

s&t

ANNUAL REPORT 2021



01

S&T GROUP OVERVIEW



KEY FIGURES 2021 | 2020 | 2019

IN EUR MIO.	2021	2020	2019
Revenues	1,342.0	1,254.8	1,122.9
Gross profit	490.2	455.8	407.5
EBITDA	126.3	130.0	111.7
Amortisation and depreciation	63.6	61.5	49.4
EBIT before PPA amortisation ¹⁾	73.2	81.7	70.1
Result after non-controlling interests	48.3	55.6	49.1
Operating cash flow	95.3	140.8	83.4
Free cash flow ²⁾	48.3	106.9	56.3
Earnings per share ³⁾	75 cent	86 cent	75 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.	31.12.2021	31.12.2020	31.12.2019
Cash and cash equivalents	296.5	281.9	312.3
Equity	423.3	409.5	385.1
Equity ratio	31.3%	32.8%	31.4%
Net Cash (+) / Net debt (-) ⁴⁾	-14.2	20.3	29.5
Working capital ⁵⁾	149.9	154.3	153.9
Backlog	1,334.9	927.2	841.5
Project-pipeline	3,367.0	2,702.3	2,157.5
Employees ⁶⁾	6,206	6,067	4,934

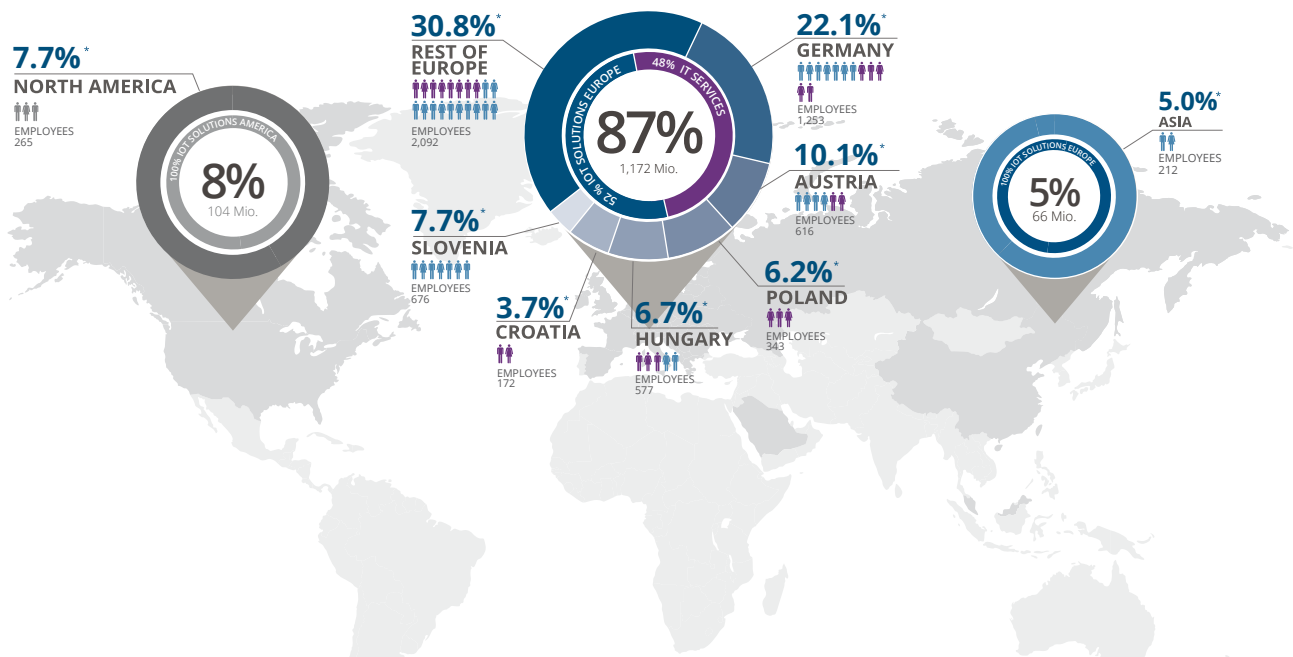
4) Cash and cash equivalents less non-current and current financial liabilities

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



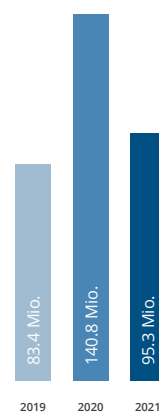
GROSS PROFIT
490

In its 11th record year in a row, S&T increased its gross profit by strong 7% up to EUR 490.2 million.



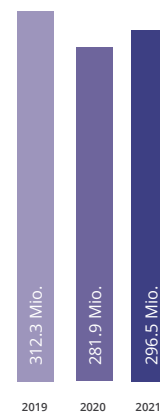
EBITDA
126

The operating result before depreciation and amortisation (EBITDA) sunk slightly by 3% to EUR 126.3 million due to chip shortage burdens.



OPERATING CASHFLOW
95

Despite the global chip crisis, an excellent operating cash flow of EUR 95.3 million was achieved in 2021 as planned, amounting to 75% of EBITDA.



CASH AND CASH EQUIVALENTS
296

S&T is crisis-proof and with over EUR 296.5 million in cash, well prepared for acquisition opportunities as they arise.



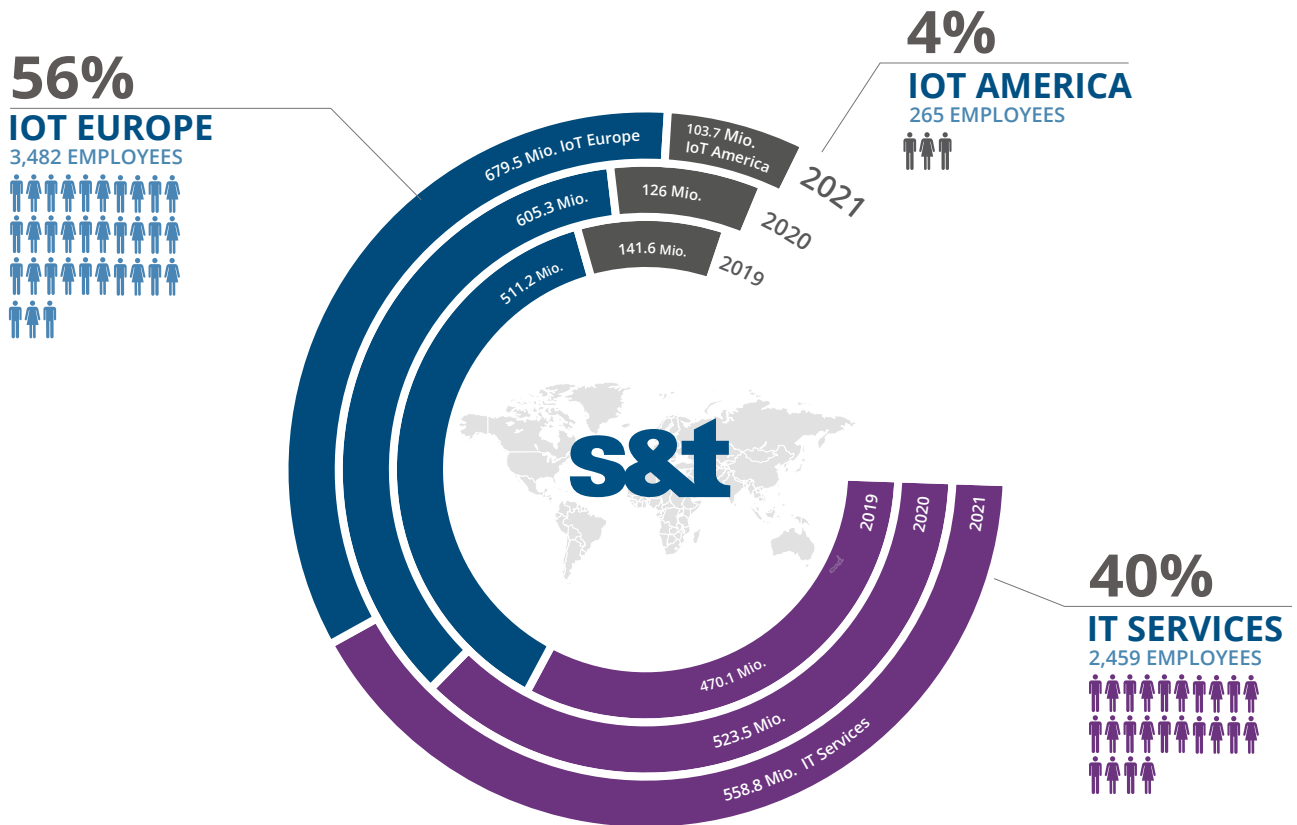
BACKLOG
1.335

The high order backlog of EUR 1,335 million supports the planned organic growth of around 12%.

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

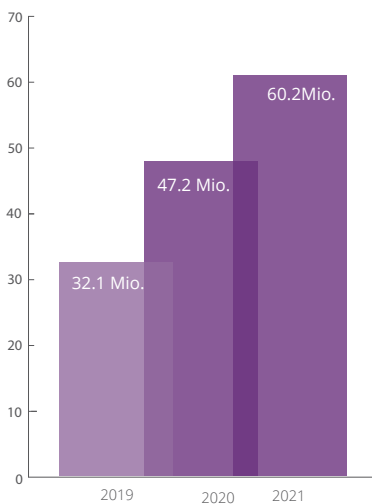
DEVELOPMENT OF THE BUSINESS SEGMENTS OF S&T AG

REVENUE 2019 | 2020 | 2021

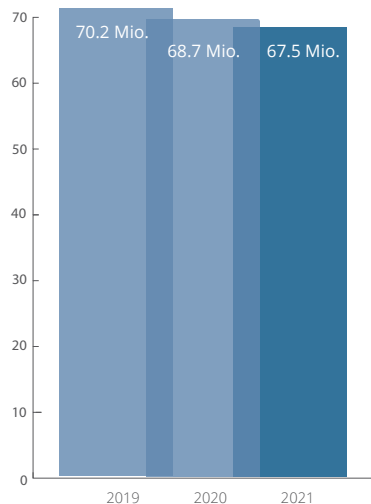


EBITDA after HQ-charges 2019 | 2020 | 2021

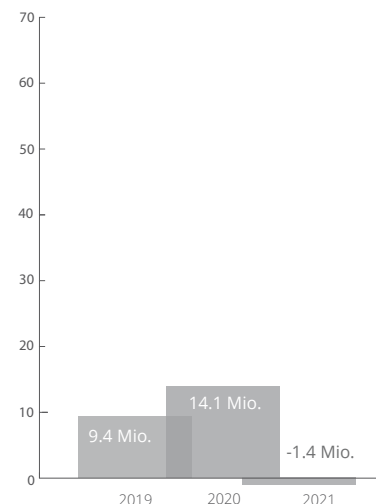
IT SERVICES



IOT SOLUTIONS EUROPE



IOT SOLUTIONS AMERICA



All figures in EUR million, if not noted otherwise.

FOREWORD



2021 WAS A DIFFICULT YET SUCCESSFUL YEAR - A NEW COURSE WILL BE SET IN 2022

In financial year 2021, the S&T Group was able to increase revenue for the 11th time in a row. At EUR 1,342 million, revenues were 7% higher than in 2020. EBITDA was just 3% below our expectations at EUR 126 million. Operating cash flow was able to reach 75% of the EBITDA value at EUR 95 million, significantly higher than was recently expected and despite the shortages caused by the global chip crisis. We are therefore starting the new financial year with around EUR 300 million of liquidity. The order backlog climbed to a new record level of EUR 1,335 million. The 2021 results are satisfactory, but with a long list of challenges, many of which are still ahead of us. But as the saying goes, you can only grow facing challenges.

The economy has been suffering from the COVID-19 pandemic for two years now. While this has presented an opportunity for technology companies like S&T, some of our customers are feeling the impact of the pandemic. We have set a new course in developing an efficient system for working from home, and our employees now perform even better at lower costs than before the pandemic. We successfully pass on our experience to our customers and support them in implementing their home-office concepts and their digitalisation projects.

Like many of our competitors and customers, the chip crisis has been holding us back since March 2021: At the end of 2021, we had EUR 77 million in undelivered orders – products that are urgently needed by our customers. By making technical adjustments, we are getting to grips with the component shortages, but unfortunately this problem – although in mitigated form – will continue to accompany us in 2022.

On December 16, 2021, there was a short-seller attack on S&T with many allegations that had a negative impact on our share price. We committed ourselves to a detailed investigation and commissioned Deloitte to conduct a forensic investigation, which confirmed S&T's view on all key points – as set out in our statement on December 28, 2021. The new Chief Compliance Officer, who has been appointed to the Executive Board as part of the initiated measures, will expand our ongoing TTS program and further increase transparency for shareholders.

Since February 24, 2022, Russia has been waging war against Ukraine, which, in addition to great human suffering, has also had a massive economic impact. Our subsidiaries in Russia, Ukraine, Belarus and Moldova generate around 6% of our revenues in these countries, which means that we are also affected. Already at the end of 2020, we decided not to invest in these countries anymore. In 2022, we will continue decreasing our involvement in Russia, Belarus and Moldova on a continuous but optimised basis.

We react quickly to the challenges that we face. "Setting a new course" not only affects existing problems, but above all means constant improvement. This also includes focusing on the higher-growth and more profitable IoT business, which we want to achieve with our "Focus" project. This project evaluates the sale of the IT Services segment of S&T Group – in the medium term, this should make possible gross margins of over 50% and EBITDA margins of over 15%. In the meantime, we have almost completed vendor due diligence and started marketing to potential buyers. We expect to close the sale in the third quarter. We will use the funds raised to expand our IoT activities and to acquire companies that open up synergies in the IoT sector. In addition, further extensive share buy-backs and a special dividend payment are also possible.

In financial year 2021, we received new orders of EUR 1,750 million. In the first quarter of 2022, this positive trend accelerated once again, and I am very pleased with three major orders worth EUR 200 million alone that demonstrate the strength of the technologies developed by S&T and the expertise of our employees. The high order backlog of EUR 1,335 million will fuel our organic growth in 2022, and we expect revenues of at least EUR 1.5 billion and around 12% organic growth as a result. The EBITDA margin is expected to be around 10% in 2022. Following the sale of the IT division, we will replace the lost IT service revenues by expanding existing and building new IoT business sectors. Despite the sale of the IT segment, we aim to increase revenue to EUR 2.0 billion in pure IoT revenue by 2025. In doing so, we expect profitability to be significantly higher than today. Our new course will be set in 2022.

Hannes Niederhauser, CEO



DEVELOPMENT OF NEXT-GENERATION MISSION-CRITICAL SYSTEMS

IOT SOLUTIONS EUROPE

In 2021 Kontron Transportation France signed an eight-year framework agreement with SNCF Voyageurs for the supply of onboard equipment based on Kontron Modular Computers' TRACe™ B404 platform. The platform is EN50155 certified and thus suitable for installation in means of transportation. Deliveries will start as early as 2022, with a massive deployment planned in 2023.

Kontron Transportation will be supplying the onboard equipment for SNCF in France as part of the Industrial IoT TRAIN-CO project (Communicating Trains), that focuses mainly on high-capacity regional trains like AGC (Autorail à Grande Capacité) and TER (Train Express Regional).

The system is designed to process and transmit operational data related to the SNCF passenger information system (SIVE), the in-cabin video and audio recording system (SEVAC), and the remote train diagnostics system (S'BOX).

As a result, it will make an important contribution to increasing and improving SNCF's operational capacity, as well as the safety of passenger services and SNCF personnel.

This ambitious project involves the development, integration, certification and qualification of these modular computers so that they comply with the strict rules for rail vehicle integration. It also respects the strict industrial regulation required by SNCF in terms of the environment.



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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.



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. As of July 2013, Neuwirth became the company's CFO. In June 2017 he was appointed Deputy Chairman of the Executive Board.



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.



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.



CARLOS QUEIROZ
COO, IOT SOLUTIONS EUROPE

Carlos Queiroz was 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 subsidiary 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. Carlos Queiroz retired as of Dec. 31, 2021.



MICHAEL RIEGERT
COO, IOT SOLUTIONS EUROPE

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. Following his work at Penta/ADLINK, he returned to S&T Group in 2017 and became Managing Director of Kontron Transportation in 2019. With effect from 1.1.2022, Michael Riegert was appointed to the Management Board of S&T AG.



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 and is responsible for groupwide ODM activities of the S&T Group.



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 GÜNTHNER
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 VP of the Global Avionics group. He holds a degree in Mathematical Statistics. Andy Mason retired at the beginning of 2022.



OPEN INTERFACE FOR HIGHLY EFFICIENT VEHICLE DIAGNOSTICS

IOT SOLUTIONS EUROPE

Kontron helps the leading vehicle diagnostics company Hella Gutmann to keep pace with the ever-changing communications requirements for major car manufacturers.

By identifying the new market requirements and thoroughly evaluating potential manufacturers and suppliers of embedded computers, our customer Hella Gutmann quickly became certain that a partnership with a reliable, long-term supplier was essential to ensure the market launch of new product visions quickly and with little risk. The chosen supplier had to offer an extensive range of leading-edge industrial-grade embedded computer products and be highly experienced in the special requirements of this industry sector.

From the customer side, Kontron was subsequently selected due to its proven quality credentials, its comprehensive global support infrastructure including extended five-year product lifetime support, deep expertise in both embedded hardware and software design, as well as competitive pricing.

With the help of Kontron's SMARC™ modules and its embedded computing expertise, Hella Gutmann has been able to build and launch its new family of open interface industrial-grade vehicle diagnostic solutions within a short project duration – quickly and cost-effectively. By summer 2021, having worked closely with Kontron throughout the new product development phase, Hella Gutmann was able to cover 65% of its incoming orders with mega macs X, an entirely new generation of highly flexible and scalable open interface vehicle diagnostic solutions.

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 32 countries worldwide, the company employed 6,206 people as of December 31, 2021. With its business segments "IoT Solutions Europe" and "IoT Solutions America", 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).

In addition, S&T AG is a renowned provider of IT services in the DACH region and in Eastern Europe. Through its "IT Services" segment, the company offers a broad range of services in the areas of IT consulting, integration and outsourcing, 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: THE S&T GROUP'S THREE BUSINESS SEGMENTS

- › **"IT Services"**: All activities involving IT services business in the DACH region and Central and Eastern Europe are covered by this segment.
- › **"IoT Solutions Europe"**: This sector focusses 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 re-named "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 comprehensive 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 can be continuously expanded and adapted within the technology lifecycles. The aim here is to address the most promising trends and customer needs in all areas and to position S&T as a technology leader.



MEDICAL TECHNOLOGY

LEADING MISSION CRITICAL SOLUTIONS

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



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 functions, video-on-demand, etc.)



TECHNOLOGY SUPPLIER

to the care and safety and in the front of the care.



PUBLIC TRANSPORT RAILWAY DIGITALISATION

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

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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.



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.

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

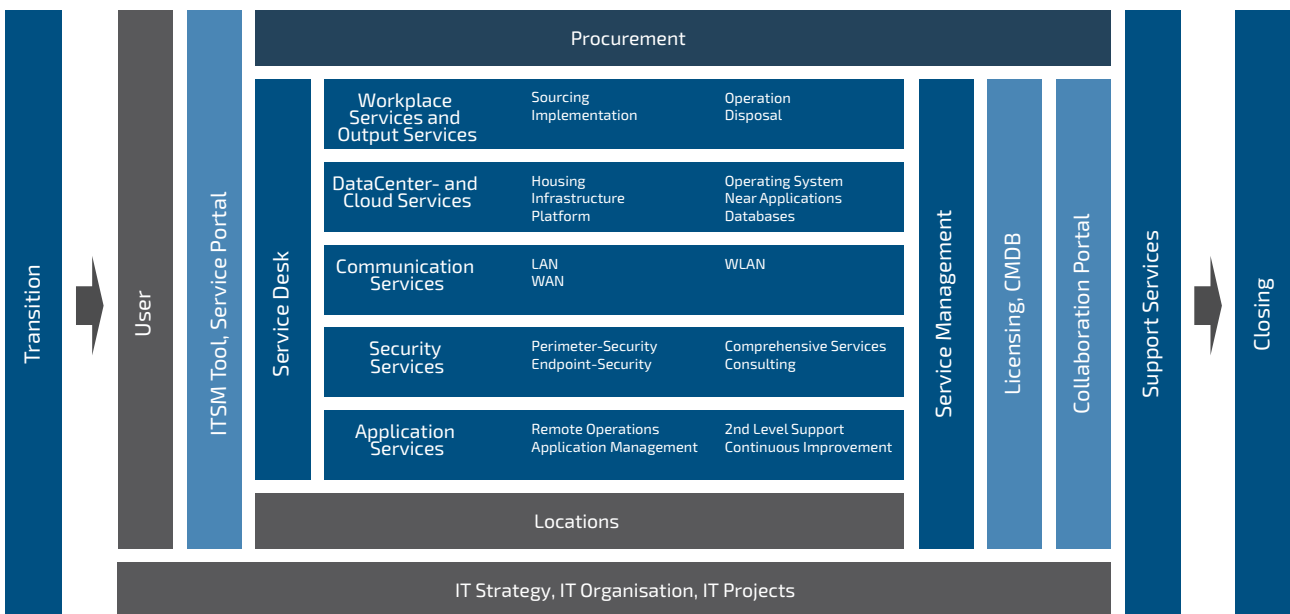
With its strong regional position, S&T AG has been one of the most renowned system integrators as a "full-service provider" of IT solutions in the Central and Eastern European region for many years. As an independent IT service provider, the S&T Group supports customers in the development, implementation 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.

As one of the few providers, S&T is able to offer a very broad range of services from a single source to internationally operating customers and partners in this region, thanks to its regional companies and staff in numerous Central and Eastern European countries. With the takeover of the CITYCOMP Group in the summer of 2020, the S&T Group managed to position itself as a nationwide IT service provider in Germany and strengthen this position by acquiring PSB-IT Service GmbH in the financial year 2021. The S&T Group thus has an extensive service network that also enables the provision of time-critical break-and-fix and 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 in order to be able to offer a portfolio that is as attractive as possible to customers and markets. In addition, S&T views the topics SAP S/4HANA, cloud and security as particular growth opportunities in the IT services sector and will set an increased focus here. 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 and optimal use of human resources.

CIO – CONSULTING – INTEGRATION – OUTSOURCING

S&T's comprehensive "plan, build, run" portfolio 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 or SAP S/4HANA, or support in the creation of holistic IT security concepts. An ever-more important focus of consulting is serving the fast-growing cloud area. As a cloud integrator, S&T implements solutions in the Amazon and Microsoft environments and, as an authorised 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 and systems in the broadest sense. Included in this area is the rollout of clients such as notebooks, desktops, servers, POS systems, peripheral devices and printers, as well as the installation and configuration of a great diversity of hardware and software, also as part of complex system integration projects. 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 have already spanned 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, because outsourcing providers are often able to offer cost advantages and good planning 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 and 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 IOT SPECIALISTS

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 together. 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 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 targeted acquisitions. Examples include the acquisition of AIS Automation GmbH, Dresden, Germany, to expand the range of software available in the field of industrial automation, the acquisition of the Kapsch CarrierCom Group to enter the railway communications sector, and the acquisition of the Iskratel Group in Kranj, Slovenia, to expand 5G expertise.

In its two IoT Solutions segments, the 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

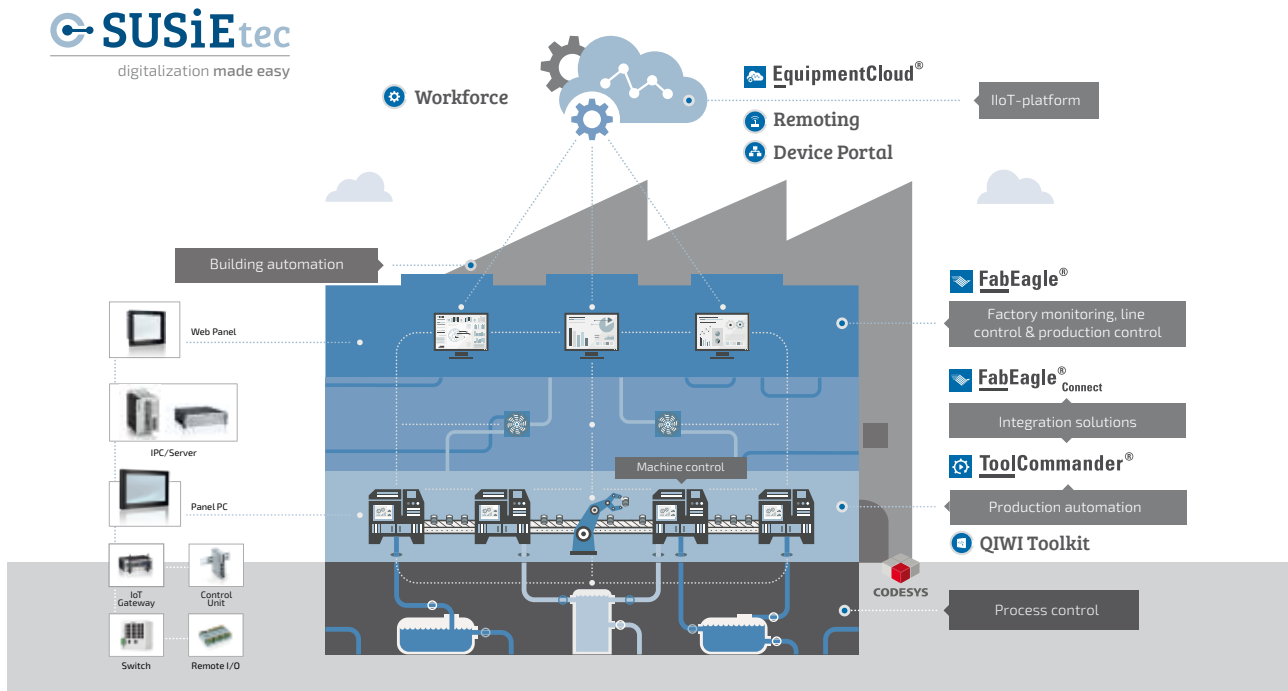
As the demand for digitalisation of business and production processes increases, so does the need for sophisticated and efficient automation. This applies especially at warehouses and production plants, where intelligent machines are essential for daily operations and a secure (real-time) connection is required at all times. The 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 applications 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 Kühlmöbel und Kälte-technik GmbH, 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 about 15%.

The product range within the SUSiEtec Framework is constantly being expanded – for example, in 2021, device management applications, for the management and monitoring of IoT devices, as well as EquipmentCloud® for the management of distributed hardware and IoT devices were integrated under the SUSiEtec umbrella. EquipmentCloud® itself has been enhanced with new features for mechanical

engineering. An additional maintenance module enables process-dependent maintenance. Furthermore, a spare parts function helps to identify spare parts for machines, assemblies and spare parts lists quickly and accurately.



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 provide our customers with a competitive advantage in their industry. S&T thus provides the tools and know-how to enable the smart factories of tomorrow to achieve their full potential.

MEDICAL TECHNOLOGY

Solutions for medical technology have been in increased demand, particularly in the last two years due to the global COVID-19 pandemic. 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-relevant 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 goals are all the more urgent as the current shortage of skilled workers also affects the healthcare system. Even if medical care and nursing are still decisively influenced by the people involved, the technology provides the appropriate support to make processes more efficient and to improve the patient care. S&T's solutions can support key areas of healthcare thanks to its embedded wireless technology. One area where this is apparent is patient diagnostics and imaging to help physicians diagnose disease, 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 as well as 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.

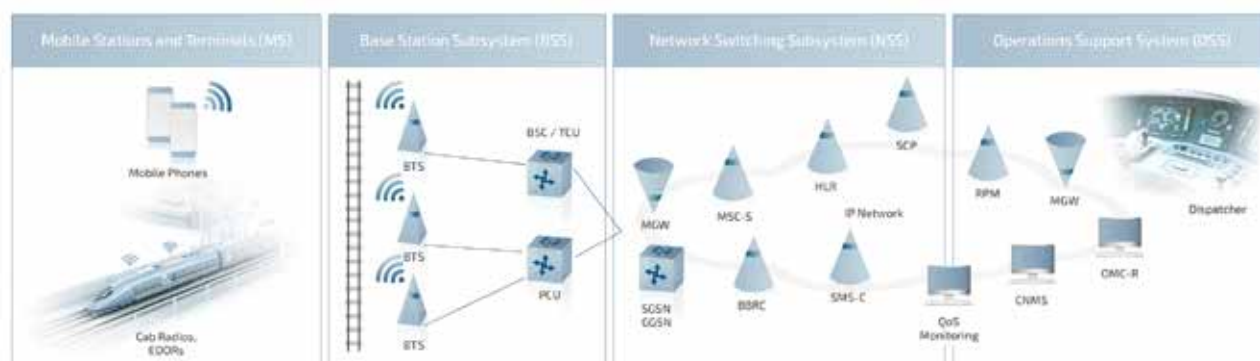
In particular, the S&T Group increasingly stands out by manufacturing innovative products geared towards artificial intelligence (AI). High reliability is the requirement when using medical devices for surgical interventions. The new Soloassist II robotic technology makes it easier than ever for surgeons 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 continuously develops practical solutions for its customers. In another application, S&T is providing the technical platform with artificial intelligence to support the surgeon's operating console, robotic arm control and training simulators for a modular, portable robotic surgical system that went into production in 2021.



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. The S&T Group is one of the leading providers of end-to-end communications in the railroad sector 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 many 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, the 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. Kontron Transportation's portfolio includes the essential elements needed to set up a modern GSM-R network, from the mobile stations and terminals to the decentralised base stations, the central "core network" and the operating system support.



Furthermore, Kontron Transportation, a subsidiary of the Group, is one of the driving forces behind the definition and specification of the FRMCS (Future Railway Mobile Communication System) standards. The company is represented in international bodies, such as UIC (International Union of Railways), ETSI (European Telecommunications Standards Institute) and 3GPP (3rd Generation Partnership Project) working groups, which, as part of the new European Technical Specification for Interoperability (TSI) planned for the end of 2022, represent an important milestone on the path to the industrialisation of FRMCS.

At the beginning of 2021, the first commercial release of the MCx communication system was completed, which is a core element of Kontron Transportation's FRMCS strategy. The Westfälische Landes-Eisenbahn was acquired as first new customer. On its 120 km track, it will use Kontron Transportation's modern communication solution and the new IP-based MCx system instead of the existing analogue radio. With the use of modern traffic controller devices and mobile smartphone applications in conjunction with a hosted MCx server application, which provides various services, the railway is ideally equipped for the future.

Kontron Transportation is successfully working on various research initiatives, thus driving forward the development of modern mobile communication for railways. In December 2021, for example, Kontron Transportation, together with its partners AZD and Thales, successfully demonstrated how an unmanned train operates as part of an event organised by the European Shift2Rail program. This technology is based on a prototype developed by Kontron Transportation using FRMCS.

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 servers, specifically optimised for demanding networks.

In addition, the 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, the 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.

S&T has been a leader in virtual radio access network (vRAN) technology for public and private mobile networks for many years. In collaboration with key industry partners that provide disruptive and disaggregated solutions for deploying LTE and 5G networks, S&T provides robust servers that can be deployed at the edge of mobile networks, either at the base of antenna towers or directly on the towers themselves. Our solutions have advanced processors, can be used in widely varying environmental conditions, consume little power and integrate AI processors to bring intelligence to the edge of networks. They include network control hardware and software, security and systems management software, as well as full integration of leading vRAN applications. S&T's solutions target remote mobile network access points, rural deployments and private industrial networks, covering the extreme edge where conventional servers cannot be deployed.

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 working together with external partners for smart grids, utilities providers and industrial customers. Additionally, S&T 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.

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.

Since 2020, S&T has been supplying embedded technology to Mettler Toledo, one of the world's largest suppliers of scales used in laboratories, industry and food retail. 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 applications in food retailing.

AVIATION

With more than 30 years of experience and as the world's leading provider of in-flight entertainment and passenger communication systems, the 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 solutions for aviation connectivity and entertainment, enabling more airlines to offer their passengers enhanced services, such as film and media streaming or Internet connectivity. This allows companies to break the boundaries of traditional product lifecycles, for example through Bring Your Own Device (BYOD) models, achieve greater operational efficiency, and unlock new revenue streams. S&T products in this market include satellite communications controllers, media streaming servers and wireless access points, all tested and certified to operate in the harsh environment of commercial aircraft and business jets. Our solutions also include media delivery software that enables operators to quickly deploy flight-specific services with minimal development costs.

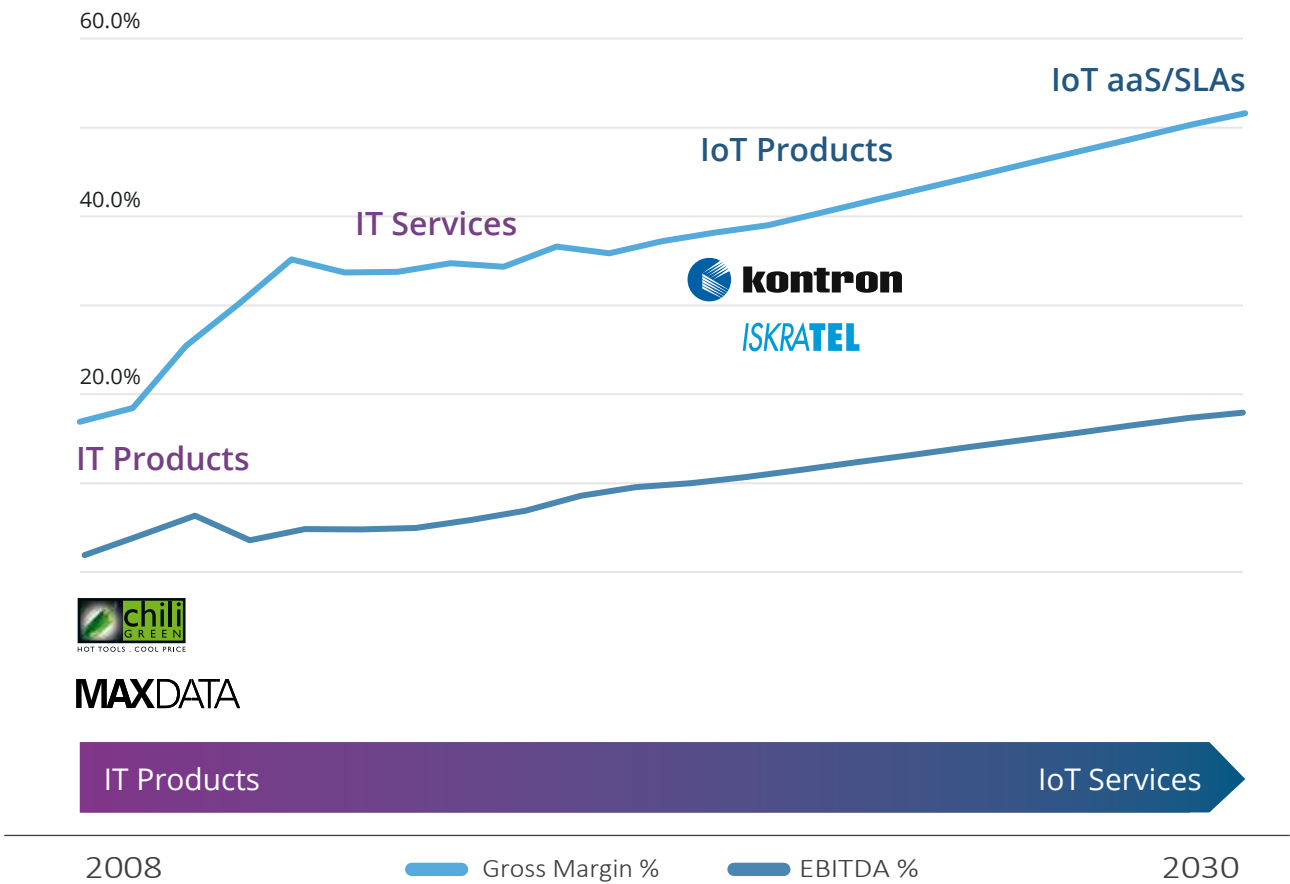


Although the aviation sector has been severely impacted by the COVID pandemic, the S&T Group is able to benefit from the start of the recovery thanks to its focus on domestic transport, business jets and Asia, as well as its position as the main supplier of modern satellite connectivity controllers. The emergence of new providers of low earth orbit (LEO) satellite constellations also creates new opportunities for the provision of higher bandwidth and better global coverage services, as well as the opportunity to extend our aviation expertise to other applications, such as land or maritime transport.

