KATEK

Lead the category

Annual Report 2023

At a glance

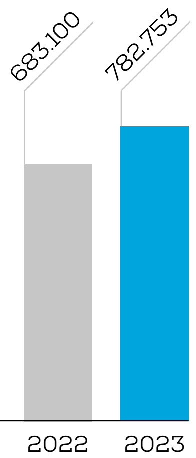
Group key figures (in EURk)

	YTD Dec/2023	YTD Dec/2022	Change
Revenue	782,753	683,100	14.6%
Gross profit	242,312	184,691	31.2%
EBITDA	41,879	23,126	81.1%
Marge EBITDA*	5.3%	3.3%	+2.0%-points
EBIT	14,442	790	›100%
Marge EBIT*	1.8%	0.1%	+1.7%-points
EBITDA adj.	38,619	32,056	20.5%
Net profit or loss of the Group	– 416	– 7,099	›100%

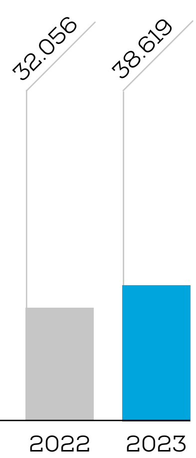
	31 Dec 2023	31 Dec 2022	Change
Total Assets	521,146	502,097	3.8%
Equity	162,384	164,963	– 1.6%
Equity ratio	31.2%	32.9%	– 1.7%-points
Inventories	230,792	261,918	

* in % of total operating performance

Revenue (in EURk)



EBITDA adj. (in EURk)



From its headquarters in Munich, the KATEK Group counts among the fastest growing electronic powerhouses in Europe and intends to make a decisive contribution to the electronification of the world.

KATEK views itself as an end-to-end provider of high value electronics. The spectrum of goods and services covers the entire product life cycle, from the development of software and hardware through to development of the first prototypes of electronic assemblies, production and ensuing customer support, including logistics, aftersales and other services.

Thanks to its local-to-local approach from its locations in Germany, Eastern Europe, North America and Asia, KATEK keeps in close proximity to its customers and this simultaneously paves the way to the global market. The market leaders of strongly growing industries – from electromobility through to renewable energies and medical technology – have come to rely on this strategy.

Since 29 February 2024 the majority of the shares in KATEK have been held by the KONTRON Group of Companies.

Contents

Review 2023

Jan

With the opening of its new production hall in Saedinenie, KATEK Bulgaria successfully starts production of inverters for the photovoltaic sector.

Feb

beflex - A KATEK Brand participates in the “PCB Designer Day” hosted by the German industry association for electronic design and production (FED) and opens up its doors to the public at its Leipzig location.

KATEK Czech Republic puts a new production line for its ghostONE white-label wall box into operation.

Mar

KATEK hosts the “Festival of Electronics” in Munich. This industry event offers the European electronics industry a unique stage for networking within the sector. 150 invited guests took the opportunity to swap notes with each other.

Apr

Product presentation:
TeleAlarm - A KATEK Brand presents its CMS Cloud Monitoring System in Düsseldorf. The system enables centralised and mobile emergency call processing, independent of device and location.

May

New product announcement:
Under its Steca and eSystems brands, KATEK has launched a new integrated PV solution with overcharging protection.

Jun

KATEK Brands Steca and eSystems join their forces at the Intersolar Europe 2023 trade fair in Munich. Focus is placed on fully-integrated systems in the fields of solar power, renewables and e-mobility.

Annual General Meeting of KATEK SE is held in Munich with the participants in physical attendance.

KATEK Czech Republic celebrates its 30-year anniversary and expresses its gratitude to its 380-strong workforce.

Jul

Official opening ceremony at KATEK Malaysia in Penang. Asian facilities of European customers can now be served in keeping with the local-for-local approach.

Deal to acquire Nextek in the United States is closed. This opens the door to the vital segment of supplying electronics to the Air & Defense sector.

Aug

eSystems - A KATEK Brand participates in the Intercharge Network Conference of the EUREF Campus in Berlin.

KATEK Leipzig welcomes Holger Mann, a member of the German parliament and a member of the Committee on Education, Research and Technology Assessment and the Committee on Climate Action and Energy and also represents automotive suppliers in Eastern Germany.

Sep

TeleAlarm - A KATEK Brand continues the success of the prior year, by hosting its second "Keep Connected 2023" networking event in Leipzig.

Oct

KATEK participates in numerous vocational training fairs throughout Germany, underscoring the value it places on training.

Nov

eSystems - A KATEK Brand wins the Green Auto Summit Award in "The Spark of Innovation in Electric Vehicle Charging" category with its ghostONE wallbox."

Dec

Focus on sustainability.
TeleAlarm - A KATEK Brand signs an agreement on the 100% end-of-life recycling of TeleAlarm devices in cooperation with Johanniter-Unfall-Hilfe. Every year 25,000 old and defective emergency call devices are professionally recycled in Leipzig.

Dear shareholders,

The focus of financial year 2023 at KATEK was placed on implementing the strategic supply chain measures to scale back inventories in response to the end of the materials crisis and to improve the profitability of the business. Against the backdrop of persistently high inflation and a weakening economy, the financial year 2023 was once again a very challenging year. Nevertheless, the KATEK Group managed to drive forward its growth and generate revenue of EUR 782.8 million. As a result, the KATEK Group has continued to successfully expand into the market for electronic manufacturing services.

In the financial year 2023 the Supervisory Board performed the tasks required of it by law and the articles of association and bylaws. It monitored the management of the company and addressed in detail the company's business performance, financial position, prospects and its strategy moving forward, intensively advising the Management Board on these issues in the process.

The Management Board reported to the Supervisory Board regularly, promptly and comprehensively in written reports, by telephone and in face-to-face meetings to discuss the strategic alignment, the business situation and development of both the company and the group as a whole, as well as its current financial performance, risk position, internal controls and risk management, short- and long-term planning, including its financial, capital expenditure and human capital planning as well as specific organizational measures undertaken in financial year 2023.

In particular, the Chairman of the Supervisory Board kept in close contact with the Management Board between the regular meetings and advised it on strategy, the development of business, the risk position, risk management and compliance issues. In this way, the Supervisory Board was regularly informed about business developments and significant transactions. The Supervisory Board was directly involved in all major decisions from an early stage and passed the resolutions required by the law, the articles of association and the code of procedure.

The decisions of the Supervisory Board are based on the comprehensive reporting and the proposed resolutions provided by the Management Board, which the Supervisory Board examined in detail in sessions of the full board and discussed in depth. The Management Board and the Supervisory Board worked very constructively together to continue the successful evolution of KATEK.

A Changes to the Management Board and Supervisory Board

In the reporting year, the Management Board of KATEK SE comprised Mr. Rainer Koppitz, as Chairman, and Dr. Johannes Fues. Mr. Koppitz stepped down from the Management Board of KATEK SE at the end of day, 29 February 2024. Mr. Hannes Niederhauser, CEO of Kontron AG, was appointed to the Management Board of KATEK SE effective 4 March 2024 and at the same time, replaced Mr. Koppitz as the Chairman of the Management Board. Dr. Johannes Fues will step down from the Management Board at the end of day, 30 April 2024.

The members of the Supervisory Board of KATEK SE during the reporting year were Klaus Weinmann (Chair), Markus Saller (Deputy Chair), Andreas Müller, until the end of day, 20 June 2023 and Prof. Dr. Constanze Chwallek, since 20 June 2023, as well as Hannes Niederhauser until the end of day, 14 December 2023.

By resolution of the Annual General Meeting on 20 June 2023, Klaus Weinmann and Prof. Dr. Chwallek were appointed to the Supervisory Board for a period that ends at the close of that Annual General Meeting at which a resolution is passed discharging them for the financial year ending 31 December 2027. The ensuing meeting of the Supervisory Board, also held on 20 June 2023, elected Mr. Weinmann to the Chair of the Supervisory Board and Mr. Saller as his deputy.

In the course of the change in control, Mr. Weinmann and Mr. Saller resigned from their positions on the Supervisory Board effective 12 March 2024. By order of the local court of Munich – where the company is registered – on 13 March 2024, Ms. Claudia Badstöber, Mr. Dieter Gauglitz and Mr. Christoph Öfele were appointed to the Supervisory Board of KATEK SE for a term expiring at the close of the next annual general meeting. Ms. Badstöber was elected to the Chair of the Supervisory Board of KATEK SE and Mr. Gauglitz as her Deputy at the meeting of the Supervisory Board on 18 March 2024.

B Committees

Der The Supervisory Board has created two committees: the Audit Committee and the Nomination Committee.

On 20 March 2023, the Audit Committee passed a resolution by circulation on its recommendation for the election of the independent auditor for the financial year 2023 in accordance with Sec. 124 (3) sentence 2 AktG (German Stock Corporation Act). No other resolutions were passed by the audit committee as all other decisions were made by the Supervisory Board sitting in full session, with its four members discussing the matters and passing all other resolutions.

Following the election of the members of the Supervisory Board on 20 June 2023, the Supervisory Board decided upon the following composition for its committees: The Audit Committee was composed of Prof. Dr. Chwallek (chair), Mr. Klaus Weinmann (deputy) and Mr. Markus Saller. The Nomination Committee was composed of Mr. Klaus Weinmann (chair), Mr. Markus Saller (deputy) and Mr. Hannes Niederhauser. Upon stepping down from the Supervisory Board, Mr. Niederhauser also stepped down from the Nomination Committee.

After Mr. Weinmann and Mr. Saller stepped down from the Supervisory Board and Ms. Badstöber, Mr. Gauglitz and Mr. Öfele were appointed by the court, a resolution was passed on 18 March 2024 to set the composition of the committees as follows:

Members of the Audit Committee are Prof. Dr. Chwallek (chair), Ms. Badstöber (deputy) and Mr. Gauglitz and Mr. Öfele as ordinary members.

Members of the Nomination Committee are Ms. Badstöber (chair), Mr. Gauglitz (deputy), and Prof. Dr. Chwallek and Mr. Öfele as ordinary members.

C Meetings and focal points discussed by the Supervisory Board in full session

One particular point of focus of the Supervisory Board's activities in financial year 2023 was the strategic development of the KATEK Group.

Four regular meetings of the Supervisory Board were held over the reporting year: on 20 March 2023, 20 June 2023, 15 September 2023 and on 8 December 2023. In addition, two additional meetings were held by the Supervisory Board outside of the regular schedule. These were convened as video-conferences on 30 and 31 March 2023. With the exception of the meeting on 8 December 2023, which Mr. Niederhauser did not attend, all members of the Supervisory Board attended every meeting. The Supervisory Board also met without the attendance of the Management Board. In addition, the Supervisory Board passed resolutions on urgent matters during the year outside of the Board meetings using customary means of communication.

The training measures that board members undergo to perform their duties were performed at their own initiative with support from the company. The Company gave appropriate support to Prof. Dr. Chwallek upon her induction to the Board.

At its meetings, the Supervisory Board regularly addressed the reports of the Management Board pursuant to Sec. 90 (1) no. 1-3 AktG on the intended business policies, the profitability and course of business, the market situation and competition and discussed these aspects in depth. In addition, the Management Board reported on any transactions that may have a significant impact on the profitability or liquidity of the company and/or group, especially any planned acquisitions or divestments.

Of all the activities of the Supervisory Board in the reporting period, the following issues and resolutions are worthy of particular mention:

- At its meeting on 20 March 2023, the Supervisory Board approved the report of the Supervisory Board to the Annual General Meeting, the corporate governance statement and remuneration report for financial year 2022 and the agenda for the Annual General Meeting held on 20 July 2023. It prolonged the appointment of Dr. Fues to the Management Board and honored his performance as the Chief Financial Officer of KATEK SE in the financial year 2022 with a non-recurring special bonus of EUR 50,000.

- On 30 March 2023, the Supervisory Board discussed the financial statements of KATEK SE, the consolidated financial statements and the combined management report of KATEK SE and the Group for the financial year ended 31 December 2022 – with the independent auditor in attendance – and set a target of 25% for female representation on the Supervisory Board.

- At the Supervisory Board meeting on 31 March 2023, the Supervisory Board adopted the financial statements of KATEK SE and the consolidated financial statements of the KATEK Group for the year ended 31 December 2022.

- In a resolution passed by written circular, the Supervisory Board nominated Prof. Dr. Chwallek in addition to Mr. Klaus Weinmann for election to the Supervisory Board at the Annual General Meeting on 20 June 2023.

- Following the Annual General Meeting, at which Klaus Weinmann was elected to the Supervisory Board, Klaus Weinmann was then elected Chairperson of the Supervisory Board and the qualification matrix of the Supervisory Board was updated.

- At the meeting on 15 September 2023, Mr. Rainer Koppitz's appointment to the Management Board was prolonged and the joint declaration of conformity required by Sec. 161 AktG was drawn up and signed in conjunction with the Management Board.

- At the meeting on 8 December 2023, the Supervisory Board approved the budget presented by the Management Board (including the financial planning, the capital expenditure planning and the human capital planning) and passed a resolution amending the contracts with Mr. Koppitz and Dr. Fues for their services on the Management Board.

- By way of written circulation dated 22 December 2023, the Supervisory Board approved in principle the resolution of the Management Board of the same date to allow limited due diligence proceedings to be conducted by Kontron AG.

D Corporate governance and Declaration of Conformity

The work of the Supervisory Board is based on the requirements of the German Stock Corporation Act (AktG) and the recommendation of the German Corporate Governance Code (GCGC). The Management Board and the Supervisory Board identify with the objectives of the GCGC to enhance corporate responsibility and to foster transparent corporate governance and controls aimed at sustainable value creation.

On 15 September 2023, the Management Board and the Supervisory Board declared that KATEK SE complied with the recommendations of the GCGC with one exception and that it would comply with the code in future, by issuing their Joint Declaration of Conformity in accordance with Sec. 161 AktG, which has been made permanently accessible to the public on the website of the Company.

On 18 March 2024 an amendment was made to the Declaration of Conformity in terms of its forward-looking statements, and this was likewise made permanently accessible to the public on the website of the Company.

The Supervisory Board did not identify any potential conflicts of interest with regard to any members of the Supervisory Board.

E Separate and consolidated financial statements

The independent audit firm, Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Munich, audited the separate and consolidated financial statements and the combined management report of KATEK SE and the Group for the financial year 2023 and has issued an unqualified audit opinion in each case.

Prof. Dr. Thomas Senger and Ms. Andrea Stoiber-Harant signed off the audit in their capacity as engagement partners.

The annual financial statements of KATEK SE and the combined management report for KATEK SE and the Group were compiled in accordance with the German legal requirements. The consolidated financial statements have been compiled in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB. The consolidated financial statements comply with IFRSs as published by the International Accounting Standards Board (IASB). The independent auditor conducted its audit in accordance with Sec. 317 HGB and the EU Audit Regulation while simultaneously observing the German Generally Accepted Standards for Financial Statement Audits promulgated by the promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW) and the International Standards on Auditing (ISA).

The audited documents were submitted to the Supervisory Board in advance by the Management Board. They were discussed in depth at the meeting of the Supervisory Board on 26 April 2024 with the independent auditor in attendance.

The independent auditor reported on the scope, audit focus and significant results of the audit, placing particular focus on key audit matters and its audit procedures. The independent auditor also responded to the additional questions posed by the members of the Supervisory Board.

After discussing the audit reports on the separate financial statements and consolidated financial statements for the year ended 31 December 2023 and the combined management report of the Company and the Group, the Supervisory Board did not find any cause for objection. It therewith approved the separate financial statements of KATEK SE and the consolidated financial statements for the financial year 2023 at its meeting on 26 April 2024. The annual financial statements are therewith adopted.

F Dependent company report

In addition, the Supervisory Board reviewed the Dependent Company Report issued by KATEK SE in accordance with Sec. 312 AktG on its relations with affiliated enterprises ("Dependent Company Report").

The report on relations with affiliated companies drawn up by the Management Board in accordance with Sec. 312 AktG (Dependent Company Report) was also audited by the independent auditor. The independent auditor has issued the following unqualified audit opinion in accordance with Sec. 313 (3) AktG:

„Following our audit and judgment, we hereby confirm that

- the statements as to fact made in the report are accurate,
- the performance by the company under the legal transactions set out in the report was not excessive or that the disadvantages have been compensated."

The independent auditor also submitted its report on the audit to the Supervisory Board. The Dependent Company Report issued by the Management Board and the audit report issued thereon were communicated to the Supervisory Board.

The Supervisory Board reviewed the Dependent Company Report of the Management Board and the independent auditor's report.

The Supervisory Board concurred with the conclusions of the independent auditor. Based on the final conclusions of its review, the Supervisory Board has no objections to raise against the Dependent Company Report.

On behalf of the Supervisory Board, I would like to thank the members of the Management Board and all employees within the organization for their hard work, dedication and constructive approach during the reporting year.

Munich, April 2024

On behalf of the Supervisory Board

Claudia Badstöber

(Chairwoman of the Supervisory Board

KATEK on the capital market

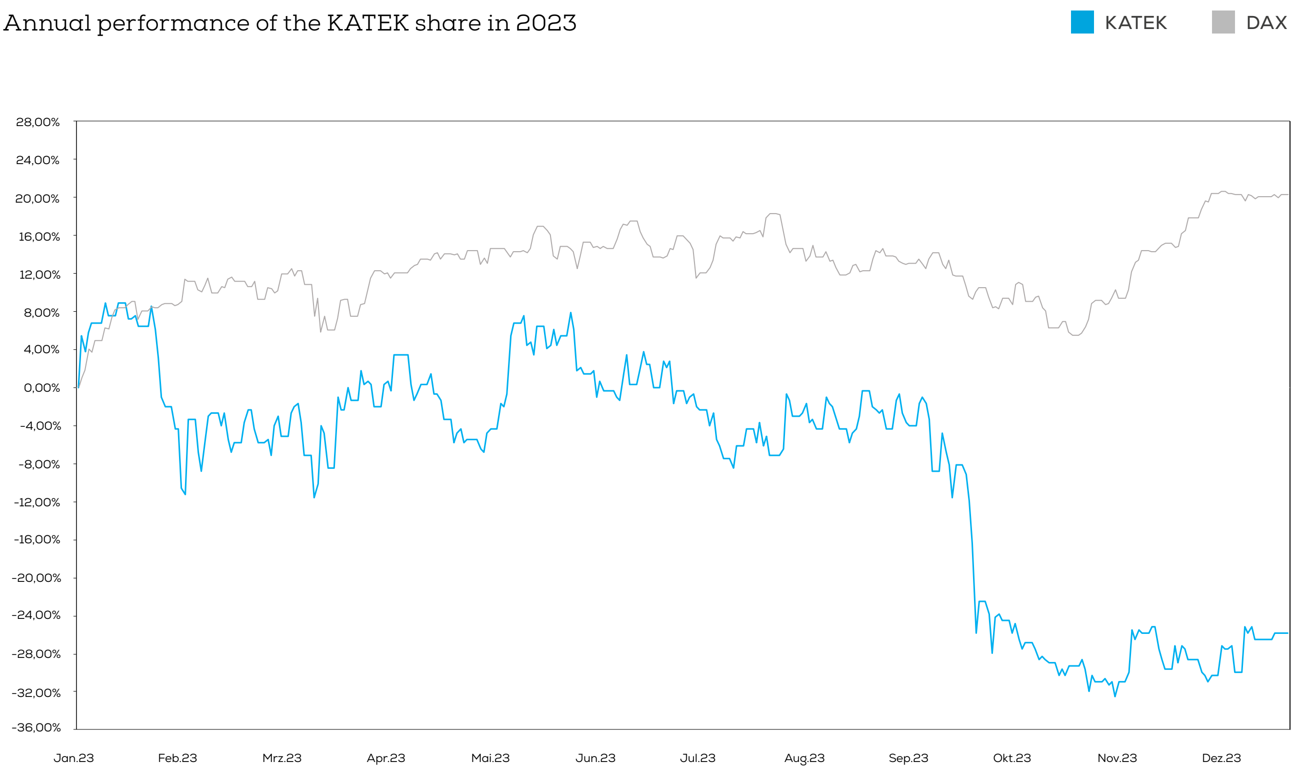
Development of the German stock market

There were a number of developments on the German stock exchanges in the year 2023. As in the prior year, high inflation remained a key issue. This was exacerbated by waning momentum in many major economies. In addition to the negative impact of inflation on private sector consumption and investment patterns, the tightening of monetary policy is also dampening economic activity. In spite of these headwinds, the German stock markets developed surprisingly well in 2023. With the DAX still listing below 15,000 points at the end of October, it closed the year at roughly 16,752 points at the end of December, marking the end of a turbulent year. This corresponds to a rise of roughly 20% on the 2022 trading year

Performance of the KATEK share

The shares of KATEK SE started the year on a positive note, initially trading at a price of EUR 15.10 on 2 January 2023. After dipping at the beginning of February, the KATEK share rallied again until the end of May but was unable to match the steady climb of the large caps over the remainder of the year. The low for the year came at the beginning of November at a price of EUR 9.82, with the share closing the trading year 2023 at a price of EUR 10.90..

Annual performance of the KATEK share in 2023



Key data

German Securities Code (ISIN): DE000A2TSQH7
German Securities Code (WKN): A2TSQH
Total number of shares (31 Dec 2023): 14,445,687
Capital stock (31 Dec 2023): EUR 14,445,687.00
Trading segment: Frankfurt Stock Exchange, Prime Standard
Designated sponsor: Hauck Aufhäuser Lampe Privatbank AG

Key figures and trading data

Opening price (Xetra): EUR 15.10
Annual high (05 Jan 2023): EUR 16.55
Annual low (02 Nov 2023): EUR 9.82
Closing price (Xetra): EUR 10.90
Market capitalization (29 Dec 2023): EUR 157.5 million
Average daily trading volume: 5,624 shares
Average daily turnover: EUR 76,180

Composition of shareholders

The largest shareholder, with 59.44% of the voting rights, is Kontron Acquisition GmbH. Kontron Acquisition GmbH, a wholly owned subsidiary of Kontron Beteiligungs GmbH, which in turn is a wholly owned subsidiary of the listed Kontron AG, Linz (Austria), announced that it had obtained control over KATEK SE on February 29, 2024 and was obliged under the terms of the WpHG (German Securities Trading Act) to tender a mandatory offer to the minority shareholders of KATEK SE. Following publication of the mandatory offer on 15 April 2024 by Kontron Acquisition GmbH, which has been structured as a delisting tender offer, KATEK SE will submit an application for revocation of the admission of the KATEK shares to the regulated market of the Frankfurt Stock Exchange at the beginning of May 2024 in accordance with the delisting agreement concluded with Kontron Acquisition GmbH on March 18, 2024

Annual General Meeting

The Annual General Meeting of KATEK SE was held on 20 June 2023. Approximately 75% of the share capital participated in the voting. The shareholders expressed their satisfaction with the company's business performance. All resolutions proposed by the boards were adopted by a majority vote.

Communication with the capital market

KATEK SE pursues the goal of promptly informing existing and potential shareholders, investors, analysts and the financial and business media in an open, transparent manner about its strategy, course of business and the prospects of the Company. The Management Board is in regular constructive dialog with all of the above stakeholders. In addition, there were numerous contacts with capital market participants at roadshows, investor conferences and during individual meetings. KATEK presented the business performance of the company in more detail during a video conference held on the occasion of releasing its Annual Report for 2022.

In the investor relations section of its website, KATEK SE offers comprehensive information about the business position, the latest news and information related to the KATEK share as well as the latest financial calendar.

Consolidated Corporate Governance Statement pursuant to Sec. 289 and 315d HGB

In this statement, which has been compiled in accordance with Secs. 289f and 315d HGB, and as foreseen by Principle 23 of the German Corporate Governance Code (GCGC), the Management Board and Supervisory Board report on corporate governance within the company in the financial year from 1 January 2023 to 31 December 2023.

1 Declaration of the Management Board and the Supervisory Board of KATEK SE on the German Corporate Governance Code pursuant to Sec. 161 AktG

On 15 September 2023, the Management Board and Supervisory Board passed a resolution to issue the following Joint Declaration of Conformity for KATEK SE pursuant to Sec. 161 AktG and made it permanently accessible to the public:

The Management Board and Supervisory Board of KATEK SE declare pursuant to Section 161 of the German Stock Corporation Act (AktG) that since the last declaration of conformity of October 11, 2022, all recommendations of the Government Commission on the German Corporate Governance Code in the version of April 28, 2022, published in the Federal Gazette on June 27, 2022, have been complied with, with the exception of the recommendations in C.5.

The Management Board and Supervisory Board of KATEK SE further declare pursuant to [Section] 161 of the German Stock Corporation Act (AktG) that all recommendations of the Government Commission on the German Corporate Governance Code in the version of April 28, 2022, published in the Federal Gazette on June 27, 2022, will be complied with, with the exception of the recommendations in C.5.

Reasoning:

Mr. Rainer Koppitz is a member of the Supervisory Boards of NFON AG, CENIT AG and Gigaset AG, in the case of NFON AG and CENIT AG as Chair of the Supervisory Board, and in the case of Gigaset AG as Deputy Chair of the Supervisory Board. The Management Board and Supervisory Board of KATEK SE are of the opinion that these activities are compatible with his activities as Chair of the Management Board of KATEK SE.

Munich, September 15, 2023

For the Management Board	Supervisory Board
Dr. Johannes Fues Rainer Koppitz	Klaus Weinmann

On March 18, 2024, the Management Board and Supervisory Board of KATEK SE have resolved to amend the Declaration of Conformity issued on September 15, 2023, in accordance with Section 161 AktG, applying mutatis mutandis the provisions of the German Corporate Governance Code in the version dated April 28, 2022, published in the Federal Gazette on June 27, 2022, as follows:

With regard to the forward-looking statement, a deviation from F.2 is declared. Kontron Acquisition GmbH, a wholly owned subsidiary of the listed Kontron AG, Linz (Austria), announced the acquisition of control over KATEK SE on February 29, 2024. As a result of the change of control and the resulting urgent and diverse tasks involving limited capacities within the finance department, publication of the consolidated financial statements and the group management report within 90 days of the end of the financial year and the financial information within 45 days of the end of the reporting period cannot be guaranteed.

Munich, March 18, 2024

For the Management Board	Supervisory Board
Hannes Niederhauser Dr. Johannes Fues	Claudia Badstöber

The following Declaration of Conformity is permanently accessible to the public on the website of KATEK at https://katek-group.de/investor-relations-bereich/corporate-governance/.

The Management Board and Supervisory Board of KATEK SE declare pursuant to Section 161 of the German Stock Corporation Act (AktG) that since the last declaration of conformity of September 15, 2023, all recommendations of the Government Commission on the German Corporate Governance Code in the version of April 28, 2022, published in the Federal Gazette on June 27, 2022, have been complied with, with the exception of the recommendations in C.5. Mr. Rainer Koppitz, who has since stepped down from the Management Board, is a member of the Supervisory Boards of NFON AG, CENIT AG and Gigaset AG, in the case of NFON AG and CENIT AG as Chair of the Supervisory Board, and in the case of Gigaset AG as Deputy Chair of the Supervisory Board. The Management Board and Supervisory Board of KATEK SE were of the opinion that these activities were compatible with his activities as Chair of the Management Board of KATEK SE.

The Management Board and Supervisory Board of KATEK SE further declare pursuant to Section 161 of the German Stock Corporation Act (AktG) that all recommendations of the Government Commission on the German Corporate Governance Code in the version of April 28, 2022, published in the Federal Gazette on June 27, 2022, will be complied with, with the exception of the recommendations in F.2. Kontron Acquisition GmbH, a wholly owned subsidiary of the listed Kontron AG, Linz (Austria), announced the acquisition of control over KATEK SE on February 29, 2024. As a result of the change of control and the resulting urgent and diverse tasks involving limited capacities within the finance department, publication of the consolidated financial statements and the group management report within 90 days of the end of the financial year and the financial information within 45 days of the end of the reporting period cannot be guaranteed.

Munich, March 18, 2024

For the Management Board	**Supervisory Board**
Hannes Niederhauser Dr. Johannes Fues	Claudia Badstöber

2 Remuneration report/Remuneration system

The applicable remuneration system for the members of the Management Board pursuant to Sec. 87a (1) and (2) sentence 1 AktG, which was approved by the Annual General Meeting on 16 May 2022, and the resolution on remumeration of the Supervisory Board passed by the Annual General Meeting on 20 April 2021, have been made accessible to the public at https://katek-group.de/investor-relations-bereich/corporate-governance/. The Annual General Meeting on 16 May 2022 confirmed the fixed remuneration of the members of the Supervisory Board that came in force in financial year 2021, pursuant to Sec. 113 (3) AktG.

The remuneration report, as an element of the management report for the financial year 2023, and report of the independent auditorn were made accessible to the public as required by Sec. 162 AktG.

3 General disclosures on corporate governance practices

As a European Company (SE), KATEK SE, based in Munich, is subject to German Stock Corporation law and has installed a dual governance system, comprising the Management Board and the Supervisory Board. KATEK is aware of its role in society and its responsibilities towards its customers, business partners, shareholders and employees.

Cooperation based on mutual respect and the conscious acknowledgment of social responsibility, and compliance with the relevant rules and regulations create a foundation for the long-term sustainable success of the business. The most important principles and guidelines governing the actions of KATEK in the fields of compliance and sustainability can be found at https://katek-group.de/ueber-katek/nachhaltigkeit/.

The Management Board convenes an Annual General Meeting at least once a year. The shareholders of KATEK SE exercise their rights of joint governance and control at the Annual General Meeting. The main resolutions passed by the shareholders at the Annual General Meeting involve the appropriation of profits, the discharge of the members of the Management Board and Supervisory Board, the election of shareholder representatives to the Supervisory Board and their choice of independent auditor for the financial statements. In addition, the Annual General Meeting decides on the fundamental legal matters of the Company, in particular, any amendments to the articles of association, capital adjustments, corporate transactions and reorganizations.

The Annual General Meeting adopts a resolution in an advisory function regarding the approval of the remuneration system for the Management Board. It also adopts a resolution on the specific remuneration of the Supervisory Board, and passes a resolution on its recommendation regarding the approval of the remuneration report for the reporting year.

4 Description of the working methods of the Management Board and the Supervisory Board as well as the composition and working methods of its committees

The working methods of the Management Board and Supervisory Board are based on the relevant laws, the German Corporate Governance Code, the articles of association and the resolutions of the Annual General Meeting of KATEK SE, the rules of procedure for the Supervisory Board and the rules of procedure and allocation of functions for the Management Board.

4.1 Management Board

The Management Board leads the company with the objective of creating sustainable value added. Its members are jointly responsible for overall leadership. The members of the Management Board work closely together, exchange information and notify each other on a continual basis of any important measures and events in their respective functions. The principles governing the collaboration of the members of the Management Board of KATEK SE are laid out in the rules of procedure for the Management Board. Among other items, the rules of procedure govern the responsibilities of the respective members based on the allocation of functions, matters that need to be decided on by the full Management Board, the deputization rules, the rights and duties of the Chairperson of the Management Board, meetings of the board, how resolutions are to be passed, the necessary majorities and the nature of transactions that require approval from the Supervisory Board, which are also laid out in the articles of association of KATEK SE. In addition, the code of procedure for the Management board governs the required reporting to the Supervisory Board. The management board of KATEK SE currently consists of two members, Mr. Hannes Niederhauser (CEO) who succeeded Rainer Koppitz and Dr. Johannes Fues (CFO KATEK SE), who will step down from the board on 30 April 2024.

The Management Board regularly, promptly and comprehensively informs the Supervisory Board of all significant aspects affecting the business of the KATEK Group, any significant business transactions, the business planning and the current situation of its risk position, risk management and compliance. The Management Board and Supervisory Board discuss the strategic alignment of the company and, at regular intervals, the progress made on implementing its strategy.

4.2 Supervisory Board

The members of the Supervisory Board of KATEK SE during the reporting year were Klaus Weinmann (Chair), Markus Saller (Deputy Chair), Andreas Müller, until the end of day, 20 June 2023 and Prof. Dr. Constanze Chwallek, since 20 June 2023, as well as Hannes Niederhauser until the end of day, 14 December 2023.

By resolution of the Annual General Meeting on 20 June 2023, Klaus Weinmann and Prof. Dr. Chwallek were appointed to the Supervisory Board for a period that ends upon the close of the Annual General Meeting at which a resolution is passed discharging them for the financial year ending 31 December 2027. The ensuing meeting of the Supervisory Board, also held on 20 June 2023 elected Mr. Weinmann to the Chair of the Supervisory Board and Mr. Saller as his deputy.

On 28 February 2024, Mr. Klaus Weinmann, Chair of the Supervisory Board and Mr. Saller, Deputy Chair of the Supervisory Board announced they would be stepping down from the Supervisory Board effective the end-of-day, 12 March 2024. By order of the local court of Munich – the court where the company is registered – dated 13 March 2024 and received by the company on 16 March 2024, Ms. Claudia Badstöber, Mr. Dieter Gauglitz and Mr. Christoph Öfele were appointed to the Supervisory Board of KATEK SE for a period ending upon the close of the next Annual General Meeting. At the meeting of the Supervisory Board on 18 March 2024, Ms. Badstöber was elected to the Chair of the Supervisory Board of KATEK SE and Mr. Gauglitz as her Deputy.

The Supervisory Board advises the Management Board on its executive management of the business and monitors its activities. It appoints and dismisses members of the Management Board and bears joint responsibility with the Management Board for a long-term succession concept.

Furthermore, the Supervisory Board decides by way of resolution on the remuneration system for the members of the Management board and sets their respective compensation.

The principles governing the collaboration between the members of the Supervisory Board of KATEK SE are laid out in the rules of procedure for the Supervisory Board. Among other matters, these govern how members are to be elected to the Chair and the Deputy Chair of the Supervisory Board, how meetings are to be convened, how they should proceed, how resolutions may be passed and how the minutes of meetings and committees are to be recorded. The Supervisory Board regularly meets without the Management Board of KATEK SE in attendance. The code of procedure for the Supervisory Board can be found on the website of the company in the Investor Relations/Corporate Governance section.

4.3 Committees

Der The Supervisory Board established two committees for the reporting year: the Audit Committee and the Nomination Committee.

The members of the Audit Committee in the reporting year were Mr. Andreas Müller, (Chair) until 20 June 2023, Prof. Dr. Chwallek (Chair) from 20 June 2023, Mr. Klaus Weinmann (Deputy Chair) and Mr. Markus Saller.

The members of the Nomination Committee in the reporting year were Mr. Klaus Weinmann, (Chair) Mr. Klaus Weinmann (Deputy Chair) and, until the end-of-day, 14 December 2023, Mr. Hannes Niederhauser.

After Mr. Weinmann and Mr. Saller stepped down from the Supervisory Board and Ms. Badstöber, Mr. Gauglitz and Mr. Öfele were appointed by the court, a resolution was passed on the composition of the committees on 18 March 2024, as follows:

The current members of the Audit Committee are Prof. Dr. Chwallek (Chair), Ms. Badstöber (Deputy Chair) and Mr. Gauglitz and Mr. Öfele as regular members.

The members of the Nomination Committee are Ms. Badstöber (Chair), Mr. Gauglitz (Deputy Chair), Prof. Dr. Chwallek and Mr. Öfele as regular members.

Until stepping down on 20 June 2023, Mr. Müller was the financial expert (accounting) in accordance with Sec. 100 (5) AktG and Recommendation D.3 of the German Corporate Governance Code.

Mr. Andreas Müller is the founder, majority shareholder and Chairman of the Management Board of S.D.L. Süddeutsche Leasing AG, a family-owned company. Thanks to his many years of experience in the financial services sector, Andreas Müller has proven expertise in the field of accounting and special knowledge and experience in the application of accounting standards, internal controls and risk management systems, extending to sustainability reporting and the auditing thereof.

Following the resignation of Mr. Müller, Prof. Dr. Chwallek assumed the position of financial expert (accounting) in the sense of Sec. 100 (5) AktG and Recommendation D.3 of the German Corporate Governance Code.

Prof. Dr. Constanze Chwallek is a professor at the University of Applied Sciences in Aachen, Commerce Faculty and has a doctorate in business studies (promovierte Diplom-Kauffrau). Before becoming a professor, she worked as a business consultant for international corporations and mid-cap companies in the widest range of business sectors. She has proven expertise in the field of accounting and special knowledge and experience in the application of accounting standards, internal controls and risk management systems, extending to sustainability reporting and the auditing thereof.

Until stepping down on 20 June 2023, Mr. Saller was the financial expert (auditing) in accordance with Sec. 100 (5) AktG and Recommendation D.3 of the German Corporate Governance Code. Mr. Saller studied business and graduated with a Master of Business Administration (MBA) from the University of Colorado at Boulder (USA). Due to his decades of experience in the field of mergers and acquisitions, capital markets and equity investments, Mr. Saller possesses special expertise in the field of auditing financial statements; this extends to sustainability reporting and audits thereof.

During the reporting period, the Supervisory Board and its Audit Committee therefore had at least one member, namely, Mr. Saller, who possessed expertise in the field of auditing financial statements and at least one other member, namely, the Chair of the

Audit Committee, Mr. Müller and his successor, Prof. Dr. Chwallek, who possessed experience in the field of accounting. According to the Code (Recommendation C.10), the Chair of the Audit Committee should possess expertise in one of these two fields and should also be independent of the controlling shareholder. Both of the Chairs of the Audit Committee, Mr. Müller and Prof. Dr. Chwallek, met these requirements.

Based on a resolution of the Supervisory Board dated 18 March 2024, Mr. Dieter Gauglitz succeeded Mr. Saller as the financial expert (accounting) on the board. Dieter Gauglitz is an auditor and independent consultant for clients ranging from smaller mid-cap companies through to large listed companies, providing services in the fields of finance, restructuring, due diligence, post-merger integration and capital markets. Before setting up as an independent consultant, he spent 12 years at Ernst & Young in the Audit & Assurance and Transaction Advisory departments, followed by a position as CFO on the management board of Kontron AG.

4.4 Self-assessment of the Supervisory Board

The Supervisory Board once again conducted its self-assessment in the reporting year using a standardized checklist. The results of the assessment confirm that collaboration both within the Supervisory Board and between the Supervisory Board and the Management Board was professional, constructive, very trusting and open. The findings regarding the organization and execution of meetings confirmed that meetings were held efficiently and were supplied with sufficient information. No fundamental need for change was identified.

5 Targets for female reprensentation on the Management Board, the Supervisory Board and on the first two levels of middle management below the Management Board

The Management Board of KATEK SE consists of two men. At its meeting on 25 March 2022, the Supervisory Board set the target for female representation on the Management Board at zero until at least 31 December 2023 due to the existing appointments of Mr. Koppitz and Dr. Fues.

Upon the change in control on 18 March 2024, a new resolution for female representation on the Management Board was passed pursuant to Sec. 111 (5) AktG by which the target was set at “zero” for at least the duration of the financial year 2024. This decision is based on the fact that Mr. Hannes Niederhauser has been appointed as the sole member of the Management Board upon the resignation of Dr. Fues, effective the end of day 30 April 2024. There are no plans at present to appoint an additional officer to the Management Board.

At its meeting on 30 March 2023, the Supervisory Board set a target of 25% for female representation on the Supervisory Board with a deadline of 30 June 2024.

This target was met with the election of Prof. Dr. Chwallek to the Supervisory Board at the Annual General Meeting on 20 June 2023.

In addition, the Management Board is obliged to set targets for female representation at the first and second levels of middle management underneath the Management Board. In the opinion of the Management Board, the topic of diversity is essential to the KATEK Group considering its role as a tech company. For this reason, the Executive Board sets a clear focus on considering diversity when it comes to filling management positions at all management levels below the Executive Board of KATEK SE and its affiliated companies throughout the Group in Germany and abroad, thereby seeking a suitable level of female representation.

On 24 March 2023 the Management Board set a target of 20% pursuant to Sec. 76 (4) AktG for the first level of middle management underneath the Management Board, referred to as the Senior Management Team (SMT), to be reached by 31 March 2025. The SMT comprises the managing directors of the direct subsidiaries and the key employees in charge of corporate functions (Accounting, Legal, Marketing & Communication, etc.). Female representation currently stands at 20%, thereby meeting the target.

Due to its structure as a holding company, KATEK SE does not have a second level of middle management underneath the Management Board.

6 Diversity concept for the Management Board and long-term succession planning

When searching for candidates for a management board position, the key selection criteria are the candidate’s professional qualifications for the position, their leadership qualities and track record, their skills and expertise as well their familiarity with the company. The members of the Management Board should be from different professional backgrounds and possess a range of expertise. This involves professional experience at a range of different companies with a number of stations on their curriculum vitae.

Given these prerequisites, the Supervisory Board of KATEK SE has passed a resolution on the following diversity concept for the composition of the Management Board:

The members of the Management Board should possess the necessary knowledge, skills and professional experience to duly perform their tasks.

More specifically, it should be ensured that the Management Board possesses the following knowledge and experience among its members:

- at least one member of the Management Board should be familiar with the field of electronics manufacturing and services, especially with the market environment, the individual fields of business and customer needs;
- the member of the Management Board entrusted with finance should have professional expertise in the field of accounting or auditing and be familiar with capital markets and finance;
- at least one member of the Management Board should be experienced at managing a mid-cap enterprise;
- at least one member of the Management Board should possess international experience;
- member of the Management Board should not have reached the age of 65, an exception may be made in justified cases;
- reference is made to the fact that the Supervisory Board has set targets for female representation on the Management Board in accordance with Sec. 111 (5) AktG and deadlines for reaching these targets.

The Supervisory Board decides on which candidate should fill which particular position on the Management Board in the best interests of the company and taking into account all the particular circumstances.

At present, the Management Board of KATEK SE consists of two members who have qualifications in different areas. After Dr. Johannes Fues steps down from the Management Board on 30 April 2024, Mr. Hannes Niederhauser will be the sole member of the Management Board.

The diversity concept for the composition of the Management Board has already been fulfilled in the view of the Supervisory Board.

In terms of the long-term succession planning, the Supervisory Board considers, along with the requirements of the German Stock Corporation Act and the German Corporate Governance Code, the criteria laid out in the diversity concept for the composition of the Management Board set by resolution of the Supervisory Board.

7 Targets for the composition, competence profile and diversity concept of the Supervisory Board

The diversity concept for the Supervisory Board pursues the goal of creating a balanced Supervisory Board for KATEK SE with a broad range of competencies that make it particularly suitable for successfully performing its oversight function.

The diversity concept for the composition of the Supervisory Board in terms of its internationality, diversity of professional experience, educational background, age and gender therefore considers the following aspects:

- In terms of its composition, the Supervisory Board seeks a range of different professional and international experience from among its members. However, in terms of its objectives and when proposing candidates to the Annual General Meeting, the Supervisory Board will not give precedence to the diversity concept. Rather, it will continue to base its decision on the expertise, professional qualifications and personality of the potential candidates;
- each member of the Supervisory Board meets the legal and statutory prerequisites for membership of the Supervisory Board (including, but not limited to Sec. 100 (1) to (4) AktG);
- not more than one former member of the Management Board should be on the Supervisory Board;

- generally, members of the Supervisory Board should not have reached the age of 70; in justified cases, an exception can be made to this rule;
- reference is made to the targets for female representation on the Supervisory Board in accordance with Sec. 111 (5) AktG and deadlines for reaching these targets set by the Supervisory Board.

With regard to its competence profile, the Supervisory Board is of the opinion that professional competence, experience, competence in the key factors of the company and personality profile are the key factors. The competence profile should provide the best match to the most important topics for the company moving forward. In addition, the Supervisory Board should ensure that its members, as a whole, meet the prerequisites for duly performing the tasks of the Supervisory Board.

The Supervisory Board has identified professional competence in the fields of technology, accounting and auditing of accounts (Sec. 100 (5) AktG) and finance, strategy, M&A, organization and personnel, as well as transformation and corporate processes as being significant.

Due to the international alignment of the KATEK Group, at least one member of the Supervisory Board must possess a number of years of international experience, e.g. consulting or working for international corporations.

The members of the Supervisory Board do not need to be equally adept in all fields of knowledge; rather, their competence profiles should complement each other.

In addition, more than half of the shareholder representatives on the Supervisory Board should be independent of the Company and the Management Board; at least one representative of the shareholders should be independent of the controlling shareholder. Any significant and not just temporary conflict of interest should be avoided.

The objectives regarding the composition of the Supervisory Board, including, but not limited to, the diversity concept and competence profile, are currently satisfied in the opinion of the Supervisory Board. In addition, all members of the Supervisory Board are independent of the company and its Management Board. None of them have personal or business relationships with the company or its Management Board that could give rise to a significant and not just temporary conflict of interest. In the reporting period, both Mr. Niederhauser and Mr. Müller, as well as his successor, Prof. Dr. Chwallek, were independent of the controlling shareholder of KATEK SE in the financial year 2023, PRIMEPULSE SE. Since Kontron AG obtained control over the Company on 29 February 2024 via Kontron Acquisition GmbH, Prof. Dr. Chwallek and Mr. Christoph Öfele are independent of the controlling shareholder.

The current status of the Supervisory Board in terms of meeting the objectives of the competence profile and diversity concept for the Supervisory Board of KATEK is presented in the following qualification matrix.

Relevant matters (in the sense of the AktG, GCGC, requirements placed on capital market participants		Badstöber	Gauglitz	Prof. Dr. Chwallek	Öfele
Membership	Member since	March 2024	March 2024	June 2023	March 2024
	End of term	AGM 2024	AGM 2024	AGM 2028	AGM 2024
	Role on the Supervisory Board	Chair	Deputy Chair	Member	Member
Personal suitability	Independence			x	x
	No overboarding	x	x	x	x
Diversity	Gender	female	male	female	male
	Year of birth	1968	1965	1967	1968
	Nationality	Austrian	German	German	German
	International experience	x	x		
Professional suitability	Familiar with the sector		x		
	Technological understanding		x	x	
	Personnel/ organizational development	x		x	
	Transformation/ corporate processes	x	x	x	x
	Legal/compliance	x	x		x
	Strategy/M&A	x	x	x	x
	Capital markets/investors	x	x	x	x
	Sustainability/ESG	x	x	x	
	Finance	x	x	x	x
	Financial expert acc. to Sec. 100 (5) AktG		x	x	

8 Share transactions by members of the boards

According to Art. 19 Regulation (EU) No 596/2014 of the European Parliament and the Council from 16 April 2014 on market abuse (market abuse regulation), members of the Management Board and members of the Supervisory Board are required to disclose any transactions in their own name involving shares of KATEK SE if the sum of the transactions they or a person closely associated with them reaches or exceeds the sum of EUR 20,000 within the respective calendar year. All such transactions reported to the Company in the reporting year were duly published and can be viewed on the website of the company at https://katek-group.de/investor-relations-bereich/corporate-governance/.

Munich, April 2024

KATEK SE

The Management Board

Combined Management Report of KATEK SE, Munich, for the Financial Year 2023

A Background of the Group

1 Business model

The KATEK Group (hereinafter "KATEK" or the "KATEK Group") is a leading European electronic firm that offers hardware and software development, prototyping and production as well as the associated services on the market for high-end electronics and electronic services. The KATEK Group, with locations in Europe, Asia and North America focuses particularly on those end-user markets displaying high growth rates. Its customers include market leaders in a wide variety of fields, from electromobility to renewable energies through to medical technology.

With its diversified customer base, KATEK serves attractive end markets for electronics. The focus here is on fields with great promise for the future, such as IoT solutions, e-mobility, renewables/solar and healthcare. This customer and sector portfolio has been established by conducting selective M&A activities and pursuing targeted organic growth initiatives.

As an electronics firm, KATEK primarily tailors its product offerings towards end-to-end services along the entire electronic value chain. These include the development of electronic technology solutions, rapid prototyping services, materials sourcing, circuit board assembly, measuring and testing as well as box-build. If requested by customers, the KATEK Group also covers other parts of the value chain, such as logistics or after-sales services.

At the same time, the KATEK Group also offers a range of products that distinguish themselves from pure electronics manufacturing by including a number of other features, particularly those adding value (High Value Electronics). An important element of this offering involves clean energy solutions that are sold under the Steca brand, such as hybrid inverters for solar energy solutions together with the associated cloud software. Another significant and rapidly growing product family is made up of intelligent charging solutions for electric vehicles sold under the eSystems brand directly to OEMs. Yet other inhouse products are developed and manufactured under the TeleAlarm brand. These allow aging persons to continue living an independent lifestyle by enabling them to make emergency calls simply and safely when they need to.

The KATEK Group also views proximity to customers as an element of its customer orientation. To ensure that it offers competitive prices, the KATEK Group has set up an international production and sourcing network that allows the Group to fully exploit both its size as well as its local roots. In addition to various facilities in Germany, other production locations of KATEK are situated in other European states, North America and Asia. This positioning is designed to allow us to respond extremely quickly and reliably to customer queries.

KATEK offers a broad portfolio of solutions which cover the entire life cycle of electronics from development through to prototyping and production and end-of-life services. As a result, KATEK can offer its customers a one-source solution, both for its established standard product lines as well as for new products that allow its customers to choose a fabless model, i.e. one that does not require their own electronics production resources. Top quality is of particular significance for the services of KATEK as electronic systems, products and components all need to be extremely reliable and robust in their respective applications. The KATEK Group continuously ensures that its high quality standards are adhered to by investing in its testing and quality control equipment and methods (including its own inhouse testing software). KATEK believes that this quality philosophy is becoming increasingly relevant for the Group.

2 Structure of the KATEK Group

As in the previous year, the management holding of the Group, KATEK SE, performs both management and shared services for the entire Group. In addition to strategic management and financing its operating entities, its activities extend primarily to rendering business administration functions.

The activities of the operating entities of the Group are organized into legally separate sub-groups. The Group entities are managed by the Group's Executive Board taking a speed boat approach (a model based on strategic functions and centers of competence). This involves giving the managers of the sub-divisions as much autonomy in organization and managing the operative business as possible, while selected functions in the value chain, such as sales and sourcing, are integrated and managed centrally.

