performance. This enables us to proactively fulfil the requirements placed by our respective sets of stakeholders on our actions to protect the environment – and to forge ties with them depending on their particular areas of interest.

Environmental objectives of the Kontron Group

Reduction of the consumption of electricity and the utilisation of renewable energy

- › Installation of photovoltaic facilities at a variety of locations
- › Electricity-conserving IT equipment at places of work and at our data centres
- › Switching to LED lighting at our facilities
- › Enhancing employee awareness of the need to preclude unnecessary consumption of electricity
- › Increasing the number of e-charging stations at our facilities
- › Encouraging the switch to renewable energy – raising its share to 50% by 2030

Reduction of heating and cooling requirements per square metre

- › Sensible use of office heating and air conditioning – only when needed
- › Turn off heating in empty individual offices
- › Close windows and doors when heating or air conditioning are on (ventilating in bursts)

Reduction of paper consumption

- › Focus on paperless processes within the Kontron Group
- › Implement Follow-Me Printing solutions to reduce uncollected printouts
- › Reduction through deployment of electronic, integrated HR systems (e.g. on-site systems of managing working hours and absences from work), and utilisation of e-invoices

Reduction of greenhouse gas emissions

- › Reducing business trips to the absolute minimum, replacing them with greater use of modern communication technologies such as telephone or video conferences
- › Conversion of the vehicle fleet to e-vehicles by 2030
- › Promote the use of public transport and company bicycles
- › Halving our own greenhouse gas emissions by 2030 (Scope 1 and 2)

Our aim is constant improvement of our environmental performance. We take our corporate environmental policies as the basis for setting annual environmental targets at each facility. By doing so, we ensure the efficacy of the program. If necessary, we implement improvement measures and establish appropriate new objectives. We work to identify indicators that can be used to quantify all environmental objectives and make them more transparent and even more measurable. Examples of such indicators are energy intensity (calculated in terms of turnover), heating requirement per m² and CO₂e emissions per employee resulting from business trips.

Product-related environmental protection

We provide our customers with reliable, integrated and holistic products that constitute unique solutions. Our key objective is to develop innovative products and solutions that are characterised by low-energy consumption and enable efficient and resource-conserving manufacture.

Energy-conserving IoT and embedded solutions are already well represented in our portfolio, and their share will continue to grow due to steadily increasing customer demand. In addition, the ecological aspect is of ever-greater importance in our innovative developments and our business-related considerations and decisions. That is why we always take care to conserve natural resources by avoiding waste and using efficient recycling solutions, for example.

We supervise our waste disposal facilities on the basis of the comprehensive catalogue of types of waste contained in the decree on the list of waste and the industrial waste regulation and require documented evidence of sorting and recycling quotas as well as the final shipment of our waste.

Environmental protection regulations

Our objectives are the avoidance of the use of hazardous materials in our components and the attainment of environmentally aware product design. To achieve these goals, we always ask our suppliers for information on the composition of the components that we obtain from them and incorporate in our proprietary products. This enables us to inform our customers at any time about the components installed in their products. At the same time, we pursue our goal of accomplishing an environmentally conscious product design. We meet customers' specific requirements in accordance with legal stipulations. The Kontron Group's adherence to environmental requirements imposed by applicable laws and regulations starts in the product development phase. These regulations, and their implementation in each national context, include:

- › EU Directive 2012/19/EU on Waste Electrical and Electronic Equipment (WEEE Directive)
- › EU Directive 94/62/EC on Packaging and Packaging Waste (Packaging Directive)
- › EU Directive 2006/66/EC on batteries and accumulators and waste batteries and accumulators (Battery Directive)
- › EU Directive 2011/65/EU on the restriction on the use of certain hazardous materials in electrical and electronic devices (RoHS Directive)
- › EU Regulation 1907/2006/EG on the registration, evaluation, authorisation, and restriction of chemicals (REACH Regulation)
- › EU Regulation (EU) 2017/821 laying down supply chain due diligence obligations for Union importers of tin, tantalum and tungsten, their ores, and gold originating from conflict-affected and high-risk areas in conjunction with the "Dodd-Frank Wall Street Reform and Consumer Protection Act" (conflict minerals regulation)

WEEE directive: avoidance of electrical and electronic waste

On January 27, 2003, the EU passed an environment protection directive entitled "WEEE Directive 2002/96/EC" (the abbreviation stands for "waste electrical and electronic equipment"). Its objective was to bring about the reduction of the increasing quantity of electronic waste that stems from electrical and electronic devices that are no longer used. The Directive was replaced by the WEEE Directive 2012/19/EU of July 4, 2012. This directive's objective is to remind the parties concerned of their responsibility for electrical and electronic devices that are no longer being used, and to promote the prevention, reduction, and environmentally compatible disposal of the increasing quantities of electronic waste through extended producer responsibility. All EU member states are required to implement the WEEE Directive in national laws.

The Kontron Group has committed itself to undertaking actions to promote a safe and healthy environment. The Group is thus working conscientiously to adhere to all requirements imposed by the WEEE Directive. The products sold by Kontron and its subsidiaries that are affected by the WEEE Directive meet its requirements by

- › bearing in mind their future disassembly and recovery as well as recycling requirements when developing the devices,
- › marking the device with the symbol stipulated by the WEEE Directive (a crossed-out wheelie bin), and
- › providing our customers with the relevant information.

Most of our products are classified as “embedded computers” (integrated computers). As such, they do not belong to any of the categories of products defined in the WEEE Directive. Our “embedded computers” are not standalone electrical and electronic systems, and are not sold under our corporate name to end-users. Instead, they are incorporated into customer systems. The WEEE Directive assigns the main responsibility for handling the obligatory registration, reporting and management of the recycling process required by the Directive to the final manufacturer of the product, and thus to our customers, who sell their products under their own company names to end-users.

To help our customers comply with all the stipulations of the WEEE Directive, we provide them with all the data that has to be reported (product weight, instructions on disassembly, etc.). This data is found in the product’s technical specifications, product overview and/or installation and maintenance manuals. Customers affected by the WEEE Directive can conclude an agreement for the obligatory return of the components concerned.

In addition to embedded computers, we also produce complete systems such as rackmount servers, which are considered to be standalone systems. We satisfy the obligations imposed by the WEEE Directive to register such systems in the EU member countries bound by it.

RoHS compliance: restriction of hazardous substances

On July 1, 2006 EU Directive 2002/95/EU on the restriction on the use of certain hazardous materials in electrical and electronic devices (RoHS Directive) came into effect. The directive is abbreviated as RoHS (“Restriction of Hazardous Substances”).

Since this promulgation of the Directive, the member states of the European Union have been required to ensure that electric and electronic devices introduced onto markets do not contain – in accordance with the RoHS Directive – lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls (PBB), or polybrominated diphenyl ethers (PBDE). The Directive provides for exceptions to this prohibition only under certain conditions.

The updated RoHS Directive (2011/65/EU, RoHS 2), categorised as a CE directive of designation, was issued by the EU on June 8, 2011. The exemptions defined at that time ceased to be effective from January 2, 2013. From January 2, 2013, the EU member states had to implement and publish the requisite legal and administrative regulations to meet the stipulations of the RoHS-2 Directive.

The Kontron companies, as manufacturing subsidiaries of Kontron AG, fulfil the stipulations of the RoHS-2 Directive and ensure the availability of RoHS-compliant products for their customers.

The few exceptions still found in Kontron’s RoHS-compliant products are regularly evaluated by the European Commission regarding renewal of their approval. The Kontron Group takes the expiry of the active RoHS-2 exceptions very seriously.

In its cooperation with its customers, Kontron AG also sees it as its duty and a matter of course to provide the latest information on the disposal of hazardous materials that stem from the components used. The Kontron Group offers a broad range of electronic and mechanical components, modules and processes. This broad range enables Kontron to recognise trends at an early stage and thus to implement unique solutions. These in turn enable manufacturers of components to avoid using hazardous materials.

EU directive on chemicals: REACH

The REACH Directive ("Registration, Evaluation, Authorisation and Restriction of Chemicals") was adopted by the European Union to lessen the risks arising from chemicals to human and environmental health.

Since June 1, 2008, manufacturers and importers of chemicals in and into the European Economic Area (EEA) have been required to register with the European Chemicals Agency those materials subject to mandatory registration if such chemicals are being produced or imported in quantities of at least one ton a year. An exception to this rule is so-called "phase-in materials" and those listed in EINECS (European Inventory of Existing Commercial Chemical Substances).

The companies of the Kontron Group issue the reports required of them by REACH. This is because our products form part of the scope of application of this EU directive on chemicals. However, Kontron's products are manufactured products (not chemicals) that do not release substances under normal and foreseeable conditions. Our electronic components, small-sized parts and small-sized computers are manufactured products as defined by Article 3 Number 3 of the Regulation (EC) No. 1907/2006 (REACH). This is because the products' specific forms – and the design in general – play a much more important role in determining how they work than their chemical compositions do. These products are not subject to mandatory registration under REACH.

The Kontron Group commits to managing its products and processes in ways that minimise the risks they pose to the health and safety of humans and the environment. The Candidates List of the European Chemicals Agency lists "Substances of Very High Concern" (SVHCs). Kontron regularly monitors this list for new additions. Our authorised manufacturers are obliged to disclose the existence of SVHCs on request. In accordance with Article 33 of the REACH Directive, Kontron informs its customers promptly about any amendments to the Candidates List and about these changes' relevance to our products. In addition, such queries may be submitted to our company at any time.

