KATEK

Lead the category

MEMBER OF PRIMEPULSE

Annual Report 2021

At a glance

Group key figures (in kEUR)

	FY 2021	FY 2020
Revenue	540,119	414,201
Gross profit	160,522	123,407
EBITDA	28,696	12,898
EBIT	7,472	-1,295
EBITDA adj.	30,335	20,806
Margin EBITDA (adj.)*	5.6%	5.0%
Net profit and loss of the Group	8,175	1,591
	31 Dec 2021	**31 Dec 2020**
Total Assets	393,941	270,521
Equity	151,799	65,093
Equity ratio	38.5%	24.1%

* in % of total operating performance







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Content

Letter from the Management Board

Dear shareholders,

2021 was a very special year for KATEK: Developments in the year 2021 are the result of massive dedication on the part of our strong TeamBlue in both Germany and abroad. Together, we have successfully taken many smaller steps each day and sometimes major ones.

We have been able to continue our profitable growth trajectory. With sales of approximately EUR 540.1 million, we recorded the highest sales in the history of our Group. The growth in the business of 30.4%, which would have been even 10% higher had it not been for the supply bottlenecks caused by the pandemic, is based on very strong growth in almost all of the industries served by KATEK with high-value electronics. As a result, we met our guidance without any need for adjustment and occupy 2nd place in the relevant segment in Germany and 3rd place in Europe.

Once again, the development of the KATEK Group was our highest priority. We were able to realize valuable growth stimulus and are profiting from our good position in growing markets and fields of application. The markets showing most promise for the future of telecare, e-mobility/charging and solar/renewables developed in very pleasing fashion with their total sales rising by 64.8% in aggregate to over EUR 114 million. They now account for a significant portion of total revenue of 21.1%.

In spite of the known challenges, we were able keep improving the profitability of our business. We report consolidated EBITDA of EUR 28.7 million for financial year 2021 (previous year: EUR 12.9 million). The EBITDA margin came to 5.3% in the year (previous year: 3.1%). The operating result (adjusted EBITDA) increased from EUR 20.8 million to EUR 30.3 million. With a further improvement to 5.6% (previous year: 5.0%) the course taken to improve the operating margin (adjusted EBITDA margin) by undertaking targeted action to optimize operations was pursued rigorously. Here again, we met our forecast without any ifs and buts.

M&A activities remain an important pillar of our strategy. As already reported, we were able to welcome some new entities to the Group in financial year 2021:

- In February 2021 we acquired the significant assets of Leesys and kicked off KATEK Leipzig with a great depth of expertise and very exciting customers, such as the market leader in the field of public infrastructure for charging electric vehicles.
- In May 2021,we acquired a majority holding in Aisler B.V., a trend-setting and rapidly growing online provider of fabless electronics prototyping.
- Finally, in October 2021 we acquired a 10% stake in iOX Mobility GmbH within the framework of a capital increase. We look forward to more exciting projects and the potential of iOX which is fundamentally reshaping the field of e-mobility for marine environments.

In recent months a sharp increase in activity could be observed on the M&A market. Due to our excellent networking and the higher visibility of KATEK, not least due to the recent IPO, KATEK has been able to review a whole range of potential targets, some of which are still undergoing this process. On the one hand, we currently see higher transaction prices on account of the widely acknowledged strategic significance of the electronics industry. On the other, we have observed that some basically healthy companies are being placed on the market due to the sustained uncertainties and headwinds facing them as they acknowledge that such crises can be better mastered when they are part of a strong group like KATEK. To this extent, we are remaining true to our defined investment criteria, particularly in terms of pricing, synergies match, and value creation. Special focus is being placed on covering the North American market so that we can provide our European customers a local-for-local service solution. We are very optimistic that we will be able to report on the next steps in the coming months.

In sum we view the results achieved in 2021 as being very good. All the more, when one considers that both sales and gross profit would have been ten percent higher had there been an optimal supply of parts and components for us to meet customer demand.

With all due caution – which at the present time is called for more than ever before – we view the future of the KATEK Group optimistically. We enjoy a very strong position in strongly growing markets such as e-mobility, healthcare and electronic solutions for solar power. Our order books are full. In addition, we are proactively working on further consolidation of the market. We will therefore continue to benefit more than the market average from the growth of the electronic market.

Munich, March 2022

KATEK SE


Rainer Koppitz Dr. Johannes Fues

CEO CFO

Report of the Supervisory Board

Dear shareholders,

The financial year 2021 was a challenging year for KATEK – as it was for many other companies around the world. But it was also a successful year for KATEK: In spite of the sustained COVID-19 pandemic and the challenges related to the global procurements markets and supply chains, KATEK generated record sales of roughly EUR 540 million and managed to expand its market position as a successful European powerhouse for electronic services. In this context, the successful IPO in May 2021 was a logical step.

In the financial year 2021 the Supervisory Board performed the tasks required of it by law and the articles of association and bylaws. It monitors the management of the Company and addresses its economic development, its financial position, the perspectives and strategy of the Company going forward and intensively advises the Management Board on these issues.

The Management Board reported to the Supervisory Board at regular intervals, promptly, and extensively, in writing, by telephone and in face-to-face meetings about the strategic alignment and development of the Company and the Group, the latest earnings situation, the risk position, the internal controls and risk management, the short and long-term business planning, including the financial, capex and HR planning as well as any specific organizational measures in financial year 2021.

In particular, the Chairman of the Supervisory Board was in close contact with the Management Board, also in between the regular meetings, and advised the Management Board on issues relating to strategy, business development, the risk position, risk management and compliance of the Company. In this way, the Supervisory Board was regularly informed of the latest business developments and key 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 Supervisory Board work very constructively together to foster the future success of KATEK.

A Personnel changes on the Management Board and the Supervisory Board

The Management Board of KATEK SE is currently composed of Rainer Koppitz as the Chairman and Dr. Johannes Fues. There were no changes to the composition of the Management Board in the reporting period.

The members of the Supervisory Board of KATEK SE in the reporting period were Klaus Weinmann (Chairman), Stefan Kober (Deputy Chairman) until 31 December 2021, Dr. Benjamin Klein until 31 March 2021, Andreas Müller since 1 April 2021, and Hannes Niederhauser since 7 April 2021.

Dr. Klein stepped down from the Supervisory Board effective 31 March 2021. At the extraordinary shareholders' meeting on 19 March 2021 the articles of association were amended to raise the number of members on the Supervisory Board from three to four. The Annual General Meeting on 19 March 2021 appointed Mr. Andreas Müller to the Supervisory Board to replace Dr. Klein. Mr. Hannes Niederhauser was appointed as a fourth member of the Supervisory Board. Mr. Müller and Mr. Niederhauser were appointed for a term ending upon the close of the Annual General Meeting that passed a resolution on the results for the fourth financial year since the beginning of their term of office, excluding the year in which their term of office began.

Mr. Stefan Kober stepped down from the Supervisory Board at the end of day on 31 December 2021. Mr. Markus Saller was appointed to the Supervisory Board of the Company by the court on 18 January 2022. Mr. Saller was elected as the Deputy Chairman of the Supervisory Board of KATEK SE by way of circulation on 9 March 2022. The election of a member of the Supervisory Board will be on the agenda of this year's Annual General Meeting.

B Committees

The Supervisory Board established two committees for the first time in the reporting year: the audit committee and the nomination committee.

The audit committee comprised Mr. Stefan Kober (Chairman), Mr. Klaus Weinmann (Deputy Chairman) and Mr. Andreas Müller. The nomination committee comprised Mr. Klaus Weinmann (Chairman), Mr. Stefan Kober (Deputy Chairman) and Mr. Hannes Niederhauser.

There was no need for the committees to counsel or pass resolutions; All counsel was heard and resolutions passed by the full Supervisory Board.

In the wake of appointing a replacement for Mr. Kober from 2022, the Supervisory Board decided on the following composition for its committees: the members of the audit committee are Mr. Andreas Müller (Chairman), Mr. Klaus Weinmann (Deputy Chairman) and Mr. Markus Saller. The members of the nomination committee are Mr. Klaus Weinmann (Chairman), Mr. Markus Saller (Deputy Chairman) and Mr. Hannes Niederhauser.

C Meetings and focal points addressed by the full Supervisory Board

The past financial year 2021 was the first year for KATEK on the regulated market (Prime Standard) after its successful IPO at the beginning of May 2021. Consequently, the Supervisory Board placed particular focus on the IPO of the Company. Another point of focus of the work of the Supervisory Board lay on the strategic development of the Company. The Supervisory Board addressed the growth strategy presented by the Management Board in depth and discussed the markets, trends and potential for anorganic growth via value-creating M&A projects with the Management Board.

There were four regular meetings of the Supervisory Board held face-to-face on 26 March 2021, 9 July 2021, 24 September 2021 and on 10 December 2021. In addition, there were four extraordinary meetings that were held by conference call on 18 March 2021 and on 14/16/28 April 2021, which were primarily convened to address the organizational measures needed to prepare the IPO. All members of the Supervisory Board were in attendance at the above meetings. 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 individual members of the Supervisory Board obtain the necessary training required to perform their tasks at their own initiative. Mr. Müller and Mr. Niederhauser were appropriately supported by the Company upon their induction to the Board.

At its meetings, the Supervisory Board regularly heard the reports of the Management Board on the intended business policies, profitability and the course of business, including the market position and competitive situation, as required by Sec. 90 (1) sentence 1 No. 1-3 AktG ["Aktiengesetz": German Stock Corporation Act], and discussed these reports in depth. In addition, the Management Board reported on transactions that could be of material relevance for the profitability or liquidity of the Company and/or the Group, in particular 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 mention:

- During the meeting of the Supervisory Board held by conference call on 18 March 2021, the Supervisory Board approved the separate financial statements of KATEK SE for the year ended 31 December 2020 after discussing them in depth. The financial statements of the Company were therewith ratified.

- At its meeting on 26 March 2021, the Supervisory Board approved the Code of Procedure for the Management Board and for the Supervisory Board. In addition, the appointment of Mr. Rainer Koppitz was extended until 31 March 2024.

- During the meeting of the Supervisory Board held by conference call on 14 April 2021, the Supervisory Board approved the consolidated financial statements for the year ended 31 December 2020 after discussing them in depth. The consolidated financial statements were therewith ratified.
- At the meeting of the Supervisory Board held by conference call on 16 April 2021, the Supervisory Board approved the allocation of management functions for the Management Board of KATEK. In addition, it established an audit committee.
- On 28 April 2021, the Supervisory Board passed a resolution by conference call on the capital increase by way of cash contribution approved by the Annual General Meeting on 20 April 2021 and the terms and conditions of the share issue as well as the corresponding amendment to the articles of association to increase capital stock.
- In the course of a written circulation proceeding, the Supervisory Board approved the acquisition of shares in AISLER B.V. on 19 May 2021.
- A nomination committee was established at the meeting on 9 July 2021.
- After discussing it in depth, the Supervisory Board passed a resolution by way of circulation on 26 July 2021 on the new remuneration system for members of the Management Board that takes account of the legal requirements of the German Act to Implement the EU Shareholder Rights Directive II (ARUG II) and approved the service contracts with Mr. Koppitz and Dr. Fues, which have been amended accordingly. The new remuneration system set by the Supervisory Board will be submitted to the next Annual General Meeting on 16 May 2022 for approval.
- At the Supervisory Board Meeting on 24 September 2021 the Supervisory Board conducted a comprehensive self-assessment of its effectiveness at fulfilling its tasks in accordance with Recommendation D.13 of the German Corporate Governance Code. In addition, the Supervisory Board addressed the Declaration of Conformity in accordance with Sec. 161 AktG issued jointly with the Management Board.
- At the meeting on 10 December 2021, the Supervisory Board approved the business plan submitted by the Management Board (including the financial planning, capex planning and HR planning) for the financial year 2022.

D Corporate governance and declaration of conformity

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

On 24 September 2021, the Management Board and Supervisory Board declared that KATEK SE largely complies with the recommendations of the Code and will continue to comply with them in future in a Declaration of Conformity pursuant to Sec. 161 AktG which has been made permanently available 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.

The members of the Supervisory Board express their heartfelt gratitude to Dr. Klein and Mr. Kober for their work and constructive contribution to the board.

E Annual financial statements and consolidated financial statements

The independent auditor, Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, audited the separate annual financial statements and the consolidated financial statements as well as the combined management report of KATEK SE and the Group for financial year 2021 and rendered an unqualified audit opinion in each case.

Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, has been the independent auditor of KATEK SE and the KATEK Group since the financial year 2021. 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 prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code]. The consolidated financial statements comply with IFRSs as published by the International Accounting Standards Board (IASB). The auditors conducted the audit in accordance with Sec. 317 HGB and the EU Audit Directive, taking account of German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW) as well as the International Standards on Auditing (ISA).

The documents were submitted by the Management Board to the Supervisory Board in advance. These matters were discussed in depth by the Supervisory Board at its meetings on 25 March 2022 and on 30 March 2022 in the presence of the independent auditors.

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 responded to the additional questions posed by members of the Supervisory Board. No weaknesses of the internal control system or the risk management system were reported. The audit committee also reported to the full Supervisory Board on the results of its review.

After discussing the audit reports on the separate annual financial statements and the consolidated financial statements for the year ended 31 December 2021 and the combined management report of the Company and the Group, the Supervisory Board had no objections to raise. It approved the annual financial statements and the consolidated financial statements of KATEK SE compiled by the Management Board and the combined management report of KATEK SE and the Group for the financial year 2021. The annual financial statements are therewith ratified.

F Dependent company report

In addition, the Supervisory Board reviewed the report of the Management Board of KATEK SE on the relationships with affiliated companies (dependent company report) in accordance with Sec. 312 AktG.

The dependent company report compiled by the Management Board in accordance with Sec. 312 AktG for the financial year 2021 was also audited by the independent auditor. The independent auditor issued the following unqualified audit opinion in accordance with Sec. 313 (3) AktG:

"Based on our audit and assessment in accordance with professional standards, we confirm that

- the actual disclosures contained in the report are correct,
- the payments made by the Company in connection with transactions detailed in the report were not unreasonably high."

The independent auditor also submitted its report on the audit to the Supervisory Board. The Dependent Company Report of the Management Board and the associated audit report were submitted 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 agrees with the results of the audit by the independent auditor. Based on the final conclusions of its review, the Supervisory Board has no objections to raise against the Dependent Company Report.

The management and the employees of KATEK have driven forward the interests of the Group in the year 2021 with a great deal of dedication, motivation and passion – and that under particularly difficult conditions.

In the name of the entire Supervisory Board, I would like to express my heartfelt gratitude for this performance!

Munich, March 2022

On behalf of the Supervisory Board

Klaus Weinmann

(Chairman of the Supervisory Board)

Review of 2021

Developments in the year 2021 are the result of massive dedication on the part of our strong Team BLUE in both Germany and abroad. We have successfully made many small - but not minor - steps each day.

Some of the key events are presented below:

January 2021

The 1st Festival of Electronics by KATEK was established under the motto “Smart Future”, constituting a new series of events for decision-makers in the electronics sector.

April 2021

As a signatory to the UN Global Compact, KATEK SE underscores its commitment to the 10 principles and publishes its first progress report in the field of sustainability.

May 2021

KATEK SE is successfully admitted to trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange.

KATEK SE acquires a majority holding in AISLER B.V., a trend-setting and rapidly growing provider of fabless electronics prototyping.

July 2021

With the opening of beflex Malaysia and KATEK Singapore, the KATEK Group takes an important step towards internationalization.

October 2021

KATEK SE acquires a minority holding in iOX Mobility GmbH, reinforcing its position in the promising field of electromobility with the goal of occupying a leading position in the development and production of the necessary high-value electronics.

KATEK on the capital market

Capital market environment

The year 2021 was a turbulent year on the stock exchanges and very a very successful one from an investor perspective. At times share prices were unaffected by the pandemic and rose to new record highs. Although the economic recovery was dampened by global supply issues, it was nevertheless driven by strong demand. The DAX set a new all-time record in mid-November at 16,251 points, partly due to the fact that the European Central Bank decided to stick to its low-interest policy notwithstanding the high inflation rates. However, the German key stock index then lost ground in response to the growing concern related to the Omicron variant. The DAX, which was expanded to 40 companies in September from its former basket of 30 companies, closed the year at 15,885 points. From a year-on-year perspective, this represents a gain of almost 16%.

Information on the share / master data

ISIN: DE000A2TSQH7
WKN: A2TSQH
Abbreviation: KTEK
Total number of shares: 13,241,880
Capital stock: EUR 13,241,880.00
Market segment: Regulated market of the Frankfurt Stock Exchange, Prime Standard
Designated Sponsor: Hauck & Aufhäuser Privatbankiers KGaA

Performance

The shares of KATEK SE have been listed in the Prime Standard of the Frankfurt Stock Exchange since 4 May 2021. After a pleasing beginning, the share price sank in May to its annual low of EUR 24.30. Thereafter it recovered over the course of the year. The annual high was recorded at the beginning of September, almost 40% up on its issue price of EUR 23.00. After a phase of consolidation and renewed massive setbacks from the end of November onwards, the share closed the trading year 2021 at EUR 25.75 as quoted on Xetra.

Annual performance of the KATEK share in 2021

Key figures and trading data

Issue price (28 April 2021): 23,00 Euro
Initial listing (4 May 2021): 27,90 Euro
Annual high (6 September 2021): 32,10 Euro
Annual low (28 May 2021): 24,30 Euro
Xetra closing price (31 December 2021): 25,75 Euro
Market capitalization (31 December 2021): 340,9 Mio. Euro
Average volume per trading day: 9,245 shares
Average turnover per trading day: EUR 256,735

Composition of shareholders

KATEK SE has a balanced ratio between shares in free float and the majority holding held by a strategic anchor investor. Consequently, 23.38% of the shares are in free float as at 31 December 2021. The largest shareholder, with 58.94 % of the voting rights is PRIMEPULSE SE.

Analyst research

The shares of KATEK SE have been listed in the Prime Standard of the Frankfurt Stock Exchange since 4 May 2021. The KATEK SE share is regularly analyzed by qualified security analysts, Warburg Research and Hauck & Aufhäuser Privatbankiers. Both analysts perceive significant upside potential in the mid to long term, as the latest analyst recommendations for the KATEK share show.

Investor relations activities

KATEK SE pursues the goal of promptly informing existing and potential 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 points of contact to players on the capital markets in the course of virtual roadshows, investor conferences and individual virtual meetings, including conference calls.

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 an overview of up-and-coming events.

Combined Management Report of KATEK SE, Munich, for the Financial Year 2021

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 and Asia, focuses particularly on the end 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 addresses its product offerings on 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. Occasionally, the KATEK Group also covers other parts of the value chain, such as logistics or after-sales service.

At the same time, the KATEK Group also offers a range of products that are sold directly to consumers. 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 are 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 them.

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. The production facilities of KATEK are located in Memmingen, Grassau, Mauerstetten, Frickenhausen, Düsseldorf, Leipzig, Wendlingen, Munich, Hamburg and Witten (Germany) as well as in Saedinenie (Bulgaria), Györ (Hungary), Horní Suchá (Czech Republic) and Panevežys (Lithuania). 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 the 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 production. 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). It is of the opinion that this quality philosophy is becoming increasingly relevant for the Group.

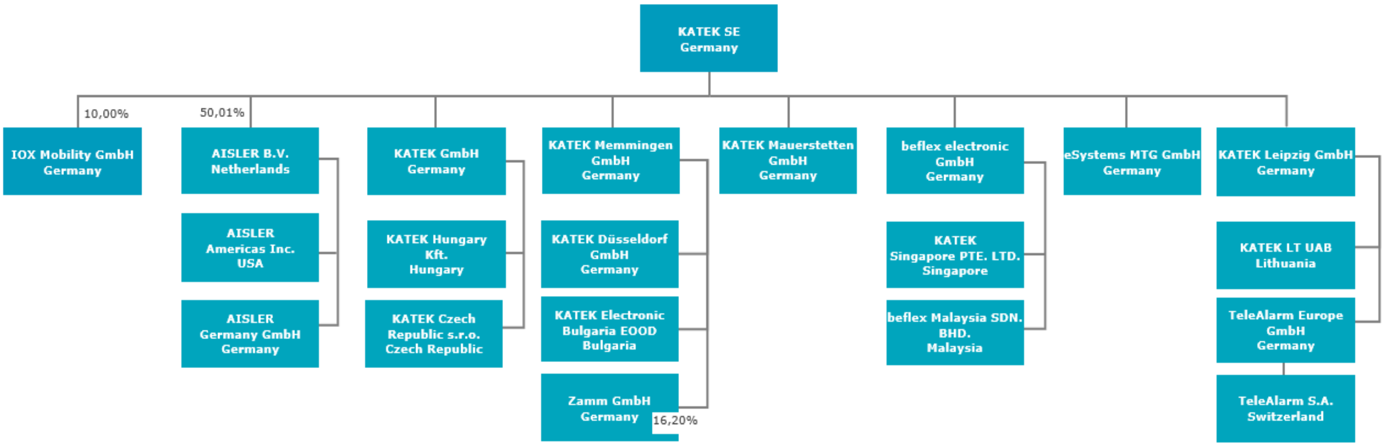
2 Structure of the KATEK Group

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 the 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 Management Board taking a speedboat 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 centralizing the strategic functions, 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.

The KATEK Group operates primarily on the European market for electronics manufacturing. Its subsidiaries maintain locations in Germany, Hungary, Bulgaria, the Czech Republic, Lithuania, Switzerland, Singapore and Malaysia.



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 companies operating in Europe (in4Ma 2022). In KATEK's opinion, the competitive landscape is diverse and varies from country to country. There are both domestic and international competitors. From the perspective of KATEK, the international competitors – and in particular the large Asian contract manufacturers – do not represent any direct competition in the customer segments served by the KATEK Group, which feature a high mix and low unit volumes, nor in terms of the entire value chain.

Based on the Group's sales in 2021, in4MA market research and its own estimates, the KATEK Group is currently the second largest German provider on the market. KATEK believes that this high degree of market fragmentation offers great opportunities for active consolidation, business expansion and for growing its share of the relevant markets in future, allowing it to secure its foothold as the fastest growing European group of companies in the market for electronic products and 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 the 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 the costs related to the IPO conducted in 2021, M&A activities and integration costs as well as restructuring and other extraordinary expenses. 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

In the second year since the outbreak of the global corona pandemic, the global economy continues to find itself on the road to recovery (with growth of 5.5% according to the World Bank), thanks to massive financial assistance packages from governments, low interest rates and the rapid vaccination uptake, albeit with a number of dampeners along the way. The impacts of the pandemic varied widely from region to region. GDP growth of 5.6% was recorded in the United States, and 8.1% in China. In Europe, the economy grew strongly in the summer months of 2021 to close the year with annual GDP growth of 5.2% in the euro zone.

In particular, the scarcity of inputs, such as computer chips, and disruptions to the supply chain paralyzed the global recovery of the industrial sector. Ever since, the disruptions to industrial production and the supply chain have resulted in uninterrupted high demand for industrial products. Rapid price inflation is the result, particularly for upstream products such as electronic components (semiconductors in particular).

