

## REPORT OF THE SUPERVISORY BOARD

Dear Shareholders, Colleagues, Ladies and Gentlemen,

as Chairwoman of the Supervisory Board of Kontron AG, it falls to me to report on the past financial year 2022:

After two years of pandemic, Europe and many parts of the world have largely got SARS-CoV-2 and the COVID-19 virus under control through vaccinations. The pandemic has become an endemic and the negative economic effects have eased. The outbreak of war in Ukraine in February 2022 is not only causing immeasurable suffering to both warring parties every day, but Europe and the world are once again on an economic rollercoaster. Supply chains affected by COVID-19 have continued to falter, while potential energy bottlenecks have caused electricity and gas prices to skyrocket and have further fuelled inflation not only in Austria but throughout Europe. Additionally, we have seen the end of the national banks' zero interest rate policy.

In this more than difficult market environment, Kontron was able to achieve its most important strategic goal of the past financial year, which was to focus on the IoT sector by selling its IT service division. The transaction generated net sales proceeds of around EUR 392 million. Revenues from the operating activities of the continued operations rose from EUR 1,002.9 million to EUR 1,096.1 million compared to the previous year. Overall, Kontron achieved a net result of EUR 232.5 million. This shows a significant improvement over the previous year. The order backlog of approx. EUR 1.4 billion remains high and underlines the continuing demand for our products and services.

As a result of the sale of the IT service division, Kontron's asset and debt structure has changed significantly; the transaction has led to an overall improvement in the equity ratio to 44%. It is true that the inventories, which amount to EUR 192.6 million, continue to be negatively affected by buffer stock, products only semi-finished due to a lack of components and undelivered orders, but Kontron expects the situation to normalise from 2023 thanks to improved supply chain conditions and redesigned products.

For 2023 and the following years, Kontron has positioned itself in accordance with this expectation. The focus lies exclusively on the high-growth and high-margin IoT market in which Kontron is already active as a brand with its technologies. The change of the company's name from S&T AG to Kontron AG also reflects the company's future focus and is intended to further strengthen the Kontron brand. With this new "Kontron" brand, we want to become a global player in a trillion-dollar, highly fragmented market, focusing on the IoT areas of Smart Factories, Smart Energy, Transportation and Medical. Our goal for 2023 is to significantly increase profitability and further strategic acquisitions with the available liquidity.

By selling its IT service division, Kontron has not only sharpened its profile on the market, but also simplified its complex legal structures. In addition, exposure in Eastern Europe has been significantly reduced and now accounts for only approx. 3% of revenue. Kontron is committed to comprehensive transparency on the capital market. One of the steps taken to fulfil this commitment was the appointment of Dr. Clemens Billek to the company's Executive Board, a proven compliance and financial market expert. In addition, 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 and has therefore set itself the goal to halve the CO<sub>2</sub> consumption of the Kontron Group by 2030. In general, further progress was made in the past financial year, and ESG measures will be further intensified in 2023.

Furthermore, in my capacity as Chairwoman of the Supervisory Board of Kontron AG, I would like to inform you that in the financial year 2022, 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.

The Supervisory Board held four regular meetings in financial year 2022 and, partly due to the sale of the "IT Services" division, six extraordinary meetings and two Audit Committee meetings. In addition, four meetings of the Nomination Committee and two meetings of the Remuneration Committee were 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 2022, 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. In the year under review, Dr. Clemens Billek was appointed to the Executive Board of Kontron AG as Chief Compliance Officer with effect from May 1, 2022. Mr. Richard Neuwirth and Mr. Michael Jeske resigned their respective mandates as board members of Kontron AG in the context of the sale of the IT service division. Furthermore, Dr. Clemens Billek assumed the position of CFO of Kontron AG with effect from October 1, 2022. In 2022 the composition of the Supervisory Board changed as follows: Hui-Feng Wu retired by May 6, 2022 and has been replaced by Joseph John Fijak as a member of the Supervisory Board in the course of the Annual General Meeting. 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 consist 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 Chair of the Supervisory Board was separated from that of Chair of the Audit Committee. Full details on this can be found in the chapter "Corporate Governance Report".

The consolidated financial statement is in accordance with IFRS. Following a Europe-wide call for tenders, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft was appointed as the new auditor for 2022 by the Annual General Meeting on May 6, 2022. The consolidated financial statements, the Group management report as well as the auditor's report was 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".

Dear shareholders, by closing the "Focus" transaction on December 29, 2022, Kontron has reached the next milestone in positioning itself as an IoT player in future. "Yesterday is not today and today is not tomorrow." We live in a world in which we make the future possible with our employees, our ideas and our technology! I am very proud of this.

With these words I would like to conclude my remarks and thank you, dear shareholders, for the trust you have placed in us, along with the Executive Board and all employees for your commitment and achievements in financial year 2022.

Vienna, March 2023

For the Supervisory Board

Claudia Badstöber  
Chair of the Supervisory Board