Conflict materials

The USA's "Dodd-Frank Wall Street Reform and Consumer Protection Act" contains disclosure and reporting requirements relating to so-called "conflict minerals" originating from the Democratic Republic of the Congo (DRC) and its neighbouring countries. This legislation has been binding for companies listed on the US stock exchanges since July 2010. The term "conflict minerals" applies to such raw materials as tantalum, tin, gold and tungsten in cases where their mining and trading form part of the financing or other kinds of support for armed groups in the DRC and its neighbouring countries. Respecting human rights and thus adhering to the "Dodd-Frank Wall Street Reform and Consumer Protection Act" is of the highest priority for us. We have instituted measures to preclude our use of conflict minerals in our supply chain. This represents one way in which we help to avoid or minimize human rights violations (see "Kontron Supplier Code of Conduct" under <https://ir.kontron.com/Compliance.en.html>).

We assist our customers with their comprehensive declaration on the use of conflict minerals in accordance with the stipulations imposed by the USA's Securities and Exchange Commission (SEC). Our customers are required to provide appropriate information when meeting their reporting obligations and conducting due diligence within their supply chains. Kontron AG's subsidiaries are in a position to assess and track the components and suppliers covered by the reporting and by the declaration on the utilisation of conflict minerals. To determine the origins of the metals used, we call upon and work closely with external service providers and the manufacturers. This is because we do not directly procure these metals from mines or smelters.

In June 2016, the European Commission, the European Parliament and its member states agreed for the first time on guidelines for a directive to govern the trading in so-called conflict minerals. The EU's new CMRT Directive (Conflict Minerals Reporting Template) came into force on January 1, 2021. It aims to reduce trading in tin, tantalum, tungsten and gold from conflict regions. This new EU regulation is therefore relevant to the corporate obligation to render diligence in the raw materials sector. This, in turn, will cause the company to assume greater responsibility for the supply chain of raw materials and to take measures to prevent the financing of conflicts and human rights violations. The new EU regulation affects the Kontron Group only indirectly. Despite this, we meet our obligations towards our suppliers and customers with great diligence. We are already preparing measures to satisfy the stipulations of the new regulation.

Disposal and recycling

We take measures to ensure proper disposal of the waste generated at our production facilities and offices. This disposal is subject to clearly formulated and binding regulations. Waste materials generated from production operations are assigned to the following categories and then disposed of in the corresponding marked and labelled containers: paper and cardboard, recyclable materials (styrofoam, plastics, films etc.), metal scrap, electronic waste (e.g. cables, boards, keyboards, monitors, etc.), and rechargeable and other batteries. Special rules have been established for ESD (electrostatic discharge) areas. Such items are disposed of in dedicated containers. Waste generated in offices is also separated. The offices have special bins for paper and cardboard and for the other kinds of waste, whose separation is handled by disposal companies. Additionally, locked bins are used for the disposal of confidential documents. Hazardous waste generated at production facilities is handed over to certified waste disposal companies.

The Kontron Group also tries to avoid waste by manufacturing our proprietary products and those procured from others with a minimum of packaging. This also applies to items ordered. Working with our suppliers, we increasingly use environmentally friendly packaging, including biodegradable materials such as plastic alternatives made from cornmeal, algae and hemp, and recyclable items such as paper and cardboard.

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SUSTAINABILITY REPORT

Environment indicators

INDICATOR	GRI	UNIT	2023	2022	2021 ¹⁾
Consumption of electricity from non-renewable sources	302-1	MWh	14,757	14,876	23,834 ²⁾
Consumption of electricity from renewable sources	302-1	MWh	4,929	5,299	n/a
Heating energy consumption	302-1	MWh	7,476	9,540	12,174
Cooling energy consumption	302-1	MWh	460	n/a	n/a
Total energy consumption	302-1	MWh	27,623	29,715	36,008
Self-generated electricity	302-1	MWh	511	256	n/a
Share of self-generated electricity ³⁾		%	2.6%	1.3%	n/a
Electricity sold (PV)	302-1	MWh	58	16	n/a
Energy intensity ⁴⁾	302-3	Wh/EUR	23	28	27
EV charging stations		number	27	n/a	n/a
Facilities with PV modules		number	5	n/a	n/a

1) n/a — data was not collected until financial year 2022

2) 2021 total electricity consumption was recorded independently of renewable or non-renewable energy sources

3) Self-generated electricity in relation to total electricity consumption (from renewable and non-renewable sources)

4) Total energy consumption in relation to Group's revenues

INDICATOR	GRI	UNIT	2023 ³⁾	2022 ²⁾	2021 ¹⁾
Water withdrawal	303-3	m ³	161,136	137,875	n/a
Water discharge	303-4	m ³	125,637	137,233	n/a
Water consumption	303-5	m ³	35,499	642	n/a
Hazardous waste generated	306-3	kg	100,042	32,747 ⁴⁾	n/a
Non-hazardous waste generated	306-3	kg	1,000,313	145,428 ⁴⁾	n/a
Total waste			1,100,355	178,175	n/a

1) n/a — data was not collected until financial year 2022

2) The data was collected for Kontron Group companies with their own production facilities (six companies in financial year 2022)

3) The data for the 2023 financial year relates to all companies

4) Correction: kg values were incorrectly shown as tons in 2022

INDICATOR	GRI	UNIT	2023	2022	2021 ¹⁾
Total number of company vehicles	305-1	Vehicles	910	887	1,622
Number of EVs (including hybrid)	305-1	Vehicles	138	70	97
Share of EVs (including hybrid)	305-1	%	15.2%	7.9%	6.0%
Number of kilometres driven	305-1	km	16,291,720	16,521,360	29,473,524
Total fuel consumption within the organisation from non-renewable sources	302-1	MJ	37,042,344	38,866,815	n/a
Total diesel consumption	302-1	MJ	24,012,506	28,121,875	n/a
Total petrol consumption	302-1	MJ	12,715,814	10,601,020	n/a
Total gas consumption	302-1	MJ	3,950	22,978	n/a
Electricity from non-renewable sources	302-1	MJ	310,074	120,942	n/a
Total fuel consumption within the organisation from renewable sources	302-1	MJ	67,878	237,213	n/a
Total biodiesel consumption	302-1	MJ	0	106,767	n/a
Total bioethanol consumption	302-1	MJ	0	0	n/a
Electricity from renewable sources	302-1	MJ	67,878	130,446	n/a
Business travel by aeroplane	305-3	pkm	8,421,021	3,531,880	n/a

1) n/a — data was not collected until financial year 2022

INDICATOR ²⁾	DESCRIPTION	GRI	UNIT	2023	2022	2021 ¹⁾
Scope 1	Direct emissions in accordance with Scope 1 of the GHG protocol standard: fuels in passenger transport of company-owned and controlled vehicles, energy production from own photovoltaic systems and heating energy	305-1	t CO ₂ e	3,773 ³⁾	3,126	n/a
Scope 2	Indirect emissions in accordance with Scope 2 of the GHG protocol standard: Purchase of electricity, district heating and district cooling	305-2	t CO ₂ e	9,878 ⁴⁾	9,702	n/a
Scope 3	Indirect emissions in accordance with Scope 3 of the GHG protocol standard: Business travel by aeroplane	305-3	t CO ₂ e	3,590	1,505	n/a

1) n/a — data was not collected until financial year 2022

2) Extrapolation of the specified values based on the available information on the energy sources used

3) Aggregated assessment for heating energy has been improved, which explains the increase in emissions in Scope 1

4) In 2023, district cooling was included in the emissions calculation

E-mobility

To reduce Kontron's direct emissions, the Executive Board passed a resolution for the entire Group as a strong signal in favour of promoting electromobility. This resolution stipulates that from 2024 only electric cars may be purchased as company vehicles. In addition, charging stations are being installed at all Kontron facilities to increase the availability of charging facilities across the Kontron Group and, ideally, operate them with electricity generated at the sites themselves. The purchase of hybrid cars will still be permitted in exceptional cases. However, there will be a transition period until 2030, and this should be used to phase out combustion engines within the Group so that by 2030 over 90% of the cars used are electric. The Executive Board resolution was incorporated into the Kontron AG Car Policy. An additional target is to increase the number of photovoltaic systems within the Group so that companies can generate their own electricity for their vehicle fleet and offices. This goal promotes the Kontron Group's electromobility strategy.

Photovoltaics

The Kontron Group continuously installing photovoltaic systems at its facilities in turn to meet its own energy requirements with renewable resources. In addition, existing systems are being upgraded or expanded. With a share of 2.6% of total electricity consumption, the Kontron Group's self-produced electricity share is still relatively low, but could be doubled compared to 2022 – Kontron is therefore planning to commission further photovoltaic systems in the future.

Company

Kontron Slovenia

Solution

Broadband solutions

Industry

Communications

Market

Global

case study



Energy efficient broadband equipment

Kontron's compact OLT (optical line termination), the Iskratel Lumia C16 features the lowest power consumption in the industry, lowers carbon footprint of telecom operators, cuts energy bills significantly and shortens payback time on account of energy savings alone. The Iskratel Lumia C16 is a 16-port, compact, energy-saving Combo OLT for 10-gigabit broadband access that connects residential and business users via PON and P2P fibre simultaneously.

The product's record-low energy consumption sets it apart from the competition. Its 155 W power consumption – as little as one and a half 100 W lightbulbs – is 30% lower than the best competitor (based on publicly available/disclosed data). This results in direct savings of 570 kWh each year per single OLT device. In a specific case of an operator in the UK, these savings alone allow the payback time of only 3–5 years.

Fully compliant with the EU Code of Conduct on Energy Consumption of Broadband Equipment, the Iskratel Lumia C16 consumes less than 60% of the power consumption allowed by the Code. It is a fine example of Kontron's continuous endeavours to reduce the carbon footprint during the entire product lifetime, efficiently helping operators implement their sustainability strategies, reduce the impact on the environment and cut energy bills.



