

# Q1 | 2017

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KONTRON GROUP | QUARTERLY STATEMENT

# KONTRON IN FIGURES

		01-03/2017	01-03/2016
<b>RESULTS OF OPERATIONS AND PROFITABILITY</b>			
Revenues	€ million	92.4	89.5
EBITDA <sup>1</sup>	€ million	5.9	-1.4
EBITDA margin <sup>2</sup>	%	6.4	-1.5
EBIT <sup>3</sup>	€ million	2.2	-6.1
EBIT margin <sup>2</sup>	%	2.4	-6.8
EBT	€ million	2.0	-6.6
Net income / loss	€ million	1.5	-6.5
Earnings per share	€	0.00	-0.12
<b>STATEMENT OF FINANCIAL POSITION</b>			
		03/31/2017	12/31/2016
Total assets	€ million	288.2	291.1
Equity	€ million	136.1	137.0
Equity ratio	%	47.2	47.1
Financial debt	€ million	0.0	0.6
<b>CASH FLOW</b>			
		01-03/2017	01-03/2016
Cash flow from operating activities	€ million	1.5	6.9
<b>EMPLOYEES</b>			
		03/31/2017	3/31/2016
Number of employees		1,138	1,251

<sup>1</sup> EBITDA is defined as EBIT before depreciation and amortization.

<sup>2</sup> Margins refer to revenues.

<sup>3</sup> EBIT is defined as earnings before financial income and taxes.



HANNES NIEDERHAUSER  
CHAIRMAN OF THE MANAGEMENT BOARD

## LETTER TO THE SHAREHOLDERS

### THE WORST IS OVER!

2016 was the most difficult year in Kontron's history: A loss of roughly € 148 million and an 18% drop in revenues. In the first quarter of 2017 we posted our first profit for many years of € 150k thanks to strict cost discipline and a firm focus on our customers. The worst is over!

However, it would be premature to believe everything is resolved. Order intake at Kontron is still well below revenues – indicating that revenues will initially continue to decline. In terms of technology, we must start catching up with the field.

It is important that we rapidly complete the planned merger between S&T and Kontron. Only with the combined strengths of the two companies can we provide the market with innovative Industry 4.0 products comprising Kontron hardware and S&T software in good time. This will place us among the leaders in this new trend and enable us to position ourselves as the technology leader from the outset, capturing market share in the process. In terms of costs, we see further savings potential of roughly € 8 million per annum following the post-merger integration with the S&T Group.

We intend to close 2017 with revenues comparable to 2016 and a profit again. Together with our partners, S&T and Ennocon, we are confident that we can regain technology leadership and are working hard on realizing this. Working together we will become the technology leader in the field of Industry 4.0 and generate revenues of over € 1 billion!

Yours,

**Hannes Niederhauser**

Chairman of the Management Board of Kontron AG

# INTERIM MANAGEMENT REPORT

## RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

Kontron closed the first quarter of 2017 above the level of the prior year. Revenues of € 92.4 million roughly matched the prior year (€ 89.5 million). EBIT came to € 2.2 million while the net income for the year of € 150k is back in the profit zone. The improvement in earnings is due to the improved gross margin on account of a more favorable product mix combined with a significant decrease in operating costs (€ 3.5 million). The completion of restructuring measures meant that expenses of € 1.1 million were no longer incurred. These cost savings are largely a result of the restructuring program initiated in November 2016.

The order intake in the first quarter of 2017 of € 82.1 million is € 10.3 million below revenues of € 92.4 million (book-to-bill ratio: 0.89). There is significant room for improvement here to return to a growth phase.

Positive cash flow of € 1.5 million was generated from operating activities. However, cash and cash equivalents decreased by € 4.1 million to € 39.7 million as of March 31, 2017 on account of cash outflows for investing activities (€ 3.0 million) and repayments of financial liabilities (€ 0.6 million) as well as a dividend distribution of € 1.7 million to non-controlling interests.

