

The background of the cover is a night cityscape with numerous skyscrapers illuminated. Overlaid on this are many vertical lines of light in shades of blue, purple, and pink, extending from the bottom of the frame towards the top. These lines are interspersed with small, bright dots of light, creating a digital or data-like aesthetic. The overall color palette is dark blue and black, with vibrant highlights from the city lights and digital lines.

s&t

ANNUAL REPORT

2020

01

S&T GROUP OVERVIEW



KEY FIGURES 2020 | 2019 | 2018

IN EUR MIO.	2020	2019	2018
Revenues	1,254.8	1,122.9	990.9
Gross profit	455.8	407.5	346.5
EBITDA	130.0	111.7	90.5
Amortisation and depreciation	61.5	49.9	29.0
EBIT before PPA amortisation ¹⁾	81.7	70.1	67.3
Result after non-controlling interests	55.6	49.1	45.0
Operating cash flow	140.8	83.4	35.5
Free cash flow ²⁾	106.9	56.3	10.4
Earnings per share ³⁾	86 cent	75 cent	70 cent

1) EBIT before amortisation from purchase price allocation

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

3) Earnings per share undiluted

IN EUR MIO.	31.12.2020	31.12.2019	31.12.2018
Cash and cash equivalents	281.9	312.3	171.8
Equity	409.5	385.1	367.3
Equity ratio	32.8%	31.4%	43.3%
Net Cash (+) / Net debt (-) ⁴⁾	20.3	29.5	52.7
Working capital ⁵⁾	154.3	153.9	156.4
Backlog	927.2	841.5	606.9
Project-pipeline	2,702.3	2,157.5	1,632.6
Employees ⁶⁾	6,067	4,934	4,248

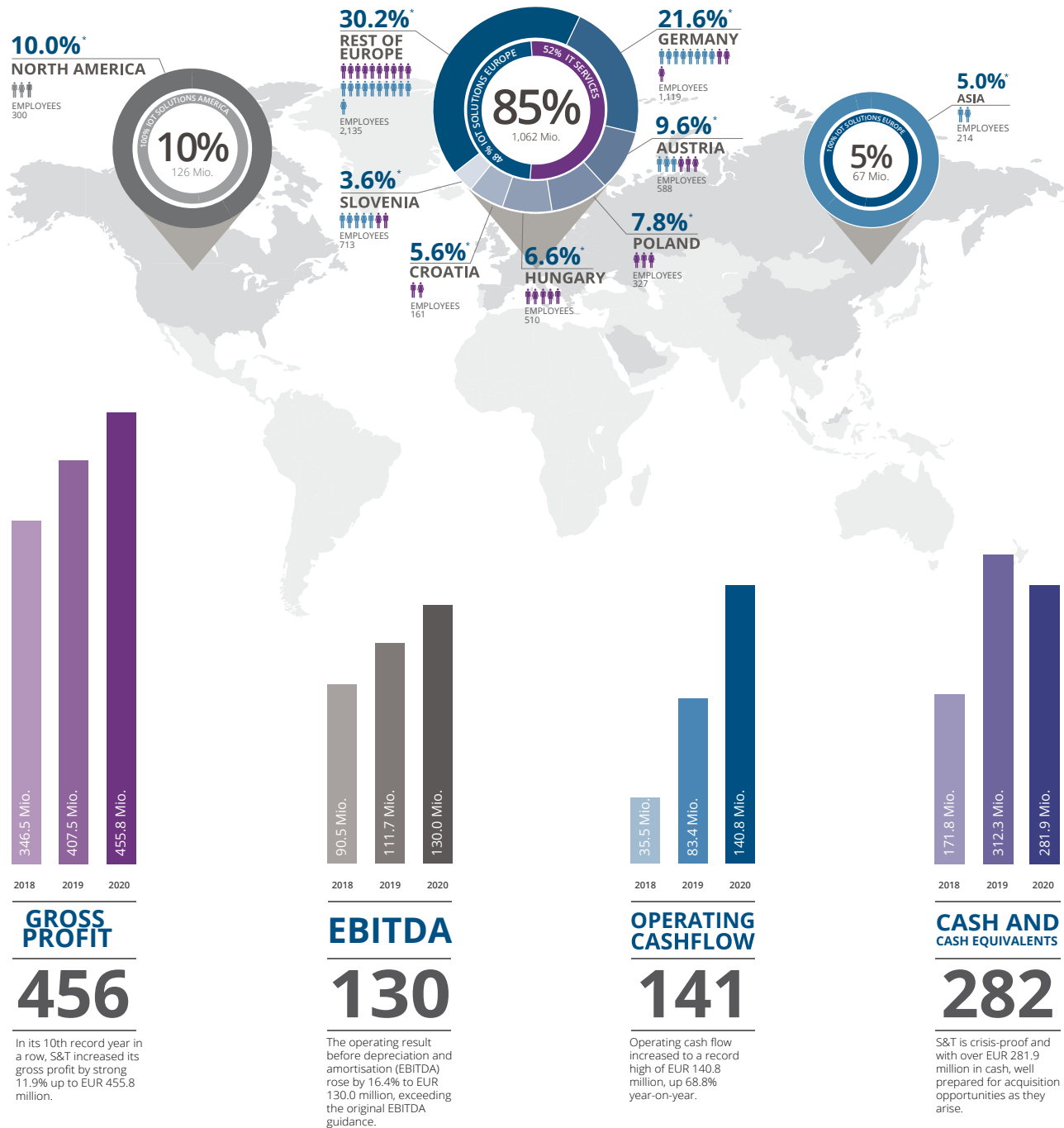
4) Cash and cash equivalents less non-current and current financial liabilities

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

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

S&T GROUP OVERVIEW

REVENUE AND EMPLOYEE DISTRIBUTION OF S&T GROUP

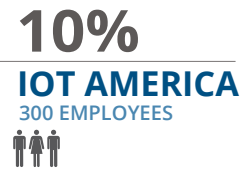
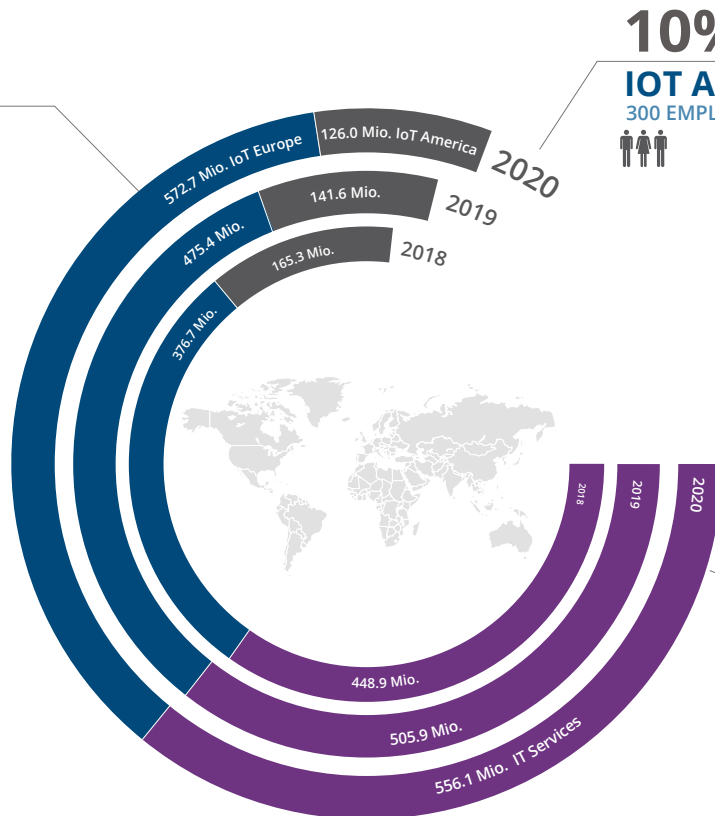
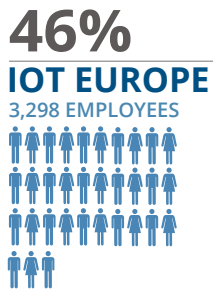


*) Percentages represent the respective share of revenue in the total revenues of the S&T Group.

DEVELOPMENT OF THE BUSINESS SEGMENTS OF S&T AG

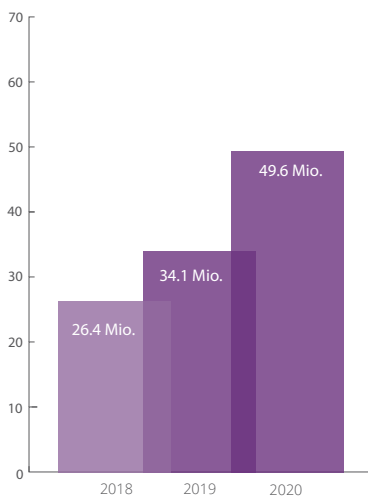


REVENUE 2018 | 2019 | 2020

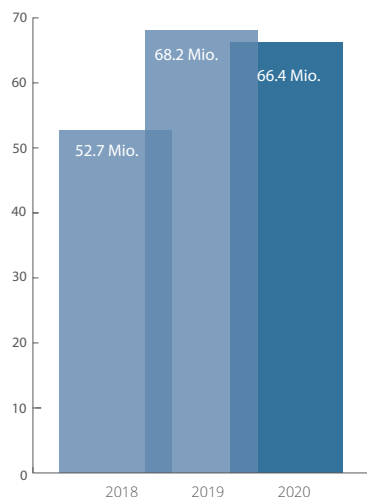


EBITDA 2018 | 2019 | 2020

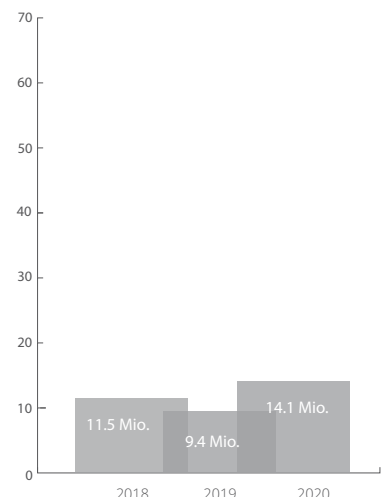
IT SERVICES



IOT SOLUTIONS EUROPE



IOT SOLUTIONS AMERICA



All figures in EUR million, if not noted otherwise.



FOREWORD

THE WORLD HAS CHANGED IN 2020, SO HAVE WE!

For S&T, 2020 was the 10th record year in a row. In 2020, revenues increased by 12% to EUR 1,255 million and EBITDA was up 16% to EUR 130 million. Earnings per share rose by 15% to 86 cents. Another good year for S&T in financial terms, just like the previous nine years.

But 2020 was different and changed (business) life from the ground up: By the end of the 1st quarter, the COVID-19-Pandemic had already struck with full force. Global lockdown, closed factories, weakened supply chains, and as a result, a 10% slump in the global economy. As a responsible company, the health of our employees was our top priority in this situation. We reacted quickly and within a few days more than 70% of our employees moved to working from home only. At that time it was not possible to assess in detail all the future consequences the pandemic would bring.

Following more than 12 months of “on and off” lockdowns, it is now apparent that the new requirements will be for the longer term. Only companies that adapt to the pandemic can survive and possibly even benefit from the situation. At S&T, more than 50% of all working hours in 2020 were carried out by employees working from home. Meetings were held via video conferencing, and our travel costs were reduced by over 50% from EUR 6.3 million to EUR 2.8 million. We are now planning to reduce our office space by 33%, which will save us more than EUR 4 million per annum over the next few years. The adjustments needed to our supply chains as a result of the prevailing conditions did involve considerable costs in 2020, but we are now better positioned and will be less vulnerable in the future.

We have also adapted our target markets: S&T was also unable to escape the massive slump in the aviation industry; our Flynet solution for aircraft saw very low sales in 2020 and we do not expect any significant improvements in the aviation sector over the medium term either. Smart medical technology, smart factories, and eLearning, on the other hand, were well above target in 2020. Strong diversification with several thousand customers in different vertical markets and no customer with a revenue share exceeding 3% is paying off.

S&T also took further steps in the area of sustainability and ESG in 2020: We are converting to our own photovoltaic system and are already using 100% renewable energy at S&T AG in Austria, for example. Old vehicles in our fleet are gradually being replaced with electric cars. Diversity within the Group and our corporate bodies is also making progress: Claudia Badstöber is the first woman to chair our Supervisory Board.

In the past financial year we invested a great deal of energy in improving working capital and cash flow in line with our PEC program. With an operating cash flow of EUR 141 million (up 66% compared to the previous year), we can once again report an all-time high. In difficult times, a high cash balance is even more important than high growth. Liquidity of EUR 281 million gives us financial freedom. Particularly in times of crisis, acquisitions are more favourable and we have sufficient financial means to make acquisitions at especially low prices. Shareholders will also benefit from our success – dividends and share buybacks are to be further increased in 2021.

The consequence: The world has changed, S&T has changed too, and – as a beneficiary of the Corona-Crisis – our growth targets remain ambitious. S&T did not slow down in 2020, but instead tackled this challenging year successfully, making our earnings per share continue to climb up by 15%. Our future targets also remain unaffected by the pandemic. In the current financial year, with revenues rising to at least EUR 1,400 million and an EBITDA of at least EUR 140 million, we aim to further increase earnings per share to at least EUR 1. In addition, we confirm our medium-term target for 2023 of EUR 2 billion in revenues with an EBITDA of EUR 220 million. An order backlog of EUR 927 million (+10.2% compared to the previous year), a well-filled project pipeline of EUR 2,702 million (+25.2%) as well as the strong order intake during the 1st quarter of 2021 confirm our ambitious goals.

Hannes Niederhauser, CEO



SMART INFRASTRUCTURE SOLUTIONS FOR CZECH RAILWAY'S COMMUNICATION

IOT SOLUTIONS EUROPE

Kontron Transportation has a leading position in the development of next generation mission-critical communication systems and supports its customers with customised solutions for digital transformation.

In the Czech Republic, the S&T subsidiary recently won projects worth over EUR 50 million as a GSM-R (Global System for Mobile Communications - Rail) provider, thus significantly expanding its position in this market. The customer is the state organisation "Správa železnic, státní organizace", owner and operator of the nationwide railway infrastructure.

The projects include commissioning of more than 90 base stations, all of which will be equipped with a remote "Smart Monitoring System". The system in the base stations controls all railway components and performs service maintenance remotely. Furthermore, soon it will be possible to easily expand the stations with photovoltaic panels to reduce energy consumption.

The newly equipped railroad lines also meet the highest standards in voice communication between trains and stations, contributing to passenger safety and comfort. The projects will make a major contribution to increasing capacity, reducing delays, improving safety, and reducing costs and environmental impact throughout the Czech rail network.



TABLE OF CONTENTS

01 S&T GROUP OVERVIEW	2
02 FOREWORD	5
03 MANAGEMENT TEAM OVERVIEW	8
04 PORTFOLIO OF PRODUCTS AND SERVICES	11
S&T – A MULTINATIONAL TECHNOLOGY GROUP	11
S&T IS A FULL-SERVICE IT PROVIDER IN CENTRAL AND EASTERN EUROPE	14
THE TRANSFORMATION TO AN IOT SPECIALIST	15
OUR CUSTOMERS AND VERTICAL END MARKETS.....	15
THE FUTURE OF OUR PORTFOLIO OF PRODUCTS AND SERVICES	19
05 REPORT OF THE SUPERVISORY BOARD	20
06 CORPORATE GOVERNANCE REPORT	22
07 THE S&T SHARE	32
08 MANAGEMENT REPORT	38
FOUNDATIONS OF THE GROUP'S BUSINESS.....	38
ECONOMIC REPORT.....	44
FORECAST, OPPORTUNITIES AND RISK REPORT.....	53
INTERNAL CONTROL SYSTEM, GROUP REPORTING PROCESS AND RISK MANAGEMENT SYSTEM	61
DISCLOSURES IN ACCORDANCE WITH § 243A UGB (AUSTRIAN COMMERCIAL CODE).....	63
09 CONSOLIDATED FINANCIAL STATEMENTS 2020	68
CONSOLIDATED INCOME STATEMENT.....	68
STATEMENT OF OTHER COMPREHENSIVE INCOME	69
CONSOLIDATED BALANCE SHEET	70
CONSOLIDATED CASH FLOW STATEMENT.....	71
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	72
10 NOTES 2020	74
GENERAL INFORMATION	74
ACCOUNTING AND VALUATION PRINCIPLES	98
NOTES TO THE CONSOLIDATED INCOME STATEMENT	112
NOTES TO THE CONSOLIDATED BALANCE SHEET.....	122
OTHER DISCLOSURES.....	154
11 AUDITOR'S REPORT	178
12 STATEMENT OF LEGAL REPRESENTATIVES	185
13 SUSTAINABILITY REPORT	188

MANAGEMENT TEAM OVERVIEW



HANNES NIEDERHAUSER
CEO

Hannes Niederhauser started his S&T engagement in 2011. Following his studies in Electrical Engineering at the Graz University of Technology, the Austrian-born manager progressed in the fields of microchips and embedded computing. Before joining S&T, Niederhauser has been the main shareholder and CEO of Kontron AG from 1999 to 2007, which became the world's largest provider in the field of embedded computing. Hannes Niederhauser is consistently driving S&T's transformation from an IT service provider to a leading provider of IoT solutions.



MICHAEL JESKE
COO, SERVICES DACH

Michael Jeske – member of the Executive Board of S&T AG since mid-2009 – gathered extensive experience in the area of Operations at Kontron AG after obtaining a technical degree. He has years of management experience in the IT industry behind him and has distinguished himself professionally, particularly in the areas of development, production and quality assurance.



RICHARD NEUWIRTH
CFO

Richard Neuwirth has degrees in law and business administration. He began his career as a lawyer working for a Vienna-based firm. He joined S&T in 2006, and has held a variety of management positions at it, with these including managing director of S&T Bulgaria and country manager and sales director of S&T Austria. As of July 2013, Neuwirth became the company's CFO. In June 2017 he was appointed Deputy Chairman of the Executive Board.



CARLOS QUEIROZ
COO, IOT SOLUTIONS EUROPE

Carlos Queiroz has been active in the embedded industry for over 30 years and started his career as a development engineer. At Kontron he held a variety of management positions and was the Managing Director of the organisation in Germany from 2000 to 2015. In 2015 he joined the S&T Group, working as a senior executive before being appointed to the Executive Board of S&T AG in August 2017.



PETER STURZ
COO, SERVICES EE

Peter Sturz has been with S&T since 2007 and became member of the Executive Board in 2008. Prior to that, he managed the Adriatic Region. Sturz began his career at Allgemeine Bausparkasse as a member of the board responsible for Sales, Marketing and IT. Before joining S&T he was responsible for Austria and Central Europe as member of CSC's managing board.



OLGA SINENKO
EVP, SMART ENERGY

After earning a doctorate in engineering, Olga Sinenko worked for a variety of leading international companies active in the fields of industrial automation, software development and embedded computing. Olga Sinenko followed that up by founding the Russia-based RTSoft, which became part of S&T in 2014. She is chairperson of D2 RNC CIGRE, an international non-profit association for the networking of experts on advanced power systems.



JOCHEN GIMPLE
VP, ODM

Jochen Gimple has been with Kontron Electronics since 1997 and has 25 years of experience in the field of embedded electronics. The focus of his career has been in the areas of purchasing, logistics and production. During the 25 years, he worked as a manager in the areas of purchasing, materials management, sales and operations. Since 2015, he has been the managing director of Kontron Electronics.



ŽELJKO PULJIĆ
EVP, COMMUNICATION

As of 2012 Željko Puljić serves in the capacity of a Chief Executive Officer at Iskratel Group. He joined the Extended Management Board of S&T Group in 2020, after Iskratel became member of S&T AG. He holds a Master's degree from the Faculty of Electrical Engineering and Computer Science in Ljubljana. From 2006 to 2010 he served as Member of the Management Board at the national telco operator Telekom Slovenije. He accumulates more than 30 years of management experience in the ICT industry.



MICHAEL RIEGERT
EVP, TRANSPORTATION

Michael Riegert has worked in the embedded industry – as an engineer and manager – for more than 25 years. With one exception, Michael Riegert has spent his career at Kontron and S&T, where he has held a variety of management positions. Prior to taking on the position of being the S&T Group's executive vice president for APAC and North America in 2015, Michael Riegert was a general manager at ADLINK.



CHRISTOPH NEUMANN
VP, TECHNOLOGY

Christoph Neumann has been with Kontron for 15 years. After a degree in electric engineering, he worked at Digitec and at the US-headquartered Diamond Multimedia. After that, he switched to Giga Stream, which was acquired by Kontron in 2004. Subsequent to that, he headed Kontron's Design Center in Saarbrücken, and held a variety of senior management positions. Among others, as Vice President Engineering, leading Kontron's EMEA engineering team.



STEVE CHEN
EVP, ASIA

Steve Chen has degrees in international business management and accounting. He has more than 15 years of experience in IT management, particularly in the areas of business strategy, development, restructuring, M&A and finance. He joined Kontron in 2002, and has held a variety of management positions at it and at S&T ever since, with these positions including chairman/CEO of Kontron Asia, of S&T Asia, of Quanmax and of Kontron China.



ROBERT COURTEAU
VP, NORTH AMERICA

Robert Courteau has been with Kontron since 2000. Holding a degree in Mechanical Engineering, he began his career in design and management positions in the aerospace sector, before joining Kontron where he has held various leadership positions in North America. He has managed Kontron's Communications business since 2013, and is responsible for the US and Canada operations since 2019.



BERNHARD GÜNTNER
VP, SMART FACTORIES

Bernhard Günthner, Managing Director of Kontron Technologies GmbH, took over the position as VP Smart Factory in October 2019. He has been with Kontron for more than 10 years and worked a.o. as VP Customer Programs for system solutions in industrial automation and medical. He started his career in software development for telematics and ticketing systems with a master's degree in electrical engineering from the Technical University of Munich.



ANDY MASON
VP, GLOBAL AVIONICS

Andy Mason has spent his career of over 25 years in the US Aerospace business. He first worked as a Digital Systems Engineer and then specialised in Real Time Systems development for the Aviation and Defense industry. Since 2010, Mason held management positions at Kontron involving technology, product, engineering and business development. In July 2019, Mason was named EVP of the Global Avionics group. He holds a degree in Mathematical Statistics.

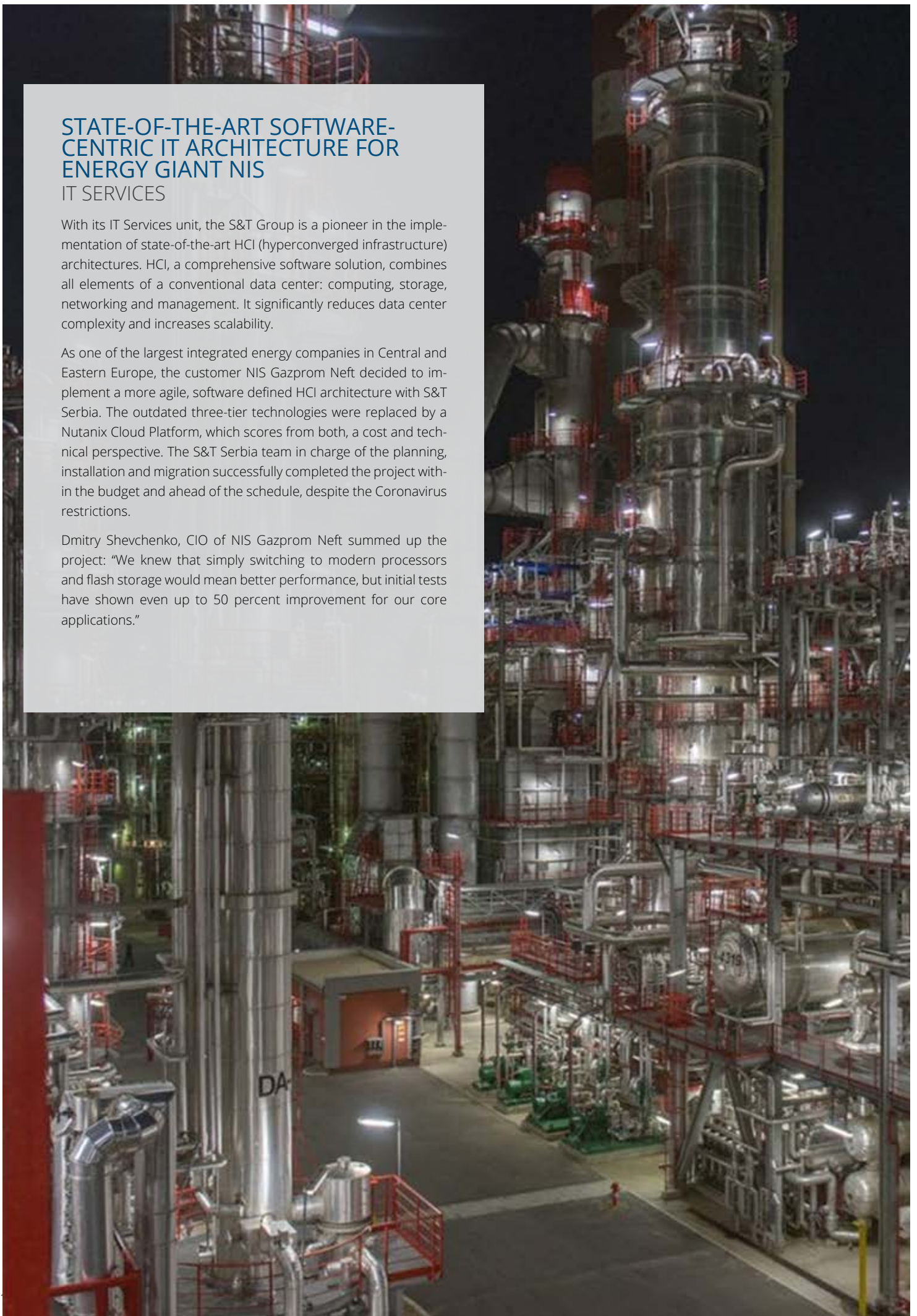
STATE-OF-THE-ART SOFTWARE-CENTRIC IT ARCHITECTURE FOR ENERGY GIANT NIS

IT SERVICES

With its IT Services unit, the S&T Group is a pioneer in the implementation of state-of-the-art HCI (hyperconverged infrastructure) architectures. HCI, a comprehensive software solution, combines all elements of a conventional data center: computing, storage, networking and management. It significantly reduces data center complexity and increases scalability.

As one of the largest integrated energy companies in Central and Eastern Europe, the customer NIS Gazprom Neft decided to implement a more agile, software defined HCI architecture with S&T Serbia. The outdated three-tier technologies were replaced by a Nutanix Cloud Platform, which scores from both, a cost and technical perspective. The S&T Serbia team in charge of the planning, installation and migration successfully completed the project within the budget and ahead of the schedule, despite the Coronavirus restrictions.

Dmitry Shevchenko, CIO of NIS Gazprom Neft summed up the project: "We knew that simply switching to modern processors and flash storage would mean better performance, but initial tests have shown even up to 50 percent improvement for our core applications."



PORTFOLIO OF PRODUCTS AND SERVICES

S&T – A MULTINATIONAL TECHNOLOGY GROUP

S&T AG is an Austrian technology group with its headquarters in Linz, Austria. With locations in 33 countries worldwide, the company employed 6,067 people as of December 31, 2020. With its business segments "IoT Solutions Europe" (formerly "IoT Solutions") and "IoT Solutions America" (formerly "Embedded Systems"), S&T is a leading international provider of hardware and software products and innovative services in the field of Industry 4.0 and Internet of Things (IoT) as well as embedded and edge computing technologies (ECT).

S&T AG is also a renowned provider of IT services. Through its "IT Services" segment, the company offers a broad range of services in the areas of IT consulting, outsourcing and integration, corresponding to the plan, build, run principle. A large number of well-known customers from a wide range of industries rely on S&T Group's combined technology portfolio of hardware, software and professional services.

OVERVIEW: S&T GROUP'S THREE BUSINESS SEGMENTS

- › **"IT Services"**: All activities involving IT services business in the DACH region (Germany, Austria, Switzerland) and Central and Eastern Europe are covered by this segment.
- › **"IoT Solutions Europe"**: This sector focuses on the development of secure and networked solutions using a combined range of hardware products, middleware and services in the areas of IoT and Industry 4.0. The segment has been managed as "IoT Solutions Europe" since the beginning of the financial year 2019 and is focused on the markets in Europe and parts of Asia, particularly China.
- › **"IoT Solutions America"**: This segment includes the business activities of the former "Embedded Systems" segment and was renamed "IoT Solutions America" at the beginning of 2019 following an update to its product range and constantly growing software share.

With its three business segments, the company offers a synergy-rich portfolio of services and products as well as a variety of attractive solutions that appeal to a wide range of customer segments and vertical markets. The broad technology portfolio and know-how, as well as the considerable engineering capacities within S&T Group, complement each other perfectly and make it possible to implement projects in the relevant areas in a holistic manner and to react quickly and flexibly to market requirements.

In this way, the range of services offered by S&T Group described below can be continuously expanded and adapted within the technology lifecycles. The aim is to address the latest trends and customer needs in all areas and to position S&T as a leading technology group.



MEDICAL TECHNOLOGY

LEADING MISSION CRITICAL SOLUTIONS

IoT continues to rapidly drive the digital transformation of the healthcare market. Connectivity, security and data collection are at the forefront of medical advances and can significantly improve patient care.



TELECOMMUNICATIONS

5G EVOLUTION

Leading European ICT provider for the digital transformation of telecommunication. Our 5G and RAN Technologies Know-how opens new possibilities for our customers.



INDUSTRIAL AUTOMATION

SUSiEtec IoT-SOFTWARE FRAMEWORK

With its IoT framework SUSiEtec, S&T supports customers in their digitalisation process and thus ensures that the smart factories of tomorrow can realise their full performance potential.



AVIATION

IN-FLIGHT ENTERTAINMENT SYSTEMS

S&T offers a wide range of hardware and software products to provide passengers with in-flight broadband services (VPN access, multimedia services, video-on-demand, etc.).



TECHNOLOGY SUPPLIER

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ENERGY SUPPLY

SMART ENERGY

S&T develops smart grid and smart metering solutions for smart electricity networks, energy suppliers and industrial customers and thereby contributes to resource conservation and CO2 reduction.



PUBLIC TRANSPORT

RAILWAY DIGITALISATION

With a wide range of intelligent and reliable IoT services, S&T supports the digitalization of the transport sector. The new FRMCS standard will further accelerate the transformation.



RETAIL

RELIABLE SOLUTIONS

S&T offers its customers intelligent and secure IoT solutions for the smooth running of daily operations. System upgrades and maintenance are carried out reliably by S&T.

SYSTEM

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S&T IS A FULL-SERVICE IT PROVIDER IN CENTRAL AND EASTERN EUROPE

With its excellent market positioning, S&T AG has been one of the most renowned system integrators as a "full-service provider" of IT solutions in the Central and Eastern European region for many years. As an independent IT service provider, S&T supports customers in the development, implementation and operation of IT projects within the framework of the plan, build and run principle. Companies from a wide range of industries, as well as public institutions, rely on S&T's expertise.

Thanks to its strong presence with regional companies in numerous Central and Eastern European countries, S&T – as one of only a few providers – is able to offer internationally operating customers and partners in this region a very broad range of services from a single source and with its own personnel. Following the acquisition of the CITYCOMP Group in the summer of 2020, S&T Group was also able to position itself as a nationwide IT service provider in Germany and now has a comprehensive service network that enables the provision of time-critical break-and-fix as well as IMAC services.

In accordance with local market conditions and customer structure, the specific range of services, focus business areas and also the selection of technology partners in the respective national companies are adapted regionally. This ensures the ability to offer a portfolio that is as attractive as possible to customers and markets. Regional competence centres are implemented across the Group. This strategy avoids the build-up of inefficient redundancies in complex specialist areas and also enables a more powerful focus.

CIO – CONSULTING – INTEGRATION – OUTSOURCING

S&T's comprehensive "plan, build, run" offering includes almost all services required for planning, implementing and operating IT solutions.

- › Services in the area of consulting include consultancy services such as the conception of IT architectures, advice on the implementation of ERP systems such as SAP, and support in the creation of holistic IT security concepts. An ever-more important focus of consulting is serving the fast-growing cloud segment. As a cloud integrator, S&T implements solutions in the Amazon and Microsoft environments and, as an authorized Microsoft Tier 1 Cloud Solution Provider and certified AWS Advanced Consulting and Reselling Partner, S&T is also able to offer customers cloud products from the Azure, Office 365 and AWS environments directly, in addition to consulting, integration and support services.
- › S&T's integration services are delivered to implement, supply and configure the widest variety of hardware and software in the broadest sense. Included in this area are the rollout of clients such as notebooks, desktops, servers, POS systems, digital signage systems and printers, as well as the installation and configuration of a great diversity of hardware and software. As a highly regarded integration partner and reseller, S&T works with numerous well-known technology leaders such as: Canon, Cisco, Fujitsu, Hewlett-Packard and Hewlett-Packard Enterprise, Lenovo, Nutanix, Microsoft, Palo Alto, SAP, VMWare and XEROX, to name just a few. Many of these cooperations already extend over a period of several years and decades, making S&T a particularly competent solution partner – both for our customers as well as for the respective manufacturer.
- › The outsourcing service segment involves, among other things, taking on parts or all of IT operations. Such outsourcing projects include operating services such as data centres, managed desktops and managed printing. These kinds of managed services – in which, as an outsourcing partner, S&T provides recurring, precisely defined and essentially highly standardised services – are increasingly in demand. Reason for this is that outsourcing providers are often able to offer cost advantages and good predictability by exploiting the economies of scale. S&T is responding to this trend with ongoing expansion of its range of outsourcing services.

The projects supported by S&T are often designed or implemented under its leadership and fall into several of the above-mentioned service categories, including project management services. It is precisely in such projects that S&T is able to bring all its strengths to the table and impress with many years of expertise and project experience in the service and hardware sectors, as well as its ability to offer customised hardware and software solutions.

THE TRANSFORMATION TO AN IOT SPECIALIST

Until the takeover of Kontron at the end of 2016, S&T AG was a classic provider of IT systems, whose business was primarily comprised of the provision of IT services, software and security solutions ("security appliances"). Since software-based security solutions and cloud computing had long been the trends shaping the world of IT, S&T already had a large stock of experience in this area. It consigned this asset to its new subsidiary Kontron, which was a supplier of industrial computing technologies. The merger thus joined computing technologies, production environments and enterprise IT into entities. This, in turn, enabled the entry into the market for the realisation of innovative IoT and Industry 4.0 solutions. This constellation of offers and this proficiency are both rare and in high demand in the era of the Internet of Things and Industry 4.0. Since then, the portfolio of proprietary technologies has been further strengthened by S&T Group's own research and development projects as well as through systematic acquisitions. Examples include the acquisition of AIS Automation GmbH, Dresden, Germany, to expand the software offering in the field of industrial automation, and the acquisition of the Iskratel Group, Kranj, Slovenia, to expand 5G expertise.

In its two IoT Solutions segments, S&T Group delivers products and solutions primarily to the following vertical markets:

- › Industrial automation
- › Medical technology
- › Public transport
- › Telecommunications
- › Energy supply
- › Retail
- › Aviation

OUR CUSTOMERS AND VERTICAL END MARKETS

INDUSTRIAL AUTOMATION

As the demand for digitalisation of business and production processes increases, so does the need for sophisticated and efficient automation. This applies especially at warehouses and production plants, where intelligent machines are essential for daily operations and a secure (real-time) connection is required at all times. S&T Group focuses on the constantly growing market for automation solutions and is also aware of the importance of attaining the level of quality which is crucial for companies today. This is why S&T Group has developed its own end-to-end, "application-ready" Internet of Things (IoT) framework, SUSiEtec. This framework enables customers to create high-quality, customised computing solutions that comply with their diverse work environments and requirements.

SUSiEtec achieves the integration of information technology (IT) with operational technology (OT) by using Microsoft Azure IoT Edge Services. The S&T framework offers a number of advantages here: These include predictive maintenance, real-time monitoring, self-optimisation, fleet management and asset tracking. The company's rich portfolio of services and reliable, state-of-the-art embedded technologies can serve IoT and IIoT applications across a wide range of industries. As a consequence, customers see reduced total cost of ownership, accelerated time-to-market and product lifecycles, and in many cases, the evolution of new business models.

The fact that the SUSiEtec framework can save costs as well as increase efficiency has been proven by Hauser Cooling, a company that uses the SUSiEtec framework to reduce the rising costs of paper-based documentation of installation processes and improve time management. Through digitalisation and the use of SUSiEtec, two unique applications were developed to support more than 100 employees. These applications not only improved customer satisfaction, but also increased maintenance efficiency by 15%.

S&T's offering ensures that customers have access to cost-effective, durable and fully integrated hardware and software solutions that are reliable and efficient. The S&T Group offers its customers a range of products that enable the control, interaction and connection of machines, data and processes to ensure that customers stay one step ahead of their competitors. S&T thus provides the tools and know-how to enable the smart factories of tomorrow to achieve their full potential.

MEDICAL TECHNOLOGY

Never before has medical technology played such an important role as in the current situation. The Internet of Things (IoT) continues to rapidly drive the transformation of the healthcare market. Connectivity, security and data collection are at the forefront of medical advances and can significantly improve patient care. The Corona-Pandemic significantly increased the demand for medical products and solutions. In particular, demand increased for ventilators and patient monitoring systems, which are both product groups in which the S&T Group has been one of the leading suppliers for many years. As a system-critical supplier, the S&T Group was not affected by the government lockdowns and was able to make its contribution to the fight against the SARS-CoV-2 virus by maintaining production.

From IoT endpoints to infrastructure systems, S&T ensures a modern, IoT-enabled healthcare system and smart real-time applications that can increase the quality of care and significantly reduce healthcare costs. These objectives are all the more urgent given the current worldwide skills shortage. S&T's solutions can help in key areas of healthcare thanks to its embedded wireless technology. One area where this is apparent is patient diagnostics and medical imaging to help physicians diagnose diseases, determine severity, and monitor patients. Another area is clinical and critical care, where the S&T Group supports its customers in developing solutions for innovative and productive workflows in their departments, offering state-of-the-art systems for patient monitoring, ventilation and reliable analytical instruments and laboratory equipment. Another medical area on which the S&T Group focuses is medical therapy systems, which meet the requirements for functionality and safety and offer the reliability, availability, durability and quality that customers are looking for.

In particular, the S&T Group increasingly stands out by manufacturing innovative products geared towards artificial intelligence (AI). In the medical field, sophisticated and reliable equipment is essential for surgical procedures. The new Soloassist II robotic technology makes it easier than ever for surgeons to work with endoscopes. This aims to reduce stress and risks during minimally invasive surgery, because the surgeon usually uses their own hand. This cutting-edge technology also enables speech recognition, which allows the surgeon to guide the surgical camera without increased risk to the patient. S&T is constantly finding practical solutions for its customers, while surgeons all over the world are benefiting from the range of hardware and software.

PUBLIC TRANSPORT

Public transport has long had a high demand for intelligent and reliable IoT services. This demand will continue to increase as climate targets encourage the shift of passenger transport as well as freight transport to rail transport systems. In addition, the need for digitalisation is very high as it promotes better management of traffic flows. S&T Group is one of the world's leading providers of end-to-end communications and has many years of experience in implementing solutions for mission-critical networks. Another area in which S&T supports its customers is in specialised rail computers that support passenger information systems and video streaming, network video surveillance and train management systems.

The S&T Group has solutions for almost all types of public transport and demonstrates its expertise in this vertical market through its extensive product range. Services offered include embedded computing for the rail sector, dedicated networks for train radio, embedded systems for the vehicle sector and ticketing solutions. To ensure that rail infrastructure functions optimally, S&T Group offers extensive customisation of Commercial Off-The-Shelf (COTS) computing platforms to ensure critical safety and performance up to Safety Integrity Level (SIL) 4, helping to ensure that public transport can be used safely. S&T's technology not only supports public transport staff with digital communications on the job in a secure and time-efficient manner, but also promotes a seamless service to passengers without technical disruptions.

The gateway, S&T's embedded IoT technology solution, helps rail operator Thalys to provide passengers with data connectivity even on high-speed trains. In addition, the LoRaWAN-based network delivers improved customer service by analysing data from embedded sensors and enabling radio communication even at a speed of 300 km/h. This technology helps to reduce maintenance costs by providing maintenance servers with real-time data. It also offers Thalys passengers an efficient and seamless way to connect, share and receive data wirelessly.

The British rail infrastructure operator Network Rail has been working with Kontron Transportation since 2007. A strong program of cooperation has resulted in Kontron Transportation's GSM-R portfolio being deployed across the UK rail network without disruption to normal rail operations. The range of technologies is constantly being expanded. In the future, an overlay system will be implemented to support the introduction of the European Rail Traffic Management System (ERTMS). Kontron Transportation Austria supports Network Rail in the implementation of the Digital Railway Program to drive the introduction of modern digital technology for signalling and train control systems. This is expected to increase transport capacity and safety by allowing trains to run at closer intervals, reducing delays and lowering costs across the rail network.

TELECOMMUNICATIONS

Opportunities are opening up for service providers to leverage more complex solutions as a result of the rapid evolution of the telecommunications industry, the introduction of 5G and the increasing use of Open RAN technology. This leads to faster deployment and a significant reduction in capital expenditure (CAPEX). To support the evolution of this industry, S&T Group is working together with service providers around the world to transform networks and has introduced its innovative series of Carrier-grade Off-The-Shelf (COTS) servers, specifically optimised for demanding networks.

In addition, S&T Group supports several sectors within the telecommunications industry and helps service providers around the globe with its services, especially in the areas of media provisioning, data storage and migration using Network Functions Virtualisation (NFV) and Software Defined Networking (SDN) technologies. For this purpose, S&T Group offers various high-density servers with special security and optimisation algorithms, so that a customised solution is available no matter where it is deployed. These include cloud systems, telco Edge servers and telecommunications systems.

Advanced vRAN technology, launched at the end of 2020, is expected to extend the lifecycle of any network and will also particularly help telco customers commercially with their investment projects. Because these servers are compatible with any standard vRAN software, they can be used by any customer in the telecommunications industry that needs a reliable IoT solution for data control and networking. S&T Group's unique and distinctive server solutions enable customers to deploy, update and manage new services faster and more efficiently using their 4G and 5G networks and communications services. With its cost-efficient and high-quality solutions, the S&T Group ensures that its customers in the telecommunications industry achieve their goals.

RETAIL

The S&T Group has extensive experience working with a wide range of retail customers and understands how important it is to rely on a secure network in retail environments. High-quality data protection and secure services are essential in the retail industry, as are efficient IoT solutions and infrastructure management to keep daily operations running smoothly.

One of the most important factors for multinational retailers is maintaining a stable and reliable international payment system. S&T has launched customised software for fully automated international payment transactions. FeniX makes payment transactions much easier and reduces order processing time by up to 85%. Other benefits include a considerable reduction in operating expenses (OPEX), as well as significant paper savings, integrability and scalability.

In 2020, S&T supplied embedded technology to Mettler Toledo, the world's largest supplier of scales used in laboratories, industry and food retailing. With the help of these framework solutions, S&T provides customers with intelligent and secure IoT solutions and is able to perform upgrades and maintenance for all food retailing applications.

Another S&T customer is the SPAR Group, which needed a major overhaul of its IoT technology and cybersecurity networks in 2020. S&T employed embedded technology solutions to upgrade all wireless networks within the company to the latest security protocols without the costly upgrades that would otherwise have been necessary. In addition, S&T continues to support SPAR Group stores with numerous managed services and was able – also during the Corona-Pandemic – to ensure the availability of the cash register, network and back office systems at almost 3,000 locations.

ENERGY SUPPLY

As global energy consumption continues to grow, energy companies are striving to create a more sustainable energy market and reduce their carbon footprint. To efficiently deliver power, reliability and cost-effective benefits, it is essential that computing solutions are able to withstand the stress of mechanical shock and vibration, temperature, airborne dust and other adverse conditions in the operating environment.

It is also indispensable for energy companies to have access to components with guaranteed long-term availability, as well as safe and cost-effective energy solutions that offer increased reliability and efficiency. The S&T Group's range of innovative solutions can be installed in a wide variety of sectors of the energy industry, including oil and gas, wind and solar energy, biogas, power plants and smart grids.

The S&T Group's smart grid and smart metering solutions are developed both internally and in cooperation with external partners for smart grids, utilities providers and industrial customers. S&T also offers complete solutions for the control and optimisation of energy networks and generators, such as low-voltage network management, network control stations for electricity, gas, heat and water infrastructure, virtual power plants and micro grids.

S&T is proud to supply energy providers throughout Europe, including Linz Netz, which supplies electricity to around 440,000 people in Austria. S&T is currently supporting Linz Netz in delivering more than 80,000 smart meters to its customers and putting them into operation by the end of 2022. The usage of an intelligent energy management system (Meter Data Management System) offers Linz Netz and its customers flexible tariff models, an up-to-date overview of energy consumption, additional energy savings, improved billing capabilities as well as efficient and secure grid operation. S&T is helping utilities providers prepare for the future of the smart energy grid.

AVIATION

With more than 30 years of experience and as a global leader for in-flight entertainment and passenger communication systems, S&T Group is one of the most trusted players when it comes to providing high-quality IoT services to the commercial aviation industry. The S&T Group offers a wide range of hardware and software in the aviation sector, enabling companies to break through the limitations of traditional product life cycles, for example through Bring Your Own Device (BYOD) models, achieve greater operational efficiency and open up new sources of revenue.

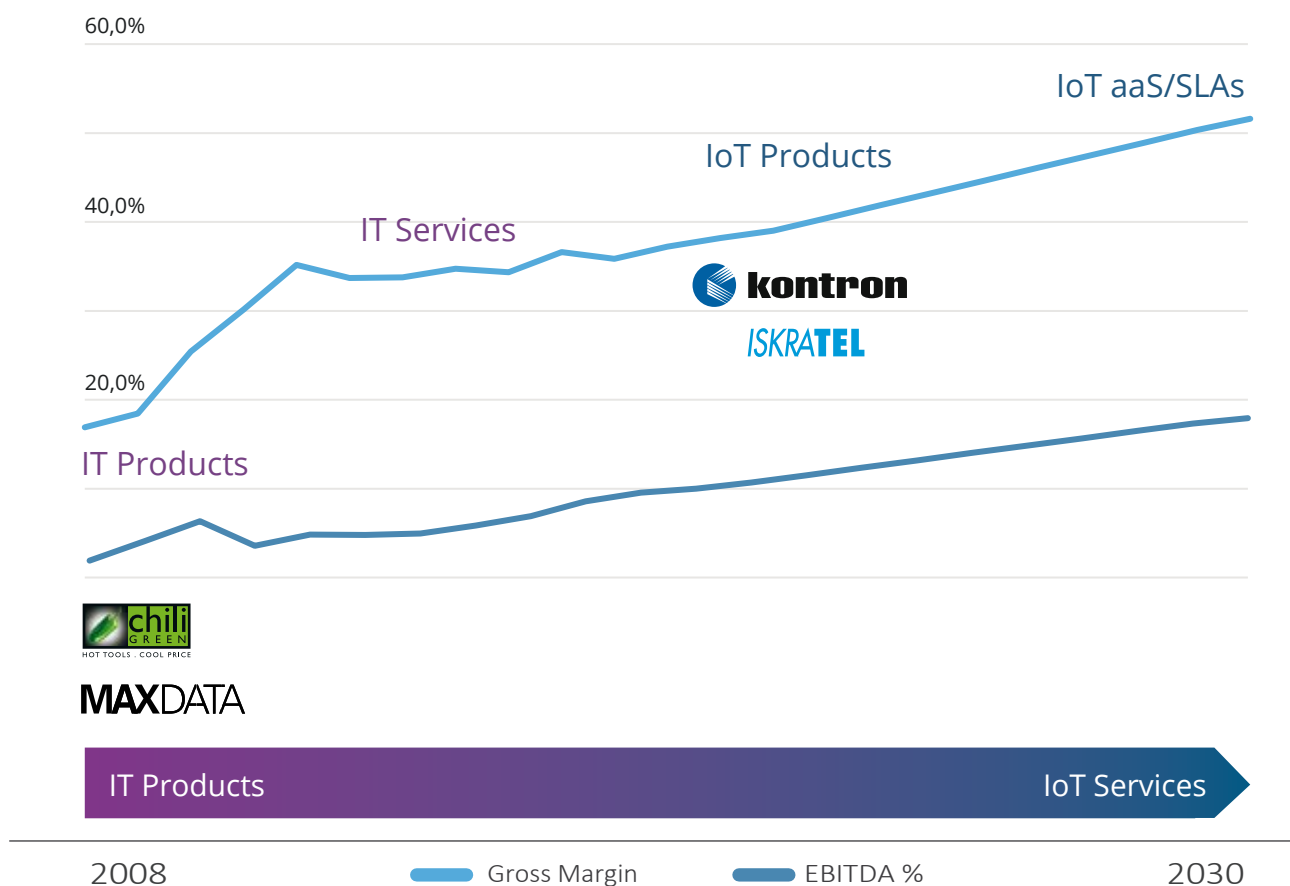
The solutions delivered by S&T Group include critical system components that provide passengers with in-flight broadband services, including Internet, VPN access, e-mail, multimedia functions, video-on-demand, games and additional entertainment services. S&T supports many airlines, such as Lufthansa and Easyjet, in providing their end-to-end wireless connectivity. For example, their IFE&C solution allows passengers to use their smartphones, tablets and laptops in-flight to receive streamed content while they are simultaneously connected to other applications. S&T's wireless connectivity products are driving the future of IoT Connected Aircraft and provide data-driven solutions that go beyond passenger entertainment.

One of the Group's ongoing projects in the airline industry involves modifying the fleet of one of China's largest airlines, which wants to offer in-flight entertainment services, although the aircraft are not yet equipped with infrastructure that supports Wi-Fi. S&T is working together with the customer to upgrade the fleet. The S&T Group works closely with its customers to provide maintenance, repair and operations (MRO) for large-scale Wi-Fi systems as well as the underlying software integration.

Although the airlines were severely affected by the COVID-19-Pandemic in the financial year 2020, the S&T Group was able to successfully continue some of its deliveries under existing framework agreements and also acquired airlines as new customers, particularly in China.

THE FUTURE OF OUR PORTFOLIO OF PRODUCTS AND SERVICES

Less than 10 years ago, S&T was a provider of classic IT hardware products under the brands chiliGREEN, Proworx and Maxdata. Over the course of time, the S&T Group has constantly changed and transformed itself into an innovative technology provider. By the mid-2010s, the IT services segment had been further expanded, while the business with low-margin IT hardware products was discontinued. Since the Group acquired Kontron AG, the focus has been on growth in the IoT segment, driven by the Group's expertise in embedded hardware and IoT software solutions. The transformation of the Group will continue in the coming years and is presented in the Vision 2030 defined in autumn 2020. The drivers are the continuous expansion of the share of software in the vertical end markets, the development of a range of "IoT as a Service" packages operated with service level agreements, and the step-by-step expansion and intensification of service skills in the IT services segment towards IoT. As laid down in our Vision 2030, these steps will complete the transformation to a pure IoT player.



REPORT OF THE SUPERVISORY BOARD



Dear shareholders, colleagues, ladies and gentlemen,

In my role as Chairwoman of the Supervisory Board of S&T AG, which I had the privilege of assuming on the basis of the election at the Annual General Meeting on June 16, 2020, I have the pleasure of addressing you for the first time in this capacity and reporting on the past financial year 2020.

As I write these lines, the COVID-19-Pandemic continues to have us all firmly in its grip. What started in Wuhan, China, has spread like wildfire throughout the rest of the world and has led to several virus mutations in the meantime. The pandemic, which has triggered a global health crisis, has also developed into the biggest economic crisis since the Second World War. Unemployment figures as well as escalating national debt are reaching their highest ever levels worldwide. Medically, there is light at the end of the tunnel thanks to vaccinations from different providers. Economically, however, the crisis will be with us for some time to come. Only the most adaptable companies will be able to overcome this crisis.

S&T AG is one of these companies. In this extremely challenging market environment, S&T AG more than held its ground. S&T AG has continued on its course of success – both revenues (EUR 1,254.8 million) and EBITDA (EUR 130.0 million) are above budget and above the previous year. Declines in revenues and earnings in the aviation industry were compensated by increases in revenues and earnings in other sectors (e.g. medical technology). In addition, S&T AG continued to grow thanks to two major acquisitions.

In cost terms, management has also implemented appropriate measures to strengthen EBITDA. In addition to the existing PEC program, S&T AG has launched a further cost efficiency program (PEC2). Changes brought about by the COVID-Crisis – such as more people working from home and increased use of new communication technologies – will be examined for their benefits and used increasingly in the future, which will lead to further cost savings. I would like to take this opportunity to thank the Executive Board and the employees for their consistent and prudent work in the financial year 2020.

This trend of growth is expected to continue in the following year. At the beginning of 2021, the Executive Board published the guidance for the financial year 2021 with a consolidated revenue of approximately EUR 1.4 billion and EBITDA of around EUR 140 million.

Furthermore, in my capacity as Chairwoman of the Supervisory Board of S&T AG, I would like to inform you that in the financial year 2020, the Supervisory Board of S&T AG performed all of its legally prescribed duties and control functions in close consultation with the Executive Board of the company and was involved in all strategic and material corporate decisions at an early stage and to an appropriate extent. The Executive Board provided the Supervisory Board with regular, timely and comprehensive information and prepared and presented the relevant information and key figures. The Supervisory Board held four regular meetings and two Audit Committee meetings during the financial year 2020. In addition to the regular meetings, various discussions took place between the members of the Supervisory Board and the CEO and CFO of the company on issues of strategy, current business development, the risk situation, risk management and compliance of the company. Whenever the agreement or approval of the Supervisory Board was required for decisions or measures taken by the Executive Board, draft resolutions were submitted to the members of the Supervisory Board in advance for examination and then decided upon in meetings by way of vote or circulation. In the financial year 2020 this related for example to the warrants program 2020, as well as the approval of two share buyback programs and various acquisitions and restructuring measures.

In the financial year 2020, no conflict of interest arose in the Supervisory Board; all resolutions were passed unanimously by all members of the Supervisory Board, unless abstention was necessary or advised. Furthermore, there were no changes in the composition of the Executive Board during the reporting period. There were no changes in the composition of the Supervisory Board other than those concerning myself. In accordance with the principles of the German Corporate Governance Code and in order to perform its duties efficiently, the Audit Committee, the Remuneration Committee and the Nomination Committee, each of which consist of three Supervisory Board members, are each composed of a majority of independent Supervisory Board members. Likewise, in accordance with the recommendations of the German Corporate Governance Code, the role of Chairperson of the Supervisory Board was separated from that of Chairperson of the Audit Committee. Please refer to chapter “Corporate Governance Report” for more details.



The individual financial statement was prepared in accordance with the Austrian Commercial Code (UGB), while the consolidated financial statement is in accordance with IFRS. Ernst & Young Wirtschaftsprüfungsgesellschaft mbH was appointed as the auditor for 2020 by the Annual General Meeting on June 16, 2020. The individual and consolidated financial statements, the management report and the Group management report as well as the auditor's reports were submitted to all members of the Supervisory Board and the Audit Committee. The financial statement documents have been discussed in detail by the Supervisory Board and the Audit Committee in the presence of the auditor following an auditor's report. The Supervisory Board approved the individual and consolidated financial statements prepared by the Executive Board. The individual and consolidated financial statements are therefore adopted in accordance with § 125, Paragraph 2 of the Austrian Stock Corporation Act. The Supervisory Board is in agreement with the management report and the Group management report and in particular with the assessment of the further development of the company.

The Supervisory Board, together with the Executive Board, has submitted a Corporate Governance Report in accordance with its obligation to comply with the German Corporate Governance Code as per § 243c of the Austrian Commercial Code (UGB) and has made this available to the shareholders in the company's annual report in chapter "Corporate Governance Report".

Finally, on behalf of all members of the Supervisory Board, I would like to thank our customers and shareholders for their loyalty. I would also like to thank all our employees and the Executive Board for their work in 2020, which proved to be a particularly challenging year due to the COVID-19-Pandemic.

Vienna, March 2021

For the Supervisory Board

A handwritten signature in blue ink, appearing to read 'Claudia Badstöber'.

Mag. Claudia Badstöber

Chairwoman of the Supervisory Board

CORPORATE GOVERNANCE REPORT



S&T AG is a joint stock company listed on the officially regulated Prime Standard market of the Frankfurt Stock Exchange (FSE) under Austrian law. In accordance with the Austrian Stock Corporation Act, the Executive Board manages the company independently. It exercises this responsibility in the best interest of the company, taking into consideration the interests of the shareholders and employees. The Supervisory Board supervises the management and supports the Executive Board in significant decisions.

§ 243c of the Austrian Commercial Code (UGB) stipulates that a joint stock company whose shares have been authorised for trading on a regulated market is required to compile a Corporate Governance Report. To fulfil this obligation the following Corporate Governance Report is provided:

CORPORATE GOVERNANCE CODE

As an Austrian company and a stock corporation listed in Germany, S&T AG voluntarily complies with the German Corporate Governance Code (§ 243c Paragraph 1 N 1 UGB). The most recent update undertaken by S&T AG took place on January 31, 2020 in accordance with the German Corporate Governance Code of February 7, 2017. This Corporate Governance Report complies with the new German Corporate Governance Code, amended December 16, 2019. The Code may be viewed at <http://www.corporate-governance-code.de>. In the declaration of compliance, the Executive Board and Supervisory Board report on the Corporate Governance of the company in accordance with §§ 243c UGB and Principle 22 of the German Corporate Governance Code of December 16, 2019.

DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

The Executive Board and Supervisory Board of S&T AG make the following declaration in accordance with § 243c UGB with regard to the recommendations of the "Government Commission on the German Corporate Governance Code":

Since its last declaration was issued on January 31, 2020 S&T AG has, with the exception of points 2.2.2 (right of subscription in the case of capital increases), 3.8 (deductible D&O liability insurance), 4.1.5 (appointment of women to executive positions and board functions), 4.2.3 (short-term variable remuneration components), 5.1.2 (age limit, Executive Board) and 5.4.1 (age limit, Supervisory Board), complied with all recommendations published on April 24, 2017 in the Federal Gazette (Code as amended February 7, 2017).

S&T AG deviates from some Principles of the German Corporate Governance Code of December 16, 2019. The reasons for these deviations are explained in detail in the following report.

PRINCIPLES OF CORPORATE GOVERNANCE

For a number of years, S&T AG has been pursuing a strategy designed to yield a sustainable and long-term increase in corporate value. The Executive Board and the Supervisory Board have committed themselves to managing and controlling S&T AG and its subsidiaries in a responsible way. The value-based principles of proper corporate governance constitute an essential component of these policies. The Principles laid down in the Corporate Governance Code have therefore been part of S&T AG's corporate and leadership culture for many years and contribute to strengthening investor confidence. The foundations of the German Corporate Governance Code are the rules contained in German law pertaining to shares, securities and capital markets, and in the OECD directives on Corporate Governance. The Code becomes effective through the company's voluntary commitment to it. This commitment entails the necessity of justifying any nonconformity with recommendations ("comply or explain").

FUNDAMENTALS OF THE CORPORATE STRUCTURE

The name "S&T AG" applies to S&T AG as the parent company as well as to all its group companies. S&T AG is a stock corporation under Austrian law. Its head offices are in Linz. It has three boards: The Annual General Meeting, the Supervisory Board and the Executive Board. Their duties and powers arise from the Austrian Stock Corporation Act and the Articles of Association of S&T AG.

- › The shareholders exercise their rights as owners of the company at the Annual General Meeting. These include particularly the appropriation of profits, election of the members of the Supervisory Board and dismissal of the Executive Board and Supervisory Board, resolutions pertaining to capital and the long-term policy for remuneration of the Executive Board and the Supervisory Board, and the annual remuneration reports. The chair of the Supervisory Board, or her deputy if she is unable to attend, chairs the Annual General Meeting and is responsible for ensuring that the Annual General Meeting runs smoothly and for an appropriate length of time, while taking shareholders' interests into account. One share in S&T AG entitles the holder to one vote. No special rights are granted to particular shareholders.
- › The Supervisory Board appoints the members of the Executive Board and is entitled to ask them to stand down at any time if there is just cause for doing so. For particular significant business transactions, the Executive Board is required either by law, the Articles of Association of S&T AG or the internal by-laws of the Executive Board or the Supervisory Board to seek the approval of the Supervisory Board. However, the Supervisory Board is not entitled to take any management measures. The close cooperation between the Executive Board and the Supervisory Board is called the dual management system.
- › The Executive Board manages the company independently. The Supervisory Board exercises a supervisory and advisory function. The Executive Board reports to the Supervisory Board and supplies it with regular, prompt and complete information in accordance with the principles of conscientious and accurate reporting, pertinent legislation and the reporting directives laid down by the Supervisory Board.

EXECUTIVE BOARD

The Executive Board manages the company independently and in the best interests of the company with the aim of sustainable value creation. This includes taking into account the interests and wellbeing of shareholders, employees, customers and suppliers and all other groups associated with the company (stakeholders).

§ 7 Paragraph 1 of the Articles of Association stipulates that the Executive Board of S&T AG consists of a minimum of one and a maximum of seven members. The exact number of members within these parameters is determined by the Supervisory Board. As of December 31, 2020 the Executive Board consisted of the following five members:

- › Dipl.-Ing. Hannes Niederhauser, born November 25, 1962, CEO/Chair of the Executive Board: Overall Strategy, Research and Technology Development, Corporate Communications & Investor Relations, Commercial Planning Assumptions, coordination of the individual Executive Board remits and representation of the Management Board to the Supervisory Board;
- › Richard Neuwirth, born September 20, 1978, CFO/Deputy Chair of the Executive Board: Accounting & Taxes, Controlling, Legal, Corporate Finance & Corporate Development, IT, Technical Operations, Environmental Social Governance (ESG);
- › Michael Jeske, born January 10, 1971, COO: IT services business for the DACH region including Strategy and Business Development, Sales, Purchasing & Logistics;
- › Dr. Peter Sturz, born October 31, 1958, COO: S&T business in Eastern Europe excluding Russia, including Strategy and Business Development, Sales, Purchasing & Logistics;
- › Carlos Queiroz, born April 2, 1954, COO: IoT Solutions business for Europe, including Strategy and Business Development, Research & Development in IoT, Sales, Purchasing & Logistics.

The Executive Board decides jointly on the management of S&T AG, determines the strategic orientation of the S&T Group, coordinates it with the Supervisory Board and carries it out. The Chair of the Executive Board, or in his absence his deputy, coordinates the work of the members of the Executive Board.

Together with the Supervisory Board, the Executive Board is responsible for long-term succession planning. Potential candidates for the Executive Board require not only appropriate professional qualifications for the duties they are to assume, but also the necessary leadership qualities and international experience. Appointment to the Executive Board of S&T AG, and in most cases renewal of a seat on it, is for a maximum of three years. The Supervisory Board generally decides whether to renew a position on the Executive Board six months before it is due to expire. No fixed age limit has been set: membership of the Executive Board usually ends once the member reaches retirement age, which in Austria is currently 60 years for women and 65 years for men. With regard to the composition of the Executive Board, the Supervisory Board has introduced a diversity scheme which also takes account of recommendations in the German Corporate Governance Code. The aim here is to achieve a level of diversity in both the Supervisory Board and the Executive Board that corresponds at least to the share of men and women in the workforce (25.6% female employees as of December 31, 2020). In addition, the Executive Board has set itself the target of achieving a share of women in the management levels by the end of the graduated ESG-3 scheme that essentially mirrors the share of women in the workforce overall. As of December 31, 2020 21.6% of lower, middle and senior management positions at S&T Group were held by women. When a new member of the Executive Board is appointed, S&T AG's compliance officer informs the new member of the essential parameters relating to performance of the duties involved, the by-laws to be observed, the internal policies and directives, the legal framework and the Corporate Governance Code. As of December 31, 2020 membership of the Executive Board at S&T AG is not yet in line with the diversity scheme since it includes no women. This circumstance should be taken into greater account by the Supervisory Board when it appoints new members.