The principles of this speedboat approach consist of managing the strategic functions centrally, such as global sales and strategic sourcing, in order to realize economies of scale, while protecting the independence, speed of response and market proximity of the individual subsidiaries in order to maximize the efficiency of the Group. In this model, each subsidiary possesses specialist knowledge or enjoys a comparative competitive advantage over the other subsidiaries (best in class) in terms of its technical competencies (e.g. embedded systems), process expertise (e.g. production competence), industry expertise (e.g. healthcare) or certain research and development skills (e.g. solar inverters). Each competence center provides its particular skills to all other companies in the Group, enabling each company to expand the portfolio of goods and services that it offers to its existing customers and also to win new customers. At the same time, each competence center bundles the knowledge of the entire Group in the respective field, allowing a very high degree of specialization, which again benefits the entire Group.

3 Market and competition

The KATEK Group operates in a heavily fragmented market. The market researcher, in4ma estimates that there are currently more than 2,200 EMS (Electronics Manufacturing Services) companies operating in Europe (in4ma 2024). There are both domestic and international competitors. However, KATEK does not view international competitors, particularly large Asian contract manufacturers, as constituting any real direct competition to the Group in the customer segment of sophisticated electronic products served by the KATEK Group, nor when it comes to applying the full value chain approach – particularly when offering seamless scalability in services, unit volumes and regionalization. This latter aspect has recently become a strong growth driver for KATEK (with the trend towards reshoring and friend-shoring).

Based on the Group's sales in 2023, market research from in4ma and its own estimates, the KATEK Group is currently the second largest German provider and one of the leading market players in Europe. KATEK also believes that the high degree of market fragmentation offers great opportunities for actively consolidating, expanding and growing future market share. In addition, according to in4ma, larger companies have grown more rapidly than smaller ones and have proven to be more resilient in times of crisis. Consequently, the KATEK Group will be able to retain its position as a rapidly growing European group of companies in the market for electronic products/electronic services.

4 Management system of the KATEK Group

The strategy of the KATEK Group is geared towards a sustainable increase in the company's value. A number of different financial performance indicators are used to manage the Group and control its business development and the position of the Group. As in the previous year, these include:

- Revenue: The development of revenue, as it is presented in the consolidated financial statements, is a key indicator for presenting the development of business volume and is therefore a measure of the scope to which customer needs have been addressed.

- EBITDA: EBITDA refers to earnings before interest, tax, depreciation and amortization as it is presented in the consolidated financial statements. The development of EBITDA is viewed as a key indicator of changes in profitability.

- Adjusted (Adj.) EBITDA: Adj. EBITDA is seen as a key indicator of operating performance as it eliminates the impact of non-operating factors and non-recurring effects. These include M&A and integration costs as well as restructuring and other extraordinary expenses, which, by nature, cannot be considered in the budgetary planning, as well as the costs associated with the IPO in 2021. The development of adj. EBITDA permits assertions to be made on changes in profitability over time.

In contrast to the above, KATEK SE is steered solely on the basis of the two indicators, revenue and EBITDA. The development of the stand-alone company hinges directly on the economic development of the Group as a whole.

The economic development of the Group is monitored in the course of a regularly revised planning and forecast process and on the basis of monthly reporting. In addition, external indicators, such as the inflation rate, interest rates, macroeconomic trends and forecasts, as well as findings from risk management are also regularly considered in corporate governance.

B Economic position

1 Macroeconomic environment

The year 2023 saw strong headwinds sweeping the global economy. Overall, the global economy continued to slowly recover from the negative shocks of recent years: the Covid-19 pandemic with the associated disruptions to global demand and supply chains and the war in Ukraine with an ensuing jump in commodity prices, especially of energy in Europe, rising inflation and drastic fiscal tightening, which created a good deal of turbulence in the banking sector and on the financial markets. Global GDP grew by 2.9% in the 2023 calendar year (previous year: 3.3%). In light of the numerous negative shocks of the previous year, this should be seen as a sign of the resilience of the global economy.(OECD Economic Outlook, 2024)

The crisis in the supply of materials eased off significantly over the course of 2023. In addition, household consumption patterns steadily returned to normal following the end of the pandemic. In particular, the shift away from services towards goods that had been triggered by Covid-19, reversed, with the services sector rebounding and demand for goods returning to normal. In addition, in response to higher interest rates, many companies started selling off the stocks they had built up as a precautionary measure to secure their ability to deliver during a time of supply chain bottlenecks. Consequently, global demand for goods and world trade as a whole cooled off sharply in 2023.

These trends affected the national economies in the various regions of the world to different degrees. While the Chinese economy recorded lower growth of 5.2% in 2023, GDP growth of 2.4% in the United States was a positive surprise as the economy was buoyed by higher consumption and investment spending in spite of the monetary tightening. By contrast, the European Union (EU) suffered from the hurdles that were widely anticipated. The drastic increase in the price of energy in 2022 caused by the war in Ukraine had a severe impact, particularly on energy-intensive industries. The rapid rise in inflation induced the European Central Bank to raise its key rate (main refinancing operations) to 4.5%. In addition, the global downturn in production and trade burdened the economic performance of the EU, primarily due to the high concentration of manufacturing and the export industry in Germany, the largest economy in the region. GDP growth in the EU came to just 0.6% in 2023 with Germany contracting by -0.3%. (Federal Ministry of Finance, 2024)

The development of the European electronics industry is driven by long-term trends such as automation, electrification and the digital transformation. According to the annual surveys and analyses conducted by in4ma, a market research agency, the total market volume grew by 11% in 2023 to over EUR 57 billion (in4ma, 2024).

2 Business activity and development of business

In comparison to the previous year, the Group sales of the KATEK Group grew by EUR 99.7 million or 14.6% from EUR 683.1 million to EUR 782.8 million. This marks the fourth year in succession in which double-digit growth in the Group's revenue has been achieved, which is viewed very positively.

The Group's EBITDA of EUR 41.9 million lies EUR 18.8 million above the figure of the previous year of EUR 23.1 million. Likewise the Group's loss for the year of EUR 0.0 million marks a big improvement on the net loss of the Group in the previous year of EUR -6.6 million.

Adj. EBITDA rose by EUR 6.6 million from EUR 32.0 million to EUR 38.6 million. Consequently, business in the year has developed positively. A reconciliation of EBITDA to EBITDA adj. can be found in section 3, "Financial performance".

In comparison to the competition, the KATEK Group has proven to be robust overall and was able to grow its sales faster than the European EMS market (in4ma 2024).

The KATEK Group easily outperformed the revenue target communicated in the guidance it published and confirmed its earnings forecast (EBITDA adj.).

As a result, business developed positively overall, particularly after taking account of the macroeconomic environment described above.

KATEK SE occupies the central financing and management function within the KATEK Group for the other Group entities. KATEK SE generated revenue of EUR 2.9 million in the year 2023 from its financing and management activities, up EUR 1.2 million or 73% on the previous year's figure of EUR 1.7 million.

The EBITDA of KATEK SE of EUR – 6.8 million lies EUR – 1.8 million below the figure of the previous year of EUR – 5.0 million. The underlying reasons for this development lie in higher personnel expenses and an increase in other administrative expenses. Due to the volatile earnings situation at one of the subsidiaries, an impairment loss of EUR 3.8 million was recorded on its shares in the reporting year (prior year: EUR 0). The net loss for the year of KATEK SE amounts to EUR – 11.2 million, compared to a net loss of EUR – 6.0 million in the previous year.

In comparison to the previous year, it was possible to charge the subsidiaries for higher management fees and finance income. As a result, most of the expenses could be compensated. Taking these factors into account, the development of business at KATEK SE is satisfactory.

3 Financial performance

The Group sales of the KATEK Group grew by EUR 99.7 million or 14.6% from EUR 683.1 million to EUR 782.8 million. The increase in revenue in 2023 of approximately EUR 22.8 million is due to the first-time consolidation of the subsidiary, Nextek Inc. that was acquired in 2023. Another EUR 37.1 million in sales growth originates from KATEK Canada Inc. (formerly Sigmapoint Technologies Inc.) which was acquired in 2022 and consolidated for the full year for the first time. The remaining increase in revenue can be attributed to organic growth and the continuing positive trend in the Electronic Manufacturing Services (EMS) sector.

Revenue by region (domicile of the customer) developed as follows:

EUR k	31 Dec 2023	31 Dec 2022
Germany	479,654	479,074
Europe	188,340	160,192
Rest of world	114,760	43,834
	782,753	**683,100**

This sales growth is also reflected in the segment reporting. For example, the revenue of the Electronics segment rose by EUR 64.7 million or 11.4% from EUR 569.3 million to EUR 633.9 million. The Systems & Products segment grew by EUR 32.1 million or 19.9% from EUR 161.4 million to EUR 193.5 million. The main growth driver for the Electronics segment is the acquisition of Nextec Inc., referred to above The main growth driver in the Systems & Products segment is the pleasing trend in the markets for medical alert systems and solar/renewables.

The total operating performance of the KATEK Group rose in the reporting year by EUR 97.1 million to EUR 795.8 million (previous year: EUR 698.6 million).

The cost of materials amounts to EUR 553.4 million compared to EUR 513.9 million in the previous year. The increase in the cost of materials in absolute figures is largely due to the growth of the Group. The ratio of the cost of materials to total operating performance amounted to 69.5% in the year 2023 and was therefore 4.1 percentage points lower than in the previous year when it came to 73.6%. The additional costs caused by the materials supply crisis were also much less noticeable than in financial year 2022.

In real terms, the gross profit increased from EUR 184.7 million in the previous year to EUR 242.3 million in the reporting year. The gross margin, measured on total operating performance, lies at 30.5% in the reporting year and is therefore up 4.1 percentage points on the figure of the previous year when it came to 26.4%. This is largely due to successful management of materials costs and consistently passing on the relevant additional costs in higher prices.

The gross profit of the Electronics segment rose by EUR 36.3 million or 25.6% on the previous year, rising from EUR 141.5 million to EUR 177.8 million. The gross profit of the Systems & Products segment amounted to EUR 67.9 million, representing a rise of EUR 22.9 million or 50.8%. The upwards sales trajectory in the markets described above is also reflected in the gross profit.

Other operating income for the reporting year came to EUR 11.9 million (previous year: EUR 4.7 million). Other income in the reporting year includes the bargain purchase of Nextek Inc. of EUR 7.9 million. Personnel expenses in the reporting year came to EUR 148.9 million (previous year: EUR 116.9 million). In addition to the general growth of the KATEK Group, the increase in personnel expenses on the previous period is a result of the addition of Nextek Inc. to the basis of consolidation, which added EUR 5.8 million to personnel expenses, and the full-year consolidation of KATEK Canada Inc. (formerly Sigmapoint Technologies Inc.), which was acquired in the previous year 2022, adding another EUR 9.0 million. The ratio of personnel expenses to revenue decreased by 1.9 percentage points from 17.1% in the previous year to 19.0%.

Other operating expenses for the reporting year came to EUR 63.4 million (previous year: EUR 49.3 million). As a result, the opex ratio (other operating expenses divided by revenue) dropped from 7.2% in the year 2022 to 8.1% in the year 2023. Other operating expenses consist of operating costs of EUR 28.3 million (previous year: EUR 21.8 million), selling expenses of EUR 6.8 million (previous year: EUR 6.0 million), administrative expenses of EUR 23.0 million (previous year: EUR 17.4 million) and sundry other operating expenses of EUR 5.3 million (previous year: EUR 4.1 million). The increase in other operating expenses mainly originates from the growth of the Group.

EBITDA improved by EUR 18.8 million in the financial year 2023, rising from EUR 23.1 million to EUR 41.9 million. The EBITDA margin therefore comes to 5.4% compared to 3.4% in the previous year.

Adj. EBITDA rose by EUR 6.6 million from EUR 32.0 million to EUR 38.6 million. Consequently, business in the year has developed positively. The adj. EBITDA margin therefore comes to 4.9% compared to 4.6% in the previous year. Adj. EBITDA is calculated by eliminating all non-operating factors and non-recurring items.

A reconciliation between the two earnings indicators is shown in the following table:

EUR m	31 Dec 2023	31 Dec 2022
EBITDA	**41.9**	**23.1**
M&A, integration and other non-recurring expenses	– 5.4	8.5
Restructuring expenses	2.1	0.4
Total adjustments to EBITDA	**– 3.3**	**8.9**
Adjusted EBITDA	**38.6**	**32.0**

In addition to the positive effect of the income from the bargain purchase referred to above, other non-recurring expenses include the non-recurring expenses incurred for the start-up of the production facility in Malaysia.

Depreciation of property, plant and equipment and amortization of intangible assets increased by EUR 5.1 million to EUR 27.4 million in the reporting year compared to EUR 22.3 million in the previous year. This includes the depreciation and amortization of uncovered hidden reserves and assets acquired in the course of business combinations of EUR 4.1 million (previous year: EUR 3.3 million).

EBITA, which is defined as EBITDA less depreciation of property, plant and equipment, decreased by EUR 14.8 million to EUR 18.3 million in the reporting year compared to EUR 3.5 million in the previous year.

EBIT therefore increased by EUR 13.7 million in the reporting year to EUR 14.4 million compared to EUR 0.8 million in the previous year.

The financial result decreased from EUR –10.6 million in the previous year to EUR –13.1 million in the reporting year. The effects of foreign currency translation improved by EUR 4.4 million from EUR – 4.9 million in the previous year to EUR – 0.5 million. In addition to interest expenses on loan liabilities of EUR 7.7 million (previous year: EUR 2.4 million), higher interest expenses of EUR 2.2 million were incurred from factoring arrangements compared to EUR 0.7 million in the previous year. Other financial expenses from the measurement of financial instruments and the earn-out arrangements burdened the financial result by an additional

EUR 0.4 million (previous year: EUR 0.9 million).

The consolidated net loss for the year after eliminating non-controlling interests comes to EUR -49k, up EUR 6,594k on the net loss of the previous year of EUR –6,643k.

The following table compares the forecast for the prospective development of the KATEK Group in financial year 2023 published in the annual report for 2022 and confirmed in the half-year report for 2023:

EUR m	Forecast (31 Dec 2022)	Forecast (30 Jun 2023)	Year-end figures 2023
Revenue	>751.4	>751.4	782.8
(Adj.) EBITDA	>38.5	>38.5	38.6

The KATEK Group clearly achieved the revenue target communicated in the guidance it published and confirmed its earnings forecast (EBITDA adj.).

4 Financial position and cash flow

The core objective of financial management at the KATEK Group is to ensure sufficient liquidity at all times to fund daily operations. In addition, optimizing profitability to gain a top credit ratings is also a key objective in order to secure more favorable terms and conditions for refinancing. The financing structure is largely aligned towards long-term stability and retaining the financial headroom needed to exploit business and investment opportunities.

The balance sheet rose by EUR 19.0 million in the reporting year 2023 to EUR 521.1 million (previous year: EUR 502.1 million). This change is based on a number of effects but is primarily due to the growth of the Group. The fair values of the net assets acquired in the course of the business combination with Nextek amounted to EUR 17.5 million in the financial year.

Non-current assets amount to EUR 168.4 million (previous year: EUR 153.8 million) and therefore rose by EUR 14.6 million. Property, plant and equipment increased by EUR 5.8 million, rising from EUR 102.1 million in the previous year to EUR 107.9 million in the reporting year. Of this total increase, an amount of EUR 1.8 million is attributable to additions from the acquisition of Nextek. On the reporting date, purchase commitments for investment projects amounted to EUR 17.2 million. These relate solely to planned investments in property, plant and equipment.

Goodwill decreased in the reporting year by EUR 0.6 million to EUR 14.6 million (previous year: EUR 15.2 million). This can be attributed to the foreign exchange effect on goodwill originating from the acquisition of KATEK Canada in the previous year. Intangible assets are carried at an amount of EUR 29.6 million (previous year: EUR 20.4 million). In addition to the acquisition of Nextek, which accounts for goodwill of EUR 5.6 million, the increase is also a result of an increase of EUR 6.1 million in internally-generated intangible assets recognized on development costs to EUR 13.7 million.

Current assets increased significantly in the reporting year, rising by EUR 4.4 million to EUR 352.7 million (previous year: EUR 348.3 million). The increase can be attributed to an increase in trade receivables to EUR 48.5 million (previous: EUR 43.6 million) and a rise in cash and cash equivalents to EUR 47.9 million (previous: EUR 22.6 million), which were more than enough to offset the decrease in inventories of EUR 31.1 million from EUR 261.9 million to EUR 230.8 million. The main factor in this regard is the growth of the Group.

Non-current liabilities amount to EUR 139.0 million in the reporting year compared to EUR 75.9 million in the previous year. The syndicated loan agreement entered into by KATEK SE in the previous year was increased in August 2023 with both the limited term tranche and the revolving credit line being increased to EUR 90.0 million from the original sum of EUR 60.0 million. The loan agreement contains a number of covenants. As at the reporting date, the KATEK Group had drawn EUR 76.0 million in loans under this arrangement. Loans of EUR 75,023k (previous year: EUR 34,479k) as at the reporting date are based on agreements that require certain covenants to be observed. Each quarterly reporting date, KATEK SE reviews its compliance with the covenants set for the equity ratio and the net debt ratio and documents them accordingly. A waiver dated 31 December 2022 is in place for the own funds covenant (ratio of own funds to the adjusted balance sheet total as defined in the loan agreement) due to the fact that the covenant was breached on 31 December 2022. For the following reporting dates, this covenant will be replaced by a minimum sum of own funds as defined in the loan agreement that must be observed until 31 March 2024.

In this connection, EUR 30,000k of the loan was reclassified from non-current to current in the previous year.

In the financial year 2023, the loan was reclassified back to non-current loans.

This reclassification and the use of existing lines of credit provided under the syndicated loan agreement explain the increase in non-current loans to EUR 74.2 million (previous year: EUR 2.5 million).

Another loan of EUR 1,500k taken out by a subsidiary (previous year: EUR 1,500k) is also tied to a review of the covenants (equity ratio).

Current liabilities decreased by EUR 41.5 million to EUR 219.7 million (previous year: EUR 261.2 million). The decrease is largely due to the reclassification described above and the decrease of EUR 16.7 million in trade payables to EUR 106.9 million (previous year: EUR 123.7 million). This is primarily attributable to the reduction in inventories referred to above. These two effects are countered by an increase of EUR 12.7 million in other financial liabilities due to amounts drawn on a credit line extended by the shareholders.

In sum, liabilities amount to EUR 358.8 million on the reporting date (previous year: EUR 337.1 million). Equity amounts to EUR 162.4 million (previous year: EUR 165.0 million). The equity ratio amounts to 31.2 % as at the reporting date (previous year: 32.9%). With equity virtually unchanged, there was a great need for other sources of finance to fund the acquisition of Nextek and the growth of the Group.

Consequently, the Group took out loans carried at EUR 98,341k as at the reporting date (previous year: EUR 68,818k). Loans include an amount of EUR 65,718k (previous year: EUR 43,971k) drawn on credit lines which are currently subject to interest of between 1.38% and 9.25%. The other loans of EUR 32,623k (previous year: EUR 24,847k) have terms of between 1 and 52 months and bear interest at rates between 4.85% and 9.0%.

Loan liabilities are secured by a joint and several guarantee extended by a number of affiliated companies. Furthermore, property, plant and equipment with a carrying amount of EUR 7.5 million (previous year: EUR 8.7 million), inventories of EUR 1.3 million (previous year: EUR 0.3 million) and trade receivables of EUR 2.5 million (previous year: EUR 1.9 million) were assigned as collateral for existing loan liabilities and other financing arrangements.

In addition to the significant financing measures described above, the KATEK Group entered into leases which endow the Group with rights to use licenses, real estate, office space in particular, other property, plant and equipment, especially operating equipment, furniture and fixtures, and also vehicles.

A condensed version of the cash flow statement of the KATEK Group for the reporting year is presented in the following table:

EUR m	31 Dec 2023	31 Dec 2022
Cash flow from operating activities	50.0	0.1
Cash flow from investing activities	– 38.6	– 47.3
Cash flow from financing activities	28.4	10.3
Changes in cash and cash equivalents	**39.8**	**– 36.9**
Changes in cash and cash equivalents due to exchange rates and changes in valuation	0.2	0.2
Cash and cash equivalents at the beginning of the period	**– 2.8**	**33.9**
Cash and cash equivalents at the end of the period	**37.2**	**– 2.8**

The cash flow from operating activities for the 2023 reporting period comes to a value of EUR 50.0 million previous year: (EUR 0.1 million) and therefore improved by EUR 49.9 million. This is mainly due to the increase in cash and cash equivalents due to the decrease in inventories and the lower cash outflow for trade payables and other liabilities.

The cash flow from investing activities in the 2023 reporting period comes to a net cash outflow ofEUR – 38.6 million, which represents a change of EUR – 8.7 million on the net cash outflow of EUR – 47.3 million in the previous year. The negative cash flow from investing activities is due to payments made for intangible assets of EUR – 7.7 million (previous year: EUR – 8.0 million). These investments mainly relate to the inhouse development in the field of electromobility and solar power for the European market. The investments in property, plant and equipment of EUR – 23.3 million (previous year: EUR – 22.0 million) consist of replacement investments directly related to the implementation of the KATEK growth strategy. In this connection, a sum of EUR – 9.4 million (previous year: EUR – 17.6 million) was invested for business combinations. These cash outflows were offset by cash inflows in the reporting year of EUR 2.2 million (previous year: EUR 0.4 million) received from the disposals of property, plant and equipment.

The cash flow from financing activities amounts to EUR 28.4 million, marking a significant increase on the previous year when a net cash flow of EUR 10.3 million was recorded. In addition, cash was received from new borrowings of EUR 60.1 million (previous year: EUR 80.0 million) less cash paid to redeem loans and lease liabilities of EUR – 30.3 million (previous year: EUR – 84.6 million). In the previous year, cash of EUR 19.2 million was received from a capital increase.

As a result, cash and cash equivalents closed the year with a higher balance than at the beginning of the year of EUR 37.2 million as at 31 December 2023 than at the beginning of the financial year (31 December 2022: EUR – 2.8 million).

As at the closing date, the KATEK Group has credit lines of EUR 88.8 million granted to it from banks, of which EUR 65.7 million had been drawn.

As a result, the KATEK Group carried cash and cash equivalents of EUR 47.9 million on the reporting date and can, in addition, fall back on undrawn credit lines from financial institutions. KATEK was therefore in a position to settle all of its payment obligations at all times.

5 Financial performance, financial position and cash flows of KATEK SE

KATEK SE occupies the central financing and management function within the KATEK Group for the other Group entities.

KATEK SE generated revenue of EUR 2.9 million in the year 2023, up EUR 1.2 million or 73% on the previous year's figure of EUR 1.7 million. In both the reporting year and the previous year, revenue was generated from shared services performed centrally for the entities of the KATEK Group. This means that KATEK SE, like the KATEK Group, met its revenue forecast.

Other operating income came to EUR 3.9 million (previous year: EUR 3.3 million).

Personnel expenses in the financial year increased to EUR 2.8 million compared with EUR 1.7 million in the previous year. The increase in personnel expenses is due to the rise in the headcount of KATEK SE

Other operating expenses amount to EUR 10.8 million (previous year: EUR 8.3 million). This includes administrative expenses of EUR 5.9 million (previous year: EUR 5.5 million), selling expenses of EUR 0.7 million (previous year: EUR 0.6 million) and operating expenses of EUR 3.1 million (previous year: EUR 1.2 million). General administrative expenses include legal expenses and consulting fees of EUR 3.9 million (previous year: EUR 3.7 million).

The financial result amounts to EUR -4.4 million (previous year: EUR -1.0 million). The figure for the current year includes income from profit and loss transfer agreements of EUR 2.6 million (previous year: EUR 0.2 million) and expenses from absorbing losses of EUR 2.0 million (previous year: EUR 0.9 million). Income from loans amounts to EUR 0.6 million (previous year: EUR 0.3 million), which consists of interest received of EUR 2.4 million (previous year: EUR 0.6 million) and interest expenses of EUR – 4.2 million (previous year: EUR – 1.3 million). The financial result also includes an impairment loss recorded on shares of EUR 3.8 million (prior year: EUR 0).

The EBITDA of KATEK SE of EUR – 6.8 million lies EUR – 1.8 million below the figure of the previous year of EUR – 5.0 million. The net loss for the year of KATEK SE amounts to EUR – 11.2 million, compared to a net loss of EUR – 6.0 million in the previous year.

The balance sheet total of KATEK SE comes to EUR 211.0 million (previous year: EUR 165.8 million), representing an increase of EUR 45.2 million on the previous year.

Financial assets as at the reporting date come to EUR 138.2 million, up by an amount of EUR 14.5 million on the previous year's figure of EUR 123.7 million. The acquisition of Nextek was the main driver for this increase. Financial assets also reflect an impairment loss of EUR 3.8 million recorded on shares.

Current intercompany loans amount to EUR 55.4 million on the reporting date (previous year: EUR 36.2 million), most of which consists of a loan of EUR 16.7 million extended to KATEK Leipzig GmbH, a loan of EUR 23.4 million to KATEK Grassau GmbH, and a loan of EUR 8.5 million extended to KATEK Mauerstetten.

Cash and cash equivalents increased from EUR 4.6 million in the previous year to EUR 11.7 million in the reporting year.

Equity decreased by EUR 11.2 million on account of the accumulated losses, declining from EUR 123.6 million in the previous year to EUR 112.4 million.

The equity ratio comes to 53.3% in 2023 compared to 74.6% in the previous year.

Provisions decreased by EUR –0.1 million on the previous year, falling from EUR 1.0 million to EUR 0.9 million.

Liabilities to banks increased to EUR 75.0 million in the course of the financial year (previous year: EUR 34.5 million). Reference is made to section B.4 Financial position and cash flow for more comments on the syndicated bank loan. These comments also apply to KATEK SE by analogy. Liabilities to affiliated companies increased by EUR 5.7 million to EUR 7.2 million (previous year: EUR 1.5 million).

The business performance of KATEK SE was satisfactory in 2023.

One of the most important tasks of KATEK SE is to obtain funding for the day-to-day operations of its subsidiaries. The financing function of KATEK SE is reflected in the receivables from and liabilities to affiliated companies. In financial year 2023, KATEK SE extended intercompany loans of EUR –17.8 million (previous year: EUR –21.7 million) to its subsidiaries and repaid loans drawn on from its subsidiaries of EUR –4.2 million (previous year: –3.7 million). To ensure sufficient funding for its subsidiaries, KATEK SE took out external loans of EUR 45.0 million (previous year: EUR 60.0 million). Repayments of external loans amounted to EUR – 5.0 million (previous year: EUR – 47.2 million). In addition, a short-term shareholder loan of EUR 10.0 million was paid out in the financial year (previous year: EUR 0).

The cash and cash equivalents carried by KATEK SE increased by EUR 7.1 million, rising from EUR 4.6 million to EUR 11.7 million.

At at the reporting date, KATEK SE carried banks loans of EUR 75.0 million (previous year: EUR 34.5 million). Their residual terms range between 1 and 52 months and they bear interest of between 5.9% and 6.2%.

As a result, KATEK SE carries a positive balance of cash and cash equivalents on the reporting date and can fall back on unused credit lines from banks as of the reporting date. KATEK SE was therefore in a position to settle all of its payment obligations at all times.

6 Capital expenditure

The volume invested by the KATEK Group in intangible assets and property, plant and equipment in the financial year 2023 came to EUR – 31.1 million (previous year: EUR – 30.0 million). Of this total, property, plant and equipment accounted for EUR – 23.3 million (previous year: EUR – 22.0 million) and intangible assets for EUR – 7.7 million (previous year: EUR – 8.0 million). The greatest outlays for property, plant and equipment were for plant and machinery of EUR – 13.3 million (previous year: EUR – 9.0 million) and assets under construction and payments on account of EUR – 4.9 million (previous year: EUR – 8.3 million). Investments in intangible assets include development costs of EUR – 6.1 million recognized as internally-generated intangible assets (previous year: EUR – 6.4 million).

Investments in connection with business combinations amounted to EUR 9.4 million in the reporting year (previous year EUR 14.6 million) and include the acquisition of Nextec Inc.

The acquisition of shares in Nextek Inc. of EUR 9.4 million accounted for most of the investment activity of KATEK SE in the 2023 reporting year.

7 Employees

In sum, the Group employed 3,526 employees at year-end (previous year: 2,937). In addition, a total of 79 individuals were doing an apprenticeship at one of the entities of the KATEK Group as at 31 December 2023 (previous year: 124 individuals).

KATEK SE employed twelve employees at year-end (previous year: six).

8 Research and development

As a mere holding company, KATEK SE does not conduct any research and development activities of its own. Research and development within the KATEK Group is performed solely at the level of the Group's entities. Development is performed on a project basis for customers as well as for the Group's own products.

The development expenses for the Group's own products amounted to a total of EUR 17.6 million in financial year 2023 (previous year: EUR 14.8 million). Of this total, development costs of EUR 6.1 million (previous year: EUR 6.4 million) were invested in inhouse developments in the fields of electromobility and solar, which are not yet eligible for amortization.

C Disclosures on takeovers

The following disclosures are required by Sec. 289a (1) HGB and Sec. 315a (1) HGB.

1 Amount and breakdown of capital stock

The issued capital of KATEK SE amounts to EUR 14,445,687.00 (previous year: EUR 14,445,687.00). It consists of 14,445,687 no-par value shares with an imputed share in capital of EUR 1.00 each. All shares are fully paid up. The shares carry full dividend rights. Each share entitles the holder to one vote at the Company's annual general meeting. They are certificated in global certificates. Each shareholder of KATEK SE has a statutory right under the law to subscribe, upon its request, to any new shares originating from a capital increase in ratio to its existing relative shareholding in capital stock. There is only one class of shares. All shares are equipped with the same rights and obligations. There are no holders of shares with special rights granting control.

2 Authorized capital

Based on a resolution of the extraordinary shareholders' meeting on 19 March 2021 the Management Board is authorized, subject to approval by the Supervisory Board, to raise the capital stock of the Company any time within a period of five years measured from the date that entry was made in the commercial register to this effect on 7 April 2021, by up to EUR 3,923,520.00 by issuing up to 3,923,520 new no-par bearer shares with an imputed share in capital stock of EUR 1 per share, in return for cash contribution or contribution in kind (Authorized Capital 2021/1). The remaining authorized capital after this partial utilization comes to EUR 2,719,713.00. The authorization can be utilized for a single or multiple share issues in full or in part.

The Management Board is authorized, with the approval of the Supervisory Board, to exclude the shareholders' statutory subscription rights in the following cases:

- to avoid fractional amounts;
- capital increases in return for cash contributions, provided the new shares to which existing shareholders are excluded from subscription does not exceed 10% of the total capital stock at the time this authorization is exercised and the price of the new shares issued does not significantly fall short of the trading price of shares of the same class and equipped with the same rights already traded on a stock exchange on the date on which the price is finally set by the Management Board in the sense of Sec. 203 (1) and (2) and Sec. 186 (3) sentence 4 AktG;
- capital increases for a contribution in kind, particularly in the form of companies and/or distinct operations of companies, entities and/or shares in companies, receivables, patents, brands and/or other industrial rights, licenses and/or other assets and/or other rights;
- to grant the bearers of convertible bonds, convertible loans, warrant-linked bonds or warrants issued by the Company subscription rights to new shares they would be entitled to after exercising their options or conversion rights or upon fulfilling their obligation to convert;
- to issue shares to members of the Management Board, the managing directors of affiliated companies or employees of the Company or of its affiliated companies;
- or in other cases that lie in the well-understood interests of the Company.

The issue of shares excluding the subscription rights of existing shareholders under the terms of this authorization only permits shares to be issued upon the simultaneous exclusion of the subscription rights of existing shareholders if the sum of the new shares – plus any new shares issued or sold by the Company under the terms of some other authorization during the period of this authorization (until it is exercised) that excludes the shareholders' subscription rights – plus any rights issued during this period of authorization (until it is exercised) on the basis of some other authorization that excludes the shareholders' subscription rights and that grant a right to subscribe to the Company's shares or commit them to acquire shares in the Company – does not exceed 20% of the capital stock in total, calculated at the effective date or, if lower, the date on which the authorization is exercised.

If the shareholders' subscription rights are not excluded, the subscription right can also be granted by financial institutions or other companies meeting the criteria of Sec. 186 (5) AktG committing to offer them to the shareholders for subscription.

The Management Board is authorized, subject to approval of the Supervisory Board, to determine the other details concerning performance of the capital increase from Authorized Capital 2021/I, including the content of the rights attached to the shares and the terms and conditions pertaining to the issue of shares, including the issue price.

The Supervisory Board is authorized to adjust the wording of the articles of association after expiry of the authorization period or after full or partial execution of the capital increase from Authorized Capital 2021/I to match the scope of any capital increase exercised under the terms of Authorized Capital 2021/I.

3 Authorization to issue convertible bonds

By resolution of the extraordinary shareholders' meeting on 19 March 2021 the Management Board was also authorized, subject to approval from the Supervisory Board, to issue any time on or before 28 February 2026 in one or several installments, convertible registered or bearer bonds and/or warrant-linked bonds for a total nominal value of up to EUR 200,000,000.00 (hereinafter referred to as "Bonds") with a term not exceeding 20 years and to grant the bearers of the convertible bonds rights of conversion or options to purchase new shares in the Company with an aggregate nominal share in capital stock of up to EUR 3,119,520.00 in keeping with the more detailed terms and conditions of the convertible bond/options issue. The Bonds may be issued once or several times, in whole or in part and also simultaneously in different tranches.

The shareholders are generally entitled to a subscription right to the Bonds. The shareholders' statutory subscription rights may be satisfied in the form of one or more underwriting banks assuming the Bonds with an attached obligation to offer them to the shareholders for subscription.

However, the Management Board is authorized, subject to approval of the Supervisory Board, to exclude the subscription rights of the Company's shareholders to the Bonds or options in full or in part

- provided the issue price for a Bond does not significantly fall short of the theoretical market value of the Bonds calculated using generally accepted mathematical methods. According to Sec. 186 (3) sentence 4 AktG (simple exclusion of subscription rights upon a capital increase in return for cash contribution), the sum of the shares issued to satisfy Bonds plus any other shares issued or sold during the term of the authorization in accordance with this provision may not exceed 10% of the respective capital stock either on the effective date or on the date on which the authorization is exercised;
- to grant the bearers of convertible bonds or warrant-linked bonds subscription rights to shares in the Company to compensate any dilutive effects to the scope to which they would be entitled after exercise of these rights;
- to exclude the shareholder's subscription rights to avoid fractional amounts that arise on account of the modalities of the subscription.

In the event that convertible bonds are issued, the holders of the bond issue are granted the right to convert them into shares of the Company in accordance with the more detailed terms and conditions of the convertible bond issue. The total share in capital stock attributable to the shares to be issued upon conversion may not exceed the nominal amount of the convertible bonds. The conversion ratio is calculated by dividing the nominal amount of a convertible bond by the fixed conversion price for a share of the Company. The conversion ratio may also be determined by dividing the issue price of a convertible bond that is below the nominal amount, by the fixed conversion price for a new share of the Company. A variable conversion ratio may be arranged, with the conversion price ranging within a corridor to be set depending on the market price of the share over the term or during a defined period within the term of the convertible bond. The conversion ratio may be rounded up or down to a full figure; moreover an additional cash premium can also be set. Furthermore, provision may be made for any fractional amounts to be combined and/or settled in cash.

If warrant-linked bonds are issued, one or more warrants shall be attached to each warrant bond issue, entitling the holder to subscribe to shares of the Company in accordance with the more detailed terms and conditions of the options to be determined by the Management Board. The total share in capital stock attributable to the shares to be issued per warrant-linked bond may not exceed the nominal amount of the warrant-linked bonds.

The respective terms and conditions of the bonds may also provide for mandatory conversion at the end of their term or at an earlier date. Finally, the terms and conditions of the bonds may provide for their fair value to be paid out in cash in lieu of exercising rights of conversion or option rights to shares in the Company. The respective terms and conditions of the bonds may also provide for treasury shares of the Company to be used to satisfy conversion rights or options to shares in the Company.

The respective conversion or option price for one share in the Company (subscription price) must, even in the case of a variable swap/conversion ratio must either (a) correspond to at least 80% of the average closing price (XETRA-Handel or a comparable successor platform) of the share in the Company on the ten days of trading immediately preceding the date on which the resolution is passed by the Management Board to issue Convertible Bonds or Options, or (b) correspond to at least 80% of the average closing price (XETRA-Handel or a comparable successor platform) of the share in the Company on the days on which the subscription rights are traded on the Frankfurt stock exchange, with the exception of the last two days of trading in subscription rights. Sec. 9 (1) and Sec. 199 (2) AktG remain unaffected.

If the economic value of the existing convertible bonds or options is diluted during their term and no subscription rights are granted as compensation, the value of the conversion rights or options will be adjusted – regardless of the minimum issue price pursuant to Sec. 9 (1) AktG – to the extent that such adjustment is not already mandatory under the law. At any rate, the share in capital stock attributable to the no-par bearer shares to be issued under the terms of the Bond may not exceed the nominal value of the Bond.

In the place of adjusting the price of the option or conversion price, the corresponding amount may be paid out by the Company in cash upon exercise of the option or conversion right or upon satisfaction of the mandatory convertible in accordance with the more detailed terms and conditions of the option or conversion bond issue. In addition, the terms and conditions of the bond issue may also provide for an adjustment of the option or conversion rights or duties in the event of a capital reduction or other extraordinary capital adjustment or event.

The Management Board is entitled, subject to approval of the Supervisory Board, to determine the further details of the convertible bond and/or warrant-linked bond issue and their attached rights and duties, including, but not limited to, the coupon rate, the issue price, the term, their denomination, exercise price and the exercise period.

4 Conditional capital

By resolution of the Annual General Meeting on 25 September 2019 and in conjunction with the resolution passed on 19 March 2021, capital stock may be increased by up to EUR 804,000.00 by issuing up to 804,000 new no-par bearer shares with an imputed share in capital stock of EUR 1.00 per share (Conditional Capital 2019). The contingent capital increase may only be executed to the extent that subscription rights have been issued under the 2019 stock option program in accordance with the resolution of the Annual General Meeting on 25 September 2019 entitling the bearers to exercise their right to subscribe to shares in the Company and only when the rights are not satisfied in some other way (e.g. cash payment or serviced from treasury stock). The Supervisory Board has the sole jurisdiction when to comes to granting subscription rights to members of the Management board and settling such rights. The new shares participate in the appropriation of retained profits from the beginning of that financial year in which the Annual General Meeting has not yet passed any resolution on the appropriation of retained earnings as at the date on which the shares are issued. The Management Board is authorized – subject to approval from the Supervisory Board – to decide on further details of the conditional capital increase and its implementation.

By resolution of the Annual General Meeting passed on 19 March 2021, capital stock may be increased by up to EUR 3,119,520.00 by issuing up to 3,119,520 new no-par bearer shares with an imputed share in capital stock of EUR 1.00 per share (Conditional Capital 2021/I). The increase in contingent capital serves the sole purpose of granting shares to bearers of convertible bonds issued by the Company or one of its direct or indirect equity investments in Germany or abroad in accordance with the authorization of the Annual General Meeting of 19 March 2021.

New shares may only be issued at a conversion price that corresponds to the terms and conditions of the authorization passed by resolution of the Annual General Meeting on 19 March 2021. To this extent, a contingent capital increase may only be executed to the extent that bearers of Convertible Bonds exercise their conversion rights and the rights are not settled with existing shares, shares from Authorized Capital or any other form of settlement. The new shares participate in the appropriation of retained profits from the beginning of that financial year in which the Annual General Meeting has not yet passed any resolution on the appropriation of retained earnings as at the date on which the shares are issued. The Management Board is authorized – subject to approval from the Supervisory Board – to decide on further details of the conditional capital increase and its implementation.

The Supervisory Board is authorized to amend the articles of association accordingly if the authorization to issue convertible bonds issued by the Annual General Meeting on 19 March 2021 is not exercised, after expiry of the term of the authorization and when Conditional Capital 2021/I is not or only partly used, after expiry of all conversion deadlines.

5 Direct or indirect capital investments exceeding 10% of capital stock

KATEK SE was notified of the following direct holding in capital stock in financial year 2023 that exceeds 10% of the voting rights:

PRIMEPULSE SE 59.44%.

On 29 February, 2024, Kontron Acquisition GmbH obtained control over KATEK SE by acquiring 8,587,138 voting rights, giving it a holding of 59.44 % of all voting rights.

6 Appointments and removals of members of the Management Board

The requirements of the German Stock Corporation Act (Sec. 84 and 85 AktG) and Council Regulation (EC) No 2157/2001 on the Statute for a European company (SE) (Art. 39 and Art. 9 (1) lit. c) ii SE Regulation apply to the appointment and removal of members of the Management Board. The Supervisory Board determines the number of members appointed to the Management Board. When appointing the Management Board, KATEK observes the recommendations of the German Corporate Governance Code, taking account of the particular circumstances of the Company.

7 Significant agreements subject to a change in control

There were no significant agreements in the reporting period subject to a change in control.

D Remuneration report

The remuneration report presents the remuneration granted and owing to current and former individual members of the Management Board and the Supervisory Board of KATEK in financial year 2023 (1 January to 31 December 2023) and explains the background.

1 Remuneration of the members of the Management Board

In the financial year, the Management Board of KATEK SE consisted of two members: Mr. Rainer Koppitz (CEO and co-founder of KATEK SE) and Dr. Johannes Fues (CFO KATEK SE). Mr. Koppitz stepped down from the Management Board of KATEK SE at the end of day, 29 February 2024. Dr. Johannes Fues will step down from the Management Board at the end of day, 30 April 2024.

2 The remuneration system at a glance

The Annual General Meeting approved the remuneration system on 16 May 2022, pursuant to Sec. 120a (1) AktG. The remuneration report for the preceding financial year 2022 was adopted by the Annual General Meeting on 20 June 2023. The remuneration system has been published on the website of the Company in accordance with Sec. 120a (2) AktG and can be found at https://katek-group.de/investor-relations-section/corporate-governance/?lang=en

The remuneration system consists of both fixed (non-performance-related) and variable (performance-related) components.

The fixed non-performance-related components consist of a basic salary ("Basic Salary") and fringe benefits paid in kind as well as other benefits ("Fringe Benefits"). The Basic Salary is fixed in relation to the full year and is paid out in twelve monthly installments in arrears after deducting the statutory taxes and deductions. The Management Board may be given fringe benefits, such as: provision of a company car for private use and assumption by the Company of the operating costs and service charges or, alternatively, payment of a monthly amount in lieu of a company car, payment of the premiums for pension insurance, health insurance and nursing care insurance up to the statutory maximum, D&O insurance coverage with a deductible as required by Sec. 93 (2) sentence 3 AktG, reimbursement of telecommunication costs, even for private use. The Basic Salary accounts for between 65% and 85% of the targeted total remuneration of the members of the Management Board.

The service contracts can also provide for payment of all or part of the Basic Salary in the event of temporary or permanent incapacity or parts/individual components of the remuneration package for up to twelve months and, in the event of death, up to six months plus the month in which death occurred, to the surviving dependents of the respective member of the Management Board, but not beyond termination of the service contract. The welfare components granted by the Company in the form of sick pay are not disclosed as a percentage of the target total remuneration as these are only paid upon the incapacity or death of the respective member of the Management Board and are therefore not paid in addition to the components of the target total remuneration package referred to above during the term of service.

The variable components of the remuneration package comprise a short-term variable component in the form of a short-term incentive (STI) and a long-term variable incentive (LTI) in the form of a phantom stock program ("Performance Share Plan"). The variable components account for between 15% and 35% of the targeted total remuneration of the members of the Management Board. The short and long-term variable components (STI and LTI) stand in a ratio of roughly 49:51 to each other.

The specific amount of the STI is calculated as follows:

Target STI in EUR		**Target achievement in terms of financial performance criteria** e.g. revenue, EBITDA, EBITA, EBIT, ROCE, TSR (total shareholder return), free cash flow and working capital		**Non-financial contribution factor** with a value set between 0.8 and 1.2		**Pay-out of the STI in EUR** (STI cap at 150 % of the target)
	x		x		=	

The specific amount of the LTI is calculated as follows:

Number of performance shares corresponding to LTI target		**EBITA multiplier**		**Closing price** after a term of 4 years.		**Pay-out of the LTI in EUR** (LTI cap at 200 % of the target)
	x		x		=	

The sum total of the above remuneration components constitutes the total remuneration **("Total Remuneration")** of a member of the Management Board.

In extraordinary cases, the Supervisory Board can at its own fair discretion honor any special performance by the Management Board that is in the interests of the Company by paying a **special bonus**, provided this promotes the business strategy and contributes to the long-term development of the Company. Such special bonuses are non-recurring and do not establish any constructive obligation on the part of the Company. The amount of any such special bonus is set at a maximum of 50% of the fixed annual base salary and may only be paid out in cash.

The remuneration system for the Management Board also obliges the members of the Management Board to privately hold **a minimum number of shares** in KATEK SE until the end of their appointment to the Management Board. The purchase price for such shares is set at an amount equivalent to one year's fixed annual basic gross salary (excluding fringe benefits). Until this minimum holding is established, all variable components of the member's Management Board remuneration will be invested in shares of KATEK SE after deducting personal taxes and salary deductions. Once purchased, the shares in KATEK SE may not be sold for the entire duration of the member's appointment to the Management Board for as long as the minimum holding has not yet been established or, due to a sale, the minimum holding is no longer ensured.

Share-based payments and stock options are not elements of Management Board remuneration.

3 Target total remuneration

The Supervisory Board sets the performance criteria and targets for the "**Target Total Remuneration**" for each of the members of the Management Board for the coming financial year in harmony with the principles of the remuneration system. The Target Total Remuneration corresponds to the total remuneration to be paid upon 100% attainment of the targets for the STI and the LTI. The goal is to remunerate the members of the Management Board appropriately for their work and performance taking account of the position of the Company, its long-term and sustainable development and that of the KATEK Group and which does not exceed the customary remuneration paid without good reason.

Target remuneration for the financial year 2023

The following table shows the individual target remuneration for each member of the Management Board and the relative share of each individual component of remuneration in the target total remuneration:

Rainer Koppitz (EUR)	658,510	100%
Fixed remuneration	510,000	78%
Fringe benefits	8,510	1%
	518,510	**79%**
STI	68,600	10%
LTI	71,400	11%
	140,000	**21%**

Dr. Johannes Fues (EUR)	244,841	100%
Fixed remuneration	185,833	76%
Fringe benefits	17,258	7%
	203,091	**83%**
STI	20,333	8%
LTI	21,417	9%
	41,750	**17%**

There are no discrepancies between the current service contracts with the members of the Management Board and the new remuneration system for the Management Board.

Compliance with the maximum remuneration

In accordance with Sec. 87a (1) sentence 2 No. 1 AktG the Supervisory Board has set a cap on the total remuneration of the members of the Management Board (i.e. the sum of basic remuneration and the short-term incentive and long-term incentive) ("Maximum Total Remuneration"). This maximum total remuneration amounts to EUR 750,000.00 for the Chairman of the Management Board and EUR 350,000.00 for the other members of the Management Board.

The cap on maximum remuneration was observed in the financial year 2023.

Appropriateness of remuneration

In order to assess the appropriateness and customary nature of the remuneration, the Supervisory Board has applied both an external (horizontal) and an internal (vertical) comparative analysis.

To conduct the horizontal peer group comparison, the Supervisory Board drew on publicly listed companies in the EMS sector and/or companies with comparable business models or financial indicators (e.g. revenue, earnings, market capitalization).

The internal (vertical) comparison involved looking at the ratio of Management Board remuneration to the remuneration paid to the top level of management underneath the Management Board and the workforce of the KATEK Group overall. The top level of management comprises the managing directors of the respective regional companies and the second management level of the Company.

Each year, and most recently on 20 March 2023, the Supervisory Board reviews the appropriateness of the Total Remuneration including the fixed remuneration components and the variable components.

3.1 Variable remuneration – disclosures on the targets set and target achievement

Variable remuneration is pegged to performance and accounts for 21% to 17% of the total remuneration of the members of the Management Board.

3.1.1 Effect of the STI

The STI is intended to reward the contribution of the Management Board to the success of the business in each specific financial year. In addition to financial performance indicators, non-financial performance indicators are also used as a measurement basis. These indicators consider the collective and/or individual performance of the members of the Management Board or the achievement of other non-financial objectives, such as the implementation of strategic objectives or organizational development and good corporate governance.

The financial performance criteria are measured using indicators that are presented in the combined management report of KATEK SE.

The following aspects come into consideration as potential measurement criteria for non-financial factors:

- Strategic goals of the company such as reaching important strategic milestones (such as mergers & acquisition, strategic partnerships), tapping into new markets, sustainable strategic, technical or structural business development, implementation of any plans for business transformation.

- Implementation of strategically relevant projects and passing other operating milestones, e.g. related to the supply chain, sales & distribution, research & development, IT.

- Goals with regard to good corporate governance, customer satisfaction, employee concerns, or corporate culture (such as measures to improve the appeal of the organization as an employer of choice and raise employee satisfaction, management development, diversity and equal opportunities, sustainability (ESG goals). Further measurement criteria include continued organizational and cultural development (e.g. promoting corporate values, agility and ownership, reinforcing cooperation and communication, succession planning) or cooperation with the Supervisory Board.

3.1.2 Effect of the LTI

The LTI is share-based and, to this extent, is aligned towards the development of the KATEK SE share price and EBITA, which is viewed as a key factor in measuring the value of the company and therefore the development of its share price.

EBITA is measured using the definition in the Group management report. It incentivizes the long-term profitability of the Company and therefore reinforces implementation of the corporate strategy over the long term.

3.1.3 Disclosures on target achievement

When setting the targets for the STI, the Supervisory Board selected EBITA as the measurement base for the financial year 2023. The specific target is a product of the business plan for 2023 ratified by the Supervisory Board in December 2022.

Mr. Rainer Koppitz and Dr. Johannes Fues each signed a severance agreement on 18 January 2024 in which they waiver all their claims arising from the STI for financial year 2023 as well as for the applicable portion of financial year 2024, and their claims under the LTI.