Total assets came to € 288.2 million as of March 31, 2017, more or less unchanged on the prior year (€ 291.1 million as of December 31, 2016). The equity ratio of 47.2 percentage points is also at the same level as the prior year (December 31, 2016: 47.1%).

## FORECAST

The Management Board is forecasting similar revenues and seasonal fluctuations in the 2017 fiscal year as in the 2016 fiscal year. The gross profit margin is expected to rise to over 25 % on account of the partnerships with Ennoconn and S&T. In addition, the Management Board expects EBIT to be positive in 2017. The new restructuring program is expected to produce annual cost savings of over € 15 million, most of which were already realized in the first quarter of 2017.

## SUBSEQUENT EVENTS

As already discussed in the risk and opportunities section of the 2016 annual report, liquidity was dependent on receiving the funding of up to € 20.0 million promised in the letter of comfort from S&T AG. The Management Board of Kontron AG called these funds in February 2017. They were recognized in April 2017 in the course of a 10% capital increase by cash subscription based on the “authorized capital 2015” created by the Annual General Meeting of Shareholders in 2015. As a result, the share capital of Kontron AG was increased by € 5,568,301.00 from € 55,683,024.00 to € 61,251,325.00 by way of cash contribution. The new shares were subscribed at a price of € 3.02 by S&T Deutschland Holding AG, Ismaning, which now holds approximately 36.3% of Kontron AG, excluding the subscription rights of existing shareholders. The capital increase was successfully concluded upon entry in the commercial register of the District Court of Augsburg on April 24, 2017. Cash of roughly € 16.8 million was injected into Kontron as a result of the capital increase.

On May 02, 2017, Kontron AG announced that the Supervisory Board of Kontron AG had approved the merger agreement between Kontron AG and S&T Deutschland Holding AG (“merger agreement”). The Supervisory Board of S&T Deutschland Holding AG issued their approval to conclusion of the merger agreement on the same day. The merger agreement requires the approval of the general meetings of both Kontron AG and S&T Deutschland Holding AG. The respective general meetings will be held on June 19, 2017 and June 20, 2017.

# CONSOLIDATED STATEMENT OF INCOME (IFRS)

IN €K	01-03/2017	01-03/2016
<b>REVENUES</b>	<b>92,364</b>	<b>89,549</b>
Cost of materials	-56,127	-56,034
Other production cost	-6,384	-6,565
Amortization of capitalized development projects	-1,910	-2,646
<b>COST OF GOODS SOLD</b>	<b>-64,421</b>	<b>-65,244</b>
<b>GROSS MARGIN</b>	<b>27,943</b>	<b>24,305</b>
Selling and marketing cost	-8,933	-12,868
General and administrative cost	-8,686	-8,573
Research and development cost	-7,583	-7,260
<b>SUBTOTAL OPERATING COSTS</b>	<b>-25,202</b>	<b>-28,700</b>
Restructuring cost	0	-1,134
Other operating income	1,911	6,499
Other operating expenses	-2,454	-7,027
<b>OPERATING INCOME / LOSS BEFORE FINANCIAL RESULT AND INCOME TAXES (EBIT)</b>	<b>2,198</b>	<b>-6,058</b>
Finance income	0	5
Finance expense	-156	-528
Income taxes	-541	106
<b>NET INCOME / LOSS FOR THE PERIOD</b>	<b>1,501</b>	<b>-6,475</b>
Thereof attributable to non-controlling interests	1,350	-2
Thereof attributable to equity holders of Kontron AG	151	-6,473
Earnings per share (basic/ diluted) in €	0.00	-0.12

