



QUARTERLY STATEMENT

Q1 2022



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S&T GROUP OVERVIEW



KEY FIGURES

IN EUR MIO.	Q1 2022	Q1 2021
Revenues	329.7	294.1
Gross profit	120.1	116.1
EBITDA	29.4	28.2
Amortisation and depreciation	14.7	15.5
EBIT before PPA amortisation ¹⁾	16.9	15.3
Result after non-controlling interests	11.6	10.1
Operating cash flow	-60.0	-26.8
Free cash flow ²⁾	-68.5	-36.3

1) EBIT before amortisation from purchase price allocation

2) Operating cash flow less purchase of non-current non-financial assets

IN EUR MIO.	31.03.2022	31.12.2021
Cash and cash equivalents	224.3	296.5
Equity	433.0	423.3
Equity ratio	33.4%	31.3%
Net Cash (+) / Net debt (-) ³⁾	-85.8	-14.2
Working capital ⁴⁾	217.8	149.9
Backlog	1,439.2	1,334.9
Project-pipeline	3,332.0	3,367.0
Employees ⁵⁾	6,152	6,206

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

4) Inventories, trade receivables less trade payables (excl. IFRS 15)

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



S&T IN TRANSITION

The S&T Group achieved strong, largely organic growth in revenues of 12% to EUR 330 million in Q1 of financial year 2022. EBITDA was also up 4% compared to the same period in the previous year to EUR 29 million. Order intake was once again significantly above plan at EUR 435 million. Despite many challenges, S&T maintains its course for strong growth. Our goal is to react quickly and efficiently to problems, so that we can gain market share and minimise additional costs, especially in these turbulent times. There are plenty of examples of this:

- › The COVID pandemic caused a downturn in global economic growth. Our new homeoffice-system has been highly successful, increasing the efficiency of our employees and we have been able to save 15% or EUR 2 million in rental costs for office space so far.
- › The forensic investigations, lawyers, etc. have swallowed almost EUR 1 million, significantly more taking internal work into account. The S&T Group is one of the best audited companies on the stock exchange.
- › The chip crisis and disrupted supply chains have been impacting our business for more than 12 months. We have redesigned our products, we are upcycling components and we have significantly increased our inventory. As a result, S&T is currently one of the better-performing companies in the IoT sector, we are growing significantly and gaining market share. Nevertheless, as of March 31, 2022, we are pushing a record mountain of around EUR 108 million in overdue orders, most of which we will deliver during 2022.
- › The war in Ukraine and the sanctions against Russia are also affecting the global economy. We generate around 6% of our revenues with our subsidiaries in Russia, Ukraine, Belarus and Moldova and are therefore also affected. In recent months, we have made some extensive adjustments. By the end of 2022, we will have largely withdrawn from these regions.

However, the biggest upheaval is not caused externally, but is a positive transformation that we initiated: S&T wants to transform itself, become an even more successful company and focus on the IoT sector.

That is why we are presenting the renaming of S&T AG to Kontron AG to shareholders for resolution at the Annual General Meeting on May 6, 2022. We plan to sell our IT service business areas as part of the "Focus" project and focus on the IoT sector in order to achieve future gross margins of over 50% and EBITDA margins of over 15%. "Focus" is therefore the most important strategic project in the last 10 years. A US investment bank was commissioned with the sale process in October 2021. The "Focus" project is moving forward as planned. We expect to conclude the sale in the third quarter 2022. We want to use the expected income to significantly advance the expansion of our IoT activities; we already have contacts with suitable acquisition targets in the IoT environment. Further share buybacks and a special dividend are also planned.

Despite the many challenges, we are optimistic for financial year 2022. In the 2021 financial year, we received new orders of around EUR 1,750 million; in the first quarter of 2022 this positive trend continued at EUR 435 million. Despite ongoing problems in supply chains and the loss of sales in Russia, we continue to expect organic growth of 12% to bring revenues up to EUR 1,500 million in 2022. We will promptly replace the sold-off IT service revenues with IoT revenues and plan to increase sales to EUR 2,000 million by 2025 with a significantly higher EBITDA margin of 13%. The foundations for this are currently being laid.