The German automotive sector was particularly hard hit by the supply disruptions. The industrial sector has been suffering from the negative implications for world trade for quite some time, which are largely due to the corona pandemic, and which placed a heavy burden on export-dependent German manufacturers, in particular. As such, the German economy only grew by 2.7% in 2021. In addition, high energy prices created problems for both companies and consumers and pushed inflation to the highest rate since almost 30 years. Price increases, but also temporary closures and restrictions due to rising case rates placed a burden on private consumption, which is the most important pillar of the German economy. In addition, the temporary peaks in case rates resulted in greater numbers of people off sick and created even more difficulties for production capacity in many industrial sectors and operations, with the electronic industry being one of them.

Nevertheless, the European industry for Electronic Manufacturing Services (EMS) grew by 9% from 2020 to 2021 to over EUR 44 billion according to the annual surveys conducted and analyzed by the in4Ma market research institute.

2 Business activity and development of business

In comparison to the previous year, the Group sales of the KATEK Group grew by EUR 125.9 million or 30.4% from EUR 414.2 million to EUR 540.1 million. This growth must be viewed positively in light of the supply bottlenecks in the semiconductor market.

The Group’s EBITDA of EUR 28.7 million lies EUR 15.8 million above the figure of the previous year of EUR 12.9 million. Likewise, the net profit of the Group of EUR 8.2 million is up EUR 6.6 million on the previous year. Even after eliminating the extraordinary effect of the bargain purchase of EUR 11.3 million arising from the acquisition of the Leesys Group, EUR 10.0 million of which was realized and converted into cash due to the prompt sale of real estate, the Group’s EBITDA still improved slightly. Adj. EBITDA improved by EUR 9.5 million in the financial year 2021 from EUR 20.8 million to EUR 30.3 million. Consequently, business in the year can be described as satisfactory.

In comparison to the competition, the KATEK Group has proven to be robust overall and was able to grow significantly once again (in4Ma).

The KATEK Group reached the targets communicated in the guidance it published. As a result, the development of business over the year was satisfactory, particularly with regard to the volatile situation on the supply-side markets.

KATEK SE occupies the central financing and management function within the KATEK Group for the other Group entities. KATEK SE generated revenue of EUR 1.3 million in the year 2021 from its financing and management activities, up EUR 0.3 million or 30% on the previous year’s figure of EUR 1.0 million. KATEK SE’s EBITDA of EUR -9.0 million lies EUR 4.9 million below the figure of the previous year of EUR -4.1 million. The net loss for the year of KATEK SE amounts to EUR -9.5 million, compared to a net loss of EUR -5.6 million in the previous year.

This development is dominated by expenses incurred with regard to the successful IPO and business expansion expenses for the Group that could not be allocated to the individual Group entities. 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 125.9 million or 30.4% from EUR 414.2 million to EUR 540.1 million. The increase in revenue in 2021 of approximately EUR 86.2 million is due to the first-time consolidation of the newly acquired subsidiaries of the KATEK Leipzig Group and the AISLER Group. Another EUR 9.9 million in revenue growth is due to the consolidation of KATEK Düsseldorf in the consolidated statement of profit or loss for the first full year in the current financial year of 2021 after it was acquired during the previous year of 2020.

Revenue by region developed as follows:

EUR k	31 Dec 2021	31 Dec 2020
Germany	381,965	297,500
Europe	133,110	97,646
Rest of world	25,044	19,055
	540,119	**414,201**

The total operating performance of the KATEK Group rose in the current year by EUR 131.4 million to EUR 545.3 million (previous year: EUR 413.9 million).

The cost of materials amounts to EUR 384.8 million compared to EUR 290.5 million in the previous year. The increase in the cost of materials in absolute figures is largely due to the growth of the Group. To a lesser extent, the additional costs caused by the crisis in the supply of materials are also noticeable. The ratio of the cost of materials to total operating performance amounted to 70.6% in the year 2021 and is therefore 0.4% higher than in the previous year.

In real terms, the gross profit increased from EUR 123.4 million in the previous year to EUR 160.5 million in the reporting year. The gross margin, measured on total operating performance, lies at 29.4% in the reporting year and is therefore down 0.4 percentage points on the figure of the previous year when it came to 29.8%. The main factor in this regard is the rise in prices due to the crisis in the supply of materials.

Other operating income for the reporting year came to EUR 19.4 million (previous year: EUR 8.7 million). This includes the effect of the bargain purchase of the Leesys Group of EUR 11.3 million in the reporting year (previous year: EUR 0.0 million), foreign exchange gains of EUR 4.6 million (previous year: EUR 3.2 million), income from the reversal of provisions of EUR 0.9 million (previous year: EUR 1.4 million) and other income of EUR 2.5 million (previous year: EUR 4.0 million).

Personnel expenses in the reporting year came to EUR 105.3 million (previous year: EUR 84.5 million). The increase in personnel expenses in comparison to the previous year results from the expansion of the consolidation basis to include the KATEK Leipzig Group and the AISLER Group, which account for EUR 16.2 million of the increase, and the consolidation of KATEK Düsseldorf, which was acquired in the previous year, for the full year, which accounts for another EUR 1.8 million. Government subsidies in the form of the short-work scheme ("Kurzarbeit") reduced personnel expenses by EUR 0.1 million (previous year: EUR 0.4 million). The ratio of personnel expenses to revenue decreased by 1.1 percentage points from 20.4% in the previous year to 19.3%.

Other operating expenses for the reporting year came to EUR 45.9 million (previous year: EUR 34.7 million). As a result, the ratio of other operating expenses to revenue only changed marginally from 8.4% in the year 2020 to 8.5% in the year 2021. Other operating expenses consist of operating expenses of EUR 19.8 million (previous year: EUR 12.6 million), selling expenses of EUR 4.0 million (previous year: EUR 3.0 million), administrative expenses of EUR 12.1 million (previous year: EUR 10.3 million), exchange rate losses of EUR 6.2 million (previous year: EUR 1.9 million) and other operating expenses of EUR 3.9 million (previous year: EUR 6.9 million). In the previous year, other operating expenses included restructuring expenses of EUR 5.2 million, with the other line items resulting primarily from the growth of the Group, with the exception of foreign exchange effects.

EBITDA increased by EUR 15.8 million in the financial year 2021, rising from EUR 12.9 million to EUR 28.7 million. The EBITDA margin therefore comes to 5.3% compared to 3.1% in the previous year.

Adj. EBITDA improved by EUR 9.5 million in the financial year 2021 from EUR 20.8 million to EUR 30.3 million. The adj. EBITDA margin therefore comes to 5.6% compared to 5.0% in the previous year. Adj. EBITDA is calculated by eliminating all non-operating factors and non-recurring items. These also include the bargain purchase referred to above in connection with the acquisition of the Leesys Group.

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

EUR m	Financial year 2021	Financial year 2020
EBITDA	**28.7**	**12.9**
IPO-related expenses	0.7	2.5
M&A, integration and other non-recurring expenses	-0.9	1.2
Restructuring expenses	1.8	4.3
Total adjustments to EBITDA	1.6	7.9
Adjusted EBITDA	**30.3**	**20.8**

Depreciation of property, plant and equipment and amortization of intangible assets increased by EUR 7.0 million to EUR 21.2 million in the reporting year compared to EUR 14.2 million in the previous year. This includes depreciation recorded on uncovered hidden reserves and assets acquired in the course of business combinations of EUR 4.6 million (previous year: EUR 2.0 million).

EBITA, which is defined as EBITDA less depreciation of property, plant and equipment, increased by EUR 8.9 million to EUR 9.8 million in the reporting year compared to EUR 0.9 million in the previous year.

EBIT therefore increased by EUR 8.8 million in the reporting year to EUR 7.5 million compared to EUR -1.3 million in the previous year. The newly acquired companies contributed EUR 4.6 million to the increase in EBIT.

The financial result increased from EUR -3.3 million in the previous year to EUR -2.9 million in the reporting year. This consists of reduced interest expenses on loan liabilities of EUR -1.5 million (previous year: EUR -2.7 million) countered by increased interest expenses of EUR -0.7 million due to recognizing leases under IFRS 16 (previous year: EUR -0.5 million).

The consolidated net profit for the year after eliminating non-controlling interests comes to EUR 8.5 million, up EUR 6.9 million on the net profit of the previous year of EUR 1.6 million.

A comparison with the forecast published in the half-year report for 2021 for the prospective development of the KATEK Group in financial year 2021 is made in the following table.

EUR k	Forecast (30 Jun 2021)	Profit/loss 2021
Revenue	535,000 – 560,000	540,119
(Adj.) EBITDA	27,000 – 33,000	30,335

4 Assets, liabilities and financial position

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 and the associated credit rating to secure more favorable refinancing rates are also sought objectives. The financing structure is largely aligned towards long-term stability and retaining the financial headroom needed to exploit business and investment opportunities.

The consolidated balance sheet rose by EUR 123.4 million in the reporting year 2021 to EUR 393.9 million (previous year: EUR 270.5 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 combinations with Leesys and the AISLER Group amounted to EUR 24.0 million.

Non-current assets amount to EUR 125.1 million (previous year: EUR 95.1 million) and therefore rose by EUR 30.0 million. Property, plant and equipment increased by EUR 22.4 million, rising from EUR 68.3 million in the previous year to EUR 90.7 million in the reporting year. Of this increase, an amount of EUR 12.3 million is due to right-of-use assets under IFRS 16, which rose to EUR 41.5 million in the reporting year (previous year: EUR 29.2 million). At the same time, technical plant and machinery increased by EUR 15.2 million to EUR 38.0 million (previous year: EUR 22.8 million) while real property decreased by EUR 6.5 million to EUR 38.1 million (previous year: 31.6 million) on account of the sale and lease-back of the property in Hungary. Goodwill increased by EUR 0.5 million to EUR 9.0 million (previous year: EUR 8.5 million) due to the acquisitions of the AISLER Group in the reporting year, while other intangible assets rose to a figure of EUR 12.7 million (previous year: EUR 9.9 million).

Current assets increased significantly in the reporting year by EUR 93.4 million to EUR 268.8 million (previous year: EUR 175.4 million). This includes inventories, which rose by EUR 81.8 million from EUR 107.0 million in the previous year to EUR 188.8 million. In addition to the growth of the Group, the main reason for this increase lies in a targeted increase in inventory range to improve both production and delivery performance in light of the sustained crisis in the supply of materials. Trade receivables come to EUR 24.6 million (previous year: EUR 23.3 million) while other financial assets come to EUR 10.1 million (previous year: EUR 8.3 million) and cash and cash equivalents to EUR 42.2 million (previous year: EUR 35.5 million).

Non-current liabilities amount to EUR 92.8 million on the reporting date compared to EUR 74.6 million in the previous year. This change reflects a reduction of EUR 6.4 million in long-term loans to EUR 32.6 million (previous year: EUR 39.0 million) due to scheduled repayments. Lease liabilities increased by EUR 12.9 million to EUR 37.7 million (previous year: EUR 24.8 million) and other financial liabilities by EUR 9.6 million to EUR 16.5 million (previous year: EUR 6.9 million). This resulted primarily from new leases of plant and machinery and other finance contracts.

Current liabilities increased by EUR 18.5 million to EUR 149.4 million (previous year: EUR 130.9 million). The reduction of EUR 25.7 million in short-term loans to EUR 21.8 million (previous year: EUR 47.5 million) was offset by an increase in trade payables of EUR 37.3 million to EUR 80.7 million (previous year: EUR 43.4 million). This is particularly due to the increase in inventories described above.

In sum, liabilities amount to EUR 242.1 million on the reporting date (previous year: EUR 205.4 million). Equity amounts to EUR 151.8 million (previous year: EUR 65.1 million). The equity ratio amounts to 38.5% as at the reporting date (previous year: 24.1%). The increase in equity and the equity ratio can be largely attributed to the successful IPO of KATEK SE in May 2021.

The other non-current financial liabilities reported in the reporting year include financial liabilities of EUR 13,543k (previous year: EUR 3,780k) related to the acquisition and production of plant and machinery and a long-term loan from a related party of EUR 3,000k (previous year: EUR 3,000k).

After the IPO on 4 May 2021, the main sources of finance were drawings on overdraft facilities of EUR 8.3 million (previous year: EUR 31.9 million), which currently bear interest of 0.75% and 5.25% and loans of EUR 46.1 million (previous year: EUR 54.6 million) which have residual terms ranging between 0.5 and 76 months and bear interest at rates between 1.05% and 3.00%. The shares held in KATEK Mauerstetten GmbH, Mauerstetten and eSystems MTG GmbH, Wendlingen am Neckar, serve as collateral for loans of EUR 21.2 million. The carrying amount of the collateral amounts to EUR 22.2 million as at 31 December 2021 (previous year: EUR 22.9 million). Furthermore, property, plant and equipment with a carrying amount of EUR 4,821k (previous year: EUR 5,054k), inventories of EUR 10,782k (previous year: EUR 15,090k) and trade receivables of EUR 6,576k (previous year: EUR 2,736k) were assigned as collateral for existing liabilities to banks and other financing arrangements.

The IPO of KATEK SE led to payments of EUR 71.5 million after deducting the transaction costs.

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, particularly operating equipment, furniture and fixtures and also vehicles. The leases have a supporting function for the operations of the Group. Additions in the financial year can be mainly attributed to sale and lease-back transactions. Assets carried by the Hungarian subsidiary and KATEK Leipzig were sold and leased back simultaneously from a leasing provider. The right-of-use assets arising from these sale and lease-back transactions were recognized at an amount of EUR 11.1 million.

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 2021	31 Dec 2020
Cash flow from operating activities	-21.6	25.8
Cash flow from investing activities	-8.7	-16.8
Cash flow from financing activities	61.4	-14.1
Changes in cash and cash equivalents	31.1	-5.1
Changes in cash and cash equivalents due to exchange rates and changes in valuation	-0.8	0.2
Cash and cash equivalents at the beginning of the period	3.6	8.4
Cash and cash equivalents at the end of the period	33.9	3.6

The cash flow from operating activities comes to a net outflow of EUR -21.6 million in the reporting period 2021 (previous year: net cash inflow of EUR 25.8 million) and is therefore down by EUR 47.4 million. This reduction is largely due to the significant increase in inventories in the reporting period, which could be only partly offset by an increase in trade payables. By raising its stock levels, the Group intends to secure its delivery performance.

The cash flow from investing activities in the 2021 reporting period comes to a net cash outflow of EUR -8.7 million which represents an improvement of EUR 8.1 million on the net cash outflow of EUR -16.8 million in the previous year. The negative cash flow from investing activities is due to payments made for intangible assets of EUR -1.7 million (previous year: EUR -1.0 million) and property, plant and equipment of EUR -14.8 million (previous year: EUR -16.7 million). These cash outflows in the reporting year were offset by payments of EUR 17.8 million received from the disposals of property, plant and equipment (previous year: EUR 3.3 million). Other cash paid in the reporting year include an equity investment of EUR -1.8 million in iOX Mobility GmbH and the acquisition of the AISLER Group and the assets of the Leesys Group of EUR -8.3 million. In the previous year, the cash payments for the acquisition of business units amounted to EUR -2.4 million for the acquisition of the assets of the SMT production operations of Huf Electronics Düsseldorf GmbH and the hybrid inverters operation of a competitor.

The cash flow from financing activities amounts to EUR 61.4 million, marking a significant increase on the previous year when a net cash outflow of EUR -14.1 million was recorded. This increase is related to the additional capital of EUR 74.9 million received during the successful IPO of KATEK SE in May 2021. Other cash flows involved new borrowings of EUR 20.4 million (previous year: EUR 28.5 million), cash outflows to repay borrowings and lease liabilities of EUR -23.4 million (previous year: EUR -31.5 million) and repayments of liabilities to shareholders of EUR -7.7 million (previous year: EUR -8.5 million).

As a result, cash and cash equivalents closed the year with a higher balance than at the beginning of the financial year at EUR 33.9 million as at 31 December 2021 (31 December 2020: EUR 3.6 million).

As at the closing date, the KATEK Group has credit lines of EUR 73.0 million available to it from banks, of which EUR 54.4 million had been drawn.

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

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 1.3 million in the year 2021, up EUR 0.3 million or 30% on the previous year's figure of EUR 1.0 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.

Other operating income came to EUR 1.8 million (previous year: EUR 0.1 million).

Personnel expenses in the financial year totaled EUR 2.3 million compared with EUR 3.6 million in the previous year. The decrease in personnel expenses is partly due to a departure from the company. Personnel expenses in the previous year were also affected by a phantom stock program for employees of EUR 2.4 million. In the reporting year, an additional EUR 0.6 million was incurred for this program.

Other operating expenses came to EUR 9.8 million (previous year: EUR 1.6 million). This includes administrative expenses of EUR 8.6 million (previous year: EUR 1.4 million), selling expenses of EUR 0.3 million (previous year: EUR 0.1 million) and operating expenses of EUR 0.8 million (previous year: EUR 0.1 million). Administrative expenses include legal expenses and consulting fees of EUR 6.8 million (previous year: EUR 1.2 million) that were primarily incurred in connection with the IPO of the company in May 2021.

The financial result amounted to EUR -0.5 million compared to EUR -1.4 million in the previous year. The figure for the current year includes income from profit and loss transfer agreements of EUR 0.4 million (previous year: EUR 0.1 million) and expenses from absorbing losses of EUR -0.4 million (previous year: EUR 0.0 million). Income from loans amounts to EUR 0.2 million (previous year: EUR 0.4 million), which consists of interest received of EUR 0.2 million (previous year: EUR 0.1 million) and interest expenses of EUR 0.9 million (previous year: EUR 2.1 million).

KATEK SE's EBITDA of EUR -9.0 million lies EUR -4.9 million below the figure of the previous year of EUR -4.1 million. The net loss for the year of KATEK SE amounts to EUR -9.5 million, compared to a net loss of EUR -5.6 million in the previous year.

The balance sheet total of KATEK SE comes to EUR 143.6 million (previous year: EUR 118.2 million), representing an increase of EUR 25.4 million on the previous year.

Financial assets as at the reporting date come to EUR 109.2 million, up marginally by an amount of EUR 0.4 million on the previous year's figure of EUR 108.8 million.

Short-term intercompany loans amount to EUR 14.5 million on the reporting date (previous year: EUR 2.5 million) and consist of a loan of EUR 2.4 to beflex electronic GmbH and a loan of EUR 12.1 million extended to KATEK Leipzig GmbH.

Cash and cash equivalents increased from EUR 6.7 million in the previous year to EUR 17.5 million in the reporting year.

Equity increased by EUR 69.4 million on account of the company's successful IPO, rising from EUR 40.8 million in the previous year to EUR 110.2 million.

By resolution of the extraordinary shareholders' meeting on 19 March 2021 and entry in the commercial register on 7 April 2021, the capital stock of the company was increased from company funds by converting a portion of EUR 9,662,400 of the capital reserve into capital stock. The capital increase was carried out by issuing 9,662,400 new ordinary bearer shares, each with an imputed share of EUR 1 in capital stock, which were issued to the company's existing shareholders at a ratio of 1 to 66. At the annual general meeting on 20 April 2021, capital stock was increased by EUR 3,433,080 by issuing new shares with a nominal value of EUR 1 each to be placed on the capital market. This capital increase became effective upon entry of the change in the articles of association on 29 April 2021. The capital stock therefore now amounts to EUR 13,241,880 (previous year: EUR 146,400). The shares created by the capital increase were placed on the capital market on 4 May 2021.

The equity ratio comes to 7.7% in 2021 compared to 34.5% in the previous year.

Provisions increased by EUR 1.2 million on the previous year, rising from EUR 2.8 million to EUR 4.0 million.

Liabilities to banks decreased to EUR 21.2 million in the course of the financial year (previous year: EUR 55.7 million). Liabilities to affiliated companies decreased by EUR 11.2 million to EUR 4.6 million (previous year: EUR 15.8 million). In the previous year liabilities to affiliated companies included a loan of EUR 7.6 million from PRIMEPULSE SE that was repaid in full after the successful IPO in May 2021.

The business performance of KATEK-SE was satisfactory in 2021.

The cash flow from operating activities came to EUR -8.8 million in the reporting year (previous year: EUR 1.4 million) and was mainly affected by the net loss for the year of EUR -9.5 million. The cash flow from investing activities came to EUR -0.1 million (previous year: EUR -9.8 million) and was dominated by the payments to obtain an equity stake in iOX Mobility GmbH and the acquisition of the AISLER Group. These payments were offset by receipts from the repayment of intercompany loans. The cash flow from financing activities amounted to EUR 49.7 million in the financial year 2021 (previous year: EUR -15.6 million) and was materially affected by the additional paid-in capital generated by the successful IPO.

As a result, cash and cash equivalents closed the year with a higher balance than at the beginning of the financial year at EUR 17.5 million as at 31 December 2021 (31 December 2020: EUR 6.7 million).

As at the reporting date, KATEK SE carries bank loans of EUR 21.2 million. Their residual terms range between 54 and 60 months and they bear interest at a rate of 1.9%.

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 at the reporting date. KATEK SE is therefore in a position to settle all of its payment obligations at any time.

6 Capital expenditure

The volume invested by the KATEK Group in intangible assets and property, plant and equipment in the financial year 2021 came to EUR 16.5 million (previous year: EUR 17.7 million). Of this total, property, plant and equipment accounted for EUR 14.8 million (previous year: EUR 16.7 million) and intangible assets for EUR 1.7 million (previous year: EUR 1.0 million). The greatest outlays for property, plant and equipment were for plant and machinery of EUR 4.5 million (previous year: EUR 7.3 million) and assets under construction and payments on account of EUR 6.0 million (previous year: EUR 5.8 million). Investments in intangible assets include development costs of EUR 1.3 million recognized as internally generated intangible assets (previous year: EUR 0.0 million).

Moreover, the KATEK Group expanded further due to the acquisition of the assets and liabilities of the Leesys Group by KATEK Leipzig and the acquisition of the AISLER Group.

In total, EUR 10.2 million was invested in corporate acquisitions and financial assets (previous year: EUR 2.4 million). Of this total, an amount of EUR 1.8 million was paid for the acquisition of a 10% stake in iOX Mobility GmbH, an amount of EUR 7.4 million for the acquisition of the assets and liabilities of the Leesys Group after deducting the cash acquired, and an amount of EUR 0.9 million for the acquisition of a 50.1% stake in AISLER B.V., Vaals, Netherlands, and its subsidiaries, also after deducting the cash acquired in the business combination. There are options available to acquire the remaining shares in AISLER B.V. that may be exercised depending on the development of the operating business of AISLER in the coming years.

The most significant investments of KATEK SE in the 2021 reporting year involved the acquisition of the stake in iOX Mobility GmbH of EUR 1.8 million and the acquisition of the AISLER Group of EUR 2.6 million. In the previous year, this item largely consisted of an intercompany acquisition of shares in beflex electronic GmbH of EUR 16.8 million.

7 Employees

In sum, the Group employed 2,707 employees at year-end (previous year: 2,197).

In addition, a total of 81 individuals were doing an apprenticeship at one of the entities of the KATEK Group as at 31 December 2021 (previous year: 81 individuals).