Actual target achievement in 2023 and the resulting pay-out of the variable remuneration components owed to each member of the Management Board prior to signing of the severance agreement were as follows:

Rainer Koppitz (EUR)	Pay-out	Target	Delta	%
STI	51,450	68,600	– 17,150	75%

Dr. Johannes Fues (EUR)	Pay-out	Target	Delta	%
STI	15,083	20,333	– 5,250	74%

According to the the remuneration system, the agreed STI arises from reaching certain financial and non-financial performance criteria. The realized EBITA (PLAN vs. ACTUAL) is used as the financial performance criterion. Non-financial performance criteria extend to the fields of M&A (continuation of the M&A strategy), continuation of supply chain measures within the Group and continuation of organizational development. In total, STI bonuses of EUR 51k (previous year: EUR 37k) were owed to Mr. Koppitz and EUR 15k (previous year: EUR 12k) to Dr. Fues on the basis of a goal attainment of 74%-75%.

4,540 performance shares were earmarked for the 2023 LTI tranches. A targeted EBITA increase of EUR 79,665k was agreed on for the relevant period of 2026 based on the business planning. As the LTI tranches granted for financial year 2023 have a term of four years, no LTI is owed at present.

3.1.4 Malus and clawback clauses

In the event that the Management Board commits a serious breach of its obligations under the law, the Supervisory Board is entitled on the basis of its professional judgment to withhold or reduce any components of the STI or LTI that have not already been paid out (malus) or claw-back any variable remuneration components in full or in part that have already been paid out.

In the financial year 2023 the Supervisory Board did not make use of its options to withhold or claw-back variable remuneration components.

3.2 Actual remuneration granted or owing to the Management Board

The actual remuneration granted (i.e. remuneration actually paid) and the amounts still owing (i.e. legally enforceable but not yet paid) to the members of the Management Board in the reporting year, prior to signing of the severance agreement referred to above, are as follows:

Rainer Koppitz (EUR)	**569,960**	**100%**
Fixed remuneration	510,000	89%
Fringe benefits	8,510	1%
	518,510	**91%**
STI	51,450	9%
LTI	0	0%
	51,450	**9%**

Dr. Johannes Fues (EUR)	**218,174**	**100%**
Fixed remuneration	185,833	85%
Fringe benefits	17,258	8%
	203,091	**93%**
STI	15,083	7%
LTI	0	0%
	15,083	**7%**

The LTI components did not fall due for payment from a legal perspective until 31 December 2023.

3.3 Outlook for financial year 2024

Mr. Rainer Koppitz stepped down from the Management Board effective 29 February 2024; Dr. Fues will step down effective 30 April 2024. The corresponding severance agreements were signed on 18 January 2024. Severance payments are therefore not a relevant item for the reporting period. Mr. Hannes Niederhauser, CEO of Kontron AG, was appointed to the Management Board on 4 March 2024 and named as its Chairman. Mr. Niederhauser will not be paid any separate remuneration for this position.

4 Remuneration of members of the Supervisory Board

The Annual General Meeting of KATEK SE approved the remuneration of the Supervisory Board on 20 April 2021 for the first time in accordance with Art. 12 (1) of the Articles of Association, effective from the financial year 2021. The Annual General Meeting on 16 May 2022 confirmed the remuneration effective from financial year 2021 in accordance with Sec. 113 (3) AktG. The remuneration of Supervisory Board members pursuant to Sec. 113 (3) AktG in connection with Sec. 120a (2) AktG has been published on the website of the Company at https://katek-group.de/investor-relations-section/corporate-governance/?lang=en.

Remuneration of the Supervisory Board is structured solely as a fixed component scheme. It honors the responsibility and scope of work performed by the members of the Supervisory Board. The Chairman and the Deputy Chairman of the Supervisory Board are provided with extra remuneration as are the chairman of the Audit Committee and any work performed on the committee. Membership of the Nomination Committee is not remunerated in addition.

Members of the Supervisory Board of the Company receive the following annual remuneration:

- the Chairman of the Supervisory Board: EUR 40,000.00 plus VAT

- the Deputy Chairman of the Supervisory Board: EUR 30,000.00 plus VAT

- each standard member the Supervisory Board: EUR 20,000.00 plus VAT

If a new member is appointed to the Supervisory Board or an existing member steps down, the remuneration is paid on a pro rata temporis basis of each month in which work is performed.

Members of the Audit Committee receive the following annual remuneration:

- the Chairman of the Audit Committee: EUR 4,000.00 plus VAT

- each standard member the Audit Committee: EUR 2,000.00 plus VAT

If a new member is appointed to the Audit Committee or an existing member steps down, the remuneration is paid on a pro rata temporis basis of each month in which work is performed.

According to Art. 12 (3) of the articles of association of KATEK SE, the members of the Supervisory Board are reimbursed for any out-of-pocket expenses incurred when performing their duties.

The following table lists the remuneration granted or owing to members of the Supervisory Board in accordance with Sec. 162 (1) sentence 1 AktG in financial year 2023

EUR	Supervisory Board	Audit Committee	Nomination Committee	Reimbursement of out-of-pocket expenses	Total remuneration
Klaus Weinmann	40,000	2,000	0	0	42,000
Markus Saller	30,000	2,000	0	0	32,000
Andreas Müller	10,000	2,000	0	0	12,000
Hannes Niederhauser	20,000	0	0	0	20,000
Prof. Dr. Constanze Chwallek	11,667	2,333	0	0	14,000
Total	**111,667**	**8,333**	**0**	**0**	**120,000**

5 Comparative presentation of developments in remuneration and earnings

In accordance with Sec. 162 (1) sentence 2 No. 2 AktG, the following table presents the development of the KATEK Group and KATEK SE based on suitable indicators plus the annual change in the remuneration of the members of the Management Board and the Supervisory Board and the annual change in the average remuneration of the workforce on an FTE basis since financial year 2019 (KATEK SE has existed as a European company (SE) since 10 December 2018).

The development is presented using the Group's indicators of revenue and adj. EBITDA

Key group figures	EUR k	2019	2020	2021	2022	2023
		261,002	414,201	540,119	683,100	782,753
Development KATEK Group	Revenue		+58.7%	+30.4%	+26.5%	+14.6%
		10,449	20,806	30,335	32,034	38,619
Development KATEK Group	adj. EBITDA		+99.1%	+45.8%	+5.6%	+20.6%
		2,340	40,784	110,198	123,094	112,445
Development KATEK SE	Equity		+1,643%	+170%	+11.7%	-5.6%
		35.2	40.0	42.8	47.1	45.2
Average remuneration of employees (KATEK Group)	Personnel expenses per capita, EUR k		+13.6%	+7.0%	+ 10.0%	-4.0%

The remuneration granted or owed for the respective financial year in the sense of Sec. 162 (1) sentence 1 AktG is presented for the members of the Management Board and the Supervisory Board.

The percentage decline is due to the special bonus of EUR 50k granted to Dr. Fues in the past reporting year. The following table presents the remuneration owed to Mr. Koppitz and Dr. Fues on the reporting date, prior to the severance agreements.

	Remuneration of the Supervisory Board				
EUR k	**2019**	**2020**	**2021**	**2022**	**2023**
	0.0	0.0	41.5	42.0	42.0
Klaus Weinmann				+1.2%	+0.0%
	0.0	0.0	0.0	30.7	32.0
Markus Saller				+0.0%	+0.0%
	-	-	16.5	23.7	12.0
Andreas Müller				+43.6%	-49.4%
	-	-	15.0	20.0	20.0
Hannes Niederhauser				+ 33.3%	+0.0%
					14.0
Prof. Dr. Constanze Chwallek					

	Management Board remuneration				
EUR k	**2019**	**2020**	**2021**	**2022**	**2023**
	360.0	360.0	500.1	525.1	570.0
Rainer Koppitz		+0.0%	+38.9%	+5.0%	+17.1%
	0.00	0.00	216.50	259.12	218.17
Dr. Johannes Fues			+0.0%	19.7%	-9.9%

E Corporate governance statement

KATEK has published the (Consolidated) Corporate Governance Statement required by Sec. 315d HGB in conjunction with Sec. 289f HGB including the declaration of conformity with the German Corporate Governance Code pursuant to Sec. 161 AktG on the website of the Company under https://www.katek-group.de/investor-relations-section/corporate-governance/?lang=en.

F Non-financial statement

KATEK publishes the consolidated non-financial statement of the KATEK Group pursuant to Sec. 315b in conjunction with.Sec. 289b HGB in the form of its Sustainability Report 2023 on the website of the Company at https://katek-group.de/about-katek/sustainability/?lang=en within four months of the reporting date.

G Report on the internal controls and risk management system as well as significant opportunities and risks

1 Internal controls and risk management system

1.1 Key features of the system of internal controls and risk management system as well as a statement on the appropriateness and effectiveness of the systems

Internal controls and risk management systems serve the purpose of identifying risks at an early state, assessing them and taking suitable countermeasures. They serve the objective of appropriately managing risks but are not able to fully eliminate them. Consequently, they cannot provide absolute assurance, but do provide a certain measure of assurance that the objectives of the business of appropriately managing and mitigating risks will be reached.

The core elements of the system of internal controls and risk management system at KATEK are described in the following sections. Within the framework of the internal controls and risk management system, the Management Board of KATEK receives support from the heads of the various departments and functions. When reviewing the appropriateness and effectiveness of the internal controls and risk management system, the Management Board can draw on a number of information sources, which it also relies on when formulating the following statements. These sources include the feedback provided by the heads of the various departments and functions, reports on the findings of the internal controls and reports on the latest issues identified by our legal team and compliance department.

Whether there are any critical weaknesses in the internal controls is examined on the basis of the information provided. However, it should be noted that, based on the prevailing opinion, there is no uniform definition of a critical weakness. It is therefore ultimately a matter of management estimation as to whether weaknesses in the internal controls, taken either in isolation or collectively, could have a critical impact on the business. A number of factors play a role in this assessment, including their impact on the business's objectives and its reputation.

To the best of our knowledge and according to the information provided to us, there are no critical weaknesses in the internal controls or risk management system as at 31 December 2023 with the exception of the IT environment at two locations. However, these do not have any material impact on our group of companies. Based on the findings of our internal controls and risk management system, nothing has come to our attention that indicates our group-wide internal controls and risk management system are not appropriate or that our internal controls and risk management system did not function effectively as at 31 December 2023.

1.2 Internal controls and risk management system with regard to the (corporate) accounting process

The internal controls and risk management system at KATEK pertaining to its (corporate) accounting processes consist of policies, procedures and measures that are designed to ensure the compliance of the financial reporting, in the sense that the consolidated financial statements of the KATEK Group and the combined management report as well as the separate financial statements of KATEK SE as the parent company all comply with the relevant regulations.

Their key features can be described as follows:

- In addition to an allocation of functions, KATEK possesses a clearly organized management and business structure. Key interdepartmental functions are managed centrally at KATEK SE.
- The functions of the departments involved within the accounting process are clearly segregated from each other. Spheres of responsibility have been clearly assigned.
- The integrity and responsibility for finance and financial reporting is ensured by incorporating the commitment to these aspects in an internal code of conduct.
- The risk management system requires the analysis of any new laws, accounting standards and other pronouncements which would pose a significant risk to the compliance of the accounting process if the Group failed to observe them.
- The financial systems used are protected from unauthorized access by means of the corresponding safeguards in the data-processing system. Where possible, standard software is used for the financial systems.

- Consolidation entries are performed by a central office for consolidated accounting using uniform consolidation software.

- The work to compile the separate financial statements that are included in the consolidated financial statements is performed in accordance with the Group's uniform IFRS accounting policies using the Group's chart of accounts.

- The risk management system is based on a holistic corporate governance approach in which the effectiveness and interaction of all elements – risk management, compliance management and the internal control system – is reviewed at regular intervals. Where not already in place (for example, at newly acquired subsidiaries) these elements and the internal audit routines are successively established in keeping with the Group's holistic corporate governance approach.

- An adequate system of policies and procedures is in place (e.g. payment policies, travel expenses policies, etc.) and analyzed on a day-to-day basis as to whether any amendments need to be made to accommodate any changes in the regulatory environment. The key assets of all entities are impairment-tested on a regular basis. A guideline has been installed to control the relevant accounting processes.

- All of the processes related to payments comply with the principle of the dual control (segregation of duties).

- Both the risk management system and the internal control system (ICS) comprise adequate safeguards to control the accounting-related processes.

- The departments and divisions involved in the account process are adequately equipped in both qualitative and quantitative terms to ensure the capacity and qualifications necessary to retain functionality.

- Other control mechanisms include budget variance analyses and analyses of the composition and changes in any individual line items – both at the level of the separate financial statements of group entities but also at the level of the consolidated financial statements.

- To protect the Group from unauthorized access, user rights are defined in our accounting-related computer systems that are in keeping with our information security policy.

- Monthly reviews are performed in which the accounting staff, up to and including the head of department, confirm the financial data reported to the Management Board and compliance with the rules and regulations.

- The Supervisory Board is also integrated in the system of internal controls. It monitors the accounting and accounting processes as well as the effectiveness of the internal controls. In particular, the Audit Committee receives reports on the findings of audits and the agreed-upon measures to remedy any findings.

The internal control system and the risk management system are designed to ensure that (corporate) accounting processes always accurately record, disaggregate and analyze business matters before entering them into the accounting records.

Suitable human resources, use of appropriate software and clearly formulated external and internal regulatory requirements constitute the foundation for a compliant, uniform and continuous accounting process. A clear demarcation between the spheres of responsibility and various controls and review mechanisms, as described above (such as a concept of user authorizations, plausibility checks and the principle of dual control) ensure that the accounting remains correct and the accounting staff aware of their responsibilities.

In this way, the organization facilitates each individual transaction being recorded, processed and documented in the bookkeeping promptly and correctly in compliance with the legal requirements, the articles of association and the internal policies. At the same time, the system ensures that all assets and liabilities are accurately recognized, presented and measured in the separate and consolidated financial statements and that reliable and relevant information is provided in full and promptly.

Notwithstanding this assessment of the effectiveness of the system of internal controls and risk management system, there are inherent restrictions on the effectiveness of internal controls and risk management systems. No system of internal controls and no risk management system is able, regardless of its assessed effectiveness, to guarantee that all misrepresentations will be prevented or uncovered.

1.3 Risk management system and early warning system

The risk management system of the KATEK Group contributes to risk mitigation and risk avoidance in order to optimize the relationship between the risk exposure of the Group and its earnings. The countermeasures used to address potential risks are discussed and reviewed on a continuous basis. More specifically, the following objectives are pursued:

- Secure the viability and competitiveness of the KATEK Group
- Secure long-term success of the business
- Reduce the likelihood of risks eventuating and mitigating their impact when they do
- Risk-oriented management of business processes

The KATEK Group takes a proactive and preventive approach to risk management to enable it to steer its risks better. In this context, risks are defined as events with a negative impact that could arise out of potential hazards that can only be foreseen and avoided to a limited extent.

The system is based on the past experience of employees and the values of the KATEK Group. In particular, any risks with a material impact on the financial position, financial performance and cash flows of the Group should be identified at an early stage in order to take the necessary countermeasures to avoid, mitigate or manage the risks.

Risk management involves identifying and assessing all relevant risks using a systematic approach. The risk management system serves the purpose of identifying any negative developments that could jeopardize the ability of the KATEK Group to continue as a going concern at an early stage. As a result, the going-concern principle is anchored in the risk management system (RMS) of KATEK.

A core element of the risk management process is the early warning system, which consists of the following basic elements:

- Risk culture (i.e. the underlying attitudes and conduct of all involved when it comes to handling risks)
- Targets and action plan (i.e. the measures to be taken to identify risks at an early stage, also (but not exclusively) in light of the goal of being in a position to bear risk)
- Organization of risk management measures: The following spheres of responsibility and roles have been defined within the KATEK Group.
  - Management Board: The Management Board of KATEK SE bears the ultimate responsibility for the early and continuous identification, assessment and management of risks. It ensures that risk management is implemented within the organization for the long-term. It also has the function of informing internal and external stakeholders. At the same time, as the key decision-maker, the Management Board is also the recipient of the risk report and forwards a condensed version of the information it contains to the Supervisory Board.
  - Managing Directors of Group entities (MD): The MDs are tasked with presenting all of the risks they become aware of in the course of the regular risk reporting, with assessing them and identifying, conducting and following up on the necessary countermeasures. The MDs are responsible for implementing the necessary actions and fostering risk awareness within their organization.
  - Heads of Departments (HoD): The HoDs bear the responsibility for their departments, in some cases beyond the level of the separate Group entities. In this way they also bear responsibility for identifying, managing and reporting risks within their department.
- Identification of risk: The identification of risk, by its nature, occupies a key position within the framework of a risk management system, since the failure to identify risks means that these risks fall outside the scope of risk management measures and therefore thwart the objectives of risk man-

agement. Obtaining information is the most difficult phase of the risk identification process and is at the same time a key function. A systematic, process-oriented method is needed. Early detection is particularly problematic as it involves assessing whether potential risks could actually develop into real threats. Moreover, once recognized, risks do not necessarily remain constant or develop steadily. Generally, the following analytical methods are available:

- Inspection: This involves a visual inspection of actual happenings (operating processes, departments, etc.)
- Documentary analysis: This involves assessing the source documents, such as contracts, official notices and planning or secondary documents (e.g. derived from the accounting) to identify potential risks.
- Organizational analysis: This is designed to identify any source of risk arising from weaknesses in the organizational structure and processes, e.g. competence deficits, overlaps or interface issues.
- Checklists: Risk information can also be derived with the aid of checklists to identify separately demarcated risks or their causes.
- Loss analysis: Loss analysis is based on information from the loss adjustment process. This involves using loss adjustment statistics to derive a useful risk assessment.
- Benchmarking/indicator comparisons: This form of analysis compares the indicators at Group level, segment level or entity level with external indicators.
- Scenario method: By deriving hypothetical events or chains of events, causal interactions and their impact can be analyzed to identify any potential risks. This method is to be understood as a form of marginal analysis and serves to calculate the expected loss or probable maximum loss.

- Risk analysis and assessment: Risk analysis and measurement follows on from risk identification. The goals of this process involve a description of the actions needed to avoid, reduce, or accept the respective risk (risk management), depending on which risk strategy applies. In addition to including any new risks determined in the identification phase in the risk inventory, which is reassessed on a regular basis, the risk analysis also involves an assessment of existing risks and the conceivable changes that may result. These adjustments possibly involve removing a risk from the risk inventory, changing its assessment or conducting the measures predefined in the risk strategy.

- Risk management: KATEK responds to the risks identified on a case-by-case basis using various strategies. In practice, all of the above strategies and combinations of these strategies are used by KATEK. Risk management derives strategies from the knowledge gained which are aimed at reducing the likelihood of risks occurring or mitigating their impact:
  - Risk avoidance involves opting not to conduct the activity to which risk is attached. However, this also implies that no opportunities attached to this activity can be exploited.
  - Risk mitigation/diversification is aimed at reducing the average likelihood of a risk eventuating using organizational measures or diversifying business activities within the framework of portfolio management.
  - Risk acceptance/mitigation: Risks are always a part of doing business. In certain circumstances, existing risks are accepted and need to be monitored constantly. Likewise, countermeasures need to be taken.
  - Risk transfer refers to the act of passing the risk to a third party (insurer), e.g. outsourcing pension obligations.
  - Risk compensation: Under this strategy, the risk is borne by the KATEK Group itself and not compensated by a hedging transaction. Assessing and quantifying risks is currently performed by determining the amount of the expected loss from individual risks multiplied by the probability of it occurring, both before and after the defined countermeasures. This facilitates risk assessment and provides a uniform approach to risk assessment within the Group. Specific measures, individual steps, ownership and a

timeline are assigned to the assessed risks. Risk assessments and their subsequent review are performed constantly in the course of the existing management processes.

- Risk communication (i.e. ensuring an appropriate flow of information and a reporting process)
- Monitoring and improving (i.e. process-integrated and process-independent monitoring of compliance with the measures decided upon):
  The appropriateness and effectiveness of the risk management system are monitored and ensured on an ongoing basis. Naturally, this also applies to all levels and locations of the KATEK Group. In this sense, the risk process controls in the KATEK Group also include the control of risk-relevant processes at subsidiaries. In this sense, the risk management system is an integral component of all KATEK management processes. The risk process controls do not serve as an extra step of the risk management process but should be seen as a higher-level functional review. Responsibility of the functional review lies with the risk management officer and the applicable member of the Management Board. On the one hand, the risk process controls relate both to the structure of the risk management system as well as the controls of the individual phases of the process. If the Management Board obtains the impression during the above process that the HoDs and/or MDs of the subsidiaries need more support in central areas, then training and support is provided to the subsidiaries by corporate headquarters in the course of project work (e.g. liquidity management) to facilitate the continuous improvement of the risk management process. In the case of any new acquisitions, such support is regularly provided within the course of the post-merger integration process.

The early-warning systems of the KATEK Group focus on any potential going concern risks. The use of suitable early-warning, risk assessment and risk management systems ensures that the solvency and capital adequacy of the KATEK SE is maintained at all times, making it able to bear the risks to which it is exposed.

In addition to forward-looking liquidity management, the integrated planning and quarterly forecast and scenario analyses are vital instruments for assessing target achievement in quantitative terms. In addition, target achievement is also assessed using gap analysis within the framework of the detailed monthly reporting systems. The key ratios for business development, planning deviations and continuous monitoring of risks are fundamental components of reporting activities.

A key element of the Group's risk management is the definition of risk fields as well as the identification, analysis and communication of (potential) risks.

1.4 Identification, analysis and assessment of risks

Risks are classified on the basis of their estimated probability of occurrence (low, medium or high) and potential impact on business activities, financial position, financial performance and cash flows of the KATEK Group (immaterial, moderate or critical) and therefore graded as a low, medium or high risk.

The following classification scheme is applied (with indicative measurement corridors):

Immaterial	The impacts of this risk category on the financial performance, financial position and cash flows of the KATEK Group are immaterial (EUR 0k - EUR 299k)
Moderate	Risks in this category could have a moderate impact on the business activities, financial position, financial performance and cash flows of the KATEK Group. (EUR 300k - EUR 999k)
Critical	Factors in the high risk category could have a substantial impact on the business activities, financial position and financial performance and cash flows of the KATEK Group. (> EUR 1,000k)

Based on this classification, risk mitigation measures are decided on in a second stage of the process. These measures are aimed at reducing the probability of occurrence and/or potential impact of the relevant risks on the financial position, financial performance and cash flows in terms of the two respective parameters.

As part of the early warning system, the ability to bear risks is also assessed, as all mitigation measures must be particularly aligned towards identifying any going concern risks at an early stage. Risks are therefore to be viewed as potential going concern risks if they exceed the available risk capital used to cover them. In this regard, the potential impact on both equity and liquidity needs to be considered.

In the following risk report we describe the risks that we have classified as material as they could have a substantial impact on our business activities, financial position, financial performance and cash flows as well as our reputation. Additional risks that we are not currently aware of, or risks that we currently assess as insignificant could also have a negative impact on our business activities and objectives. The assessment is based on the net principle, in other words, it addresses the risks remaining after deducting the effect of controls or risk mitigation measures.

	Immaterial	Moderate	Critical
Low (0 %-33 %)	L	L	M
Medium (34 %-66 %)	L	M	H
High (67 %-100 %)	M	H	H

L = Low
M = Medium
H = High

2 Risk and opportunities report

As a high-tech conglomerate with cross-border activities in dynamic markets, KATEK is confronted by numerous opportunities and risks that could have a substantial impact on business, and therefore on the financial position, financial performance and cash flows. Business opportunities always come with risks attached. For this reason, KATEK pursues the goal of sustainably raising the value of the company by finding the perfect balance between opportunities and risks. The period for assessing these risks and opportunities is set by the forecast horizon.

The principles of value-based management and good corporate governance extend to the exploitation of any business opportunities while simultaneously steering the associated risks moving forward. KATEK management assesses opportunities and risks for each respective division on a constant basis and derives the corresponding targets and measures accordingly.

The KATEK Group has installed the corresponding risk management system to enable it to identify any critical developments or potential risks at an early stage and to analyze, assess, manage and document them. The comments made in the report on risks and opportunities apply equally to KATEK SE.

2.1 Risks to future development

2.1.1 Summary of individual risks

Category	Risk	Probability	Impact	Classification
Macroeconomic & sector-specific risks	Economic risks	High	Critical	**High**
	Economic policy risks	Medium	Moderate	**Medium**
	Intensity of competition	Medium	Moderate	**Medium**
M&A Risks	M&A: Selection risks	Medium	Moderate	**Medium**
	M&A: Integration risks	Medium	Moderate	**Medium**
Purchase and supply chain risks	Procurement risks	High	Critical	**High**
	Inventory risks	Medium	Moderate	**Medium**
Distribution risks	Loss of customers	Low	Moderate	**Low**
	Bad debts	Medium	Moderate	**Medium**
Production risks	Delivery performance	Medium	Moderate	**Medium**
	Product and service risks	Low	Moderate	**Low**
R&D risks		Low	Moderate	**Low**
HR risks	Labor scarcity	Medium	Immaterial	**Low**
	Loss of key personnel	Medium	Moderate	**Medium**
Financial risks	Financing, liquidity and credit risks	Low/medium	Moderate	**Low/medium**
	Currency risks	Medium/high	Moderate	**Medium**
	Tax risks	Low	Immaterial	**Low**
IT risks	Structure and operation of IT systems	Medium	Critical	**High**
Litigation and regulatory risks		Low	Moderate	**Low**
Compliance & data privacy	Compliance risks and risk management systems	Low	Moderate	**Low**
	Data protection risks	Low	Moderate	**Low**
Reputation risks	Loss of reputation	Low/medium	Critical	**Medium**

2.1.2 Macroeconomic and sector-specific risks

Economic risks

The economic situation of the Group depends materially upon the macroeconomic environment and the state of those industrial sectors in which KATEK operates. KATEK develops electronics solutions for customers in a variety of consumer markets. If demand wanes due to recessionary trends in the wider economy, this could have a negative impact on the business development of KATEK. As a result, KATEK monitors its supply chains and sales segments on a permanent basis to ensure that it can react promptly to any supply-side or sell-side changes.

In particular, the ongoing war in Ukraine is indirectly leading to uncertainty, primarily amongst buyers and in terms of pricing, production costs, investment activity and the associated terms of financing. These developments are being constantly monitored by the management of the KATEK Group in order to anticipate any new trends as early as possible and to react accordingly. Nevertheless, further deterioration of these developments and their impact could have an influence on the business of KATEK.

Any dampener on economic growth, which could in turn affect interest rates, the inflation rate, investment cycles and many other indicators, could have a direct or indirect impact on the financial position, financial performance and cash flows of KATEK.

To counter such risks, macroeconomic trends are also monitored constantly. Although the probability of negative economic trends cannot be influenced in any way, such monitoring allows the management of KATEK to take the appropriate action to mitigate any negative impact.

KATEK assesses the macroeconomic risk as high. Depending on the particular situation, this could have a critical impact on business activity, the financial position, financial performance and cash flows. KATEK therefore assesses this risk as high.

Economic policy risks

The management of KATEK perceives a high level of uncertainty regarding the prospects for the global economy and geopolitical situation. These have dimmed considerably over the past year due to a number of factors, all of which could worsen further. Both the Israel-Gaza conflict and the war in Ukraine could have a negative impact on unit sales, production processes and purchases and logistics in the form of disruptions to supply chains and energy supplies or shortages in components, raw materials and both upstream and downstream industrial products. Both of these conflicts could escalate further and spread to other states, including the NATO states. An expansion of the conflict would have direct and indirect impacts on the market environment of KATEK. In addition, risks could arise from other geopolitical tensions (particularly in connection with the Baltics, Eastern Europe, the western Balkans, China, Taiwan and Iran). An impediment or redefinition of international treaties and cooperation could have a negative effect on our business. First and foremost, any disconnect between the United States and China resulting in increasing trade barriers and protectionist policies, sanctions and technical regulations (red tape) could result in additional uncertainty on the markets and an erosion of consumer confidence and business optimism.

Another significant risk to our potential sales lies in the cost structures of KATEK arising from possible bottlenecks in the supply chain arising from shortages of upstream production inputs, electronic components in particular, even if KATEK perceives an opportunity in the trend towards a customer-oriented reshoring of electronic production away from Asian countries. Furthermore, any standstill in political decision-making in the United States could burden growth in the country, with impacts for the global economy.

If KATEK cannot successfully adapt its production and cost structures to any such changes in the environment, an ensuing negative impact cannot be ruled out. For example, purchase decisions for products, solutions and services may change, be postponed or even canceled. Likewise, purchase orders or contracts on which work has already commenced may not be brought to conclusion. Furthermore, the financing possibilities available to the customers of KATEK may deteriorate. Contractually agreed terms of payment may change for the worse, particularly with regard to the amount of customer down-payments received by KATEK for long-term projects, which could have a negative effect on the financial position of KATEK. The extensive portfolio of KATEK which covers the entire product life cycles for customers, and the intended mix of business models sought by the Group – such as the components, services and solutions business lines – help KATEK to offset any unfavorable developments in individual markets.

KATEK assesses the probability of this risk materializing as medium. Depending on the particular situation, this could have a moderate impact on business activity, the financial position, financial performance and cash flows. KATEK therefore assesses this as a medium risk.

Intensity of competition

The KATEK Group operates in a fragmented industry with attractive development potential. If the intensity of competition increases in these sectors, this could reduce the profit margins of KATEK and also lead to a price war within the sector. Nevertheless, KATEK is pursuing an active strategy of consolidation within the European electronic industry and therefore occupies the role of first-mover.

KATEK assesses the probability of this risk materializing as medium. Depending on the particular situation, this could have a moderate impact on business activity, the financial position, financial performance and cash flows. KATEK therefore assesses this as a medium risk.

2.1.3 M&A risks

Selection risks

The strategy of the KATEK Group in recent years was geared towards supplementing its organic growth by making corporate acquisitions, reinforcing its own market position in the process and realizing synergies. The KATEK Group also plans to make additional acquisitions in future. There is a risk that the KATEK Group cannot continue to implement its market strategy and therefore fail to acquire additional companies or operations. KATEK depends on the availability of attractive targets and its access to them and, in this regard, is in competition with other (financial and strategic) investors. For the KATEK Group, this could result in intensification of the competition on its target market. If the KATEK Group is forced to compete with other market players for the acquisition of a company or a stake in a company, this could lead to KATEK SE being forced to pay a higher price for the company or stake in that company or finding itself unable to acquire it.

In addition to the availability of targets on the M&A market, the success of this strategy depends heavily on the selection of suitable target companies that exhibit attractive potential returns. The selection process comes with many risks attached. A less than perfect match could significantly reduce the return on the capital invested. A boom phase in the wider economy and/or in specific industrial sectors creates a risk that companies or parts of companies are acquired at a price that leaves hardly any headroom for future capital gains, especially when such phases coincide with widespread optimism on the financial markets.

Apart from the availability of attractive investment opportunities, the valuation methods employed for equity investments are subject to a certain degree of subjectivity, particularly in the tech sector. This can lead to faulty judgments and the target values determined in a business valuation may be impossible to realize.

If KATEK SE has a strategic interest in a takeover candidate, due diligence is conducted. This is a complex process which, in exceptional circumstances, might not reveal all the relevant information. This could lead to faulty assumptions about the added-value processes in the target, a failure to recognize material obligations and other factors that could impact the financial position, financial performance and cash flows in future and bear consequential risks.

KATEK counters these risks by relying on specialized and particularly experienced teams and has an excellent track record from the acquisition and integration of multiple acquisitions since KATEK SE was founded. In addition, a dedicated M&A team supports the due diligence process. Together with external consultants, the teams develop valid valuation approaches and diligently check the financial, legal and tax aspects of the target company.

KATEK assesses the probability of this risk materializing as medium. Depending on the particular situation, this could have a moderate impact on business activity, the financial position, financial performance and cash flows. KATEK therefore assesses this as a medium risk.

Integration risk

There is a risk that the newly acquired entities or operations cannot be integrated in the KATEK Group in a way that leads to the desired objectives.

In recent years, the KATEK Group has repeatedly managed to expand its market position by making acquisitions. It will continue to pursue the goal of continued expansion in future by acquiring companies or distinct operations that, in the view of KATEK, are an attractive proposition. However, after an acquisition is completed it may become apparent that the management competence of the target was incorrectly assessed or that integration in the KATEK Group does not run as smoothly as planned. This could also impair the degree to which the strategies underlying the respective acquisition can be implemented. In such cases not only are the goals pursued by the KATEK Group in jeopardy but also the value of the investment holding as a whole.

In addition, organizational integration of other companies in the KATEK Group can place a great burden on time and financial resources. It is possible that the desired synergies cannot be realized to the intended scope if employees, products and services and operating procedures cannot be integrated as planned.

In light of the fact that the suitability of the target company for integration is assessed upon first contact with potential vendors, this factor deserves a great deal of management attention. The many years of experience possessed by management enable it to make a professional assessment of the target's integration potential and the associated risks. In addition, a dedicated operations team supports the integration process and the implementation of strategic objectives.

KATEK assesses the probability of this risk materializing as medium. Depending on the particular situation, this could have a moderate impact on business activity, the financial position, financial performance and cash flows. KATEK therefore assesses this as a medium risk.

2.1.4 Purchase and supply chain risks

Procurement risks

The KATEK Group purchases key components for the electronic solutions it offers from international manufacturers and suppliers of electronic componentry. The import of components from other countries is subject to the general risk that is inherent to all international trade. These include delays in delivery, fluctuations in foreign exchange rates, higher taxes and custom duties, export or import restrictions, changes to safety regulations or changes in the wider economic commercial or political environment in the supplier's country. In addition, the Covid-19 pandemic has revealed the fragility of global supply chains. Numerous bottlenecks, such as for semiconductors, are testing the ability of numerous companies to meet their delivery commitments and, in addition to the restricted delivery capacity and unattractive terms and conditions negotiated with suppliers (if even available) this could also trigger additional development and modification expenses. On the other hand, this generates general inflationary pressures for such components and it may turn out that such price increases cannot be passed on to customers. In addition, the ability to negotiate attractive terms and conditions for purchases and to secure the constant availability of material from alternative suppliers might be difficult to realize. The situation caused by the war in Ukraine could have a negative impact on supply channels and costs.

The KATEK Group counters the elevated level of risk caused by the current situation with its professional procurements organization, excellent relationships to suppliers, active materials management and sophisticated inventory management. It is therefore optimistic that it can secure its ability to meet customer orders while retaining attractive margins and be able to avoid or compensate any scarcity in upstream components caused by lockdowns, for example.

Notwithstanding the above, KATEK assesses the probability of this risk materializing as high on account of the current macroeconomic situation. Depending on the particular situation, this could have a critical impact on business activity, the financial position, financial performance and cash flows. KATEK therefore assesses this risk as high.

Inventory risks

Certain subsidiaries of the KATEK Group maintain stores or warehouses in which they keep goods for particular customer contracts and/or to meet their sales forecasts and remain able to deliver punctually. There is a risk that the stored goods become damaged, destroyed or lost due to external hazards, such as extreme weather, fire, theft or burglary. As a consequence, the entity concerned would no longer be in a position to execute customer orders at short notice and, secondly, would be forced to record an enormous loss on account of the damaged or lost goods. In addition to the loss of revenue, the respective entity of the KATEK Group would be forced to also bear the cost of repairs or rebuilding the warehouse and the cost of purchasing any replacements of the goods stored there.

Moreover, on account of extremely volatile prices or very short product life cycles there is a risk of obsolescent inventory at the end of the product life cycle with the result that goods can only be sold below their listed price or not at all, or that the volumes set in a master supply agreement are not called on in full by the customer. This would result in a need to write down inventories.

KATEK assesses the probability of this risk materializing as medium. Depending on the particular situation, this could have a moderate impact on business activity, the financial position, financial performance and cash flows. KATEK therefore assesses this as a medium risk.

2.1.5 Sales risks

Risk of losing customers

The sales risks of the KATEK Group primarily result from the risk of losing solvent customers, particularly due to the economic developments triggered by the corona pandemic, such as a change in consumption patterns, a failure to fully meet customer expectations and a delay in incoming orders at KATEK. At the same time, customer orders are generally considered to be long-term arrangements. Consequently, they are not normally canceled at short notice or relocated.

KATEK therefore assesses the probability of this risk materializing as low. Depending on the particular situation, this could have a moderate impact on business activity, the financial position, financial performance and cash flows. KATEK therefore assesses this as a low risk.

Risk of bad debts

The entities of the KATEK Group frequently carry large trade receivables from their customers. Nevertheless, there is a risk that the receivables from customers are not collected on time or not at all, for example due to an insolvency.

The Group entities attempt to limit the associated risk of default by means of corresponding contractual arrangements (e.g. non-recourse factoring), credit insurance and other ancillary measures, such as receivables management.

KATEK assesses the probability of this risk materializing as medium. Depending on the particular situation, this could have a moderate impact on business activity, the financial position, financial performance and cash flows. KATEK therefore assesses this as a medium risk.

2.1.6 Production risks

Delivery performance

Individual entities of the KATEK Group are exposed to production-related risks, such as quality problems or delays in the production process. The increasing spread of the coronavirus has led to supply chain delays or disruptions, resulting in a halt to production due to the lack of upstream products. This can, in turn, result in lower call-offs or even the total loss of contracts and customers at the entities affected.

Constant monitoring of the production processes and supply chains coupled with systematic quality management and close consultation with suppliers could mitigate these problems, at least partially. Furthermore, the risk of disruptions to production caused by machine downtime can be prevented by constantly optimizing processes and maintenance of the machinery.

KATEK assesses the probability of this risk materializing as medium. Depending on the particular situation, this could have a moderate impact on business activity, the financial position, financial performance and cash flows. KATEK therefore assesses this as a medium risk.

Product and service risks

The KATEK Group is exposed to risks if the products offered by the entities are faulty or do not meet the quality standards expected by customers for some other reason. The products and services offered by the subsidiaries of the KATEK Group must meet high quality standards. If these products do not meet the specifications agreed on with customers, this might result in subsequent claims (warranties in particular), a loss of customers and an ensuing loss of revenue. Quality defects could establish liability on the part of the respective subsidiary for defects and consequential losses, which may lead to warranty claims, guarantee claims, or product liability claims as well as product recalls. The KATEK Group is also particularly dependent on the quality of the products it sources from suppliers as it depends on the degree to which group entities are able to assert rights of recourse against the suppliers if defective upstream products or services result in warranty claims or claims for damages from their own customers.

Taking account of the existing quality assurance processes, KATEK assesses the probability of the risk materializing as low. Depending on the particular situation, this could have a moderate impact on business activity, the financial position, financial performance and cash flows. KATEK therefore assesses this as a low risk.

2.1.7 F&E risks

To remain competitive, retain market leadership and build upon its position in the market, it is essential that KATEK recognizes new trends in its target industries, also with regard to processes, and to invest in developing or driving forward the corresponding technologies.

With regard to research and development there is a risk that investments are made without reaching the desired output. In addition, the wrong product developments or product ideas could be pursued, because they were considered important on the basis of an inadequate analysis, but do not bear fruit as expected. In addition, there is a general risk of a breach of third-party patents or licenses in the course of development. By focusing on core competencies, keeping detailed documentation and controlling development activities, and cooperating closely with customers, the KATEK Group is able to minimize this risk.

KATEK assesses the probability of this risk materializing as low. Depending on the particular situation, this could have a moderate impact on business activity, the financial position, financial performance and cash flows. KATEK therefore assesses this as a medium risk.

2.1.8 Personnel risks

Labor scarcity

As a specialized technology service provider with a great depth of knowledge in various production methods that is familiar with its end markets, the success of the KATEK Group materially depends having well-trained, motivated and incentivized employees. There is a risk that KATEK cannot find such employees to the extent it needs or to retain them within the Group. The Group counters this risk by offering tailored personal development, attractive career opportunities and a progressive remuneration profile.

KATEK assesses the probability of this risk materializing as medium. Taking account of the diversified structure of the Group and the resulting opportunity to assign professional staff to various locations, the possible negative impacts on business activity, the financial position, financial performance and cash flows are considered to be immaterial (depending on the particular situation). KATEK therefore assesses this as a low risk.

Loss of key personnel

The future success of KATEK depends on individuals in key managerial positions.

The members of the Supervisory Board and the Managing Board, Mr. Rainer Koppitz and Mr. Klaus Weinmann in particular, possess extensive expertise and maintain personal networks to investors, banks, other institutions and individuals. As a result, the success of KATEK depends materially on these persons.

The resignation of members of the Management Board or Supervisory Board could affect general business activity and place a burden on the financial position, financial performance and cash flows of the KATEK Group. The same holds true for qualified employees, both at the level of KATEK SE as well as the individual subsidiaries.

KATEK counters this with professional HR management that pursues the targets of a high level of employee satisfaction, attractive compensation packages and long-term employee retention.

KATEK assesses the probability of this risk materializing as medium. Depending on the particular situation, this could have a moderate impact on business activity, the financial position, financial performance and cash flows. KATEK therefore assesses this as a medium risk.

2.1.9 Financial risks

Financing, liquidity and credit risks

KATEK finances its business activity with its own funds and with debt capital. There is a risk that future debt and/or equity capital cannot be obtained at the amount needed or at acceptable conditions or that refinancing of debt capital is only partially successful or fails completely.

The availability of attractive debt capital is materially affected by internal factors, such as the effect of earnings or the cash position on the credit rating issued by the market or the ability of management to negotiate with current or potential creditors, and also by external factors, such as the general interest rates on the market, the possibilities available to find refinancing or prolong existing borrowings, the lending policies of banks and other creditors or changes in the legal environment. The current syndicated loan agreement contains a number of financial covenants. Non-compliance with the covenants would permit the financial institution to terminate for due cause. At present, a waiver has been agreed for one of the covenants in the relevant financing arrangement as at 31 December 2022.

Moreover, it cannot be ruled out that these credit institutes become less willing to issue credit to the KATEK Group, for example, on account of negative developments on the financial market, amendments to laws, regulations and directives and other regulatory aspects relating to the issue of credit, or a deterioration in the circumstances of the KATEK Group or for other reasons.

The countermeasures to manage the above risks are decided on by the finance department, which monitors the economic circumstances of the Group on a continuous basis. Professional corporate controlling allows the financial situation and liquidity to be planned and forecast, which allows possible cash squeezes to be anticipated. Credit risks, particularly with regard to interest rates and the due dates of loan installments can be largely managed by ensuring a balance in the maturity profile of liabilities and a systematic combination of fixed and variable interest rates.

In addition, unexpected losses could be incurred from the use of financial instruments if, for example, the solvency of our trading partner deteriorates or, if business develops favorably, the pay-outs under the earn-out arrangements are higher than expected. Actual developments could diverge from earlier assumptions which could cause a positive or negative change to the actual obligations due to a change in the framework conditions. More information on the use of financial instruments can be found in note B.21 Financial instruments of the notes to the consolidated financial statements.

KATEK assesses the probability of this risk materializing as low to medium. Depending on the particular situation, this could have a moderate impact on business activity, the financial position, financial performance and cash flows. KATEK therefore assesses this as a low to medium risk.

Currency risks

Due to its global operating activities, KATEK is exposed to currency risks that could impact the development of the Group's earnings and equity. Currency risks arise in operating activities from purchases of raw materials, consumables and supplies in foreign currency and sales of finished goods in foreign currency.

In addition, some Group entities report their earnings in a different currency than the euro. As a result, KATEK must translate the respective line items into euro in the course of compiling the consolidated financial statements (currency translation risk). Currency translation risks are not hedged on principle.

KATEK assesses the probability of this risk materializing as medium to high. Depending on the particular situation, this could have a moderate impact on business activity, the financial position, financial performance and cash flows. KATEK therefore assesses this as a medium risk.

Tax risks

The KATEK Group is exposed to tax risks, for example, its tax returns and tax audits could lead to back taxes or amendments to the tax legislation could be disadvantageous for the Group. It cannot be ruled out that future assessments and tax audits will lead to tax back-payments.

Risks arise with regard to newly acquired companies. Although the risk for past events generally remains with the seller due to tax exemption clauses and guarantees in the corresponding purchase agreements, any future risks (particularly with regard to the periods after the transfer of title to the shares) must be borne by the buyer. Significant risks are generally identified during due diligence. These are subject to a detailed review in the post-acquisition phase and countermeasures taken accordingly. The development of the applicable tax legislation is subject to constant change – also in the way it is applied by the public authorities. The KATEK Group does not have any influence over whether the current tax laws, decrees and regulations will remain in force unchanged or not. It is not possible to rule out future changes to the law, different interpretations of existing law by the fiscal authorities and courts, possibly with retroactive effect. If laws and/or regulations are amended this could impact the business activities of the KATEK Group.

As a countermeasure to tax risks, KATEK SE is supported by a team of tax experts who monitor the tax risks on a project-by-project basis and have implemented a corresponding tax compliance management system. Due to the complexity of tax issues, support is also obtained from external tax advisors as needed.

KATEK assesses the probability of this risk materializing as low. Depending on the particular situation, this could have an immaterial impact to a moderate extent on the business activity, financial position, financial performance and cash flows. KATEK assesses this as a low risk.

2.1.10 IT risks

Structure and operation of IT systems

In order to ensure seamless operation, the KATEK Group relies on key IT systems. The risks relate to IT systems and the data stored in cloud computing systems.

There is a risk that external factors, such as fire, lightning, disruptions, power outages, computer viruses, hacking, and other events or internal factors, such as improper operation of systems could lead to a loss of data, disruptions or interruptions due to partial or complete system crashes of IT systems.

System crashes, disruptions or errors in the numerous interfaces to other companies (e.g. internet connections or direct lines to systems, programs, interfaces or test systems, such as direct connections to network providers and service providers) could result in high costs. Likewise, temporary system shut-downs can result in substantial costs to restore and verify data. Disruptions of IT systems, from minor events right through to system crashes, could have an impact on the course of business and also an impact on relations to suppliers and customers as well as daily operations.

There is also a risk that customer and supplier data and cost calculations could be accessed and stolen by unauthorized persons, competitors or employees or that IT systems could be manipulated. Also in the field of cloud computing, it cannot be ruled out that third parties obtain access to data in the cloud and copy, delete, manipulate or otherwise abuse the data. The KATEK Group might be exposed to claims for damages and/or suffer a substantial loss of reputation.

Dedicated resources are used by the KATEK Group to minimize these risks. Inhouse IT teams that are available both at the subsidiaries and at Group level implement customary best practices in the fields of cyber security and continuity management to exclude both internal and external disruptions as much as possible. They receive support from IT specialists.

KATEK assesses the probability of this risk materializing as medium. Depending on the particular situation, this could have a critical impact on business activity, the financial position, financial performance and cash flows. KATEK therefore assesses this risk as high.

2.1.11 Litigation and regulatory risks

KATEK SE or the subsidiaries of the KATEK Group could be involved in litigation the outcome of which is uncertain. Should KATEK SE or the respective entity in the KATEK Group lose a future legal dispute, in full or in part, or be forced to make a settlement, this could result in substantial claims for damages and costs that could burden the KATEK Group.

The business activities of the KATEK Group are aimed at many different geographic markets, each of which has a different legal framework from which a number of risks may arise. These primarily include the requirements prevailing in the individual countries for general business law, (labor) law, tax law and regulatory requirements, which sometimes conflict with each other, and any unexpected short-term amendments to such laws and regulations. In the event of a violation, administrative action may be taken by the applicable officials in these countries, such as threatening or imposing fines on the KATEK Group or the subsidiary concerned.

These legal and regulatory risks are countered by the internal legal affairs department of the KATEK Group which works intensively together with external lawyers in the respective countries where business is conducted.

KATEK assesses the probability of this risk materializing as low. Depending on the particular situation, this could have a moderate impact on business activity, the financial position, financial performance and cash flows. KATEK therefore assesses this as a low risk.

2.1.12 Compliance and data protection risks

Compliance risks and risk management systems

There is a risk that the compliance systems in place within the KATEK Group prove to be inadequate or that employees of the KATEK Group violate domestic or foreign laws or that such acts remain undetected, despite the existing laws, internal guidelines and organizational requirements on compliance and the associated training and internal audits. A violation of the law can have legal consequences, such as fines and penalties for the KATEK Group and its board members or employees, or result in tax back-payments or claims for damages asserted against the KATEK Group by third parties. In addition, the reputation of the KATEK Group could suffer when violations are uncovered and made public.

In order to avoid breaches of compliance, the KATEK Group applies a professional compliance management system that sets clear policy guidelines for employees (Compliance Policy, Code of Conduct, etc.) and web-based training (Code of Conduct and Information Security).

KATEK assesses the probability of this risk materializing as low. Depending on the particular situation, this could have a moderate impact on business activity, the financial position, financial performance and cash flows. KATEK therefore assesses this as a low risk.

Data protection risks

KATEK SE and the separate subsidiaries process a large volume of data, some of which is sensitive data and subject to the requirements of the EU General Data Protection Regulation (GDPR). Breaches of the compliance measures established by KATEK could result in substantial fines and therefore have a negative impact on the financial performance, financial position and cash flows of the KATEK Group.

To ensure compliance with the legal requirements, the KATEK Group has implemented a data capture, data security and data access concept that ensures proper implementation of the legal requirements. In addition, employees are made aware of data protection risks with the aid of web-based learning.

KATEK assesses the probability of this risk materializing as low. Depending on the particular situation, this could have a moderate impact on the business activity, financial position, financial performance and cash flows. KATEK therefore assesses this as a low risk.

2.1.13 Reputation risks

KATEK SE is exposed to reputation risks because the faith and trust placed in the firm by business partners, employees, investors and customers can be negatively affected by published reports relating to transactions, business partners and business practices. Moreover, access to attractive investment opportunities depends heavily on the reputation of KATEK as a competent growth partner.

Among other factors, this risk can arise from the willful dissemination of disinformation, misconduct by business partners in breach of contract and misdirected information. In addition, other risks described in this report could have a negative impact on the reputation of the KATEK Group.