Social topics



Diversity, Equity, Inclusion

Kontron's Commitment to Diversity, Equity, and Inclusion (DEI)

Kontron believes that diverse and inclusive teams have a positive impact on the work environment, its products and services and that many of the greatest ideas and discoveries come from a diverse mix of minds, backgrounds and experiences. The individuality of employees, in conjunction with equal opportunities and respect for origin, age, religion, gender and other characteristics, is integral to Kontron's corporate philosophy and forms Kontron's Corporate Culture. By signing the CEO Declaration, Kontron has underlined its commitment to the Women's Empowerment Principles (WEPs) and is actively implementing measures to promote gender equality in its corporate culture, workplace practices, supply chain and community initiatives. As a signatory of the WEPs, Kontron is committed to seven principles for the empowerment of women, which aim to promote gender equality in the workplace without discrimination and contribute to the achievement of SDG 10.

All Kontron Group companies are committed to workforce diversity, creating equity across their systems, and fostering and advancing a culture of inclusion. In line with this, Kontron is committed to providing equal opportunities to all employees, regardless of their gender, sexual orientation, ethnic background, or any other factors outlined above. Kontron is also dedicated to creating an inclusive environment where all employees are heard and encouraged to reach their full potential. In support of this, individual differences are valued and respected.

As part of its corporate culture, Kontron is committed to:

- › Fostering a work environment free of discrimination and harassment;
- › Valuing work and worth of each individual, irrespective of gender, age, disability, marital status, sexual orientation, skin colour, religious or political affiliation, ethnic background, nationality or any other aspect unrelated to their employment;
- › Providing fair treatment and equal opportunities particularly in terms of recruitment and transparent and objective recruitment processes to create a workforce broadly reflective of the larger community;
- › Guiding and supporting growth with career development, promotions, and merit increase to all employees, regardless of their gender, sexual orientation, ethnic background or any other diversity factors;
- › Granting fair remuneration of all employees regardless of gender, origin, religion, age, disability, sexual orientation or other status;
- › Women's advancement;
- › Recognising the unique characteristics, skills, and experiences which each employee brings.

Executive Board

The Executive Board plays a crucial role in creating and constantly improving a diverse and inclusive environment. Kontron expects all members of the Executive Board and the local management boards of the Group companies to be role modelling, inclusive and to foster a respectful behaviour around DEI principles and practices. The Executive Board of Kontron AG ensures compliance with legal requirements and the implementation of the company's guidelines on DEI together with the central functions.

Supervisory Board

In its role as a supervisory and advisory body, the Supervisory Board pays particular attention to addressing DEI issues and encourages the Executive Board to take these into account in corporate objectives. To this end, the Supervisory Board supports a diversity scheme which also takes account of recommendations in the Corporate Governance Code.

Proportion of women in management positions

In general, the proportion of women at management level in the Kontron Group is as follows, including all business units, interim positions, management positions and team leads:

	2023	2022
Executive Board	0.0%	0.0%
Supervisory Board	40.0%	40.0%
Upper management	21.1%	19.7%
Middle and lower management	22.1%	23.2%

Kontrons DEI Principles

Women's advancement

Kontron is committed to the advancement of women's interests as an important element in the ongoing process of gender equality and increasing the proportion of women in management. To achieve a sustainable increase in the proportion of women on all levels, and in particular in technical professions, Kontron continuously works on the further integration of diversity and gender equality into Human Resources processes. When filling any position, Kontron follows the principle of promoting women, by giving preference to female candidates when candidates have equal qualifications. Kontron is implementing a number of measures to increase the number of women in management positions: These include initiatives to support a healthy work-life balance through parental leave policies and flexible working hours. Kontron is actively addressing and promoting female talent through cooperative activities and events, with a focus on filling more management positions with qualified women. Another initiative is the implementation of clear promotion criteria to promote equal opportunities and ensure that promotion decisions are based on unbiased and gender-neutral assessments.

In addition, the consistent implementation of a gender-inclusive language standard is an important measure to promote equal opportunities for employees of all genders and at all levels. In the area of women's empowerment, Kontron places equal pay as one of its strategic focuses and continuously works on ensuring performance-based pay, regardless of gender, and supports its female employees in their career planning and in further education. Kontron has committed itself to supporting the advancement of women, especially in management positions. For 2024, Kontron has developed the Sustainable Leadership Academy, an ambitious one-year training program to develop a new generation of leaders who embody the values of diversity, inclusion, and sustainability. The program is designed to foster the personal and professional development of participants. It is a strategic step by Kontron to increase the number of women in management positions.

As a sign of its commitment to DEI, Kontron participates in the annual "Daughters Days" in Austria, the location of the Headquarter of Kontron, that gives girls aged between 11–16 the opportunity to discover the technical professions at local companies.

LGBTQ+ inclusion

Kontron strives to create a working environment that is open to all people, regardless of their sexual orientation or gender identity. Kontron facilitates a safe environment that respects all sexual orientations: Lesbian, Gay, Bisexual, Queer and more along with their allies.

Ethical recruitment and career development

Kontron promotes transparent and objective recruiting and hiring processes that are aligned with the organisation's values and its commitment to DEI. Employees are hired lawfully and fairly that respects and protects their rights. The principle of equal opportunity and non-discrimination is strictly observed in recruitment and throughout the entire employee cycle – recruitment, onboarding, learning and development. Employees and job applicants will not be discriminated against on grounds of gender, age, faith or religion, skin colour, nationality, ethnic origin, political or other beliefs, sexual orientation, disability, or family status.

People with disability

At Kontron, inclusion of people with disability is key to achieving our mission. Kontron strives to minimise physical or digital barriers within its business model, giving high priority to equity criteria in addition to economic considerations. Kontron continues to integrate people with disability into the workplace through the use of special tools (e.g. technical aids) so that they can participate in an environment with equal working conditions. Kontron AG cooperates with AFB, an inclusive IT recycling company, to offer its customers the opportunity to combine professional IT services with social and ecological added value by reusing and recycling used hardware and creating jobs for people with disability.

Remuneration

Kontron always strives for fair remuneration of all employees regardless of gender, origin, religion, age, disability, sexual orientation or other status. To deliver on that commitment, Kontron benchmarks and sets pay ranges based on relevant market data and considers factors such as an employee's role, experience, and performance. To close the gender-pay-gap, Kontron encourages equal pay at all career stages, for example by setting standardised entry-level salaries that are reviewed each year in line with the local market situation.

Working environment & language

Kontron supports equal opportunities for the employment and has zero tolerance for discrimination, harassment or any other offensive behaviour, such as intimidation, insults, threats, bullying, unfair accusations or any other acts that aim to diminish or devalue a person's worth based on their hierarchical status, gender, sexual orientation or any other characteristic. The requirement to respect others also applies to any form of sexual harassment, for instance, obvious advances, demeaning comments, jokes, vulgar language, obscene gestures, or the display of offensive graphic material in the Group's business and production facilities. By using gender-neutral and non-discriminatory language in Kontron's job advertisements and publishing all job advertisements internally, together with the constant monitoring of equality with regard to gender, age, employee background, seniority and salary, Kontron is ensuring fair treatment and contributing to equal opportunities among men and women at all career stages. In addition, the company's website and social media platforms are also gender-neutral and non-discriminatory.

Work-Life-Balance

Kontron acknowledges employee's need for flexibility and a more symbiotic work-life-balance. By combining mobile and office work and by offering a high degree of flexibility for individual needs, Kontron is laying the foundation for the productive work environment of the future – for all employees alike. To protect and reconcile work commitments with family needs, Kontron has put in place a number of measures. These include access to extensive resources and referral services, free of charge advisory, involvement of employees on leave and easing of re-entry after parental leave.

In the fourth quarter of 2023, Kontron conducted its second Group-wide employee survey, in which around 4,700 employees worldwide were invited to participate. The results show encouraging developments, including a 10% increase in the number of employees who feel well informed about sustainability, a 7% increase in awareness of diversity efforts and a 4% improvement in the perception of Kontron as a very good employer. These results underline the company's clear commitment to communication, sustainability, diversity, and overall employee satisfaction and encourage continued efforts to foster a positive working environment.

Training

Kontron plans to enhance a number of trainings, activities, and awareness campaigns to raise awareness and enhance gender diversity, age/generation mix and mental/physical ability in the workplace. To strive for more gender diversity, Kontron will further accelerate its programs and measures in all phases of employment. These include ethical recruitment and talent attraction, intensive upskilling on DEI, unconscious bias trainings and inclusion programs as well as global diversity networking initiatives.