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

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 3.4 million in financial year 2021 (previous year: EUR 0.2 million). Of this total, development costs of EUR 1.3 million (previous year: EUR 0.0 million) were invested in inhouse developments in the field of electromobility.

In the 2021 reporting year development expenses for customer projects came to EUR 13.6 million (previous year: EUR 13.6 million).

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

As at 31 December 2021, the Company’s capital stock amounts to EUR 13,241,880.00 (previous year: EUR 146,400) and is split into 13,241,880 no-par bearer shares with an imputed share in the capital stock of EUR 1.00 per share. 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 relationship 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

By resolution of the extraordinary shareholders' meeting on 19 March 2021 the Management Board was 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 authorization can be utilized for a single or multiple share issues in full or in part.

The Management Board is also 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 options issued by the Company subscription rights to new shares they would be entitled to after exercising their options or conversion rights (convertible bonds) or upon fulfilling their obligation to convert (mandatory convertibles);
- 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 convertible bonds or warrant-linked bonds 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 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 which 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 bonds 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 remains unaffected.

If the economic value of the existing convertible bonds or warrant-linked bonds 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 warrant-linked bond or convertible 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 conversion 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 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 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 informed of the following direct holding in capital stock in financial year 2021 that exceeds 10% of the voting rights:

PRIMEPULSE SE 58.94%

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 in conjunction with
Sec. 84 (3) AktG) apply to 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 2021 (1 January to 31 December 2021) 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 without any change to the previous year: Mr. Rainer Koppitz (CEO and co-founder of KATEK SE) and Dr. Johannes Fues (CFO KATEK SE). The current term of Dr. Fues expires on 31 December 2023 and that of Mr. Koppitz on 31 March 2024.

2 The new remuneration system at a glance

On 26 July 2021 the Supervisory Board of KATEK SE passed a resolution on the current remuneration system for members of the Management Board that takes account of the legal requirements of the German Act to Implement the EU Shareholder Rights Directive (ARUG II) and approved the service contracts with Mr. Koppitz and Dr. Fues, which have been amended accordingly and took effect on 1 April 2021. The remuneration system for the Management Board will be presented to the Annual General Meeting on 16 May 2022 for approval in accordance with Sec. 120a (1) AktG.

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 members of the Management Board may be granted the following Fringe Benefits, for example: 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	X	**Target achievement in terms of financial performance indicators**, e.g. revenue, EBITDA, EBITA, EBIT, ROCE, TSR (total shareholder return), free cash flow and working capital.	X	**Non-financial contribution factor** set between **0.8** and **1.2**	=	**Payout of the STI in EUR (STI capped at 150% of the target)**

The specific amount of the LTI is calculated as follows:

Number of performance shares based on the LTI targets	X	**EBITA multiplier**	X	**Closing price** after a term of 4 years.	=	**Payout of the LTI in EUR (LTI capped at 200% of the target)**

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 ensuring that the remuneration does not exceed the customary remuneration paid without good reason.

Target remuneration for the financial year 2021

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)	**547,924**	**100%**
Fixed remuneration	450,000	82%
Fringe benefits	7,924	1%
	457,924	**84%**
Variable remuneration (old contract)	0	0%
STI	44,100	8%
LTI	45,900	8%
	90,000	**16%**

Dr. Johannes Fues (EUR)	**232,422**	**100%**
Fixed remuneration	180,000	77%
Fringe benefits	16,672	7%
	196,672	**85%**
Variable remuneration (old contract)	5,000	2%
STI	15,000	6%
LTI	15,750	7%
	35,750	**15%**

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.

As the amount paid out in cash for the LTI follows publication of the annual financial statements of the Company for the third year following the year in which they were granted, the review cannot be conducted until 2025. However, compliance with the maximum remuneration for the financial year 2021 is already ensured due to the existing cap: The maximum LTI pay-out is limited at a maximum of 200% of the agreed LTI target amount. The maximum remuneration for financial year 2021 is not exceeded even in the event that the maximum is paid out.

Appropriateness of remuneration

In order to assess the appropriateness and market conformity of the amount of remuneration, the Supervisory Board created a matrix of external (horizontal) and internal (vertical) peers.

For the horizontal peer group comparison, the Supervisory Board referred to listed EMS companies and/or companies with a comparable business model or financial indicators (e.g. revenue, earnings, market capitalization).

For its internal (vertical) comparison, the relation of Management Board remuneration to the remuneration paid to the upper management level and workforce of the KATEK Group as a whole was taken as the reference. The Group's upper management is composed of the managing directors of the respective regional companies and the second management level of the Company.

Each year and most recently on 25 March 2022, the Supervisory Board reviews the appropriateness of the Total Remuneration including the fixed remuneration components and the variable components, taking special note of the intended performance incentives.

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

Variable remuneration is pegged to performance and accounts for 15% to 16% 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 2021. The specific target is a product of the business plan for 2021 ratified by the Supervisory Board in December 2020.

Actual target achievement in 2021 and the resulting pay-out of the variable remuneration components per member of the Management Board were as follows:

Rainer Koppitz (EUR)	Pay-out	Target	Delta	%
STI	42,187	44,100	-1,913	95.66%
	42,187	**44,100**	**-1,913**	**95.66%**

Dr. Johannes Fues (EUR)	Pay-out	Target	Delta	%
Old service contract	5,484	5,000	484	109.67%
STI	14,349	15,000	-651	95.66%
	19,833	**20,000**	**-167**	**99.17%**

From the old service contract (from 1 January to 31 March 2021), Dr. Fues receives a pro rata bonus of EUR 5,484 based on the target achievement of budgeted EBIT of the KATEK Group for financial year 2021. Mr. Koppitz had not agreed on any variable remuneration in his old service contract.

According to 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 comprise the field of CSR (development of the CSR/ESG strategy and implementation of suitable measures), M&A (identification of attractive targets, initiating discussions, negotiating at least two transactions that raise business value). In sum, based on a 95.66% target achievement, an STI of EUR 14,349 was paid to Dr. Fues and EUR 42,187 to Mr. Koppitz.

The Supervisory Board defined the following values for the LTI tranche for 2021:

2,313 Performance Shares were awarded for the year 2021. An EBITA increase of EUR 38,272.3k was agreed on for the relevant period of 2024 based on the business planning. As the LTI tranche granted for financial year 2021 has 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 2021 the Supervisory Board did not make use of withholding or clawing 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 are as follows:

Rainer Koppitz (EUR)	**500,111**	**100%**
Fixed remuneration	450,000	90%
Fringe benefits	7,924	2%
	457,924	**92%**
Variable remuneration (old contract)	0	0%
STI	42,187	8%
LTI	0	0%
	42,187	**8%**

Dr. Johannes Fues (EUR)	**216,505**	**100%**
Fixed remuneration	180,000	83%
Fringe benefits	16,672	8%
	196,672	**91%**
Variable remuneration (old contract)	5,484	3%
STI	14,349	7%
LTI	0	0%
	19,833	**9%**

3.3 Outlook for financial year 2022

The following summary presents the performance criteria for variable remuneration for the financial year 2022 as resolved by the Supervisory Board of KATEK SE on 25 March 2022. The maximum remuneration of the members of the Management Board remains unchanged on the amounts set in the remuneration system and the service contracts in place.

STI – financial performance indicator	EBITA
STI – non-financial performance indicator	Continuation of the M&A strategy Development of the CSR/ESG strategy and implementation of the relevant measures
LTI	According to the remuneration system

4 Remuneration of members of the Supervisory Board

The remuneration arrangement for members of the Supervisory Board for the financial year 2021 was approved by the Annual General Meeting on 20 April 2021 with effect for the year 2021. 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:

- Chairman of the Supervisory Board: EUR 40,000.00 plus VAT
- Deputy Chairman of the Supervisory Board: EUR 30,000.00 plus VAT
- each standard member of 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, which was established on 16 April 2021, receive the following annual remuneration:

- Chairman of the Audit Committee: EUR 4,000.00 plus VAT
- each standard member of 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 2021

EUR	Supervisory Board	Audit Committee	Nomination Committee	Reimbursement of out-of-pocket expenses	Total remuneration
Klaus Weinmann	40,000	1,500			41,500
Stefan Kober	30,000	3,000			33,000
Andreas Müller	15,000	1,500			16,500
Hannes Niederhauser	15,000				15,000
Dr. Benjamin Klein	5,000				5,000
Total	**105,000**	**6,000**			**111,000**

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		2019	2020	2021
Development KATEK Group	Revenue, EUR k	261,002	414,201 +58.7%	540,119 +30.4%
Development KATEK Group	Adj. EBITDA, EUR k	10,449	20,806 +99.1%	30,335 +45.8%
Development KATEK SE	Equity, EUR k	2,340	40,784 +1,643%	110,198 +170%
Average remuneration employees (KATEK Group)	Personnel expenses per employee, EUR k	35.2	40.0 +13.6%	42.8 +7.0%

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.

Supervisory Board remuneration		2019	2020	2021
	Klaus Weinmann	0	0	41.5
	Stefan Kober	0	0	33.0
	Dr. Benjamin Klein	0	0	5.0
	Andreas Müller	-	-	16.5
	Hannes Niederhauser	-	-	15.0

Management Board remuneration		2019	2020	2021
	Rainer Koppitz	360.0	360.0 +0.0%	500.1 +38.9%
	Dr. Johannes Fues*)	0	0	216.5

*) Dr. Johannes Fues was employed by PRIMEPULSE SE until December 2020.

E Statement on corporate governance

KATEK has published the (consolidated) Declaration on Corporate Governance 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 non-financial statement pursuant to Sec. 315c HGB in conjunction with Sec. 289c HGB, after its review by the Supervisory Board, as a separate consolidated non-financial statement of the KATEK Group on the website of the Company at https://katek-group.de/about-katek/sustainability/?lang=en within four months of the reporting date.

G Future development and associated risks and opportunities

1 Risk management system

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

The internal controls and risk management system at KATEK with regard to the (corporate) accounting process comprises policies, procedures and measures that are designed to ensure that the accounting complies will the relevant laws and standards. 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 accounting policies.
- 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.
- A suitable system of policies (e.g. payment policies, travel expense policies, etc.) has been set up and is revised on a continuous basis. 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 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 accounting process are adequately equipped in both qualitative and quantitative terms to ensure the capacity and qualifications necessary to retain functionality.

The internal control system and the risk management system are designed to ensure that (corporate) accounting processes always accurately record, break down 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.

1.2 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 management. 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 giving rise to the risk. To this extent, no opportunities attached to this activity can be exploited.
    - Risk mitigation/diversification
      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 provisions.
    - 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 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 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 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.

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.

1.3 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 aligned towards identifying any going concern risks, particularly 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	Likelihood of occurrence	Impact	Classification
Macroeconomic and industry-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 risk	Delivery performance	Medium	Moderate	**Medium**
	Product and service risks	Low	Moderate	**Low**
R&D risks		Low	Moderate	**Low**
Personnel risks	Labor scarcity	Medium	Immaterial	**Low**
	Loss of key personnel	Medium	Moderate	**Medium**
Financial risks	Financing, liquidity and credit risks	Low	Moderate	**Low**
	Currency risks	Medium/high	Moderate	**Medium**
	Tax risks	Low	Immaterial	**Low**
IT risks	Structure and operation of IT systems	Medium	Critical	**High**
Process and regulatory risks		Low	Moderate	**Low**
Compliance and data protection	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 industry-specific risks

Economic risks

The economic situation of the Company depends materially upon the macroeconomic environment and the state of those industrial sectors in which the KATEK Group operates. KATEK develops electronics solutions for customers in a variety of consumer markets. If demand for such electronic solutions wanes due to recessionary trends in the wider economy, this could have a negative impact on the business development of the KATEK Group.

The Russian attacks on Ukraine and associated sanctions imposed on Russia by western nations have already had a noticeable effect on imports and exports of goods and raw materials. Depending on the duration of the conflict, this situation may deteriorate. In this regard, there may be a fall in demand which would have a corresponding impact on the earnings of the KATEK Group.

Production and supply chain bottlenecks for critical upstream industrial products may continue for a protracted period and put even more upwards pressure on prices. 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.

The acute special situation brought about by the Covid-19 pandemic could lead to more conservative buying patterns on the part of customers, which would shift demand back to later periods and pose challenges in the management of inventories. 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.

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 SE 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 supply and sell-side markets of KATEK are also affected by government economic policy, which therefore poses a risk to the economic situation of the Group.

The invasion of Russian troops in Ukraine and the geopolitical tensions between the United States and China are creating uncertainties on the financial markets, instability in the political environment in many countries and the introduction of protective tariffs. This could impair international trade in electronic components and assemblies and have a negative impact on the financial position, financial performance and cash flows of the KATEK Group. On the other hand, KATEK perceives an associated opportunity in this development as the customer-oriented sourcing of electronics moves back from Asian countries ("reshoring").

KATEK assesses the probability of this risk occurring 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 occurring 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 occurring 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 occurring 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 (if even available) 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 occurring 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 to be 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 sudden 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 occurring 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 Distribution 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 occurring 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. 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 occurring 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 can 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 occurring 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 occurring 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 R&D 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, controlling development activities, and cooperating closely with customers, the KATEK Group is able to minimize this risk.

KATEK assesses the probability of this risk occurring 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 on 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 occurring 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 Management 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 occurring 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.

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.

KATEK assesses the probability of this risk occurring 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.

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 occurring 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 occurring 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 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 other 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 dedicated IT specialists.

KATEK assesses the probability of this risk occurring 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 Process 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 vary or even 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 occurring 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 occurring 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 occurring 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 occurring 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 a 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 the 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 move towards investment in Europe as a production location is to be welcomed as this will create greater independence along the entire electronics value chain "from silicon to system", beginning with computer chips (European Chips Act), and ranging through to PCB development and production and 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 and 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) over 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 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 electronic 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 for innovative electronics partners to German and European industrial players.

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 electronics 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 add to 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 2021 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 and procurement risks being the most relevant, particularly with regard to the war in Ukraine.

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.

Rather, KATEK believes it is well positioned to exploit the opportunities presented above and to benefit from the trends in the context of electronification and transition to renewable energy, among other trends. In order to translate these into sustainable growth in future, the Group intends to keep using a combination of anorganic growth by making strategic acquisitions and organic growth by identifying new products, customers and markets.

3 Outlook

3.1 Development of the economic environment

Statements on the development of the economic environment are currently subject to a range of challenges, particularly with regard to the future development of the corona pandemic, the development of supply-side markets and, most recently, the direct and indirect impact of the war in Ukraine.

In light of the appearance of new mutations and continuing high case rates in connection with the coronavirus, business activity in the financial year 2022 might still be subject to restrictions, even if the Federal German Government is projecting an economic recovery in its annual economic report for 2022 on the basis of the advanced vaccination uptake. Ongoing containment measures, or renewed containment measures aimed at reducing case rates in order to ease the burden on the health sector could also dampen private consumption, one of the most important pillars of the economy. Against the backdrop of possible new mutations and the resulting possibility of higher case rates it is difficult to forecast the direct and indirect impact of the corona pandemic which is therefore very difficult to quantify. Generally, the speed of the vaccination uptake in Germany and other European countries will determine the future development of business in the year 2022 and thereafter. Volatility will remain high at first.

It is also not clear when the bottlenecks in supplies and materials, which are not only dampening industrial production, but also leading to inflationary pressure, will ease. The ifo economic research institute is projecting the disruptions to global supply chains to continue through to the middle of the coming year in some areas. The price increases in combination with the scarcity of materials due to disruptions to supply chains continue to present a great challenge. However, customers have shown willingness to rethink their price strategies in light of the steady rise in prices.

Finally, the development of the war in Ukraine will have a direct and indirect impact on the economic environment and will present the entire European industrial sector with great challenges. Depending on the military developments, there may be sudden unforeseen disruptions to supply chains in addition to the current problems at any time, which will generally lead economic prospects dimming. The materials crisis in the semiconductor industry could continue to peak if, for example, there are production bottlenecks and interruptions of the supply chain for the necessary upstream components and raw materials. In addition, a further rise in energy prices can be expected for the manufacturing sector.

The current situation is dampening the growth rate that is theoretically possible. The order situation is good across the board, as there is strong demand in all sectors as the economy rebounds from orders not being placed in 2021.

In addition, KATEK is benefiting from the fact that it operates in a number of particularly dynamic markets, such as eMobility, Renewables and Telecare, which anyway display higher growth rates than the rest of the market.

3.2 Forecast for the KATEK Group

Generally, it can be stated that there have not been any structural changes in the business environment of the KATEK Group. As a result, there were no changes to the medium-term objectives.

However, all statements relating to the forecast for the financial year 2022 can only be made after considering the existing uncertainties, in particular, the direct and indirect consequences of the global corona pandemic, the further evolution of the supply chain and materials bottlenecks and the war in Ukraine. In sum, market researchers are projecting average growth of approximately 6.9 % on the previous year with volatility up overall (in4Ma 2022).

Based on the latest information on the above factors, the management of KATEK is currently forecasting the following developments for the financial year 2022:

- Development of revenue: KATEK will continue to outpace the market and record organic growth of at least 8 % compared to the financial year 2021.
- Development of adj. EBITDA: Notwithstanding the current headwinds, KATEK will continue to increase its operating margin. The Company assumes that adj. EBITDA will rise by at least 10 % on the previous 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 2021 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, 29 March 2022

KATEK SE

Management Board

Rainer Koppitz	Dr. Johannes Fues
CEO	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.

KATEK SE, Munich, IFRS Consolidated Financial Statements as at 31 December 2021

Consolidated Statement of Comprehensive Income

EUR k	Note	31 Dec 2021	31 Dec 2020
Revenue	1	**540,119**	**414,201**
Change in finished goods/WIP		3,836	-2,616
Own work capitalized	2	1,389	2,285
Total operating performance		**545,344**	**413,871**
Cost of materials	4	-384,822	-290,464
Gross profit		**160,522**	**123,407**
Other operating income	3	19,361	8,691
Personnel expenses	5	-105,317	-84,514
Other operating expenses	7	-45,869	-34,686
EBITDA		**28,696**	**12,898**
Depreciation and amortization	6	-21,223	-14,193
Earnings before interest and taxes (EBIT)		**7,472**	**-1,295**
Finance income	8	54	148
Finance costs	8	-2,925	-3,498
Exchange differences	8	0	88
Earnings before income taxes		**4,601**	**-4,556**
Income taxes	9	3,574	6,148
Net profit or loss of the Group		**8,175**	**1,591**
thereof attributable to non-controlling interests		-279	0
thereof attributable to shareholders of KATEK SE		**8,454**	**1,591**
Number of shares (weighted average)	10	12,069,834	146,400
Earnings per share (EUR), basic and diluted	10	0.70	10.87

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

Consolidated Statement of Comprehensive Income

EUR k	1 Jan 2021 - 31 Dec 2021	1 Jan 2020 - 31 Dec 2020
Net profit or loss of the Group	8,175	1,591
Other comprehensive income		
Items that might be subsequently recycled through profit or loss		
Exchange differences arising from currency translation during the financial year	298	-155
	298	**-155**
Items that may not be subsequently recycled through profit or loss		
Changes in actuarial gains/losses from pensions	218	191
Deferred taxes from changes in actuarial gains/losses from Pension provisions	-67	-48
	151	**143**
Other comprehensive income after tax	**450**	**-12**
Total comprehensive income	**8,624**	**1,579**
thereof attributable to non-controlling interests	-279	0
thereof attributable to shareholders of KATEK SE	8,904	1,579

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 2021	31 Dec 2020
Non-current assets			
Property, plant and equipment	12/22	90,722	68,269
Goodwill	11	8,964	8,521
Other intangibles	11	12,671	9,944
Other financial assets	21	1,824	8
Employee benefits	18	206	264
Other financial assets	21	72	57
Deferred tax assets	9	10,691	8,059
Total non-current assets		**125,150**	**95,122**
Current assets			
Inventories	13	188,799	106,961
Trade receivables	14/21	24,573	23,346
Other financial assets	21	10,144	8,311
Income tax receivables		91	215
Other assets and prepaid expenses	16	2,980	1,114
Cash and cash equivalents	15	42,203	35,453
Total current assets		**268,791**	**175,399**
Total equity and liabilities		**393,941**	**270,521**

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 2021**	**31 Dec 2020**
Equity			
Issued capital	17	13,242	146
Capital reserve	17	111,784	48,854
Revenue reserves	17	24,997	16,093
Equity of the owners of the parent company		150,023	65,093
Non-controlling interests	17	1,777	0
Total equity		**151,799**	**65,093**
Non-current liabilities			
Non-current loans	20	32,565	38,967
Employee benefit liability	18	2,730	2,000
Other provisions	19	565	440
Other financial liabilities	21/22	54,281	31,707
Other liabilities	25	560	580
Deferred tax liabilities	9	2,080	882
Total non-current liabilities		**92,782**	**74,576**
Current liabilities			
Current loans	20	21,832	47,510
Other provisions	19	4,843	9,121
Trade payables	23	80,737	43,421
Contract liabilities	24	6,098	3,258
Other financial liabilities	21/22	12,273	14,594
Income tax liabilities		2,359	982
Other liabilities and deferred income	25	21,217	11,968
Total current liabilities		**149,359**	**130,852**
Total liabilities		**242,141**	**205,428**
Total equity and liabilities		**393,941**	**270,521**

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

Consolidated Statement of Cash Flows

EUR k	Note	1 Jan 2021 - 31 Dec 2021	1 Jan 2020 - 31 Dec 2020
Cash flows from operating activities			
Earnings after tax		8,175	1,591
Income tax expense/(income tax income)		-3,574	-6,148
Interest expenses/(income)		2,871	3,349
Amortization of intangible assets and financial assets, depreciation of property, plant and equipment		21,224	14,193
Other non-cash expenses/income		-12,350	-2,122
(Gain)/loss on the disposal of non-current assets		-402	-1,291
Increase/(Decrease) of provisions		-3,155	7,043
(Increase)/decrease in inventories, trade receivables and other assets		-79,331	-13,641
Increase/decrease in trade payables and other liabilities		46,351	24,048
Cash outflow/inflow from operating activities		**-20,191**	**27,023**
Interest received		39	114
Income tax reimbursements (payments)		-1,401	-1,290
Net cash outflow/inflow from operating activities	27	**-21,553**	**25,847**

EUR k	Note	1 Jan 2021 - 31 Dec 2021	1 Jan 2020 - 31 Dec 2020
Cash flows from investing activities			
Cash received from disposal of intangible assets		85	49
Cash paid for intangible assets		-1,714	-1,025
Cash received from the disposal of property, plant and equipment		17,824	3,279
Cash paid for property, plant and equipment		-14,762	-16,711
Cash paid for investments in financial assets		-1,816	0
Cash paid for additions to the consolidated group less cash and cash equivalents acquired		-8,335	-2,401
Net cash outflow from investing activities	27	**-8,719**	**-16,810**

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

Consolidated Statement of Cash Flows

EUR k	Note	1 Jan 2021 - 31 Dec 2021	1 Jan 2020 - 31 Dec 2020
Cash flows from financing activities			
Cash received from capital increases		74,905	0
Cash received from borrowing		20,392	28,469
Cash repayments of loans and lease liabilities		-23,433	-31,458
Cash received from subsidies/grants		37	730
Cash paid to settle liabilities to shareholders		-7,674	-8,510
Cash paid for interest		-2,863	-3,357
Net cash inflow/outflow from financing activities	**27**	**61,363**	**-14,127**
Net increase/decrease in cash and cash equivalents		**31,091**	**-5,090**
Cash and cash equivalents at the beginning of the reporting period		**3,582**	**8,449**
Changes in cash and cash equivalents due to exchange rates and changes in valuation		-764	223
Cash and cash equivalents at the end of the reporting period	**27**	**33,909**	**3,582**
thereof: Cash at banks and on hand		42,203	35,453
thereof: Liabilities to banks		8,294	31,871

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

Consolidated Statement of Changes in Equity

	Issued capital	Capital reserve	Revenue reserves: Reserve for actuarial gains/losses	Revenue reserves: Foreign currency translation reserve (OCI)	Revenue reserves: Other	Thereof attributable to shareholders of the parent company	Non-controlling interests	Total
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
1 January 2021	146	48,854	-111	-139	16,343	65,093	0	**65,093**
Net profit or loss of the Group	0	0	0	0	8,454	8,454	-279	**8,175**
Other comprehensive income	0	0	151	299	0	450	-1	**450**
Total comprehensive income	**0**	**0**	**151**	**299**	**8,454**	**8,904**	**-279**	**8,624**
Capital increase from shareholders	3,433	72,592	0	0	0	76,026	0	**76,026**
Capital increase from company funds	9,662	-9,662	0	0	0	0	0	**0**
Changes in consolidated group	0	0	0	0	0	0	2,056	**2,056**
31 December 2021	**13,242**	**111,784**	**41**	**160**	**24,797**	**150,023**	**1,777**	**151,799**

For further explanations, please refer to B.17 in the notes.