Reputation risks are minimized by the corresponding policies that have been created in accordance with the compliance guidelines. Corporate communications (and investor relations) also report professionally and proactively to the relevant stakeholders on any events that could positively or negatively affect the reputation.

KATEK assesses the probability of this risk materializing as low to medium. Depending on the particular situation, this could have a critical impact on business activity, the financial position, financial performance and cash flows. KATEK therefore assesses this as a medium risk.

2.2 Opportunities relating to future development

We provide a summary of the opportunities available to the KATEK Group and any developments or events with a positive impact on the KATEK Group.

2.2.1 General market development

The KATEK Group confronts changes in the market flexibly and by constantly and efficiently optimizing its product offering, its structures and its processes. Competence centers facilitate specialization in certain fields by providing expertise which is provided to all entities in the Group. With its comprehensive portfolio of goods and services that cover the entire value chain, KATEK offers bespoke electronic solutions tailored to customers' individual needs and thereby creates added value for customers.

The KATEK Group is managing to weather the materials crisis thanks to its excellent position when sourcing goods, the professionalism and agility of the procurements organization and its very close cooperation with key suppliers, coupled with its healthy mix of industries and customers. As a result, KATEK managed to supply its customers reliably, even in recent months, and win additional market share. The Management Board of KATEK is monitoring changes in the supply chain of the automobile industry brought about by the transformation towards e-mobility and massive bottlenecks in the supply of materials: Large OEMs are shifting towards purchasing the most critical parts and components together with their suppliers and to build up their own electronic competencies in cooperation with strong partners in electronics, particularly with regard to e-mobility. The partnership between KATEK and a major German manufacturer of sports vehicles is a good example. KATEK is also in negotiations with other major players in the European automobile industry. KATEK will attempt to make the best use of these opportunities.

Generally, the efforts to invest in Europe as a production location are to be welcomed in order to obtain greater independence along the entire electronics value chain "from silicon to system", beginning with semiconductors (European Chips Act) through PCB development and production to the development and manufacture of complex electronics.

On the one hand, possible interruptions in the supply chain offer an opportunity for active sourcing and a warehousing and logistics concept to allow a more rapid response than the competition. On the other, KATEK has noted for some time now, and particularly since the changes to supply chains brought about by Covid-19, that customers are increasingly coming to appreciate geographical proximity as a competitive advantage, not only in the development phase, but also when it comes to supplying series production. This trend, known as reshoring, minimizes dependencies on international supply chains and reduces price fluctuations, particularly for freight services, and therefore serves to maintain operating activities. With 13 locations in Europe, KATEK is in an excellent position to benefit from the reshoring of electronic supply chains.

Another opportunity for KATEK lies in the growing significance of electronic components for a wide variety of products. The electronification of the world due to IoT and smart devices has increased the complexity and value of products in almost all areas, both in the industrial sector and also for consumer goods. The growing share of electronics is leading to growth on the market for componentry and services, but also to rising specifications on the part of OEMs. In this regard, KATEK is a competent partner with is excellently positioned with a one-stop-shop portfolio that covers the entire value chain (from development to production, logistics and aftersales) to offer support to OEMs when mastering this paradigm shift. With unique expertise in technology & software and design & engineering, KATEK can offer holistic end-to-end solutions for high value electronics (HVE) across a variety of markets.

2.2.2 Megatrends: demographic change, urbanization and connectivity

As the world population grows, the need for resources rises inexorably, be it land, water or energy. Sustainable concepts for generating energy that conserve natural resources or the intelligent use of space and sustainable food production are among the most important fields of action for both our and the coming generations. An increasing number of people around the world are living in cities and are making them the most powerful actors and problem solvers of a globalized world. Thanks to new forms of connectivity and mobility, urban living is becoming the new lifestyle and philosophy.

The global population is growing, but it is also aging around the world and the number of old age people is growing. At the same time, the desire for self-actualization and self-determination in old age is rising, despite physical constraints.

Connectivity is the megatrend of our age that has the greatest impact. The principle of networking dominates social change and has opened a new chapter in the evolution of society. Digital communication technologies are fundamentally changing the way we live and permit new working methods and lifestyles.

The world of tomorrow is based on connectivity and the Internet of Things (IoT). The electronics industry comes into play here, the very industry that develops, manufactures and delivers the electronics and embedded systems which are a core element of all the connected products of the smart future. Without internet-enabled electronic assemblies, components, solutions and products from the electronics industry, none of these sophisticated devices would be an intelligent IoT device. These include cars, modern kitchen devices, drones, POS cash register systems, medical devices, robots, card-readers, etc. Everything, in other words that makes the modern world of smart homes, smart cities, smart factories, smart retail, smart health and smart work.

In the field of IoT or IIoT (Industrial Internet of Things), KATEK has positioned itself as an enabler for its customers, who are driving forward the electronification side of the digital transformation. KATEK is one of the leading cross-sector full-service electronic service providers in Europe and covers the entire value chain. It is expanding its development competencies to this very end. The electronics group is focusing on the promising IoT market and therefore on potential high-growth fields, including power electronics for the solar industry, e-mobility and other challenging applications in High-Value Electronics (HVE), such as medical technology and measuring technology.

The opportunities afforded by connectivity and IoT are as numerous as the fields of application, which offers huge potential for KATEK. Due to its focus on high-end electronic solutions in qualitatively demanding fields of application that require a great deal of expertise and its focus on high-growth markets, opportunities arise for KATEK due to global trends such as the increase in electric cars and demand for e-mobility charging stations, growing demand for solar power and the general advance of electronification around the world, which is fostering growing demand from German and European industrial players for partners in innovative electronics.

2.2.3 Changes in the regulatory environment

In addition, KATEK anticipates strong growth for electronics services on account of changing regulatory frameworks. These include, for example, the EU Regulations on electromobility, which sets a standard for zero-emission mobility by 2035, or the regulation requiring the share of renewables in the energy mix to rise to 40% in Europe by 2030. This will significantly boost the business expectations of KATEK as, with our solutions for these fields, we can participate in shaping the transformation in Europe. This will make KATEK's target markets even more attractive in future and, secondly, foster demand for both end products and the specialized services offered by the companies in the KATEK Group.

2.2.4 Professional skills and employees

KATEK attempts to position itself as an employer of choice in order to attract professional skills to the Group and retain them for the long term. The employees of KATEK are a key success factor for the Group. New professional talent is secured by offering a range of training programs. In order to develop the competence levels of our workforce in targeted fashion, KATEK offers its employees advance training, seminars and other courses.

The IPO has endowed KATEK with greater credibility and visibility on the market in the battle for existing and new customers, suppliers, creditors and potential acquisition targets. In addition, the KATEK brand, which has been on the market now for 35 years, and its growing size foster trust amongst the above target groups.

2.2.5 Strategic opportunities afforded by M&A

In recent years KATEK has repeatedly managed to leverage its position on the market to make targeted acquisitions to strengthen the Group. Based on its current position, KATEK can continue on this path in the coming years. With the knowledge and lessons learned from previous acquisitions and integrations, the Management Board perceives strategic opportunities arising from further acquisitions.

The business policy of the KATEK Group is based on a continuation of the growth trajectory, both organically and by means of acquisitions. This opens up opportunities to keep increasing revenue. Exploiting synergies and economies of scale, to negotiate better terms and conditions for purchases, for example, as well as shared administrative services and qualified up and cross selling will contribute towards a steady improvement in earnings. The electronics market in Europe is currently undergoing a strong phase of consolidation, which KATEK intends to actively exploit. In this regard and in light of the solid financial position and liquidity of the Group, there will be opportunities in future to extend the market position by making the suitable acquisitions.

2.3 Overall assessment

In financial year 2023 the business model of the KATEK Group, which is geared towards the long term, proved its worth once again. There were no significant changes in the opportunities or risks in comparison to the previous year. The most significant risks are named in section 2.1 "Risks to future development", with the macroeconomic risks being the most relevant.

Nevertheless, no risks are currently discernible on the basis of the knowledge currently available that individually or in combination could pose a going concern risk to KATEK SE or the Group or significantly impair its financial position, financial performance or cash flows. This statement is based on an analysis and assessment of the individual risks discussed above and the existing risk management system.

3 Subsequent events

Effective 29 February 2024 Kontron Acquisition GmbH, a wholly-owned subsidiary of Kontron AG, Linz, Austria, a listed stock corporation, obtained control over KATEK SE. Reference is made to note C.9 Subsequent events in the notes to the consolidated financial statements for more information on the change in control after the reporting date.

4 Outlook

4.1 Development of the economic environment

The global economy proved to be very resilient in the course of the calendar year 2023 in the face of numerous adversities and negative economic shocks. However, these shocks, and especially the dampening effect of more restrictive financing conditions, are likely to negatively impact economic growth through to the calendar year 2024. Consequently, global GDP growth in the year 2024 is expected to keep weakening to 2.7% after reaching 2.9% in 2023. In light of the number of current geopolitical conflicts and potential new ones, this forecast is subject to great uncertainty. (Federal Ministry of Finance, 2024)

The U.S. economy is also expected to experience a soft landing with GDP growth of 1.4% (2023: 2.4%). The more restrictive financing conditions will not display their full effect until the following year. Some economists therefore believe that a recession might be on the cards in 2024. Consumption is likely to remain the most important driver of growth as public spending (CHIPS Act, Inflation Reduction Act) will play a supporting role for the economy as they will stimulate corporate investment spending. In the EU, GDP is forecast to rise by 1.3% in the year 2024 compared to 0.6% in 2023. The impact of the energy crisis will continue to have a lingering impact, particularly on energy-intensive industries. The more restrictive monetary policies of the European Central Bank are expected to dampen growth, particularly in the construction industry. The German economy will probably be hit hardest, due to its large manufacturing sector and the poor conditions affecting world trade, but also the ongoing planning uncertainty in the Federal Budget and delays to corporate investment programs. (Federal Ministry of Finance, 2024)

Inflation is anticipated to keep easing worldwide, albeit at a slower rate. The recent hikes in interest rates are having the desired effect. Consequently, monetary policy is likely to become less restrictive over the course of 2024. Nevertheless, its impact on the real economy remains keenly felt, such as the pressure on property prices and company valuations.

In light of the forecast downturn in the global economy and the numerous hurdles facing the economy as well as the lack of any tailwinds or stabilizing effects from industrial orders and the price adjustments affecting some of our business, we expect the growth of the markets served by KATEK to slow in financial year 2024. On a brighter note, dynamically growing markets such as eMobility, Renewables and Telecare, which generally display much higher growth rates, could buck this trend.

4.2 Forecast for the KATEK Group

Generally, it can be stated that there have been fundamental structural changes to the business of the KATEK Group due to the Kontron Group obtaining control, as described in the section on subsequent events. On top of these changes, the factors in the macroeconomic environment described above also need to be considered. Consequently, any forecast statements for financial year 2024 necessarily entail the associated uncertainties regarding the development of the business.

Based on the latest information on the above factors and subject to any changes in the legal structure of the group, the management of KATEK is currently forecasting the following developments for the financial year 2024:

- Development of revenue: KATEK expects to realize revenue growth of at least 5% in comparison to 2023.

- Development of adj. EBITDA: The company assumes that it will be able to keep EBITDA adj. at least at the level of the reporting year.

KATEK SE generates revenue from charging on the management and financing services it renders within the Group and from the profit and loss transfer agreements in place with subsidiaries. KATEK SE is steered using the indicators of the KATEK Group. The future development of the stand-alone company hinges directly on the economic development of the Group as a whole. For this reason, the comments made in the outlook of the KATEK Group apply accordingly.

H Closing remark on the dependent company report

KATEK SE drew up a dependent company report for the financial year 2023 that concludes with the following declaration:

"As the Management Board of KATEK SE, we hereby declare that in light of the circumstances known to us at the time of each transaction or at the time of taking or refraining from taking each measure, KATEK SE received adequate compensation for the transaction and suffered no disadvantage as a result of taking or refraining from undertaking the measure."

Munich, April 26, 2024

KATEK SE

Management Board

Hannes Niederhauser
CEO

Dr. Johannes Fues
CFO

Disclaimer on forward-looking statements

This document contains forward-looking statements based on our latest assessment of future events. Words such as “anticipate”, “assume”, “believe”, “it can be assumed”, “estimated”, “expected”, “intend”, “could”, “plan”, “project”, “should” and similar terms indicate a forward-looking statement. Such statements are subject to a variety of risks and uncertainties. Some examples include unfavorable developments in the global economy, unavoidable cases of Force Majeure, such as natural disasters, pandemics, terrorist strikes, political unrest, hostilities, industrial accidents and their consequential impact on our sales, purchases, production or financing activities, changes in exchange rates, customs and export tariffs, interruptions to production due to material bottlenecks, of which some are described in this report under the section titled “risk and opportunities report”. Should one of these uncertainties or contingencies occur or should the underlying assumptions of the forward-looking statements prove to be inaccurate, then the actual events could deviate significantly from the results named or implied in these statements. We do not intend nor do we accept any obligation to update the forward-looking statements on an ongoing basis as they are based solely on the circumstances known on the date of publication.

Consolidated Statement of Comprehensive Income

EUR k	Note	01 Jan 2023 – 31 Dec 2023	01 Jan 2022 – 31 Dec 2022
Revenue	**B.1**	**782,753**	**683,100**
Changes in inventories of finished goods/work in progress		3,461	8,318
Own work capitalized	B.2	9,543	7,189
Total operating performance		**795,757**	**698,607**
Cost of materials	B.4	– 553,445	– 513,916
Gross profit		**242,312**	**184,691**
Other operating income	B.3	11,886	4,668
Personnel expenses	B.5	– 148,883	– 116,899
Other operating expenses	B.7	– 63,436	– 49,334
EBITDA		**41,879**	**23,126**
Depreciation and amortisation	B.6	– 27,436	– 22,337
Earnings before interest and taxes (EBIT)		**14,442**	**790**
Finance income	B.8	355	77
Finance costs	B.8	– 12,989	– 5,793
Exchange differences	B.8	– 491	– 4,924
Earnings before income taxes		**1,316**	**– 9,851**
Income taxes	B.9	– 1,732	2,752
Net profit or loss of the Group		**– 416**	**– 7,099**
thereof attributable to non-controlling interests		– 367	– 456
thereof attributable to shareholders of KATEK SE		**– 49**	**– 6,643**
Number of shares (weighted average)		14,445,687	13,300,129
Earnings per share (EUR), basic and diluted	B.10	– 0.003	– 0.50

* Due to rounding, sums may differ from the exact result of adding the individual figures.

Consolidated Statement of Comprehensive Income

EUR k	01 Jan 2023 - 31 Dec 2023	01 Jan 2022 - 31 Dec 2022
Net profit or loss of the Group	**– 416**	**– 7,099**
Other comprehensive income		
Items that may be subsequently recycled through profit or loss		
Exchange differences arising from currency translation during the financial year	– 1,232	53
	– 1,232	**53**
Items that may not subsequently recycled through profit or loss		
Changes in actuarial gains/losses from pensions	– 1,154	1,471
Deferred taxes from changes in actuarial gains/losses from pensions provisions	221	– 414
	– 932	**1,057**
Other comprehensive income after tax	**– 2,164**	**1,110**
Total comprehensive income	**– 2,580**	**– 5,989**
thereof attributable to non-controlling interests	– 367	– 460
thereof attributable to shareholders of KATEK SE	– 2,213	– 5,531

* Due to rounding, sums may differ from the exact result of adding the individual figures.

Consolidated Statement of Financial Position

Assets

EUR k	Note	31 Dec 2023	31 Dec 2022
Non-current assets			
Property, plant and equipment	B.12/B.22	107,888	102,081
Goodwill	B.11	14,624	15,226
Other intangible assets	B.11	29,617	20,392
Financial assets	B.21	1,824	1,824
Employee benefits	B.18	373	489
Other financial assets	B.21	922	304
Deferred tax assets	B.9	13,182	13,503
Total non-current assets		**168,429**	**153,820**
Current assets			
Inventories	B.13	230,792	261,918
Trade receivables	B.14	48,692	43,603
Other financial assets	B.21	9,677	12,887
Income tax receivables	B.9	19	1,094
Other assets and prepaid expenses	B.16	15,643	6,149
Cash and cash equivalents	B.15	47,894	22,628
Total current assets		**352,716**	**348,278**
Total Assets		**521,146**	**502,097**

* Due to rounding, sums may differ from the exact result of adding the individual figures.

Consolidated Statement of Financial Position

Equity and liabilities

EUR k	Note	31 Dec 2023	31 Dec 2022
Equity			
Share capital	B.17	14,446	14,446
Share premium	B.17	129,733	129,733
Revenue reserves	B.17	17,253	19,466
Equity attributable to owners of the company		**161,431**	**163,644**
Non-controlling interests	B.17	952	1,319
Total equity		**162,384**	**164,963**
Non-current liabilities			
Non-current loans	B.20	74,240	2,543
provisions for pensions and similar obligations	B.18	3,319	1,995
Other provisions	B.19	899	738
Other financial liabilities	B.21	58,245	68,167
Other liabilities	B.25	997	1,089
Deferred tax liabilities	B.9	1,335	1,360
Total non-current liabilities		**139,036**	**75,892**
Current liabilities			
Current loans	B.20	24,101	66,275
Other provisions	B.19	4,793	3,498
Trade payables	B.23	107,013	123,709
Contract liabilities	B.24	16,197	19,580
Other financial liabilities	B.21	36,034	23,373
Income tax liabilities	B.9	1,855	2,887
Other liabilities and deferred income	B.25	29,734	21,920
Total current liabilities		**219,727**	**261,242**
Total liabilities		**358,762**	**337,134**
Total equity and liabilities		**521,146**	**502,097**

* Due to rounding, sums may differ from the exact result of adding the individual figures.

Consolidated Statement of Cash Flows

EUR k	Note	01 Jan 2023 - 31 Dec 2023	01 Jan 2022 - 31 Dec 2022
Cash flows from operating activities			
Net profit or loss of the Group		– 416	– 7,099
+/- Income tax expense/income		1,732	– 2,752
+/- Finance expense/income		12,136	5,716
+ Amortization of intangible assets and depreciation of property, plant and equipment		27,436	22,337
+/- Other non-cash effective expenses/income		– 9,331	– 2,578
+/- Loss/gain on disposal of non-current assets		– 253	146
+/- Increase/decrease of provisions		1,963	1,846
+/- Decrease/increase inventories, trade receivables and other assets		39,624	– 54,274
+/- Increase/decrease in trade payables and other liabilities		– 20,849	38,229
+/- Cash inflow/outflow from operating activities		**52,043**	**1,571**
+ Interest received		186	54
+/- Income tax reimbursements/payments		– 2,244	– 1,514
Cash flow from operating activities	**B.27**	**49,985**	**111**

EUR k	Note	1 Jan 2023 - 31 Dec 2023	1 Jan 2022 - 31 Dec 2022
Cash flows from investing activities			
+ Cash received from the disposal of intangible assets		0	1
- Cash paid for intangible assets		– 7,730	– 7,973
+ Cash received from the disposal of property, plant and equipment		2,172	382
- Cash paid for property, plant and equipment		– 23,332	– 22,039
- Cash outflow for the purchase of long-term financial assets		– 308	0
- Cash paid for additions to the consolidated group less cash and cash equivalents acquired		– 9,384	– 17,621
Cash flow from investing activities	**B.27**	**– 38,582**	**– 47,251**

Consolidated Statement of Cash Flows

EUR k	Note	1 Jan 2023 - 31 Dec 2023	1 Jan 2022 - 31 Dec 2022
Cash flows from financing activities			
+ Cash received from capital increases		0	19,153
+ Cash received from borrowing		60,118	80,029
- Cash repayment of loans and lease liabilities		– 30,261	– 84,557
+ Cash received from subsidies/grants		204	160
+ Proceeds from shareholders from borrowings		10,018	0
- Cash paid for interest		– 11,670	– 4,483
Cash flow from financing activities	**B.27**	**28,409**	**10,303**
-/+ Net decrease/increase in cash and cash equivalents		**39,812**	**– 36,838**
Cash and cash equivalents at the beginning of the reporting period		– 2,760	33,909
Changes in cash and cash equivalents due to exchange rates and changes in valuation		166	169
Cash and cash equivalents at the end of the reporting period	**B.27**	**37,217**	**– 2,760**
thereof: Cash at banks and on hand		47,894	22,628
thereof: Liabilities to banks		10,220	25,388

* Due to rounding, sums may differ from the exact result of adding the individual figures.

Consolidated Statement of Changes in Equity

EUR k	Share capital	Share premium	Retained reserves: Reserve for actuarial gains/ losses (OCI)	Retained reserves: Foreign currency translation reserve (OCI)	Retained reserves: Other	Equity attributable to owners of the company	Non-controlling interests	Total
01 Jan 2022	**13,242**	**111,784**	**41**	**160**	**24,797**	**150,023**	**1,777**	**151,799**
Net profit or loss of the Group	0	0	0	0	– 6,643	– 6,643	– 456	– 7,099
Other comprehensive income	0	0	1,057	55	0	1,111	– 1	1,110
Gesamtergebnis	**0**	**0**	**1,057**	**55**	**– 6,643**	**– 5,531**	**– 458**	**– 5,989**
Capital increase from sharehold-ers	1,204	17,949	0	0	0	19,153	0	19,153
31 Dec 2022	**14,446**	**129,733**	**1,097**	**214**	**18,154**	**163,644**	**1,319**	**164,963**

* Due to rounding, sums may differ from the exact result of adding the individual figures.

Consolidated Statement of Changes in Equity

EUR k	Share capital	Share premium	Retained reserves: Reserve for actuarial gains/ losses (OCI)	Retained reserves: Foreign currency translation reserve (OCI)	Retained reserves: Other	Equity attributable to owners of the company	Non-controlling interests	Total
01 Jan 2023	**14,446**	**129,733**	**1,097**	**214**	**18,154**	**163,644**	**1,319**	**164,963**
Net profit or loss of the Group	0	0	0	0	– 49	– 49	– 367	– 416
Other comprehensive income	0	0	– 932	– 1,232	0	– 2,164	0	– 2,164
Total comprehensive income	**0**	**0**	**– 932**	**– 1,232**	**– 49**	**– 2,213**	**– 367**	**– 2,580**
31 Dec 2023	**14,446**	**129,733**	**165**	**– 1,018**	**18,106**	**161,431**	**952**	**162,384**

* Due to rounding, sums may differ from the exact result of adding the individual figures.

Notes to the consolidated financial statements

A. Basis of preparation

1 General information

The consolidated financial statements of KATEK SE, Munich, and its subsidiaries (hereinafter: "KATEK", "KATEK Group" or "Group") for financial year 2023 were prepared in accordance with International Financial Reporting Standards (IFRS, as endorsed by the EU) and, in addition, with the applicable provisions of German commercial law.

KATEK is an international electronics service provider with subsidiaries in Europe, North America and Asia. The product spectrum covers the entire life cycle of electronic assemblies and devices from development through to materials management and project management, electronic manufacture, box-build, testing technologies and logistics and after-sales services – from small-volume series and prototypes through to mass produced series for all kinds of sectors.

The consolidated financial statements are presented in euro. Unless otherwise specified, all amounts are stated in thousands of euro (EUR k). In isolated cases there may be rounding differences resulting in sums not being entirely accurate or percentages not equating exactly with the stated figures. To aid clarity, we have combined individual line items in the consolidated statement of profit or loss and in the consolidation statement of financial position. A breakdown of these items is listed in the notes to the consolidated financial statements. The consolidated statement of profit or loss has been prepared using the nature of expense method. To improve comparison, individual figures for the previous year have been adjusted. The adjustments are immaterial, both individually and collectively.

The financial year runs from 1 January 2023 to 31 December 2023.
The registered offices of KATEK SE are located at Promenadeplatz 12,
80333 Munich, Germany. KATEK SE is entered in the commercial register of the local court of Munich under HRB 245284.

PRIMEPULSE SE, based in Munich and the parent company of an international group of companies, directly held 59.44% (previous year: 57.42%) of the shares in KATEK SE in the reporting year.

As the parent company of the KATEK Group, KATEK SE compiles consolidated financial statements for the smallest group of companies for the financial year 2023 in accordance with International Financial Reporting Standards (IFRS, as endorsed by the EU) and the supplementary requirements of the applicable provisions of German commercial law. The consolidated financial statements are published in the Bundesanzeiger (Federal Gazette).

The KATEK Group is consolidated in the consolidated financial statements of PRIMEPULSE SE, Munich, which compiles the consolidated financial statements as at 31 December for the largest group of companies and publishes these in the Federal Gazette.

2 Application of new accounting standards

The KATEK Group uniformly applies all standards and interpretations that are mandatory at the end of the reporting period (31 December 2023) to all the periods presented. In addition, it is permitted to early-adopt standards and interpretations that have been published and endorsed by the EU but whose application is not yet mandatory in the reporting year. The Group did not avail of this option.

The adoption of Amendment to IAS 12 - (Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction), Amendments to IAS 12 (International Tax Reform - Pillar 2 Model Rules), Amendments to IAS 8 (Definition of Accounting Estimates), Amendments to IAS 1 (Disclosure of Accounting Policies) and IFRS Practice Statement 2 and IFRS 17/Amendments to IFRS 17 (Insurance Contracts), did not have any material impact on the presentation of financial performance, financial position and cash flows.

In addition, the IASB began to make narrow-scope amendments to IAS 12 in May 2023. The amendments (a) provide temporary relief from accounting for deferred taxes arising from the implementation of the

Pillar Two model rules and (b) introduce additional disclosure requirements. The Group applies the temporary relief from accounting for deferred taxes in connection with the Pillar Two income tax requirements. Please see note B. 9 Income taxes, for an assessment of the qualitative and quantitative implications of the Pillar Two rules on the KATEK Group.

The following standards and interpretations and amendments to existing standards that have been ratified by the International Accounting Standards Board (IASB) and endorsed by the EU, are mandatory for all reporting periods beginning on or after 1 January 2024 but have not been early adopted when compiling these consolidated financial statements:

New standards and interpretations that are not yet mandatory

Standard or interpretation	Contents and significance for the financial reporting	Date of mandatory first-time application
IFRS 16	Measurement of a lease liability in a sale and leaseback transaction for variable payments that are not interest rate or index-linked.	1 Jan 2024
Amendments to IAS 1	Non-Current Liabilities with Covenants	1 Jan 2024
Amendments to IAS 1	Classification of liabilities as current or non-current and disclosure of accounting policies	1 Jan 2024

New standards and interpretations that are not yet applicable

The following standards, interpretations and amendments of existing standards and interpretations have been issued by the IASB. However, as these have not yet been endorsed by the EU, they have not yet been applied when compiling these consolidated financial statements.

Standard	Contents and significance for the financial reporting	Date of mandatory first-time application
Amendments to IAS 7 and IFRS 7	reverse factoring arrangements	1 Jan 2024
Amendments to IAS 21	Lack of Exchangeability	1 Jan 2025

At present, the new standards and interpretations are not expected to have any material impact on the financial performance, financial position and cash flows of the Group.

3 Consolidated group

The consolidated group for the financial year ended 31 December 2023 comprises the parent company, i.e. KATEK SE, Munich, ten domestic and twelve foreign subsidiaries.

An entity that is controlled by KATEK SE qualifies as a subsidiary. Control is when KATEK SE is exposed to variable returns from its involvement in the investee and has the rights to these returns and is able to use its power over the investee to affect the amount of these returns.

The consolidated group as at 31 December 2023 is as follows:

	Domestic	Foreign	Total
01 January 2023	10	12	22
Acquisitions	0	1	1
Foundations	1	0	1
Mergers	0	– 1	– 1
31 December 2023	**11**	**12**	**23**

In total, 23 entities are fully consolidated in the consolidated financial statements of KATEK SE. A list of the group entities and the shareholding held by KATEK SE can be found in the notes to the consolidated financial statements under C.7. List of shareholdings.

Change to the consolidated basis

In Germany, KATEK Vorrats GmbH 1, Munich, was founded as a wholly-owned subsidiary of KATEK SE effective 20 June 2023.

The following changes in the basis of consolidation in other countries occurred during the financial year:

Foreign	Mergers	Acquisition
Nextek Inc., Madison, USA		X
KATEK Merger Inc., Montgomery, United States	X	

Purchase of Nextek

Effective 7 July 2023, KATEK SE, Munich, acquired 100% of the shares in Nextek Inc., based in Madison, AL, USA. The acquisition not only expands KATEK's local presence in North America but also reinforces its positioning in the strongly-growing sector of Homeland Security & Defense, Medical Technology, Energy, High-end Industrial and, a new segment for KATEK, aerospace.

The identifiable assets and liabilities acquired on the acquisition date consist of inputs (factory, technology, inventories and customer relationships), production processes and an organized workforce. The KATEK Group therefore concludes that the inputs and processes it has acquired will make a material contribution to generating earnings and has therefore come to the conclusion that the acquisition is a business operation.

The date of first-time consolidation was set at 1 July 2023 as a practical expedient.

The consideration amounted to EUR 9,633k and was settled in full by cash payment.

The incidental costs of the acquisition that do not meet the recognition criteria amounted to EUR 879k and have been presented under other operating expenses.

The preliminary purchase price allocation as at 31 December 2023 revealed a bargain purchase of EUR 7,893k, which was released to income and presented under other operating income.

Since the acquisition, revenue of EUR 22,848k has been posted to the consolidated statement of comprehensive income and a net profit for the period of EUR 872k. If the acquisition had taken place at the beginning of the reporting period, management estimates that revenue of EUR 43,462k and a net profit for the period of EUR 1,690k would have been presented.

The values of the assets acquired and liabilities assumed on the date of acquisition are summarized below:

EUR k	Fair Value

Fair value total consideration transferred	**9,633**
Fair value of acquired assets and liabilities	
Intangible assets	5,904
Fixed assets	3,141
Deferred tax assets	253
Inventories	16,075
Trade receivables	6,442
Other financial and non-financial assets	198
Cash and cash equivalents	249
Provisions	176
Liabilities to banks	3,300
Trade payables	5,402
Other non-financial liabilities	1,531
Other financial liabilities	1,753
Contract Liablities	920
Tax liabilties	103
Deferred tax liabilities	1,551
Fair value of acquired net assets	**17,526**
Bargain Purchase (preliminary)	**– 7,893**

If new information concerning the facts and circumstances on the date of acquisition becomes available during a period of one year from the date of acquisition that would have led to a change in the figures in the above table, had it been known, the accounting of the business combination will be restated.

The gross amount of the contractual receivables acquired in the business combination comes to EUR 6,490k, of which EUR 48k were no longer expected to be collected as at the date of acquisition.

The bargain purchase primarily originates from the complex and lengthy acquisition process. This is also evident in the high incidental costs of the acquisition, described above, that do not meet the recognition criteria for recognition. In addition, the large number of former shareholders meant there was greater potential to delay the finalization of the acquisition. After local management of Nextek declared KATEK Group to be its desired partner, the acquisition was finally sealed at the conditions described above.

Acquisition of KATEK Canada (formerly Sigmapoint)

The purchase price allocation for KATEK Canada was concluded during the reporting period. The preliminary purchase price allocation had already been recognized in the consolidated financial statements as at 31 December 2022.
Upon finalization, goodwill comes to EUR 6,333k.

The following line assets and liabilities were assumed in the course of the business combination:

EUR k	**Fair Value**
Fair value total consideration transferred	**15,794**
Fair value of acquired assets and liabilities	
Intangible assets	2,449
Fixed assets	6,841
Inventories	35,148
Trade receivables	9,968
Other financial and non-financial assets	1,618
Cash and cash equivalents	212
Liabilities to banks	13,446
Trade payables	13,734
Other financial and non-financial liabilities	18,040
Deferred tax liabilities	1,556
Fair value of acquired net assets	**9,461**
Goodwill	**6,333**

All other disclosures regarding the acquisition of KATEK Canada in the 2022 annual report still apply without change.

Restructuring within the KATEK Group

Effective 31 December 2023, KATEK SE, Munich, acquired all the shares in BEFLEX ELECTRONIC MALAYSIA SDN. BHD., Kuala Kabu Baru, Malaysia, from beflex electronic GmbH, Frickenhausen.

4 Accounting policies

The principal accounting policies adopted in preparing these consolidated financial statements are presented below. The methods described are consistently applied to the reporting periods, unless stated otherwise.

Standards which become mandatory only after the reporting date were not early adopted. As a result there was no impact from the early adoption of standards on the financial performance, financial position and cash flows of the Group.

4.1 Consolidation principles

The consolidated financial statements are based on the separate IFRS-adjusted financial statements of the entities included in the consolidated financial statements of KATEK SE. The separate financial statements of the German and foreign entities included in the consolidated financial statements were prepared as at the reporting date of KATEK SE.

Subsidiaries

Upon first-time consolidation, subsidiaries are accounted for in accordance with the acquisition method. This method requires all hidden reserves and hidden burdens of a company acquired in a business combination to be uncovered during a revaluation and that all identifiable intangible assets are presented separately. Any remaining difference identified during the purchase price allocation is recognized as goodwill. During the first-time consolidation of acquired entities, the carrying amount of the equity held by the ultimate parent company is offset against the remeasured assets and liabilities acquired.

If the net balance of the share acquired in the remeasured assets and liabilities of the acquired entity is higher than the associated costs of the acquisition on the date of the acquisition, the assets and liabilities and contingent liabilities are initially reviewed for any indication of impairment. Any remaining excess (bargain purchase/badwill) is then immediately posted as a gain to profit or loss. All significant intercompany profits and losses, sales, income and expenses are eliminated as are intercompany receivables and liabilities.

Other equity investments

Other equity investments are recognized at cost. Any fair value adjustments are posted to other comprehensive income (FVTOCI). As the shares are not listed on a regulated market and the other factors needed for a reliable measurement are lacking, historical cost remains the best estimate of their value. In addition, their influence on the financial performance, financial position and cash flows is (and was, in the previous year) immaterial, both individually and collectively.

4.2 Currency translation

The separate financial statements of consolidated entities are prepared in the functional currency. The functional currency is the currency in which funds are primarily generated. With the exception of the entities in Canada, Hungary, Malaysia and Singapore, the functional currency of all affiliated and associated companies of the Group is the respective local currency since these entities operate independently from a financial, economic and organizational viewpoint. The functional currency of Katek Hungary kft., Györ, Hungary is the EUR. The U.S. dollar (USD) is the functional currency of the Asian entities of BEFLEX ELECTRONIC MALAYSIA SDN. BHD., Kuala Kabu Baru, Malaysia, namely, KATEK MALAYSIA SDN.BHD., Kuala Lumpur, Malaysia, and KATEK SINGAPORE PTE. LTD., Singapore as well as the Canadian entity, KATEK Canada Inc., Cornwall, Canada.

In the consolidated financial statements the assets and liabilities of foreign operations are translated on the opening date and on the closing date using the respective closing rates. Any differences that arise during the year as well as any income and expenses and cash flows are then translated into euro using the monthly average exchange rates.

The KATEK Group carries leases that are accounted for in accordance with IFRS 16, which were entered into in currencies that do not correspond to the functional currency of the respective business unit. These contracts are initially translated into the functional currency of the subsidiary and thereafter into the presentation currency of the Group, the euro.

Equity components are translated at the historical rate on the date they were acquired from the Group's perspective.

Any differences to translating the items using the closing rates are presented separately under equity as a foreign currency translation reserve or as exchange differences. The exchange differences recorded under equity during the time of the entity's affiliation to the Group are released to profit or loss when the entity is deconsolidated or upon a reduction in the net investment in a foreign operation.

The euro exchange rates for the most important currencies developed as follows:

EUR 1/		Closing rate 31 Dec 2023	Closing rate 31 Dec 2022	Average rate 2023	Average rate 2022
HUF	Hungary	382.8000	400.8700	381.7574	390.9439
USD	USA	1.1050	1.0666	1.0816	1.0539
BGN	Bulgaria	1.9558	1.9558	1.9558	1.9558
CZK	Czech Republic	24.7240	24.1160	24.0006	24.5603
CHF	Switzerland	0.9260	0.9847	0.9717	1.0052
JPY	Japan	156.3300	140.6600	151.9420	138.0051
CAD	Canada	1.4642	1.4440	1.4596	1.3703

Foreign currency measurement

Monetary items, such as receivables and liabilities, denominated in a different currency than the functional currency are translated in the separate financial statements of group entities using the closing rate. The associated gain or loss is posted to profit or loss and presented in the financial result of the Group.

4.3 Revenue recognition

The KATEK Group applies the revenue recognition policies of IFRS 15 to all contracts with customers. The Group applies the five-step model of IFRS 15 to determine whether the performance obligations constitute distinct performance obligations and whether the contract contains other obligations that represent distinct performance obligations to which a portion of the transaction price must be allocated (e.g. financing components, warranties, equipment (customer-specific parts), rights of use). Typically, the contractual performance obligations of the KATEK Group consist of the delivery of electronic assemblies and devices, rendering development and other services. At present there are no contracts where there is more than a one-year interval between the transfer of the good or service to the customer and the associated payment. Consequently, there was no need to discount any of these receivables to net present value.

The model consists of the following steps:

1. Identifying the contract with the customer
2. Identifying the separate performance obligations in the contract
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing the revenue (over time or at a point in time)

The Group recognizes revenue on the basis of the consideration agreed on in a contract with a customer. Amounts collected in the name of third parties are excluded from revenue recognition. Revenue is recognized upon the transfer of control over the good or service to the customer. Within the Group, this is basically at a point in time, i.e. when the customer obtains possession of the products or services. The revenue from of bill-and-hold agreements is recognized upon completion of the product and communication of completion to the customer.

Rebates, bonuses, discounts and the customary warranties and guarantees are deducted from the transaction price and therefore from revenue, and presented under other provisions. Reference is made to note A. 4.17 Other provisions. If one contract covers a number of distinct goods or services, the transaction price is allocated to the performance obligations on the basis of the relative sales prices for the individual components.

Reference is also made to note B.14 Trade receivables for more information on the terms of payment.

4.4 Earnings per share

In accordance with IAS 33, basic earnings per share are calculated by dividing the net profit after tax attributable to the shareholders of the parent company by the weighted average number of shares in circulation during the financial year.

4.5 Intangible assets

Intangible assets acquired for a consideration are stated at cost.

All intangible assets with the exception of goodwill have finite useful lives and are therefore amortized over the prospective useful lives on a straight-line basis.

Goodwill is subject to an impairment test at least once a year in accordance with IAS 36. The Company has set 30 November as the date for conducting its annual impairment tests.

4.6 Research and development expenses

Development expenses for new products that are developed internally are recognized at cost by the KATEK Group when they meet the recognition criteria of IAS 38:

- the associated expenses can be clearly allocated to the development of the product, completion of its development is technically feasible, and the Group has the ability to use or sell the developed product, and

- it is reasonably assured that the development will generate probable future economic benefits.

Capitalized development expenses include all directly allocable costs and overheads. Capitalized development expenses are amortized over the estimated useful sales life of the products.

Pursuant to IAS 38 research costs are not eligible for recognition as intangible assets and are therefore posted directly to the consolidated statement of profit or loss.

4.7 Property, plant and equipment

Property, plant and equipment is measured at cost less any accumulated depreciation in accordance with IAS 16. Depreciation is recorded over the useful life using the straight-line method.

Repair expenses that do not serve to substantially improve or expand the respective assets are expensed on principle.

4.8 Leases

The KATEK Group applies IFRS 16 when accounting for its leases. IFRS 16 contains a comprehensive model for identifying leases and lays out the accounting for them by both lessors and lessees. The key aspect is that lessees must recognize the right-of-use assets and the lease liabilities associated with all their leases in their statement of financial position. Right-of-use assets and lease liabilities must be recognized for any leases with a term of 12 months or more and where the leased assets do not qualify as low-value assets. For lessors, leases must be classified as either finance leases or operating leases.

The initial measurement of the right-of-use asset and the corresponding lease liability is based on the present value of the lease payments plus any initial direct cost less any lease incentives received. The discounting is performed using the interest rate inherent to the lease or, if this cannot be readily determined, the incremental borrowing rate of the Group. The interest rates applied by the KATEK Group entities ranged between 0.17% and 12.58% depending on the respective asset category, the term of the lease and the inception of the lease.

Lease payments generally consist of fixed and variable payments, which may be pegged to an index. If a lease includes an option to extend the lease or purchase the asset, and it is more likely than not that this option will be exercised, the costs of this option are considered in the lease payments.

The right-of-use asset is depreciated over the shorter of the term of the lease or the useful life of the underlying asset. The payment obligations arising from leases are recognized under other financial liabilities and amortized using the effective interest rate method.

The KATEK Group exercises the practical expedients offered by IFRS 16 concerning short-term leases of not more than twelve months and leases for low-value assets.

In May 2020 the IASB released Amendments to IFRS 16 “Covid-19-Related Rent Concessions”. Under certain conditions, this amendment provides lessees, for a limited time frame, with an exemption from assessing and recognizing whether a Covid-19-related rent concession is a lease modification. If adopted voluntarily, this practical expedient had to be applied consistently to all similarly-structured contracts. According to IFRS 16.38, the release or reduction of lease payments is to be treated as a (negative) variable lease payment and therefore recognized under other operating income. The specific portion of the liability pertaining to the rent concession was removed from the statement (IFRS 9.3.3.1).

4.9 Depreciation and amortization

The amortization of intangible assets and depreciation of property, plant and equipment are presented in aggregate in the consolidated statement of comprehensive income. Reference is made to note B.11 Intangible assets for a separate presentation of the amortization of intangible assets and to note B.12 Property, plant and equipment for the depreciation of property, plant and equipment. The following useful lives are applied uniformly within the Group:

in years	31 Dec 2023	31 Dec 2022
Concessions, industrial rights and patents	3 - 5	3 - 5
Customer base	5 - 10	5 - 10
Technology and patents	3 - 8	5 - 8

Order backlog	1 - 3	1 - 2
Own buildings	15 - 50	15 - 50
Plant and machinery	5 - 10	5 - 10
Operating equipment, furniture and fixtures	3 - 15	3 - 15

4.10 Impairment of non-financial assets

Intangible assets and property, plant and equipment are impairment tested in the case of a triggering event and written down if the recoverable amount of the asset falls short of the carrying amount. If an intangible asset is part of a cash-generating unit, an impairment loss is also calculated on the basis of the recoverable amount of the cash-generating unit. The recoverable amount is the higher of fair value less costs to sell and value in use. If goodwill is allocated to a cash-generating unit and its carrying amount exceeds its recoverable amount, it is initially written down to the recoverable amount by recording an impairment loss. Any further need for impairment is recorded by writing down the carrying amounts of the remaining assets of the cash-generating unit. If the reasons for an earlier impairment loss no longer exist, the impairment losses are reversed by writing up the intangible assets. However, the resulting carrying amounts may not exceed amortized cost. No write-ups are performed on goodwill.

4.11 Inventories

Inventories are measured at the lower of cost and net realizable value. They are measured using the weighted average cost method.

Assuming normal capacity utilization, the full costs of production are considered in the cost of inventories.

Production cost includes directly allocable costs as well as fixed and variable production overheads, including an appropriate portion of the depreciation recorded on production plant and equipment. The hourly machining rates are used to calculate these surcharges.

Appropriate allowances are recorded to cover the risks of storage and marketability. Measurement takes into account the lower net realizable values of inventories as at the reporting date. If the reasons for an earlier impairment loss no longer apply, the write-up is charged against the cost of materials.

4.12 Financial instruments

Fundamentals

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Financial instruments are recognized on the settlement date as soon as KATEK becomes a party to the financial instrument. Financial assets and financial obligations are initially measured at fair value. Transaction costs increase or decrease the initial measurement if the financial asset and/or financial liability is not measured at fair value with subsequent changes in fair value posted through profit or loss.

In terms of their subsequent measurement, IFRS 9 requires financial assets to be allocated to one of two categories: either those measured at amortized cost (AC) or those measured at fair value. If financial assets are measured at fair value, the related income and expenses are posted either in full to profit or loss (FVTPL – fair value through profit or loss) or to other comprehensive income (FVTOCI – fair value through other comprehensive income).

This classification is decided upon initial recognition, i.e. when the company becomes a party to the contract for the instrument. However, in certain cases, it may be necessary to reclassify financial assets at a later date.

Financial assets and financial liabilities must be recognized as soon as a company becomes party to the terms of a financial instrument. Regular-way purchases or sales are recognized on the trading date uniformly throughout the KATEK Group. Initial measurement is at fair value or, in the case of trade receivables, at the transaction price in accordance with IFRS 15. Fair value is determined in accordance with the requirements of IFRS 13. Transaction costs are considered in the initial cost of items that are measured at fair value through other comprehensive income.

Net gains and losses in all the categories applied are recognized through profit of loss and are explained in note B.21 Financial instruments

Financial assets

A debt instrument held by the reporting entity that meets the following two conditions must be measured at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument that meets the following two conditions must be measured at amortized cost (using the effective interest method if applicable):

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other debt instruments that do not meet the above conditions must be measured at fair value through profit or loss (FVTPL).

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating the interest income over the relevant period.

The effective interest rate for all financial instruments that are not allocated to the category of purchased or originated credit-impaired financial assets is the interest rate that exactly discounts estimated future cash receipts (including all fees that are a portion of the effective interest rate, transaction costs and other premiums and discounts) to the net carrying amount upon initial recognition through the expected life of the debt instrument or a shorter period, if applicable.

In the case of financial assets that are purchased or originated credit-impaired, interest income is determined by applying an adjusted interest rate to the amortized cost of the asset. The adjusted interest rate is the rate at which the expected cash flows (explicitly considering expected credit losses and the terms of the contract) are exactly discounted to the carrying amount upon initial recognition.

The interest income from debt instruments that are measured at amortized cost or at FVTOCI is determined using the effective interest method. For all financial assets that are not purchased or originated impaired, the interest income is determined by applying the effective interest method to the gross carrying amount.

The interest income from financial assets that do not display any indications of impairment upon initial recognition but do so later is determined by applying the effective interest method to amortized cost. If the credit risk of the financial asset which caused the classification as credit-impaired improves in subsequent periods to the extent that the indications of impairment no longer apply, interest income is determined using the effective interest method on the basis of the gross carrying amount.

In the case of financial assets that are purchased or originated credit-impaired, the measurement is not made on the basis of the gross carrying amount, even if the credit risk improves.

Interest income is included in financial income in the statement of profit or loss.

Equity instruments classified as FVTOCI

Upon initial recognition, the Company can make an irrevocable decision as to whether it will classify the equity instruments it holds at fair value through other comprehensive income (FVTOCI), whereby only income from dividends is recognized in the profit or loss for the period provided it does not represent any capital repayment. In contrast to debt instruments in the FVTOCI category, the accumulated fair value adjustments are not reclassified through profit or loss upon disposal of the equity instrument. However, this classification is only possible when the equity instrument is not held for trading.

A financial asset is classified as held for trading if one of the following criteria are met:

- The financial asset has been acquired for the purpose of selling it in the near future.

- Upon first-time recognition, the financial asset is part of a portfolio of clearly identified financial instruments that are managed together in the Group and for which there is evidence of a recent actual pattern of short-term profit-taking

- The financial asset qualifies as a derivative unless it is used as a designated and effective hedging instrument or as a financial guarantee.

Financial assets classified as FVTPL

Financial assets that do not meet the criteria for classification as FVTOCI or amortized cost are classified as FVTPL.

Financial assets classified as FVTPL are measured at fair value at the end of each reporting period, with the associated gains or losses posted through profit or loss, unless they are part of a designated hedge.

Exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency are translated using the closing rate of each reporting period.

For assets measured at amortized cost and that are not part of a designated hedge, the corresponding gains or losses are also posted through profit or loss.

The exchange gains or losses on debt instruments classified as FVTOCI and that are not part of a designated hedge are posted to profit or loss on the basis of their amortized cost.

In the case of financial assets classified as FVTPL, exchange gains and losses are posted through profit or loss, provided the instrument is not part of a designated hedge.

Exchange gains and losses on equity instruments classified as FVTOCI are posted to the foreign currency translation reserve in other comprehensive income.

Impairment of financial assets

Using the expected loss model, the Group records loss allowances to account for expected credit losses on financial assets measured at amortized cost or as FVTOCI and its lease receivables and contract assets that fall under the scope of IFRS 15. The amount of expected credit losses is revised each reporting date in order to account for changes in the credit risk that have occurred since initial recognition.

The Group applies the simplified approach to its trade receivables and lease receivables. Under this approach, the lifetime expected credit losses are used to determine any impairment losses. This requires the Company to record impairment losses based on past loss ratios.

Significant increase in credit risk

The Company defines credit risk to be the risk that a contractual counterparty will not perform its contractual obligations, leading to a financial loss for the Group. In the course of its operating business, the Group is exposed to credit risks in its trade receivables or other financial risks, for instance.

When assessing whether there has been a significant increase in the credit risk the Group considers the available quantitative and qualitative information that is relevant to the decision. This includes both historical and forward-looking information. Country-specific default rates experienced in the past are also referred to in order to determine the respective probability of default.

Forward-looking information includes information on the development of the sector in which the debtor operates. This information is sourced from industry experts, financial analysts or public bodies.

The following factors are considered when classifying the credit risk:

- Type of financial instrument
- Credit rating
- Type of collateral
- Date of first-time recognition
- Residual term
- Sector

At regular intervals, KATEK monitors whether these criteria are still valid for assessing the credit risk and adjusts them accordingly if they are no longer accurate.

Financial assets that are purchased or originated credit-impaired

A financial asset is purchased or originated credit-impaired when one or more of the following events have occurred:

- significant financial difficulty of the issuer or obligor
- a breach of contract, such as a default or delinquency in interest or principal payments,
- the lender, for economic or contractual reasons relating to the borrower's financial difficulty, grants to the borrower a concession that the lender would not otherwise consider
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization
- the disappearance of an active market for that financial asset because of financial difficulties
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses

Derecognition of a financial asset

The Group derecognizes a financial asset when, and only when, the contractual rights to receive cash flows from the financial asset expire or the Group transfers the financial asset and substantially all the risks and rewards of ownership of the asset to a third party.

If the Group does not transfer substantially all the risks and rewards of ownership, but retains control over a portion of the risks and rewards, the Group recognizes an asset commensurate to the Group's continuing involvement in the asset and a corresponding liability for any consideration that the Group could be required to pay.