The Executive Board is also responsible for ensuring that all legal regulations are adhered to and for implementing the in-house directives together with the central functions. The Executive Board is responsible for implementing appropriate risk management and risk control throughout the company. To this end, a new internal control system was introduced at the end of 2020 along with the accompanying documentation. This system is based on the internationally recognised COSO framework. Adherence to this system and to all other legal and internal requirements is monitored by the internal audit of S&T Group. The essential outlines of the internal control system and the risk management system are described each year in the S&T AG Management Report.

Members of the Executive Board are obliged to uphold and represent the interests of the company. Decisions they make must not serve their personal interests where these conflict with the activities of the S&T Group, and they are debarred in particular from pursuing any business opportunities to which their employer would be entitled. They are permitted to assume additional responsibilities or positions, for example on the management or Supervisory Boards of companies outside the S&T Group or relevant holdings, solely with the permission of the Executive Board Nomination Committee. This is laid down under the terms of labour in the Executive Board members' service contracts in the form of a comprehensive non-competition clause.

With the approval of the Supervisory Board, the Executive Board has endowed itself with by-laws and an organisational chart allocating various responsibilities among the members of the Executive Board. The by-laws of the Executive Board also define the principle of shared responsibility within the Executive Board and cooperation with the Supervisory Board. The Executive Board members keep the Chair of the Executive Board and the other members regularly informed about important activities and the development of business in their particular department. The Chair of the Executive Board coordinates developments in the individual areas of responsibility of the Board members with the company's overall targets and plans.

Meetings of the Executive Board, which at S&T AG take place at least once a quarter, are convened and presided over by the Chair of the Executive Board. If the Chair of the Executive Board is unavailable, he is represented by the deputy Chair. Whenever appropriate, associate members of the Executive Board or members of the Extended Management Team are asked to join the meetings. Resolutions of the Executive Board are passed either by the members in physical attendance at the Board meetings, in video conferences or – provided that all members agree – by resolution in circulation. In the financial year 2020, two to three meetings of the Executive Board were generally held per quarter.

In dealings with the Supervisory Board the Executive Board is represented by the Chair of the Executive Board or, in his absence, by his deputy. The latter maintains regular contacts with the Chair of the Supervisory Board and furnishes her with prompt reports on all relevant issues. The Supervisory Board has passed resolutions stipulating in the by-laws of the Executive Board that the Supervisory Board's approval is required for business transactions of fundamental importance. In reporting to the Supervisory Board, the Executive Board observes the principle of regular, timely and full information especially with respect to the development of the business and deviations from the underlying plans, and to the risk situation, risk management and compliance.

In his capacity as a representative of the company, the Chair of the Executive Board provides his shareholders with frequent and detailed information – far beyond what is required by law. One of the most important principles of S&T AG's capital market communication is to inform institutional investors, private shareholders, financial analysts, employees and all other interest groups simultaneously and comprehensively about the company's situation through regular, open and up-to-date communication. In doing so, S&T strictly follows

the applicable legal regulations and the principle of equal treatment of all shareholders. All of these interest groups have immediate access to all information or presentations in German and English, which are also provided to financial analysts and investors, for example.

A central component of investor relations work at S&T AG are regular discussions and meetings with analysts and investors in the form of conferences, road shows and one-on-one meetings. Telephone conferences (earnings calls) are held in conjunction with the publication of quarterly and annual results, enabling analysts, investors or other interested parties to ask questions directly about the current development of the company. Company presentations are always available to all interest groups on the company's website.

S&T AG's corporate website <https://www.snt.ag> serves as a central platform for providing up-to-date information about the company and its progress. The S&T AG investor relations website <https://ir.snt.at> also provides access to financial reports (annual reports, interim reports and announcements), current presentations from analyst and investor conferences, as well as press releases and ad-hoc announcements from the company. The dates of the main recurring publications and events (Annual General Meetings, press and analysts' conferences) are published in the corporate financial calendar at the beginning of each year and regularly updated. Quarterly financial statements and half-year reports including detailed presentations are available on the website <https://ir.snt.at> under Reports not just for analysts and investors, but for all shareholders of the company.

With respect to remuneration of the Executive Board, the Supervisory Board, in conjunction with the Remuneration Committee, drew up the remuneration policy for the Executive Board and submitted it to the company's shareholders at the Annual General Meeting on June 16, 2020 to be voted on. This policy includes the overall target remunerations as well as the corresponding short- and long-term incentives and other benefits such as company cars. In future more non-financial targets are to be incorporated in the remuneration policy on the basis of the company's graduated ESG scheme. Details of the benefits granted and received are published annually in the remuneration tables contained in the annual accounts. No private pension plan was taken out for any member of the Executive Board and no special agreements exist relating to benefits due when contracts are terminated. Assumption of additional positions within the group does not give rise to any additional compensation. In accordance with the legal requirements, the Remuneration Report for the financial year 2020 will be submitted to the next Annual General Meeting for approval on June 8, 2021.

THE SUPERVISORY BOARD

The Supervisory Board has the task of supervising and advising the Executive Board in the management of S&T AG. In accordance with § Paragraph 1 of the Articles of Association of S&T AG, the Supervisory Board consists of three to five shareholder representatives who are elected by the Annual General Meeting. No employee representatives currently have a seat on the Supervisory Board of S&T AG. The members of the Supervisory Board are elected by the Annual General Meeting on the basis of resolutions proposed by the company boards or by motions tabled on the initiative of shareholders. When new members of the Supervisory Board are proposed, the Supervisory Board ensures that following the election, it – as a collegial body – possesses the knowledge, skills and professional experience required for the proper performance of its duties. The Supervisory Board has defined specific targets with regard to its composition, adopted a diversity scheme and drawn up a qualifications profile. Any connections to related companies or shareholders of S&T AG are disclosed at the Annual General Meeting. In addition, diversity and the defined targets are taken into account. As of December 31, 2020 the Supervisory Board consists of the following members:

- › Mag. Claudia Badstöber, born February 3, 1968, Chairwoman of the Supervisory Board
- › Mag. Bernhard Chwatal, born October 12, 1970, Deputy Chair of the Supervisory Board
- › Hui-Feng Wu (Ed Wu), born January 2, 1949, Member of the Supervisory Board
- › Fu-Chuan Chu (Steve Chu), born June 18, 1962, Member of the Supervisory Board
- › Yu-Lung Lee (Max Lee), born September 1, 1970, Member of the Supervisory Board

Ms. Claudia Badstöber and Mr. Bernhard Chwatal are certified financial experts who have served as auditors and tax consultants or as CFOs for international corporations. The Supervisory Board currently has two members, Ms. Badstöber (Chair of the Supervisory Board (casting vote right in accordance with the Articles of Association of S&T AG)) and Mr. Chwatal (Deputy Chair of the Supervisory Board) who hold 1,992 shares (Ms. Badstöber) and 0 shares (Mr. Chwatal) in S&T AG and are consequently independent members of the Supervisory Board. The other members of the Supervisory Board, Mr. Ed Wu, Mr. Steve Chu and Mr. Max Lee, are certified experts in the industry and have many years of management experience in large technology companies. The Supervisory Board members Mr. Ed Wu, Mr. Steve Chu and Mr. Max Lee have business relationships with the S&T AG shareholder Ennoconn Corporation, which holds 26.61% of the

shares in S&T AG and therefore more than 10% of the voting stock in S&T AG. Currently the share of women on the Supervisory Board is 20%. This means that the diversity target is yet to be achieved. This target is to be achieved at the next elections to the Supervisory Board scheduled to be held at the Annual General Meeting in 2022 when the term of office of a current member of the Supervisory Board expires. Neither the Chair of the Supervisory Board nor any other member has ever been a member of the Executive Board of S&T AG.

The Supervisory Board is consulted on all decisions with relevance to S&T AG. The Supervisory Board appoints the members of the Executive Board and determines their remuneration. In the event that there is just cause for doing so under the terms of the Austrian Stock Corporation Act, the Supervisory Board can cancel the appointment of a member to the Executive Board. Members of the Executive Board of S&T AG are obliged to uphold and represent the interests of the company. Decisions they make must not serve their personal interests and they are not permitted to pursue any business opportunities to which the company is entitled. The members of the Supervisory Board are obliged to inform the Executive Board of any conflicts of interest, especially those that may arise from their membership of boards of suppliers, e.g. Ennoconn Corp. If such a case arises, the Supervisory Board member concerned does not take part in votes pertaining to relevant topics.

The members of the Supervisory Board of S&T AG must ensure that they have sufficient time to properly perform their duties on the Supervisory Board. Consequently, no member shall accept a position on no more than three supervisory boards of listed companies outside the S&T Group or in supervisory bodies that make comparable demands on their time. When a new member of the Executive Board is appointed, S&T AG's compliance officer informs the new member of the essential parameters relating to performance of the duties involved, especially the S&T Group Corporate Governance Code and personal obligations to cooperate in the event of issues resulting in an obligation to report or requiring the approval of the Supervisory Board.

Regarding functioning of the Supervisory Board: at the constituent meeting, the elected members of the Supervisory Board of S&T AG elect the chairperson and deputy chair from among its members. At the same meeting, the members decide on the affiliated committees and choose the members of these. The following committees have been set up at S&T AG to ensure efficient operations:

- › The Audit Committee
- › The Nomination Committee
- › The Remuneration Committee

The Supervisory Board of S&T AG holds at least four meetings per calendar year. In addition, at least two meetings of the Audit Committee are held. Further, the Supervisory Board meets without the Executive Board whenever circumstances require. The main topics dealt with at the meetings each year are summarised in the Supervisory Board's annual reports: The Chair of the Supervisory Board coordinates the work of the Board, convenes its meetings and presides over them. The same applies to the Chair of the Audit Committee. The Chair of the Supervisory Board represents the interests of the Board externally and represents the Supervisory Board in its dealings with the Executive Board. This also includes contacts with investors providing the issues dealt with do not relate to operative management of the business, but to the annual audit, corporate governance or compliance, for example. The Supervisory Board constitutes a quorum if all the members were invited to a meeting at least one week in advance and if at least three of its members participate in the vote. Resolutions in the Supervisory Board are generally passed by a simple majority of the votes cast. If an equal number of votes for and against a proposal has been cast, the Chair of the Supervisory Board has the casting vote ("casting vote right").

The resolutions of the Supervisory Board and its committees are regularly passed in the corresponding meetings. These either take place in the company offices in Linz or Vienna with the members attending in person or, owing to COVID-19 restrictions, as virtual meetings with a two-way visual and audio connection. Any member of the Supervisory Board unable to attend a meeting can vote by appointing a proxy who either casts the absent member's written vote during the meeting or has been given written authorisation by that member to vote on his or her behalf. This also applies to casting the second vote of the Chair of the Supervisory Board. In addition, resolutions adopted on certain topics are passed in writing by circular letter. The Supervisory Board's resolutions and meetings are recorded in minutes which are signed by the person who chaired the meeting. The Supervisory Board can invite experts such as accountants, lawyers or persons able to provide specific information to its meetings when particular topics are on the agenda. If necessary, the Supervisory Board meets without the Executive Board.

The composition of the Supervisory Board and its committees complies with applicable legislation, the Articles of Association and rules

of procedure as well as principles of corporate governance, especially with regard to the professional qualifications of the members.

- › As a result of the votes cast by the members of the Supervisory Board, the Board's Chair, Ms. Claudia Badstöber, is Chair of the Supervisory Board, the Nomination Committee and the Remuneration Committee.
- › In accordance with the requirements of the Corporate Governance Code, the Audit Committee is not chaired by the Chair of the Supervisory Board, but by Mr. Bernhard Chwatal.
- › The Audit Committee, Nomination Committee and Remuneration Committee each consist of three members, the majority of whom are independent members.

The Supervisory Board has adopted regulations for the rules of procedure for the work of the Supervisory Board and its committees. The committees only have a quorum if all their members participate. Resolutions of the committees are passed with a simple majority subject to legislation to the contrary.

The responsibilities of the Audit Committee include monitoring the financial reporting process, the audit of the consolidated financial statements and individual financial statements by the independent auditor, ensuring the efficacy of the internal control system and the risk management system and putting forward a recommendation for the proposed annual auditor to be submitted to the Annual General Meeting. The Audit Committee prepares the vote of the Supervisory Board on the annual accounts and the consolidated annual accounts. Additionally, the Audit Committee is responsible for supervising the auditing system and compliance as well as examining and supervising any actions that may be necessary relating to possible neglect of duty on the part of members of the Executive Board as preparation for adoption of a resolution by the Supervisory Board. If necessary, the auditor informs the Chair of the Audit Committee outside formal meetings about particular circumstances that may have arisen, risks that have been identified or changes in legislation. In accordance with the regulations of the German Corporate Governance Code, the Chair of the Audit Committee is independent and not a former member member of the Executive Board of the Company. As a result of his involvement in auditing, Mr. Chwatal has particular knowledge and experience of applying financial reporting principles and internal control procedures.

AUDIT COMMITTEE MEMBERS	POSITION	INDEPENDENCE
Mag. Bernhard Chwatal	Chair	independent
Mag. Claudia Badstöber	Deputy Chair	independent
Yu-Lung Lee (Max Lee)	Member	connection with shareholder Ennoconn Corp.

The Nomination Committee prepares the decisions of the Supervisory Board relating to the appointment and, if necessary, dismissal of members of the Executive Board and is responsible for the long-term succession planning in association with the Supervisory Board and the Executive Board. In addition, the Nomination Committee prepares the decisions of the Supervisory Board relating to the remuneration, regular review of the remuneration system and the Remuneration Report to the Annual General Meeting. The Nomination Committee is responsible for remunerating members of the Executive Board, concluding, amending and cancelling employment contracts with members of the Executive Board and preparing and concluding other contracts with members of the Executive Board wherever necessary. In particular this includes granting loans to members of the Executive Board, which are only granted in exceptional circumstances, concluding certain contracts with members of the Supervisory Board, taking account of related persons or companies, and approving additional positions taken on by members of the Executive Board, especially positions accepted on the boards of companies outside the S&T Group.

NOMINATION COMMITTEE MEMBERS	POSITION	INDEPENDENCE
Mag. Claudia Badstöber	Chair	independent
Mag. Bernhard Chwatal	Deputy Chair	independent
Yu-Lung Lee (Max Lee)	Member	connection with shareholder Ennoconn Corp.

REMUNERATION COMMITTEE MEMBERS	POSITION	INDEPENDENCE
Mag. Claudia Badstöber	Chair	independent
Mag. Bernhard Chwatal	Deputy Chair	independent
Yu-Lung Lee (Max Lee)	Member	connection with shareholder Ennoconn Corp.

The Supervisory Board regularly reviews the efficiency of its activities. To this end, discussions take place within the Supervisory Board and one-to-one discussions are held with the Chair of the Supervisory Board.

The Supervisory Board reached the following self-assessment as of December 31, 2020:

- › According to the assessment of the Supervisory Board, its composition as of December 31, 2020 meets the membership targets set out above with the exception of the independence of the three members with business relationships with Ennoconn Corp., contrary to recommendation C.II.C.7. Ennoconn Corp. is to be regarded as the controlling shareholder, and this circumstance achieves compliance with the recommendation that the Supervisory Board have two independent members. However, the total number of members of the Supervisory Board – five – does not meet the recommendation. In line with the recommendation, information regarding professions practised and seats held on other Supervisory Boards to be constituted in accordance with legislation is disclosed on the company website.
- › This reveals that the Supervisory Board is composed of a diverse range of members, including financial experts and industry experts, and possesses the requisite experience of supervising international corporations. Apart from the three representatives of Ennoconn Corp., the Deputy Chair of the Supervisory Board has many years of experience in the field of future-oriented communications and security thanks to his work as an entrepreneur in the telecommunications sector. On the other hand, the Chair of the Supervisory Board not only has experience of tax consultancy and accounting, but is also a certified financial expert thanks to her previous position as CFO of a private bank and her status as a fit and proper person in line with legislation relating to supervisory activities.
- › As of the reporting date, the Supervisory Board consists of one woman (20%) and four men (80%). According to applicable legislation in Austria, S&T AG is not subject to a mandatory quota for women. Nevertheless, the Supervisory Board intends to appoint a woman to fill the next vacancy left by expiry of a term of office. A 40% share of women on the Supervisory Board would exceed the average share of women employed at S&T AG.
- › It is the view of S&T AG that a statutory particular age limit for members of the Supervisory Board as stipulated in Principle 11 Recommendation C.2. is neither helpful nor appropriate. S&T AG holds the qualifications of a candidate to be more important than the recommended age limit. Currently, the longest period of membership of the Supervisory Board is seven years. Details of each member's length of membership are given below. Consequently, no member of the Supervisory Board has served on it for longer than 12 years or is a close relative of a member of the Executive Board.
- › Furthermore, no member of the Supervisory Board holds a seat at any other listed stock corporation and all have sufficient time to perform their supervisory duties at S&T AG.

COMPOSITION OF THE SUPERVISORY BOARD UNTIL THE END OF THE ORDINARY ANNUAL GENERAL MEETING 2020

BOARD MEMBER	POSITION	INITIAL APPOINTMENT	END OF TERM	INDEPENDENCE
Dr. Erhard F. Grossnigg	Chair of the Supervisory Board	25/10/2011	16/06/2020	independent
Mag. Bernhard Chwatal	Deputy Chair	17/05/2013	AGM 2023	independent
Hui-Feng Wu (Ed Wu)	Member	27/06/2017	AGM 2022	connection with shareholder Ennoconn Corp
Fu-Chuan Chu (Steve Chu)	Member	27/06/2017	AGM 2022	connection with shareholder Ennoconn Corp
Yu-Lung Lee (Max Lee)	Member	21/05/2019	AGM 2024	connection with shareholder Ennoconn Corp

COMPOSITION OF THE SUPERVISORY BOARD SINCE THE END OF THE ORDINARY ANNUAL GENERAL MEETING 2020

BOARD MEMBER	POSITION	INITIAL APPOINTMENT	END OF TERM	INDEPENDENCE
Mag. Claudia Badstöber	Chair of the Supervisory Board	16/06/2020	AGM 2025	independent
Mag. Bernhard Chwatal	Deputy Chair	17/05/2013	AGM 2023	independent
Hui-Feng Wu (Ed Wu)	Member	27/06/2017	AGM 2022	connection with shareholder Ennoconn Corp
Fu-Chuan Chu Steve Chu)	Member	27/06/2017	AGM 2022	connection with shareholder Ennoconn Corp
Yu-Lung Lee (Max Lee)	Member	21/05/2019	AGM 2024	connection with shareholder Ennoconn Corp

MEETINGS OF THE SUPERVISORY BOARD

BOARD MEMBER	POSITION	25/03/2020	16/06/2020	16/09/2020	10/12/2020
Dr. Erhard F. Grossnigg*	Chair of the Supervisory Board	V	n/a	n/a	n/a
Mag. Claudia Badstöber**	Chair of the Supervisory Board	n/a	P	P	P
Mag. Bernhard Chwatal	Deputy Chair	V	P	P	P
Hui-Feng Wu (Ed Wu)	Member	V	V	V	V
Fu-Chuan Chu (Steve Chu)	Member	V	V	V	V
Yu-Lung Lee (Max Lee)	Member	V	V	V	V

P > Present in person | V > Video/telephone conference or proxy | n/a > not yet or no longer a member of the Supervisory Board

* until the Ordinary Annual General Meeting on June 16, 2020

** from the Ordinary Annual General Meeting on June 16, 2020

MEETINGS OF THE AUDIT COMMITTEE

BOARD MEMBER	POSITION	25/03/2020	10/12/2020
Dr. Erhard F. Grossnigg*	Chair	P	n/a
Mag. Claudia Badstöber**	Deputy Chair	n/a	P
Mag. Bernhard Chwatal**	Chair	P	P
Hui-Feng Wu (Ed Wu)***	Member	V	n/a
Fu-Chuan Chu (Steve Chu)***	Member	V	n/a
Yu-Lung Lee (Max Lee)	Member	V	V

P > Present in person | V > Video/telephone conference or proxy | n/a > not yet or no longer a member of the Supervisory Board

* until the Ordinary Annual General Meeting on June 16, 2020

** from the Ordinary Annual General Meeting on June 16, 2020

*** from the Ordinary Annual General Meeting membership of the Audit Committee was changed. Mr. Wu and Mr. Chu are no longer members of the Audit Committee.

MEETINGS OF THE NOMINATION AND REMUNERATION COMMITTEES

No meetings of the Nomination and Remuneration Committees were held in financial year 2020.

SHARES OWNED BY MEMBERS OF CORPORATE INSTITUTIONS

As of December 31, 2020, the members of the Executive and Supervisory Boards held the following amounts of shares and stock options, which amount to a total 4.88% stake in the company:

BOARD MEMBER	POSITION	NUMBER OF SHARES	NUMBER OF STOCK OPTIONS
Dr. Erhard F. Grossnigg*	Chair of the Supervisory Board	1,280	0
Mag. Claudia Badstöber**	Chair of the Supervisory Board	1,992	0
Mag. Bernhard Chwatal	Deputy Chair of the Supervisory Board	0	0
Hui-Feng Wu (Ed Wu)	Member of the Supervisory Board	0	0
Fu-Chuan Chu (Steve Chu)	Member of the Supervisory Board	0	0
Yu-Lung Lee (Max Lee)	Member of the Supervisory Board	0	0
Dipl.-Ing. Hannes Niederhauser	CEO	1,082,763	792,797
MMag. Richard Neuwirth	CFO	5,000	514,225
Michael Jeske	COO	0	352,000
Dr. Peter Sturz	COO	8,833	351,000
Carlos Queiroz	COO	0	120,000

* until the Ordinary Annual General Meeting on June 16, 2020

** from the Ordinary Annual General Meeting on June 16, 2020

Linz, March 2021

The Executive Board of S&T AG



Dipl. Ing. Hannes Niederhauser



Michael Jeske



Dr. Peter Sturz



MMag. Richard Neuwirth



Carlos Manuel Nogueira Queiroz

THE S&T SHARE



The S&T AG share got off to a good start on the stock market in 2020 and climbed to a high for the year of EUR 26.18 on January 29. Driven by uncertainties in connection with the SARS-CoV-2-Virus that first broke out in China, the share price fell gradually from the end of February and, following the announcement of the first lockdown affecting the whole of Europe in mid-March, plunged like most shares and indices to a low for the year of EUR 13.20. The share price recovered steadily during the months that followed. A non-public sell recommendation by a British analyst led to a new price low and an increase in short positions in the S&T share in autumn. S&T management responded with the publication of a detailed statement, increased investor communication and the presentation of the TTS program at the Capital Market Day 2020, which resulted in a recovery of the share price. The share price closed at EUR 18.99 for financial year 2020, down about 10.8% from the end of 2019. Over the same period, the TecDAX® grew by around 18.0% and the SDAX® by around 6.6%.

In the financial year 2020, the S&T AG share was listed unchanged in the TecDAX® and SDAX® of the German Stock Exchange. During the year, 59.02 million shares were traded with a turnover of around EUR 1.193 billion, compared with 49.2 million shares with a turnover of EUR 986 million in the previous year.

	31/12/2020	31/12/2019	CHANGE IN %
SDAX®	14,765	12,512	18.0%
TecDAX®	3,213	3,015	6.6%
S&T AG	18.99	21.28	-10.8%

S&T shares continued to recover at the start of 2021 and grew to exceed the EUR 22 mark within the first few weeks of the new financial year. The S&T AG share price closed on March 19, 2021 at EUR 22.22.

The development of the share price has fluctuated in past years as well. The share price increased from the beginning of 2016 to September 2018, and the acquisition of Kontron S&T AG in October 2016 had a particularly positive effect at that time. As a result of the “Brexit” referendum and a general decline in the price of technology stocks in September 2018, the shares dipped from November 2018 to end the last quarter of 2018 at EUR 15.81. During 2019, the share price fluctuated between EUR 17 and EUR 19, influenced by volatile developments on the capital markets.

Overall, for the period between 2016 and 2020 it can be observed that, despite a positive future outlook for the company, a revenue growth from EUR 503.7 million in 2016 up to EUR 1,254.8 million in 2020 and an increase in EBITDA of 376% from EUR 34.4 million to EUR 130.0 million in the same period as well as an increase in earnings per share of approx. 260% to EUR 0.86 in 2020 (2016: EUR 0.33), the share price has not developed to reflect operating development and that the PER is currently below that of the peer group. Initiatives such as the “PEC program” launched in 2019 to increase profitability, efficiency and generate cash, as well as the “TTS program” started in spring 2021, are expected to increase interest in the shares and boost shareholder confidence.

DEVELOPMENT 2016–2020	2016	2017	2018	2019	2020
Revenue	503.7	882.0	990.0	1,122.9	1,254.8
EBITDA	34.4	68.1	90.5	111.7	130.0
EBITDA margin in %	6.8	7.7	9.1	9.9	10.4
EPS	0.33	0.43	0.70	0.75	0.86
Closing price	8.70	17.99	15.81	21.28	18.99
PER	26.36	41.83	22.58	28.37	22.32

CAPITAL MARKET COMMUNICATION

The Executive Board and Investor Relations department were also in regular contact with interested investors during the financial year 2020 at eleven roadshows, ten conferences and various on-site visits as well as video and telephone conferences. A total of 442 meetings with investors were held (PY: 301). In addition, there were intensive talks with S&T AG covering analysts and a Capital Market Day organised by S&T on December 9, 2020, which was attended virtual by more than 100 investors. As well as Hannes Niederhauser (CEO) and Richard Neuwirth (CFO), who presented a financial and strategic update, S&T's technology experts provided detailed information on the latest technological developments and Group products. The event was rounded off by well-known S&T customers from various industries, such as Infineon, Getinge/Maquet, SNCF and Network Rail Technologies, presenting a selection of application examples. In 2020, active discourse was ongoing with investors, proxy advisors and rating agencies regarding ESG goals and S&T's development in the ESG area.

The focus of the roadshows in 2020 was on Germany, Austria, France, Great Britain, Switzerland, Denmark, Finland, Spain, Poland and the USA. S&T AG was invited to speak at the following conferences in 2020:

- › German Corporate Conference held by UniCredit and Kepler Cheuvreux in January 2020 in Frankfurt, Germany
- › Raiffeisen Centrobank AG Digital Conference in March 2020, online
- › Commerzbank: Virtual Investor Update in June 2020, online
- › HAIB TMT Conference in June 2020, online
- › Commerzbank: Corporate Conference 2020, online
- › Capital International's Virtual Digitalisation Conference in September 2020, online
- › Kepler's European VAR Day in October 2020, online
- › Berenberg Pan-European Discovery Conference USA in October 2020, online
- › Jefferies European Industrial Mid-Cap Virtual Forum in October 2020, online
- › German Equity Forum in November 2020, online

In the financial year 2021, the Executive Board of S&T AG also plans to attend several conferences and to further intensify talks with investors.

As of the end of the financial year 2020, the S&T share is now actively covered by eight analysts, with the following recommendations and share price targets as of December 31, 2020:

AlsterResearch	Buy	EUR 25.70
Commerzbank	Buy	EUR 31.00
Hauck & Aufhäuser	Buy	EUR 33.00
Kepler Cheuvreux	Buy	EUR 26.00
Jefferies	Buy	EUR 32.00
Pareto Securities	Buy	EUR 30.00
Warburg Research	Buy	EUR 27.50
Raiffeisen Centrobank	Hold	EUR 26.00

Another analyst is currently preparing coverage of S&T AG, which is to be initiated during the first half of the financial year 2021. The coverage of Raiffeisen Centrobank ends on December 31, 2020.

ANNUAL GENERAL MEETING

On June 16, 2020, the Executive Board and Supervisory Board of S&T AG welcomed shareholders to the company's 21st Annual General Meeting. The Annual General Meeting was held online for the first time on the basis of § 1 Paragraph 2 COVID-19 law, Federal Law Gazette No. 16/2020 as amended by Federal Law Gazette I No. 24/2020 and the COVID-19 law, Federal Law Gazette II No. 140/2020. The shareholders represented by proxies represented approximately 50% of the subscribed capital of S&T AG (2019: approximately 61% of the subscribed capital). All resolutions proposed by the Executive Board were adopted by the majority of votes required.

DIVIDEND & SHARE BUYBACKS

The Executive Board of S&T AG pursues the successful implementation of its continuous growth strategy as the primary goal of its business policy. The company's dividend policy follows this objective: The Executive Board plans, as a measure of the TTS program, to distribute a total of 50% of net income as a dividend and/or to use it for share buybacks.

Because government COVID-19-Pandemic grants have been utilised, no dividend for the financial year 2019 was proposed for resolution at the 21st Annual General Meeting of S&T AG held on June 16, 2020. For the 22nd Annual General Meeting planned for June 2021, the Executive Board of S&T AG plans to propose a dividend to the shareholders again for resolution in accordance with the new dividend policy.

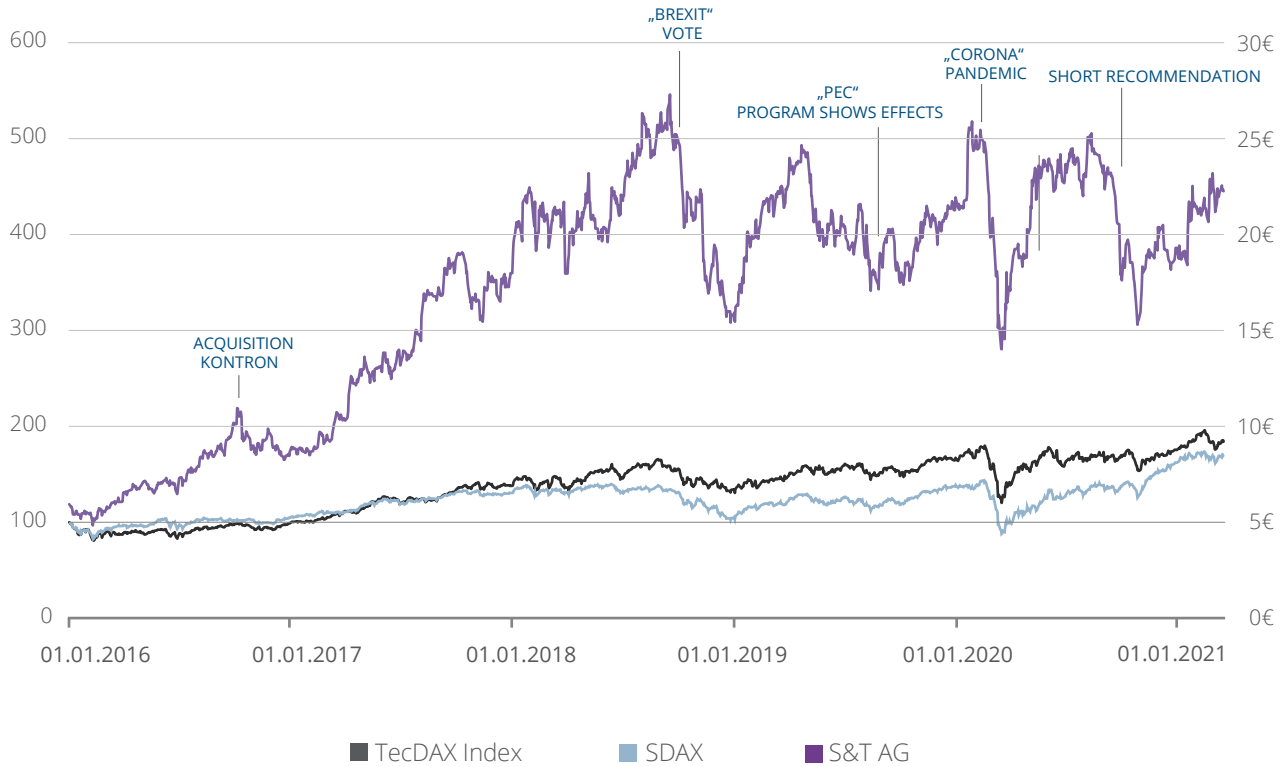
In addition, part of net income will continue to be used for share buybacks. Based on an authorising resolution at the Extraordinary General Meeting held on January 15, 2019, pursuant to § 65 Paragraph 1 (8) of the Austrian Stock Corporation Act (AktG), three share buyback programs for treasury shares resolved by the Executive Board ("Share Buyback Program 2019", "Share Buyback Program II 2019" and "Share Buyback Program I 2020") have been completed since 2019. A total of 1,178,618 S&T shares were bought during these programs for a total price (excluding incidental costs) of EUR 21,180,584.73. On October 27, 2020, "Share Buyback Program II 2020", which will also run beyond the balance sheet date, was approved by the Executive Board – this enabled the purchase of 620,929 additional treasury shares so far at a total price (excluding incidental costs) of EUR 11,794,384.84. Consequently, as of December 31, 2020, S&T AG holds 1,467,969 treasury shares with a market value of EUR 27.9 million. By resolution of the Executive Board on March 2, 2021, the Executive Board increased the maximum price to EUR 22.50 per share due to the further increase in the share price on the basis of the very positive operating business development. The current share buyback program II 2020 will run until April 30, 2021 at the latest, after which the Executive Board will discuss the relaunch and parameters of a further share buyback program.

The key indicators on S&T shares for 2020 can be summarised as follows:

KEY SHARE INDICATORS 2020

Stock exchange	Frankfurt Stock Exchange
Stock exchange segment	Prime Standard
Index membership	TecDAX® & SDAX®
Securities identification number	A0X9EJ
Stock exchange symbol	SANT
ISIN	AT0000A0E9W5
Number of shares 31.12.2020	66,096,103
Number of treasury shares as of 31.12.2020	1,467,969
Price range 01.01. – 31.12.2020	EUR 13.20 – EUR 26.18
Closing price 30.12.2020	EUR 18.99
Average XETRA trading volume per day	228 thousand shares
Market capitalisation 31.12.2020	EUR 1.255 billion
Market capitalisation free float 31.12.2020	EUR 859 million
Free float 31.12.2020	68.4%
Designated sponsor	<p>Oddo Seydler Bank AG</p> <p>Pareto Securities AS</p>
Analysts as of 31.12.2020	<p>AlsterResearch – Thomas Wissler</p> <p>Commerzbank – Adrian Pehl</p> <p>Hauck & Aufhäuser – Tim Wunderlich</p> <p>Kepler Cheuvreux – Martin Jungfleisch</p> <p>Jefferies – Martin Comtesse</p> <p>Pareto Securities – Knud Hinkel</p> <p>Warburg Research – Malte Schaumann</p> <p>Raiffeisen Centrobank – Theresa Schinwald</p>

SHARE PRICE DEVELOPMENT



DIGITALISED CUSTOMER COMMUNICATION IIOT SOLUTIONS EUROPE

The company RAMPF Production Systems is a leading international supplier of customised dispensing systems with a global customer base. RAMPF relies on the IIoT platform EquipmentCloud® from Kontron AIS for its location-independent customer communication, long-term customer satisfaction, and effective project communication. A cloud-based customer portal is completely tailored to the customer needs and guarantees the world-wide availability of information and documentation.

For this purpose, Kontron AIS has provided a variety of new branding functionalities, including individualisation through images and logos, color tones, fonts, self-registration and management functions for new users, privacy policies, email templates, as well as feedback functionality and domain redirection. Since its introduction, more than 50% of excel lists have been replaced by the EquipmentCloud® IIoT service portal. Two-thirds of RAMPF customers are already actively using the service portal when communicating with hundreds of plants installed worldwide. Bundling the organisation and the customer communication brought significant competitive advantages for the manufacturer of mixing and dispensing equipment: Increased customer loyalty through improved service, as well as cross-functional time savings, and efficiency gains.





01 FOUNDATIONS OF THE GROUP'S BUSINESS

BUSINESS MODEL

S&T AG is a supplier of Industry 4.0 and Internet of Things technologies and IT system integrator. It is headquartered in Linz, Austria. The company is mainly active in its core markets of Germany, Austria, Switzerland, Eastern Europe, North America, and, increasingly, Asia. S&T AG acts as the holding company for S&T Group and offers IT services directly to the Austrian market in the "IT Services" segment. The other 32 countries in which S&T AG operates are covered by subsidiaries. As a technology and solution provider and IT system integrator, the strategy of S&T Group is to continuously adapt to current trends, following customer and market requirements as well as development innovations. In order to increase the value added in the product, solution and service portfolio, the focus lies increasingly on the development of proprietary technologies in the hardware and, above all, in the software area. Furthermore, the company's proprietary technologies are also to be offered as service models (IoTaaS) in the future.

S&T is organised into the following segments in line with the focus of S&T Group's portfolio, which were also continued in 2020:

- › **"IT Services"**: This segment comprises the former S&T segments "Services DACH" (Germany, Austria and Switzerland) and "Services EE". The CITYCOMP companies in Germany, Austria and Switzerland acquired in the financial year 2020 were allocated to the "IT Services" segment.
- › **"IoT Solutions Europe"**: This segment includes the former S&T segments "Appliances Security" and "Appliances Smart Energy" as well as parts of the Kontron Group. Furthermore, the Iskratel Group, which was acquired in the past financial year, was allocated to this segment.
- › **"IoT Solutions America"**: This segment includes in particular the activities of the Kontron Group in North America and was renamed from "Embedded Systems" to "IoT Solutions America" at the beginning of the financial year 2019.

The financial year 2020 was essentially characterised by

- › the global outbreak of the COVID-19-Pandemic and the associated measures, which S&T Group was also unable to escape, such as lockdowns, travel restrictions and a related recession in the global economy in many areas;
- › the acquisition of the Iskratel Group, headquartered in Kranj, Slovenia, and the CITYCOMP Group and their integration;
- › the finalisation of the restructuring of the Kapsch CarrierCom and Kapsch Public Transportation Group acquired in the fiscal year 2019, in particular also through the completion and customer acceptance of some problematic projects, as well as
- › the further development of proprietary technologies, particularly in the software area, and the further synergetic linking of the portfolios of Kontron and S&T Group

among other things.

The range of services offered by S&T Group is divided into the following main areas:

- › The development, implementation and marketing of hardware and software solutions and IT services ("IT Services" segment) and
- › the self-developed hardware and software products and solutions for Internet of Things ("IoT") and Industry 4.0. applications include the associated implementation and operating services in the vertical markets of industrial automation, medical technology, rail infrastructure, communications and smart energy ("IoT Solutions Europe" and "IoT Solutions America" segment). Most of the underlying technologies are developed in the "IoT Solutions Europe" segment and distributed via the subsidiaries in Europe, North America and Asia, and in some cases also adapted or implemented.

In the three business segments, S&T Group generated revenues of EUR 1,254.8 million in the financial year 2020 (PY: EUR 1,122.9 million). This makes S&T Group one of the most well-known names in the industry, especially in Europe.

The "IT Services" business segment includes all activities of the IT service business, which is divided into two sub-segments Services DACH (Germany, Austria and Switzerland) and Services EE (Poland, Czech Republic, Slovakia, Hungary, Slovenia, Croatia, Serbia, North Macedonia, Albania, Bulgaria, Romania, Belarus, Montenegro and Moldova). In the "IT Services" segment, consulting and sales of hardware and software products from third-party manufacturers, such as Microsoft, SAP, Cisco, HP, Dell/EMC², as well as their implementation and operation, are carried out. The service portfolio reflects the usual plan-build-run approach of our clients and is mainly divided into the following areas:

- › **Planning (Consulting):** The focus of the "planning" division is on consulting services in connection with IT architectures and information security as well as the design of migration scenarios for technology changes. In addition, "planning" also includes project and hardware-independent support such as licence management or optimisation. The object here is in particular the determination of the software licences necessary for the customer's requirements, the coordination with the customer's existing compliance requirements, the administration of the usage or licence agreements and registrations, as well as the analysis and comparison of the respective fees or licence costs. Increasingly, the focus is also on the design of hybrid public/private cloud infrastructures together with Amazon Web Services and Microsoft Azure. Furthermore, scenarios for the changeover to new ERP systems such as SAP HANA or HANA Enterprise Cloud are also developed and prepared in this area.
- › **Implementation (integration):** The services provided within the scope of the "implementation" area include the installation and setup of IT infrastructure components, such as hybrid cloud data centre infrastructures or network security technology. The services related to data centres include the analysis, planning and optimisation of data centres as well as the procurement and implementation of the corresponding hardware and software and cloud services. In addition, the area of "implementation" includes the manufacturer-independent procurement of hardware, the planning and implementation of the rollout, including configuration and go-live. In addition, software development tailored to the customer is carried out to create the appropriate interfaces and integrate the systems.
- › **Outsourcing:** "Outsourcing" includes all recurring or long-term IT services that customers outsource to S&T. This includes, for example, complex maintenance orders including the handling of first and/or second level support as well as the operation of outsourced IT systems or the entire IT infrastructure of a customer. In addition, this area provides data centre services or third-party services in connection with cloud solutions (Software-as-a-Service) for customers in cooperation with Amazon Web Services or Microsoft Azure.

The strategy in the "IT Services" segment is to significantly increase the service share organically and opportunistically also inorganically, and to further reduce low-margin pure hardware sales. This should continuously increase the portfolio mix and thus the gross margin or recurring revenues. In order to realise the strategy, the transfer of part of the low-margin product division to an Austrian provider, which also took over the associated brands chiliGREEN and Maxdata, was completed on September 30, 2016. Furthermore, the service portfolio was further expanded through acquisitions in the past financial year: This includes, for example, the majority takeover of Cronus eBusiness S.R.L., Romania, as of January 1, 2020, which significantly strengthened S&T Romania's portfolio in the network and network security sector. Cronus eBusiness was fully integrated into S&T Romania in the past financial year and was also legally merged with it. Furthermore, CITYCOMP Service GmbH, based in Ostfildern, Germany, including its subsidiaries in Switzerland and Austria, was acquired with effect from July 1, 2020. This gave S&T Group a nationwide service network and therefore S&T can now offer its decentralised IT services throughout Germany with short response times. CITYCOMP Austria has already been integrated and legally merged into S&T

in Austria in the past financial year, and the merger of CITYCOMP Switzerland with an existing subsidiary is planned for the first half of 2021. In the IT services segment, S&T Group generated external revenues of EUR 556.1 million in the financial year 2020 (PY: EUR 505.9 million).

The focus of the "IoT Solutions Europe" business segment is on the products (proprietary technologies) and solutions developed by S&T Group for industrial automation, medical technology, communications, smart energy and public transport markets. The business of the integrated Kontron Group outside North America, for example in Asia, is also reported in this segment. The products and systems that strengthen S&T Group's portfolio through the acquisition of Kontron are tailor-made hardware and/or software-based special systems that are developed for niches in the aforementioned markets and adapted to customer requirements. From a technological point of view, this includes, for example:

- › The development of standard embedded hardware systems such as boards and modules or embedded computers in various form factors,
- › the customised development of embedded systems such as panel PCs or rack-mount systems, especially for industrial environments,
- › network and communication solutions, both cable, wireless or radio-based, for near-real-time and secure networking, now also on the new 5G mobile standard through the acquisition of the Iskratel Group,
- › security functionalities for embedded systems, e.g. through the Kontron APPROTECT security solution for IP rights protection as well as copy and reverse engineering protection to achieve end-to-end protection,
- › the development of interfaces (APIs) for access to different hardware and software components or
- › the self-developed IoT SUSiEtec software framework as a new software product for connecting and controlling industrial/IoT applications.

Examples of applications include:

- › Solutions for the control of production machines, including the necessary hardware components such as control computers, touch screens, driver developments and BIOS adaptations. SUSiEtec, Kontron's "application-ready" Internet of Things (IoT) framework, enables customers to create high-quality, customised computing solutions for their diverse work environments and requirements. At the Hauser Group, time savings, efficiency gains and cost savings have been achieved through the widespread use of IoT solutions.
- › Embedded cloud computing including special security solutions with which the customer can control his industrial application and process and/or store his data securely in cloud environments (public or private cloud).
- › End-to-end communication solutions for mission-critical networks in the rail sector, for example, as well as mobility solutions for public transport that cover the entire service value chain by supporting, for example, passenger information systems, network video surveillance, data storage and processing, and train management systems. Rail operator Thalys has been able to significantly reduce maintenance costs by equipping maintenance servers with real-time data, made possible by the use of the aforementioned communication solutions and provided data.

In the "IoT Solutions Europe" business segment, external revenues of EUR 572.7 million were achieved in the financial year 2020 (PY: EUR 475.4 million), making this segment not only the most profitable, but also the best-selling segment of S&T Group in the past financial year. Through the integration of the Iskratel Group into the "IoT Solutions Europe" segment as well as through organic growth, this segment will continue to expand its share of revenues and profits in the S&T Group in the financial year 2021 and subsequent years.

The business segment "IoT Solutions America" includes the former business activities of the Kontron Group in the vertical markets of transportation and aviation as well as communications. In 2019, work began to align this segment's traditionally hardware-oriented embedded portfolio with the IoT Solution business in Europe, although the expiry of legacy contracts and lack of compensation from new business has meant that this segment has remained below expectations in terms of revenues and earnings in recent years. In order to improve revenue development, on the one hand, the portfolio of the "IoT Solutions Europe" segment was increasingly offered to customers of the "IoT Solutions America" segment, and on the other hand, costs were optimised by closing locations in the USA and relocating development capacities to Canada. The reorganisation was completed in the 4th quarter of 2020.

Some example areas of application for the solutions of the "IoT Solutions America" segment are:

- › The implementation of in-flight entertainment solutions and broadband service in the aircraft, such as internet and VPN access or streaming of multimedia content for video-on-demand via broadband air-to-ground or air-to-satellite connections;
- › vehicle automation through the use of a real-time embedded server incl. real-time operating system developed by S&T, e.g. for professional vehicles in the agricultural sector;
- › the use in carrier-grade and mission-critical communication equipment from third-party suppliers, who get a reliable foundation for their products based on Kontron's Open Communication Platforms (OCP).

In the "IoT Solutions America" business segment, external revenues of EUR 126.0 million were achieved in the past financial year (PY: EUR 141.6 million).

S&T Group employed a total of 6,067 people as of December 31, 2020 (PY: 4,934 employees) on a full-time equivalent basis, not including employees in training or on maternity leave or apprentices/trainees. The increase is mainly due to the acquired business groups Iskratel (December 31, 2020: 785 employees on a full-time equivalent basis) and CITYCOMP (December 31, 2020: 317 employees on a full-time equivalent basis). Of the total employees, about 41% (PY: 44%) work in the "IT Services" segment, 54% (PY: 50%) in the "IoT Solutions Europe" segment and 5% (PY: 6%) in the "IoT Solutions America" segment. As of the balance sheet date, S&T Group employees were divided among the individual divisions as follows:

- › 3,180 employees in the area of Development (research & development and engineering)
- › 722 employees in the area of Hardware-related IT Services
- › 506 employees in the area of Production & Logistics
- › 779 employees in the area of Sales and Marketing
- › 880 employees in the area of Management and Administration

Geographically, S&T AG is represented with 81 (PY: 79) active direct and indirect fully consolidated subsidiaries in the following 33 (PY: 32) countries: Albania, Austria, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Canada, China, Croatia, Czech Republic, France, Germany, Great Britain, Hungary, Kazakhstan, Malaysia, Moldova, Montenegro, North Macedonia, Poland, Portugal, Romania, Russia, Saudi Arabia, Serbia, Slovakia, Slovenia, Spain, Switzerland, Taiwan, Ukraine, the United States of America and Uzbekistan.

Within the Group, S&T AG assumes a holding function for the other Group companies in addition to its operating activities in Austria. While most of the operational business processes of the subsidiaries are defined and controlled locally, the following are carried out centrally: the control and monitoring of the group processes IT structure, risk management, internal audit, licence management, group accounting and group controlling, as well as some of the financing. Due to the necessary customer interaction and the increasing share of services, the essential business processes are locally oriented. Due to our presence across many European countries, local or regional customer needs can be covered very well and promptly. In this respect, S&T is in great demand and challenged both as a multinational provider and as a local partner.

MANAGEMENT SYSTEM

The main external factors influencing both the business and business development of S&T Group are the investment and spending behaviour of companies and public clients. These, in turn, are directly conditioned by financial budgets and their own economic development, as well as non-financial factors such as new technologies or data security, for example. The resulting demand behaviour has a direct influence on S&T Group's business potential. Cost savings by companies or public clients can have an impact on S&T Group in two ways: on the one hand through reduced demand, as new investments or replacement investments are delayed, and on the other hand, through increased demand due to investments to achieve cost reductions through outsourcing or to make cost structures more variable.

The objective of S&T's management is to sustainably increase the value of S&T Group and thus of S&T AG. To achieve this, it is necessary to continue to grow profitably, to increase value creation by developing our own technologies and to continuously increase the financial strength of the Group. To achieve this strategic goal and measure progress, an internal control system is used.

The management of the Group focuses on the following aspects:

- › Increase in operating profitability (EBITDA) and earnings per share (EPS) which accompany the growth;
- › optimisation of working capital and improvement of both operating and free cash flow;
- › expansion of market shares in the IT services, IoT and embedded systems sectors;
- › increasing the share of proprietary software in the IoT solutions environment and expanding the IoTaaS portfolio;
- › strengthening cross-selling and integrated value creation in the S&T Group, including in Eastern Europe in particular;
- › initiation and monitoring of strategic or synergetic research and development projects;
- › regular acquisitions to combine organic with inorganic growth and expand technological know-how.

The relevant key figures on the basis of IFRS accounting are primarily revenues, gross margin and earnings before interest, taxes, depreciation and amortisation (EBITDA), as well as earnings per share (EPS). Liquidity management is based on the key figures net debt, operating cash flow and free cash flow. Apart from management of equity ratio, the gearing ratio is relevant; due to the acquisitions made, especially in the "IoT Solutions Europe" segment, an even stronger focus has been placed on working capital since 2019, which has been institutionalised with the PEC program ("Profitability, Efficiency, Cash"), which has already shown very good results in 2020. In the medium term, despite the increase in the share of working capital-intensive IoT areas in the overall business, the aim is to reduce working capital to 10% of revenues.

Revenues and costs are permanently monitored centrally and locally for all areas. Developments at management level are closely monitored by means of monthly scorecards and quarterly reports so that corrective action can be taken at an early stage if necessary. In addition, the operating income of each company is monitored as part of regional management. In addition to the development of revenues and order intake, the key indicators for this are personnel expenses, EBITDA and operating cash flow. Project controlling, which is used to monitor longer-term project business, ranges from the preparation and approval of bids to project completion. A special "Red Flag System" continuously monitors critical projects and developments at individual subsidiaries in order to enable S&T AG, as well as the headquarters of S&T Group, to take timely action and implement countermeasures.

All cost items in S&T Group are subject to strict budget control. In the process, the individual profit and cost centres are checked monthly for compliance with the budgets and forecast costs. The basis for this is a dynamic budget model, with which the essential components of the cost budget remain flexible in relation to the development of revenues and margins. In order to achieve or exceed the planned profitability, the cost budget is adjusted as necessary during the year in line with the development of revenues.

As an IT provider and developer of proprietary technologies, the company's long-term success is based on strategically and technologically relevant acquisitions as well as research and development with the resulting innovations. That is why the product portfolio is continuously being developed. The necessary use of resources is optimised through a combination of technological-strategic acquisitions, collaborations and in-house developments.

The management of liquidity and operating cash flow is significantly influenced by management of receivables. This is operated locally and is subject to internal control processes. Factoring-based financing is used in individual companies to improve the structure of receivables and liquidity, with management of receivables remaining with the local S&T company. While operational cash management is mainly carried out locally, strategic cash management and larger financing transactions are mainly managed centrally.

RESEARCH AND DEVELOPMENT

The development and distribution of self-developed products and solutions was also intensively continued and expanded in 2020. In addition to our own developments in the software area, significant investments were also made in 5G technology in the past financial year through company acquisitions, for example with the Iskratel Group in the area of communication solutions for industry, railways and energy. The research and development area of S&T Group also increased in importance during the past financial year: more than 50% of S&T Group's employees work in research and development and related engineering.

Expenditure on research and development and engineering amounted to EUR 184.1 million in 2020 (PY: EUR 170.5 million). Of this, development costs of EUR 17.6 million were capitalised in the past financial year (PY: EUR 15.5 million). This means that around 14.7% of revenues (PY: 15.2%) was invested in research, development and engineering services.

Of the newly acquired companies, the activities of the S&T subsidiary Iskratel should be mentioned as an example. With 3GPP version 16 completed in July 2020, 5G network standardisation now supports specific communication requirements from vertical industrial domains. Iskratel is committed to developing a standalone 5G core product and 5G network solution to fully support the industry's digitalisation process requirements, from wireless control systems and automation in industrial environments, fail-safe applications, real-time video transmission, to push-to-talk group communication. The focus in this area is on private networks. The first demo site was set up in Iskratel's manufacturing facility, driving even further digitalisation and the vision of the smart factory.

At the S&T subsidiary Kontron Transportation, the field test phase in the X2Rail project within the framework of "Shift2Rail" was initiated in 2020 after the completion of the laboratory activities, with which a series of technology demonstrators must now prove themselves in a real railway environment. The mission of the Horizon 2020 innovation program "Shift2Rail" is to drive the development, integration and demonstration of innovative solutions for the future railway system. Kontron Transportation is also one of the main partners in the 5GRail project, which aims to validate the first specifications of the FRMCS (Future Railway Mobile Communication System) communication system and to develop it further towards a modular and flexible system architecture together with the other consortium partners, including UIC, SNCF, Deutsche Bahn, Nokia, Alstom and Thales. In addition, bilateral research activities have progressed with major rail customers on the company's activities as well as the EU-funded 5G-VICTORI project, which involves 25 partners from eight European countries in testing 5G solutions in vertical markets.

The S&T subsidiary Kontron AIS GmbH has focused its activities on the innovative control framework ToolCommander® for the implementation of highly complex plant control systems in a wide range of industries as well as the highly flexible connectivity pack FabEagleConnect and the service and after sales platform EquipmentCloud. This approach is justified by the fact that a large proportion of Kontron AIS GmbH's customers come from small and medium-sized enterprises, both mechanical engineering and manufacturing, and a strong trend towards flexibility and digitalisation in small steps is emerging here. In order to survive in competition, solutions must be able to be introduced quickly and flexibly and grow with the customer's digitisation strategy. The key lies in creating simplified solutions to complex problems, where software is only part of the solution. Questions regarding the required hardware, infrastructure, data protection and data security need to be answered. The possibilities of combining the IoT software solutions with Kontron's premium industrial hardware and with the group-wide industrial know-how represents a clear competitive advantage.

02 ECONOMIC REPORT

FURTHER POSITIVE DEVELOPMENT OF S&T GROUP DESPITE THE CORONA-CRISIS – ONCE AGAIN RECORD FIGURES FOR REVENUES AND EBITDA

Given the current difficult economic environment due to the global COVID-19-Pandemic in 2020, real economic output in the Eurozone and the EU-27 also contracted by around -6.8% and -6.3%, respectively (PY: 1.2% and 1.5% respectively). Regional differences increased compared to previous years, with all Eurozone/EU countries (with the exception of Ireland with a positive growth of 3%) seeing a significant decline in economic output compared to 2019. In the Eastern European countries where disproportionate growth rates were achieved in previous years, such as Romania, Poland, Hungary and Bulgaria, economic output also contracted by -3% to -5%.

After economic growth came to 0.6% in 2019 in Germany, the largest sales market of S&T Group, the decline amounted to -5.0% in 2020. In S&T's home market Austria, economic output fell by -7.4% (PY: 1.6%). In the countries outside the EU-27 zone in which S&T Group is represented, e.g. the USA or Switzerland, economic output also contracted significantly compared to the previous year at -3.4% (PY: 2%) and -4.7% (PY: 0.9%). Russia's economic performance is facing similar negative growth rates, at -3.6% in 2020 (PY: 1.9%).

The key events of the financial year 2020 are highlighted below:

- › The global outbreak of the COVID-19-Pandemic and the measures taken by respective governments, such as lockdowns, extensive travel restrictions and curfews, as well as the accompanying collapse of the global economy in many areas. S&T Group was also unable to escape these developments, as the aviation sector, among others, was strongly affected by the aforementioned restrictions, as was project business to some extent.
- › In June 2020, a purchase agreement was signed to acquire the Iskratel Group, headquartered in Kranj, Slovenia, in order to drive the further growth of S&T Group – especially in the IoT communications sector. As one of the leading providers of communication solutions for operators of telecommunications, railway and energy networks, as well as its own solutions in the field of industrial automation, Iskratel contributes to the strengthening of S&T's product portfolio. The Iskratel Group was included in the consolidated companies of S&T Group as of October 1, 2020. Furthermore, in July 2020 the IT Services division of S&T Group was expanded through the acquisition of the German CITYCOMP Services GmbH and its subsidiaries in Austria and Switzerland. As a full-service provider for IT services with a comprehensive service network in the DACH region (Austria, Germany and Switzerland) and the BeNeLux states, CITYCOMP has contributed to the broadening of customer structure since its initial consolidation on July 1, 2020, whereby cost-effective IT capacities of S&T from Eastern Europe can also be used in the future.
- › In the financial year 2020, the restructuring of Kapsch CarrierCom and Kapsch Public Transportation Group, which were acquired in June 2019, was successfully finalised. In this regard, the completion and acceptance by the customer of various problem projects was particularly important.
- › The new and further development of products and solutions, as well as the synergetic linking of the Kontron and S&T portfolios, continues to be a major priority in S&T Group. In 2020, investment in this area was once again significant, for example to support activities in the area of in-house software development. Significant investments were also made in technology through company acquisitions, such as the Iskratel Group. Furthermore, the know-how thus acquired, for example in the development of IIoT applications and solutions in the 5G area, can also be linked to already established S&T products such as SUSiEtec.

In the past financial year 2020 – despite the negative economic developments worldwide due to the Corona-Crisis – revenues increased from EUR 1,122.9 million in the previous year to EUR 1,254.8 million. In addition, profitability again increased disproportionately in comparison: EBITDA increased from EUR 111.7 million in the financial year 2019 to EUR 130.0 million in the past financial year. Thus, the EBITDA margin of 10.4% is already close to the communicated medium-term target of 11% from Agenda 2023. This increase in profitability is attributable in particular to the positive development of the "IT Services" segment, the medical technology division and the finalisation of the restructuring of the "IoT Solutions America" segment and the Kontron Transportation Group.

ASSETS, FINANCES AND EARNINGS

In the past financial year, S&T Group's five-year plan, the "Agenda 2023", scheduled the preparation and implementation of further organic and acquisition growth steps, as well as further efficiency improvements through the defined measures in the "PEC Program". In particular, the restructuring of Kapsch CarrierCom and Kapsch Public Transportation Group, which were acquired in June 2019, was accelerated and successfully completed in the financial year 2020. In addition, the focus was on integrating the Iskratel Group and CITYCOMP Group, acquired in July and October 2020 respectively, increasing profitability through an increasing share of proprietary technologies and efficiency improvements, as well as further optimising working capital and the cash conversion rate.

Based on organic and inorganic growth, the revenue development in the "IT Services" and "IoT Solutions Europe" segments was again extremely positive, as in the previous year. In contrast, there was a further decline in revenues in the "IoT Solutions America" segment, mainly due to the reduction in revenues with two former major customers and negative influences from the COVID-19-Pandemic. In total, S&T Group's revenues for the financial year 2020 increased further from EUR 1,122.9 million to EUR 1,254.8 million.

Likewise, EBITDA was again significantly increased due to the strengthening of synergies between the segments as well as the effectiveness of the measures of the "PEC program": EBITDA grew from EUR 111.7 million in the previous year to EUR 130.0 million in the financial year 2020, which corresponds to a growth of over 16%. The EBITDA margin is with 10.4% above the medium-term target of 10% and is approaching the 11% targeted under "Agenda 2023". Consolidated net income after non-controlling interests also increased significantly and amounted to EUR 55.6 million compared to EUR 49.1 million in the previous year.

EARNINGS

With a revenue growth of around 12%, revenues of EUR 1,254.8 million were achieved in the financial year 2020 (PY: EUR 1,122.9 million), which represents a new all-time high. The increase in profitability even outpaced the growth in revenues: EBITDA increased by around 16% from EUR 111.7 million to EUR 130.0 million. S&T Group's long-standing goal of increasing EBITDA at a higher rate than revenues was thus once again successfully achieved in the past financial year 2020.

With the "PEC Program" launched in summer 2019 with a focus on profitability, efficiency and cash, further significant improvements in operating cash flow and working capital were also achieved in the financial year 2020. Due to the newly consolidated companies of the Iskratel Group and the CITYCOMP Group, personnel expenses increased in 2020 despite further savings implemented in the personnel area. Furthermore, government subsidies such as short-time work were used in various subsidiaries in times of lockdowns, especially in the second quarter. In total, the subsidies for personnel expenses in the past financial year amounted to EUR 5.9 million (PY: EUR 0 million). This enabled partial compensation of the underemployment of S&T Group employees and loss in revenues in the service sector in particular that resulted from closing of our customers' businesses. The aforementioned effects led to personnel expenses of EUR 273.3 million in the financial year 2020, compared to EUR 245.2 million in the previous year. At EUR 8.8 million, other operating income in the financial year 2020 remained at the previous year's level (EUR 8.0 million). With regard to other operating expenses, these increased from EUR 74.2 million in the financial year 2019 to EUR 78.8 million in the financial year 2020 due to the acquisitions made. The increase in depreciation and amortisation of tangible and intangible assets which went from EUR 49.9 million in the previous year to EUR 61.5 million in the past financial year is ascribable to the increase in depreciation and amortisation on the (intangible) assets acquired as part of the company acquisitions as well as an extraordinary amortisation of customer relations gained in the context of an acquisition and the brand of EUR 2.2 million. The extraordinary amortisation relates to necessary value adjustments of capitalised customer relations and brand usage rights within S&T IT Services S.R.L., Moldova (formerly BASS Systems S.R.L.). Due to significant declines in orders in the customer segments served by the company, caused by the effects of the negative overall economic development, customer relations had to be written off. In addition, due to the renaming in the course of the intensified cooperation and the ultimately planned merger of the Moldovan companies, a write-off had to be made on the brand name that was no longer used. These effects resulted in an EBIT of EUR 68.6 million after EUR 61.8 million in the previous year.

With the bonded loan issued in April 2019 amounting to EUR 160 million in tranches of 5 and 7 years, the focus was on securing the long-term financing of S&T Group in order to be able to implement the ambitious growth targets in line with Agenda 2023. This available liquidity was used in the financial year 2020, among other things, for the acquisition of the Iskratel Group and the CITYCOMP Group as part of the Agenda 2023 acquisition strategy. At EUR 9.3 million, finance expenses in the financial year 2020 remained at a similar level as in the previous year (EUR 9.0 million), which meant that the financial result of EUR -7.7 million also corresponded to the previous year's

value (EUR -7.7 million). It should be noted that, due to accounting regulations, dividends to minority shareholders of subsidiaries with which S&T AG has entered into contractual purchase obligations or reciprocal option rights must also be reported in the financial result. These amounted to TEUR 30 in 2020 (PY: TEUR 479).