Kontron Group's goals for its own workforce

Diversity, equity, inclusion

- › Increasing the proportion of female employees to 50% by 2030
- › Increasing the proportion of women in management positions by 20% (compared to 2022) by 2030
- › Expansion of funding programs for female managers
- › Increasing employee satisfaction

Training and education

- › Training hours will be increased by 20% (compared to 2022) by 2030
- › Access to training courses in compliance and data security for all Kontron employees by 2025

Safety at work

- › Complete prevention of accidents at work

Employee indicators

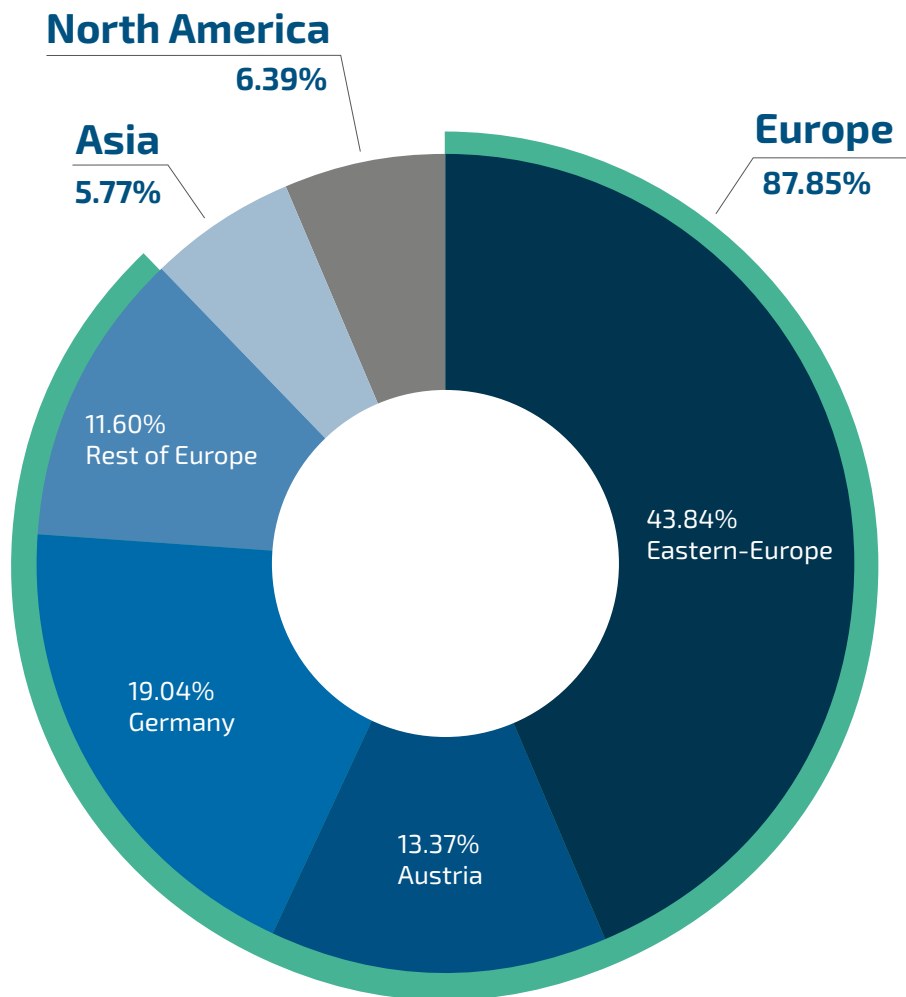
As of December 31, 2023, the Kontron Group employed 4,838 people worldwide (PY: 4,475), although employees on training contracts or parental leave are not included. The decline from 2021 to 2022 is primarily due to the completion of the "Focus" project (sale of companies in the IT Services segment) and the associated transfer of 1,787 employees to the Vinci Group as of December 29, 2022. Unless otherwise stated, the following employee figures express full-time equivalents as of the balance sheet date.

DISTRIBUTION OF EMPLOYEES ACROSS BUSINESS DIVISIONS *	UNIT	2023	2022	2021
Research & Development	FTE	2,658	2,478	3,260
Administration	FTE	772	714	916
Sales	FTE	622	545	762
Field Engineering	FTE	207	209	742
Production	FTE	579	529	526
Total	FTE	4,838	4,475	6,206

* Employee numbers on full-time equivalent basis without employees on parental leave, interns, apprentices, and contingent workers

EMPLOYEES BY REGION*	UNIT	2023	2022	2021
Europe	FTE	4,250	4,003	5,729
of which Eastern Europe	FTE	2,121	2,163	3,477
of which Austria	FTE	647	625	617
of which Germany	FTE	921	732	1,253
of which rest of Europe	FTE	561	483	382
Asia	FTE	279	210	212
North America	FTE	309	262	265
Total	FTE	4,838	4,475	6,206

* Employee numbers on full-time equivalent basis without employees on parental leave, interns, apprentices and contingent workers



AGE STRUCTURE OF EMPLOYEES AND GENDER DISTRIBUTION*

	GRI	2023	2022	2021
Women				
< 30 years	405-1	4.4%	3.8%	3.5%
30–50 years	405-1	16.0%	16.5%	15.1%
> 50 years	405-1	8.7%	8.4%	7.7%
Total	405-1	29.0%	28.7%	26.3%
Men				
< 30 years	405-1	9.2%	9.2%	10.2%
30–50 years	405-1	36.3%	38.0%	41.0%
> 50 years	405-1	25.4%	24.1%	22.6%
Total	405-1	71.0%	71.3%	73.7%
Employees total				
< 30 years	405-1	13.6%	13.0%	13.7%
30–50 years	405-1	52.3%	54.5%	56.1%
> 50 years	405-1	34.1%	32.4%	30.2%
Average age		44.3	43.9	42.9

*incl. trainees

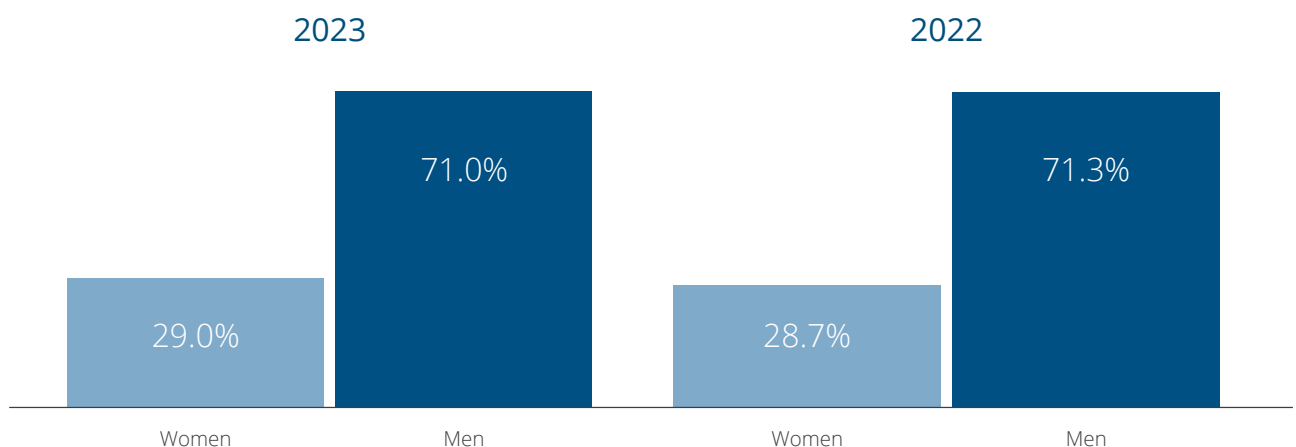


Fig. Gender Distribution of Kontron Group

NEW HIRES AND EMPLOYEE TURNOVER*	GRI	UNIT	< 30 YEARS	30-50 YEARS	> 50 YEARS	TOTAL
Women						
New Hires	401-1	FTE	99	147	46	291
Employee departures	401-1	FTE	51	102	41	193
Turnover	401-1	%	19.2%	11.4%	8.7%	11.9%
Men						
New Hires	401-1	FTE	181	265	108	554
Employee departures	401-1	FTE	100	194	95	388
Turnover	401-1	%	18.1%	9.8%	7.0%	10.0%
Employees total						
New Hires	401-1	FTE	280	412	154	845
Employee departures	401-1	FTE	151	295	135	581
Turnover	401-1	%	18.5%	10.3%	7.4%	10.6%

* incl. trainees

Many of the Kontron Group locations serve as centres of vocational education where young people are trained for technical and business professions. These educational activities are evidence of the Kontron Group's years of commitment to training young people, a commitment enabling it to cover part of its need for highly qualified young employees. The Kontron Group also maintains working relationships with many universities of applied sciences and other higher education institutions and provides support to students undertaking dual majors in a variety of technical and scientific disciplines. Kontron also offers internships and the chance for students to work on Group projects.

DISTRIBUTION OF EMPLOYEES BY CATEGORY	GRI	2023	2022	2021
Female trainees	405-1	25.5%	23.3%	20.5%
Male trainees	405-1	74.5%	76.7%	79.5%
Female specialists	405-1	30.6%	30.1%	27.1%
Male specialists	405-1	69.4%	69.9%	72.9%
Female managers	405-1	22.0%	22.6%	22.1%
Male managers	405-1	78.0%	77.4%	77.9%

DISTRIBUTION OF EMPLOYEES BY CATEGORY	GRI	2023	2022	2021
Trainees total	405-1	2.5%	2.6%	1.8%
Specialists total	405-1	81.3%	81.5%	83.0%
Managers total	405-1	16.2%	16.0%	15.2%

EMPLOYEE CATEGORY BY AGE STRUCTURE	GRI	< 30 YEARS	30-50 YEARS	> 50 YEARS	TOTAL
Female trainees	405-1	0.6%	0.1%	0.0%	0.6%
Female specialists	405-1	3.8%	13.4%	7.6%	24.9%
Female managers	405-1	0.0%	2.5%	1.1%	3.6%
Women total	405-1	4.4%	16.0%	8.7%	29.0%
Male trainees	405-1	1.8%	0.0%	0.0%	1.8%
Male specialists	405-1	7.2%	29.6%	19.7%	56.5%
Male managers	405-1	0.1%	6.7%	5.8%	12.6%
Men total	405-1	9.2%	36.3%	25.4%	71.0%
Trainees total	405-1	2.4%	0.1%	0.0%	2.5%
Specialists total	405-1	11.0%	43.0%	27.3%	81.3%
Managers total	405-1	0.2%	9.2%	6.8%	16.2%
Employees total	405-1	13.6%	52.3%	34.1%	100.0%

INDICATOR	YES/NO
Is the company located in a country where there is no right to collective bargaining, works councils and freedom of association?	no
Are there strict prohibitions regarding collective bargaining and freedom of association?	no
Are there any operating sites with a significant risk of incidents of child labour?	no
Are there any operating sites with a significant risk of incidents of forced or compulsory labour?	no