If the Group retains substantially all risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and a secured loan for the consideration received.

If a financial asset is fully written off, the difference between its carrying amount and the sum of consideration received or to be received is posted to profit or loss. For debt instruments classified as FVTOCI, the accumulated gains or losses attributable to the asset and recorded in other comprehensive income are reclassified to profit or loss. By contrast, the accumulated gains or losses on equity instruments classified as FVTOCI are not recycled through profit or loss but can be reclassified to the revenue reserves without affecting income.

Factored receivables

The carrying amounts of trade receivables include receivables that are covered by a factoring agreement. Within the framework of this agreement, the KATEK Group assigns receivables to a factor in return for a cash payment. The factored receivables are deducted directly from trade receivables. Security retentions by the factor are recognized under other financial assets until the customer has fully settled the debt.

Financial liabilities

Debt instruments and equity instruments are classified as either financial liabilities or as equity, depending on the economic content of the contractual relationship and their definitions.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the amount received upon issue less any directly allocable transaction costs. Transaction costs are costs that would not have been incurred had the instrument not been issued.

Repurchases of the reporting entity's own equity instruments are deducted directly from equity. No gain or loss shall be recognized in profit or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments.

Financial liabilities

Financial liabilities are classified either as at amortized cost using the effective interest method or as FVTPL.

Financial liabilities classified as FVTPL

Financial liabilities are classified as FVTPL if the fair value option has been exercised, they relate to items that are held for trading or they contain contingent claims of a purchaser within the framework of a business combination in the sense of IFRS 3.

Financial liabilities classified as FVTPL are measured at fair value. Changes in fair value are posted through profit or loss unless they are a component of a designated hedge. Interest payments on the financial liability are considered in the process.

If the change in fair value can be attributed to a change in the credit risk of the liability, the associated gains or losses are posted to other comprehensive income without affecting income. Future changes are not posted through profit or loss. Rather they are reclassified to revenue reserves upon derecognition of the financial liability.

Derecognition of a financial liability

A financial liability is derecognized in full or in part when it is settled, repurchased or a debt waiver is issued. The difference between the carrying amount of the financial liability and the consideration paid and payable is posted through profit or loss.

Derivative financial instruments

Derivative financial instruments in the form of forward exchange transactions are used by the KATEK Group to hedge against risks arising from fluctuations in exchange rates. Risks arising from changes in interest rates are hedged using interest swaps.

Derivative financial instruments are accounted for in accordance with the requirements of IFRS 9. Hedge accounting is applied to derivative financial instruments if they are part of a designated hedge. If not, they are recognized as separate instruments.

The KATEK Group did not apply hedge accounting in either the reporting period or the comparative period.

Derivative financial instruments are initially and subsequently recognized at fair value. The fair value of certain derivatives can be either positive or negative. They are recognized either as financial assets or as financial liabilities accordingly. The fair value must be determined in accordance with the requirements of IFRS 13. If no quoted prices on an active market are available, fair value is measured using net present value techniques or option models whose material inputs (e.g. market price, interest rates) are based on quoted prices or directly or indirectly observable inputs.

4.13 Fair value measurement

IFRS 13 governs fair value measurement and the associated disclosures required in the notes. Fair value is defined as that price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities measured at fair value are allocated to the three levels of the fair value hierarchy in accordance with IFRS 13. The individual levels of the fair value hierarchy are defined as follows:

Level 1: quoted prices in active markets for identical assets or liabilities

Level 2: information other than quoted market prices that are observable either directly or indirectly

Level 3: information on assets and liabilities that is not based on observable market prices

The calculation of fair value in level 1 of the hierarchy is determined by referring to prices quoted on an active market (unadjusted) for identical assets or liabilities to which KATEK had access on the reporting date.

The fair value of instruments allocated to level 2 of the hierarchy is determined using a discounted cash flow model and inputs other than quoted prices included within level 1, that are observable either directly or indirectly.

The fair value of instruments in level 3 of the hierarchy is measured using valuation techniques based on inputs that are not observable on active markets.

The assessment of whether a financial asset or financial liability measured at fair value should be reclassified to a different level of the fair value hierarchy is made at the end of each respective reporting period. No such reclassifications were made in the reporting period. Equity instruments are allocated to the category of at fair value through profit or loss.

For any business combinations made in the reporting period, the fair value of the assets and liabilities acquired in the combination are measured at level 3 of the hierarchy.

4.14 Government grants

Government grants are recognized at fair value if there is reasonable assurance that the grants will be received and the Group will comply with the conditions attaching to them. Government grants that compensate the Group for expenses incurred are released to profit or loss as other income or deducted directly from the expense in the periods in which the expenses are recognized. At KATEK, government grants related to personnel are deducted directly from personnel expenses. Other grants are released to other operating income.

4.15 Income taxes

Current income taxes for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the reporting date in the countries where the KATEK Group operates.

Deferred taxes are determined according to the liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred taxes are measured using the tax rates expected to apply in the period in which an asset is realized or a liability is settled. The measurement of deferred taxes considers the tax consequences arising from the nature in which an asset is realized or a liability settled.

Deferred tax assets and liabilities are recognized regardless of when the timing differences are likely to reverse. They are not discounted and are disclosed as non-current assets or non-current liabilities.

Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. This assessment is revised each reporting date.

Current and deferred taxes are charged or credited directly to equity if the taxes relate to items that are credited or charged, in the same or a different period, directly to equity.

Deferred tax liabilities have not been provided on undistributed earnings of equity investments to the extent the earnings are intended to remain indefinitely invested in those entities. A deferred tax liability is presented for all taxable temporary differences except those that originate from goodwill, which cannot be deducted for tax purposes.

Deferred tax assets also include tax credits that result from the expected utilization of unused tax losses and tax benefits in the following five years, and the realization of which can be assumed with sufficient certainty.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply based on tax laws that have been enacted or substantively enacted in the individual countries at the time of realization.

4.16 Provisions for pensions and similar obligations

Provisions for pensions and similar obligations consist of the obligations of the Group arising from defined benefit plans.

The obligations under defined benefit plans are calculated using the projected unit credit method. The measurement of the defined benefit obligation is based on actuarial appraisals. These consider wage and salary trends and pension trends, which increase the amount of the obligation. As in the previous year, mortality rates and employee churn are based on the 2018 G mortality tables issued by Klaus Heubeck and the comparable mortality tables in foreign countries.

If pension obligations are fully covered by plan assets they are presented net. Actuarial gains and losses are recorded directly in equity taking deferred taxes into account. Past service cost is recorded immediately in profit and loss. Service cost is disclosed in personnel expenses while net interest of the addition to the provision and income from plan assets is recorded in finance costs.

4.17 Other provisions

Other provisions are recognized for present legal or constructive obligations arising from past events that are more likely than not to lead to an outflow of resources embodying economic benefits and the obligation can be reliably measured.

They are measured at the best estimate of the most likely settlement amount or, if the probabilities are evenly distributed, at the expected value of the settlement amount. Provisions are only recognized for obligations towards third parties.

They are measured at full cost taking account of future cost increases.

Provisions for restructuring measures are recognized if a detailed formal restructuring plan has been drawn up and communicated to the parties affected and it is highly probable that the Company can no longer withdraw from the obligation.

Obligations towards personnel such as vacation pay, flexi-time credits and phased retirement obligations are reported under other liabilities.

Obligations arising from outstanding supplier invoices are presented under trade payables.

Where the time value of money is significant, non-current provisions due in more than one year are stated at their settlement amount discounted to the reporting date using the corresponding interest rates, depending on the underlying terms of the obligations.

4.18 Segment reporting

Segment reporting with two reportable segments in the sense of IFRS 8 has been included in the consolidated financial statements as at 31 December 2023.

4.19 Share-based payment

Share-based payments and share-based compensation programs are accounted for in accordance with IFRS 2. The standard makes a distinction between equity-settled share based payments and cash-settled share-based payments.

Effective 1 April 2021, the service contracts with the members of the Management Board of the listed subsidiary KATEK SE were modified by the addition of a long-term incentive component. This program is accounted for as a cash-settled share-based payment transaction in accordance with IFRS 2 "Share-based Payment". Correspondingly, the fair value of the services rendered by employees is deemed to be consideration for the cash settlement and recognized as a liability by posting an expense to profit or loss. The program provides for the creation of annual tranches ten trading days after publication of the results for the previous year using the current share price to establish performance stock. This performance stock is paid out after four years on the basis of the applicable share price at that date and an EBITA (earnings before interest, tax and amortization) measurement which compares the EBITA generated in the final year of the plan to the EBITA projected for that year of the business planning on the date the tranche was first granted. A cap for the maximum payment is set at 200% for each tranche based on a combination of the share price and the EBITA plan attainment. Reference is made to note B.25 Other liabilities for more information on the structure of this program.

4.20 Contingent liabilities

Contingent liabilities represent possible obligations which are a result of a past event and whose existence depends on the occurrence of one or more uncertain future events that are not wholly within the control of the KATEK Group. Moreover, contingent liabilities are present obligations based on past events that are not, however, recognized because an outflow of resources embodying economic benefits to settle the obligation is not likely or cannot be reliably estimated. Contingent liabilities are therefore not recognized in the consolidated statement of financial position. Rather, they are disclosed and explained in the notes to the consolidated financial statements.

4.21 Other estimates and assumptions

Judgment is exercised when applying accounting policies. Assets and liabilities whose carrying amounts may need a material adjustment within the next reporting period due to forward-looking assumptions and other key sources of estimation uncertainty as at the reporting date are discussed below:

- The negative impacts of the war in Ukraine on prices and the availability of raw materials and energy remain tangible. It is not possible at present to make any prediction of the outcome of this war. The uncertainties indirectly affecting the KATEK Group in this regard mainly relate to pricing, production costs, investment activities and the associated terms and conditions of financing. These developments are being constantly monitored by the KATEK Group in order to anticipate any new trends as early as possible and to react accordingly. Nevertheless, any further deterioration of the above factors could affect the financial performance, financial position and cash flows of KATEK. In spite of this circumstance, the KATEK Group believes that the assumptions made appropriately reflect the current situation.

- Note B.11 Intangible assets, B.12 Property, plant and equipment and B.21 Financial instruments: Determining the fair values of assets and liabilities and the useful lives of assets is based on assessments and planning calculations by management. This also applies to the calculation of impairment losses on property, plant and equipment, intangible assets and financial assets.

- Note B. 21 Financial instruments: Impairment losses on doubtful debts are recognized in the form of loss allowances to cover the expected credit losses arising from the insolvency or unwillingness of the customer to settle the invoice. In the course of calculating potential impairment losses, forward-looking information is also referred to in order to derive the assumed probabilities of default and the expected losses. Furthermore, assumptions were made with regard to the business planning drawn up by management in the course of the fair value measurement of the earn-out liabilities connected to the acquisitions of the Aisler Group and SigmaPoint.

- Note B.9 Income taxes: Other assumptions are needed in the calculation of current and deferred taxes. In particular, the ability of being able to generate the corresponding taxable income plays a significant role in assessing whether deferred tax assets can be utilized or not.

- Note B.18 Employee benefits: Furthermore, the discount factors, expected wage and salary trends, pension trends, employee churn, and mortality rates, are key estimates used as inputs in the recognition and measurement of pension provisions.

- Note B.25 Other liabilities: The Company has ratified a performance stock program for the Management Board of KATEK SE. Information on the estimated inputs used in the measurement model to calculate the associated expenses can be found under note B.25 Other liabilities.

- Note B.11 Intangible assets: In the course of impairment testing, assumptions are made during the calculation of the recoverable amount.

- Note B.1 Revenue: In terms of revenue recognition, assumptions are needed at various places when assessing contracts with customers. This applies to the calculation of amounts that will not be realized due to customer returns, but also in the assumptions made regarding the use of discount allowed by customers and whether the volumes for bulk rebates and other sales deductions will be met.

- Note B.11 Intangible assets: Development expenses are capitalized in accordance with the accounting policies described above. Impairment testing of such internally-generated intangible assets requires management to make assumptions regarding the expected future cash generation of the assets, the discount rates to be applied and the period of the future cash flows expected from the assets. In the case of projects that are still under development, other assumptions need to be made concerning the costs yet to be incurred and time to completion.

- Note B.19 Other provisions: The Group has recognized restructuring provisions that are based on estimates of the payments required for severance payments and redundancy plans.

In the cases of such estimation uncertainties, the best available information is drawn on to determine the circumstances on the reporting date. Actual figures may diverge from these estimates. The carrying amounts of those items that are subject to such uncertainties can be seen in the consolidated statement of financial position and the associated notes to the consolidated financial statements.

As at the date on which these consolidated financial statements were prepared, there are no indications of any significant changes being needed to the assumptions underlying recognition and measurement. To this extent, no notable adjustments are expected from today's perspective to the assumptions, estimates or carrying amounts of the respective assets and liabilities.

B Notes to the items of the consolidated financial statements

Notes to the consolidated statement of profit or loss

1. Revenue

KATEK develops and manufactures bespoke electronic components and systems for all kinds of industries. The key revenue streams are automotive, communication, consumer, industry, energy/solar, and medical technology.

The KATEK Group recognizes the associated revenue when a contractual performance obligation is satisfied by transferring control over a good or rendering of a service to the customer. Payments received on account from customers are recognized as contract liabilities until the good or service is delivered to the customer. Payments received on account that were presented in the previous year are presented under the revenue for the financial year and explained under note B.24 Contract liabilities. In the case of sales of products or services, the performance obligations are settled at a point in time.

Revenue from contractual performance obligations where control is transferred at a point in time break down in the reporting period and the comparative period as follows:

EUR k	31 Dec 2023	31 Dec 2022
from the sale of goods	762,755	653,149
from the sale of services	19,998	29,951
	782,753	**683,100**

The following table breaks down revenue by region:

EUR k	31 Dec 2023	31 Dec 2022
Germany	479,654	479,074
Europe	188,340	160,192
Rest of world	114,760	43,834
	782,753	**683,100**

The segmentation of revenue by region is based on the registered offices of the customer, i.e. the destination of the delivery.

In the year 2023 (and in the previous year), KATEK generated more than 10% of its total revenue with one customer. The sales displayed in the table are attributable to the Energy, the Consumer and the EMS segments.

	2023		2022	
	EUR k	%	EUR k	%
Customer A	69,783	8.9	84,479	12.4
Customer B	55,462	7.1	68,128	10.0
Customer C	78,487	10.0	52,601	7.7
Other customers	579,021	74.0	477,893	69.9
Revenue	**782,753**	**100.0**	**683,100**	**100.0**

Impairment losses pursuant to IFRS 9 are explained in note B.21 Financial instruments.

Explanations on warranties can be found in note B.19 Other provisions.

Explanations on the age structure of trade receivables can be found in note B.14 Trade receivables.

2. Own work capitalized

Own work capitalized totaled EUR 9,543 k (previous year: EUR 7,189 k) in the financial year 2021. These items consist of internally constructed plant and machinery as well as the development costs incurred in connection with inhouse developments.

3. Other operating income

Other operating income breaks down as follows:

EUR k	31 Dec 2023	31 Dec 2022
Bargain purchase from business acquisition	7,893	0
Income from the measurement of earn out liabilities	560	0
Releases of other provisions and liabilities to personnel	617	2,364
Income from the disposal of non-current assets	554	154
Reversals of loss allowances for trade receivables	509	577
Refund claims	690	581
Government grants and subsidies	204	122
Sundry other operating income	859	869
	11,886	**4,668**

In the financial year the acquisition of Nextek, Inc., based in Madison, AL, USA, resulted in a bargain purchase of EUR 7,893k.

The release of other provisions and liabilities to personnel of a total amount of EUR 617k (previous year: EUR 2,364k) relates mainly to warranties and obligations for employee and management bonuses.

Sundry other operating income mainly consists of out-of-period income.

Income from the measurement of financial instruments is presented in note 21 Financial instruments.

4. Cost of materials

Cost of materials breaks down as follows:

EUR k	31 Dec 2023	31 Dec 2022
Cost of raw materials, consumables and supplies and of purchased merchandise	541,685	504,083
Purchased services	11,759	9,833
	553,445	**513,916**

5. Personnel expenses and number of employees

Personnel expenses developed as follows:

EUR k	31 Dec 2023	31 Dec 2022
Wages and salaries	125,647	97,661
Other social security contributions and welfare	23,237	19,238
	148,883	**116,899**

Personnel expenses were reduced by government subsidies of EUR 16 k granted on account of the corona crisis (previous year: EUR 22 k).

The average number of employees as at the reporting date came to 3,450 (previous year: 2,861) and breaks down as follows:

	31 Dec 2023	31 Dec 2022
Purchasing	131	108
Administrative	362	282
Sales	153	145
Marketing	11	7
Development	154	148
Production	2,618	2,157
Service	22	14
	3,450	**2,861**

6. Depreciation and amortization

EUR 23,589 kEUR 23,589k EUR 19,649 kEUR 19,649k) EUR 3,847 kEUR 3,847k EUR 2,688 kEUR 2,688k) to intangible assets.

Depreciation of property, plant and equipment in the reporting period includes depreciation of EUR 1,180k recorded on assets uncovered in the purchase price allocation (previous year: EUR 1,528k). The amortization of intangible assets also includes the amortization of intangible assets uncovered in the purchase price allocation of EUR 2,926k (previous year: EUR 1,983k).

No impairments of property, plant and equipment or intangible assets were recorded in the reporting year or in the previous year.

The effect of depreciation due to IFRS 16 is presented in note 22 Leases.

7. Other operating expenses

Other operating expenses break down as follows:

EUR k	31 Dec 2023	31 Dec 2022
Selling expenses	6,772	6,001
Operating expenses	28,344	21,848
License expenses, rents, leases	987	1,300
General administrative expenses	23,029	17,394
Loss allowances on receivables/bad debts	1,890	489
Sundry other operating expenses	2,413	2,303
	63,436	49,334

Selling expenses mainly consist of outgoing freight of EUR 3,475 k (previous year: EUR 3,298 k), advertising expenses of EUR 1,553 k (previous year: EUR 1,003 k) and travel expenses of EUR 1,600 k (previous year: EUR 1,132 k).

Operating expenses include expenses for maintenance and technology of EUR 16,555 k (previous year: EUR 12,761 k), the cost of hired temps of EUR 8,885 k (previous year: EUR 8,403 k) and other personnel expenses including training of EUR 2,905 k (previous year: EUR 683 k).

License expenses, rent and lease expenses of EUR 987 k (previous year: EUR 1,300 k) include expenses for short-term leases and leases of low-value assets of EUR 527k (previous year: EUR 788k). Sundry other operating expenses mainly consist of royalties not falling under the scope of IFRS 16 of EUR 337k (previous year: EUR 408k) and service charges and incidentals of EUR 123k (previous year: EUR 104k).

Among other items, administrative expenses include legal expenses and consulting fees of EUR 9,886 k (previous year: EUR 7,198 k), the costs of preparing the annual financial statements and auditing of EUR 1,725 k (previous year: EUR 1,457 k) as well as insurance premiums of EUR 2,320 k (previous year: EUR 2,147 k).

Expenses from the measurement of financial instruments are presented in note 21 Financial instruments.

8. Financial result

The financial result breaks down as follows:

EUR k	31 Dec 2023	31 Dec 2022
Finance income	355	77
Finance costs	– 12,989	– 5,793
Exchange differences	– 491	– 4,924
	– 13,126	**– 10,640**

Financial income of EUR 0k (previous year: EUR 2k) consists of interest income from interest derivatives, EUR 0k (previous year: EUR 23k) income from other derivatives, interest income from discounting provisions to present value of EUR 25k (previous year: EUR 0k), interest income from plan assets of EUR 144k (previous year: EUR 0k) and other interest income related to IFRS 9 matters of EUR 186k (previous year: EUR 45k).

Finance costs mainly consist of interest expenses of EUR 11,637k (previous year: EUR 4,776k) on IFRS 9 matters, interest expenses of EUR 250k (previous year: EUR 61k) on IAS 19 matters and interest expenses of EUR 1,102k (previous year: EUR 957k) on leases pursuant to IFRS 16.

The exchange differences consist of exchange gains of EUR 196k (previous year: exchange losses of EUR -318k) on forward exchange contracts and realized and unrealized exchange differences on the translation of monetary assets and liabilities of EUR 688k (previous year: EUR -4,606k).

9. Income taxes

Income taxes (expenses +/income -) break down as follows:

EUR k	31 Dec 2023	31 Dec 2022
Income taxes	2,266	1,979
Deferred taxes	– 533	– 4,731
Income tax expense (+)/income (-)	**1,732**	**– 2,752**

Domestic income tax comprises corporate income tax at 15% plus the solidarity surcharge of 5.5% on corporate income tax as well as trade tax levied in accordance with the multiplier of each municipality (average: 3.5) and the comparable taxes in foreign tax jurisdictions.

The sum of current taxes in the reporting period that were not recorded through profit or loss or in other comprehensive income amounts to EUR 0k (previous year: EUR -113k). The tax benefits in the previous year are related to the cost of capital procurement which represent deductible expenses for tax purposes but under IFRS must be posted directly to the capital reserve without affecting income. After offsetting, the remaining deferred tax liabilities arising from purchase price allocations, which are not recognized either through profit or loss or in other comprehensive income, amount to EUR 1,551k (previous year: EUR 885k).

The differences between the expected tax expense determined by applying the average nominal tax rate of KATEK SE to group profit for the year and the actual tax expense to be paid can be reconciled as follows:

EUR k	31 Dec 2023	31 Dec 2022
Earnings before income taxes	1,316	– 9,851
Expected income tax income (–), income tax expense (+) at a tax rate of 27.76 % (previous year: 28.15 %)	**365**	**– 2,773**
Effect of different tax rates at subsidiaries in other jurisdictions	– 1,128	– 1,084
Effect of changes in tax rate	93	162
Taxes for previous years	408	– 343
Impact of tax-free income / non-deductible expenses	578	627
Effect of non-deductible income taxes	24	0
Effect of permanent differences	174	51
Loss allowances recognized on deferred taxes	3,406	1,443
Effect of tax-free bargain purchases	– 2,191	0
Effect due to loss carry-back CIT	0	– 817
Other effects	3	– 18
Income tax income recorded in the statement of profit and loss (income (–), expense (+))	**1,732**	**– 2,752**

The tax rate used in the above tax reconciliation corresponds to the corporate income tax rate to be applied by the Company on taxable income in Germany in accordance with German tax legislation. This resulted in a change from 28.15% in the previous year to 27.76%. This can be attributed to the annual adjustment of the trade tax allocation.

The current tax rates are as follows:

EUR k	31 Dec 2023	31 Dec 2022
Income taxes	2,266	1,979
Deferred taxes	– 533	– 4,731
Income taxes	**1,732**	**– 2,752**
Profit or loss before tax	1,316	– 9,851
Actual tax rate	**131.57%**	**27.94%**

The differences on which deferred tax assets were recognized can be attributed to the following underlying items:

EUR k	31 Dec 2023	31 Dec 2022
Other intangible assets	172	192
Property, plant and equipment	672	184
Inventories	633	406
Trade receivables	34	7
Other assets	300	515
Pension provisions	449	185
Other provisions	121	80
Personnel liabilities	269	233
Liabilities	10,204	9,594
Loss carry-forwards	23,965	18,943
Other	41	0
Bad debt allowances on loss carry-forwards	– 5,707	– 880
Deferred tax assets	**31,153**	**29,460**
Offsetting	– 17,971	– 15,957
Deferred tax assets	**13,182**	**13,503**

Deferred tax assets are recognized on unused tax losses to the extent that it is more likely than not, based on the business planning for the next five years, that there will be taxable income available in future against which the unused tax losses can be deducted. In this regard, no deferred taxes were recognized on unused tax losses for corporate income tax purposes and comparable foreign taxes of EUR 20,561 k (previous year: EUR 4,207k) or on unused tax losses for trade tax purposes of EUR 15,196 k (previous year: EUR 2,589k).

When estimating the taxable profits at the level of KATEK SE, the five-year planning figures of KATEK Memmingen GmbH were included in the calculation as part of a future consolidated tax group. It is planned to create the consolidated tax group with KATEK Memmingen for income tax purposes from financial year 2025 onwards. This will allow KATEK SE to recognize deferred tax assets of EUR 8,088k (previous year: EUR 6,462k) on unused tax losses.

The development of unused tax losses on which no deferred tax assets have been recognized over the next ten years as follows:

EUR k	31 Dec 2023	31 Dec 2022
Corporation Tax		
Expiring next year	1,591	0
Expiring in 2 years	2,036	0
Expiring in 5 years	455	0
Expiring in 6 years	27	0
Expiring in 7 years	817	0
Expiring in 8 years	0	1,288
Expiring in 10 years or later	0	237
No expiring in forseeable future	15,635	2,682
Local Tax		
No expiring in forseeable future	15,196	2,589

The differences on which deferred tax liabilities were recognized can be attributed to the following factors:

EUR k	31 Dec 2023	31 Dec 2022
Other intangible assets	– 7,544	– 4,955
Property, plant and equipment	– 10,050	– 11,372
	– 44	0
Inventories	– 4	– 2
Receivables	– 23	– 122
Other assets	– 817	– 205
Other provisions	– 36	– 117
liabilities	– 789	– 531
Other	0	– 11
Deferred tax liabilities	**– 19,305**	**– 17,316**
Offsetting	17,971	15,957
Deferred tax liabilities	**– 1,335**	**– 1,359**

No deferred taxes were recognized on temporary differences of EUR 4,961k (previous year: EUR 4,234k) in connection with shares held in subsidiaries as the Group is not in a position to control when these temporary differences will reverse. Moreover, it is probable that these differences will not reverse in the foreseeable future.

As a "POPE" (partially-owned-parent-entity) the KATEK Group falls under the scope of the OECD Pillar Two model rules. On 27 December 2023 the Minimum Tax Act was announced in Germany, the jurisdiction in which KATEK SE is domiciled, and came into effect on the following day. The requirements of the Minimum Tax Act apply to all financial years beginning after 31 December 2023. Consequently, the Group is not subject to any extra tax burden on the reporting date. The Group applies the practical expedient provided by the amendment to IAS 12 published in May 2023 concerning the recognition of deferred taxes in connection with Pillar 2 income taxes.

According to the law, the Group must pay additional tax for each country measured on the difference between the GloBE effective tax rate and the minimum tax rate of 15%. With the exception of the subsidiaries in Bulgaria, Switzerland, Lithuania and Singapore, all group entities are already subject to an effective tax rate of 15%.

The Group is currently in the process of estimating the impacts of Pillar Two for financial years beginning after 31 December 2023. This analysis reveals an average effective tax rate of 11% for the Bulgarian tax jurisdiction (based on its IFRS results), an average effective tax rate of 14% for the Swiss tax jurisdiction, an average effective tax rate of 0% for the Lithuanian tax jurisdiction and an average effective tax rate of -36% for the Singapore tax jurisdiction. Although the respective effective interest rates are all below 15%, the Group might not have to pay any Pillar Two income taxes in the jurisdictions listed above. This is due to the specific adjustments laid out in the Pillar Two legislation which could result in differences to the effective tax rates measured in accordance with IAS 12.86.

Due to the complexity of applying the legislation and calculating the GloBE income, it is impossible to reliably estimate at the present time the quantitative impact of the legislation that has been enacted or already come into force.

10. Earnings per share

The calculation of earnings per share is based on the net profit for the year of EUR -49k allocable to the shareholders of KATEK SE (previous year: EUR -6,643k) and the weighted average number of shares outstanding of 14,445,687 (previous year: 13,300,129). For the comparative period, the number of shares was set at 13,300,129.

	2023	2022
Number of shares at the beginning of the period 1 January	14,445,687	13,241,880
Capital increase	0	1,203,807
Number of shares at the end of the period 31 December	14,445,687	14,445,687
Average number of shares	14,445,687	13,300,129
Net profit or loss for the year (EURk)	– 49	– 6,643
Earnings per share (EUR), basic and diluted	**– 0.003**	**– 0.50**

The call and put agreements described in Note B.21 Financial instruments relating to the Aisler acquisition (see Note A.3 Consolidated group) created potential shares as the agreement contains the obligation to settle in equity instruments if the options are exercised. The number of shares involved depends on the amount of the obligation and varies from reporting date to reporting date. On 31 December 2023, 66,530 additional shares would be created for the respective put options. These potential shares do not have a dilutive effect and were not considered in the weighted average number of common shares used to calculate diluted earnings per share.

Notes to the consolidated statement of financial position

11. Intangible assets

The carrying amount of intangible assets breaks down on the reporting date as follows:

EUR k	31 Dec 2023	31 Dec 2022
Goodwill	**14,624**	**15,226**
other intangible assets	**29,617**	**20,392**
Internally generated intangible assets	13,770	7,639
Concessions, industrial rights and patents	2,789	1,865
Customer base	7,449	5,678
Technology and patents	4,426	4,718
Order Backlog	1,182	212
Advance payments on intangible assets	0	281
	44,240	**35,618**

The goodwill of the KATEK Group decreased in comparison to the previous year by EUR -602k, mainly on account of the foreign currency translation of the goodwill in KATEK Canada Inc. (formerly SigmaPoint Inc.). Additional explanations can be found in the comments on impairment testing later in this note.

"Internally-generated intangible assets" includes the further development work performed on an AC wallbox for the European market by eSystems MTG GmbH, Wendlingen, of EUR 11,333k (previous year: EUR 7,639k) and inhouse developments in the Solar division of EUR 2,437k (previous year: EUR 0k) by KATEK Memmingen GmbH.

The line item "Concessions, industrial rights and patents" mainly comprises purchased software licenses, such as for the ERP system. These are amortized over their term and have a residual useful life of 5 years.

The line items "Customer base" and "Technology and patents" are based on business combinations conducted in previous accounting periods or in the reporting year. These items are amortized over their respective useful lives. The residual useful life of "Customer bases" is six years on average and that of "Technology and patents" three years.

The line item "Order backlog" is based on business combinations performed in the reporting year and previous periods and is also being amortized on a scheduled basis over its expected useful life of 1.0 years in both cases.

The disclosures on IAS 38.122e can be found in note C.5 Contingent liabilities and financial commitments.

The development of intangible assets for the financial year 2023 and the previous year 2022 are presented in the following table:

	Cost						
Intangible assets (EUR k)	**01 Jan 2023**	**Additions at cost**	**Reclassifica-tions at cost**	**Disposals at cost**	**Change in scope of consolida-tion**	**Currency**	**31 Dec 2023**
Goodwill	15,226	0	0	0	0	– 602	14,624
Internally generated industrial rights and similar rights and assets	7,639	6,131	0	0	0	0	13,770
Concessions, industrial rights and licenses acquired for a con-sideration	7,485	1,599	21	– 116	262	– 73	9,179
Customer base	14,262	0	0	0	3,255	– 129	17,388
Technology and patents	6,609	0	0	0	961	– 120	7,450
Order backlog	259	0	0	0	1,425	– 44	1,640
Advance payments on intangible assets	281	0	– 281	0	0	0	0
31 Dec 2023	**51,760**	**7,730**	**– 260**	**– 116**	**5,904**	**– 968**	**64,051**

	Cost						
Intangible assets (EUR k)	**01 Jan 2022**	**Additions at cost**	**Reclassifica-tions at cost**	**Disposals at cost**	**Change in scope of consolida-tion**	**Currency**	**31 Dec 2022**
Goodwill	8,964	0	0	0	6,262	0	15,226
Internally generated industrial rights and similar rights and assets	1,268	6,371	0	0	0	0	7,639
Concessions, industrial rights and licenses acquired for a con-sideration	6,042	1,321	4	– 92	226	– 17	7,485
Customer base	13,442	0	0	0	819	0	14,262
Technology and patents	5,510	0	0	– 47	1,145	0	6,609
Order backlog	0	0	0	0	259	0	259
Advance payments on intangible assets	0	281	0	0	0	0	281
31 Dec 2022	**35,226**	**7,973**	**4**	**– 138**	**8,711**	**– 17**	**51,760**

	Amortization						Book value
Intangible assets (EUR k)	**01 Jan 2023**	**Additions**	**Disposals**	**Change in scope of con-solidation**	**Currency**	**31 Dec 2023**	**31 Dec 2023**
Goodwill	0	0	0	0	0	0	14,624
Internally generated industrial rights and similar rights and assets	0	0	0	0	0	0	13,770
Concessions, industrial rights and licenses acquired for a con-sideration	– 5,620	– 926	116	0	41	– 6,389	2,789
Customer base	– 8,584	– 1,361	0	0	6	– 9,939	7,449
Technology and patents	– 1,891	– 1,140	0	0	7	– 3,024	4,426
Order backlog	– 47	– 420	0	0	9	– 458	1,182
Advance payments on intangible assets	0	0	0	0	0	0	0
31 Dec 2023	**– 16,143**	**– 3,847**	**116**	**0**	**63**	**– 19,810**	**44,240**

	Amortization						Book value
Intangible assets (EUR k)	**01 Jan 2022**	**Additions**	**Disposals**	**Change in scope of con-solidation**	**Currency**	**31 Dec 2022**	**31 Dec 2022**
Goodwill	0	0	0	0	0	0	15,226
Internally generated industrial rights and similar rights and assets	0	0	0	0	0	0	7,639
Concessions, industrial rights and licenses acquired for a con-sideration	– 5,036	– 675	90	0	0	– 5,620	1,865
Customer base	– 7,496	– 1,088	0	0	0	– 8,584	5,678
Technology and patents	– 1,060	– 878	47	0	0	– 1,891	4,718
Order backlog	0	– 47	0	0	0	– 47	212
Advance payments on intangible assets	0	0	0	0	0	0	281
31 Dec 2022	**– 13,592**	**– 2,688**	**137**	**0**	**0**	**– 16,143**	**35,618**

The most significant line items, such as goodwill, customer base and technology and patents, originate from business acquisitions in the reporting year and in previous years. The corresponding explanations can be found in note A.3 Consolidated group and in the comments below. Likewise, comments on internally-generated industrial rights and similar rights and assets and internally-generated development expenses can be found below.

Notes on impairment testing

Allocation to cash-generating units

According to IFRS 3, goodwill is not amortized over its useful life but is instead subject to an annual impairment test which compares the carrying amount of the cash-generating unit to its recoverable amount on the reporting date. The recoverable amount is the higher of its fair value less the costs of disposal and value-in-use.

Cash-generating units

When identifying its cash-generating units, the KATEK Group refers to the legal structure which also corresponds to the management reporting structure (referred to as the management approach).

Due to the reorganization during the year, beflex Malaysia was carved out of the beflex Group with KATEK SE now holding its shares directly.

A new cash-generating unit was created in financial year 2023 in the form of Nextek Inc., Madison, USA.

As a result, the cash-generating units as at 31 December 2023 are as follows:

- KATEK Memmingen Group
- KATEK Mauerstetten
- Katek Grassau Group
- beflex Group
- eSystems
- KATEK Leipzig Group
- Aisler Group
- KATEK Canada
- Nextek

The carrying amounts of goodwill were allocated to the cash-generating units (CGUs) as follows:

EUR k	31 Dec 2023	31 Dec 2022
KATEK Memmingen Group	0	0
KATEK Mauerstetten	8,521	8,521
Katek Grassau Group	0	0
beflex Group	0	0
eSystems	0	0
KATEK Leipzig Group	0	0
Aisler Group	372	372
KATEK Canada (former SigmaPoint Technologies)	5,731	6,333
Nextek	0	-
	14,624	**15,226**

Fundamental planning assumptions

The recoverable amount of the respective cash-generating unit is determined using a value-in-use calculation of the cash flow projections taken from the latest five-year business planning approved by the Management Board and ratified by the Supervisory Board and discounted using the CGU's specific discount rate before tax. The planning for the Aisler Group CGU is still somewhat of an exception. Additional loss allowances were recorded in this regard in addition to the budget as the future development of the Aisler Group is subject to extra uncertainty as it is a start-up. The cash flow projections of all the above CGUs are based on average gross margins of 21% to 43% within the planning horizon, depending on the business model, customer base and structure of orders. The projected revenue growth of the KATEK Group in the planning period averaging 13.30% over the planning horizon, lies within the range forecast by in4ma for the global EMS market. (in4ma 2024).

CGU KATEK Mauerstetten

The before-tax discount rate of the KATEK Mauerstetten CGU comes to 10.64% (previous year: 11.21%). The market risk premium for the CGUs is a key component of the discount rate. At the KATEK Mauerstetten CGU this amounts to 7.50% (previous year: 7.50%). The beta is determined by reference to the two-year average of the respective peer group. For the KATEK Mauerstetten CGU it has been set at 0.71 (previous year: 0.90).

The leverage between the cost of capital and the cost of debt is based on the average debt ratio displayed by the peer group over the last two years. The tax rate applied to the KATEK Mauerstetten CGU amounts to 26.33% (previous year: 26.33%).

The cash flow projections were extrapolated in perpetuity after the detailed five-year planning period assuming a constant annual growth rate of 0.50% (previous year: 0.50%). This corresponds to the average growth rate on the market in which KATEK Mauerstetten operates. A comparison of the recoverable amount and the carrying amount of the CGU did not reveal any indication of impairment of the goodwill carried for the KATEK Mauerstetten CGU. A sensitivity analysis was conducted for the scenario of a simultaneous reduction of 10.00% in the budgeted EBIT in each year of the business planning and a simultaneous increase of 1.00% in the discount rate. This revealed that the goodwill carried in the KATEK Mauerstetten cash-generating unit is still recoverable even then, both in the reporting year and in the previous year.

Aisler Group CGU

The before-tax discount rate of the Aisler Group CGU comes to 10.31% (previous year: 10.79%).

The market risk premium for the CGUs is a key component of the discount rate. At the Aisler Group CGU this amounts to 7.50% (previous year: 7.50%). The beta was determined by reference to the two-year average of the respective peer group. For the Aisler Group CGU it has been set at 0.71 (previous year: 0.90).

The weighting between the cost of capital and the cost of debt is based on the average debt ratio displayed by the peer group over the last two years. The tax rate applied to the Aisler Group CGU amounts to 25.00% (previous year: 25.00%).

The cash flow projections are extrapolated in perpetuity after the detailed five-year planning period assuming a constant annual growth rate of 0.50% (previous year: 0.50%). This corresponds to the average growth rate on the market in which the Aisler Group operates. A comparison of the recoverable amount and the carrying amount of the CGU did not reveal any indication of impairment of the goodwill carried for the Aisler Group CGU. A sensitivity analysis is conducted for the scenario of a simultaneous reduction of 10.00% in the budgeted EBIT in each year of the business planning and a simultaneous increase of 1.00% in the discount rate. This revealed that the goodwill carried in the Aisler Group cash-generating unit is still recoverable even then, both in the reporting year and in the previous year.

CGU KATEK Canada

The before-tax discount rate of this CGU comes to 12.53% (previous year: 14.39%). The market risk premium for the CGUs is a key component of the discount rate. At the KATEK Canada CGU this amounts to 7.50% (previous year: 7.50%). The beta was determined by reference to the two-year average of the respective peer group. The beta for the KATEK Canada CGU is 0.94 (previous year: 0,94).

The weighting between the cost of capital and the cost of debt is based on the average debt ratio displayed by the peer group over the last two years. The tax rate applying to the KATEK Canada CGU is 25% (previous year: 25%).

The cash flow projections are extrapolated in perpetuity after the detailed five-year planning period assuming a constant annual growth rate of 0.50% (previous year: 0.50%). This corresponds to the average growth rate on the market in which KATEK Canada operates. A comparison of the recoverable amount and the carrying amount of the CGU does not reveal any indication of impairment of the goodwill carried for the SigmaPoint CGU. A sensitivity analysis was conducted for the scenario of a simultaneous reduction of 10.00% in the budgeted EBIT in each year of the business planning and a simultaneous increase of 1.00% in the discount rate. This revealed that the goodwill carried in the SigmaPoint cash-generating unit is recoverable in the reporting year.

Comments on development expenses

Total research and development expenses amounted to EUR 17,623k in the financial year 2023 (previous year: EUR 14,848k).

IAS 38 states that the costs for internally developed software and other product developments must be recognized as assets. The KATEK Group recognizes such internal developments at historical cost, which consist of the directly allocable costs and an appropriate portion of overheads.

As at 31 December 2023, an amount of EUR 6,131k of total development expenses was recognized as internally-generated industrial rights and similar rights and assets (previous year: EUR 6,371k). These consist of inhouse developments of EUR 3,694k in the field of electromobility and EUR 2,437k in the field of solar technology. Both developments are still ongoing and are therefore not yet subject to amortization.

The recoverability of inhouse developments in the field of electromobility is tested using a profitability analysis based on the projected cash flows and gross margins. This profitability analysis is based on the contractually agreed term and the corresponding contract volumes. A comparison of the recoverable amount and the carrying amount of the development project, allowing for the anticipated costs to complete the project and using a pre-tax discount rate of 8.94% (previous year: 15.14%), does not reveal any need to record an impairment. The tax rate was set at 20.0% (previous year: 20.0%).

A sensitivity analysis was conducted for the event of a 25.0% reduction of EBIT in each year within the planning horizon with the discount factor remaining unchanged at 10.0%. This did not reveal any need to record an impairment in the reporting year.

12. Property, plant and equipment

The carrying amounts of property, plant and equipment are as follows as at the reporting date:

EUR k	31 Dec 2023	31 Dec 2022
Own land and buildings	39,559	41,205
Plant and machinery	51,321	42,164
Operating equipment, furniture and fixtures	11,588	9,957
Payments on account	1,354	827
Assets under construction	4,066	7,929
	107,888	**102,081**
thereof right-of-use assets from leases	37,243	38,712

KATEK has pledged property, plant and equipment with a carrying amount of EUR 7,522k (previous year: EUR 8,695k) as collateral for its existing liabilities to banks and other financing arrangements. KATEK is not entitled to pledge these assets to any other party or to dispose of them.

The carrying amounts include right-of-use assets pursuant to IFRS 16. The details are presented in the development of property, plant and equipment. The other disclosures required by IFRS 16 are presented in note 22 Leases.

The disclosures required by IAS 16.74c can be found in note C.5 Contingent liabilities and financial commitments.

In detail, non-current assets developed in financial year 2023 and the previous year 2022 as follows:

	Cost							
Property, plant and equipment (EUR k)	**01 Jan 2023**	**Additions at cost**	**Remeasurements at cost IFRS 16**	**Reclassifications at cost**	**Disposals at cost**	**Change in scope of consolidation**	**Currency**	**31 Dec 2023**
Own land and buildings	**60,513**	**546**	**2,251**	**1,897**	**-743**	**1,785**	**-386**	**65,862**
Own land and buildings	20,757	358	0	1,933	0	38	-228	22,857
Right-of-use assets to land and buildings	39,756	188	2,251	-36	-743	1,747	-157	43,005
Plant and machinery	**91,726**	**15,192**	**55**	**7,239**	**-3,868**	**1,356**	**-1,024**	**110,676**
Plant and machinery	73,997	11,932	0	7,203	-3,273	1,356	-876	90,339
Right-of-use assets to plant and equipment Machines	17,729	3,260	55	36	-596	0	-149	20,337
Operating equipment, furniture and fixtures	**28,484**	**5,294**	**177**	**-654**	**-1,277**	**0**	**-59**	**31,965**
Operating equipment, furniture and fixtures	26,937	4,798	0	-654	-845	0	-70	30,166
Right-of-use assets to operating equipment, furniture and fixtures	1,548	496	177	0	-432	0	11	1,799
Assets under construction and payments on account	**8,755**	**4,886**	**0**	**-8,221**	**0**	**0**	**0**	**5,420**
31 Dec 2023	**189,478**	**25,918**	**2,483**	**260**	**-5,888**	**3,141**	**-1,469**	**213,923**

	Cost							
Property, plant and equipment (EUR k)	**01 Jan 2022**	**Additions at cost**	**Remeasurements at cost**	**Reclassifications at cost**	**Disposals at cost**	**Change in scope of consolidation**	**Currency**	**31 Dec 2022**
Own land and buildings	**51,747**	**3,191**	**-1,040**	**4,149**	**-151**	**2,593**	**24**	**60,513**
Own land and buildings	14,807	1,592	0	4,149	-18	11	215	20,757
Right-of-use assets to land and buildings	36,939	1,598	-1,040	0	-133	2,582	-191	39,756
Plant and machinery	**77,593**	**10,526**	**0**	**535**	**-1,469**	**4,154**	**386**	**91,726**
Plant and machinery	61,509	9,037	0	376	-1,284	4,154	205	73,997
Right-of-use assets to plant and equipment Machines	16,084	1,489	0	159	-184	0	180	17,729
Operating equipment, furniture and fixtures	**25,205**	**3,497**	**132**	**296**	**-802**	**94**	**63**	**28,484**
Operating equipment, furniture and fixtures	23,807	3,144	0	296	-461	94	56	26,937
Right-of-use assets to operating equipment, furniture and fixtures	1,397	352	132	0	-341	0	6	1,548
Assets under construction and payments on account	**5,579**	**8,266**	**0**	**-4,985**	**-107**	**0**	**2**	**8,755**
31 Dec 2022	**160,124**	**25,480**	**-907**	**-4**	**-2,529**	**6,841**	**475**	**189,478**

	Depreciation	Book value

Property, plant and equipment (EUR k)	01 Jan 2023	Additions	Reclassifications	Disposals	Change in scope of consolidation	Currency	31 Dec 2023	31 Dec 2023
Own land and buildings	**– 19,308**	**– 6,842**	**– 1,018**	**736**	**0**	**129**	**– 26,303**	**39,559**
Own land and buildings	– 7,334	– 1,129	– 1,018	0	0	116	– 9,365	13,492
Right-of-use assets to land and buildings	– 11,974	– 5,713	0	736	0	13	– 16,938	26,067
Plant and machinery	**– 49,562**	**– 13,179**	**524**	**2,216**	**0**	**646**	**– 59,355**	**51,321**
Plant and machinery	– 41,963	– 10,048	524	1,633	0	532	– 49,321	41,018
Right-of-use assets to plant and equipment Machines	– 7,599	– 3,131	0	582	0	114	– 10,034	10,303
Operating equipment, furniture and fixtures	**– 18,528**	**– 3,568**	**494**	**1,166**	**0**	**58**	**– 20,377**	**11,588**
Operating equipment, furniture and fixtures	– 17,780	– 2,971	494	744	0	63	– 19,450	10,715
Right-of-use assets to operating equipment, furniture and fixtures	– 748	– 597	0	423	0	– 4	– 926	873
Assets under construction and payments on account	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**5,420**
31 Dec 2023	**– 87,397**	**– 23,589**	**0**	**4,118**	**0**	**834**	**– 106,035**	**107,888**

	Depreciation							Book value
Property, plant and equipment (EUR k)	**01 Jan 2022**	**Additions to impairment losses**	**Reclassifications of impairment losses**	**Disposals of impairment losses**	**Change in scope of consolidation**	**Currency**	**31 Dec 2022**	**31 Dec 2022**
Own land and buildings	**– 13,678**	**– 5,681**	**0**	**124**	**0**	**– 72**	**– 19,308**	**41,205**
Own land and buildings	– 6,409	– 877	0	15	0	– 62	– 7,334	13,423
Right-of-use assets to land and buildings	– 7,269	– 4,804	0	109	0	– 10	– 11,974	27,782
Plant and machinery	**– 39,555**	**– 10,884**	**0**	**1,160**	**0**	**– 283**	**– 49,562**	**42,164**
Plant and machinery	– 34,469	– 8,310	15	996	0	– 195	– 41,963	32,034
Right-of-use assets to plant and equipment Machines	– 5,086	– 2,574	– 15	164	0	– 88	– 7,599	10,130
Operating equipment, furniture and fixtures	**– 16,168**	**– 3,084**	**0**	**787**	**0**	**– 63**	**– 18,528**	**9,957**
Operating equipment, furniture and fixtures	– 15,557	– 2,608	0	446	0	– 60	– 17,780	9,157
Right-of-use assets to operating equipment, furniture and fixtures	– 611	– 476	0	341	0	– 2	– 748	800
Assets under construction and payments on account	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**8,755**
31 Dec 2022	**– 69,401**	**– 19,649**	**0**	**2,071**	**0**	**– 418**	**– 87,397**	**102,081**

There were no significant qualified assets falling under the scope of IAS 23 in the reporting year.

13. Inventories

Inventories break down as follows:

EUR k	31 Dec 2023	31 Dec 2022
Raw materials, consumables and supplies	171,952	211,661
Work in process	35,580	31,148
Finished goods and merchandise	21,725	18,322
Prepayments	1,534	787
	230,792	**261,918**

An amount of EUR 553,326k was expensed during the financial year in connection with inventories (previous year: EUR 513,916k).

The cost of inventories recorded in the cost of materials in 2023 included impairment losses of EUR 1,723k (previous year: EUR 2,518k).

Inventories of EUR 1,306k (previous year: EUR 306k) were pledged as collateral for loans. Inventories are expected to be realized within twelve months.

14. Trade receivables

EUR k	31 Dec 2023	31 Dec 2023
Trade receivables	50,878	44,673
Bad debt allowances	– 2,185	– 1,070
	48,693	**43,603**

Generally, the Group grants terms of payment of between 30 and 120 days. The Group does not charge the customers any interest for this period. Thereafter, contractual late-payment penalties on the outstanding amount are charged, depending on the individual case and the customary patterns in the respective country.

Trade receivables whose collection has become doubtful are accounted for by loss allowances.

These impairment losses on trade receivables in accordance with IFRS 9 are explained in note 21 Financial instruments.

The carrying amounts of trade receivables generally correspond to a reasonable estimation of their fair values. The carrying amount of trade receivables is net of the volume of factored receivables that were sold in the year of EUR 38,803k (previous year: EUR 54,925k).

All trade receivables are due within one year.

The Group has pledged trade receivables of EUR 2,451k (previous year: EUR 1,952k) as collateral for its existing liabilities to banks.

15. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank deposits. Their carrying amount is a reasonable estimate of their fair value. Bank deposits are kept for the sole purpose of short-term cash management. An amount of EUR 33k (previous year: EUR 406k) is barred from disposal on the basis of the existing factoring agreements.