Overall, the net income for the period before non-controlling interests increased from EUR 49.5 million in the previous year to EUR 54.6 million. Due to the continued acquisition of minority interests in already fully consolidated companies in the past financial year, in particular the squeeze-out of minority shareholders at Kontron S&T AG, the net income for the period after non-controlling interests rose by around 13% from EUR 49.1 million to EUR 55.6 million. Earnings per share (EPS) increased from 75 cents (2019) to 86 cents (2020).

The order backlog of S&T Group amounted to EUR 927.2 million as of December 31, 2020 (PY: EUR 841.5 million). This order backlog includes contractually fixed orders and deliveries. Furthermore, the project pipeline increased from EUR 2,157.5 million in the previous year to EUR 2,702.3 million as at December 31, 2020.

DEVELOPMENT OF THE BUSINESS AREAS

As in the previous year, S&T Group distinguishes between three strategic segments in its reporting and in the management of the Group:

- › IT Services
- › IoT Solutions Europe
- › IoT Solutions America

In detail, the strategic business areas are comprised of the following fields of activity:

"IT SERVICES"

Historically, this segment was heavily involved in the marketing and commissioning of IT technology in the client, server, storage and application areas, as well as their commissioning and maintenance. Following the reduction of own hardware in 2016, this business unit is focusing more on the service requirements of customers, particularly in the consulting, integration and outsourcing areas. To this end, S&T Group offers a large number of solutions in the areas of workplace (client and printer), data centre (network, server, storage and security solutions), cloud (private/hybrid/public cloud) and application support and development (SAP implementations and operation). Due to the merger of the "Services DACH" and "Services EE" segments, these activities are offered in different forms in the markets of Germany, Austria and Switzerland as well as in Poland, the Czech Republic, Slovakia, Hungary, Slovenia, Croatia, Serbia, Northern Macedonia, Albania, Bulgaria, Romania, Montenegro, Belarus and Moldova. In the future, more and more integration and operating services for S&T Group's proprietary technologies will also be offered. The CITYCOMP Group, which was acquired in the financial year 2020, was also allocated to the "IT Services" segment.

"IOT SOLUTIONS EUROPE"

The business segment "IoT Solutions Europe" includes proprietary technologies for the vertical markets of industrial automation, medical technology, public transport, telecommunications and smart energy. To this end, the previous S&T segments "Appliances Security" and "Appliances Smart Energy" were merged with the former Kontron business unit "Industry" in 2017 and the Kontron Transportation Group, which was acquired in 2019, and Kontron AIS GmbH were assigned to this segment. The Iskratel Group, acquired in the financial year 2020, was also allocated to this segment. In combination with special software solutions and innovative know-how of the former S&T Group, portfolios of high-margin products based on Kontron hardware are to be created here in the long term. In addition, the business field of cloud computing is also to be developed accordingly in the direction of the Embedded Cloud. These technologies are currently being sold in Europe and Asia in particular.

"IOT SOLUTIONS AMERICA"

The Embedded Systems segment, newly created in 2017, comprises the development and implementation of hardware and software solutions for the vertical markets of transport and aviation as well as communications. Products developed in-house include in-flight entertainment systems, digital signage solutions for public transport and carrier-grade servers for telecommunications companies. Furthermore, solutions for autonomous driving have also been developed since 2018. Based on the changed portfolio, this segment was renamed from "Embedded Systems" to "IoT Solutions America" at the beginning of 2019. In the past financial year, Kontron Trans-

portation North America, which was acquired in the course of the takeover of the Kapsch CarrierCom Group, was merged into Kontron America Inc., USA. Compared to previous years, the strategy of the "IoT Solutions America" segment was changed so that the solutions of the "IoT Solutions Europe" segment, particularly in the area of industrial automation and medical technology, are also increasingly being sold to customers in North America.

The business development according to the segments is as follows in comparison:

(IN EUR MILLION)	IT SERVICES		IOT SOLUTIONS EUROPE		IOT SOLUTIONS AMERICA		S&T GROUP	
	2020	2019	2020	2019	2020	2019	2020	2019
Total revenues	576.5	523.1	683.0	562.8	152.0	153.3	1,411.5	1,239.2
Internal revenues	-20.4	-17.2	-110.3	-87.4	-26.0	-11.7	-156.7	-116.3
Segment revenues	556.1	505.9	572.7	475.4	126.0	141.6	1,254.8	1,122.9
Gross profit	168.1	152.9	241.5	203.0	46.2	51.7	455.8	407.5
EBITDA	49.6	34.1	66.4	68.2	14.1	9.4	130.0	111.7
Depreciation and amortisation							-61.5	-49.9
Finance income							1.6	1.3
Finance expenses							-9.3	-9.0
Result from associated companies							-0.2	0.0
Income taxes							-6.1	-4.5
Results of the period							54.6	49.5

- › In the "IT Services" segment, segment revenues in the financial year 2020 increased by almost 10% compared to the previous year's figure (EUR 505.9 million) and amounted to EUR 556.1 million. The gross profit was also increased from EUR 152.9 million to EUR 168.1 million with an again stable gross margin of 30.2% (PY: 30.2%). On the one hand, the operating costs of the "IT Services" segment include all headquarters costs of S&T Group; on the other hand, part of the increase in profit is also due to the charging of brands, licences and HQ allocations to the two other segments "IoT Solutions Europe" and "IoT Solutions America". As a result, EBITDA in the "IT Services" segment increased by around 45% from EUR 34.1 million to EUR 49.6 million. The operating EBITDA-margin also improved operationally due to the measures from the "PEC program" and is further approaching its peer group. The impact of the Corona-Crisis on the "IT Services" segment resulted from different effects: While demand for hardware-intensive equipment for home offices as well as network and security solutions increased at the beginning of the COVID-19-Pandemic, the lockdowns caused a decline in IT services business from the second quarter onwards. Many customers had a reduced need for on-site services due to the closure of locations and numerous implementation and integration projects were put on hold. As the financial year 2020 progressed, these negative influences diminished, as the handling of restrictions on the part of customers in the projects was also handled more openly and many projects could be processed virtually. There were thus some catch-up effects in the fourth quarter. In the medium term, S&T AG assumes that the further digitalisation of work processes will accelerate and may also have a positive impact on the "IT Services" segment. Furthermore, the Executive Board launched a program in the first quarter of the current financial year to increase the share of services provided by the IT Services division for IoT projects in the medium and long term.
- › The "IoT Solutions Europe" segment continues to be the strongest segment of S&T Group in terms of revenues and profitability. Compared to the previous year, segment revenues increased from EUR 475.4 million to EUR 572.7 million in the financial year 2020, which corresponds to a revenue growth of over 20%. In addition to the positive operational development, this is also due to the contribution of the Iskratel Group since its initial consolidation on October 1, 2020. Revenues in the "IoT Solutions Europe" segment thus accounted for around 46% of S&T Group's total revenues, and 51% of Group EBITDA also resulted from this segment. The gross

profit increased in line with the increase in revenue to EUR 241.5 million in the past financial year (PY: EUR 203.0 million) – the gross margin of 42.2% remained at a similar level as in the previous year (42.7%). On the one hand, EBITDA was diluted by the consolidation of Iskratel, and on the other hand, due to the Corona-Crisis, there were also increased costs, for example for the certification of new producers outside Asia or the adaptation of products to available components, which led to a reduction in EBITDA from EUR 68.2 million in the financial year 2019 to EUR 66.4 million in the past financial year. However, at 11.6%, the EBITDA-margin is still the highest in S&T Group.

- › In contrast to the other two segments, the "IoT Solutions America" segment was more strongly affected by the difficult market environment due to the Corona-Crisis, following declines in revenue, particularly in the aviation sector. Accordingly, revenues fell from EUR 141.6 million in the previous year to EUR 126.0 million in the financial year 2020. This development led to a decline in gross profit from EUR 51.7 million to EUR 46.2 million, with a gross margin of 36.7%, slightly above the previous year's level (36.5%). Due to the completion of the reorganisation of Kontron USA and the cost savings achieved, a positive development was achieved in the "IoT Solutions America" segment in terms of the EBITDA generated, despite the one-off costs: EBITDA rose from EUR 9.4 million in the financial year 2019 to EUR 14.1 million in the past financial year. Thus, the EBITDA margin also increased from 6.6% to 11.2% due to the already successfully implemented cost savings in the personnel area as well as in other operating expenses.

In addition to the negative effects on the production and supply chains described above for both the "IoT Solutions Europe" and "IoT Solutions America" segments, the Corona-Pandemic had different effects on the market: In any case, the extremely positive development in the medical technology sector should be emphasised, where S&T Group was able to participate in the COVID-19-related increased demand, particularly for respirators and patient monitoring systems. On the other hand, revenue in the aviation technology sector slumped by more than half: due to far-reaching travel restrictions and the resulting loss of the business basis for many passenger airlines, numerous airlines reduced their investments to zero. The main exception here remained the Asian and Chinese airlines, which continued their technology upgrades in 2020. The industrial automation sector was characterised by increased uncertainty due to further economic development and its effects on demand and production. Overall, investments and thus sales of S&T Group products tended to stagnate. Based on the forecast recovery and catch-up effects in conjunction with increased automation, S&T Group expects stronger demand in this area in 2021. In the other end markets, for example train radio or smart energy solutions, there were project delays due to government restrictions in 2020. S&T Group sees good future prospects for these vertical end markets due to the long-term nature of the products for these sectors, which are mainly attributable to the public sector, the upcoming technology changes as well as increased infrastructure investments by the states in order to support or stimulate the economy.

For the other influences of the SARS-CoV-2 pandemic, please refer to the explanations in the risk report.

FINANCES

SUMMARISED CASH FLOW STATEMENT (IN EUR MILLION)	2020	2019
Net cash flows from operating activities	140.8	83.4
Net cash flows from investing activities	-77.2	-55.7
Net cash flows from financing activities	-65.8	83.8
Cash and cash equivalents as of the end of the year	281.9	312.3
Financing liabilities	261.7	282.7
Net cash (+)/Net debt (-) ¹⁾	20.3	29.5

1) Non-current and current financing liabilities minus cash and cash equivalents (excl. IFRS 16)

In the financial year 2020, an operating cash flow of EUR 140.8 million was generated, which represents a significant improvement compared to the previous year's value of EUR 83.4 million and marks the highest value in the history of S&T Group. As in the previous year, the improvement in the EBITDA to cash conversion ratio targeted with the "PEC program" was thus further improved in the financial year 2020. The cash flow from investing activities of EUR -77.2 million (PY: EUR -55.7 million) includes not only investments in fixed assets but also payments for the acquisition of companies or shares in companies. The largest amounts here related to the acquisition of the Iskratel Group, the CITYCOMP Group, and purchase price payments from the previous year's acquisition of BASS Systems S.R.L. The cash flow from financing activities includes current repayments of financing liabilities – e.g. repayments for the OeKB equity financing – and interest payments, payments for the acquisition of treasury shares as part of the share buyback program, repayments in connection with finance leases, as well as payments for the acquisition of minority interests in Kontron S&T AG. Operating investment activity increased, for example, through the acquisition of a new building in Germany and investments in production machines, by 25% to EUR 33.9 million (PY: EUR 27.1 million).

In line with the goal of aligning financing with matching maturities and as a precaution for further growth within the framework of "Agenda 2023", a bonded loan was placed for the first time in the financial year 2019. With a volume of EUR 160 million and maturities of 5 and 7 years, the long-term financing of S&T Group was secured at attractive margins of 110 and 130 basis points. Here, 53% of the bonded loan was taken up on a fixed basis. In the financial year 2020, S&T AG will continue to monitor the development of interest rates on an ongoing basis – in this case the EURIBOR is decisive – in order to hedge against any increase in good time. Due to the development of interest rates and swap rates, no further variable financing was fixed in the past financial year.

Cash and cash equivalents decreased from EUR 312.3 million as at December 31, 2019 to EUR 281.9 million as at the 2020 balance sheet date due to the effects described above. This resulted in a net cash position of S&T Group – excluding liabilities from rental and lease agreements in accordance with IFRS 16 – of EUR 20.3 million (PY: EUR 29.5 million). Cash and cash equivalents of EUR 3.8 million (PY: EUR 4.8 million) had a restricted availability due to collateral provisions.

ASSETS AND LIQUIDITY

BALANCE SHEET INDICATORS (IN EUR MILLION)	2020	2019
Balance sheet total	1,246.6	1,225.7
Equity	409.5	385.1
Equity ratio ¹⁾	33%	31%
Net current assets ²⁾	18.2	10.2
Cash and cash equivalents	281.9	312.3
Net cash (+)/Net debt (-) ³⁾	20.3	29.5

1) share of consolidated equity (including stakes held by shareholders with non-controlling interests) in total capital (balance sheet total)

2) current assets (excluding cash and cash equivalents) less current liabilities (excluding financial liabilities)

3) non-current and current financing liabilities minus cash and cash equivalents (excl. IFRS 16)

The balance sheet total of S&T Group increased slightly compared to the previous year and amounted to EUR 1,246.6 million as of December 31, 2020 (PY: EUR 1,225.7 million). This is mainly due to the first-time consolidation of the Iskratel Group and the assets and liabilities taken over with it.

Equity increased from EUR 385.1 million to EUR 409.5 million as of December 31, 2020. The equity ratio increased from 31% to 33% as of the 2020 balance sheet date due to the current profits despite the acquired treasury shares and the increased balance sheet total. At EUR 218.8 million, non-current financing liabilities remained almost unchanged compared to the previous year (PY: EUR 220.0 million), while current financing liabilities decreased from EUR 62.8 million to EUR 42.8 million. Of the existing significant financings, the following have fixed interest rates over the entire term: the OeKB equity financing of EUR 45 million taken out in 2017 for the acquisition of the Kontron Group, the OeKB equity financing of EUR 30 million for the acquisition of the Exceet companies, and the long-term, bullet credit line of EUR 30 million. With regard to the bonded loan, EUR 85 million (53% of the total volume) was raised at a fixed rate, the rest at a variable rate. In addition, an overdraft facility of EUR 15 million taken over in the course of the acquisition of Kapsch CarrierCom was fixed in December 2019. The variable financing is linked to the development of the EURIBOR or corresponding reference interest rates.

Equity and long-term financing thus cover just under 50% as of December 31, 2020 (PY: 49%) of the balance sheet total. Compared to the previous year, cash and cash equivalents decreased from EUR 312.3 million to EUR 281.9 million, corresponding to more than 22% of the balance sheet total. This decrease is mainly due to payments for the acquisition of subsidiaries and minority interests, cash outflows for the ongoing quarterly repayments of acquisition loans, and the repurchase of treasury shares. As of the balance sheet date December 31, 2020, S&T Group had a net cash position of EUR 20.3 million (December 31, 2019: EUR 29.5 million).

Trade receivables decreased from EUR 212.2 million to EUR 204.5 million. Despite the growth in revenues, improved management of receivables and the use of central factoring programs significantly improved the level of trade receivables, especially in comparison to revenues. As of December 31, 2020, receivables worth EUR 77.2 million were sold under the factoring programs, which corresponds to approximately 26% of total trade receivables. This means an increase of around EUR 14 million compared to the previous year. At EUR 210.0 million, trade payables in the financial year 2020 are only slightly higher than the previous year's figure of EUR 205.0 million.

Inventories increased from EUR 146.8 million at the end of the previous financial year to EUR 159.9 million as at December 31, 2020. This increase in inventories is due to the acquisition of the new Group companies, the expansion of business and stockpiling based on the increased order backlog as well as anticipated supply difficulties with chipsets and other components. Despite this increase, working capital was again improved as a result of the efforts and additional measures of the "PEC Program" created in the financial year 2019. Through more efficient inventory management, optimised purchasing processes and renegotiations on the supplier and customer side, this is to be further reduced towards 10% in 2021.

Non-current assets increased again from EUR 457.2 million to EUR 506.0 million as of the balance sheet date due to the acquisitions made in the financial year 2020 and investments in technology, operating and office equipment and buildings. The most significant additions stem from the acquisition of intangible assets and goodwill, investments in property, plant and equipment – primarily in land and

operational buildings – as well as capitalised loss carried forward. In total, cash-effective investments in property, plant and equipment and intangible assets amounted to around EUR 33.9 million in the financial year 2020 (PY: EUR 27.1 million).

The non-current and current provisions decreased in comparison to the previous year (PY: EUR 84.3 million) to EUR 67.3 million as of December 31, 2020, which is particularly related to the completion of acquired customer projects of Kapsch CarrierCom Group and the corresponding utilisation of the related restructuring and project provisions. Other current receivables and assets remained stable at EUR 70.9 million (PY: EUR 70.1 million), other current liabilities decreased slightly to EUR 120.4 million (PY: EUR 126.7 million).

In the reporting year, there were no capital measures from the authorised capital. To service exercised stock options from the Stock Options Program 2015 – Tranche 2016, treasury shares were used instead of the conditional authorised capital. The number of shares issued thus remained constant compared to the previous year at 66,089,103 shares. Based on the various share buyback programs, S&T AG held 1,467,969 (December 31, 2019: 788,245) treasury shares. Equity attributable to shareholders of S&T AG increased to EUR 404.0 million compared to EUR 372.7 million as of December 31, 2019. The Executive Board and the Supervisory Board therefore plan to propose a dividend of 30 cents per share to the shareholders of S&T AG at the Annual General Meeting on June 8, 2021.

NON-FINANCIAL INDICATORS OF PERFORMANCE

As required by the implementation of the requirements imposed by Austria's Act on Sustainability and Improvement of Diversity, S&T AG has compiled a separate report on sustainability. It contains in-depth reporting on matters pertaining to the environment and to employees.

PROTECTION OF THE ENVIRONMENT

The quantities of electronic devices and wastes deployed and incurred in S&T's markets continue to grow. They not only contain partly hazardous components, but also important raw materials that can be used for recycling. For S&T, the conscious use of available resources is important. Proper disposal, corresponding resource-saving technology concepts and efficient processes in procurement, distribution and production are therefore strived for as a contribution to sustainability. The same applies to auxiliary materials used for packaging or transporting the electronic devices of S&T Group: The focus here is particularly on the most efficient use of packaging materials and special attention to the recyclability of the materials used. This is also monitored by external parties through appropriate environmental audits and ISO certifications. Furthermore, S&T Group strives to continuously optimise the electricity efficiency of the data centres it operates and uses the latest technologies for this purpose. In addition, own energy production will be increased at certain of S&T Group's own production sites. To this end, procurement contracts for five new photovoltaic systems were concluded at the end of 2020 and beginning of 2021.

EMPLOYEE WELFARE AND PROTECTION

As of December 31, 2020, S&T Group had a total of 6,067 employees (PY: 4,934 employees) (excluding persons on maternity leave or in training), for whom S&T bears social responsibility and provides care. Statutory and voluntary social expenses, including severance payments, amounted to EUR 57.0 million in the 2020 financial year (PY: EUR 47.6 million). Additional EUR 2.81 million were incurred for social security contributions in connection with the warrants issued in 2020. The focus of human resources work on the integration of the acquired companies, business units and employees will continue in the future due to the ongoing acquisitions. Integration is constantly being driven forward through the introduction of uniform processes in human resources, standardisation and migration to common supporting IT systems, as well as by strengthening the employees' sense of belonging to and loyalty to the company.

The health and safety of S&T Group employees is also an important concern: The various aspects of occupational health – both to avoid physical impairments caused by monotonous VDU work, for example, and mental stress caused by increased work demands – are taken into account by means of training by external experts (occupational physicians) and ergonomic office equipment. Internal and external training courses are also held on an ongoing basis for employees in the production environment to raise awareness of safety issues and ensure occupational safety.

In connection with the measures to contain the COVID-19-Pandemic, S&T Group has also taken all necessary steps to protect its employees accordingly: S&T has long made it possible to work from home – this was further promoted during the Corona-Crisis. For employees working outdoors and in the offices, hygiene measures were implemented with additional disinfection dispensers and the provision of mouth/nose protection and FFP2 masks. Furthermore, "Corona Officers" were appointed for the individual locations to inform and

support the employees about ongoing developments, measures and rules. Thanks to these measures, infections with the SARS-CoV-2 virus within S&T Group were greatly reduced, the ability to deliver was maintained and our employees were protected as far as possible. Unfortunately, it was also necessary to put employees on short-time work due to government restrictions or the closure of our customers' locations. However, due to the generous state support measures, the salary losses for colleagues were limited. In addition, a special hardship fund was set up to compensate for salary losses of particularly affected colleagues. This fund was funded by salary waivers of Executive Board members amounting to 20% of their fixed salary as well as contributions from the management of the subsidiaries.

The long-standing philosophy of S&T Group – "hire for attitude, train for skills" – remains unchanged and is driven forward by internal programs for the personal and professional development of our colleagues. In addition, S&T Group also provides financial support for its employees to take advantage of external training programs or courses. To this end, S&T Group incurred expenses for employee training measures to the amount of EUR 1.1 million in the financial year 2020 (PY: EUR 1.7 million). This decline is due in particular to the cancellation of numerous external training sessions due to Corona restrictions. In addition, S&T employees continuously take part in training courses run by S&T's industry partners in order to maintain or expand the high level of certification with individual manufacturers such as AWS, SAP, Microsoft, HP, VMware, Cisco and others.

The Executive Board of S&T AG would like to express its gratitude to all employees for their once again outstanding performance in the financial year 2020, an extremely challenging year due to the COVID-19-Pandemic.

SUMMARY

Despite the difficult economic environment due to the global COVID-19-Pandemic, the development of S&T Group was again positive in the financial year 2020. After the original forecast of annual revenues of EUR 1,150.0 million was raised to more than EUR 1,200.0 million in the course of the business year, this target was exceeded with revenues of EUR 1,254.8 million. The profitability target was also raised from EUR 115.0 million to at least EUR 122.0 million – the EBITDA generated also clearly exceeded this target at EUR 130.0 million. At 10.4%, the EBITDA margin is also close to the communicated medium-term target of 11% from Agenda 2023. Overall, S&T Group was once again able to demonstrate the sustainability of its strategy and the fulfilment of the communicated goals. The further improvement in the Group's earnings situation allows the management of S&T AG to submit a proposal for a dividend payment of 30 cents to the shareholders at the next Annual General Meeting on June 8, 2021.

03 FORECAST, OPPORTUNITIES AND RISK REPORT

FORECAST

2020 was an extraordinary year in every respect: The first appearance of the new SARS-CoV-2 virus in China and its global spread changed the world in many ways: government-imposed closures, curfews, restrictions on travel, overburdened health systems and much more. This led to the sharpest decline in economic output in decades and resulted in the worst economic crisis since World War 2. All previous forecasts for 2020 have been rendered obsolete, even the optimistic scenarios at the beginning of 2020 have been continuously overtaken by the new reality and revised downwards with each new lockdown. While the economic forecasts for the main markets of S&T Group – Europe, North America and Russia – assumed a growth of between 1–2% around a year ago, these had to be lowered step by step. Preliminary figures for the past business year assume a decline in economic output of -7.4% for the EU-27, for example (source: European Commission), or for the USA of -4.6% (source: ECB).

Against this backdrop, the forecast for the financial year 2021 largely depends on how quickly the Corona-Pandemic can be brought under control and how rapid and strong the economic recovery is in 2021.

- › In its latest World Economic Outlook, published on January 26, 2021, the IMF has raised its forecast slightly for growth in the global economy. Accordingly, the IMF expects global economic output to grow by 5.5% in 2021. The IMF emphasises that the forecasts are still subject to a relatively high degree of uncertainty. Although recent vaccine approvals had raised hopes of a turnaround in the pandemic, resurgent waves of infection and new variants of the virus were a cause for concern.
- › The European Commission's winter forecast, published on February 11, 2021, sees development as largely dependent on how quickly openings can be made through population vaccination coverage. According to the European Commission, this forecast is also subject to great uncertainty, but assumes growth in the Eurozone of 3.8% in 2021 and 2022. For the most important sales markets of S&T Group in Europe – Germany and Austria – growth of 3.2% (Germany) and 2.0% (Austria) is expected in 2021.
- › For North America, where S&T Group generates around 11% of its revenues, the International Monetary Fund assumes economic growth of 5.1% for the financial year 2021. In 2021, growth is expected to decline to 2.5%. At its meeting in January 2021, the US Federal Reserve left the key interest rate unchanged in a very low range of 0–0.25%. Furthermore, the question arises here to what extent the announced economic stimulus programs of the new president of the United States will have an effect.
- › For China, the International Monetary Fund forecasts a growth of 7.9% for 2021. China was already considered one of the winners of the Corona-Crisis in 2020, as due to the consistent containment of infection numbers and regionally very limited lockdowns, the economy and consumption in 2020 collapsed significantly less than in Europe or the USA, for example. In the years 2022 to 2025, growth rates should settle at around 5.5%, according to the IMF.
- › According to the World Bank, Russia's economic output declined by 3.6% in 2020. In its report on the development of the Russian economy published on February 9, 2021, the International Monetary Fund assumes that the increase in total economic production in Russia will accelerate from 3.0% in 2021 to 3.9% in 2022.

Although the forecasts for 2021 and 2022 have increased substantially compared to a year ago, it remains to be seen to what extent or how quickly growth will return: this seems to depend in particular on how quickly the restrictions due to the vaccination coverage of the population can be lifted and whether the catch-up effects expected for 2021 and 2022 actually materialise. Despite or even because of these higher uncertainties, the long-term objective for S&T Group – profitable growth – remains unchanged, as the increasing demand for digital solutions also creates opportunities for S&T Group. Nevertheless, the focus on increasing profitability, generating positive cash flows and optimising working capital, even at the expense of revenue growth, will remain unchanged and receive even more attention. The further development of S&T Group into an innovative technology company and solution provider with an increasing share of proprietary developments and high-margin services, and thus increasing value creation, is expected to lead to a further increase in gross and profit margins, including the discontinuation or sale of low-margin product areas.

In the short term – for 2021 as a whole – S&T Group is therefore assuming a positive development in line with its forecast published on January 18, 2021; the Group expects revenues to grow to at least EUR 1.4 billion and EBITDA to reach at least EUR 140 million. This should also increase earnings per share for 2021 to around EUR 1. In the medium term, the Executive Board also sees the targets within the framework of Agenda 2023 (revenues EUR 2 billion, EBITDA at least EUR 220 million, EPS at least EUR 1.75) as feasible and is adhering to this plan.

REPORT ON OPPORTUNITIES AND RISKS

The terms "opportunity" and "risk" encompass all influences, factors and developments that could potentially affect the achievement of S&T Group's business objectives. The basic approach is that the inherent opportunities should exceed the inherent risks. Against this backdrop, the risk policy of S&T Group is designed to contribute to the timely realisation of opportunities that arise in a manner that increases the value of the company, and to actively reduce risks by means of countermeasures, in particular in order to avoid risks that could jeopardise the continued existence of the company. Therefore, a large number of decisions require the weighing up of opportunities and risks.

S&T Group is an internationally active technology company with an increasing focus on its proprietary software and hardware products and is therefore exposed to a wide range of financial and non-financial, industry-specific and entrepreneurial risks. At the same time, the industry and the company offer a multitude of opportunities. The management's goal is to identify and evaluate the risks and opportunities of the market and entrepreneurial activities within the framework of the Group's internal opportunity and risk management. To achieve this objective, it is necessary to create awareness of the existing and potential risks in the company among all employees and especially among decision-makers. By means of a group-wide risk management system, risks and their risk structure in particular, are to be recorded and updated. To this end, a new internal control system based on the COSO reference model was created and introduced in S&T Group. Furthermore, due to the changed framework conditions caused by the COVID-19-Pandemic, group-wide guidelines and local requirements were revised and redesigned, for example to protect employees from possible infections, to maintain S&T Group's ability to deliver and to take into account the changed working conditions due to the lockdowns.

Due to the constant regional or technological expansion of the business segments, corresponding adjustments to the system must be made on an ongoing basis. To this end, for example, acquired subsidiaries are integrated into the Group by defining, implementing and controlling standardised processes. In addition to IT, finance and controlling, risk identification and management also extend to the areas of sales, project management, production, purchasing and development. From the external side, the results of the auditors, lawyers and tax consultants as well as other external service providers are also included in the evaluations. Regular or ad-hoc internal and external audits, risk assessments and certifications also provide insights into improvement opportunities and risk factors. The risk parameters are monitored in two stages: firstly, by means of a standardised process and regular reports to the Executive Board and central functions within S&T AG, and secondly, by means of "red flag criteria", which, if exceeded, result in immediate measures being taken by the Executive Board of S&T AG and the local management of the subsidiaries.

OPPORTUNITY MANAGEMENT

The aim is to exploit corresponding opportunities through business activities and to convert them into economic success for S&T Group. The "IT Services" segment continues to provide stable revenue and earnings contributions, but cannot form the basis for the growth and, above all, earnings targets of S&T Group – the greater opportunities here lie in the "IoT Solutions Europe" and "IoT Solutions America" segments. It is therefore the task of management to further develop the software share in the "IoT" segments in the direction of integrated hardware and software solutions and to build up new business areas, such as IoT as a Service (IoTaaS). Furthermore, the excellent and long-standing customer relationships of the "IT Services" segment are to be used more intensively, on the one hand to serve the digitalisation market accelerated by the Corona-Pandemic, but also to distribute the company's proprietary hardware and software technologies and, in particular, to implement them in the customers' IT landscapes. In addition, the international structure of S&T Group is to be expanded in a targeted manner and the subsidiaries optimally integrated in order to use development, sales and cost synergies with appropriate strategic measures and to further open up the markets. The new or further development of existing proprietary technologies is seen here as a significant opportunity to expand the value chain, but also the product and service portfolio of S&T Group. This also includes minimising risks and consistently exploiting the inherent opportunities. S&T Group considers the following areas to be among the main opportunities:

DIGITALISATION AND SMART EVERYTHING

Digitalisation has been on everyone's lips for years. However, the current Corona-Crisis seems to be fuelling and further accelerating this process. S&T AG is ideally equipped for this with its broad product portfolio – both in the IT Services segment and in the IoT area: to this end, we offer everything for the digital transformation within the SUSiEtec portfolio, from consulting to hardware/software bundles, system integration, software development, hybrid cloud as well as installation and maintenance. S&T Group therefore sees good opportunities to exploit and monetise the opportunities arising from the digital transformation.

UPCOMING TECHNOLOGY CHANGES

Many customers are currently or will soon be switching to new technology standards. This concerns, for example, the new mobile communications standard 5G, which enables enormous bandwidths, real-time applications and a large number of subscribers with an increased security factor. With 5G, private networks can be realised in Smart Factories, for example. On the other hand, in the transport sector, the changeover from the GSM-R mobile communications standard, introduced in 1992, to FRMCS (Future Railway Mobile Communication Standard) means that all European train radio networks are due for an upgrade, for which S&T is ideally positioned due to its range of technologies and its market position. As another example, the SDC (Service-Oriented Device Connectivity) protocol will play a central role in medical technology in the future. Here, S&T is planning to support its own products for the medical sector with SDC in the future via its subsidiary Kontron as part of its membership of OR.NET e.V..

SOFTWARE AND IOTAAS FOCUS

For the entire S&T Group, we see very good potential in the implementation of the software middleware strategy as part of our Industrial 4.0 and IoT focus. The existing hardware portfolio was expanded with a new middleware offering including seamless integration into private and public clouds. This enables us to offer innovative and holistic products, solutions, platforms and new developments in the field of "Internet of Things". The improved integration of hardware-based security solutions enables us to meet market requirements in terms of data protection and data security. In the future, the flexible IoTaaS ("IoT as a Service") offering is also to be further expanded, particularly in the software area, in order to tap into new recurring revenue streams and to bind customers even more strongly to S&T Group.

SCALING UP OUR SERVICE AND SUPPORT OFFERING

The expansion of our range of services also holds opportunities for S&T Group. Our primary goal is to further increase the customer benefits of our products and solutions through services, as well as to develop new comprehensive services in products and solutions-based environments. This enables us to offer our customers complete solutions – from the necessary hardware and software to integration and operating services – from a single source. In addition, we can also support our customers throughout the entire product life cycle. To this end, a new ODM ("Original Design Manufacturing") division was also established within S&T Group in the past financial year in order to support customers from development through to small series and mass production. In addition, the new size of S&T Group and its global spread offer further potential for synergies and optimisation.

EXTENSION OF EXISTANT PARTNERSHIPS; ENTERING OF NEW ONES

The strategic partnership launched in 2016 with Ennoconn Corporation ("Ennoconn") and its main shareholder, Hon Hai Precision Ltd. ("Foxconn"), can yield further opportunities. There is also a stronger focus on expanding partnerships with leading technology providers such as Microsoft in the direction of the Embedded Cloud and Microsoft Azure® as well as, for example, with Intel and Mobileye in the area of autonomous driving and Embedded Edge Servers. In addition, new constellations of providers are constantly emerging in the technology sector as a result of technological change, where S&T Group is often a sought-after partner and which thus offer S&T Group further growth potential.

RISK MANAGEMENT

STRATEGIC RISKS

In the financial year 2020, the rapid spread of the Corona-Virus-Pandemic and associated disease led to a significant impact on the business environment for the global economy. In S&T Group, this development also had a partially negative impact on the business and earnings situation in the financial year 2020 in some vertical end markets as well as in the project business. The strategic objective was therefore to drastically reduce risks in particularly hard-hit target markets, such as the aviation industry, to reallocate resources and to focus more on areas benefiting from the Corona-Pandemic. To this end, for example, the strategic expansion of S&T Group's portfolio for aviation was suspended, investments were reduced and engineering capacities were redeployed internally.

Irrespective of the Corona-Crisis, S&T's strategic focus remains on leveraging further synergies between the hardware and software portfolio of the Kontron subgroup and S&T Group, as well as further expanding the portfolio of the "IT Services" segment into higher service shares and recurring revenues.

With regard to the Kontron Group, this means – following the adjustment of cost structures to the declining revenue in previous years – the additional integration of the product portfolio, as well as the joint, cross-group development of new hardware and software solutions. Failure to implement these strategies could have a direct impact on the Group's risks.

Despite the above, S&T's strategy can turn out to be entirely or partially unsuccessful. Not to be excluded, for example, is that the services offered by its segments that feature proprietary technologies will not experience demand, or that this will not be of the scope foreseen for such. This, in turn, would cause these segments' expansion not to proceed as expected.

In each of the above cases, investments made with a view to implementing the strategy may be lost in whole or in part, especially since the technology industry is subject to constant change. The market is characterised by rapidly changing technologies, frequent introductions of improved or new products and services, as well as constantly changing and new customer requirements and changes in the regulatory area, e.g. data protection. S&T's success therefore depends crucially on anticipating in good time new trends and developments – for example in applications related to Industry 4.0, 5G applications or cloud computing – or changes in data protection, constantly adapting and improving existing products and services and developing new products in order to adapt to changing technologies, regulations, inexpensive competitor products and customer demands. This requires the use of appropriate technical, human and financial resources. Any delay or prevention of the introduction of improved or new products or services, or their lack of or delayed market acceptance, may adversely affect the competitive position.

PERSONNEL RISKS

Our employees, their individual skills and their professional competence are a key driver for the success of S&T Group. Our goal of becoming one of the leading providers and employers in the technology sector creates the basis for attracting the best talents to S&T Group on the one hand, and retaining them on the other. This is highly relevant because, especially in the DACH region (Austria, Germany and Switzerland) or in North America, the availability of highly qualified employees is significantly below their demand and it is therefore becoming increasingly difficult to fill all vacant positions at short notice. Through cooperation with schools, technical colleges and universities, S&T Group endeavours to compete for the best minds at an early stage and to show them the values and opportunities of working for S&T Group, for example in the form of internships or opportunities to do degree-level research. In addition, the acquisition of companies, particularly in the software sector, represents an opportunity for S&T Group to acquire engineering capacities on a larger scale. Finally, due to the spread of the SARS-CoV-2 virus and the resulting COVID-19 illnesses, there was and is a risk that large numbers of S&T Group employees will be absent for a short or longer period of time and that S&T Group's ability to deliver will therefore no longer be assured. S&T Group has already implemented comprehensive safety concepts at the beginning of March 2020 in order to protect its employees as well as possible. On the one hand, this included the immediate change to a home office environment, special hygiene measures or rotating teams if the change to working from home was not possible for operational reasons or if projects required on-site presence. As a result, the number of illnesses within S&T Group in the past financial year was very low. These measures will be continued in the first quarter and in the future in order to avert risks to our employees as far as possible and to mitigate the risk of significant failures.

RISK FROM TECHNOLOGIES

In the business segments "IoT Solutions Europe" and "IoT Solutions America" in particular, S&T Group develops proprietary technology products consisting of hardware and software components, some of which are based on standard systems and configured by S&T Group to customer requirements. With regard to the development of these proprietary technology products, there is a risk that they may prove to be badly conceived or uncompetitive. Delays in development can also lead to postponements in the timely market launch of the respective product. Also not to be excluded is that products featuring proprietary technologies will not be accepted for other reasons by the market or customers, and that they therefore cannot be realised in a profitable way. In all cases, the acquisition or development costs incurred and the related planned revenues and earnings contributions could be lost in whole or in part.

RISKS FROM SALES MARKETS

Economic slumps or recessions in the countries in which S&T AG operates can especially lead to their public sectors' responding to the need to cut costs by awarding fewer or no commissions, or to receivables due from customers in these countries becoming delinquent. As a result, the order and earnings situation may deteriorate, to the detriment of S&T Group's assets, financial position and earnings. For S&T, the high competitive pressure and changes in the propensity to consume and invest also represent significant risks. Therefore, it is important to recognise trends at an early stage through continuous market observations and to quickly and reliably align products to meet the needs of customers. However, S&T does not position itself as a trend researcher, but constantly tries to exploit emerging trends in the short term. Short response times, lean internal processes and entrepreneurial thinking on the part of our employees enable and promote this process. The formation of new working relationships, the direct market entry of Asian players in the service sector in Eastern Europe as well as globally in the embedded systems market are also being observed more and more. S&T meets this challenge through new models of cooperation (such as with Microsoft and Foxconn in the Embedded Cloud Area or Intel and Mobileye in the Embedded Edge Server area) and the use of synergies in the area of indirect distribution and in the Embedded System area through differentiation in the sense of bundling Embedded Systems hardware with corresponding software products and integration services.

After S&T Group's procurement markets in Asia were greatly affected at the beginning of the financial year 2020, which initially mainly affected the supply chain and led to a partial shift in revenues, Corona developed into a global pandemic from March 2020 onwards, resulting in possibly the most severe economic crisis since World War 2. The effects on the individual sales markets in which the customers of S&T Group are active varied considerably: While, for example, S&T Group's medical technology division benefited from the spread of COVID-19 and the increase in capacities in the healthcare system, the lockdowns and the associated travel restrictions led to a massive decline in global air traffic and investment for most airlines came to a halt. S&T Group assumes that some customer segments will not return to the "pre-Corona" key figures for years to come and in this regard has placed its focus on certain sales markets with high digitalisation potential in order to minimise the risk.

RISKS FROM CUSTOMERS

Due to S&T's business model, the company has a diversified customer structure, often with close customer relationships that have lasted for years or even decades. In the past, neither disproportionately high customer losses nor significant bad debts were recorded. One exception to this is the Kontron Group, where the economic development of recent years and the associated loss of technology leadership led to losses on the customer side and Kontron becoming a "Secondary Source" for them. This particularly affected the "IoT Solutions America" segment, where the loss of two major customers led to a significant decline in revenues in recent years. These two customers had their so-called last-time-buy in the past business year, so that no more negative effects are to be expected here in the future.

With regard to possible bad debt losses, an increasing number of S&T Group companies are also working with credit insurance and receivables factoring to reduce risk. The latter is genuine in nature. In Eastern Europe, the majority of customers are larger companies or state organisations. Credit limits for customers are mainly granted individually on the basis of customer ratings or credit limits from recognised commercial credit insurers. Outstanding receivables are monitored by the management and are subject to a standardised valuation based on the requirements of IFRS 9.

In the course of the Corona-Crisis, measures were taken to monitor even more strictly or to reduce credit limits due to higher risks in certain customer segments. In view of the Corona-Crisis, an additional approval process was introduced so that transactions with financially weaker customers require the prior approval of the Executive Board of S&T AG. As payment defaults and insolvencies are likely to

increase in the medium term with the expiry of government support measures in the course of the business year 2021, the focus will continue to be on very strict management of receivables in combination with credit insurance and factoring.

PRODUCT-RELATED RISKS

In the area of product quality, there is a fundamental risk that defective products will lead to damage on the customer's side and that the customer will assert warranty claims or demand additional compensation. We counter this risk through numerous measures, in particular through comprehensive technical quality assurance stretching from product development to production. In addition, all important suppliers are regularly audited via a professional quality management system. Furthermore, on the Kontron side, our worldwide service and repair centres ensure that faulty Kontron products can be quickly and effectively repaired and returned to our customers. In addition, we hedge our product risks through appropriate central and specific local insurance policies. It is equally important that the relationship between customised development orders and standard product orders is managed so that both are balanced. Strongly customer-driven business activities have caused an imbalance in distribution in the past and thus led to high complexity-caused costs. The existing high number of variants of the individual products makes handling in the operational area more difficult. We are countering this risk by coordinating more intensively between the various parts of the company, from development right up to the production process.

RISKS FROM PROCUREMENT AND PRODUCTION

S&T Group sells Embedded Systems products such as Embedded Boards, Embedded Servers, IPCs and Smart Meters. The procurement of goods and the punctual delivery of the products offered place high demands on the organisation and logistics of the Group. S&T has outsourced parts of the logistics process. This prevents the company from having direct or unlimited influence upon these, in order to preclude or alleviate disturbances. Acts of nature, epidemics, pandemics or strikes which hinder the production or transport of raw materials or finished goods may also lead to delays in the delivery of the goods. The spread of the Corona-Virus-Pandemic has posed major challenges to our supply and production chains. At the beginning of the financial year 2020, production came to a partial standstill due to the COVID-19 outbreak, particularly in Asia. S&T Group was able to largely reduce the risk of long-term delays on the basis of good relationships with production partners outside the initial main regions of the crisis. In addition, internal production capacities have been expanded in the current financial year, for example at the existing subsidiary in Hungary and through the acquisition of the Iskratel Group, in order to be able to increase our own production capacities at short notice and thereby limit delays.

In the area of logistics, the costs for logistics services may increase, for example due to the above or additional fees or customs duties, and thus reduce sales margins. Any disruption, interruption or significant increase in the cost of this logistics chain within and/or outside S&T Group may adversely affect its business activities. The EU's continuing export restrictions to Russia can make it difficult to sell EU products in Russia. On the other hand, the situation between China and the USA has eased slightly. The impact on global logistics processes following production stoppages due to government lockdowns related to the SARS-CoV-2 outbreak in Asia have subsided in the second half of 2020. What has remained, however, is an increase in logistics costs. Here, too, the shift to production partners in Europe or in-house production in Europe reduces the risk of the Corona-Pandemic on the logistics processes.

So-called rare earths are used in key technologies in the technology sector. The largest deposits of rare earths are in China. In the past, China has at times kept the market for rare earths artificially tight, leading to an increase in the corresponding commodity prices and the general price level of the products in which these commodities were used. In addition, a large part of the production of the hardware products used by S&T takes place in Asia. Rising labour costs as well as the reduced production capacities based on the COVID-19-Pandemic-related plant closures in Asia can therefore influence price levels. These problems occurred again at the beginning of the current business year 2021 and have led to delivery delays. On the other hand, the cooperation with Ennoconn as a strategic investor and S&T as its "preferred customer" also offers numerous opportunities to reduce these risks.

RISKS FROM PROJECTS AND OPERATING CONTRACTS

In the business segment "IT Services", S&T Group carries out IT projects in which IT solutions tailored to a customer's needs are planned and implemented. IT projects are regularly characterised by a high degree of complexity and incur a considerable expenditure of time and money. The same applies to so-called "design ins" in the embedded systems area as well as for the implementation and deployment of GSM-R projects. The agreement of advance payments is not or only rarely possible for the majority of projects, especially for public sector clients. The services of S&T Group can therefore usually only be invoiced after the completion of pre-agreed project sections (milestones) or even after the completion of the entire project (go-live), so that S&T Group sometimes has to make considerable payments in advance when carrying out projects. However, it cannot be ruled out that projects may be delayed, cancelled or for other

reasons not lead to the hoped-for success, which may also result in milestones not being achieved. This may result in the partial or complete loss of investments already made or in services already rendered not being invoiced and any claims for damages against clients not being asserted or – for legal, economic or practical reasons – not being enforced. In addition, customer relationships can be broken off or permanently impaired in these cases. Group-wide methods and tools for project management and project controlling are used for risk management. In addition, the project controlling of the companies is regularly monitored centrally. Known project risks are adequately taken into account through the formation of appropriate risk provisions. In addition, S&T AG including its subsidiaries is insured against a number of typical liability and operational risks.

In view of the restrictions imposed by governments or even by the customers themselves, there were sometimes delays in projects in the past year, especially in the first half of the year, for example due to official closures of customers or because the necessary contact persons were not available due to short-time work on the customer side. However, through the use of new technologies, the re-allocation of resources and finally getting used to the new "normality", the risk of project delays could be mitigated to a large extent.

RISKS FROM FINANCING AND LIQUIDITY

After the issuing of a EUR 160 million bonded loan in April 2019, no significant new financing was raised in the past financial year. Nevertheless, despite the acquisitions made, the repurchase of treasury shares and the ongoing repayment of existing loans, the financial situation of S&T AG and S&T Group is very solid due to the very positive cash flow development. In addition, there are sufficient credit lines available from the banks in order to have financial leeway even in the short term. The good equity cover of the S&T Group contributes to its financial stability. When selecting banks, S&T AG also takes their creditworthiness into account. Accordingly, financing and financial investments are only concluded with banks that are not expected to pose any default risks. In order to diversify, S&T Group has business relationships with several banks; in addition, financing is not only concluded centrally, but also locally by the subsidiaries. Finally, the bonded loan also opened up a new circle of financiers, for example from Liechtenstein, Taiwan and China. With the bonded loan, the maturity of significant financing was also extended to 2024 and 2026, so that there is no need for refinancing in the short term. In addition, the implementation of a central factoring setup in six companies in Eastern Europe and in parts of the Kontron Group (Germany, France, USA, Canada) has established a financing model that takes account of growth and seasonal fluctuations and also reduces the risk of default by customers.

RISKS FROM CHANGES IN INTEREST RATES

Interest rate risk represents the risk of changes in the value of interest-bearing financial instruments used to finance the Group due to fluctuations in market interest rates. Around two thirds of the loans and overdraft facilities taken out by S&T Group are at fixed interest rates; this mainly relates to the loan of EUR 45 million taken out in 2017 to finance the acquisition of Kontron AG, the loan of EUR 30 million taken out in the financial year 2018 to finance the acquisition of the Excet companies and a long-term loan of EUR 30 million. Of the bonded loan 2019, EUR 85 million of the EUR 160 million have been fixed; for the remaining part, the interest rate development is constantly monitored and quotations for a possible conversion are obtained. The development of benchmark and swap rates of interest formed the basis for the decision to date to refrain from securing a fixed rate of interest. The financing of the S&T subsidiaries, on the other hand, is largely subject to variable interest rates. There is a risk here that the EURIBOR or other reference interest rate will rise, thereby increasing the interest burden on S&T Group. This is to be taken into account through increased internal financing of S&T Group members by S&T AG, which can usually refinance itself much more favourably than the local subsidiary. As of December 31, 2020, S&T Group had an interest rate hedge (interest rate swap) of EUR 15 million to hedge a variable interest rate on an overdraft facility in Austria.

RISKS FROM CURRENCIES

Due to S&T's international orientation, a high proportion of transactions are conducted in currencies other than the reporting currency EUR. These include in particular the US dollar, the Russian ruble, the Polish zloty and the Hungarian forint. The volatility of individual currencies can have a significant impact on the revenues and results of S&T AG and its subsidiaries. The foreign currency risk is countered by financing transactions in matching currencies, procuring external services in the respective local currency and agreeing currency fluctuation clauses. In individual cases, derivative financial instruments are used for hedging. Speculative transactions, i.e. taking risks outside the scope of operating activities, are not permitted within S&T Group. Only existing balance sheet items or cash flows that are highly likely to occur are used for hedging. Currency risks on financing are reduced by financing in the same currency according to the volume of business to be financed. As of the balance sheet date, subsidiaries of S&T AG had forward exchange contracts or currency option contracts which served to hedge purchase volumes or other positions. The group of persons who can conclude corresponding

hedging transactions is very limited. Existing transactions are reported on an ongoing basis and continuously monitored in a group-wide IT system (TM5). For further information on the currency risk, please refer to the explanations on risk management in the notes to the consolidated financial statements.

LEGAL RISKS

Like any internationally active group of companies, S&T AG and its subsidiaries are exposed to legal risks to varying degrees. A fundamental distinction must be made between risks under company law, contract risks, patent risks and also tax and customs risks. Basically, the risk is minimised via standard processes and approval procedures as well as the use of standardised order and business terms and conditions. If necessary, external lawyers, auditors and tax advisers or other experts are involved in addition to the internal legal departments in order to assess risks, avoid legal risks or process matters. Patents and trademarks are protected and monitored by involving external patent and trademark attorneys.

04 INTERNAL CONTROL SYSTEM, GROUP REPORTING PROCESS AND RISK MANAGEMENT SYSTEM

Business monitoring systems (internal control systems – ICS) are becoming increasingly important. Internal control in itself is an integral part of enterprise-wide risk management.

The internal control system is understood to be the principles, regulations and procedures introduced by the Executive Board of S&T AG and the local managing directors of the subsidiaries, which are aimed at the organisational implementation of management decisions. The objectives to be safeguarded are the protection of assets against loss, misuse and damage, the achievement of organisational goals, the assurance of proper, economic, efficient and effective processes, the reliability of operational information, in particular the reliability of accounting, and compliance with laws and regulations. The ICS has a preventive and detective function and supports the flow of corporate processes.

Internal control is a process embedded in the work and operations of an organisation, carried out by management and employees to identify risks, manage them and provide reasonable assurance that the organisation is achieving its objectives in fulfilling its mission. In this context, an ICS refers to all essential business processes. One of the important foundations for a functioning ICS is the definition of the structural and procedural organisation in the company.

In order to optimise the ICS, S&T AG has developed an independent ICS manual. In addition to the significance and importance of an effectively implemented internal control system, specific requirements for the subsidiaries are also regulated in this ICS manual, which is applicable throughout the Group. In this context, the ICS also aims to ensure that the subsidiaries comply with S&T Group processes and guidelines. The aim of this guideline is to define and establish minimum standards for internal controls, to ensure their application and to derive measures that comply with ICS principles.

As with any general activity, there should be a balance between risk and control of the business, i.e. the cost/benefit aspect should be considered. The ICS comprises measures and controls based on the following principles, among others: transparency, "four-eyes principle", separation of functions and minimum information.

In general, the ICS manual of S&T AG is based on the international COSO model. The COSO model is a basic model for assessing the internal control system of companies, published by the Committee of Sponsoring Organisation (COSO) of the US Treadway Commission and is regarded as a standard worldwide. The respective objectives and components (e.g. control environment, risk assessment, monitoring) of the COSO model are described in detail in the ICS manual of S&T AG.

With regard to the role of the internal audit, its tasks and activities, such as the procedure for audit planning, audit execution and the control process with regard to the improvement measures defined in the audits, are described in detail in the manual. In addition, the manual includes references regarding equally important ICS topic areas, such as business ethics and compliance.

The management of all subsidiaries of S&T AG is obliged to comply with the requirements of the Internal Control System Manual. The monitoring of compliance with the requirements of the Internal Control System Manual as well as the assessment of the general control environment at the subsidiaries is carried out within the framework of regular or ad-hoc internal audits at the Group's companies. This is carried out by the central audit department at S&T AG. In addition, the responsible S&T Group functions, such as the Accounting or Internal IT departments, are required to continuously monitor compliance with the Group-wide guidelines for their areas of responsibility.

The main components of the internal reporting system are the standardised reports and scorecards, which are generally sent to the management on a monthly basis and to the company's supervisory board on a quarterly basis. In addition, a new BI and analytics tool was introduced in the past financial year, which provides management with all key financial figures on a daily basis through direct access to the local financial systems of the main subsidiaries. Standardised core processes and job descriptions have defined procedures and internal controls. The process specifications for the subsidiaries are stored in a central information system of S&T AG.

The reporting, management and controlling of risks is structured hierarchically. The requirements of the accounting process are implemented by the finance department at the respective companies. Risks of accounting errors are largely eliminated or minimised by the following processes:

- › Uniform IFRS accounting guidelines, supported by standardised reporting forms or files, are mandatory for accounting and consolidation. In the financial year 2019, a new accounting manual was developed for this purpose, which explains significant accounting issues or further standardises them with regard to the acquired Group companies and is mandatory for the fully consolidated subsidiaries of S&T Group. The accounting manual has been adapted to new developments in 2020. The subsidiaries acquired in 2020 were also directly connected to the COGNOS IT system for consolidation, thus establishing a one-step consolidation process.
- › Local management is responsible for ensuring compliance with Group-wide requirements, while the central finance department at S&T AG collates and evaluates all data before submitting standard reports to the Executive Board of S&T AG and the management of the subsidiaries.
- › The authorisation concept for the central accounting programs is uniformly regulated and centrally monitored. The aggregated and consolidated data of the COGNOS system can only be accessed by S&T AG's finance department employees.
- › All Group reports are reviewed within the central finance department and also by other internal and external persons.
- › Furthermore, the completeness and correctness of accounting data are regularly checked by the central finance department on the basis of random samples and plausibility checks, both manually and with the help of IT. On the basis of detailed monthly and quarterly financial reports, deviations in the earnings and asset situation from planned and previous year's values are identified and analysed. In 2020, an additional focus was placed on working capital and cash management, which is taken into account through centralised monthly reporting and analyses of development under the leadership of the newly created position of "Head of Working Capital Management". Through regular visits by Executive Board members to the companies or conference calls, the results are discussed directly with the responsible persons on site.
- › For more complex issues and for the evaluation of actuarial issues or, for example, the option pricing for the stock options programs, external experts are commissioned by S&T AG or at local level.
- › All Group reports are reviewed within the central finance department and also by other internal and external persons. In addition, the internal audit validates and monitors bottom-up risk reporting.
- › The management of the companies is obliged to comment on significant risks. This is done through a regular risk assessment process coordinated by the Group-wide Head of Internal Audit. There, the bottom-up risk reporting is validated and monitored. As part of this regular process of supplementary ad-hoc risk reporting, the subsidiaries are required to report new risks that may exceed a certain loss limit or significant deteriorations in existing risks. This is also the basis for determining or carrying out ad-hoc internal audits outside the standard audit calendar.

Further information on the risk management organisation and process is available in the "Forecast/Opportunities and Risk Report" and in the sustainability section of this report.

05 DISCLOSURES IN ACCORDANCE WITH § 243A UGB (AUSTRIAN COMMERCIAL CODE)

1. Share capital amounts to EUR 66,096,103 and is divided into 66,096,103 non-par value bearer shares. Share capital has been completely employed.
2. The right to exercise votes at the annual general meeting is unlimited. There are no other limitations that might affect voting rights or the transferring of shares known.
3. With 26.61% of the shares and voting rights, held via two subsidiaries affiliated with Ennoconn Corporation, Ennoconn Corporation, New Taipei, Taiwan, is the largest shareholder of S&T AG as of December 31, 2020, to the knowledge of S&T AG. In addition, to the knowledge of S&T AG, Allianz Global Investors GmbH, as the second largest shareholder, held 5.01% of the shares and voting rights in S&T AG as of the balance sheet date. To the knowledge of S&T AG, all other shareholders were below the 5% threshold as of the balance sheet date.
4. No shares exist that grant special rights of control.
5. S&T AG has had or has stock options programs since 2014 (SOP 2014, SOP 2015, SOP 2015 – Tranche 2016, SOP 2018 – Tranche 2018, SOP 2018 – Tranche 2019), under which non-securitised stock options were granted to members of the Executive Board and senior executives of S&T AG and its affiliated companies. In addition, based on the authorisation of the Annual General Meeting of June 16, 2020, a new warrants program for a total of 2 million warrants (instruments pursuant to § 174 of the Austrian Stock Corporation Act) was set up, under which around 120 executives and employees of S&T Group subscribed to warrants and selected members of the Executive Board of S&T AG were allocated warrants. After a 3-year waiting period and in the event that the exercise hurdle is reached, each warrant entitles the holder to subscribe to one share in S&T AG at a predefined exercise price, which may be adjusted in accordance with the terms and conditions of the issue. The warrants were admitted to official trading on the Vienna Stock Exchange and are listed under ISIN AT0000A2HQA7. No right of control over voting is associated with them. Employees who hold shares exercise their voting rights directly at the Annual General Meeting.
6. No stipulations exist that exceed the bounds of law and apply to the members of the Executive or Supervisory Boards. Nor do stipulations exist that could not be immediately derived from the legal code on the making of alterations in the articles of association.

Due to the expiry of the previous authorisation of the Executive Board to buy back treasury shares on December 14, 2018, the Extraordinary General Meeting of S&T AG on January 15, 2019 resolved a new authorisation from the Executive Board to buy back treasury shares. The Executive Board was empowered to issue no-par value bearer shares in the company up to an amount of 10% of the share capital of the Company for a period of 30 months from January 15, 2019 both on the stock exchange and – in this case with the prior consent of the Supervisory Board – outside stock exchanges. The shares may be acquired at an equivalent value that does not exceed or fall below the stock exchange price (average closing price for shares of the company in XETRA trading on the Frankfurt/Main Stock Exchange) of the last five trading days prior to the acquisition by more than 10%. Corresponding Board resolutions as well as details of the respective repurchase program based thereon shall be published in accordance with legal requirements. The Executive Board was also authorised by the Extraordinary General Meeting on January 15, 2019 to redeem treasury shares after repurchase without further resolution by the General Meeting with the approval of the Supervisory Board. The Supervisory Board is authorised to resolve on amendments to the Articles of Association resulting from the withdrawal of shares.

Furthermore, the Executive Board is authorised, with the approval of the Supervisory Board, to sell the treasury shares acquired in any other way than via the stock exchange or through a public offering, for example in the form of using these shares as consideration for contributions from companies, operations, parts of operations or shares in one or several companies in Austria or abroad or for other assets (e.g. patents). The general subscription rights of the existing shareholders may be excluded in this case.

The Executive Board made use of the authorisation to acquire treasury shares in the financial year 2020 through two share buyback programs:

- › On February 28, 2020, the Executive Board of S&T AG decided to acquire a volume of up to 1,000,000 shares for a maximum total amount of EUR 15 million at a maximum price of EUR 22.00 per share ("Share Buyback Program I 2020") in continuation of the Share Buyback Program II 2019, which S&T AG terminated on December 27, 2019. The Share Buyback Program I 2020 was terminated on June 30, 2020. During this period, 390,373 treasury shares were repurchased at a weighted average price of EUR 16.7359 per share.
- › On October 27, 2020, the Executive Board of S&T AG decided to implement a new share buyback program for treasury shares ("Share Buyback Program II 2020") based on the authorisation resolution of the Extraordinary General Meeting of January 15, 2019. The volume also amounts to up to 1,000,000 treasury shares, whereby the total acquisition amount is up to EUR 20 million and the maximum price per acquired treasury share was EUR 20.00. The total number of shares acquired in the share buyback since October 27, 2020, amounts to 320,351 shares at a weighted average price of EUR 17.6611 as at the balance sheet date. On March 2, 2021, the Executive Board decided to increase the maximum price to EUR 22.50 due to the increased share price of S&T AG based on the positive operational development of the company.
- › As of December 31, 2020, S&T AG holds 1,467,969 treasury shares, which corresponds to 2.22% of the company's share capital. The total acquisition price of all treasury shares as at December 31, 2020, excluding incidental costs of the repurchased shares, was EUR 26,838,330.68. Up to the date of this report, a total of 31,000 treasury shares were sold to beneficiaries under the stock options programs to service their delivery claims from exercised stock options.

7. On the authorised capital:

- › By resolution of the Annual General Meeting of S&T AG on June 27, 2017, the Executive Board was authorised, with the consent of the Supervisory Board, to increase the share capital within five years after registration of the corresponding amendment to the Articles of Association by up to EUR 10,000,000 by issuing up to 10,000,000 new no-par value bearer shares with voting rights in exchange for cash and/or contributions in kind, if necessary by way of indirect subscription rights on one or more occasions ("Authorised Capital 2017", § 5 Paragraph 5 of the Articles of Association).
- › From the Authorised Capital 2017 of up to EUR 10,000,000, EUR 7,208,534 is still available due to its partial utilisation for a capital increase against contributions in kind ("Kontron Canada capital increase against contributions in kind") – in the amount of EUR 1,408,843 through the issue of 1,408,843 new shares.
- › At the Extraordinary General Meeting of S&T AG on May 21, 2019, the shareholders resolved a new, additional authorised capital, under which the Executive Board, with the consent of the Supervisory Board, is authorised to increase the share capital until June 25, 2024 – also with partial or total exclusion of the subscription rights of the shareholders due to a partial direct exclusion and/or as a result of the granted authorisation of the Executive Board to exclude in certain cases – by up to EUR 6,600,000 ("Authorised Capital 2019"). No use was made of the existing authorisations to issue new shares from the authorised capital in the financial year 2020.
- › Regarding the "Authorised Capital 2020", see below the explanations in connection with the warrants.

8. On the conditional capital:

At the Annual General Meeting of June 25, 2015, a resolution was passed on the conditional increase of the share capital pursuant to § 159 Paragraph 2 no. 3 of the Austrian Stock Corporation Act (AktG) in such a way that the share capital is increased by up to EUR 2,580,000 by issuing up to 2,580,000 no-par value bearer shares for the purpose of servicing stock options within the framework of the Stock Options Program 2015 to employees, executives and members of the Executive Board of the company or one of its affiliated companies ("Conditional Capital II"). In the financial year 2020, there was no increase in share capital through the issue of new shares from Conditional Capital II.

9. On the authorised conditional capital:

- › The Annual General Meeting on May 21, 2019, resolved on authorised conditional capital, with which the Executive Board was authorised, pursuant to § 159 Paragraph 3 of the Austrian Stock Corporation Act (AktG), to conditionally increase the share capital by up to EUR 1,500,000 for the granting of stock options until June 25, 2024, subject to the approval of the Supervisory Board ("Authorised Conditional Capital 2019"), whereby the capital increase is for a specific purpose and may only be carried out to the extent that holders of stock options from the Stock Options Program 2018 – Tranche 2018 and Tranche 2019 as well as a potential future program are entitled to exercise their options for the first time no earlier than three years after the granting of the option and an exercise hurdle of 25% of the stock exchange price of the company's share on the Frankfurt Stock Exchange, which must be higher than the exercise price. As of December 31, 2019, the Supervisory Board had allocated 700,000 stock options to the Executive Board of S&T AG and 150,000 stock options to executives of S&T AG and its affiliated companies from the existing stock options programs, which can be exercised for the first time in an exercise window after the end of the vesting period, which ends on December 18, 2021. Therefore, no use was made of the Authorised Conditional Capital 2019 in the past financial year 2020.
- › The Annual General Meeting of June 16, 2020, resolved a partial revocation of the existing authorisation of the Executive Board from the Authorised Conditional Capital 2019, namely to the extent of EUR 500,000, so that the Authorised Conditional Capital comprises a remaining authorisation to conditionally increase the share capital by up to EUR 1,000,000 for the granting of stock options until June 25, 2024, subject to the approval of the Supervisory Board.