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 gradually 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 S&T Group is to be continued in the coming years. To this end, the evaluation of strategic options for the IT services area was also launched in autumn 2021 under the project name "Focus" to strengthen the focus on the IoT area. In addition, a continuous expansion of the software share in the vertical end markets, the development of an "IoT as a Service" offering with SLA-based services in the IoT area and the strengthening of the portfolio through targeted acquisitions are planned. In the sense of "Vision 2030", these steps are intended to complete the transformation to a pure "IoT Player".





ROBOTRON AND KONTRON SIMPLIFY COMPUTER VISION IOT SOLUTIONS EUROPE

Many manufacturing companies currently still find it difficult to get started with Artificial Intelligence (AI). In the new AI-workstation, Robotron and Kontron now combine two of their innovative and powerful solutions for uncomplicated and fast application of computer vision. The multi-purpose AI-workstation enables training, execution and inference of algorithms for a wide range of models and frameworks. The standardised approach covers up to 90 percent of all deployment scenarios and enables manufacturing engineers without programming experience to solve their inspection problems in real-time using computer vision.

It relies on the AI method of reinforcement learning. The strategy of using trained and re-trained networks has many advantages. This applies, for example, to quickly teaching a neural network new error types or even product adaptations – this is important in practice to quickly adapt AI solutions to new contexts.

To implement the application scenarios around computer vision in practice, first of all sufficient image data sets and annotated knowledge are necessary. The images must be labelled accordingly so the algorithm knows, for example, what a correct or a faulty component looks like. The algorithm is then trained with this input.

Kontron and Robotron developed an AI solution based on the Kontron KWS 3000-CML workstation, which offers high performance in terms of computing power and graphics, while at the same time guaranteeing maximum reliability, long-term availability and flexibility, and enables a holistic approach to training, deployment and inference around computer vision applications with Robotron's real-time computer vision (RCV) platform.

This way, an AI solution has been jointly created to enable quality or manufacturing engineers to solve their inspection problems. Artificial Intelligence is not in the foreground as an end in itself but has the goal of directly solving practical problems algorithmically.

REPORT OF THE SUPERVISORY BOARD



Dear shareholders, colleagues, ladies and gentlemen,

as Chairwoman of the Supervisory Board of S&T AG, it falls to me to report on the past financial year 2021:

We continue to live in very uncertain and troubled times. Since February 24, 2022, our world has taken on a different tone. Although the number of cases continues to rise, the pandemic in Europe has lost its drama and has been pushed into the background by the invasion of Ukraine by Russian troops. Once again, we see destroyed regions, human suffering and streams of refugees within Europe. On top of that we also see the beginning of an economic war whose global impact we cannot yet estimate. Stock markets have been in a nosedive for weeks, prices for grain, crude oil, natural gas and other raw materials have risen dramatically since the start of the war in Ukraine, and Russia has been subjected to considerable economic sanctions. Faced with this reality, the Delta and Omikron variants and the lockdowns, capacity bottlenecks in manufacturing and logistics, and the resulting chip crisis, almost appear negligible in 2021. In 2020 we were able to count ourselves among the winners of the crisis, but the global chip shortage left a far greater mark on the S&T Group in the past financial year. Despite all our efforts, it was not possible to fully compensate for missing microchips and components, significant price increases, and delivery delays.

Despite a strong order intake of about EUR 1,750 million and a very high order backlog of EUR 1,335 million at the end of the year, the chip crisis meant that revenue development fell short of original expectations. Although the S&T Group was able to increase revenues (EUR 1,342 million), EBITDA (EUR 126.3 million) decreased slightly compared to the previous year. However, the high volume of orders not yet delivered will provide a tailwind for 2022. On the cost side, management also took appropriate measures to further improve profitability, but was unable to fully compensate for the impact of the chip crisis. In addition to the existing PEC² program, the S&T Group has taken further steps to adjust costs by, for example, merging or downsizing many locations, thereby reducing costs in the medium term. The streamlining of the organisational structure through the sale of non-strategic holdings, intra-group mergers, or the liquidation of companies no longer needed was also pushed forward. Finally, in September 2021 — in line with our “Vision 2030” — the “Focus” project was launched to evaluate strategic options for the IT services segment.

As a result of orders not yet delivered, the S&T Group's inventories, in particular semi-finished products, reached a peak of EUR 187.3 million and as a consequence had a negative impact on operating cash flow in 2021. Nevertheless, the goal of generating operating cash flow of 75% of EBITDA was achieved in financial year 2021. The balances with banks and fixed-term deposits made due to negative interest rates add up to EUR 303.5 million. Overall, net debt is EUR 14.2 million.

For 2022, the management and Supervisory Board of S&T AG expect strong organic growth of about 12% due to the large order backlog and delayed deliveries worth around EUR 80 million. The guidance announced in January amounts to around EUR 1.5 billion in revenues with an EBITDA of around EUR 150 million. Improvements in the supply chain coupled with internal measures such as redesigning products around more readily available components will also ease the inventory situation and improve operational cash flow in 2022. It remains to be seen how the war in Ukraine will develop and how the international community's current sanctions against Russia will affect the economy and the S&T Group.

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 2021, 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 in the 2021 financial year, and one extraordinary meeting due to the share price development in December 2021, as well as two meetings of the Audit Committee. In spring 2021, the Remuneration Committee discussed changes to the remuneration policy of the Executive Board and the Supervisory Board of S&T AG and presented the amended remuneration policy for the Executive Board of S&T AG and the remuneration report for 2020 to the Annual General Meeting on June 8, 2021, which approved it accordingly. The Nomination Committee also met to choose a successor to Mr. Carlos Queiroz, who retired at the end of 2021, and appointed Mr. Michael Riegert as a new member of the Executive Board with effect from January 1, 2022. In addition to the regular meetings, various discussions took place between the Chair and 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 2021 financial year, decisions were required on various acquisitions and reorganisation measures, for example.

In the 2021 financial year, 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 was a change in the composition of the Supervisory Board because, following Max Lee's departure, Yolanda Wu moved onto the Supervisory Board of S&T AG and also became a member of the Audit, Nomination and Remuneration Committees. 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 Chair of the Supervisory Board was separated from that of Chair of the Audit Committee. Full details on this can be found in the chapter "Corporate Governance Report".

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 2021 by the Annual General Meeting on June 8, 2021. 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 section 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 section 243c of the Austrian Commercial Code (UGB) and has made this report available to the shareholders in the company's annual report in the chapter "Corporate Governance Report".

The year 2021 posed numerous challenges to the S&T Group and to you, the shareholders. On December 16, 2021, the short seller Viceroy Research LLC published a report on S&T AG containing assertions which were not true, have no bearing on S&T AG, relate to incidents dating back more than ten years, or are immaterial. S&T AG has issued a statement countering the allegations. The Supervisory Board, together with management, has also decided to launch a forensic investigation and mandated Deloitte for this purpose.

In the interests of open and transparent communication, a summary of the results of the forensic investigation have already been published and prove that the allegations against S&T AG are unfounded. These negative headlines overshadowed many of the positive developments such as the new customers acquired and an all-time high order backlog. We want to return the focus to our day-to-day operations. I would like to close with these words by the Austrian dramatist Franz Grillparzer: "Wisdom gives only counsel, it is action that counts". I would like to thank the Executive Board and all our employees for their achievements and their commitment in the financial year 2021.

Vienna, March 2022

for the Supervisory Board



Claudia Badstöber

Chair of the Supervisory Board



MODERN WORKPLACE AT ITS BEST IT SERVICES

With a higher percentage of employees working remotely or in a hybrid model than ever before, ensuring they have the right equipment and the right IT support to work effectively in any environment is critical for success. In an extremely dynamic as well as cost-oriented business world, it is becoming increasingly difficult to operate workplace devices such as desktops, notebooks and smartphones in a cost and time-efficient manner while providing the very latest technology at the same time.

With a wealth of experience in client management, S&T is one of the best-known providers of modern workplace services in Austria. For Transgourmet Österreich GmbH, a leading Austrian retail partner for the catering and hospitality industry as well as for trade customers, S&T implemented a fully managed comprehensive workplace management solution (hardware as a service, logistics and rollout services, device and software management, mobile management, preinstallation, patch management and IMAC services). The customer benefits from high-quality IT services, reliable and efficient logistics, premium help desk support from S&T's team of experienced call center agents and a strong Austrian-wide regional presence. Thanks to the entirely outsourced and fully automated device management as well as the implemented process standardisation, Transgourmet could completely optimise its client management, resulting in highly (cost-)efficient and safe IT operations.

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 last update of the Corporate Governance Report of S&T AG took place on March 25, 2021, as part of the Annual Report 2020 on the basis of the German Corporate Governance Code as amended on December 16, 2019. The Code may be viewed at <https://www.dcgk.de/en/home.html>. 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":

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 BUSINESS MANAGEMENT

For a number of years, S&T AG has been pursuing a strategy designed to yield a sustained 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 business management 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. They facilitate the increasing of value and the strengthening of 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 term "S&T AG" includes S&T AG as the parent company and 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. This includes, in particular, the following duties and powers:



- › The shareholders exercise their rights as owners of the company at the Annual General Meeting. This includes, in particular, the appropriation of profits, the election of the members of the Supervisory Board and the discharge of the Executive Board and the Supervisory Board as well as any capital resolutions and the remuneration policy for the Executive Board and the Supervisory Board as well as the annual remuneration report for the Executive Board and the Supervisory Board. 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 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 or classes of shares.
- › 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 account of the interests and wellbeing of shareholders, employees, customers and suppliers and all other groups with some connection 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, 2021 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, International IoT Solutions business;
- › MMag. 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. Mr. Queiroz left the Executive Board of S&T AG as planned on retirement as of December 31, 2021.

The Supervisory Board appointed Mr. Michael Riegert, who was previously responsible for the Transportation business within the Group and was already a member of the extended management of S&T AG, as successor to Mr. Carlos Queiroz on the Executive Board of S&T AG with effect from January 1, 2022.

The Executive Board reaches decisions together with 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.

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 (26,3% female employees as of December 31, 2021). In addition, the Executive Board has set itself the target of achieving a share of women in the management by the end of the graduated ESG 3-step plan that essentially mirrors the share of women in the workforce overall. As of December 31, 2021, 22.1% (PY: 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, 2021 membership of the Executive Board at S&T AG is not yet in line with the diversity scheme since it includes no women. Thanks to Mr. Riegert's extensive knowledge of the business and his previous position in the extended management of S&T AG as an associate member of the Executive Board, Mr. Riegert was given preference by the Nomination Committee and the Supervisory Board for this Executive Board appointment. For future new appointments, the Supervisory Board should take greater account of diversity on the Executive Board.

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 Committee. 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 respectively the 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 Board of Management's rules of procedure also set out the principle of joint responsibility of the Executive Board as well as 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 projects.

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 by resolution in circulation. In the 2021 financial year, 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 AG strictly follows the applicable legal regulations and the principle of equal treatment of all shareholders: All these interest groups are promptly provided with all information or presentations in German and/or English, which are also made available to financial analysts and investors.

A central component of investor relations work at S&T AG is 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.at> 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 are regularly updated. Quarterly financial bulletins and half-year management reports including a detailed presentation for investors are available on the website <https://ir.snt.at> under the section "Reports", not just for analysts, 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 8, 2021, to be voted on. This policy includes the overall target remunerations as well as the corresponding short-, mid- and long-term incentives and other benefits, such as company cars. The new remuneration policy also increasingly incorporates non-financial, medium-term objectives in line with the company's ESG tier scheme. Details of the benefits granted and received are published annually in the remuneration tables contained in the annual report. No private pension plan was taken out for any member of the Executive Board and no special agreements exist relating to benefits due after contracts are terminated. Assumption of additional positions within the company does not give rise to any additional compensation. In accordance with the legal requirements, the Remuneration Report for financial year 2021 will be submitted to the next Annual General Meeting for approval on May 6, 2022.

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 § 9 Paragraph 1 of the Statute 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 31 December, 2021, the Supervisory Board consists of the following members:

- › Ms. Claudia Badstöber, born February 3, 1968, Chair of the Supervisory Board
- › Mr. Bernhard Chwatal, born October 12, 1970, Deputy Chair of the Supervisory Board
- › Mr. Hui-Feng Wu (Ed Wu), born January 2, 1949, Member of the Supervisory Board
- › Mr. Fu-Chuan Chu (Steve Chu), born June 18, 1962, Member of the Supervisory Board
- › Ms. You-Mei Wu (Yolanda Wu), born July 10, 1964, Member of the Supervisory Board

Ms. Claudia Badstöber and Mr. Bernhard Chwatal are certified financial experts who have served as auditors and tax consultants for international corporations or as CFOs for international corporations. Ms. Yolanda Wu is also a certified financial expert, having worked as a director at the Financial Market Supervisory Authority in Taiwan prior to her current position as CFO of Ennoconn Corporation. 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 directly hold 1,992 shares (Ms. Badstöber), 0 shares (Mr. Chwatal) and indirectly 201,520 shares (Ms. Badstöber, as managing director of Austro Holding GmbH and grosso holding gesellschaft mbH) hold shares in S&T AG and are accordingly independent members of the Supervisory Board. The other members of the Supervisory Board, Mr. Ed Wu, Mr. Steve Chu and Ms. Yolanda Wu, are certified industry and financial experts and have many years management experience in large technology companies. The Supervisory Board members Mr. Ed Wu, Mr. Steve Chu and Ms. Yolanda Wu each have a business relationship with the S&T AG shareholder Ennoconn Corporation, which holds more than 10% of the voting shares in S&T AG with 26.61%. With a current share of 40% women on the Supervisory Board, the diversity target for the Supervisory Board in terms of the share of women in the S&T Group was achieved in 2021. Neither the Chair of the Supervisory Board nor any other member of the Supervisory Board 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 Corporation. 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 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 Code of Conduct, the 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 operating principles 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:

- › Audit Committee
- › Nomination Committee
- › 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 report of the Supervisory Board. The Chair of the Supervisory Board coordinates the work of the Board, convenes its meetings and presides over them. The same applies to the Chairman of the Audit Committee. The Chair of the Supervisory Board represents the interests of the Supervisory 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 report and the consolidated financial statements. 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 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
Mr. Bernhard Chwatal	Chair	independent
Ms. Claudia Badstöber	Deputy Chair	independent
Ms. You-Mei Wu (Yolanda Wu)	Member	Connection with shareholder Ennoconn Corp.

The Nomination Committee prepares the decisions of the Supervisory Board relating to the appointment and, if need be, 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, in consultation with the Remuneration 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 Remuneration 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
Ms. Claudia Badstöber	Chair	independent
Mr. Bernhard Chwatal	Deputy Chair	independent
Ms. You-Mei Wu (Yolanda Wu)	Member	Connection with shareholder Ennoconn Corp.

REMUNERATION COMMITTEE MEMBERS	POSITION	INDEPENDENCE
Ms. Claudia Badstöber	Chair	independent
Mr. Bernhard Chwatal	Deputy Chair	independent
Ms. You-Mei Wu (Yolanda Wu)	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 arrived at the following self-assessment as of December 31, 2021:

- › According to the assessment of the Supervisory Board, its composition as of December 31, 2021, 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. – the above-mentioned staffing targets. Ennoconn Corp. is to be regarded as the controlling shareholder, and this circumstance achieves compliance with the recommendation that the Supervisory Board has 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 branch 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, and can therefore be regarded as an industry expert. Furthermore, the Chair of the Supervisory Board, in addition to her experience in tax consulting and auditing, is an experienced financial – as well as Ms. Yolanda Wu as CFO of Ennoconn Corp. – thanks to her previous position as CFO of a private bank, combined with Mr. Chwatal's experience at auditing companies and in a position of a restructuring manager.
- › As of the reporting date, the Supervisory Board comprised two women (40%) and three men (60%). According to applicable legislation in Austria, S&T AG is not subject to a mandatory quota for women. The election of Ms. Yolanda Wu met the target of filling the next vacancy with a woman, thus achieving a 40% share of women on the Supervisory Board, which is higher than the average for the S&T AG workforce.
- › 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. At December 31, 2021, the longest period of membership of the Supervisory Board is eight 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.

COMPOSITION OF THE SUPERVISORY BOARD UNTIL THE END OF THE ORDINARY ANNUAL GENERAL MEETING 2021

BOARD MEMBER	POSITION	INITIAL APPOINTMENT	END OF TERM	INDEPENDENCE
Ms. Claudia Badstöber	Chair of the Supervisory Board	16/06/2020	AGM 2025	independent
Mr. Bernhard Chwatal	Deputy Chair	17/05/2013	AGM 2023	independent
Mr. Hui-Feng Wu (Ed Wu)	Member	27/06/2017	AGM 2022	Connection with shareholder Ennoconn Corp.
Mr. Fu-Chuan Chu (Steve Chu)	Member	27/06/2017	AGM 2022	Connection with shareholder Ennoconn Corp.
Mr. Yu-Lung Lee (Max Lee)	Member	21/05/2019	08/06/2021	Connection with shareholder Ennoconn Corp.

COMPOSITION OF THE SUPERVISORY BOARD SINCE THE END OF THE ORDINARY ANNUAL GENERAL MEETING 2021

BOARD MEMBER	POSITION	INITIAL APPOINTMENT	END OF TERM	INDEPENDENCE
Ms. Claudia Badstöber	Chair of the Supervisory Board	16/06/2020	AGM 2025	independent
Mr. Bernhard Chwatal	Deputy Chair	17/05/2013	AGM 2023	independent
Mr. Hui-Feng Wu (Ed Wu)	Member	27/06/2017	AGM 2022	Connection with shareholder Ennoconn Corp.
Mr. Fu-Chuan Chu (Steve Chu)	Member	27/06/2017	AGM 2022	Connection with shareholder Ennoconn Corp.
Ms. You-Mei Wu (Yolanda Wu)	Member	08/06/2021	AGM 2026	Connection with shareholder Ennoconn Corp.

SUPERVISORY BOARD MEETINGS

BOARD MEMBER	POSITION	24/03/2021	08/06/2021	15/09/2021	07/12/2021	28/12/2021
Ms. Claudia Badstöber	Chair of the Supervisory Board	P	P	P	P	P
Mr. Bernhard Chwatal	Deputy Chairman	P	P	P	P	P
Mr. Hui-Feng Wu (Ed Wu)	Member	V	V	V	V	V
Mr. Fu-Chuan Chu (Steve Chu)	Member	V	V	V	V	V
Mr. Yu-Lung Lee (Max Lee)	Member	V	V	n/a	n/a	n/a
Ms. You-Mei Wu (Yolanda Wu)	Member	n/a	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

MEETINGS OF THE AUDIT COMMITTEE

BOARD MEMBER	POSITION	24/03/2021	07/12/2021
Mr. Bernhard Chwatal	Chair	P	P
Ms. Claudia Badstöber	Deputy Chair	P	P
Mr. Yu-Lung Lee (Max Lee)*	Member	V	n/a
Ms. You-Mei Wu (Yolanda Wu)**	Member	n/a	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 Annual General Meeting on June 08, 2021

** from the Annual General Meeting on June 08, 2021

MEETINGS OF THE NOMINATION AND REMUNERATION COMMITTEES

In the past financial year, a meeting of the Remuneration Committee and a meeting of the Nomination Committee took place. At the meeting of the Remuneration Committee on May 5, 2021, the new remuneration policy for the Executive Board, which was presented to the Annual General Meeting on June 8, 2021, was discussed and approved. This concerned in particular the short-term targets (linking EBITDA to operating cash flow), as well as the introduction of new medium-term targets with regard to the ESG 3-tier scheme. At the meeting of the Nomination Committee on December 7, 2021, the succession issue due to the retirement of Mr. Carlos Queiroz was discussed and the recommendation to the Supervisory Board was resolved to appoint Mr. Michael Riegert as the new COO for the IoT Solutions Europe division on the Executive Board of S&T AG.

SHARES OWNED BY MEMBERS OF CORPORATE INSTITUTIONS

The Executive Board and Supervisory Board hold the following number of shares, stock options or warrants as at December 31, 2021. The shares held represent approximately 2.1% of the company's share capital.

BOARD MEMBER	POSITION	NUMBER OF SHARES	NUMBER OF STOCK OPTIONS	NUMBER OF WARRANTS 2020
Ms. Claudia Badstöber*	Chair of the Supervisory Board	203,512	0	0
Mr. Bernhard Chwatal	Deputy Chair of the Supervisory Board	0	0	0
Mr. Hui-Feng Wu (Ed Wu)	Member of the Supervisory Board	0	0	0
Mr. Fu-Chuan Chu (Steve Chu)	Member of the Supervisory Board	0	0	0
Mr. Yu-Lung Lee (Max Lee)**	Member of the Supervisory Board	0	0	0
Ms. You-Mei Wu (Yolanda Wu)***	Member of the Supervisory Board	0	0	0
Mr. Hannes Niederhauser	CEO	1,165,463	245,000	645,294
Mr. Richard Neuwirth	CFO	5,000	175,000	346,225
Mr. Michael Jeske	COO	0	140,000	212,000
Mr. Dr. Peter Sturz	COO	8,833	140,000	211,000
Mr. Carlos Queiroz	COO	0	0	50,000

*1,992 shares held directly; 201,520 shares held indirectly as managing director of Austro Holding GmbH and grosso holding Gesellschaft mbH

**until the Annual General Meeting on June 8, 2021

***from the Annual General Meeting on June 8, 2021

Linz, March 2022

The Executive Board of S&T AG



Dipl.-Ing. Hannes Niederhauser



MMag. Richard Neuwirth



Michael Jeske



Dr. Peter Sturz



Dipl.-Ing. Michael Riegert

THE S&T SHARE



The S&T share got off to a good start in the 2021 stock market year and rose above the EUR 22 mark in the first weeks of the financial year. This recovery phase continued into the spring. The share price temporarily exceeded EUR 24 in April, a level last reached in the summer of 2020, and then moved sideways above the EUR 20 mark. Due to the low trading volume during the summer months, the share price briefly fell below EUR 20 in August 2021. The 3rd quarter could be closed with a closing price of EUR 22.54 on September 30, 2021. In the course of the 4th quarter, there are no abnormalities until December 16, 2021. On this day, a short seller published a report on S&T AG containing assertions which S&T AG believes are not true, have no bearing on S&T AG, relate to incidents dating back more than ten years, or are immaterial. The share price plummeted by 30% to EUR 13.24 within a few hours. S&T responded with a detailed statement on December 28, 2021 to clarify or disprove the allegations made. In addition, Deloitte was commissioned to carry out an independent forensic investigation.

The share closed fiscal year 2021 at a price of EUR 14.66, which corresponds to a decline of around 24% compared to year-end 2020. Over the same period, the TecDAX® grew by around 22% and the SDAX® by around 11%.

In the financial year 2021, the S&T AG share was listed unchanged in the TecDAX® and SDAX® of the German Stock Exchange. During the year, 70.83 million shares were traded with a revenue of around EUR 1.395 billion, compared with 59.02 million shares with a revenue of EUR 1.193 billion in the previous year.

	31.12.2021	31.12.2020	CHANGE IN %
SDAX®	16,415	14,765	11%
TecDAX®	3,920	3,213	22%
S&T AG	14.66	19.30	-24%

Fortunately, the S&T share was able to recover at the beginning of 2022, following the publication of the S&T statement on December 28, 2021. However, from the beginning of the war in Ukraine on, the share suffered further losses and reached its lowest point for the year to date on March 7, 2022, at EUR 11.43. The results of the forensic investigation by Deloitte were finally published by S&T AG on March 15, 2022 and refuted the allegations made in all material respects. The results of the Deloitte investigation, as well as significant share purchases by the Management Board and Supervisory Board in the first months of the financial year, contributed to strengthening shareholder confidence in the share. The S&T AG share closed at EUR 14.53 on March 18, 2022.

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 AG in October 2016 had a particularly positive effect at that time. As a result of Brexit 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. In 2020, 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.

Overall, it can be observed for the period from 2016 to 2021 that despite positive future prospects for the company, an increase in sales from EUR 503.7 million in 2016 to EUR 1,342.0 million in 2021 and an increase in EBITDA in the same period from EUR 34.4 million by 367.1% to EUR 126.3 million and an increase in earnings per share of around 226.3% to EUR 0.75 in 2021 (2016: EUR 0.33), the development of the S&T AG share has lagged behind the operating development and the P/E ratio is currently below that of the peer group. Initiatives such as the "PEC Program" initiated in 2019 to increase profitability, efficiency and cash generation, as well as the "TTS Program" launched in spring 2021, are intended to increase interest in the share and shareholder confidence.

DEVELOPMENT 2016-2021	2016	2017	2018	2019	2020	2021
Revenues in EUR million	503.7	882.0	990.0	1,122.9	1,254.8	1,342.0
EBITDA in EUR million	34.4	68.1	90.5	111.7	130.0	126.3
EBITDA margin in %	6.8	7.7	9.1	9.9	10.4	9.4
EPS in EUR	0.33	0.43	0.70	0.75	0.86	0.75
XETRA Closing price in EUR	8.70	17.99	15.81	21.28	19,30	14.66
PER	26.36	41.83	22.58	28.37	22.44	19.55

CAPITAL MARKET COMMUNICATIONS

The Executive Board and the Investor Relations department were also in regular contact with interested investors in the 2021 financial year within the framework of seven roadshows, ten conferences as well as various on-site visits and video or telephone conferences. A total of 456 investor meetings were held (previous year: 442). Around 50 of these meetings were held on an ad-hoc basis, starting in mid-December, after the Viceroy report was published. In addition, there was an intensive exchange with the covering analysts of S&T AG throughout 2021 as well as a Capital Market Day organised by S&T on October 11, 2021, which was attended virtually 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 the presentation of numerous application examples by well-known S&T customers from various industries, such as *práva železnic* (Czech Railway) and Wandelbots. The active exchange with investors, proxy advisors and rating agencies regarding ESG goals and the development of S&T in the ESG area was also continued in 2021 and led, among other things, to an improvement of the MSCI rating to BBB+.

In 2021, roadshows focused on Germany, Austria, France, the United Kingdom, Sweden and the United States, with most events held virtually due to the pandemic. S&T AG was invited to the following conferences in 2021:

- › German Corporate Conference of UniCredit and Kepler Cheuvreux in January 2021, online
- › ODDO SEYDLER Digital Small & Mid Cap Conference in January 2021, online
- › Jefferies Pan-European Mid-Cap Virtual Conference in March 2021, online
- › Kepler's Austrian Equity Days in April 2021, online
- › Pareto Securities' German TechITService Conference in April 2021, online
- › Spring 2021 Conference in May 2021, online
- › Jefferies Structural Winners Virtual Conference in May 2021, online
- › Oddo Commerzbank Corporate Conference in September 2021, online
- › Hauck & Aufhäuser Stockpicker Summit in September 2021, Stockholm
- › German Equity Forum in November 2021, online

In the financial year 2022, 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 2021, S&T shares are now actively covered by six analysts, based on the following recommendations and price targets as of December 31, 2021:

AlsterResearch	Buy	EUR 31.00
Hauck & Aufhäuser	Buy	EUR 31.00
Jefferies	Buy	EUR 32.00
Kepler Cheuvreux	not rated*	
Pareto Securities	Buy	EUR 30.00
Stifel	Buy	EUR 30.00
Warburg Research	Buy	EUR 28.00

*Kepler Cheuvreux has temporarily suspended the rating of the share after the publication of the short seller report until the completion of the forensic investigation.

Two further analysts are currently preparing coverage of S&T AG, which is to be initiated in the first half of the 2022 financial year.

ANNUAL GENERAL MEETING

On June 8, 2021, the Supervisory Board and Executive Board of S&T AG welcomed shareholders to the company's 22nd Annual General Meeting. The Annual General Meeting was again held as a virtual meeting, pursuant to § 1 section 2, COVID-19-GesG (Health and Food Safety Act), Austrian Civil Code (BGBI) No. 16/2020 BGBI as amended I no. 24/2020 and the COVID-19-GesV (Corporate Law), BGBI. II no. 140/2020. The shareholders represented by proxies represented approximately 59% of the subscribed capital of S&T AG (2020: approximately 50% 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.

In June 2021, an increased dividend of 30 cents was paid for the 2020 financial year, after no dividend was paid for the 2019 financial year due to the utilisation of government COVID-19 pandemic grants in 2020. For the 23rd Annual General Meeting scheduled for May 6, 2022, the Executive Board of S&T AG plans to propose a dividend of 35 cent to the shareholders for resolution in accordance with the current dividend policy.

In addition, part of net income will continue to be used for share buybacks. Based on an authorising resolution of the Extraordinary General Meeting of January 15, 2019, pursuant to § 65 Paragraph 1 (8) of the Austrian Stock Corporation Act, five share buyback programs for own shares ("Share Buyback Program 2019", "Share Buyback Program II 2019", "Share Buyback Program I 2020", "Share Buyback Program II 2020", "Share Buyback Program I 2021"), resolved by the Executive Board, have been completed since 2019. A total of 2,496,535 S&T shares were bought during these programmes for a total price (excluding incidental costs) of EUR 47,423,868.04. The Executive Board will submit a proposal for authorisation to buy back more of the company's own shares to the 23rd Annual General Meeting for resolution.

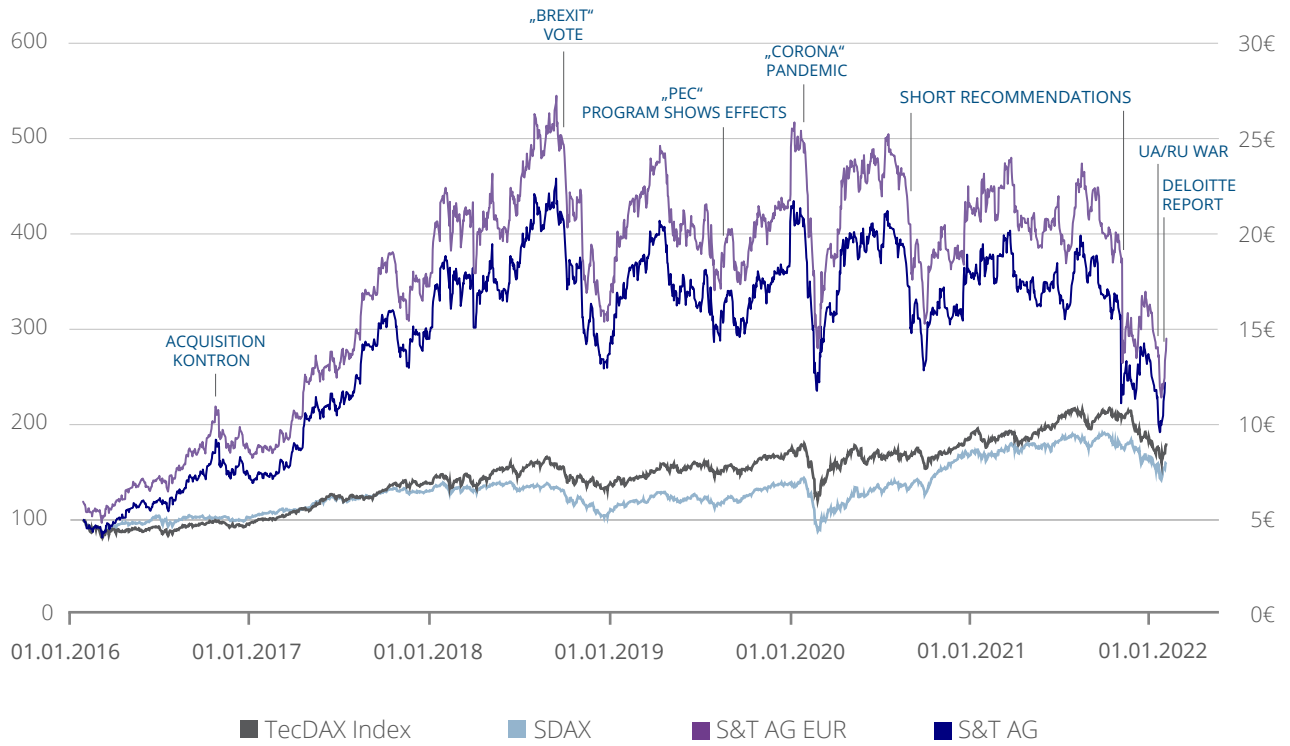
The key indicators on S&T shares for 2021 can be summarised as follows:

KEY SHARE INDICATORS 2021

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 31.12.2021	66,096,103
Number of treasury shares as of 31.12.2021	2,465,535
Price range 01.01 – 31.12.2021	EUR 13.24 – EUR 24.04
XETRA closing price as of 30.12.2021	EUR 14.66
Average XETRA trading volume per day	270 thousand shares
Market capitalisation 31.12.2021	EUR 968.97 million
Market capitalisation free float 31.12.2021	EUR 674.98 million
Free float 31.12.2021	69.66%
Designated sponsor	Oddo Seydler Bank AG Pareto Securities AS
Analysts as of 31.12.2021	AlsterResearch – Thomas Wissler Hauck & Aufhäuser – Tim Wunderlich Jefferies – Martin Comtesse Kepler Cheuvreux – Patrick Steiner Pareto Securities – Knud Hinkel Stifel – Adrian Pehl Warburg Research – Malte Schaumann

07 S&T SHARES

PRICE DEVELOPMENT





SUPPORTING THE POLISH MINISTRY OF HEALTH IN THE FIGHT AGAINST THE PANDEMIC

IT SERVICES

The global pandemic has forced the public sector to both increase the pace of actions and improve their efficiency. An excellent example of advanced digitalisation in the public sector, which leads to more efficiency, is the e-Health (e-Zdrowie) system co-created and developed by S&T since 2018. The project includes the development of an electronic platform for public healthcare services that enables the collection, analysis, and sharing of digital resources about medical events.

Within the scope of the project, in 2021 the S&T team supported the Polish Ministry of Health in the development of the Internet Patient Account (Internetowe Konto Pacjenta), among other projects. Using this application, the insured persons can check their prescriptions, referrals, and the results of coronavirus tests, or obtain information on imposed quarantine or home isolation – both for the service users and their children. The S&T team was also responsible for updating the EU Digital Covid Certificate to the new booster vaccine requirements.

During the pandemic, forecasts regarding the development of the epidemic have also grown in importance. As part of the project carried out for the e-Health Center (Centrum e-Zdrowia), S&T is responsible for the development and operation of one of the largest data warehouses in Poland, which is fed with information from many central systems. The recipients of the collected and processed data include the Ministry of Health, the Chancellery of the Prime Minister of Poland (vaccination statistics), the National Institute of Hygiene (vaccination data), the National Health Fund (COVID-19 data), the Ministry of Science and Higher Education (data on vaccinations of students and academic staff). The data warehouse handles over 1 million queries per day.