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

Consolidated Statement of Changes in Equity

	Issued capital	Capital reserve	Revenue reserves: Reserve for actuarial gains/losses	Revenue reserves: Foreign currency translation reserve (OCI)	Revenue reserves: Other	Thereof attributable to shareholders of the parent company	Non-controlling interests	Total
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
1 January 2020	120	4,880	-254	16	14,752	19,514	0	**19,514**
Net profit or loss of the Group	0	0	0	0	1,591	1,591	0	**1,591**
Other comprehensive income	0	0	143	-155	0	-12	0	**-12**
Total comprehensive income	0	0	**143**	**-155**	**1,591**	**1,579**	**0**	**1,579**
Capital increase from shareholders	26	43,974	0	0	0	44,000	0	**44,000**
31 December 2020	**146**	**48,854**	**-111**	**-139**	**16,343**	**65,093**	**0**	**65,093**

For further explanations, please refer to B.17 in the notes.

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 2021 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 a global services provider in electronics with subsidiaries in Düsseldorf, Frickenhausen, Grassau, Leipzig, Mauerstetten, Memmingen and Wendlingen as well as international locations in Bulgaria, the Czech Republic, Hungary, Switzerland, Lithuania, the Netherlands, USA, Singapore and Malaysia. The product spectrum covers the entire life cycle of electronic assemblies and devices from development through to materials management and project management, manufacture, box-build, testing technologies and logistics and after-sales service – from small-volume series and prototypes through to mass produced series for all kinds of sectors.

The consolidated financial statements are presented in euros. Unless otherwise specified, all amounts are stated in thousands of euro (EURk). 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. The 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 covers the period from 1 January 2021 to 31 December 2021. 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 holds 58.94% (previous year: 81.15%) of the shares in KATEK SE.

As the parent company of the KATEK Group, KATEK SE compiles consolidated financial statements for the smallest group of companies for the financial year 2021 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 German Federal Gazette (*Bundesanzeiger*).

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

2 Application of new accounting standards

The KATEK Group is obliged to uniformly apply all standards and interpretations that are mandatory at the end of the reporting period (31 December 2021) 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 first-time application of IFRS amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 ("Interest Rate Benchmark Reform Phase 2"), which became mandatory on 1 January 2021, and the amendment to IFRS 4 ("Insurance Contracts

– Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts") did not result in any material impacts on the financial performance, financial position or cash flows.

The extension of the voluntary application of "Covid-19-Related Rent Concessions – Amendment to IFRS 16" on 1 April 2021 did not have any material impact on the financial position, financial performance and cash flows in financial year 2021. Reference is made to the comments in note A.4.9 Depreciation and amortization and in B.26 Capital management.

New standards and interpretations that are not yet mandatory

The following standards and interpretations as well as 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 2022 but have not been applied when compiling these consolidated financial statements:

Standard or interpretation	**Contents and significance for the financial reporting**	**Date of mandatory first-time application**
IAS 37	Onerous contracts – cost of fulfilling a contract	1 Jan 2022
Amendments to IAS 16	Property, plant and equipment – proceeds before intended use	1 Jan 2022
Amendments to IFRS 3	References to the conceptual framework	1 Jan 2022
AIP 2018-2020	IFRS 1: Determining CTD for subsidiaries as first-time adopters IFRS 9: Fees in the '10 per cent' test for derecognition of financial liabilities IFRS 16: IE5: Lease Incentives IAS 41: Determining fair value on an after-tax basis	1 Jan 2022
IFRS 17 and amendments to IFRS 17	This standard governs the recognition and measurement of insurance policies by the issuers of the policy. The standard does not have any relevance for the consolidated financial statements of KATEK SE	1 Jan 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current and Disclosure of Accounting Policies	1 Jan 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 Jan 2023

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
IAS 12	Recognizing deferred taxes arising from a single transaction	1 Jan 2023
Amendments to IFRS 17	Presentation of comparative information upon first-time application of IFRS 17 and IFRS 9	1 Jan 2023

The Group has not yet made a conclusive assessment of the above new standards and interpretations as to whether, and if so, what implications the amendments will have for the financial performance, financial position and cash flows of the Group. At present, it is expected that there will not be any material impact.

3 Consolidated group

The consolidated group for the financial year ended 31 December 2021 comprises the parent company, i.e. KATEK SE, Munich, as well as nine domestic subsidiaries and nine foreign subsidiaries.

A subsidiary is an entity that is controlled by KATEK SE. 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 2021 is as follows:

	Domestic	Foreign	Total
1 January 2021	9	3	12
Acquisitions	1	4	5
Foundations	1	2	3
Mergers	-1		-1
31 December 2021	**10**	**9**	**19**

In total, 19 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.

Changes in the consolidated group

Changes at the German entities are presented in the following table:

Domestic	Mergers	Foundation	Spin-off	Liquidation	Acquisition
Telealarm Europe GmbH, Leipzig					X
AISLER Germany GmbH, Aachen		X			
KATEK Frickenhausen GmbH, Frickenhausen	X				

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

Foreign	Mergers	Foundation	Spin-off	Liquidation	Acquisition
TeleAlarm SA, La Chaux-de-Fonds, Switzerland					X
KATEK LT UAB, Panevėžys, Lithuania					X
KATEK SINGAPORE PTE. LTD., Singapore, Singapore		X			
BEFLEX ELECTRONIC MALAYSIA SDN. BHD., Kuala Kabu Baru, Malaysia		X			
Aisler B.V., Vaals, Netherlands					X
AISLER AMERICAS, Inc., Claymont, DE, USA					X

Acquisitions

Acquisition of the Leesys Group

Effective 1 February 2021, KATEK Leipzig GmbH, Leipzig, a wholly-owned subsidiary of KATEK SE, Munich, acquired the key operating assets from the insolvency of Leesys- Leipzig Electronic Systems GmbH, Leipzig, within the framework of an asset deal. The transaction was concluded rapidly and successfully soon after insolvency protection was filed on 1 October 2020 to secure continuation of the operation. All the shares in KATEK LT UAB, Panevėžys, Lithuania, Telealarm Europe GmbH, Leipzig, and TeleAlarm SA, La Chaux-de-Fonds, Switzerland, were acquired in the course of the transaction. The acquired operation qualifies as a business using the definition of IFRS 3. For this reason, the transaction was treated as a business combination in accordance with IFRS 3. The new entity complements the group led by the KATEK SE Group, Munich, in the core area of electronic services, but also in the very promising, yet challenging, field of high value electronics.

The date of first-time consolidation of the acquired entities was set at 1 February 2021.

The purchase price amounted to EUR 8,617k and was settled in cash.

Incidental costs of the acquisition that do not meet the recognition criteria for capitalization amounted to EUR 149k. Of this amount EUR 50k was presented as other operating expenses in the reporting year and EUR 99k in the previous year.

The purchase price allocation revealed a bargain purchase of EUR 11,316k, which is presented under other operating income. The remeasured land and buildings acquired in the course of the business combination were sold shortly after the transaction for a corresponding price. Comments on this transaction can be found in note C.1 Related party transactions.

Revenue of EUR 85,722k has been posted to the consolidated statement of comprehensive income since the acquisition and a net profit for the period of EUR 7,110k. Due to the asset deal it is not possible to make a disclosure for the full year. However, only one month is missing from the financial year 2021 (January 2021) where the result for the month cannot be reliably quantified due to various effects related to the insolvency of the vendor. The following assets and liabilities were assumed in the course of the business combination:

EUR k	**Fair value**
Purchase price	
Cash and cash equivalents	8,617
Total consideration transferred	**8,617**
Fair value of acquired assets and liabilities	
Intangible assets	72
Fixed assets	22,937
Deferred tax assets	73
Inventories	3,971
Trade receivables	608
Other financial and non-financial assets	1,443
Cash and cash equivalents	1,188
Provisions	816
Liabilities to banks	880
Trade payables	472
Other financial and non-financial liabilities	3,055
Deferred tax liabilities	5,135
Fair value of acquired net assets	**19,934**
Bargain purchase	**-11,316**

The gross amount of the contractual receivables acquired in the business combination comes to EUR 691k, of which EUR 83k were no longer expected to be collected as at the date of acquisition.

Acquisition of the Aisler Group

On 25 May 2021 KATEK SE, Munich, acquired 50.01% of the shares in AISLER B.V., a trend-setting and rapidly growing provider of fabless electronics prototyping. The acquisition serves to further the automation of processes in the interfaces with customers and suppliers and drive forward the use of artificial intelligence, which will play a growing role in the electronics industry in future.

The date of first-time consolidation was set at 1 June 2021 as a practical expedient.

The purchase price for the 50.01% holding in the Aisler Group amounted to EUR 2,500k and was settled in cash. In addition, call and put options were agreed on for the acquisition of further shares, ranging up to a full takeover of all the shares. Due to their complexity it has not yet been possible to measure these in accordance with IFRS 2 as at 31 December 2021. Consideration may be paid to KATEK SE in shares on a pro rata basis. First-time recognition will impact goodwill and also earnings per share.

The incidental costs of the acquisition, which do not meet the recognition criteria for capitalization, amounted to EUR 63k and were posted to other operating expenses.

The preliminary purchase price allocation as at 31 December 2021 resulted in goodwill of EUR 443k.

Revenue of EUR 529k has been posted to the consolidated statement of comprehensive income since the acquisition and a net loss for the period of EUR -379k. If the acquisition had taken place at the beginning of the reporting period, revenue of EUR 977k and a net loss for the period of EUR -570k would have been presented.

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

EUR k	**Fair value**
Purchase price for 50.01% of the shares	
Cash and cash equivalents	2,500
Total consideration transferred	**2,500**
Fair value of acquired assets and liabilities	
Intangible assets	3,339
Fixed assets	9
Trade receivables	10
Other financial and non-financial assets	106
Cash and cash equivalents	1,594
Provisions	16
Trade payables	61
Other financial and non-financial liabilities	33
Deferred tax liabilities	835
Fair value of acquired net assets (100%)	**4,113**
Fair value of acquired net assets (50.01%)	**2,057**
Goodwill (preliminary)	**443**

The business combination resulted in the addition of non-controlling interests of EUR 2,056k.

The gross amounts of the contract assets acquired in the business combination corresponds to the values stated above.

Other

KATEK Frickenhausen GmbH, Frickenhausen, was merged with KATEK GmbH, Grassau, with retroactive effect to 1 January 2021.

4 Accounting and valuation policies

The principal accounting policies adopted in preparing these consolidated financial statements are presented in the following. 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 position of the Group.

4.1 Consolidation principles

The consolidated financial statements are based on the separate 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 on 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 the acquired company 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 assets and liabilities acquired. In subsequent years the carrying amounts of the investment held by the parent company are offset against the equity carried by the subsidiary.

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) 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 generally recognized at cost and subsequently measured at fair value through other comprehensive income (FVOCI). As the shares are not listed on a regulated market and the other factors needed to reliably measures 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 Foreign currency translation

The separate financial statements of consolidated entities are prepared in the functional currency. The functional currency is the currency of the primary economic environment in which the entity operates. With the exception of two newly founded entities in 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 BEFLEX ELECTRONIC MALAYSIA SDN. BHD., Kuala Kabu Baru, Malaysia, and KATEK SINGAPORE PTE. LTD., Singapore, is the US-dollar.

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:

		Closing rate	Closing rate	Average rate	Average rate
EUR 1/		**31 Dec 2021**	**31 Dec 2020**	**2021**	**2020**
HUF	Hungary	369.1900	363.8900	358.4635	351.2043
USD	USA	1.1326	1.2271	1.1835	1.1413
BGN	Bulgaria	1.9558	1.9558	1.9558	1.9558
CZK	Czech Republic	24.8580	26.2420	25.6468	26.4554
CHF	Switzerland	1.0331	1.0802	1.0814	1.0703
JPY	Japan	130.3800	126.4900	129.8575	121.7754

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 under other income or other expenses in the consolidated statement of profit or loss.

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. The Group has not identified the existence of any contracts where the time between the transfer of a good or service to the customer and the payment by the customer exceeds one year. 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 generally at a point in time, when the customer obtains possession of the products or services. The revenue from 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. Where material, the above sales deductions, when still outstanding, are explained in note A.4.17 Other provisions.

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 is 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 a date of 30 November for conducting its annual impairment tests.

4.6 Research and development expenses

Development costs 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 costs include all directly allocable direct costs and overheads. Capitalized development costs are amortized on the basis of the estimated 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 measured over the useful life using the straight-line method.

Borrowing costs that are directly allocable to qualifying assets are generally capitalized as part of the cost of those assets in accordance with IAS 23.

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 to 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 of the standard is that lessees must now generally recognize the right-of-use assets and the lease liabilities of 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 rate equates with the interest rate inherent to the lease or, if this cannot be readily determined, at the incremental borrowing rate of the Group. The interest rates applied by the KATEK Group entities ranged between 0.17% and 5.01% 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 published Amendments to IFRS 16 “Covid-19-Related Rent Concessions”. As a result, reporting entities are exempted from the requirement to assess and treat any rent concessions granted in connection with the corona pandemic under certain conditions and for a limited period as lease modifications.

Where this exemption is adopted voluntarily, it is necessary to apply it consistently to all similarly structured leases.

According to IFRS 16.38, any waiver or deduction of lease installments is treated as a (negative) variable lease payment and therefore recognized as other operating income. The waiver or reduction of the lease (rent concession) is recognized by derecognizing the specified portion of the lease liability (IFRS 9.3.3.1).

On 31 March 2021 the IASB decided to extend the permitted term of the practical expedient effective 1 April 2021 due to the sustained impacts of the pandemic.

The practical expedient is to be applied to Covid-19 related rent concessions that fell due on or before 30 June 2022 (and not just to payments that were originally due on or before 30 June 2021).

The Group did not apply the practical expedient in financial year 2021.

4.9 Depreciation and amortization

Depreciation of property, plant and equipment and amortization of intangible assets has been calculated on the basis of the following useful lives which have been applied uniformly throughout the Group:

in years	**31 Dec 2021**	**31 Dec 2020**
Concessions, industrial rights and patents	3 - 5	3 - 5
Customer base	5 - 10	5 - 10
Technology and patents	5 - 8	5 - 8
Order backlog	1 - 2	1 - 2
Own buildings	15 - 50	15 - 50
Plant and machinery	5 - 8	5 - 8
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 recorded 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

Background

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 at amortized cost or 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 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 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 finance revenue 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 are recognized in the profit or loss for the period provided they do 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 at 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 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. Other exchange gains or losses are generally posted to the foreign currency translation reserve in other comprehensive income.

Exchange gains and losses on financial assets classified as FVTPL 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

The Group records loss allowances to account for expected credit losses on financial assets using the expected loss model, which it applies to its debt instruments measured at amortized cost or as FVTOCI and its lease receivables and contract assets that fall under the scope of IFRS 15. No impairment losses are recognized on equity instruments. The amount of expected credit losses is revised each reporting date in order to account of 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 instruments, 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 risk 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, granting to the borrower a concession that the lender would not otherwise consider
- it becoming 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.

Transferred receivables

The carrying amounts of trade receivables include receivables that are covered by a factoring arrangement. Within the framework of this agreement, the KATEK Group assigns receivables to a factor in return for cash payment and can no longer sell or pledge them. 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 and similar currency derivatives 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. Hedge accounting is used when the effects on profit or loss arising from changes in the market prices of the hedged items and the hedging instruments stand in a documented economic relationship to one another and the resulting offsetting effects on profit or loss occur in the same accounting period. If such a relationship qualifies as a designated hedge, the gains and losses from the hedged item and the hedging instrument are accounted for using the special rules on hedge accounting. Hedge accounting is basically optional in each particular case. However, hedge accounting may only be applied if certain criteria are met. The hedge relationship must be documented. Furthermore, the hedge relationship must be effective (economic relationship between the hedged item and the hedging instrument, the effect of credit risk does not dominate, the hedge ratio corresponds to the hedging ratio used for risk management purposes).

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 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 Determining fair value

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. The measurement of pension provisions and the calculation of pension expenses is based on the defined benefit obligation. 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 financial expenses.

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

The consolidated financial statements as at 31 December 2021 do not include any separate segment reporting, as the activities of the KATEK Group are limited to just one reportable segment in the sense of IFRS 8. All business activities are oriented towards electronic services and are monitored and managed uniformly within the Group accordingly. Other than this activity there is no other business segment that would be reportable in the sense of IFRS 8.11. The above notwithstanding, the disclosures at entity level are provided under the presentation of revenue in note B.1 in accordance with IFRS 8.31-34.

4.19 Share-based payments

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.

The Company has operated a phantom stock program since 8 September 2020. This phantom stock 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. However, as the fair value of services rendered by employees cannot be reliably measured, the liability is measured at the fair value of the stock appreciation rights. Now that one of the exit conditions for this employee participation program has been fulfilled upon the IPO of KATEK SE, the program has expired on the basis of the measurement at the closing date of the previous year. The corresponding liability is still carried on the reporting date. Payment is scheduled for May 2022.

Effective 1 April 2021, the service contracts with the members of the Management Board of the listed subsidiary KATEK SE were modified and equipped with a long-term incentive component. The 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 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 events 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 statement of financial position. Rather, they are disclosed and explained in the notes to the financial statements.

4.21 Estimates and Assumptions

Judgement is exercised when applying accounting policies. The key assumptions concerning the future and other key sources of estimation uncertainty as at the reporting date that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are discussed below.

- Note B.11 Intangible assets, B.23 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.12 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.
- 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 and employee churn, as well as 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 costs 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 service to the customer. 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 2021**	**31 Dec 2020**
from the sale of goods	521,709	400,997
from the sale of services	18,409	13,204
	540,119	**414,201**

The following table breaks down revenue by region:

EUR k	**31 Dec 2021**	**31 Dec 2020**
Germany	382,974	297,500
Europe	134,647	97,646
Rest of world	22,498	19,055
	540,119	**414,201**

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

KATEK generated more than 10% of its total revenue from one customer in the year 2021 (previous year: two customers). The associated sales are attributable to the Automotive and the Consumer segments.

	2021		**2020**	
	EUR k	**%**	**EUR k**	**%**
Customer A	78,856	14.6	71,035	17.1
Customer B	46,263	8.6	41,937	10.1
Other customers	414,999	76.8	301,229	72.7
Revenue	**540,119**	**100.0**	**414,201**	**100.0**

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

2. Own work capitalized

Own work capitalized totaled EUR 1,389k (previous year: EUR 2,285k) 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 development.

3. Other operating income

Other operating income breaks down as follows:

EUR k	**31 Dec 2021**	**31 Dec 2020**
Bargain purchase from business acquisitions	11,316	0
Exchange gains	4,606	3,215
Releases of other provisions and liabilities to personnel	947	1,427
Income from the disposal of non-current assets	854	1,432
Reversals of loss allowances for trade receivables	208	417
Sundry other operating income	1,430	2,200
	19,361	**8,691**

In the reporting year a bargain purchase of the Leesys Group resulted in negative goodwill of EUR 11,316k.

The release of other provisions and liabilities to personnel of a total amount of EUR 947k (previous year: EUR 1,427k) relates mainly to warranties and obligations for employee and management bonuses.

Income from the disposal of non-current assets in the previous year 2020 included an amount of EUR 1,080k from the sale of a property and sales of plant and equipment at the subsidiary, KATEK Frickenhausen GmbH (merged with Katek GmbH). In the reporting year 2021 property in Hungary and Leipzig was sold and immediately leased back. The sale of this property resulted in income of EUR 475k for the period.

Other operating income includes reimbursement claims of EUR 475k (previous year: EUR 0k). The figure for the previous year included income of EUR 730k from a settlement agreed on with a customer and EUR 343k from government grants and subsidies.

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 2021	31 Dec 2020
Cost of raw materials, consumables and supplies and of purchased merchandise	376,386	275,497
Purchased services	8,436	14,967
	384,822	**290,464**

5. Personnel expenses and number of employees

Personnel expenses developed as follows:

EUR k	31 Dec 2021	31 Dec 2020
Wages and salaries	87,920	70,738
Other social security contributions and welfare	17,397	13,776
	105,317	**84,514**

Personnel expenses were reduced by government subsidies of EUR 65k granted on account of the corona crisis (previous year: EUR 387k).

The average number of employees as at the reporting date came to 2,659 (previous year: 2,196) and breaks down as follows:

	31 Dec 2021	31 Dec 2020
Purchasing	89	71
Administrative	209	247
Sales	124	97
Marketing	4	2
Development	145	116
Production	2,086	1,664
Service	2	0
	2,659	**2,196**

6. Depreciation and amortization

Of the total of depreciation and amortization, an amount of EUR 18,902k (previous year: EUR 12,026k) is allocable to property, plant and equipment and EUR 2,321k (previous year: EUR 2,167k) to intangible assets.

Depreciation of property, plant and equipment in the reporting period includes depreciation of EUR 3,032k recorded on assets uncovered in the purchase price allocation (previous year: EUR 380k). The amortization of intangible assets also includes the amortization of intangible assets uncovered in the purchase price allocation of EUR 1,587k (previous year: EUR 1,628k).

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

The depreciation of right-of-use assets recognized pursuant to IFRS 16 is presented in note 22 leases.