Hannes Niederhauser, CEO



NOTES TO THE COURSE OF BUSINESS



S&T AG — STRONG ORGANIC GROWTH DESPITE CHIP CRISIS, OPERATING CASH FLOW IMPACTED BY SEASONAL EFFECTS AND CHIP CRISIS

In the first quarter of the current financial year 2022, despite the ongoing chip crisis and the first noticeable impact of the Russian invasion of Ukraine, the S&T Group was able to significantly increase revenues, with the increase largely attributable to organic growth. Despite delivery delays of around EUR 108 million, revenues rose by 12.1% compared to the first quarter of financial year 2021 from EUR 294.1 million to EUR 329.7 million.

Profitability in the past quarter was impacted as a result of various one-off effects, such as the costs of forensic investigations in connection with the short seller attack and the resulting increased costs for the audit, as well as the allocation of a provision for the Russian and Ukrainian operations, as well as the positive effect from the reversal of purchase price liabilities. Overall, an EBITDA of EUR 29.4 million was achieved in the first 3 months of the current financial year (Q1 2021: EUR 28.2 million). EBITDA therefore increased by around 4.3%, although the gross margin of 36.4% was behind the first quarter of 2021 (39.5%). The increase in revenues and EBITDA would have been correspondingly higher, were it not for the delays in the supply chain and price increases due to the current chip shortage. Net income attributable to the S&T shareholders (after non-controlling interests) went up by almost 15% to EUR 11.6 million (Q1 2021: EUR 10.1 million), which increased earnings per share (undiluted) from 16 cents in the first quarter of 2021 to 18 cents in the first 3 months of the current financial year.

IOT SEGMENTS IN PARTICULAR IMPACTED BY CHIP SHORTAGE

The three segments of the S&T Group developed as follows:

- › **“IT Services”**: The delays in the supply chain had the least impact in this segment, which includes all activities of the IT services business in the DACH and Eastern Europe regions. Compared to the previous year's figures, it should be noted that S&T Slovenija d.o.o. was reclassified into the “IoT Solutions Europe” segment already in 2021 as part of the “Focus” project. Revenues increased by around 18.6% from EUR 120.3 million to EUR 142.4 million, which is attributable to the realisation of larger system integration projects with a lower gross margin (Q1 2022: 31.5% | Q1 2021: 34.4%). The EBITDA after headquarter charging therefore fell from EUR 11.7 million in the first quarter of 2021 to EUR 10.4 million in the first quarter of the current financial year.
- › **“IoT Solutions Europe”**: This segment covers all activities of the S&T Group relating to development of secure solutions for machine networks by means of a combined portfolio consisting of hardware, middleware and services. In the “IoT Solutions Europe” segment, revenues of EUR 163.5 million were achieved in the first quarter of 2022 (Q1 2021: EUR 151.9 million), which corresponds to a growth in revenues of 7.6%. Without the further increase in revenue offset in the mid-double-digit million range as a consequence of chip shortages compared to December 31, 2021, growth in revenues would have been even stronger. EBITDA after headquarter charging nevertheless increased from EUR 17.3 million to EUR 19.3 million.

The “IoT Solutions Europe” segment also includes the activities of the S&T Group in Russia and Ukraine. As a result of the Russian invasion of Ukraine and the sanctions imposed by the international community, it can be assumed that business will be further impacted in these countries, in which the S&T Group generates around 6% of its revenues.

- › Corresponding provisions in the amount of EUR 4 million have therefore been made for receivables from Russian and Ukrainian (subsidiary) companies, as recognised in the consolidated income statement to reduce profits in the first quarter.
- › Furthermore, at the end of March 2022, the Supervisory Board and the Executive Board resolved to significantly reduce the S&T Group's exposure in Russia and Belarus by the end of 2022 and to largely withdraw from these markets. Accordingly, contracts were signed in April for the sale of shares in the Russian RTSoft Group. Withdrawal from the Belarus market was also initiated in April 2022.

- "IoT Solutions America"**: The "IoT Solutions America" segment includes the solutions in the vertical markets of transportation and aviation as well as communications in the North America region. Revenues in this segment amounted to EUR 23.5 million in the first quarter of 2022 (Q1 2021: EUR 21.9 million), which corresponds to growth of approx. 7.3%. Without the delays in the supply chain and the still low volume of revenues in the aviation sector, significantly higher growth would have been achievable due to the order backlog. As a result, EBITDA after headquarter charging in this segment improved slightly from minus EUR 0.8 million to minus EUR 0.2 million.