MANAGEMENT REPORT



01 FOUNDATIONS OF THE GROUP

BUSINESS MODEL

S&T AG, based in Linz, Austria, is the top parent company of the S&T Group, an international provider of Industry 4.0, Internet of Things technologies and an IT system integrator. The S&T Group is mainly active in its core markets of Germany, Austria, Switzerland, Eastern Europe, North America and, increasingly, Asia. S&T AG, located in the "IT Services" segment, offers IT services directly to the Austrian market. The other 31 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 2021:

- › **"IT Services"**: This segment comprises the former S&T segments "Services DACH" (Germany, Austria and Switzerland) and "Services EE". PSB-IT Service GmbH, Ober-Mörlen, Germany, acquired in fiscal year 2021, Axino Solutions GmbH, Aachen, Germany, and Enterprise Concept SRL, Bucharest, Romania, were assigned to the "IT Services" segment. S&T Slovenija d.d., Ljubljana, Slovenia, which would not be sold if the project "Focus" was implemented, was reclassified from the "IT Services" segment to the "IoT Solutions Europe" segment due to the planned merger with Iskratel d.o.o., Kranj, Slovenia.
- › **"IoT Solutions Europe"**: This includes the former S&T segments "Appliances Security" and "Appliances Smart Energy" as well as parts of the Kontron Group. In addition, the companies HC Solutions GmbH, Linz, Austria, acquired in the past financial year, as well as the business operations of Ultraschall Technik Halle GmbH, Halle, Germany, acquired as part of an asset deal, were assigned to this segment. S&T Slovenija d.d., Ljubljana, Slovenia, has also been reclassified from the "IT Services" segment to the "IoT Solutions Europe" segment due to the forthcoming merger with Iskratel d.o.o., Kranj, Slovenia.
- › **"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 2019 financial year. Otherwise, there were no changes in the IoT Solutions America segment in the past financial year.

The financial year 2021 was essentially characterised by

- › the ongoing effects of the COVID-19-pandemic and the associated measures (lockdowns, travel restrictions), as well as supply chain disruptions and commodity shortages ("chip crisis"), which the S&T Group was also unable to avoid;
- › various acquisitions – PSB-IT Service GmbH, Axino Solutions GmbH, Enterprise Concept SRL, HC Solutions GmbH – and their integration;
- › the start of the project "Focus" to evaluate the strategic options for the "IT Services" segment, 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 including 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, the S&T Group generated revenues of EUR 1,342.0 million in the financial year 2021 (PY: EUR 1,254.8 million). This makes the 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, 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 license management or optimisation. The object here is in particular the determination of the software licenses necessary for the customer's requirements, the coordination with the customer's existing compliance requirements, the administration of the usage or license agreements and registrations, as well as the analysis and comparison of the respective fees or license 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 center infrastructures or network security technology. The services related to data centers include the analysis, planning and optimisation of data centers 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.
- › Operation (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 center 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 manufacturer was completed on September 30, 2016, which also took over the associated brands chiliGREEN and Maxdata. The acquisitions in the past financial year also further expanded the service portfolio. This includes, for example, the acquisition of PSB-IT Service GmbH, Ober-Mörlen, Germany, which is active in the same business area as CITYCOMP Service GmbH. In addition, Axino Solutions GmbH, Aachen, Germany, and Enterprise Concept SRL, Bucharest, Romania, were also taken over in the past financial year. Due to the positive business development of CITYCOMP Service GmbH, the call option for 44.5% of the shares in CITYCOMP Service GmbH was also exercised by S&T AG as of December 15, 2021, so that CITYCOMP Service GmbH is owned 100% by S&T AG from that day on.

Despite the reclassification of S&T Slovenija d.d., external revenues of EUR 558.8 million (adjusted PY: EUR 523.5 million) were achieved in the "IT Services" segment in financial year 2021. The previous year's segment presentation was adjusted to the modified segment assignment in the actual reporting period.

The focus of the "IoT Solutions Europe" business segment is on 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, has also been 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.
- › 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.
- › Hardware-based solutions for the medical technology sector that support artificial intelligence applications and are used, for example, in ventilators, patient monitoring systems and medical technology imaging products such as ultrasound devices, computer tomographs and MRI devices.

The "IoT Solutions Europe" business segment suffered the most from global chip and component shortages in the financial year 2021. External revenues amounted to EUR 679.5 million (adjusted PY: EUR 605.2 million), which meant that this segment was the top segment of the S&T Group in terms of revenues in the past financial year. The previous year's segment presentation was adjusted to the modified segment assignment in the actual reporting period.

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 Solutions 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 revenue and earnings in recent years. In order to improve revenue development, the portfolio of the "IoT Solutions Europe" segment was increasingly offered on the one hand 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. Despite these steps, the "IoT Solutions America" segment was unable to meet management's expectations in financial year 2021, which is also attributable to the impact of the chip crisis in addition to the slump in the aviation industry as

a result of COVID-19. In addition, the development of the US dollar impacted the revenue development in this segment.

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

- › 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) as well as vRAN (Virtual Radio Access Network).

In the "IoT Solutions America" business segment, external revenues of EUR 103.7 million was achieved in the past financial year (PY: EUR 126.0 million).

The S&T Group employed a total of 6,206 people (PY: 6,067 employees) on a full-time equivalent basis as of December 31, 2021, although this figure does not include employees or apprentices who are on training or maternity leave. The increase is primarily due to the newly acquired companies Axino Solutions GmbH (December 31, 2021: 44 employees on a full-time equivalent basis) and PSB-IT Service GmbH (December 31, 2021: 43 employees on a full-time equivalent basis). Of the total employees, around 40% (PY: 41%) work in the "IT Services" segment, 56% (PY: 54%) in the "IoT Solutions Europe" segment and 4% (PY: 5%) in the "IoT Solutions" America segment. As of the balance sheet date, S&T Group employees were divided among the individual divisions as follows:

- › 3,260 employees in the area of Development (research & development and engineering)
- › 742 employees in the area of Hardware-related IT Services
- › 526 employees in the area of Production & Logistics
- › 762 employees in the area of Sales and Marketing
- › 916 employees in the area of Management and Administration

Geographically, S&T AG has 78 (PY: 81) active direct and indirect fully consolidated subsidiaries in the following 32 (PY: 33) countries: Albania, Austria, Belarus, Belgium, Bulgaria, Canada, China, Croatia, the 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 internal IT, risk management, internal audit, license management, group accounting and group controlling, as well as partly insurances and financing. Due to the necessary customer interaction or 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.

The main external factors influencing both the business and business development of S&T Group are the investment and spending behavior 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 behavior 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. In the past financial year, the global bottlenecks in the production of microchips and electronic components had a strong impact on the business of the S&T Group, as did other external factors.

MANAGEMENT SYSTEM

The unchanged objective of S&T's management is to sustainably increase the value of the S&T Group and therefore 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;
- › 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 revenue, 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 controlling the equity ratio, the debt-equity ratio is relevant. Since the financial year 2019, an even stronger focus has been placed on working capital, because due to the higher share of revenue of the IoT Solutions business – which is more working capital intensive than the IT services business – the working capital has increased both as an absolute and relative value compared to the revenue of the S&T Group as a whole. In financial year 2021, the chip crisis led to a further increase in inventory, particularly due to semi-finished products that could not be delivered as a consequence of missing components. 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 are closely monitored at management level by means of monthly scorecards and quarterly reports so that corrective action can be taken at an early stage if necessary. To this end, 2021 saw the introduction of a new business intelligence tool for key business areas in order to improve and automate ongoing reporting. In addition, the operating income of each company is monitored by a designated member of the Executive Board as part of regional management. In addition to the development of revenue and order intake, the key indicators for this are personnel costs, EBITDA and operating cash flow. In financial year 2021, operative cash flow was also introduced as an additional key performance indicator for the remuneration of the Executive Board and local management in order to further improve cash conversion. 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 centers 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 revenue 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 revenue.

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 as well for reducing default risk of customers, 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 2021. In the past financial year, the S&T Group implemented its own developments in the field of medical technology (artificial intelligence) and communication solutions for industry, rail and energy (5G technology, vRAN, MCx communication system, FRMCS), among others. 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 211.3 million in 2021 (PY: EUR 184.1 million). Of this, development costs of EUR 21.5 million were capitalised in the past financial year (PY: EUR 17.6 million). This means that around 15.7% of revenue (PY: 14.7%) is invested in research, development and engineering services.

S&T subsidiary Iskratel's research activities focus on topics such as the development of new telecommunications solutions. 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, low error-prone 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, supporting the digitisation and the vision of the smart factory.

S&T subsidiary Kontron Transportation is successfully working on various research initiatives, thus driving forward the development of modern mobile communication for railways. In December 2021, for example, Kontron Transportation, together with its partners AZD and Thales, successfully demonstrated how an unmanned train operates as part of an event organised by the European Shift2Rail program. This technology is based on a prototype developed by Kontron Transportation using FRMCS concepts. The field test phase in the X2Rail project launched in 2020 within the framework of "Shift2Rail", with which a series of technology demonstrators must now prove themselves in a real railway environment following completion of laboratory activities. 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 company is also represented in international bodies, such as UIC (International Union of Railways), ETSI (European Telecommunications Standards Institute) and 3GPP (3rd Generation Partnership Project) working groups, which, as part of the new European Technical Specification for Interoperability (TSI) planned for the end of 2022, represent an important milestone on the path to the industrialisation of FRMCS.

The S&T subsidiary Kontron AIS GmbH is working on the expansion of the software offering in the field of industrial automation and focuses 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 digitisation 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 must be answered.

02 ECONOMIC REPORT

S&T GROUP REVENUE GROWTH SLOWED DUE TO CHIP CRISIS — BURDEN ON EBITDA AND OPERATIVE CASH FLOW

The global economy recovered in 2021 due to strong growth in demand following the slump in 2020 – despite the ongoing COVID-19 pandemic – although the increase in demand could not be met in full due to global supply chain disruptions and raw material shortages (“chip crisis”). According to the European Commission, economic growth in the euro zone and the EU-27 will each be 5.0% in 2021, following a decline in economic output of -6.4% and -5.9% respectively in the previous year. After economic performance shrank in 2020 in all EU countries (with the exception of Ireland) – with widely varying regional characteristics – these regional differences are also reflected in the growth rates of 2021. Some Eastern European countries, such as Croatia, Hungary and Romania, are well above the European average, with an increase in economic performance of between +7% and +8%.

The decline in economic output in Germany, the S&T Group's largest sales market, amounted to -4.6% in 2020, while the growth in gross domestic product remained below the European average at +2.7% in 2021. In S&T AG's home market, Austria, economic growth recovered somewhat in 2021 at +4.4%, following a decline of -6.7% in the previous year. In the countries outside the EU-27 zone where the S&T Group is represented – such as the USA and Switzerland – the economy was also able to recover significantly in 2021 compared to the previous year. According to the European Commission, economic output in the US was +5.8% in 2021 (PY: -3.4%), while GDP growth in Switzerland was up by +3.0% (PY: -2.4%). In Russia, economic growth was 3.9% in 2021, following a decline of -3.0% in the previous year.

Key events for the S&T Group in financial year 2021 include:

- › The ongoing effects of the global COVID-19-pandemic and, in connection with this, the measures taken by respective governments, such as lockdowns and comprehensive travel and curfew restrictions. In addition, there were global supply chain disruptions and raw material shortages in 2021, especially the chip crisis in the semiconductor industry. The S&T Group was also unable to escape these developments because deliveries did not arrive on time due to a lack of product or raw material availability, resulting in a failure to realise revenues in 2021.
- › In the course of the 2021 financial year, further smaller acquisitions were made through subsidiaries of the S&T Group in order to drive forward the S&T Group's future growth and also to gain know-how and additional resources, especially human resources. The following acquired companies were assigned to the “IT Services” segment: PSB-IT Service GmbH, Ober-Mörlen, Germany, focused on multi-vendor services; the consulting and systems integrator with extensive application know-how Axino Solutions GmbH, Aachen, Germany; and the consulting company for process management and corporate digitisation Enterprise Concept SRL, Bucharest, Romania. The software development company HC Solutions GmbH, Linz, Austria, and the business of Ultraschall Technik Halle GmbH, Halle, Germany, which was acquired as part of an asset deal, were assigned to the “IoT Solutions Europe” segment.
- › In autumn 2021, as part of the project “Focus”, the evaluation of strategic options for the S&T Group's “IT Services” segment, such as the separation or sale of this segment, began to drive forward the focus on the “Internet of Things” in the S&T Group. The foundation of the company “S&T Austria GmbH” is also related to this in order to be able to present Austrian IT service activities – which are currently combined with the headquarters functions within S&T AG – separately starting in 2022.
- › 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 2021, a lot was again invested in this area, for example to support activities in the area of in-house software development.

Despite the ongoing COVID-19-pandemic and global supply chain bottlenecks and chip and component shortages, the S&T Group's revenues increased from EUR 1,254.8 million in the previous year to EUR 1,342.0 million during financial year 2021. The Group's profitability was not able to improve compared to the previous year due to increased costs and delayed deliveries, and EBITDA fell slightly from EUR 130.0 million in the previous year to EUR 126.3 million. As a result, the EBITDA margin was 9.4% for the financial year 2021. This decline in profitability is primarily due to the “IoT Solutions America” segment, which did not meet management's goals for 2021 due to the slump in the aviation industry caused by COVID-19 restrictions and the effects of the chip crisis.

ASSETS, FINANCES AND EARNINGS

Initiated in 2018, the S&T Group's 5-year plan, the "Agenda 2023", envisaged the preparation and implementation of further organic growth and new acquisitions for the past financial year, as well as the increased integration of newly acquired subsidiaries. The integration of the Iskratel Group and CITYCOMP Group, acquired in July and October 2020, was further advanced or completed in 2021, and other newly acquired companies (such as PSB-IT Service GmbH and Axino Solutions GmbH) were added to the S&T Group. It is pleasing to note that the first projects based on Iskratel network technology, Kontron embedded hardware and mission-critical applications from Kontron Transportation have been won, demonstrating the synergetic potential of the various acquisitions. In addition, the S&T Group focused on raising profitability through the increasing share of proprietary technologies and efficiency improvements, as well as further optimising working capital and the cash conversion rate. With regard to long-term strategy, the "Focus" project was launched in autumn 2021 to evaluate the strategic options for the "IT Services" segment and to drive forward the focus on the "Internet of Things" segment in line with the "Vision 2030" within the S&T Group. Should the project "Focus" be implemented, this will have a significant impact on the short- to medium-term planning of the S&T Group, which management presented for the first time as part of the "Agenda 2025" in autumn 2021.

As in the previous year, revenue development based on organic and inorganic growth was once again positive in the "IT Services" and "IoT Solutions Europe" segments, although it was slowed down by the effects of the chip crisis. On the other hand, there is a further decline in sales in the "IoT Solutions America" segment, primarily due to the continuing negative effects of the COVID-19-pandemic and the shortage of components. In total, S&T Group's revenue for the financial year 2021 increased further from EUR 1,254.8 million to EUR 1,342.0 million.

Due to the negative development in the "IoT Solutions America" segment, the S&T Group's EBITDA was slightly reduced to EUR 126.3 million in financial year 2021 (PY: EUR 130.0 million). The EBITDA margin amounts to 9.4% and is therefore slightly below the target of 10%. Net income after non-controlling interests amounted to EUR 48.3 million in financial year 2021 compared to EUR 55.6 million in the previous year.

EARNINGS

With a growth of around 7%, revenues of EUR 1,342.0 million were achieved in the financial year 2021 (PY: EUR 1,254.8 million), which represents another high for the S&T Group. On the other hand, EBITDA declined slightly from EUR 130.0 million in the previous year to EUR 126.3 million due to global delivery delays and the related additional costs.

The measures of the "PEC Program" launched in summer 2019, focusing on profitability, efficiency and cash, were unable to fully cushion the negative impact of chip shortages on operating cash flow in financial year 2021 as a result of higher stock levels in connection with semi-finished products and the increase of buffer inventory. In 2021, personnel expenses increased compared to the previous year – this is primarily due to the companies recently added to the group of consolidated companies and the first full-year inclusion of the Iskratel Group, which was acquired in the previous year. As in the previous year – since the beginning of the Corona-Pandemic – in 2021, various subsidiaries took advantage of government subsidies during lockdowns as part of the COVID measures (e.g. short-time work). In total, the subsidies used for personnel expenses in the past financial year amounted to EUR 5.9 million (PY: 5.9 million). This partially compensated for the underemployment of S&T Group employees due to official closures of our customers' businesses or loss of revenue, particularly in the service sector. The above mentioned effects led to personnel expenses of EUR 314.2 million in the financial year 2021, compared to EUR 273.3 million in the previous year. Other operating income for the financial year 2021 amounted to EUR 13.5 million and was therefore above the previous year's level (EUR 8.8 million). Other operating expenses increased from EUR 78.8 million (2020) to EUR 84.7 million in the past financial year due to the acquisitions made. The depreciation and amortisation of tangible and intangible assets increased slightly from EUR 61.5 million in the previous year to EUR 63.6 million in the financial year 2021 – this is ascribable to the increase in depreciation from the (intangible) assets acquired as part of the company acquisitions. These effects resulted in an EBIT of EUR 62.7 million compared to EUR 68.6 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. With regard to long-term financing, an additional bonded loan of EUR 7.5 million was taken out in the financial year 2021, as well as an investment loan of EUR 37.5 million to refinance the acquisition of the Iskratel Group. Finance expenses in reporting year 2021 amounted to EUR 10.0 million and therefore increased slightly compared to the previous year (PY: EUR 9.3 million). Accordingly, the financial result was EUR -8.5 million, compared to the previous year's figure of 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 152 in 2021 (PY: TEUR 30). Furthermore, the non-cash effective discounting of variable purchase price obligations must be reported in the financial result, which will be significantly reduced in the future due to the exercise of the option on the CITYCOMP shares and the reduction of the remaining variable purchase price at the Iskratel Group.

Overall, the net income for financial year 2021 before non-controlling interests was reduced from EUR 54.6 million in the previous year to EUR 49.0 million. Net income after non-controlling interests declined accordingly from EUR 55.6 million in the previous year to EUR 48.3 million. Earnings per share (EPS) decreased from 86 cents (2020) to 75 cents (2021).

The S&T Group's order backlog as of December 31, 2021 amounted to EUR 1,334.9 million (PY: EUR 927.2 million), which represented another high and was partly due to the delayed delivery of products because of the poor availability of microchips. This order backlog includes contractually fixed orders and deliveries. Furthermore, the project pipeline increased from EUR 2,702.3 million in the previous year to EUR 3,367.0 million as of December 31, 2021.

DEVELOPMENT OF THE BUSINESS SEGMENTS

As in the previous year, the 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 installation and maintenance. Following the reduction of in-house 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, the S&T Group offers a large number of solutions in the areas of workplace (client and printer), data center (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, 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 following companies acquired during financial year 2021 were assigned to the "IT Services" segment: PSB-IT Service GmbH, Ober-Mörlen, Germany, focused on multi-vendor services; the consulting and systems integrator with extensive application know-how Axino Solutions GmbH, Aachen, Germany; and the consulting company for process management and corporate digitisation Enterprise Concept SRL, Bucharest, Romania. Due to the positive business development of CITYCOMP Service GmbH, the call option for 44.5% of the shares in CITYCOMP Service GmbH was also exercised by S&T AG as of December 15, 2021, so that CITYCOMP Service GmbH is owned 100% by S&T AG from that day on.

“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. In 2017, the previous S&T segments "Appliances Security" and "Appliances Smart Energy" were merged with the former Kontron "Industry" division. The Kontron Transportation Group, which was acquired in 2019, and Kontron AIS GmbH, as well as the Iskratel Group acquired in 2020, were assigned to this segment. In financial year 2021, the acquired company HC Solutions GmbH, Linz, Austria, as well as the business operations of Ultraschall Technik Halle GmbH, Halle, Germany, acquired as part of an asset deal, were also assigned to this segment. S&T Slovenija d.d., Ljubljana, Slovenia, has also

been reclassified from the "IT Services" segment to the "IoT Solutions Europe" segment due to the forthcoming merger with Iskratel d.o.o., Kranj, Slovenia. In combination with special software solutions and innovative know-how of the 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. Since financial year 2020, the subsidiaries in North America have also been selling solutions provided by IoT Solutions Europe, in particular in the areas of industrial automation and medical technology. The first technologically exciting major design wins could be achieved in these areas, but they were not able to compensate for the decline in revenue.

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	
	2021	2020*	2021	2020*	2021	2020	2021	2020
Total revenues	577.4	542.0	813.7	717.5	115.4	152.0	1,506.4	1,411.5
Internal revenues	-18.5	-18.4	-134.2	-112.3	-11.8	-26.0	-164.5	-156.7
Segment revenues	558.8	523.5	679.5	605.2	103.7	126.0	1,342.0	1,254.8
Gross profit	181.5	153.5	278.8	256.0	29.9	46.2	490.2	455.8
EBITDA	60.2	47.2	67.5	68.7	-1.4	14.1	126.3	130.0
Depreciation and amortisation							-63.6	-61.5
Finance income							1.6	1.6
Finance expenses							-10.0	-9.3
Result from associated companies							0.0	-0.2
Income taxes							-5.3	-6.1
Results of the period							49.0	54.6

* The previous year's figures were adjusted in line with the reclassification of S&T Slovenija d.d. from the "IT Services" segment to the "IoT Solutions Europe" segment in financial year 2021.

- › In the "IT Services" segment, segment revenues increased in financial year 2021 by about 7% compared to the previous year's figure (adjusted PY: EUR 523.5 million) and amounted to EUR 558.8 million. Gross profit improved significantly, both as an absolute value and in relation to segment revenues: In fiscal year 2021, it was EUR 181.5 million compared to the previous year's figure of EUR 153.5 million, which corresponds to an increase of over 18%. The gross margin also increased to 32.5% in 2021 compared to a gross margin of 29.3% in the previous year. 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, licenses 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 28% from EUR 47.2 million to EUR 60.2 million in financial year 2021. The operating EBITDA margin (before headquarter charges) also improved as a result of the measures from the "PEC program" and continues to move closer to its peer group. The COVID-19-pandemic also had an impact on the "IT Services" segment in the financial year 2021, because – as in the previous year – further lockdowns, customer closures by authorities and the related short-time working in some cases led to projects being delayed. In terms of global delivery delays, this segment was also affected – although to a much lesser extent than the IoT segments – because deliveries of products in the hardware sector could not be carried out on time and therefore revenues could not be realised in 2021. It is expected that these supply chain disruptions will subside again over the next few months and consequently the delivery backlog made up for in 2022. In the medium term, S&T AG assumes that the further digitisation of work processes will accelerate and may also have a positive impact on the "IT Services" segment. Investments in cybersecurity and the upcoming migrations from SAP R3 to SAP S/4HANA also offer further potential for the S&T Group. The "Focus" project, which was launched in autumn 2021, aims to evaluate the strategic options for the "IT Services" segment, such as the sale of this segment, in order to drive forward the focus on the "Internet of Things" segments within the S&T Group.
- › 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 605.2 million (adjusted PY) to EUR 679.5 million in the financial year 2021, which corresponds to a revenue growth of over 12%. In addition to the positive operating development – but hampered by the effects of global delivery delays – this is also due to the first full year including the Iskratel Group since its initial consolidation on October 1, 2020. Revenue in the "IoT Solutions Europe" segment thus accounted for around 50% of S&T Group's total revenues in 2021, and 53% of group EBITDA also resulted from this segment. The global raw material shortage in the semiconductor sector impacted the "IoT Solutions Europe" segment the hardest, as many semi-finished products could not be completed due to the shortage of chips and could therefore not be delivered to customers. This backlog is expected to be overcome in 2022. Gross profit rose to EUR 278.8 million in financial year 2021 (previous year: EUR 256.0 million) – the gross margin, on the other hand, decreased slightly compared to the previous year's figure to 41.0% (PY: 42.3%). Segment EBITDA reduced a touch to EUR 67.5 million from EUR 68.7 million in the previous year. This is primarily due to the effects of the chip crisis, because (fixed) costs – also in connection with the redesign of products to more readily available chip sets and components – were already incurred in 2021, while the associated revenue can only be realised in 2022. As a result of these effects, the EBITDA margin was also diluted and stands at 9.9% in 2021 compared to 11.4% in the previous year.
- › The "IoT Solutions America" segment is still affected by the difficult market environment due to the Corona-Crisis, as a result of declining sales, especially in the aviation sector. The aviation sector's recovery progressed only very slowly in the financial year 2021. Furthermore, the "IoT Solutions America" segment, as well as the "IoT Solutions Europe" segment, was impacted by the chip crisis, and deliveries had to be postponed to 2022 here as well. Accordingly, revenues fell from EUR 126.0 million in the previous year to EUR 103.7 million in the financial year 2021. This development led to a decline in gross profit from EUR 46.2 million to EUR 29.9 million, and also the gross margin of 28.8% in 2021 was below the previous year's level (36.7%). This reduced gross profit also led to a lower EBITDA in 2021, which was EUR 1.2 million before headquarter charging, but amounted to EUR -1.4 million after headquarter charging (PY: EUR 14.1 million). This led to a negative EBITDA margin of -1.4% in 2021 (PY: 11.2%). Following the implementation of project "Focus" and the sale of the "IT Services" segment, the funds generated will be used to globalise the S&T Group's IoT technologies and strengthen the "IoT Solutions America" segment.

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 ongoing positive development in the medical technology sector should be emphasised, where the 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, following the slump in aviation technology revenue by more than half in 2020, no significant recovery is expected in the short to medium term either: due to the decline in passenger volumes, also due to reduced business travel, numerous airlines sharply reduced their investments. The industrial automation sector was characterised by increased uncertainty due to further economic development and its effects on demand and production.

Investments rose slightly from 2020 to 2021, but sales of S&T Group products were only able to meet this increased willingness to invest to a limited extent because of the delivery delays. In the other end markets, such as train radio technology, there were numerous new orders due to increased investments in “green transport” and also the upcoming technology changes, so that a strong development in this area can be expected from 2022 onwards.

For the other impacts brought about by the SARS-CoV-2 pandemic and the chip crisis, please refer to the explanations in the risk report.

FINANCES

SUMMARISED CASH FLOW STATEMENT (IN EUR MILLION)	2021	2020
Cash flow from operating activities	95.3	140.8
Cash flow from investing activities	-66.3	-77.2
Cash flow from financing activities	-20.2	-65.8
Cash and cash equivalents as of the end of the year	296.5	281.9
Financing liabilities	310.7	261.7
Net cash (+)/Net debt (-) ¹⁾	-14.2	20.3

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

The operating cash flow in financial year 2021 suffered from the chip shortage and amounted to EUR 95.3 million, compared to the figure for the previous year of EUR 140.8 million. This reduction is primarily due to the build-up of inventories – due to the additional purchase of components and the general increase in the stock of products that could not be delivered due to a shortage of some components. Nevertheless, the goal of an EBITDA to cash conversion of 75% set by the “PEC program” was achieved in financial year 2021. Deliveries of semi-finished products in 2022 as well as normalisation of some aspects of the component shortage should have a positive impact on the operating cash flow in the financial year 2022. In addition to investments in fixed assets, the cash flow from investing activities in the amount of EUR -66.3 million (PY: EUR -77.2 million) also includes payments for acquisitions of companies and company shares. Here, the largest sum covered payments in connection with the exercise of option agreements to acquire the remaining shares in CITYCOMP Service GmbH. Payments for the purchase of other financial assets are also included, which result from a fixed-term deposit of EUR 7.0 million, which was made to reduce custodial fees of banks. The cash flow from financing activities includes additional financing – the majority of which is attributable to an investment credit of EUR 37.5 million to refinance the “Iskratel” share purchase and another bonded loan of EUR 7.5 million. In addition, ongoing repayments of financing liabilities – such as repayments for OeKB equity financing – and interest payments, payments for the purchase of treasury shares as part of the share buyback program, repayments in connection with finance leases, and dividend payments to S&T AG shareholders are included.

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 2021, another tranche of EUR 7.5 million with a final maturity was issued with a term until 2026 and a fixed interest rate. In the financial year 2021, S&T AG continues to monitor the development of interest rates on an ongoing basis – in this case the EURIBOR is decisive – in order to hedge in good time against any increase. Due to the development of interest and swap rates, it was still refrained from fixing further variable financing in the past financial year. Based on interest rate hikes in the USA and possible ECB interest rate increases, S&T is evaluating the switch of variable-interest financing to fixed rates in 2022.

Cash and cash equivalents increased from EUR 281.9 million as of December 31, 2020 to EUR 296.5 million as of the 2021 balance sheet date due to the effects described above. Despite this increase in cash and cash equivalents, net debt was EUR -14.2 million without taking into account rental and lease liabilities in accordance with IFRS 16 (PY: net cash of EUR 20.3 million). Cash and cash equivalents amounting to EUR 4.4 million (PY: EUR 3.8 million) were subject to restrictions on availability due to collateral provisions.

ASSETS AND LIQUIDITY

BALANCE SHEET INDICATORS (IN EUR MILLION)	2021	2020
Balance sheet total	1,352.1	1,246.6
Equity	423.3	409.5
Equity ratio ¹⁾	31%	33%
Net current assets ²⁾	28.2	18.2
Cash and cash equivalents	296.5	281.9
Net Cash (+)/Net Debt (-) ³⁾	-14.2	20.3

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 (not including financing liabilities)

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

The balance sheet total of the S&T Group increased again compared to the previous year and as of December 31, 2021, amounted to EUR 1,352.1 million (PY: EUR 1,246.6 million). This is attributable mainly to the increase in current assets, including the build-up of inventory compared to the previous year.

Equity increased from EUR 409.5 million to EUR 423.3 million as of December 31, 2021. Despite the increase in equity, the equity ratio decreased slightly from 33% in the previous year to 31% as of the balance sheet date 2021 – this is due to the larger balance sheet total and the further acquisition of treasury shares in the financial year 2021. Non-current financing liabilities increased from EUR 218.8 million in the previous year to EUR 238.4 million, as did current financing liabilities, which increased from EUR 42.8 million to EUR 72.3 million as of the balance sheet date 2021. Of the existing significant financings, the following have a fixed interest rate 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. The loan taken out in 2021 to refinance the “Iskratel” share purchase of EUR 37.5 million also has a fixed interest rate. In relation to the bonded loan, EUR 85 million (53% of the total volume) is fixed, the remainder is variable. In 2021, another fixed interest tranche of EUR 7.5 million was issued for this purpose. In addition, an overdraft facility in the amount of EUR 15 million was taken over in the course of acquiring Kapsch CarrierCom and a new overdraft facility of EUR 15 million, which was started in financial year 2021, were fixed. 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 49% of the balance sheet total as at December 31, 2021 (PY: 50%). Compared to the previous year, cash and cash equivalents increased from EUR 281.9 million to EUR 296.5 million, corresponding to more than 22% of the balance sheet total (PY: 22%). As of the 2021 balance sheet date, the S&T Group had a net debt of EUR 14.2 million (December 31, 2020: net cash of EUR 20.3 million).

Trade receivables increased from EUR 204.5 million to EUR 232.5 million. This increase is primarily attributable to specific subsidiaries of S&T AG, where additional revenue from major projects led to a correspondingly higher level of trade receivables as of December 31, 2021. In the other subsidiaries, both as a result of improved receivables management and the use of central factoring programs, the status of trade receivables was largely improved. As of December 31, 2021, trade receivables sold under the factoring programs increased in the amount of EUR 7 million compared to the previous year. At EUR 270.0 million, trade payables increased significantly in financial year 2021 compared to the previous year's figure of EUR 210.0 million.

Inventories rose from EUR 159.9 million at the end of the last financial year to EUR 187.3 million as of the 2021 balance sheet date. This increase is due to the impact of the chip crisis and the subsequent purchase of additional components, as well as the general increase in

the stock of products that could not be delivered due to the partial lack of components. Despite this increase in stock, working capital improved slightly as a result of the efforts and additional measures of the "PEC Program" created in the financial year 2019. Working capital is to be further reduced towards 10% in 2022 by more efficient warehouse management and dismantling buffer stocks and subsequent deliveries of finished products, optimised purchasing processes and renegotiations on the supplier and customer side.

Non-current assets increased again from EUR 506.0 million to EUR 519.0 million as of the balance sheet date due to the acquisitions made in the financial year 2021 and investments in technology, operating and office equipment and buildings. The most significant additions come from the acquisition of intangible assets and goodwill, as well as the capitalised loss carryforwards. In total, cash-effective investments in property, plant and equipment and intangible assets amounted to around EUR 47.0 million in the financial year 2021 (PY: EUR 33.9 million).

Non-current and current provisions again decreased compared to the previous year (PY: EUR 67.3 million) to EUR 56.5 million as of December 31, 2021 – this is primarily due to the use of provisions for impending losses and the use or reversal of provisions for research grants. Other current receivables and assets increased to EUR 83.9 million (PY: EUR 70.9 million) compared to the previous year, which is primarily due to a fixed deposit investment by S&T AG of EUR 7.0 million. Other current liabilities increased slightly to EUR 122.0 million (PY: EUR 120.4 million).

In the reporting year, there were no capital measures from the authorised capital. Furthermore, no stock options were exercised from the various stock option programs in the 2021 financial year. The number of shares issued thus remained constant compared to the previous year at 66,096,103 shares as of December 31, 2021. Based on the various share buyback programs, S&T AG held 2,465,535 (December 31, 2020: 1,467,969) treasury shares. Equity attributable to shareholders of S&T AG increased to EUR 418.6 million as at December 31, 2021 compared to EUR 404.0 million. The Executive Board and the Supervisory Board therefore plan to propose a dividend of 35 cents per share to the shareholders of S&T AG at the Annual General Meeting on May 6, 2022.

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 for the past financial year. As in previous years, it contains in-depth reporting on matters pertaining to the environment and to employees. S&T AG has also joined UN Global Compact and has identified nine sustainability goals (SDGs – Sustainable Development Goals) that are to be improved in the coming years.

PROTECTION OF THE ENVIRONMENT

The quantities of electronic devices and electronic waste introduced to 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 to package or transport the S&T Group's electronic devices: The focus here is particularly on using packaging materials as efficiently as possible and paying special attention to the recyclability of the materials used. This is also monitored by external parties through appropriate environmental audits and ISO certifications. Furthermore, the S&T Group strives to continuously optimise the electricity efficiency of the data centers it operates and uses the latest technologies for this purpose. In addition, own energy production will be increased at certain 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. These plants have already been put into operation at several locations by subsidiaries of the S&T Group in the course of 2021 – for example, at S&T AG's headquarters in Linz, where a quarter of the site's annual electricity consumption can now be produced by solar power. In addition, in 2021, the vehicle fleets at several subsidiaries have been expanded to include electric vehicles in order to reduce CO₂ emissions – and more electric vehicles are to be integrated into the vehicle fleet in the future.

EMPLOYEE WELFARE AND PROTECTION

As of December 31, 2021, the S&T Group had a total of 6,206 (PY: 6,067) employees (on full-time equivalent basis, excluding people on maternity leave or on training) for whom S&T bears social responsibility and provides social benefits. Statutory and voluntary social security costs, including severance payments, amounted to EUR 66.8 million in the 2021 financial year (PY: EUR 57.0 million). 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. S&T AG also conducted a Group-wide employee survey in the 4th quarter of 2021 – the results are analysed and implemented by local management in order to continuously improve employee satisfaction and the attractiveness of the S&T Group as an employer.

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, as well as the changed environment due to working from home – 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 taken to contain the COVID-19-pandemic, the S&T Group is continuing to take all necessary steps to protect its employees: S&T has long made it possible to work from home – this was supported and promoted even further during the Corona-Crisis. Employees can continue to work from home if their tasks allow it, but office space can be used as well when required. For staff working in the office and outdoors, hygiene measures were implemented with additional disinfection dispensers and the provision of mouth/nose protection and FFP2 masks, as well as opportunities for COVID testing. Furthermore, "Corona Officers" were appointed for the individual locations to continue providing information and support for the employees in terms of 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 during financial year 2021 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.