16. Other assets and prepaid expenses

Other assets break down as follows:

EUR k	31 Dec 2023	31 Dec 2022
Tax refunds	12,379	4,348
Receivables from employees	194	98
Prepaid expenses	2,930	1,310
Other assets	140	394
	15,643	**6,149**

Tax refund claims mainly consist of VAT receivables.

17. Equity

Subscribed capital

The issued capital of KATEK SE amounts to EUR 14,445,687.00 (previous year: EUR 14,445,687.00). It consists of 14,445,687 no-par value shares with an imputed share in capital of EUR 1.00 each. All shares are fully paid up. The shares carry full dividend rights. Each share entitles the holder to one vote at the Company's annual general meeting. They are certificated in global certificates. Each shareholder of KATEK SE has a statutory right under the law to subscribe, upon its request, to any new shares originating from a capital increase in ratio to its existing relative shareholding in capital stock. There is only one class of shares. All shares are equipped with the same rights and obligations. There are no holders of shares with special rights granting control.

Authorized capital, contingent convertibles and conditional capital

Authorized capital

Based on a resolution of the extraordinary shareholders' meeting on 19 March 2021 the Management Board is authorized, subject to approval by the Supervisory Board, to raise the capital stock of the Company any time within a period of five years measured from the date that entry was made in the commercial register to this effect on 7 April 2021, by up to EUR 3,923,520.00 by issuing up to 3,923,520 new no-par bearer shares with an imputed share in capital stock of EUR 1 per share, in return for cash contribution or contribution in kind (Authorized Capital 2021/1). The remaining authorized capital after this partial utilization comes to EUR 2,719,713.00. The authorization can be utilized for a single or multiple share issues in full or in part. The Management Board is authorized, with the approval of the Supervisory Board, to exclude the shareholders' statutory subscription rights in the following cases:

- to avoid fractional amounts;
- capital increases in return for cash contributions, provided the new shares to which existing shareholders are excluded from subscription does not exceed 10% of the total capital stock at the time this authorization is exercised and the price of the new shares issued does not significantly fall short of the trading price of shares of the same class and equipped with the same rights already traded on a stock exchange on the date on which the price is

finally set by the Management Board in the sense of Sec. 203 (1) and (2) and Sec. 186 (3) sentence 4 AktG;

- capital increases for a contribution in kind, particularly in the form of companies and/or distinct operations of companies, entities and/or shares in companies, receivables, patents, brands and/or other industrial rights, licenses and/or other assets and/or other rights;
- to grant the bearers of convertible bonds, convertible loans, warrant-linked bonds or warrants issued by the Company subscription rights to new shares they would be entitled to after exercising their options or conversion rights or upon fulfilling their obligation to convert;
- to issue shares to members of the Management Board, the managing directors of affiliated companies or employees of the Company or of its affiliated companies;
- or in other cases that lie in the well-understood interests of the Company.

The issue of shares excluding the subscription rights of existing shareholders under the terms of this authorization only permits shares to be issued upon the simultaneous exclusion of the subscription rights of existing shareholders if the sum of the new shares – plus any new shares issued or sold by the Company under the terms of some other authorization during the period of this authorization (until it is exercised) that excludes the shareholders' subscription rights – plus any rights issued during this period of authorization (until it is exercised) on the basis of some other authorization that excludes the shareholders' subscription rights and that grant a right to subscribe to the Company's shares or commit them to acquire shares in the Company – does not exceed 20% of the capital stock in total, calculated at the effective date or, if lower, the date on which the authorization is exercised.

If the shareholders' subscription rights are not excluded, the subscription right can also be granted by financial institutions or other companies meeting the criteria of Sec. 186 (5) AktG committing to offer them to the shareholders for subscription.

The Management Board is authorized, subject to approval of the Supervisory Board, to determine the other details concerning performance of the capital increase from Authorized Capital 2021/I, including the content of the rights attached to the shares and the terms and conditions pertaining to the issue of shares, including the issue price.

The Supervisory Board is authorized to adjust the wording of the articles of association after expiry of the authorization period or after full or partial execution of the capital increase from Authorized Capital 2021/I to match the scope of any capital increase exercised under the terms of Authorized Capital 2021/I.

Authorization to issue convertible bonds

By resolution of the extraordinary shareholders' meeting on 19 March 2021 the Management Board was also authorized, subject to approval from the Supervisory Board, to issue any time on or before 28 February 2026 in one or several installments, convertible registered or bearer bonds and/or warrant-linked bonds for a total nominal value of up to EUR 200,000,000.00 (hereinafter referred to as "Bonds") with a term not exceeding 20 years and to grant the bearers of the convertible bonds rights of conversion or options to purchase new shares in the Company with an aggregate nominal share in capital stock of up to EUR 3,119,520.00 in keeping with the more detailed terms and conditions of the convertible bond/options issue. The Bonds may be issued once or several times, in whole or in part and also simultaneously in different tranches.

The shareholders are generally entitled to a subscription right to the Bonds. The shareholders' statutory subscription rights may be satisfied in the form of one or more underwriting banks assuming the Bonds with an attached obligation to offer them to the shareholders for subscription.

However, the Management Board is authorized, subject to approval of the Supervisory Board, to exclude the subscription rights of the Company's shareholders to the Bonds or options in full or in part

- provided the issue price for a Bond does not significantly fall short of the theoretical market value of the Bonds calculated using generally accepted mathematical methods. According to Sec. 186 (3) sentence 4 AktG (simple exclusion of subscription rights upon a capital increase in return for cash contribution), the sum of the shares issued to satisfy Bonds plus any other shares issued or sold during the term of the authorization in accordance with this provision may not exceed 10% of the respective capital stock either on the effective date or on the date on which the authorization is exercised;

- to grant the bearers of conversion rights or options subscription rights to shares in the Company to compensate any dilutive effects to the scope to which they would be entitled after exercise of these rights;

- to exclude the shareholder's subscription rights to avoid fractional amounts that arise on account of the modalities of the subscription.

In the event that convertible bonds are issued, the holders of the bond are granted the right to convert them into shares of the Company in accordance with the more detailed terms and conditions of the convertible bond issue. The total share in capital stock attributable to the shares to be issued upon conversion may not exceed the nominal amount of the convertible bonds. The conversion ratio is calculated by dividing the nominal amount of a convertible bond by the fixed conversion price for a share of the Company. The conversion ratio may also be determined by dividing the issue price of a convertible bond that is below the nominal amount, by the fixed conversion price for a new share of the Company. A variable conversion ratio may be arranged, with the conversion price ranging within a corridor to be set depending on the market price of the share over the term or during a defined period within the term of the convertible bond. The conversion ratio may be rounded up or down to a full figure; moreover an additional cash premium can also be set. Furthermore, provision may be made for any fractional amounts to be combined and/or settled in cash.

If warrant-linked bonds are issued, one or more warrants shall be attached to each warrant-linked bond issue, entitling the holder to subscribe to shares of the Company in accordance with the more detailed terms and conditions of the options to be determined by the Management Board. The total share in capital stock attributable to the shares to be issued per warrant-linked bond may not exceed the nominal amount of the warrant-linked bonds.

The respective terms and conditions of the bonds may also provide for mandatory conversion at the end of their term or at an earlier date. Finally, the terms and conditions of the bonds may provide for their fair value to be paid out in cash in lieu of exercising rights of conversion or option rights to shares in the Company. The respective terms and conditions of the bonds may also provide for treasury shares of the Company to be used to satisfy conversion rights or options to shares in the Company.

The respective conversion or option price for one share in the Company (subscription price) must, even in the case of a variable swap/conversion ratio, either (a) correspond to at least 80% of the average closing price (XETRA exchange or a comparable successor platform) of the share in the Company on the ten days of trading immediately preceding the date on which the resolution is passed by the Management Board to issue convertible bonds or warrant-linked bonds, or (b) correspond to at least 80% of the average closing price (XETRA exchange or a comparable successor platform) of the share in the Company on the days on which the subscription rights are traded on the Frankfurt stock exchange, with the exception of the last two days of trading in subscription rights. Sec. 9 (1) and Sec. 199 (2) AktG remain unaffected.

If the economic value of the existing convertible bonds or options is diluted during their term and no subscription rights are granted as compensation, the value of the conversion rights or options will be adjusted – regardless of the minimum issue price pursuant to Sec. 9 (1) AktG – to the extent that such adjustment is not already mandatory under the law. At any rate, the share in capital stock attributable to the no-par bearer shares to be issued under the terms of the Bond may not exceed the nominal value of the Bond.

In the place of adjusting the price of the option or conversion price, the corresponding amount may be paid out by the Company in cash upon exercise of the option or conversion right or upon satisfaction of the mandatory convertible in accordance with the more detailed terms and conditions of the option or conversion bond issue. In addition, the terms and conditions of the bond issue may also provide for an adjustment of the option or conversion rights or duties in the event of a capital reduction or other extraordinary capital adjustment or event.

The Management Board is entitled, subject to approval of the Supervisory Board, to determine the further details of the convertible bond and/or warrant-linked bond issue and their attached rights and duties, including, but not limited to, the coupon rate, the issue price, the term, their denomination, exercise price and the exercise period.

Conditional capital

By resolution of the Annual General Meeting on 25 September 2019 and in conjunction with the resolution passed on 19 March 2021, capital stock may be increased by up to EUR 804,000.00 by issuing up to 804,000 new no-par bearer shares with an imputed share in capital stock of EUR 1.00 per share (Conditional Capital 2019). The contingent capital increase may only be executed to the extent that subscription rights have been and are issued under the 2019 stock option program in accordance with the resolution of the Annual General Meeting on 25 September 2019 entitling the bearers to exercise their right to subscribe to shares in the Company and only when the rights are not satisfied in some other way (e.g. cash payment or serviced from treasury stock). The Supervisory Board has the sole jurisdiction when it comes to granting subscription rights to members of the Management Board and settling such rights. The new shares participate in the appropriation of retained profits from the beginning of that financial year in which the Annual General Meeting has not yet passed any resolution on the appropriation of retained earnings as at the date on which the shares are issued. The Management Board is authorized, subject to approval of the Supervisory Board, to determine the other details concerning the contingent capital increase.

By resolution of the Annual General Meeting passed on 19 March 2021, capital stock may be increased by up to EUR 3,119,520.00 by issuing up to 3,119,520 new no-par bearer shares with an imputed share in capital stock of EUR 1.00 per share (Conditional Capital 2021/I). The increase in contingent capital serves the sole purpose of granting shares to bearers of convertible bonds issued by the Company or one of its direct or indirect equity investments in Germany or abroad in accordance with the authorization of the Annual General Meeting of 19 March 2021.

New shares may only be issued at a conversion price that corresponds to the terms and conditions of the authorization passed by resolution of the Annual General Meeting on 19 March 2021. To this extent, a contingent capital increase may only be executed to the extent that bearers of convertible bonds exercise their conversion rights and the rights are not settled with existing shares, shares from Authorized Capital or any other form of settlement. The new shares participate in the appropriation of retained profits from the beginning of that financial year in which the Annual General Meeting has not yet passed any resolution on the appropriation of retained earnings as at the date on which the shares are issued. The Management Board is authorized, subject to approval of the Supervisory Board, to determine the other details concerning the contingent capital increase.

The Supervisory Board is authorized to amend the articles of association accordingly if the authorization to issue convertible bonds issued by the Annual General Meeting on 19 March 2021 is not exercised, after expiry of the term of the authorization and when Conditional Capital 2021/I is not or only partly used, after expiry of all conversion deadlines.

Capital reserves

The capital reserve was created from the premium received during the capital increases and amounts to EUR 129,732,548.15 (previous year: EUR 129,732,548.15). The capital increase registered on 14 December 2022 led to additional paid-in capital of EUR 17,948,852.93 from the premium paid on the issue of 1,203,807 shares, less transaction costs. The transaction costs of EUR 288,823.12 (after tax) were deducted directly from the capital reserve without affecting profit or loss.

Revenue reserves including profit or loss carryforward and the net profit or loss for the period

The revenue reserves comprise the earnings of past periods of the consolidated entities, the net profit or loss for the year and other components of equity (other comprehensive income) which consists of the reserve for actuarial gains and losses net of deferred taxes and the foreign currency translation reserve.

The net profit of loss for the previous period was transferred to the line item profit brought forward at the beginning of the reporting year.

The reserve for actuarial gains and losses decreased in financial year 2023 by EUR 932k to EUR 165k (previous year: EUR 1,097k). The actuarial gains and losses from remeasuring the defined benefit obligation are posted directly to other comprehensive income and accumulated in the reserve for actuarial gains and losses.

The foreign currency translation reserve decreased by EUR 1,232k in financial year 2023 to EUR – 1,018k (previous year: EUR 214k). Exchange differences arising from the translation of the functional currency of foreign operations into the presentation currency of the Group are recorded directly in other comprehensive income and accumulated in the reserve for foreign currency translation.

Non-controlling interests

The equity allocable to non-controlling interests amounts to EUR 952k as at 31 December 2023 (previous year: EUR 1,319k) and relates to the stake of 49.99% in the shares of Aisler B.V., Vaals, Netherlands, and its subsidiaries. This includes the share in the net loss for the year of EUR 367k (previous year: EUR 456k) allocable to the non-controlling interests. The Aisler Group generated revenue of EUR 2,671k in the reporting year, with the cost of materials coming to EUR 1,781k. Its share in the cash flow of the Group of EUR -164k is immaterial. Reference is made to Note B.10 Earnings per share for more information on the calculation of potential common stock originating from the call and put options agreed on in the transaction.

18. Employee benefits

Pensions

Provisions for pensions and similar obligations are recorded as a result of benefit plans for old age, disability and surviving dependents' pension commitments. Pensions are generally based on the length of service, the compensation received and level of the employee receiving the pension within the organization. The direct and indirect obligations comprise current pensions and vested benefits for future benefits and retirement benefits.

German pension plans

In defined contribution plans the company pays a defined contribution to government or private-sector pension insurers. The company has no obligation to provide further benefits once it has made these payments. The total sum of all pension expenses related to defined contribution plans comes to EUR 9,204k (previous year: EUR 7,861k) and is presented as current expense in the respective year.

The pension obligations carried in the statement of financial position consist solely of employer-funded pension obligations towards active and former employees made on the basis of defined benefit plans. These pension obligations are based on a wider welfare plan. The defined benefit obligation arising from these plans in Germany is measured on the length of service and the remuneration of the respective plan participant. The risks relate to disability, mortality and longevity. The pension obligations also create a financing risk. No significant risks attached to defined benefit obligations are expected.

Swiss pension plans

In financial year 2022 pension obligations were recognized for the first time at Telealarm SA, Switzerland.

The KATEK entity based in Switzerland is a member of the partly-autonomous collective foundation, tellco PK, Zürich. The pension fund meets the regulations of the Swiss Code of Obligations and the BVG ["Bundesgesetz zur beruflichen Alters-, Hinterlassenen- und Invalidenvorsorge": Swiss Occupational Pensions Act].

The pension plans of the entity correspond to the second pillar of the Swiss "Three-Pillar" system, which consists of occupational pension schemes. Under this system, the employer undertakes an arrangement with a pension fund and pays the pension contributions directly to the fund. The employer is bound by law to contribute at least half of the premiums. The contributions paid by the employee at the end of each month are defined in the BVG and depend on the employee's age. After passing a certain annual income threshold, an employee must be registered with the fund by the employer (mandatory membership).

If certain conditions are met, the employee can have the premiums paid in to the fund paid out before reaching the age of retirement. Otherwise, a lump-sum is paid out upon reaching the age of retirement or, alternatively, a pension paid out in regular installments.

The provision of EUR 7,277k (previous year: EUR 5,082k) is offset by plan assets of EUR 6,107k (previous year: EUR 4,912k) as at the reporting date.

Actuarial assumptions

The benefit obligations are calculated using actuarial methods. These include assumptions concerning future wage and salary trends and pension increases. If changes to the actuarial assumptions are required, this could have a significant impact on future pension expenses.

The actuarial assumptions used by the consolidated entities lie within the following ranges:

EUR k	31 Dec 2023	31 Dec 2022
Interest rate Germany	3.32%	3.89%
Interest rate Switzerland	1.30%	2.20%
Salary trend	2,0% - 2,5%	2,0% - 2,5%
Pension increases – separate commitments	2.00%	1.75%

Development of the DBO and similar obligations:

The actuarial losses in the reporting year (prior year: gains) include EUR -1,147k (previous year: EUR 2,615k) from changes in financial assumptions, EUR -247k (previous year: EUR 0k) from changes in demographic inputs and EUR 95k (previous year: EUR 303k) in gains from changes in experienced-based assumptions.

The most significant developments in plan assets were as follows:

	Defined Benefit Obligation		Fair value of plan assets		Net debt (Net asset value) from Defined Benefit Obligation	
EUR k	2023	2022	2023	2022	2023	2022
As of January 1st	8,264	4,481	- 6,484	- 1,849	1,780	2,632
Recognised in income statement						
Service costs	331	578	9	137	340	715
Interest expense/income	228	108	- 193	- 62	35	46
	559	**686**	**- 184**	**75**	**375**	**761**
Recognised in other comprehensive income						
Actuarial Loss (Gain) from						
financial assumptions	1,180	- 2,615	- 33	- 5	1,147	- 2,620
demographic assumptions	247	0	0	0	247	0
experience-based assumptions	- 80	- 303	- 15	0	- 95	- 303
Income from plan assets excluding interest income	0	0	- 145	0	- 145	0
Additions not recognised in income	0	7,011	0	- 5,559	0	1,452
	1,347	**4,093**	**- 193**	**- 5,564**	**1,154**	**- 1,471**
Currency	411	- 102	- 353	111	58	9
	1,758	**3,991**	**- 546**	**- 5,453**	**1,212**	**- 1,462**
Other						
Contributions paid by the employer	159	0	- 159	0	0	0
Contributions paid by the employee	0	0	- 159	0	- 159	0
Payments made	58	- 895	- 201	744	- 143	- 151
	217	- 895	- 519	744	- 302	- 151
As of December 31st	**10,798**	**8,264**	**- 7,732**	**- 6,484**	**3,065**	**1,780**
Benefits to employees	253	215	0	0	254	215
Obligations as of December 31st	**11,051**	**8,479**	**- 7,732**	**- 6,484**	**3,319**	**1,995**

Among other assets, plan assets consist of the fair values of life insurance policies taken out by the KATEK Group to cover the pension commitments. In addition, plan assets also consist of real estate, shares, cash and cash equivalents and other asset categories. The fair values of the respective asset categories on the reporting date are presented below:

EUR k	31 Dec 2023	31 Dec 2022
Real Estate	1,728	1,494
Corporate Shares	1,026	1,444
Pension liability insurance	1,176	1,128
Government Bonds	1,679	968
Cash and cash equivalents	1,035	372
Corporate Bonds	0	246
Others	1,087	831
	7,731	**6,483**

As in the previous year, the fair values of pension insurance policies carried by domestic subsidiaries were determined using the valuation techniques employed by the insurance carriers and not by reference to prices quoted on active markets.

No significant risks attached to defined benefit obligations are expected. A large portion of the pension obligations is covered by plan assets. The management of the KATEK Group reviews the investment mix of plan assets at regular intervals to ensure that the risks attached to defined benefit obligations are compensated to the greatest extent possible.

The KATEK Group expects undiscounted pension payments of EUR 562k in the 2024 reporting year (previous year: EUR 217k), interest expenses of EUR 140k (previous year: EUR 102k) and service cost of EUR 387k (previous year: EUR 305k). Expenses of a similar amount have been calculated for the future, providing the measurement parameters do not change significantly.

Employee benefits also includes a debit amount of EUR 121k (previous year: EUR 275k) arising from offsetting phased retirement obligations of EUR 25k (previous year: EUR 121k) against the associated plan assets of EUR 146k (previous year: EUR 396k).

The relevant actuarial parameters used to measure defined benefit obligations are the discount rate, expected salary increases and mortality. As in the previous year, the sensitivity analyses presented below have been conducted on the basis of a prudent assessment of possible changes to the respective assumptions on the reporting date with all other assumptions remaining unchanged.

If the discount rate increased (decreased) by 100 basis points the defined benefit obligation would decrease by EUR 1,378k (previous year: EUR 942k) (increase by EUR 1,706k (previous year: EUR 1,175k).

- If the anticipated salary trend was 0.5% higher (lower), the defined benefit obligation would increase by EUR 54k (previous year: EUR 29k) (decrease by EUR 51k (previous year: EUR 27k).
- If the anticipated pension trend was 0.25% higher (lower), the defined benefit obligation would increase by EUR 231k (previous year: EUR 184k) (decrease by EUR 75k (previous year: EUR 45k).

The above sensitivity analyses may not be seen as representative of the actual changes in defined benefit obligations as it is unlikely that the changes in the assumptions would occur in isolation as they are interrelated.

The weighted average residual term of the defined benefit obligations came to 14.6 years as at 31 December 2023 (previous year: 13.9 years).

19. Other provisions

Other provisions break down over the corresponding terms as follows:

	31 Dec 2023		31 Dec 2022	
EUR k	**current**	**non-current**	**current**	**non-current**
Other provisions				
Warranty provisions	3,818	568	3,201	432
Other	975	332	297	306
	4,793	**899**	**3,498**	**738**

EUR k	**01 Jan 2023**	**Utilization**	**Reversal**	**Addittion**	**Reclassifi-cation**	**Change in scope of consolida-tion**	**Currency**	**31 Dec 2023**
Other Provision								
Provision for guarantees and warranties	3,633	- 364	- 169	1,120	0	176	3	4,385
Other	603	- 130	- 2	916	0	0	- 79	1,307
	4,235	**- 495**	**- 171**	**2,036**	**0**	**176**	**- 76**	**5,692**

The provisions for guarantees and warranties are based on the best estimate of management of the present value of the outflow of resources embodying benefits needed to settle the obligations arising from the guarantees issued by the Group on the basis of the sale of goods and services under the local legislation. The estimate was based on the existing contractual arrangements and past experience with warranties and can fluctuate due to materials, production processes or other factors affecting production quality.

Other current provisions include the remuneration of the Supervisory Board of EUR 120k (previous year: EUR 116k).

Other non-current provisions contain an amount of EUR 332k (previous year: EUR 306k) for the cost of restoration obligations related to the lease of operating premises. The effect of interest is immaterial.

20. Loans

Loans break down as follows:

EUR k	31 Dec 2023	31 Dec 2022
Non-current loans	74,240	2,543
Current loans	24,101	66,275
	98,341	**68,818**

The Group carries loans amounting to EUR 98,341k as at the reporting date (previous year: EUR 68,818k).

Loans include an amount of EUR 65,718k (previous year: EUR 43,971k) drawn on credit lines which are currently subject to interest of between 1.38% and 9.25%. The other loans of EUR 32,623k (previous year: EUR 24,847k) have terms of between 1 and 52 months and bear interest at rates between 4.85% and 9.0%.

Loans of EUR 75,023k (previous year: EUR 34,479k) as at the reporting date are based on agreements that require certain covenants to be observed. Each quarterly reporting date, KATEK reviews its compliance with the covenants set for the equity ratio and the net debt ratio and documents them accordingly.A waiver dated 31 December 2022 is in place for the own funds covenant (ratio of own funds to the adjusted balance sheet total as defined in the loan agreement) due to the fact that the covenant was breached on 31 December 2022. For the following reporting dates, this covenant will be replaced by a minimum sum of own funds as defined in the loan agreement that must be observed until 31 March 2024.

In this connection, EUR 30,000k of the loan was reclassified from non-current to current in the previous year.

Another loan of EUR 1,500k taken out by a subsidiary (in the prior year: EUR 1,500k) is also tied to a review of the covenants (equity ratio).

In the financial year 2023, the loan was reclassified back to non-current loans.

Other disclosures on existing collateral arrangements can be found in notes B.12 Property, plant and equipment, B.13 Inventories and B.14 Trade receivables.

21. Financial instruments

Financial assets include interests in associates of EUR 1,824k (previous year: EUR 1,824k), which are classified as at FVTOCI.

Other current financial assets break down as follows:

EUR k	31 Dec 2023	31 Dec 2022
Current receivables from derivative financial instruments	66	391
Receivables from factoring arrangements	7,010	9,240
Other current financial assets	2,601	3,257
	9,677	12,887

Current receivables from derivative financial instruments of EUR 66k (previous year: EUR 391k) can be attributed in full to their positive market value from measuring call options for the Aisler Group at fair value.

In addition to creditors with debtor balances of EUR 732k (previous year: EUR 606k), other current financial assets of EUR 2,100k (previous year: EUR 3,257k) in the reporting year mainly consist of deferred subsequent costs of EUR 724k (previous year: EUR 0k) and supplier bonuses of EUR 349k (previous year: EUR 1,478k).

Other non-current financial assets increased to EUR 922k (previous year: EUR 304k) in the reporting year and, in addition to security deposits of EUR 614k (previous year: EUR 304k) include a loan to an associated company of EUR 307k (previous year: EUR 0k).

Other current financial liabilities break down as follows:

EUR k	31 Dec 2023	31 Dec 2022
Current liabilities from derivative financial instruments	846	931
Current lease liabilities	9,492	8,586
Other current financial liabilities	15,677	13,856
Current financial liabilities to shareholders	10,018	0
	36,034	23,373

Other current financial liabilities of EUR 15,677k (previous year: EUR 13,856k) mainly consist of finance liabilities related to the acquisition or production of plant and machinery of EUR 6,875k (previous year: EUR 5,197k).

In addition, this loan items includes current loan liabilities amounting to EUR 7,169k (previous year: EUR 4,319k). These originate from a short-term government loan of EUR 4,169k (previous year: EUR 4,319k) issued within the context of the Covid-19 pandemic. They also include a short-term loan from a related party of EUR 3,000k. In the previous year this was still allocated to non-current liabilities and was reclassified to current liabilities in the reporting period.

Current financial liabilities also include debtors with credit balances of EUR 744k (previous year: EUR 194k) and interest accrued of EUR 120k (previous year: EUR 120k) on a loan extended by a former shareholder.

Current liabilities from derivative financial instruments of EUR 846k (previous year: EUR 931k) can be attributed in full to the negative market value from measuring put options for the Aisler Group at fair value.

Fair value measurement of options

The fair value of the put and call options referred to above was measured using a Monte Carlo simulation.

In a Monte Carlo simulation, a financial instrument is measured on the basis of market parameters and the random figures to simulate the development of its base value. This procedure is then repeated so often that the mean value of all results approximates the expected market value of the financial instrument. During the simulation, the equity value, the planned revenue and the planned EBITDA and potential exercise of the options are used as inputs and their values simulated. As a final step, the pay-out profile is discounted to present value using a risk-free rate of 2.26% (previous year: 2.54%) in order to obtain the fair value of the respective option in accordance with IFRS 13.

Other non-current financial liabilities break down as follows:

EUR k	31 Dec 2023	31 Dec 2022
Non-current lease liabilities	34,940	33,827
Other non-current financial liabilities	14,837	25,374
Other non-current financial liabilities (FVTPL)	8,468	8,965
	58,245	**68,167**

The other non-current financial liabilities reported in the financial year of EUR 14,837k (previous year: EUR 25,374k) consist mostly of liabilities from financing the acquisition and production of plant and machinery of EUR 14,332k (previous year: EUR 22,103k). This line item also includes a long-term government loan of EUR 505k (previous year: EUR 271k).

Other non-current financial liabilities (FVTPL) of EUR 8,468k (previous year: EUR 8,965k) result from earn-out arrangements.

More information on lease liabilities is presented in note B.22 Leases.

Classification and fair values

The following table reconciles the financial instruments contained in the line items of the statement of financial position to the classifications and measurement categories of IFRS 9 as at 31 December 2023. In addition, it presents the accumulated carrying amounts of the measurement categories and the fair value of each classification.

Financial instruments		Measurement pursuant to IFRS 9						
EUR k	Category pursuant to IFRS 9	Carrying amount as at 31 Dec 2023	Amortized cost	Fair value through OCI	Fair value through profit or loss	Mea-surement pursuant to IFRS 9	thereof assets and liabilities falling un-der IFRS 16	Fair value as at 31 Dec 2023
Assets								
Financial assets	FVTOCI	1,824	0	1,824	0	1,824	0	1,824
	FVTOCI	1,824	0	1,824	0	1,824	0	**1,824**
Current trade receivables	AC	48,692	48,692	0	0	48,692	0	48,692
Other non-current financial assets	AC	922	922	0	0	922	0	922
(thereof other non-current financial assets)	AC	614	614	0	0	614	0	**614**
	AC	308	308	0	0	308	0	**308**
Other current financial assets		9,677	9,611	0	66	9,677	0	9,677
(thereof other current financial assets)	AC	2,601	2,601	0	0	2,601	0	**2,601**
(thereof receivables from factoring arrangements)	AC	7,010	7,010	0	0	7,010	0	**7,010**
(thereof current receivables from derivative financial in-struments)	FVTPL	66	0	0	66	66	0	**66**
Cash and cash equivalents	AC	47,894	47,894	0	0	47,894	0	47,894

Financial instruments		Measurement pursuant to IFRS 9						
EUR k	Category pursuant to IFRS 9	Carrying amount as at 31 Dec 2023	Amortized cost	Fair value through OCI	Fair value through profit or loss	Mea-surement pursuant to IFRS 9	thereof assets and liabilities falling un-der IFRS 16	Fair value as at 31 Dec 2023
Equity and liabilities								
Non-current loans	AC	74,240	74,240	0	0	74,240	0	73,158
Current loans	AC	24,101	24,101	0	0	24,101	0	23,988
Current trade payables	AC	107,013	107,013	0	0	107,013	0	107,013
Other non-current financial liabilities		58,245	14,837	0	8,468	23,305	34,940	58,218
(thereof other non-current financial liabilities)	AC	14,837	14,837	0	0	14,837	0	**13,835**
(thereof other non-current financial liabilities)	FVTPL	8,468	0	0	8,468	8,468	0	**8,468**
(thereof non-current liabilities from leases)	n.a.	34,940	0	0	0	0	34,940	**35,915**
Other current financial liabilities		36,034	25,695	0	846	26,542	9,492	36,034
(thereof other current financial liabilities)	AC	15,677	15,677	0	0	15,677	0	**15,677**
	AC	10,018	10,018	0	0	10,018	0	**10,018**
(thereof current liabilities from derivative financial instru-ments)	FVTPL	846	0	0	846	846	0	**846**
(thereof current liabilities from leases)	n.a.	9,492	0	0	0	0	9,492	**9,492**

The following table reconciles the financial instruments contained in the line items of the statement of financial position to the classifications and measurement categories of IFRS 9 as at 31 December 2022. In addition, it presents the accumulated carrying amounts of the measurement categories and the fair value of each classifi-cation.

Financial instruments			Measurement pursuant to IFRS 9					
EUR k	Category pursuant to IFRS 9	Carrying amount as at 31 Dec 2022	Amortized cost	Fair value through OCI	Fair value through profit or loss	Mea-surement pursuant to IFRS 9	thereof assets and liabilities falling un-der IFRS 16	Fair value as at 31 Dec 2022
Assets								
Financial assets	FVTOCI	1,824	0	1,824	0	1,824	0	1,824
	FVTOCI	1,824	0	1,824	0	1,824	0	1,824
Current trade receivables	AC	43,603	43,603	0	0	43,603	0	43,603
Other non-current financial assets	AC	304	304	0	0	304	0	304
	AC	304	304	0	0	304	0	304
Other current financial assets		12,887	12,496	0	391	12,887	0	12,887
(thereof other current financial assets)	AC	3,257	3,257	0	0	3,257	0	3,257
(thereof receivables from factoring arrangements)	AC	9,240	9,240	0	0	9,240	0	9,240
	FVTPL	391	0	0	391	391	0	391
Cash and cash equivalents	AC	22,628	22,628	0	0	22,628	0	22,628

Financial instruments			Measurement pursuant to IFRS 9					
EUR k	Category pursuant to IFRS 9	Carrying amount as at 31 Dec 2022	Amortized cost	Fair value through OCI	Fair value through profit or loss	Mea-surement pursuant to IFRS 9	thereof assets and liabilities falling un-der IFRS 16	Fair value as at 31 Dec 2022
Equity and liabilities								
Non-current loans	AC	2,543	2,543	0	0	2,543	0	2,531
Current loans	AC	66,275	66,275	0	0	66,275	0	65,816
Current trade payables	AC	123,709	123,709	0	0	123,709	0	123,709
Other non-current financial liabilities		68,167	25,374	0	8,965	34,340	33,827	68,167
(thereof other non-current financial liabilities)	AC	25,374	25,374	0	0	25,374	0	25,374
	FVTPL	8,965	0	0	8,965	8,965	0	8,965
(thereof non-current liabilities from leases)	n.a.	33,827	0	0	0	0	33,827	33,827
Other current financial liabilities		23,373	13,856	0	931	14,787	8,586	23,373
(thereof other current financial liabilities)	AC	13,856	13,856	0	0	13,856	0	13,856
(thereof current liabilities from derivative financial instru-ments)	FVTPL	931	0	0	931	931	0	931
(thereof current liabilities from leases)	n.a.	8,586	0	0	0	0	8,586	8,586

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. In light of the varying inputs, the fair values presented above are merely an indication of the actual prices that may be realized on the market.

The fair values of financial instruments are calculated on the basis of the market information available on the reporting date and are based on the following methods and assumptions:

The fair value of current and non-current loans is measured at the present value of the cash flows anticipated from the liabilities using the market interest rates for similar instruments (level 2 of the fair value hierarchy).

The fair value of trade receivables, other receivables, other financial assets and cash and cash equivalents are assumed to equate with their carrying amounts on the respective reporting dates on account of the low credit risk and short terms to maturity.

Due to the short terms of trade payables, it is assumed that the carrying amounts of these assets corresponds to the fair values of these financial instruments.

Financial liabilities at fair value through profit or loss consist of derivative financial instruments. The nominal amounts of these derivative financial instruments are presented gross on the basis of the absolute figures of the purchases and sales. The fair values of the corresponding liabilities are calculated using the available market information and are remeasured each reporting date.

Sundry other financial liabilities are measured at amortized cost. It is assumed that the carrying amounts of these financial instruments corresponds to their fair value due to their predominantly short terms.

The following table presents the levels of the fair value hierarchy of assets and liabilities measured at fair value:

Fair value hierarchy	**31 Dec 2023**			**31 Dec 2022**		
EUR k	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets						
Financial assets	0	0	1,824	0	0	1,824
Other current financial assets	0	0	66	0	0	391
(thereof current receivables from derivative financial instruments)	0	0	66	0	0	391
Equity and liabilities						
Other non-current financial liabilities	0	0	8,468	0	0	8,965
(thereof other non-current financial liabilities)	0	0	8,468	0	0	8,965
Other current financial liabilities	0	121	725	0	318	614
(thereof current liabilities from derivative financial instruments)	0	121	725	0	318	614

The historical cost of financial assets remains the best estimate of their fair value. To this extent, there were no fair value adjustments recorded in the reporting period. Derivative financial instruments are measured by external experts using the latest market data and applying customary market methods.

Other non-current financial liabilities measured at level 3 of the fair value hierarchy of EUR 8,468k (previous year: EUR 8,965k) consist of liabilities from an earn-out arrangement. Their fair value is based on a valuation technique that uses their anticipated future results and a risk-free interest rate as inputs. Other current financial liabilities measured at level 2 of the fair value hierarchy of EUR 121k (previous year: EUR 318k) consist of liabilities from forward exchange contracts.

Current receivables from derivative financial instruments, measured at level 3 of the fair value hierarchy, of EUR 66k (previous year: EUR 391k) and current liabilities from derivative financial instruments, also measured at level 3 of the fair value hierarchy, of EUR 725k (previous year: EUR 614k) relate to option programs. Their fair values are based on option pricing models that depend on their anticipated payoff and a risk-free interest rate.

Reference is made to the section on liquidity risks in this note for a sensitivity analysis of level 3 financial instruments.

Other operating income contains the following income from the measurement of financial instruments:

EUR k	31 Dec 2023	31 Dec 2022
Result from financial assets measured at amortized cost	509	577
	560	0
	1,069	**577**

The result from financial assets carried at amortized cost includes income of EUR 509k (previous year: EUR 577k) from the reversal of impairment losses. In addition, the reversal of purchase price liabilities generated income of EUR 560k (previous year: EUR 0k).

Other operating expenses contain the following expenses from the measurement of financial instruments:

EUR k	31 Dec 2023	31 Dec 2022
Result from financial assets measured at amortized cost	- 1,889	- 489
	- 1,889	**- 489**

The result from financial assets measured at amortized cost of EUR -1,889k (previous year: EUR -489k) includes expenses of EUR 1,558k (previous year: EUR 433k) from additions to valuation allowances and bad debts of EUR 331k (previous year: EUR 56k).

Net financial income includes the following income (+) and expenses (-) from the measurement of financial instruments:

EUR k	31 Dec 2023	31 Dec 2022
Result from financial assets measured at amortized cost	- 1,511	- 5,864
Result from financial liabilities measured at amortized cost	- 9,000	- 1,792
Result from financial instruments measured at FVTPL	- 302	- 1,163
	- 10,813	**- 8,819**

In addition to realized exchange gains of EUR 4,466k (previous year: EUR 5,209k) on loans and receivables, the result from financial assets measured at amortized cost of EUR -1,511k (previous year: EUR -5,864k) also includes unrealized income from exchange gains on loans and receivables of EUR 1,555k (previous year: EUR 2,285k) and income from other interest of EUR 186k (previous year: EUR 51k). On the other hand, realized and unrealized exchange losses on loans and receivables of EUR 3,956k (previous year: EUR 11,429k) and EUR 1,546k (previous year: EUR 1,284k), respectively, burdened the result. The interest expense arising from factoring arrangements of EUR 2,215k (previous year: EUR 697k) also placed a burden on the result.

The financial result from financial liabilities carried at amortized cost of EUR -9,000k (previous year: EUR -1,792k) includes both realized income from exchange gains on financial liabilities of EUR 1,984k (previous year: EUR 1,177k) and unrealized income of EUR 408k (previous year: EUR 2,225k) as well as interest income from discounting provisions to present value of EUR 25k (previous year: EUR 0k). Realized exchange losses of EUR 1,401k (previous year: EUR 2,173k) and unrealized exchange losses of EUR 2,197k (previous year: EUR 617k) burdened the result. In addition, interest expenses from financial liabilities burdened the annual result by EUR 7,633k (previous year: EUR 2,386k) and interest expenses from unwinding discounted provisions burdened it by EUR 112k (previous year: EUR 19k).

The use of the effective interest method to measure financial assets and financial liabilities at amortized cost results in interest income on financial assets of EUR 186k (previous year: EUR 51k) and interest expenses of EUR 2,215k (previous year: EUR 697k). The result from financial liabilities measured at amortized cost comprises interest income of EUR 0k (previous year: EUR 0k) and interest expenses of EUR 7,819k (previous year: EUR 2,404k). The interest income is posted to profit or loss under "Financial income" and the interest expense to "Finance costs".

The result from financial instruments measured at fair value through profit or loss of EUR -302k (previous year: EUR -1,163k) includes expenses from the fair value measurement of earn-out arrangements of EUR 63k (previous year: EUR 261k) as well as expenses of EUR 436k (previous year: EUR 586k) from measuring options. Both of these matters are allocated to level 3 of the fair value hierarchy. The fair value measurement of forward exchange contracts that are allocated to level 2 of the fair value hierarchy resulted in income of EUR 197k (previous year: expenses of EUR 318k).

KATEK is of the opinion that the put options entered into in connection with the acquisition of the Aisler Group represent an independent financial instrument, implying that there is no attached obligation to transfer cash or other financial assets. Based on this assessment, KATEK accounts for both the put and call option agreements as derivatives in the sense of IFRS 9 and measures them as financial instruments at fair value through profit or loss.

Changes to level-3 financial instruments of EUR -499k (prior year: EUR -847k) are posted to the financial result, with EUR 560k posted to other operating income. This relate to unrealized income of EUR 0k (previous year: EUR 23k) and unrealized losses of EUR 499k (previous year: EUR 870k). The remaining expenses relate to unrealized income and unrealized losses from forward exchange contracts (level 2).

Financial risk management

KATEK is exposed to the following risks from the use of financial instruments:

- Liquidity risks
- Currency risks
- Credit risks

Principles of risk management

The risk management system of the KATEK Group contributes to basic risk mitigation and risk avoidance in order to optimize the relationship between the risk exposure of the Group and its earnings. The countermeasures used to address potential risks are discussed and reviewed on a continuous basis. More specifically, the following objectives are pursued:

- Secure the viability and competitiveness of the KATEK Group
- Secure long-term success of the business
- Reduce the likelihood of risks eventuating and mitigating their impact when they do
- Risk-oriented management of business processes

The KATEK Group takes a proactive and preventive approach to risk management to enable it to steer its risks better. In this context, risks are defined as events with a negative impact that could arise out of potential hazards that can only be foreseen and avoided to a limited extent.

The system is based on the past experience of employees and the values of the KATEK Group. In particular, any risks with a material impact on the financial position, financial performance and cash flows of the Group should be identified at an early stage in order to take the necessary countermeasures to avoid, mitigate or manage the risks.

Risk management involves identifying and assessing all relevant risks using a systematic approach. The risk management system serves the purpose of identifying any negative developments that could jeopardize the ability of the Company to continue as a going concern at an early stage. As a result, the going-concern principle is anchored in the risk management system (RMS) of KATEK.

The early warning systems of the KATEK Group focus on potential going concern risks as well as on securing solvency and the capital base using the corresponding profitability indicators.

In addition to forward-looking liquidity management, the integrated planning and quarterly forecast and scenario analyses are vital instruments for assessing target achievement in quantitative terms. In addition, target achievement is also assessed using gap analyses within the framework of the detailed monthly reporting systems. The key ratios for business development, planning deviations and continuous monitoring of risks are fundamental components of reporting activities.

Liquidity risks

Due to its strong capital base and its access to funding, plus the financial arrangements entered into (see note B.20 Loans), the Katek Group deems the liquidity risk to be moderate.

The central tasks of KATEK SE include the coordination and steering of financial requirements within the Group in addition to securing its financial independence and ensuring its ability to pay its liabilities as they fall due. In this connection, the KATEK Group optimizes the Group's finance and limits its financial risks. In this regard, it applies the uniform Group-wide treasury management and reporting system which is continuously refined to reflect changes in the Group's structure, market conditions and the regulatory environment.

In order to secure the solvency of subsidiaries at all times, the Group monitors the development of its subsidiaries' liquidity on a continuous basis. In the course of measuring and managing liquidity risk, KATEK considers the expected cash flows from its financial assets. Cash and trade receivables are of particular significance in this regard.

The following table shows the contractual undiscounted payments of principal and interest for the financial instruments falling under the scope of IFRS 7:

31 Dec 2023	Cash flows up to 1 year	Cash flows 1-5 years	Cash flows 5 years and later
EUR k			
Loans	30,359	84,659	0
Trade payables	107,013	0	0
Liabilities from financial derivatives	846	0	0
Other financial liabilities (excl. IFRS 16)	26,537	24,081	0
	164,756	**108,740**	**0**

31 Dec 2022	Cash flows up to 1 year	Cash flows 1-5 years	Cash flows 5 years and later
EUR k			
Loans	66,566	2,409	194
Trade payables	123,709	0	0
Liabilities from financial derivatives	931	0	0
Other financial liabilities (excl. IFRS 16)	33,784	35,834	0
	224,991	**38,242**	**194**

This includes all financial instruments in the portfolio on the reporting date for which payments had already been contractually agreed. Items denominated in foreign currency are translated using the spot rate on the closing date. The variable interest payments from financial instruments were determined based on the interest rates most recently fixed before the respective cut-off date. All on-call financial liabilities are allocated to the earliest possible period in the table.

The financial liabilities related to the earn-out arrangements are measured at fair value and allocated to mid-term liabilities. Due to the fact that the earn-out arrangements are contingent upon the expected earnings and the development of the risk-free rate, it is possible that the obligations rise or fall.

The following sensitivity analysis relates to both the earn-out arrangements and the put and call options. It presents the effect on earnings of an increase or decrease of +/- 10% in the anticipated earnings and a rise or fall of +/- 1.5% in the risk-free rate.

	31 Dec 2023		31 Dec 2022	
	Profit or Loss		Profit or Loss	
EUR k	Increase	Reduction	Increase	Reduction
Expected cash flows (10% change)	382	-527	1,066	-1,028
Discount rate (1,5% change)	-77	103	-225	273

More information on the minimal or maximum amount of the earn-out arrangements can be found in note A.3 Consolidated group.

A separate liquidity analysis of lease liabilities is presented in note B.22 Leases.

Currency risks

Certain transactions in the Group are denominated in foreign currency. This results in risks from fluctuations in exchange rates.

The carrying amounts of monetary assets and liabilities denominated in foreign currency that are subject to a currency risk posted through profit or loss and where the currency is significant for the Group are as follows:

EUR k	Current			
	BGN	CZK	HUF	USD
Financial assets	920	3,705	5,300	19,578
Financial liabilities	7,037	4,502	5,518	64,080
31 Dec 2023	**-6,117**	**-797**	**-218**	**-44,502**

EUR k	Non-current			
	BGN	CZK	HUF	USD
Financial assets	0	0	0	145
Financial liabilities	3,496	0	0	9,766
31 Dec 2023	**-3,496**	**0**	**0**	**-9,622**

EUR k	Current			
	BGN	CZK	HUF	USD
Financial assets	2,674	77	283	15,128
Financial liabilities	2,654	2,457	540	85,921
31 Dec 2022	**20**	**-2,380**	**-257**	**-70,793**

EUR k	Non-current			
	BGN	CZK	HUF	USD
Financial assets	0	0	0	0
Financial liabilities	4,196	0	0	7,398
31 Dec 2022	**-4,196**	**0**	**0**	**-7,398**

Sensitivity analysis for currency risks

The following tables present the sensitivity of profit or loss and equity to the financial assets and financial liabilities of the Group and the BGN/EUR, CZK/EUR, HUF/EUR and USD/EUR exchange rates, assuming all other parameters remain unchanged. A change of +/- 10% in the BGN/EUR, CZK/EUR, HUF/EUR and USD/EUR exchange rates is assumed as at 31 December 2023 and 31 December 2022.

	Profit		Equity	
EUR k	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Local currency: EUR				
EUR/ BGN				
EUR +10%	874	380	-169	-469
EUR -10%	-1,068	-464	207	574
EUR/ CZK				
EUR +10%	-331	216	-1,155	-628
EUR -10%	507	-186	1,768	538
EUR/ HUF				
EUR +10%	0	23	0	23
EUR -10%	0	-29	0	-29
EUR/ USD				
EUR +10%	5,372	7,108	2,844	7,108
EUR -10%	-3,870	-8,688	332	-3,625

Currency risks vary over the year depending on foreign transactions. Nevertheless, the above analysis is representative of the currency risk of the Group.

Forward exchange contracts

In keeping with the Group's policy, forward exchange contracts are entered into to hedge certain cash inflows and cash outflows denominated in foreign currency against the risk of fluctuations in exchange rates. Forward exchange contracts are initially recognized at fair value on the date they are entered into and remeasured at fair value on each reporting date. As the Group does not define forward exchange contracts as hedging instruments within the framework of hedge accounting, the gains or losses arising from their measurement are posted immediately to profit or loss.

	Face value	Market value	Face value	Market value
	31 Dec 2023	31 Dec 2023	31 Dec 2022	31 Dec 2022
Foreign exchange forward TUSD	7,500	– 121	34,400	– 318

Credit risk

Credit risk is the risk of incurring a financial loss if a counterparty fails to meet its contractual performance obligations towards the Group. The Group is exposed to this risk with regard to a range of financial instruments, such as loans and receivables from customers, the acquisition of equity instruments, cash investments, etc. The maximum loss for the Group is limited to the carrying amount of the financial asset on the reporting date less any credit insurance on trade receivables, as summarized below:

EUR k	31 Dec 2023	31 Dec 2022
Financial assets		
Other financial assets	1,824	1,824
Current trade receivables	50,312	43,603
Other non-current financial assets	922	304
Other current financial assets	9,177	12,887
Cash and cash equivalents	47,894	22,628
	110,128	**81,245**

The Group continuously monitors bad debts from customers and other contractual partners, which are identified either on an individual or a portfolio basis, and includes this information within the framework of its credit risk controls. External ratings and/or reports are obtained on customers and other contractual partners, if available at a reasonable price, and analyzed accordingly. The Group's policy is to only do business with contractual partners who exhibit the requisite credit-worthiness.

The risk of default with regard to cash and cash equivalents is excluded to all intents and purposes due to diversification (number of banks) and the selection of financial institutions with good ratings (investment grade).

Loss allowances are recorded on all receivables and financial assets on the basis of information relating to the current business situation of the counterparty and past experience of their payment patterns. Consequently, loss allowances are recorded when the expected future cash inflows are lower than the carrying amount of the respective receivable.

Prior to entering a business relationship with a new customer, the Group generally obtains internal and external credit ratings in order to assess the credit worthiness of prospective customers and define their credit limits. The customer ratings and credit limits are reviewed regularly.
As at the reporting date, trade receivables of EUR 3,509k were covered by credit insurance (previous year: EUR 4,878k).

KATEK applies the expected loss model in accordance with IFRS 9 to measure its loss allowances. This involves recognizing expected losses and not merely any losses that have already been incurred.