IN EUR MIO.	IT SERVICES		IOT SOLUTIONS EUROPE		IOT SOLUTIONS AMERICA		S&T GROUP	
	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021
Total revenues	147.2	123.6	197.9	182.4	25.9	24.8	371.0	330.9
Internal revenues	-4.5	-3.3	-34.4	-30.5	-2.5	-3.0	-41.3	-36.8
Segment revenues	142.7	120.3	163.5	151.9	23.4	21.9	329.7	294.1
EBITDA before HQ-Charging ^{*)}	8.5	10.1	21.0	18.7	-0.1	-0.5	29.4	28.2
EBITDA after HQ-Charging ^{**)}	10.4	11.7	19.3	17.3	-0.2	-0.8	29.4	28.2

^{*)} EBITDA adjusted for headquarter charging of S&T AG

^{**)} EBITDA after all headquarter charging of S&T AG

STRONG FINANCIAL POSITION, SEASONALLY WEAKER OPERATING CASH FLOW

The net assets and liquidity position in the first quarter of the current financial year is characterised by the ongoing chip crisis, but is still stable. Equity increased from EUR 423.3 million as of December 31, 2021 to EUR 433.0 million, although no further treasury shares were acquired in the first quarter of 2022 due to the lack of authorisation from the Annual General Meeting, which would have reduced equity accordingly. Due to the slightly lower balance sheet total, the equity ratio amounted to 33.4% as of the reporting date for the quarter (December 31, 2021: 31.3%). Cash and cash equivalents amounted to EUR 224.3 million (December 31, 2021: EUR 296.5 million). Operating cash flow in the first quarter of the current financial year was impacted by the raw materials and semi-finished products built up as a result of the chip shortage and delivery delays (inventories as of March 31, 2022: EUR 219.1 million | December 31, 2021: EUR 187.4 million), which, together with the reduction in trade payables, resulted in a negative operating cash flow of minus EUR 59.9 million (Q1 2021: minus EUR 26.8 million). The number of employees as of March 31, 2022 was 6,152 (December 31, 2021: 6,206 | March 31, 2021: 6,078).

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CONSOLIDATED INCOME STATEMENT



CONSOLIDATED INCOME STATEMENT IN TEUR	Q1 2022	Q1 2021
Revenues	329,665	294,093
Capitalised development costs	5,506	4,150
Other income	10,950	2,034
Expenses for materials and other services purchased	-209,525	-177,970
Personnel expenses	-81,542	-75,732
Depreciation and amortisation	-14,659	-15,516
Other operating expenses	-25,647	-18,354
Result from operations	14,748	12,705
Finance income	266	498
Finance expenses	-2,708	-2,357
Financial result	-2,442	-1,859
Earnings before taxes	12,306	10,846
Income taxes	-1,132	-1,127
Net income	11,174	9,719
Results from the period attributable to owners of non-controlling interests	-417	-380
Results from the period attributable to owners of interests in parent company	11,591	10,099
Earnings per share (undiluted)	0.18	0.16
Earnings per share (diluted)	0.18	0.15
Average number of shares in circulation (in thousands undiluted)	63,631	64,452
Average number of shares in circulation (in thousands diluted)	64,631	65,452

STATEMENT OF OTHER COMPREHENSIVE INCOME

STATEMENT OF OTHER COMPREHENSIVE INCOME IN TEUR	Q1 2022	Q1 2021
Net income	11,174	9,719
Items that may be subsequently reclassified to profit or loss		
Unrealised gains/losses from currency translation	-1,471	2,708
Other comprehensive income	-1,471	2,708
Comprehensive income	9,703	12,427
of which attributable to		
Owners of non-controlling interests	-831	-289
Owners of interests in parent company	10,534	12,716