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. Therefore, in 2021 S&T AG started the "S&T Leadership Academy" for the S&T Group, which consists of a one-year training course which focuses particularly on female junior executives in a wide variety of fields who are to be prepared for their next career steps within the S&T Group by external trainers and S&T managers. In addition, the S&T Group also provides financial support for its employees to take advantage of external training programs or courses. To this end, the S&T Group incurred expenses for employee training measures to the amount of EUR 1.5 million in the financial year 2021 (PY: EUR 1.1 million). 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 2021 financial year, another extremely challenging year due to the COVID-19-pandemic as well as the chip crisis.

SUMMARY

Despite the ongoing difficult economic situation due to the COVID-19-pandemic, global supply chain disruptions and raw material shortages, the S&T Group was able to increase its revenues again in 2021. The original forecast was based on an annual revenue of EUR 1,400 million, but was lowered to between EUR 1,330 million and EUR 1,400 million in the course of the financial year, as part of revenue realisation had to be postponed until 2022 due to delivery delays. Revenue achieved for the financial year 2021 amounted to EUR 1,342.0 million. The delay in deliveries and increased costs associated with the chip crisis meant that the profitability forecast of 10% could not be achieved – the EBITDA in financial year 2021 was EUR 126.3 million and the EBITDA margin was therefore 9.4%. At the next Annual General Meeting on May 6, 2022, S&T AG's management will submit a proposal to shareholders to pass a resolution on a dividend payment of 35 cents.

03 FORECAST, OPPORTUNITIES AND RISK REPORT

FORECAST

In 2021, the effects of the COVID-19-pandemic continued to influence the development of the global economy. Although global economic performance recovered significantly compared to 2020 due to strong growth in demand, the increased demand could not be fully met due to global supply chain bottlenecks and disruptions. This is also a result of the shortage of raw and auxiliary materials, especially the chip crisis in the semiconductor sector. In addition, the difficulty in forecasting the end of the COVID-19-pandemic – due also to the emergence of new SARS-CoV-2 variants (delta/omicron) – contributes to increased uncertainties regarding economic development. Although the rising vaccination rates have reduced the impact of the pandemic on business activities, vaccination rates worldwide vary greatly depending on the country or region, with correspondingly different economic consequences. Following the economic slump in 2020, with economic output declining by -6.4% in the euro area, -5.9% across the European Union as a whole, and -3.4% in the United States of America, 2021 was marked by a strong upward trend despite the ongoing pandemic and supply shortages: Preliminary figures as part of the The European Commission's autumn forecast predicts growth of 5.0% in the euro area and the EU-27 for 2021, and 5.8% in the USA.

How this upward trend will develop in financial year 2022 depends primarily on how long the war in Ukraine will last and to what extent the current supply bottlenecks will last. The further course of the Corona-Pandemic is also key in terms of new virus variants and the progress of vaccinations in countries that currently have low vaccination rates.

- › In its most recent World Economic Outlook dated October 12, 2021, the International Monetary Fund expects global economic output to grow by 4.9% in 2022. The recovery of the global economy is progressing, but the IMF sees growing uncertainty about the end of the pandemic due to the risk of new SARS-CoV-2 variants emerging.
- › The European Commission's autumn forecast published on November 11, 2021, expects global GDP growth of 4.5% in 2022. Growth is forecast to decline to 3.7% in 2023 as the positive effects of the post-pandemic recovery gradually ease and the supporting economic measures are scaled back. A similar development in growth rates is expected for the European Union at 4.3% in 2022 and 2.5% in 2023. The European Commission sees the economic growth of S&T Group's most important sales markets in Europe – Germany and Austria – at 4.6% (Germany) and 4.9% (Austria) in the financial year 2022.
- › According to the IMF, the forecast for North America, where the S&T Group generates around 8% of its revenue, is economic growth of 5.0% in 2022, following an expected growth of 6.0% in 2021. In the United States, the predicted decline in supply bottlenecks in 2022 has a positive impact on economic performance, while the gradual reduction of support programs such as the American Rescue Plan is slowing down growth. In addition, in its last meeting of 2021, the US Federal Reserve signaled a possible gradual increase in the key interest rate, from the current 0–0.25% to 0.75%–1% by the end of 2022.
- › Following an increase of 8.0% in 2021, the International Monetary Fund sees economic growth in China at a rate of 5.6% in 2022. While the first half of 2021 was marked by strong growth due to the recovery in demand and exports, it then slowed again due to increasing economic uncertainty as a result of local COVID-19 outbreaks, strict lockdown measures and electricity supply bottlenecks. Other factors for the expected decline in Chinese economic output in 2022 and 2023 include a declining growth in productivity and geopolitical tensions, especially with the United States of America.
- › According to the World Bank's forecast, Russia is expected to grow by 4.3% in 2021, following a decline in economic output of -3.0% in 2020. For 2022, the World Bank originally forecast economic growth of 2.4%, while the International Monetary Fund predicted the Russian economy will grow at 2.9% in 2022. Due to the war in Ukraine and the sanctions imposed by the international community, these forecasts are definitely not sustainable and a huge slump in Russia's economy can be expected in 2022. Due to the economic interdependence of Russia with the European Union and the USA, negative impacts on future economic growth can also be expected in these markets.

Compared to the economic forecasts from a year ago, current estimates expect slightly higher growth rates for 2022 and the following years. The economic upswing following the sharp pandemic-related slump in 2020 brought higher growth rates in 2021, which for some countries were above the growth rates before the pandemic. Supply chain delays and, in some cases, rising Corona infection figures as well as the requisite measures and restrictions are forecast to shift part of the economic output from 2021 to the financial year 2022. Following the end of these catch-up effects as well as the phasing out of state subsidies and support programs, more moderate economic growth is expected for 2022 and 2023, which will be further dampened by the war in Ukraine and the accompanying sanctions against Russia.

Despite this scenario, the S&T Group's long-term objective – profitable growth – remains unchanged, as the increasing demand for digital solutions also creates opportunities for the 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 line with its guidance published on January 17, 2022, the S&T Group continues to expect revenue to grow to EUR 1.5 billion with an EBITDA margin of 10% for the financial year 2022. This organic growth is based on the high order backlog, the fulfillment of deliveries delayed due to the chip crisis, and new design wins. For the year 2022, the Russia-Ukraine war is expected to have an impact on the S&T Group. Due to the volatile geopolitical situation, the effects cannot be quantified at this point in time. The medium-term goal will largely depend on whether the sale of the IT services business, which is currently evaluated as part of the project "Focus", goes ahead. The Executive Board will adjust medium-term planning according to this outcome.

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 jeopardize 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 and IT system integrator focusing on DACH and Eastern Europe and is therefore exposed to a wide range of financial and non-financial, industry-specific and business 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. Local risk self-assessments are used to identify risks so that they can be pinpointed and counteracted at an early stage. In addition, risk self-assessments serve as a basis for the headquarters to be able to take countermeasures in good time. They are reviewed through the internal audit and the identified measures are monitored for their implementation by S&T AG's internal audit.

The systems are continuously supplemented and reviewed to take account of regional and technological expansion of business activities. 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 risk 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 self-assessments and predefined "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 the 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. For this reason, strategic options, such as the sale of IT service activities, have been evaluated as part of the "Focus" project since autumn 2021. This is intended to drive the S&T Group's medium-term focus on IoT solutions. At the same time, the S&T Group is pursuing the goal of further developing the software share in the "IoT" segments in the direction of integrated hardware and software solutions and building up new business areas, such as IoT as a service (IoTaaS). 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 extend 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. The S&T Group considers the following areas to be among the main opportunities:

DIGITISATION AND SMART EVERYTHING

Digitisation has been on everyone's lips for years. The Corona-Crisis has further accelerated this process. S&T AG is ideally equipped for this with its product portfolio: to this end, we offer everything for digital transformation within the SUSiEtec portfolio for example, from consulting to hardware/software bundles, system integration, software development, hybrid cloud as well as installation and maintenance. The 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 applies, for example, to the new 5G mobile phone standard, which enables high bandwidths, real-time applications due to low latencies and increased security despite large numbers of subscribers. 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 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 OR.NET e.V. membership.

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 expanded, particularly in the software area, in order to tap into new recurring revenue streams and to bind customers long-term to the S&T Group.

SCALING UP OUR SERVICE AND SUPPORT OFFERING

The expansion of our range of services also holds opportunities for the 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 financial year 2021 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 EXISTING AND NEW PARTNERSHIPS

The strategic partnership launched in 2016 with Ennoconn Corporation ("Ennoconn") and its main shareholder, Hon Hai Precision Ltd. ("Foxconn"), can yield further opportunities. In financial year 2021, Ennoconn also entered into a strategic partnership with Google Inc., whose application is also being evaluated by the S&T Group. There is also a stronger focus on expanding partnerships with leading technology providers such as Microsoft in the direction of embedded cloud and Microsoft Azure® as well as with innovative newcomers in the field of artificial intelligence. 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 the S&T Group further growth potential.

RISK MANAGEMENT

STRATEGIC RISKS

The COVID-19-pandemic has led to a significant impact on the framework conditions for the global economy. While financial year 2020 was marked by a global decline in economic performance, the economy began to recover in financial year 2021, even though economic growth fell short of expectations due to further lockdowns and travel restrictions, etc. This development also had a negative impact on the S&T Group's business in some vertical end markets. 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. For the S&T Group's solutions in the aviation sector, a significant improvement in demand cannot be expected in the short term, which is why investments in this area were also greatly reduced and personnel has been reduced or reallocated.

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 revenue.

With regard to the S&T Group's IoT Solutions segments, this means further 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 unproductive. 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.

ACQUISITION RISKS

The S&T Group's strong organic growth is accompanied by company acquisitions and therefore external growth. Company acquisitions involve a number of risks, so it is important to implement appropriate measures designed to minimise these risks. In particular, extensive due diligence in the acquisition process and years of industry experience help to minimise acquisition risks such as the risk of paying a purchase price that is too high, overestimating the synergy effects and legal risks that could arise from the acquisition. Following an acquisition, rapid group integration, taking cultural differences into account, and transparent communication is required in order to reduce risks and avoid failures to use synergy effects.

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 the 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, the S&T Group endeavors to compete for the best minds at an early stage and to show them the values and opportunities of working for the 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 the 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 staff 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. In order to protect its employees as well as possible, the S&T Group implemented comprehensive safety concepts at the beginning of March 2020 and continuously updated them during 2021 according to the circumstances — new waves of Corona infections, lockdowns, vaccination progress. Depending on the current situation and demand, this included the immediate change to a working from home 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 the S&T Group during financial year 2021 was very low. Due to the current highly infectious omicron mutation, and in the future, these measures will also be continued in the first quarter of 2022 in order to protect our employees as far as possible and to mitigate the risk of significant downtimes.

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 the S&T Group to customer requirements. Regarding the development of these proprietary technology products, there is a risk that they will prove to have missed the mark or be uncompetitive and as a result the expected sales and contribution margins cannot be achieved. Delays in development can also lead to postponements in the timely launching on markets 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. 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.

As in financial year 2020, the impact of the Corona-Pandemic on the individual sales markets of the S&T Group in the past financial year varied: for example, demand in the S&T Group's medical technology division remained at a high level following record growth in 2020. On the other hand, airlines struggled with low passenger volumes due to recurring restrictions on air travel and the decline in numbers of business travelers, which, for example, led to aircraft being decommissioned and a low willingness to invest in most airlines. The S&T Group assumes that some customer segments will not return to the "pre-Corona" key figures for years to come and has therefore focused on specific sales markets with high digitalisation potential, such as in the area of industrial automation and train radio, 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 before the acquisition by S&T and the associated loss of technology leadership led to losses on the customer side and Kontron becoming a "secondary source". This particularly affected the "IoT Solutions America" segment, where the loss of two major customers led to a significant decline in revenue in recent years.

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 organizations. 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. While initially payment defaults and insolvencies were expected as a consequence of government support measures being phased out during 2021, the past financial year did not confirm this assumption and there was no "wave of insolvencies". Nevertheless, the focus will continue to remain on very strict receivables management in combination with credit insurance and factoring in the future.

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, in the IoT Solutions segments, our worldwide service and repair centers ensure that faulty Kontron products can be quickly and effectively repaired and returned to our customers. In addition, we cover our product risks with appropriate central and specific local insurance, in addition to sector-specific insurance, for example in the aviation industry. It is equally important that the relationship between customized development orders and standard product orders is managed in the best possible way 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 also 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. For example, in financial year 2021, ODM (Original Design Manufacturing) activities from various subsidiaries were bundled and set up again under uniform management.

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. Wars, 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. Following the spread of the Coronavirus-Pandemic and in particular the lockdowns at the start of financial year 2020 that posed major challenges for supply and production chains, a global chip crisis occurred in the financial year 2021 as a result of the high demand for microchips and electronic components. The chip crisis meant that only some of the components ordered were delivered to the S&T Group, or were delivered with significant delivery delays. At the same time, the shortage also led to significant price increases, particularly for chipsets and components from older generations. The S&T Group countered this situation by setting up buffer warehouses and redesigning products based on chipsets and components that are more likely to be available in future. In many cases, the price increases were passed on to customers of the S&T Group, but there is still the risk of further price hikes, which the S&T Group will not be able to escape either.

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 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. However, a significant increase in logistics costs has remained. 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 labor costs, increased transport costs and increased demand can influence the price level here.

RISKS FROM PROJECTS AND OPERATING CONTRACTS

In the business segment "IT Services", the 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 sector as well as to the implementation or deployment of GSM-R projects in the train radio sector, which usually take several years. The agreement of advance payments is not or only rarely possible for the majority of projects, especially for public sector clients. The services of the 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 the 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 and the go-live date (i.e. the project acceptance date) 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 financial year 2021, 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 as far as possible.

RISKS FROM FINANCING AND LIQUIDITY

In the past financial year, a significant credit facility – the refinancing of the acquisition of the Iskratel Group through long-term equity financing together with Österreichische Kontrollbank – was taken up in the amount of EUR 37.5 million. Nevertheless, despite the acquisitions made and the buyout of minorities, the dividends paid, the repurchase of treasury shares and the ongoing repayments of existing loans, the financial situation of S&T AG and the S&T Group is very solid due to the positive development in cash flow. 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 we have contributes to 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 taken out in financial year 2019 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, by implementing a central factoring setup, a financing model was established 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 S&T Group's loans and overdraft facilities of EUR 206.2 million have fixed interest rates, while EUR 104.5 million have a variable rate of interest. The financing with fixed interest rates mainly relates to the loan of EUR 45 million taken out in 2017 to finance the acquisition of Kontron AG, the loan taken out in financial year 2018 to finance the acquisition of the Exceet companies in the amount of EUR 30 million, the loan of EUR 37.5 million taken out in March 2021 for the acquisition of the Iskratel Group as well as a long-term loan of EUR 30 million. Of the bonded loan taken out in 2019, EUR 85 million of the EUR 160 million is fixed, while the interest rates for the remaining part are continuously monitored and quotations obtained for any conversion. 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 for the local currency will increase, thereby increasing the interest burden on the 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 favorably than the local subsidiary. As of December 31, 2021, S&T Group had an interest rate hedge (interest rate swap) of EUR 15 million to hedge a variable interest rate on overdraft facilities 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 złoty 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 ruble in particular experienced a significant decline in the first months of financial year 2022, which can only be partially offset and will have a particular impact on the revenue of Russian 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. We protect and monitor patents and trademarks by involving external patent and trademark attorneys. To raise awareness of possible compliance issues and avoid possible violations, a group-wide compliance training system was introduced in the past financial year in order to carry out and document training and tests at all levels of the S&T workforce.

POLITICAL RISKS

Russian troops invading Ukraine at the end of February 2022 and the ensuing armed conflict means that local projects can be delayed or become completely impracticable. At the same time, the sanctions imposed on Russia by the international community, such as the exclusion of Russia from international payment transactions SWIFT or the ban on exports of high-tech products to Russia, mean massive restrictions on financial systems and the real economy. The S&T Group is affected in several ways: On the one hand, the sanctions make it difficult or impossible to fulfill existing or new customer projects. On the other hand, armed conflict and sanctions lead to a massive decline in the economy and a stop to investment. In the end, the exclusion of Russian banks from international payment transactions makes cash flows to and from Russia impossible or only possible with difficulty, so that the payment of dividends from local subsidiaries to S&T AG, for example, is currently not possible.

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

Business monitoring systems (internal control systems – ICS) are becoming increasingly important. Internal control 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 staff 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 applies 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, confirmation by a second person, separation of functions and minimum scope of 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 Organization (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 that 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 2019 financial year, 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 and is continuously updated. The subsidiaries acquired in 2021 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. Another focus is on working capital and cash management, which is taken into account using centralised monthly reporting and analysis of developments. The results are discussed directly with the people responsible at the subsidiaries and decisions are made during regular visits to the companies on site or conference calls by the Executive Board member responsible for the respective subsidiary.
- › For more complex issues and for the evaluation of actuarial issues or, for example, the option pricing for the stock option 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 of S&T AG 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 known other limitations that might affect voting rights or the transferring of shares.
3. With 26.61% of the shares and voting rights, held via two subsidiaries affiliated with Ennoconn Corporation, the business Ennoconn Corporation, New Taipei, Taiwan, is the largest shareholder of S&T AG as of December 31, 2021, to the knowledge of S&T AG. 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 stock option 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, as authorised by the Annual General Meeting on June 16, 2020, a new warrant program comprising a total of 2,000,000 warrants (instruments in accordance with Section 174 of the Austrian Stock Corporation Act) was launched and these were offered to authorised employees of the S&T Group. Around 120 executive employees and employees of the S&T Group signed warrants. Warrants were also issued to selected members of the Executive Board of S&T AG. Following a 3-year waiting period and in the event that the hurdle specified in the emissions conditions 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. For more information on the basis for issuing warrants, see the information below. There is no associated voting rights control or the possibility to exercise voting rights with warrants. Employees who own shares in S&T AG can exercise their voting rights at the Annual General Meeting directly and at their own discretion. No new stock option programs were issued in the past financial year 2021.
6. No stipulations exist that exceed the bounds of law and apply to the members of the Executive and Supervisory Boards. According to S&T AG's articles of association, the Annual General Meeting decides by a simple majority of the votes cast, and in cases where a majority of the share capital is required, by a simple majority of the share capital represented at the time of resolution, unless the law of S&T AG's articles of association provide for a larger majority. In addition, no 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 Executive Board's previous authorisation to buy back treasury shares, the Extraordinary General Meeting of S&T AG on January 15, 2019 approved a new authorisation for the Executive Board to buy back treasury shares. The Executive Board was authorised to purchase no-par value shares in the company amounting to up to 10% of the company's share capital for a period of 30 months from January 15, 2019, both on the stock exchange and – in this case with the prior approval of the Supervisory Board – off the stock exchange. 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 Executive Board resolutions as well as details of the respective repurchase program based thereon shall be published in accordance with legal requirements.

For a period of five years from the resolution of the Extraordinary General Meeting on January 15, 2019, 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 was also authorised

by the Extraordinary General Meeting on January 15, 2019, to redeem treasury shares following repurchase without further resolution by the Annual 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.

The Executive Board made use of the authorisation to acquire treasury shares in the 2021 financial year through two share buyback programs:

- › On October 27, 2020, the Executive Board of S&T AG decided to implement a buyback program for treasury shares ("share buyback program II 2020") based on the authorisation of the Extraordinary General Meeting of January 15, 2019. The volume amounted to up to 1,000,000 treasury shares, bringing the total acquisition amount up to EUR 20 million and the maximum price per acquired treasury share was EUR 20.00. The share buyback program II 2020 was continued in financial year 2021 – on March 2, 2021, the Executive Board decided to raise the maximum price to EUR 22.50 because of S&T AG's increased share price due to the company's positive operating performance. The total number of shares acquired as part of the share buyback program II 2020 amounts to 824,471 shares, which were acquired at a weighted average price of EUR 19.7015.
- › On April 27, 2021, the Executive Board decided on another share buyback program ("Share Buyback Program I 2021"). The agreed volume amounted to up to 500,000 shares to be repurchased, the repurchase under the share buyback program I 2021 started on May 3, 2021 and was limited until November 3, 2021. The maximum price was set at EUR 22.50 per share or the price 10% above the average S&T stock price of the last 5 trading days on the XETRA exchange platform. The maximum total amount spent by S&T AG on the share buyback program I 2021 was EUR 10 million. S&T AG bought back a total of 493,446 shares at a weighted average price of EUR 20.2656 per share under the share buyback program I 2021.
- › As of December 31, 2021, S&T AG holds 2,465,535 treasury shares, which corresponds to 3.73% of the company's share capital. The total acquisition price of all treasury shares as at December 31, 2021, excluding incidental costs of the repurchased shares, was EUR 47,423,868.21.

As of December 31, 2021, the Annual General Meeting of S&T AG has not yet issued authorisation to buy back further treasury shares.

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", Section 5, paragraph 5 of the Articles of Association). From the authorised capital of up to EUR 10,000,000 in 2017, EUR 7,208,534 is still available due to its partial utilisation for a cash capital increase by way of an accelerated placement process in November 2017 – in the amount of EUR 1,382,623.00 by issuing 1,382,623 new shares – as well as for partial exploitation for a capital increase against contributions in kind ("non-cash capital increase Kontron Canada") in the amount of EUR 1,408,843 by issuing 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"). Up until December 31, 2021, no use was made of the existing authorisations to issue new shares from the authorised capital.

8. 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 Section 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 earmarked for a specific purpose and may only be carried out to the extent that holders of options from the Stock Option 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. The stock options 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 2021.
- › 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 Authorized Conditional Capital 2019 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.

9. 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 Section 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 Section 174 of the Austrian 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 short 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 based on the signed declarations. A total of 2,000,000 warrants were issued, consisting of the 1,500,000 allocated to those eligible and the 500,000 warrants offered to selected key employees of the S&T Group. 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 those eligible 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 those eligible. 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 currently exceeds EUR 32.86, or the price valid at the time following adjustment based on the emissions conditions. For this reason, no use was made of the authorised capital 2020 in the financial year 2021.

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.

10. 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 loan agreements, among others: BAWAG one-off loan 2013, OeKB equity financing 2017, OeKB equity financing 2018 and OeKB equity financing 2021. 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.

11. Indemnification agreements as defined by Section 243a paragraph 1 line 9 of the Austrian Commercial Code do not exist.

Linz, March 17, 2022



Dipl.-Ing. Hannes Niederhauser



MMag. Richard Neuwirth



Michael Jeske



Dr. Peter Sturz



Dipl.-Ing. Michael Riegert

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.

CONSOLIDATED INCOME STATEMENT



CONSOLIDATED INCOME STATEMENT IN TEUR	NOTES	2021	2020
Revenues	(1)	1,341,953	1,254,804
Capitalised development costs	(2)	21,455	17,602
Other income	(3)	13,529	8,762
Expenses for materials and other services purchased	(4)	-851,730	-799,047
Personnel expenses	(5)	-314,234	-273,253
Depreciation and amortisation	(6)	-63,593	-61,465
Other operating expenses	(7)	-84,703	-78,825
Result from operations		62,677	68,578
Finance income	(8)	1,586	1,595
Finance expenses	(8)	-10,039	-9,256
Financial result		-8,453	-7,661
Result from associated companies		0	-229
Earnings before taxes		54,224	60,688
Income taxes	(9)	-5,260	-6,065
Net income		48,964	54,623
Results from the period attributable to owners of non-controlling interests		704	-986
Results from the period attributable to owners of interests in parent company		48,260	55,609
Earnings per share (undiluted)	(10)	0.75	0.86
Earnings per share (diluted)	(10)	0.74	0.84
Average number of shares in circulation (in thousands undiluted)		63,958	64,998
Average number of shares in circulation (in thousands diluted)		64,958	65,998

STATEMENT OF OTHER COMPREHENSIVE INCOME

STATEMENT OF OTHER COMPREHENSIVE INCOME IN TEUR	2021	2020
Net income	48,964	54,623
Items that will not be reclassified to profit or loss		
Remeasurement according to IAS 19		
Gains(+)/losses(-) from remeasurement	150	-637
Results from remeasurement of financial instruments at fair value through other comprehensive income	-1	-49
Deferred taxes on items that will not be reclassified to profit or loss	-53	173
	96	-513
Items that may be subsequently reclassified to profit or loss		
Unrealised gains/losses from currency translation	7,920	-12,481
Net loss on debt instruments at fair value through other comprehensive income	-1	-14
	7,919	-12,495
Other comprehensive income	8,015	-13,008
Comprehensive income	56,979	41,615
of which attributable to		
Results from the period attributable to owners of non-controlling interests	1,533	-1,965
Results from the period attributable to owners of interests in parent company	55,446	43,580

CONSOLIDATED BALANCE SHEET

ASSETS IN TEUR	NOTES	31.12.2021	31.12.2020
NON-CURRENT ASSETS			
Property, plant and equipment	(11)	132,536	135,120
Intangible assets	(12)	104,207	102,798
Goodwill	(12)	208,251	199,481
Financial assets non-current	(14)	12,594	11,913
Contract assets non-current	(1)	194	201
Other non-current assets	(15)	21,018	19,831
Deferred tax assets	(16)	40,179	36,616
		518,979	505,960
CURRENT ASSETS			
Inventories	(17)	187,349	159,857
Trade receivables	(18)	232,546	204,482
Contract assets current	(1)	32,834	23,553
Financial assets current	(19)	19,902	10,206
Other receivables and assets current	(20)	64,011	60,660
Cash and cash equivalents	(21)	296,512	281,909
		833,154	740,667
Total assets		1,352,133	1,246,627
EQUITY AND LIABILITIES IN TEUR			
EQUITY			
Subscribed capital	(22)	66,096	66,096
Capital reserves	(22)	168,283	169,441
Accumulated results	(22)	239,431	210,354
Other reserves	(22)	-8,405	-15,591
Treasury shares	(22)	-46,848	-26,262
Equity attributable to owners of interests in parent company		418,557	404,038
Non-controlling interests	(22)	4,706	5,432
		423,263	409,470
NON-CURRENT LIABILITIES			
Financing liabilities non-current	(23)	238,376	218,848
Other financial liabilities non-current	(24)	54,084	77,858
Contract liabilities	(1)	16,952	16,323
Other liabilities non-current	(25)	488	661
Deferred tax liabilities	(16)	13,206	13,271
Provisions non-current	(26)	25,056	26,846
		348,162	353,807
CURRENT LIABILITIES			
Financing liabilities current	(23)	72,319	42,810
Trade payables	(27)	269,975	210,011
Contract liabilities	(1)	85,025	69,669
Other financial liabilities current	(28)	47,712	46,487
Provisions current	(26)	31,436	40,473
Other liabilities current	(29)	74,241	73,900
		580,708	483,350
Total equity and liabilities		1,352,133	1,246,627

CONSOLIDATED CASH FLOW STATEMENT



CONSOLIDATED CASH FLOW STATEMENT IN TEUR	NOTES	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Earnings before taxes		54,224	60,688
Depreciation and amortisation		63,593	61,465
Interest expenses		10,039	9,256
Interest and other income from the disposal of financial assets		-1,586	-1,595
Result from associated companies		0	229
Increase/decrease of provisions		-12,664	-19,108
Gains/losses from the disposal of non-current non-financial assets		-1,766	-56
Changes in inventories		-25,927	8,570
Changes in trade receivable and contract assets		-36,419	41,432
Changes in other receivables and assets		-4,431	5,983
Changes in trade payable and contract liabilities		69,159	-2,455
Changes in other liabilities		-1,508	-12,563
Other non-cash income and expenses		-5,895	129
Cash and cash equivalents from operations		106,819	151,975
Income taxes paid		-11,541	-11,163
Net cash flows from operating activities		95,278	140,812
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non-current non-financial assets		-46,990	-33,920
Purchase/sale of financial instruments		-7,704	0
Proceeds from sale of non-current non-financial assets		4,087	775
Disposal/purchase of financial instruments		-466	-3,649
Payments to acquire subsidiaries less cash assumed and plus current account liabilities assumed	(A)	-13,941	-40,960
Proceeds /Payments from disposal/sale of subsidiaries less cash disposed and plus current account liabilities disposed		-2,085	-1
Proceeds from sale of shares in associated companies		0	60
Interest income		783	513
Net cash flows from investing activities		-66,316	-77,182
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in financing liabilities and financial liabilities		74,385	3,467
Decrease in financing liabilities and financial liabilities		-45,536	-44,349
Interests paid		-6,198	-6,003
Acquisition of non-controlling interests	(A)	-2,771	-8,086
Dividends to owners of non-controlling interests		-360	0
Dividends to owners of interests in parent company		-19,183	0
Payments for acquisition of treasury shares		-20,586	-12,191
Capital increase (less transaction costs)		0	1,385
Net cash flows from financial activities		-20,249	-65,777
Changes in exchange rates		4,270	-8,067
Changes in financial funds		12,983	-10,214
Financial funds as of the beginning of the period	(30)	254,951	265,165
Financial funds as of the end of the period	(30)	267,934	254,951
Overdrafts	(30)	24,181	23,132
Restricted cash	(30)	4,397	3,826
Total cash and cash equivalents	(30)	296,512	281,909

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, 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		0	4,866
Other		0	-153
		0	4,713
TRANSACTIONS WITH OWNERS OF INTERESTS			
Acquisition of non-controlling interests		0	-5,329
Dividends		0	0
Repurchase of treasury shares		0	0
Capital increase		0	0
		0	-5,329
as of December 31, 2020		66,096	169,441
as of January 1, 2021		66,096	169,441
COMPREHENSIVE INCOME			
Consolidated income		0	0
Other comprehensive income		0	0
		0	0
OTHER CHANGES			
Stock options	(37)	0	1,308
		0	1,308
TRANSACTIONS WITH OWNERS OF INTERESTS			
Acquisition of non-controlling interests	(22)	0	-2,466
Dividends	(22)	0	0
Repurchase of treasury shares		0	0
		0	-2,466
as of December 31, 2021		66,096	168,283

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

ACCUMULATED RESULTS	OTHER RESERVES	TREASURY SHARES	TOTAL		
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
210,354	-15,591	-26,262	404,038	5,432	409,470
48,260	0	0	48,260	704	48,964
0	7,186	0	7,186	829	8,015
48,260	7,186	0	55,446	1,533	56,979
0	0	0	1,308	0	1,308
0	0	0	1,308	0	1,308
0	0	0	-2,466	-1,241	-3,707
-19,183	0	0	-19,183	-1,018	-20,201
0	0	-20,586	-20,586	0	-20,586
-19,183	0	-20,586	-42,235	-2,259	-44,494
239,431	-8,405	-46,848	418,557	4,706	423,263



A.

GENERAL INFORMATION**ABOUT THE S&T GROUP AND S&T AG**

The technology group S&T AG employs around 6,200 people and has subsidiaries in 32 countries around the world. The company is listed in the TecDAX® and SDAX® on the German stock exchange and has a combined portfolio of proprietary technologies involving embedded systems, cloud solutions, software and services, making it one of the leading international providers of Industry 4.0 and Internet of Things technology. With a comprehensive solutions portfolio in its IT services segment, S&T AG is also one of the leading providers of IT services and solutions in Central and Eastern Europe.

S&T AG is a stock corporation under Austrian law and its headquarters are in 4021 Linz, Industriezeile 35, Austria. It is registered at the commercial register court in Linz under FN 190.272 m. The company's shares are listed in the Prime Standard of the Frankfurt Stock Exchange (FWB) in Frankfurt am Main, Germany.

PRINCIPLES OF FINANCIAL REPORTING

The consolidated financial statements of S&T AG have been compiled according to the financial reporting standards of the International Accounting Standards Board (IASB), of the International Financial Reporting Standards (IFRS) and to the interpretations of the IFRS Interpretation Committee (IFRS IC), as they are to be applied in the European Union, and the additional statements according to Section 245a (1) of the Austrian Civil Code (UGB). Unless otherwise noted, all amounts are denominated in thousands of euros (TEUR). When rounded amounts and percentages are added up, rounding related calculation differences may occur due to the use of automated calculation aids.

COVID-19-PANDEMIC / CHIP CRISIS / CLIMATE CRISIS

The global economy recovered in 2021 due to strong growth in demand following the slump in 2020, but the effects of the ongoing COVID-19-pandemic and the measures taken by the respective governments in connection with it, such as lockdowns, comprehensive travel and curfew restrictions, are still clearly noticeable. In addition, there were global supply chain disruptions and raw material shortages in 2021, especially the chip crisis in the semiconductor industry. The S&T Group was also unable to escape these developments in the operational business in Austria and the S&T Group because deliveries did not arrive on time due to a lack of product or raw material availability, resulting in a failure to realise revenue in 2021.

As an internationally active corporate group, S&T cannot ignore the latest developments and discussions regarding climate change and sustainable business. Group management is committed to achieving the climate targets set by politicians (e.g. the European Green Deal) and is voluntarily committed under the UN Global Compact to comply with the three defined environmental goals, among other things. With this in mind, management continuously analyses potential sustainability risks, particularly in the areas of climate change and resource shortages. S&T currently sees no significant risks to its business model in either area. As a result, no significant impact of such risks on the presentation of the Group's assets, finances and earnings is currently expected.



NEW AND CHANGED STANDARDS AND INTERPRETATIONS

The application of the following new or changed standards and interpretations was mandatory for the first time in the financial year 2021:

NEW AND CHANGED STANDARDS AND INTERPRETATIONS – MANDATORY SINCE JANUARY 1, 2021

IFRS 16	Amendments to IFRS 16 COVID-19-Related Concessions beyond June 30, 2021 (published: March 2021)
IFRS 4	Amendments to IFRS 4 Insurance contracts (published: June 2020)
Diverse	Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (published: August 2020)

The first-time application of these new or revised standards has no significant impact on S&T AG's consolidated financial statements.

The following standards and interpretations or changes to standards have been adopted by the IASB, but are not yet mandatory to apply to financial year 2021. An early application of these standards is not planned at this time. The effects on the consolidated financial statements are currently being evaluated.

STANDARDS ADOPTED BY THE IASB – NOT YET MANDATORY TO APPLY IN FINANCIAL YEAR 2021

PERIOD OF APPLICATION

		PERIOD OF APPLICATION
Diverse	Annual improvements (2018-2020 cycle) (published: May 2020)	January 1, 2022
IFRS 3	Amendments to IFRS 3 Reference to the conceptual framework (published: May 2020)	January 1, 2022
IAS 16	Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (published: May 2020)	January 1, 2022
IAS 37	Amendments to IAS 37 Onerous Contracts – Costs of fulfilling a contract (published: May 2020)	January 1, 2022
IFRS 17	Insurance contracts (published: May 2017)	January 1, 2023
IAS 1	Amendments to IAS 1 Classification of Liabilities as Current or Non-current (published: January 2020)	January 1, 2023
IAS 8	Amendments to IAS 8 Definition of Accounting Estimates (published: February 2021)	January 1, 2023
IAS 1 / IFRS Practice statement 2	Amendments to IAS 1 and IFRS Practice statement 2 Disclosure of Accounting Policies (published: February 2021)	January 1, 2023
IAS 12	Amendment to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (published: May 2021)	January 1, 2023

PRINCIPLES OF CONSOLIDATION

S&T AG's consolidated financial statements include S&T AG as fully consolidated companies and all group companies (subsidiaries) controlled directly or indirectly by S&T AG. As part of determining the group of consolidation, S&T AG (investor) analyses whether it directly or indirectly controls the potential subsidiary (investee). Control exists when

- › S&T AG has power of disposition over the investee,
- › S&T AG is exposed to variable returns or its rights to these variable returns due to its relationship with the investee, and
- › S&T AG has the opportunity to use its power over the investee company to influence the level of variable returns.