7. Other operating expenses

Other operating expenses break down as follows:

EUR k	**31 Dec 2021**	**31 Dec 2020**
Selling expenses	3,956	2,986
Operating expenses	19,758	12,643
License expenses, rents, leases	957	585
General administrative expenses	12,111	10,254
Exchange rate losses	6,184	1,912
Loss allowances on receivables/bad debts	691	279
Sundry other operating expenses	2,213	6,026
	45,869	**34,686**

Selling expenses mainly include outgoing freight of EUR 2,331k (previous year: EUR 1,741k), advertising expenses of EUR 576k (previous year: EUR 158k) and travel expenses of EUR 364k (previous year: EUR 221k).

Operating expenses include expenses for maintenance and technology of EUR 10,182k (previous year: EUR 7,376k), the cost of hired temps of EUR 7,988k (previous year: EUR 4,438k) and other personnel expenses, including training expenses, of EUR 1,588k (previous year: EUR 829k).

License expenses, rent and lease expenses of EUR 957k (previous year: EUR 585k) include expenses for short-term leases and leases of low-value assets of EUR 792k (previous year: EUR 464k). Sundry other operating expenses mainly consist of royalties not falling under the scope of IFRS 16 of EUR 54k (previous year: EUR 85k) and service charges and incidentals of EUR 111k (previous year: EUR 36k).

Among other items, administrative expenses include legal expenses and consulting fees of EUR 4,636k (previous year: EUR 4,055k) the costs of preparing the annual financial statements and auditing of EUR 854k (previous year: EUR 657k) as well as insurance premiums of EUR 2,436k (previous year: EUR 1,409k).

Sundry other operating expenses in the previous year included an amount of EUR 5,158k for restructuring measures that had already been initiated.

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 2021	31 Dec 2020
Finance income	54	148
Finance costs	-2,925	-3,498
Exchange differences	0	88
	-2,871	**-3,261**

Financial income of EUR 1k (previous year: EUR 68k) consists of interest income from interest derivatives, EUR 38k (previous year: EUR 45k) from interest income on IFRS 9 matters and EUR 15k (previous year: EUR 35k) from interest income related to provisions.

Finance costs include interest expenses of EUR 2,114k (previous year: EUR 2,912k) on IFRS 9 matters, interest expenses of EUR 60k (previous year: EUR 21k) on IAS 19 matters and interest expenses of EUR 748k (previous year: EUR 545k) on leases pursuant to IFRS 16.

There were no effects from forward exchange contracts in the reporting year (previous year: income of EUR 88k).

Income and expenses from the measurement of financial instruments are presented in note 21 financial instruments.

9. Income taxes

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

EUR k	31 Dec 2021	31 Dec 2020
Income taxes	2,675	1,174
Deferred taxes	-6,250	-7,322
Income tax expense (+)/income (-)	**-3,574**	**-6,148**

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 -1,120k (previous year: EUR 0k). These tax benefits 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. Deferred taxes arising from purchase price allocations that are not recognized through profit or loss or in other comprehensive income amount to EUR 5,970k (previous year: EUR 0k).

The differences to 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 payable by KATEK SE can be reconciled as follows:

The tax expense for the financial year can be reconciled to profit or loss for the period as follows:

EUR k	31 Dec 2021	31 Dec 2020
Earnings before income taxes	4,601	-4,556
Income tax expense at a tax rate of 27.63% (previous year: 28.83%)	1,271	-1,314
Effect of different tax rates at subsidiaries in other jurisdictions	-364	-373
Effect of changes in tax rate	79	306
Taxes for previous years	-109	-2,958
Impact of tax-free income / non-deductible expenses	81	535
Effect of non-deductible income taxes	0	6
Effect of permanent differences	-106	-19
Loss allowances recognized on deferred taxes	-843	-2,325
Effect of tax-free bargain purchases	-3,579	0
Other effects	-5	-7
Income tax income recorded in the statement of profit or loss	**-3,574**	**-6,148**

The tax rate used in the above tax reconciliation for the years 2021 and 2020 corresponds to the corporate income tax rate applied by KATEK SE on taxable income in Germany in accordance with German tax legislation. The reduction in the tax rate in comparison to the previous year is due to the creation of a new consolidated tax group and the associated differences in the trade tax multiplier.

The actual tax rates are as follows:

EUR k	31 Dec 2021	31 Dec 2020
Income taxes	2,675	1,174
Deferred taxes	-6,250	-7,322
Income taxes	-3,574	-6,148
Profit or loss before tax	4,601	-4,556
Actual tax rate	**-77.69%**	**134.93%**

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 170k (previous year: EUR 7,704k) or on unused tax losses for trade tax purposes of EUR 60k (previous year: EUR 970k).

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

EUR k	31 Dec 2021	31 Dec 2020
Other intangible assets	211	25
Property, plant and equipment	7	36
Inventories	146	147
Trade receivables	73	3
Other assets	219	137
Pension provisions	483	499
Other provisions	81	140
Personnel liabilities	704	1,158
Liabilities *)	11,427	6,766
Loss carry-forwards	10,526	8,760
Bad debt allowances	-38	-880
Deferred tax assets	**23,840**	**16,791**
Offsetting	-13,149	-8,733
Deferred tax assets	**10,691**	**8,059**

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

EUR k	31 Dec 2021	31 Dec 2020
Other intangible assets	-2,679	-2,265
Property, plant and equipment *)	-12,499	-6,977
Inventories	-15	0
Other assets	0	-2
Other provisions	-23	0
liabilities	-6	-363
Other	-7	-7
Deferred tax liabilities	**-15,229**	**-9,614**
Offsetting	13,149	8,733
Deferred tax liabilities	**-2,080**	**-882**

*) In the previous year, deferred tax assets and liabilities arising from IFRS 16 (Leases) were presented net in the above table. As a gross presentation has been chosen for the year 2021, the figures of the previous year have been adjusted accordingly..

No deferred taxes were recognized on temporary differences of EUR 3,847k (previous year: EUR 2,691k) 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 the temporary differences will not reverse in the foreseeable future.

10. Earnings per share

The calculation of earnings per share is based on the net profit for the year of EUR 8,454k allocable to the shareholders of KATEK SE (previous year: EUR 1,591k) and the weighted average number of shares outstanding of 12,069,834 (previous year: 146,400). For the comparative period, the number of shares was set at 146,400.

To allow a comparison of earnings per share in the previous year to the reporting year, the stock split in March 2021 would have to be shifted forward to 1 January 2020 (as an accounting fiction). This would result in a comparative presentation of basic and diluted earnings per share in the previous year of EUR 0.16 per share.

The following table presents a reconciliation of the actual earnings per share to the (comparative) earnings per share:

	2021	**2020**
Number of shares at the beginning of the period 1 January	146,400	146,400
Change in shares due to stock split	9,662,400	-
Capital increase	3,443,080	-
Number of shares at the end of the period 31 December	13,241,880	146,400
Average number of shares	12,069,834	146,400
Net profit or loss for the year (EURk)	8,454	1,591
Earnings per share (EUR), basic and diluted	**0.70**	**10.87**
Comparative number of shares on average (fictitious stock split on 1 January 2020)	12,069,834	9,662,500
(Comparative) earnings per share (EUR), basic and diluted	**0.70**	**0.16**

Notes to the 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 2021	31 Dec 2020
Goodwill	8,964	8,521
Internally generated intangible assets	1,268	0
Concessions, industrial rights and patents	1,006	1,201
Customer base	5,947	7,008
Technology and patents	4,450	1,736
	21,634	**18,465**

The goodwill of the KATEK Group increased in comparison to the previous year by EUR 443k, due to the preliminary purchase price allocation of the Aisler Group. Additional explanations can be found in the comments on impairment testing later in this note.

The line item "internally generated intangible assets" for the reporting year contains inhouse developments at the Group entity, eSystems MTG GmbH, Wendlingen.

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 two years.

The line items "Customer base" and "Technology and patents" are based on business combinations in previous accounting periods. These items are amortized over their respective useful lives. The residual useful life of "Customer bases" is six years on average and seven years for "Technology and patents".

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

The development of intangible assets for the financial year 2021 and the previous year 2020 are presented in the following table:

Intangible assets (EURk)	Cost						
	1 Jan 2021	**Additions at cost**	**Reclassifications at cost**	**Disposals at cost**	**Change in scope of consolidation**	**Currency**	**31 Dec 2021**
Goodwill	8,521	0	0	0	443	0	8,964
Internally generated industrial rights and similar rights and assets	0	1,268	0	0	0	0	1,268
Concessions, industrial rights and licenses acquired for a consideration	6,747	447	5	-1,203	26	21	6,042
Customer base	13,442	0	0	0	0	0	13,442
Technology and patents	2,124	0	0	0	3,386	0	5,510
Order backlog	1,409	0	0	-1,409	0	0	0
31 December 2021	**32,244**	**1,714**	**5**	**-2,612**	**3,854**	**21**	**35,226**

Intangible assets (EURk)	Cost						
	1 Jan 2020	**Additions at cost**	**Reclassifications at cost**	**Disposals at cost**	**Change in scope of consolidation**	**Currency**	**31 Dec 2020**
Goodwill	8,521	0	0	0	0	0	8,521
Concessions, industrial rights and licenses acquired for a consideration	5,860	1,025	0	-131	3	-11	6,747
Customer base	13,442	0	0	0	0	0	13,442
Technology and patents	1,374	0	0	0	750	0	2,124
Order backlog	1,409	0	0	0	0	0	1,409
31 December 2020	**30,607**	**1,025**	**0**	**-131**	**753**	**-11**	**32,244**

Intangible assets (EURk)	Amortization 1 Jan 2021	Additions to impairment losses	Disposals of impairment losses	Currency	31 Dec 2021	Book value 31 Dec 2021
Goodwill	0	0	0	0	0	8,964
Internally generated industrial rights and similar rights and assets	0	0	0	0	0	1,268
Concessions, industrial rights and licenses acquired for a consideration	-5,546	-589	1,117	-19	-5,036	1,006
Customer base	-6,435	-1,061	0	0	-7,496	5,947
Technology and patents	-389	-672	0	0	-1,060	4,450
Order backlog	-1,409	0	1,409	0	0	0
31 December 2021	**-13,778**	**-2,321**	**2,527**	**-19**	**-13,592**	**21,634**

Intangible assets (EURk)	Amortization 1 Jan 2020	Additions to impairment losses	Disposals of impairment losses	Currency	31 Dec 2020	Book value 31 Dec 2020
Goodwill	0	0	0	0	0	8,521
Concessions, industrial rights and licenses acquired for a consideration	-5,098	-540	82	10	-5,546	1,201
Customer base	-5,374	-1,061	0	0	-6,435	7,008
Technology and patents	-180	-209	0	0	-389	1,736
Order backlog	-1,052	-358	0	0	-1,409	0
31 December 2020	**-11,704**	**-2,167**	**82**	**10**	**-13,778**	**18,465**

The most significant line items, goodwill, customer base and technology and patents, originate from business combinations in the reporting year and in previous years. The corresponding explanations can be found in note A.3 and in the comments 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 to the 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).

The cash-generating unit bebro Group was dissolved due to the merger of KATEK Frickenhausen, Frickenhausen, with Katek GmbH, Grassau, during the reporting year and the simultaneous reorganization which placed beflex electronic GmbH, Frickenhausen, directly under KATEK SE, Munich.

beflex electronic GmbH, Frickenhausen, along with its subsidiaries in Singapore and Malaysia now constitutes the new beflex Group cash-generating unit while the remaining carrying amounts of the former cash-generating unit bebro Group have been transferred to the Katek Grassau Group.

The KATEK Leipzig Group and the Aisler Group represent new cash-generating units in the financial year 2021.

As a result, the cash-generating units as at 31 December 2021 are as follows:

- KATEK Memmingen Group
- KATEK Mauerstetten
- Katek Grassau Group
- beflex Group
- eSystems
- KATEK Leipzig Group
- Aisler Group

The carrying amounts of goodwill were allocated to the cash-generating units as follows:

EUR k	31 Dec 2021	31 Dec 2020
KATEK Memmingen Group	0	0
KATEK Mauerstetten	8,521	8,521
Katek Grassau Group	0	0
bebro Group	n.a.	0
beflex Group	0	n.a.
eSystems	0	0
KATEK Leipzig Group	0	n.a.
Aisler Group	443	n.a.
	8,964	**8,521**

The recoverable amount of the KATEK Mauerstetten cash-generating unit (CGU) is calculated by assessing its value in use on the basis of future cash flows taken from the latest budget with a detailed planning horizon of five years and discounted using a before-tax interest rate of 9.91% (previous year: 9.62%).

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 was determined by reference to the two-year average of the respective peer group. For the KATEK Mauerstetten CGU it has been set at 1.01 (previous year: 0.97).

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%).

For the entire period covered by the financial budget, the cash flow projections are based on the same anticipated gross margins and the same estimated price increases for raw materials. The cash flow projections were extrapolated to the terminal phase after the detailed five-year planning period assuming a constant 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 recoverable, both in the reporting year and in the previous year.

The recoverable amount of the Aisler Group cash-generating unit (CGU) is calculated by assessing its value in use on the basis of future cash flows taken from the latest budget with a detailed planning horizon of five years and discounted using a before-tax interest rate of 9.66%.

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. The beta for the Aisler Group CGU is 1.01.

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 applying to the Aisler Group CGU is 25.00%.

For the entire period covered by the financial budget, the cash flow projections are based on the same anticipated gross margins and the same estimated price increases for raw materials. The cash flow projections were extrapolated to the terminal phase after the detailed five-year planning period assuming a constant 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 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 Aisler Group cash-generating unit is recoverable, both in the reporting year and in the previous year.

Comments on development expenses

Total research and development expenses amounted to EUR 3,412k in the financial year 2021 (previous year: EUR 200k).

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 and depreciation and amortization.

As at 31 December 2021, an amount of EUR 1,280k of the above expenses was recognized as development costs (previous year: EUR 0k) relating to an internal development in the area of electromobility that is not yet completed.

Its recoverability is tested using a profitability analysis based on the projected cash flows and gross margins. The profitability analysis for the anticipated sales period is based on a conservative estimate of its potential share in the market for charging infrastructure. A comparison of the recoverable amount and the carrying amount of the development project plus the anticipated costs to complete the project did not reveal any need to record an impairment. A sensitivity analysis was conducted for the event of a 50.00% reduction in projected sales in each year within the planning horizon with the discount factor remaining unchanged at 10.00%. This did not reveal any need to record an impairment.

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 2021	31 Dec 2020
Own land and buildings	38,069	31,581
Plant and machinery	38,038	22,832
Operating equipment, furniture and fixtures	9,036	6,857
Payments on account	443	924
Assets under construction	5,136	6,074
	90,722	**68,269**
thereof right-of-use assets from leases	41,455	29,208

KATEK has pledged property, plant and equipment with a carrying amount of EUR 4,821k (previous year: EUR 5,054k) 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 other financial commitments.

In detail, non-current assets developed in financial year 2021 and the previous year 2020 as follows:

Property, plant and equipment (EURk)	Cost							
	1 Jan 2021	Additions at cost	Remeasurements at cost	Reclassifications at cost	Disposals at cost	Change in scope of consolidation	Currency	31 Dec 2021
Own land and buildings	40,050	13,734	-399	705	-13,184	10,467	375	51,747
Own land and buildings	16,869	1,289	0	705	-14,407	10,000	352	14,807
Right-of-use assets to land and buildings	23,181	12,446	-399	0	1,223	467	22	36,939
Plant and machinery	58,894	9,623	20	6,384	-9,536	11,167	1,043	77,593
Plant and machinery	48,112	4,524	0	6,384	-9,280	11,039	730	61,509
Right-of-use assets to plant and equipment Machines	10,782	5,099	20	0	-256	128	312	16,084
Operating equipment, furniture and fixtures	22,593	3,186	-4	293	-3,271	2,284	125	25,205
Operating equipment, furniture and fixtures	21,506	2,992	0	293	-3,149	2,047	119	23,807
Right-of-use assets to operating equipment, furniture and fixtures	1,087	194	-4	0	-122	236	6	1,397
Assets under construction and payments on account	6,998	5,957	0	-7,365	-146	0	134	5,579
31 December 2021	**128,535**	**32,500**	**-384**	**17**	**-26,137**	**23,917**	**1,676**	**160,124**

Property, plant and equipment (EURk)	Cost							
	1 Jan 2020	Additions at cost	Remeasurements at cost	Reclassifications at cost	Disposals at cost	Change in scope of consolidation	Currency	31 Dec 2020
Own land and buildings	31,384	8,995	4,043	217	-6,606	2,196	-180	40,050
Own land and buildings	20,527	791	0	217	-4,487	1	-180	16,869
Right-of-use assets to land and buildings	10,857	8,204	4,043	0	-2,118	2,196	0	23,181
Plant and machinery	54,029	7,611	0	1,421	-4,461	667	-374	58,894
Plant and machinery	43,054	7,270	0	1,665	-4,357	667	-188	48,112
Right-of-use assets to plant and equipment Machines	10,975	341	0	-244	-104	0	-187	10,782
Operating equipment, furniture and fixtures	20,536	3,525	33	35	-1,510	35	-61	22,593
Operating equipment, furniture and fixtures	20,076	2,884	0	35	-1,448	20	-61	21,506
Right-of-use assets to operating equipment, furniture and fixtures	460	641	33	0	-62	15	0	1,087
Assets under construction and payments on account	2,882	5,766	0	-1,673	0	0	24	6,998
31 December 2020	**108,832**	**25,897**	**4,076**	**0**	**-12,577**	**2,899**	**-591**	**128,535**

Property, plant and equipment (EURk)	Depreciation 1 Jan 2021	Additions to impairment losses	Reclassifications of impairment losses	Disposals of impairment losses	Change in scope of consolidation	Currency	31 Dec 2021	Book value 31 Dec 2021
Own land and buildings	-8,469	-4,624	0	-456	0	-129	-13,678	38,069
Own land and buildings	-6,064	-934	0	710	0	-122	-6,409	8,399
Right-of-use assets to land and buildings	-2,406	-3,690	0	-1,166	0	-8	-7,269	29,670
Plant and machinery	-36,062	-11,355	0	9,046	-689	-495	-39,555	38,038
Plant and machinery	-32,905	-9,238	0	8,761	-689	-398	-34,469	27,040
Right-of-use assets to plant and equipment Machines	-3,157	-2,117	0	284	0	-97	-5,086	10,998
Operating equipment, furniture and fixtures	-15,736	-2,924	0	2,890	-282	-116	-16,168	9,036
Operating equipment, furniture and fixtures	-15,456	-2,482	0	2,777	-282	-114	-15,557	8,250
Right-of-use assets to operating equipment, furniture and fixtures	-280	-442	0	112	0	-2	-611	787
Assets under construction and payments on account	0	0	0	0	0	0	0	5,579
31 December 2021	**-60,267**	**-18,902**	**0**	**11,479**	**-972**	**-740**	**-69,401**	**90,722**

Property, plant and equipment (EURk)	Depreciation 1 Jan 2020	Additions to impairment losses	Reclassifications of impairment losses	Disposals of impairment losses	Change in scope of consolidation	Currency	31 Dec 2020	Book value 31 Dec 2020
Own land and buildings	-10,529	-3,271	0	5,269	0	61	-8,469	31,581
Own land and buildings	-8,569	-706	0	3,150	0	61	-6,064	10,805
Right-of-use assets to land and buildings	-1,959	-2,565	0	2,118	0	0	-2,406	20,775
Plant and machinery	-33,883	-6,474	0	4,106	0	190	-36,062	22,832
Plant and machinery	-32,476	-4,473	-149	4,001	0	192	-32,905	15,207
Right-of-use assets to plant and equipment Machines	-1,407	-2,001	149	104	0	-3	-3,157	7,625
Operating equipment, furniture and fixtures	-14,729	-2,281	0	1,214	0	59	-15,736	6,857
Operating equipment, furniture and fixtures	-14,615	-2,054	0	1,153	0	60	-15,456	6,050
Right-of-use assets to operating equipment, furniture and fixtures	-114	-228	0	62	0	0	-280	807
Assets under construction and payments on account	0	0	0	0	0	0	0	6,998
31 December 2020	**-59,140**	**-12,026**	**0**	**10,589**	**0**	**310**	**-60,267**	**68,269**

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 2021	31 Dec 2020
Raw materials, consumables and supplies	148,186	69,563
Work in process	23,895	21,276
Finished goods and merchandise	15,735	15,295
Payments on account	983	826
	188,799	**106,961**

An amount of EUR 384,822k was expensed during the financial year in connection with inventories (previous year: EUR 290,464k).

The cost of inventories recorded in the cost of materials in 2021 included write-ups of EUR 520k (previous year: write-ups of EUR 1,100k).

Inventories of EUR 10,782k (previous year: EUR 15,090k) were pledged as collateral for loans. Inventories are expected to be realized within twelve months.

14. Trade receivables

EUR k	31 Dec 2021	31 Dec 2020
Trade receivables	25,545	23,804
Bad debt allowances	-972	-458
	24,573	**23,346**

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 43,445k (previous year: EUR 31,238k).

All trade receivables are due within one year.

The Group has pledged trade receivables of EUR 6,576k (previous year: EUR 2,736k) as collateral for its existing liabilities to banks.

15. Cash and cash equivalents

Cash and cash equivalents consist of cash in 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 1,454k (previous year: EUR 65k) 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 2021	31 Dec 2020
Tax refunds	1,743	562
Receivables from employees	83	66
Prepaid expenses	670	429
Other assets	485	57
	2,980	**1,114**

Tax refund claims mainly consist of VAT receivables.

17. Equity

Issued capital

The issued capital of KATEK SE amounts to EUR 13,241,880 (previous year: EUR 146,400) and is fully paid in. It consists of 13,241,880 common no-par bearer shares. By resolution of the extraordinary shareholders' meeting on 19 March 2021 and entry in the commercial register on 7 April 2021, the capital stock of the Company was increased from company funds by converting a portion of EUR 9,662,400 of the capital reserve into capital stock. The capital increase was carried out by issuing 9,662,400 new no-par bearer shares, each with an imputed share of EUR 1 in capital stock, which were issued to the Company's existing shareholders at a ratio of 1 to 66. At the annual general meeting on 20 April 2021, capital stock was increased by EUR 3,433,080 by issuing new shares with a nominal value of EUR 1 each to be placed on the capital market. This capital increase became effective upon entry of the change in the articles of association on 29 April 2021. The share capital of the Company now comes to EUR 13,241,880. The shares created by the capital increase were placed on the capital market on 4 May 2021.

Authorized capital and conditional capital

Authorized capital

By resolution of the extraordinary shareholders' meeting on 19 March 2021 the Management Board was 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 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 authorization can be utilized for a single or multiple share issues in full or in part.

The Management Board is also 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 options issued by the Company subscription rights to new shares they would be entitled to after exercising their options or conversion rights (convertible bonds) or upon fulfilling their obligation to convert (mandatory convertibles);
- 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 convertible bonds or warrant-linked bonds 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 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 which 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 bonds 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 remains 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 warrant-linked bond or convertible 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 conversion 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 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.