Other employee, health and social indicators

INDICATOR	GRI	UNIT	2023	2022	2021 ¹⁾
Employees total ⁵⁾		FTE	4,838	4,475	6,206
Hours of training for trainees	404-1	Hours/FTE	133	130	n/a
Hours of training for specialists	404-1	Hours/FTE	11	16	n/a
Hours of training for management	404-1	Hours/FTE	9	16	n/a
Hours of training for women ⁴⁾	404-1	Hours/FTE	12	17	n/a
Hours of training for men ⁴⁾	404-1	Hours/FTE	14	19	n/a
Average hours of training whole Group	404-1	Hours/FTE	14	18	n/a
Apprentice performance appraisal	404-3	Head count	131	n/a	n/a
Specialist performance appraisal	404-3	Head count	2,680	n/a	n/a
Management performance appraisal	404-3	Head count	563	n/a	n/a
Employee turnover ⁴⁾		%	10.6%	13.0%	14.8%
Average length of service		years	10.8	11.4	10.2
Work-related injuries	403-9	Accidents	32	19	23
Serious work-related injuries	403-9	Accidents	0	2	n/a
Fatal work-related injuries	403-9	Accidents	0	0	0
Total number of hours worked ³⁾		Hours	8,127,000	7,518,000	10,426,080
Overall rate of reportable work-related injuries ⁶⁾		Accidents/ working hours	0.79	0.56	0.44
Female employees with disability	405-1	FTE	21	21 ²⁾	n/a
Males employees with disability	405-1	FTE	41	52 ²⁾	n/a
Total people with disability	405-1	FTE	62	73	89
Employees with collective agreements ⁴⁾	2-30	FTE	2,794	2,674	n/a
Employees with a doctorate ⁵⁾		%	1.0%	1.5%	0.9%
Employees with a master's degree ⁵⁾		%	27.8%	25.1%	29.6%
Employees with a bachelor's degree ⁵⁾		%	28.7%	35.3%	30.2%
Employees with a high school diploma ⁵⁾		%	26.6%	25.1%	27.5%
Employees with other qualifications ⁵⁾		%	15.9%	13.0%	11.8%

1) n/a — data was not collected until financial year 2022

2) Figures have been corrected

3) Statistically calculated value

4) Including trainees

5) Excluding trainees

6) Multiplication factor 200,000

Management principles

In addition to capital and know-how, professional leadership is our most important driver of corporate success

Our management principles form the foundation for dealing with our employees and are compulsory for all those in management positions. These principles are guidelines designed to provide managers with consistent points of orientation. To ensure that these principles are vital and productive components of our Group's corporate culture, all of Kontron's managers are called upon to make them part of their daily actions and thoughts, and to deploy them in their personal styles of leadership, for which they serve as examples of positive behaviour.

The formulation of our six principles of management is an expression of our conviction that our company's most important capital is our satisfied, professionally led, well-educated and effectively assigned personnel. Our objective is to maintain this capital on both the professional and personal levels.



Our six principles of management are also the yardstick used in the assessment of manager quality. The wording of the principles is deliberately open-ended. This is because each manager's style is individual and personal. To instil and embody this approach in an authentic and credible way, we have to take personal and frequent looks at what constitutes management. To do this, we encourage our managers to participate in leadership training programs held locally and on external premises.

Training and education

Our employees are the drivers of the successes achieved by the Kontron Group. That is why Kontron makes sure it has employees who are dedicated and qualified. To this end, we invest in a large number of specialist courses and training programs. We also offer our staff ways of continuing their development within our company.

Kontron's long-held philosophy

“HIRE FOR ATTITUDE, TRAIN FOR SKILLS”

remains unchanged and is driven forward by internal programs for the personal and professional development of our colleagues. In financial year 2023, the Kontron Group invested around EUR 1.2 million (PY: EUR 1.1 million) in training and education for their employees. Training and further education courses were held in a wide range of areas, above many of technical training courses to maintain or expand certifications at individual IoT suppliers. In addition management training and coaching, occupational safety training, project management seminars and various language courses were offered.

Apart from the various training schemes, training on the job is also a key component of the Kontron Group's staff development strategy. Employees from the various divisions are provided the opportunity for job rotation; contacts with colleagues at other locations facilitate the transfer of specialist knowledge within the Group and bring new ideas into the departments. Alongside "job enlargement", in which employees can take on additional tasks in the area of work they are familiar with, they are also being increasingly encouraged to embrace "job enrichment" and take on new duties that carry more responsibility. This helps them to gain the skills necessary to take on management positions in the future. On the established management trainee program, for instance, they can gain experience of interim management with the aid of an experienced executive manager as a mentor and so obtain the qualifications needed for a higher level of management. When filling vacant management positions, priority is given to candidates from within the Group. If the responsibilities require it, candidates from outside the Group are also considered.

Kontron Sustainable Leadership Academy – Empowering tomorrow's leaders

Our vision

Following the successful implementation of our first Leadership Academy in 2022, the Sustainable Leadership Academy 2024 was initiated in 2023. With this initiative, we continue our strategy of developing a new generation of leaders who internalize values such as diversity, inclusion and sustainability. The Academy not only benefits the participants, but is also a strategic measure for increasing the proportion of women and diversity in management positions across the Kontron Group. We believe in the power of diversity among leaders who embody and drive innovation and responsible corporate governance.

Topics

The one-year program will cover a comprehensive range of topics that are important for tomorrow's leaders. These include exploring diversity and inclusion, addressing unconscious biases and promoting a culture of diversity. Emphasis is placed on leadership and management skills, with a focus on improving strategic decision-making. Business acumen is heightened through insights into finances, strategy, and business processes. A deeper understanding of environmental, social and governance (ESG) principles is promoted so that their impact on business is better understood. Cooperation skills, which we consider particularly important, are improved to enable successful cross-functional teamwork, while the mystery is taken out of navigating the jungle of regulations. Inspiration and innovation should be at the heart of the program in order to promote creativity and future-oriented thinking. Another focus of the program will be self-reflection, a key component for personal and professional development.

Lecturers and program structure

The program will feature a mix of internal and external lecturers, including industry leaders and specialists. This ensures that participants receive different perspectives and practical insights. A cornerstone of the Academy is the mentors' program, which is designed to support participants with personal advice from experienced managers.

Objectives of the Academy

The Academy sets itself ambitious goals in order to promote comprehensive personal and professional development. Progress and effects are regularly evaluated. The program is integrated into participants' career planning and serves as a springboard for future promotions. The focus is on supporting participants with their personal development and equipping them with skills that are essential both for outstanding performance in their current position and for advancement to higher management roles. There will also be numerous networking opportunities that encourage participants to build high-quality relationships.

Candidates

In an application process, 20–30 committed employees wishing to develop both in their current position and in the company as a whole will be selected for the upcoming program. To illustrate our commitment to increasing the proportion of women in management positions, precedence will be given to female candidates.

Occupational safety and health protection

The safety and health of Kontron Group employees is important to us. Our occupational health and safety management comprises the planning and implementation of occupational health and safety measures, ensuring these are appropriately organised and providing the necessary resources for them. Equally, employee surveys are carried out at regular intervals with a view to providing management with indications for potential improvements. These surveys are conducted locally and are often related to a particular set of circumstances, e.g. in the context of larger acquisitions or in exceptional situations such as the Coronavirus pandemic in 2020.

Our experts – occupational safety specialists and company doctors – advise us on all aspects of occupational safety, including the ergonomic design of workstations and psychological aspects of work. This enables us to prevent both physical impairment through, for instance, monotonous work at computers and psychological stress that may result from increased work demands. These objectives are achieved by fitting offices with ergonomic equipment, for example. In addition to the configuration of workplaces, other activities include assessment of sources of danger. These assessments are performed to minimise hazards and risks effectively. This is complemented by the establishment of rules governing emergency medical care at work, precautionary medical examinations, the establishment of rules on the handling of hazardous materials, and other safety-relevant procedures. Our occupational safety officers are responsible for facilitating the protection of health, for implementing occupational protection and accident-prevention measures, and for ensuring the safety-conscious behaviour of all employees. We also inform our employees through training and professional instruction about how to ensure their own safety and health at work. Our objective is to create an accident-free working environment together with our employees.

In 2024, the Kontron Group plans to introduce a Facility Management Policy to document our occupational safety and health protection guidelines. This initiative underscores our commitment to a safe and healthy work environment by defining clear roles and processes in facility management, including specific responsibilities for facility managers, fire safety officers and first responders.

A central aspect of the new policy will be the improvement of building security through a detailed access concept and the implementation of regular safety instructions and training for all employees. The policy will also include comprehensive regulations on safety and protective equipment, maintenance of security systems, clear visitor regulations and building aspects to maximize safety at our sites. Implementation is planned for the first quarter of 2024.

Societal and social commitment

The Kontron Group companies support a wide range of initiatives and projects in the fields of education, science, art, sport and public welfare in order to contribute to the local community. Funds are provided to regional projects and collaborations with schools, universities, non-profit organisations and foundations, for example. No donations or contributions of any kind are made to political parties or political organisations.

As in previous years, the support provided by the Kontron Group in financial year 2023 included donations of money and physical items; the forging of partnerships with sports associations, schools, and universities; and the support of numerous charitable projects.

Cooperation with schools and universities

In order to secure the services of young employees around the world – especially IoT engineers – the Kontron Group maintains partnerships and cooperation with schools and universities in many different locations. We also support students with their undergraduate, postgraduate and research assignments and offer internships, trainee programs and training opportunities.

We are also active at local level in offering early career guidance to high-school students by acquainting them with the career opportunities available in technical fields at Kontron. In Augsburg, Germany, for example, we organise internships for high-school students in cooperation with vocational training institutions such as BIB Augsburg GmbH. Since 2019, Deggendorf Institute of Technology has given us the opportunity to integrate outstanding students of technical disciplines into our company, both during and after their studies. We also present the company to students at trade fairs such as the “HTL Career Days” in Vienna where interested students have the chance to meet us face to face.