The management of S&T AG reviews the extent to which the requirements for consolidation continue to be met at each reporting date.

Subsidiaries are fully consolidated from the time when S&T AG has control over them and can exercise control at any time.

Subsidiaries are consolidated as soon as control by the parent company ends; the assets and liabilities as well as proportionate equity components are derecognised accordingly.

Companies over which S&T AG can have a significant influence (associated companies) are included in the consolidated financial statements using the equity method.

Shares in companies with a shareholding level below 20%, over which S&T AG cannot exercise any significant influence, are recognised as financial assets and assigned to the category "at fair value through other comprehensive income without recycling" in accordance with IFRS 9.

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

The assets and liabilities of domestic and foreign companies included in the consolidated financial statements are recognised according to consolidated reporting and measurement methods.

All intragroup balances, business transactions, unrealised gains and losses from intragroup transactions and dividends are eliminated in full. In the consolidation processes, the income tax effects are taken into account and deferred taxes are recognised if necessary.

A subsidiary's losses are also attributed to non-controlling interests if this results in a negative balance.

A change in the amount of investment in a subsidiary is recognised as an equity transaction, unless there is a loss of control associated with it.

Business combinations are accounted for using the acquisition method. The cost of a business acquisition is calculated as the sum of the consideration transferred, measured at the fair value at the acquisition date, and the non-controlling interest in the acquired company. For each business combination, S&T AG measures the non-controlling interest in the acquiree either at fair value or at the corresponding share of the acquiree's identifiable net assets measured at fair value. Costs incurred as a result of the business combination are recognised as an expense and reported as other operating expenses. The results of the companies acquired are included in the consolidated financial statements from the related acquisition date.

If the Group acquires a company, it assesses the appropriate classification and designation of the financial assets and liabilities assumed in accordance with the terms of the contract, economic circumstances and prevailing conditions at the time of acquisition.

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

Callable or fixed-term equity shares in subsidiaries with a put option that are held by non-controlling shareholders represent financial liabilities for the S&T Group. Such liabilities are initially recorded at fair value in accordance with IFRS 9. Regardless of whether the non-controlling shareholders are currently beneficial owners of the shares or not, the first consolidation takes place as an early acquisition, i.e. the shares covered by the put option are attributed to the S&T Group from the outset as if the option had already been exercised. As a result, the liability from the put option is measured at fair value in profit or loss on each reporting date.

At initial recognition, goodwill is measured at acquisition cost, which is measured as a surplus of the total consideration transferred and

the amount of the proportion with non-controlling interest over the acquired identifiable assets and assumed liabilities of the Group. If the fair value of the acquired net assets exceeds the total consideration transferred, the Group reassesses whether it has correctly identified all acquired assets and all liabilities assumed and reviews the procedures used to determine the amounts that were to be reported at the acquisition date. If, after reassessment, this consideration is still below the fair value of the acquired subsidiary's net assets, the difference is recognised through profit or loss.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of the impairment test, goodwill acquired in a business combination is assigned on the acquisition date to the cash-generating units of the Group that are expected to benefit from the business combination. This applies regardless of whether other assets or liabilities of the acquired company are allocated to these 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. On December 31, 2021, S&T AG's scope of consolidation consisted of 78 fully consolidated companies (PY: 81). Of these, 7 companies (PY: 7) are based in Austria and 71 companies (PY: 74) are based abroad. As of December 31, 2021, the Group had no shareholding in any company (PY: 0) that is accounted for using the equity method.

The number of fully consolidated companies has developed as follows:

GROUP COMPANIES (NUMBER)	2021	2020
Number of fully-consolidated companies as of January 1	81	79
Companies founded	2	1
Group companies merged	-5	-5
Companies acquired	4	14
Disposals	-4	-8
Number of fully-consolidated companies as of December 31	78	81

CHANGE IN THE GROUP OF CONSOLIDATED COMPANIES IN 2021

In December 2021, S&T AG founded S&T Austria GmbH, based in Vienna, Austria. The company was not operating in the financial year 2021 and is assigned to the "IT Services" segment.

Iskratel d.o.o., Kranj, Slovenia, a 100% subsidiary of S&T AG, founded BeeIN d.o.o., Kranj, Slovenia, in the previous year. The company was founded for research purposes in the 5G sector. BeeIN d.o.o.'s business activities started in 2021, from this point on, the company is included in the consolidated financial statements of S&T AG. Iskratel d.o.o. holds 75% of BeeIN d.o.o. and this company is allocated to the "IoT Solutions Europe" segment.

The following companies were merged in the financial year 2021:

- › XTRO AG, Ismaning, Germany: absorbing company S&T Deutschland GmbH, Mendig, Germany
- › HC Solutions GmbH, Linz, Austria: absorbing company Kontron Technologies GmbH, Linz, Austria
- › S&T Smart Energy GmbH, Linz, Austria: absorbing company Kontron Technologies GmbH, Linz, Austria
- › CITYCOMP Service AG, Aarburg, Switzerland: absorbing company Kontron Electronics AG, Rotkreuz, Switzerland
- › Kapsch TrafficCom Construction & Realization spol. s.r.o., Prague, Czech Republic: absorbing company Kontron Transportation s.r.o., Prague, Czech Republic

In September 2021, S&T AG signed a contract for the sale of its 51% stake in S&T IT Services S.R.L. (formerly BASS Systems S.R.L.), Chisinau, Moldova. The shares were sold to the previous co-shareholder, who is to be classified as a related party due to his activity as managing director. The purchase price amounts to the equivalent of TEUR 750. At the same time as the share sale, it was agreed between the contracting parties that the previous business activities of S&T IT Services S.R.L. and the material net assets associated with it would be transferred from it to S&T Mold S.R.L. The income from this transaction amounts to TEUR -210.

In financial year 2021, the S&T Group acquired shares in the following companies through business combinations. These companies are fully consolidated:

- › HC Solutions GmbH, Linz, Austria
- › Axino Solutions GmbH, Aachen, Germany

- › PSB IT-Service GmbH, Ober-Mörlen, Germany
- › Enterprise Concept SRL, Bucharest, Romania

ACQUISITION OF 100% OF SHARES IN HC SOLUTIONS GMBH, LINZ, AUSTRIA

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 the shares 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 purchase price consisted of three components: a fixed purchase price paid in cash of TEUR 693 and the redemption of liabilities with relevance to the owner amounting to TEUR 607 on the one hand, and a variable portion of TEUR 125 based on an earn-out agreement pertaining to license revenue of a product for the period 2021–2025 on the other. The newly acquired company was included as one of S&T Group's consolidated companies starting February 1, 2021.

The acquired assets and liabilities have been accounted for in the consolidated financial statement during first consolidation at the following fair values:

NET ASSETS ACQUIRED	IN TEUR
Cash and cash equivalents	148
Property, plant and equipment and intangible assets	511
Other non-current assets	65
Inventories	25
Trade receivables and contract assets (nominal value TEUR 844)	844
Other current receivables and assets	26
Other non-current liabilities	-56
Deferred tax liabilities	-115
Non-current and current provisions	-595
Trade payables and contract liabilities	-650
Other current liabilities	-512
Net assets at fair value	-308
GOODWILL	IN TEUR
Consideration transferred	1,425
Negative net assets at fair value	308
Goodwill	1,733

HC Solutions GmbH was acquired with the aim of maintaining a competent team of software developers that can also be used for other projects. This significantly strengthened professional competence in the area of software development. The know-how of employees

and the expected synergies for the S&T Group are reflected in goodwill.

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

The analysis of the cash flows due to the acquisition of the companies takes the following form:

NET FLOW OF CASH	IN TEUR
Purchase price paid in cash	-1,300
Cash assumed through takeover of subsidiary	148
Cash flow from investing activities	-1,152
Transaction costs from acquisition of the company	-3
Cash flow from operating activities	-3

The company was merged into Kontron Technologies GmbH, Linz, Austria, immediately after the acquisition.

Since full consolidation, the company has accounted for TEUR 7,032 of Group revenue and TEUR 252 net income for that period. Had the company been consolidated for the first time as of January 1, 2021, Group revenues would have changed by an additional TEUR 493 and net income by TEUR -162.

ACQUISITION OF 100% OF SHARES IN AXINO SOLUTIONS GMBH, AACHEN, GERMANY

In March 2021, S&T Deutschland GmbH, Mendig, Germany, a 100% subsidiary of S&T AG, signed a notarised purchase agreement for the acquisition of 100% of the shares in Axino Solutions GmbH, Aachen, Germany. Axino Solutions GmbH offers its services to large and medium-sized companies in the DACH region as a consultancy and system integrator with comprehensive applications expertise and innovative in-house product development. The purchase price consists of a fixed purchase price paid in cash of TEUR 200 and a variable share of TEUR 486 contingent on the revenue attained in the financial years 2021–2023. The newly acquired company was included as one of S&T Group's consolidated companies starting April 1, 2021.

The acquired assets and liabilities have been accounted for in the consolidated financial statement during first consolidation at the following fair values:

NET ASSETS ACQUIRED	IN TEUR
Cash and cash equivalents	943
Property, plant and equipment and intangible assets	1,199
Trade receivables and contract assets (nominal value TEUR 1,382)	1,382
Other current receivables and assets	499
Other non-current liabilities	-43
Non-current and current provisions	-716
Trade payables and contract liabilities	-2,656
Other current liabilities	-1,580
Net assets at fair value	-972

GOODWILL	IN TEUR
Consideration transferred	686
Negative net assets at fair value	972
Goodwill	1,658

Axino Solutions GmbH was acquired by S&T Deutschland GmbH because it significantly expanded its presence in the Koblenz region and the merger enabled both companies to leverage significant synergies, both from the customer perspective and in terms of internal costs, which are reflected in goodwill. The expanded team competence helps both companies to handle larger and more complex contracts. In addition, S&T Deutschland GmbH received a complete service and development team of technicians through the acquisition.

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

The analysis of the cash flows due to the acquisition of the companies takes the following form:

NET FLOW OF CASH	IN TEUR
Purchase price paid in cash	-200
Cash assumed through takeover of subsidiary	943
Cash flow from investing activities	743
Transaction costs from acquisition of the company	-2
Cash flow from operating activities	-2

Since full consolidation, the company has accounted for TEUR 5,944 of Group revenue and TEUR 1,270 net income for that period. Had the company been consolidated for the first time on January 1, 2021, Group revenue would have changed by an additional TEUR 1,366 and net income by TEUR 2,457 (including a shareholder waiver of TEUR 2,928 in the course of the insolvency proceedings).

ACQUISITION OF 100% OF THE SHARES IN PSB IT-SERVICE GMBH, OBER-MÖRLEN, GERMANY

On June 2, 2021, S&T AG, through its subsidiary CITYCOMP Service GmbH, Ostfildern, Germany, concluded a notarised purchase agreement for the acquisition of 100% of the shares in PSB IT-Service GmbH based in Ober-Mörlen, Germany. PSB IT-Service GmbH, an IT service provider in the multi-vendor maintenance sector, was previously part of the Bechtle Group and performs IMAC (install – move – add – change) services as well as maintenance and Hardware-as-a-Service on the German market with a workforce of approximately 70 technicians. Due to the minimal customer base, PSB IT-Service GmbH posted a negative result in financial year 2020 with revenue of EUR 14 million. A purchase price of TEUR 0 was agreed between the contracting parties, whereby the seller undertook to increase PSB IT-Service GmbH's equity by TEUR 960 before the shares were transferred. The transaction was closed with effect from July 1, 2021. From this date, PSB IT-Service GmbH is also included in the consolidated companies of the S&T Group.

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	4
Property, plant and equipment and intangible assets	532
Deferred tax assets	170
Inventories	307
Trade receivables and contract assets (nominal value TEUR 597)	565
Other current receivables and assets	1,454
Other non-current liabilities	-1,136
Non-current and current provisions	-962
Trade payables and contract liabilities	-3,212
Other current liabilities	-1,043
Net assets at fair value	-3,321

GOODWILL	IN TEUR
Consideration transferred	0
Negative net assets at fair value	3,321
Goodwill	3,321

CITYCOMP Service GmbH has acquired all shares in PSB IT-Service GmbH from Bechtle Managed Service GmbH. The aim of the acquisition was to supplement the existing contracts of PSB IT-Service GmbH with the Bechtle Group with additional services to be provided by CITYCOMP Service GmbH. CITYCOMP Service GmbH expects this to attract the Bechtle Group as a significant customer and to sell its own services.

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

The analysis of the cash flows due to the acquisition of the company takes the following form:

NET FLOW OF CASH	IN TEUR
Purchase price paid in cash	0
Cash assumed through takeover of subsidiary	4
Cash flow from investing activities	4
Transaction costs from acquisition of the company	-16
Cash flow from operating activities	-16

Since full consolidation, the company has accounted for TEUR 3,350 of Group revenue and TEUR -122 net income for that period. Had the company been consolidated for the first time as of January 1, 2021, Group revenues would have changed by an additional TEUR 5,410 and net income by TEUR -188.

ACQUISITION OF 100% OF SHARES IN ENTERPRISE CONCEPT SRL, BUCHAREST, ROMANIA

On November 1, 2021, a contract for the assignment of shares was signed pertaining to the acquisition of 100% of the shares of Enterprise Concept SRL located in Bucharest, Romania by S&T Romania SRL, Bucharest, Romania, a direct and indirect 100% subsidiary of S&T AG. Enterprise Concept SRL is a company in Romania that specialises in BPM and digital process automation (DPA). The acquisition is in line with S&T Romania SRL's development and diversification strategy and significantly strengthens its portfolio in this sector.

The purchase price consists of a fixed purchase price paid in cash of TEUR 2,500. The newly acquired company was included as one of S&T Group's consolidated companies starting November 1, 2021.

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	68
Property, plant and equipment and intangible assets	1,138
Other non-current assets	32
Inventories	332
Trade receivables and contract assets (nominal value TEUR 316)	312
Other current receivables and assets	90
Other non-current liabilities	-109
Deferred tax liabilities	-155
Trade payables and contract liabilities	-91
Other current liabilities	-127
Net assets at fair value	1,490

10.A

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GOODWILL	IN TEUR
Consideration transferred	2,500
Net assets at fair value	-1,490
Goodwill	1,010

S&T Romania SRL has acquired the shares of Enterprise Concept SRL to expand its product portfolio with software-related services. The goodwill shown is attributable to synergies, because existing S&T Romania SRL customers can be offered additional services, and Enterprise Concept SRL customers can also be served more comprehensively. In addition, the employees have been transferred, bringing further competencies.

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

The analysis of the cash flows due to the acquisition of the companies takes the following form:

NET FLOW OF CASH	IN TEUR
Purchase price paid in cash	-2,500
Cash assumed through takeover of subsidiary	68
Cash flow from investing activities	-2,432
Transaction costs from acquisition of the company	-15
Cash flow from operating activities	-15

Since full consolidation, the company has accounted for TEUR 309 of Group revenue and TEUR -33 net income for that period. Had the companies been consolidated for the first time as of January 1, 2021, Group revenues would have changed by an additional TEUR 2,005 and net income by TEUR -239.

ACQUISITION OF ASSETS FROM ULTRASCHALLTECHNIK HALLE GMBH, HALLE (SAALE), GERMANY

Kontron Electronics GmbH, Frickenhausen, Germany, an indirect subsidiary of S&T AG, signed a notarised purchase agreement on November 18, 2021, as part of an asset deal with Ultraschalltechnik Halle GmbH, Halle (Saale), Germany, for the acquisition of a property with conveyance agreement and tangible and intangible assets. The exclusive fixed purchase price paid in cash is TEUR 1,750. The acquired assets represent a business combination in accordance with IFRS 3.

The assets 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

Property, plant and equipment and intangible assets	921
Inventories	901
Deferred tax liabilities	-96
Net assets at fair value	1,726

GOODWILL IN TEUR

Consideration transferred	1,750
Net assets at fair value	-1,726
Goodwill	24

Kontron Electronics GmbH has also taken over the corresponding employees with the acquisition of production facilities and customer relationships resulting from the insolvency of Ultraschalltechnik Halle GmbH. The goodwill shown is entirely attributable to these employees and their production expertise.

The analysis of the cash flows due to the acquisition of the companies takes the following form:

NET FLOW OF CASH IN TEUR

Purchase price paid in cash	-1,250
Cash flow from investing activities	-1,250
Transaction costs from acquisition of the company	-27
Cash flow from operating activities	-27

DECONSOLIDATIONS

The S&T Group deconsolidated the following companies in the financial year 2021:

- › Kontron (Beijing) Information and Communication Technology Co., Ltd, Beijing, China: liquidation, deconsolidation December 2021
- › Kontron ECT design s.r.o., Pilsen, Czech Republic: Sale, deconsolidation December 2021
- › SHS Centre OOO, Moscow, Russia: Sale, deconsolidation December 2021

Kontron (Beijing) Information and Communication Technology Co., Ltd., Beijing, China, was liquidated in December 2021. The deconsolidation income amounts to TEUR 13.

In December 2021, Kontron Europe GmbH, Ismaning, Germany, signed a contract for the sale of 100% of the shares in Kontron ECT design s.r.o., Pilsen, Czech Republic. The purchase price amounts to TEUR 220, the deconsolidation income from the disposal of Kontron ECT design s.r.o. amounts to TEUR -467.

In December 2021, RTSoft Project OOO, Moscow, Russia, signed a contract for the sale of 100% of the shares in SHS Centre OOO, Moscow, Russia. The purchase price amounts to approx. TEUR 4, the deconsolidation income from the disposal of SHS Centre OOO amounted to TEUR 54.

The deconsolidation resulted in a loss amounting to a total of TEUR 610, which is reported in other operating expenses.

The discontinued assets and liabilities as well as the deconsolidation income are as follows:

NET ASSETS DISPOSED OF	IN TEUR
Cash and cash equivalents	3,059
Non-current assets	600
Trade receivables (nominal value TEUR 2,192)	2,183
Other current receivables and assets	402
Financing liabilities	-98
Trade payables	-950
Other current financial liabilities	-2,408
Other current liabilities	-271
Net assets disposed of at fair value	2,517
Income from sale of subsidiaries	-974
Non-controlling interests in net assets disposed of	-933
Result of deconsolidation (loss)	610
NET FLOW OF CASH	IN TEUR
Income from sale of subsidiaries	974
Disposal of cash and cash equivalents	-3,059
Cash flow from investing activities	-2,085

ACQUISITION OF NON-CONTROLLING INTERESTS

In December 2021, Affair OOO, Moscow, Russia acquired 100% of the shares in RTSoft AO, Moscow, Russia, from RTSoft Project OOO, Moscow, Russia. As a result of this intra-group sale, S&T AG now indirectly holds 48% of RTSoft AO. Before the transaction, S&T AG held an indirect 35.76% stake in RTSoft AO. The acquisition of the shares with non-controlling interest resulting from the increase in shareholding amounts to TEUR 307.

On March 13, 2020, the Annual General Meeting of Kontron S&T AG, Augsburg, Germany, resolved to transfer minority shareholders' shares to S&T AG, Linz, Austria, in exchange for a cash settlement of EUR 5.68 per share. The resolution was entered in the commercial register on May 25, 2020. Shareholders lodged an appeal at the Munich I Regional Court against this resolution of the Annual General Meeting to determine an appropriate cash settlement. The parties involved agreed on an accord in July 2021 and determined that the cash settlement would be increased by an amount of EUR 1.12 to EUR 6.80 per share. The costs incurred from this settlement amounted to TEUR 2,774 in the financial year 2021 and were offset against the capital reserve.

As of the balance sheet date of December 31, 2021, the following companies were part of the S&T Group:

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COMPANY	HEADQUARTERS	DIRECT SHAREHOLDINGS	SHAREHOLDINGS PREVIOUS YEAR	FUNCTIONAL CURRENCY
S&T AG	Linz, AT	Parent company	Parent company	EUR
S&T Austria GmbH ¹⁾	Vienna, AT	100%	-	EUR
S&T Deutschland GmbH	Mendig, DE	100%	100%	EUR
XTRO AG	Ismaning, DE	-	100%	EUR
Axino Solutions GmbH	Aachen, DE	100%	-	EUR
Kontron AIS GmbH	Dresden, DE	100%	100%	EUR
CITYCOMP Service GmbH	Ostfildern, DE	100%	55.5%	EUR
CITYCOMP Service AG	Aarburg, CH	-	100%	CHF
PSB IT-Service GmbH	Ober-Mörlen, DE	100%	-	EUR
Kontron Technologies GmbH	Linz, AT	100%	100%	EUR
SecureGUARD GmbH	Linz, AT	69%	69%	EUR
computer betting company gmbh	Linz, AT	100%	100%	EUR
S&T Romania SRL	Bukarest, RO	100%	100%	RON
Enterprise Concept SRL	Bukarest, RO	100%	-	RON
S&T Slovakia s.r.o.	Bratislava, SK	100%	100%	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%	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 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
S&T Albania Sh.p.k.	Tirana, AL	100%	100%	ALL

COMPANY	HEADQUARTERS	DIRECT SHAREHOLDINGS	SHAREHOLDINGS PREVIOUS YEAR	FUNCTIONAL CURRENCY
S&T Serbia d.o.o.	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%	MDL
S&T Smart Energy GmbH	Linz, AT	-	100%	EUR
Affair OOO ²⁾	Moscow, RU	48%	48%	RUB
RTSoft AO	Moscow, RU	100%	100%	RUB
RTSoft Training Center	Moscow, RU	100%	100%	RUB
Interactive Energy Lab OOO	Moscow, RU	100%	-	RUB
RTSoft Project OOO	Moscow, RU	74.50%	74.50%	RUB
Software Development Center RTSoft OOO	Moscow, RU	100%	100%	RUB
RTSoft GmbH	Ismaning, DE	100%	100%	EUR
SHS Centre OOO	Moscow, RU	-	100%	RUB
RTSoft-ES OOO	Moscow, RU	100%	100%	RUB
RTSoft Smart Grid OOO	Moscow, RU	99%	99%	RUB
S&T MEDTECH SRL	Bukarest, RO	100%	100%	RON
Amanox Solutions AG	Berne, 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%	100%	EUR
Kontron Europe GmbH	Ismaning, DE	100%	100%	EUR
Kontron Modular Computers S.A.S.	Toulon, FR	100%	100%	EUR
Kontron UK Ltd.	Chichester, GB	100%	100%	GBP
Kontron ECT design s.r.o.	Pilsen, CZ	-	100%	CZK
Kontron Ukraine OOO	Kiev, UA	-	100%	UAH
Kontron Electronics GmbH	Frickenhausen, DE	100%	100%	EUR
Kontron Electronics Kft.	Kapoly, HU	100%	100%	HUF
Kontron America Inc.	San Diego, US	100%	100%	USD
Kontron Canada Inc.	Boisbriand, CA	100%	100%	USD

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COMPANY	HEADQUARTERS	DIRECT SHAREHOLDINGS	SHAREHOLDINGS PREVIOUS YEAR	FUNCTIONAL CURRENCY
Kontron Asia Pacific Design Sdn. Bhd.	Penang, MY	100%	100%	MYR
Kontron Technology Beijing Co. Ltd.	Beijing, CN	100%	100%	RMB
Kontron Hongkong Technology Co. Ltd.	HongKong, CN	100%	100%	RMB
Kontron (Beijing) Information and Communication Technology Co., Ltd	Beijing, CN	-	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
Kontron Transportation Taiwan Co., Ltd	Taipeh, TW	100%	100%	TWD
Kontron Transportation GmbH	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	Riad, 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 Public Transportation NV	Diegem, BE	100%	100%	EUR
FinTel Holding d.o.o. & co k.d., holdinška družba	Kranj, SI	100%	100%	EUR
FinTel holding d.o.o.	Kranj, SI	100%	100%	EUR
IskrateL d.o.o.	Kranj, SI	100%	100%	EUR
BeelN d.o.o.	Kranj, SI	75%	100%	EUR
ITS Skopje	Skopje, MK	100%	100%	MKD
ITS Softver d.o.o.	Skopje, MK	100%	100%	MKD
IskraCom	Almaty, KZ	100%	100%	KZT
OOO IskrateL Tashkent	Tashkent, UZ	76%	76%	UZS

COMPANY	HEADQUARTERS	DIRECT SHAREHOLDINGS	SHAREHOLDINGS PREVIOUS YEAR	FUNCTIONAL CURRENCY
AO IskraUralTel Yekaterinburg ⁴⁾	Yekaterinburg, RU	48.40%	48.40%	RUB
Iskratel Ukraine LTD	Kiev, UA	100%	100%	UAH

1) Company name entered in the company register on January 6, 2022

2) Control over 3% of the shares due to a call option exercisable by S&T AG in the event of an overruling by S&T AG. The option is to be seen as a substantive right of S&T AG as of the reporting date.

3) Control due to a call option by S&T AG of 25.9% that can be exercised at any time until December 31, 2022. The option is to be seen as a substantive right of S&T AG as of the reporting date. Consolidation is already taking place for 100% due to a put option of the shares that can be exercised at any time up to and including December 31, 2026, with a non-controlling interest over the remaining shares.

4) Control due to a call option over 51.6% of the shares with non-controlling interest exercisable at any time up to and including December 31, 2023. The option is to be seen as a substantive right of S&T AG as of the reporting date.

CHANGE IN THE GROUP OF CONSOLIDATED COMPANIES 2020

Following the completion of the squeeze-out process for the acquisition of the outstanding shares in Kontron S&T AG, Augsburg, Germany, the shareholdings were restructured. As a consequence, the shares in Kontron Europe GmbH, Ismaning, Germany, previously held by Kontron S&T AG were transferred to the newly founded Kontron Beteiligungs GmbH, Augsburg, Germany.

The following companies were merged in the financial year 2020:

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

In financial year 2020, the 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, Ostfilden, 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, Kasachstan
- › 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

As of December 31, 2020, the purchase price allocation was finalised in connection with the acquisition of shares in Cronus eBusiness SRL, Bucharest, Romania.

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

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
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

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

The analysis of the cash flows arising from the acquisition of the companies took the following form:

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

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

As of December 31, 2020, the purchase price allocations in connection with the acquisition of shares in the following companies were recorded with preliminary fair values:

- › CITYCOMP Service GmbH, Ostfilden, 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, Kasachstan
- › 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

The calculation of the fair values was finalised within twelve months from the date of acquisition and is as follows:

NET ASSETS ACQUIRED	IN TEUR
Cash and cash equivalents	15,198
Property, plant and equipment and intangible assets	53,600
Other non-current assets	1,889
Deferred tax assets	4,372
Inventories	21,648
Trade receivables and contract assets (nominal value TEUR 30,740)	29,150
Other current receivables and assets	9,708
Non-current financing liabilities	-18,135
Other non-current liabilities	-2,666
Deferred tax liabilities	-5,988
Non-current and current provisions	-4,225
Current financing liabilities	-2,228
Trade payables and contract liabilities	-17,255
Other current liabilities	-10,379
Net assets at fair value	74,689

GOODWILL	IN TEUR
Consideration transferred	79,147
Non-controlling interests measured at proportionate net assets	1,123
Net assets at fair value	-74,689
Goodwill	5,581

Final calculation of the acquired assets and liabilities at fair values and the resulting goodwill did not result in any change compared to the preliminary recognition as of December 31, 2020.

The goodwill resulting from the purchase price allocations in the amount of TEUR 6,474 was allocated to the "IT Services" segment, in the amount of TEUR 947 to the "IoT Solutions Europe" segment, and the badwill of TEUR -1,839 resulting from the acquisition of the Iskratel Group was reported in other income.

The analysis of the cash flow arising from business combinations was as follows:

NET FLOW OF CASH	IN TEUR
Purchase price paid in cash	-44,757
Cash assumed through takeover of subsidiaries including current account liabilities	13,696
Cash flow from investing activities	-31,061
Transaction costs from acquisition of companies	-415
Cash flow from operating activities	-415

Since full consolidation, the companies have accounted for TEUR 52,290 in Group revenue and TEUR 3,897 net income for that period in financial year 2020. Had the companies been consolidated for the first time as of January 1, 2020, Group revenues would have changed by TEUR 76,486 and net income by TEUR -6.433.

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CONSOLIDATED FINANCIAL STATEMENTS 2021

DECONSOLIDATIONS

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

- › Inocybe Technologies Inc. UK Limited, London, Great Britain: liquidation, deconsolidation April 2020
- › Inocybe Technologies USA Inc., Delaware, USA: liquidation, deconsolidation May 2020
- › Quanmax USA Inc., Irvine, USA: 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. Julians, Malta: liquidation, deconsolidation December 2020
- › CES POS d.o.o., Zagreb, Croatia: liquidation, deconsolidation December 2020

In some cases, the deconsolidated companies have not carried out any operating activities for several reporting periods. The result from deconsolidation amounts to TEUR -52 and is reported in other operating expenses.

The net assets disposed as well as the result of deconsolidation was as follows:

NET ASSETS DISPOSES 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	SHARE 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 25 May, 2020. The acquisition costs of the purchased stock amounted to EUR 8.5 million.

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

In the course of the acquisition of the Iskratel Group, S&T AG directly acquired 48.4% of the shares in the AO IskraUralTel Yekaterinburg, Russia. In addition, an option agreement for a further 3% of the shares existed at the time of acquisition. In October 2020, S&T AG concluded an option agreement to acquire all outstanding shares in AO IskraUralTel Yekaterinburg. As a consequence, Iskratel d.o.o., which belongs to the S&T Group, has a call option for the remaining shares. At the same time, shareholders of IskraUralTel can tender their shares at any time without any dominant influence to Iskratel d.o.o. In accordance with the S&T Group's consolidation methods described above, the callable equity shares included in the mutual option agreements were recognised as an early acquisition of non-controlling interests. The consideration for the option right that can be exercised at any time with a term until December 31, 2023 is TEUR 900.

The acquisitions of the non-controlling interests were as follows:

	IN TEUR
Consideration transferred	9,504
Non-controlling interests acquired	-4,175
Settlement with capital reserves	5,329

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 =	2021 AVERAGE Y-T-D RATE	2021 CLOSING RATE	2020 AVERAGE Y-T-D RATE	2020 CLOSING RATE
ALL	122.46546	120.82491	123.77646	123.60773
BGL	1.95583	1.95583	1.95583	1.95583
BYN	3.00371	2.89671	2.78919	3.18793
CAD	1.48257	1.43930	1.52999	1.56330
CHF	1.08115	1.03310	1.07052	1.08020
CNY	7.62823	7.19470	7.87470	8.02250
CZK	25.64049	24.85800	26.45508	26.24200
DZD	159.65119	157.62916	144.77134	162.04447
GBP	0.85960	0.84028	0.88970	0.89903
HRK	7.52841	7.51560	7.53838	7.55190
HUF	358.51612	369.19000	351.24938	363.89000
KZT	504.74528	494.45462	492.78780	516.52882
MDL	20.90006	20.16026	19.71987	21.03685
MKD	61.59915	61.74426	61.64207	61.59470
MYR	4.90151	4.71840	4.79590	4.93400
PLN	4.56518	4.59690	4.44305	4.55970

CURRENCY 1 EURO =	2021 AVERAGE Y-T-D RATE	2021 CLOSING RATE	2020 AVERAGE Y-T-D RATE	2020 CLOSING RATE
RON	4.92148	4.94900	4.83828	4.86830
RUB	87.15272	85.30040	82.72480	91.46710
SAR	4.43703	4.25393	4.28442	4.60172
TWD	33.04654	31.43593	33.59724	34.44889
UAH	32.30321	30.98919	32.59466	34.73979
USD	1.18274	1.13260	1.14220	1.22710
UZS	12,552.58783	12,276.04410	12,073.68474	12,824.71455
RSD	117.57432	117.58108	117.59053	117.55960

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 company risk.

CHANGES IN ESTIMATES

No significant changes in estimates were made in the financial year 2021.

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 revenue 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 completion degree, these estimates shall be adjusted. These adjustments may result in an increase or decrease in the revenues recorded so far and are shown in the results of the period in which management has become aware of these circumstances.

If the result from a customer contract cannot be reliably determined, contract revenues will only be realised in the amount 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.

Revenue 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 revenue, 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 C, 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 are recognised for the stock option programs 2018 as well as the 2018 (Tranche 2019) 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 previous year were largely recognised in the financial year 2020. The remaining expenses relate to a single eligible person and are recorded over the vesting period.

The fair values were determined using appropriate option pricing models. The stock options measured at fair value were 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 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 a 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 improvement	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 ancillary 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, licensing 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 overheads 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 an 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.

INVENTORIES

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 contractual liability relates to payments received in advance, i.e. before the contractual services have been performed. Contractual 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 – with the exception of 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 amortised 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 addition. 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 amortised 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 leasing

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 amortised costs can be found in section E, note (32).

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	2021	2020
Sale of products featuring proprietary technologies (hardware and software)	454,158	467,403
Sale of products from third parties (hardware and software)	384,778	405,105
Recurring operating services	455,714	344,070
One-time project services	47,303	38,226
Total revenues from contracts with customers	1,341,953	1,254,804
Of which Austria	108,211	102,920
Of which outside Austria	1,233,742	1,151,884

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

2021 IN TEUR	IT SERVICES	IOT SOLUTIONS EUROPE	IOT SOLUTIONS AMERICA	TOTAL
Sale of products featuring proprietary technologies (hardware and software)	0	361,007	93,151	454,158
Sale of products from third parties (hardware and software)	227,078	157,380	320	384,778
Recurring operating services	289,634	156,528	9,552	455,714
One-time project services	42,114	4,552	637	47,303
Total revenues from contracts with customers	558,826	679,467	103,660	1,341,953

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)	276,448	127,986	671	405,105
Recurring operating services	213,205	125,367	5,498	344,070
One-time project services	33,890	3,888	448	38,226
Total revenues from contracts with customers	523,543	605,226	126,035	1,254,804

The previous year's presentation of segments has been adjusted to reflect the modified segment assignment in the current financial year. See section E, note (31).

Of the revenues generated in the 2021 financial year, TEUR 2,295 (PY: TEUR 2,853) result from activities as an agent, which are recognised at their net amount.

No sales with a right of return were made in financial year 2021.

CONTRACT BALANCES

IN TEUR	31.12.2021	31.12.2020
Contract assets	33,028	23,754
Contract liabilities	101,977	85,992

Contract assets are initially recognised as revenue 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	2021	2020
As of 1.1.	23,754	30,538
Additions	25,629	11,894
Partially invoiced	-16,537	-17,974
Currency translation	182	-704
As of 31.12.	33,028	23,754

The contractual 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 16,952 (PY: TEUR 16,323) are reported under non-current liabilities and TEUR 85,025 (PY: TEUR 69,669) are reported under current liabilities.

The development of contractual liabilities is as follows:

IN TEUR	2021	2020
As of 1.1.	85,992	73,681
Additions	63,325	61,437
Recognised as revenues	-48,374	-45,300
Currency translation	1,034	-3,826
As of 31.12.	101,977	85,992

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 products from third parties (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 when the products are delivered. 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 operating 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, 2021, will be offset by future revenues (transaction prices) in financial year 2022 and subsequent financial years:

IN TEUR	IT SERVICES	IOT SOLUTIONS EUROPE	IOT SOLUTIONS AMERICA	TOTAL
Financial year 2022	238,589	439,361	105,541	783,491
Financial years after 2022	73,467	439,489	38,461	551,417

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

02 CAPITALISED DEVELOPMENT COSTS

In the 2021 financial year, development costs in the amount of TEUR 21,455 (PY: TEUR 17,602) were capitalised.