Capital reserve

The capital reserve was created from the premium received during the capital increase and amounts to EUR 111,783,695 (previous year: EUR 48,853,600). By resolution of the extraordinary shareholders' meeting dated 19 March 2021 and entry in the commercial register on 7 April 2021, the capital reserve was initially reduced by EUR 9,662,500 to EUR 39,191,100. The IPO on 4 May 2021 led to additional paid-in capital of EUR 71,471,841.77 from the premium paid on the issue of 3,433,080 shares, less transaction costs. The transactions costs of EUR 2,935k (after tax) were deducted directly from the capital reserve without affecting income.

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 consist 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 increased in financial year 2021 by EUR 151k to EUR 41k (previous year: EUR -111k). The effects of remeasuring the defined benefit obligation is posted directly to other comprehensive income and accumulated in the reserve for actuarial gains and losses.

The foreign currency translation reserve decreased in financial year 2021 by EUR 299k to EUR 160k (previous year: EUR -139k). 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 1,777k as at 31 December 2021 (previous year: EUR 0k) 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 279k (previous year: EUR 0k) allocable to the non-controlling interests. The Aisler Group generated revenue of EUR 529k in the year, with the cost of materials coming to EUR 330k. Its share in the cash flow of the Group of EUR 440k is immaterial.

18. Employee benefits

Pension provisions

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.

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 2021	31 Dec 2020
Interest rate	0.91%	0.60%
Salary trend	2.0% - 2.5%	0.0 - 2.0%
Pension increases – separate commitments	1.25%	1.25%

Development of the DBO and similar obligations

EUR k	2021	2020
1 January	3,858	3,484
Reclassification due to a change in presentation	0	82
Service cost	255	35
Interest expense (+) and interest income (-)	-42	21
Actuarial gains (-) and losses (+)	-218	-200
Business Combinations	712	529
Pension payments	-85	-93
31 December	**4,480**	**3,858**

The actuarial gains in the reporting year include EUR 195k (previous year: EUR 62k) from changes in financial assumptions and EUR 23k (previous year: EUR 138k) from experience-based adjustments.

The most significant developments in plan assets were as follows:

EUR k	2021	2020
1 January	1,923	2,059
Income/expenses affecting plan assets	-74	-136
31 December	**1,849**	**1,923**

Plan assets largely consist of the fair values of life insurance policies communicated by the insurance carriers used to cover the pension commitments of the KATEK Group. In addition, plan assets also consist of cash and cash equivalents and other asset categories. The opening balance of plan assets was overstated by EUR 11k in the previous year and was corrected accordingly. The fair values of the most significant asset categories on the reporting date are presented below:

EUR k	31 Dec 2021	31 Dec 2020
Pension liability insurance	1,416	1,499
Cash and cash equivalents	356	339
Real estate	77	85
	1,849	**1,923**

As in the previous year, the fair values of pension insurance policies were determined using the valuation techniques employed by the insurance carriers and not being 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 141k in the 2022 reporting year (previous year: EUR 150k), interest expenses of EUR 38k (previous year: EUR 27k) and service cost of EUR 282k (previous year: EUR 22k). Expenses of a similar amount are expected for the future, providing the measurement parameters do not change significantly.

The following amounts have been recorded for defined benefit plans in comprehensive income:

EUR k	31 Dec 2021	31 Dec 2020
Actuarial gain (-)/loss (+) from changes in financial assumptions	-218	-200
Net interest expenses	-42	21
Amounts presented in the statement of comprehensive income	**-260**	**-179**

The effects of remeasuring the defined benefit obligation is posted to other comprehensive income.

The obligations of the Company from defined benefit plans as reported in the statement of financial position are as follows:

EUR k	31 Dec 2021	31 Dec 2020
Net present value of the defined benefit obligations	4,480	3,858
Fair value of plan assets	-1,849	-1,923
Funding deficit	**2,631**	**1,935**
Reconciliation to carrying amounts		
Employee benefits	99	64
Employee benefit liability	**2,730**	**1,999**

Employee benefits also includes a debit amount of EUR 108k (previous year: EUR 200k) arising from offsetting phased retirement obligations of EUR 288k (previous year: EUR 596k) against the associated plan assets of EUR 396k (previous year: EUR 796k).

The relevant actuarial parameters used to measure defined benefit obligations are the discount rate, expected salary increases and mortality. 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 581k (previous year: EUR 488k) (increase by EUR 744k (previous year: EUR 530k)).
- If the anticipated salary increase was 0.5% higher (lower), the defined benefit obligation would increase by EUR 1k (previous year: EUR 0k) (decrease by EUR 1k (previous year: EUR 0k)).
- If the anticipated pension trend was 0.25% higher (lower), the defined benefit obligation would increase by EUR 105k (previous year: EUR 52k) (decrease by EUR 100k (previous year: EUR 100k)).

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 made would occur in isolation as they are interrelated.

The weighted average residual term of the defined benefit obligations came to 12.7 years as at 31 December 2021 (previous year: 14.0 years).

19. Other provisions

Other provisions break down over the corresponding terms as follows:

	31 Dec 2021		31 Dec 2020	
EUR k	**current**	**non-current**	**current**	**non-current**
Other provisions				
Warranty provisions	4,272	287	3,185	162
Provision for pending losses	52	0	0	0
Other	519	279	5,936	279
	4,843	**565**	**9,121**	**440**

EUR k	**1 January 2021**	**Utili-zation**	**Re-versal**	**Addi-tion**	**Dis-counting**	**Reclass-ification**	**Change in scope of consoli-dation**	**Cur-rency**	**31 December 2021**
Provision for guaran-tees and warran-ties	3,347	-1,236	-47	2,404	-15	-2	104	5	4,559
Pro-vision for onerous contracts	0	0	0	52	0	0	0	0	52
Other	6,214	-5,460	-120	146	0	0	17	1	798
	9,561	**-6,696**	**-167**	**2,602**	**-15**	**-2**	**120**	**6**	**5,409**

The provisions for 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 past experience with warranties and can fluctuate due to materials, production processes or other factors affecting production quality.

The provision for onerous contracts corresponds to the expected costs needed to complete customer contracts. This represents the best estimate of local management and can fluctuate in future due to adjustments to labor costs and material. The expected costs amount to EUR 52k in 2021 (previous year: EUR 0k).

Other current provisions contain an amount of EUR 200k (previous year: EUR 5,158k) for the cost of restructuring plans that have already been initiated. Other non-current provisions contain an amount of EUR 279k (previous year: EUR 279k) for the cost of restoration obligations related to the lease of operating premises.

20. Loans

Loans break down as follows:

EUR k	31 Dec 2021	31 Dec 2020
Non-current loans	32,565	38,967
Current loans	21,832	47,510
	54,398	**86,476**

The Group carries loans amounting to EUR 54,398k as at the reporting date (previous year: EUR 86,476k).

Short-term loans include amounts drawn on overdraft facilities of EUR 8,294k (previous year: EUR 31,871k) which are currently subject to interest of 0.75% and 5.25%. The other loans of EUR 46,104k (previous year: EUR 54,605k) have residual terms of between 0.5 and 76 months and bear interest at rates between 1.05% and 3.00%.

The shares held in KATEK Mauerstetten GmbH, Mauerstetten and eSystems MTG GmbH, Wendlingen am Neckar, serve as collateral for loans of EUR 21,200k. The carrying amount of the collateral amounts to EUR 21,206k as at 31 December 2021 (previous year: EUR 21,546k).

Loans of EUR 16,571k carried by two subsidiaries are based on agreements that require certain covenants to be observed. These consist of a defined equity ratio and a defined dynamic debt ratio. Compliance with the agreed covenants is reviewed each quarterly closing date. All agreements were complied with on the reporting date for the financial year. Other disclosures on existing collateral arrangements can be found in note B.12 Property, plant and equipment, B.13 Inventories and B.14 Trade receivables.

21. Financial instruments

Other financial assets consist entirely of equity holdings in other companies and break down as follows:

EUR k	31 Dec 2021	31 Dec 2020
Franken Solar Romania S.R.L., Medias, Romania	0*	0*
ZAMM Zentrum für angewandte Messtechnik Memmingen GmbH, Memmingen	8	8
iOX Mobility GmbH, Pullach im Isartal	1,816	0
	1,824	**8**

* Equity holding in Franken Solar Romania S.R.L. of EUR 1

Other current financial assets break down as follows:

EUR k	31 Dec 2021	31 Dec 2020
Receivables from factoring arrangements	7,532	5,078
Other current financial assets	2,612	3,232
	10,144	**8,311**

Other current financial assets carried in the reporting year include creditors with debit balances of EUR 719k (previous year:
EUR 443k).

Other non-current financial assets increased marginally to EUR 72k (previous year: EUR 57k) and consist mainly of security deposits.

Other current financial liabilities break down as follows:

EUR k	31 Dec 2021	31 Dec 2020
Current liabilities from derivative financial instruments	63	0
Current lease liabilities	6,983	5,206
Other current financial liabilities	5,228	1,713
Current financial liabilities to shareholders	0	7,674
	12,273	**14,594**

Current financial liabilities towards shareholders were reduced from EUR 7,674k in the previous year to EUR 0k in the reporting year due to the repayment of a loan from PRIMEPULSE SE. The other current financial liabilities of EUR 5,228k (previous year: EUR 1,713k) mainly consist of finance liabilities related to the acquisition or production of plant and machinery of EUR 3,735k (previous year: EUR 1,089k).

The presentation of the current portion of the interest on a loan of EUR 120k was adjusted with retroactive effect for the year 2020 in the current reporting year and reclassified to current financial liabilities to shareholders under other current financial liabilities. The same presentation has been continued in the current year.

Current liabilities from derivative financial instruments in the reporting year relate to the negative market values of an interest swap which falls due in 2022.

Other non-current financial liabilities break down as follows:

EUR k	31 Dec 2021	31 Dec 2020
Liabilities from derivative financial instruments	0	147
Non-current lease liabilities	37,738	24,779
Other non-current financial liabilities	16,543	6,780
	54,281	**31,707**

The other non-current financial liabilities reported in the reporting year include financial liabilities of EUR 13,543k (previous year: EUR 3,780k) related to the acquisition and production of plant and machinery and a long-term loan from a related party of EUR 3,000k (previous year: EUR 3,000k).

More information on liabilities from leases 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 2021. 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 2021**	**Amortized cost**	**Fair value through OCI**	**Fair value through profit or loss**	**Measurement pursuant to IFRS 9**	**thereof assets and liabilities falling under IFRS 16**	**Fair value as at 31 Dec 2021**
Assets								
Other financial assets	FVTOCI	1,824	0	1,824	0	**1,824**	**0**	**1,824**
Current trade receivables	AC	24,573	24,573	0	0	**24,573**	**0**	**24,573**
Other non-current financial assets	AC	72	72	0	0	**72**	**0**	**72**
Other current financial assets		10,144	10,144	0	0	**10,144**	**0**	**10,144**
(thereof other current financial assets)	*AC*	*2,612*	*2,612*	*0*	*0*	***2,612***	***0***	***2,612***
(thereof receivables from factoring arrangements)	*AC*	*7,532*	*7,532*	*0*	*0*	***7,532***	***0***	***7,532***
Cash and cash equivalents	AC	42,203	42,203	0	0	**42,203**	**0**	**42,203**

Financial instruments

EUR k	Category pursuant to IFRS 9	Carrying amount as at 31 Dec 2021	Measurement pursuant to IFRS 9: Amortized cost	Fair value through OCI	Fair value through profit or loss	Measurement pursuant to IFRS 9	thereof assets and liabilities falling under IFRS 16	Fair value as at 31 Dec 2021
Equity and liabilities								
Non-current loans	AC	32,565	32,565	0	0	**32,565**	**0**	**32,565**
Current loans	AC	21,832	21,832	0	0	**21,832**	**0**	**21,832**
Current trade payables	AC	80,737	80,737	0	0	**80,737**	**0**	**80,737**
Other non-current financial liabilities		54,281	16,543	0	0	**16,543**	**37,738**	**54,281**
(thereof other non-current financial liabilities)	*AC*	*16,543*	*16,543*	*0*	*0*	***16,543***	***0***	***16,543***
(thereof non-current liabilities from leases)	*n.a.*	*37,738*	*0*	*0*	*0*	***0***	***37,738***	***37,738***
Other current financial liabilities		12,273	5,228	0	63	**5,291**	**6,983**	**12,273**
(thereof other current financial liabilities)	*AC*	*5,228*	*5,228*	*0*	*0*	***5,228***	***0***	***5,228***
(thereof current liabilities from derivative financial instruments)	*FVTPL*	*63*	*0*	*0*	*63*	***63***	***0***	***63***
(thereof current liabilities from leases)	*n.a.*	*6,983*	*0*	*0*	*0*	***0***	***6,983***	***6,983***

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 2020. 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 2020**	**Amortized cost**	**Fair value through OCI**	**Fair value through profit or loss**	**Measurement pursuant to IFRS 9**	**thereof assets and liabilities falling under IFRS 16**	**Fair value as at 31 Dec 2020**
Assets								
Other financial assets	FVTOCI	8	0	8	0	**8**	**0**	**8**
Current trade receivables	AC	23,346	23,346	0	0	**23,346**	**0**	**23,346**
Other non-current financial assets	AC	57	57	0	0	**57**	**0**	**57**
Other current financial assets		8,311	8,311	0	0	**8,311**	**0**	**8,311**
(thereof other current financial assets)	*AC*	*3,232*	*3,232*	*0*	*0*	***3,232***	***0***	***3,232***
(thereof receivables from factoring arrangements)	*AC*	*5,078*	*5,078*	*0*	*0*	***5,078***	***0***	***5,078***
Cash and cash equivalents	AC	35,453	35,453	0	0	**35,453**	**0**	**35,453**

Financial instruments

EUR k	Category pursuant to IFRS 9	Carrying amount as at 31 Dec 2020	Measurement pursuant to IFRS 9: Amortized cost	Measurement pursuant to IFRS 9: Fair value through OCI	Measurement pursuant to IFRS 9: Fair value through profit or loss	Measurement pursuant to IFRS 9	thereof assets and liabilities falling under IFRS 16	Fair value as at 31 Dec 2020
Equity and liabilities								
Non-current loans	AC	38,967	38,967	0	0	**38,967**	**0**	**38,967**
Current loans	AC	47,510	47,510	0	0	**47,510**	**0**	**47,510**
Current trade payables	AC	43,421	43,421	0	0	**43,421**	**0**	**43,421**
Other non-current financial liabilities		31,707	6,780	0	147	**6,928**	**24,779**	**31,707**
(thereof other non-current financial liabilities)	*AC*	*6,780*	*6,780*	*0*	*0*	***6,780***	***0***	***6,780***
(thereof non-current liabilities from derivative financial instruments)	*FVTPL*	*147*	*0*	*0*	*147*	***147***	***0***	***147***
(thereof non-current liabilities from leases)	*n.a.*	*24,779*	*0*	*0*	*0*	***0***	***24,779***	***24,779***
Other current financial liabilities		14,594	9,388	0	0	**9,388**	**5,206**	**14,594**
(thereof other current financial liabilities)	*AC*	*1,713*	*1,713*	*0*	*0*	***1,713***	***0***	***1,713***
(thereof current financial liabilities to shareholders)	*AC*	*7,674*	*7,674*	*0*	*0*	***7,674***	***0***	***7,674***
(thereof current liabilities from leases)	*n.a.*	*5,206*	*0*	*0*	*0*	***0***	***5,206***	***5,206***

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 loans, 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 generally 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 financial instruments correspond to their fair values.

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 2021			31 Dec 2020		
EUR k	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Equity and liabilities						
Other non-current financial liabilities	0	0	0	0	147	0
Other current financial liabilities	0	63	0	0	0	0

Derivative financial instruments are measured by external experts using the latest market data and applying customary market methods.

Other financial liabilities contain finance liabilities related to the cost of plant and machinery.

Other operating income contains the following income from the measurement of financial instruments:

EUR k	31 Dec 2021	31 Dec 2020
Result from financial assets measured at amortized cost	2,931	2,171
Result from financial liabilities measured at amortized cost	1,883	1,460
	4,814	**3,632**

The result from financial assets measured at amortized cost comprises income of EUR 2,723k (previous year: EUR 1,754k) from exchange gains on loans and receivables and income from the reversal of impairment losses of EUR 208k (previous year: EUR 417k). The result from financial liabilities carried at amortized cost comes to EUR 1,883k (previous year: EUR 1,460k) and originates from exchange gains in the operating business.

Other operating expenses contain the following expenses from the measurement of financial instruments:

EUR k	31 Dec 2021	31 Dec 2020
Result from financial assets measured at amortized cost	5,286	1,773
Result from financial liabilities measured at amortized cost	1,588	418
	6,874	**2,191**

The result from financial assets measured at amortized cost of EUR 5,286k (previous year: EUR 1,773k) comprises expenses from exchange losses on loans and receivables of EUR 4,595k (previous year: EUR 1,495k). In addition, this line item includes additions to loss allowances (impairment losses) of EUR 637k (previous year: EUR 245k) as well as bad debts of EUR 54k (previous year: EUR 34k).

In addition to realized exchange losses of EUR 1,136k (previous year: EUR 212k) the result from financial liabilities measured at amortized cost includes unrealized exchange losses of EUR 453k (previous year: EUR 206k) that all concern the operating business.

Net financial income includes the following income (+) and expenses (-) from the measurement of financial instruments:

EUR k	31 Dec 2021	31 Dec 2020
Result from financial assets measured at amortized cost	-399	-144
Result from financial liabilities measured at amortized cost	-1,462	-2,661
Result from financial instruments measured at FVTPL	1	157
	-1,860	**-2,648**

The result from financial assets measured at amortized cost of EUR -399k (previous year: EUR -144k) comprises interest income of EUR 38k (previous year: EUR 46k). The interest expense arising from factoring arrangements of EUR 437k (previous year: EUR 189k) had the opposite effect and burdened the result.

The result from financial liabilities carried at amortized cost comes to EUR -1,462k (previous year: EUR -2,661k) and originates primarily from interest incurred on financial liabilities.

The use of the effective interest method used to measure financial assets and financial liabilities at amortized cost results in interest income on financial assets of EUR 38k (previous year: EUR 45k) and interest expenses of EUR 437k (previous year: EUR 189k). The result from financial liabilities measured at amortized cost comprises interest income of EUR 15k (previous year: EUR 35k) and interest expenses of EUR 1,476k (previous year: EUR 2,695k). The interest income is posted to profit or loss under "Financial income" and the interest expense to "Financial costs".

The result of financial instruments measured at fair value through profit or loss of EUR 1k (previous year: EUR 157k) results from the fair value measurement of an interest swap.

Financial risk management

KATEK is exposed to the following risks from financial instruments:

- Liquidity risks
- Currency risks
- Credit risks

Principles of risk management

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 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 capital base and access to long-term finance, the KATEK Group assesses 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 the liquidity risk, KATEK considers the expected cash flows from financial assets. In this regard, cash and trade receivables are of particular significance.

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 2021 **EUR k**	**Cash flows up to 1 year**	**Cash flows 1-5 years**	**Cash flows 5 years and later**
Loans	22,936	23,333	10,550
Trade payables	80,737	0	0
Liabilities from financial derivatives	63	0	0
Other financial liabilities (excl. IFRS 16)	11,460	18,340	0
	115,195	**41,673**	**10,550**

31 Dec 2020 **EUR k**	**Cash flows up to 1 year**	**Cash flows 1-5 years**	**Cash flows 5 years and later**
Loans	48,897	26,642	14,189
Trade payables	43,421	0	0
Liabilities from financial derivatives	0	147	0
Other financial liabilities (excl. IFRS 16)	12,645	7,164	0
	104,963	**33,954**	**14,189**

Includes all 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.

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:

	Current					
EUR k	**BGN**	**CHF**	**CZK**	**HUF**	**JPY**	**USD**
Financial assets	3,329	756	-69	177	0	14,092
Financial liabilities	7,746	1,732	1,999	414	1,389	39,579
31 Dec 2021	**-4,417**	**-976**	**-2,067**	**-237**	**-1,389**	**-25,487**

	Non-current					
EUR k	**BGN**	**CHF**	**CZK**	**HUF**	**JPY**	**USD**
Financial assets	0	4	0	0	0	0
Financial liabilities	608	560	0	1,899	0	642
31 Dec 2021	**-608**	**-556**	**0**	**-1,899**	**0**	**-642**

	Current					
EUR k	**BGN**	**CHF**	**CZK**	**HUF**	**JPY**	**USD**
Financial assets	2,776	0	0	106	0	770
Financial liabilities	2,002	0	1,636	375	496	15,249
31 Dec 2020	**773**	**0**	**-1,636**	**-270**	**-496**	**-14,480**

	Non-current					
EUR k	**BGN**	**CHF**	**CZK**	**HUF**	**JPY**	**USD**
Financial assets	0	0	0	0	0	0
Financial liabilities	882	0	0	28	0	0
31 Dec 2020	**-882**	**0**	**0**	**-28**	**0**	**0**

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, CHF/EUR, CZK/EUR, HUF/EUR, JPY/EUR and USD/EUR exchange rates, assuming all other parameters remain unchanged. A change of +/- 10% in the BGN/EUR, CHF/EUR, CZK/EUR, HUF/EUR, JPY/EUR and USD/EUR exchange rates is assumed as at 31 December 2021 and 31 December 2020.

	Profit		Equity	
EUR k	**31 Dec 2021**	**31 Dec 2020**	**31 Dec 2021**	**31 Dec 2020**
Local currency: EUR				
EUR/ BGN				
EUR +10%	457	10	-289	-614
EUR -10%	-558	-12	353	750
EUR/ CHF				
EUR +10%	139	0	107	0
EUR -10%	-170	0	-131	0
EUR/ CZK				
EUR +10%	188	149	-409	-188
EUR -10%	-230	-182	500	230
EUR/ HUF				
EUR +10%	194	27	194	27
EUR -10%	-237	-33	-237	-33
EUR/ JPY				
EUR +10%	126	45	126	45
EUR -10%	-154	-55	-154	-55
EUR/ USD				
EUR +10%	2,375	1,316	2,384	1,316
EUR -10%	-2,903	-1,609	-2,914	-1,609

Currency risks vary over the year depending on foreign transactions. Nevertheless, the above analysis is representative of the currency risk of the Group.

Counterparty default 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 number of financial instruments, such as loans and receivables extended to customers, the placement of equity instruments and the investment of surplus cash, etc. The maximum credit risk of the Group is limited to the carrying amount of the financial assets recognized on the reporting date less any credit insurance on trade receivables, and is summarized below:

EUR k	**31 Dec 2021**	**31 Dec 2020**
Financial assets		
Other financial assets	1,824	8
Current trade receivables	24,573	23,346
Other non-current financial assets	72	57
Other current financial assets	10,144	8,311
Cash and cash equivalents	42,203	35,453
	78,816	**67,174**

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 4,405k were covered by credit insurance (previous year: EUR 1,092k).