The following tables contain information on the estimated risk of counterparty default and expected credit losses attached to trade receivables and other receivables as at 31 December 2023 and 31 December 2022:

EUR k	Loss ratio	Gross carrying amount	Loss allowance	Restricted credit rating
not past due	0.61%	45,139	– 274	Nein
1-30 days past due	7.60%	12,005	– 913	Nein
31-60 days past due	7.79%	1,235	– 96	Nein
61-90 days past due	8.75%	1,670	– 146	Nein
91-180 days past due	11.01%	942	– 104	Nein
181-360 days past due	16.96%	1,146	– 194	Nein
more than 360 days past due	100.00%	458	– 458	Ja
Total as at 31 Dec 2023		**62,595**	**– 2,185**	
Thereof attributable to:				
Trade receivables payables		52,496	– 2,185	
Other financial assets		10,099	0	

EUR k	Loss ratio	Gross carrying amount	Loss allowance	Restricted credit rating
not past due	0.53%	41,365	– 218	Nein
1-30 days past due	1.16%	9,706	– 112	Nein
31-60 days past due	1.90%	1,925	– 37	Nein
61-90 days past due	4.92%	1,710	– 84	Nein
91-180 days past due	12.85%	1,286	– 165	Nein
181-360 days past due	11.48%	1,226	– 141	Nein
more than 360 days past due	48.40%	646	– 313	Ja
Total as at 31 Dec 2022		**57,864**	**– 1,070**	
Thereof attributable to:				
Trade receivables payables		44,673	– 1,070	
Other financial assets		13,191	0	

The loss allowances recognized by KATEK in connection with the expected loss model developed as follows:

EUR k	31 Dec 2023	31 Dec 2022
Opening balance	1,070	972
Additions	1,543	1,070
Utilization	– 455	– 651
Reversals	– 19	– 577
Changes in the scope of consolidation	47	256
Closing balance	**2,185**	**1,070**

Expected credit losses on trade receivables that are not written down by loss allowances on an item-by-item basis are recognized using the simplified approach, which sets appropriate loss ratios on the basis of a table categorized by the days past due of the respective trade receivables. The impairment losses amount to a total of EUR 2,185 k (previous year: EUR 1,070 k).

The Group is exposed to a credit risk with regard to trade receivables from individual customers. As at 31 December 2023, KATEK carried outstanding receivables from one customer (previous year: two) that account for more than 10% of the trade receivables of the Group. Consequently, there is a concentration risk on the reporting date. Based on past experience, management assesses the recoverability of trade receivables and other receivables that are neither past due nor impaired to be more likely than not.

All trade receivables from customer B were sold in the reporting year within the framework of a factoring arrangement. This event explains the decrease in trade receivables from EUR 4,965k in the previous year to EUR 0 in the reporting year.

	31 Dec 2023		31 Dec 2022	
	EUR k	%	EUR k	%
Customer A	7,946	16.3	8,571	19.7
Customer B	0	0.0	4,965	11.4
Other customers	40,746	83.7	30,067	68.9
Trade receivables	**48,692**	**100.0**	**43,603**	**100.0**

Interest risk

The Group’s policy is to minimize its interest rate exposure inherent in its long-term borrowings. As at 31 December 2023 and 31 December 2022 the Group was exposed to interest risks from floating-rate bank loans. The interest rate exposure arising from the Group’s short-term cash investments is considered to be immaterial.

The following table demonstrates the sensitivity of profit or loss and equity to a reasonably possible change in interest rates of +/- 1%. Changes of this scale are considered sensible based on the observations of the latest market developments. The calculations are based on a change in the average market interest rate for each period and financial instruments exposed to interest rate risks on each reporting date. All other variables were maintained constant.

EUR k	Profit		Equity	
	+ 1 %	- 1 %	+ 1 %	- 1 %
2023	– 486	486	– 486	486
2022	– 486	486	– 498	498

Transfer of financial assets

Factoring arrangements are another source of funding used by the Group. As the risks and rewards attached to the receivables, including the credit risk and risk of default, lie with the respective factor, these assets have been derecognized. The volume of factored receivables as at the reporting date amounts to EUR 38,803 k (previous year: EUR 54,925 k).

22. Leases

The leases entered into by the KATEK Group endow the Group with rights to use licenses, real estate, office space in particular, other property, plant and equipment, particularly operating equipment, furniture and fixtures and also vehicles. The leases have a supporting function for the operations of the Group.

The changes in the carrying amounts of the leased property, plant and equipment are as follows:

EUR k	31 Dec 2023	31 Dec 2022
Opening balance as at 1 Jan	38,712	41,455
Additions	3,945	3,440
Revaluations	2,483	- 907
Reclassifications	0	145
Disposals	- 29	- 45
Currency	- 172	- 105
Depreciation and amortization	- 9,442	- 7,853
Changes in the scope of consolidation	1,747	2,582
	37,243	**38,712**

Additions of EUR 3,945k in the reporting year mainly consist of "plant and machinery" of EUR 3,260k (previous year: EUR 1,489k).

The remeasurements of EUR 2,483k mainly consist of extensions to leases of property of EUR 2,250k (previous year: EUR -1,040k).

Leases in which the KATEK Group acts as the lessee may include renewal options. These are considered when determining the term of the lease and the lease installments if it is reasonably certain that the options will be exercised. If the renewal options in the leases were not considered, this would increase the lease installments in the years 2026 to 2041 and lead to a cash outflow of EUR 3,711k.

More details on individual right-of-use asset categories can be found in note 12 Property, plant and equipment.

The breakdown of discounted and undiscounted lease liabilities by term is presented in the following table:

	31 Dec 2023	31 Dec 2023
EUR k	Discounted lease liabilities	Undiscounted lease liabilities
Liabilities from leases up to 1 year	9,492	11,249
Liabilities from leases of 1 to 5 years	26,447	28,294
Liabilities from leases of more than 5 years	8,493	9,227
Total lease liabilities	**44,432**	**48,770**

	31 Dec 2022	31 Dec 2022
EUR k	Discounted lease liabilities	Undiscounted lease liabilities
Liabilities from leases up to 1 year	8,586	9,203
Liabilities from leases of 1 to 5 years	23,213	25,925
Liabilities from leases of more than 5 years	10,614	11,644
Total lease liabilities	**42,413**	**46,772**

In addition, future payments will be incurred for short-term leases with a term of 12 months or less and leases of low-value assets. However, these are immaterial and are disclosed in contingent liabilities and other financial obligations under the section on other disclosures. The practical expedients provided by IFRS 16 were used by the KATEK Group when accounting for its leases.

The amounts posted to profit or loss that relate to leases where the KATEK Group acts as lessee are presented below:

EUR k	31 Dec 2023	31 Dec 2022
Depreciation	9,442	7,853
Interest expenses	1,102	957
Short-term leases with a term of up to 12 months	0	0
Leases of low-value assets	527	788
Sum Lease expenses	**11,071**	**9,598**

The amounts posted to the statement of cash flows that relate to leases where the KATEK Group acts as lessee are presented below:

EUR k	31 Dec 2023	31 Dec 2022
Cash paid for short-term leases with a term of up to 12 months and leases of low-value assets	527	788
Cash paid for leases liabilities	10,941	9,105
thereof payments of principal	9,839	8,148
thereof interest	1,102	957
Total cash paid for leases	**11,468**	**9,893**

The cash paid for short-term leases and leases of low-value assets affect operating cash flow. Payments of principal and interest are posted to the cash flow from financing activity.

23. Trade payables

All trade payables are due within 12 months. As in the past, the customary retention of title clauses apply until the liabilities are finally settled.

The carrying amounts of trade payables are considered to be a reasonable estimate of their fair values.

24. Contract liabilities

Contract liabilities consist solely of payments received on account from customers.

Payments received on account decreased by EUR 3,383k to EUR 16,197k (previous year: EUR 19,580k). Payments on account relate entirely to the order backlog.

The following table shows how much of the revenue generated in the financial year relates to payments received on account rolled forward.

EUR k	31 Dec 2023	31 Dec 2022
Revenue realized from payments received on account in the previous year	19,580	5,373
	19,580	**5,373**

25. Other liabilities and deferred income

EUR k	up to 1 year	more than 1 year	Total
Personnel liabilities	12,441	997	13,438
Tax liabilities	15,253	0	15,253
Other liabilities	1,022	0	1,022
Prepaid expenses	1,017	0	1,017
31 Dec 2023	**29,734**	**997**	**30,731**

EUR k	up to 1 year	more than 1 year	Total
Personnel liabilities	9,899	1,089	10,989
Tax liabilities	8,427	0	8,427
Other liabilities	3,450	0	3,450
Prepaid expenses	145	0	145
31 Dec 2022	**21,920**	**1,089**	**23,009**

Current personnel liabilities break down as follows:

EUR k	31 Dec 2023	31 Dec 2022
Other liabilities to employees	1,993	1,583
Bonuses and management incentives	3,716	2,952
Vacation, flexitime credits	4,566	3,363
Liabilities to social security	1,252	1,238
Sundry other personnel liabilities	231	98
Compensation and severance payments	150	106
Obligations for employers' liability insurance	467	461
Obligations from 'Altersteilzeit' (German phased retirement scheme)	66	98
	12,441	**9,899**

Non-current provisions for obligations towards personnel contain provisions for long-service awards of EUR 986 k (previous year EUR 1,063 k).

Share-based payments

Non-current liabilities to personnel include a performance stock program of EUR 61k (previous year: EUR 26k) as a long-term incentive program for the two members of the Management Board. The performance stock program was measured on 31 December 2023 using the following parameters and tranches:

	31 Dec 23	31 Dec 22
Tranche 2021		
Issue date	17 May 2021	17 May 2021
Average share price on the issue date in EUR (10-day average)	26.66	26.66
Term		
Total term (years)	3.90	3.90
Residual term as at 31 Dec (years)	1.28	2.28
Minimum term		
Total term (years)	3.90	3.90
Residual term as at 31 Dec (years)	1.28	2.28
Share price on the measurement date (EUR)	10.90	14.70
Implicit volatility	42.4%	43%
Risk-free interest rate p.a.	2.50%	2.099%
Fair value per performance share on the issue date in EUR	22.76	22.76
Fair value per performance share on 31 Dec (EUR)	14.00	16.42

	31 Dec 23	31 Dec 22
Tranche 2022		
Issue date	14 April 2022	14 April 2022
Average share price on the issue date in EUR (10-day average)	19.71	19.71
Term		
Total term (years)	4.00	4.00
Residual term as at 31 Dec (years)	2.29	3.29
Minimum term		
Total term (years)	4.00	4.00
Residual term as at 31 Dec (years)	2.29	3.29
Share price on the measurement date (EUR)	10.90	14.7
Implicit volatility	42.4%	46%
Risk-free interest rate p.a.	2.5%	2.059%
Fair value per performance share on the issue date in EUR	17.78	17.78
Fair value per performance share on 31 Dec (EUR)	13.52	14.98

	31 Dec 23	31 Dec 22
Tranche 2023		
Issue date	14 April 2023	--
Average share price on the issue date in EUR (10-day average)	14.74	--
Term		
Total term (years)	4.00	--
Residual term as at 31 Dec (years)	3.28	--
Minimum term		
Total term (years)	4.00	--
Residual term as at 31 Dec (years)	3.28	--
Share price on the measurement date (EUR)	10.90	--
Implicit volatility	42.4%	--
Risk-free interest rate p.a.	2.5%	--
Fair value per performance share on the issue date in EUR	14.67	--
Fair value per performance share on 31 Dec (EUR)	12.39	--

At the beginning of the program, the number of phantom performance shares is calculated by dividing the set target for the year with the closing rate after publication of the annual report and is increased each year by the rate of growth in EBITA. The number of phantom performance shares in each tranche are presented in the following table:

Units	1 January	31 December
Tranche 2021	2,313	2,313
Tranche 2022	3,658	3,658
Tranche 2023	0	4,539
	5,971	**10,510**

Consequently, a total of EUR 35k was expensed through profit or loss for share-based payments in the financial year (previous year: income of EUR 36k). The obligation from these arrangements reported in the statement of financial position amounts to EUR 61k (previous year: EUR 26k).

26. Capital management

The Group manages its capital with the goal of ensuring that all group entities can operate on the assumption that they are going concerns and simultaneously to maximize the income of shareholders by optimizing the ratio of equity to debt capital.

The capital structure of the Group consists of liabilities, cash and cash equivalents and the equity allocable to the shareholders of the parent company. The latter consists of subscribed capital, the capital reserve and revenue reserves.

The capital structure of the Group is managed and adjusted in response to changes in the business environment.

Management monitors the capital structure of the Group at regular intervals. This involves reporting of the equity of subsidiaries as well as the existing forms of financing. Finance arrangements that contain covenants are reviewed each quarter at a minimum and documented accordingly. For KATEK the covenants mainly relate to the equity ratio and the net debt ratio.

The Company manages its capital structure using the relevant indicators, including the debt ratio and the equity ratio.

As at the reporting date, the equity ratio came to 31.2 % (previous year: 32.9 %) and the debt ratio (net debt to equity) to 37.2 % (previous year: 28.0 %). The increase in cash requirements is due to the strong growth of the Group and the M&A activities conducted in the past and planned for the future.

The Group intends to further optimize its capital structure by including earnings and risk-related indicators in its assessments in future. The current objective is to reach an equity ratio of more than 35%. In terms of its net debt ratio, KATEK seeks to keep its debt ratio below a maximum of 40%. The targets reflect the current management assessment. They may change over the course of the year depending on the situation, capital requirements and general business environment and do not constitute any explicit forecast.

EUR k	31 Dec 2023	31 Dec 2022
Liabilities to financial institutions	98,341	68,818
Cash on Hand and Bank Deposits	– 47,894	– 22,628
Net debt	**60,465**	**46,190**
Equity	162,384	164,963
Ratio of net debt to equity	**37.2%**	**28.0%**

The capital structure of the Group and compliance with the covenants included in certain lending arrangements is regularly monitored as part of risk management. Reference is made to note B.20 Loans for more information on the covenants.

27. Notes to the statement of cash flows

The consolidated statement of cash flows shows how the cash and cash equivalents of the KATEK Group have changed during the reporting year as a result of cash inflows and outflows. The cash flows are categorized by operating activities, investing activities and financing activities in accordance with IAS 7.

The changes in the line items of the statement of financial position that are presented in the consolidated statement of cash flows cannot be directly reconciled with the consolidated statement of financial position as non-cash items must be eliminated first.

The cash flow from operating activities is therefore derived indirectly from earnings after tax after eliminating interest and taxes on income, depreciation, amortization and impairments and other non-cash items. Moreover, cash flows from interest received and taxes paid are also considered. Finally, the cash inflow from operating activities also takes account of changes in working capital and the utilization of provisions. Non-cash income from operating activities in the reporting year mainly comprises the income from the bargain purchase of Nextek Inc. of EUR 7,893k (previous year: EUR 0k) and the release of provisions and derecognition of other liabilities of EUR 617k (previous year: EUR 2,364k).

The cash inflow from investing activities considers cash flows from the acquisition or sale of intangible assets, property, plant and equipment and financial assets. If the cash flow relates to the acquisition or sale of subsidiaries or other business units (and associated acquisition or loss of control) the impacts are presented in a separate line item of the cash flow statement. Payments of EUR 9,384k for business combinations net of the cash acquired were recorded in the reporting year (previous year: EUR 17,621k).

The cash inflow from financing activities is dominated by the change in borrowings and additional paid-in capital received during the capital increase at KATEK SE.

Cash and cash equivalents of EUR 37,217 k (previous year: EUR –2,760 k) comprise cash of EUR 47,894 k (previous year: EUR 22,628 k) and current liabilities to banks (loans) due within three months of EUR 10,220 k (previous year: EUR 25,388 k).

Cash and cash equivalents include an amount of EUR 33 k (previous year: EUR 406 k) that is barred from disposal on the basis of the existing factoring agreements.

The development of cash-effective and non-cash-effective changes to financial liabilities from financing activities is presented in the following table:

EUR k	1 Jan 2023	Cash-effective changes	Non-cash-effective changes: Additions Consolidated group	Non-cash-effective changes: Effects of exchange rate changes	Non-cash-effective changes: Additions/ Other	31 Dec 2023
Liabilities to banks (loans)	43,429	41,132	3,300	– 191	– 7	87,664
Financial liabilities to shareholders	0	10,018	0	0	0	10,018
Lease liabilities	42,413	– 9,839	1,753	– 176	10,281	44,432
Other financial liabilities	35,011	– 6,191	0	– 13	195	29,002
Total liabilities from financing activities	**120,853**	**35,121**	**5,053**	**– 381**	**10,470**	**171,116**

EUR k	1 Jan 2022	Cash-effective changes	Non-cash-effective changes: Additions Consolidated group	Non-cash-effective changes: Effects of exchange rate changes	Non-cash-effective changes: Additions/ Other	31 Dec 2022
Liabilities to banks (loans)	46,104	– 4,603	3,045	– 55	– 1,061	43,429
Lease liabilities	44,721	– 8,902	3,241	– 139	3,492	42,413
Other financial liabilities	20,398	7,901	5,054	– 2	1,660	35,011
Total liabilities from financing activities	**111,222**	**– 5,604**	**11,340**	**– 196**	**4,091**	**120,853**

In addition to the financial liabilities presented here, which can be attributed to financing activities, there are other financial liabilities measured at fair value that are related to investing activities. These are primarily related to the acquisition of the Aisler Group and SigmaPoint and originate from the earn-out arrangements and a put option. An explicit decision was made not to include these financial liabilities in the reconciliation presented above due to their investment character.

Apart from the changes in cash and cash equivalents, the interest payments reported in the cash flow statement relate to other line items that, although they arise from financing activities, cannot be allocated to any financial liability associated with financing activities.

Disclosures on financial liabilities can be found in note B.21 Financial instruments.

28. Segment reporting

Background to segmentation

Due to a change in its internal reporting, the KATEK Group has decided to draw up segment reporting in accordance with IFRS 8 for the first time in the reporting year. The segment disclosures are based on the internal management reporting of two reportable segments. The following summary describes the business of each reportable segment of the Group.

- Electronics
- Systems & Products

The Electronics segment comprises the activities of the Group in the development of hardware and software, prototyping and the manufacture of high-quality electronics for industrial customers. This segment constitutes the origins of the current KATEK Group. Nextek, which was acquired in the reporting year, has been allocated to this segment.

The Systems & Products segment comprises the same value-added activities, but, in contrast to the Electronics segment, it possesses a number of additional features that together create particular value-added (high-value electronics). Firstly, the activities of this segment are targeted towards markets that display particularly strong growth and opportunities due to an underlying megatrend. KATEK has aligned its R&D activities towards these target markets. Nowadays KATEK offers its own systems and products in these fields which therefore display higher value-added and integrate the Group's own intellectual property. They include products and services related to smart EV charging, medical alert systems and solar/renewable energy.

The Others segment includes activities in the field of fabless prototyping, but only to a small extent. The content of this segment does not have any relationship to the operating activities of the other segments.

Due to the fact that segment reporting is still being established, only gross profit and revenue are reported to management for the purposes of steering the operations of the segments. Consequently, only these two management indicators are presented in the segment reporting published in the section below. In particular, segment assets, segment liabilities and segment capex are not reported.

Information on reportable segments

EUR k	Segment revenue 01 Jan 2023 - 31 Dec 2023	Segment revenue 01 Jan 2022 - 31 Dec 2022	External revenue 01 Jan 2023 - 31 Dec 2023	External revenue 01 Jan 2022 - 31 Dec 2022	Intersegment Revenue 01 Jan 2023 - 31 Dec 2023	Intersegment Revenue 01 Jan 2022 - 31 Dec 2022
Electronics	633,907	569,250	586,574	520,494	47,333	48,756
Systems & Products	193,512	161,409	193,512	159,511	0	1,898
Total reportable segments	**827,418**	**730,659**	**780,085**	**680,004**	**47,333**	**50,654**
All other segments	3,407	1,398	2,668	1,398	739	0
Reconciliation to Consolidated Financial Statements	– 48,072	– 48,957	0	1,698	– 48,072	– 50,654
KATEK Group	**782,753**	**683,100**	**782,753**	**683,100**	**0**	**0**

EUR k	Gross Profit 01 Jan 2023 - 31 Dec 2023	Gross Profit 01 Jan 2022 - 31 Dec 2022
Electronics	177,590	141,508
Systems & Products	67,867	45,006
Total reportable segments	**245,457**	**186,514**
All other segments	872	474
Reconciliation to Consolidated Financial Statements	– 4,017	– 2,298
KATEK Group	**242,312**	**184,691**

The reconciliation to the consolidated financial statements presents those matters that are not directly related to the business segments or the other segments. Among other items, these include the consolidation of business transactions between the segments and certain reconciliation items, such as the costs incurred by the parent company of the Group that cannot be allocated to the segments.

The disclosures required by IFRS 8.31-34 with regard to the geographic presentation of revenue are already presented in Note B.1 Revenue.

C Other notes

1 Related party transactions

Related parties include shareholders that can exercise significant influence over the KATEK Group, associated companies, joint ventures, non-consolidated subsidiaries and individuals who can exercise significant influence over KATEK and the financial and business policies of the Group. Persons who can exercise significant influence over the financial and business policies of the Group include all individuals in key management positions and their close family relatives. Within the Group, this concerns the members of the executive management of the parent company and its Supervisory Board.

Notes on affiliated companies

Within the course of normal business activity the KATEK Group and its subsidiaries maintain business relationships with numerous other businesses.

Companies affiliated to the PRIMEPULSE Group also qualify as related parties along with the Empaios Real Estate Group. Transactions with related parties, members of the Management Board, the Supervisory Board or other related parties, are aggregated and presented under a separate line item.

All business transactions were concluded at arm's length conditions and do not deviate in substance from transactions with other entities. No expenses were recognized in the reporting year or in previous years for bad debts or doubtful debts owed by related parties.

PRIMEPULSE SE renders services to the KATEK Group, while Empaios Real Estate Group leases real estate to it. The PRIMEPULSE Group comprises a number of operating divisions that conduct business with KATEK.

The following table presents the trade in goods and services received with related parties.

	Expenses		Revenue	
EUR k	**31 Dec 2023**	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
PRIMEPULSE Group	300	130	1,679	1,731
PRIMEPULSE SE	987	923	0	1
Empaios Real Estate Group*	3,840	3,260	0	0
Other	108	116	0	0
	5,235	**4,429**	**1,679**	**1,732**

* presents the rent installments or purchase price payments but not the income or expenses recognized

To allow comparison, the previous year figures of expenses paid to Empaios Real Estate Gruppin have been corrected to account for rental expenses recorded by one subsidiary of KATEK SE which were not included as at 31 December 2022. In the previous year a sum of EUR 2,386k had been reported.

The following table presents receivables from and liabilities to related parties:

	Expenses		Revenue	
EUR k	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
PRIMEPULSE Group	119	34	443	1
PRIMEPULSE SE	10,029	8	0	1
Empaios Real Estate Group	0	0	0	0
Other	108	11,026	310	940
	10,256	**11,068**	**753**	**942**

Liabilities to Primepulse SE are based on a loan agreement arranged at arm's length conditions of EUR 10.0 million.

In the previous year, other liabilities to related parties consist primarily of a financing arrangement for EUR 10.3 million for plant and machinery that has been taken out at arm's length conditions. The partner to the arrangement is S.D.L., Süddeutsche Leasing AG, whose Chairman was a member of the Supervisory Board of KATEK SE.

Disclosures on key management personnel

The members of the Management Board were granted total remuneration of EUR 788k (previous year: EUR 784k) for their services for the Group in the financial year. Of this amount, EUR 67k is outstanding on the reporting date and due in the short term, because the remuneration is contingent upon the financial performance in the year. Of this amount, EUR 61k (previous year: EUR 26k) consists of benefits were also outstanding on the reporting date as the stock option program is set up for the long term. Reference is made to Note B.25 Other liabilities for more information on long-term benefits.

2 Company boards

The members of the Management Board during 2023 were:

Rainer Koppitz, Strategy and Business Development, CEO, Munich	Chairman of the Management Board
Dr. Johannes Fues, Finance and Legal Affairs, CFO, Munich	Management Board

Mr. Rainer Koppitz stepped down from the Management Board effective 29 February 2024; Dr. Fues will step down effective 30 April 2024. The corresponding severance agreements were signed on 18 January 2024. Mr. Hannes Niederhauser, CEO of Kontron AG, was appointed to the Management Board on 4 March 2024 and named as its Chairman.

The activities of the Supervisory Board in financial year 2023 were exercised by the following individuals:

Klaus Weinmann, Managing Director of PRIMEPULSE SE, Munich	Chairman
Markus Saller, Director Mergers & Acquisitions, der PRIMEPULSE SE, Munich	Deputy Chairman
Prof. Dr. Constanze Chwallek, Professor at the Aachen University of Applied Sciences, Aachen	Member
Andreas Müller, CEO of S.D.L., Süddeutsche Leasing AG, Elchingen	Member
Hannes Niederhauser, CEO of Kontron AG, Linz, Austria	Member

After the Annual General Meeting, the Supervisory Board receives remuneration of EUR 120k for its work in the financial year 2023. In the previous year, EUR 116k of this amount also consisted of short-term benefits.

By letter dated 25 April 2023, Mr. Andreas Müller resigned from his position effective upon the close of the Annual General Meeting 2023 on 20 June 2023. Prof. Dr. Constanze Chwallek was elected to the Supervisory Board by the Annual General Meeting 2023 on 20 June 2023.

By letter dated 15 November 2023, Mr. Hannes Niederhauser stepped down from the Supervisory Board of KATEK SE effective 14 December 2023.

Mr. Klaus Weinmann and Mr. Markus Saller stepped down from their positions as Chairman of the Supervisory Board and Deputy Chairman of the Supervisory Board effective 12 March 2024.

The following individuals were appointed to the Supervisory Board of KATEK SE by order of the court dated 13 March 2024:

Ms. Claudia Badstöber, a member of the management of many entities held by the Austro Holding- und grosso holding group, resident in Vienna, Austria, as the Chairwoman of the Supervisory Board.

Mr. Dieter Gauglitz, auditor and independent business consultant, resident in Munich, as the Deputy Chairman.

Mr. Christoph Öfele, managing director of WAI Wirtschaftsanalysten & -informations GmbH, resident in Puchheim, as an ordinary member of the Supervisory Board.

3 Shareholdings of board members

The shareholdings of board members on the reporting date were as follows:

	31 Dec 2023			31 Dec 2022		
	Direct	Indirect	Total	Direct	Indirect	Total
Rainer Koppitz	2.88%	0.00%	2.88%	2.87%	0.00%	2.87%
Dr. Johannes Fues	0.44%	0.02%	0.46%	0.42%	0.03%	0.45%
	3.32%	**0.02%**	**3.34%**	**3.29%**	**0.03%**	**3.32%**

Shareholdings of members of the Supervisory Board:

Based on the information available to KATEK SE Mr. Klaus Weinmann held an indirect stake of 18.0% (previous year: 17,4%) in KATEK SE and Mr. Markus Saller an indirect stake of 0.3% (previous year: 0.1%). Furthermore, Mr. Markus Saller holds a direct stake in KATEK SE of 0.1% (previous year: 0.1%).

4 Parent company/group affiliations

KATEK SE, Munich has compiled consolidated statements for the smallest group of companies. The consolidated financial statements are published in the Bundesanzeiger (Federal Gazette).

The Company is a subsidiary of PRIMEPULSE SE, Munich, and is included in its consolidated financial statements. The largest group of companies is consolidated in the consolidated financial statements of PRIMEPULSE SE, Munich. These consolidated financial statements are also published in the Bundesanzeiger (Federal Gazette).

5 Contingent liabilities and other financial obligations

Guarantees issued for loans drawn by third parties amounted to EUR 595k on the reporting date (previous year: EUR 0k).

Contingent liabilities and other financial obligations for the reporting year and the previous year are as follows:

EUR k	31 Dec 2023	31 Dec 2022
License expenses and other obligations	1,296	3,999
Guarantees third party	595	0
Purchase commitments for investment projects	17,239	1,801
thereof property, plant and equipment	17,239	1,801
Other financial obligations	1,663	0
	20,793	**5,800**

The due dates of short-term leases and leases of low-value assets which are not recognized under the practical expedient afforded by IFRS 16 and of leases whose commencement date lies after the reporting date (mainly affects the financial year 2023) are as follows:

EUR k	31 Dec 2023	31 Dec 2022
Due within 1 year	391	242
Due in 1 to 5 years	730	122
Due in more than five years	175	0
	1,296	**365**

6 Auditor's fees

The following fee was invoiced by the independent auditor, Grant Thornton AG, Munich, in financial year 2023.

EUR k	2023	2022
Audit services	1,226	1,156
Other attestation services	83	0
Tax advisory services	0	0
Other services	5	0
	1,314	**1,156**

Of the total fees invoiced in the reporting year, an amount of EUR 412k (previous year: EUR 412k) relates to the previous year. The other assurance services relate to agreed upon procedures in accordance with ISRS 4400 (Revised) and a certificate in accordance with ISA 800.

7 List of shareholdings

No.	Name and registered offices of the company	Indirect share in capital %	Included in consolidation	Held by no.
1.	KATEK SE, Munich, Germany			
2.	KATEK Memmingen GmbH, Memmingen, Germany	100	k	1.
3.	KATEK Elektronik Bulgaria EOOD, Saedinenie, Bulgaria	100	k	2.
4.	Katek GmbH, Grassau, Germany	100	k	1.
5.	Katek Hungary kft., Györ, Hungary	100	k	4.
6.	KATEK Mauerstetten GmbH, Mauerstetten, Germany	100	k	1.
7.	KATEK Czech Republic s.r.o; Horni Sucha, Czech Republic	100	k	4.
8.	beflex electronic GmbH, Frickenhausen, Germany	100	k	1.
9.	eSystems MTG GmbH, Wendlingen am Neckar, Germany	100	k	1.
10.	KATEK Düsseldorf GmbH, Düsseldorf, Germany	100	k	11.
11.	KATEK Leipzig GmbH, Leipzig, Germany	100	k	1.
12.	Telealarm Europe GmbH, Leipzig, Germany	100	k	1.
13.	TeleAlarm SA, La Chaux-de-Fonds, Switzerland	100	k	12.
14.	KATEK LT UAB, Panevėžys, Lithuania	100	k	11.
15.	KATEK SINGAPORE PTE. LTD., Singapore, Singapore	100	k	8.
16.	BEFLEX ELECTRONIC MALAYSIA SDN. BHD., Kuala Kabu Baru, Malaysia	100	k	1.
17.	Aisler B.V., Vaals, Netherlands	50	k	1.
18.	AISLER AMERICAS, INC., Claymont, Delaware, USA	50	k	17.
19.	AISLER Germany GmbH, Aachen, Germany	50	k	17.
20.	KATEK Canada Inc. (former SigmaPoint Technologies Inc.), Cornwall, Kanada	100	k	1.
21.	Nextek Inc., Madison, USA	100	k	1.
22.	KATEK MALAYSIA SDN. BHD., Kuala Lumpur, Malaysia	100	k	8.
23.	KATEK Vorrats-GmbH 1, Munich, Germany	100	k	1.

Nature of consolidation – as at 31 Dec 2023
k Fully consolidated entities

In addition to the list of shareholdings, the following non-controlling interests remain unchanged:

Shareholding	Currency	Share in capital	Equity	Net profit/loss for the year
Zamm Zentrum für angewandte Meßtechnik Memmingen GmbH, Memmingen	EUR k	16.20%	706*	15*
TYDE GmbH, Starnberg (previously: iOX Mobility GmbH), Pullach	EUR k	10.00%	1,879*	– 2,054*

* Financial statements as at 31 December 2022

8 Exemption pursuant to Sec. 264 (3) HGB

The relief from reporting duties allowed by Sec. 264 (3) HGB was availed of by the following companies:

KATEK Mauerstetten GmbH, Mauerstetten

beflex electronic GmbH, Frickenhausen

KATEK Düsseldorf GmbH, Düsseldorf

Telealarm Europe GmbH, Leipzig

9 Subsequent events

By contract dated 18 January 2024 the former majority shareholder of KATEK SE, namely, PRIME-PULSE SE, Munich, agreed to sell all of the shares it held in KATEK SE (59.4% of the share capital of KATEK SE) to Kontron Acquisition GmbH, Ismaning, a wholly-owned subsidiary of Kontron AG, Linz, Austria, a listed company. The agreement was closed on 29 February 2024 upon approval from the European antitrust authorities on 29 February 2024. As a result, Kontron Acquisition GmbH obtained control over KATEK SE. A mandatory tender offer is scheduled in the near future within the framework of a squeeze-out to acquire all of the outstanding shares KATEK SE, with the intention to delist the shares of KATEK SE from the regulated market of the Frankfurt Stock Exchange.

The Chairman of the Management Board of KATEK SE, Mr. Rainer Koppitz, stepped down from the Management Board effective 29 February 2024. Upon his resignation, Mr. Hannes Niederhauser, Chairman of the Management Board of Kontron AG, was appointed to the Management Board of KATEK SE effective 4 March 2024.

The Chairman of the Supervisory Board, Mr. Klaus Weinmann, and another member of the Supervisory Board, Mr. Markus Saller, stepped down from the Supervisory Board of KATEK SE effective 12 March 2024 upon Kontron Acquisition GmbH obtaining control with the execution of the transaction.

The following individuals were appointed to the Supervisory Board of KATEK SE by order of the court dated 13 March 2024:

Ms. Claudia Badstöber, a member of the management of many entities held by the Austro Holding- und grosso holding group, resident in Vienna, Austria, as the Chairwoman of the Supervisory Board.

Mr. Dieter Gauglitz, auditor and independent business consultant, resident in Munich, as the Deputy Chairman.

Mr. Christoph Öfele, managing director of WAI Wirtschaftsanalysten & -informations GmbH, resident in Puchheim, as an ordinary member of the Supervisory Board.

If more than 50% of the shares in a stock corporation domiciled in Germany are transferred, the unused tax losses only survive in certain circumstances. If these conditions are not met, the unused tax losses are extinguished in full. One possibility for retaining the unused tax losses is to ensure that the unused tax losses do not exceed the taxable hidden reserves. Alternatively, an application can be made to have the unused tax losses assessed separately and tied to the continued existence of the corporation, although this generally entails extensive requirements on maintaining the business operation with corresponding deadlines attached to both before and after the transaction.

Based on the merits of the case, the acquisition of more than 50% of the shares in KATEK SE by Kontron Acquisition GmbH, effective 29 February 2024, results in the loss of the unused tax losses carried by the German entities. Whether and to what extent the conditions are met to protect the unused tax losses in Germany is currently being analyzed and cannot be reliably assessed at present. As at 31 December 2023, unused tax losses of EUR 72,085k were carried in Germany for corporate income tax purposes and EUR 70,312k for trade tax purposes. It is not known whether there are any corresponding regulations in other tax jurisdictions.

No provisions were recognized for severance payments and other compensation payments totaling EUR 1,350k to members of the Management Board whose service contracts were terminated on 1 March 2024 and 1 May 2024 respectively. Based on the terms of the severance agreements, the provisions for short and long-term incentives of EUR 61k (LTI) and EUR 67k (STI) are to be released to income.

The earn-out liability that is currently recognized in connection with the acquisition of KATEK Canada in the prior year, could change significantly upon Kontron obtaining control, as the earn-out liability is calculated on the basis of the EBITDA, trade working capital and net financial debt as at 31 December 2023, coupled with the fact that Kontron is one of the main customers of KATEK Canada.

In sum, all measurements as at 31 December 2023 are based on the business planning drawn up prior to Kontron obtaining control. More recent facts and circumstances subsequent to the reporting date could change the performance figures.

Due to the provision of finance by the new indirect majority shareholder, KONTRON AG, in the form of two intercompany financing arrangements involving a limited term loan of EUR 30 million and a working capital facility of EUR 60 million, it was possible to fully repay the syndicated bank loan that had been in place since October 2022 to the syndicate of banks. As a result of the change of control described above, the financing bank consortium could have made use of an immediate option to terminate the syndicated loan agreement, which has now already been repaid.

On 4 March 2024, the Management Board of KATEK SE received an offer from PRIMEPULSE 3 Vorrats-GmbH, a wholly-owned subsidiary of PRIMEPULSE SE, Munich, to purchase all the shares in TeleAlarm Europe GmbH for a purchase price of EUR 39.0 million. The offer and the decision to accept it or not will be reviewed before the end of day, 31 May 2024.

Effective 31 December 2023, KATEK SE, Munich, acquired all the shares in KATEK SINGAPORE PTE. LTD., Singapore, from beflex electronic GmbH, Frickenhausen.

A number of customers of the KATEK Group reduced their forecast order volumes with the KATEK Group in 2024 as an indirect result of the economic environment. KATEK is currently analyzing the resulting risks with regard to the recoverability of the inventories at the time of acquisition by Kontron AG on the basis of forward-looking criteria.

10 Declaration of conformity in accordance with Sec. 161 AktG

The declaration required by Sec. 161 AktG ("Declaration of Conformity with the German Corporate Governance Code") was issued jointly by the Management Board and Supervisory Board of KATEK SE and made available to the shareholders on the website of the Company (www.katek-group.com) in the Investor Relations section.

11 Adoption of the consolidated financial statements

The financial statements were approved by the Management Board on 26 April 2024.

Munich, 26 April 2024

KATEK SE

Management Board

Hannes Niederhauser CEO	**Dr. Johannes Fues** CFO

Responsibility statement

We assure that, to the best of our knowledge, the consolidated financial statements, in accordance with the applicable accounting principles, give a true and fair view of the financial position, financial performance and cash flows of the Company and that the management report of KATEK SE, which has been combined with the management report of the KATEK Group, provides a true and fair view of the course of business, the business results and the situation of the Group and also describes the significant opportunities and risks relating to the anticipated development of the Group.

Munich, 26 April 2024

KATEK SE

Management Board

Hannes Niederhauser
CEO

Dr. Johannes Fues
CFO

Independent Auditor's Report

To KATEK SE, Munich

Report on the Audit of the Consolidated Financial Statements and the Combined Management Report

Audit Opinions

We have audited the consolidated financial statements of KATEK SE, Munich, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January 2023 to 31 December 2023, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of KATEK SE, Munich, consisting of the content needed to fulfill the requirements of Secs. 289, 289a, 315, 315a HGB ["Handelsgesetzbuch": German Commercial Code] and Sec. 315 (3) sentence 3 AktG ["Aktiengesetz": German Stock Corporation Act] and the remuneration report incorporated in section D of the combined management report, with the associated disclosures, for the financial year from 1 January 2023 to 31 December 2023. In accordance with the German legal requirements, we have not audited the content of the Corporate Governance Statement pursuant to Sec. 289f and Sec. 315d HGB, referred to in section E of the combined management report, nor the content of the separate Non-Financial Statement of the Group pursuant to Sec. 315b HGB, which is referred to in section F of the combined management report nor section G 1.1 of the combined management report, "Key features of the system of internal controls and risk management system as well as a statement on the appropriateness and effectiveness of the systems". In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the requirements of IFRSs, as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2023 and of its financial performance for the financial year from 1 January 2023 to 31 December 2023 and

- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not extend to the content of the Corporate Governance Statement or the content of the separate Non-Financial Statement of the Group referred to above or Section G 1.1. of the combined management report, "Key features of the system of internal controls and risk management system as well as a statement on the appropriateness and effectiveness of the systems" referred to above.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) lit. (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January 2023 to 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

We summarize what in our view are the key audit matters below: We have structured our presentation of the key audit matters as follows:

1. Risk to the financial statements

2. Auditor's response

3. Reference to associated disclosures

Recoverability of the goodwill carried in the KATEK Mauerstetten CGU

1. Risk for the consolidated financial statements

The consolidated financial statements of KATEK SE for the year ended 31 December 2023 carry goodwill of EUR 14,624k, of which EUR 8,521k is due to the KATEK Mauerstetten GmbH cash-generating unit (CGU). Goodwill accounts for a significant portion of total assets. In accordance with IAS 36, the goodwill carried in the KATEK Mauerstetten CGU is impairment tested once a year, on 30 November of the respective financial year, and also when there are any indications that the recoverable amount of the asset has fallen below its carrying amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. KATEK SE determines the recoverable amount using the value in use which is measured using the discounted cash flow method.

The impairment testing of the goodwill carried in the KATEK Mauerstetten CGU is complex and based on a number of discretionary judgments. These include the assumptions on revenue growth margins contained in the five-year integrated business plan drawn up by the executive directors and approved by the Supervisory Board as well as the assumed growth factor in perpetuity and the underlying discount rate.

Based on its impairment testing KATEK SE did not identify any need to record an impairment loss. In view of the discretionary judgments and estimation uncertainty attached to the assumptions underlying the impairment test, there is a risk for the consolidated financial statements that a material impairment loss is not identified as at the reporting date. For this reason, this matter was deemed to be a key audit matter.

2. Auditor's response

In the course of our audit, we obtained an understanding of the processes used to measure the recoverable amount of the KATEK Mauerstetten CGU. Among other procedures, we assessed the methodology used to conduct the impairment test. We also assessed the controls that have been set up in this regard to identify and determine any indications of a possible impairment.

We reconciled the cash flow projections used to determine the value-in-use of the KATEK Mauerstetten CGU with the five-year mid-range integrated business plan drawn up by the executive directors and approved by the Supervisory Board. We analyzed the consistency and justifiability of the assumptions relating to the growth drivers in this planning by interviewing selected employees. Our analysis was based on our understanding of the economic environment and current circumstances on the relevant markets on the reporting date or expected in future. In addition, in the course of auditing the impairment testing of the goodwill, we also compared last year's budget with the actual performance of the financial year and compared the current budgetary planning to last year's budget. We also analyzed and assessed the plausibility checks of the value-in-use derived from the budgetary planning against the transaction price paid by the Kontron Group to acquire KATEK SE in January 2024.

Due to the fact that changes in the discount rate can have a substantial impact on the results of the valuation, we assessed the parameters used in the calculation of the discount rate with support from our internal valuation specialists and verified the mathematical formula used for the calculation. In addition, we analyzed and assessed the consistent use of parameters and consistent use of methodology used to determine the discount rates in comparison to the prior year.

Furthermore, we assessed the appropriateness of the sensitivity analyses conducted by KATEK SE.

After conducting these audit procedures we did not find any material reasons to object to the recoverability of the goodwill carried in the KATEK Mauerstatten CGU.

3. Reference to associated disclosures

The disclosures made by KATEK SE on the recoverability of goodwill can be found in note "4.5 Intangible assets", "4.10 Impairment of non-financial assets", "4.21 Other estimates and assumptions" and "11. Intangible assets" in the notes to the consolidated financial statements.

Other Information

The Management Board and the Supervisory Board are responsible for the other information. The other information comprises

- the Corporate Governance Statement pursuant to Sec. 289f HGB and Sec. 315d HGB,
- the separate consolidated non-financial statement pursuant to Sec. 315b HGB
- the responsibility statement of the Management Board regarding the notes to the consolidated financial statements and the combined management report in accordance with Sec. 297 (2) sentence 4 HGB and Sec. 315 (1) sentence 5 HGB,
- the report of the Supervisory Board
- the remaining parts of the 2023 annual report
- but it does not comprise the consolidated financial statements, the separate annual financial statements, the audited components of the combined management report and our respective auditor's reports regarding these.

The Management Board and the Supervisory Board are responsible for the declaration of conformity with the German Corporate Governance Code pursuant to Sec. 161 AktG contained in the (consolidated) Corporate Governance Statement. The Supervisory Board is responsible for the report of the Supervisory Board. In all other respects, the Management Board is responsible for the other information.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the aforementioned other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, the elements of the combined management report whose content was audited, or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, 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 regard.

Responsibilities of the Management Board and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The Management Board is responsible for preparing consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition the Management Board is responsible for such internal control as it has determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement due to fraud (i.e. fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern. It also has the responsibility for disclosing, as applicable, matters related to going concern. In addition, it is responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Management Board is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Management Board is responsible for such arrangements and measures (systems) as he has considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Furthermore, the Management Board and the Supervisory Board are responsible for compiling the remuneration report, contained in a separate section of the combined management report, and that the associated disclosures comply with the requirements of Sec. 162 AktG. In addition, they are responsible for such internal control as they have determined necessary to enable the preparation of the compensation report free from material misstatement due to fraud or error.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

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 whether the combined management report and the Group as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report of the Group.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting material misstatements resulting from fraud is higher than the risk of not detecting material misstatements resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations and the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report of the Company and the Group in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the Management Board and the justifiability of estimates made by the Management Board and related disclosures.

- Conclude on the appropriateness of the Management Board'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 the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. 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 be able to continue as a going concern.

- Evaluate the presentation, structure and content of the consolidated financial statements as a whole, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the Management Board in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Management Board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, on the procedures taken to remedy the actions that could jeopardize our independence or the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the assurance on the electronic rendering of the consolidated financial statements and the combined management report prepared for publication purposes in accordance with Sec. 317 (3a) HGB

Audit Opinion

We have performed assurance work in accordance with Sec. 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the combined management report contained in the file "Name: 5299000GH0E40P6I9F13-2023-12-31-de.zip" (hereinafter also referred to as "ESEF documents") and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore not to the information contained in these reproductions nor to any other information contained in the above mentioned file.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the file identified above and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying consolidated financial statements and the combined management report for the financial year 1 January 2023 to 31 December 2023 contained in the "Report on the audit of the consolidated financial statements and of the combined management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the Audit Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the combined management report contained in the file identified above in accordance with Sec. 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Sec. 317 (3a) HGB (IDW AsS 410) (06.2022). Our responsibility in accordance therewith is further described in the "Auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QMS 1 (09.2022)).

Legal Uncertainty Relating to Conformity of the Interpretation with the Relevant European Laws

Due to the process selected by the Company to convert the consolidated financial statements to the iXBRL format ("block-tagging) required by the ESEF, the information in the notes to the consolidated financial statements is not fully machine readable in a sensible manner. Whether the interpretation by the Management Board, namely, that Commission Delegated Regulation (EU) 2018/815 does not explicitly require a machine-readable form when block-tagging the structured information in the notes to the financial statements, conforms with the law, is subject to major legal uncertainty, which therefore constitutes an inherent uncertainty to our audit.

Responsibility of the Management Board and the Supervisory Board for the ESEF Documents

The Management Board of the Company is responsible for the preparation of the ESEF documents containing the electronic reproductions of the consolidated financial statements and the combined management report in accordance with Sec. 328 (1) sentence 4 No. 1 HGB and for tagging the consolidated financial statements in accordance with Sec. 328 (1) sentence 4 No. 2 HGB.

In addition, the Management Board of the Company is responsible for such internal control as it has determined necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Auditor's Responsibilities for the Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e., whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this file.

- Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited combined management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Arts. 4 and 6 of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Art. 10 of the EU Audit Regulation

We were elected as auditor of the consolidated financial statements by the annual general meeting on 20 June 2023. We were engaged by the Supervisory Board on 20 November 2023. We have been the auditor of the consolidated financial statements of KATEK SE, Munich, without interruption since the financial year 2021.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Other Matter – Use of the Auditor's Report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the assured ESEF documents. The consolidated financial statements and the combined management report converted to the ESEF format – including the versions to be published in the Company Register – are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Andrea Stoiber-Harant.

Munich, 26 April 2024

Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Thomas Senger Wirtschaftsprüfer [German Public Auditor]	Andrea Stoiber-Harant Wirtschaftsprüfer [German Public Auditor]

KATEK SE, Munich, Financial Statements as at 31 December 2022

Balance Sheet

EUR	31 Dec 2023	31 Dec 2022
A. Fixed Asset		
I. Intangible Assets		
1. Concessions, industrial property rights and similar rights acquired for consideration and licenses to such rights and assets	58,800.00	0.00
II. Property, plant and equipment		
1. Other equipment, plant and office equipment	89,467.84	57,086.13
III. Financial Assets		
1. Shares in affiliated companies	115,451,650.20	100,812,063.15
2. Loans to affiliated companies	20,817,303.71	21,056,504.41
3. Equity investments	1,816,157.81	1,816,157.81
	138,233,379.56	**123,741,811.50**
B. Current Assets		
I. Receivables and other assets		
1. Receivables from affiliated companies	59,795,252.87	36,817,949.12
2. Receivables from companies in which an equity investment is held	308,985.66	310.11
3. Other assets	168,659.44	168,084.60
	60,272,897.97	**36,986,343.83**
II. Cash and cash equivalents	**11,662,104.94**	**4,552,021.69**
C. Prepaid expenses	**852,270.87**	**507,655.19**
Total Assets	**211,020,653.34**	**165,787,832.21**

Balance sheet

EUR	31 Dec 2023	31 Dec 2022
A. Equity		
I. Subscribed capital	14,445,687.00	14,445,687.00
II. Capital reserve	132,956,636.05	132,956,636.05
III. Accumulated losses	– 34,957,570.93	– 23,774,704.51
	112,444,752.12	**123,627,618.54**
B. Provisions		
Other provisions	926,903.61	977,946.47
C. Liabilities		
1. Liabilities to banks	75,023,033.66	34,479,360.44
2. Trade payables	499,004.47	418,032.17
3. Liabilities to affiliated companies	7,242,685.87	1,456,356.60
4. Liabilities to shareholders	10,018,166.67	0.00
5. Other liabilities	4,863,107.00	4,822,398.17
	97,645,997.67	**41,176,147.38**
D. Deferred income	**2,999.94**	**6,119.82**
Total Liabilities and Equity	**211,020,653.34**	**165,787,832.21**

Statement of Profit or Loss

	01 Jan 2023 - 31 Dec 2023	01 Jan 2022 - 31 Dec 2022
1. Revenue	2,880,393.37	1,662,824.00
2. Other operating income	3,897,013.27	3,335,296.32
	6,777,406.64	**4,998,120.32**
3. Personnel expenses		
a) Salaries and wages	2,570,294.10	1,584,169.85
b) Social security and other pension costs	210,459.74	91,664.03
	2,780,753.84	**1,675,833.88**
4. Amortization of intangible assets and depreciation of property, plant and equipment	37,698.56	23,267.79
5. Other operating expenses	10,811,986.49	8,278,402.80
6. Income from profit and loss transfer agreements	2,637,641.79	239,365.02
7. Income from long-term loans	612,531.52	332,759.06
8. Other interest and similar income	2,427,056.98	576,707.25
9. Depreciation on financial assets	3,781,899.06	0.00
10. Expenses from loss absorption	2,002,582.75	867,226.56
11. Interest and similar expenses	4,196,422.70	1,313,119.03
12. Income taxes	23,649.96	0.00
13. Earnings after tax	**– 11,180,356.43**	**– 6,010,898.41**
14. Other taxes	2,509.99	854.89
15. Net loss for the year	**– 11,182,866.42**	**– 6,011,753.30**
16. Losses brought forward	– 23,774,704.51	– 17,762,951.21
17. Accumulated losses	**– 34,957,570.93**	**– 23,774,704.51**

Notes to the Financial Statements of KATEK SE, Munich, for the Financial Year 2023

A Accounting Policies

The accounting policies used in the financial statements of KATEK SE, Munich, (local court of Munich, HRB 245284) are based on the provisions of the HGB ["Handelsgesetzbuch": German Commercial Code] applying to large corporations and the supplementary provisions of the AktG ["Aktiengesetz": German Stock Corporation Act] in conjunction with the Statute for a European Company and the SEAG ["SE-Ausführungs-Gesetz: German Act to Implement the Statute for a European Company].