03 OTHER INCOME

Other income consists of the following items:

IN TEUR	2021	2020
Income from the derecognition of liabilities	251	373
Income from the release of conditional consideration	7,613	4,610
Charging on of costs, indemnification for damages experienced	447	215
Badwill from acquisition of companies	0	1,839
Income from contraventions of contracts by clients	20	0
Income from sales of fixed assets	2,276	231
Rental income	628	356
Income from recoveries of trade receivables prior written-off	96	0
Other income	2,198	1,138
Total other income	13,529	8,762

Income from the reversal of contingent consideration results from the adjustment or derecognition of the purchase price liabilities in connection with the company acquisitions made in the previous periods. In the current financial year, this resulted in income of TEUR 2,047 from earn-out adjustments to the company results achieved, TEUR 468 associated with a final installment and the subsequent dissolution of the remaining purchase price liability. An additional TEUR 5,099 resulted from the exercise of a contractually agreed call option, for which the strike price was below the amount for the put option recognized as liability. For more details, see the explanations in Section D, note (24).

Income from sales of fixed assets mainly consists of income from the sale of buildings and income from the transfer of tenancy rights.

04 EXPENSES FOR MATERIALS AND OTHER SERVICES PURCHASED

The expenses for materials and other services purchased are 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	2021	2020
Expenses for materials	614,115	619,744
Services purchased	231,016	174,109
Incoming freight and others	6,599	5,194
Expenses for materials and other services purchased	851,730	799,047

05 PERSONNEL EXPENSES

Personnel expenses break down as follows:

IN TEUR	2021	2020
Wages and salaries	247,477	213,477
Expenses for severance payments, for payments into corporate employee benefit funds and similar obligations	2,788	1,307
Expenses for legal-mandated social levies and obligatory contributions	59,764	51,852
Other social security obligations	4,205	6,617
Personnel expenses	314,234	273,253
NUMBER OF EMPLOYEES	2021	2020
Employees Austria	617	588
Employees outside Austria	5,589	5,479
Employees as of end of the year	6,206	6,067

The average number of employees in the 2021 financial year was 6,146 (PY: 5,271).

Government support services such as short-time work were used in various subsidiaries of the S&T Group in times of lockdowns. In total, the support services used for personnel expenses in the past financial year amounted to TEUR 5,891 (PY: TEUR 5,926). In the consolidated financial statements, these are shown netted with the personnel expenses.

06 DEPRECIATION AND AMORTISATION

The expense for scheduled depreciation and amortisation is composed as follows:

IN TEUR	2021	2020
Depreciation of property, plant and equipment	34,552	30,926
Amortisation of intangible assets	29,041	30,539
Total depreciation and amortisation	63,593	61,465

The amortisation of intangible assets in the previous year included impairment losses of TEUR 2,172. The impairments related 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 System S.R.L. to S&T IT Services S.R.L. in the course of the intensified cooperation with S&T Mold S.R.L. 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 reporting year.

07 OTHER OPERATING EXPENSES

Other operating expenses break down as follows:

IN TEUR	2021	2020
Rental and leasing expenses	3,146	2,608
Maintenance and ancillary expenses	14,269	12,414
Insurance	2,789	2,042
Transport expenses	4,188	3,072
Travel expenses and expenses for company cars	8,887	7,173
Mail and telecommunication	2,440	2,217
Expenses for contracted personnel and consulting	12,943	12,339
Expenses for advertising	5,368	5,316
Legal, tax advisor and audit expenses	5,169	6,250
Expenses for training and education	1,543	1,071
Expenses for guarantees and indemnification	392	2,377
R&D expenses not eligible for capitalisation	4,574	4,676
Licenses expenses	4,550	2,968
Commissions	2,443	2,225
Bank commissions and similar expenses	2,194	1,743
Expenses from deconsolidation	610	0
Taxes and charges not comprised in taxes on income and earnings	3,143	2,501
Other operating expenses	6,057	7,833
Total other operating expenses	84,703	78,825

The rental and leasing expense item includes expenses for leases with a term of up to 12 months in the amount of TEUR 2,896 (PY: TEUR 2,370). Expenses amounting to TEUR 250 (PY: TEUR 238) are attributable to low-value leasing agreements.

08 FINANCIAL RESULT

The financial result is broken down as follows:

IN TEUR	2021	2020
Interest income from banks	539	580
Interest income from finance leases	393	280
Other interest and finance income	654	735
Finance income	1,586	1,595
Interest paid to banks	-5,189	-4,461
Interest expenses from finance leases	-1,413	-1,678
Interest expenses from compounded purchase price liabilities	-2,120	-861
Other interest and finance expenses	-1,317	-2,256
Finance expenses	-10,039	-9,256
Financial result	-8,453	-7,661

Net results from financial instruments:

IN TEUR	2021	2020
At fair value through profit or loss	597	358
At fair value through other comprehensive income	-2	-63
Financial assets at amortised costs	-1,529	514
Liabilities at fair value	7,460	4,447
Total	6,526	5,256

The calculation of the net result from financial instruments includes value adjustments and write-ups, income and expenses from currency translation, gains 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	2021	2020
Current income taxes	-8,972	-10,739
Ensuing and reversal of temporary differences	-1,193	1,208
Income due to reporting of tax losses carried forward	4,905	3,466
Income taxes reported in the consolidated income statement	-5,260	-6,065

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	2021	2020
Earnings before taxes	54,224	60,688
Expenses for income taxes at a tax rate of 25% (PY: 25%)	-13,556	-15,172
Divergent non-Austrian rates of taxation	1,341	586
Income taxes for prior period	-944	42
Initial capitalisation of tax assets	4,905	4,211
Utilisation of losses carried forward not previously capitalised	3,899	3,841
Non capitalised losses carried forward in current financial year	-3,191	-2,212
Earnings/expenses with no effects on taxes	1,956	343
Other divergences	330	2,296
Income tax expenses/earnings reported	-5,260	-6,065

10 EARNINGS PER SHARE

Basic 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, 2021, the company has adopted two stock option programs. In addition, 2,000,000 warrants, consisting of 1,500,000 allotted and 500,000 publicly offered warrants, were issued in the 2020 financial year on the basis of a prospectus approved by the Austrian Financial Market Authority. For explanations, see section D, note (22) and section E, note (37). Diluted earnings per share are calculated on the assumption that all option rights are exercised.

		2021	2020
Net income after subtraction of NCI (non-controlling interest)	TEUR	48,260	55,609
Average number of shares issued (undiluted)	Number in thousand	63,958	64,998
Average number of shares issued (diluted)	Number in thousand	64,958	65,998
Earnings per share (undiluted)	EUR/piece	0.75	0.86
Earnings per share (diluted)	EUR/piece	0.74	0.84

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, 2021	60,274	50,283	90,084	200,641
Additions	2,882	18,498	14,001	35,381
Additions through changes in consolidated companies	502	304	320	1,126
Reclassifications	1,211	-1,211	0	0
Disposals	-733	-3,369	-9,511	-13,613
Disposals from changes in consolidated companies	0	-923	-196	-1,119
Currency translation differences	411	1,594	1,216	3,221
As of December 31, 2021	64,547	65,176	95,914	225,637
ACCUMULATED DEPRECIATION				
As of January 1, 2021	6,966	23,240	35,315	65,521
Additions	2,230	11,567	20,755	34,552
Reclassifications	18	-18	0	0
Disposals	-55	-1,574	-7,080	-8,709
Disposals from changes in consolidated companies	0	-390	-132	-522
Currency translation differences	272	1,350	637	2,259
As of December 31, 2021	9,431	34,175	49,495	93,101
Carrying amount as of December 31, 2021	55,116	31,001	46,419	132,536

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
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
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

The Group has entered into lease agreements primarily for real estate and vehicles. Leasing 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	2021	2020
Properties	34,698	41,128
Operating and business equipment	1,709	2,474
Car fleet	10,012	11,167
Total carrying amount of right of use assets	46,419	54,769

10.D

NOTES 2021

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

IN TEUR	2021	2020
Properties	13,792	13,860
Operating and business equipment	1,196	1,179
Car fleet	5,767	4,910
Total depreciation of right of use assets	20,755	19,949

12 INTANGIBLE ASSETS AND GOODWILL

The development of intangible assets is as follows:

IN TEUR	PURCHASED SOFTWARE AND LICENSES	CAPITALISED DEVELOPMENT COSTS	OTHER INTANGIBLE ASSETS	GOODWILL	TOTAL
ACQUISITION COSTS					
As of January 1, 2021	33,665	89,981	71,542	199,481	394,669
Additions	4,953	20,954	0	0	25,907
Additions through changes in consolidated companies	43	0	3,132	7,746	10,921
Reclassifications	-557	557	0	0	0
Disposals	-1,696	-773	-1,031	0	-3,500
Disposals from changes in consolidated companies	-12	0	0	0	-12
Currency translation differences	1,745	4,605	863	1,024	8,237
As of December 31, 2021	38,141	115,324	74,506	208,251	436,222
ACCUMULATED AMORTISATION					
As of January 1, 2021	14,850	31,283	46,257	0	92,390
Additions	4,569	13,974	10,498	0	29,041
Impairments	0	0	0	0	0
Reclassifications	13	-13	0	0	0
Disposals	-1,663	-291	-1,031	0	-2,985
Disposals from changes in consolidated companies	-9	0	0	0	-9
Currency translation differences	1,639	3,154	534	0	5,327
As of December 31, 2021	19,399	48,107	56,258	0	123,764
Carrying amount as of December 31, 2021	18,742	67,217	18,248	208,251	312,458

IN TEUR	PURCHASED SOFTWARE AND LICENSES	CAPITALISED DEVELOPMENT COSTS	OTHER INTANGIBLE ASSETS	GOODWILL	TOTAL
ACQUISITION COSTS					
As of January 1, 2020	32,681	89,858	62,669	194,384	379,592
Additions	2,331	18,391	878	0	21,600
Additions through changes in consolidated companies	3,070	1,156	9,454	7,896	21,576
Disposals	-1,774	-13,004	-367	-243	-15,388
Disposals from changes in consolidated companies	-228	0	0	0	-228
Currency translation differences	-2,415	-6,420	-1,092	-2,556	-12,483
As of December 31, 2020	33,665	89,981	71,542	199,481	394,669
ACCUMULATED AMORTISATION					
As of January 1, 2020	14,209	36,283	34,222	0	84,714
Additions	4,743	12,649	10,975	0	28,367
Impairments	0	0	2,172	0	2,172
Disposals	-1,737	-13,004	-367	0	-15,108
Disposals from changes in consolidated companies	-194	0	0	0	-194
Currency translation differences	-2,171	-4,645	-745	0	-7,561
As of December 31, 2020	14,850	31,283	46,257	0	92,390
Carrying amount as of December 31, 2020	18,815	58,698	25,285	199,481	302,279

The impairment of intangible assets in the 2020 financial year related to the capitalised customer relationships and the brand of S&T IT Services S.R.L. (formerly BASS Systems S.R.L.). Compare also the explanations in section C, note (6).

Other intangible assets include the brands identified in the context of company acquisitions with a carrying amount of TEUR 5,274 as at December 31, 2021 (PY: TEUR 7,094), customer relations TEUR 7,224 (PY: TEUR 10,020), order backlog TEUR 1,420 (PY: TEUR 1,317) and technologies TEUR 4,330 (PY: TEUR 6,854).

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

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	2021	2020
Cash-generating unit "Services DACH"	33,861	28,709
Cash-generating unit "Services EE"	24,583	27,147
Cash-generating unit "IoT Solutions"	6,462	15,131
Cash-generating unit "IoT Industry"	54,658	50,596
Cash-generating unit "IoT Transportation"	59,409	59,131
Cash-generating unit "IoT Communications"	3,951	-
Cash-generating unit "IoT Asia"	6,129	-
Cash-generating unit "IoT America"	19,198	18,767
Goodwill as of December 31	208,251	199,481

In fiscal year 2021, there was a restructuring in the Group's internal reporting and thus in the structure in which goodwill is monitored by Group management. For this reason, there was a partial reallocation of existing goodwill between individual cash-generating units and the cash-generating unit "IoT Asia," in which the Group's entire business activities in the Asian region are now bundled, was newly formed.

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

	2021	2020
Cash-generating unit "Services DACH"	11.4%	12.7%
Cash-generating unit "Services EE"	13.4%	14.4%
Cash-generating unit "IoT Solutions"	10.3%	11.8%
Cash-generating unit "IoT Industry"	13.1%	13.4%
Cash-generating unit "IoT Transportation"	10.0%	10.7%
Cash-generating unit "IoT Communications"	12.0%	-
Cash-generating unit "IoT Asia"	12.3%	-
Cash-generating unit "IoT America"	12.3%	13.3%

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

The average revenue and EBIT growth underlying the 2022–2025 financial plans is:

AVERAGE PLANNED GROWTH 2022–2025	REVENUE	EBIT
Cash-generating unit "Services DACH"	3.9%	17.8%
Cash-generating unit "Services EE"	5.0%	24.8%
Cash-generating unit "IoT Solutions"	3.1%	18.5%
Cash-generating unit "IoT Industry"	8.3%	37.0%
Cash-generating unit "IoT Transportation"	9.8%	15.7%
Cash-generating unit "IoT Communications"	8.2%	47.3%
Cash-generating unit "IoT Asia"	5.5%	19.9%
Cash-generating unit "IoT America"	8.8%	149.8%

The significant increase in the average growth rate of the cash-generating unit "IoT America" results in particular from the significantly higher growth planning for the years 2024 and 2025 compared to the previous planning years 2022 and 2023. This is due, among other things, to the expected recovery of the economic burdens caused by the currently ongoing chip crisis.

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%

In the 2021 financial year, 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 IN ASSOCIATED COMPANIES

S&T AG does not hold any shares in associated companies as of the balance sheet date December 31, 2021. The 40% share in funworld gmbh, Linz, Austria, was sold in the financial year 2020.

The development of investments accounted for using the equity method was as follows:

SHARES HELD IN ASSOCIATES COMPANIES IN TEUR	2021	2020
Carrying amount on January 1	0	289
Proportionate result after taxes	0	3
Disposal	0	-292
Carrying amount on December 31	0	0

Revenues and net profit for the period are as follows:

IN TEUR	2021	2020
Revenues	0	472
Result for the period after taxes	0	8
Share of equity held by the group	0%	40%
Share of group in total result for the period	0	3

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	2021	2020
Receivables from finance leases	8,717	7,585
Other investments	961	293
Securities	305	310
Receivables from loans granted	754	2,108
Deposits	1,428	1,184
Other non-current receivables	429	433
Total non-current financial assets as of December 31	12,594	11,913

LEASE RECEIVABLES (FROM THE COMPANY'S LESSOR OPERATIONS)	2021	2020
Lease receivables (gross)		
Remaining term up to 1 year	6,675	5,150
Remaining term between 1 and 5 years	9,249	7,860
Remaining term > 5 years	0	0
	15,924	13,010
Unrealised future interest income from lease receivables	-628	-350
Net receivables from finance leases	15,296	12,660

COMPOSITION	2021	2020
Current receivables (up to 1 year)	6,579	5,075
Non-current receivables (between 1 and 5 years)	8,717	7,585
Non-current receivables (> 5 years)	0	0
Net receivables from finance leases	15,296	12,660

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 (short-term and long-term) was 2.93% in the 2021 financial year (PY: 2.36%).

15 OTHER NON-CURRENT ASSETS

Other non-current assets are composed as follows:

IN TEUR	2021	2020
Prepayments to subcontractors for the provision of services constituting part of the supplying of services	12,397	12,202
Other non-financial assets	8,621	7,629
Total other non-current assets	21,018	19,831

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 2021	DEFERRED TAX LIABILITIES 2021
Intangible assets	599	24,050
Trade receivables and inventories	7,008	2,000
Provisions and deferred liabilities	10,505	908
Losses carried forward	35,819	0
Balancing	-13,752	-13,752
Amount recognised in balance sheet	40,179	13,206

IN TEUR	DEFERRED TAX ASSETS 2020	DEFERRED TAX LIABILITIES 2020
Intangible assets	823	24,240
Trade receivables and inventories	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

The addition to deferred tax assets from company acquisitions amounts to TEUR 170 (PY: TEUR 4,421), deferred tax liabilities increased by TEUR 366 (PY: TEUR 5,997) due to company acquisitions.

In the 2021 financial year, the deferred tax assets for losses carried forward were increased by TEUR 4,905 on the basis of the tax planning results for the next five years (PY: TEUR 3,466). Based on the planning of the companies, deferred tax assets of TEUR 35,819 were recognised for losses carried forward that are expected to be utilised (PY: TEUR 30,944). The Group has not recognised deferred taxes in connection with tax losses carried forward of TEUR 48,040 (PY: TEUR 54,495) 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 38,962 (PY: TEUR 44,079), and TEUR 9,077 (PY: TEUR 10,416) can be carried forward with time limit.

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

As in previous years, S&T AG generated a positive tax result in the 2021 financial year. 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 39 were recognised directly in equity (PY: TEUR 71).

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

Deferred tax assets of TEUR 7,836 (PY: TEUR 7,296) from other deductible temporary differences were not recognised as it is currently uncertain whether they can be offset against future taxable profits. In addition, in accordance with IAS 12.39, deferred tax liabilities were not recognised for temporary differences of TEUR 108,070 (PY: TEUR 92,626) 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 conversion of intercompany loans into an equity reserve within the Kontron Transportation Group.

17 INVENTORIES

The reported inventories are composed as follows:

IN TEUR	2021	2020
Finished products and merchandise	89,711	82,607
Raw, auxillary and operating materials	100,411	73,585
Unfinished products	31,996	28,763
Impairments	-34,769	-25,098
Total inventories as of December 31	187,349	159,857

The impairment of inventories, which was recognised as an expense in the reporting period, amounts to TEUR 7,023 (PY: TEUR 3,928). This expense is reported in the cost of materials. The carrying amount of inventories measured at net realisable value as at December 31, 2021, is TEUR 49,337 (PY: TEUR 33,468).

18 TRADE RECEIVABLES AND CONTRACT ASSETS

The trade receivables item is composed as follows:

IN TEUR	2021	2020
Trade receivables	240,763	212,816
Value adjustment for expected credit-caused losses	-8,217	-8,334
Trade receivables as of December 31	232,546	204,482

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 acquisition 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 at the balance sheet date December 31, 2021, trade receivables sold increased by TEUR 6,744 compared to the previous year.

The Group recognises an allowance for expected credit losses (ECL) on all receivables at fair value through other comprehensive income and at amortised cost. For receivables measured at amortised cost, 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	2021	2020
Valuation allowance as of January 1	8,334	8,575
Valuation allowance for expected credit losses	1,662	2,251
Write-off	-1,933	-1,763
Currency translation differences	154	-729
Valuation allowance as of December 31	8,217	8,334

The valuation 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 at December 31, 2021, amounts to TEUR 49 (PY: TEUR 50). A portion of the trade receivables serves as collateral for short-term financing. For details, see section D, note (23).

The carrying amount of the current contract assets as at December 31, 2021, is TEUR 32,834 (PY: TEUR 23,553).

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 as at the reporting date.

19 CURRENT FINANCIAL ASSETS

The current financial assets break down as follows:

IN TEUR	2021	2020
Receivables from finance leases *)	6,579	5,075
Deposits	3,460	1,432
Current portion of loans granted	496	491
Receivables from annual bonuses	53	189
Creditors with debtor accounts	813	772
Deposits for guarantees	291	553
Derivative financial instruments	325	8
Other current financial assets	7,885	1,686
Total current financial assets	19,902	10,206
*) Receivables from finance leases – gross	6,675	5,149
Unrealised interest income	-96	-74
Present value of receivables from finance leases	6,579	5,075

Other current financial assets include a fixed deposit of S&T AG in the amount of TEUR 7,000 in the financial year 2021.

20 OTHER CURRENT ASSETS

Other current non-financial assets break down as follows:

IN TEUR	2021	2020
Advances	5,815	3,790
Prepayments to subcontractors for the provision of services constituting part of the supplying services	40,440	38,783
Receivables due from EU support programs and research premiums	5,096	6,414
Receivables from prepayments of income tax and other taxes	5,169	5,324
Value added tax	3,346	2,027
Other receivables current	4,145	4,322
Total other current assets as of December 31	64,011	60,660

21 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the amount of TEUR 296,512 (PY: TEUR 281,909) are cash on hand and bank balances that are available within three months. These bear interest at the applicable interest rates for short-term deposits.

IN TEUR	2021	2020
Cash on hand	76	73
Credit balances at banks	296,436	281,836
Total cash and cash equivalents	296,512	281,909

As at the reporting date, there were restrictions on the disposal of the amounts included in this item due to financing with credit institutions or due to balance compensation of TEUR 4,397 (PY: TEUR 3,826) as collateral.

22 EQUITY

SUBSCRIBED CAPITAL

As of December 31, 2021, 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.

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 para 5 of the Articles of Association) of up to EUR 10,000,000 are available due to a partial utilisation for a cash capital increase by way of an accelerated placement procedure in November 2017 – in the amount of EUR 1,382,623.00 through the issue of 1,382,623 new shares – as well as a 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 – EUR 7,208,534 are still available.

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 until December 31, 2021.

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 earmarked for a specific purpose and may only be carried out to the extent that holders of options from the Stock Option 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. Options 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 2021.

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.

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 (AktG).

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 short 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 on the basis of the subscription declarations received. A total of 2,000,000 warrants were issued, consisting of the 1,500,000 warrants allocated to the allottees and the 500,000 warrants offered to selected key employees of the S&T Group. 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 under 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 currently exceeds EUR 32.86, adjusted, if necessary, from time to time on the basis of the terms and conditions of the issue. For this reason, no use was made of the Authorised Capital 2020 in the 2021 financial year.

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

Due to the expiry of the previous authorisation of the Executive Board to buy back treasury shares, 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 buy back 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 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 authorised for a period of five years from the date of the resolution of the Extraordinary General Meeting on January 15, 2019, with the consent of the Supervisory Board, to sell the acquired treasury shares in a way other than via the stock exchange or by means of a public offer, for example in the form of using these shares as consideration for contributions in kind of companies, businesses, parts of businesses or shares in one or more 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 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.

The Executive Board made use of the authorisation to acquire treasury shares in the 2021 financial year through two share buyback programs:

On October 27, 2020, the Management Board of S&T AG decided to implement a 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 amounted to up to 1,000,000 treasury shares, with a total acquisition amount of up to EUR 20 million and a maximum price of EUR 20.00 per acquired treasury share. The Share Buyback Program II 2020 was continued in the 2021 financial year – on March 2, 2021 the Management Board decided to increase the maximum price to EUR 22.50 due to the increased share price of S&T AG on the basis of the positive operational development of the company. The total number of shares acquired under the Share Buyback Program II 2020 amounts to 824,471 shares, which were acquired at a weighted average price of EUR 19.7015.

On April 27, 2021, the Executive Board decided on another share buyback program ("Share Buyback Program I 2021"). The agreed volume was up to 500,000 shares to be repurchased, the repurchase under the Share Buyback Program I 2021 started on May 3, 2021 and was limited to November 3, 2021. The maximum price was set at EUR 22.50 per share or the price that is 10% above the average S&T share price in XETRA trading over the last 5 trading days. The maximum total amount spent by S&T AG on the Share Buyback Program I 2021 was EUR 10 million. In total, S&T AG repurchased 493,446 shares at a weighted average price of EUR 20.2656 per share under the Share Buyback Program I 2021.

As at December 31, 2021, S&T AG holds 2,465,535 treasury shares, which corresponds to 3.73% of the company's share capital. The total acquisition price of all treasury shares as at December 31, 2021, excluding incidental costs of the repurchased shares, was EUR 47,423,868.21.

As of the balance sheet date December 31, 2021, there is no valid authorisation by the Annual General Meeting of S&T AG to buy back further treasury shares.

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 share option programs.

OTHER EQUITY COMPONENTS

Other equity components include changes in equity not recognised in profit or loss, such as revaluations in accordance with IAS 19, currency conversion 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 2021

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, 2020	-3,562	64	-2,132	109	-1,603
Other result					
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
Other result					
Unrealised profit/loss from currency translation	7,091	0	0	0	7,091
Actuarial gains/losses acc. IAS 19	97	0	97	0	0
Impairment of debt instruments at fair value through OCI	-1	-1	0	0	0
Result from remeasurement of financial instruments measured at fair value through OCI	-1	0	0	-1	0
As of December 31, 2021	-8,405	49	-2,499	59	-6,014

DIVIDEND

Upon the proposal of the Management Board and the Supervisory Board, the Annual General Meeting of S&T AG on June 8, 2021 resolved to distribute a dividend of EUR 0.30 per dividend-bearing share from the net profit of S&T AG of EUR 49,835,371.04 reported in the separate financial statements according to the Austrian Commercial Code (UGB) as of December 31, 2020 and to carry forward the remaining amount to new account. As of Tuesday, June 15, 2021, stock exchange trading was ex-dividend. The dividend was paid as of June 17, 2021.

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	2021	2020
Non-controlling interests as of January 1	5,432	12,363
Additions to non-controlling interests	2	1,124
Results for the period attributable to non-controlling interests	704	-986
Acquisition of non-controlling interests	-307	-4,175
Dividends / distributions attributable to non-controlling interests	-1,018	-2,467
Other comprehensive income attributable to non-controlling interests	829	-979
Disposal of non-controlling interests	-936	7
Other changes	0	545
Non-controlling interests as of December 31	4,706	5,432

The acquisition of non-controlling interests in the amount of TEUR 307 results from the intra-group sale of RTSoft AO, Moscow, Russia to Affair OOO, Moscow, Russia and the associated increase in S&T AG's shareholding in RTSoft AO (see section A. "Changes in the group of consolidated companies in 2021").

The disposal of non-controlling interests due to deconsolidation relates to the sale of the 51% stake in S&T IT Services S.R.L. (formerly BASS Systems S.R.L.), Chisinau, Moldova, to the previous co-shareholder and a transfer of assets and liabilities to S&T Mold S.R.L., Chisinau, Moldova, agreed in the course of the sale of the stake (see section A. "Changes in the group of consolidated companies in 2021").

The table below shows summarised financial information before intercompany eliminations for each subsidiary with significant non-controlling interests. Due to the sale of S&T IT Services S.R.L. in the 2021 financial year and the transfer of assets and liabilities to S&T Mold S.R.L. in this context, the summarised financial information of S&T Mold S.R.L. is presented from the 2021 financial year onwards.

10.D

NOTES 2021

IN TEUR	AFFAIR OOO (SUBGROUP)	S&T MOLD S.R.L.
	31.12.2021	31.12.2021
Non-current assets	17,061	10,484
Current assets	16,339	11,327
Non-current liabilities	227	157
Current liabilities	18,523	10,346
Net assets	14,650	11,308
Ownership share/voting rights – share of non-controlling interests	52.0%	49.0%
Carrying amount of non-controlling interests	3,044	1,751
	1-12/2021	1-12/2021
Proportionate profit/loss attributable to non-controlling interests	85	108
Proportionate other comprehensive income attributable to non-controlling interests	282	342
Dividends attributable to non-controlling interests	360	0

IN TEUR	AFFAIR OOO (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

23 FINANCING LIABILITIES

The items non-current financing liabilities and current financing liabilities include loans, overdrafts and bonded loans issued.

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

IN TEUR	31.12.2021			31.12.2020		
	TOTAL	OF WHICH NON- CURRENT	OF WHICH CURRENT	TOTAL	OF WHICH NON- CURRENT	OF WHICH CURRENT
Bonded loans	167,500	167,500	0	160,000	160,000	0
Acquisition loans	42,902	25,449	17,454	28,717	11,324	17,393
Other loans	54,452	45,428	9,024	49,809	47,525	2,285
Overdrafts	45,841	0	45,841	23,132	0	23,132
Total financing liabilities	310,695	238,376	72,319	261,658	218,848	42,810

BONDED LOANS

In April 2019, S&T AG issued a bonded loan in the amount of TEUR 160,000 and a further bonded loan of TEUR 7,500 in March 2021. 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 / 1.046%	75,000
Until April 17, 2026	fixed interest / 1.439%	10,000
Until April 17, 2024	variable interest / 6mE + 100 bps	49,000
Until April 17, 2026	variable interest / 6mE + 120 bps	6,000
Until April 30, 2026	variable interest / 6mE + 120 bps	20,000
		160,000
Until March 24, 2026	fixed interest / 1.100%	7,500
Total bonded loans		167,500

The existing bonded loan agreements and credit agreements contain contractual agreements in the amount of TEUR 167,500 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, 2021, the Group equity ratio was 31.3% and thus above the contractually stipulated threshold. Furthermore, the net debt to EBITDA ratio as at December 31, 2021, does not lead to an increase in the lenders' margin.

ACQUISITION LOANS

The acquisition loans existing as at December 31 break down as follows:

IN TEUR	LOAN AMOUNT	MATURITY	INTEREST	AMORTISATION
Shares in Kontron Electronics GmbH / Kontron S&T AG	30,000	31.03.2023	0.54%	quarterly
Shares in Kontron AG (Kontron S&T AG)	45,000	31.03.2022	0.40%	quarterly
Shares in Iskratel	37,500	31.12.2025	0.44%	quarterly

IN TEUR	31.12.2021			31.12.2020		
	TOTAL	OF WHICH NON-CURRENT	OF WHICH CURRENT	TOTAL	OF WHICH NON-CURRENT	OF WHICH CURRENT
Shares in Kontron Electronics GmbH / Kontron S&T AG	8,823	1,764	7,059	15,884	8,824	7,060
Shares in Kontron AG (Kontron S&T AG)	2,500	0	2,500	12,500	2,500	10,000
Shares in Iskratel	31,579	23,684	7,895	0	0	0
Shares in Affair OOO	0	0	0	333	0	333
Total	42,902	25,448	17,454	28,717	11,324	17,393

The acquisitions of shares in Affair OOO, S&T Mold S.R.L. and the outstanding 50% share in S&T Serbia d.o.o. in the 2014 financial year were partly financed by loans. The loan, which provided for the pledging of the shares in Affair OOO as collateral, was repaid on schedule in financial year 2020.

In the 2018 financial year, 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.

To refinance the acquisition costs for Kontron AG and for the acquisition of further shares in Kontron AG or Kontron S&T AG, a loan of TEUR 45,000 was taken out with Raiffeisenlandesbank Oberösterreich and Raiffeisen Bank International AG in June 2017. The loan is 50% secured with bill of exchange guarantee commitments from the Republic of Austria.

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, 2021.

In the 2021 financial year, a loan agreement for TEUR 37,500 was concluded with Raiffeisenlandesbank Oberösterreich, Raiffeisen Bank International AG and Raiffeisenlandesbank Steiermark AG for the purpose of refinancing the purchase of shares in "Iskratel". The loan is secured by bill of exchange guarantees from the Republic of Austria and provides for a minimum equity ratio of 30% and a maximum net debt to EBITDA ratio of 3.0. Both covenants were met as at December 31, 2021.

OTHER LOANS

A financing line of TEUR 30,000 was extended prematurely in the financial year 2019 by 2 years until June 30, 2023 and is fully utilised as of the reporting date of December 31, 2021. 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.

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, 2021, 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%.

A development support loan with a term until December 31, 2021 was repaid as scheduled.

The loans assumed in the course of the company acquisitions in the 2020 financial year amount to TEUR 16,481 as at the reporting date of December 31, 2021. These are a long-term financing line in the amount of TEUR 12,910 and an investment loan in the amount of TEUR 3,571. The loans mature on September 27, 2030 and December 31, 2031, respectively, and bear interest at a variable rate of 1.35% (6M-EURIBOR + 1.35%) and a fixed rate of 1.30%.

Both financings are secured with liens on office buildings.

OTHER CURRENT FINANCING LIABILITIES – BANK OVERDRAFTS

As of December 31, 2021, the Group had short-term bank overdrafts totalling TEUR 45,841 (PY: TEUR 23,132). The interest rate for overdrafts ranges from 0.25% to 4.66% (PY: 0.0% to 9.25%).

To secure current account liabilities of subsidiaries, trade receivables of TEUR 1,255 (PY: TEUR 1,293) were assigned as part of a blanket assignment to secure these short-term financial liabilities and other assets amounting to TEUR 2,988 (PY: TEUR 1,957) were pledged. Furthermore, there are liens on buildings for utilised bank overdrafts in the amount of TEUR 405 (PY: TEUR 1,500).

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 redemption funds 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	2021	2020
Lease liabilities	39,105	44,864
Liabilities from consideration ensuing from corporate acquisitions	9,576	27,527
Liabilities from corporate acquisitions	1,377	1,869
Liabilities due to a research support society	3,996	3,598
Other	30	0
Total other non-current financial liabilities	54,084	77,858

The lease liabilities developed as follows:

IN TEUR	2021	2020
As of January 1	68,163	70,850
Additions	14,001	16,914
Additions through changes in consolidated companies	320	3,888
Disposals	-2,860	-2,931
Increase in interest	1,413	1,716
Payments	-19,038	-22,274
As of December 31	61,999	68,163
Of which current	22,894	23,299
Of which non-current	39,105	44,864

Possible future cash outflows of TEUR 3,126 (PY: TEUR 6,013) 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 2021 was TEUR 22,184 (PY: TEUR 23,239), of which TEUR 2,896 (PY: TEUR 727) related to short-term leases with a maximum term of twelve months; TEUR 250 (PY: TEUR 238) was spent on leases for assets of low value.

Income from the subleasing of rights of use amounted to TEUR 71 in the current financial year (PY: TEUR 361).

Non-current liabilities for contingent consideration from company acquisitions amount to TEUR 9,576 (PY: TEUR 27,527) as at the balance sheet date of December 31, 2021 and mainly relate to the acquisition of the Iskratel Group in the previous year in the amount of TEUR 9,275.

The decrease in non-current liabilities for contingent consideration totalling TEUR 17,951 results in TEUR 7,200 from the acquisition of the outstanding 44.5% shares in CITYCOMP Service GmbH, Germany. In December 2021, S&T AG exercised the declaration of acceptance of the option agreement and acquired the remaining 44.5% in CITYCOMP Service GmbH. The exercise price of the call option amounted to TEUR 7,200 and was thus TEUR 5,099 lower than the amount recognised as a liability for the put option. Accordingly, the

long-term liability for contingent consideration had to be derecognised.

Due to the change in maturity and the associated reclassification to current, the non-current consideration from the acquisition of the Iskratel Group decreased by TEUR 7,196.

The fair value of the contingent consideration as at December 31, 2021, 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 16,683 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) of the financial years 2021 and 2022 for the Iskratel subgroup. The valuation as at the balance sheet date was based on the planning valid at the time of acquisition.

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 2021 to 2022: TEUR 11,519 – TEUR 18,271
- › Discount rate: 9.29%

The financial obligation existing on the previous reporting date from a put option agreement on the acquisition of 44.5% of the shares in CITYCOMP Service GmbH in the amount of TEUR 11.459 was to be derecognised in the 2021 financial year due to the exercise of the option agreement.

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

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NOTES 2021

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

IN TEUR	CURRENT PORTION	NON-CURRENT PORTION	TOTAL
As of January 1, 2020	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
Addition (acquisition)	310	301	611
Recognised as income	-1,876	-5,567	-7,443
Recognised as expenses	153	0	153
Interest expenses	378	1,741	2,119
Payment	-1,810	-7,230	-9,040
Reclassification	7,196	-7,196	0
As of December 31, 2021	7,717	9,576	17,293

25 CONTRACT LIABILITIES AND OTHER NON-CURRENT LIABILITIES

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

IN TEUR	2021	2020
Contract liabilities	16,952	16,323
Other	488	661
Total of contract liabilities and other non-current liabilities	17,440	16,984

26 PROVISIONS

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

IN TEUR	2021	2020
Provisions for pension commitments	9,962	10,253
Provisions for severance payments	11,504	11,521
Provisions for jubilee payments	2,068	2,027
Provisions for guarantees and warranty services	1,364	2,852
Other non-current provisions	157	193
Non-current provisions as of December 31	25,056	26,846
Provisions for guarantees and warranty services	8,918	9,348
Provisions for pending losses	8,479	13,125
Provisions for legal and trial costs	8,007	7,011
Other current provisions	6,032	10,989
Current provisions as of December 31	31,436	40,473
Total provisions as of December 31	56,492	67,319

PROVISIONS FOR PENSION COMMITMENTS

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 average term of the pension obligations at Kontron Europe GmbH is 1.47 years, and 21.5 years at Kontron Transportation Deutschland GmbH.