CONSOLIDATED BALANCE SHEET

ASSETS IN TEUR	31.03.2022	31.12.2021
NON-CURRENT ASSETS		
Property, plant and equipment	125,599	132,536
Intangible assets	104,267	104,207
Goodwill	208,437	208,251
Financial assets non-current	12,569	12,594
Contract assets non-current	194	194
Other non-current assets	20,853	21,018
Deferred tax assets	41,327	40,179
	513,246	518,979
CURRENT ASSETS		
Inventories	219,080	187,349
Trade receivables	214,591	232,546
Contract assets current	35,108	32,834
Financial assets current	13,131	19,902
Other receivables and assets current	76,266	64,011
Cash and cash equivalents	224,271	296,512
	782,447	833,154
Total assets	1,295,693	1,352,133
EQUITY AND LIABILITIES IN TEUR		
EQUITY		
Subscribed capital	66,096	66,096
Capital reserves	168,188	168,283
Accumulated results	251,022	239,431
Other reserves	-9,462	-8,405
Treasury shares	-46,848	-46,848
Equity attributable to owners of interests in parent company	428,996	418,557
Non-controlling interests	4,027	4,706
	433,023	423,263
NON-CURRENT LIABILITIES		
Financing liabilities non-current	234,213	238,376
Other financial liabilities non-current	42,944	54,084
Contract liabilities	16,466	16,952
Other liabilities non-current	488	488
Deferred tax liabilities	13,324	13,206
Provisions non-current	24,442	25,056
	331,877	348,162
CURRENT LIABILITIES		
Financing liabilities current	75,855	72,319
Trade payables	215,903	269,975
Contract liabilities	89,829	85,025
Other financial liabilities current	44,669	47,712
Provisions current	34,518	31,436
Other liabilities current	70,019	74,241
	530,793	580,708
Total equity and liabilities	1,295,693	1,352,133

CONSOLIDATED CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT IN TEUR	Q1 2022	Q1 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Earnings before taxes	12,306	10,846
Depreciation and amortisation	14,659	15,516
Interest expenses	2,708	2,401
Interest and other income from the disposal of financial assets	-266	-542
Increase/decrease of provisions	2,439	-3,342
Gains/losses from the disposal of non-current non-financial assets	14	-58
Changes in inventories	-30,020	-11,188
Changes in trade receivable and contract assets	15,681	16,963
Changes in other receivables and assets	-11,951	-8,477
Changes in trade payable and contract liabilities	-49,755	-40,763
Changes in other liabilities	-3,616	-6,289
Other non-cash income and expenses	-9,331	570
Cash and cash equivalents from operations	-57,132	-24,363
Income taxes paid	-2,847	-2,442
Net cash flows from operating activities	-59,979	-26,805
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of non-current non-financial assets	-8,493	-9,450
Purchase/sale of financial instruments	0	-4
Proceeds from sale of non-current non-financial assets	1,206	194
Disposal/purchase of financial instruments	7,313	-798
Payments to acquire subsidiaries less cash assumed and plus current account liabilities assumed	-2,070	-2,081
Interest income	146	196
Net cash flows from investing activities	-1,898	-11,943
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in financing liabilities and financial liabilities	95	45,000
Decrease in financing liabilities and financial liabilities	-13,440	-10,036
Interests paid	-1,557	-1,027
Acquisition of non-controlling interests	31	-687
Payments for acquisition of treasury shares	0	-8,675
Net cash flows from financial activities	-14,871	24,575
Changes in exchange rates	-1,948	1,037
Changes in financial funds	-78,696	-13,136
Financial funds as of the beginning of the period	267,934	254,951
Financial funds as of the end of the period	189,238	241,815
Overdrafts	30,252	32,628
Restricted cash	4,781	3,937
Total cash and cash equivalents	224,271	278,380

FINANCIAL CALENDAR

2022



05.05.2022	Q1-quarterly statement 2022 (Earnings-Call Q1 2022)
06.05.2022	Annual shareholder meeting
23.05.2022	Spring Conference 2022 (23.05. - 25.05.2022)
04.08.2022	Half-year report 2022 (Earnings-Call Q2 2022)
03.11.2022	Q3-quarterly statement 2022 (Earnings-Call Q3 2022)
28.11.2022	Equity forum (28.11. - 30.11.2022)

Further details available under

https://ir.snt.at/Financial_calendar.en.html.

Please visit <https://ir.snt.at/reports/Reports.en.html> for access to our annual and quarterly reports, and to our 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 May 5, 2022, in German and in English. The English version is provided for convenience only. The German version is definitive. No liability is assumed for any typographical or printing errors.

This quarterly statement contains statements that refer to future developments. These are based on assumptions and 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. This uncertainty has recently been heightened by the outbreak and spread of the SARS-CoV-2 virus as well as the war in the Ukraine. 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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