10. Issue of warrants/authorised capital 2020:

- › The Annual General Meeting on June 16, 2020 authorised the Executive Board to increase the share capital by up to EUR 2,000,000 for the purpose of servicing conversion or subscription rights under warrants ("Authorised Capital 2020") in accordance with § 169 of the Austrian Stock Corporation Act.
- › The same Annual General Meeting on June 16, 2020 resolved to issue 2,000,000 warrants (instruments pursuant to § 174 of the Stock Corporation Act). 1,500,000 warrants were allotted to selected members of the Executive Board of S&T AG (those eligible for allotted shares) by the Supervisory Board. 500,000 warrants were publicly offered to selected key employees of S&T Group for subscription against the offer price per warrant as of July 13, 2020, on the basis of a prospectus approved by the Austrian Financial Market Authority. After the end of the offer period and a so-called rump placement of warrants not subscribed in the public offer, the Executive Board, with the approval of the Supervisory Board, decided on the final number of warrants to be issued and the allocation of the warrants offered. A total of 2,000,000 warrants, comprising the 1,500,000 allotted and the 500,000 publicly offered warrants, were issued. 112 eligible subscribers who had delivered subscription certificates for a total of 420,665 offered warrants received the full allocation according to the classification of the respective Group company and the respective management level of the eligible subscriber in accordance with the parameters set out in the prospectus. The remaining number of 79,335 offered warrants were issued to the allottees on the basis of their subscription certificates received for the rump placement, against payment of the offer price per warrant. As of July 30, 2020, the warrants were admitted to official trading on the Vienna Stock Exchange and subsequently the warrants were or will be delivered to the respective subscribers and allottees. The first exercise of the conversion or subscription right from the warrant is possible at the earliest 36 months after the issue of the warrant and only if the price of the S&T AG share exceeds EUR 32.86. For this reason, no use was made of the Authorised Capital 2020 in the financial year 2020.

Otherwise, the members of the Executive Board have no powers that do not arise directly from the law, in particular with regard to the possibility of issuing or buying back shares.

11. There are loan agreements whose conditions could change in the event of a "change of control" or which could lead to a termination of the loan agreement. S&T AG's loan agreements with the financing banks provide for a termination option on the part of the banks in the event of a change of control at S&T AG. A change of control is basically defined as when a person or a group of persons acting in concert acquires 50% of the shares and/or voting rights or is given the opportunity to determine the majority of the members on the Executive Board and/or the Supervisory Board. The above definition was included in the following credit agreements, among others: BAWAG one-off loan 2013, OeKB equity financing 2017 and OeKB equity financing 2018. In part, an increase in the shares of Ennoconn Corporation is exempted from the "change of control" in the loan agreements. The latter exception also applies, among

other things, to the bonded loan agreements concluded in 2019. Change of control is defined in the concluded agreements as obtaining a controlling interest in S&T AG, whereby an increase in the (direct or indirect) interest of Ennoconn Corporation (or its legal successors) in S&T AG does not constitute a change of control.

12. Indemnification agreements, as defined by § 243a Paragraph 1 no. 9 UGB (Austrian Commercial Code) do not exist.

Linz, March 24, 2021



Dipl. Ing. Hannes Niederhauser



Michael Jeske



Dr. Peter Sturz



MMag. Richard Neuwirth



Carlos Manuel Nogueira Queiroz

This management report contains statements that relate to the future development of S&T AG as well as its economic development. These statements represent estimates that S&T AG has made on the basis of all information available at the present time. If the underlying assumptions do not materialise or further risks occur, the actual results may differ from the results currently expected. S&T AG can therefore not accept any liability for this information.



DATA SECURITY IN THE MINISTRY OF FINANCE IT SERVICES

Governments and countries over the world are constantly working to improve their data security and make their data safe against attacks and misuse. With its many years of experience in the field of IT security solutions, S&T Group supports many public institutions with their efforts to achieve this goal.

In Poland, S&T Group implemented a comprehensive WAN security solution in the ministry of finance and its subordinate institutions such as the tax administration offices, customs offices and the inland revenue offices. The company also introduced a management system for the installed infrastructure at the almost 700 sites scattered throughout Poland. The technology change involved made the project highly complex and required a detailed working plan. To this end, the S&T team developed a new configuration, raised the level of security for all devices in use and drew up a migration plan which reduced practically all downtimes at each of the locations. Despite conditions made more difficult by the pandemic, installation was completed on schedule and the project, which was worth approximately EUR 4.7 million, was successfully concluded.

CONSOLIDATED INCOME STATEMENT



CONSOLIDATED INCOME STATEMENT IN TEUR	NOTES	2020	2019
Revenues	(1)	1,254,804	1,122,885
Capitalised development costs	(2)	17,602	15,528
Other income	(3)	8,762	8,013
Expenses for materials and other services purchased	(4)	-799,047	-715,371
Personnel expenses	(5)	-273,253	-245,159
Depreciation and amortisation	(6)	-61,465	-49,943
Other operating expenses	(7)	-78,825	-74,185
Result from operations		68,578	61,768
Finance income	(8)	1,595	1,325
Finance expenses	(8)	-9,256	-9,010
Financial result		-7,661	-7,685
Result from associated companies		-229	-19
Earnings before taxes		60,688	54,064
Income taxes	(9)	-6,065	-4,552
Net income		54,623	49,512
Results from the period attributable to owners of non-controlling interests		-986	403
Results from the period attributable to owners of interests in parent company		55,609	49,109
Earnings per share (undiluted)	(10)	0.86	0.75
Earnings per share (diluted)	(10)	0.84	0.73
Average number of shares in circulation (in thousands undiluted)		64,998	65,871
Average number of shares in circulation (in thousands diluted)		65,998	66,909

STATEMENT OF OTHER COMPREHENSIVE INCOME

STATEMENT OF OTHER COMPREHENSIVE INCOME IN TEUR	2020	2019
NET INCOME	54,623	49,512
Items that will not be reclassified to profit or loss		
Remeasurement according to IAS 19		
Gains(+)/losses(-) from remeasurement	-464	-1,706
Results from remeasurement of financial instruments at fair value through other comprehensive income	-49	88
	-513	-1,618
Items that may be subsequently reclassified to profit or loss		
Unrealised gains/losses from currency translation	-12,481	2,476
Net loss on debt instruments at fair value through other comprehensive income	-14	-11
	-12,495	2,465
Other comprehensive income	-13,008	847
Comprehensive income	41,615	50,359
of which attributable to		
Results from the period attributable to owners of non-controlling interests	-1,965	1,067
Results from the period attributable to owners of interests in parent company	43,580	49,292

CONSOLIDATED BALANCE SHEET

ASSETS IN TEUR	NOTES	31.12.2020	31.12.2019 (ADJUSTED)
NON-CURRENT ASSETS			
Property, plant and equipment	(11)	135,120	99,809
Intangible assets	(12)	102,798	100,494
Goodwill	(12)	199,481	194,384
Investments in associated companies	(13)	0	289
Financial assets non-current	(14)	11,913	7,984
Contract assets non-current	(1)	201	3,331
Other non-current assets	(15)	19,831	16,464
Deferred tax assets	(16)	36,616	34,430
		505,960	457,185
CURRENT ASSETS			
Inventories	(17)	159,857	146,766
Trade receivables	(18)	204,482	212,150
Contract assets current	(1)	23,553	27,206
Financial assets current	(19)	10,206	14,533
Other receivables and assets current	(20)	60,660	55,602
Cash and cash equivalents	(21)	281,909	312,284
		740,667	768,541
Total assets		1,246,627	1,225,726
EQUITY AND LIABILITIES IN TEUR			
EQUITY			
Subscribed capital	(22)	66,096	66,096
Capital reserves	(22)	169,441	170,057
Accumulated results	(22)	210,354	154,745
Other reserves	(22)	-15,591	-3,562
Treasury shares	(22)	-26,262	-14,647
Equity attributable to owners of interests in parent company		404,038	372,689
Non-controlling interests	(22)	5,432	12,363
		409,470	385,052
NON-CURRENT LIABILITIES			
Financing liabilities non-current	(23)	218,848	219,979
Other financial liabilities non-current	(24)	77,858	54,573
Contract liabilities	(1)	16,323	13,710
Other liabilities non-current	(25)	661	231
Deferred tax liabilities	(16)	13,271	13,368
Provisions non-current	(26)	26,846	29,964
		353,807	331,825
CURRENT LIABILITIES			
Financing liabilities current	(23)	42,810	62,765
Trade payables	(27)	210,011	205,037
Contract liabilities	(1)	69,669	59,971
Other financial liabilities current	(28)	46,487	66,450
Provisions current	(26)	40,473	54,384
Other liabilities current	(29)	73,900	60,242
		483,350	508,849
Total equity and liabilities		1,246,627	1,225,726

CONSOLIDATED CASH FLOW STATEMENT



CONSOLIDATED CASH FLOW STATEMENT IN TEUR	NOTES	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Earnings before taxes		60,688	54,064
Depreciation and amortisation		61,465	49,943
Interest expenses		9,256	9,011
Interest and other income from the disposal of financial assets		-1,595	-1,325
Result from associated companies		229	19
Increase/decrease of provisions		-19,108	-31,929
Gains/losses from the disposal of non-current non-financial assets		-56	601
Changes in inventories		8,570	-1,438
Changes in trade receivable and contract assets		41,432	49,712
Changes in other receivables and assets		5,983	-6,963
Changes in trade payable and contract liabilities		-2,455	-29,996
Changes in other liabilities		-12,563	5,241
Other non-cash income and expenses		129	-1,881
Cash and cash equivalents from operations		151,975	95,059
Income taxes paid		-11,163	-11,670
Net cash flows from operating activities		140,812	83,389
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non-current non-financial assets		-33,920	-27,103
Purchase/sale of financial instruments		0	-17
Proceeds from sale of non-current non-financial assets		775	2,239
Disposal/purchase of financial instruments		-3,649	-4,271
Payments to acquire subsidiaries less cash assumed and plus current account liabilities assumed	(A)	-40,960	-27,193
Proceeds /Payments from disposal/sale of subsidiaries less cash disposed and plus current account liabilities disposed		-1	58
Proceeds from sale of shares in associated companies		60	0
Interest income		513	565
Net cash flows from investing activities		-77,182	-55,722
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in financing liabilities and financial liabilities		3,467	168,025
Decrease in financing liabilities and financial liabilities		-44,349	-39,943
Interests paid		-6,003	-5,768
Acquisition of non-controlling interests	(A)	-8,086	-13,351
Dividends to owners of interests in parent company		0	-10,574
Payments for acquisition of treasury shares		-12,191	-14,647
Capital increase (less transaction costs)		1,385	21
Net cash flows from financial activities		-65,777	83,763
Changes in exchange rates		-8,067	1,142
Changes in financial funds		-10,214	112,572
Financial funds as of the beginning of the financial year	(30)	265,165	152,593
Financial funds as of the end of the financial year	(30)	254,951	265,165
Overdrafts	(30)	23,132	42,321
Restricted cash	(30)	3,826	4,798
Total cash and cash equivalents	(30)	281,909	312,284

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DEVELOPMENT OF EQUITY IN TEUR	NOTES	EQUITY ATTRIBUTABLE TO OWNERS OF INTERESTS IN PARENT COMPANY	
		SUBSCRIBED CAPITAL	CAPITAL RESERVES
as of January 1, 2019		66,089	177,414
COMPREHENSIVE INCOME			
Consolidated income		0	0
Other comprehensive income		0	0
		0	0
OTHER CHANGES			
Acquisition of subsidiaries		0	0
Stock options		7	1,238
		7	1,238
TRANSACTIONS WITH OWNERS OF INTERESTS			
Acquisition of non-controlling interests		0	-8,412
Decrease of shares in subsidiaries without loss of control		0	-183
Dividends		0	0
Repurchase of treasury shares		0	0
		0	-8,595
as of December 31, 2019		66,096	170,057
as of January 1, 2020		66,096	170,057
COMPREHENSIVE INCOME			
Consolidated income		0	0
Other comprehensive income		0	0
		0	0
OTHER CHANGES			
Acquisition of subsidiaries		0	0
Stock options	(37)	0	4,866
Other		0	-153
		0	4,713
TRANSACTIONS WITH OWNERS OF INTERESTS			
Acquisition of non-controlling interests	(22)	0	-5,329
Dividends	(22)	0	0
Repurchase of treasury shares		0	0
Capital increase	(22)	0	0
		0	-5,329
as of December 31, 2020		66,096	169,441

EQUITY ATTRIBUTABLE TO OWNERS OF INTERESTS IN PARENT COMPANY
NON-CONTROLLING INTERESTS
EQUITY

ACCUMULATED RESULTS	OTHER RESERVES	TREASURY SHARES	TOTAL		
116,211	-3,745	0	355,969	11,306	367,275
49,109	0	0	49,109	403	49,512
0	183	0	183	664	847
49,109	183	0	49,292	1,067	50,359
0	0		0	4,067	4,067
0	0	0	1,245	0	1,245
0	0	0	1,245	4,067	5,312
0	0	0	-8,412	-5,142	-13,554
0	0	0	-183	1,065	882
-10,575	0	0	-10,575	0	-10,575
0	0	-14,647	-14,647	0	-14,647
-10,575	0	-14,647	-33,817	-4,077	-37,894
154,745	-3,562	-14,647	372,689	12,363	385,052
154,745	-3,562	-14,647	372,689	12,363	385,052
55,609	0	0	55,609	-986	54,623
0	-12,029	0	-12,029	-979	-13,008
55,609	-12,029	0	43,580	-1,965	41,615
0	0	0	0	1,124	1,124
0	0	576	5,442	0	5,442
0	0	0	-153	0	-153
0	0	576	5,289	1,124	6,413
0	0	0	-5,329	-4,140	-9,469
0	0	0	0	-2,468	-2,468
0	0	-12,191	-12,191	0	-12,191
0	0	0	0	518	518
0	0	-12,191	-17,520	-6,090	-23,610
210,354	-15,591	-26,262	404,038	5,432	409,470



A.

GENERAL INFORMATION**INFORMATION ON S&T GROUP AND S&T AG**

S&T AG is a technology corporation that employs some 6,100 employees at operative units in 33 countries around the world. S&T's stock is listed on the Frankfurt Stock Exchange and forms part of its TecDAX® and SDAX® indexes. S&T's diverse and combined portfolio features proprietary technologies in the fields of embedded systems, cloud solutions, and software and services. This portfolio makes S&T one of the world's leading providers of Industry 4.0 and Internet of Things (IoT) technologies. S&T's "IT Services" segment is one of the leading providers of a comprehensive range of IT services and solutions in Central and Eastern Europe.

S&T AG is a stock corporation under Austrian law. Its head offices are at Industriezeile 35, 4021 Linz, Austria. It is entered at the registration office in Linz under the company register number FN 190.272 m. The company's stock is listed on the Prime Standard segment of the Frankfurt Stock Exchange (FSE) in Frankfurt am Main, Germany.

PRINCIPLES OF FINANCIAL REPORTING

The consolidated financial statements of S&T AG have been compiled in accordance with the financial reporting standards of the International Accounting Standards Board (IASB), with the International Financial Reporting Standards (IFRS) and with the interpretations of the IFRS Interpretation Committee (IFRS IC), as applicable in the European Union, and the relevant commercial law regulations contained in § 245a Paragraph 1 UGB (Austrian Commercial Code). Unless otherwise noted, all amounts are denominated in thousands of euros (TEUR). Regarding addition of rounded amounts and percentages, rounding differences may occur due to the use of automated methods of calculation.

COVID-19-PANDEMIC

The global outbreak of the COVID-19-Pandemic and the measures taken by the respective governments, such as lockdowns, travel restrictions and curfews, as well as the accompanying slump in the global economy had an impact on practically all economic sectors. The S&T Group was also unable to escape these developments, as the aviation sector, among others, was strongly affected by the aforementioned restrictions, as was the project business in some cases. Conversely, demand for IT services and related hardware and software solutions was very high, especially in times of pandemics and the associated increase in virtual collaboration. In addition, there was a significant increase in demand in the medical technology sector, which is reflected in very high growth rates in this business area. Overall, the pandemic did not have any significant impact on the net assets, financial position and results of operations of the S&T Group, which is not least due to the breadth of the service portfolio. At this point in time, there were also no significant effects on payment defaults. Although there is a degree of uncertainty as to how far the business activities of the S&T Group could be affected by the pandemic due to the fact that further developments in connection with the pandemic can only be predicted to a limited extent, there is no unusual volatility in the expectations for the coming months at the present time. However, possible future effects on the valuation of individual assets and liabilities are analysed on an ongoing basis.

ADJUSTED PRESENTATION IN THE CONSOLIDATED BALANCE SHEET

The Group has adjusted the presentation of the consolidated balance sheet. Goodwill is now presented separately from other intangible assets in the balance sheet. Until the previous year, this separation only took place in the notes to the consolidated balance sheet within the notes in the consolidated financial statements.



The Group assumes that the adjusted presentation in the consolidated balance sheet will provide greater clarity for readers of the financial statements. The previous year's figures have been adjusted accordingly.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

In financial year 2020, application of the following new or amended standards and interpretations was mandatory for the first time:

MANDATORY NEW AND AMENDED STANDARDS AND INTERPRETATIONS TO BE APPLIED IN FINANCIAL YEAR 2020	PERIOD OF APPLICATION
IAS 1, IAS 8 Amendments to IAS 1 and IAS 8 Definition of Material (published October 2018)	January 1, 2020
IFRS 3 Amendments to IFRS 3 Business Combinations (published October 2018)	January 1, 2020
Diverse Amendment to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform (published: September 2019)	January 1, 2020
IFRS 16 Amendments to IFRS 16 COVID-19-Related Rent Concessions (published May 2020)	June 1, 2020
Amendments to the references to the conceptual framework for financial reporting (published March 2018)	January 1, 2020

The first-time application of these new or revised standards has no material impact on the consolidated financial statements of S&T AG.

The following standards (and their amendments) and interpretations were adopted by the IASB. Their application was, however, not obligatory for financial year 2020. There are currently no plans to apply these standards before they become mandatory. These standards are not expected to have any material impact on the consolidated financial statements.

STANDARDS ADOPTED BY THE IASB – NOT YET MANDATORY IN FINANCIAL YEAR 2020	PERIOD OF APPLICATION
Diverse Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 IBOR Reform Phase 2 (published August 2020)	January 1, 2021
IFRS 4 Amendments to IFRS 4 Insurance Contracts (published June 2020)	January 1, 2021
IFRS 3 Amendments to IFRS 3 Reference to the Conceptual Framework (published May 2020)	January 1, 2022
IAS 16 Amendments to IAS 16 Regarding Proceeds Before Intended Use (published May 2020)	January 1, 2022
IAS 37 Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract (published May 2020)	January 1, 2022
Diverse Annual Improvements to IFRS (2018-2020 cycle) (published May 2020)	January 1, 2022
IFRS 17 Insurance Contracts (published May 2017)	January 1, 2023
IAS 1 Amendments to IAS 1 Clarification of Criteria for Classifying Liabilities as Current or Non-Current (published January 2020)	January 1, 2023
IAS 1 IAS 1 – Disclosure of Accounting Policies (published February 2021)	January 1, 2023
IAS 8 IAS 8 – Definition of Accounting Estimates (published February 2021)	January 1, 2023

PRINCIPLES OF CONSOLIDATION

S&T AG's consolidated financial statements include – as fully consolidated companies – S&T AG and all group companies directly or indirectly controlled by S&T AG (subsidiaries). To determine whether a company is to be consolidated or not, S&T AG (the investor) analyses whether the potential subsidiary (the investee) satisfies the criteria for the existence of direct or indirect control. Control is deemed to exist when

- › S&T AG holds the power of disposition over the associated company,
- › S&T AG is exposed to varying return flows or has rights to such due to its relationship with the associated company, and
- › S&T AG can use its power of disposition over the associated company to influence the amounts of these varying return flows.

At each date of financial reporting, the management of S&T AG verifies the extent to which the conditions for consolidation are still being fulfilled.

Subsidiaries are fully consolidated from the moment that S&T AG has control over them or is in a position to exert control at any time.

Subsidiaries are deconsolidated from the moment that the parent company's control over them ends. Their assets, liabilities and proportionate equity components are derecognised accordingly.

Companies upon which S&T AG can exert significant influence (associated companies) are incorporated in the consolidated financial statements using the equity method.

Companies in which S&T holds shares of less than 20% and over which it cannot exert significant influence are reported as financial assets, and, in accordance with IFRS 9, assigned to the category "at fair value through other comprehensive income without recycling".

December 31 is the single date of financial reporting for all companies consolidated in the financial statements. The consolidated financial statements are compiled in euros, which is the functional currency of S&T AG.

The assets and liabilities of the companies headquartered in Austria or abroad are recognised in the consolidated financial statements using a single, Group-wide set of reporting and measurement methods.

All intra-Group balances, transactions and unrealised profits and losses from intra-Group transactions and dividends are completely eliminated. Consolidation procedures take into account the effects on income taxes. If necessary, deferred taxes are recognised.

Losses experienced by a subsidiary are assigned to the non-controlling interests even if they lead to a negative balance.

Any change to the level of investment in a subsidiary is reported as an equity transaction provided there is no concomitant loss of control.

Business combinations are entered in the balance sheet using the acquisition method. The cost of a business acquisition is calculated as the sum of the consideration transferred, measured at fair value as of the acquisition date, and the non-controlling interest in the acquired company. For each business combination, S&T AG measures the non-controlling interests in the acquiree either at fair value or at the corresponding share of the acquiree's identifiable net assets measured at fair value. Costs arising from the business combination are entered as expenditure and reported as other operating expenses. The results achieved by the companies acquired are consolidated in the consolidated financial statements from the date of acquisition onward.

When the Group acquires a business entity, it determines the proper classification and designation of the financial assets and assumed liabilities in accordance with the terms and conditions of the contract, the economic circumstances, and the general conditions prevailing on the acquisition date.

An agreed contingent consideration is recognised at the acquisition date at fair value. Subsequent changes in the fair value of the contingent consideration representing an asset or liability are recognised through profit or loss. A contingent consideration classified as equity is not remeasured and its subsequent compensation is accounted for in the equity.

Puttable or fixed-term equity interests in subsidiaries with a put option held by non-controlling shareholders constitute financial liabilities for S&T Group. The liability is initially recognised at fair value in accordance with IFRS 9. Irrespective of whether the non-controlling shareholders are currently the beneficial owners of the interests or not, the first consolidation is performed as an accelerated acquisition, i.e. the interests subject to the put option are attributed to S&T Group from the outset, as if this option had already been exercised. The liability resulting from the put option is subsequently measured at fair value at every reporting date and recognised through profit and loss.

Goodwill is initially measured at cost, determined as the excess of the consideration transferred and the value of the non-controlling interests over the Group's identifiable assets and liabilities acquired. If this consideration is less than the fair value of the net assets of the acquired subsidiary, the Group reassesses whether it has correctly identified all the assets and liabilities acquired and examines the procedures applied to determine the amounts to be reported at the time of acquisition. If, following this reassessment, the consideration is still less than the fair value of the net assets of the acquired subsidiary the difference is recognised through profit or loss.

After the initial recognition, goodwill is measured at cost less cumulative impairment losses. For the purpose of impairment testing, goodwill acquired through a business combination is allocated from the acquisition date to each of the Group's cash-generating units that are expected to benefit from the synergies of the business combination, regardless of whether other assets or liabilities of the acquiree are assigned to those cash-generating units.

GROUP OF CONSOLIDATED COMPANIES

Comprised in the consolidated financial statements are S&T AG and all subsidiaries upon which S&T AG directly or indirectly exerts control. As of December 31, 2020, the S&T AG's group of consolidated companies comprised 81 fully consolidated companies (PY: 79). Of these, 7 companies (PY: 8) are headquartered in Austria and 74 companies (PY: 71) are headquartered outside Austria. As of December 31, 2020, the Group had no shareholding in any companies (PY: 1) that were reported using the equity method.

The number of fully consolidated companies has developed as follows:

GROUP COMPANIES (NUMBER)	2020	2019
Number of fully-consolidated companies as of January 1	79	70
Companies founded	1	3
Group companies merged	-5	-12
Companies acquired	14	21
Disposals	-8	-3
Number of fully-consolidated companies as of December 31	81	79

CHANGES IN THE GROUP OF CONSOLIDATED COMPANIES IN 2020

Following completion of the squeeze-out procedure for acquisition of the remaining shares in Kontron S&T AG, Augsburg, Germany, the shareholdings were restructured. The shares held by Kontron S&T AG in Kontron Europe GmbH, Ismaning, Germany, were assigned to the newly founded Kontron Beteiligungs GmbH, Augsburg, Germany.

The following companies were merged in financial year 2020:

- › S&T SME Distribution GmbH, Linz, Austria: receiving company S&T Smart Energy GmbH, Linz, Austria
- › Cronus eBusiness SRL, Bucharest, Romania: receiving company S&T Romania S.R.L., Bucharest, Romania
- › Kontron S&T AG, Augsburg, Germany: receiving company Kontron Europe GmbH, Ismaning, Germany
- › CITYCOMP Service GmbH, Dornbirn, Austria: receiving company computer betting company gmbh, Leonding, Austria
- › Kontron Transportation North America Inc., Delaware, USA: receiving company Kontron America Inc., San Diego, USA

In financial year 2020, S&T Group acquired shares in the following companies through business combinations. These companies are to be fully consolidated:

- › Cronus eBusiness SRL, Bucharest, Romania
- › CITYCOMP Service GmbH, Ostfildern, Germany
- › CITYCOMP Service GmbH, Dornbirn, Austria
- › CITYCOMP Service AG, Aarburg, Switzerland
- › FinTel Holding d.o.o. & co k.d., holdinška družba, Kranj, Slovenia
- › FinTel holding d.o.o., Kranj, Slovenia
- › Iskratel d.o.o., Kranj, Slovenia
- › ITS Skopje, Skopje, North Macedonia
- › ITS Softver d.o.o., Skopje, North Macedonia
- › IskraCom, Almaty, Kazakhstan
- › OOO Iskratel Tashkent, Tashkent, Uzbekistan
- › AO IskraUralTel Yekaterinburg, Yekaterinburg, Russia
- › Iskratel Ukraine LTD, Kiev, Ukraine
- › Kapsch TrafficCom Construction & Realization spol. s.r.o., Prague, Czech Republic

ACQUISITION OF 100% OF THE SHARES OF CRONUS EBUSINESS SRL, BUCHAREST, ROMANIA

On January 1, 2020 a contract for the assignment of shares was signed pertaining to the acquisition of 100% of the shares in Cronus eBusiness SRL, Bucharest, Romania, by S&T Romania S.R.L., Bucharest, Romania, a direct and indirect 100% subsidiary of S&T AG. Cronus eBusiness SRL is one of the leading suppliers of IT solutions based particularly on Cisco products in Romania. This acquisition significantly expands S&T Group's portfolio in Romania in the network and network security sector.

The purchase price consists of a fixed cash purchase price of TEUR 1,500 and a variable component of TEUR 173 contingent on the profit attained in financial year 2019 and the company's equity as of December 31, 2019. The newly acquired company became part of the group of consolidated companies of S&T Group from January 1, 2020.

The assets and liabilities acquired were recognised at the following fair values upon the company's first consolidation in the Group's consolidated financial statements:

NET ASSETS ACQUIRED	IN TEUR
Cash and cash equivalents	849
Property, plant and equipment and intangible assets	127
Deferred tax assets	48
Inventories	14
Trade receivables and contract assets (nominal value TEUR 1,873)	1,437
Other current receivables and assets	106
Other non-current liabilities	-61
Deferred tax liabilities	-9
Trade payables and contract liabilities	-1,253

NET ASSETS ACQUIRED	IN TEUR
Other current liabilities	-60
Net assets at fair value	1,198

GOODWILL	IN TEUR
Consideration transferred	1,673
Net assets at fair value	-1,198
Goodwill	475

By acquiring a 100% share in Cronus eBusiness SRL, S&T has increased its share of the market in the Romanian IT service sector. The shares were purchased by S&T Romania S.R.L., strengthening that company's position on the market and the scope of its expertise. A workforce of 18, mainly technicians, joins the existing team and adds to the pool of knowledge and skills in the field of IT service. Synergies in the sales sector and in business operations are expected to increase overall profitability.

The goodwill resulting from the purchase price allocation was assigned to the "IT Services" segment.

The breakdown of the cash flows arising from the acquisition of the company is as follows:

NET FLOW OF CASH	IN TEUR
Purchase price paid in cash	-1,500
Cash assumed through takeover of subsidiary	849
Cash flow from investing activities	-651

Immediately following its acquisition, the company was merged into S&T Romania S.R.L., Bucharest, Romania.

ACQUISITION OF 55.5% OF THE SHARES IN CITYCOMP SERVICE GMBH, OSTFILDERN, GERMANY, AND ITS SUBSIDIARIES CITYCOMP SERVICE GMBH, DORNBIRN, AUSTRIA, AND CITYCOMP SERVICE AG, AARBURG, SWITZERLAND

In July 2020, S&T AG signed a share purchase and transfer contract for the acquisition of 55.5% of the shares of CITYCOMP Service GmbH, Ostfildern, Germany, including its subsidiaries in Austria and Switzerland. CITYCOMP was founded in 1988 as a third-party maintenance provider and developed over the years to become a multi-vendor service provider with a comprehensive service network in Germany, Austria, Switzerland and Benelux countries. CITYCOMP offers its specialist skills in the IT areas network infrastructures, client systems, and server and storage systems.

The purchase price for 55.5% of the shares in CITYCOMP Service GmbH was fixed at TEUR 6,000. 44.5% of the shares are the subject of mutual options contracts. The purchase price of the option shares is calculated on the basis of the planned income of CITYCOMP Service GmbH and its subsidiaries for the years 2022–2023. The purchase price of the option shares has been calculated as TEUR 11,001. The newly acquired companies were consolidated in S&T Group with effect from July 1, 2020. In accordance with the consolidation methods of the S&T Group described above, the puttable equity interests covered by the mutual option agreements have already been accounted for as an acquisition of the shares. Consequently, 100% of the shares in CITYCOMP Group have already been included and no non-controlling interests are recognised for this acquisition.

10.A

NOTES 2020

The assets and liabilities acquired were recognised at the following preliminary fair values upon the company's first consolidation in the Group's consolidated financial statements:

NET ASSETS ACQUIRED	IN TEUR
Cash and cash equivalents	2,140
Property, plant and equipment and intangible assets	15,788
Other non-current assets	191
Deferred tax assets	256
Inventories	2,827
Trade receivables and contract assets (nominal value TEUR 6,070)	5,978
Other current receivables and assets	263
Non-current financing liabilities	-3,750
Other non-current liabilities	-1,880
Deferred tax liabilities	-1,237
Non-current and current provisions	-492
Current financing liabilities	-1,859
Trade payables and contract liabilities	-2,922
Other current liabilities	-4,776
Net assets at fair value	10,527
GOODWILL	IN TEUR
Consideration transferred	17,001
Net assets at fair value	-10,527
Goodwill	6,474

At the time of compilation of the consolidated financial statements it was not yet possible to conclude the purchase price allocation associated with the first consolidation because no detailed analysis had yet been undertaken of all the bases for determining the fair values, in particular the intangible assets acquired. Final evaluation of purchase price allocation will be concluded within twelve months of the acquisition date.

By acquiring a 55.5% share in CITYCOMP Service GmbH and writing call/put options over the remaining shares, S&T has increased its market share in Germany. As an IT service provider with over 30 years of experience and approximately 300 employees, S&T has the skills and the reputation to implement projects that are also more complex and require more personnel. This share acquisition also significantly strengthens S&T's position in southern Germany. The scope of services offered by S&T in Germany also includes many years of experience in data centre maintenance.

The goodwill resulting from the purchase price allocation was assigned to the "IT Services" segment.

The breakdown of the cash flows arising from the acquisition of the companies is as follows:

NET FLOW OF CASH	IN TEUR
Purchase price paid in cash	-6,000
Cash assumed through takeover of subsidiaries including current account liabilities	638
Cash flow from investing activities	-5,362
Transaction costs from acquisition of companies	-77
Cash flow from operating activities	-77

Since full consolidation, the companies have contributed TEUR 17,110 in Group revenues and TEUR 777 in net income. If first consolidation of the companies had taken place with effect from January 1, 2020, the Group revenues would have risen by an additional TEUR 16,559, altering the Group's consolidated net result by TEUR 624.

ACQUISITION OF THE ISKRATEL GROUP HEADQUARTERED IN KRANJ, SLOVENIA

On June 30, 2020 S&T AG signed share sale contracts pertaining to the takeover of the Iskratel Group, a Slovenian business supplying information and communications technology for operators of telecommunications, railway and energy networks, and industrial automation solutions for these networks. Iskratel Group is based in Kranj, Slovenia, has more than 70 years of experience in ICT projects and is represented primarily in Eastern Europe through its group companies.

As part of the transaction 100% of the shares in FinTel Holding d.o.o. & co k.d., holdinška družba, Kranj, Slovenia, FinTel holding d.o.o., Kranj, Slovenia, Iskratel d.o.o., Kranj, Slovenia, ITS Skopje, Skopje, North Macedonia, ITS Softver d.o.o., Skopje, North Macedonia, Iskra-Com, Almaty, Kazakhstan, and Iskratel Ukraine LTD, Kiev, Ukraine were acquired, as were 76% of the shares in OOO Iskratel Tashkent, Tashkent, Uzbekistan and 48.4% of the shares in AO IskraUralTel Yekaterinburg, Yekaterinburg, Russia. AO IskraUralTel Yekaterinburg will be fully consolidated in S&T's consolidated financial statements since control exists due to an option over non-controlling interests that can be exercised at any time.

The companies will be included in S&T Group's consolidated financial statements from October 1, 2020. The purchase price consists of a fixed purchase price of TEUR 42,500 (due after closing) and a variable component of TEUR 18,027 based on an earn-out agreement covering the financial years 2020, 2021 and 2022.

The assets and liabilities acquired were recognised at the following preliminary fair values upon the companies' first consolidation in the Group's consolidated financial statements:

NET ASSETS ACQUIRED	IN TEUR
Cash and cash equivalents	12,719
Property, plant and equipment and intangible assets	37,426
Other non-current assets	1,697
Deferred tax assets	4,115
Inventories	18,821

10.A

NOTES 2020

NET ASSETS ACQUIRED	IN TEUR
Trade receivables and contract assets (nominal value TEUR 24,571)	23,134
Other current receivables and assets	9,429
Non-current financing liabilities	-14,385
Other non-current liabilities	-786
Deferred tax liabilities	-4,677
Non-current and current provisions	-3,714
Current financing liabilities	-369
Trade payables and contract liabilities	-14,317
Other current liabilities	-5,603
Net assets at fair value	63,490

GOODWILL	IN TEUR
Consideration transferred	60,527
Non-controlling interests measured as proportionate net assets	1,124
Net assets at fair value	-63,490
Badwill	-1,839

At the time of compilation of the consolidated financial statements it was not yet possible to conclude the purchase price allocation associated with the first consolidation because no detailed analysis had yet been undertaken of all the bases for determining the fair values, in particular the intangible assets acquired. Final evaluation of purchase price allocation will be concluded within twelve months of the acquisition date.

The acquisition of the Iskratel Group particularly strengthens the technological portfolio in the area of 5G, in which Iskratel has a wide range of hardware and software products that can be used, for example, in the vertical end markets of industrial automation, public transport or energy networks. Synergies with other S&T companies, for example in development, procurement and production, also allow cost savings to be expected in the future. The continued presence in these markets will be beneficial when public invitations to tender are issued.

The badwill resulting from the preliminary purchase price allocation was reported in other operating income.

The breakdown of the cash flows arising from the acquisition of the companies is as follows:

NET FLOW OF CASH	IN TEUR
Purchase price paid in cash	-37,500
Cash assumed through takeover of subsidiaries	12,719
Cash flow from investing activities	-24,781
Transaction costs from acquisition of companies	-337
Cash flow from operating activities	-337

Since full consolidation, the companies have contributed TEUR 35,180 in Group revenues and TEUR 3,127 in net income. If first consolidation of the companies had taken place with effect from January 1, 2020, the Group revenues would have risen by an additional TEUR 59,876, altering the Group's consolidated net result by TEUR -7,044.

ACQUISITION OF 100% OF THE SHARES IN KAPSCH TRAFFICCOM CONSTRUCTION & REALIZATION SPOL. S.R.O., PRAGUE, CZECH REPUBLIC

On November 26, 2020, a share transfer contract was signed for the acquisition of 100% of the shares in Kapsch TrafficCom Construction & Realization spol. s.r.o. based in Prague, Czech Republic, by Kontron Transportation s.r.o., Prague, Czech Republic, an indirect 100% subsidiary of S&T AG. The purchase price consists of a fixed cash purchase price of TEUR 1,256 and a variable component of TEUR 363 based on an earn-out agreement. The newly acquired company will be included as one of S&T Group's consolidated companies from December 1, 2020.

The assets and liabilities acquired were recognised at the following preliminary fair values upon the company's first consolidation in the Group's consolidated financial statements:

NET ASSETS ACQUIRED	IN TEUR
Cash and cash equivalents	339
Property, plant and equipment and intangible assets	387
Trade receivables and contract assets (nominal value TEUR 99)	39
Other current receivables and assets	16
Deferred tax liabilities	-74
Non-current and current provisions	-19
Trade payables and contract liabilities	-16
Net assets at fair value	672

GOODWILL	IN TEUR
Consideration transferred	1,619
Net assets at fair value	-672
Goodwill	947

At the time of compilation of the consolidated financial statements it was not yet possible to conclude the purchase price allocation associated with the first consolidation because no detailed analysis had yet been undertaken of all the bases for determining the fair values, in particular the intangible assets acquired. Final evaluation of purchase price allocation will be concluded within twelve months of the acquisition date.

With the acquisition of 100% of the shares in Kapsch TrafficCom Construction & Realization spol s.r.o, Czech Republic, S&T has acquired an integrator for toll and public transport systems that is well established on the local market and in the region and has numerous references in this area. With the existing references and project experience in this area, S&T also wants to win corresponding projects in other countries and thus strategically broaden its customer base accordingly.

The goodwill resulting from the purchase price allocation was assigned to the "IoT Solutions Europe" segment.

The breakdown of the cash flows arising from the acquisition of the company is as follows:

NET FLOW OF CASH	IN TEUR
Purchase price paid in cash	-1,256
Cash assumed through takeover of subsidiary	339
Cash flow from investing activities	-917

Since full consolidation, the company has contributed TEUR 0 in Group revenues and a TEUR -7 net loss. If first consolidation of the company had taken place with effect from January 1, 2020, the Group revenues would have risen by an additional TEUR 51, altering the Group's consolidated net result by TEUR -13.

DECONSOLIDATIONS

The S&T Group deconsolidated the following companies in financial year 2020:

- › Inocybe Technologies Inc. UK Limited, London, United Kingdom: Liquidation, deconsolidation April 2020
- › Inocybe Technologies USA Inc., Delaware, United States of America: Liquidation, deconsolidation May 2020
- › Quanmax USA Inc., Irvine, United States of America: Liquidation, deconsolidation May 2020
- › CES POS DOO, Belgrade, Serbia: Liquidation, deconsolidation June 2020
- › Kontron Communication Spain SL, Barcelona, Spain: Liquidation, deconsolidation July 2020
- › AP Trans NV, Diegem, Belgium Liquidation, deconsolidation September 2020
- › dorobet ltd., St. Julian, Malta: Liquidation, deconsolidation December 2020
- › CES POS d.o.o., Zagreb, Croatia: Liquidation, deconsolidation December 2020

Some of the deconsolidated companies had not engaged in any business activities for several reporting periods. The results from deconsolidation were reported in other operating expenses and totalled TEUR -52.

The assets and liabilities disposed of and the results of deconsolidation are as follows:

NET ASSETS DISPOSED OF	IN TEUR
Cash and cash equivalents	1
Non-current assets	34
Other receivables and assets	10
Net assets disposed of at fair value	45
Non-controlling interests in net assets disposed of	7
Income from sale of subsidiaries	0
Result of deconsolidation (loss)	52

NET FLOW OF CASH	IN TEUR
Income from sale of subsidiaries	0
Disposal of cash and cash equivalents	-1
Cash flow from investing activities	-1

ACQUISITION OF NON-CONTROLLING INTERESTS

In several purchasing transactions conducted in financial year 2020, S&T AG acquired non-controlling interests in the following companies:

COMPANY	SHAREHOLDINGS PRIOR TO PURCHASE	PURCHASE	CONSIDERATION IN TEUR	SHAREHOLDINGS AFTER PURCHASE
Kontron S&T AG, Germany	95.90%	4.10%	8,478	100.00%
S&T SME Distribution GmbH, Austria	51.00%	49.00%	125	100.00%
AO IskraUralTel Yekaterinburg, Russia	48.40%	51.60%	900	100.00%

On the basis of the resolution passed at the extraordinary Annual General Meeting of Kontron S&T AG, Augsburg, Germany, on March 13, 2020, relating to transfer of the shares of minority shareholders to S&T AG, Linz, Austria, S&T AG acquired all shares held by minority shareholders against payment of cash compensation of EUR 5.68 per no-par value bearer share of Kontron S&T AG. The transfer resolution was entered in the trade register of Kontron S&T on May 25, 2020. The acquisition costs of the purchased stock amounted to EUR 8.5 million.

In financial year 2020 an agreement was reached with the minority shareholder of S&T SME Distribution GmbH, Linz, Austria, on the transfer of 49% of the shares to S&T AG. The cost of purchasing the shares was TEUR 125.

By taking over the Iskratel Group, S&T AG now directly holds a 48.4% stake in AO IskraUralTel Yekaterinburg, Russia. Furthermore, a call option over a further 3% of the shares was effective as of the acquisition date. In October 2020, S&T AG concluded an options contract for acquisition of all remaining shares in AO IskraUralTel Yekaterinburg. Accordingly, Iskratel d.o.o., which belongs to the S&T Group, has a call option over the remaining shares, and at the same time the non-controlling shareholders of Iskratel d.o.o. can tender their shares at any time. In accordance with the consolidation methods of the S&T Group described above, the puttable equity interests covered by the mutual option agreements were accounted for as acquisitions of non-controlling interests. The consideration to be transferred when exercising the right to buy at any time which is valid until December 31, 2023 amounts to TEUR 900.

The acquisitions of non-controlling interests took the following form:

	IN TEUR
Consideration transferred	9,504
Non-controlling interests acquired	-4,175
Settlement with capital reserves	5,239

As of balance sheet date December 31, 2020 the following companies belonged to the S&T Group:

10.A

NOTES 2020

COMPANY	HEADQUARTERS	SHAREHOLDINGS 31.12.2020	SHAREHOLDINGS 31.12.2019	FUNCTIONAL CURRENCY
S&T AG	Linz, AT	Parent company	Parent company	EUR
S&T Deutschland GmbH	Mendig, DE	100%	100%	EUR
XTRO AG	Ismaning, DE	100%	100%	EUR
CES POS d.o.o.	Zagreb, HR	100%	100%	HRK
CES POS DOO	Belgrade, RS	-*)	100%	RSD
Kontron AIS GmbH	Dresden, DE	100%	100%	EUR
CITYCOMP Service GmbH ¹⁾	Ostfildern, DE	55.50%	-	EUR
CITYCOMP Service AG	Aarburg, CH	100%	-	EUR
Kontron Technologies GmbH	Linz, AT	100%	100%	EUR
SecureGUARD GmbH	Linz, AT	69%	69%	EUR
computer betting company gmbh	Leonding, AT	100%	100%	EUR
S&T Romania S.R.L.	Bucharest, RO	100%	100%	RON
S&T Slovakia s.r.o.	Bratislava, SK	100%	100%	EUR
XLive GmbH	Mendig, DE	-**)	100%	EUR
dorobet ltd.	St. Julians, MT	99%	99%	EUR
S&T CEE Holding s.r.o.	Bratislava, SK	100%	100%	EUR
S&T Plus s.r.o.	Prague, CZ	100%	100%	CZK
S&T CZ s.r.o.	Prague, CZ	100%	100%	CZK
S&T Services Polska Sp.z.o.o.	Warsaw, PL	100%	100%	PLN
S&T Crna Gora d.o.o	Podgorica, ME	100%	100%	EUR
S&T BA d.o.o	Sarajevo, BA	100%	100%	BAM
S&T Slovenija d.d.	Ljubljana, SI	100%	100%	EUR
S&T Hrvatska d.o.o.	Zagreb, HR	100%	100%	HRK
S&T Macedonia d.o.o.e.l.	Skopje, MK	100%	100%	EUR
S&T Medical d.o.o.	Ljubljana, SI	-*)	51%	EUR
S&T Bulgaria EOOD.	Sofia, BG	100%	100%	BGN
S&T Poland Sp.z.o.o.	Warsaw, PL	100%	100%	PLN
S&T Services Bel LCC	Minsk, BYN	100%	100%	BYR
S&T Consulting Hungary Kft.	Budaörs, HU	100%	100%	HUF
S&T Services Kft	Budaörs, HU	100%	100%	HUF

COMPANY	HEADQUARTERS	SHAREHOLDINGS 31.12.2020	SHAREHOLDINGS 31.12.2019	FUNCTIONAL CURRENCY
S&T Albania Sh.p.k.	Tirana, AL	100%	100%	ALL
S&T Serbia DOO	Belgrade, RS	100%	100%	RSD
S&T Mold srl.	Chisinau, MD	51%	51%	MDL
S&T IT Technology SRL	Chisinau, MD	100%	100%	MDL
S&T IT Services S.R.L.	Chisinau, MD	51%	51%	MDL
S&T Smart Energy GmbH	Linz, AT	100%	100%	EUR
Affair OOO ²⁾	Moscow, RU	48%	48%	RUB
RTSoft Project OOO	Moscow, RU	74.50%	74.50%	RUB
Software Development Center RTSoft OOO	Moscow, RU	100%	100%	RUB
RTSoft AO	Moscow, RU	100%	100%	RUB
RTSoft Training Center	Moscow, RU	100%	100%	RUB
RTSoft GmbH	Ismaning, DE	100%	100%	EUR
SHS Centre OOO	Moscow, RU	100%	100%	RUB
RTSoft-ES OOO	Moscow, RU	100%	100%	RUB
RTSoft Smart Grid OOO	Moscow, RU	99%	99%	RUB
S&T MEDTECH SRL	Bucharest, RO	100%	100%	RON
S&T SME Distribution GmbH	Linz, AT	-**)	51%	EUR
Amanox Solutions AG	Bern, CH	100%	100%	CHF
Kontron Austria GmbH	Engerwitzdorf, AT	100%	100%	EUR
Kontron Electronics AG	Rotkreuz, CH	100%	100%	CHF
hamcos IT Service GmbH ³⁾	Hohentengen, DE	49%	49%	EUR
Kontron Beteiligungs GmbH	Ismaning, DE	100%	-	EUR
Kontron S&T AG	Augsburg, DE	-**1	95.90%	EUR
Kontron Europe GmbH	Ismaning, DE	100%	100%	EUR
Kontron Modular Computers SAS	Toulon, FR	100%	100%	EUR
Kontron UK Ltd.	Chichester, GB	100%	100%	GBP
Kontron ECT design s.r.o.	Pilsen, CZ	100%	100%	CZK
Kontron Ukraine OOO	Kiev, UA	100%	100%	UAH
Kontron Electronics GmbH	Großbettlingen, DE	100%	100%	EUR
Kontron Electronics Kft.	Kapoly, HU	100%	100%	HUF

10.A

NOTES 2020

COMPANY	HEADQUARTERS	DIRECT SHAREHOLDINGS	SHAREHOLDINGS PREVIOUS YEAR	FUNCTIONAL CURRENCY
Kontron America Inc.	San Diego, US	100%	100%	USD
Kontron Canada Inc.	Boisbriand, CA	100%	100%	USD
Inocybe Technologies Inc UK Limited	London, GB	-*)	100%	GBP
Inocybe Technologies USA Inc.	Delaware, US	-*)	100%	USD
Kontron communication Spain SL	Barcelona, ES	-*)	100%	EUR
Kontron Asia Pacific Design Sdn. Bhd.	Penang, MY	100%	100%	MYR
Kontron Technology Beijing Co. Ltd.	Peking, CN	100%	100%	RMB
Kontron Hongkong Technology Co. Ltd.	HongKong, CN	100%	100%	RMB
Kontron (Beijing) Information and Communication Technology Co., Ltd	Peking, CN	100%	100%	RMB
Kontron Asia Inc.	Taipeh, TW	100%	100%	TWD
Kontron Asia Technology Inc.	Taipeh, TW	100%	100%	TWD
Quanmax Malaysia Sdn. Bhd	Penang, MY	100%	100%	MYR
Quanmax USA Inc.	Irvine, US	-*)	95.64%	USD
Kontron Transportation Taiwan Co., Ltd	Taipeh, TW	100%	100%	TWD
Kontron Transportation Austria AG	Vienna, AT	100%	100%	EUR
Kontron Transportation Sp. z o.o.	Warsaw, PL	100%	100%	PLN
Kontron Transportation España SL	Madrid, ES	100%	100%	EUR
Kontron Transportation Portugal, Unipessoal LDA	Lisbon, PT	100%	100%	EUR
Kontron Transportation s.r.o.	Prague, CZ	100%	100%	CZK
Kapsch TrafficCom Construction & Realization spol. s.r.o.	Prague, CZ	100%	-	CZK
Kontron Transportation Hungary Kft.	Budapest, HU	100%	100%	HUF
Kontron Transportation Saudi for Construction LLC	Riyadh, SA	100%	100%	SAR
Kontron Transportation Deutschland GmbH	Frankfurt, DE	100%	100%	EUR
Kontron Transportation France S.A.S.	Paris, FR	100%	100%	EUR
Kontron Transportation UK Ltd.	Harrow, GB	100%	100%	GBP
Kontron Transportation Belgium NV	Diegem, BE	100%	100%	EUR
AP Trans NV	Diegem, BE	-*)	100%	EUR
Kontron Transportation North America Inc.	Delaware, US	-**)	100%	USD

COMPANY	HEADQUARTERS	DIRECT SHAREHOLDINGS	SHAREHOLDINGS PREVIOUS YEAR	FUNCTIONAL CURRENCY
FinTel Holding d.o.o. & co k.d., holdinška družba	Kranj, SI	100%	-	EUR
FinTel holding d.o.o.	Kranj, SI	100%	-	EUR
IskrateL d.o.o.	Kranj, SI	100%	-	EUR
BeelN d.o.o.	Kranj, SI	100%	-	EUR
ITS Skopje	Skopje, MK	100%	-	MKD
ITS Softver d.o.o.	Skopje, MK	100%	-	MKD
IskraCom	Almaty, KZ	100%	-	KZT
OOO IskrateL Tashkent	Tashkent, UZ	76%	-	UZS
AO IskraUralTel Yekaterinburg ⁴⁾	Yekaterinburg, RU	48.40%	-	RUB
IskrateL Ukraine LTD	Kiev, UA	100%	-	UAH

*) Deconsolidated because of sale or liquidation in current financial year

***) Merged with an other group company in current financial year

1) Consolidation already takes place for 100% due to the existing put options of the non-controlling interests over the remaining shares.

2) Control arising from a call option over 3% of the shares that could be exercised should S&T so agree. As of the balance sheet date, the option is to be considered a substantive right held by S&T AG.

3) Control arising from a call option over 25.9% held by S&T AG that can be exercised at any time up to December 31, 2022. Consolidation was already performed at a 100% rate on the basis of a put option over the remaining shares held by non-controlling interests that can be exercised until December 31, 2026.

4) Control arising from a call option over 51.6% of non-controlling interests that can be exercised at any time up to December 31, 2023.

CHANGES IN THE GROUP OF CONSOLIDATED COMPANIES IN 2019

In December 2018, Kontron Canada Inc., Boisbriand, Canada, founded Kontron Communication Spain SL, Barcelona, Spain. Kontron Canada Inc. holds a 100% stake in Kontron Communication Spain SL. The company was entered in the register of companies in December 2018. The operative business of Kontron Communication Spain SL was launched at the beginning of 2019. From this time the company has been included in the consolidated financial statements of S&T AG. The company was assigned to the "IoT Solutions America" segment.

In the financial year 2018, RTSoft Project OOO, Moscow, Russia, had founded Interactive Energy Lab OOO (subsequently renamed RTSoft Smart Grid OOO), Moscow, Russia, and in 2019 it founded RTSoft-ES OOO, Moscow, Russia. RTSoft Project OOO holds a 99% stake in RTSoft Smart Grid OOO, as well as a 100% stake in RTSoft-ES OOO. The operative business of both companies was launched in April 2019. From this time the company has been included in the consolidated financial statements of S&T AG. Both companies were assigned to the "IoT Solutions Europe" segment.

The following companies were merged in financial year 2019:

- › S&T Services s.r.o., Bratislava, Slovakia: receiving company S&T Slovakia s.r.o., Bratislava, Slovakia
- › S&T Carrier Business d.o.o., Zagreb, Croatia: receiving company S&T Hrvatska d.o.o., Zagreb, Croatia
- › S&T ICB d.o.o.e.l., Skopje, North Macedonia: receiving company S&T Macedonia d.o.o.e.l., Skopje, North Macedonia
- › SteuDaTec GmbH, Kempenich, Germany: receiving company S&T Deutschland GmbH, Mendig, Germany
- › XTRO Holding GmbH, Ismaning, Germany: receiving company XTRO AG, Ismaning, Germany
- › Epro electronic GmbH, Schorndorf, Germany: receiving company Kontron Electronics GmbH, Großbettlingen, Germany
- › Kontron Austria Holding GmbH, Ebbs, Austria: receiving company Kontron Austria GmbH, Engerwitzdorf, Austria
- › Kontron Austria Electronics GmbH, Ebbs, Austria: receiving company Kontron Austria GmbH, Engerwitzdorf, Austria
- › Linforge Technologies GmbH, Vienna, Austria: receiving company Kontron Austria GmbH, Engerwitzdorf, Austria
- › S&T PilsCom s.r.o., Pilsen, Czech Republic: receiving company S&T CZ s.r.o., Prague, Czech Republic
- › Kapsch CarrierCom Romania S.R.L., Bucharest, Romania: receiving company S&T Romania S.R.L., Bucharest, Romania
- › S&T Services GmbH, Vienna, Austria: receiving company Kontron Transportation Austria AG, Vienna, Austria

In financial year 2019, S&T Group acquired shares in the following companies through business combinations. These companies are to be fully consolidated:

- › Epro electronic GmbH, Schorndorf, Germany
- › Epro Electronic Production Kft., Kapoly, Hungary (subsequently renamed Kontron Electronics Kft.)
- › XTRO Holding GmbH, Ismaning, Germany
- › Kapsch CarrierCom AG, Vienna, Austria (subsequently renamed Kontron Transportation Austria AG)
- › Kapsch CarrierCom Sp. z.o.o., Warsaw, Poland (subsequently renamed Kontron Transportation Sp. z.o.o.)
- › Kapsch CarrierCom Espana, S.L.U., Madrid, Spain (subsequently renamed Kontron Transportation España SL)
- › Kapsch CarrierCom – Unipessoal LDA Co., Ltd, Lisbon, Portugal (subsequently renamed Kontron Transportation Portugal, Unipessoal LDA)
- › Kapsch CarrierCom Taiwan Co., Ltd, Taipei, Taiwan (subsequently renamed Kontron Transportation Taiwan Co., Ltd)
- › Kapsch CarrierCom s.r.o., Prague, Czech Republic (subsequently renamed Kontron Transportation s.r.o.)
- › Kapsch CarrierCom Kft., Budapest, Hungary (subsequently renamed Kontron Transportation Hungary Kft.)

- › Kapsch CarrierCom Saudi Arabia LLC, Riyadh, Saudi-Arabia (subsequently renamed Kontron Transportation Saudi for Construction LLC)
- › Kapsch CarrierCom Deutschland GmbH, Frankfurt, Germany (subsequently renamed Kontron Transportation Deutschland GmbH)
- › Kapsch (Beijing) Information and communication Technology Co., Ltd, Peking, China (subsequently renamed Kontron (Beijing) Information and Communication Technology Co., Ltd)
- › Kapsch CarrierCom France SAS, Paris, France (subsequently renamed Kontron Transportation France S.A.S.)
- › Kapsch CarrierCom UK Ltd., Harrow, United Kingdom (subsequently renamed Kontron Transportation UK Ltd.)
- › Kapsch PublictransportCom North America Inc., Delaware, USA (subsequently renamed Kontron Transportation North America Inc.)
- › Kapsch PublictransportCom Belgium NV, Diegem, Belgium (subsequently renamed Kontron Transportation Belgium NV)
- › AP Trans NV, Diegem, Belgium
- › Kapsch CarrierCom Romania S.R.L., Bucharest, Romania
- › BASS Systems S.R.L., Chisinau, Moldova (subsequently renamed S&T IT Services S.R.L.)
- › AIS Automation Dresden GmbH, Dresden, Germany (subsequently renamed Kontron AIS GmbH)

As of December 31, 2019 the purchase price allocations relating to the acquisition of shares in the following companies were finalised:

- › Epro electronic GmbH, Schorndorf, Germany
- › Epro Electronic Production Kft., Kapoly, Hungary (subsequently renamed Kontron Electronics Kft.)
- › XTRO Holding GmbH, Ismaning, Germany

The assets and liabilities acquired were recognised at the following fair values upon the company's first consolidation in the Group's consolidated financial statements:

NET ASSETS ACQUIRED	IN TEUR
Cash and cash equivalents	632
Property, plant and equipment and intangible assets	1,770
Deferred tax assets	123
Inventories	1,128
Trade receivables and contract assets (nominal value TEUR 433)	433
Other current receivables and assets	168
Non-current financing liabilities	-40
Other non-current liabilities	-63
Deferred tax liabilities	-372
Non-current and current provisions	-77
Current financing liabilities	-350
Trade payables and contract liabilities	-306
Other current liabilities	-240
Net assets at fair value	2,806

10.A

NOTES 2020

GOODWILL	IN TEUR
Consideration transferred	3,379
Non-controlling interests measured as proportionate net assets	145
Net assets at fair value	-2,806
Goodwill	718

Of the goodwill resulting from the purchase price allocations, TEUR 454 was assigned to the "IoT Solutions Europe" segment, TEUR 264 to the "IT Services" segment.

The breakdown of the cash flows arising from the mergers is as follows:

NET FLOW OF CASH	IN TEUR
Purchase price paid in cash	-3,179
Cash assumed through takeover of subsidiaries, including current account liabilities	282
Cash flow from investing activities	-2,897
Transaction costs from acquisition of companies	-42
Cash flow from operating activities	-42

Epro electronic GmbH, Schorndorf, Germany, was merged with Kontron Electronics GmbH, Großbettlingen, Germany, immediately after acquisition. Epro Electronic Production Kft., Kapoly, Hungary (subsequently renamed Kontron Electronics Kft.) is a production company that almost exclusively supplies companies of S&T Group. XTRO Holding GmbH, Ismaning, Germany, was not engaged in business operations and was merged with XTRO AG, Ismaning, Germany, immediately after acquisition.

As of December 31, 2019 the purchase price allocations relating to the acquisition of shares in the following companies were recognised at preliminary fair value:

- › Kapsch CarrierCom AG, Vienna, Austria (subsequently renamed Kontron Transportation Austria AG)
- › Kapsch CarrierCom Sp. z.o.o., Warsaw, Poland (subsequently renamed Kontron Transportation Sp. z.o.o.)
- › Kapsch CarrierCom Espana, S.L.U., Madrid, Spain (subsequently renamed Kontron Transportation España SL)
- › Kapsch CarrierCom – Unipessoal LDA Co., Ltd, Lisbon, Portugal (subsequently renamed Kontron Transportation Portugal, Unipessoal LDA)
- › Kapsch CarrierCom Taiwan Co., Ltd, Taipei, Taiwan (subsequently renamed Kontron Transportation Taiwan Co., Ltd)
- › Kapsch CarrierCom s.r.o., Prague, Czech Republic (subsequently renamed Kontron Transportation s.r.o.)
- › Kapsch CarrierCom Kft., Budapest, Hungary (subsequently renamed Kontron Transportation Hungary Kft.)
- › Kapsch CarrierCom Saudi Arabia LLC, Riyadh, Saudi-Arabia (subsequently renamed Kontron Transportation Saudi for Construction LLC)
- › Kapsch CarrierCom Deutschland GmbH, Frankfurt, Germany (subsequently renamed Kontron Transportation Deutschland GmbH)
- › Kapsch (Beijing) Information and communication Technology Co., Ltd, Peking, China (subsequently renamed Kontron (Beijing) Information and Communication Technology Co., Ltd)
- › Kapsch CarrierCom France SAS, Paris, France (subsequently renamed Kontron Transportation France S.A.S.)

- › Kapsch CarrierCom UK Ltd., Harrow, United Kingdom (subsequently renamed Kontron Transportation UK Ltd.)
- › Kapsch PublictransportCom North America Inc., Delaware, USA (subsequently renamed Kontron Transportation North America Inc.)
- › Kapsch PublictransportCom Belgium NV, Diegem, Belgium (subsequently renamed Kontron Transportation Belgium NV)
- › AP Trans NV, Diegem, Belgium
- › Kapsch CarrierCom Romania S.R.L., Bucharest, Romania
- › BASS Systems S.R.L., Chisinau, Moldova (subsequently renamed S&T IT Services S.R.L.)
- › AIS Automation Dresden GmbH, Dresden, Germany (subsequently renamed Kontron AIS GmbH)
- › “Industrial Mainboard” division of Fujitsu Technology Solutions GmbH, Munich, Germany

Calculation of fair value was finalised within twelve months of the acquisition date and is as follows:

NET ASSETS ACQUIRED	IN TEUR
Cash and cash equivalents	15,791
Property, plant and equipment and intangible assets	37,617
Other non-current assets	5,514
Deferred tax assets	2,044
Inventories	13,470
Trade receivables and contract assets (nominal value TEUR 54,839)	48,264
Other current receivables and assets	14,127
Other non-current liabilities	-17,787
Deferred tax liabilities	-3,841
Non-current and current provisions	-68,058
Current financing liabilities	-21,955
Trade payables and contract liabilities	-44,149
Other current liabilities	-23,176
Net assets at fair value	-42,139

10.A

NOTES 2020

GOODWILL	IN TEUR
Consideration transferred	27,257
Non-controlling interests measured as proportionate net assets	4,259
Net assets at fair value	42,139
Goodwill	73,655

Final calculation of the acquired assets and liabilities resulted in a decrease of goodwill of TEUR -243 compared with December 31, 2019. This was chiefly due to the final estimates made on the basis of past experience with provisions for projects and restructuring in the business fields in which Kapsch CarrierCom, Kapsch PublicTransportCom and BASS Systems S.R.L. (subsequently renamed S&T IT Services S.R.L.) operate and to adjustment of the provisional valuation of the commercial building acquired to the market value according to the final valuation report at AIS Automation Dresden GmbH (subsequently renamed Kontron AIS GmbH).

Owing to the negligible difference, no retrospective adjustment was made to the previous year's figures. The adjustment of the goodwill is reported in the development of intangible assets as a disposal. Of the goodwill resulting from the purchase price allocations, TEUR 64,409 was assigned to the "IoT Solutions Europe" segment, TEUR 9,246 to the "IT Services" segment.