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS) ASSETS

IN €K	03/31/2017	12/31/2016
<b>ASSETS</b>		
Cash and cash equivalents	39,734	43,787
Inventories	59,667	60,499
thereof prepayments	449	401
Trade receivables	70,892	67,420
Income tax receivables	1,662	1,693
Other current receivables and assets	12,952	13,241
<b>TOTAL CURRENT ASSETS</b>	<b>184,907</b>	<b>186,640</b>
Financial assets	631	602
Property, plant and equipment	10,419	10,845
Intangible assets	51,642	52,934
Goodwill	33,102	33,102
Other non-current receivables and assets	424	437
Deferred income taxes	7,047	6,566
<b>TOTAL NON-CURRENT ASSETS</b>	<b>103,265</b>	<b>104,486</b>
<b>ASSETS</b>	<b>288,172</b>	<b>291,126</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS) LIABILITIES AND EQUITY

IN €K	03/31/2017	12/31/2016
<b>LIABILITIES AND EQUITY</b>		
Trade payables	61,116	59,628
Liabilities to banks	0	613
Current provisions	30,274	30,686
Deferred income	2,742	2,917
Income tax payable	4,045	3,852
Other current liabilities	32,016	34,117
<b>TOTAL CURRENT LIABILITIES</b>	<b>130,193</b>	<b>131,813</b>
Non-current provisions	6,771	6,749
Pension provisions	1,865	1,835
Other non-current liabilities	13,259	13,698
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>21,895</b>	<b>22,282</b>
Issued capital	55,683	55,683
Additional paid-in capital	200,048	200,048
Retained earnings	- 118,739	- 118,890
Other components of equity	- 13,003	- 12,526
Treasury shares	- 1,813	- 1,813
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>	<b>122,176</b>	<b>122,502</b>
Non-controlling interests	13,908	14,529
<b>TOTAL EQUITY</b>	<b>136,084</b>	<b>137,031</b>
<b>LIABILITIES AND EQUITY</b>	<b>288,172</b>	<b>291,126</b>



# CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

IN €K	Q1/2017	Q1/2016
<b>NET INCOME / LOSS FOR THE PERIOD</b>	<b>1,501</b>	<b>- 6,475</b>
Depreciation and amortization of fixed assets	3,744	4,678
Net gain / loss in connection with investing activities	14	2
Change in deferred taxes	- 481	- 610
Interest income	0	- 5
Interest expense	156	328
Other non-cash items	305	- 2,469
Change in assets/liabilities:		
Trade receivables	- 3,472	44,547
Inventories	832	- 4,321
Other receivables	294	- 713
Liabilities and provisions	- 603	- 23,707
Interest paid	- 145	- 512
Income taxes paid	- 646	- 3,897
Income taxes refunded	10	59
<b>NET CASH USED IN / PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,509</b>	<b>6,905</b>
Purchases of property, plant and equipment	- 403	- 520
Purchases of intangible assets	- 2,578	- 3,768
Proceeds from the disposal of property, plant and equipment	2	0
<b>NET CASH USED IN / PROVIDED BY INVESTING ACTIVITIES</b>	<b>- 2,979</b>	<b>- 4,288</b>
Change in current account / overdrafts	- 613	0
Repayment of long-term debt	0	- 12,796
Transactions with non-controlling interests	- 1,740	50,329
<b>NET CASH USED IN / PROVIDED BY FINANCING ACTIVITIES</b>	<b>- 2,353</b>	<b>37,533</b>
Effect of exchange rate changes on cash	- 230	- 791
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>- 4,053</b>	<b>39,359</b>
Cash and cash equivalents at the beginning of the period	43,787	27,823
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>39,734</b>	<b>67,182</b>

# FINANCIAL CALENDAR

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May 05, 2017	Publication of Q1 / 2017 Quarterly Statement
June 19, 2017	Annual General Meeting of Shareholders
August 04, 2017	Publication of Q2 / 2017 Half-yearly Financial Report
November 10, 2017	Publication of the Q3 / 2017 Quarterly Statement

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Our annual report and our quarterly reports and statements can be found at [www.kontron.com/investor](http://www.kontron.com/investor) from publication date. We will announce any date changes in good time on our website.

This quarterly statement was published on May 05, 2017. It is available in German and in English. The German version is authoritative.

Kontron AG prepared its quarterly statement in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Due to rounding differences, figures in tables and cross-references may differ slightly from the actual figures.

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



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