The benefit plan in place at Kontron AIS 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. The term of the benefit plan is 13.21 years.

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 128 employees at Kontron Transportation France S.A.S. (PY: 126 employees) 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	2021	2020
Pension obligations (DBO) as of January 1	11,564	10,686
Change of valuation method	-352	0
Ongoing service costs	300	277
Interest expenses	71	95
Subtotal recognised in net income	19	372
Remeasurement: actuarial gains (-) / losses (+)		
due to demographic assumptions	6	-1
due to financial assumptions	-221	517
due to experience-caused corrections	230	84
Subtotal contained in other comprehensive income	16	600
Pension payments made	-348	-94
Pension obligations (DBO) as of December 31	11,251	11,564
Market value of plan assets as of December 31	-1,289	-1,311
Net liabilities from pension obligations as of December 31	9,962	10,253

In 2021, the IFRS IC published its agenda decision "Attributing Benefit to Periods of Service (IAS 19)", in which it addressed the period over which the service cost for a specific defined benefit plan is to be allocated. The decision resulted in a reduction of pension obligations at the two subsidiaries in France in the amount of TEUR 352.

The fair value of the plan assets decreased by TEUR 22 to TEUR 1,289 in the reporting period (PY: TEUR 1,311). Of this change in value, TEUR 10 (PY: TEUR 17) was recognised in the financial result and TEUR 25 (PY: TEUR 71) in other comprehensive income. The pension benefits paid from the plan assets amounted to TEUR 57 (PY: TEUR 57).

On actuarial gains and losses in the period amounting to TEUR 38 (PY: TEUR -600), deferred taxes of TEUR -17 (PY: TEUR 99) were recognised in other comprehensive income.

The valuation of the obligation is based on the following actuarial assumptions:

ACTUARIAL ASSUMPTIONS 2021	GERMANY	FRANCE
Discount factor	1.00%-1.07%	0.80%
Remuneration trend	0.00%-2.00%	2.00%-2.40%
Pension trends	1.75%-2.00%	n.a.

ACTUARIAL ASSUMPTIONS 2020	GERMANY	FRANCE
Discount factor	0.75%	0.40%-0.59%
Remuneration trend	0.00%-2.00%	1.50%-2.00%
Pension trend	1.75%-2.00%	n.a.

The projected unit credit method is used as the actuarial valuation method. The calculations are based on the INSEE 2015–2017 for France (December 31, 2020: INSEE 2014–2016) 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
31.12.2021			
Discount factor	0.50%	-786	885
Future increases of remuneration	0.50%	311	-293
Pension trend	1.00%	685	-561
31.12.2020			
Discount rate	0.50%	-846	954
Future increases of remuneration	0.50%	535	-484
Pension trend	1.00%	703	-574

The increase in life expectancy by one year leads to an increase in the total obligation in the amount of TEUR 241.

The following amounts are expected to be paid in the next 10 years in connection with pension benefits:

	WITHIN THE NEXT 12 MONTH	BETWEEN 2 AND 5 YEARS	BETWEEN 5 AND 10 YEARS	TOTAL
	415	1,779	3,144	5,337

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 2021	AUSTRIA	POLAND	SLOVENIA
Discount factor	0.95%	3.40%	0.80%
Biometric calculation basis	AVÖ 2018-P for salaried employees	Polish Life Expectancy Tables 2020	Mortality Tables Slovenia 2007
Fluctuation	No fluctuation taken into account	age-dependent: 0.00% - 12.90%	age-dependent: 0.00% - 17.00%
Salary increases	2.00%	4.00%	2.00% - 2.30%

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%

The development of the present value of the severance payments obligations is as follows:

IN TEUR	2021	2020
Present value of the severance payments obligations as of January 1	11,521	10,530
Service costs	423	369
Interest expenses	59	82
Revaluations	-152	-11
Benefits paid	-532	-1,090
Changes in consolidated companies	158	1,658
Changes from currency translation	27	-17
Present value of the severance payments obligations as of December 31	11,504	11,521

The service cost is recognised in the consolidated income statement under personnel expenses; the interest expense is recognised under finance expenses.

The revaluations are made up as follows:

IN TEUR	2021	2020
Alterations in demographic assumptions	-158	13
Alterations in financial assumptions	-163	180
Adjustments based on experience	169	-204
Profits (+) / losses (-) recognised from revaluations	-152	-11

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
31.12.2021			
Discount rate	0.25%	-269	246
Future increases of remuneration	0.25%	256	-235
31.12.2020			
Discount rate	0.25%	-316	331
Future increases of remuneration	0.25%	317	-305

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 434 in the 2021 financial year (PY: TEUR 417) 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, 2020	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
Addition	449	577	1,026
Reclassification	-1,260	-14	-1,274
Usage	-15	-582	-597
Release	-700	-16	-716
Currency translation difference	38	40	78
As of December 31, 2021	1,364	2,225	3,589

The other non-current provisions shown in the table above also include provisions for anniversary bonuses.

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, 2020	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
Change in companies consolidated	218	0	1,590	0	69	1,877
Addition	1,685	226	1,213	0	2,506	5,630
Reclassification	1,260	1,398	14	0	-1,398	1,274
Usage	-3,243	-499	-6,690	0	-4,535	-14,967
Release	-569	-131	-910	0	-1,629	-3,239
Currency translation difference	219	2	137	0	30	388
As of December 31, 2021	8,918	8,007	8,479	0	6,032	31,436

The additions from the change in the scope of consolidation in the 2021 financial year result primarily from the acquired companies PSB IT-Service GmbH and Axino Solutions GmbH.

The development of other non-current and current provisions for the 2020 financial year also includes, in the additions and reversals, adjustments that are immaterial from the Group's perspective from the finalisation in 2020 of the purchase price allocations that were only provisionally recognised in the 2019 consolidated financial statements. These changes therefore had no effect on the consolidated income statement for the 2020 financial year.

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 provision for pending 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 provision for restructuring related to the business units "Kapsch CarrierCom" and "Kapsch PublicTransportCom" acquired in the financial year 2019. The restructuring was completed in the 2020 financial year.

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	2021	2020
Current leasing liabilities	22,894	23,299
Current component of conditional consideration	7,717	3,366
Liabilities from the acquisition of companies	1,027	525
Debitors with credit balances and credits due to clients	530	649
Deferred liabilities – others	6,045	9,894
Derivate financial instruments	0	16
Other interest bearing loans	8,523	8,307
Others	976	431
Total other current financial liabilities	47,712	46,487

29 OTHER CURRENT LIABILITIES

Other current liabilities break down as follows:

IN TEUR	2021	2020
Liabilities from value added tax and wage taxes	19,805	15,582
Liabilities due to employees	34,813	32,257
Liabilities from social charges	4,827	4,401
Current income tax liabilities	4,307	6,890
Prepayments received	1,991	1,945
Others	8,498	12,825
Total of other current liabilities	74,241	73,900

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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 statement of cash flows comprise all cash and cash equivalents reported in the consolidated balance sheet, i.e. cash on hand and bank balances, to the extent that they are available within three months from the date of deposit, less liabilities from bank overdrafts to the extent that these form an integral part of the company's cash management, and restricted bank balances.

IN TEUR	2021	2020
Cash on hand	76	73
Credit balances at banks	296,436	281,836
Cash and cash equivalents according to consolidated balance sheet	296,512	281,909
Overdrafts	-24,181	-23,132
Restricted cash	-4,397	-3,826
Total cash and cash equivalents	267,934	254,951

Cash flows from investing and financing activities are determined on a cash-related basis, 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 "Decrease in financing liabilities and financial liabilities".

Refer to Section A for information on the cash-effectiveness of business acquisitions.

The following table shows the Group's financing liabilities and liabilities from bank overdrafts to the extent that these do not form an integral part of the company's cash management as well as liabilities from leases, broken down into their cash and non-cash portions:

IN TEUR	CASH EFFECTIVE CHANGES		NON-CASH EFFECTIVE CHANGES		31.12.2021
	01.01.2021		New leases	Other changes	
Bonded loans	160,000	7,500	0	0	167,500
Acquisition- and other loans and overdrafts	78,526	40,562	0	-74	119,014
Lease liabilities	68,163	-19,038	14,001	-1,127	61,999
Total liabilities from financial activities	306,689	29,024	14,001	-1,201	348,513

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- and other loans and overdrafts	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

The lease liabilities are reported under the balance sheet items other current and non-current financial liabilities.

The other changes in the financial year 2021 include non-cash effective changes from company acquisitions amounting to TEUR 327 (PY: TEUR EUR 22,787), a reduction in lease liabilities due to the early termination of leases in the amount of TEUR 2,431 (PY: TEUR 2,931), the accrual of interest on lease liabilities of TEUR 1,413 (PY: TEUR 1,716) 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, 2021:

- › "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 "IoT Solutions Europe" segment is focused 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" segment. 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 expenses for material and other services purchased) 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.

In the financial year 2021, a change in segment reporting was made within the S&T Group. In line with the change in internal corporate management and decision-making with regard to the allocation of resources, S&T Slovenija d.d. has been allocated to the "IoT Solutions Europe" segment as of the previous financial year. Prior to this change, S&T Slovenija d.d. was allocated to the "IT Services" segment; the previous year's figures have been adjusted accordingly.

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.

2021 IN TEUR	IT SERVICES	IOT SOLUTIONS EUROPE	IOT SOLUTIONS AMERICA	CONSOLIDATION/ RECONCILIATION	TOTAL
Total revenues	577,368	813,652	115,411		1,506,431
Internal revenues	-18,542	-134,185	-11,751	-164,479	
Revenues	558,826	679,467	103,660		1,341,953
Gross profit	181,543	278,786	29,894		490,223
EBITDA before HQ-Charging	51,359	73,719	1,191		126,270
EBITDA after HQ-Charging	60,229	67,449	-1,409		126,270
Depreciation and amortisation				-63,593	-63,593
Finance income				1,586	1,586
Finance expenses				-10,039	-10,039
Result from associated companies				0	0
Income taxes				-5,260	-5,260
Result for the period				48,964	48,964
Segment assets	460,797	589,268	81,223		1,131,288
Segment liabilities	568,515	338,897	21,458		928,870
Segment investments	17,624	24,216	5,448		47,288

2020 IN TEUR	IT SERVICES	IOT SOLUTIONS EUROPE	IOT SOLUTIONS AMERICA	CONSOLIDATION/ RECONCILIATION	TOTAL
Total revenues	541,963	717,491	152,017		1,411,471
Internal revenues	-18,421	-112,264	-25,981	-156,666	
Revenues	523,542	605,226	126,036		1,254,804
Gross profit	153,492	256,026	46,239		455,757
EBITDA before HQ-Charging	39,313	74,080	16,649		130,043
EBITDA after HQ-Charging	47,224	68,736	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	421,292	547,923	77,328		1,046,542
Segment liabilities	502,575	301,719	32,862		837,156
Segment investments	8,216	22,687	6,152		37,055

“EBITDA before HQ-Charging” represents EBITDA before expenses for headquarters are cleared by S&T AG, while “EBITDA after HQ-Charging” contains all costs. Further, 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. The effects upon consolidated income that are not directly associated with the operative businesses of the segments are therefore also reported in the “IT Services” segment.

Segment assets comprise current and non-current assets without allocation of goodwill, investments and securities.

Segment liabilities comprise current and non-current liabilities.

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Information about geographical areas:

	2021		2020	
	REVENUES	NON-CURRENT ASSETS	REVENUES	NON-CURRENT ASSETS
Germany	232,520	75,671	216,126	80,970
Austria	108,211	44,658	102,920	42,886
North America	98,276	23,236	121,566	22,723
Hungary	92,155	8,905	75,641	8,387
Poland	82,349	10,693	96,438	11,429
Russia	68,857	9,983	51,471	11,464
Romania	68,665	10,543	45,127	3,798
Czech Republic	68,245	3,274	57,863	3,463
Slovenia	66,077	37,675	38,293	34,532
China	54,058	2,838	41,744	742
Croatia	49,388	2,599	68,316	3,869
France	42,256	14,803	42,625	16,860
Switzerland	40,242	2,469	39,766	3,062
Great Britain	32,505	1,040	37,371	1,325
Bulgaria	22,042	423	15,748	225
Other countries	216,106	9,145	203,790	12,214
	1,341,953	257,955	1,254,804	257,949

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 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 31.12.2021	FAIR VALUE 31.12.2021
ASSETS			
Cash and cash equivalents	at amortised costs	296,512	296,512
Trade receivables			
of which:	at amortised costs	215,513	215,513
of which:	FV through OCI (with recycling)	17,033	17,033
FV hierarchy			LEVEL 3
Other current financial assets			
of which:	at amortised costs	19,577	19,577
of which:	FV through profit and loss	325	325
FV hierarchy			LEVEL 2
Other non-current financial assets			
of which:	at amortised costs	9,900	9,900
of which:	FV through profit and loss	961	961
FV hierarchy			LEVEL 3
of which:	FV through OCI (with recycling)	305	305
FV hierarchy			LEVEL 1
LIABILITIES			
Other current financial liabilities			
of which:	at amortised costs	31,472	31,472
of which:	FV through profit and loss	7,717	7,717
FV hierarchy			LEVEL 3
Trade payables	at amortised costs	269,975	269,975
Current financing liabilities	at amortised costs	72,319	72,319
Non-current financing liabilities	at amortised costs	238,376	227,753
Other non-current financial liabilities			
of which:	at amortised costs	44,508	44,508
of which:	FV through profit and loss	9,576	9,576
FV hierarchy			LEVEL 3

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	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

The fair value of the non-current financing liabilities was determined using a DCF method and a discount rate in line with the market. The own credit risk as at December 31, 2021 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 at the reporting date, the Group equity ratio was 31.3% (PY: 32.8%). 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 632,358 (PY: TEUR 555,248) and the sum of equity and net financial liabilities to TEUR 1,055,621 (PY: TEUR 964,718), resulting in a gearing ratio of 60% (PY: 58%). Net financial debt includes interest-bearing loans, trade payables and other liabilities less cash and short-term deposits. Equity comprises the equity 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	2021	2020
Equity	423,263	409,470
Total equity and liabilities	1,352,133	1,246,627
Equity ratio	31.3%	32.8%
Non-current liabilities	348,162	353,807
Current liabilities	580,708	483,350
	928,870	837,157
Cash and cash equivalents	-296,512	-281,909
Net financial liabilities	632,358	555,248
Equity	423,263	409,470
Equity and net financial liabilities	1,055,621	964,718
Debt ratio	59.9%	57.6%

As of December 31, 2021, 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, bonded loans 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.

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, 2021, the Group's financial liabilities have the following maturities. The figures are based on the contractual, non-discounted payments.

2021	UP TO 1 YEAR	FROM 1 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
Financing liabilities	60,672	251,319	7,526	319,517
Lease liabilities	23,532	43,003	1,441	67,976
Trade payables	269,975	0	0	269,975
Other financial liabilities	24,818	16,326	0	41,144
	378,997	310,648	8,967	698,612
2020	UP TO 1 YEAR	FROM 1 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
Financing liabilities	41,457	182,752	45,773	269,982
Lease liabilities	24,049	47,431	3,442	74,922
Trade payables	210,011	0	0	210,011
Other financial liabilities	23,162	37,608	0	60,770
	298,679	267,791	49,215	615,685

The carrying amount of financing liabilities as of December 31, 2021 is TEUR 310,695 (PY: TEUR 261,658) and consists of non-current financing liabilities of TEUR 238,376 (PY: TEUR 218,848) and from short-term bank loans and overdraft facilities amounting to TEUR 72,319 (PY: TEUR 42,810). The interest accrued for interest-bearing liabilities amounts to TEUR 9,999 (PY: TEUR 8,904).

The S&T Group uses a reverse factoring program for supplier financing in selected Group companies and for certain suppliers. These agreements may also lead to greater utilisation of existing payment terms. The liabilities remain part of the working capital used in the normal operating cycle of the company. However, in balance sheet terms as well as in terms of civil law, there are no effects that result in a reclassification of trade payables to another type of liability in the balance sheet.

The agreement does not result in any extension of existing payment terms (these are generally between 60 and 120 days) and the liabilities covered relate exclusively to the purchase of inventories for production in connection with customer contracts. S&T is not required to provide (additional) collateral for these liabilities.

As of December 31, 2021, liabilities amounting to TEUR 22,871 (PY: TEUR 14,723) are covered by this program. The liabilities are shown in the consolidated balance sheet under "Trade payables".

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 revenue 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. 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 contracts with a nominal volume of TEUR 5,005 (PY: TEUR 209) amounts to TEUR 327 (PY: TEUR -8). The share of open forward exchange contracts with a positive fair value amounts to TEUR 327 (PY: TEUR 0). There are no foreign exchange options as of December 31, 2021. The requirements for hedge accounting are not met.

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 2021	+10%	-622
	-10%	622
Financial year 2020	+10%	-1,006
	-10%	1,006

The following table shows the sensitivity of the result from the market valuation of the forward exchange contracts existing at December 31, 2021. 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 2021	FINANCIAL YEAR 2020
+5%	223	1
+10%	425	3
-5%	-246	-2
-10%	-520	-3

The increase in the currency risk shown on the earnings before taxes results from the significant increase in the volume of forward exchange transactions as at December 31, 2021.

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 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 33% (PY: 40%) of the financing liabilities amounting to TEUR 310,695 (PY: TEUR 261,658) 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 42,902 (PY: TEUR 28,382), tranches from the bonded loan in the amount of TEUR 92,500 (including a new tranche of TEUR 7,500 taken up in 2021) and further bank loans in the amount of TEUR 30,000 have fixed interest rates. In addition, an overdraft facility in the amount of TEUR 15,000 taken over in the course of the acquisition of Kapsch CarrierCom and a new overdraft facility in the amount of TEUR 15,000 taken up in the fiscal year 2021 are 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 1,019 lower (PY: TEUR 792). Due to the negative interest rate environment, a lower interest rate of 100 basis points would not have resulted in any savings in the interest result in fiscal year 2021 (PY: TEUR 0). 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 2019 financial year. The fair value of the interest rate swap as of December 31, 2021, amounts to TEUR -87 (PY: TEUR -272). The requirements for hedge accounting are not met.

The following table shows the sensitivity of the result from the market valuation of the interest rate swap existing as at December 31, 2021. 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 2021	FINANCIAL YEAR 2020
+50 basis points	187	266
+100 basis points	371	524
-50 basis points	-191	-272
-100 basis points	-387	-552

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.

To minimise credit risk, 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:

31.12.2021	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	195,577	22,386	4,528	3,809	1,510	3,165	9,788
Expected credit losses	490	180	132	311	416	776	5,913

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The previous year was as follows:

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

With regard to the trade receivables that are neither impaired nor in arrears, there are no indications as at the reporting date that the debtors will not meet their payment obligations. This also applies to overdue, not impaired 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 28,065 (PY: TEUR 29,778). These performance and bid bonds mainly result from S&T's subsidiaries in Romania, TEUR 181 (PY: TEUR 4,857), Serbia TEUR 1,105 (PY: TEUR 1,022), Poland TEUR 8,104 (PY: TEUR 8,322), Slovenia TEUR 8,684 (PY: TEUR 7,643), Russia with TEUR 2,372 (PY: TEUR 1,415) and Belgium TEUR 2,865 (PY: TEUR 2,865). In addition, there are various guarantees amounting to TEUR 4,754 (PY: TEUR 3,654).

36 AUDITOR'S FEES

For services rendered by the auditor Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. in the financial year 2021, an amount of TEUR 661 (PY: TEUR 586) was spent. Of this amount, TEUR 499 (PY: TEUR 431) is attributable to the audit of the financial statements and TEUR 162 (PY: TEUR 155) 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 affiliates.

STOCK OPTIONS PROGRAM 2018

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.

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 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 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 2018 (TRANCHE 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 (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.

The following table shows the key parameters at the time the stock options programs were granted:

	STOCK OPTIONS PROGRAM 2018	STOCK OPTIONS PROGRAM 2018 (TRANCHE 2019)
Number of stock options	500,000	500,000
Day of issuance	December 21, 2018	December 21, 2018
Term	5 years	5 years
Exercising price	Closing quote on issuance day	Closing quote on issuance day
Stock quote on the day of issuance	EUR 15.71	EUR 15.71
Dividend yield	1.44%	1.44%
Expected volatility	36.58%	36.58%
Interest rate	0.23%	0.23%
Expected term of the options	4.43 years	4.43 years
Option price	EUR 3.74	EUR 3.74

In the financial year 2021, 0 options (PY: 31,000 options) relating to the Stock Options Program 2015 (Tranche 2016) were exercised. The Stock Options Program 2015 (Tranche 2016) expired in December 2020.

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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	2021	2020
Average weighted price of exercising of options exercised	0.00	5.74
Average weighted stock quote on day of exercising of options	0.00	18.58

As of December 31, 2021, the outstanding rights for the Stock Options Program 2018 total 500,000 (PY: 500,000), for the Stock Options Program 2018 (Tranche 2019) total 500,000 (PY: 500,000) and for the warrant program 2020 (for details on the issue of warrants/authorised capital 2020, please refer to Section D, Note (22)) 2,000,000 (PY: 2,000,000).

In the financial year 2021, the expenditure for the stock options programs recognised in personnel expenses amounts to TEUR 1,038 (PY: TEUR 4,057).

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. Since 2021, the improvement of the S&T Group's performance in the ESG area has been included in the medium-term incentive.

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. After the SARS-Cov-2 pandemic in 2020 caused four of the Executive Board members to voluntarily waive 20% of their gross salaries temporarily for the short-time working period, the gross salaries were paid out again at the full contractually agreed amount in 2021.

In the financial year 2021, total remuneration of the Executive Board was paid in the amount of TEUR 1,112 (PY: TEUR 4,239). The difference in amount results from the warrants issued in 2020 and the increased number of stock options exercised 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 option 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.

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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			
	2021	2021 (MIN)	2021 (MAX)	2020	2021	2021 (MIN)	2021 (MAX)	2020	2021	2021 (MIN)	2021 (MAX)	2020
REMUNERATION INDEPENDENT OF PERFORMANCE												
Gross salary	7	7	7	7	275	275	275	275	260	260	260	250
Fixed remuneration in kind ¹⁾	12	12	12	6	12	12	12	12	12	12	12	12
Total fixed remuneration	19	19	19	13	287	287	287	287	272	272	272	262
PERFORMANCE-RELATED REMUNERATION												
One-year variable remuneration ²⁾					140		206	130	229		338	27
Multi-year variable remuneration												
Stock option programs - with long-term share-based incentive effect ³⁾												
SOP 2015 (Tranche 2016)												
SOP 2018												
SOP 2018 (Tranche 2019)												
Warrants 2020 ⁴⁾				1,230				677				431
Total variable remuneration				1,230	140		206	807	229		338	458
Pension expenses												
Total	19	19	19	1,243	427	287	493	1,093	500	272	610	720
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			
	2021	2021 (MIN)	2021 (MAX)	2020	2021	2021 (MIN)	2021 (MAX)	2020	2021	2021 (MIN)	2021 (MAX)	2020
REMUNERATION INDEPENDENT OF PERFORMANCE												
Gross salary	150	150	150	175	183	183	183	175	875	875	875	882
Fixed remuneration in kind ¹⁾	11	11	11	11	9	9	9	9	55	55	55	49
Total fixed remuneration	161	161	161	186	192	192	192	184	930	930	930	931
PERFORMANCE-RELATED REMUNERATION												
One-year variable remuneration ²⁾	55		113					105	424		657	262
Multi-year variable remuneration												
Stock option programs - with long-term share-based incentive ³⁾												
SOP 2015 (Tranche 2016)												
SOP 2018												
SOP 2018 (Tranche 2019)												
Warrants 2020 ⁴⁾				431								2,768
Total variable remuneration	55		113	431				105	424		657	3,030
Pension expenses												
Total	216	161	273	616	192	192	192	289	1,353	930	1,586	3,961

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 threshold in relation to the development of the share price. In addition, further warrants were acquired for consideration by the Executive Board under the 2020 warrant program on the basis of the public prospectus (for the number of 2021 warrants held as at December 31, 2021, see "Corporate Governance Report").

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	
	2021	2020	2021	2020	2021	2020
REMUNERATION INDEPENDENT OF PERFORMANCE						
Gross salary ¹⁾	7	7	275	251	260	229
Fixed remuneration in kind ²⁾	12	6	12	12	12	12
Total fixed remuneration	19	13	287	263	272	240
PERFORMANCE-RELATED REMUNERATION						
One-year variable remuneration ³⁾			155	150		
Multi-year variable remuneration						
Stock option programs - with long-term share-based incentive ⁴⁾						
SOP 2015 (Tranche 2016)						363
SOP 2018						
SOP 2018 (Tranche 2019)						
Warrants 2020 ⁵⁾		1,230		677		431
Total variable remuneration		1,230	155	827		793
Pension expenses						
Total	19	1,243	442	1,090	272	1,033

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	
	2021	2020	2021	2020	2021	2020
REMUNERATION INDEPENDENT OF PERFORMANCE						
Gross salary ¹⁾	150	160	183	158	875	804
Fixed remuneration in kind ²⁾	11	11	9	9	54	49
Total fixed remuneration	161	171	192	167	929	854
PERFORMANCE-RELATED REMUNERATION						
One-year variable remuneration ³⁾	28			105	183	255
Multi-year variable remuneration						
Stock option programs - with long-term share-based incentive ⁴⁾						
SOP 2015 (Tranche 2016)						363
SOP 2018						
SOP 2018 (Tranche 2019)						
Warrants 2020 ⁵⁾		431				2,768
Total variable remuneration	28	431		105	183	3,385
Pension expenses						
Total	188	601	192	272	1,112	4,239

1) Gross salary granted (in 2020 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 stock options (number of shares x (share price at disposal date - option price granted)) + granted stock 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 threshold in relation to the development of the share price. In addition, further warrants were acquired for consideration by the Executive Board under the 2020 warrant program on the basis of the public prospectus (for the number of 2021 warrants held as at December 31, 2021, see "Corporate Governance Report").

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the members of the Supervisory Board in the financial year 2021 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 Chairman of the Supervisory Board, his/her Deputy and the Chairman 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 Chairman of the Supervisory Board, TEUR 40 for his 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 2021 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 2021 financial year.

COMPONENTS OF SUPERVISORY BOARD REMUNERATION IN TEUR

2021

2020

	2021	2020
Chairperson of the Supervisory Board	50	50
Remuneration of the Deputy Chairperson	40	40
Remuneration members	30	30
Audit Committee Chairperson	20	20
Audit Committee Deputy Chairperson	10	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 fiscal year 2021, the compensation of the members of the Supervisory Board totaled TEUR 245 (PY: TEUR 234), expenses in the fiscal year 2021 were TEUR 138 (PY: TEUR 243). The remuneration of the members of the Supervisory Board, broken down by fixed remuneration component and meeting fees, in the financial year 2021 and the previous year's remuneration in 2020 is as follows:

REMUNERATION OF THE SUPERVISORY BOARD BY MEMBERS IN TEUR	FIXED REMUNERATION		MEETING FEES ¹⁾		TOTAL REMUNERATION	
	2021	2020	2021	2020	2021	2020
Dr. Erhard F. Grossnigg (Chairman) ²⁾		35		2		37
Mag. Claudia Badstöber (Chairwoman) ³⁾	60	30	9	5	69	35
Mag. Bernhard Chwatal (Deputy Chairman)	60	55	9	6	69	61
Hui-Feng Wu (Ed Wu)	30	30	2		32	30
Fu-Chuan Chu (Steve Chu)	30	30	8	6	38	36
Yu-Lung Lee (Max Lee) ⁴⁾	15	30	2	6	17	36
You-Mei Wu (Yolanda Wu) ⁵⁾	15		6		21	
Total	210	210	35	24	245	234

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 2020 fixed remuneration was calculated on a pro rata basis

4) Yu-Lung Lee (Max Lee) left the Supervisory Board on June 8, 2021, the fixed remuneration 2021 was calculated on a pro rata basis

5) You-Mei Wu (Yolanda Wu) joined the Supervisory Board on June 8, 2021, the fixed remuneration 2021 was calculated on a pro rata basis

In the financial year 2021, 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 related parties. Contractual agreements are in place. The fee is settled at market prices. The relationships with related parties in the 2021 financial year and as of December 31, 2021, can be presented as follows:

2021 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	8	0	0	0	0
Business relationship with associated companies	0	0	0	0	0	0
Business relationship with the parent company or its controlling company	30,145	20,977	0	0	9,873	12,609
Business relationship with subsidiaries	642	1,482	2	0	461	46
Business relationship with other related persons and companies	846	0	0	249	675	8,594
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

Purchased goods and services from related persons and companies 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 other related persons and companies relate to the supply of goods. The liabilities to other related persons and companies relate to a shareholder loan.

The business relationship with subsidiaries relate to the goods and services provided and received with affiliated companies not included in the consolidated financial statements.

The business relationships with the parent company or its controlling company refer to Ennoconn Corporation, Taiwan, which holds a 26.61% stake in S&T AG as at December 31, 2021 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 Kontron Europe GmbH and its subsidiaries in North America and Canada.

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, the consolidated CITYCOMP Service GmbH, Ostfildern, Germany, as well as 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 section 291 German Commercial Code (HGB). The consolidated and in Germany registered 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, Axino Solutions GmbH, Aachen, PSB IT-Service GmbH, Ober-Mörlen and CITYCOMP Service GmbH, Ostfildern, make use of the exemption provisions pursuant to section 264 para. 3 German Commercial Code; pursuant to § 264 (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:

- › Through its wholly owned subsidiary S&T Deutschland GmbH, the S&T Group acquired assets such as rental and customer contracts as well as IT equipment from CNT Computer, Netzwerke, Technik GmbH, Saarwellingen, Germany, and CNP Computer, Netzwerktechnik Pusse GmbH, Saarwellingen, Germany, with effect from January 1, 2022. CNT Computer, Netzwerke, Technik GmbH as well as CNP Computer, Netzwerktechnik Pusse GmbH particularly serve medium-sized companies in the field of ERP solutions, which will be served from the S&T Deutschland GmbH data centre in the future and will benefit from the extended range of services offered by S&T Deutschland. Furthermore, the acquisition and the new branch will further strengthen the position of S&T Deutschland GmbH in the south-east of Germany. The exclusively fixed purchase price amounts to TEUR 470. Information on the determination of the fair values of the acquired assets and liabilities is not yet available at this time.
- › On January 20, 2022, the gradual reduction of the corporate income tax rate from 25 percent to 23 percent was adopted in Austria with effect from January 1, 2023. The corporate income tax rate will be reduced to 24 percent in a first step and to 23 percent as of January 1, 2024. This reduction does not affect the current or deferred tax recognised as at December 31, 2021. The amendment will reduce the future actual tax burden of S&T AG or its Austrian subsidiaries accordingly. If the reduced corporate income tax rate of 23 percent had already been applied to the calculation of deferred taxes as of December 31, 2021, deferred taxes would have been reduced by TEUR 2,172.
- › Russia-Ukraine war: Since the end of February 2022, Russia has been at war with Ukraine ("Russia-Ukraine War"). The effects of the Russia-Ukraine war constitute a non-adjusting event and therefore have no impact on the recognition and measurement of assets and liabilities at the reporting date. The impact of the Russia-Ukraine war on the S&T Group can be assumed for the year 2022. The S&T Group has a subsidiary in Ukraine, which contributed around EUR 3 million to revenues and around TEUR 150 to the Group's net income in 2021. With regard to the assets in the Ukrainian subsidiary or receivables of other Group companies from the Ukrainian sister company, an exposure of up to EUR 1.5 million is assumed from today's perspective. In addition, the S&T Group has several subsidiaries in Russia, which contributed a total of approximately EUR 66 million to Group revenues in the past financial year, and there are financing receivables and trade receivables in the Group from the Russian subsidiaries. Due to the volatile geopolitical situation, the impact cannot be quantified at this stage. A potential expropriation of assets of Russian subsidiaries would increase existing risks in terms of default, country and currency risks. Risks from the Russia-Ukraine war are constantly monitored and the current geopolitical situation is analysed.
- › On March 15, 2022, S&T AG received and published the final report of Deloitte Financial Advisory GmbH, Vienna, Austria, on the forensic investigation of the allegations made by Viceroy Research LLC in December 2021.

42 PROPOSAL FOR THE APPROPRIATION OF PROFIT

The basis for the proposal for the appropriation of profits is the separate financial statement of the company prepared in accordance with the provisions of the Austrian Commercial Code.

In the separate financial statements of S&T AG, present a preliminary unappropriated profit of TEUR 63,811 (PY: TEUR 49,661) for the 2021 financial year. The Executive Board proposes a dividend of EUR 0.35 per share.

43 RELEASE FOR PUBLICATION

The consolidated financial statements of S&T AG were approved for publication by the Executive Board on March 17, 2022.

44 ORGANS OF THE COMPANY

The following persons served as Supervisory Board members in the financial year 2021:

- › Mag. Claudia Badstöber, Chairwoman
- › Mag. Bernhard Chwatal
- › Hui-Feng Wu
- › Fu-Chuan Chu
- › Yu-Lung Lee (until 08.06.2021)
- › You-Mei Wu (from 08.06.2021)

In the financial year 2021, 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 (until 31.12.2021)
- › Dipl.-Ing. Michael Riegert, COO (from 01.01.2022)

Linz, March 17, 2022



Dipl.-Ing. Hannes Niederhauser



MMag. Richard Neuwirth



Michael Jeske



Dr. Peter Sturz



Dipl.-Ing. Michael Riegert



5G SAFETY PROJECT - INNOVATIVE SERVICES

IOT SOLUTIONS EUROPE

5G Safety is an EU-funded research and innovation project. The focus is on developing reliable 5G-enabled communication systems, services and applications to be used by civil protection and disaster relief (PPDR) as well as citizens.

The purpose of the project was to develop new applications in heterogeneous environments with the migration strategy from narrowband networks (TETRA, DMR, GSM-R) to broadband technologies (4G/5G and beyond). The main objectives were to research and develop new 5G architectures and key technologies, as well as a business model for implementing an advanced dispatcher-as-a-service (DPaaS) for civil protection and disaster management. In addition, a new generation of user-oriented applications should be made available to citizens.

Iskratele identified and implemented the following five use cases, which were defined, coordinated and verified with the project group, partners and professional end users: Automatic transmission of the data context when calling 112, setting up a video call between callers and PSAP staff, remote support for first responders, heterogeneous communication (the communication of multiple participants via various technologies as well as search and rescue missions with remote-controlled drones).

The successful involvement and collaboration of various Slovenian 5G PPDR stakeholders made the project unique and contributed significantly to its success. The project group consisted of leading players from research, innovation and technology deployment with a 5G focus, as well as (public) safety, commercial information and communications technology, and a number of key Slovenian PPDR experts and the national regulator.

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, 2021, 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, 2021 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:

RECOVERABILITY OF GOODWILLS – IMPAIRMENT TEST ACCORDING TO IAS 36

DESCRIPTION

The consolidated financial statements of S&T AG include a significant amount of goodwill (carrying amount kEUR 208,251), which is allocated to several cash-generating units. The composition of five cash-generating units changed in 2021 due to a reorganization in management reporting, resulting in a partial reallocation of goodwill to these five cash-generating units.