Our partnership with HTL Spengergasse in Vienna, a leading vocational technical school, has been continuously expanded since 2018 and was once again a great success this year. In addition, Kontron maintains close ties with the Salzburg University of Applied Sciences and the Hagenberg University of Applied Sciences and is actively involved in various research projects with the Fraunhofer Institute in Austria. The Kontron Group is also expanding its network around the world in the form of partnerships with leading colleges and universities. In Switzerland, these include the University of Applied Sciences in Northwest Switzerland and the University of Lucerne. In Germany, we cooperate with the technical schools in Kirchheim/Teck and Reutlingen, the Schömborg Vocational Rehabilitation Centre and the University of Applied Sciences in Dresden. Other international education partners include the University of Chichester in England; Versailles-Saint Quentin University and the École d'ingénieur généraliste en informatique et technologies du numérique in Paris; the ISEL in Portugal; the University of Belgrade in Serbia; West Bohemia University and CVUT (Czech Technical University Prague) in the Czech Republic; the Technical University in Moldova; and the Polytechnic University in Bucharest.

Governance

Corporate ethics

Corporate governance

The aim of corporate governance at Kontron is to enable transparent decision-making and responsible, sustainable value creation which are made transparent for stakeholders.

As a company listed on a stock exchange in Germany, Kontron AG, which is headquartered in Austria, has committed itself to observing Germany's Corporate Governance Code (DCGK). Kontron AG deviates from some Principles of the current version of this Code. In accordance with the "comply or explain" principle, the reasons for these deviations from recommendations are explained in the annual financial report and the annual report in the chapter, "Corporate Governance Report". The report is also published on the Kontron AG website at https://ir.kontron.com/Corporate_Governance.en.html. At Kontron AG, the term "corporate governance" stands for a way of managing and controlling a company that is responsible, value-based, and geared towards sustainable value creation. Key components of good corporate governance are efficient working relationships between the Executive Board and the Supervisory Board; channels of communication within the company that are based on openness; respect for shareholder interests; the achievement of transparency and accountability when making decisions for the company; dealing with risks appropriately; and promoting equal opportunities and diversity. Kontron's Executive Board and Supervisory Board are convinced that good corporate governance – one that considers the specifics of the company's business and of its sector – forms an important basis for achieving success. A central responsibility of management is observance of national and international laws including tax laws, and refraining from tax evasion; of rules and directives; and of the Principles codified in Germany's Corporate Governance Code. This compliance is a matter of course for Kontron and a component of its culture of management.

Compliance

For Kontron, the compliance culture is an essential cornerstone of corporate governance based on integrity and respect. This commitment is firmly embedded in Kontron's corporate guidelines, Code of Conduct and Supplier Code of Conduct. We expect integrity from all employees and business partners. The Group Compliance Office supports the implementation of Group-wide and local compliance measures and performs a Group-wide monitoring function.

Code of conduct & compliance training

The Code of Conduct obliges our employees to behave in accordance with the law, to fulfil their personal commitments and to refrain from any activities likely to damage the reputation of the Kontron Group. The Code of Conduct describes and governs such issues as the observance of currently applicable laws, combating corruption, adherence to fair-trade and anti-trust laws, behaviour towards third parties, handling of financial and business records, combating money laundering, compliance with export control and duty laws, principles of non-discrimination, data protection and security, conflicts of interest, dealing with gifts and invitations to events, and how to handle donations, sponsorship and advertising. In 2023, the Code of Conduct was comprehensively revised and updated in line with international best practices and standards. This revision included integration of key ESG aspects related to human rights and labour practices, health and safety, the environment, and the handling of information, intellectual property and trade secrets. Our current Code of Conduct is available on the Kontron AG compliance website: <https://ir.kontron.com/Compliance.en.html>

As part of the onboarding process, new employees receive training in various compliance topics. Participation is mandatory. Regular "refresher" sessions are subsequently held throughout the Group. In financial year 2023, Kontron focused in particular on courses in the Code of Conduct, combating corruption, competition, money laundering and capital market law (see the "Compliance Training" chapter for more information).

Policies

By implementing Group-wide policies, Kontron creates a common understanding of corporate standards and values. These policies serve as guidance for employees to promote consistent behaviour and consistent business practices. The overarching goal of these Group-wide policies is to make business practices more standardised, minimise risks and promote a sustainable, ethically oriented corporate culture.

Among the most important of these policies are:

- › Capital market compliance guideline

The aim of the capital market compliance guideline is to raise awareness of the issue throughout the company and to establish effective systems for handling confidential information. Particular attention is paid to compliance with stock exchange and capital market laws in order to prevent misuse of insider information and to increase the confidence of investors, customers and business partners in the integrity of the company with lasting effect. Insider lists play a crucial role in the effective implementation of this guideline, as they ensure that insider information is handled judiciously and in accordance with the law. Kontron maintains insider lists and updates the relevant data in strict accordance with the requirements of the Federal Financial Supervisory Authority (BaFin) and the Financial Market Authority (FMA). The persons included on the insider lists are provided with full information on the legal obligations arising from access to the respective insider information. The primary aim of this information is to sensitise these persons – regardless of whether they are permanently or temporarily (on a project-related basis) engaged in activities that give them access to confidential information – to the need to handle insider information particularly carefully. This is intended to avoid potential conflicts of interest, prevent insider trading and ensure transparency in Kontron's handling of insider information.

- › DEI policy (Diversity, Equity and Inclusion)

The individuality of employees, combined with the principle of equal opportunities and respect for origin, age, religion, gender and other characteristics, is an integral part of Kontron's corporate philosophy and informs the entire corporate culture. The principles of diversity, inclusion and non-discrimination are not only firmly embedded in Kontron's Code of Conduct, but are also given a clear orientation and unequivocal support in the Group-wide DEI (Diversity, Equity and Inclusion) policy. This corporate policy sets out Kontron's obligations and responsibilities and defines the Group's attitudes, roles and responsibilities in this regard. For more information, see the "Diversity, Equity, Inclusion" chapter.

- › M&A policy (mergers & acquisitions)

This policy sets out the rules and procedures intended to ensure the proper execution of Kontron's merger and acquisition ("M&A") processes and defines the roles and responsibilities of M&A team members involved in merger and acquisition activities. The primary objective is not only to ensure an effectively structured due diligence process, but also to consolidate existing internal knowledge and competencies. This makes it possible to manage the due diligence process in-house and to reduce the need for redundant hiring of external consultants.

- › Supply chain sustainability and compliance policy

Kontron is also committed to promoting best practices in supply chain management. In line with this commitment, this policy was drawn up to establish binding standards for the sustainable optimisation of the global and local supply chain within the group of companies. The policy governs supplier assessment, the selection process, documentation and regular audits of external suppliers with clearly defined consequences in the event of poor results and violations of supplier standards. The aim is to promote sustainable business practices and ensure that ethical standards are met throughout the supply chain. For more information, see the "Principles of Procurement" section.

- › Whistleblower policy

The aim of the Kontron corporate whistleblower policy is to encourage all employees to report potential violations of laws, the Code of Conduct or Kontron's internal guidelines with good intentions. To this end, the Group-wide whistleblower policy clearly sets out how to deal with suspicious reports internally, who should be part of the necessary investigations and which disciplinary measures and measures under (labour) law are initiated in the event of proven violations. For more information, see the "Whistleblower System" chapter.

› Policy on the processing of personal data in the EU

The personal data processing policy sets out the principles, procedures, and standards that Kontron follows when collecting, processing, storing and sharing personal data. The aim of this policy is to ensure that processing is carried out in accordance with applicable data protection laws and regulations, in particular the GDPR, to protect the privacy and rights of data subjects.

Other corporate policies on data protection and data security, such as the information security policy, incorporate key Group principles that are important for information security and data protection. These guidelines ensure an appropriate and consistent level of security throughout the Group, and thus make a significant contribution to standardising and increasing the level of data protection.

Anti-corruption

Kontron has a strict zero-tolerance policy with regard to all forms of corruption and bribery. The Kontron Group competes for contracts placed by government bodies and public sector corporations from around the world. For this reason, it is of key importance to the company that it observes all laws and stipulations pertaining to public-sector procurement, including legislation designed to preclude the exertion of undue influence on civil servants. Many countries have passed anti-corruption legislation forbidding bribery by commercial enterprises in accordance with internationally applicable standards. Several of these laws – such as the UK's Bribery Act and the USA's Foreign Corrupt Practices Act – are recognised around the world, and are robustly applied in the Kontron Group. In its Code of Conduct, Kontron undertakes to comply with all relevant anti-corruption legislation and obliges all employees across the Group to do the same. It should be stressed in this connection that Kontron makes no monetary or material donations to individuals, private accounts, political parties or political organisations. For more information, see the "Corruption Risk Assessment" section.

Adherence to laws

Adherence to and observance of all applicable laws are compulsory in the entire Kontron Group. Every staff member is required to adhere to national and international codes of law. To enable employees and third parties to alert the Compliance Department to possible breaches of law committed in the company, the Kontron Group set up an electronic whistleblower system that also makes anonymous reports possible. This is available on the Kontron website at <https://ir.kontron.com/Compliance.en.html>. Potential contraventions can also be reported directly and at any time to the Compliance Officer, the Legal Affairs department, Human Resources or a member of the works council. Details of the internal audit can be found in the management report.

Human rights

Adherence to internationally valid standards of human rights and working standards is a matter of course for the Kontron Group. Our standards correspond to those of the International Bill of Human Rights, the European Convention on Human Rights and the principles in the United Nations Global Compact. We do not tolerate forced labour in any form, including involuntary work performed in a prison or in servitude.