The breakdown of the cash flows arising from the mergers is as follows:

NET FLOW OF CASH	IN TEUR
Purchase price paid in cash	-14,577
Cash assumed through takeover of subsidiaries, including current account liabilities	-6,164
Cash flow from investing activities	-20,741
Transaction costs from acquisition of companies	-210
Cash flow from operating activities	-210

Since they were fully consolidated in financial year 2019, the companies have contributed TEUR 83,809 in Group revenues and TEUR 12,453 in consolidated net income. If first consolidation of the companies had taken place with effect from January 1, 2019, the Group revenues would have risen by an additional TEUR 74,571, altering the Group's consolidated net result by TEUR -27,165 (incl. restructuring expenses).

DECONSOLIDATIONS

The S&T Group deconsolidated the following companies in financial year 2019:

- › STS Sportwetten GmbH, Leonding, Austria: Sale, deconsolidation May 2019
- › Kontron Technology A/S, Horsholm, Denmark: Liquidation, deconsolidation June 2019
- › Kontron Ukraine OOO, Kiev, Ukraine: Deconsolidation July 2019

The results from deconsolidation are reported in other income and amount to TEUR 275.

The assets and liabilities disposed of and the results of deconsolidation are as follows:

NET ASSETS DISPOSED OF	IN TEUR
Cash and cash equivalents	38
Non-current assets	1
Inventories	23
Other receivables and assets	9
Other current liabilities	-250
Net assets at fair value	-179
Income from sale of subsidiaries	-96
Result of deconsolidation	-275

NET FLOW OF CASH	IN TEUR
Income from sale of subsidiaries	96
Disposal of cash and cash equivalents	-38
Cash flow from investing activities	58

ACQUISITION OF NON-CONTROLLING INTERESTS

In several purchasing transactions conducted in financial year 2019, S&T AG acquired additional shares in the following companies that had already been fully consolidated:

COMPANY	SHAREHOLDINGS PRIOR TO PURCHASE	SHARES ACQUIRED	CONSIDERATION IN TEUR	SHAREHOLDINGS AFTER PURCHASE
Kontron S&T AG, Germany	95.15%	0.75%	2,887	95.90%
Amanox Solutions AG, Switzerland	51.20%	48.80%	10,722	100.00%
Epro Electronic Production Kft., Hungary	86.00%	14.00%	90	100.00%

The acquisition of non-controlling interests in these companies took the following form:

	IN TEUR
Consideration transferred	13,699
Non-controlling interests acquired	-5,287
Settlement with capital reserves	8,412

REDUCTION OF THE SHAREHOLDINGS IN S&T MOLD SRL, CHISINAU, MOLDOVA WITHOUT LOSS OF CONTROL

In August 2019, a purchase contract was signed for the acquisition of 51% of the shares in BASS Systems S.R.L., Chisinau, Moldova, with the simultaneous sale of 49% of the shares in S&T Mold srl, Chisinau, Moldova, by S&T AG. Prior to signing this contract, S&T AG held 100% of the shares of S&T Mold srl. Following this transaction, S&T AG holds a 51% stake in S&T Mold srl and continues to exercise control. The consideration ensuing from the sale of the 49% stake is comprised of a fixed cash purchase price of TEUR 300 and a consideration transferred in the context of the purchase of the shares in BASS Systems S.R.L..

The reduction of the shareholdings was as follows:

	IN TEUR
Consideration received	882
Non-controlling interests transferred	-1,065
Settlement with capital reserves	-183



ROBOTS FOR EVERYONE

IOT SOLUTIONS EUROPE

It is no longer possible to imagine the industrial environment without robots. They are the backbone of the smart factory. Increasingly, however, the digital helpers can also be found in other environments.

But the programming of appropriate robots is highly complex, expensive, and time-consuming. In addition, there is a glaring shortage of skilled workers in this field. The company Wandelbots, located in Dresden (Germany), now offers an innovative and intuitive robot programming system that enables even non-programmers to learn how to program robots. The robot teaching solution was developed specifically for the requirements of small and medium-sized enterprises (SMEs) and can be used cost-effectively and flexibly without in-depth specialist knowledge.

This solution can be used in many industries where monotonous routine tasks have to be performed that would otherwise tie up qualified personnel. Today, complex automation processes in particular benefit from the new programming method by pointing. In industrial environments, for example, robots can easily perform tasks in hard-to-reach places or on complicated motion paths.

A high-performance and customized industrial PC from Kontron serves as the core platform on which the entire programming software stack of the robot teaching solution is based.

B.

ACCOUNTING AND VALUATION PRINCIPLES

CURRENCY TRANSLATION

The consolidated financial statements are prepared in euro, which is the functional currency of the parent company. Each subsidiary determines its functional currency, which is the currency of the primary economic environment. The financial statements of the foreign subsidiaries are subsequently converted according to the functional currency concept using the modified closing rate method in accordance with IAS 21.

Expenses and income are converted into the presentation currency of the consolidated financial statements at average exchange rates, while assets and liabilities are converted at closing rates. Foreign exchange gains and losses not yet realised on the balance sheet date are recognised in profit or loss for the period. The equity of the subsidiaries is converted at historical exchange rates, whereby changes in exchange rates are offset against equity without affecting profit or loss and are shown separately in the consolidated statement of changes in consolidated equity.

Compared to the previous year, the exchange rates of the most important currencies for the S&T Group changed as follows:

CURRENCY 1 EURO =	2020 AVERAGE Y-T-D RATE	2020 CLOSING RATE	2019 AVERAGE Y-T-D RATE	2019 CLOSING RATE
ALL	123.77646	123.60773	123.05000	121.83362
BGL	1.95583	1.95583	1.95583	1.95583
BYN	2.78919	3.18793	2.34074	2.36217
CAD	1.52999	1.56330	1.48548	1.45980
CHF	1.07052	1.08020	1.11245	1.08540
CNY	7.87470	8.02250	7.73549	7.82050
CZK	26.45508	26.24200	25.67045	25.40800
DZD	144.77134	162.04447	133.23515	133.57972
GBP	0.88970	0.89903	0.87777	0.85080
HRK	7.53838	7.55190	7.41797	7.43950
HUF	351.24938	363.89000	325.29675	330.53000
KZT	492.78780	516.52882	-	-
MDL	19.71987	21.03685	19.41609	19.26572
MKD	61.64207	61.59470	61.52393	61.50260
MYR	4.79590	4.93400	4.63742	4.59530
PLN	4.44305	4.55970	4.29762	4.25680

CURRENCY 1 EURO =	2020 AVERAGE Y-T-D RATE	2020 CLOSING RATE	2019 AVERAGE Y-T-D RATE	2019 CLOSING RATE
RON	4.83828	4.86830	4.74535	4.78300
RUB	82.72480	91.46710	72.45534	69.95630
SAR	4.28442	4.60172	4.19893	4.20746
TWD	33.59724	34.44889	34.59591	33.60521
UAH	32.59466	34.73979	-	-
USD	1.14220	1.22710	1.11948	1.12340
UZS	12,073.68474	12,824.71455	-	-
RSD	117.59053	117.55960	117.83469	117.54750

FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Foreign currency transactions are converted into the functional currency at the spot rate applicable at the time the transaction is first recognised. Monetary assets and liabilities denominated in a foreign currency are converted into the functional currency at each reporting date using the closing spot rate. Differences arising from the settlement or conversion of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical acquisition costs in a foreign currency are converted at the exchange rate at the date of the transaction.

DISCRETIONARY DECISIONS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires estimates, discretionary decisions and assumptions to be made for certain items that affect the reported amounts of assets, liabilities, income and expenses. All estimates are reassessed on an ongoing basis and are based on historical experience and expectations with regard to future events. As a result of the uncertainty associated with these assumptions and estimates, actual results in future periods may result in adjustments to the assets and liabilities affected.

The main areas in which discretionary decisions, assumptions and estimates are applied include the reporting of acquisitions, the subsequent reporting of goodwill and other intangible assets, the recognition of deferred taxes on tax loss carryforwards, the measurement of inventories and trade receivables, the measurement of provisions, the reporting of leases and the assessment of legal risks as well as the recognition of revenues from contracts with customers. As far as the assumptions made are concerned, we refer to the explanations on the individual items.

PURCHASE PRICE ALLOCATIONS

For purchase price allocations in the context of company acquisitions, assumptions are made about the existence and valuation of acquired assets (primarily intangible assets), liabilities and contingent liabilities. When determining the fair values in the course of the purchase price allocation, assumptions are made, primarily about the expected cash flows and the discount rate. Other significant assumptions are the fair value determinations of contingent consideration and put options over non-controlling interests (details on the business combinations can be found in section A under "Changes in the group of consolidated companies").

EXISTENCE OF CONTROL

In the case of individual transactions in which the S&T Group acquires less than 50% of the shares in other companies, management must assess whether these companies are nevertheless directly or indirectly controlled by S&T AG. If control is confirmed, these companies shall be included in the consolidated financial statements by fully consolidating them and – insofar as a business operation is involved – shall be initially consolidated in accordance with the purchase method of IFRS 3. In making this assessment, management must in particular make estimates and assumptions about S&T's ability to determine the relevant activities of the companies concerned in order to influence the variable returns from them. This includes a consideration of the nature and purpose of the respective company, an analysis of the governance structure and the identification of other opportunities for S&T to exert influence on these companies apart from a majority of voting rights.

GOODWILL IMPAIRMENT TEST

Goodwill is tested for impairment as part of the annual impairment test. For the purpose of this impairment test, goodwill is measured at the level of cash-generating units on the basis of medium-term corporate planning at market- and company-specific discount rates, as well as expected growth rates and exchange rates (for details of the goodwill impairment tests, see section D, note (12)).

DEVELOPMENT COSTS

Development costs are capitalised as per the accounting principles and valuation methods presented above. Initial capitalisation of costs is based on management's judgment that technological and economical feasibility is confirmed. For the purpose of determining the amounts to be capitalised, management makes assumptions about the amount of the expected future cash flows from the project, the discount rates to be applied and the period of inflow of the expected future benefits (for details on capitalised development costs, see section D, note (12)).

DEFERRED TAX ASSETS

Deferred tax assets are recognised for unused tax loss carryforwards to the extent that it is probable that taxable income will be available for this purpose so that the loss carryforwards can actually be utilised. Assessment of the timing and amount of future taxable income as well as the future tax planning strategy plays an essential role in determining the amount of capitalisable tax assets. If an existing loss carryforward is not expected to be utilised within a reasonable period of five years on the basis of these future projections, this loss carryforward will not be capitalised (see details of deferred tax assets in section D, note (16)).

INVENTORY VALUATION

A standardised evaluation of slow-moving inventory was implemented to take the obsolescence risk into account. In the case of finished products, a systematic review is also carried out with a view to loss-free valuation, which is essentially influenced by sales price expectations, currency developments, the time of sale and the costs still to be expected (see details on inventory valuation in section D, note (17)).

VALUATION OF TRADE RECEIVABLES

The Group uses an impairment matrix to measure expected credit losses on trade receivables and contract assets. The provision ratios are determined on the basis of the overdue period for various receivables portfolios.

The impairment matrix is based on the Group's historical default rates adjusted for forward-looking information. The historical default rates are updated at each reporting date. The assessment of the relationship between historical default rates and expected credit defaults is a significant estimate. The Group's historical defaults and future estimate may not be representative of actual customer defaults in the future.

DEFINED BENEFIT PENSION PLANS AND PROVISIONS FOR SEVERANCE PAYMENTS AND ANNIVERSARY BONUSES

The expense from defined benefit pension commitments, severance payments and anniversary bonuses as well as the present value of these obligations are determined on the basis of actuarial valuations. These valuations are based on various assumptions such as discount rates, future wage and salary increases, pension increases and mortality tables, which may differ from actual developments in the future. See details on provisions for pension obligations and severance payments in section D, note (26)).

LEGAL RISKS

As an internationally operating group, the S&T Group is exposed to a variety of legal risks arising from product liability, competition law, patent law, tax law and other laws as well as contractual obligations. Sufficient provisions have been made in the consolidated financial statements for existing risks. However, no assurance can be given that ongoing proceedings and court decisions will not result in expenses exceeding the provisions made.

FINANCIAL REPORTING OF LEASES

IFRS 16 requires estimates that affect the measurement of lease liabilities and rights of use. These include, among other things, the provisions of contracts that fall under IFRS 16, the contract maturities and the incremental borrowing rate used to discount the future payment obligations. The incremental borrowing rate is derived from the risk-free interest rate of the underlying maturity, adjusted for country, currency and business risk.

CHANGES IN ESTIMATES

No significant changes in estimates were made in the financial year 2020.

REVENUES FROM CONTRACTS WITH CUSTOMERS

TIMING OF THE FULFILMENT OF PERFORMANCE OBLIGATIONS

The Group sells consulting, installation and repair services. These services are rendered on a time or material basis and are recognised as revenues according to the time spent or upon acceptance of the service by the customer.

Revenue is recognised over time in cases where

- › the customer receives the benefit from a service of the company and can use it while the service is being provided,
- › the entity's performance creates or enhances an asset over which the customer acquires control during the creation or enhancement; or
- › the entity's performance creates an asset that has no alternative use to the entity and the entity has a legal right to payment for the services already provided.

If services are provided under a fixed-price contract, whereby the contract duration is usually less than one year, revenue is recognised over time according to the stage of completion. In the case of temporary contracts, the degree of completion is determined on the basis of the hours worked to date in relation to the planned total hours. For material contracts, the degree of completion is determined on the basis of the costs incurred to date in relation to the planned total costs.

If circumstances arise that change the original estimates of revenues, costs or degree of completion, these estimates shall be adjusted. These adjustments may result in an increase or decrease in estimated costs and are shown in the results of the period in which management has become aware of these circumstances.

If the order result from a customer contract cannot be reliably determined, contract revenues shall only be recognised to the extent of the costs incurred. If total contract costs are likely to exceed the total contract revenues, the expected loss is recognised immediately as an expense.

Revenues from the sale of goods and products is recognised when the customer has acquired control of the goods and products sold. This occurs when the goods and products are dispatched, taking into account the Incoterms agreed with the customer in each case. Price discounts and volume rebates represent variable remuneration that is estimated when the contract is concluded and adjusted accordingly in the revenues, so that no significant reversals are highly likely to occur in later periods once the uncertainty associated with the variable remuneration no longer exists.

ALLOCATING THE TRANSACTION PRICE TO PERFORMANCE OBLIGATIONS

Contracts that include the delivery or provision of several separable products or services must be separated into individual components, with a separate revenue contribution determined for each component. In the S&T Group, this can relate in particular to the combination of hardware installations combined with service business or product deliveries with extended warranty or maintenance services. The price for the entire multi-component transaction is allocated to the individual components on the proportionate individual selling prices basis and revenue is recognised separately for each component.

PRINCIPAL VERSUS AGENT CONSIDERATION

When more than one party is involved in providing goods or services to a customer, an entity must distinguish whether it is acting as a principal and consequently recognises revenues on a gross basis, or as an agent with revenues recognised at the net amount. An entity acts as a principal when it has control over a promised product or service before transferring it to the customer. In the S&T Group, this distinction is particularly relevant when selling hardware and software from third parties, since S&T has no control over the products delivered to the customer in individual cases. For further information, see the explanations on the Group's performance obligations in section D, note (1).

GOVERNMENT GRANTS

Government grants related to non-current assets are deducted from the carrying amount of the asset in accordance with the option in IAS 20. The grants are essentially research and development grants.

BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the acquisition or production cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

SHARE-BASED PAYMENT

According to IFRS 2, a distinction is made in share-based payment between cash-settled and equity-settled transactions. For both instruments, the fair value is determined at the grant date. This fair value is then allocated as a personnel expense over the period during which the beneficiaries acquire an unconditional entitlement to the instruments.

The current remuneration programs of S&T AG provide for the option to deliver shares to the beneficiaries against payment of the exercise price or to offer a cash settlement, whereby the option lies solely with S&T AG. As settlement in shares is intended and S&T AG also has sufficient conditional capital, the commitment must be recognised as an equity-settled transaction. The expenses resulting from the granting of equity instruments and the corresponding increase in equity for the Stock Options Programs 2018 and 2018 (Tranche 2019) are recognised over the period in which the vesting conditions must be satisfied (so-called vesting period). This period ends on the day of the first exercise, i.e. the date on which the employee concerned becomes irrevocably entitled to subscribe. The expenses for the warrants issued in the financial year 2020 were recognised entirely in the reporting period.

The fair values were determined using appropriate option pricing models. The stock options measured at fair value are recognised in personnel expenses and equity.

FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments recognised as financial assets or financial liabilities are generally reported separately.

Financial instruments are initially recognised at fair value. For subsequent measurement, the financial instruments are assigned to one of the measurement categories listed in IFRS 9:

- › financial assets measured at amortised costs
- › financial assets measured at fair value through other comprehensive income (with recycling)
- › financial assets measured at fair value through profit or loss

In the case of financial assets classified as equity instruments, there is an option to measure them at fair value through other comprehensive income (without recycling).

FINANCIAL ASSETS

Financial assets include, in particular, trade receivables, cash at banks, cash in hand, derivative financial assets and marketable securities and similar funds and financial investments. The classification of financial instruments is based on the business model in which the instruments are held and the composition of the contractual cash flows.

Financial assets measured at amortised costs (debt instruments)

Financial assets measured at amortised costs are non-derivative financial assets with contractual payments consisting exclusively of interest payments and repayments on the outstanding nominal amount and which are held with the aim of collecting the contractually agreed cash flows, such as trade receivables, finance lease receivables or cash and cash equivalents (“Hold to collect” business model).

After initial measurement, such financial assets are subsequently measured at amortised costs using the effective interest rate, less impairment for expected loss. Profits and losses are recognised in net income or loss for the period when the asset is derecognised, modified or impaired. The interest effects from the application of the effective interest method and effects from currency conversion are also recognised in profit or loss.

Financial assets (debt instruments) measured at fair value through other comprehensive income (with recycling)

Financial assets that are measured at fair value through other comprehensive income (with recycling) are non-derivative financial assets with contractual payments that consist exclusively of interest and repayments on the outstanding nominal amount and that are held with the aim of both collecting the contractually agreed cash flows and making sales (“Hold to collect and sell” business model). For financial instruments that are measured at fair value through other comprehensive income (with recycling), interest income, revaluations of foreign exchange gains and losses as well as impairment losses or value recovery are recognised as profit or loss and calculated in the same way as for financial assets measured at amortised costs. The remaining changes in fair value are recognised in other comprehensive income. On derecognition, the cumulative profit or loss from changes in fair value recognised in other comprehensive income is reclassified to profit or loss.

Financial assets (equity instruments) measured at fair value through other comprehensive income (without recycling)

On initial recognition, the Group may irrevocably elect to classify its equity instruments as equity instruments measured at fair value through other comprehensive income if they meet the definition of equity in IAS 32 (Financial Instruments: Presentation) and are not held for trading. The classification is done individually for each instrument.

Profits and losses on these financial assets are never reclassified to the income statement. Dividends are recognised in the income statement as other income if the legal entitlement to payment exists, unless the dividends recover part of the acquisition costs of the financial asset. In this case, the gains are recognised in other comprehensive income. Equity instruments measured at fair value through other comprehensive income are not tested for impairment.

The Group has elected to classify its equity instruments in this category.

Financial assets measured at fair value through profit or loss

The group of financial assets at fair value through profit or loss includes financial assets designated upon initial recognition as at fair value through profit or loss or financial assets that are required to be measured at fair value. Financial assets are classified as held for trading if they have been acquired for sale or repurchase in the short term.

Financial assets measured at fair value through profit or loss are recognised in the balance sheet at fair value, with changes in fair value recognised net in the income statement.

IMPAIRMENT OF FINANCIAL ASSETS

The Group recognises an allowance for expected credit losses on all financial instruments that are not measured at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows to be paid under the contract and the total cash flows the Group expects to receive, discounted at an approximation of the original effective interest rate.

Expected credit losses are recognised in two steps. For financial instruments whose default risk has not increased significantly since initial recognition, a risk provision is recognised in the amount of the expected credit losses based on a default event within the next twelve months (12-month ECL). For financial instruments whose default risk has increased significantly since initial recognition, a risk provision must be recognised in the amount of the expected credit losses over the entire remaining term of the respective instrument, regardless of when the default event occurs (lifetime ECL).

For trade receivables, finance lease receivables and contract assets from customer contracts, S&T applies a simplified method to calculate expected credit losses in the form of a lifetime ECL using an impairment matrix. Therefore, S&T does not track changes in credit risk in these financial instruments but instead recognises a provision for risk on the basis of the lifetime ECL at each reporting date.

The provision ratios are determined on the basis of the overdue period in days. The calculation includes the probability-weighted income, taking into account the interest effect as well as appropriate and reliable information on past events, current circumstances and expected future economic conditions available at the balance sheet date.

Impairment losses are reversed through profit or loss when the reason for impairment ceases to exist or there is an improvement.

DERECOGNITION

A contractual asset, or part of a financial asset, is derecognised when the contractual rights to receive cash flows from the financial asset have expired or the contractual rights to receive cash flows from the financial asset have been transferred to third parties.

When the Group transfers its contractual rights to receive cash flows from the asset, it assesses whether and to what extent it retains the risks and rewards of ownership.

FINANCIAL LIABILITIES

All financial liabilities are initially measured at fair value, less directly attributable transaction costs in the case of loans and liabilities.

The Group's financial liabilities include, in particular, trade payables and other liabilities, loans and overdrafts as well as finance lease liabilities.

Financial liabilities measured at amortised costs

After initial recognition, financial liabilities are measured at amortised costs using the effective interest method.

Liabilities to banks and trade payables are the most significant items in the consolidated financial statements.

A financial liability shall be derecognised when its underlying obligation has been fulfilled, terminated or ceased to exist. Where an existing financial liability is replaced by another financial liability of the same lender under substantially different terms or where the terms of an existing liability are materially modified, such a replacement or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognised in profit or loss.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are valued at acquisition costs less accumulated scheduled straight-line depreciation and impairment losses. Acquisition costs include the purchase price, incidental costs less rebates, bonuses and discounts as well as capitalised borrowing costs. If the acquisition costs of certain items of property, plant and equipment are material in relation to the total acquisition costs, then these components are recognised and depreciated individually.

Scheduled depreciation is based on the following useful lives:

USEFUL LIFE	YEARS
Buildings and leasehold improvements	4 – 40
Machinery and mechanical equipment	3 – 10
Operating and business equipment	3 – 10
Vehicle fleet	3 – 6
EDP equipment	3 – 5

The residual values, useful lives and depreciation methods are reviewed at the end of each financial year and adjusted prospectively if necessary.

In the case of asset disposals, the difference between the carrying amounts and the net disposal proceeds is recognised in profit or loss under other income (disposal proceeds higher than carrying amount) or under other operating expenses (disposal proceeds lower than carrying amount).

INTANGIBLE ASSETS

Intangible assets acquired for consideration are recognised at acquisition cost, taking into account incidental costs and cost reductions, and amortised on a straight-line basis over their economic useful lives.

Scheduled amortisation is based on the following useful lives:

USEFUL LIFE	YEARS
Software, licenses and trademark rights	2 – 10
Development costs and technology	3 – 10
Customer relations	3 – 5

Research costs are recognised as expenses in the period in which they are incurred. Development costs of a project are capitalised as an intangible asset only if the Group can demonstrate both the technical feasibility of completing the intangible asset allowing internal use or sale and the intention to complete the intangible asset and use or sell it. The Group must also demonstrate the generation of future economic benefits from the asset, the availability of resources to complete the asset and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Development costs are measured after initial recognition using the cost model, i.e. at acquisition cost less accumulated amortisation and accumulated impairment losses. Amortisation begins when the development phase is completed and from the time when the asset can be used. Amortisation is recognised over the period over which future benefits are to be expected. An impairment test is carried out annually during the development phase.

Capitalised development costs include all direct costs and overhead costs directly attributable to the development process. As part of the purchase price allocation, intangible assets are capitalised for the acquisitions, provided that the requirements for recognition in the balance sheet in accordance with IFRS 3 combined with IAS 38 are met.

Residual carrying amounts, useful lives and depreciation methods are reviewed at the end of each financial year and adjusted prospectively if necessary.

GOODWILL

Goodwill is not subject to scheduled amortisation, but is tested for possible impairment at least once a year as at December 31. The carrying amount of the respective cash-generating unit (CGU) or group of CGUs to which goodwill is allocated is compared with its recoverable amount. The recoverable amount is the higher of the two amounts of an asset's net selling price and its value in use. The value in use is determined from the discounted cash flows based on the financial plans approved by management. These cover a period of four years. Cash flows accruing after a period of four years are extrapolated using a growth rate of 1.0% (PY: 1.0%). The planning takes into account past experience as well as the management's current assessments of future market developments. The projected cash flows of cash-generating units are discounted using the weighted average cost of capital (WACC) before tax. If the recoverable amount is less than the carrying amount of the CGU, goodwill allocated to the CGU is initially impaired. In the event of an impairment exceeding the goodwill, there will be a depreciation and amortisation of the remaining assets of the CGU in proportion to their carrying amounts, but not below their respective recoverable amounts. In addition, an impairment test is also carried out during the year if there is an indication of impairment.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment and intangible assets are regularly reviewed for indications of impairment.

If there are indications of impairment, an impairment test is carried out and, if necessary, an impairment loss is recognised to the recoverable amount. The recoverable amount is the higher of the two amounts of an asset's net selling price and its value in use. The value in use is the present value of the estimated future cash flows expected from the continued use of an asset and the disposal at the end of its useful life.

For assets other than goodwill, an assessment is made at each balance sheet date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. A previously recognised impairment loss is only reversed if there has been a change in the assumptions used in determining the recoverable amount since the last impairment loss was recognised. The value recovery is limited to the extent that the carrying amount of an asset does not exceed its recoverable amount or the carrying amount that would have been determined, net of depreciation and amortisation, had no impairment loss been recognised for the asset in previous years.

INVENTORY

Inventories are recognised at acquisition and production cost or the net selling value, whichever is lower. Production costs comprise direct costs, production and material overhead, including depreciation. Fixed overheads are taken into account based on the normal utilisation of the production facilities. Write-offs on inventories are made if the acquisition or production costs are higher than the expected net sales proceeds.

CONTRACT BALANCES FROM CONTRACTS WITH CUSTOMERS

In return for the transfer of promised goods and services, payments are made by the customer as remuneration. A contract asset represents the contingent right to consideration in exchange for complete fulfilment of the contractual services. When the right to receive the consideration becomes unconditional, a receivable is recognised accordingly. The contract liabilities relate to payments received in advance, i.e. before the contractual services have been performed. Contract liabilities are recognised as revenues as soon as the contractual services have been rendered.

CASH AND CASH EQUIVALENTS

The balance sheet item "Cash and cash equivalents" includes cash in hand, bank balances and short-term deposits with an original term of less than three months. For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the cash and cash equivalents defined above less cash and cash equivalents with disposal restrictions and current account liabilities.

INCOME TAXES

Income taxes include the current taxes levied in the individual countries on the taxable profit as well as the change in deferred taxes recognised in profit or loss.

Current income taxes are recognised in the amount expected to be payable based on the statutory provisions enacted or subsequently enacted by the balance sheet date. Tax receivables are offset with tax liabilities if they are due from the same tax authority and there is an offsettable claim.

Deferred taxes are calculated in accordance with IAS 12 using the balance sheet liability method. Accordingly, deferred taxes arise from the temporary differences between the valuations in the tax balance sheet and the consolidated balance sheet (temporary concept). This does not apply to deferred tax arising on the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting income nor taxable income. In addition, deferred taxes from loss carryforwards must also be recognised.

Deferred tax assets for deductible temporary differences, unused tax loss carryforwards and unused tax credits are recognised only to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the unused tax loss carryforwards and tax credits can be utilised.

Deferred taxes are calculated on the basis of the tax rates expected to apply to the period in which an asset is realised or a liability is settled. The tax rates (and tax laws) to be used are those which have been enacted at the balance sheet date.

Deferred tax assets are offset against deferred tax liabilities if the tax creditors are identical and offsetting is legally permissible.

PROVISIONS

Provisions are formed if the company has a current legal or factual obligation to third parties due to a previous event, a resource outflow is probable and a reliable estimate of the amount of the obligation is possible. There is a regular review and adjustment of the estimates. Where the group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense arising from the provision is shown in the income statement less the reimbursement.

Long-term provisions are recognised at the present value of expected future cash flows if the discounting effect is material.

PROVISIONS FOR LONG-TERM PERSONNEL OBLIGATIONS

Provisions for long-term personnel obligations include pension commitments, severance payments and anniversary bonuses, which are based on actuarial methods in accordance with IAS 19 using the projected unit credit method.

The present value of the defined benefit obligation (DBO) is calculated on the basis of the length of service and the expected salary development. The revaluations based on experience adjustments and changes in actuarial assumptions are recognised directly in equity in other comprehensive income in the period in which they occur, except for anniversary provisions. Past service cost is recognised immediately in profit or loss irrespective of the vesting date at the time of the commitment.

Defined benefit pension commitments exist towards employees in Germany and France. In Germany, the statutory framework for occupational retirement provision is specified by the Occupational Pensions Act. In France, there are statutory and collective provisions requiring the company to make one-off payments to its employees upon retirement. The payments are regulated by collective agreements and are based on the length of service and the final salary before retirement.

Provisions for severance payments mainly relate to obligations to employees under Austrian law whose employment relationship began before January 1, 2003. Severance payments under Austrian law are one-off settlements that have to be paid due to labour law regulations when employees are dismissed by the employer and regularly when they retire. The severance payment depends on the number of years of service and the amount of remuneration. The Polish and Slovenian subsidiaries have similar obligations.

Benefits for defined contribution plans based on statutory or voluntary obligations are recognised as an expense when incurred.

LEASES

S&T AS LESSEE

At the beginning of the lease period, the Group assesses whether the contract creates or contains a lease. This is the case when the contract gives the right to control the use of an identified asset for a certain period in exchange for payment of a fee. To assess whether a contract conveys the right to control an identified asset, the Group applies the definition of a lease under IFRS 16.

At the beginning of the lease period, all leases other than short-term leases with a term of 12 months or less and leases of low-value assets are recognised in the balance sheet as a right-of-use asset and a lease liability at the present value of the future lease payments. If an agreement contains both lease and non-lease items, the lease payments are allocated between the two items based on their relative individual selling prices and the non-lease payments are recognised as an expense.

The lease liability is recognised at the present value of the future lease payments over the reasonably certain period of use. The lease payments included in the measurement of the lease liability comprise:

- › fixed payments, including de-facto fixed payments
- › variable lease payments linked to an index or (interest) rate, measured for the first time using the index or interest rate applicable on the provision date
- › amounts payable due to a residual value guarantee; and
- › the exercise price of a call option if the Group is reasonably certain to exercise it, lease payments for a renewal option if the Group is reasonably certain to exercise it, and penalties for early termination of the lease unless the Group is reasonably certain not to terminate early.

The payment series is discounted at the implicit interest rate of the lease or, if this is not readily determinable, at the appropriate incremental borrowing rate of the lease. All other variable payments are recognised as expenses. The lease liability is measured and perpetuated using the effective interest method. It is remeasured if the future lease payments change due to a change in an index or (interest) rate, if the Group adjusts its estimate of the probable payments under a residual value guarantee, or if the Group changes its estimate of the exercise of a purchase, renewal or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss if the carrying amount of the right-of-use asset has decreased to zero.

The acquisition cost of the right of use generally corresponds to the amount of the lease liability at the time of gaining access. These are to be additionally increased by initial direct costs. Incentive payments from the lessor that have already been paid in reduce the acquisition cost. As part of the subsequent measurement, the right of use is depreciated on a straight-line basis over the term of the lease and adjusted for any impairment losses. If the leased asset becomes the property of the Group at the end of the lease or if a purchase option or a right of tender is sufficiently certain, the right of use is depreciated over the economic life of the underlying asset.

The lease term is the reasonably certain period of time over which an asset is leased. In addition to the non-terminable basic lease period, additional periods of extension options are included if their utilisation is sufficiently secure at the start of use and periods of notice if their exercise is not sufficiently secure. This assessment is reviewed when either events beyond the lessee's control or significant changes in circumstances occur that require a change in the lease term. The lease term is adjusted if a renewal option is exercised or a termination option is not exercised and these were not taken into account in the original estimate. The adjustment of the lease term results in a changed future payment series and thus to a revaluation of the lease liability using the current interest rate. The resulting difference is recognised in the right of use without affecting profit or loss. Derecognition amounts that exceed the carrying amount of the right of use are recognised as an expense in profit or loss.

S&T AS LESSOR

Finance leases

If the conditions for a finance lease are met, the present value of the future lease payments (net investment value) is recognised as a receivable from the lessee. The difference between the gross lease receivables and the net investment value is accrued as unrealised financial income. The financial income is distributed over the term of the contracts through a constant periodic interest rate on the outstanding net investments.

Operating leases

Assets leased to customers under operating leases are classified as property, plant and equipment and depreciated over their normal useful lives in accordance with the treatment of property, plant and equipment. The resulting rental income is recognised in the income statement on a straight-line basis over the term of the lease.

DETERMINATION OF THE FAIR VALUE

S&T AG measures financial instruments such as derivatives or contingent purchase price obligations at fair value at each reporting date. The fair values of financial instruments measured at acquisition costs can be found in section E, note (32).

The fair value is the 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. In measuring fair value, it is assumed that the transaction in which the asset is sold or the liability is transferred takes place either in the principal market for the asset or liability or in the most advantageous market for the asset or liability if there is no principal market.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability. It is assumed that the market participants will act in their best economic interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value. The use of relevant observable inputs must be maximised while minimising the use of unobservable inputs.

All assets and liabilities for which fair value is determined or recognised in the financial statements are classified in the fair value hierarchy described below, based on the lowest level input factor that is material to the overall fair value measurement:

- › Level 1: the market prices used in an active market (unadjusted) of identical assets and liabilities

- › Level 2: Valuation techniques for which the lowest-level input that is significant to the overall fair value measurement is observable on the market, either directly or indirectly
- › Level 3: Valuation techniques for which the lowest-level input that is significant to the overall fair value measurement is not observable in the market



NOTES TO THE CONSOLIDATED INCOME STATEMENT

01 REVENUES FROM CONTRACTS WITH CUSTOMERS

REVENUE STREAMS

Revenues break down as follows:

IN TEUR	2020	2019
Sale of products featuring proprietary technologies (hardware and software)	467,403	423,253
Sale of products from third parties (hardware and software)	405,105	371,817
Recurring operating services	344,070	288,659
One-time project services	38,226	39,156
Total revenues from contracts with customers	1,254,804	1,122,885
Of which Austria	102,920	102,897
Of which outside Austria	1,151,884	1,019,988

The allocation of revenues according to the domestic/foreign category is based on the respective headquarters of the customer.

2020 IN TEUR	IT SERVICES	IOT SOLUTIONS EUROPE	IOT SOLUTIONS AMERICA	TOTAL
Sale of products featuring proprietary technologies (hardware and software)	0	347,985	119,418	467,403
Sale of products from third parties (hardware and software)	288,838	115,596	671	405,105
Recurring operating services	231,750	106,822	5,498	344,070
One-time project services	35,465	2,313	448	38,226
Total revenues from contracts with customers	556,053	572,716	126,035	1,254,804

2019 IN TEUR	IT SERVICES	IOT SOLUTIONS EUROPE	IOT SOLUTIONS AMERICA	TOTAL
Sale of products featuring proprietary technologies (hardware and software)	0	290,254	132,999	423,253
Sale of products from third parties (hardware and software)	257,199	114,158	460	371,817
Recurring operating services	211,900	69,759	7,000	288,659
One-time project services	36,768	1,217	1,171	39,156
Total revenues from contracts with customers	505,867	475,388	141,630	1,122,885

Of the revenues generated in the financial year 2020, TEUR 2,853 (PY: TEUR 1,850) result from activities as an agent, which are recognised at their net amount.

No sales with a right of return were made in the financial year 2020.

CONTRACT BALANCES

IN TEUR	31.12.2020	31.12.2019
Contract assets	23,754	30,537
Contract liabilities	85,992	73,681

Contract assets are initially recognised as revenues from development and IT projects for which S&T has (partially) fulfilled its contractual obligations before the customer has paid the consideration or the consideration has become due. Upon maturity, the corresponding contract asset is reclassified to trade receivables.

The development of the contract assets is as follows:

IN TEUR	2020	2019
As of January 1	30,538	4,357
Additions	11,894	30,313
Partially invoiced	-17,974	-4,138
Currency translation	-704	6
As of December 31	23,754	30,538

The contract liabilities mainly include customer down payments and advance payments received for project services for which the contractually guaranteed goods and services of S&T have not (fully) been transferred or provided to the customer. Of the contractual liabilities, TEUR 16,323 (PY: TEUR 13,710) are reported under non-current liabilities and TEUR 69,669 (PY: TEUR 59,971) are reported under current liabilities.

The development of contract liabilities is as follows:

IN TEUR	2020	2019
As of January 1	73,681	48,680
Additions	61,437	60,380
Recognized as revenues	-45,300	-36,001
Currency translation	-3,826	622
As of December 31	85,992	73,681

PERFORMANCE OBLIGATIONS

Sale of products featuring proprietary technologies (hardware and software)

The performance obligation for the sale of proprietary technology products is fulfilled at the time when the control of the asset is transferred to the customer. This is generally the case on delivery of the proprietary technology products, taking into account the respectively agreed Incoterms. The payment term is usually between 30 and 90 days after delivery. Price reductions or quantity discounts are only granted in exceptional cases. The same applies to return rights: in these cases, proprietary technology products are made available free of charge to customers as part of test positions or proof of concept.

The Group grants customary warranty rights for its own products that represent an assurance that the product in question meets the contractually agreed specifications (so-called assurance-type warranty). In a few cases, additional extended warranties or maintenance services are offered, which constitute a separate performance obligation in a combined contract. In these cases, the total consideration is allocated between performance obligations based on relative individual selling prices and revenues are recognised over the warranty or maintenance period.

Sale of third-party products (hardware and software)

The performance obligation for trading in third-party products, for example HP, IBM, Cisco or Microsoft, where the sale of the hardware and software is the only performance obligation, is fulfilled at the time when control of the asset is transferred to the customer. This is generally the case upon delivery of the products. The payment term is usually between 14 and 30 days after delivery. Subsequent price reductions, quantity discounts or return rights are only granted in exceptional cases. The legal warranty obligation in these cases lies with the manufacturer of the products. In this case, S&T will only act as a vicarious agent for the handling of the manufacturer's warranty obligations against separate commissioning and payment by the manufacturer.

In the majority of cases, various consulting services in the area of product selection or licence optimisation together with the actual transfer of the software licence form a uniform performance obligation, which is why it can be assumed that S&T acts as the principal. Only in exceptional cases does S&T engage in pure license trading (such as a value added reseller). In this case, the Group does not acquire control of the delivered products or licenses before they are transferred to the customer. In these cases, S&T acts as an agent and recognises revenues only to the extent of the net amounts to which it is entitled as consideration for the agency services.

Provision of recurring operational services

The performance obligation for recurring operating services, such as maintenance and support contracts for IT infrastructure and applications, is fulfilled over the period of the underlying contracts. Invoices are usually issued monthly with a payment term of between 14 and 30 days. There are no discounts in this area.

Provision of project services

The performance obligation for project services is fulfilled over the duration of the projects. Revenues in this area are recognised over time in accordance with the progress of the services rendered. As a rule, payment is due upon achievement of contractually agreed key dates with a payment term of between 14 and 30 days. Some contracts also provide for advance payments by customers.

The Group's performance obligations not fulfilled or only partially fulfilled as of December 31, 2020, will be offset by future revenues (transaction prices) in financial year 2021 and subsequent financial years:

IN TEUR	IT SERVICES	IOT SOLUTIONS EUROPE	IOT SOLUTIONS AMERICA	TOTAL
Financial year 2021	193,819	324,316	58,535	576,670
Financial years after 2021	45,529	268,238	36,727	350,494

IN TEUR	IT SERVICES	IOT SOLUTIONS EUROPE	IOT SOLUTIONS AMERICA	TOTAL
Financial year 2020	192,296	308,901	48,696	549,893
Financial years after 2020	54,340	203,277	33,955	291,572

02 CAPITALISED DEVELOPMENT COSTS

In the financial year 2020, development costs in the amount of TEUR 17,602 (PY: TEUR 15,528) were capitalised.

03 OTHER INCOME

Other income consists of the following items:

IN TEUR	2020	2019
Income from the derecognition of liabilities	373	641
Income from the release of conditional consideration	4,610	2,925
Charging on of costs, indemnification for damages experienced	215	1,419
Income from deconsolidation	0	275
Badwill from acquisition of companies	1,839	0
Income from sales of fixed assets	231	611
Rental income	356	444
Other income	1,138	1,698
Total other income	8,762	8,013

Income from the reversal of contingent consideration results from the adjustment of the purchase price liabilities in connection with the company acquisitions, BASS Systems S.R.L. and S&T Smart Energy GmbH, made in the previous periods. In both cases, the reduction of the purchase price liabilities results from an adjustment of the planning due to lower expected results in the coming years compared to the previous planning with a corresponding effect on the agreed earn outs. For further information, see the explanations in section D, note (24).

04 EXPENSES FOR MATERIAL AND OTHER SERVICES PURCHASED

The cost of materials is the expense for the procurement and contract manufacturing of the products sold, including incidental acquisition costs.

The expenses for material and other services purchased consists of the following items:

IN TEUR	2020	2019
Expenses for materials	619,744	551,313
Services purchased	174,109	159,620
Incoming freight and others	5,194	4,438
Expenses for materials and other services purchased	799,047	715,371

05 PERSONNEL EXPENSES

Personnel expenses break down as follows:

IN TEUR	2020	2019
Wages and salaries	213,477	195,219
Expenses for severance payments, for payments into corporate employee benefit funds and similar obligations	1,307	1,217
Expenses for legal-mandated social levies and obligatory contributions	51,852	45,283
Other social security obligations	6,617	3,440
Personnel expenses	273,253	245,159

NUMBER OF EMPLOYEES	2020	2019
Employees Austria	588	597
Employees outside Austria	5,479	4,337
Employees as of end of the year	6,067	4,934

The average number of employees in the financial year 2020 was 5,271 (PY: 4,643).

In various subsidiaries of the S&T Group, governmental subsidies such as short-time work were used in times of lockdowns, especially in the second quarter of 2020. In total, the benefits claimed for personnel expenses in the past financial year amounted to TEUR 5,926 (PY: TEUR 0). In the consolidated financial statements, these are shown netted with the personnel expenses.

06 DEPRECIATION AND AMORTISATION

The expense for depreciation and amortisation is composed as follows:

IN TEUR	2020	2019
Depreciation of property, plant and equipment	30,926	25,925
Amortisation of intangible assets	30,539	24,018
Total depreciation and amortisation	61,465	49,943

The amortisation of intangible assets includes impairment losses of TEUR 2,172. The impairment relates to necessary value adjustments of customer relationships and brand usage rights within S&T IT Services S.R.L., Moldova (formerly BASS Systems S.R.L.), capitalised in the course of the purchase price allocation. Due to significant declines in orders in the customer segments served by the company, caused by the effects of the negative overall economic development, customer relationships had to be written off to their recoverable amount of TEUR 806. In addition, due to the renaming of BASS Systems S.R.L. to S&T IT Services S.R.L. in the course of the intensified cooperation with S&T Mold srl. and an ultimately planned merger of the two companies, a complete write-off of the brand name no longer used in the amount of TEUR 265 had to be made.

There were no impairments of non-financial assets in the previous year.

07 OTHER OPERATING EXPENSES

Other operating expenses break down as follows:

IN TEUR	2020	2019
Rental and leasing expenses	2,608	2,578
Maintenance and ancillary expenses	12,414	10,153
Insurance	2,042	1,971
Transport expenses	3,072	2,207
Travel expenses and expenses for company cars	7,173	12,020
Mail and telecommunication	2,217	2,255
Expenses for contracted personnel and consulting	12,339	13,684
Expenses for advertising	5,316	7,542
Legal, tax advisor and audit expenses	6,250	5,530
Expenses for training and education	1,071	1,656
Expenses for guarantees and indemnification	2,377	790
R&D expenses not eligible for capitalisation	4,676	4,142
Licenses expenses	2,968	2,439
Commissions	2,225	2,043
Bank commissions and similar expenses	1,743	1,879
Taxes and charges not comprised in taxes on income and earnings	2,501	1,392
Other operating expenses	7,834	1,905
Total other operating expenses	78,825	74,185

The rental and leasing expense item includes expenses for leases with a term of up to 12 months in the amount of TEUR 2,370 (PY: TEUR 2,504). Expenses in the amount of TEUR 238 (PY: TEUR 74) are attributable to low-value leases.

08 FINANCIAL RESULT

The financial result is broken down as follows:

IN TEUR	2020	2019
Interest income from banks	580	627
Interest income from finance leases	280	271
Other interest and finance income	735	427
Finance income	1,595	1,325
Interest paid to banks	-4,461	-4,102
Interest expenses from finance leases	-1,678	-1,630
Other interest and finance expenses	-3,117	-3,278
Finance expenses	-9,256	-9,010
Financial result	-7,661	-7,685

Net results from financial instruments:

IN TEUR	2020	2019
At fair value through profit or loss	358	-418
At fair value through other comprehensive income	-63	77
Financial assets at amortized costs	514	-1,816
Liabilities at fair value	4,447	2,405
Total	5,256	248

The calculation of the net result from financial instruments includes value adjustments and write-ups, income and expenses from currency translation, profits or losses on disposal and other changes in the fair value of financial instruments recognised in profit or loss.

09 INCOME TAXES

The income tax expense is broken down as follows:

IN TEUR	2020	2019
Current income taxes	-10,739	-9,517
Ensuing and reversal of temporary differences	1,208	374
Income due to reporting of tax losses carried forward	3,466	4,591
Income taxes reported in the consolidated income statement	-6,065	-4,552

The following table shows a reconciliation of the expected income tax expense, which would theoretically result from applying the current domestic income tax rate of 25% (PY: 25%) at Group level, to the income tax expense actually reported in the Group:

IN TEUR	2020	2019
Earnings before taxes	60,688	54,064
Expenses for income taxes at a tax rate of 25% (PY: 25%)	-15,172	-13,516
Divergent non-Austrian rates of taxation	586	441
Income taxes for prior period	42	-232
Initial capitalisation of tax assets	4,211	4,413
Utilisation of losses carried forward not previously capitalised	3,841	5,232
Non capitalised losses carried forward in current financial year	-2,212	-755
Earnings/expenses with no effects on taxes	343	-1,448
Other divergences	2,296	1,313
Income tax expenses/earnings reported	-6,065	-4,552

10 EARNINGS PER SHARE

Undiluted earnings per share are calculated by dividing the net profit attributable to S&T AG shareholders by the weighted average number of ordinary shares outstanding during the reporting period. Treasury shares held by the company shall be deducted when calculating the average number of shares outstanding.

For the calculation of diluted earnings per share, the result for the period is adjusted for all changes in expenses and income that would have resulted from a conversion of the outstanding stock options. For the calculation of the number of shares, the weighted average number of ordinary shares issued in the reporting period was increased by the weighted average number of shares that would result from the conversion of all stock options into ordinary shares.

As of the balance sheet date of December 31, 2020, the company has adopted two stock option programs. In addition, 2,000,000 equity warrants, consisting of 1,500,000 allotted and 500,000 publicly offered equity warrants, were issued in the financial year 2020 on the basis of a prospectus approved by the Austrian Financial Market Authority. Explanations in this regard can be found in section E, note (37). Diluted earnings per share are calculated on the assumption that all option rights are exercised.

		2020	2019
Net income after subtraction of NCI (non-controlling interest)	TEUR	55,609	49,109
Average number of shares issued	Number in thousand	64,998	65,871
Average number of shares issued (diluted)	Number in thousand	65,998	66,909
Earnings per share (undiluted)	EUR/piece	0.86	0.75
Earnings per share (diluted)	EUR/piece	0.84	0.73

D.

NOTES TO THE CONSOLIDATED BALANCE SHEET

11 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment developed as follows:

IN TEUR	PROPERTY, PLANT AND LEASEHOLD IMPROVEMENTS	OTHER FACILITIES, OPERATING AND BUSINESS EQUIPMENT	RIGHT OF USE	TOTAL
ACQUISITION COSTS				
As of January 1, 2020	23,084	41,475	80,330	144,889
Additions	5,563	12,720	16,914	35,197
Additions through changes in consolidated companies	32,324	3,835	3,888	40,047
Reclassifications	0	1,635	-1,635	0
Disposals	-289	-6,086	-7,084	-13,459
Disposals from changes in consolidated companies	0	-100	0	-100
Currency translation differences	-408	-3,196	-2,329	-5,933
As of December 31, 2020	60,274	50,283	90,084	200,641
ACCUMULATED DEPRECIATION				
As of January 1, 2020	5,882	20,939	18,259	45,080
Additions	1,467	9,510	19,949	30,926
Reclassifications	0	157	-157	0
Disposals	-106	-4,580	-1,906	-6,592
Disposals from changes in consolidated companies	0	-100	0	-100
Currency translation differences	-277	-2,686	-830	-3,793
As of December 31, 2020	6,966	23,240	35,315	65,521
Carrying amount as of December 31, 2020	53,308	27,043	54,769	135,120

IN TEUR	PROPERTY, PLANT AND LEASEHOLD IMPROVEMENTS	OTHER FACILITIES, OPERATING AND BUSINESS EQUIPMENT	RIGHT OF USE	TOTAL
ACQUISITION COSTS				
As of January 1, 2019	18,733	34,022	63,743	116,498
Additions	446	8,027	9,633	18,106
Additions through changes in consolidated companies	4,655	5,697	8,628	18,980
Reclassifications	0	104	-104	0
Disposals	-794	-7,291	-2,296	-10,381
Currency translation differences	44	916	726	1,686
As of December 31, 2019	23,084	41,475	80,330	144,889

ACCUMULATED DEPRECIATION

As of January 1, 2019	4,330	18,564	3,219	26,113
Additions	1,515	7,338	17,072	25,925
Reclassifications	0	70	-70	0
Disposals	-18	-5,824	-2,013	-7,855
Currency translation differences	55	791	51	897
As of December 31, 2019	5,882	20,939	18,259	45,080
Carrying amount as of December 31, 2019	17,202	20,536	62,071	99,809

The Group has entered into lease agreements primarily for real estate and vehicles. Lease agreements for real estate usually have terms of between 4 and 10 years. For vehicles, the term is usually between 3 and 5 years.

The carrying amounts of the rights of use break down by asset class as follows:

IN TEUR	2020	2019
Properties	41,128	48,249
Operating and business equipment	2,474	4,763
Car fleet	11,167	9,059
Total carrying amount of right of use assets	54,769	62,071

10.D

NOTES 2020

The depreciation of the rights of use breaks down by asset class as follows:

IN TEUR	2020	2019
Properties	13,860	12,181
Operating and business equipment	1,179	1,645
Car fleet	4,910	3,246
Total depreciation of right of use assets	19,949	17,072

12 INTANGIBLE ASSETS AND GOODWILL

The development of intangible assets is as follows:

IN TEUR	SOFTWARE AND LICENSES	OTHER INTANGIBLE ASSETS	GOODWILL	TOTAL
ACQUISITION COSTS				
As of January 1, 2020	122,539	62,669	194,384	379,592
Additions	20,722	878	0	21,600
Additions through changes in consolidated companies	4,226	9,454	7,896	21,576
Disposals	-14,778	-367	-243	-15,388
Disposals from changes in consolidated companies	-228	0	0	-228
Currency translation differences	-8,835	-1,092	-2,556	-12,483
As of December 31, 2020	123,646	71,542	199,481	394,669
ACCUMULATED AMORTISATION				
As of January 1, 2020	50,492	34,222	0	84,714
Additions	17,392	10,975	0	28,367
Impairments	0	2,172	0	2,172
Disposals	-14,741	-367	0	-15,108
Disposals from changes in consolidated companies	-194	0	0	-194
Currency translation differences	-6,816	-745	0	-7,561
As of December 31, 2020	46,133	46,257	0	92,390
Carrying amount as of December 31, 2020	77,513	25,285	199,481	302,279

From the purchase price allocations recognised as preliminary in the consolidated financial statements as of December 31, 2019 and finalised in the financial year 2020, there was a minor increase in other intangible assets and a decrease in goodwill of TEUR -243 within the assessment period. The changes were recognised as disposals for the financial year due to the immateriality of the amounts (details on the changes in the scope of consolidation in 2019 are explained in section A).

The impairment of intangible assets relates to the capitalised customer relationships and the brand of S&T IT Services S.R.L. (formerly BASS Systems S.R.L.). See explanations in Note (6).

IN TEUR	SOFTWARE AND LICENSES	OTHER INTANGIBLE ASSETS	GOODWILL	TOTAL
ACQUISITION COSTS				
As of January 1, 2019	101,933	46,785	119,977	268,695
Additions	18,630	0	0	18,630
Additions through changes in consolidated companies	1,653	16,312	74,451	92,416
Disposals	-1,985	-752	0	-2,737
Currency translation differences	2,308	324	-44	2,588
As of December 31, 2019	122,539	62,669	194,384	379,592
ACCUMULATED AMORTISATION				
As of January 1, 2019	34,531	26,589	0	61,120
Additions	15,702	8,316	0	24,018
Disposals	-1,389	-752	0	-2,141
Currency translation differences	1,648	69	0	1,717
As of December 31, 2019	50,492	34,222	0	84,714
Carrying amount as of December 31, 2019	72,047	28,447	194,384	294,878

Other intangible assets include the brands identified in the context of company acquisitions with a carrying amount of TEUR 7,094 as at December 31, 2020 (PY: TEUR 6,941), customer relations TEUR 10,020 (PY: TEUR 11,932), order backlog TEUR 1,317 (PY: TEUR 0) and technologies TEUR 6,854 (PY: TEUR 9,574).

Expenditure on research and development in 2020 amounted to TEUR 184,097 (PY: TEUR 170,495). In the financial year 2020, the S&T Group capitalised development costs of TEUR 17,602 (PY: TEUR 15,528).

As of the balance sheet date, the S&T Group had no intangible assets with indefinite useful lives, except for goodwill (PY: TEUR 0).

10.D

NOTES 2020

Goodwill results from the positive differences between the acquisition costs and the fair values of the net assets acquired at the acquisition date. The goodwill recognised relates to the following cash-generating units (CGU):

IN TEUR	2020	2019
Cash-generating unit "Services DACH"	28,709	22,217
Cash-generating unit "Services EE"	27,147	28,658
Cash-generating unit "IoT Solutions"	15,131	15,750
Cash-generating unit "IoT Industry"	50,596	51,095
Cash-generating unit "IoT Transportation"	59,131	57,519
Cash-generating unit "IoT America"	18,766	19,145
Goodwill as of December 31	199,481	194,384

The following table shows the pre-tax discount rates used in the impairment tests for the individual cash-generating units:

	2020	2019
Cash-generating unit "Services DACH"	12.7%	10.4%
Cash-generating unit "Services EE"	14.4%	12.1%
Cash-generating unit "IoT Solutions"	11.8%	12.2%
Cash-generating unit "IoT Industry"	13.4%	12.8%
Cash-generating unit "IoT Transportation"	10.7%	9.9%
Cash-generating unit "IoT America"	13.3%	13.4%

To determine the discount rates, peer groups were determined in each case for the corresponding CGU.

The average revenue and EBIT growth underlying the 2021–2024 financial plans is:

AVERAGE PLANNED GROWTH 2021–2024	REVENUE	EBIT
Cash-generating unit "Services DACH"	4.4%	18.2%
Cash-generating unit "Services EE"	4.8%	23.0%
Cash-generating unit "IoT Solutions"	8.2%	30.6%
Cash-generating unit "IoT Industry"	6.8%	32.0%
Cash-generating unit "IoT Transportation"	6.8%	19.7%
Cash-generating unit "IoT America"	6.9%	23.9%

The average revenue and EBIT growth underlying the 2020–2023 financial plans is:

AVERAGE PLANNED GROWTH 2020–2023	REVENUE	EBIT
Cash-generating unit "Services DACH"	3.9%	27.6%
Cash-generating unit "Services EE"	5.2%	11.0%
Cash-generating unit "IoT Solutions"	5.6%	27.9%
Cash-generating unit "IoT Industry"	6.8%	30.4%
Cash-generating unit "IoT Transportation"	5.2%	5.1%
Cash-generating unit "IoT America"	6.8%	17.8%

In the financial year 2020, as in the previous year, no impairment of goodwill was necessary.

Neither a 10% reduction in expected cash flows nor a 10% increase in the weighted average cost of capital before tax would result in an impairment of goodwill for a cash-generating unit.

13 SHARES HELD IN ASSOCIATED COMPANIES

The development of the shares held in funworld gmbh, Linz, Austria, accounted for using the equity method is as follows:

SHARES HELD IN ASSOCIATED COMPANIES IN TEUR	2020	2019
Carrying amount on January 1	289	308
Proportionate result after taxes	3	-19
Disposal	-292	0
Carrying amount on December 31	0	289

S&T AG does not hold any shares in associated companies as of the balance sheet date December 31, 2020. The 40% share held in funworld gmbh, Linz, Austria, was sold for TEUR 60 in the current financial year. The loss from the disposal amounted to TEUR -229 and was recognised in the result of associated companies.

Revenues and net profit for the period are as follows:

IN TEUR	2020	2019
Revenues	472	151
Result for the period after taxes	8	-46
Share of equity held by the group	40%	40%
Share of Group in total result for the period	3	-19

The company had no income or expenses recognised directly in other comprehensive income.

14 NON-CURRENT FINANCIAL ASSETS

The non-current financial assets are composed as follows:

IN TEUR	2020	2019
Receivables from finance leases	7,585	5,050
Other investments	293	504
Securities	310	341
Receivables from loans granted	2,108	673
Deposits	1,184	1,115
Other non-current receivables	433	301
Total non-current financial assets as of December 31	11,913	7,984

LEASE RECEIVABLES (FROM THE COMPANY'S LESSOR OPERATIONS)	2020	2019
Lease receivables (gross)		
Remaining term up to 1 year	5,150	3,983
Remaining term between 1 and 5 years	7,860	5,348
Remaining term > 5 years	0	0
	13,010	9,331
Unrealised future interest income from lease receivables	-350	-369
Net receivables from finance leases	12,660	8,962

COMPOSITION	2020	2019
Current receivables (up to 1 year)	5,075	3,912
Non-current receivables (between 1 and 5 years)	7,585	5,050
Non-current receivables (> 5 years)	0	0
Net receivables from finance leases	12,660	8,962

The default risk from lease receivables from customers is managed on the basis of the Group's policies and procedures. Due to the comparable customer portfolio, the expected default rates of the trade receivables are used as a basis. Impairment requirements are analysed at each reporting date using the impairment matrix to determine expected credit losses. Impairment ratios are determined based on days past due with similar default patterns. The analysis did not reveal any material default risk at the reporting date.

The average interest rate of the lease receivables (current and non-current) was 2.36% in the financial year 2020 (PY: 3,3%).

15 OTHER NON-CURRENT ASSETS

Other non-current assets are composed as follows:

IN TEUR	2020	2019
Prepayments to subcontractors for the provision of services constituting part of the supplying of services	12,202	14,499
Other non-financial assets	7,629	1,965
Total other non-current assets	19,831	16,464

16 DEFERRED TAXES

Deferred tax assets and liabilities arising from temporary differences between tax and accounting valuations are allocated to the following items:

IN TEUR	DEFERRED TAX ASSETS 2020	DEFERRED TAX LIABILITIES 2020
Intangible assets	823	24,240
Trade receivables	7,065	3,124
Provisions and deferred liabilities	12,157	280
Losses carried forward	30,944	0
Balancing	-14,373	-14,373
Amount recognised in balance sheet	36,616	13,271

IN TEUR	DEFERRED TAX ASSETS 2019	DEFERRED TAX LIABILITIES 2019
Intangible assets	4,076	22,489
Trade receivables	6,473	2,896
Provisions and deferred liabilities	10,828	208
Losses carried forward	25,278	0
Balancing	-12,225	-12,225
Amount recognised in balance sheet	34,430	13,368

The accrued deferred tax assets from company acquisitions amount to TEUR 4,421 (PY: TEUR 2,377) and deferred tax liabilities increased by TEUR 5,997 (PY: TEUR 3,993) due to company acquisitions.

In the financial year 2020, the deferred tax assets for losses carried forward were increased by TEUR 3,466 on the basis of the tax plan-

ning results for the next five years (PY: TEUR 4,413). Based on the planning of the companies, deferred tax assets of TEUR 30,944 were recognised for losses carried forward that are expected to be utilised (PY: TEUR 25,278). The Group has not recognised deferred taxes in connection with tax losses carried forward of TEUR 54,495 (PY: TEUR 51,456) that can be offset against future taxable income, as the actual offset against future taxable profits is uncertain. The non-capitalised losses carried forward can be carried forward without time limit in the amount of TEUR 44,079 (PY: TEUR 42,727), and TEUR 10,416 (PY: TEUR 8,729) can be carried forward with time limit.

The deferred tax assets for loss carryforwards result in particular from S&T AG and its tax group. Loss carryforwards were only recognised to the extent to which they can be expected to be used in the next 5 years in accordance with tax planning.

As in the previous years, S&T AG was able to generate a positive tax income in the financial year 2020. Positive results can also be assumed for future periods. In addition to expected improvements in the operating business, income from brand and licence usage agreements with Group companies and income from management services and guarantee commissions charged to Group companies in particular contribute to the continued stable profitability of S&T AG and subsequently of the Austrian tax group.

In the reporting year, deferred taxes in the amount of TEUR 71 were recognised directly in equity (PY: TEUR 237).

Deferred tax assets are offset against deferred tax liabilities if the tax creditors are identical and offsetting is possible.

Deferred tax assets of TEUR 7,296 (PY: TEUR 834) from other deductible temporary differences were not recognised as it is currently uncertain whether they can be offset against future taxable profits. The increase compared to the previous year is due in particular to the Iskratel Group acquired in the financial year 2020. In addition, in accordance with IAS 12.39, deferred tax liabilities were not recognised for temporary differences of TEUR 92,626 (PY: TEUR 59,231) from investments in subsidiaries, as the parent company is able to control the timing and these temporary differences will not be reversed in the foreseeable future. The increase is mainly due to the first-time consolidation of the Iskratel Group and results from the existing shareholding structure. At the level of S&T, however, there are temporary differences on the assets side for the Group in approximately the same amount.

17 INVENTORIES

The reported inventories are composed as follows:

IN TEUR	2020	2019
Finished products and merchandise	82,607	82,896
Raw, auxillary and operating materials	73,585	63,109
Unfinished products	28,763	24,656
Impairments	-25,098	-23,895
Total inventories as of December 31	159,857	146,766

The impairment of inventories, which was recognised as an expense in the reporting period, amounts to TEUR 3,928 (PY: TEUR 2,933). This expense is reported in the cost of materials. The carrying amount of inventories measured at net realisable value as of December 31, 2020, is TEUR 33,468 (PY: TEUR 25,018).

18 TRADE RECEIVABLES AND CONTRACT ASSETS

The trade receivables item is composed as follows:

IN TEUR	2020	2019
Trade receivables	212,816	220,725
Value adjustment for expected credit-caused losses	-8,334	-8,575
Trade receivables as of December 31	204,482	212,150

Some companies of the S&T Group practice the "hold to collect and sell" business model with regard to trade receivables, as the contractual cash flows are collected both through customer payments and through sales to various house banks under factoring agreements. As a result, these trade receivables fall into the category "fair value through other comprehensive income". The classification of trade receivables in this category does not have any material impact on the consolidated financial statements of S&T, as the majority of trade receivables are expected to be settled within one year and for this reason it is assumed that the fair value approximates the previous measurement standard of amortised costs. The other trade receivables are classified as "at amortised costs", as the Group applies the "Hold" business model to these trade receivables. The receivables sold are derecognised in accordance with the derecognition rules of IFRS 9. As of the balance sheet date, trade receivables of TEUR 77,161 (PY: TEUR 62,602) had been sold to third parties.