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 table contains information on the estimated risk of counterparty default and expected credit losses attached to trade receivables, contractual assets and other receivables as at 31 December 2021 and 31 December 2020:

EUR k	Loss ratio	Gross carrying amount	Loss allowance	Restricted credit rating
not past due	0.59%	28,572	-167	No
1-30 days past due	3.18%	5,301	-169	No
31-60 days past due	24.95%	580	-145	No
61-90 days past due	14.21%	613	-87	No
91-180 days past due	21.72%	280	-61	No
181-360 days past due	79.53%	303	-241	Yes
more than 360 days past due	90.17%	114	-103	Yes
Total as at 31 Dec 2021		**35,761**	**-972**	
Thereof attributable to:				
Trade receivables payables		25,545	-972	
Financial assets		10,216	0	

EUR k	Loss ratio	Gross carrying amount	Loss allowance	Restricted credit rating
not past due	1.08%	29,951	-269	No
1-30 days past due	1.55%	1,419	-22	No
31-60 days past due	3.36%	438	-15	No
61-90 days past due	5.28%	113	-6	No
91-180 days past due	17.55%	84	-15	No
181-360 days past due	49.89%	70	-35	Yes
more than 360 days past due	100.00%	97	-97	Yes
Total as at 31 Dec 2020		**32,172**	**-458**	
Thereof attributable to:				
Trade receivables payables		23,804	-458	
Financial assets		8,368	0	

The loss allowances recognized by KATEK in connection with the expected loss model developed as follows:

EUR k	31 Dec 2021	31 Dec 2020
Opening balance	458	674
Additions	972	458
Utilization	-334	-257
Reversals	-208	-417
Changes in the scope of consolidation	83	0
Closing balance	**972**	**458**

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 EUR 972k (previous year: EUR 458k).

The Group is exposed to a credit risk with regard to trade receivables from individual customers. As at 31 December 2021, KATEK carried outstanding receivables from two customers (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 good.

	31 Dec 2021		31 Dec 2020	
	EUR k	%	EUR k	%
Customer A	4,874	19.8	5,019	21.5
Customer B	6,198	25.2	8,267	35.4
Other customers	13,501	54.9	10,060	43.1
Trade receivables	**24,573**	**100.0**	**23,346**	**100.0**

Interest rate risk

The Group's policy is to minimize its interest rate exposure inherent in its long-term borrowings. As at 31 December 2021 and 2020 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 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.

	Profit		Equity	
EUR k	**+ 1%**	**- 1%**	**+ 1%**	**- 1%**
2021	-498	498	-498	498
2020	-479	479	-479	479

Interest swaps

In accordance with the Group's policies, interest swaps are only entered into to hedge certain interest-bearing financial instruments against the risk of rising interest rates. The nominal amounts of these interest swaps are presented gross on the basis of the absolute figures of the purchases and sales. The fair values of the corresponding interest swaps are calculated using the available market information and are remeasured each reporting date.

	Face value	Market value	Face value	Market value
EUR k	**31 Dec 2021**	**31 Dec 2021**	**31 Dec 2020**	**31 Dec 2020**
Interest rate swaps	2,500	-63	2,500	-147

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 43,445k (previous year: EUR 31,238k).

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 2021	31 Dec 2020
Opening balance as at 1 Jan	29,208	18,812
Additions	17,738	9,186
Revaluations	-384	4,076
Reclassifications	0	-95
Disposals	76	0
Currency	234	-189
Depreciation and amortization	-6,249	-4,793
Changes in the scope of consolidation	831	2,211
	41,455	**29,208**

Additions in the financial year can be mainly attributed to sale and lease-back transactions. Assets carried by the Hungarian subsidiary and KATEK Leipzig were sold and leased back simultaneously from a leasing provider. The right-of-use assets arising from these sale and lease-back transactions were recognized at an amount of EUR 11,063k.

According to IFRS, gains on the sale of property may only be realized on the portion that relates to the residual asset value. The remaining portion, which is not realizable in the financial year is spread over the term of the lease by reducing the right-of-use asset, which therefore reduces annual depreciation.

Income realized on the sale of property in the financial year 2021 amounted to EUR 475k. The depreciation of right-of-use assets over the entire term of the sale and lease-back agreement is reduced by EUR 2,727k, implying that the gain on sale over the full term of the lease agreement amounts to EUR 3,202k. The net income from the reduction in depreciation in the financial year 2021 amounts to EUR 4k.

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 2031 and lead to a cash outflow of EUR 760k.

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:

EUR k	31 Dec 2021 Discounted lease liabilities	31 Dec 2021 Undiscounted lease liabilities
Liabilities from leases of 1 year or less	6,983	7,684
Liabilities from leases of 1 to 5 years	25,665	27,391
Liabilities from leases of more than 5 years	12,073	12,560
Total lease liabilities	**44,721**	**47,635**

EUR k	31 Dec 2020 Lease liabilities (discounted)	31 Dec 2020 Leases liabilities (not discounted)
Liabilities from leases of 1 year or less	5,206	5,780
Liabilities from leases of 1 to 5 years	17,536	19,167
Liabilities from leases of more than 5 years	7,243	7,801
Total lease liabilities	**29,985**	**32,748**

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 optional treatments regarding leases provided by IFRS 16 were used by the KATEK Group.

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 2021	31 Dec 2020
Depreciation	6,249	4,793
Interest expenses	748	545
Short-term leases with a term of 12 months or less and leases of low-value assets	792	464
Total lease expenses	**7,789**	**5,802**

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 2021	31 Dec 2020
Cash paid for short-term leases with a term of 12 months or less and leases of low-value assets.	792	464
Cash paid for lease liabilities	6,861	5,283
thereof payments of principal	*6,113*	*4,738*
thereof interest	*748*	*545*
Total cash paid for leases	**7,653**	**5,747**

The cash paid for short-term leases and leases of low-value assets relate to 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

The increase in contract liabilities in the financial year 2021 to EUR 6,098k (previous year: EUR 3,258k) is mainly due to a higher order backlog than in the previous year.

Contract liabilities relate to payments received on account from customers and term contracts paid in advance.

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 2021**	**31 Dec 2020**
Revenue realized from payments received on account in the previous year	3,258	1,875
	3,258	**1,875**

25. Other liabilities

EUR k	**up to 1 year**	**more than 1 year**	**Total**
Personnel liabilities	10,399	560	10,958
Tax liabilities	7,139	0	7,139
Other liabilities	2,907	0	2,907
Sales bonuses and compensation payments to sales agents	533	0	533
Prepaid expenses	239	0	239
31 Dec 2021	**21,217**	**560**	**21,776**

EUR k	**up to 1 year**	**more than 1 year**	**Total**
Personnel liabilities	8,369	580	8,949
Tax liabilities	2,899	0	2,899
Other liabilities	606	0	606
Sales bonuses and compensation payments to sales agents	50	0	50
Prepaid expenses	44	0	44
31 Dec 2020	**11,968**	**580**	**12,548**

Current personnel liabilities break down as follows:

EUR k	31 Dec 2021	31 Dec 2020
Other liabilities to employees	1,013	766
Bonuses and management incentives	2,837	2,384
Vacation, flexitime credits	1,987	1,836
Liabilities to social security	935	447
Sundry other personnel liabilities	3,032	2,412
Compensation and severance payments	0	86
Obligations for employers' liability insurance	400	365
Obligations from 'Altersteilzeit' (German phased retirement scheme)	195	72
	10,399	**8,369**

Non-current provisions for obligations towards personnel contain provisions for long-service awards of EUR 498k (previous year EUR 580k).

Share-based payments

Sundry other personnel liabilities presented under current liabilities to personnel include an amount of EUR 3,000k (previous year: EUR 2,400k) from a phantom stock program for 3,600 phantom shares as at 31 December 2020. This phantom stocks program grants selected employees a cash-settled share-based payment when defined exit conditions are fulfilled.

Upon the successful IPO of KATEK SE in May 2021, the exit conditions were fulfilled and the phantom stock program was terminated. The pay-outs from the program are scheduled for May 2022 provided the employees do not leave the KATEK Group beforehand. Due to the stock split, which applies by analogy, there were 241,200 phantom stocks as at the exercise date with a value of EUR 12.50 per share. The weighted average share price on the exercise date amounted to EUR 23.00.

Non-current provisions for obligations towards personnel contain provisions for long-service awards of EUR 498k (previous year EUR 580k). Furthermore, non-current liabilities to personnel include, for the first time, obligations of EUR 62k under a performance stock program arranged with the two members of the Management Board as a long-term incentive. The maximum obligation that could have been realized in this period stood at EUR 124k. The performance stock program was measured on 31 December 2021 using the following parameters:

	Tranche Financial year 2021
Issue date	17 May 2021
Average share price on the issue date in EUR (10-day average)	26.66
Term	
Total term (years)	3.904
Residual term as at 31 Dec (years)	3.280
Minimum term	
Total term (years)	3.904
Residual term as at 31 Dec (years)	3.280
Share price on the measurement date (EUR)	25.95
Implicit volatility	45%
Risk-free interest rate p.a.	-0.543%
Fair value on the issue date in EUR	22.76
Fair value on 31 Dec (EUR)	26.66

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 EBITDA. The 2021 tranche consists of 2,313 phantom performance shares.

Units	**1 January**	**31 December**
Tranche 2021	0	2,313
	0	**2,313**

Consequently, a total of EUR 662k was expensed for share-based payments in the financial year (previous year: EUR 2,400k). The obligation from these arrangements reported in the statement of financial position amounts to EUR 3,062k (previous year: EUR 2,400k).

26. Capital management

The Group manages its capital to ensure 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.

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 38.5% (previous year: 24.1%) and the debt ratio (net debt to equity) to 8.0% (previous year: 78.4%). The IPO in May 2021 had a positive impact on both indicators.

The Group intends to further optimize its capital structure by including earnings and risk-related indicators in its assessments in future.

EUR k	31 Dec 2021	31 Dec 2020
Liabilities to financial institutions	54,398	86,476
Cash on Hand and Bank Deposits	-42,203	-35,453
Net debt	**12,195**	**51,023**
Equity	151,799	65,093
Ratio of net debt to equity	**8.0%**	**78.4%**

The capital structure of the Group is reviewed at regular intervals as part of risk management.

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. The non-cash income from operating activities in the financial year mainly consists of the releases of provisions and derecognition of other liabilities of EUR 947k (previous year: EUR 1,427k) as well as a bargain purchase of EUR 11,316k.

The cash flow 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 for business combinations of EUR 8,335k were recorded in the reporting year (previous year: EUR 2,401k).

The cash flow from financing activities is dominated by the change in borrowings and additional paid-in capital received during the IPO of KATEK SE.

Cash and cash equivalents of EUR 33,909k (previous year: EUR 3,582k) comprise cash of EUR 42,203k (previous year: EUR 35,453k) and current liabilities to banks (loans) due within three months of EUR 8,294k (previous year: EUR 31,871k).

Cash and cash equivalents include an amount of EUR 1,454k (previous year: EUR 65k) 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 is presented in the following table:

	1 Jan 2021	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 2021
Liabilities to banks (loans)	54,605	-9,401	879	21	0	46,104
Financial liabilities to shareholders	7,674	-7,674	0	0	0	0
Lease liabilities	29,985	-6,861	831	-66	20,831	44,721
Other financial liabilities	7,990	12,317	0	-59	149	20,398
Total liabilities from financing activities	**100,254**	**-11,619**	**1,710**	**-104**	**20,980**	**111,222**

	1 Jan 2020	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 2020
Liabilities to banks (loans)	57,740	-3,121	0	-13	0	54,605
Financial liabilities to shareholders	0	7,674	0	0	0	7,674
Lease liabilities	19,250	-5,283	2,211	0	13,808	29,985
Other financial liabilities	63,185	-11,315	0	0	-43,880	7,990
Total liabilities from financing activities	**140,174**	**-12,045**	**2,211**	**-13**	**-30,072**	**100,254**

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.

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. Individuals 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.

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 transaction 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 the previous year for bad debts or doubtful debts owed by related parties.

PRIMPULSE SE renders services to the KATEK Group, while the Empaios Real Estate Group leases real estate to it. The PRIMEPULSE Group comprises a number of operating divisions that conduct operating business with KATEK.

The following table presents the trade in goods and services with related parties.

EUR k	Expenses 31 Dec 2021	Expenses 31 Dec 2020	Revenue 31 Dec 2021	Revenue 31 Dec 2020
PRIMEPULSE Group	449	293	1,557	1,653
PRIMEPULSE SE	856	2,064	50	0
Empaios Real Estate Group*)	2,853	1,986	10,000	0
Other	113	207	0	0
	4,271	**4,550**	**11,607**	**1,653**

**) presents the rent installments or purchase price payments but not the income or expenses recognized*

Land and buildings were sold to Empaios Real Estate in the financial year at book value (EUR 10,000k).

The following table presents receivables from and liabilities to related parties:

	Liabilities		Receivables	
EUR k	**31 Dec 2021**	**31 Dec 2020**	**31 Dec 2021**	**31 Dec 2020**
PRIMEPULSE Group	69	55	8	0
PRIMEPULSE SE	83	7,813	0	0
Empaios Real Estate Group	0	0	0	0
Other	113	0	0	0
	265	**7,868**	**8**	**0**

Disclosures on key management personnel

The members of the Management Board received total remuneration of EUR 780k in the financial year (previous year: EUR 360k) for their services to the Group. Of this amount, EUR 719k (previous year: EUR 360k) consists of short-term benefits, of which EUR 62k (previous year: EUR 0k) was outstanding on the reporting date. Reference is made to note B.25 Other liabilities for information on the long-term benefits.

2 Company boards

The members of the Management Board during 2021 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

The activities of the Supervisory Board in financial year 2021 were exercised by the following individuals:

Klaus Weinmann Managing Director of PRIMEPULSE SE, Munich	Chairman
Stefan Kober businessman, Jettingen-Scheppach	Deputy Chairman until 31 December 2021
Dr. Benjamin Klein CFO of PRIMEPULSE SE, Munich	until 31 March 2021
Andreas Müller, CEO of S.D.L. Süddeutsche Leasing AG, Elchingen	from 1 April 2021
Hannes Niederhauser, CEO of S&T AG, Linz, Austria	from 7 April 2021
Markus Saller, Director Mergers & Acquisitions der PRIMEPULSE SE, Munich	Deputy Chairman from 18 January 2022

By letter dated 16 March 2021, Dr. Benjamin Klein stepped down from the Supervisory Board of KATEK SE effective 31 March 2021. At the extraordinary shareholders' meeting on 19 March 2021 Mr. Andreas Müller, Chairman of the Management Board (CEO) of S.D.L. Süddeutsche Leasing AG, Elchingen, was appointed to the Supervisory Board effective 1 April 2022.

Furthermore, a resolution was passed by the extraordinary shareholders' meeting of KATEK SE on 19 March 2021 to increase the number of members on the Supervisory Board from three to four, combined with an amendment to the articles of association and corresponding entry in the commercial register. Mr. Hannes Niederhauser, Chairman of the Management Board (CEO) of S&T AG, Linz, Austria, was appointed as a new member of the Supervisory Board, effective upon entry of the amendment in the commercial register. The amendment to the articles of association was filed with the commercial register on 7 April 2021.

Mr. Stefan Kober stepped down from the Supervisory Board effective 31 December 2021. Mr. Markus Saller, Director Mergers & Acquisitions at PRIMEPULSE SE, Munich, was appointed as his successor.

Mr. Markus Saller, Director Mergers & Acquisitions of PRIMEPULSE SE, Munich, was appointed to the Supervisory Board of KATEK SE by order of the court on 18 January 2022.

In a resolution passed by circulation on 21 February 2022, Mr. Markus Saller was elected Deputy Chairman of the Supervisory Board of KATEK SE.

After the Annual General Meeting, the Supervisory Board receives remuneration of EUR 111k for its work in the financial year. No remuneration was paid in the previous year, 2020.

3 Shareholdings of board members

The shareholdings of members of the Management Board on the reporting date were as follows:

	Direct	**Indirect**	**Total**
Rainer Koppitz	3.11% (previous year: 4.10%)	0.00% (previous year: 0.00%)	3.11% (previous year: 4.10%)
Dr. Johannes Fues	0.46% (previous year: 0.41%)	0.03% (previous year: 0.04%)	0.49% (previous year: 0.45%)
	3.57% (previous year: 4.51%)	**0.03% (previous year: 0.04%)**	**3.60% (previous year: 4.55%)**

Shareholdings of members of the Supervisory Board:

Based on the information available to KATEK SE, Mr. Klaus Weinmann holds an indirect stake of 17.90% (previous year: 24,64%), Mr. Stefan Kober 18.47% (previous year: 25.43%), Dr. Benjamin Klein 0.33% (previous year: 0.45%) and Mr. Hannes Niederhauser 1.86% (previous year: 4.18%) in KATEK SE as at the reporting date.

4 Parent company/group affiliations

KATEK SE, Munich has compiled consolidated statements for the smallest group of companies. These consolidated financial statements are published in the Bundesanzeiger [German 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 published in the electronic Bundesanzeiger [German Federal Gazette].

5 Contingent liabilities and other financial obligations

Guarantees issued for loans drawn by third parties amounted to EUR 0k 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 2021	31 Dec 2020
License expenses, rent and lease obligations	3,256	745
Purchase commitments for investment projects	0	736
thereof property, plant and equipment	0	736
thereof intangible assets	0	0
Other financial obligations	0	47
	3,256	**1,529**

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 2021) are as follows:

EUR k	31 Dec 2021	31 Dec 2020
Due within 1 year	306	142
Due in 1 to 5 years	856	501
Due in more than five years	2,094	103
	3,256	**745**

6 Auditor's fees

The following fee was invoiced by the independent auditor, Grant Thornton AG, Munich, in financial year 2021. The figures for the previous year relate to the fee charged by the independent auditor of the previous year, Ebner Stolz GmbH & Co. KG, Stuttgart, and its related parties:

EUR k	31 Dec 2021	31 Dec 2020
Audit services	432	427
Other attestation services	0	0
Tax advisory services	0	19
Other services	0	2
	432	**447**

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	100.0	k	1.
3.	KATEK Elektronik Bulgaria EOOD, Saedinenie, Bulgaria	100.0	k	2.
4.	Katek GmbH, Grassau, Germany	100.0	k	1.
5.	Katek Hungary kft., Györ, Hungary	100.0	k	4.
6.	KATEK Mauerstetten GmbH, Mauerstetten, Germany	100.0	k	1.
7.	KATEK Czech Republic s.r.o; Horni Sucha, Czech Republic	100.0	k	4.
8.	beflex electronic GmbH, Frickenhausen, Germany	100.0	k	1.
9.	eSystems MTG GmbH, Wendlingen am Neckar, Germany	100.0	k	1.
10.	KATEK Düsseldorf GmbH, Düsseldorf, Germany	100.0	k	2.
11.	KATEK Leipzig GmbH, Leipzig, Germany	100.0	k	1.
12.	Telealarm Europe GmbH, Leipzig, Germany	100.0	k	11.
13.	TeleAlarm SA, La Chaux-de-Fonds, Switzerland	100.0	k	12.
14.	KATEK LT UAB, Panevėžys, Lithuania	100.0	k	11.
15.	KATEK SINGAPORE PTE. LTD., Singapore, Singapore	100.0	k	8.
16.	BEFLEX ELECTRONIC MALAYSIA SDN. BHD., Kuala Kabu Baru, Malaysia	100.0	k	8.
17.	Aisler B.V., Vaals, Netherlands	50.0	k	1.
18.	AISLER AMERICAS, INC., Claymont, Delaware, USA	50.0	k	17.
19.	AISLER Germany GmbH, Aachen, Germany	50.0	k	17.

Nature of consolidation – as at 31 Dec 2021

k Fully consolidated entities

With the exception of the entities that were purchased or founded in the current financial year, the only changes to shareholdings in the financial year were as follows:

- eSystems MTG GmbH, Wendlingen am Neckar, was merged with KATEK Frickenhausen GmbH, Frickenhausen, and placed with Katek GmbH, Grassau, directly under KATEK SE, Munich. In the previous year, this entity was still a subsidiary of KATEK Frickenhausen GmbH, Frickenhausen.
- In the previous year, KATEK Czech Republic s.r.o., Horni Sucha, Czech Republic, was a subsidiary of KATEK Frickenhausen GmbH, Frickenhausen. Due to the merger between KATEK Frickenhausen GmbH, Frickenhausen, and Katek GmbH, Grassau, Katek GmbH, Grassau, became the new parent company of KATEK Czech Republic s.r.o., Horni Sucha, Czech Republic.

Shareholding	Currency	Share in capital	Equity as at 31 Dec 2021	Net profit/loss for the year
Zamm Zentrum für angewandte Meßtechnik Memmingen GmbH, Memmingen	EUR k	16.2%	661 1)	23 1)
Franken Solar Romania S.R.L., Medias, Romania	EUR k	12.5%	n/a	n/a
iOX Mobility GmbH, Pullach2)	EUR k	10.0%	n/a	n/a

Key

1) Financial statements as at 31 December 2020

2) Founded in 2021, figures not yet available

8 Exemption pursuant to sec. 264 (3) HGB

The relief from reporting duties allowed by Sec. 264 (3) HGB were availed of for the following companies:

KATEK Mauerstetten GmbH, Mauerstetten

beflex electronic GmbH, Frickenhausen

9 Subsequent events

KATEK SE and its subsidiaries do not directly operate on the market of the Russian Federation or in Ukraine. The escalation of the conflict between the two countries in February 2022 and the associated threat of economic sanctions against Russia by many other countries does therefore not have any immediate impact on the business of the KATEK Group. Indirect impacts include higher prices for energy, restricted supply chains and their general impact on the wider economy.

10 Declaration of compliance 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 Ratification of the consolidated financial statements

The consolidated financial statements were ratified by the Management Board on 29 March 2022.

Munich, 29 March 2022

KATEK SE

Management Board

Rainer Koppitz	Dr. Johannes Fues
CEO	CFO

Responsibility statement

We assure to the best of our knowledge that, in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the financial position, financial performance and cash flows 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, 29 March 2022

KATEK SE

Management Board

Rainer Koppitz	Dr. Johannes Fues
CEO	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 2021, 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 to 31 December 2021, 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. 312 (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 2021 to 31 December 2021. In accordance with the German legal requirements, we have not audited the content of the Declaration on Corporate Governance pursuant to Secs. 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.

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 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, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2021, and of its financial performance for the financial year from 1 January 2021 to 31 December 2021, 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 Declaration on Corporate Governance or the content of the Non-Financial Statement of the Group 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) point (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 2021 to 31 December 2021. 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:

Identification and measurement of the assets and liabilities acquired by KATEK Leipzig GmbH in the course of a business combination

① Risk for the consolidated financial statements

Effective 1 February 2021, KATEK Leipzig GmbH, a subsidiary of KATEK SE, acquired certain assets and liabilities of Leesys – Leipzig Electronic Systems GmbH within the framework of an asset deal. Prior to the asset deal, insolvency proceedings under own administration had been opened on the assets of this company by order of the local court of Leipzig on 1 October 2020.

The acquisition was completed in the reporting year and accounted for as a business combination in keeping with IFRS 3, applying the acquisition method. The assets and liabilities identified in the course of the purchase price allocation were all measured at their fair value on the date of acquisition. First-time consolidation resulted in a bargain purchase of EUR 11.3 million that was posted as income through profit or loss.