The presentation, classification, recognition and measurement policies of the financial statements correspond to those applied in the previous year.

The statement of profit or loss has been prepared using the cost-summary method.

Intangible assets are measured at cost and amortized over their customary useful lives on a straight-line basis. If these assets are impaired, they are written down accordingly. Subsidies received are deducted from the cost of the assets. Intangible assets have useful lives ranging between three and five years.

Property, plant and equipment is capitalized at acquisition cost as required by tax law and, if the useful life of the item is limited, it is depreciated on a systematic basis. The useful lives range between one and six years.

Additions are depreciated using the straight-line method only. Moveable low-value assets subject to wear and tear with a cost of EUR 800.00 or less are fully expensed in the year of acquisition.

Financial assets are recognized at the lower of cost or net realizable value.

The impairment test of shares in affiliated companies in the form of an income capitalization approach is based on an integrated, five-year corporate plan with estimation uncertainties that has been adopted and approved by the Supervisory Board.

Where the book value of a fixed asset calculated on the basis of the above accounting policies is above its net realizable value on balance sheet date, it is written down to net realizable value by recording an impairment loss. If the impairment loss no longer applies in subsequent financial periods, it is reversed by an appropriate amount to reflect the increase in fair value, provided that the revaluation does not exceed amortized cost.

Receivables and other assets are stated at their face value. All discernible specific risks are taken into account in the valuation.

Cash on hand and bank balances are measured at nominal value.

Prepaid expenses relate to payments made previous to the balance sheet date that relate to expenses for a particular period after this date. These items are released on a straight line basis over time or their economic allocation.

Provisions take into account all foreseeable risks and contingent liabilities and are valued at the settlement amount on the basis of prudent business judgment. Future price and cost increases are considered provided there are sufficient objective indicators for their occurrence. Provisions with a residual term of more than one year are discounted using the average market interest rate over the last seven years as determined by the German Central Bank on the balance sheet date.

Liabilities are recognized at the settlement amount.

Deferred tax assets and deferred tax liabilities are recognized on the temporary differences between the carrying amounts of receivables from affiliated companies and provisions in the financial accounts and the tax base. Any resulting tax burden would be recognized in the balance sheet as deferred tax liabilities. In the event that deferred tax assets exceed deferred tax liabilities, the alternative treatment allowed by Sec. 274 (1) sentence 2 HGB is applied and no deferred tax assets are recognized. In the financial year, netting of deferred taxes resulted in net deferred tax assets which were not recognized.

As a "POPE" (partially-owned-parent-entity) KATEK SE and its subsidiaries fall under the scope of the OECD Pillar Two Model Rules. On 27 December 2023 the Minimum Tax Act was announced in Germany, the jurisdiction in which KATEK SE is domiciled and came into effect on the following day. The requirements of the Minimum Tax Act apply to all financial years beginning after 31 December 2023. Consequently, the Company is not subject to any extra tax burden on the reporting date. The Company avails of the mandatory exception clause regarding the recognition of deferred taxes in connection with the Pillar Two income tax regulations, anchored in Sec. 274 HGB.

According to the law, the entities in the KATEK Group must pay additional tax for each country measured on the difference between the GloBE effective tax rate and the minimum tax rate of 15%. With the exception of the subsidiaries in Bulgaria, Switzerland, Lithuania and Singapore, all group entities are already subject to an effective tax rate of 15%.

KATEK SE is currently in the process of estimating the impacts of Pillar Two on the entities of the KATEK Group for financial years beginning after 31 December 2023. This analysis reveals an average effective tax rate of 11% for the Bulgarian tax jurisdiction (based on its IFRS results), an average effective tax rate of 14% for the Swiss tax jurisdiction, an average effective tax rate of 0% for the Lithuanian tax jurisdiction and an average effective tax rate of -36% for the Singapore tax jurisdiction. Although the respective effective interest rates are all below 15%, the Group might not have to pay any Pillar Two income taxes in the jurisdictions listed above. This is due to the specific adjustments laid out in the Pillar Two legislation which could result in differences to the effective tax rates measured in accordance with IAS 12.86.

Due to the complexity of applying the legislation and calculating the GloBE income, it is impossible to reliably estimate at the present time the quantitative impact of the legislation that has been enacted or already come into force.

Receivables and liabilities denominated in **foreign currency** with a residual term of up to one year are translated using the mean closing rate in accordance with Sec. 256a HGB. To this extent, unrealized gains and losses on foreign currency translation are recognized in the financial statements. If the residual term is over one year, the currencies are translated at the historical exchange rate on the date the item originated. In the event of fluctuations in exchange rates between the date of origin and the closing date, assets and liabilities are translated using either the historical rate or the mean spot rate on the closing date taking account of the lower of cost or market principle for assets and the higher of cost or market for liabilities.

B Notes to the balance sheet and statement of profit or loss

Balance sheet

1 Fixed assets

Due to the volatile earnings situation of a subsidiary, impairment losses on shares amounting to EUR 3,781,899.06 (previous year: EUR 0.00) were recognized in the reporting year.

The separate statement of changes in fixed assets attached as an annex to the notes is an integral component of the notes to the financial statements.

2 Receivables and other assets

Receivables from affiliated companies of EUR 1,789,394.86 (previous year: EUR 363,365.84) are comprised entirely of trade receivables.

In addition, the receivables from affiliated companies contain other receivables of EUR 58,005,858.01 (previous year: EUR 36,454,583.28).

Moreover, the company carries receivables from companies in which an equity investment is held of EUR 308,985.66 (previous year: EUR 310.11). These receivables relate to trade receivables of EUR 1,283.46 (previous year: EUR 310.11) and other receivables of EUR 307,702.20 (previous year: EUR 0.00).

Other assets amount to EUR 168,659.44 (previous year: EUR 168,084.60). VAT receivables of EUR 70,649.66 (previous year: EUR 96,601.29) are included under other assets.

As in the previous year, all receivables are due within one year.

3 Cash and cash equivalents

This item contains cash in hand and bank deposits.

4 Equity

Issued capital

The issued capital of KATEK SE amounts to EUR 14,445,687.00 (previous year: EUR 14,445,687.00). It consists of 14,445,687 no-par value shares with an imputed share in capital of EUR 1.00 each. On 25 November 2022, a resolution was passed to increase capital by issuing subscription rights, making partial use of Authorized Capital 2021/I. The capital increase of EUR 1,203,807.00 was filed with the Commercial Register on 14 December 2022. All shares are fully paid up. The shares carry full dividend rights. Each share entitles the holder to one vote at the Company's annual general meeting. They are certificated in global certificates. Each shareholder of KATEK SE has a statutory right under the law to subscribe, upon its request, to any new shares originating from a capital increase in ratio to its existing relative shareholding in capital stock. There is only one class of shares. All shares are equipped with the same rights and obligations. There are no holders of shares with special rights granting control.

Authorized capital, contingent convertibles and conditional capital

Authorized capital

Based on a resolution of the extraordinary shareholders' meeting on 19 March 2021 the Management Board is authorized, subject to approval by the Supervisory Board, to raise the capital stock of the Company any time within a period of five years measured from the date that entry was made in the commercial register to this effect on 7 April 2021, by up to EUR 3,923,520.00 by issuing up to 3,923,520 new no-par bearer shares with an imputed share in capital stock of EUR 1 per share, in return for cash contribution or contribution in kind (Authorized Capital 2021/1). The remaining authorized capital after this partial utilization comes to EUR 2,719,713.00. The authorization can be utilized for a single or multiple share issues in full or in part. The Management Board is authorized, with the approval of the Supervisory Board, to exclude the shareholders' statutory subscription rights in the following cases:

- to avoid fractional amounts;
- capital increases in return for cash contributions, provided the new shares to which existing shareholders are excluded from subscription does not exceed 10% of the total capital stock at the time this authorization is exercised and the price of the new shares issued does not significantly fall short of the trading price of shares of the same class and equipped with the same rights already traded on a stock exchange on the date on which the price is finally set by the Management Board in the sense of Sec. 203 (1) and (2) and Sec. 186 (3) sentence 4 AktG;
- capital increases for a contribution in kind, particularly in the form of companies and/or distinct operations of companies, entities and/or shares in companies, receivables, patents, brands and/or other industrial rights, licenses and/or other assets and/or other rights;
- to grant the bearers of convertible bonds, convertible loans, warrant-linked bonds or warrants issued by the Company subscription rights to new shares they would be entitled to after exercising their options or conversion rights or upon fulfilling their obligation to convert;
- to issue shares to members of the Management Board, the managing directors of affiliated companies or employees of the Company or of its affiliated companies;
- or in other cases that lie in the well-understood interests of the Company.

The issue of shares excluding the subscription rights of existing shareholders under the terms of this authorization only permits shares to be issued upon the simultaneous exclusion of the subscription rights of existing shareholders if the sum of the new shares – plus any new shares issued or sold by the Company under the terms of some other authorization during the period of this authorization (until it is exercised) that excludes the shareholders' subscription rights – plus any rights issued during this period of authorization (until it is exercised) on the basis of some other authorization that excludes the shareholders' subscription rights and that grant a right to subscribe to the Company's shares or commit them to acquire shares in the Company – does not exceed 20% of the capital stock in total, calculated at the effective date or, if lower, the date on which the authorization is exercised.

If the shareholders' subscription rights are not excluded, the subscription right can also be granted by financial institutions or other companies meeting the criteria of Sec. 186 (5) AktG committing to offer them to the shareholders for subscription.

The Management Board is authorized, subject to approval of the Supervisory Board, to determine the other details concerning performance of the capital increase from Authorized Capital 2021/I, including the content of the rights attached to the shares and the terms and conditions pertaining to the issue of shares, including the issue price.

The Supervisory Board is authorized to adjust the wording of the articles of association after expiry of the authorization period or after full or partial execution of the capital increase from Authorized Capital 2021/I to match the scope of any capital increase exercised under the terms of Authorized Capital 2021/I.

Authorization to issue convertible bonds

By resolution of the extraordinary shareholders' meeting on 19 March 2021 the Management Board was also authorized, subject to approval from the Supervisory Board, to issue any time on or before 28 February 2026 in one or several installments, convertible registered or bearer bonds and/or warrant-linked bonds for a total nominal value of up to EUR 200,000,000.00 (hereinafter referred to as "Bonds") with a term not exceeding 20 years and to grant the bearers of the convertible bonds rights of conversion or options to purchase new shares in the Company with an aggregate nominal share in capital stock of up to EUR 3,119,520.00 in keeping with the more detailed terms and conditions of the convertible bond/options issue. The Bonds may be issued once or several times, in whole or in part and also simultaneously in different tranches.

The shareholders are generally entitled to a subscription right to the Bonds. The shareholders' statutory subscription rights may be satisfied in the form of one or more underwriting banks assuming the Bonds with an attached obligation to offer them to the shareholders for subscription.

However, the Management Board is authorized, subject to approval of the Supervisory Board, to exclude the subscription rights of the Company's shareholders to the Bonds or options in full or in part

- provided the issue price for a Bond does not significantly fall short of the theoretical market value of the Bonds calculated using generally accepted mathematical methods. According to Sec. 186 (3) sentence 4 AktG (simple exclusion of subscription rights upon a capital increase in return for cash contribution), the sum of the shares issued to satisfy Bonds plus any other shares issued or sold during the term of the authorization in accordance with this provision may not exceed 10% of the respective capital stock either on the effective date or on the date on which the authorization is exercised;

- to grant the bearers of conversion rights or options subscription rights to shares in the Company to compensate any dilutive effects to the scope to which they would be entitled after exercise of these rights;

- to exclude the shareholder's subscription rights to avoid fractional amounts that arise on account of the modalities of the subscription.

In the event that convertible bonds are issued, the holders of the bond are granted the right to convert them into shares of the Company in accordance with the more detailed terms and conditions of the convertible bond issue. The total share in capital stock attributable to the shares to be issued upon conversion may not exceed the nominal amount of the convertible bonds. The conversion ratio is calculated by dividing the nominal amount of a convertible bond by the fixed conversion price for a share of the Company. The conversion ratio may also be determined by dividing the issue price of a convertible bond that is below the nominal amount, by the fixed conversion price for a new share of the Company. A variable conversion ratio may be arranged, with the conversion price ranging within a corridor to be set depending on the market price of the share over the term or during a defined period within the term of the convertible bond. The conversion ratio may be rounded up or down to a full figure; moreover an additional cash premium can also be set. Furthermore, provision may be made for any fractional amounts to be combined and/or settled in cash.

If warrant-linked bonds are issued, one or more warrants shall be attached to each warrant-linked bond issue, entitling the holder to subscribe to shares of the Company in accordance with the more detailed terms and conditions of the options to be determined by the Management Board. The total share in capital stock attributable to the shares to be issued per warrant-linked bond may not exceed the nominal amount of the warrant-linked bonds.

The respective terms and conditions of the bonds may also provide for mandatory conversion at the end of their term or at an earlier date. Finally, the terms and conditions of the bonds may provide for their fair value to be paid out in cash in lieu of exercising rights of conversion or option rights to shares in the Company. The respective terms and conditions of the bonds may also provide for treasury shares of the Company to be used to satisfy conversion rights or options to shares in the Company.

The respective conversion or option price for one share in the Company (subscription price) must, even in the case of a variable swap/conversion ratio, either (a) correspond to at least 80% of the average closing price (XETRA exchange or a comparable successor platform) of the share in the Company on the ten days of trading immediately preceding the date on which the resolution is passed by the Management Board to issue convertible bonds or warrant-linked bonds, or (b) correspond to at least 80% of the average closing price (XETRA exchange or a comparable successor platform) of the share in the Company on the days on which the subscription rights are traded on the Frankfurt stock exchange, with the exception of the last two days of trading in subscription rights. Sec. 9 (1) and Sec. 199 (2) AktG remain unaffected.

If the economic value of the existing convertible bonds or options is diluted during their term and no subscription rights are granted as compensation, the value of the conversion rights or options will be adjusted – regardless of the minimum issue price pursuant to Sec. 9 (1) AktG – to the extent that such adjustment is not already mandatory under the law. At any rate, the share in capital stock attributable to the no-par bearer shares to be issued under the terms of the Bond may not exceed the nominal value of the Bond.

In the place of adjusting the price of the option or conversion price, the corresponding amount may be paid out by the Company in cash upon exercise of the option or conversion right or upon satisfaction of the mandatory convertible in accordance with the more detailed terms and conditions of the option or conversion bond issue. In addition, the terms and conditions of the bond issue may also provide for an adjustment of the option or conversion rights or duties in the event of a capital reduction or other extraordinary capital adjustment or event.

The Management Board is entitled, subject to approval of the Supervisory Board, to determine the further details of the convertible bond and/or warrant-linked bond issue and their attached rights and duties, including, but not limited to, the coupon rate, the issue price, the term, their denomination, exercise price and the exercise period.

Conditional capital

By resolution of the Annual General Meeting on 25 September 2019 and in conjunction with the resolution passed on 19 March 2021, capital stock may be increased by up to EUR 804,000.00 by issuing up to 804,000 new no-par bearer shares with an imputed share in capital stock of EUR 1.00 per share (Conditional Capital 2019). The contingent capital increase may only be executed to the extent that subscription rights have been and are issued under the 2019 stock option program in accordance with the resolution of the Annual General Meeting on 25 September 2019 entitling the bearers to exercise their right to subscribe to shares in the Company and only when the rights are not satisfied in some other way (e.g. cash payment or serviced from treasury stock). The Supervisory Board has the sole jurisdiction when it comes to granting subscription rights to members of the Management Board and settling such rights. The new shares participate in the appropriation of retained profits from the beginning of that financial year in which the Annual General Meeting has not yet passed any resolution on the appropriation of retained earnings as at the date on which the shares are issued. The Management Board is authorized, subject to approval of the Supervisory Board, to determine the other details concerning the contingent capital increase.

By resolution of the Annual General Meeting passed on 19 March 2021, capital stock may be increased by up to EUR 3,119,520.00 by issuing up to 3,119,520 new no-par bearer shares with an imputed share in capital stock of EUR 1.00 per share (Conditional Capital 2021/I). The increase in contingent capital serves the sole purpose of granting shares to bearers of convertible bonds issued by the Company or one of its direct or indirect equity investments in Germany or abroad in accordance with the authorization of the Annual General Meeting of 19 March 2021.

New shares may only be issued at a conversion price that corresponds to the terms and conditions of the authorization passed by resolution of the Annual General Meeting on 19 March 2021. To this extent, a contingent capital increase may only be executed to the extent that bearers of convertible bonds exercise their conversion rights and the rights are not settled with existing shares, shares from Authorized Capital or any other form of settlement. The new shares participate in the appropriation of retained profits from the beginning of that financial year in which the Annual General Meeting has not yet passed any resolution on the appropriation of retained earnings as at the date on which the shares are issued. The Management Board is authorized, subject to approval of the Supervisory Board, to determine the other details concerning the contingent capital increase.

The Supervisory Board is authorized to amend the articles of association accordingly if the authorization to issue convertible bonds issued by the Annual General Meeting on 19 March 2021 is not exercised, after expiry of the term of the authorization and when Conditional Capital 2021/I is not or only partly used, after expiry of all conversion deadlines.

Capital reserves

The capital reserve amounts to EUR 132,956,636.05 (previous year: EUR 132,956,636.05).

5 Other provisions

Other provisions consist of provisions for obligations towards personnel of EUR 329,163.61 (previous year: EUR 190,100.91).

In addition, other provision contain provisions for outstanding invoices of EUR 182,710.00 (previous year: EUR 544,542.23), provisions for the cost of preparation and audit of the financial statements of EUR 266,750.00 (previous year: EUR 121,000.00) and provisions for expenses of the Supervisory Board and audit committee of EUR 120,000.00 (previous year: EUR 114,333.33) and provisions for tax advisory services of EUR 28,280 (previous year: EUR 7,970.00).

6 Liabilities

Liabilities to banks of EUR 7,023,033.66 (previous year: EUR 34,479,360.44) have a residual term of < 1 year. Liabilities to banks of EUR 68,000,000.00 (previous year: EUR 0.00) have a residual term of one to five years.

All the loans in the loan book of EUR 75,023,033.66 as at the reporting date (previous year: EUR 34,479,360.44) are based on agreements that require certain covenants to be observed. Each quarterly reporting date, KATEK reviews its compliance with the covenants set for the equity ratio and the net debt ratio and documents them accordingly. A waiver dated 31 December 2022 is in place for the own funds covenant (ratio of own funds to the adjusted balance sheet total as defined in the loan agreement) due to the fact that the covenant was breached on 31 December 2022. For the following reporting dates, this covenant will be replaced by a minimum sum of own funds as defined in the loan agreement that must be observed until 31 March 2024.

In this connection, loans that had an original term until October 2025 of EUR 30,000,000.00 were classified as current in the previous year.

In the financial year 2023 the loan was reclassified back to non-current loans.

As in the previous year, liabilities of EUR 75,023,033.66 (previous year: EUR 34,479,360.44) were secured in the financial year by a joint and several guarantee extended by a number of affiliated companies.

Liabilities to affiliated companies include trade payables of EUR 192,552.72 (previous year: EUR 82,266.71) and trade accounts payable to shareholders of EUR 10,829 (previous year: EUR 0.00). Their residual useful life is less than one year.

Other liabilities to affiliated companies of EUR 7,039,304.15 (previous year: EUR 1,374,089.89) are due within one year. There are no other liabilities to affiliated companies with a residual term of 1-5 years or more than 5 years.

Liabilities to shareholders of EUR 10,018,166.67 (previous year: EUR 0.00) are due within one year and are attributable to other liabilities..

Other liabilities break down as follows:

EUR k	31 Dec 2023	31 Dec 2022
Tax liabilities	84,387.61	1,100,516.36
Liabilities ralated to social security	5,212.55	1,881.81
Sundry other liabilities	4,773,506.84	3,720,000.00
	4,863,107.00	**4,822,398.17**

Sundry other liabilities include an amount of EUR 4,863,107.00 (previous year: EUR 1,822,398.17) with a residual term of less than one year and an amount of EUR 0.00 (previous year: EUR 3,000,000.00) with a residual term of one to five years. There were no other liabilities with a term of more than five years.

Statement of Profit or Loss

7 Revenue

Revenue is generated from the services rendered to affiliated companies.

8 Other operating income

Other operating income includes income from affiliated companies of EUR 3,760,069.59 (previous year: EUR 3,238,778.21), out-of-period income from the reversal of provisions of EUR 38,249.19 (previous year: EUR 62,583.83) and exchange gains from currency translation of EUR 45,251.190 (previous year: EUR 5,821.00).

9 Personnel expenses

The item "Social security, pension and other benefit costs" includes EUR 210,459.74 (previous year: EUR 91,664.03) for social security.

10 Other operating expenses

Other operating expenses contain consulting fees of EUR 3,572,101.94 (previous year: EUR 3,439,852.11). Of this total, an amount of EUR 830,370.69 relates to invoices from the shareholders for services (previous year: EUR 838,645.84). In the previous year, other operating expenses included consulting fees of EUR 401,171.46 incurred in connection with the capital increase in 2022. Other items include other administrative expenses of EUR 2,327,973.22 (previous year: EUR 1,979,579.61), other personnel expenses of EUR 1,577,073.45 (previous year: EUR 934,615.36), selling expenses of EUR 661,681.37 (previous year: EUR 577,760.44), exchange losses from foreign currency translation of EUR 95,059.74 (previous year: EUR 67,027.58) and out-of-period expenses for outstanding invoices of EUR 387,139.64 (previous year: EUR 170,862.50).

11 Amortization of financial assets

Write-downs on financial assets include unscheduled write-downs on shares amounting to EUR 3,781,899.06 (previous year: EUR 0.00).

12 Investment income

Income from profit and loss transfer agreements consists of EUR 2,637,641.79 (previous year:

EUR 239,365.02) from **affiliated companies**.

The expenses from absorbing losses under the terms of profit and loss transfer agreements consist of EUR 2,002,582.75 (previous year: EUR 867,226.56) from **affiliated companies**.

13 Income from long-term loans

Other operating income contains interest income of EUR 612,531.52 (previous year: EUR 332,759.06) on loans extended to affiliated companies.

14 Financial result

Of other interest and similar expenses, an amount of EUR 2,420,824.67 relates to **affiliated companies** (previous year: EUR 576,707.25).

Of other interest and similar expenses, an amount of EUR 131,107.64 (previous year: EUR 68.376,54) relates to **affiliated companies**.

C Other notes

1 Shareholdings

As at the balance sheet date, the Company held equity investments in the following companies as defined by Sec. 271 (1) HGB:

Name and registered offices of the company	Holding (%)	Equity (EUR k)	Net profit or loss (EUR k)
Direct shareholding			
KATEK Memmingen GmbH, Memmingen, Germany	100	31,588	5,689
Katek GmbH, Grassau, Germany	100	39,842	– 6,469
KATEK Mauerstetten GmbH, Mauerstetten, Germany *	100	8,902	0
beflex electronic GmbH, Frickenhausen, Germany *	100	4,933	0
eSystems MTG GmbH, Wendlingen am Neckar, Germany	100	4,194	297
KATEK Leipzig GmbH, Leipzig, Germany	100	2,304	– 9
Aisler B.V., Vaals, Netherlands	50.01	– 52	– 637
Telealarm Europe GmbH, Leipzig, Germany *	100	2,335	0
KATEK Canada Inc. (former SigmaPoint Technologies Inc.), Cornwall, Kanada	100	3,104	– 1,023
Nextek Inc., Madison, USA	100	14,403	1,216
KATEK Vorrats-GmbH 1, Munich, Germany	100	12	0
BEFLEX ELECTRONIC MALAYSIA SDN. BHD., Kuala Kabu Baru, Malaysia	100	– 967	– 1,132
TYDE GmbH, Pullach, Germany **	10	1,879	– 2,054
Indirect shareholding			
KATEK Elektronik Bulgaria EOOD, Saedinenie, Bulgaria	100	11,555	2,122
Katek Hungary kft., Györ, Ungarn	100	12,555	1,039
KATEK Czech Republic s.r.o; Horni Sucha, Czech Republic	100	9,367	349
KATEK Düsseldorf GmbH, Düsseldorf, Germany *	100	3,040	0
TeleAlarm SA, La Chaux-de-Fonds, Switzerland	100	5,234	3,426
KATEK LT UAB, Panevėžys, Lithuania	100	– 162	– 201
KATEK SINGAPORE PTE. LTD., Singapore, Singapore	100	138	1
KATEK MALAYSIA SDN. BHD., Kuala Lumpur, Malaysia	100	9	12
AISLER AMERICAS, INC., Claymont, Delaware, USA	50.01	– 17	– 8
AISLER Germany GmbH, Aachen, Germany	50.01	– 24	177
Zamm GmbH, Memmingen, Germany **	16.2	706	15

*) Profit and loss transfer agreement
**) Financial statements as of 31 Dec 2022

2 Human resources

On average, 12.5 salaried employees were employed in the financial year (previous year: 6.5), all of whom worked in administration.

3 Contingent liabilities and other financial obligations

Other financial obligations mainly relate to obligations under lease agreements with affiliated companies of EUR 19k (previous year: EUR 82k) and service contracts of EUR 817k (previous year: EUR 817k). Obligations under loan agreements with third parties come to EUR 22k (previous year: EUR 37k).

Potential liabilities related to the contingent consideration payable on business combinations can range between EUR 0 and EUR 6,831k.

The following contingent liabilities have been entered into for the benefit of affiliated companies:

The Company is liable for the liabilities of KATEK Düsseldorf GmbH, KATEK Leipzig GmbH and beflex electonic GmbH arising from finance leases for machines. Financial obligations from these financing arrangements amount to EUR 18,504k as at the reporting date (previous year: EUR 19,921k).

In addition, to avoid the overindebtedness of KATEK Leipzig GmbH, KATEK SE issued a loan commitment and attached letter of subordination, resulting in receivables of EUR 10,000k from the loans issued becoming subordinated to the present and future claims of all other creditors. This declaration expires on 31 December 2024.

KATEK SE has extended another letter of subordination for a loan of EUR 307k extended to a company in which it holds an equity interest.

In addition, to avoid the overindebtedness of eSystems MTG GmbH, KATEK SE issued a loan commitment and attached letter of subordination. Under the terms of this letter, receivables of EUR 2,000k from the loans issued become subordinated to the present and future claims of all other creditors. This declaration expires on 31 December 2024.

Based on the specific mid-range planning of the respective entities, it is currently deemed unlikely that the warranties and contingent liabilities will be drawn on.

4 Company boards

The members of the Management Board in the financial year 2023 were:

- Rainer Koppitz (CEO, Munich, Strategy and Business Development (among others), Chairman of the Management Board)
- Dr. Johannes Fues (CFO, Munich, Finance and Legal Affairs (among others)

The members of the Management Board were granted total remuneration of EUR 788k (previous year: EUR 784k) for their services for the Group in the financial year. Of this amount, EUR 67k is outstanding on the reporting date, because the remuneration is contingent upon the financial performance in the year. Of this amount, EUR 61k (previous year: EUR 26k) consists of benefits were also outstanding on the reporting date as the stock program is set up for the long term.

Mr. Rainer Kopitz resigned from the Management Board effective 29 February 2024. Dr. Fues will step down from the Management Board at the end of day, 30 April 2024. The corresponding severance agreements were signed on 18 January 2024.

According to a resolution passed by circulation, Mr. Hannes Niederhauser, CEO of Kontron AG, was appointed to the Management Board on 4 March 2024 and named as its Chairman.

The members of the Supervisory Board in the financial year 2023 were:

- Klaus Weinmann (Managing Director and Chairman of the Advisory Board of PRIMEPULSE SE), Munich (Chairman)
- Markus Saller (Director Mergers & Acquisitions PRIMEPULSE SE), Munich (Deputy Chairman)
- Andreas Müller (CEO of S.D.L., Süddeutsche Leasing AG), Elchingen
- Hannes Niederhauser (Chairman of the Management Board of Kontron AG), Linz
- Prof. Dr. Constanze Chwallek, (Professor at Fachhochschule Aachen), Aachen

Total remuneration of EUR 120k was granted to the members of the Supervisory Board in the financial year (previous year: EUR 114k).

In a letter dated April 25, 2023, Mr. Andreas Müller resigned from office with effect from the end of the 2023 Annual General Meeting on June 20, 2023.

By resolution of the Annual General Meeting on 20 June 2023, Prof. Dr. Constanze Chwallek was appointed to the Supervisory Board.

By letter dated 15 November 2023, Mr. Hannes Niederhauser stepped down from the Supervisory Board of KATEK SE effective 14 December 2023.

Mr. Klaus Weinmann and Mr. Markus Saller stepped down from their positions as Chairman of the Supervisory Board and Deputy Chairman of the Supervisory Board effective 12 March 2024.

The following individuals were appointed to the Supervisory Board of KATEK SE by order of the court dated 13 March 2024:

Ms. Claudia Badstöber, a member of the management of a number of entities held by the Austro Holding- und grosso holding group, resident in Vienna, Austria, as the Chairwoman of the Supervisory Board.

Mr. Dieter Gauglitz, auditor and independent business consultant, resident in Munich, as the Deputy Chairman.

Mr. Christoph Öfele, managing director of WAI Wirtschaftsanalysten & -informations GmbH, resident in Puchheim, as an ordinary member of the Supervisory Board.

5 Parent company/group affiliations

The Company is a subsidiary of PRIMEPULSE SE, Munich, and is included in its consolidated financial statements. PRIMEPULSE SE prepares the consolidated financial statements for the largest group of companies. The Company prepares consolidated financial statements for the smallest group of consolidated companies. The consolidated financial statements are published in the Bundesanzeiger (Federal Gazette).

6 Subsequent events

By contract dated 18 January 2024 the former majority shareholder of KATEK SE, namely, PRIMEPULSE SE, Munich, agreed to sell all of the shares it held in KATEK SE (59.4% of the share capital of KATEK SE) to Kontron Acquisition GmbH, Ismaning, a wholly-owned subsidiary of Kontron AG, Linz, Austria, a listed company. The agreement was closed on 29 February 2024 upon approval from the European antitrust authorities on 29 February 2024. As a result, Kontron Acquisition GmbH obtained control over KATEK SE. A mandatory tender offer is scheduled in the near future within the framework of a squeeze-out to acquire all of the outstanding shares KATEK SE, with the intention to delist the shares of KATEK SE from the regulated market of the Frankfurt Stock Exchange.

The Chairman of the Management Board of KATEK SE, Mr. Rainer Koppitz, stepped down from the Management Board effective 29 February 2024. Upon his resignation, Mr. Hannes Niederhauser, Chairman of the Management Board of Kontron AG, was appointed to the Management Board of KATEK SE effective 4 March 2024.

The Chairman of the Supervisory Board, Mr. Klaus Weinmann, and another member of the Supervisory Board, Mr. Markus Saller, stepped down from the Supervisory Board of KATEK SE effective 12 March 2024 upon Kontron Acquisition GmbH obtaining control with the execution of the transaction.

The following individuals were appointed to the Supervisory Board of KATEK SE by order of the court dated 13 March 2024:

Ms. Claudia Badstöber, a member of the management of many entities held by the Austro Holding- und grosso holding group, resident in Vienna, Austria, as the Chairwoman of the Supervisory Board.

Mr. Dieter Gauglitz, auditor and independent business consultant, resident in Munich, as the Deputy Chairman.

Mr. Christoph Öfele, managing director of WAI Wirtschaftsanalysten & -informations GmbH, resident in Puchheim, as an ordinary member of the Supervisory Board.

If more than 50% of the shares in a stock corporation domiciled in Germany are transferred, the unused tax losses only survive in certain circumstances. If these conditions are not met, the unused tax losses are extinguished in full. One possibility for retaining the unused tax losses is to ensure that the unused tax losses do not exceed the taxable hidden reserves. Alternatively, an application can be made to have the unused tax losses assessed separately and tied to the continued existence of the corporation, although this generally entails extensive requirements on maintaining the business operation with corresponding deadlines attached to both before and after the transaction.

Based on the merits of the case, the acquisition of more than 50% of the shares in KATEK SE by Kontron Acquisition GmbH, effective 29 February 2024, results in the loss of the unused tax losses carried by the German entities. Whether and to what extent the conditions are met to protect the unused tax losses in Germany is currently being analyzed and cannot be reliably assessed at present. As at 31 December 2023, unused tax losses of EUR 72,085k were carried in Germany for corporate income tax purposes and EUR 70,312k for trade tax purposes. It is not known whether there are any corresponding regulations in other tax jurisdictions.

No provisions were recognized for severance payments and other compensation payments totaling EUR 1,350k to members of the Management Board whose service contracts were terminated on 1 March 2024 and 1 May 2024 respectively. Based on the terms of the severance agreements, the provisions for short and long-term incentives of EUR 61k (LTI) and EUR 67k (STI) are to be released to income.

The earn-out liability that is currently recognized in connection with the acquisition of KATEK Canada in the prior year, could change significantly upon Kontron obtaining control, as the earn-out liability is calculated on the basis of the EBITDA, trade working capital and net financial debt as at 31 December 2023, coupled with the fact that Kontron is one of the main customers of KATEK Canada.

In sum, all measurements as at 31 December 2023 are based on the business planning drawn up prior to Kontron obtaining control. More recent facts and circumstances subsequent to the reporting date could change the performance figures.

Due to the provision of finance by the new indirect majority shareholder, KONTRON AG, in the form of two intercompany financing arrangements involving a limited term loan of EUR 30 million and a working capital facility of EUR 60 million, the syndicated bank loan that had been in place since October 2022 was repaid in full to the syndicate of banks on 28 March 2024 . As a result of the change of control described above, the financing bank consortium could have made use of an immediate option to terminate the syndicated loan agreement, which has now already been repaid.

On 4 March 2024, the Management Board of KATEK SE received an offer from PRIMEPULSE 3 Vorrats-GmbH, a wholly-owned subsidiary of PRIMEPULSE SE, Munich, to purchase all the shares in TeleAlarm Europe GmbH for a purchase price of EUR 39.0 million. The offer and the decision to accept it or not will be reviewed before the end of day, 31 May 2024.

Effective 1 January 2024, KATEK SE, Munich, acquired all the shares in KATEK SINGAPORE PTE. LTD., Singapore, from beflex electronic GmbH, Frickenhausen.

7 Appropriation of profit or loss

The accumulated deficit will be carried forward.

8 Declaration of conformity in accordance with Sec. 161 AktG

The declaration required by Sec. 161 AktG ("Declaration of Conformity with the German Corporate Governance Code") was issued jointly by the Management Board and Supervisory Board of KATEK SE and made available to the shareholders on the website of the Company (www.katek-group.com) in the Investor Relations section.

9 Auditor's fees

The disclosures on the fees paid to the auditors according to Sec. 285 No. 17 HGB are contained in the consolidated financial statements of the Company.

Munich, 26 April 2024

KATEK SE

Management Board

Hannes Niederhauser	**Dr. Johannes Fues**
CEO	CFO

Attachment to the notes: Statement of Changes in Fixed Assets of KATEK SE, Munich, for the Financial Year 2023

	Cost			
Fixed Asset	**1/ Jan/ 2023**	**Additions at cost**	**Disposals at cost**	**31 Dec 2023**
I. Intangible Assets	**0.00**	**58,800.00**	**0.00**	**58,800.00**
1. Concessions, industrial property rights and similar rights acquired for consideration and licenses to such rights and assets	0.00	58,800.00	0.00	58,800.00
II. Property, plant and equipment	**104,196.48**	**70,080.27**	**0.00**	**174,276.75**
1. Other equipment, plant and office equipment	104,196.48	70,080.27	0.00	174,276.75
III. Financial Assets				
1. Shares in affiliated companies	100,812,063.15	18,421,486.11	0.00	119,233,549.26
2. Loans to affiliated companies	21,056,504.41	1,793,554.59	2,032,755.29	20,817,303.71
3. Equity investments	1,816,157.81	0.00	0.00	1,816,157.81
Total Financial asset	**123,684,725.37**	**20,215,040.70**	**2,032,755.29**	**141,867,010.78**
Total Dec 2023	**123,788,921.85**	**20,343,920.97**	**2,032,755.29**	**142,100,087.53**

	Depreciation			Book value	
Property, plant and equipment	**1/ Jan/ 2023**	**Additions**	**31 Dec 2023**	**31 Dec 2023**	**31 Dec 2022**
I. Intangible Assets	**0.00**	**0.00**	**0.00**	**58,800.00**	**0.00**
1. Concessions, industrial property rights and similar rights acquired for consideration and licenses to such rights and assets	0.00	0.00	0.00	58,800.00	0.00
II. Property, plant and equipment	**– 47,110.35**	**– 37,698.56**	**– 84,808.91**	**89,467.84**	**57,086.13**
1. Other equipment, plant and office equipment	– 47,110.35	– 37,698.56	– 84,808.91	89,467.84	57,086.13
III. Financial Assets					
1. Shares in affiliated companies	0.00	– 3,781,899.06	– 3,781,899.06	115,451,650.20	100,812,063.15
2. Loans to affiliated companies	0.00	0.00	0.00	20,817,303.71	21,056,504.41
3. Equity investments	0.00	0.00	0.00	1,816,157.81	1,816,157.81
Total Financial asset	**0.00**	**– 3,781,899.06**	**– 3,781,899.06**	**138,085,111.72**	**123,684,725.37**
Total Dec 2023	**– 47,110.35**	**– 3,819,597.62**	**– 3,866,707.97**	**138,233,379.56**	**123,741,811.50**

Responsibility statement

We assure to the best of our knowledge that, in accordance with the applicable accounting principles, the separate financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group and that the management report of KATEK SE and the KATEK Group provides a true and fair view of the course of business, the business results and the situation of the Group and also describes the significant opportunities and risks relating to the anticipated development of the Group.

Munich, 26 April 2024

KATEK SE

Management Board

Hannes Niederhauser CEO	**Dr. Johannes Fues** CFO

Independent Auditor's Report

To KATEK SE, Munich

Report on the Audit of the Financial Statements and the Combined Management Report

Audit Opinions

We have audited the financial statements of KATEK SE, Munich, which comprise the balance sheet as at 31 December 2023 and the statement of profit or loss for the financial year from 1 January 2023 to 31 December 2023 as well as the notes to the financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of KATEK SE, Munich, consisting of the content needed to fulfill the requirements of Secs. 289, 289a, 315, 315a HGB ["Handelsgesetzbuch": German Commercial Code] and Sec. 315 (3) sentence 3 AktG ["Aktiengesetz": German Stock Corporation Act] and the remuneration report incorporated in section D of the combined management report, with the associated disclosures, for the financial year from 1 January 2023 to 31 December 2023. In accordance with the German legal requirements, we have not audited the content of the Corporate Governance Statement pursuant to Sec. 289f and Sec. 315d HGB, referred to in section E of the combined management report, nor the content of the separate Non-Financial Statement of the Group pursuant to Sec. 315b HGB, which is referred to in section F of the combined management report nor section G 1.1 of the combined management report, "Key features of the system of internal controls and risk management system as well as a statement on the appropriateness and effectiveness of the systems".

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2023 and of its financial performance for the financial year from 1 January 2023 to 31 December 2023 in compliance with German legally required accounting principles, and

- the accompanying combined management report as a whole provides an appropriate view of the Company's position. In all material respects, this combined management report is consistent with the financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not extend to the content of the Corporate Governance Statement or the content of the separate Non-Financial Statement of the Group referred to above or Section G 1.1. of the combined management report, "Key features of the system of internal controls and risk management system as well as a statement on the appropriateness and effectiveness of the systems" referred to above.

Pursuant to Sec. 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the financial statements and of the combined management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) lit. (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the financial statements and on the combined management report.n.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year from 1 January 2023 to 31 December 2023. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

We summarize what in our view are the key audit matters below: We have structured our presentation of the key audit matters as follows:

1. Risk to the financial statements

2. Auditor's response

3. Reference to associated disclosures

Recoverability of shares in the affiliated company KATEK Mauerstetten GmbH

1. Risk for the annual financial statements

Shares in affiliated companies of EUR 115.4 million are presented under financial assets in the annual financial statements of KATEK SE. Of this amount, EUR 17.3 million is due to shares in KATEK Mauerstetten GmbH. The carrying amount of the shares in this affiliated company account for a total of 9.80% of total assets and therefore has a material influence on the assets and liabilities of the Company. In financial year 2023, impairment losses of EUR 3.8 million were recorded on the shares held in the affiliated company, KATEK Mauerstetten GmbH.

In the case of permanent impairment, shares in affiliated companies are measured at the lower of cost or their fair value. KATEK SE measures the fair value of significant shares in affiliated companies using the capitalized earnings method.

The calculation of the fair value using the capitalized earnings method is complex and, in terms of the assumptions made, heavily dependent on estimates and judgments by the executive directors of KATEK SE. This especially applies to estimates of future earnings, the long-term growth rate and the calculation of the discount rate.

Due to the volatile financial performance of the entity, there is a risk for the financial statements that the shares held in the affiliated company KATEK Mauerstetten GmbH are not recoverable. For this reason, this matter was deemed to be a key audit matter.

2. Auditor's response

In the course of our audit, we obtained an understanding of the processes used to measure the fair value of the shares held in KATEK Mauerstetten GmbH. Among other procedures, we assessed the methodology used to measure fair value. We also assessed the controls that have been set up in this regard to identify and determine any indications of a possible impairment.

We reconciled the earnings forecasts used to measure the fair value with the five-year mid-range integrated business plan drawn up by the executive directors and approved by the Supervisory Board. We analyzed the consistency and justifiability of the assumptions relating to the growth drivers in the business plan by interviewing selected employees. Our analysis was based on our understanding of the economic environment and current circumstances on the relevant market on the reporting date or expected in future. In addition, in the course of auditing the impairment testing of the shares held in KATEK Mauerstetten GmbH, we also compared last year's budget with the actual performance of the financial year and compared the current budgetary planning to last year's budget. We analyzed and assessed the market data used by KATEK SE to check the plausibility of its budgetary planning.

Due to the fact that changes in the discount rate can have a substantial impact on the results of the valuation, we assessed the parameters used in the calculation of the discount rate with support from our internal valuation specialists and verified the mathematical formula used for the calculation. In addition, we analyzed and assessed the consistent use of parameters and consistent use of methodology used to determine the discount rate in comparison to the prior year.

After conducting these audit procedures we did not find any reason to object to the results of the impairment testing of the shares held in KATEK Mauerstatten GmbH.

3. Reference to the associated disclosures

The disclosures made by KATEK SE on shares in affiliated companies can be found in section “A. Accounting policies”, “B.1 Non-current assets” and “B.11 Write-downs of financial assets” in the notes to the financial statements.

Other information

The Management Board and the Supervisory Board are responsible for the other information. The other information comprises

- the Corporate Governance Statement pursuant to Sec. 289f HGB and Sec. 315d HGB
- the separate consolidated non-financial statement pursuant to Sec. 315b HGB
- the responsibility statement of the Management Board regarding the notes to the consolidated financial statements and the combined management report in accordance with Sec. 297 (2) sentence 4 HGB and Sec. 315 (1) sentence 5 HGB
- the report of the Supervisory Board
- the remaining parts of the 2023 annual report
- but it does not comprise the consolidated financial statements, the separate annual financial statements, the audited components of the combined management report and our respective auditor’s reports regarding these.

The Management Board and the Supervisory Board are responsible for the declaration of conformity with the German Corporate Governance Code pursuant to Sec. 161 AktG contained in the (consolidated) Corporate Governance Statement. The Supervisory Board is responsible for the report of the Supervisory Board. In all other respects, the Management Board is responsible for the other information.

Our audit opinions on the financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the aforementioned other information and, in so doing, to consider whether the other information

- is materially inconsistent with the financial statements, the elements of the combined management report whose content was audited, or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, 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 regard.

Responsibilities of the Management Board and the Supervisory Board for the Financial Statements and the Combined Management Report

The Management Board is responsible for the preparation of the financial statements that comply, in all material respects, with the requirements of German commercial law applying to stock corporations and that the financial statements, in compliance with German GAAP (“Grundsätze ordnungsmäßiger Buchführung”), give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the Management Board is responsible for such internal control as it has determined necessary in accordance with German legally required accounting principles to enable the preparation of financial statements that are free from material misstatement due to fraud (i.e. fraudulent financial reporting and misappropriation of assets) or error.

In preparing the financial statements, the Management Board is responsible for assessing the Company’s ability to continue as a going concern.

They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, it is responsible for financial reporting based on the going concern basis of accounting unless there are actual or legal circumstances for not doing so.

Furthermore, the Management Board is responsible for the preparation of the combined management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Management Board is responsible for such arrangements and measures (systems) as he has considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Furthermore, the Management Board and the Supervisory Board are responsible for compiling the remuneration report, contained in a separate section of the combined management report, and that the associated disclosures comply with the requirements of Sec. 162 AktG. In addition, they are responsible for such internal control as they have determined necessary to enable the preparation of the compensation report free from material misstatement due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements and of the Combined Management Report

Unsere Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report of the Company as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the financial statements and on the combined management report of the Company.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting material misstatements resulting from fraud is higher than the risk of not detecting material misstatements resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations and the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.

- Evaluate the appropriateness of accounting policies used by the Management Board and the justifiability of estimates made by the Management Board and related disclosures.

- Conclude on the appropriateness of the Management Board'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. 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 Company to cease to be able to continue as a going concern.

- Evaluate the presentation, structure and content of the financial statements as a whole, including the disclosures, and whether the financial statements present the underlying transactions and events in a manner that the financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.

- Evaluate the consistency of the combined management report with the financial statements, its conformity with [German] law, and the view of the Company's position it provides.

- Perform audit procedures on the prospective information presented by the Management Board in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Management Board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, on the procedures taken to remedy the actions that could jeopardize our independence or the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Matter – Audit of the Formal Requirements for the Remuneration Report

The audit of the combined management report described in this independent auditors' report extends to an audit of the formal requirements of the remuneration report required by Sec. 162 (3) AktG, including the issue of an auditor's opinion thereon. As we have issued an unqualified audit opinion on the combined management report, this audit opinion also extends to our opinion on whether the disclosures in the remuneration report required by Sec. 162 (1) and (2) have been made in all material respects.

Other Legal and Regulatory Requirements

Report on the assurance on the electronic rendering of the annual financial statements and the combined management report prepared for publication purposes in accordance with Sec. 317 (3a) HGB

Audit Opinion

We have performed assurance work in accordance with Sec. 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the financial statements and the combined management report contained in the file "Name: 5299000GH0E40P6I9F13-2023-12-31-de.zip" (hereinafter also referred to as "ESEF documents") and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit extends only to the conversion of the information contained in the annual financial statements and the combined management report into the ESEF format and therefore not to the information contained in these reproductions nor to any other information contained in the above-mentioned file.

In our opinion, the rendering of the annual financial statements and the combined management report contained in the file identified above and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying annual financial statements and the combined management report for the financial year 1 January 2023 to 31 December 2023 contained in the "Report on the audit of the annual financial statements and of the combined management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the Audit Opinion

We conducted our assurance work on the rendering of the annual financial statements and the combined management report contained in the file identified above in accordance with Sec. 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Sec. 317 (3a) HGB (IDW AsS 410) (06.2022). Our responsibility in accordance therewith is further described in the "Auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QMS 1 (09.2022)).

Legal Uncertainty Relating to Conformity of the Interpretation with the Relevant European Laws

Due to the process selected by the Company to convert the consolidated financial statements to the iXBRL format ("block-tagging) required by the ESEF, the information in the notes to the consolidated financial statements is not fully machine readable in a sensible manner. Whether the interpretation by the Management Board, namely, that Commission Delegated Regulation (EU) 2018/815 does not explicitly require a machine-readable form when block-tagging the structured information in the notes to the financial statements, conforms with the law, is subject to major legal uncertainty, which therefore constitutes an inherent uncertainty to our audit.

Responsibility of the Management Board and the Supervisory Board for the ESEF Documents

The Management Board of the Company is responsible for the preparation of the ESEF documents containing the electronic rendering of the annual financial statements and the combined management report in accordance with Sec. 328 (1) sentence 4 No. 1 HGB.

In addition, the Management Board of the Company is responsible for such internal control as it has determined necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Auditor's Responsibilities for the Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e., whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this file.

- Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited annual financial statements and to the audited combined management report.

Further Information pursuant to Art. 10 of the EU Audit Regulation

We were elected as the independent auditor by the annual general meeting on 20 June 2023. We were engaged by the Supervisory Board on 20 November 2023. We have been the auditor of KATEK SE, Munich, without interruption since the financial year 2021.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Other Matter - Use of the Auditor's Report

Our auditor's report must always be read together with the audited annual financial statements and the audited combined management report as well as the assured ESEF documents. The financial statements and the combined management report converted to the ESEF format – including the versions to be published in the Company Register – are merely electronic renderings of the audited financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Andrea Stoiber-Harant.

Munich, 26 April 2024

Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Thomas Senger	Andrea Stoiber-Harant
Wirtschaftsprüfer	Wirtschaftsprüfer

This is a translation of KATEK Group's interim report. Only the German version is legally binding.
No warranty is made as to the accuracy of the translation and the company assumes no liability with respect thereto. The company cannot be held responsible for any misunderstanding or misinterpretation arising from this translation.

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Chairwoman of the Supervisory Board: Claudia Badstöber
Register court: Amtsgericht München
Register number: HRB 245284
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KATEK

Lead the category

www.katek-group.com