Every person working for the Kontron Group does so of their own free will. Any employee can terminate their employment contract after having given reasonable notice. Child labour is not tolerated. We require our suppliers to adhere to all currently applicable laws including laws relating to human rights and fair business practices as well as the section "Supplier Code of Conduct" on the Kontron AG compliance website: <https://ir.kontron.com/Compliance.en.html>

Corruption risk assessment

Kontron is committed to the principles of responsible corporate governance and integrity. Kontron's relationships with its business partners are informed by honesty, trust and fairness, which are an essential part of corporate governance. Accordingly, Kontron pursues a strict zero-tolerance policy with regard to all forms of corruption and bribery.

Although Kontron generates a large part of its revenue in countries where the risk of corruption is rated as low by Transparency International's Corruption Perception Index (CPI), the company's global operations mean it is also active in countries where it is exposed to a higher risk of corruption.

As part of risk monitoring, regular risk assessments are carried out. Kontron takes into account both internal aspects, such as the business model of a unit, and external factors, such as the Corruption Perception Index. The findings obtained from this risk analysis

serve as a basis for the systematic implementation of our anti-corruption measures, which aim to prevent any form of corruption in all business activities.

As a potential risk owner, all areas of Kontron AG and all consolidated subsidiaries in all countries are involved in risk monitoring and risk assessment.

The countries in which Kontron is represented with a share of > 50% are shown below by risk category:

RISK CATEGORY	COUNTRY	NUMBER OF EMPLOYEES*
Low risk	Austria	722
	Belgium	32
	Canada	157
	France	269
	Germany	1,089
	Great Britain	59
	Portugal	18
	Spain	137
	Switzerland	80
	Taiwan	51
Medium risk	USA	153
	Bulgaria	44
	China	153
	Czech Republic	20
	Hungary	757
	North Macedonia	64
	Malaysia	57
	Poland	3
	Romania	305
	Slovenia	633
High risk	Kazakhstan	14
	Uzbekistan	7

* Head Count incl. trainees

In recent years, Kontron has paid particular attention to activities in regions with political instability and uncertain legal situations. Subsidiaries in high-risk countries with a CPI of under 50, such as Uzbekistan and Kazakhstan, are subject to exhaustive corruption risk assessments (Corruption Perceptions Index: overall scale of 0–100; 0–19 very high risk; 20–39 high risk).

In its Code of Conduct, Kontron undertakes to comply with all relevant anti-corruption legislation and obliges all employees across the Group and all over the world to do the same. To ensure that the principles are implemented in daily business procedures and practices, Kontron has set clear guidelines and minimum standards in the respective corporate policies for the following areas:

› Bribery

Kontron expressly states its firm commitment to rejecting and preventing all forms of corruption. Employees and managers are expressly prohibited from offering, promising or granting financial or other benefits to business partners, customers, suppliers, authorities or public officials with a view to inciting behaviour that constitutes a breach of duty.

› Corruptibility

Employees must not allow themselves to be influenced in business decisions by unfair advantages offered by suppliers or business partners or accept such advantages. They are also forbidden to request unfair advantages from business partners.

› Conflicts of interest

A private or personal interest compromises the objective performance of obligations on behalf of the company. Employees and managers are required to prevent potential conflicts of interest by avoiding situations in which personal, family, political or financial interests could conflict with those of Kontron. Should circumstances exist that create even the impression of a conflict of interest, they must be reported within the company.

› Gifts and invitations to events

Gifts and invitations must always be appropriate and be given and accepted without concealment and with no expectation of a quid pro quo. It is important to Kontron to ensure that giving or accepting gifts or invitations never results in any financial advantage, disadvantage or damage to the reputation of employees, management or subsidiaries.

› Sponsorship, donations, and advertising

Kontron makes no monetary or material donations to individuals, private accounts, political parties or political organisations. This also includes organisations that could damage Kontron's interests or reputation. In addition, Kontron sponsors no events organized by political parties or authorities as a matter of principle.

All suspected cases are carefully reviewed and, where necessary, sanctioned by disciplinary measures. Verified violations of anti-corruption guidelines are punished without exception with appropriate disciplinary measures, including dismissal. In the year 2023, the company was not aware of any cases of corruption.

Combating corruption includes the development and implementation of mandatory training courses. Kontron offers regular training in corruption prevention to raise awareness of the issue among the participants. The selection is based on risk-specific criteria. In addition, third-party screening of all relevant business partners is performed, not only before contracts are concluded, but also continuously to detect any changes in their circumstances. No significant risks of corruption were identified in the period under review.

In addition, everyone has the opportunity to use the Group-wide whistleblower platform for confidential and, if desired, anonymous reporting of possible misconduct such as corruption, bribery, conflicts of interest, antitrust law violations or violations of capital market law. Our telephone hotline, which is available around the clock, offers a further anonymous option for reporting potential misconduct.

As far as the Executive Board is aware, there were no incidents of corruption or violations in the reporting period 2023 that may have repercussions for the Group.

Data protection and data security

As a technology company, responsible handling of data, especially personal data, is essential for Kontron. Ensuring data security is part of our product portfolio and it has top priority when implementing and maintaining customers' systems or our own systems. Here, data protection and data security go hand in hand. Kontron treats data with the highest level of confidentiality and collects and processes it in accordance with applicable legal requirements.

In addition to national requirements, Kontron also meets the requirements of the General Data Protection Regulation (GDPR), which has been in force throughout Europe since May 2018, and the local laws enacted for its implementation. Implementation activities included, for example, the adaptation of Group policies and processes relating to the handling of personal data, the further development of process documentation, the creation and revision of document templates, and the regular review and ongoing development of the technical and organisational measures used in the company. This enables Kontron to guarantee a very high level of data protection and data security.

As a fast-moving multinational technology leader, Kontron is constantly challenged by cyber criminals. For this reason, particular importance is placed on IT and cybersecurity. The Group's IT department has introduced several security checks and technologies that enable an appropriate response to cyberattacks. The data security plans and measures in place are continually adapted to meet the latest requirements. Kontron is in a position to respond rapidly to changing challenges and implement new controls and procedures to meet threats. In accordance with the ISO 27000 series standards, 24% of the subsidiaries have an ISO 27001 certificate (information security) and the applications run on ISO 27001-certified systems. Kontron aims to increase the proportion of certified business processes, particularly those relating to ISO 27001, ISO 27018 compliance (data protection in cloud storage) and ISO 22301 compliance (business continuity management). More and more automated systems and processes are being deployed with the requisite external services, such as regular penetration tests and independent architecture analysis. All services accessible via the internet are secured using multifactor authentication.

In addition to implementing security technologies, our employees are also an important part of the line of defence. To ensure that our employees are aware of IT security, potential attack methods, etc., the Kontron Group's IT department has started implementing an extensive training program to raise awareness of security issues among all users. In 2023, 3,600 employees received cybersecurity trainings. In addition, employees also receive additional local training in the area of IT and cybersecurity. As a Group initiative, the employee Security Awareness Program – covering simulations – can strengthen the overall security level in the Group. The Security Awareness Program ensures that everyone in our organisation is sufficiently informed of security issues and has the requisite measure of responsibility for dealing with threats to data security and data protection.

The Group data protection officer and the data protection officers appointed locally by our subsidiaries are working to ensure that personal data is handled in accordance with the law throughout the Kontron Group. Their responsibilities include the further development of company-specific data protection measures, and regular consultation with their respective senior managements and with the specialist departments of the Kontron Group. In particular, the proper and prompt observance of the rights of affected persons to information, correction, deletion and data transfer was assured. All queries from people and supervisory authorities relating to data protection are duly documented, checked and processed. Treating data in a responsible way is of the greatest importance for us. In financial year 2023, there were only a few queries on data maintenance or deletion. No complaints or procedures involving data protection laws have been lodged against Kontron AG or its subsidiaries. No information security incident was recorded in the reporting year 2023.

Whistleblower system

Kontron has a zero-tolerance policy with regard to all forms of illegal and unethical conduct and promotes a culture of openness and fairness in which employees can freely express their concerns about corporate misconduct without being exposed to any form of pressure. For this purpose, Kontron has set up various reporting channels that can be used to report suspected illegal or unethical misconduct by individuals or violations of Kontron's Code of Conduct or other Kontron policies within the group of companies.

The Group has a corporate whistleblower policy which sets out how to deal with suspicious reports internally, who should be part of the necessary investigations and which disciplinary measures and measures under (labour) law are initiated in the event of proven violations.

Kontron offers a two-way channel via an electronic whistleblower platform and a 24/7 telephone hotline which is available worldwide. In addition, employees are encouraged to report suspected cases directly to the Compliance Department, in person or anonymously using the email address compliance@kontron.com.

The multilingual whistleblower platform, which is accessible to employees and external people, allows confidential and anonymous reporting of violations in the following areas:

- › Harassment and discrimination
- › Privacy and personal data
- › Theft
- › Diversity and inclusion
- › ESG – environmental, social and governance
- › Money laundering
- › Conflicts of interest
- › IT and cybersecurity
- › Capital markets and insider trading
- › Corruption
- › Supplier and customer relationship
- › Human rights and corporate social responsibility
- › Product safety and consumer protection
- › Sexual harassment
- › Violations of occupational health and safety regulations
- › Violations of sanctions and terrorist financing
- › Competition and antitrust law
- › White-collar crime

Regardless of the chosen reporting channel, all reports are treated confidentially, independently and objectively in accordance with the technical requirements of the EU Whistleblower Directive (2019/1937) and the General Data Protection Regulation (GDPR) to ensure that anonymity and confidentiality are unfailingly maintained.

The central investigative body is primarily the Compliance Department at headquarters, which performs, coordinates and monitors the processing of reports. In addition, many of the subsidiaries have their own central investigative body. Cases are dealt with in cooperation with other offices and departments as well as management or the Executive Board.

An IT system, internal controls and the multi-assessor principle support the Compliance Department in its task of processing reports of suspected misconduct.