The Group recognises an allowance for expected credit losses (ECL) on all receivables measured at fair value through other comprehensive income and at amortised costs. For receivables measured at amortised costs, the allowance is recognised in other operating expenses.

The development of the allowance for expected credit losses from trade receivables is as follows:

IN TEUR	2020	2019
Valuation allowance as of January 1	8,575	7,670
Valuation allowance for expected credit losses	2,251	931
Write-off	-1,763	-290
Currency translation differences	-729	264
Valuation allowance as of December 31	8,334	8,575

The allowance for trade receivables is determined using an impairment matrix, which was determined from historical bad debt losses and adjusted for expected future deviations.

For trade receivables measured at fair value through other comprehensive income, the impairment is recognised in other comprehensive income in accordance with IFRS 9. The impairment loss recognised in other comprehensive income as of December 31, 2020, amounts to TEUR 50 (PY: TEUR 64). A portion of the trade receivables serves as collateral for short-term financing. Details can be found in the explanations in the section "Financial Liabilities".

The carrying amount of the current contract assets as of December 31, 2020, is TEUR 23,553 (PY: TEUR 27,206).

The default risk on contract assets is managed based on the Group's policies and procedures. Due to the comparable customer portfolio, the expected default rates of trade receivables are used as a basis. Impairment requirements are analysed at each reporting date using the impairment matrix to determine expected credit losses. The analysis did not reveal any material default risk at the reporting date.

19 CURRENT FINANCIAL ASSETS

The current financial assets break down as follows:

IN TEUR	2020	2019
Receivables from finance leases *)	5,075	3,912
Deposits	1,432	1,831
Current portion of loans granted	491	144
Receivables from annual bonuses	189	51
Creditors with debtor accounts	772	399
Deposits for guarantees	553	420
Derivative financial instruments	8	335
Other current financial assets	1,686	7,441
Total current financial assets	10,206	14,533
*) Receivables from finance leases – gross	5,149	3,983
Unrealised interest income	-74	-71
Present value of receivables from finance leases	5,075	3,912

20 OTHER CURRENT ASSETS

Other current non-financial assets break down as follows:

IN TEUR	2020	2019
Advances	3,790	3,102
Prepayments to subcontractors for the provision of services constituting part of the supplying of services	38,783	35,928
Receivables due from EU support programs and research premiums	6,414	8,110
Receivables from prepayments of income tax and other taxes	5,324	2,580
Value added tax	2,027	5,882
Other receivables current	4,322	0
Total other current assets as of December 31	60,660	55,602

21 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the amount of TEUR 281,909 (PY: TEUR 312,284) are cash in hand and bank balances that are available within three months. These bear interest at the applicable interest rates for short-term deposits.

IN TEUR	2020	2019
Cash on hand	73	75
Credit balances at banks	281,836	312,209
Total cash and cash equivalents as of December 31	281,909	312,284

As at the reporting date, there were restrictions on the disposal of the amounts included in cash and cash equivalents due to financing with credit institutions or due to balance compensation of TEUR 3,826 (PY: TEUR 4,798) as collateral.

22 EQUITY

SUBSCRIBED CAPITAL

As of December 31, 2020, the share capital of S&T AG amounted to TEUR 66,096 (PY: TEUR 66,096) and is divided into 66,096,103 (PY: 66,096,103) no-par value bearer shares. The equity developed as follows:

IN TEUR	2020	2019
Subscribed capital as of January 1	66,096	66,089
+ Increase in capital through conditional capital	0	7
Subscribed capital as of December 31	66,096	66,096

AUTHORISED CAPITAL

By resolution of the Annual General Meeting of June 27, 2017, the Executive Board was authorised, with the approval of the Supervisory Board, to increase the share capital within five years after registration of the corresponding amendment to the Articles of Association by up to EUR 10,000,000 – if necessary in several tranches and with partial exclusion of subscription rights – by issuing up to 10,000,000 new no-par value bearer shares with voting rights in exchange for cash and/or contributions in kind, if necessary by way of indirect subscription rights, once or several times ("Authorised Capital 2017").

From the Authorised Capital 2017 (§ 5 Paragraph 5 of the Articles of Association) of up to EUR 10,000,000, EUR 7,208,534 is still available due to its partial utilisation for a capital increase against contributions in kind ("Kontron Canada capital increase against contributions in kind") – in the amount of EUR 1,408,843 through the issue of 1,408,843 new shares.

At the Annual General Meeting of S&T AG on May 21, 2019, the shareholders approved new authorised capital, which authorises the Executive Board, with the approval of the Supervisory Board, to increase the share capital by up to EUR 6,600,000 by June 25, 2024 – also with partial or full exclusion of shareholders' subscription rights in the form of a direct exclusion and an authorisation of the Executive Board to exclude subscription rights in certain cases ("Authorised Capital 2019"). No use was made of the existing authorisations to issue new shares from the authorised capital in the financial year 2020.

CONDITIONAL CAPITAL

At the Annual General Meeting of June 25, 2015, a resolution was passed on the conditional increase of the share capital pursuant to § 159 Paragraph 2 no. 3 of the Austrian Stock Corporation Act (AktG) in such a way that the share capital is increased by up to EUR 2,580,000.00 by issuing up to 2,580,000 no-par value bearer shares for the purpose of servicing share options within the framework of the Stock Option Program 2015 to employees, executives and members of the Executive Board of the company or one of its affiliated companies ("Conditional Capital II"). In the financial year 2020, there was no increase in share capital through the issue of new shares from Conditional Capital II.

AUTHORISED CONDITIONAL CAPITAL

Furthermore, the Annual General Meeting on May 21, 2019, resolved on authorised conditional capital, with which the Executive Board was authorised, pursuant to § 159 Paragraph 3 of the Austrian Stock Corporation Act (AktG), to conditionally increase the share capital by up to EUR 1,500,000 for the granting of stock options until June 25, 2024, subject to the approval of the Supervisory Board ("Authorised Conditional Capital 2019"), whereby the capital increase is for a specific purpose and may only be carried out to the extent that holders of options from the Stock Options Programs 2018 – Tranche 2018 and Tranche 2019 as well as a potential future program are entitled to exercise their options for the first time no earlier than three years after the granting of the option and an exercise hurdle of 25% of the stock exchange price of the company's share on the Frankfurt Stock Exchange, which must be higher than the exercise price. As of December 31, 2019, the Supervisory Board had allocated 700,000 stock options to the Executive Board of S&T AG and 300,000 stock

options to executives of S&T AG and its affiliated companies from the existing stock option programs, which can be exercised for the first time in an exercise window after the end of the vesting period, which ends on December 18, 2021. Therefore, no use was made of the Authorised Conditional Capital 2019 in the past financial year 2020.

The Annual General Meeting of June 16, 2020, resolved a partial revocation of the existing authorisation of the Executive Board from the Authorised Conditional Capital 2019, namely to the extent of EUR 500,000, so that the Authorised Conditional Capital comprises a remaining authorisation to conditionally increase the share capital by up to EUR 1,000,000 for the granting of stock options until June 25, 2024, subject to the approval of the Supervisory Board.

The Annual General Meeting on June 16, 2020, authorised the Executive Board to increase the share capital by up to EUR 2,000,000 for the purpose of servicing conversion or subscription rights under warrants ("Authorised Capital 2020") in accordance with § 169 of the Austrian Stock Corporation Act.

The same Annual General Meeting on June 16, 2020, resolved to issue 2,000,000 warrants (instruments pursuant to § 174 of the Stock Corporation Act). 1,500,000 warrants were allotted to selected members of the Executive Board of S&T AG (those eligible for allotted shares) by the Supervisory Board. 500,000 warrants were publicly offered to selected key employees of S&T Group for subscription against the offer price per warrant as of July 13, 2020, on the basis of a prospectus approved by the Austrian Financial Market Authority. After the end of the offer period and a so-called rump placement of warrants not subscribed in the public offer, the Executive Board, with the approval of the Supervisory Board, decided on the final number of warrants to be issued and the allocation of the warrants offered. A total of 2,000,000 warrants, comprising the 1,500,000 allotted and the 500,000 publicly offered warrants, were issued. 112 eligible subscribers who had delivered subscription certificates for a total of 420,665 offered warrants received the full allocation according to the classification of the respective Group company and the respective management level of the eligible subscriber in accordance with the parameters set out in the prospectus. The remaining number of 79,335 offered warrants were issued to the allottees on the basis of their subscription certificates received for the short placement, against payment of the offer price per warrant. As of July 30, 2020, the warrants were admitted to official trading on the Vienna Stock Exchange and subsequently the warrants were or will be delivered to the respective subscribers and allottees. The first exercise of the conversion or subscription right from the warrant is possible at the earliest 36 months after the issue of the warrant and only if the price of the S&T AG share exceeds EUR 32.86. For this reason, no use was made of the Authorised Capital 2020 in the financial year 2020.

Otherwise, the members of the Executive Board have no powers that do not arise directly from the law, in particular with regard to the possibility of issuing or buying back shares.

TREASURY SHARES

At the Extraordinary General Meeting on January 15, 2019, an authorisation to repurchase treasury shares was approved for resolution, authorising the Executive Board to acquire no-par value bearer shares of the company up to 10% of the company's share capital for a period of 30 months from January 15, 2019, both on and off the stock exchange. The shares may be acquired at a value that does not exceed or fall below the stock exchange price of the last five trading days prior to the acquisition by more than 10%. The resolution of the Executive Board and the respective repurchase program based thereon, including its duration, shall be published. The Executive Board is authorised to withdraw treasury shares without further resolution by the Annual General Meeting. The Supervisory Board is authorised to resolve on amendments to the Articles of Association resulting from the withdrawal of shares. The applicable stock exchange price shall be the average closing price for shares of the Company in XETRA trading (or a successor system replacing the XETRA system) on the Frankfurt/Main Stock Exchange during the last five trading days prior to the acquisition of the shares.

Furthermore, the Executive Board is authorised, with the approval of the Supervisory Board, to sell the treasury shares acquired in any other way than via the stock exchange or through a public offering, for example in the form of using these shares as consideration for contributions from companies, operations, parts of operations or shares in one or several companies in Austria or abroad or for other assets (e.g. patents). The general subscription rights of the existing shareholders may be excluded in this case.

The Executive Board made use of the authorisation to acquire treasury shares in the financial year 2020 through two share buyback programs:

On February 28, 2020, the Executive Board of S&T AG decided to acquire a volume of up to 1,000,000 shares for a maximum total amount of EUR 15 million at a maximum price of EUR 22.00 per share ("Share Buyback Program I 2020") in continuation of the Share Buyback Program II 2019, which S&T AG terminated on December 27, 2019. The Share Buyback Program I 2020 was terminated on June 30, 2020. During this period, 390,373 treasury shares were repurchased at a weighted average price of EUR 16.7359 per share.

On October 27, 2020, the Executive Board of S&T AG decided to implement a new share buyback program for treasury shares ("Share Buyback Program II 2020") based on the authorisation resolution of the Extraordinary General Meeting of January 15, 2019. The volume also amounts to up to 1,000,000 treasury shares, whereby the total acquisition amount is up to EUR 20 million and the maximum price per acquired treasury share is EUR 20.00. The total number of shares acquired in the share buyback since October 27, 2020 amounts to 320,351 shares at a weighted average price of EUR 17.6611 as of the balance sheet date.

As of December 31, 2020, S&T AG holds 1,467,969 treasury shares, representing 2.22% of the company's share capital. The total acquisition price of all treasury shares as at December 31, 2020, excluding incidental costs of the repurchased shares, was EUR 26,838,330.68. Up to the date of this report, a total of 31,000 treasury shares were sold to beneficiaries under the stock option programs to service their delivery claims from exercised stock options.

CAPITAL RESERVE

The capital reserve mainly includes the premiums paid from capital increases carried out, the offsetting of differences from the acquisition or sale of non-controlling interests, and the offsetting entry of the personnel expenses recognised from the valuation of the stock option programs.

OTHER EQUITY COMPONENTS

Other equity components include changes in equity recognised in other comprehensive income, such as revaluations in accordance with IAS 19, currency translation differences and results from the subsequent measurement and revaluation of financial instruments.

The individual components of other comprehensive income break down into other equity components as follows:

10.D

NOTES 2020

IN TEUR	OTHER COMPONENTS OF EQUITY	DEBT INSTRUMENTS AT FAIR VALUE THROUGH OCI (IFRS 9)	ACTUARIAL GAINS/ LOSSES ACC. IAS 19	MARKET VALUATION RESERVES	ADJUSTEMENTS ITEMS FOR CURRENCY TRANSLATION
As of January 1, 2019	-3,745	75	-426	21	-3,415
Other comprehensive income					
Unrealised profit/loss from currency translation	1,812	0	0	0	1,812
Actuarial gains/losses acc. IAS 19	-1,706	0	-1,706	0	0
Impairment of debt instruments at fair value through OCI	-11	-11	0	0	0
Result from remeasurement of financial instruments measured at fair value through OCI	88	0	0	88	0
As of December 31, 2019	-3,562	64	-2,132	109	-1,603
Other comprehensive income					
Unrealised profit/loss from currency translation	-11,502	0	0	0	-11,502
Actuarial gains/losses acc. IAS 19	-464	0	-464	0	0
Impairment of debt instruments at fair value through OCI	-14	-14	0	0	0
Result from remeasurement of financial instruments measured at fair value through OCI	-49	0	0	-49	0
As of December 31, 2020	-15,591	50	-2,596	60	-13,105

DIVIDEND

Upon the proposal of the Executive Board and the Supervisory Board, on June 16, 2020, the Annual General Meeting of S&T AG resolved to retain the entire net profit of S&T AG – as stated in the individual financial statement as of December 31, 2019 according to UGB – in the amount of EUR 38,356,109 and to suspend the dividend for the financial year 2019 and depending on developments in 2020, to propose it as a supplementary dividend to the Annual General Meeting resolving on the financial year 2020. This resolution was based on consideration of the COVID-19 situation and to allow the company maximum flexibility regarding the use of government support measures in the wake of the Corona-Crisis. The entire 2019 retained earnings were therefore carried forward.

NON-CONTROLLING INTERESTS

The non-controlling interests show the shares in the equity of subsidiaries attributable to other shareholders. The shares have developed as follows:

IN TEUR	2020	2019
Non-controlling interest as of January 1	12,363	11,306
Additions to non-controlling interest	1,124	5,277
Results for the period attributable to non-controlling interest	-986	403
Acquisition of non-controlling interest	-4,175	-5,287
Dividends attributable to non-controlling interest	-2,467	0
Other comprehensive income attributable to non-controlling interest	-979	664
Disposal of non-controlling interest	7	0
Other changes	545	0
Non-controlling interest as of December 31	5,432	12,363

The addition in the financial year 2020 relates to the initial recognition of the non-controlling interests in the companies OOO Iskratel Tashkent, Uzbekistan, and AO IskraUralTel Yekaterinburg, Russia (see also the explanations under section A. "Changes in the group of consolidated companies 2020").

The acquisition of non-controlling interests shows the changes due to the increase in shares held by S&T in existing subsidiaries. In the financial year 2020, this relates to the acquisition of the outstanding 4.10% in Kontron S&T AG, Germany, in the amount of TEUR 2,921 as well as the outstanding shares in S&T SME Distribution GmbH, Austria, amounting to TEUR 171 and AO IskraUralTel Yekaterinburg, Russia, amounting to TEUR 1,083 (see section A. "Changes in the group of consolidated companies 2020").

The table below shows summarised financial information before intercompany eliminations for each subsidiary with significant non-controlling interests. As the carrying amount of the non-controlling interests from the Kontron Group has further reduced compared to the previous year due to further acquisitions in 2020, this is no longer considered material for the consolidated financial statements, which is why summarised financial information is no longer presented.

10.D

NOTES 2020

IN TEUR	AFFAIR 000 (SUBGROUP)	S&T IT SERVICES S.R.L.
	31.12.2020	31.12.2020
Non-current assets	15,843	9,186
Current assets	12,507	13,915
Non-current liabilities	1,053	319
Current liabilities	13,234	12,558
Net assets	14,063	10,224
Ownership share/voting rights – share of non-controlling interests	52.0%	49.0%
Carrying amount of non-controlling interests	3,344	992
	1-12/2020	1-12/2020
Proportionate profit/loss attributable to non-controlling interests	87	-1,113
Proportionate other comprehensive income attributable to non-controlling interests	-645	-274
Dividends attributable to non-controlling interests	0	2,467

IN TEUR	AFFAIR 000 (SUBGROUP)	S&T IT SERVICES S.R.L.
	31.12.2019	31.12.2019
Non-current assets	17,405	16,329
Current assets	20,751	17,236
Non-current liabilities	978	815
Current liabilities	23,474	13,897
Net assets	13,704	18,853
Ownership share/voting rights – share of non-controlling interests	52.0%	49.0%
Carrying amount of non-controlling interests	3,385	4,847
	1-12/2019	8-12/2019
Proportionate profit/loss attributable to non-controlling interests	-137	559
Proportionate other comprehensive income attributable to non-controlling interests	559	221

23 FINANCING LIABILITIES

The items non-current financing liabilities and current financing liabilities include loans, current account liabilities and a promissory note loan issued.

The financing liabilities reported in the balance sheet break down as follows:

IN TEUR	31.12.2020			31.12.2019		
	TOTAL	OF WHICH NON-CURRENT	OF WHICH CURRENT	TOTAL	OF WHICH NON-CURRENT	OF WHICH CURRENT
Bonded loans	160,000	160,000	0	160,000	160,000	0
Acquisition loans	28,717	11,324	17,393	47,079	28,716	18,364
Other loans	49,809	47,525	2,285	33,343	31,263	2,080
Overdrafts	23,132	0	23,132	42,321	0	42,321
Total financing liabilities	261,658	218,848	42,810	282,744	219,979	62,765

BONDED LOAN

S&T AG has issued a bonded loan of TEUR 160,000 (PY: TEUR 160,000). The issue was made in different tranches with different maturities or interest rate agreements.

DURATION	INTEREST RATE AGREEMENT FIXED / VARIABLE	TRANCHE IN TEUR
Until April 17, 2024	fixed interest	75,000
Until April 17, 2026	fixed interest	10,000
Until April 17, 2024	variable interest	49,000
Until April 17, 2026	variable interest	6,000
Until April 30, 2026	variable interest	20,000
		160,000

The existing bonded loan agreements and credit agreements contain contractual agreements for compliance with financial covenants, which require compliance with a consolidated equity ratio of greater than or equal to 30%. Failure to comply with this financial covenant entitles the lender to terminate the respective financing agreement. In addition, a "margin step-up" was agreed: If the ratio of net debt (including lease liabilities in accordance with IFRS 16) to EBITDA of the previous financial year is greater than 3 on the reporting date, the lender is entitled to an interest rate that is 50 basis points higher than the base conditions. As at the reporting date of December 31, 2020, the Group equity ratio was 32.8% and thus above the contractually stipulated threshold. Furthermore, the net debt to EBITDA ratio as at December 31, 2020, does not lead to an increase in the lenders' margin.

ACQUISITION LOAN

In the financial year 2016, S&T AG took out a loan for the shares in GADAGROUP ROMANIA SRL (now renamed S&T Medtech srl) acquired in November 2015. The amount outstanding as of December 31, 2019, of TEUR 375 was repaid as scheduled in the financial year 2020.

The acquisitions of shares in Affair OOO, Moscow, Russia, S&T Mold srl, Chisinau, Moldova, and the outstanding 50% share in S&T Serbia d.o.o., Belgrade, Serbia, in the financial year 2014 were partly financed by loans. The loan outstanding for the acquisition of the shares in Affair OOO amounts to TEUR 333 as at December 31, 2020, (PY: TEUR 1,000). The non-current portion amounts to TEUR 0 (PY: TEUR 333), the current portion of the loan amounts to TEUR 333 (PY: TEUR 667). The loan is repaid through semi-annual capital instalments and has a term until June 30, 2021. The loan agreement has an interest rate of 2.0% (PY: 2.5%) and provides for the pledging of the shares in Affair OOO as collateral.

There were two loans for the acquisition of the shares in S&T Mold srl and S&T Serbia d.o.o. The amount outstanding as at December 31, 2019, of TEUR 263 was repaid as scheduled in the financial year 2020.

In order to refinance the acquisition costs for Kontron AG and for the acquisition of further shares in Kontron AG and Kontron S&T AG, a loan of TEUR 45,000 was taken out in June 2017. The outstanding loan amount as at December 31, 2020, is TEUR 12,500 (PY: TEUR 22,500). The non-current portion amounts to TEUR 2,500 (PY: TEUR 12,500), the current portion of the loan amounts to TEUR 10,000 (PY: TEUR 10,000). The loan is repaid by quarterly capital instalments and has a term until January 31, 2022. The loan agreement has a fixed interest rate of 1.38%.

In the financial year 2018, a loan agreement for TEUR 30,000 was concluded with Raiffeisenlandesbank Oberösterreich, Raiffeisen Bank International AG and Raiffeisenlandesbank Steiermark AG for the purpose of refinancing the purchase of shares in Kontron Electronics GmbH and for financing the share purchase program concerning remaining free float shareholders of Kontron S&T AG, which was acquired in 2016. The loan is secured with bill of exchange guarantee from the Republic of Austria. Based on quarterly repayments, the credit line is repayable until March 31, 2023. As of December 31, 2020, a balance of TEUR 15,884 (PY: TEUR 22,941) was due. The non-current portion amounts to TEUR 8,824 (PY: TEUR 15,882), the current portion of the loan amounts to TEUR 7,060 (PY: TEUR 7,059). The loan agreement has a fixed interest rate of 1.30%.

The two equity financings with the Austrian Kontrollbank assuming liability in the original amount of EUR 45 million (acquisition of Kontron) and EUR 30 million (acquisition of Kontron Electronics GmbH) provide for a minimum equity ratio of 30% and a maximum ratio of net debt to EBITDA of 3.0. Both financial covenants were met as at December 31, 2020.

OTHER LOANS

A financing line of TEUR 30,000 was extended prematurely in the previous year by 2 years until June 30, 2023 and is fully utilised as of the reporting date of December 31, 2020. In the course of the extension, a fixed interest rate of 1.66% (from February 1, 2020 1.40%) was agreed.

The loan agreement provides for a minimum equity ratio of 25% as a financial covenant. Furthermore, the ratio of adjusted net debt to EBITDAR (Earnings before Taxes, Depreciation and Rent & Operating Lease Expenses) must not exceed 2.5. Both financial covenants were met as at the balance sheet date. In addition, the credit line is secured with liens in the amount of TEUR 3,500 and TEUR 2,000 on the building leasehold property Industriezeile 35, 4020, Linz, Austria.

As of October 3, 2017, S&T AG took out a loan of TEUR 693 in connection with the financing of software licences, which as of December 31, 2020, was outstanding in the amount of TEUR 115 (PY: TEUR 254). The loan is repayable monthly until October 31, 2022 at an interest rate of 0.0%.

In addition, as at December 31, 2020, there is a development support loan in the amount of TEUR 274 (PY: TEUR 829) with a term until December 31, 2021. The agreed interest rate is 1.7%.

The loans assumed in the course of the company acquisitions in the financial year 2020 amount to TEUR 18,314 as at the reporting date of December 31, 2020. These are a long-term financing line in the amount of TEUR 14,385 and an investment loan in the amount of TEUR 3,929. The loans mature on September 27, 2030 and December 31, 2031, respectively, and bear fixed interest rates of 1.35% and 1.30%, respectively.

Both financings are secured with liens on commercial buildings.

OTHER CURRENT FINANCING LIABILITIES – BANK OVERDRAFTS

As of December 31, 2020, the Group had short-term bank overdrafts totalling TEUR 23,132 (PY: TEUR 42,231). The interest rate for overdrafts ranges from 0.0% to 9.25% (PY: 0.0% to 8.0%).

To secure current account liabilities of subsidiaries, trade receivables of TEUR 1,293 (PY: TEUR 6,379) were assigned as part of a blanket assignment to secure these short-term financial liabilities and inventories of TEUR 1,957 (PY: EUR 0) were pledged. Furthermore, there are liens on buildings for utilised current account liabilities in the amount of TEUR 1,500 (PY: TEUR 0).

In the case of the financing liabilities recognised on the reporting date, no payment disruptions occurred during the reporting period with regard to the redemption and interest payments, the sinking fund or the terms of redemption of the liabilities.

24 OTHER NON-CURRENT FINANCIAL LIABILITIES

The other non-current financial liabilities reported in the balance sheet break down as follows:

IN TEUR	2020	2019
Lease liabilities	44,864	47,159
Liabilities from consideration ensuing from corporate acquisitions	27,527	4,516
Liabilities from corporate acquisitions	1,869	477
Liabilities due to a research support society	3,598	2,421
Total other non-current financial liabilities	77,858	54,573

The lease liabilities developed as follows:

IN TEUR	2020	2019
As of January 1	70,850	67,036
Additions	16,914	9,310
Additions through changes in consolidated companies	3,888	8,628
Disposals	-2,931	0
Increase in interest	1,716	1,630
Payments	-22,274	-15,754
As of December 31	68,163	70,850
Of which current	23,299	23,691
Of which non-current	44,864	47,159

Possible future cash outflows of TEUR 6,013 (PY: TEUR 6,169) were not included in the lease liability, as it is not sufficiently certain that the lease contracts will be extended.

The total amount of lease payments in the financial year 2020 was TEUR 23,239 (PY: TEUR 18,332), of which TEUR 727 (PY: TEUR 2,504) related to short-term leases with a maximum term of twelve months; TEUR 238 (PY: TEUR 74) were spent on leases for assets of low value.

Income from the subleasing of rights of use amounted to TEUR 361 in the financial year 2020.

The non-current liabilities for contingent consideration from company acquisitions amounted to TEUR 27,527 as at the reporting date of December 31, 2020 (PY: TEUR 4,516). The increase results from the addition in connection with the acquisition of the Iskratel Group as well as from the valuation of the existing option agreement on the outstanding 44.5% shares in CITYCOMP Service GmbH, Germany, and its subsidiaries.

The fair value of the contingent consideration as at December 31, 2020, represents management's best estimate and is determined using the discounted cash flow method. It represents a Level 3 fair value.

The contingent consideration of TEUR 18,360 from the acquisition of 100% of the shares in the Iskratel Group, headquartered in Kranj, Slovenia, is calculated from the earnings before interest, taxes, depreciation and amortisation (EBITDA) for the financial years 2020 to 2022 for the Iskratel subgroup. The valuation as of the balance sheet date was based on the most recent planning available.

The significant inputs used in determining the fair value of the contingent consideration are as follows:

- › Range of expected earnings before interest, taxes, depreciation and amortisation (EBITDA) for the financial years 2020 to 2022: TEUR 4,800 – TEUR 18,271
- › Discount rate: 9.29%

The financial obligation of TEUR 11,459 regarding the existing put-option agreement on the acquisition of 44.5% of the shares in CITYCOMP Service GmbH is calculated from the planned average earnings before interest, taxes, depreciation and amortisation (EBITDA) for the financial years 2022 to 2023. The valuation as of the balance sheet date was based on the most recent planning available.

The significant inputs used in determining the fair value of the contingent consideration are as follows:

- › Range of expected earnings before interest, taxes, depreciation and amortisation (EBITDA) for the financial years 2022 to 2023: TEUR 4,300 – TEUR 6,000
- › Discount rate: 7.72%

The contingent consideration from the acquisition of 49% of S&T Smart Energy GmbH, Linz, Austria, is calculated on the basis of the earnings before income taxes of S&T Smart Energy GmbH and other S&T Group companies in the Smart Energy segment for the financial years 2016 to 2022. The expected variable purchase price payment as of the balance sheet date was calculated at TEUR 485. The decrease compared to the previous year results from an adjusted planning for the companies, which foresees a lower income for the following business years. In this context, a reversal of the contingent consideration in the amount of TEUR 214 was recognised in profit or loss.

The significant inputs used in determining the fair value of the contingent consideration are as follows:

- › Range of expected earnings before tax in the financial years 2021 to 2022: TEUR 557 – TEUR 1,072
- › Discount rate: 1.6%

There are no other significant contingent considerations from acquisitions with a long-term purchase price component.

Valuation techniques and inputs used in determining Level 3 fair values:

FINANCIAL INSTRUMENTS	EVALUATION PROCEDURE	INPUT PARAMETERS
Other non-current financial liabilities	Discounted cash flow method	Revenues and results of strategic corporate planning, risk-adequate interest rate before taxes

The development of the Level 3 fair values is as follows:

IN TEUR	CURRENT PORTION	NON-CURRENT PORTION	TOTAL
As of January 1, 2019	3,100	3,048	6,148
Addition (acquisition)	3,750	3,506	7,256
Recognised as income	-500	-2,425	-2,925
Recognised as expenses	326	315	641
Interest expenses	18	72	90
Payment	-2,822	0	-2,822
As of December 31, 2019	3,872	4,516	8,388
Addition (acquisition)	2,751	26,276	29,027
Recognised as income	-4,395	-214	-4,609
Recognised as expenses	163	0	163
Interest expenses	72	788	860
Payment	-2,587	0	-2,587
Reclassification	3,839	-3,839	0
Derecognition	-349	0	-349
As of December 31, 2020	3,366	27,527	30,893

25 CONTRACT LIABILITIES AND OTHER NON-CURRENT LIABILITIES

The other non-current liabilities shown in the balance sheet break down as follows:

IN TEUR	2020	2019
Contract liabilities	16,323	13,710
Other	661	231
Total of contract liabilities and other non-current liabilities	16,984	13,941

26 PROVISIONS

The provisions reported in the balance sheet break down as follows:

IN TEUR	2020	2019
Provisions for pension commitments	10,253	9,406
Provisions for severance payments	11,521	10,530
Provisions for Jubilee payments	2,027	1,471
Provisions for guarantees and warranty services	2,852	2,709
Other non-current provisions	193	5,848
Non-current provisions as of December 31	26,846	29,964
Provisions for guarantees and warranty services	9,348	5,057
Provisions for pending losses	13,125	11,541
Provisions for legal and trial costs	7,011	14,026
Provisions for restructuring costs	0	7,082
Other current provisions	10,989	16,678
Current provisions as of December 31	40,473	54,384
Total provisions as of December 31	67,319	84,348

PROVISIONS FOR PENSION OBLIGATIONS

Defined benefit pension commitments exist towards employees of the S&T Group in Germany and France.

Legal framework and description of commitments:

In Germany, the legal framework for occupational pension schemes is provided by the Occupational Pensions Act (BetrAVG), which sets out the minimum legal requirements for occupational pension schemes. In addition, regulations and rulings from labour law must be followed. The pension scheme is a pension paid out as a retirement pension, early retirement pension, disability pension for reduced earning capacity or survivor's pension.

As of the reporting date, 9 employees at Kontron Europe GmbH and 45 employees at Kontron Transportation Deutschland GmbH participate in pension plans. The pension obligations of these companies are not covered by plan assets, which is normal market practice for smaller companies.

The benefit plan in place at AIS Automation Dresden GmbH as at the reporting date, in which 3 employees participate, is covered by plan assets. The plan assets consist of independently managed pension fund assets.

Due to legal and collective bargaining provisions in France, Kontron Modular Computers S.A.S. as well as Kontron Transportation France S.A.S. are obliged to make one-off payments to their employees upon retirement. The payments are regulated by collective agreements and are based on the length of service and the final salary before retirement. An employee who retires from the company early, whether voluntarily or initiated by the employer, will not receive any payment. As of the reporting date, 95 employees at Kontron Modular Computers S.A.S. and 126 employees at Kontron Transportation France S.A.S. participate in the plans.

Significant risks from the defined benefit commitments, which could primarily result from interest rate developments and longevity, are not expected.

Composition and development of the provision:

The following table shows the development of the pension obligation and the plan assets for the defined benefit plans.

IN TEUR	2020	2019
Pension obligations (DBO) as of January 1	10,686	1,619
Changes in companies consolidated	0	8,272
Ongoing service costs	277	238
Interest expenses	95	80
Preliminary total recognised in the net income	372	318
Remeasurement: actuarial gains (-) / losses (+)		
due to demographic assumptions	-1	4
due to financial assumptions	517	507
due to experience-caused corrections	84	73
Preliminary total contained in other comprehensive income	600	584
Pension payments made	-94	-107
Pension obligations (DBO) as of December 31	11,564	10,686
Market value of plan assets as of December 31	-1,311	-1,280
Net liabilities from pension obligations as of December 31	10,253	9,406

The fair value of the plan assets increased by TEUR 31 to TEUR 1,311 in the reporting period. TEUR 17 of this change in value was recognised in the financial result and TEUR 71 in other comprehensive income. The pension benefits paid from the plan assets amounted to TEUR 57.

On actuarial profits and losses in the period amounting to TEUR -600 (PY: TEUR -584), deferred taxes of TEUR 99 (PY: TEUR 158) were recognised in other comprehensive income.

The valuation of the obligation is based on the following actuarial assumptions:

ACTUARIAL ASSUMPTIONS 2020	GERMANY	FRANCE
Discount factor	0.75%	0.40%-0.59%
Remuneration trends	0.00%-2.00%	1.50%-2.00%
Pension trends	1.75%-2.00%	n.a.

10.D

NOTES 2020

ACTUARIAL ASSUMPTIONS 2019	GERMANY	FRANCE
Discount factor	1.00%-1.26%	0.62%-0.70%
Remuneration trends	0.00%-2.00%	1.50%-2.00%
Pension trends	1.50%-2.00%	n.a.

The projected unit credit method is used as the actuarial valuation method. The calculations are based on the INSEE 2014–2016 for France (December 31, 2019: INSEE 2012–2015) and the 2018 G mortality tables by K. Heubeck for Germany.

The sensitivity analysis of the basic assumptions results in the following amounts:

	CHANGE OF ASSUMPTION	INCREASE OF ASSUMPTION	REDUCTION OF ASSUMPTION
31.12.2020			
Discount rate	0.50%	-846	954
Future increases of remuneration	0.50%	535	-484
Pension trend	1.00%	703	-574
31.12.2019			
Discount rate	0.50%	-803	908
Future increases of remuneration	0.50%	340	-320
Pension trend	1.00%	655	-543

The increase in life expectancy by one year leads to an increase in the total obligation in the amount of TEUR 229.

The following amounts (in TEUR) are expected to be paid into the defined benefit pension plans over the next 10 years:

	WITHIN THE NEXT 12 MONTH	BETWEEN 2 AND 5 YEARS	BETWEEN 5 AND 10 YEARS	TOTAL
	296	1,707	3,152	5,155

The average term of the individual pension obligations is between 1.29 and 22.5 years.

PROVISIONS FOR SEVERANCE PAYMENTS

Obligations from severance payments for employees in Austria whose employment began before January 1, 2003, are covered by defined benefit plans. These are one-off severance payments that have to be paid to employees due to labour law regulations when employees are dismissed and regularly when they retire. The amount depends on the number of years of service and the amount of remuneration.

Obligations from severance payments for employees in foreign subsidiaries also represent one-off severance payments due to labour law regulations that must be paid upon termination of the employment relationship. The amount of the entitlement depends on the length of service and the amount of remuneration.

The valuation of the obligation is based on the following actuarial assumptions:

ACTUARIAL ASSUMPTIONS 2020	AUSTRIA	POLAND	SLOVENIA
Discount factor	0.50%-0.65%	1.50%	0.18%-0.34%
Biometric calculation basis	AVÖ 2018-P for salaried employees	Polish Life Expectancy Tables 2016	Mortality Tables Slovenia 2007
Fluctuation	No fluctuation taken into account	age-dependent: 2.00% - 20.00%	age-dependent: 0.00% - 10.00%
Salary increases	2.00%	3.00%	2.00% - 3.50%

ACTUARIAL ASSUMPTIONS 2019	AUSTRIA	POLAND	SLOVENIA
Discount factor	0.70%-0.95%	2.00%	0.40%
Biometric calculation basis	AVÖ 2018-P for salaried employees	Polish Life Expectancy Tables 2016	Mortality Tables Slovenia 2007
Fluctuation	No fluctuation taken into account	age-dependent: 2.00% - 20.00%	age-dependent: 1.00% - 10.00%
Salary increases	2.00%	4.00%	2.00% - 2.30%

The development of the present value of the defined benefit obligations is as follows:

IN TEUR	2020	2019
Present value of the severance payments obligations as of January 1	10,530	3,971
Service costs	369	300
Interest expenses	82	127
Revaluations	-11	1,357
Benefits paid	-1,090	-921
Changes in consolidated companies	1,658	5,694
Changes from currency translation	-17	2
Present value of the severance payments obligations as of December 31	11,521	10,530

The service cost is recognised in the consolidated income statement under personnel expenses; the interest expense is recognised under finance expenses.

10.D

NOTES 2020

The revaluations are made up as follows:

IN TEUR	2020	2019
Alterations in demographic assumptions	13	-416
Alterations in financial assumptions	180	-409
Adjustments based on experience	-204	-532
Profits (+) / losses (-) recognised from revaluations	-11	-1,357

The gains/losses from revaluations are recognised in other comprehensive income (OCI) in equity in the period in which they occur.

A sensitivity analysis of the actuarial assumptions considered material for the calculation of the expected defined benefit obligation shows the effects on the present value of the obligation as presented below:

	CHANGE OF ASSUMPTION	INCREASE OF ASSUMPTION	REDUCTION OF ASSUMPTION
31.12.2020			
Discount rate	0.25%	-316	331
Future increases of remuneration	0.25%	317	-305
31.12.2019			
Discount rate	0.25%	-292	302
Future increases of remuneration	0.25%	288	-280

The sensitivity analysis is based on the change of one assumption while keeping all other assumptions constant. In reality, however, it is rather unlikely that these influencing variables do not correlate.

For employees in Austria whose employment began on or after January 1, 2003, contributions amounting to 1.53% of remuneration are paid to an external employee pension fund. The payments for this defined contribution plan amounted to TEUR 417 (PY: TEUR 301) in the financial year 2020 and were recognised in personnel expenses.

OTHER PROVISIONS

Other non-current provisions developed as follows in the reporting year:

IN TEUR	GUARANTEES AND WARRANTIES	OTHERS	TOTAL
As of January 1, 2019	1,820	7,196	9,016
Change in companies consolidated	0	6,672	6,672
Addition	590	223	813
Reclassification	915	83	998
Usage	-112	-1,502	-1,614
Release	-512	-5,355	-5,867
Currency translation difference	8	2	10
As of December 31, 2019	2,709	7,319	10,028
Change in companies consolidated	116	333	449
Addition	658	605	1,263
Reclassification	-225	-2,982	-3,207
Usage	-233	-1,975	-2,208
Release	-132	-1,079	-1,211
Currency translation difference	-41	-1	-42
As of December 31, 2020	2,852	2,220	5,072

The other non-current provisions shown in the table above also include provisions for anniversary bonuses.

10.D

NOTES 2020

Other current provisions developed as follows in the reporting year:

IN TEUR	GUARANTEES AND WARRANTIES	LEGAL AND TRIAL COSTS	PENDING LOSSES	RESTRUC- TURING	OTHERS	TOTAL
As of January 1, 2019	5,435	3,149	5,275	222	13,925	28,006
Change in companies consolidated	1,858	12,955	14,156	9,669	12,341	50,979
Addition	965	696	2,526	812	3,378	8,377
Reclassification	0	0	-970	0	173	-797
Usage	-1,067	-1,887	-7,209	-1,454	-12,621	-24,238
Release	-2,198	-891	-2,343	-2,162	-625	-8,219
Currency translation difference	64	4	106	-5	107	276
As of December 31, 2019	5,057	14,026	11,541	7,082	16,678	54,384
Change in companies consolidated	369	79	1,156	0	514	2,118
Addition	2,529	248	5,481	0	3,640	11,898
Reclassification	4,703	-323	3,756	-11	-4,918	3,207
Usage	-2,431	-5,962	-7,229	-3,126	-2,852	-21,600
Release	-586	-582	-1,363	-3,921	-2,097	-8,549
Currency translation difference	-293	-475	-217	-24	24	-985
As of December 31, 2020	9,348	7,011	13,125	0	10,989	40,473

The additions from changes in the scope of consolidation in the financial year 2019 result primarily from the acquired business units "Kapsch CarrierCom" and "Kapsch PublicTransportCom".

The development of other non-current and current provisions for 2020 also includes in the additions and reversals the adjustments, which are immaterial from the Group's perspective, from the finalisation in 2020 of the purchase price allocations that were only preliminary recognised in last year's consolidated financial statements. These changes therefore had no effect on the consolidated income statement.

The provisions for product warranties cover the expected warranty claims for sold products during the warranty period.

Provisions for legal and litigation costs mainly include provisions for potential litigation, settlements and penalties for critical projects. The utilisation of the provision in the amount of TEUR 5,962 is mainly related to the settlement of problem projects from the business unit "Kapsch CarrierCom".

The provision for impending losses includes the risks from the valuation of the regular projects. This also includes project follow-up costs for customer projects that have already been accepted.

The restructuring of the business units "Kapsch CarrierCom" and "Kapsch PublicTransportCom", which were acquired in the fiscal year 2019, was completed in the fiscal year 2020.

27 TRADE PAYABLES

Trade payables are non-interest bearing and all have a remaining term of up to one year.

28 OTHER CURRENT FINANCIAL LIABILITIES

Other current financial liabilities break down as follows:

IN TEUR	2020	2019
Current leasing liabilities	23,299	23,691
Current component of conditional consideration	3,366	3,872
Liabilities from the acquisition of companies	525	6,231
Debitors with credit balances and credits due to clients	649	552
Deferred liabilities – others	9,894	18,614
Derivate financial instruments	16	723
Others	8,738	12,767
Total other current financial liabilities	46,487	66,450

29 OTHER CURRENT LIABILITIES

Other current liabilities break down as follows:

IN TEUR	2020	2019
Liabilities from value added tax and wage taxes	15,582	18,131
Liabilities due to employees	32,257	30,775
Liabilities from social charges	4,401	3,066
Current income tax liabilities	6,890	5,900
Prepayments received	1,945	1,173
Others	12,824	1,197
Total of other current liabilities	73,899	60,242

E.

OTHER DISCLOSURES

30 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

The consolidated cash flow statement shows the origin and use of cash flows broken down into cash flow from operating activities and cash flow from investing and financing activities.

Cash and cash equivalents in the consolidated cash flow statement comprise all cash and cash equivalents shown in the balance sheet, i.e. cash in hand and bank balances, provided they are available within three months of the date of deposit, less current account liabilities and restricted cash.

IN TEUR	2020	2019
Cash on hand	73	75
Credit balances at banks	281,836	312,209
Cash and cash equivalents according to consolidated balance sheet	281,909	312,284
Overdrafts	-23,132	-42,321
Restricted cash	-3,826	-4,798
Total cash and cash equivalents	254,951	265,165

Cash flows from investing and financing activities are based on actual payments, while cash flows from operating activities are indirectly derived from earnings before income taxes. Interest received is attributed to the investment activity, interest paid is attributed to the financing activity. The repayment of lease liabilities is reported in the cash flow from financing activities under the item "Repayment of financing liabilities".

Refer to section A for information on the cash-effectiveness of business acquisitions.

The following table shows the Group's financing liabilities, including liabilities from leases, broken down into their cash effective and non-cash effective portions:

IN TEUR	CASH EFFECTIVE CHANGES		NON-CASH EFFECTIVE CHANGES		31.12.2020
	01.01.2020		New leases	Other changes	
Bonded loans	160,000	0	0	0	160,000
Acquisition loans and other loans	80,422	-20,757	0	18,861	78,526
Lease liabilities	70,850	-22,274	16,914	2,673	68,163
Total liabilities from financial activities	311,272	-43,031	16,914	21,534	306,689

IN TEUR	OPENING BALANCE		CASH EFFECTIVE CHANGES		NON-CASH EFFECTIVE CHANGES		31.12.2019
	31.12.2018	IFRS 16 01.01.2019		New leases	Other changes		
Bonded loans	0	0	0	160,000	0	0	160,000
Acquisition loans and other loans	102,109	0	102,109	-21,727	0	40	80,422
Lease liabilities	13,716	53,320	67,036	-15,754	9,633	9,935	70,850
Total liabilities from financial activities	115,825	53,320	169,145	122,519	9,633	9,975	311,272

The lease liabilities are reported under the balance sheet items other current and non-current financial liabilities.

The other changes in the financial year 2020 include non-cash effective changes from company acquisitions in the amount of TEUR 22,787 (PY: TEUR 8,630), a reduction in leasing liabilities due to the early termination of leasing relationships in the amount of TEUR 2,931 (PY: TEUR 0), the accrued interest of lease liabilities of TEUR 1,716 (PY: 1,630), as well as currency effects, especially concerning the leasing liabilities.

31 SEGMENT REPORTING

The S&T Group has the following reportable operating segments as of December 31, 2020:

- › "IT Services" segment: The business segment "IT Services" comprises consulting and sales of third-party hardware and software products as well as their implementation and operation in the DACH region and Eastern Europe. The portfolio offered includes the areas of planning (consulting), implementation (integration) and outsourcing of IT services.
- › "IoT Solutions Europe" segment: The "IoT Solutions Europe" business segment focuses on the development of secure solutions through a combined portfolio of hardware, middleware and services in the areas of the Internet of Things (IoT) and Industry 4.0. The sector managed as "IoT Solutions Europe" since financial year 2019 onwards focusses on the markets in Europe and parts of Asia.
- › "IoT Solutions America" segment: The "IoT Solutions America" segment includes the business activities of the former "Embedded Systems" sector and was renamed "IoT Solutions America" at the beginning of 2019 following an update to its product range and constantly increasing software share. It covers business activities in the vertical markets of transport and aviation as well as communications in the North America region.

EBITDA and gross profit (revenues less cost of materials) of the operating segments are monitored separately by management on the basis of IFRS in order to make decisions on the allocation of resources and to determine the profitability of the segments. The development of the segments is assessed on the basis of EBITDA and gross profit and evaluated in accordance with the Group EBITDA and gross profit in the consolidated financial statements.

The transfer prices between the business segments are based on acquisition or production costs on the basis of normal capacity utilisation plus a uniform Group mark-up.

2020 IN TEUR	IT SERVICES	IOT SOLUTIONS EUROPE	IOT SOLUTIONS AMERICA	CONSOLIDATION/ RECONCILIATION	TOTAL
Total revenues	576,450	683,004	152,017		1,411,471
Internal revenues	-20,397	-110,288	-25,981	-156,666	
Revenues	556,053	572,716	126,036		1,254,804
Gross profit	168,059	241,460	46,239		455,757
EBITDA	49,583	66,378	14,083		130,043
Depreciation and amortisation				-61,465	-61,465
Finance income				1,595	1,595
Finance expenses				-9,256	-9,256
Result from associated companies				-229	-229
Income taxes				-6,065	-6,065
Result for the period				54,623	54,623
Segment assets	441,033	528,182	77,328		1,046,542
Segment liabilities	516,404	287,890	32,862		837,156
Segment investments	8,308	22,595	6,152		37,055

2019 IN TEUR	IT SERVICES	IOT SOLUTIONS EUROPE	IOT SOLUTIONS AMERICA	CONSOLIDATION/ RECONCILIATION	TOTAL
Total revenues	523,088	562,763	153,330		1,239,181
Internal revenues	-17,221	-87,375	-11,700	-116,296	
Revenues	505,867	475,388	141,630		1,122,885
Gross profit	152,862	202,964	51,688		407,514
EBITDA	34,109	68,242	9,360		111,711
Depreciation and amortisation				-49,943	-49,943
Finance income				1,325	1,325
Finance expenses				-9,011	-9,011
Result from associated companies				-19	-19
Income taxes				-4,552	-4,552
Result for the period				49,511	49,512
Segment assets	474,400	431,561	97,313		1,003,274
Segment liabilities	525,061	288,963	26,650		840,674
Segment investments	6,471	14,370	6,261		27,102

The "IT services" segment comprises all costs ensuing from S&T AG (expenses for headquarters) that cannot be apportioned among the other segments due to functionalities. In addition, the effects upon net income / loss for the period that are not directly associated with the operative businesses of the segments are reported in the "IT Services" segment.

Segment assets include current and non-current assets without allocation of goodwill, investments and securities.

Segment liabilities comprise current and non-current liabilities.

10.E

NOTES 2020

Information on geographical areas:

	2020		2019	
	REVENUES	NON-CURRENT ASSETS	REVENUES	NON-CURRENT ASSETS
Germany	216,126	80,970	164,606	67,677
North America	121,566	22,723	126,493	24,767
Austria	102,920	42,886	102,897	39,403
Poland	96,438	11,429	84,663	2,188
Hungary	75,641	8,387	76,921	7,002
Croatia	68,316	3,869	44,392	2,807
Czech Republic	57,863	3,463	54,763	3,752
Russia	51,471	11,464	35,621	7,602
Romania	45,127	3,798	57,583	3,189
France	42,625	16,860	43,590	9,761
China	41,744	742	30,960	1,421
Switzerland	39,766	3,062	31,966	3,194
Slovenia	38,293	34,532	35,275	1,948
Great Britain	37,371	1,325	26,612	1,760
Sweden	25,713	0	16,050	0
Other countries	193,825	12,439	190,493	23,834
	1,254,804	257,949	1,122,885	200,304

The presentation of non-current assets includes property, plant and equipment, intangible assets as well as non-current contract assets and other non-current assets. The presentation of the previous year's values was adjusted accordingly, goodwill is no longer included.

The presentation of revenues by geographical area is based on the respective headquarters of the customer.

The Group did not generate 10% or more of the reported revenues with any single external customer.

32 ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

The following table shows the carrying amounts of all financial instruments recognised in the consolidated financial statements by category in accordance with IFRS 9:

	MEASUREMENT CATEGORY ACC. IFRS 9	CARRYING AMOUNT 31.12.2020	FAIR VALUE 31.12.2020
ASSETS			
Cash and cash equivalents	at amortised costs	281,909	281,909
Trade receivables			
of which:	at amortised costs	186,800	186,800
of which:	FV through OCI (with recycling)	15,072	15,072
FV hierarchy			LEVEL 3
Other current financial assets			
of which:	at amortised costs	10,198	10,198
of which:	FV through profit and loss	8	8
FV hierarchy			LEVEL 2
Other non-current financial assets			
of which:	at amortised costs	10,126	10,126
of which:	FV through profit and loss	293	293
FV hierarchy			LEVEL 3
of which:	FV through OCI (with recycling)	310	310
FV hierarchy			LEVEL 1
LIABILITIES			
Other current financial liabilities			
of which:	at amortised costs	43,105	43,105
of which:	FV through profit and loss	3,382	3,382
FV hierarchy			LEVEL 3
Trade payables	at amortised costs	210,011	210,011
Current financing liabilities	at amortised costs	42,810	42,810
Non-current financing liabilities	at amortised costs	218,848	227,753
Other non-current financial liabilities			
of which:	at amortised costs	50,331	50,331
of which:	FV through profit and loss	27,527	27,527
FV hierarchy			LEVEL 3

10.E

NOTES 2020

	MEASUREMENT CATEGORY ACC. IFRS 9	CARRYING AMOUNT 31.12.2019	FAIR VALUE 31.12.2019
ASSETS			
Cash and cash equivalents	at amortised costs	312,284	312,284
Trade receivables			
of which:	at amortised costs	199,848	199,848
of which:	FV through OCI (with recycling)	12,302	12,302
FV hierarchy			LEVEL 3
Other current financial assets			
of which:	at amortised costs	14,198	14,198
of which:	FV through profit and loss	335	335
FV hierarchy			LEVEL 2
Other non-current financial assets			
of which:	at amortised costs	7,139	7,139
of which:	FV through profit and loss	504	504
FV hierarchy			LEVEL 3
of which:	FV through OCI (with recycling)	341	341
FV hierarchy			LEVEL 1
LIABILITIES			
Other current financial liabilities			
of which:	at amortised costs	56,116	56,116
of which:	FV through profit and loss	10,334	10,334
FV hierarchy			LEVEL 3
Trade payables	at amortised costs	205,037	205,037
Current financing liabilities	at amortised costs	62,765	62,765
Non-current financing liabilities	at amortised costs	219,979	228,884
Other non-current financial liabilities			
of which:	at amortised costs	50,057	50,057
of which:	FV through profit and loss	4,516	4,516
FV hierarchy			LEVEL 3

The fair value of the non-current financial liabilities was determined using a DCF method and a discount rate in line with the market. The own credit risk as of December 31, 2020 was assessed as immaterial.

33 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that, in order to support its operations and maximise shareholder value, it has a credit rating with banks that enables it to obtain debt financing at the lowest possible cost. From the management's point of view, a key indicator for achieving the credit rating is the equity ratio in the Group. As of the reporting date, the Group equity ratio was 32.8% (PY: 31.4%). Management monitors capital using the debt-equity ratio, which is the ratio of net financial debt to the sum of equity and net financial debt. Monitoring is carried out as part of the monthly reporting of the Group companies and is reported to the Executive Board. As of the reporting date, net financial liabilities amounted to TEUR 555,248 (PY: TEUR 528,390) and the sum of equity and net financial liabilities to TEUR 964,718 (PY: TEUR 913,442), resulting in a debt-equity ratio of 58% (PY: 58%). Net financial debt includes interest-bearing loans, trade payables and other liabilities less cash and cash equivalents and short-term deposits. Equity capital comprises the equity capital reported in the balance sheet. If necessary, the Group may increase the equity ratio within the framework of the authorised capital by issuing new shares. The Group manages its capital structure and makes adjustments taking into account changes in the economic environment. In order to maintain or adjust the capital structure, the Group may make adjustments to dividend payments to shareholders or issue new shares.

IN TEUR	2020	2019
Equity	409,470	385,052
Total equity and liabilities	1,246,627	1,225,726
Equity ratio	32.8%	31.4%
Non-current liabilities	353,807	331,825
Current liabilities	483,350	508,849
	837,157	840,674
Cash and cash equivalents	-281,909	-312,284
Net financial liabilities	555,248	528,390
Equity	409,470	385,052
Equity and net financial liabilities	964,718	913,442
Debt ratio	57.6%	57.8%

As of December 31, 2020, no changes have been made to the objectives, policies and procedures. The financial ratios required by the banks for the granting of framework credit lines were met.

34 RISK MANAGEMENT

The main financial liabilities used by the Group – except for derivative financial instruments – include bank loans, a bonded loan taken out in 2019 and short-term overdraft facilities, lease liabilities, trade payables and other liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group has various financial assets, such as trade receivables, other receivables as well as cash and current deposits, which result directly from its business activities.

In addition, the Group has derivative financial instruments that are used to hedge against currency and interest rate risks arising from the Group's business activities and its sources of financing. Trading in derivatives for speculative purposes is not conducted in accordance with the Group's internal guidelines.

10.E

NOTES 2020

The Group is exposed to market, credit and liquidity risks. The management of these risks is the responsibility of the Group's management. The management decides on strategies and procedures to control individual types of risk, which are presented below.

LIQUIDITY RISK

The Group continuously monitors the risk of a possible liquidity bottleneck by means of liquidity planning in order to identify any financing requirements at an early stage and to coordinate them with its banking partners.

The Group's objective is to maintain a balance between continuously meeting its funding needs and ensuring flexibility through the use of short-term overdraft facilities and other sources of funding.

As of December 31, 2020, the Group's financial liabilities have maturities as shown below. The figures are based on the contractual, non-discounted payments.

2020	DUE ON DEMAND	UP TO 90 DAYS	91-365 DAYS	MORE THAN 365 DAYS	TOTAL
Financing liabilities current	23,132	3,866	14,459	0	41,457
Financing liabilities non-current	0	0	0	228,525	228,525
Other financial liabilities non-current	0	0	0	88,481	88,481
Trade payables	0	210,011	0	0	210,011
Other financial liabilities current	16	13,016	34,179	0	47,211
	23,148	226,893	48,638	317,006	615,685
2019	DUE ON DEMAND	UP TO 90 DAYS	91-365 DAYS	MORE THAN 365 DAYS	TOTAL
Financing liabilities current	19,000	11,580	35,038	0	65,618
Financing liabilities non-current	0	0	0	228,884	228,884
Other financial liabilities non-current	0	0	0	61,726	61,726
Trade payables	0	205,037	0	0	205,037
Other financial liabilities current	2,062	13,292	52,585	0	67,939
	21,062	229,909	87,623	290,610	629,204

The carrying amount of financing liabilities as of December 31, 2020, is TEUR 261,658 (PY: TEUR 282,744) and consists of non-current financing liabilities of TEUR 218,848 (PY: TEUR 219,979) and short-term bank loans or overdraft facilities of TEUR 42,810 (PY: TEUR 62,765). The raising of a bonded loan in 2019 in the amount of TEUR 160,000 created additional flexibility and enables the long-term restructuring of the S&T Group's financing. The interest accrued for the interest-bearing liabilities amounts to TEUR 8,904 (PY: TEUR 8,179).

Other current financial liabilities as of December 31, 2020 include lease liabilities of TEUR 5,997 (PY: TEUR 6,201) with a maturity of up to 90 days and TEUR 17,992 (PY: TEUR 18,603) with a maturity of between 91 and 365 days. Other non-current financial liabilities as of December 31, 2020 include lease liabilities of TEUR 50,781 (PY: TEUR 54,220).

MARKET RISK

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk includes the following three types of risk: foreign exchange risk, interest rate risk and other price risks. Financial instruments exposed to market risk include interest-bearing loans, deposits, financial assets available-for-sale and derivative financial instruments.

FOREIGN CURRENCY RISK

The Group is exposed to currency risks from individual transactions. These risks result from purchases and sales of an operating unit in a currency other than the functional currency of that unit. The main currency risks result from the change in the US dollar/EUR exchange rate. As a global company, S&T makes revenues and material purchases in US dollars and euros. The resulting currency effects are partially offset over time. Remaining peaks are hedged through the use of short-term futures contracts or options transactions. In order to optimise the hedging strategy, the risk from the difference between foreign currency income and expenses of planned transactions that are highly likely to occur within the framework of Group planning is eliminated or limited by using various hedging instruments.

The fair value of the forward exchange transactions with a nominal volume of TEUR 209 (PY: TEUR 10,307) as of the reporting date is TEUR -8 (PY: TEUR -283). The share of open forward exchange transactions with a positive market value amounts to TEUR 0 (PY: TEUR 11). There are no foreign exchange options as of December 31, 2020.

For the presentation of currency risks, IFRS 7 requires a currency sensitivity analysis that shows the effects of hypothetical changes in relevant risk variables on income and equity. Relevant risk variables are basically all non-functional currencies in which Group companies enter into financial instruments. The periodic effects are determined by relating the hypothetical changes in the risk variables to the portfolio of financial instruments on the reporting date. It is assumed that the portfolio on the balance sheet date is representative for the entire year.

The following table shows the sensitivity of the Group's earnings before tax (due to the change in fair value of monetary assets and liabilities) to a reasonably possible change in the exchange rate of the US dollar. All other variables remain constant. The value fluctuations examined have no direct effect on equity.

	EXCHANGE RATE USD	EFFECT ON EARNINGS BEFORE TAXES IN TEUR
Financial year 2020	+10%	-1,006
	-10%	1,006
Financial year 2019	+10%	-3,795
	-10%	3,795

The following table shows the sensitivity of the result from the market valuation of the forward exchange contracts existing at December 31, 2020. The impact on the result of a fictitious change of the euro against the foreign currency by 5% or 10% is shown:

CHANGE IN VALUE OF EURO	EFFECT ON EARNINGS BEFORE TAXES IN TEUR	
	FINANCIAL YEAR 2020	FINANCIAL YEAR 2019
+5%	1	265
+10%	3	507
-5%	-2	-293
-10%	-3	-620

The decrease in the currency risk on the income before tax results from the significant reduction in the volume of forward exchange transactions as of December 31, 2020.

INTEREST RATE RISK

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from variable rate financing and invested time deposits. A change in the general interest rate level could lead to an increase or decrease in interest expenses or interest income.

The interest rate cap of TUSD 3,000 which existed in the S&T Group as of December 31, 2019, to hedge a variable financing expired on June 5, 2020.

The following interest rate sensitivity analysis was prepared assuming that interest rates would have been 100 basis points higher or lower in all currencies for variable interest rates and for short-term fixed interest rates (cash advances) during the reporting period. This represents the management's assessment of a justified possible change in interest rates.

As a basis, the interest rate risk exposure of financial instruments was determined as of the balance sheet date, and it was assumed that the outstanding liabilities or receivables were outstanding for the entire year as of the reporting date.

Approximately 40% (PY: 42%) of the financing liabilities amounting to TEUR 261,658 (PY: TEUR 282,744) are subject to variable interest rates. This includes tranches from the bonded loan in the amount of TEUR 75,000 (PY: TEUR 75,000). Acquisition loans amounting to TEUR 28,382 (PY: TEUR 45,441), tranches from the bonded loan amounting to TEUR 85,000 and other bank loans amounting to TEUR 30,000 are fixed-interest loans. In addition, an overdraft facility of TEUR 15,000 taken over in the course of the acquisition of Kapsch CarrierCom is fixed.

If interest rates had been 100 basis points higher and all other variables had been held constant, the interest result would have been TEUR 792 lower (PY: TEUR 1,345). A lower interest rate by 100 basis points would not result in any savings in the interest result due to the negative interest rate environment in the financial year 2020 (PY: TEUR 77). The interest rate fluctuations examined have no direct effect on equity. With regard to the liabilities reported in the balance sheet, the Group is currently not exposed to any material interest rate risk.

To hedge interest rate changes on existing floating-rate loans, an interest rate swap of TEUR 15,000 with a 5-year term until September 30, 2024, was concluded in the financial year 2019. The market value of the interest rate swap at December 31, 2020, is TEUR -272 (PY: TEUR -122).

The following table shows the sensitivity of the result from the market valuation of the interest rate swap existing as of December 31, 2020. The impact on earnings of a fictitious change in the interest rate of 50 or 100 basis points is shown:

CHANGE IN INTEREST RATE	EFFECT ON EARNINGS BEFORE TAXES IN TEUR	
	FINANCIAL YEAR 2020	FINANCIAL YEAR 2019
+50 basis points	266	336
+100 basis points	524	662
-50 basis points	-272	-347
-100 basis points	-552	-704

CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation. The Group is exposed to credit risks in the course of its operating activities (in particular risks arising from trade receivables) as well as risks in the course of financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

In order to minimise credit risk for all service relationships on which the primary financial instruments are based – depending on the form of payment and amount being serviced – credit rating information is obtained, or historical data from the existing business relationship (and in particular payment patterns) are used to avoid payment defaults. For this purpose, the Group has introduced an accounts receivable management system that monitors the receivables on an ongoing basis. In addition, trade receivables are mainly covered by credit insurance. Insofar as default risks are nevertheless identifiable for the individual financial assets, these risks are recognised through value adjustments. A concentration of default risks from business relationships with individual debtors or groups of debtors is not recognisable.

The balance sheet amount of financial assets indicates, irrespective of existing collateral, the maximum credit risk in the event that business partners are unable to meet their contractual payment obligations. The corresponding disclosures can be found in the chapter "Additional information on financial instruments".