In many regards, the identification and measurement of the acquired assets and liabilities is based on estimates and assumptions made by the executive directors and is therefore subject to estimation uncertainty. Special risks for the financial statements lie in the use of assumption-based valuation techniques to determine fair value, particularly of land and machines. In this regard, particularly with regard to the bargain purchase and the significance of this acquisition for the KATEK Group in the financial year, the above accounting aspects constituted a key audit matter.

② Auditor’s response

In the course of our audit we obtained an understanding of the process that has been implemented to identify and measure the assets and liabilities acquired in the business combination and analyzed possible risks of error. Within the course of our audit of the accounting treatment of this business combination, we assessed the competence level, the skills and objectivity of the employees of the parent company KATEK SE assigned with the task of conducting the purchase price allocation. With support from our internal valuation specialists we appraised the appropriateness of the identification and measurement methods used in terms of generally accepted valuation principles and assessed the content of the assumptions and parameters that have been applied in terms of the requirements of IFRS 13. In this regard, we reviewed the suitability of the expert opinion issued by an external valuer, which has been drawn on by the executive directors to value land and buildings as well as plant and machinery, as audit evidence and verified whether the assumptions made reflect those of a third-party market player at the time of the acquisition.

In addition, we reviewed the executive directors’ reassessment of the badwill arising from the bargain purchase. Furthermore, we reviewed the completeness of the disclosures in the notes to the consolidated financial statements to determine whether they met the requirements of IFRS 3.

③ Reference to the associated disclosures

The disclosures made by KATEK SE on the business combination are contained in notes A.3 and A.4.1 of the notes to the consolidated financial statements.

Other Information

The executive directors and the Supervisory Board are responsible for the other information. The other information comprises

- the declaration on corporate governance 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 executive directors regarding the notes to the consolidated financial statements in accordance with Sec. 297 (2) sentence 4 HGB and Sec. 315 (1) sentence 5 HGB and the combined management report
- the report of the Supervisory Board
- the remaining parts of the 2021 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 executive directors 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 (Group) Declaration on Corporate Governance. The Supervisory Board is responsible for the report of the Supervisory Board. In all other respects, the executive directors are 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 Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The executive directors are responsible for the preparation of the 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, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are 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 executive directors are 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 executive directors are responsible for such arrangements and measures (systems) as they have 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 executive directors 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 remuneration report free from material misstatement, whether 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 of the Company 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 Company and 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 of the Company and the Group, 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 a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or 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 executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors’ 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 overall presentation, structure and content of the consolidated financial statements, 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 group audit. 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 executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors 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, 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 (hereinafter the "ESEF documents") contained in the attached file 5299000GH0E40P6I9F13-2021-12-31-de.zip with the hashtag AD555FF501F1143A09B98E052BC1F6D29BDAB8907D16FD1D9A579E965765A483, calculated using SHA256, (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 assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

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 2021 to 31 December 2021 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) (10.2021). 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 QS 1).

Responsibility of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the combined management report in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Sec. 328 (1) Sentence 4 No. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have 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 April 2021. We were engaged by the Supervisory Board on 20 November 2021. We have been the independent auditor of the consolidated financial statements of KATEK SE, Munich, since 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 Bundesanzeiger [German Federal Gazette] – 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, 30 March 2022

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 2021

Balance Sheet

Assets

EUR	31 Dec 2021	31 Dec 2020
A. Fixed assets		
I. Property, plant and equipment		
Other equipment, furniture and fixtures	60,941.79	34,505.83
II. Financial assets		
1. Shares in affiliated companies	89,284,255.34	86,551,649.29
2. Loans to affiliated companies	18,088,445.32	22,206,801.12
3. Equity investments	1,816,157.81	0.00
	109,188,858.47	**108,758,450.41**
B. Current assets		
I. Receivables and other assets		
1. Receivables from affiliated companies	15,822,609.45	2,662,194.66
2. Other assets	631,695.06	11,635.62
	16,454,304.51	**2,673,830.28**
II. Cash and cash equivalents	**17,455,783.34**	**6,731,979.98**
C. Prepaid expenses	**474,326.79**	**26,402.84**
Balance sheet total	**143,634,214.90**	**118,225,169.34**

Equity and liabilities

EUR	31 Dec 2021	31 Dec 2020
A. Equity		
I. Subscribed capital	13,241,880.00	146,400.00
II. Capital reserve	114,718,960.00	48,853,600.00
III. Accumulated losses	-17,762,951.21	-8,215,957.42
	110,197,888.79	**40,784,042.58**
B. Provisions		
Other provisions	3,965,238.00	2,754,585.00
C. Liabilities		
1. Liabilities to banks	21,200,000.00	55,676,250.00
2. Trade payables	267,948.73	36,222.55
3. Liabilities to affiliated companies	3,609,205.14	15,826,504.02
4. Other liabilities	4,393,934.24	3,147,565.19
	29,471,088.11	**74,686,541.76**
Balance sheet total	**143,634,214.90**	**118,225,169.34**

Statement of Profit or Loss

EUR	31 Dec 2021	31 Dec 2020
1. Revenue	1,316,720.00	976,692.00
2. Other operating income	1,753,081.97	85,450.36
	3,069,801.97	**1,062,142.36**
3. Personnel expenses		
a) Wages and salaries	2,188,675.03	3,479,387.28
b) Social security and other pension costs	77,372.20	78,622.42
	2,266,047.23	**3,558,009.70**
4. Depreciation of property, plant and equipment	16,773.98	6,222.36
5. Other operating expenses	9,789,224.48	1,620,984.50
6. Income from profit and loss transfer agreements	370,022.98	89,530.01
7. Income from long-term loans	234,198.86	442,781.09
8. Other interest and similar income	152,423.25	87,295.90
9. Expenses from loss absorption	406,095.63	0.00
10. Interest and similar expenses	895,017.53	2,051,913.22
11. Earnings after tax	**-9,546,711.79**	**-5,555,380.42**
12. Other taxes	282.00	282.00
13. Net loss for the year	**-9,546,993.79**	**-5,555,662.42**
14. Loss brought forward	-8,215,957.42	-2,660,295.00
15. Accumulated losses	**-17,762,951.21**	**-8,215,957.42**

Notes to the Financial Statements of KATEK SE, Munich, for the Financial Year 2021

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] for large corporations and the supplementary provisions of the AktG ["Aktiengesetz": German Stock Corporation Act].

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 nature of expense method.

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.

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 prior 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 recorded 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.

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

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 976,218.43 (previous year: EUR 59,228.71) are comprised entirely of trade receivables.

In addition, the receivables from affiliated companies contain other receivables of EUR 14,846,391.02 (previous year: EUR 2,602,965.95).

Other assets include VAT claims of EUR 54,738.33 (previous year: EUR 6,345.53).

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

Subscribed capital

Subscribed capital contains the capital stock of KATEK SE, Munich, and amounts to EUR 13,241,880 (previous year: EUR 146,400) and is fully paid in. It consists of 13,241,880 common no-par value bearer shares.

By resolution of the extraordinary shareholders’ meeting on 19 March 2021 and entry in the commercial register on 7 April 2021, the capital stock of the company was increased from company funds by converting a portion of EUR 9,662,400 of the capital reserve into capital stock. The capital increase was carried out by issuing 9,662,400 new no-par bearer shares, each with an imputed share of EUR 1 in capital stock, which were issued to the Company’s existing shareholders at a ratio of 1 to 66. At the annual general meeting on 20 April 2021, capital stock was increased by EUR 3,433,080 by issuing new shares with a nominal value of EUR 1 each to be placed on the capital market. This capital increase became effective upon entry of the change in the articles of association on 29 April 2021. Capital stock now amounts to EUR 13,241,880. The shares created by the capital increase were placed on the capital market on 4 May 2021.

Authorized Capital and Conditional Capital

Authorized capital

By resolution of the extraordinary shareholders’ meeting on 19 March 2021 the Management Board was 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 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 authorization can be utilized for a single or multiple share issues in full or in part.

The Management Board is also 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 options issued by the Company subscription rights to new shares they would be entitled to after exercising their options or conversion rights (convertible bonds) or upon fulfilling their obligation to convert (mandatory convertibles);
- 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 convertible bonds or warrant-linked bonds 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 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 which 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 bonds 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 remains 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 warrant-linked bond or convertible 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 conversion 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 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.

The capital reserve amounts to EUR 114,718,960 (previous year: EUR 48,853,600). By resolution of the extraordinary shareholders' meeting dated 19 March 2021 and entry in the commercial register on 7 April 2021, the capital reserve was initially reduced by EUR 9,662,400 to EUR 39,191,200. The IPO on 4 May 2021 led to additional paid-in capital of EUR 75,527,760.00 from the premium paid on the issue of 3,433,080 shares.

5 Other provisions

Other provisions consist of provisions to personnel of EUR 3,267k (previous year: EUR 2,504k) of which EUR 1,005k relates to affiliated companies. In addition, other provision contain provisions for outstanding invoices of EUR 476k (previous year: EUR 123k), provisions for the cost of preparation and audit of the financial statements of EUR 102k (previous year: EUR 120k) and provisions for expenses of the Supervisory Board and audit committee of EUR 113k (previous year: EUR 0k) and provisions for tax advisory services of EUR 8k (previous year: EUR 8k).

6 Liabilities

Liabilities to banks break down as follows:

EUR	31 Dec 2021	31 Dec 2020
Due within 1 year	4,400,000	34,476,250
Due in 1 to 5 years	16,800,000	17,600,000
Due in more than 5 years	0	3,600,000
	21,200,000	**55,676,250**

These liabilities are secured by liens to shares in affiliated companies amounting to EUR 21,200,000. The book value of the shares amounts to EUR 31,057,692.93.

Liabilities to affiliated companies consist of trade payables of EUR 347,418.14 (previous year: EUR 33,588.05). Their residual useful life is one year or less.

Other liabilities to affiliated companies amount to a total of EUR 3,261,787.00 (previous year: EUR 15,792,915.97) of which liabilities with a residual term of up to one year amount to EUR 752,512.58 (previous year: EUR 10,937,730.24) and liabilities with a residual term of one to five years to EUR 2,509,274.42 (previous year: EUR 4,855,185.73). There are no other liabilities to affiliated companies with a residual term of more than five years.

Other liabilities break down as follows:

EUR	31 Dec 2021	31 Dec 2020
Tax liabilities	75,045.70	25,765.17
Liabilities related to social security	0.00	1,800.02
Sundry other liabilities	4,318,888.54	3,120,000
	4,393,934.24	**3,147,565.19**

Sundry other liabilities include an amount of EUR 1,393,934.24 (previous year: EUR 147,565.19) with a residual term of up to one year and an amount of EUR 3,000,000.00 (previous year: EUR 3,000,000.00) with a residual term of one to five years. There are no other liabilities with a residual 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 contains income from affiliated companies of EUR 1,132,662.10 (previous year: EUR 76,029.00). It also contains income from third parties of EUR 494,082.80 (previous year: EUR 5,521.36) relating to reimbursements from the Bright project and income from the release of provisions of EUR 124,378.45 (previous year: EUR 3,900.00).

9 Personnel expenses

The item “Social security, pension and other benefit costs” includes pension costs of EUR 77,372.20 (previous year: EUR 78,622.42).

10 Other operating expenses

Other operating expenses contain **consulting fees** of EUR 5,341,241.54 (previous year: EUR 184,385.70). Of this total, an amount of EUR 4,055,918.23 relates the IPO in May.

11 Investment income

Income from profit and loss transfer agreements consists of EUR 370,022.98 (previous year: EUR 89,530.01) from **affiliated companies**.

The expenses from absorbing losses under the terms of profit and loss transfer agreements consists of EUR 406,095.63 (previous year: EUR 0.00) from **affiliated companies**.

12 Income from long-term loans

Other operating income contains interest on loans extended to **affiliated companies** of EUR 234,198.86 (previous year: EUR 442,781.09).

13 Financial result

Of other interest and similar income, an amount of EUR 152,423.25 relates to **affiliated companies** (previous year: EUR 87,295.90).

Interest and similar expenses contain an amount of EUR 87,463.94 (previous year: EUR 1,147,593.39) relating to **affiliated companies.**

C Other Notes

1 Shareholders

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	Shareholding %	Equity (EURk)	Net profit or loss (EURk)
Direct shareholdings			
KATEK Memmingen GmbH, Memmingen, Germany	100.00	13,328	3,145
Katek GmbH, Grassau, Germany	100.00	52,025	-1,451
KATEK Mauerstetten GmbH, Mauerstetten, Germany	100.00	8,902	0*)
beflex electronic GmbH, Frickenhausen, Germany	100.00	4,933	0*)
eSystems MTG GmbH, Wendlingen am Neckar, Germany	100.00	-1,701	-1,717
KATEK Leipzig GmbH, Leipzig, Germany	100.00	3,208	3,184
Aisler B.V., Vaals, Netherlands	50.01	1,261	-364
iOX Mobility GmbH, Pullach im Isartal, Germany	10.00	**)	**)
Indirect shareholdings			
KATEK Elektronik Bulgaria EOOD, Saedinenie, Bulgaria	100.00	8,321	1,355
Katek Hungary kft., Györ, Hungary	100.00	10,474	5,164
KATEK Czech Republic s.r.o, Horni Sucha, Czech Republic	100.00	6,753	3,129
KATEK Düsseldorf GmbH, Düsseldorf, Germany	100.00	1,057	563
Telealarm Europe GmbH, Leipzig, Germany	100.00	1,358	602
TeleAlarm SA, La Chaux-de-Fonds, Switzerland	100.00	223	-432
KATEK LT UAB, Panevėžys, Lithuania	100.00	23	-15
KATEK SINGAPORE PTE. LTD., Singapore, Singapore	100.00	-89	-135
BEFLEX ELECTRONIC MALAYSIA SDN. BHD., Kuala Kabu Baru, Malaysia	100.00	-11	-10
AISLER AMERICAS, INC., Claymont, USA	50.01	-32	-15
AISLER Germany GmbH, Aachen, Germany	50.01	-35	-60
Zamm GmbH, Memmingen, Germany	16.20	661*	23*
Franken Solar Romania S.R.L., Medias, Romania	12.50	n/a	n/a

* Financial statements as at 31 December 2020
*) Profit and loss transfer agreement
**) Founded in 2021, figures not yet available

2 Personnel

On average, four salaried employees were employed in the financial year, all of whom worked in administration.

3 Contingent liabilities and other financial obligations

Other financial obligations mainly relate to obligations under **lease agreements** of EUR 49k (previous year: EUR 33k) and **service contracts** of EUR 817k (previous year: EUR 731k).

In addition, there is an obligation to accede to a finance lease for plant and machiner entered inot between BTV Leasing and KATEK Düsseldorf GmbH of EUR 2,000k (previous year: EUR 0k) and a guarantee on current-account loans at KATEK GmbH of EUR 2,000k (previous year EUR 2,000k). It is not expected that either of these obligations will be drawn on.

4 Company boards

Members of the Management Board are:

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 780k (previous year: EUR 360k) for their services for the Group in the financial year.

Members of the Supervisory Board are:

Klaus Weinmann (Managing Director and Chairman of the Advisory Board of Primepulse SE), Munich (Chairman)

Stefan Kober (entrepreneur), Jettingen-Scheppach (Deputy Chairman) until 31 December 2021

Andreas Müller (Chairman of the Management Board of S.D.L. Süddeutsche Leasing AG), Elchingen since 1 April 2021

Hannes Niederhauser (Chairman of the Management Board of S&T AG), Linz since 7 April 2021

Dr. Benjamin Klein (CFO Primepulse SE), Munich until 31 March 2021

Markus Saller (Director Mergers & Acquisitions Primepulse SE), Munich (Deputy Chairman) from 18 January 2022

By letter dated 16 March 2021, Dr. Benjamin Klein stepped down from the Supervisory Board of KATEK SE effective 31 March 2021. At the extraordinary shareholders' meeting on 19 March 2021 Mr. Andreas Müller, Chairman of the Management Board of S.D.L. Süddeutsche Leasing AG, Elchingen, was appointed to the Supervisory Board effective 1 April 2021.

Furthermore, a resolution was passed by the extraordinary shareholders meeting to increase the number of members on the Supervisory Board from three to four, combined with an amendment to the articles of association and corresponding entry in the commercial register. Mr. Hannes Niederhauser, Chairman of the Management Board (CEO) of S&T AG, Linz, Austria, was appointed as a new member of the Supervisory Board, effective upon entry of the change in the commercial register, which occurred on 7 April 2021.

Mr. Stefan Kober stepped down from the Supervisory Board effective 31 December 2021. Mr. Markus Saller, Director Mergers & Acquisitions at PRIMEPULSE SE, Munich, will replace him on the Supervisory Board.

Mr. Markus Saller, Director Mergers & Acquisitions of PRIMEPULSE SE, Munich, was appointed to the Supervisory Board of KATEK SE by order of the court on 18 January 2022.

In a resolution passed by circulation on 21 February 2022, Mr. Markus Saller was elected Deputy Chairman of the Supervisory Board of KATEK SE.

Total remuneration of EUR 113k was granted to the members of the Supervisory Board in the financial year (previous year: EUR 0k).

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

KATEK SE and its subsidiaries do not directly operate on the market of the Russian Federation or in Ukraine. The escalation of the conflict between the two countries in February 2022 and the associated threat of economic sanctions against Russia by many other countries does therefore not have any immediate impact on the business of the KATEK Group. Indirect impacts include higher prices for energy, restricted supply chains and their general impact on the wider economy.

7 Appropriation of profit or loss

The accumulated deficit will be carried forward.

8 Declaration of conformity pursuant to 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 Fees for services of the auditor of the financial statements

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, 29 March 2022

KATEK SE

Management Board

Rainer Koppitz	Dr. Johannes Fues
CEO	CFO

Attachment to the notes: Statement of Changes in Fixed Assets of KATEK SE, Munich, for the Financial Year 2021

	Historical cost			
EUR	**1 Jan 2021**	**Additions**	**Disposals**	**31 Dec 2021**
I. Property, plant and equipment				
Other equipment, furniture and fixtures	41,574.41	43,209.94	0.00	84,784.35
II. Financial assets				
1. Shares in affiliated companies	86,551,649.29	2,732,606.05	0.00	89,284,255.34
2. Loans to affiliated companies	22,206,801.12	0.00	-4,118,355.80	18,088,445.32
3. Equity investments	0.00	1,816,157.81	0.00	1,816,157.81
Total financial assets	**108,758,450.41**	**4,548,763.86**	**-4,118,355.80**	**109,188,858.47**
Total	**108,800,024.82**	**4,591,973.80**	**-4,118,355.80**	**109,273,642.82**

	Accumulated depreciation and amortization			Book value	
EUR	**1 Jan 2021**	**Additions**	**31 Dec 2021**	**31 Dec 2021**	**31 Dec 2020**
I. Property, plant and equipment					
Other equipment, furniture and fixtures	-7,068.58	-16,773.98	-23,842.56	60,941.79	34,505.83
II. Financial assets					
1. Shares in affiliated companies	0.00	0.00	0.00	89,284,255.34	86,551,649.29
2. Loans to affiliated companies	0.00	0.00	0.00	18,088,445.32	22,206,801.12
3. Equity investments	0.00	0.00	0.00	1,816,157.81	0.00
Total financial assets	**0.00**	**0.00**	**0.00**	**109,188,858.47**	**108,758,450.41**
Total	**-7,068.58**	**-16,773.98**	**-23,842.56**	**109,249,800.26**	**108,792,956.24**

Responsibility statement

We assure to the best of our knowledge that, in accordance with the applicable accounting principles, the annual financial statements 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 is 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 Company and also describes the significant opportunities and risks relating to the anticipated development of the Company.

Munich, 29 March 2022

KATEK SE

Management Board

Rainer Koppitz	Dr. Johannes Fues
CEO	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 2021 and the statement of profit or loss for the financial year from 1 January 2021 to 31 December 2021 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. 312 (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 2021 to 31 December 2021. In accordance with the German legal requirements, we have not audited the content of the Declaration on Corporate Governance pursuant to Secs. 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.

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 2021 and of its financial performance for the financial year from 1 January 2021 to 31 December 2021 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 Declaration on Corporate Governance or the content of the Non-Financial Statement of the Group 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) point (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

Key Audit Matters in the Audit of the Annual Financial Statements

We found that there were no key audit matters needing to be discussed in our independent auditor’s report.

Other Information

The executive directors and the Supervisory Board are responsible for the other information. The other information comprises

- the declaration on corporate governance pursuant to Sec. 289f HGB and Sec. 315d HGB
- the separate consolidated non-financial statement pursuant to Sec. 315b HGB
- the responsibility statements of the executive directors regarding the notes to the financial statements and the combined management report in accordance with Sec. 264 (2) sentence 3 HGB and Sec. 289 (1) sentence 5 HGB
- the report of the Supervisory Board
- the other elements of the 2021 annual report
- but it does not comprise the annual financial statements, the consolidated financial statements, the audited components of the combined management report and our respective auditor’s reports regarding these.

The executive directors 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 (Group) Declaration on Corporate Governance. The Supervisory Board is responsible for the report of the Supervisory Board. In all other respects, the executive directors are 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 Executive Directors and the Supervisory Board for the Financial Statements and the Combined Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual 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. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are 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, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are 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 financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have 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 executive directors 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 remuneration report free from material misstatement, whether due to fraud or error.

Auditor’s Responsibilities for the Audit of the Financial Statements and of the Combined Management Report

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 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.

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 a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or 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 executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors’ 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 overall presentation, structure and content of the financial statements, 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 executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors 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, 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 – formal audit of the remuneration report

The audit of the combined management report described in this independent auditor’s report includes an audit of the formal aspects of the remuneration report required by Sec. 162 (3) AktG, including the issue of an auditor’s opinion on this audit. As we have issued an unqualifed audit opinion on the combined management report, this audit opinion extends to the opinion that the disclosures required by Sec. 162 (1) and (2) AktG have been made in the remuneration report 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 (hereinafter the “ESEF documents”) contained in the attached file EA_5299000GH0E40P6I9F13-2021-12-31-de.zip with the hashtag F2A1DA8C8776D9FA1D56D245789748655B65893EF1F4133C93ADC2D4BC671E9B, calculated using SHA256, (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 from 1 January 2021 to 31 December 2021 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) (10.2021). 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 QS 1).

Responsibility of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are 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 executive directors of the Company are responsible for such internal control as they have 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.
- Assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents complies with the requirements of Commission Delegated Regulation (EU) 2019/815 in the version applying on the reporting date regarding 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 April 2021. We were engaged by the Supervisory Board on 20 November 2021. We have been the independent auditor of the financial statements of KATEK SE, Munich, since 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 annual financial statements and the combined management report converted to the ESEF format – including the versions to be published in the Bundesanzeiger [German Federal Gazette] – are merely electronic renderings of the audited annual 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, 30 March 2022

Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Thomas Senger Wirtschaftsprüfer [German Public Auditor]	Andrea Stoiber-Harant Wirtschaftsprüfer [German Public Auditor]

KATEK
Lead the category

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The Annual Report of KATEK SE is available in German and English language.
The German version is legally binding.