During the reporting period, one anonymous report was submitted on the whistleblower platform. The report was investigated with the utmost diligence and confidentiality in compliance with the process set out in the whistleblower policy. The report concerned sexual harassment. Before the case could finally be closed, it was thoroughly investigated and rigorously followed up until the facts had been firmly established and exhaustive interviews had been conducted with the parties concerned and with witnesses. Work on this case took two months before it was closed. The report was made in connection with misconduct in an international subsidiary.

Compliance trainings

To raise awareness of compliance issues, Kontron offers continual training using tailor-made e-learning modules. These modules are specifically tailored to the needs of employees who are exposed to certain compliance risks due to the areas they work in, their roles and their responsibilities and who therefore need special training in the respective fields. The modules focus particularly on the following key areas:

- › Code of Conduct
- › Fair competition
- › Capital market compliance
- › Protection against corruption
- › Preventing money laundering

As part of the onboarding process, new employees are asked to attend the compulsory training courses. Every two years, course participants, i.e. those in business areas exposed to compliance risks, are invited to attend regular training sessions. Organisational and personnel changes within a training cycle are constantly taken into account. Kontron also underlines its commitment to diversity and inclusion by integrating various language options.

In 2023, the compliance training courses were extremely successful, which indicates a commitment to increasing knowledge and effective implementation of ethical standards. The number of participants who successfully completed these courses provides impressive evidence of this positive development:

2023	COMPLETION RATE
Code of Conduct	93%
Fair competition	88%
Capital market compliance	95%
Protection against corruption	86%
Preventing money laundering	92%

In 2023, particular importance was placed on the Code of Conduct training courses, which play a central role in Kontron's commitment to a sustainable and ethically responsible corporate culture. With the Code of Conduct and its internal guidelines, Kontron sets clear and practical guidelines. These provide clear principles of conduct for all employees, executives and management worldwide.

The e-learning module "Capital Market Compliance" was also concluded, with a very good completion rate of 95%. The figures not only illustrate the participants' willingness to play an active part, but also the strong commitment of employees to the company's ethical standards and standards of conduct. Kontron has set itself the target of achieving a 100% completion rate by 2024. In order to increase the willingness to participate, Kontron is planning targeted incentive systems for 2024, improved communication strategies and flexible training times for the training program, as well as a Leadership Academy for management.

Kontron is actively committed to continuously developing the methodology and has targeted increased transparency in the presentation of the key figures for compliance training in the Sustainability Statement 2024. To this end, additional key figures, such as the number of participants in compliance training courses across the Group, are to be integrated. Kontron's goal is to continuously improve the quality of sustainability reporting and significantly increase the transparency of published information.

In this connection, particular emphasis is being placed on increasing the number of training courses in corruption prevention, particularly for employees in high-risk countries. With these initiatives, Kontron reaffirms its clear commitment to continuous improvement and responsible action within the company.

Quality management and certifications

We know about the great importance and priority placed by our customers on receiving highest quality products. We therefore strive on a 24/7/365 basis to achieve flawless, lasting and robust quality for all of the items in our portfolio. To attain this, we test and improve the quality of our products, solutions and services at every stage of the value chain. This quality assurance mission has several key components:

- › Activating and assigning heads of process responsibility to specific products, and enlisting the participation of employees
- › Entering into and maintaining business relationships that are characterised by reliability and predictable behaviour with customers, suppliers and other stakeholders
- › Establishing and sustaining a high level of service provision ensuring product quality, which includes communication, strong customer orientation and customer satisfaction

Across the Kontron Group, we have established a quality management system that encompasses our major facilities. The system is comprised of a single set of standards and processes that cover the topics of quality, security and environmental protection. This quality management system governs our operative processes, and ensures that we consistently deliver the highest possible quality to our customers.

All our products comply with legal requirements, relevant standards and specifications such as UL, CSA, CQC, VDE and TÜV-tested safety. We ensure the effectiveness and efficiency of the quality management system through internal audits and assessments by external certification bodies.

Our existing certificates from 2023 are listed in the table below:

CERTIFICATES	2023	2022*	2021*
ISO 9001 (Quality Management Systems)	36	35	48
ISO 14001 (Environmental Management Standard)	18	15	19
ISO 45001 (Occupational Health and Safety, before "OHSAS 18001")	12	8	14
ISO 27001 (Information Security)	11	10	24
AS 9100 (Quality Management System – standard for aviation, space and defence product suppliers)	6	4	2
ISO 13485 (Medical devices – Quality Management Systems)	5	5	5
ISO 20000 (IT Service Management (ITSM))	3	4	11
EASA 145 (European Aviation Safety Agency Certificate)	2	2	1
FAA REPAIR STATION (Air Agency Certificate)	1	1	1
ITAR (International Traffic in Arms Regulations)	1	1	1
IRIS (Railway Industry Standard)	1	1	1
RISQS (Railway Industry Supplier Qualification Scheme)	1	1	2
ISO 31000:2018 (Risk management)	1	n/a	n/a
ISO/IEC 17067 (Fundamentals of product certification and guidelines for product certification schemes)	1	n/a	n/a
ISO37001:2016 (Anti-bribery Management Systems)	1	n/a	n/a
ISAE 3402 Type II (Service Organisation Control Reports)	1	n/a	n/a

CERTIFICATES	2023	2022*	2021*
IECQ-H DNVTW (Hazardous Substance Process Management)	1	n/a	n/a
ISO 14064-1:2018 (Greenhouse Gases)	1	n/a	n/a
ISO 39001:2012 (Road Traffic Safety Certification)	1	n/a	n/a
ISO 50001:2018 (Energy Management System)	1	n/a	n/a

*Changes in number are due to new certifications, acquisitions or reduction of certifications after company mergers and the sale of companies

Company

Kontron Slovenia

Solution

Broadband solutions

Industry

Communications

Market

Global

case study



Energy-efficiency labelling

Kontron Slovenia is the first vendor in the telecommunications industry to publicly disclose the energy efficiency of its broadband products. The energy-efficiency labels and declarations help operators make informed decisions to reduce their environmental impact throughout the equipment lifecycle, implement sustainability strategies, and cut energy bills.

Easy to read and understand, the labels and declarations state a product's power consumption, test methodology and the level of compliance with the EU Code of Conduct on Energy Consumption of Broadband Equipment.

Kontron introduced energy-efficiency labels and declarations in 2022 and 2023, respectively. Leading by example in open and transparent communication, Kontron's initiatives help put an end to the confusion caused by the inconsistency of reporting power consumption.

The declarations and labels – which are similar in design to those used for energy classes of domestic appliances – are part of the company's continuous efforts. Ensuring that its broadband equipment complies with the limits set in the Code of Conduct, Kontron is continuously reducing its overall carbon footprint and taking positive steps towards a greener Europe.



Appendix

Information on the report

Since financial year 2017, Kontron AG has published a separate Sustainability Report at the same time as the annual report. With this Sustainability Report for the financial year 2023, we inform our customers, investors, business partners, employees and the interested general public about how the Kontron Group handles ESG issues. This report was written with reference to the Universal Standards of the Global Reporting Initiative (GRI). GRI standards were selectively applied, as were those of the BDI (Federation of German Industries) owing to the company's listing on the stock exchange in Germany.

The principle of materiality to the Kontron Group guided the selection of contents for this report. As a basis, topics were arranged in a materiality matrix, depending on their significance for the Kontron Group and its stakeholders. The topics were classified as having great, medium and low importance to the Kontron Group. These classifications express the Group's view of its operations. Topics of great and medium importance were then examined and included in this report. However, omission of topics of low significance from our report does not mean that they are not addressed.

This report covers the period from January 1 to December 31, 2023.

For in-depth information on the company's financial objectives, the development of its business, the product portfolio and ESG risk management, please consult Kontron's 2023 annual financial report and the 2023 annual report.

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Company

Kontron Transportation

Customer

C.F.R. (Căile Ferate Române)

Solution

GSM-R (Global System for Mobile Communication – Railway)

Industry

Transport

Market

Romania



Kontron and Thales GTS România S.R.L. signed new contracts on implementing a new GSM-R (Global System for Mobile Communication – Railway) system

A milestone in the further development of railways in Romania has been set. With this project the rail communications will be expanded.

The safety of the commercial traffic will increase on the Rail lines “Lugoj – Timisiora East” and “Cluj Napoca–Oradea–Episcopia Bihor”.

The implementation work has already started, and the planned duration is 3 years. Kontron provides its long-term GSM-R experience and reliability, enriched by more than 15 years of lifecycle management in supply and maintenance.

This milestone project will bring lot of benefits to railways and rail passengers in Romania.



Please visit <https://ir.kontron.com/reports/Reports.en.html> for access to our annual and quarterly reports, and to our press releases, each of which is placed online on the day of its publication. Any changes to schedules and dates are also announced on our website in good time. This annual report was published on March 28, 2024, in German and in English. The English version is provided for convenience only. The German version is binding. No liability is assumed for any typographical or printing errors. This document has been carefully prepared and all information have been checked carefully. Nevertheless, the possibility of layout and printing errors cannot be excluded. The use of automated calculation systems may result in rounding differences.

This annual report contains statements that refer to future developments. These are based on assumptions and assessments 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 accept no warranty for the developments and events actually taking place in the future according to the assumptions and assessments articulated in this annual report. The assumptions and estimates made in this report are not updated.

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FINANCIAL CALENDAR

2024

28.03.2024	Annual report 2023
28.03.2024	Earnings-Call FY 2023 (Register under: ir@kontron.com)
08.04.2024	Institutional Investor Conference Zürs (8.-10.4.2024)
26.04.2024	Record date: Annual General Meeting
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
07.08.2023	Half-year report 2024 (Earnings-Call Q2 2024)
03.09.2024	Germany Commerzbank and ODDO BHF's Annual Corporate Conference
06.11.2023	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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