The following overview shows the default risk position of the Group's trade receivables determined with the help of an impairment matrix:

31.12.2020	NOT OVERDUE	1 TO 60 DAYS OVERDUE	61 TO 90 DAYS OVERDUE	91 TO 180 DAYS OVERDUE	181 TO 270 DAYS OVERDUE	271 TO 365 DAYS OVERDUE	MORE THAN 365 DAYS OVERDUE
Estimated total gross carrying amount of delinquent payments	168,294	26,763	1,754	4,005	1,653	1,731	8,616
Expected credit losses	358	788	158	311	720	560	5,439

The previous year was as follows:

31.12.2019	NOT OVERDUE	1 TO 60 DAYS OVERDUE	61 TO 90 DAYS OVERDUE	91 TO 180 DAYS OVERDUE	181 TO 270 DAYS OVERDUE	271 TO 365 DAYS OVERDUE	MORE THAN 365 DAYS OVERDUE
Estimated total gross carrying amount of delinquent payments	170,040	21,448	4,093	11,919	1,549	1,581	10,095
Expected credit losses	570	185	185	510	227	157	6,741

With regard to the trade receivables that are neither impaired nor in arrears, there are no indications as of the reporting date that the debtors will not meet their payment obligations. This also applies to overdue, unimpaired trade receivables.

35 OTHER FINANCIAL OBLIGATIONS

CONTINGENT LIABILITIES

In the context of the operating business of the S&T Group, the Group has issued performance and bid bonds in the amount of TEUR 29,778 (PY: TEUR 23,785). These performance and bid bonds mainly result from the subsidiaries of S&T in Romania TEUR 4,857 (PY: TEUR 3,398), Serbia TEUR 1,022 (PY: TEUR 1,931), Poland TEUR 8,322 (PY: TEUR 8,047), Slovenia TEUR 7,643 and Russia TEUR 1,415 (PY: TEUR 2,543) as well as Belgium TEUR 2,865 (PY: TEUR 5,140). In addition, there are various guarantees amounting to TEUR 3,654 (PY: TEUR 2,726).

36 AUDITOR'S FEES

For services rendered by the auditor Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. in the financial year 2020, an amount of TEUR 586 (PY: TEUR 572) was spent. Of this amount, TEUR 431 (PY: TEUR 308) is attributable to the audit of the financial statements and TEUR 155 (PY: TEUR 264) to other services.

37 STOCK OPTIONS PROGRAMS

The company has adopted stock options programs for employees, officers and members of the Executive Board of the company or any of its affiliated companies.

STOCK OPTIONS PROGRAM 2018 (TRANCHE 2018 AND 2019)

In December 2018, a total of 500,000 stock options were granted to the members of the Executive Board of S&T AG and senior employees of S&T AG as well as the executives of selected Group companies on the basis of the Stock Options Program 2018 (Tranche 2019).

The term of the stock options program began on the issue date and ends after 60 months. The stock options can be exercised after a waiting period. The waiting period begins on the date of issue and ends after 36 months. The exercise periods defined in the Stock Options Program 2018 (Tranche 2019) are 30 stock exchange trading days each, beginning on the second stock exchange trading day after the publication of quarterly, semi-annual or annual reports and after the day of the annual press conference. Stock options not exercised expire at the end of the term. The stock options are only transferable between option holders, not to third parties. The Stock Options Program 2018 (Tranche 2019) provides for the company's sole right to deliver shares to the allottees against payment of the exercise price or to pay their entitlement in cash.

The fair value of the stock options granted was determined at the grant date using the Black/Scholes option pricing model.

STOCK OPTIONS PROGRAM 2015 (TRANCHE 2016)

In March 2016, a total of 478,000 stock options were granted to the members of the Executive Board of S&T AG and senior employees

of S&T AG as well as the executives of selected Group companies on the basis of the Stock Options Program 2015 (Tranche 2016).

The term of the stock options program began on the issue date and ends after 45 months. The stock options can be exercised after a waiting period. The waiting period begins on the day of issue and ends after twelve or 24 months. The exercise periods defined in the Stock Options Program 2015 (2016 Tranche) are 20 stock exchange trading days each, beginning on the second stock exchange trading day after the publication of quarterly, semi-annual or annual reports as well as after the day of the annual press conference. Stock options not exercised expire at the end of the term. The stock options are only transferable between option holders, not to third parties. The Stock Options Program 2015 (Tranche 2016) provides for the company's sole right to deliver shares to the allottees against payment of the exercise price or to pay their entitlement in cash.

The fair value of the stock options granted was determined at the grant date using the Black/Scholes option pricing model.

The following table shows the key parameters at the time the stock options programs were granted:

	STOCK OPTIONS PROGRAM 2015 (TRANCHE 2016)	STOCK OPTIONS PROGRAM 2018	STOCK OPTIONS PROGRAM 2018 (TRANCHE 2019)
Number of stock options	478,000	500,000	500,000
Day of issuance	March 7, 2016	December 21, 2018	December 21, 2018
Term	3.75 years	5 years	5 years
Exercising price	Closing quote on issuance day	Closing quote on issuance day	Closing quote on issuance day
Stock quote on the day of issuance	EUR 5.74	EUR 15.71	EUR 15.71
Dividend yield	1.49%	1.44%	1.44%
Expected volatility	29.13%	36.58%	36.58%
Interest rate	0.30%	0.23%	0.23%
Expected term of the options	3.20 years	4.43 years	4.43 years
Option price	89.22 cents	EUR 3.74	EUR 3.74

In the financial year 2020, 31,000 options (PY: 7,000 options) relating to the Stock Options Program 2015 (Tranche 2016) were exercised.

The weighted average exercise prices of the options exercised and the weighted average share prices at the date of exercise are as follows:

STOCK OPTIONS PROGRAM 2015 (TRANCHE 2016)

IN EUR	2020	2019
Average weighted price of exercising of options exercised	5.74	5.74
Average weighted stock quote on day of exercising of options	18.58	23.74

As of December 31, 2020, the outstanding rights for the Stock Options Program 2015 (Tranche 2016) total 0 (PY: 31,000), for the Stock Options Program 2018 total 500,000 (PY: 500,000) and for the Stock Options Program 2018 (Tranche 2019) total 500,000 (PY: 500,000).

On the basis of a prospectus approved by the Austrian Financial Market Authority (FMA), 500,000 warrants were offered for public subscription to selected key employees of the S&T Group for the quoted price per warrant on July 13, 2020. Following expiry of the offer period and the rump placement, the Executive Board, with the approval of the Supervisory Board, determined the final quantity of warrants and the distribution of the warrants offered as follows: A total of 2,000,000 warrants, consisting of 1,500,000 allotted warrants and 500,000 publicly offered warrants for which orders to purchase were received by the company within the deadline, were issued; 112 eligible subscribers who submitted subscription certificates for a total of 420,665 offered warrants received the full allotment. The remaining 79,335 offered warrants were allotted to those eligible for allotted shares on the basis of the subscription certificates they had submitted for the rump placement.

As of July 30, 2020, the warrants passed to the regulated over-the-counter market at the Vienna stock exchange. The warrants have been / will be delivered to those eligible to receive them.

In the financial year 2020, the expenditure for the stock options programs recognised in personnel expenses amounts to TEUR 4,057 (PY: TEUR 1,247).

38 REMUNERATION REPORT

The remuneration report presents the basic features, structure and amount of the Executive Board and Supervisory Board remuneration system.

REMUNERATION OF THE EXECUTIVE BOARD

The structure of Executive Board remuneration is geared towards sustainable and results-oriented corporate governance. The remuneration of the Executive Board takes into account the responsibility and scope of activities of the individual members and is based on the tasks of the individual Executive Board member, their personal performance, the size and economic situation of the company or the division for which they are responsible and, in particular, the success and future prospects of the company. In addition, the customary nature of the remuneration structure in the company's peer environment is taken into account.

The total remuneration of the Executive Board members consists of several non-performance-related fixed and performance-related variable short-term and long-term components. The non-performance-related Executive Board remuneration consists of the fixed gross salary paid monthly and fixed benefits in kind, which cover the use of company cars, car allowance lump sums, meal lump sums and garage parking spaces provided. The extent to which the pre-agreed key performance indicators are achieved is used to calculate the performance-related one-year variable remuneration, whereby extraordinary effects, such as acquisitions in particular, are assessed separately. The key figures are calculated on the basis of the audited consolidated financial statements of the S&T Group. In addition, by granting subscription rights from stock options programs (variable remuneration in kind), an additional long-term, performance-related, share-based remuneration component was created, which promotes the interest of the beneficiaries in a sustainable corporate and earnings development of the company in the future. The stock options granted under the various stock options programs can only be exercised after multi-year holding periods defined in the programs and when certain thresholds have been reached. The total remuneration packages granted are reviewed annually by the Remuneration Committee for customary practice. In 2020, the SARS-Cov-2-Pandemic caused four of the Executive Board members to voluntarily temporarily waive 20% of their gross salary for the period of short-time work.

In the financial year 2020, total remuneration of the Executive Board was paid in the amount of TEUR 4,239 (PY: TEUR 1,197). The difference in amount results from the warrants issued in 2020 and the increased number of exercised stock options from the Stock Options Program 2015 (Tranche 2016).

Pension commitments and payments to a member of the Executive Board in the event of early termination of Executive Board activities, including following a change of control, have not been agreed.

No loans or assumption of liability in favour of members of the Executive Board were granted in the reporting year.

The following tables show the grants awarded and the inflows paid out in the financial year. For the grants awarded, in addition to the actual amount awarded, the possible minimum amount and the maximum amount to be achieved are also indicated. The subscription rights granted for stock options from stock options programs are calculated according to fair value (option price) at the time of granting. The fixed remuneration components and the inflow from the one-year variable remuneration are reported for the inflow in the financial year. If stock options from stock options granted in previous years were exercised in the financial year, the relevant inflow amount for tax purposes is stated.

10.E

NOTES 2020

GRANTS MADE IN THE FINANCIAL YEAR IN TEUR	HANNES NIEDERHAUSER CEO 21.05.2012				RICHARD NEUWIRTH CFO 01.07.2013				PETER STURZ COO, SERVICES EE 06.11.2012			
	2020	2020 (MIN)	2020 (MAX)	2019	2020	2020 (MIN)	2020 (MAX)	2019	2020	2020 (MIN)	2020 (MAX)	2019
REMUNERATION INDEPENDENT OF PERFORMANCE												
Gross salary	7	7	7	7	275	275	275	275	250	250	250	250
Fixed remuneration in kind ¹⁾	6	6	6		12	12	12	12	12	12	12	12
Total fixed remuneration	13	13	13	7	287	287	287	287	262	262	262	262
PERFORMANCE-RELATED REMUNERATION												
One-year variable remuneration ²⁾					130	80	150	90	27		181	25
Multi-year variable remuneration												
Stock options programs – with long-term share-based incentive effect ³⁾												
SOP 2015 (Tranche 2016)												
SOP 2018												
SOP 2018 (Tranche 2019)				262								262
Warrants 2020 ⁴⁾	1,230	1,230	1,230		677	677	677		431	431	431	
Total variable remuneration	1,230	1,230	1,230	262	807	757	827	352	458	431	611	287
Pension costs												
Total	1,243	1,243	1,243	269	1,093	1,043	1,113	638	720	692	873	548
GRANTS MADE IN THE FINANCIAL YEAR IN TEUR												
	MICHAEL JESKE COO, SERVICES DACH 28.05.2009				CARLOS QUEIROZ COO, IOT SOLUTIONS EUROPE 21.08.2017				TOTAL			
	2020	2020 (MIN)	2020 (MAX)	2019	2020	2020 (MIN)	2020 (MAX)	2019	2020	2020 (MIN)	2020 (MAX)	2019
REMUNERATION INDEPENDENT OF PERFORMANCE												
Gross salary	175	175	175	175	175	175	175	175	882	882	882	882
Fixed remuneration in kind ¹⁾	11	11	11	11	9	9	9	11	49	45	45	45
Total fixed remuneration	186	186	186	186	184	184	184	186	931	927	927	927
PERFORMANCE-RELATED REMUNERATION												
One-year variable remuneration ²⁾					105		105		262	80	423	115
Multi-year variable remuneration												
Stock options programs – with long-term share-based incentive effect ³⁾												
SOP 2015 (Tranche 2016)												
SOP 2018												
SOP 2018 (Tranche 2019)				262				262				1,309
Warrants 2020 ⁴⁾	431	431	431						2,768	2,768	2,768	
Total variable remuneration	431	431	431	262	105		105	262	3,030	2,848	3,204	1,424
Pension costs												
Total	616	616	616	447	289	184	289	448	3,961	3,778	4,134	2,351

1) Fixed remuneration in kind included: Car allowance, if applicable, garage spaces and meal allowances

2) Bonus based on individually agreed performance indicators

3) Allowance from SOP = granted SOP number of units x option price

4) The allocated warrants 2020 represent the long-term variable remuneration of the Executive Board for three financial years. There is a waiting period of three years and an exercise hurdle regarding the development of the share price. In addition, further warrants were acquired against payment by the Executive Board under the warrants program 2020 on the basis of the public prospectus (acquired number of shares: Niederhauser: 9,225, Neuwirth: 9,225, Sturz: 1,000, Jeske: 2,000, Queiroz: 50,000)

**INFLOW IN THE FINANCIAL YEAR
IN TEUR**
**HANNES NIEDERHAUSER
CEO
21.05.2012**
**RICHARD NEUWIRTH
CFO
01.07.2013**
**PETER STURZ
COO, SERVICES EE
06.11.2012**

	2020	2019	2020	2019	2020	2019
REMUNERATION INDEPENDENT OF PERFORMANCE						
Gross salary ¹⁾	7	7	251	275	229	250
Fixed remuneration in kind ²⁾	6		12	12	12	12
Total fixed remuneration	13	7	263	287	240	262
PERFORMANCE-RELATED REMUNERATION						
One-year variable remuneration ³⁾			150	116		99
Multi-year variable remuneration						
Stock options programs – with long-term share-based incentive effect ⁴⁾						
SOP 2015 (Tranche 2016)					363	
SOP 2018						
SOP 2018 (Tranche 2019)						
Warrants 2020 ⁵⁾	1,230		677		431	
Total variable remuneration	1,230		827	116	793	99
Pension costs						
Total	1,243	7	1,090	402	1,033	361

**INFLOW IN THE FINANCIAL YEAR
IN TEUR**
**MICHAEL JESKE
COO, SERVICES DACH
28.05.2009**
**CARLOS QUEIROZ
COO, IOT SOLUTIONS EUROPE
21.08.2017**
TOTAL

	2020	2019	2020	2019	2020	2019
REMUNERATION INDEPENDENT OF PERFORMANCE						
Gross salary ¹⁾	160	175	158	175	804	882
Fixed remuneration in kind ²⁾	11	11	9	11	49	46
Total fixed remuneration	171	186	167	186	854	928
PERFORMANCE-RELATED REMUNERATION						
One-year variable remuneration ³⁾		18	105	36	255	269
Multi-year variable remuneration						
Stock options programs – with long-term share-based incentive effect ⁴⁾						
SOP 2015 (Tranche 2016)					363	
SOP 2018						
SOP 2018 (Tranche 2019)						
Warrants 2020 ⁵⁾	431				2,768	
Total variable remuneration	431	18	105	36	3,385	269
Pension costs						
Total	601	204	272	222	4,239	1,197

1) Gross salary granted less voluntary salary waiver by the Executive Board members Neuwirth, Sturz, Jeske and Queiroz

2) Fixed remuneration in kind included: Car allowance, if applicable, garage spaces and meal allowances

3) Bonus based on individually agreed performance indicators

4) Variable remuneration in kind: exercised share options (number of shares x (share price at disposal date - option price granted)) + granted share options and warrants (number of shares x option price)

5) The allocated warrants 2020 represent the long-term variable remuneration of the Executive Board for three financial years. There is a waiting period of three years and an exercise hurdle regarding the development of the share price. In addition, further warrants were acquired against payment by the Executive Board under the warrants program 2020 on the basis of the public prospectus (acquired number of shares: Niederhauser: 9,225, Neuwirth: 9,225, Sturz: 1,000, Jeske: 2,000, Queiroz: 50,000)

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the members of the Supervisory Board in the financial year 2020 consisted of a position-dependent, annual fixed remuneration and attendance fees for participation in Supervisory Board and committee meetings.

The remuneration of the members of the Supervisory Board is determined in such a way that it is in line with the tasks and the situation of the company. In the past, the Supervisory Board members received remuneration that was rather at the lower end compared to the peer group, to their tasks and the situation of the company. Therefore, in June 2020, a new regulation for the remuneration of the Supervisory Board was presented to the Annual General Meeting and the remuneration was subsequently adjusted in line with the market in accordance with the contents of the resolution.

The remuneration for the Supervisory Board shall promote the business strategy and long-term development of the company by taking into account the responsibility and scope of activities of the individual Supervisory Board members as well as the economic situation of the company. In order to ensure unbiased supervision of the management by the Supervisory Board, no variable remuneration, bonuses or share-based payments are granted to the members of the Supervisory Board.

Supervisory Board remuneration generally consists of an annual fixed fee and an attendance fee for Supervisory Board and committee meetings. In view of the greater responsibility and the wider scope of activities, the Chairperson of the Supervisory Board, his/her Deputy and the Chairperson of the Audit Committee are granted a higher lump-sum remuneration than the ordinary members of the Supervisory Board. The fixed annual remuneration, adjusted in 2020, amounts to TEUR 50 for the Chairperson of the Supervisory Board, TEUR 40 for his/her Deputy and TEUR 30 for each additional member. The Chairman of the Audit Committee is paid TEUR 20 for his work, and the Deputy Chairman of the audit committee is paid TEUR 10.

In addition, each member is paid TEUR 1.5 for attending Supervisory Board or committee meetings in person or via video/audio conferencing system. If several sessions are held on one day, the session fee shall only be granted once for that day. The fee was not changed in 2020 compared to the previous year.

If members of the supervisory board take on a special activity in the company, they may be granted special remuneration for this by resolution of the general meeting. This was not the case in the financial year 2020.

COMPONENTS OF SUPERVISORY BOARD REMUNERATION IN TEUR	2020	2019
Chairperson of the Supervisory Board	50	18
Remuneration of the Deputy Chairperson	40	12
Remuneration of members	30	10
Audit Committee Chairperson	20	
Audit Committee Deputy Chairperson	10	
Meeting fee per Supervisory Board meeting (attendance or qualified telephone/video participation) ¹⁾	2	2
Meeting fee per committee meeting (attendance or qualified telephone/video participation) ¹⁾²⁾	2	2

1) Meeting fees for personal attendance or qualified telephone/video participation in Supervisory Board and committee meetings

2) not applicable if Supervisory Board meeting takes place on the same day

The remuneration is paid annually in arrears based on the approval of the Annual General Meeting. In the financial year 2020, the remuneration of the members of the Supervisory Board totalled TEUR 234 (PY: TEUR 83) and TEUR 243 (PY: TEUR 80) was recognised as an expense in financial year 2020. The remuneration of the members of the Supervisory Board, broken down by fixed remuneration component and meeting fees, in the financial year 2020 and the previous year's remuneration in 2019 is as follows:

REMUNERATION OF THE SUPERVISORY BOARD ACCORDING TO MEMBERS IN TEUR	FIXED REMUNERATION		MEETING FEES ¹⁾		TOTAL REMUNERATION	
	2020	2019	2020	2019	2020	2019
Dr. Erhard F. Grossnigg (Chairman) ²⁾	35	18	2	6	37	24
Mag. Claudia Badstöber (Chairwoman) ³⁾	30		5		35	
Mag. Bernhard Chwatal (Deputy Chairman)	55	12	6	6	61	18
Hui-Feng Wu (Ed Wu)	30	10			30	10
Fu-Chuan Chu (Steve Chu)	30	10	6	5	36	15
Yu-Lung Lee (Max Lee) ⁴⁾	30	6	6	5	36	11
Hsi-Chung Tsao (Hans Tsao) ⁵⁾		4		2		5
Total	210	60	24	23	234	83

1) Meeting fees based on the number of personal or video participations in Supervisory Board and committee meetings

2) Dr. Erhard Grossnigg left the Supervisory Board on June 16, 2020, the fixed remuneration for 2020 was calculated on a pro rata basis

3) Mag. Claudia Badstöber joined the Supervisory Board on June 16, 2020, the fixed remuneration for 2020 was calculated on a pro rata basis

4) Yu-Lung Lee (Max Lee) joined the Supervisory Board on May 21, 2019, the fixed remuneration for 2019 was calculated on a pro rata basis

5) Hsi-Chung Tsao (Hans Tsao) left the Supervisory Board on May 21, 2019, the fixed remuneration for 2019 was calculated on a pro rata basis

In the financial year 2020, the members of the Supervisory Board did not receive any other remuneration or other benefits for services rendered personally, such as consulting and mediation services, apart from those mentioned above.

No loans or assumption of liability in favour of members of the Supervisory Board were granted in the reporting year.

D&O INSURANCE

The company has taken out directors' and officers' liability insurance (D&O insurance) in favour of the Executive Board and the Supervisory Board as well as the management of the consolidated subsidiaries. No deductible has been agreed for the D&O insurance, which covers the legal liability arising from Executive Board, Supervisory Board and management activities.

39 RELATED PARTY DISCLOSURES

In the course of normal business operations, relationships of supply and service provision exist with affiliated companies and persons. Contractual agreements are in place. The payment is settled at market prices. The relationships with related parties in the financial year 2020 and as of December 31, 2020, can be presented as follows:

2020 IN TEUR	PROCURED GOODS AND SERVICES	GOODS AND SERVICES SUPPLIED	FINANCIAL INCOME	FINANCIAL EXPENSE	RECEIVABLES	LIABILITIES
Business relationship with the Executive and Supervisory Board	0	14	0	0	0	0
Business relationship with associated companies	33	42	12	0	0	0
Business relationship with the parent company or its controlling company	50,856	10,353	0	0	1,232	12,547
Business relationship with other related persons and companies	947	0	0	382	0	11,065

2019 IN TEUR	PROCURED GOODS AND SERVICES	GOODS AND SERVICES SUPPLIED	FINANCIAL INCOME	RECEIVABLES	LIABILITIES
Business relationship with the Executive and Supervisory Board	0	7	0	0	1
Business relationship with associated companies	9	73	13	369	0
Business relationship with the parent company or its controlling company	49,236	13,239	0	2,956	16,575
Business relationship with other related persons and companies	1,075	0	0	0	0

Purchased goods and services from related parties relate to deliveries of goods and payments for rental agreements for the use of office space of a Group company to the local managing director. The duration of the rental agreement was fixed at one year. However, it is assumed that further rental agreements will be concluded for the following years. The services rendered to affiliates relate to the supply of goods. The liabilities to affiliates relate to a shareholder loan and dividend liabilities.

The business relationships with the parent company or this controlling company refer to Ennoconn Corporation, Taiwan, which holds a 26.61% stake in S&T AG as of December 31, 2020, and in whose scope of consolidation the S&T Group has been included on the basis of de facto control since July 1, 2017, and Hon Hai Precision Industry Co, Ltd, the largest single shareholder of Ennoconn Corporation with a 38.19% stake. In terms of their content, the goods and services purchased from Ennoconn and Hon Hai Precision Industry Co., Ltd. comprise the order-specific production of electronic products such as embedded boards, industrial PCs or embedded systems for the segments "IoT Solutions Europe" and "IoT Solutions America". The main customer companies within the S&T Group are subsidiaries of Kontron S&T AG in Germany, North America and Croatia.

There are no value adjustments for receivables from related parties (PY: TEUR 0).

With regard to the remuneration of the members of the Executive Board of S&T AG and the remuneration of the members of the Supervisory Board, please refer to Note (38) Remuneration report.

40 EXEMPTING GROUP ACCOUNTING

With regard to the consolidated Kontron Beteiligungs GmbH, Ismaning, Germany, the consolidated Kontron Europe GmbH, Ismaning, Germany, and the consolidated Kontron Electronics GmbH, Großbettlingen, Germany, the consolidated financial statements of S&T AG are deemed to be exempting consolidated financial statements in accordance with the provisions of § 291 German Commercial Code (HGB). The consolidated companies Kontron Beteiligungs GmbH, Ismaning, Kontron Europe GmbH, Ismaning, Kontron Electronics GmbH, Großbettlingen, Kontron Transportation Deutschland GmbH, Frankfurt, Kontron AIS GmbH, Dresden, hamcos IT Service GmbH, Sigmaringen, S&T Deutschland GmbH, Mendig and CITYCOMP Service GmbH, Ostfildern, make use of the exemption provisions pursuant to § 264 Paragraph 3 German Commercial Code; pursuant to § 264 Paragraph 3, no. 4 German Commercial Code, this is stated accordingly.

41 EVENTS AFTER THE REPORTING DATE

The following significant events occurred after the reporting date:

- › On December 22, 2020, Kontron Technologies GmbH, Linz, Austria, a 100% subsidiary of S&T AG, concluded a notarised purchase agreement for the acquisition of 100% of HC Solutions GmbH, Linz, Austria. HC Solutions GmbH was founded in 1991 and, as a software company, offers its customers software development and maintenance as well as IT consulting. They also carry out software development projects for their customers and sell software licenses for the products they have developed. The revenue of HCS in the past financial year 2020 was EUR 7.6 million with an income of TEUR -275. A fixed purchase price of TEUR 693 was agreed. Following approval by the Austrian antitrust authorities, HC Solutions GmbH will be included in the scope of consolidation of the S&T Group as of February 1, 2021, and integrated into the IoT Software segment. Information on the determination of the fair values of the acquired assets and liabilities is not yet available at this time. HC Solutions GmbH is scheduled to be legally merged with Kontron Technologies GmbH in the 1st half of 2021.
- › On March 3, 2021, S&T AG, through its 100% subsidiary, S&T Deutschland GmbH, Mendig, Germany, entered into a notarised purchase agreement for the acquisition of 100% of the shares in Axino Solutions GmbH, based in Aachen, Germany. Axino Solutions GmbH, based in Aachen, and Axino Solutions AG, based in Solothurn, Switzerland, were founded on January 1, 2016, and offer their services to large and medium-sized companies in the DACH region as a consulting and system integrator with comprehensive application know-how and its own innovative product development. Due to the high product development costs in the IoT area as well as the adverse effects on the business caused by the COVID-19-Pandemic in 2020 and the associated losses, insolvency proceedings were initiated in January 2021. The fixed purchase price for 100% of Axino Solutions GmbH amounts to TEUR 200. Axino Solutions GmbH will be included in the scope of consolidation of the S&T Group with an economic effective date of April 1, 2021, and will subsequently be merged with S&T Deutschland GmbH following the settlement of the insolvency proceedings. Due to the proximity of the acquisition to the time of preparation of the consolidated financial statements, there is no information available for further explanations on the acquisition.
- › On October 27, 2020, the Executive Board of S&T AG had decided to implement a new share buyback program for treasury shares ("Share Buyback Program II 2020") on the basis of the authorisation resolution of the Extraordinary General Meeting of January 15, 2019 pursuant to § 65 Paragraph 1 (8) of the Austrian Stock Corporation Act (AktG). On March 2, 2021, the Executive Board decided to raise one of the two price limits for the acquisition of treasury shares under the "Share Buyback Program II 2020" from the previous EUR 20.00 to a maximum of EUR 22.50 due to the increase in the share price on the basis of the positive development of the company and communicated this increase in an ad hoc announcement dated March 2, 2021. The new price cap will be applicable from March 8, 2021.

42 PROPOSAL FOR THE APPROPRIATION OF PROFIT

The basis for the proposal for the appropriation of profits is the individual financial statement of the company prepared in accordance with the provisions of the Austrian Commercial Code.

The individual financial statements of S&T AG show a provisional balance sheet profit of TEUR 49,661 (PY: TEUR 38,356) for the financial year 2020. The Executive Board proposes a dividend of EUR 0.30 per share.

43 AUTHORISATION FOR PUBLICATION

The consolidated financial statements of S&T AG were authorised for publication by the Executive Board on March 24, 2021.

44 ORGANS OF THE COMPANY

The following persons served as Supervisory Board members in the financial year 2020:

- › Mag. Claudia Badstöber, Chairwoman (since June 16, 2020)
- › Dr. Erhard F. Grossnigg, Chairman (until June 16, 2020)
- › Mag. Bernhard Chwatal
- › Hui-Feng Wu
- › Fu-Chuan Chu
- › Yu-Lung Lee

In the financial year 2020, the following persons served as members of the Executive Board:

- › Dipl.-Ing. Hannes Niederhauser, CEO
- › MMag. Richard Neuwirth, CFO
- › Michael Jeske, COO
- › Dr. Peter Sturz, COO
- › Carlos Manuel Nogueira Queiroz, COO

Linz, March 24, 2021



Dipl.-Ing. Hannes Niederhauser



Michael Jeske



MMag. Richard Neuwirth



Dr. Peter Sturz



Carlos Manuel Nogueira Queiroz

ACCELERATING BUSINESS PROCESSES

IT SERVICES

Rimac Automobili challenges conventional approaches and pushes technologies to the edge of the possible. The company with 900 employees today was founded in 2009 out of love for the automobile and with the vision to become the global technology leader in the electric hyper car segment. Pursuing its goals towards business process optimisation for high-performance cars, the company assigned S&T Slovenia to digitalise, optimise and expedite their business processes. Based on a modern Infor LN solution, the heterogeneous IT landscape was standardised, and the infrastructure was made available to cover additional new market segments.

According to Mr. Viktor Radošević, Process Improvement and ERP Manager at Rimac Automobili, the mission was successful: "Together with S&T Slovenia and Infor LN Automotive suite, Rimac Automobili achieved faster time to market, as well as better operations and cost control throughout the value chain. This is not only important for the high-performance electric vehicles, but also to react to the needs of our large global OEM business partners."



REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

AUDIT OPINION

We have audited the consolidated financial statements of

S&T AG, Linz,

and of its subsidiaries (the Group) comprising the consolidated statement of financial position as of December 31, 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year then ended and the notes to the consolidated financial statements.

Based on our audit the accompanying consolidated financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Group as of December 31, 2020 and its financial performance for the year then ended in accordance with the International Financial Reportings Standards (IFRS) as adopted by EU, and the additional requirements under Section 245a Austrian Company Code UGB.

BASIS FOR OPINION

We conducted our audit in accordance with the regulation (EU) no. 537/2014 (in the following "EU regulation") and in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing (ISA). Our responsibilities under those regulations and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the Austrian General Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained until the date of this auditor's report is sufficient and appropriate to provide a basis for our opinion by this date.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We considered the following matters as key audit matters for our audit:

1. Recoverability of goodwills – impairment test according to IAS 36
2. Final purchase price allocation of Kapsch Carrier Com AG and the business unit Kapsch Public Transport Com

1. RECOVERABILITY OF GOODWILLS – IMPAIRMENT TEST ACCORDING TO IAS 36

DESCRIPTION

As at December 31, 2020, the consolidated financial statements of S&T AG show a significant goodwill balance amounting to kEUR 199.481 which is spread over several material cash generating units.

In the context of the annual impairment test according to IAS 36 the assessment of the recoverability of goodwill requires significant judgement and management estimates in assessing whether any impairment loss has arisen at yearend, and in quantifying such impairment. The principal risk is in relation to management's estimate of future cash flows and the discount rate for the determination of value in use.

For S&T AG's disclosures related to goodwill refer to note "B. Principles of financial reporting and measurement – Goodwill" and "D.12 Intangible Assets" to the consolidated financial statements.

HOW OUR AUDIT ADDRESSED THE MATTER

In responding to the risk our work included, but was not limited to, the following procedures:

- › Assessment of the design and implementation of the controls over the valuation process
- › Involvement of our valuation specialists to examine the methodology used, test the mathematical accuracy of calculations concerning the impairment tests and to validate the plausibility of the discount rates
- › Comparison of the planning documents to approved budgets and business plans as well as a plausibility check and analysis of the principle assumptions in order to verify the reasonableness of the planning documents
- › Assessment of the planning figures in respect of potential impacts of Covid 19 crisis and if uncertainties related to these impacts have been considered
- › Assessment of the historical accuracy of management's budgets and forecasts by comparing them to actual performance and to prior year
- › Evaluation of the appropriateness of disclosures made regarding impairment tests and related assumptions

2. FINAL PURCHASE PRICE ALLOCATION OF KAPSCH CARRIERCOM AG AND THE BUSINESS UNIT KAPSCH PUBLICTRANSPORTCOM

DESCRIPTION

S&T group has acquired with purchase agreement of May 23, 2019 100% of shares of Kapsch CarrierCom AG including its subsidiaries and the business unit Kapsch PublicTransportCom. Kapsch CarrierCom AG was then renamed in Kontron Transportation Austria AG. The first time consolidation was done as of June 1, 2019. In the group financial statements as of Dec 31, 2019 the purchase price allocation was accounted with preliminary values due to the fact that at the date of preparation of the group financial statements not all relevant information necessary for the deriving the fair values were available. The purchase price allocation was finalized in the second quarter 2020 within the 12-month valuation period.

According to IFRS 3 the acquired identifiable assets and liabilities have to be recognized at their fair value at the acquisition date.

The valuation of the acquired assets and liabilities is complex and requires significant estimates and judgements in application of forecasts and assumptions. The risk in the purchase price allocation is the completeness and valuation of identified assets & liabilities.

The disclosures of S&T AG for the acquisition of Kapsch CarrierCom AG including their subsidiaries and the business unit Kapsch PublicTransportCom are included in the notes disclosure "A. General Information – group of consolidated companies".

HOW OUR AUDIT ADDRESSED THE MATTER

In order to address this risk related to the acquisition of Kapsch CarrierCom AG and the business unit Kapsch PublicTransportCom we performed amongst others the following audit procedures:

- › Evaluation of completeness of identification of acquired assets and liabilities, examining the methodology used, testing the mathematical accuracy of calculations and validation the plausibility of the discount rates by involving our valuation specialists to evaluate the adequacy of the preliminary purchase price allocation
- › Assessment of project reports for critical projects and discussion of significant judgements of management in respect of project forecasts and the valuation of project related provisions (mainly warranty provisions and onerous contracts)
- › Evaluation of the adequacy of notes disclosures for the preliminary purchase price allocation and the related assumptions

3. ACCOUNTING OF THE ACQUISITION OF ISKRATEL GROUP AND THE PRELIMINARY PURCHASE PRICE ALLOCATION

DESCRIPTION

S&T group has acquired with purchase agreement of June 30 2020 100% of shares of FinTel Holding d.o.o. & co k.d. including its subsidiaries (Iskratel group). The first time consolidation was done based of the closing as of October 1, 2020. The acquired net assets as of October 1, 2020 amounted to EUR 63,5 Mio.

According to IFRS 3 the acquired identifiable assets and liabilities have to be recognized at their fair value at the acquisition date.

The valuation of the acquired assets and liabilities is complex and requires significant estimates and judgements in application of forecasts and assumptions. The risk in the purchase price allocation is the completeness and valuation of identified assets & liabilities.

The disclosures of S&T AG for the acquisition of Iskratel group are included in the notes disclosure "A. General Information – group of consolidated companies".

HOW OUR AUDIT ADDRESSED THE MATTER

In order to address this risk related to the acquisition of Iskratel group we performed amongst others the following audit procedures:

- › Review of the purchase agreement, to get an understanding about the significant conditions and clauses and to verify, if the correct accounting in terms of point of time of the first time consolidation and other clauses of the purchase agreement was applied
- › Evaluation of completeness of identification of acquired assets and liabilities, examining the methodology used, testing the mathematical accuracy of calculations and validation the plausibility of the discount rates by involving our valuation specialists to evaluate the adequacy of the preliminary purchase price allocation
- › Assessment of project reports for critical projects and discussion of significant judgements of management in respect of project forecasts and the valuation of project related provisions (mainly warranty provisions and onerous contracts)
- › Evaluation of the adequacy of notes disclosures for the preliminary purchase price allocation and the related assumptions

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the annual report including the balance sheet oath, but does not include the consolidated financial statements, the management report for the Group and the auditor's report thereon. We have been provided with consolidated corporate governance report before the date of our auditor's report. The separate consolidated non financial report was provided to us as draft. The complete annual report and the final non financial report is estimated to be provided to us after the date of the auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our audit of the consolidated financial statement does not cover the other information and we will not give any kind of assurance on the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, as soon as it is available, and, in doing so, to consider whether - based on our knowledge obtained in the audit - the other information is materially inconsistent with the consolidated financial statements or otherwise appears to be materially misstated. In respect of the other information which has been made available we have nothing to report.

RESPONSIBILITIES OF MANAGEMENT AND OF THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation of the consolidated financial statements in accordance with IFRS as adopted by the EU, and the additional requirements under Section 245a Austrian Company Code UGB for them to present a true and fair view of the assets, the financial position and the financial performance of the Group and for such internal controls as management determines are 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, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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 to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, always detect a material misstatement when it exists. 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.

As part of an audit in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- › identify and assess the risks of material misstatement of the consolidated financial statements, 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 opinion. 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 control.
- › obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- › evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- › conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. 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 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 represent the underlying transactions and events in a manner that achieves fair presentation.
- › obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- › We communicate with the Audit Committee 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 communicate with the Audit Committee 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 the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the 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 or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

COMMENTS ON THE MANAGEMENT REPORT FOR THE GROUP

Pursuant to Austrian Generally Accepted Accounting Principles, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the management report for the Group was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the management report for the Group in accordance with Austrian Generally Accepted Accounting Principles.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report for the Group.

OPINION

In our opinion, the management report for the Group was prepared in accordance with the valid legal requirements and is consistent with the consolidated financial statements.

STATEMENT

Based on the findings during the audit of the consolidated financial statements and due to the thus obtained understanding concerning the Group and its circumstances no material misstatements in the management report for the Group came to our attention.

ADDITIONAL INFORMATION IN ACCORDANCE WITH ARTICLE 10 EU REGULATION

We were elected as auditor by the ordinary general meeting at June 16th, 2020 and appointed by the Supervisory Board. We are auditors without cease since December 31, 2008.

We confirm that the audit opinion in the Section "Report on the consolidated financial statements" is consistent with the additional report to the audit committee referred to in article 11 of the EU regulation.

We declare that no prohibited non-audit services (article 5 par. 1 of the EU regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

RESPONSIBLE AUSTRIAN CERTIFIED PUBLIC ACCOUNTANT

The engagement partner is Ms. Johanna Hobelsberger-Gruber, Certified Public Accountant.

Linz, March 24, 2021

Ernst & Young

Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Johanna Hobelsberger-Gruber eh
Wirtschaftsprüferin / Certified Public Accountant

ppa Dr. Dominik Permanschlagler eh
Wirtschaftsprüfer / Certified Public Accountant

* This report is a translation of the original report in German, which is solely valid. Publication or sharing with third parties of the consolidated financial statements together with our auditor's opinion is only allowed if the consolidated financial statements and the management report for the Group are identical with the German audited version. This audit opinion is only applicable to the German and complete consolidated financial statements with the management report for the Group. Section 281 paragraph 2 UGB (Austrian Company Code) applies to alternated versions.

STATEMENT OF LEGAL REPRESENTATIVES

We confirm to the best of our knowledge and in accordance with the applicable reporting principles that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and that the Group management report, including the profit or loss of the Group, represents a fair view of the assets, liabilities, financial position and the performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

We confirm to the best of our knowledge that the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company S&T AG as required by the applicable reporting principles and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal opportunities and uncertainties the company faces.

Linz, March 24, 2021

Dipl.-Ing. Hannes Niederhauser eh

Michael Jeske eh

MMag. Richard Neuwirth eh

Dr. Peter Sturz eh

Carlos Manuel Nogueira Queiroz eh

SUSTAINABILITY REPORT
2020

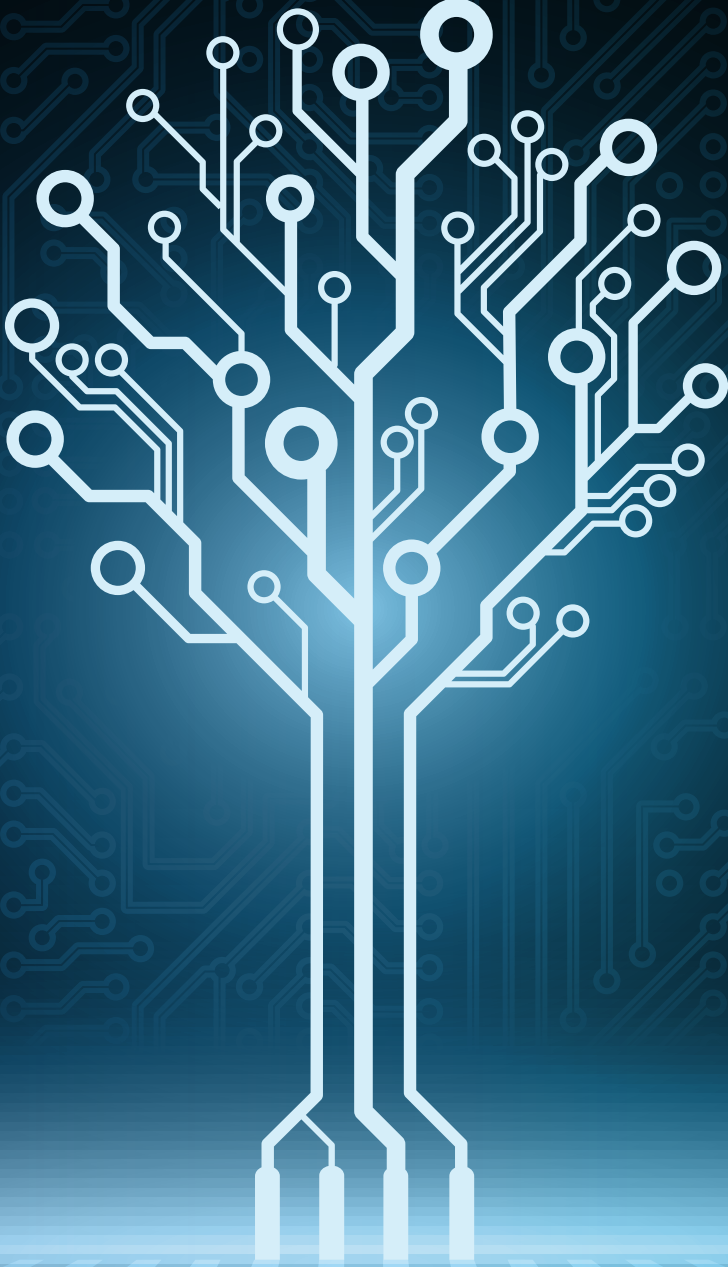


TABLE OF CONTENTS



INTRODUCTION	188
FOREWORD	188
KEY FIGURES	189
INFORMATION ON THE REPORT	190
SHORT PROFILE.....	190
STEP-BY-STEP ESG PLAN	190
SUSTAINABILITY PROJECTS: "SETTING A GOOD EXAMPLE"	191
S&T OPTS FOR GREEN ELECTRICITY	191
PHOTOVOLTAICS	191
GREEN TRANSPORTATION.....	191
SUSTAINABLE CORPORATE MANAGEMENT	192
VALUES AND GUIDELINES	192
CORPORATE ETHICS.....	193
RESPONSIBLE MANAGEMENT	198
ENVIRONMENTAL PROTECTION AND MANAGEMENT.....	198
EMPLOYEES.....	205
CUSTOMERS.....	212
SUPPLIERS	216
OTHER STAKEHOLDERS	217

SUSTAINABILITY REPORT



INTRODUCTION

FOREWORD

A sustainable form of management has long been important to S&T Group. The decisions we take to achieve our short- and long-term targets are both forward-looking and committed to sustainability. We have always placed emphasis particularly on creating an everyday working atmosphere characterised by mutual respect, on constant dialogue with our stakeholders and on careful consideration of the consequences of our business activities for society and the environment. In this way, we aim to identify ESG opportunities early and mitigate ESG risks.

We manage S&T Group with the objective of attaining sustainable value creation. All our ideas and decisions relating to our business operations have at their heart and as their benchmark topics relating to corporate governance, corporate social responsibility and compliance. ESG topics and achieving the defined targets fall under the purview of CFO Richard Neuwirth, while CEO Hannes Niederhauser as well as the other members of the Executive Board and the heads of divisions promote and implement them.

Traditionally, many of our sustainability initiatives are carried out by our subsidiaries in their local contexts. In recent years, numerous projects have already been successfully completed. We recognise that for a group of our size, it is now time to focus our efforts on ESG issues at the group level. In 2020 we made use of our regular dialogue with customers, investors, local organisations and other stakeholders to define what is required of an ESG consolidation. The findings, for example with regard to ESG reporting, have been incorporated in a "step-by-step ESG plan" which aims to achieve gradual improvements in various areas over the coming years (see paragraph "Step-by-step ESG plan"). We will be presenting more details during financial year 2021.

In closing, and by way of introducing the following report, it is our privilege to cite some of the target reached in 2020:

- › As planned, travel was reduced, more opportunities for working from home were created, and digital methods of communication were used more frequently. Admittedly, this target was reached in part due to the prevailing global pandemic, since our customers also chose to use virtual forms of working more intensively. In future, we intend to keep our ecological footprint, a result of travel and commuting to work, as small as possible.
- › The use of renewable forms of energy is progressing. Apart from using photovoltaics to generate our own electricity, we are also increasingly choosing green electricity from our power suppliers. We are therefore delighted that we are now using 100% renewable energy at S&T AG in Austria.
- › Since June 2020, Claudia Badstöber has been Chairwoman of the Supervisory Board, and further female members are planned for upcoming elections to the Supervisory Board. In addition, the members of all committees are now predominantly independent. We continue to work intensively to improve corporate governance and to increase the number of women in the Group and especially in management.

Thank you for your interest.

The Executive Board of S&T AG

Dipl.-Ing. Hannes Niederhauser






Michael Jeske

Dr. Peter Sturz

MMag. Richard Neuwirth

Carlos Manuel Nogueira Queiroz

KEY FIGURES

<p>IoT + Industry 4.0 </p> <p>Internationally-leading supplier of Industry 4.0- and Internet of Things technologies</p>	<p>1,255 million €</p> <p>Revenues 2020 EUR 1,255 million</p>	<p>Green solutions </p> <p>Supplier of products and solutions forming part of energy-efficient, sustainable and secure applications</p>
<p>184.1 million </p> <p>2020: EUR 184.1 million for engineering, research & development</p>	<p>6,000 </p> <p>More than 6,000 employees in 33 countries</p>	<p>3 business segments </p> <p>IT Services IoT Solutions Europe IoT Solutions America</p>

INFORMATION ON THE REPORT

Since financial year 2017, S&T AG has published a separate Sustainability Report at the same time as the annual report. With this fourth Sustainability Report for the financial year 2020, we inform our customers, investors, business partners, employees and the interested general public about how the S&T Group handles sustainability-related issues.

This report follows well-established guidelines such as those laid down by the Global Reporting Initiative (GRI) and – as a listed company on a stock exchange in Germany – those formulated by BDI (Bundesverband der Deutschen Industrie e.V.), which is the Association of Germany's Manufacturers.

The principle of significance to the S&T Group guided the selection of contents for this report. To make this selection, a base was formed in which topics were arrayed in a matrix of significance. This displayed their importance to the S&T Group. The topics were classified as having great, medium and low importance to the S&T Group. These classifications express the Group's view of its operations. Topics of great and medium importance were then examined and included in this report.

This report covers the period from January 1 to December 31, 2020. S&T's Sustainability Report 2020 will be published on March 25, 2021. To obtain in-depth information on the company's financial objectives and on the development of its business, please consult S&T's 2020 annual financial report and the 2020 annual report.

SHORT PROFILE

Technology group S&T AG (www.snt.ag, ISIN AT0000A0E9W5, WKN A0X9EJ, SANT) employs more than 6,000 people and has subsidiaries in 33 countries around the world. The company is listed on the TecDAX® and SDAX® of the German Stock Exchange and is one of the leading providers of IoT technologies. In this sector, S&T focuses on the development of secure and networked solutions with a combined portfolio of hardware, middleware and services. S&T's own technologies in the fields of smart factory, railway communication systems, medical technology, communication solutions, and smart energy, as well as a broad portfolio of IT services, make S&T an in-demand partner for customers in a wide range of industries. For information on our corporation and technology portfolio, please consult the "Portfolio of products and services" chapter of our annual report.

STEP-BY-STEP ESG PLAN

The S&T Group's step-by-step ESG plan aims to achieve gradual improvements in various areas over the coming three years. For S&T, it is important to have an overall ESG concept embedded in the corporate strategy. The plan, developed on the basis of an external ESG analysis, takes this into account. Initially, the intention is to make use of the ongoing dialogue with our stakeholders to create an updated materiality analysis in 2021. The results of the renewed stakeholder survey and materiality analysis are to be used to improve the ESG targets that have already been defined across the whole Group. The ESG risks that could impact on S&T are already being regularly assessed. Nevertheless, the analysis is seen as a chance to identify further risks. We also plan to expand ESG reporting in 2021 in preparation for the implementation of Scope I and II. For the ensuing years we are planning a raft of activities that will include evaluation of the ESG targets, continuation of stakeholder dialogue, constantly improving reporting in accordance with recognised ESG standards and joining initiatives with relevance to the S&T Group. We will be presenting more details of the step-by-step ESG plan in financial year 2021.



SUSTAINABILITY PROJECTS: “SETTING A GOOD EXAMPLE”

“Small-scale measures with big effects” is the S&T Group’s motto. It refers to our approach to realising and implementing the ideas and suggestions put forward by our employees. We are pleased that other companies in the S&T Group are pursuing many of the initiated projects. As part of the Group’s ESG strategy we are increasingly defining superordinate objectives that are then successively implemented by our subsidiaries in their local context. In 2020, the focus was on reorganising our electricity supply and using more renewable energy sources.

S&T OPTS FOR GREEN ELECTRICITY

The electricity used at the S&T AG sites in Innsbruck, Linz, Graz and Vienna, around 475,000 kWh in the last reporting period, came exclusively from renewable energy sources. Our power supplier, Energie Steiermark AG, recently gave us written confirmation of this. In the next few years, S&T plans to increase the share of green electricity across the whole Group.

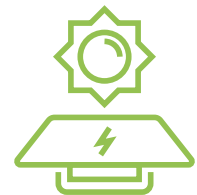
Our contribution to sustainable use of resources – keep it up!



PHOTOVOLTAICS

Quite a lot is happening with regard to generating our own power, too. In Austria, S&T is constructing several photovoltaic systems, initially at the sites in Ebbs, Engerwitzdorf and Linz. In Linz, for example, the Upper Austrian firm MSP Solarpower is installing an array with peak output of 116 kilowatts on the roof of the building on Industriezeile which will generate around a quarter of the annual power consumed at the site, approximately 400,000 kWh, using the power of the sun.

In this way we as a company do our bit to generate clean electricity – sustainability in action!



GREEN TRANSPORTATION

Apart from the aim of promoting more frequent use of public transport and reducing the number of company cars in use, the remaining necessary fleet of vehicles is to be successively converted to e-vehicles. Of the approximately 1,200 vehicles, around 1.5% were e-cars in 2020. This figure should be significantly increased in the coming years.

More e-cars have already been ordered and will help make journeys less CO2-intensive in future!



SUSTAINABLE CORPORATE MANAGEMENT

VALUES AND GUIDELINES

Our corporate values inform our daily work, and guide and drive our company.



Business success



Respect and appreciation in dealing with each other



Our strength stems from common purpose



Partnership

The management of the S&T Group places a high priority on living up to its responsibilities towards the company, its employees, the environment and society. The reputation of the S&T Group and the trust placed in it by our customers, investors, employees and the general public are determined by the actions undertaken by each and every person working for the S&T Group. We view our employees as being the drivers of the successes achieved by our company.

We offer our approximately 6,000 employees a progressive work environment which facilitates new ways of working with each other. We promote our employees' senses of responsibility, respectful dealings with each other, and paths of personal development. To do so, we place a high priority upon key values such as dialogue, participation and fairness. Our objective is to secure the company's success on a long-term basis. Achieving this requires high levels of performance and integrity by our staff members. The latter plays an important role in our company and towards, especially, our external stakeholders – our partners, clients and suppliers as well as local organisations. Regular contacts with our stakeholders is important to us and we are convinced that our participation in networks and initiatives that transcend the borders imposed by organisations strengthen our company. To enable this participation, we operate in a culture marked by open and constructive feedback. We give and receive input, as this is the way to improve ourselves and others.

The S&T Group always keeps an eye on ecological sustainability issues. As a supplier of IoT/Embedded Computer Technologies, the S&T Group develops solutions that are deployed by clients for many years. These extremely long service lives mean that these systems have far less of an impact on the environment than consumer electronics where product turnover is high. Furthermore, our solutions help increase efficiency and therefore use energy and resources more effectively. Consequently, the hardware's long service life and efficient use of resources are very important to both our clients and our engineers.

CORPORATE ETHICS

COMPLIANCE IN THE S&T GROUP

S&T operates according to a simple and very clear approach to business: We expect integrity-driven performance. S&T AG's Code of Conduct contains the requirements to be observed by all our employees and our partners.

CODE OF CONDUCT

The Code of Conduct of S&T has been implemented in the whole Group. Its directives were revised in financial year 2020 and the updated version was rolled out throughout the Group. The Code's contents are regularly assessed, updated and staff trained in them. New employees currently receive training during the onboarding process, and regular "refresher" sessions are held. In 2021, the rollout of a Group-wide online training scheme is planned. Preparations for this were already made in 2020, such as deciding on suitable training methods and frequency.

The Code of Conduct obliges our employees to behave in accordance with the law, to fulfil their personal commitments and to refrain from any activities likely to damage the reputation of the S&T Group. The Code of Conduct describes and governs such issues as the observance of currently applicable laws, combating corruption, adherence to fair-trade and anti-trust laws, behaviour towards third parties, handling of financial and business records, combating money laundering, compliance with export control and duty laws, principles of non-discrimination, data protection and security, conflicts of interest, dealing with gifts and invitations to events, and how to handle donations, sponsorship and advertising. The Code of Conduct has been updated to include the newly promulgated stipulations of the Second Shareholders' Rights Directive and those of Austria's Stock Corporation Act which is applicable to S&T AG as an Austrian company. The latest version of our Code of Conduct is available on S&T AG's compliance website at: <https://www.snt.ag/about/Compliance.en.html>.

HUMAN RIGHTS

Adherence to internationally valid standards of human rights and working standards is a matter of course for the S&T Group. Our standards correspond to those laid down in the International Bill of Human Rights, the European Convention on Human Rights, and the principles of the United Nations' Global Compact. We do not tolerate forced labour in any form, including involuntary work performed in a prison or in servitude.

Every person working for the S&T Group does so of her or his own free will. Any employee can terminate her or his employment contract after having given reasonable notice. Child labour is not tolerated. We require our suppliers to adhere to all currently applicable laws including laws relating to human rights and fair business practices (please refer to chapter "Suppliers" and the section "Supplier Code of Conduct" on the S&T AG compliance website: <https://www.snt.ag/about/Compliance.en.html>).

GOVERNMENT CONTRACTS AND COMBATING CORRUPTION

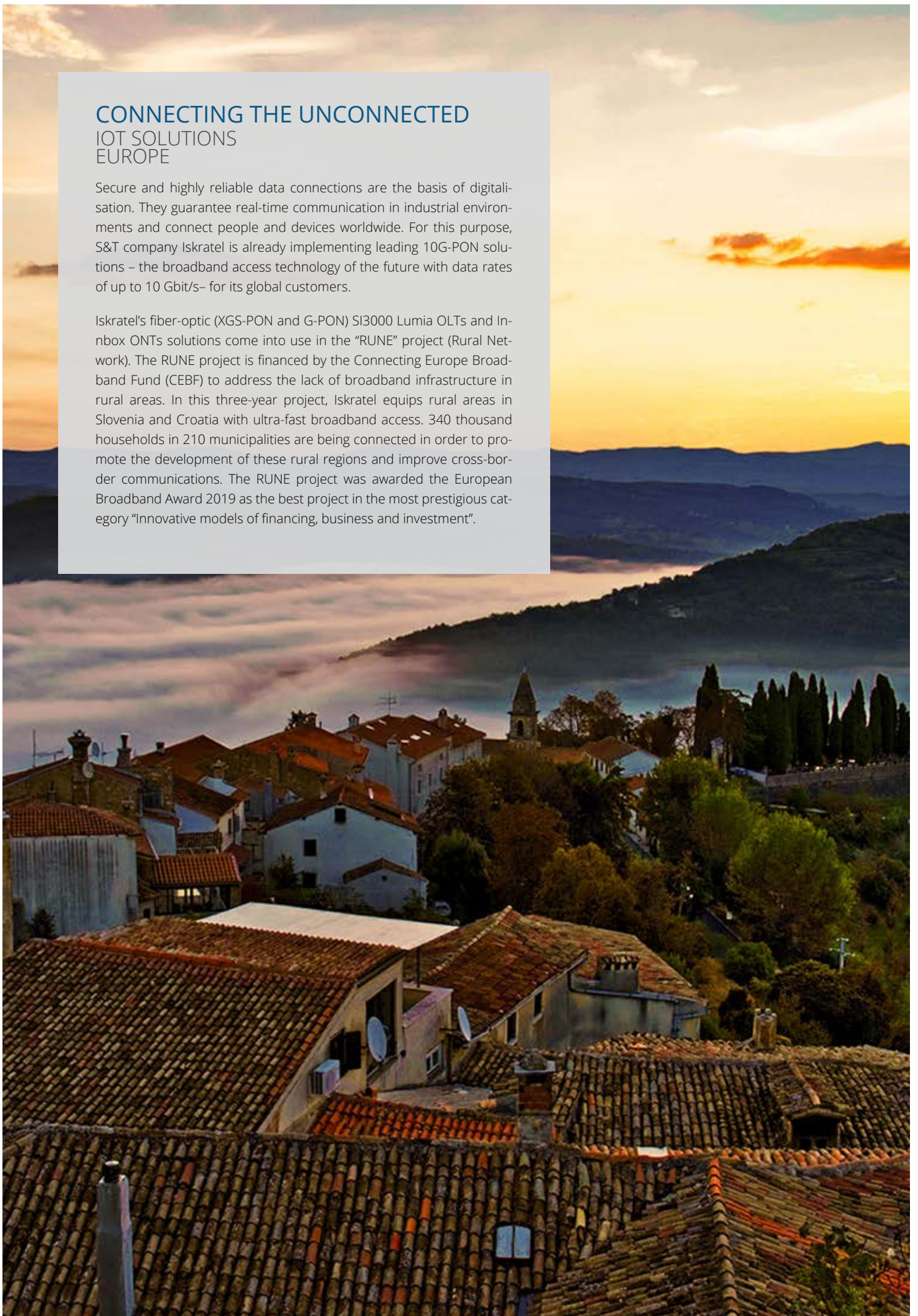
The S&T Group competes for contracts placed by government bodies and public sector corporations from around the world. For this reason, it is of key importance to the S&T Group that it observes all laws and stipulations pertaining to public-sector procurement including legislation designed to preclude the exertion of undue influence on civil servants. Many countries have passed anti-corruption legislation forbidding bribery by commercial enterprises in accordance with internationally applicable standards. Several of these laws – such as the UK's Bribery Act and the USA's Foreign Corrupt Practices Act – are recognised around the world, and are robustly applied in the S&T Group. Our Code of Conduct obliges us to comply with applicable laws and measures for combating corruption. It should be stressed in this connection that we make no donations to political parties or political organisations.

CONNECTING THE UNCONNECTED

IOT SOLUTIONS EUROPE

Secure and highly reliable data connections are the basis of digitalisation. They guarantee real-time communication in industrial environments and connect people and devices worldwide. For this purpose, S&T company Iskratel is already implementing leading 10G-PON solutions – the broadband access technology of the future with data rates of up to 10 Gbit/s– for its global customers.

Iskratel's fiber-optic (XGS-PON and G-PON) SI3000 Lumia OLTs and In-box ONTs solutions come into use in the "RUNE" project (Rural Network). The RUNE project is financed by the Connecting Europe Broadband Fund (CEBF) to address the lack of broadband infrastructure in rural areas. In this three-year project, Iskratel equips rural areas in Slovenia and Croatia with ultra-fast broadband access. 340 thousand households in 210 municipalities are being connected in order to promote the development of these rural regions and improve cross-border communications. The RUNE project was awarded the European Broadband Award 2019 as the best project in the most prestigious category "Innovative models of financing, business and investment".



ADHERENCE TO LAWS

Adherence to and observance of all applicable laws is compulsory in the entire S&T Group. Every staff member is required to adhere to national and international codes of law. In order to enable employees and third parties to alert the Compliance department to possible breaches of law committed in the company, S&T AG set up an electronic whistleblower system that also makes anonymous reports possible. This system can be found on S&T's website at <https://compliance.snt.at>.

Potential contraventions can also be reported directly and at any time to the Compliance Officer, the Legal Affairs department, the Management, Human Resources or a member of the works council.

CORPORATE GOVERNANCE

"Corporate governance" denotes the legal and factual parameters created to govern the management and supervision of a company. Corporate governance has the aim of enhancing the transparency and capability of control of management and its actions, enabling management to reach decisions responsibly and base them on sustainable value creation.

As a company listed on a stock exchange in Germany, S&T AG, which is headquartered in Austria, has committed itself to observing Germany's Corporate Governance Code. S&T AG deviates from some Principles of the German Corporate Governance Code of December 16, 2019. In accordance with the "comply or explain" principle, the reasons for these deviations from recommendations are explained in the annual financial report and the annual report in the chapter "Corporate Governance Report". The report is also published on the S&T AG website at https://ir.snt.at/Corporate_Governance.en.html.

At S&T AG, the term "Corporate Governance" stands for responsible, value-based corporate management and control oriented towards sustainable value creation. Key components of good corporate governance are efficient working relationships between the Executive Board and the Supervisory Board; channels of communication within the company that are based on openness; respect for shareholder interests; the achievement of transparency and accountability when making decisions for the company; dealing with risks appropriately; and promoting equal opportunities and diversity. S&T's Executive Board and Supervisory Board are convinced that good corporate governance – one that takes into account the specifics of the company's business and of its sector – forms an important basis for the achievement of success. A central responsibility of management is observance of national and international laws including tax laws and refraining from tax evasion, of rules and directives; and of the principles codified in Germany's Corporate Governance Code. This compliance is a matter of course for S&T and a component of its culture of management.

STRATEGIC MANAGEMENT OF RISKS AND OPPORTUNITIES

Risk and opportunity management constitutes an important component of S&T's handling of its business. The management's goal is to identify, evaluate and actively influence the risks and opportunities of the market and entrepreneurial activities within the framework of the Group's internal risk and opportunity management. This applies to both internal and external opportunities and risks.

S&T generally avoids risks that endanger its corporate existence. Nevertheless, S&T's business activities do expose it to risks that directly result from corporate actions. In order to identify risks at an early stage, to assess them appropriately and to limit them through taking suitable measures, we have set up a Group-wide risk management system which also supports us with achieving our corporate goals. The risk management system fosters an awareness of risk and increases the trust that our stakeholders place in our company. It also improves the bases of our planning and decision-making.

The close connections with financial processes and the ongoing development of methods of assessing and managing risks and of reporting them ensures that the Executive Board and Supervisory Board are informed promptly and fully about the risks to which the company is exposed.

A further component of good entrepreneurship is recognising and exploiting opportunities. This ensures the company's viability by strengthening its ability to compete and represents a key component of our strategy. Our systematic management of risks and opportunities enables us to identify risks as well as opportunities and to exploit them.

RISK MANAGEMENT SYSTEM

Our internal system of risk management complies with the guidelines agreed upon with our Supervisory Board and Executive Board and covers the handling of risks facing the company. Our organisational chart makes the system part of our internal audit team, which reports to the Executive Board as a collegial body. In 2020, the internal control system was updated on the basis of the COSO-reference model. Furthermore, due to the changed framework conditions caused by the COVID-19-Pandemic, Group-wide guidelines and local requirements were revised and redesigned, for example to protect employees from possible infections, to maintain S&T Group's ability to deliver and to take into account the changed working conditions due to the lockdowns. At the beginning of 2021, the accompanying manual was distributed to all Group companies. The Group's risk manager regularly briefs the Executive Board as a collegial body and monitors adherence to the risk management process and the reporting routines that have been established.

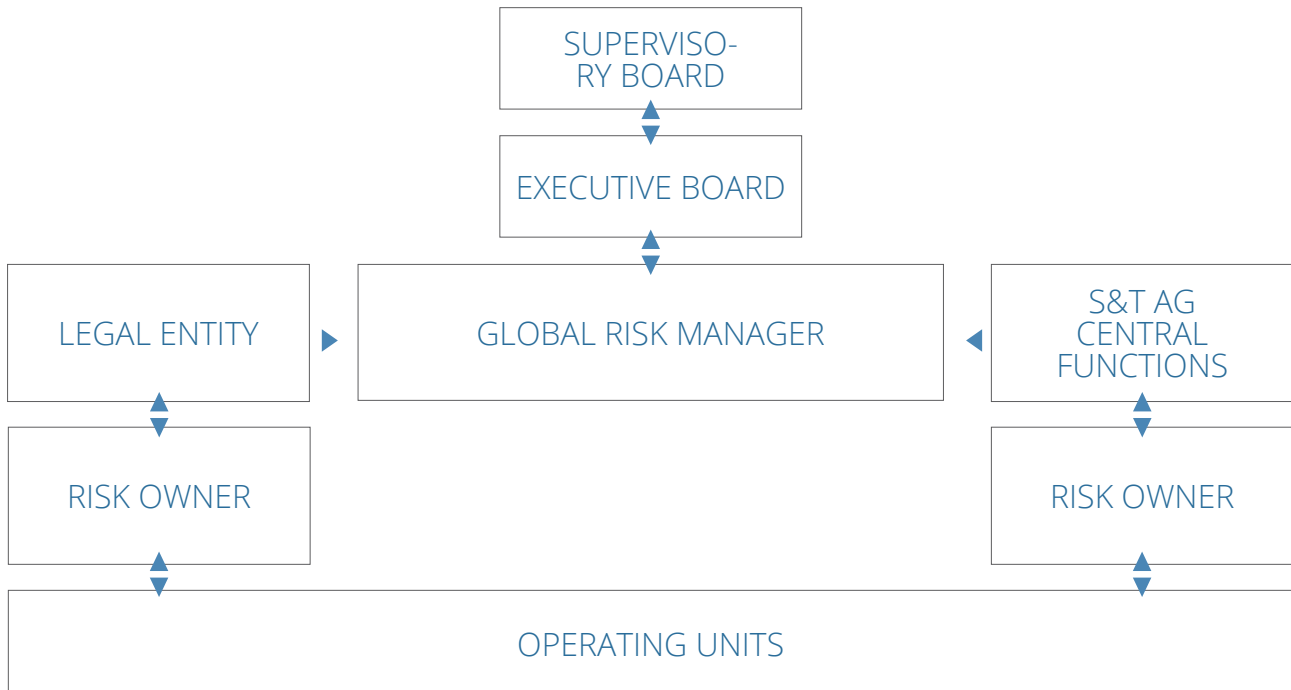
The Group-wide risk management process is presented and explained in a Group manual which describes in detail the individual steps in the risk management process, from risk identification to risk reporting:



The Group Risk Manual determines the responsibilities and procedures comprised in the risk management system. It lays down clearly defined directives, such as the definition of the principles of risk management, which are binding for all parties.

Every six months, all key operating areas and companies in the S&T Group report on their risks and name a "risk owner" who is responsible for each of these risks. This results in the compilation of a risk report covering the entire S&T Group which is then supplied to the Executive Board and the Supervisory Board. Once a year, the smaller companies report their risks. These are then aggregated, yielding a comprehensive overview of the risks facing the S&T Group. In addition to compiling standard reports, Group companies must issue ad hoc reports when pre-set limits are exceeded or exceptional situations arise. A highly topical and pertinent example is the current spreading COVID-19-Pandemic around the world.

RISK MANAGEMENT ORGANISATION



The probability of occurrence and the possible financial impact are assessed according to predefined criteria. A rating system has been introduced which enables the comprehensive depiction of the relevance of the risks.

Each risk is assigned to a “risk owner”, whose responsibility it is to monitor the risk and the measures taken to manage it. Risk assessment updates and risk tracking takes place in the regular reports to the Group’s risk manager, who aggregates these reports and forwards them to the Executive Board. The Executive Board regularly briefs the Supervisory Board on the main risks.

This system ensures the Group-wide transparency and the effective handling of the risks facing the company. Further information is provided in the “Report on Opportunities and Risks” in the chapter “Management report” in the annual financial report and the annual report.

RESPONSIBLE MANAGEMENT

ENVIRONMENTAL PROTECTION AND MANAGEMENT

Our management is constantly aware of its responsibility for our environment. A responsible approach to the environment and climate protection are two of our important corporate objectives – and thus key components of our corporate strategy. Our company's management has defined a dedicated environmental policy for our company and promotes employees' awareness of environmental issues in their daily work. A further focus of these policies is the creation of solutions effectively protecting natural resources, the environment, our staff members, and the people working with our products. One way in which this is achieved is by using materials that do not endanger people or the environment.

We developed an environment management system for deployment in our production-related premises in Europe and North America. This system assesses the sites' environmental performance and thus delivers indications on how to improve it on an ongoing basis. The system embodies our environmental policy, which permits the derivation of both generally and specifically applicable objectives. Furthermore, it constitutes the expression of our obligations towards protecting the environment, obligations fulfilled through the deployment of an environment management system.

The S&T Group currently has facilities maintained by 26 companies – located in Albania, Austria, Belarus, Belgium, Czech Republic, China, Croatia, France, Germany, Hungary, Malaysia, Montenegro, Romania, Serbia, Slovakia, Spain and the United Kingdom – that have been certified as meeting the environmental management standards codified in ISO 14001. The S&T Group continually takes steps to secure ISO 14001 certification for other Group facilities. Steps to secure certification according to ISO 14001 are continually assessed and refined. An important part of our environmental management system is the identification and analysis at each facility of relevant and significant environmental issues. Each of these issues is then evaluated and subsequently classified. This enables the effective implementation of improvement measures. As stipulated by the new standard, we have extended our assessment to include evaluation of the opportunities and risks arising from our respective environment-impacting activities. This enables their effective management. The assessment is appraised and updated at least once a year.

WE PURSUE OUR ENVIRONMENTAL OBJECTIVES WITH:



Communication-based and constructive working relationships with internal and external stakeholders



Adherence to requirements imposed by local and national laws



Monitoring, verification and evaluation of our environmental performance



Educating, training and motivating our staff to be protectors of the environment

... AND THE CONTINUOUS DEVELOPMENT AND IMPROVEMENT OF OUR ENVIRONMENTAL MANAGEMENT SYSTEM

Our environmental management system has been structured in such a way that it helps us to identify and monitor all requirements imposed by the needs of the environment and by the laws of the respective country or location. This in turn guarantees that the requirements comply with applicable legislation. To achieve this, we use an online register of laws that automatically notifies us of changes to laws and directives relating to recycling, the treatment of chemicals, climate protection and conservation of bodies of water. This also encompasses rules on product-related environmental protection. We use internal audits to determine the strengths and weaknesses of the environmental management system in place at each facility.

We also expect our suppliers to adhere to ecological and social standards. This adherence is checked by means of the audits of our suppliers that we conduct. We systematically acknowledge and evaluate the expectations of all those parties that are interested in our environmental performance. This enables us to proactively fulfil the requirements placed by our respective stakeholders on our actions to protect the environment – and to take up contact with them depending on their particular areas of interest.

Our goal is to improve our environmental performance continually. We take our corporate environmental policies as the basis for setting annual environmental targets at each facility. By doing so, we ensure the efficiency of the program. If necessary, we implement improvement measures and establish appropriate new objectives. We work to identify indicators that can be used to quantify all environmental objectives and make them more transparent and even more measurable. Examples of such indicators are electricity consumed per employee, heating requirement per unit of surface area, and CO₂ emissions resulting from business trips per employee.

ENVIRONMENTAL OBJECTIVES OF THE S&T GROUP



REDUCTION OF CONSUMPTION OF ELECTRICITY AND THE UTILISATION OF RENEWABLE ENERGY

- › Installation of photovoltaic facilities at a variety of locations
- › Electricity-conserving IT equipment at places of work and at our data centres
- › Systematic upgrading of the lighting at our facilities by switching to LED-based illumination
- › Enhancing staff member awareness of the need to preclude unnecessary consumption of electricity

REDUCTION OF NEED FOR HEATING AND COOLING PER SQUAREMETER

- › Sensible use of office heating and air conditioning – only when needed
- › Turn off heating in empty individual offices
- › Close windows and doors when heating or air conditioning are on (ventilating in bursts)

REDUCTION OF PAPER CONSUMPTION

- › Focus on paperless processes within the S&T Group
- › Print only what is necessary, preferably archive PDF printouts, and implement Follow-Me Printing solutions to reduce uncollected printouts
- › Reduction through deployment of electronic, integrated HR systems (for example: on-site systems of managing working hours and absences from work), and utilization of e-invoices

REDUCTION OF CO₂ EMISSIONS

- › Cutting the number of business trips to the absolute minimum through the use of advanced communication technologies such as telephone-based and video conferencing
- › Conversion of the vehicle fleet to e-vehicles
- › Promote the use of public transport

PRODUCT-RELATED ENVIRONMENTAL PROTECTION

We provide our customers with reliable, integrated and holistic products that constitute unique solutions. Our key objective is to develop innovative products and solutions that are characterised by low energy consumption and enable efficient and resource-conserving manufacture.

Energy-conserving IoT and embedded solutions are already well represented in our portfolio, and their share will continue to grow due to steadily increasing customer demand. In addition, the ecological aspect is of ever-greater importance in our innovative developments and our business-related considerations and decisions. That is why we always take care to conserve natural resources by avoiding waste and using efficient recycling solutions, for example.

We supervise our waste disposal facilities based on the comprehensive catalogue of types of waste contained in the decree on the list of waste and the industrial waste regulation and require documented evidence of sorting and recycling quotas as well as the final shipment of our waste.

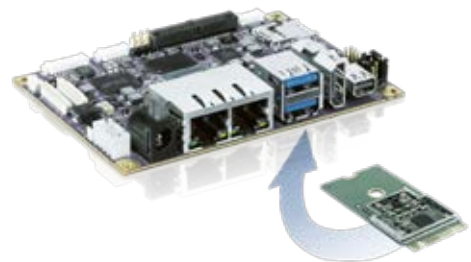
HARNESSING THE POWER OF ARTIFICIAL INTELLIGENCE

Machine vision, machine learning and deep learning based on neural networks are becoming increasingly widespread in manufacturing facilities. They can help to scale manufacturing solutions and to rapidly analyse unused data, enabling fast and extremely precise decision-making. Kontron, a S&T subsidiary, has developed a robust AI platform that facilitates entry into Google's TensorFlow world in the factory.

The compact AI device platform consists of an M.2 module with the Google Coral accelerator for the TensorFlow Lite software ecosystem on a 2,5" pITX single board computer with the NXP i.MX8M processor. With up to 4 TOPS (trillion operations per second), it provides high-speed processing of image and video data. The TPU accelerates to a speed of 30 images per second – five times faster than applications with simpler USB cameras without a TPU.

Suitability for industry and robustness were key considerations during the development stage. The result: the NXP-based AI platform can be used in operating conditions within a wide temperature range from -40 °C to +85 °C. In addition, it has been designed to withstand high mechanical loads and, as a low-performance-loss solution, contributes to sustainability.

The platform is highly suitable for AI machine vision applications such as predictive maintenance. With it, tool wear and the machinery output trends can be monitored over a long period of time. Additionally, efficiency can be increased by means of quality inspection including detection of missing components and flaws as well as through an improved system management and detection of obstacles in the production line. With the platform, manufacturing and production use fewer resources since times needed to respond to faults are reduced by the visual inspection and real-time analysis of the manufacturing data. Less waste is generated, fewer parts have to be scrapped, and environmental stress is reduced.



ENVIRONMENTAL PROTECTION REGULATIONS

Our objectives are the avoidance of the use of hazardous materials in our components and the attainment of environmentally aware product design. To achieve these goals, we always ask our suppliers for information on the composition of the components that we obtain from them and incorporate in our proprietary products. This enables us to inform our customers at any time about the components installed in their products. At the same time, we pursue our goal of accomplishing an environmentally conscious product design. We meet customers' specific requirements in accordance with legal requirements. The S&T Group's adherence to environmental require-

ments imposed by applicable laws and regulations starts in product development phase. These regulations, and their implementation in each national context, include:

- › EU Directive 2012/19/EU on waste electrical and electronic equipment (WEEE Directive)
- › EU Directive 2011/65/EU on the restriction on the use of certain hazardous materials in electrical and electronic devices (RoHS Directive)
- › EU Regulation 1907/2006/EG on the registration, evaluation, authorization and restriction of chemicals (REACH Regulation)
- › EU Regulation (EU) 2017/821 laying down supply chain due diligence obligations for Union importers of tin, tantalum and tungsten, their ores, and gold originating from conflict-affected and high-risk areas in conjunction with the “Dodd-Frank Wall Street Reform and Consumer Protection Act” (conflict minerals)
- › Battery directive pertaining to placement of batteries on the market, collection and environmentally compatible disposal of batteries and accumulators

WEEE DIRECTIVE: AVOIDANCE OF ELECTRICAL AND ELECTRONIC WASTE

On January 27, 2003 the EU passed an environment protection directive entitled “WEEE Directive 2002/96/EC” (the abbreviation stands for “waste electrical and electronic equipment”). Its objective was to bring about the reduction of the increasing quantity of electronic waste that stems from electrical and electronic devices that are no longer used. The Directive was replaced by the WEEE Directive 2012/19/EU of July 4, 2012. This directive’s objective is to remind the parties concerned of their responsibilities towards electrical and electronic devices that are no longer being used, and to promote the prevention, reduction, and environmentally compatible disposal of the increasing quantities of electronic waste through extended producer responsibility. All EU member states are required to implement the WEEE Directive in national laws.

The S&T Group has committed itself to undertaking actions to promote a safe and healthy environment. The Group is thus working conscientiously to adhere to all requirements imposed by the WEEE Directive. The products sold by S&T and its subsidiaries that are affected by the WEEE Directive meet its requirements by

- › bearing in mind their future disassembly and recovery as well as recycling requirements when developing the devices,
- › marking the device with the symbol stipulated by the WEEE Directive (a cross-out wheelee bin), and
- › providing our customers with the relevant information.

Most of our hardware products are classified as “embedded computers” (integrated computers). As such, they do not belong to any of the categories of products defined in the WEEE Directive. Our “embedded computers” are not standalone electrical and electronic systems and are not sold under our corporate name to end-users. Instead, they are incorporated into customer systems. The WEEE Directive assigns the main responsibility for handling the obligatory registration and reporting and management of the recycling process required by the Directive to the final manufacturer of the product, and thus to our customers, who sell their products under their own company names to end-users.

To help our customers to comply with all the stipulations of the WEEE Directive, we provide them with all the data that has to be reported (product weight, instructions on disassembly, etc.). This data is found in the product’s technical specifications, product overview and/or installation and maintenance manuals. Customers affected by the WEEE Directive can conclude an agreement for the obligatory return of the components concerned.

In addition to embedded computers, we also produce complete systems such as rackmount servers, which are considered to be standalone systems. We satisfy the obligations imposed by the WEEE to register such systems in the EU member countries bound by it.

ROHS COMPLIANCE: RESTRICTION OF HAZARDOUS SUBSTANCES

On July 1, 2006, EU Directive 2002/95/EU on the restriction on the use of certain hazardous materials in electrical and electronic devices (RoHS Directive) came into effect.

Since this promulgation of the Directive, the member states of the European Union have been required to ensure that electric and electronic devices introduced onto markets do not contain – in accordance with the RoHS Directive – lead, mercury, cadmium, hexavalent

chromium, polybrominated biphenyls (PBB), or polybrominated diphenyl ethers (PBDE). The Directive provides for exceptions to this prohibition only under certain conditions

The updated RoHS Directive (2011/65/EU, RoHS 2), categorised as a CE directive of designation, was issued by the EU on June 8, 2011. The exemptions that had been granted were classified as having expired as of January 2, 2013. As of January 2, 2013, the EU member states had to implement and publish the requisite legal and administrative regulations to meet the stipulations of the RoHS-2 Directive.

The Kontron companies are subsidiaries of S&T AG that are engaged in manufacturing. They fulfil the stipulations of the RoHS-2 Directive and ensure the availability of RoHS-compliant products for their customers.

The few exceptions still found in Kontron's RoHS-compliant products are regularly evaluated by the European Commission regarding renewal of their approval. Kontron and the S&T Group take the expiry of the active RoHS-2 exceptions very seriously.

The company commits to always providing its customers with the latest information available on the disposal of hazardous materials that stem from components used. The S&T Group – and specifically its subsidiary Kontron, which is active in the product area – offers a broad range of electronic and mechanical components, modules and processes. This broad range enables S&T to recognise trends at an early stage and thus to implement unique solutions. These in turn enable manufacturers of components to avoid using hazardous materials.

EU'S REGULATION ON CHEMICALS: REACH

The REACH Regulation ("Registration, Evaluation, Authorization of Chemicals") was decreed by the European Union to lessen the risks arising from chemicals to human and environmental health.

Since June 1, 2008, manufacturers and importers of chemicals in and into the European Economic Area (EEA) have been required to register with the European Chemicals Agency those materials subject to mandatory registration if such chemicals are being produced or imported in quantities of at least one ton a year. An exception to this rule are so-called "phase-in materials" and those listed in EINECS (European Inventory of Existing Commercial Chemical Substances).

The companies of the S&T Group issue the reports required of them by REACH. This is because our products form part of the scope of application of this EU directive on chemicals. However, Kontron's and S&T's products are manufactured products (not chemicals), that do not release substances under normal and foreseeable conditions. Our electronic components, small-sized parts, and small-sized computers are manufactured products as defined by Article 3 Number 3 of the Regulation (EC) No. 1907/2006 (REACH). This is because the products' specific forms – and the design in general – play a much more important role in determining how they work than their chemical compositions do. These products are not subject to mandatory registration under REACH.

The S&T Group commits to managing its products and processes in ways that minimise the risks they pose to the health and safety of humans and the environment. The Candidates List of the European Chemicals Agency (ECHA) lists "Substances of Very High Concern" (SVHCs). Kontron regularly monitors this list for new additions. Our authorised manufacturers are obliged to disclose the existence of SVHCs on request. In accordance with Article 33 of REACH, Kontron and S&T inform their customers promptly about any amendments to the Candidates List and about these changes' relevance to our products. In addition, such queries may be submitted to our company at any time.

CONFLICT MINERALS

The USA's "Dodd-Frank Wall Street Reform and Consumer Protection Act" contains disclosure and reporting requirements relating to so-called "conflict minerals" originating from the Democratic Republic of the Congo (DRC) and its neighbouring countries. These requirements have been binding for companies listed on the US stock exchanges since July 2010. The term "conflict minerals" applies to such raw materials as tantalum, tin, gold and tungsten in cases where their mining and trading form part of the financing or other kinds of support for armed groups in the DRC and its neighbouring countries. Respecting human rights and thus adhering to the Dodd-Frank Wall Street Reform and Consumer Protection Act is of the highest priority for us. We have instituted measures to preclude our use of conflict minerals in our chain of supply. This represents one way in which we help to avoid or minimise human rights violations (see "S&T Supplier Code of Conduct").

We assist our customers with their comprehensive declaration on the use of conflict minerals in accordance with the stipulations imposed by USA's Securities and Exchange Commission (SEC). Our customers are required to furnish the corresponding information on their chains of supply. This in turn requires that they adhere to disclosure obligations and the conduct diligence-based verification. S&T AG's Kontron subsidiaries are in a position to assess and track the components and suppliers covered by the reporting and by the dec-

laration on the utilization of conflict minerals. To determine the origins of the metals used, we call upon and work closely with external providers of services and with the manufacturers. This is because we do not directly procure these metals from mines or smelters.

In June 2016, the European Commission, the European Parliament and its member states agreed for the first time on guidelines for a directive to govern the trading in so-called conflict minerals. The new Conflict Minerals Regulation (“CMRT”) of the EU takes effect on January 1, 2021. It aims to reduce trading in tin, tantalum, tungsten and gold from conflict regions. This new EU regulation is therefore relevant to the corporate obligation to render diligence in the raw materials sector. This, in turn, will cause the company to assume greater responsibility for the supply chain of raw materials and to take measures to prevent the financing of conflicts and human rights violations. The new EU regulation affects the S&T Group only indirectly. Despite this, we meet our obligations towards our suppliers and customers with great diligence. We are already preparing measures to satisfy the stipulations of the new regulation.

BATTERY LAW

Since 2009, the battery law (BattG) has regulated placement of batteries on the market, collection and environmentally compatible disposal of batteries and accumulators in Germany. The objective of the law is to call companies in Germany that place batteries and accumulators on the market to account for their products. The battery law also applies to batteries installed in other products or added to other products.

The law places certain obligations on companies that place batteries on the market: The number of batteries placed on the market in Germany every year is to be ascertained and a collection system of the appropriate dimensions established and funded. To this end, the companies concerned are obliged to classify their batteries as one of three types (for devices, for industry or for vehicles) and enter them in the so-called battery register under the respective trade name indicating the collection system used.

Exceptions are made only for batteries used for the areas security, military equipment and equipment for use in space.

On January 1, 2021, BattG2 came into effect. This new law increases the minimum share of collection via the collection systems of batteries placed on the market from 45% to 50%. Further, the battery register is now administered by the German registry “Stiftung Elektro-Altgeräte Register (Stiftung ear)”. Registration and all changes are therefore subject to the corresponding fees regulation.

The transition period for implementing BattG2 expires on December 31, 2021. The battery types and battery trade names currently placed on the market by Kontron Europe GmbH can therefore be ascertained by consulting the battery register held at the German Environment Agency (Umweltbundesamt). This information will be available from Stiftung ear from 2022.

Kontron Europe GmbH, as a manufacturing subsidiary of S&T AG, meets the requirements of BattG2 and also assumes responsibility as the first market placement agent for selected suppliers.

DISPOSAL AND RECYCLING

We take measures to ensure proper disposal of the waste generated at our production facilities and offices. This disposal is subject to clearly formulated and binding regulations. Waste materials generated from production operations are assigned to the following categories and then disposed of in the corresponding marked and labelled containers: paper and cardboard, recyclables (polystyrene, plastics, foils etc.), scrap metal, electronic scrap (for instance: cables, boards, keyboards and monitors), and rechargeable and other batteries. Special rules have been established for ESD (electrostatic discharge) areas. Such items are disposed of in dedicated containers. Waste generated in offices is also separated. The offices have special bins for paper and cardboard and for other kinds of waste, whose separation is handled by providers of disposal services. Additionally, locked bins are used for the disposal of confidential documents.

The S&T Group also makes an effort to avoid waste by manufacturing our proprietary products and those procured from others with a minimum of packaging. This also applies to items ordered. Working with our suppliers, we increasingly use environmentally friendly packaging, including biodegradable and compostable materials such as plastics made from cornmeal, algae and hemp, and recyclable items such as paper and cardboard.

LET'S MOVE TOGETHER – FUNDRAISING FOR “BONSURPRISE”



KONTRON TRANSPORTATION

2020 posed great challenges to everyone and required a great deal of flexibility and rapid responses to new situations: changes of working location (to a home office or other office), home schooling, restrictions on freedom of movement and much more. To maintain the existing good cooperation even in these difficult times, to keep moving and to recharge our batteries, Kontron Transportation launched a campaign for moving in Austria: “Let’s Move together!” From November 20, 2020 to December 20, 2020 employees were encouraged to move as much as they could. For every kilometre covered, either running or walking, Kontron Transportation donated EUR 1, and for every kilometre cycled EUR 0.50 to “BONSURPRISE”, a non-profit organisation that provides families with seriously ill children with accommodation that suits their care requirements.

To motivate our employees even more, special T-shirts and vouchers for the We Move running store in Vienna were distributed.

The whole campaign was a huge success – at its conclusion, the Kontron Transportation team had covered a total of 8,492.53 kilometres and raised EUR 4,680 for a good cause!

GREEN DATA CENTRES

Sustainability plays a crucial role in IT services. Our commitment to conducting “green business” is shown by the S&T Group’s selection of our partners for data centre operation. Criteria used to assess adherence to “green IT” include the efficiency of the air conditioning used to cool the data centres. When choosing server and storage systems, we focus on their procurement, operation and disposal. In addition, we use advanced ITSM (“IT system management”) to control the deployment of our systems and employees. This ensures the use of IT resources where they are actually needed, and assignment of our employees in a manner that optimises their routes.

SOCIETAL AND SOCIAL COMMITMENT

The S&T Group strives to foster improvements in societal conditions. Therefore, S&T provides support in a variety of countries to a wide range of initiatives and projects in the areas of education, sciences, arts, sport and public welfare. This support benefits a large number of regional projects in a variety of countries. We set up and invest in working relationships between our centres of operation and schools, universities, non-profit organisations and foundations. No donations or contributions of any kind are made to political parties or political organisations.

As in previous years, the support provided by the S&T Group in 2020 included donations of money and physical items; the forging of partnerships with sports associations, schools and universities; and the support of numerous charitable projects. Donations were made in 2020 to organisations that help children, to institutions sheltering women who are victims of domestic violence, and to medical facilities (such as the Red Cross in Germany and the Dr. Clown Foundation in Canada). S&T also raised money for cancer research and cancer patient assistance. A large number of local sports clubs also received support from S&T. As a company operating in the IT sector, we sponsor the equipping of schools and children’s homes with IT equipment. We also provide support to IT projects undertaken by educational institutions.

EMPLOYEES

Our employees are the drivers of the successes achieved by the S&T Group. That is why S&T makes sure it has employees who are highly motivated and qualified. To this end we invest in a large number of specialist courses and training programs. We also offer our staff ways of continuing their development within our company.

In the financial year 2020, the S&T Group invested some EUR 1.1 million in staff training. Owing to the restrictions imposed during the Corona-Pandemic, training was held more often online. This meant that travel expenses fell, and the overall cost of our training was lower than in the previous year (2020: EUR 1.7 million). Training and courses were held in a wide variety of fields. Many of them covered technical aspects and certifications or dealt with management, coaching, trainings relating to work safety and project management. Numerous language courses were also held. In addition, internal and external training takes place continually to bring our employees up to date with the latest technological advances and to enable them to ready themselves for their next step up the career ladder.

Apart from the various training schemes, training on the job is also a key component of the S&T Group’s staff development strategy. Employees from the various divisions are given the opportunity for job rotation; contacts with colleagues at other locations facilitate the transfer of specialist knowledge within the Group and bring new ideas into the departments. Alongside “job enlargement”, in which employees can take on additional tasks in the area of work they are familiar with, they are also being increasingly encouraged to embrace “job enrichment” and take on new duties that carry more responsibility. This helps them to gain the skills necessary to take on management positions in future. On the established management trainee program, for instance, they can gain experience of interim management with the aid of an experienced executive manager as a mentor and so obtain the qualifications needed for a higher level of management. When filling vacant management positions, priority is given to candidates from within the Group. If the responsibilities require it, candidates from outside the Group are also considered.

At S&T we are convinced that sustaining the success enjoyed by our company depends on creating a working atmosphere with a high degree of personal responsibility. Achieving this climate entails fostering corporate values and principles of management, attuning them to each other, and creating flat hierarchies characterised by team spirit and a participatory approach. Regular employee surveys are conducted in a local context to find out the prevailing mood in the individual Group companies. The findings are seen as proposals for improvements. To date, the institutes carrying out the survey have always been chosen locally with one of the crucial criteria being they have no connection with the S&T Group and that the survey is anonymous. The APL employee survey held at Kontron Transportation Austria in 2020, for example, was carried out by the company Business Pool.

13

SUSTAINABILITY REPORT

MANAGEMENT PRINCIPLES AT THE S&T GROUP

In addition to capital and know-how, professional leadership is our most important driver of corporate success.

Our management principles form the foundation for dealing with our employees and are compulsory for all those in management positions. These principles are guidelines designed to provide managers with consistent points of orientation. To ensure that these principles are vital and productive components of our Group's corporate culture, all of S&T's managers are called upon to make them part of their daily actions and thoughts, and to deploy them in their personal styles of leadership, for which they serve as examples of positive behaviour.

The formulation of our six principles of management is an expression of our conviction that our company's most important capital is our satisfied, professionally led, well-educated and effectively assigned personnel. Our objective is to maintain this capital on both the professional and personal levels.

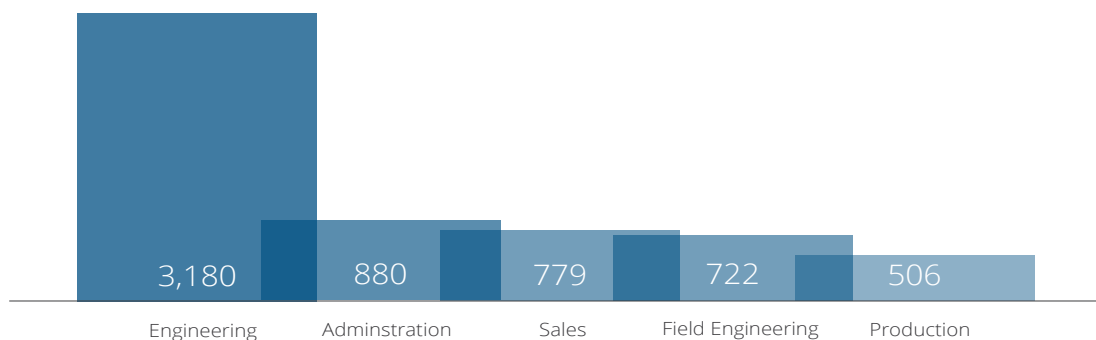


Our six principles of management are also the yardstick used in the assessment of manager quality. The wording of the principles is deliberately open-ended. This is because each manager's style is individual and personal. To instil and embody this approach in an authentic and credible way, we have to take personal and frequent looks at what constitutes leadership. To do this, we at S&T encourage our managers to participate in leadership training programs held on and outside S&T premises.

EMPLOYEE INDICATORS

S&T is a company that operates around the world, maintaining subsidiaries and offices in 33 countries. Its headquarters are in Austria. As of December 31, 2020, the S&T Group had 6,067 employees. This figure does not include trainees and staff on parental leave. The following figures on employees express full-time equivalents as of the balance sheet date.

Broken down by S&T's business areas and as of December 31, 2020, some 779 employees worked in sales and marketing, 722 were engaged in the field engineering (hardware-related IT services); 506 worked in production and logistics; and 880 in management and administration. The number of employees working in the area of development (research & development and engineering) has now reached 3,180.



Broken down by business segment, as of December 31, 2020, some 2,469 employees worked in the segment “IT Services”, 3,298 in the “IoT Solutions Europe” segment, and 300 in the “IoT Solutions America” segment. Broken down by region, approximately 91.6% of all employees are based in Europe, some 4.9% are in North America, and around 3.5% in Asia. The number of employees in Austria, the Group’s home country, was 588 as of December 31, 2020.

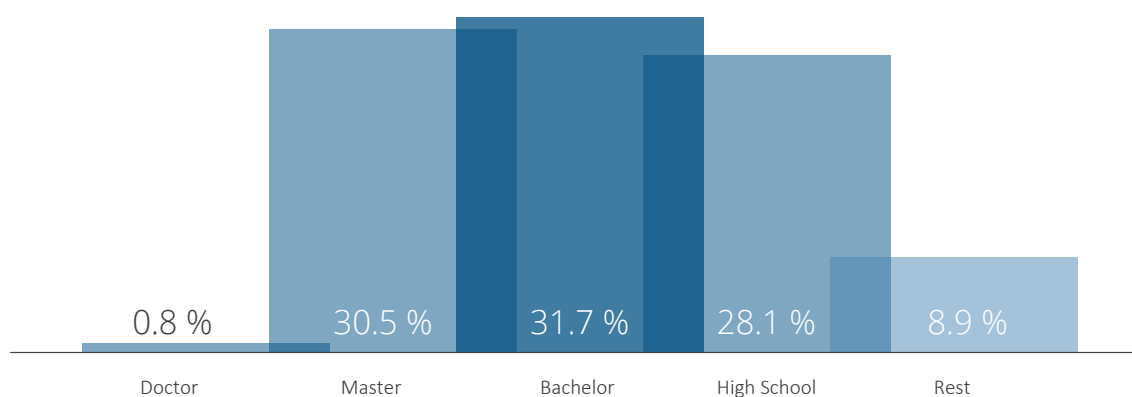
The number of employees has risen year-on-year by around 22.9% to 6,067 employees as of December 31, 2020. This rise is chiefly attributable to the acquisitions concluded during the year and to additional recruitment in the “IoT Solutions Europe” business segment, which was undertaken to enhance software capabilities. Many of the S&T Group locations serve as centres of vocational education where young persons are trained for technical and business professions. These educational activities are evidence of the S&T Group’s years of commitment to training young people, a commitment enabling it to cover part of its need for highly qualified young employees. The Group also maintains working relationships with many universities of applied sciences and other institutions of higher education and provides support to students undertaking dual majors in a variety of technical and scientific disciplines. S&T also offers internships and the chance for students to work on Group projects. Overall, the S&T Group employed 107 trainees and students in 2020 (PY: 97) on combined work-study programs.

EMPLOYEES BY REGION*:	2020	2019
Europe	5,553	4,414
of which Eastern Europe	3,468	2,655
of which Austria	588	597
of which Germany	1,119	773
of which rest of Europe	378	389
Asia	214	200
North America	300	320
Total	6,067	4,934

* Number of full-time-equivalent employees without employees on parental leave, interns and apprentices

In the financial year 2020, a survey was carried out for the first time to find out the highest academic qualifications of our employees. Currently 0.8% of them have a Ph.D., 30.5% a master’s degree, 31.7% a bachelor’s degree, and 28.1% have graduated from secondary school (with entitlement to pursue higher education).

Distribution of highest academic qualifications of employees of the S&T Group as of December 31, 2020:



ANGELA ROIGER

PRODUCT MANAGER
KONTRON TRANSPORTATION AUSTRIA AG

Angela Roiger works as a product manager for the Packet Core portfolio and Next Gen OAM at Kontron Transportation Austria in Vienna. She has had a passion for technology ever since she was a child and has never lost her fascination for the world of technology and complex topics. After graduating from Vienna University of Technology with a degree in information technology, she worked in Vienna and Jönköping (Sweden) before joining Kontron Transportation (at that time Kapsch CarrierCom) in 2010 and stepping into the world of telecommunications. She was quickly involved in projects that carried a great deal of responsibility, such as introduction of new software in the course of a merger. During the time she spent as a R&D team leader, she gained thorough knowledge of the products. Angela was able to prove her skills as a coordinator when she and her team worked with a development partner on the introduction of new products in Russia.

What Angela appreciates most about the company is the many opportunities she has to continually expand her area of responsibility and to take on entirely new challenges.

She feels it is important to encourage more women to embark on careers in technological fields and this is why she also lectures at the University of Applied Sciences Technikum Wien under the "FIT" program that aims to inspire more women to work in manual and technological disciplines.



”

Working in technology as a woman is probably similar to being a man in the same field except that you mustn't let yourself be put off by the fact that there are far fewer women in it than men. The work is very varied and there are many interesting projects that we carry out as a team. My tip to women interested in technology: "Do it".

Angela Roiger

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DIVERSITY AND VARIETY

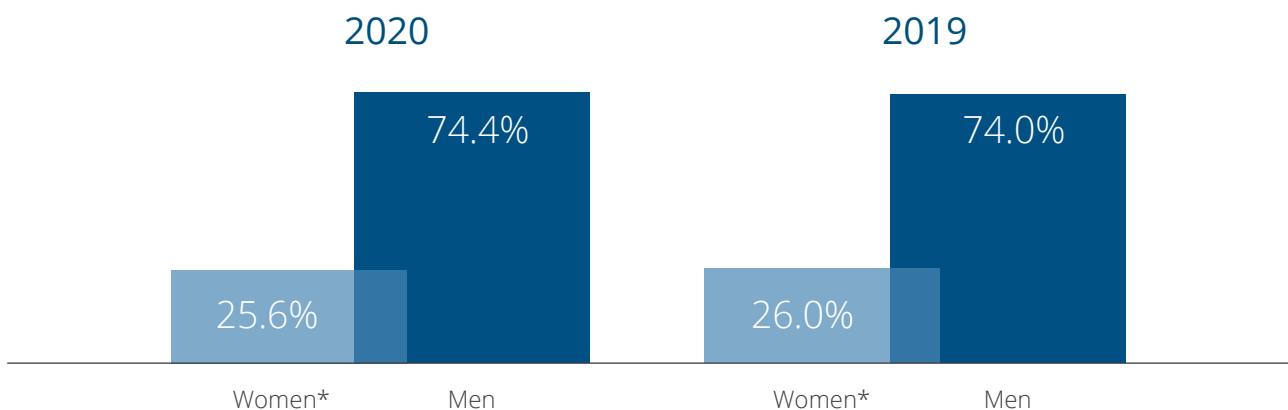
Our group's international orientation fosters diversity among our staff. This is important to us – because the individuality of our employees, in conjunction with equal opportunities and respect for origin, age, religion, gender and other characteristics, forms our corporate culture.

When filling any position in the Group, S&T follows the principle of promoting women and non-discrimination. Promoting women's interests forms part of S&T's process of adapting its operations to account for changes in the worlds of work and in daily life. This process extends to S&T's management for which the Group is striving to increase the share of women in order to achieve equal levels of participation in responsibility and decision-making. S&T has therefore set itself the goal of increasing the proportion of women in senior and middle management positions from 21.6% to at least 25.6%, which corresponds to the current gender distribution in the Group, by conclusion of the third stage of the step-by-step ESG plan.

Women are still less strongly represented in technical professions than men. To change this, we have launched programs intended to get young women interested in technical professions as early as possible. For example, S&T AG always participates in the annual "daughters' days" in Austria which gives girls aged 11 to 16 the opportunity to discover the technical professions at local companies.

We are stepping up our participation in local initiatives to acquaint high school students with the job opportunities available in technical fields at our company. At our facility in Augsburg, Germany, we organise internships for high school students in cooperation with locally based institutions of vocational training such as Germany's DAA (Deutsche Angestellten-Akademie) and BIB Augsburg GmbH. Unfortunately, very few of these could be held in 2020. Additionally, we participate in job fairs for high school students such as Vienna's "HTL-Karrieretage" ("HTL Career Days"). At these job fairs, we present our company and, in cooperation with HTL Spenglergasse, offer internships and supervised degree theses.

As of December 31, 2020, S&T's workforce had the following distribution of gender:



*Share of women from 2019 to 2020 – decline due to effects of acquisitions concluded in 2020

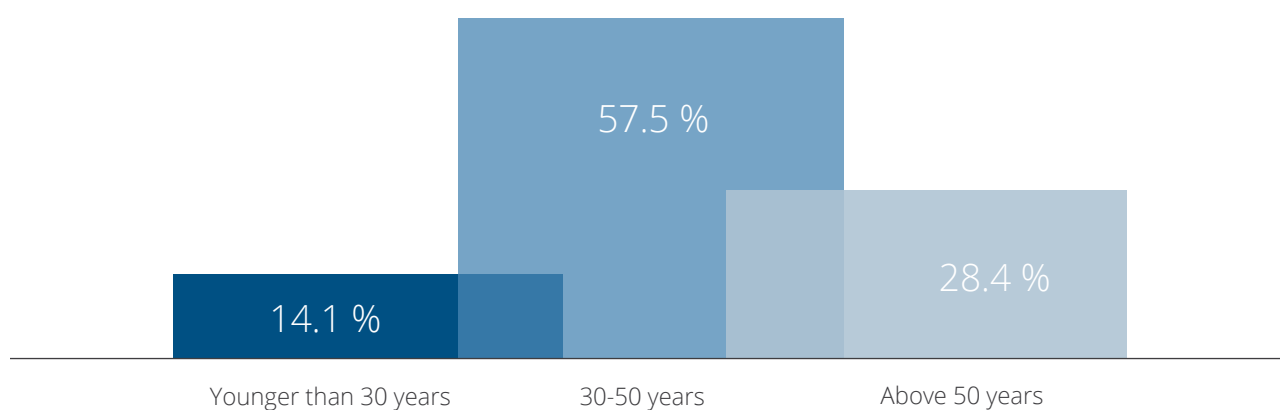
At our facilities, we strive to enable and encourage the employment of people whose health impairs their ability to work. For example, we increased the number of barrier-free accesses at our production facility in Augsburg, Germany. According to the CSR survey conducted annually, 57 employees of the Group had a disability.

Of our 6,067 employees as of December 31, 2020, the following age distribution was observed: some 14.1% were less than 30 years old; 57.5% were in the middle group (between 30 and 50 years), and 28.4% were older than 50 years. Our objective is to make use of the diversity of age shown by our employees to optimally develop and deploy each employee in our Group. To achieve this, we promote the securing and transferring of knowledge through the exchange of information and ideas among all employees in the Group.

13

SUSTAINABILITY REPORT

Age distribution in the S&T Group as of December 31, 2020:



The distribution of employees as of December 31, 2020 among the levels “senior management”, “middle and lower management” and “specialists” was as follows:

	2020	♀ F	♂ M	2019
Senior management	2.4%	16.9%	83.1%	3.2%
Middle and lower management	11.9%	22.6%	77.4%	14.7%
Specialists	85.6%	26.3%	73.7%	82.1%
Total	100%	25.6%	74.4%	100%

Middle and top management consist of the Executive Board and those reporting directly to it as well as managers with authority to sign who work for S&T AG and for its subsidiaries. “Lower management” encompasses those responsible for managing employees and those whose leadership functions are a result of their technical expertise. “Specialists” include all employees who are not part of the other two categories. In comparison with the financial year 2019, the lower management level expanded in 2020. These minor realignments were caused by the acquisitions of companies in financial year 2020, and by the growth registered by the S&T Group. Personnel turnover at S&T AG was 10.3% in financial year 2020 (PY: 17.4%). The average length of service at the Group was 11 years.

FAIR REMUNERATION

A single set of principles of remuneration applies to all employees of the S&T Group. These principles pay no regard to gender, origin, religion, age, physical capabilities or sexual orientation. The total remuneration packages are based on the average of the relevant labour market in each case to ensure that each employee receives a remuneration appropriate to the labour market that is applicable to her or him. These packages are comprised of a monthly fixed salary. Depending on the position held and the area of responsibility, a performance-based variable component and of a variety of supplemental benefits may also make up the package. Our objective is to provide our employees with the remuneration they deserve, and which motivates them to continuing performing well.

Stock options programs have been in place for several years which allow allocation of stock options to executives and members of the

Executive Board of S&T AG or of a company connected to it as variable remuneration. In 2020, warrants were made available for purchase on reasonable terms to a large section of the workforce for the first time, giving them the chance to participate in the company's future success. The warrants for 2020 are listed on the regulated market of the Vienna Stock Exchange. Further information (including the stock exchange prospectus) is available at https://ir.snt.at/Warrants_2020.en.html. The stock options issued in the past, and the warrants purchased in 2020, can only be redeemed after a vesting period and once defined barriers have been reached. This contributes to a strong commitment on the part of management and the employees as well as to sustainable corporate management.

FLEXIBLE WORK

As a basic rule, our employees have a say in the organisation of their working hours. This is distinct from the legally stipulated regulations on such, including rules on part-time work, parental and dependent caring leave, in force in a number of countries. Flexitime and a wide variety of part-time models, as well as shift exchange or time reductions, are established practice and are possible by individual arrangement. It is important to us that we meet and further develop the need for flexible working time models in order to create the best possible working conditions for our employees, especially for those with childcare obligations. This also includes the realisation of partial and/or full-time mobile work. In 2020, the number of people working from home was further increased in order to protect the employees.

OCCUPATIONAL SAFETY AND HEALTH PROTECTION

The health and safety of S&T Group employees is an important matter to us. The planning and implementation of occupational health and safety measures, ensuring suitable organisation and providing the necessary resources is part of our occupational health and safety management. Equally, employee surveys are carried out at regular intervals with a view to providing management with indications for potential improvements. These surveys are conducted locally and are often related to a particular set of circumstances, e.g. in the context of larger acquisitions or in exceptional situations such as the Corona-Pandemic in 2020.

We consult our experts – occupational safety specialists and physicians – on all aspects of occupational safety including humane working conditions. This enables us to prevent physical impairment through, for instance, monotonous work at computers; and of psychological stress that may result from increased work demands. These objectives are achieved by fitting offices with ergonomic equipment, for example. In addition to the configuration of workplaces, other activities include assessment of sources of danger. These assessments are performed to effectively minimise hazards and risks. This is complemented by the establishment of rules governing emergency medical care at work, precautionary medical examinations, the establishment of rules on the handling of hazardous materials, and other safety-relevant procedures. Our occupational safety officers are responsible for facilitating the protection of health, for implementing occupational protection and accident-prevention measures, and for ensuring the safety-conscious behaviour of all employees. We also inform our employees through training and professional instruction about how to ensure their own safety and health at work.

In the financial year 2020, 21 accidents (2019: 16) were registered on premises maintained by the S&T Group – fortunately, none of them serious, let alone fatal. The accidents reported were traffic accidents occurring on the way to work and minor accidents during working hours on company premises. In order to create a working environment that is as accident-free as possible, employees – especially employees working in production environments – take part in internal and external training courses held on an ongoing basis to raise awareness of safety issues and ensure occupational safety. Our objective is to create an accident-free working environment together with our employees.

PSYCHOLOGICAL HEALTH CARE IN THE CRISIS YEAR

The psychological health of employees is also very important to the S&T Group. Apart from physical safety and employee protection, particular attention was paid to the mental health of employees during the coronavirus crisis of 2020. Information sessions on resilience and workshops on mental and physical health were held. Additionally, S&T AG gathered information on both negative and positive psychological stress in the workplace. The aim of the project was to establish working conditions that keep stress to a minimum. In their responses to the survey, employees cited an improved culture of information and feedback as well as tolerance of a certain level of error as potential improvements. As a result, in-house communication was intensified and a project launched to reinforce the feedback culture.

INCREASED EMPLOYEE COMMUNICATION

The COVID-19 pandemic presented the S&T Group with the challenge of having to contact the larger number of employees who were working from home. From March 2020, the established communication format, the “state of the nation” which informs employees about strategic and commercial issues every quarter, was joined by regular update calls on the COVID situation and the changes it entailed. This ensured that all employees were fully informed of all the measures, such as short-time models, hygiene and distance rules at the various locations, and safety schemes, at all times. In addition, anonymous coaching was offered to any employees who felt the need to talk to someone about the current situation and the stress it was causing.

COOPERATION WITH SCHOOLS AND UNIVERSITIES

In order to secure the services of young employees around the world – especially IT and IoT engineers – the S&T Group maintains partnerships and cooperation with schools and universities in many different locations. We also support students by supervising graduation theses and diploma theses, internships and traineeships, and education programs.

The longstanding close cooperation with HTL Spenglergasse, a polytechnic based in Vienna, was successfully continued in 2020. As an Austrian company, S&T cooperates closely with the University of Applied Sciences in Salzburg and with the University of Applied Sciences in Hagenberg and also takes part, along with the Fraunhofer Institute in Austria, in a great variety of research projects. Outside Austria, S&T cooperates with the following universities and institutions of higher education: in Switzerland – the University of Applied Sciences in Northwest Switzerland and the University of Lucerne; in Germany – the Universities of Technical Application in Kirchheim/Teck and in Reutlingen, the Promotion of Professions Agency (Berufsförderungswerk) Schömburg and the Academy of Professions, with the University for Technologies and Business in Dresden; in the UK – the University of Chichester; in France – Versailles-Saint Quentin University, and École d'Ingénieur généraliste en informatique et technologies du numérique, Paris; in Portugal – ISEL (Instituto Superior Engenharia Lisboa); in Serbia – School of Electrical Engineering and University of Belgrade; in Russia – Bauman Moscow State Technical University and National Research University; in the Czech Republic – West Bohemia University and CVUT (Czech Technical University Prague); in Moldova – Universitatea Tehnica; and in Romania – Polytechnical University in Bucharest.

CUSTOMERS

S&T is an internationally renowned company that maintains long-term and trust-driven relationships with a large number of customers. Developing these relationships requires our constant efforts to provide our customers with sustainable, innovative and secure products and services. We have a thorough understanding of our customers' industries and needs and constantly work to expand it still further in order to sustain our ability to satisfy complex demands. Our expertise stems not only from excellently trained employees, but also from outstanding partnerships with international technology suppliers cooperating with S&T.

Measures such as customer surveys, external audits within the framework of certification for norms, but also the use or provision of advanced communication and collaboration platforms foster mutual exchange and the transformation of business relationships into long-term partnerships. These activities enable us to successfully operate in an increasingly complex business world, to satisfy our customers' demands, and to set standards of quality.

The S&T Group has a highly diversified customer structure comprising several thousand customers in a variety of vertical markets. In 2020, no single customer accounted for a share of S&T's revenues of more than 3%. The revenue share from the betting sector was under 0.5% in 2020 (previous year: 0.7%) of the Group's total turnover.

QUALITY MANAGEMENT

We know about the great importance and priority placed by our customers on receiving highest quality products. We therefore strive on a 24/7/365 basis to achieve flawless, lasting and robust quality for all of the items in our portfolio. To attain this, we test and improve the quality of our products, solutions and services at every stage of the value chain. This quality assurance mission has several key components:

- › Activating and assigning heads of process responsibility to specific products, and enlisting the participation of employees
- › Entering into and maintaining business relationships that are characterised by reliability and predictable behaviour with customers, suppliers and other stakeholders
- › Establishing and sustaining a high level of service provision ensuring product quality, which includes communication, strong customer orientation and customer satisfaction

Across the S&T Group, we have established a quality management system that encompasses our major facilities. The system is comprised of a single set of standards and processes that cover the topics of quality, security and environmental protection. This quality management system governs our operative processes and ensures that we consistently deliver the highest possible quality to our customers.

Worldwide operating and accredited certification companies assess and certify our quality management system according to the standards ISO 9001 (quality) and ISO 14001 (environmental management).

All our products satisfy legal regulations and applicable standards and specifications such as UL, CSA, CQC, VDE and TÜV-verified safety. Internal audits and evaluations by external certification companies ensure the efficacy and efficiency of our quality management system.

	NUMBER OF CERTIFICATES 2020	NUMBER OF CERTIFICATES 2019
ISO 9001 (Quality Management Systems)	49	41
ISO 14001 (Environmental Management Standard)	25	22
ISO 27001 (Information security)	28	16
ISO 80079-34 (Quality Management Systems for Product manufacturing)	5	2
ISO 13485 (Medical devices – Quality Management Systems)	5	3
ISO 45001 (Occupational health and safety, before “OHSAS 18001”)	14	5
ISO 2000 (IT Service Management (ITSM))	11	6
FAA REPAIR STATION (Air Agency Certificate)	1	1
EASA 145 (European Aviation Safety Agency Certificate)	1	1
ITAR (International Traffic in Arms Regulations)	1	1
IRIS (Railway Industry Standard)	3	2
RISQS (Railway Industry Supplier Qualification Scheme)	2	
AS 9100 (Quality Management System – Requirements for Aviation, Space and Defense Organizations)	2	2

RELIABLE EVEN IN EMERGENCIES

IOT SOLUTIONS EUROPE

There is no such thing as absolute safety – which is why emergency facilities in the Gotthard Base Tunnel must also ensure that, in case of an emergency, train passengers get out of the 57-kilometre-long tube unharmed. This is a task for the Swiss company Telematix AG, based in Bern, which specialises in communication solutions in the transport sector, for infrastructure operators and blue-light organisations.

The reliable and durable heart of Telematix' communication systems are the KISS 19" industrial PCs from Kontron. They are part of the NIS-R product platform, the All-IP operational telecommunication system for mission-critical communication, which is specially designed to meet the needs of railway and other infrastructure operators as well as emergency call centres.

The architecture meets the high security and availability requirements placed on communication systems in these areas. Thanks to the modular NIS system structure, this solution scales from local systems to nationwide communication solutions and can thus flexibly adapt to the respective customer needs.



MANAGEMENT OF RETURNS

The management of returns forms a key part of our relationships with customers. At our sites with product manufacturing, we have integrated returns management into our supply chain as part of returns logistics with structured processes. The system plans and manages the flows of goods, information and funds passing among the client returning items, the supplier and the respective facility. The objectives are the quickest possible settlement and delivery to our customers with efficient further use of products. This corresponds to the focus of our sustainability-oriented environmental management, which strives to conserve resources by efficiently repairing items.

Measures ensuring the prevention of defects form a key part of achieving customer satisfaction and preventing – or at least minimizing – returns. The deployment of the lean approach greatly facilitates continuous improvement, for example through a well-formulated quality planning. The key measures undertaken to prevent returns comprise the regular evaluation of the reasons for returns, and the diligent selection of our manufacturers and suppliers

DATA PROTECTION AND DATA SECURITY

As a technology supplier and IT service provider, the responsible handling of data, especially personal data, is essential for us. Ensuring data security is part of our product portfolio and it has top priority when implementing and maintaining customer systems or our own systems. Here, data protection and data security go hand in hand. We always treat data as confidential and always collect and process data in compliance with all relevant legal requirements.

In addition to national requirements, we have also implemented the requirements of the General Data Protection Regulation (GDPR), which has been in force throughout Europe since May 2018, and the local laws enacted in its implementation. Implementation activities included, for example, the adaptation of Group policies and processes relating to the handling of personal data, the further development of process documentation, the creation and revision of document templates, and the regular review and ongoing development of the technical and organisational measures we use in the company. This enables us to guarantee a very high level of data protection and data security.

The data security plans and measures in place are adapted on a regular basis to meet the latest requirements. S&T has the power to rapidly answer to the new challenges and implement new controls and procedures to answer threats. Several of our companies are certified to ISO 27001 (information security) and all our applications run on ISO 27001-certified systems. The Group is transforming to achieve global ISO 27001 and ISO 27018 (Cloud Privacy) with ISO 22301 (Business continuity management) compliance: more and more automated systems and processes are deployed with the required external services, such as regular penetration tests and independent architecture analysis. In recent months, the EMOTET threat was addressed with mandatory multifactor-authentication and we are continuing the transition to the passwordless era with tokens. We were able to protect ourselves against the most recent attacks on Microsoft Exchange vulnerabilities by switching off the local infrastructure due the advanced status of cloud adaptation and advanced security tools available to us for the Cloud infrastructure which cover all services and terminals. As a Group initiative, the employee awareness program – covering simulations – can strengthen the overall security level in the Group.

Our Group data protection officer and the data protection officers appointed locally by our subsidiaries are working to ensure that personal data is handled in accordance with the law throughout the S&T Group and in the long term. Their responsibilities include the further development of company-specific data protection measures, and regular consultation with their respective senior managements and with the specialist department of the S&T Group. In particular, we have ensured that the rights of affected persons to information, correction, deletion, and data transfer can be fulfilled properly and promptly. All queries from persons and supervisory authorities relating to data protection are duly documented, checked and processed. Treating data in a responsible way is of the greatest importance for us. In the financial year 2020, there were only a few queries on data maintenance or deletion. No complaints or procedures involving data protection laws have been lodged against S&T AG or its subsidiaries.

SUPPLIERS

A constant goal at S&T is to ensure that our relationships with our suppliers have the form of partnerships. These efforts are based on our engaging in fair operating and business practices and our maintaining close working relationships with our suppliers over many years. This maintenance includes ongoing and intensive dialogues on the increasingly demanding requirements placed by markets on quality, performance of supply, innovation and costs. We place high quality demands on our proprietary processes and technological solutions. These standards also have to be met as a matter of course by our suppliers. When selecting our suppliers and developing relationships with them, their adherence to our requirements with regard to the environment and sustainability, human rights, occupational safety and compliance is extremely important.

PRINCIPLES OF PROCUREMENT

Our principles of procurement are summarised in our “Supplier Code of Conduct”, and express the expectations placed by the S&T Group on the suppliers with which it does business. They are based on the internationally recognised directives set out in the UN Global Compact and on the principles codified in our internal Code of Conduct and encompass all of the topics covered in the chart below.

Below are our non-financial principles of procurement:

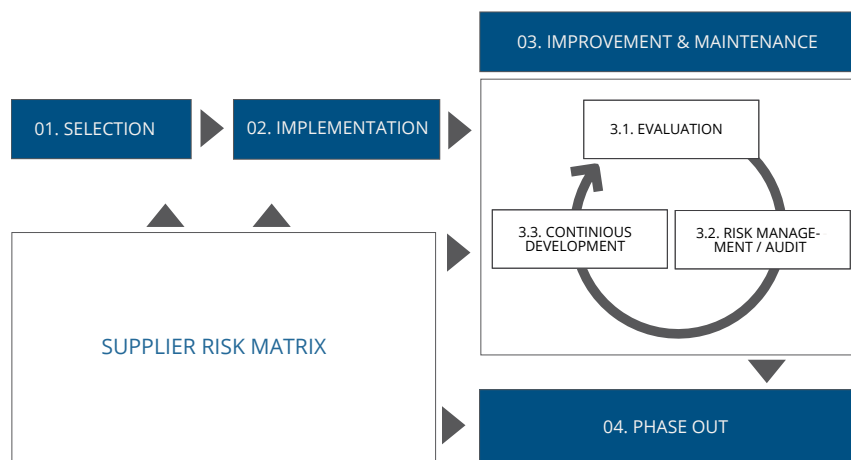


A central criterion when orders are placed by public authorities and industrial customers is that fundamental labour and social standards are observed in the production of goods. These are laid down by the International Labour Organisation (ILO), the United Nations' Global Compact, and by the respective national laws applicable in the country of production.

The S&T Group has committed itself to the protection of human rights. It should be noted, however, that the end-to-end – i.e. in every link of the IT and IoT supply chain – adherence to and corresponding documentation of standards of labour and social issues constitutes a challenge. Consequently, this adherence and documentation cannot always be guaranteed. The S&T Group therefore assumes responsibility for the protection of human rights within its sphere of influence.

The S&T Group has many years' experience as the partner of the public sector. Therefore, the company has extensive experience regarding the requirements and expectations of public clients as well as the management and monitoring of suppliers.

More than ten years ago, as a central preventive measure, the S&T Group introduced a differentiated supplier management system as part of its certified quality management system and has continuously developed it since that time. It comprises four main processes which present the entire matrix of responsibilities entailed in the end-to-end management of suppliers. The processes' activities cover the fields of selection, implementation, ongoing improvement & maintenance, and phase out.



Before suppliers are commissioned, they must submit a self-evaluation or self-declaration, and comply with the S&T Group's selection and qualification process. This forms the criterion determining whether the supplier will be commissioned. It is designed to ensure adherence to laws, principles of human rights, and labour and social standards. The S&T Group does not award commissions to suppliers that have received a disqualifying ranking within the process of evaluation. This means that suppliers whose performance or business practices do not meet S&T's expectations will not be commissioned and are thus disqualified. This disqualification can also lead to the supplier's loss of all those orders that are subject to the initiatives of procurement.

Reasons for such a disqualification are, for instance, the failure to adhere to relevant environmental, health and security standards and laws, or to the conventions promulgated by the International Labour Organisation and the United Nations. Further causes of disqualification are lack of compatibility with the principles, values and rules of conduct that guide the decision, processes and systems of an organisation in ways leading to its actions benefiting its employees and other important stakeholders. The observation of human rights includes suppliers' enacting processes designed to preclude their use of conflict minerals. The suppliers' production processes must also preclude the incorporation of raw materials that originate from high-risk areas, or from areas that are experiencing conflicts. Any procurement is excluded that could lead to a contravention of human rights, to corruption, or to the financing of armed groups, terrorism or similar activities. Adherence is continually monitored by submitting database queries to specialized external partners. In cases of non-compliance, suppliers are required to adapt their supply chains. Suppliers are also required to ensure the observation of other product-related requirements such as those imposed by REACH and RoHS. On request, suppliers are obliged to disclose the contents and origins of the products supplied. Suppliers whose actions promote corruption, or who engage in other practices contravening laws and principles of fair competition are also disqualified.

To monitor suppliers' compliance with the above standards, the S&T Group also employs the project-related inspection of the test results provided by suppliers. These tests include audits, inspection logs and sustainability reports. In addition to making use of generally available information, S&T's activities in this area include inspections of facilities and audits of suppliers in order to examine production conditions on-site. Further measures include regular exchanges of information with representatives of the supply chain. These measures facilitate and optimise the S&T Group's compliance with these standards when manufacturing IT and IoT products.

OTHER STAKEHOLDERS

Ongoing dialogue with the stakeholders cited, as well as with investors, customers, proxy advisors, rating agencies, local organisations and other stakeholders is of great importance to us and helps us to identify ESG opportunities and recognise ESG risks in good time. An extract from the conversations held in 2020 is reproduced in the capital "The S&T Share" in the annual financial report and annual report. We would be happy to answer any questions you may have and look forward to receiving your feedback and suggestions at csr@snt.at.

Please visit <https://ir.snt.at/reports/Reports.en.html> to get access to our annual and quarterly reports, and to our releases, each of which is placed online on its day of publication. We also give notification of any changes to dates and events on our website. This report was published on March 25, 2021, in German and in English. The former is always the authoritative and binding version.

This annual report contains statements that refer to future developments. These are based on assumptions and assessments made by the Executive Board. We believe these assumptions and assessments to be realistic and applicable. Nevertheless, they entail certain risks and uncertainties. These in turn mean that actual events could significantly differ from the assumptions and estimates made. Among the factors leading to such divergences could be alterations in the economic situation as a whole; in the company's business, markets and competitors; in rates of exchange and interest; and in business strategy. This uncertainty has recently been heightened by the outbreak and spread of the SARS-CoV-2 virus. We accept no warranty for the developments and events actually taking place in the future according to the assumptions and assessments articulated in this annual report. These assumptions and assessments will not be updated.

PUBLISHER	DESIGN AND PRODUCTION	PRINTED BY
S&T AG Industriezeile 35 A-4021 Linz T: +43 732 7664 0 F: +43 732 7664 501 ir@snt.at www.snt.ag	Ines Stöger Müller Werbe- und Grafikdesign woelke.design design, marketing + projekt manufaktur	Kontext Druckerei GmbH

FINANCIAL CALENDAR

2021



25.03.2021	Annual report 2020
25.03.2021	Earnings-Call FY 2020 (Register under: ir@snt.at)
06.05.2021	Q1-quarterly statement 2021 (Earnings-Call Q1 2021)
17.05.2021	Spring Conference 2021 (17.05. - 19.05.2021)
08.06.2021	Annual shareholder meeting
05.08.2021	Half-year report 2021 (Earnings-Call Q2 2021)
04.11.2021	Q3-quarterly statement 2021 (Earnings-Call Q3 2021)
22.11.2021	Equity forum (22.11. - 24.11.2021)

Further details available under

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

Austria (Headquarters)

S&T AG, 4021 Linz, Industriezeile 35

Investor Relations: +43 1 80191 1196 | ir@snt.at

www.snt.ag

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