The annual impairment test according to IAS 36 requires management to make significant assumptions and estimates in assessing whether an impairment exists and, if so, in quantifying such impairments. The main risk lies in the estimation of future cash flows and discount rates when determining the value in use of the cash-generating units.

The Company's disclosures pertaining to the composition of cash-generating units and goodwill are contained in note "B. Accounting and valuation principles – goodwill impairment test" and note "D.12 Intangible assets and goodwill".

HOW OUR AUDIT ADDRESSED THE MATTER

In responding to the risk our work included, but was not limited to, the following procedures:

- › Verification of the composition of the cash-generating units by comparison with management reporting as well as tracking of the changes to the composition of the cash-generating units made in the financial year and of the correct goodwill allocation
- › Assessment of the design and implementation of the controls over the valuation process
- › Review of the methodology applied and the arithmetical correctness of the documents and calculations provided as well as plausibility check of the discount rates with the assistance of our valuation specialists
- › Comparison of the planning documents for consistency with budgets approved by the supervisory board as well as a plausibility check and analysis of the key assumptions (revenue, expenses, capex and changes in working capital) in order to verify the appropriateness of these budgets
- › Assessment of the budgets with respect to possible effects of the present chip crisis and to what extent resulting uncertainties were taken into account
- › Evaluation of historical accuracy of management's budgets and forecasts by means of backtesting budgets with actuals
- › Evaluation of the appropriateness of disclosures made regarding impairment tests and the changes to the composition of cash-generating units

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 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 8th, 2021 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 17, 2022

Ernst & Young

Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Johanna Hobelsberger-Gruber eh
Certified Public Accountant

ppa Dr. Dominik Permanschlagler eh
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.

Linz, March 17, 2022



Dipl.-Ing. Hannes Niederhauser



MMag. Richard Neuwirth



Michael Jeske

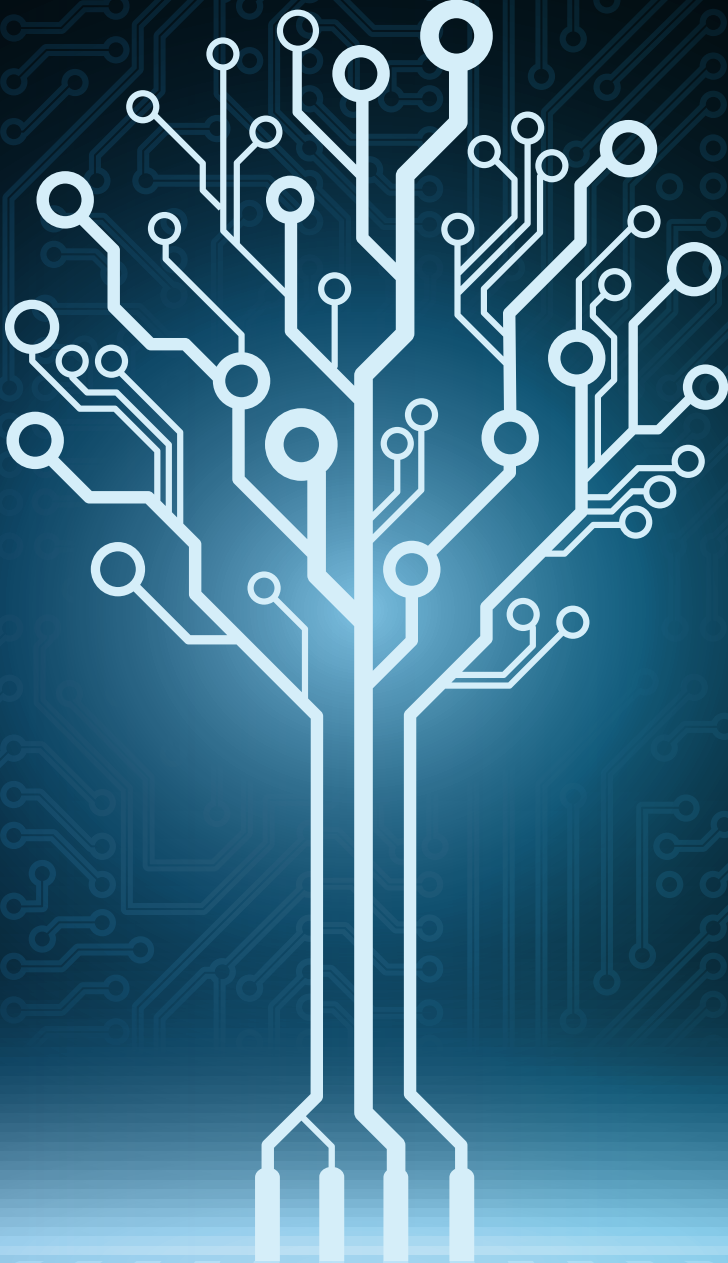


Dr. Peter Sturz



Dipl.-Ing. Michael Riegert

SUSTAINABILITY REPORT 2021



3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

5 GENDER EQUALITY

7 AFFORDABLE AND CLEAN ENERGY

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

11 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

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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 particular emphasis 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 the 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. We underline this commitment through our participation in the UN Global Compact with which we pledge that our strategy and our actions will comply with the ten UN Global Compact principles relating to human rights, work, the environment, and anti-corruption. Our aim is to make the principles an integral part of the S&T value system. Accordingly, relevant additions will be made to our Code of Conduct.

We are particularly pleased with the MSCI ESG rating, which improved by two levels in 2021. The renowned rating agency MSCI currently gives the S&T Group a "Triple B" (BBB) rating. This significant improvement is a clear and important indication of S&T AG's ongoing efforts towards sustainability.

In closing, and by way of introducing the following report, it is our privilege to cite some of the targets reached in 2021:

- › The long-standing philosophy of the 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 2021, we started the "S&T Leadership Academy", a one-year training course which focuses particularly on female junior executives in a wide variety of fields who are to be prepared for their next career steps within the S&T Group by external trainers and S&T managers.
- › In Ms. Yolanda Wu, another woman was appointed to the Supervisory Board, joining that Board's chair, Ms. Claudia Badstöber. This means that 40% of Supervisory Board mandates are held by female members. We are continuing to make every effort to increase the proportion of women in the Group, and in particular at management level.
- › 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 pleased that we were able to put additional photovoltaic systems into operation in 2021 and increase the share of electricity from renewable energy sources.
- › In the fourth quarter the first Group-wide employee survey was successfully completed. The positive results confirm that the S&T Group is a good employer that offers its workforce an exciting working environment with sufficient development opportunities.
- › A new online compliance training tool and training program was launched, with focus on anti-corruption, antitrust law and fair competition, as well as capital market compliance.
- › Significant improvements were realised in the area of data security, such as endpoint protection, 2-factor authentication, as well as a training program for data protection and data security.

For 2022, we plan continue our step-by-step ESG plan. Besides implementing further reporting improvements, we aim to set concrete quantitative targets by the summer.

The Executive Board of S&T AG

Dipl.-Ing. Hannes Niederhauser






Michael Jeske

Dr. Peter Sturz

MMag. Richard Neuwirth

Dipl.-Ing. Michael Riegert

KEY FIGURES

<p>IoT + Industry 4.0 </p> <p>Internationally-leading supplier of Industry 4.0 and Internet of Things technologies</p>	<p>1,342 million €</p> <p>Revenues 2021 EUR 1,342 million</p>	<p>Greens solutions </p> <p>Supplier of products and solutions forming part of energy-efficient, sustainable and secure applications</p>
<p>211.3 million </p> <p>2021: EUR 211.3 million for engineering, research & development</p>	<p>6,206 </p> <p>More than 6,200 employees in 32 countries</p>	<p>3 business segments </p> <p>IT Services IoT Solutions Europe IoT Solutions America</p>

S&T GROUP

SHORT PROFILE

Technology group S&T AG (ISIN AT0000A0E9W5, WKN A0X9EJ, SANT), based in Austria, employs more than 6,200 people and has subsidiaries in 32 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, software 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 more information on the S&T Group and the portfolio, please refer to the chapters "Management Report" and "Portfolio of products and services" in the annual report.

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 6,200 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 technologies, the S&T Group develops solutions that are deployed by customers 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. Additionally, 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 customers and our engineers.

STAKEHOLDERS

S&T defines as stakeholders those individuals or groups of people who are influenced by the business activities of the S&T Group or, conversely, have an influence on the Group. An ongoing transparent dialogue with stakeholders is important to us, as it ensures timely identification of risks and addresses the interests and demands of the stakeholders.

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 2021, no single customer accounted for a share of S&T's revenue of more than 3%. In 2021, the revenue share from the betting sector was below 0.5% (PY: below 0.5%) of the Group's total revenue.

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 effectively repairing items.

Measures ensuring the prevention of defects form a key part of achieving customer satisfaction and preventing, or at least minimising, 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 painstaking selection of our manufacturers and suppliers.

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:

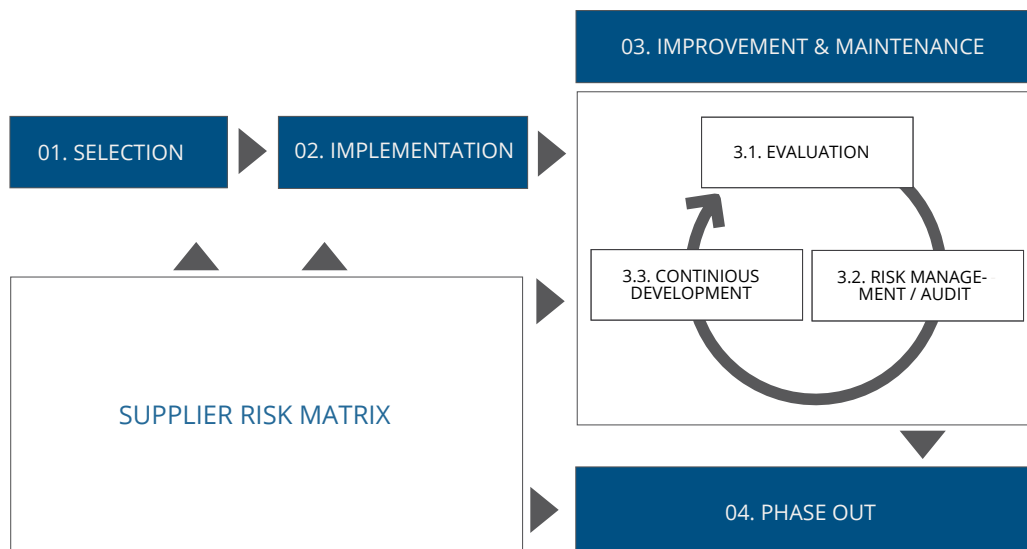


A central criterion when orders are placed by public authorities and industrial customers is that fundamental labor and social standards are observed in the production of goods. These are laid down by the International Labour Organization (ILO), the United Nations Global Compact, and by the respective 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 labor 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 of 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. Supplier management comprises four main activities which form a matrix of responsibility covering the entire supplier management process: 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 labor 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 high expectations and are thus disqualified will not be commissioned. This disqualification can also lead to the supplier losing 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 Organization 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 that suppliers enact processes designed to preclude their use of conflict minerals. Consequently, the production processes of suppliers must also preclude the incorporation of raw materials that originate from high-risk areas, or from regions 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 specialised 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 are also disqualified whose actions promote corruption, or who engage in other practices contravening laws and principles of fair competition.

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 audit evidence, 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 the aforementioned standards when manufacturing IT and IoT products.

OTHER STAKEHOLDERS

Ongoing dialogue with the stakeholders cited, as well as with investors, employees, legislators and local organisations, proxy advisors, rating agencies, and other stakeholders is of great importance to us and help us to identify ESG opportunities and recognise ESG risks in good time. An excerpt from the discussions held in 2021 is presented in the "The Share" chapter of the annual report. We are happy to answer our stakeholders' questions and look forward to receiving feedback and suggestions at esg@snt.at.

SUSTAINABILITY MANAGEMENT AT S&T

GROUP-WIDE COORDINATION OF SUSTAINABILITY

ESG topics and achieving the defined targets fall under the purview of CFO Richard Neuwirth and are promoted and implemented by the entire Executive Board, the country managers and the heads of divisions.

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 now recognise that concentrating all our efforts to reach ESG targets at Group level is both advantageous and appropriate under present circumstances. To this end, the position of “Group Sustainability Manager” was created in 2021 to coordinate ESG topics and reporting on them across the Group.

KEY SUSTAINABILITY ISSUES

In the second quarter of 2021, the external and internal stakeholders of the S&T Group were invited to participate in a stakeholder survey. Invitations were emailed direct to close stakeholders, and a link to the survey was also placed on the Group website (www.snt.at) for eight weeks. Social media channels (e.g. LinkedIn) were also used to draw attention to the survey and motivate stakeholders to participate. At the end of the survey the answers were evaluated with the help of an external consultant. Based on the survey results and the ESG risks cited, twelve key topics were identified that affect the S&T Group in its various business areas. Group-wide, cross-divisional sustainability management will be implemented as a way of ensuring that the key sustainability issues are adequately addressed.



COMMITMENT TO THE TEN PRINCIPLES OF RESPONSIBLE ACTION

The UN Global Compact contains principles on human rights, labor standards, environmental protection and the fight against corruption. Companies that join the UN Global Compact voluntarily commit themselves to adhering to these principles and their core precepts. In a letter to the UN Secretary General, S&T AG committed itself to compliance with the global ethical, ecological, and economic principles and applied for admission. Consequently, S&T AG has been a UN Global Compact member since January 2022.

The 10 principles according to the UN Global Compact

HUMAN RIGHTS

Principle 1

Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2

make sure that they are not complicit in human rights abuses.

LABOR

Principle 3

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4

the elimination of all forms of forced and compulsory labor;

Principle 5

the effective abolition of child labor; and

Principle 6

the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

Principle 7

Businesses should support a precautionary approach to environmental challenges;

Principle 8

undertake initiatives to promote greater environmental responsibility; and

Principle 9

encourage the development and diffusion of environmentally friendly technologies.

FIGHT AGAINST CORRUPTION

Principle 10

Businesses should work against corruption in all its forms, including extortion and bribery.

CONTRIBUTION TO GLOBAL DEVELOPMENT GOALS (SDGS)

The 17 SDGs of the United Nations (Sustainable Development Goals, <https://www.un.org/sustainabledevelopment/>) provide guidelines for sustainable development on an economic, ecological and social level. In the course of updating the key sustainability issues, S&T also analysed the 17 development goals of the United Nations with regard to the company's business activities. The goals relevant for the S&T Group and which the company can particularly influence are shown below. S&T has identified nine goals that we help to achieve in various ways through our actions, products and solutions, and initiatives.



STEP-BY-STEP ESG PLAN

The S&T Group's step-by-step ESG plan was drawn up at the beginning of 2021 and aims to achieve gradual improvements in various areas over the next few 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. The ongoing dialogue with our stakeholders was used in 2021 to update the materiality analysis and then reassess ESG risks.

ESG reporting was also expanded in 2021. In addition to collecting a greater number of key figures (based on the GRI standards), we have reacted to the EU Taxonomy Regulation adopted in mid-2021 and present the taxonomy key figures for the first time in the "EU Taxonomy" section of this report. In the following years, we expect more detailed EU taxonomy reporting requirements and have therefore expanded the reporting goal in our phased plan to meet the EU taxonomy requirements.

Evaluation of the quantitative ESG targets has started. Here, the development of the "Focus" project, which examines the stronger focus on the IoT business and the sale of the IT service segments, will have an impact on the quantitative objectives.



SUSTAINABILITY PROJECTS IMPLEMENTED

"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 projects initiated. As part of the ESG Group strategy, we are increasingly moving towards also defining overarching goals, which are gradually being implemented locally by the subsidiaries, as well as launching Group-wide programs. In 2021, the focus continued to be on the topics of "training" and on converting our power supply to increased use of renewable energies.

EDUCATION & TRAINING



The new Security Awareness Program ensures that everyone in our organisation is sufficiently informed of security issues and has the requisite measure of responsibility for dealing with threats to data security and data protection.

With a new online compliance training system, courses and tests for S&T staff at all levels can be conducted and documented.

The “S&T Leadership Academy” is a one-year training course which focuses particularly on female junior executives in a wide variety of fields who are prepared for their next career steps within the S&T Group by external trainers and S&T managers.

In 2021, three group-wide training programs were restructured and started.

S&T OPTS FOR GREEN ELECTRICITY



The electricity used at the S&T AG sites in Innsbruck, Linz, Graz, and Vienna comes exclusively from renewable energy sources. Electricity from renewable energy sources is also increasingly being used at other sites – the share of renewable energy sources in the S&T Group is to be significantly increased in the coming years.

Our contribution to sustainable use of resources – keep it up!

PHOTOVOLTAICS



Quite a lot is happening with regard to generating our own power, too. S&T has installed photovoltaic systems at several of its sites. For example, three photovoltaic systems are in operation on the roofs of Iskratel in Slovenia. The total output is 1.07 MWp and the plants produce an average of over 1.1 GWh of electricity per year, enough to meet the needs of 330 average households. At 0.5% of total electricity consumption, the proportion of self-generated electricity is still relatively low — S&T is therefore planning to commission more photovoltaic systems in the future and increase this share.

In this way we as a company do our bit to generate clean electricity – sustainability in action!

GREEN TRANSPORTATION



Apart from the aims of promoting more frequent use of public transport and, at several sites, company bicycles, and reducing the number of fuel-powered cars in use, the fleet of vehicles that are still necessary are to be successively converted to e-vehicles. Of the approximately 1,500 vehicles, around 6% were e-cars in 2021 (2020: 4%). 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!

EU TAXONOMY

Within the framework of the EU action plan on financing sustainable growth, redirecting capital flows into sustainable investments is a key objective. The EU Taxonomy Regulation, which came into force in mid-2020 with this objective in mind, serves as a uniform and legally binding classification system for defining economic activity in the EU that is considered “environmentally sustainable”. Company-specific reports on the results of this classification are to be presented annually.

Article 9 of the Taxonomy Regulation lists the following six environmental objectives:

- › Climate change mitigation
- › Climate change adaptation
- › The sustainable use and protection of water and marine resources
- › The transition to a circular economy
- › Pollution prevention and control
- › The protection and restoration of biodiversity and ecosystems

The EU has currently published guidelines for sustainable economic activity in accordance with the EU taxonomy for two environmental objectives (climate change mitigation and climate change adaptation). The description of the economic activity in the delegated acts determines which economic activities can be considered in principle.

In order to classify an economic activity as “environmentally sustainable” as defined by the EU taxonomy, a distinction must be made between taxonomy eligibility and taxonomy compliance. First of all, it is necessary to check whether an economic activity is described in the delegated act and is therefore taxonomy-eligible. Only taxonomy-eligible economic activities that meet certain criteria can be considered “environmentally sustainable”. For classification as taxonomy-compliant, evaluation is then necessary to determine whether the technical evaluation criteria named have been met.

For the first EU taxonomy reporting year 2021, disclosure is required of the share of revenue, investment, and operating expenses accrued by taxonomy-eligible and non-taxonomy-eligible economic activities. This analysis must include the revenues, capital expenditure and operating expenses of all Group companies, whether fully consolidated or consolidated pro rata.

These revenues are determined on the basis of the amounts reported under these items in the income statement.

The base figure for capital expenditure is the sum of additions to property, plant and equipment, and intangible assets during the financial year before depreciation and amortisation and possible revaluations for the financial year in question and without changes in fair value. Additions to property, plant and equipment, and intangible assets resulting from business combinations are also included (application of IFRS (IAS 16, 38, 40, 41, IFRS 16)). Acquired goodwill is not included. Investments in non-current assets that are classified as for sale or for distribution are only taken into account until the first date of the corresponding classification

Operating expenses are based on the direct, non-capitalised costs for research and development, building renovation measures, short-term leasing, maintenance and repair as well as all other direct expenses for the ongoing maintenance of property, plant and equipment necessary to ensure their continuous and effective functioning that is performed by the company or by third parties.

Under Art 8 (1) of the Regulation in conjunction with Section 243b or Section 267a of the Austrian Civil Code (UGB), S&T AG is obliged to apply the regulations of the Taxonomy Regulation. In compliance with Section 245a (1) of the Austrian Civil Code, S&T AG's consolidated financial statements as of December 31, 2021, were prepared in accordance with IFRS. The amounts used to calculate the revenue, CAPEX and OPEX key figures are based on the figures reported in the consolidated financial statements.

Any of S&T AG's economic activities that are included in the EU catalog are considered taxonomy-eligible. In the case of S&T AG, for example, the following economic activities are to be considered: 6.14. “Infrastructure for rail transport”, 8.1. “Data processing, hosting and related activities”, 8.2 “Data-based solutions to reduce GHG emissions” and 9.2. “Close to market research, development and innovation”. Revenues, investments and operating expenses related to this economic activity can be classified as taxonomy-eligible.

Based on an analysis of all economic activities, the share of taxonomy-eligible revenues / investments (CAPEX) / operating expenses (OPEX) of the respective totals of S&T AG is reported in accordance with the EU Taxonomy for the 2021 financial year.

The EU Taxonomy Regulation and the delegated acts adopted for it contain wordings and terms that are still subject to considerable interpretative uncertainty and for which clarifications have not yet been published in every case. S&T AG's interpretation of these terms is set out below.

INDICATORS

REVENUE INDICATOR

The revenue indicator results from the ratio of revenues from taxonomy-eligible economic activities in a financial year to the total revenues in that financial year.

	SHARE OF REVENUE AS %
Revenue taxonomy-eligible	71.4%
Revenue non-taxonomy-eligible	28.6%
Total	100.0%

The total revenue of EUR 1,342 million for financial year 2021 is the denominator of the revenue indicator and can be found in the consolidated income statement (please refer to Notes Section C, Note (1)). S&T AG's revenues of EUR 1,342.0 million are examined across all Group companies to determine whether they were attained by taxonomy-eligible economic activities in accordance with Annex I (contributing substantially to climate change mitigation) and Annex II (contributing substantially to climate change adaptation) of the Delegated Regulation (EU) 2020/852. Through a detailed analysis of the items included in the revenues, each revenue is assigned to the taxonomy-eligible economic activities. The sum of all revenues from taxonomy-eligible economic activities for the 2021 financial year is the numerator.

S&T AG's economic activities are defined as taxonomy-eligible by the economic activities described in the Delegated Regulation (Annex I/Annex II) 3.6 "Manufacture of other low carbon technologies (Annex I/Annex II)", 6.14. "Infrastructure for rail transport (Annex I/Annex II)", 8.1. "Data processing, hosting and related activities (Annex I/Annex II)", 8.2 "Data-based solutions to reduce greenhouse gas emissions (Annex I/Annex II)" and 9.2. "Close to market research, development and innovation" (Annex I/Annex II).

For the financial year 2021, revenue from goods and services generated by these economic activities will be classified as taxonomy-eligible if they were produced or rendered internally. By contrast, revenue from the trade of purchased goods and services is classified as non-taxonomy-eligible.

CAPEX INDICATOR

The CAPEX indicator shows the share of capital expenditure (CAPEX) that is either associated with a taxonomy-eligible economic activity, with a credible plan to increase such expenditure (if such a plan exists) or achievement of environmentally sustainable economic activity, or refers to the purchase of products and services from taxonomy-eligible economic activity.

	CAPEX SHARE AS %
CAPEX taxonomy-eligible	76.3%
CAPEX non-taxonomy-eligible	23.7%
Total	100.0%



MODERNISATION OF THE RAIL INFRASTRUCTURE IN BELGIUM

IOT SOLUTIONS EUROPE

With its customer I-ICT INFRABEL, operating the telecommunication networks of the Belgian railway infrastructure manager, Kontron Transportation has been engaged since 2019 in the migration of their NSS R99 GSM-R (Global System for Mobile Communication-Railway) Core Network system to the NSS R4 GSM-R standard. After a first major step in 2020 concerning the whole current mobile traffic (circuit switching domain), this project was successfully completed in 2021 with the migration of the GPRS system.

This final step, covering the packet switching domain, is an essential achievement in INFRABEL's vast program to modernise its infrastructures and systems, driven by its ambition to make the Belgian rail network one of the safest in Europe: until today, GPRS (General Packet Radio Service) has been only used for some marginal applications like the protection of trackside works, but it will soon become the central building block of the updated railway signalling systems, which is required to safely operate high speed lines with short intervals between trains.

Alex Raviart, Head of INFRABEL Telecommunication Networks and newly designated President of Kontron Transportation's User Group, acknowledged the high professionalism level of the involved teams at Kontron Transportation, as well as their solid experience and strong methodology.

The whole migration project was executed without impact on the regular railway operation, in full compliance with contractual requirements and strictly within assigned calendar objectives.

For the financial year 2021, the CAPEX are allocated to the economic activities for the production of which the assets are used. At the level of the economic activities, the assets are then weighted according to their respective share of taxonomy eligibility. Assets that are not directly attributable to an economic activity, e.g. vehicle fleet, are classified individually according to their taxonomy eligibility.

OPEX INDICATOR

The OPEX indicator specifies the share of operating expenses in accordance with the EU taxonomy which is associated with taxonomy-eligible economic activities, with a CAPEX plan as mentioned above, or the acquisition of products from a taxonomy-eligible economic activity.

	OPEX SHARE AS %
OPEX taxonomy-eligible	56.0%
OPEX non-taxonomy-eligible	44.0%
Total	100.0%

To determine the denominator, the accounts showing the direct, non-capitalised costs for research and development expenses, building renovation measures, short-term leasing, maintenance and repair expenses (explanation of key components) were examined.

The numerator is calculated by analysing the assets associated with the expenses recorded in the above-mentioned accounts with regard to their taxonomy-eligibility on the basis of Annex I (contributing substantially to climate change mitigation) and Annex II (contributing substantially to climate change adaptation) of the Delegated Regulation of the (EU) 2020/852.

The OPEX substantially consist of uncapitalised expenses for research and development. In this respect, the analysis of the taxonomy-eligibility of research and development costs is of great importance when determining the OPEX indicator.

The OPEX included were classified as taxonomy-eligible for the 2021 disclosure to the extent that they were related to taxonomy-eligible revenues or CAPEX. If a connection could not be determined, the OPEX were classified as non-taxonomy-eligible in case of doubt. Essentially, OPEX for maintenance and repair and leasing of vehicle fleet are thus included in the numerator for 2021.

For the determination of the indicators for the financial year 2021, the data was only partially available in sufficient quality due to the fact that the publication of the Taxonomy Regulation was during the current financial year, as a result of which revenues, CAPEX and included operating expenses were classified as not taxonomy-eligible in case of doubt. A project is planned for 2022 to refine the level of detail of the data collected in the Group and thereby increase the data quality for determining the indicators.

ENVIRONMENT & CLIMATE



ENVIRONMENTAL PROTECTION AND ENVIRONMENTAL MANAGEMENT

Our management and employees are always aware of their responsibility to the 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 established a detailed set of environmental policies 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 damage 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 is based on our environmental policy, from which overarching and specific environmental goals are derived and which ensures that our environmental protection obligations are met within the framework of the environmental management system.

Within the S&T Group, companies in Albania, Belgium, China, Germany, Great Britain, France, Croatia, Malaysia, Montenegro, Austria, Romania, Serbia, Slovakia, Spain, the Czech Republic, Hungary and Belarus are certified in accordance with the international environmental management standard ISO 14001. The S&T Group also plans further certification of other locations within the Group according to ISO 14001: The ISO 14001 certification measures are continuously reviewed and taken further. 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 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 analyse 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 sets of stakeholders on our actions to protect the environment – and to forge ties 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 efficacy 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 centers
- › 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 HEATING AND COOLING REQUIREMENTS PER SQUARE METER

- › 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 utilisation of e-invoices

REDUCTION OF CO₂

- › 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 manufacturing.

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 on the basis of 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.

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 requirements 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 of the use of certain hazardous substances in electrical and electronic equipment (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 regulation)
- › 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 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. The directive is abbreviated as RoHS (“Restriction of Hazardous Substances”).

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 defined at that time ceased to be effective from January 2, 2013. From this date, 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, as manufacturing subsidiaries of S&T AG, fulfill 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.

In its cooperation with our partners, S&T AG also sees it as its duty and a matter of course to provide the latest information on the disposal of hazardous materials that stem from the 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 REGULATION ON CHEMICALS: REACH

The REACH Directive (“Registration, Evaluation, Authorisation and Restriction of Chemicals”) was adopted 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 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 1 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 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 the REACH Directive, Kontron and S&T inform their customers promptly about any amendments to the Candidates List and about the relevance of these changes 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 neighboring countries. This legislation has 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 neighboring 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 declaration on the utilisation 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 EU’s new CMRT Directive came into force 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.

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 companies that place batteries on the market therefore have to fulfill certain obligations: Records must be kept of the quantities of batteries placed on the market in Germany every year. A collection system of the appropriate dimensions must be organised 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 expired on December 31, 2021. The battery types and battery trade names placed on the market until this day by Kontron Europe GmbH could therefore be ascertained by consulting the battery register held at the German Environment Agency (Umweltbundesamt). This information is available from Stiftung ear starting with 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 labeled containers: paper and cardboard, recyclable materials (styrofoam, plastics, films, etc.), metal scrap, electronic waste (e.g. cables, boards, keyboards, monitors, etc.), 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 the 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.

GREEN DATA CENTERS

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 center operation. Criteria used to assess adherence to "green IT" include the efficiency of the air conditioning used to cool the data centers. 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.

ENVIRONMENT INDICATORS*

INDICATOR	GRI	UNIT	2021	2020
Total heating and process energy	302-1	kWh	12,174,414.0	10,163,971.9
Total fuel	302-1	Liters	2,065,952.5	1,755,253.1
Total electricity consumption		kWh	23,833,872.8	21,939,134.4
Air travel				
Short flights		Flights	450	595
Long-haul flights		Flights	344	336
Vehicle fleet				
Number of company cars			1,622	1,589
Proportion of e-cars	%		6.0%	4.0%
Ø kilometers traveled per car	km		18,171.1	17,819.8

*extrapolated to 100% based on data from 80% of Group companies and FTEs per location

PRODUCTION OF OWN RENEWABLE ELECTRICITY



S&T Group is in the process of equipping all of its company buildings gradually with plants for the production of renewable electricity such as own solar power. Role models are the sites of Kontron AIS, Iskratel, and S&T's headquarter in Linz, where photovoltaic systems have already been installed.

GREEN PRODUCTS

The various software solutions and products of the S&T Group can contribute in many different ways to conserving resources, using energy sustainably and achieving environmental goals in general. Kontron Transportation solutions, for example, support environmentally friendly rail transport, our Smart Energy business contributes to efficient energy use and promotes the use of renewable energies, and Kontron is researching and working towards resource-saving smart factory solutions. For more information, see the “Portfolio of products and services” chapter of the annual report.

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, our 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” plTX single board computer with the NXP i.MX8M processor. With up to four 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.

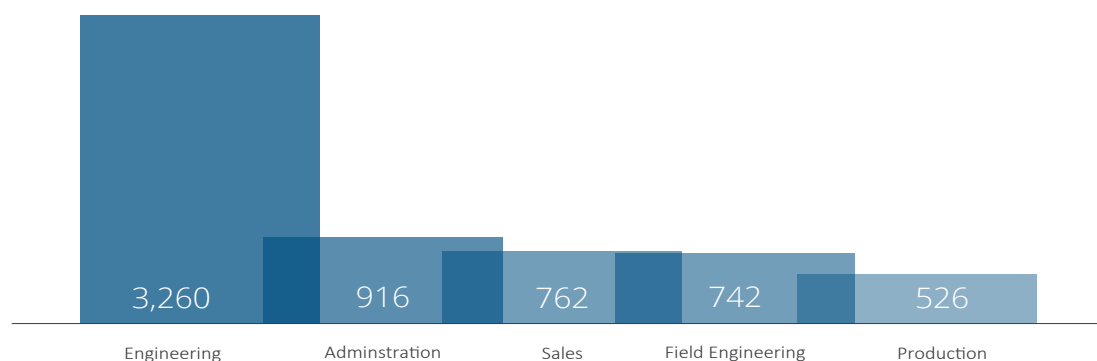


SOCIAL

EMPLOYEE INDICATORS

As of December 31, 2021, the S&T Group had 6,206 employees. This figure does not include trainees and staff on parental leave. Unless otherwise stated, the following employee figures express full-time equivalents as of the balance sheet date.

Broken down by S&T's business areas and as of December 31, 2021, 762 people worked in sales and marketing; 742 employees were engaged in the field of engineering (hardware-related IT services); 526 employees worked in production and logistics; and 916 people in management and administration. The number of people working in the area of development (research & development and engineering) has now reached 3,260.



Broken down by business segment and as of December 31, 2021, 2,459 people worked in the segment "IT Services", 3,482 employees worked in the segment "IoT Solutions Europe", and 265 employees in the segment "IoT Solutions America". Broken down by region, approximately 92.3% of all employees are based in Europe, some 4.3% are in North America, and around 3.4% in Asia. The number of employees in Austria, the Group's home country, was 617 people as of December 31, 2021.

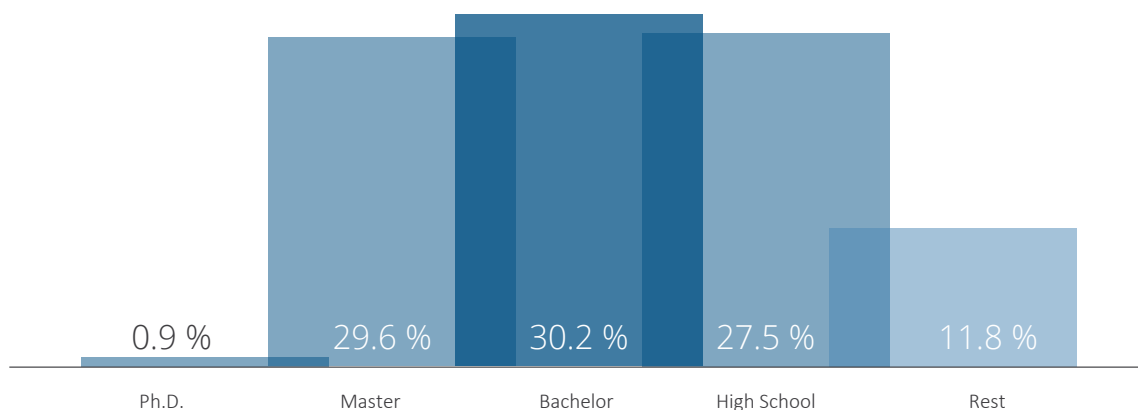
EMPLOYEES BY REGION*:	2021	2020
Europe	5,729	5,553
of which Eastern Europe	3,477	3,468
of which Austria	617	588
of which Germany	1,253	1,119
of which rest of Europe	382	378
Asia	212	214
North America	265	300
Total	6,206	6,067

* Number of full-time-equivalent employees without employees on parental leave, interns, apprentices and contingent workers

Compared to the previous year, the number of employees has risen by around 2.29% to 6,206 employees as of December 31, 2021. Many of the S&T Group locations serve as centers 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 projects within the Group. Overall, the S&T Group employed 115 trainees and students in 2021 (PY: 107) on combined work-study programs. For the first time, the number of S&T employees with technical qualifications was surveyed. In 2021, this was 52.8% of employees.

In financial year 2021, a survey was again carried out to find out the highest academic qualifications of our employees. Currently 0.9% of them have a Ph.D. (PY: 0.8%), 29.6% a master's degree (PY: 30.5%), 30.2% a bachelor's degree (PY: 31.7%), and 27.5% (PY: 28.1%) have graduated from high school (with entitlement to pursue higher education).

Distribution of highest academic qualifications of employees of the S&T Group as of December 31, 2021:



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. In 2021, the principles for diversity and equal opportunities were laid down in the “S&T Diversity” policy which, along with the Code of Conduct, is binding for all employees.

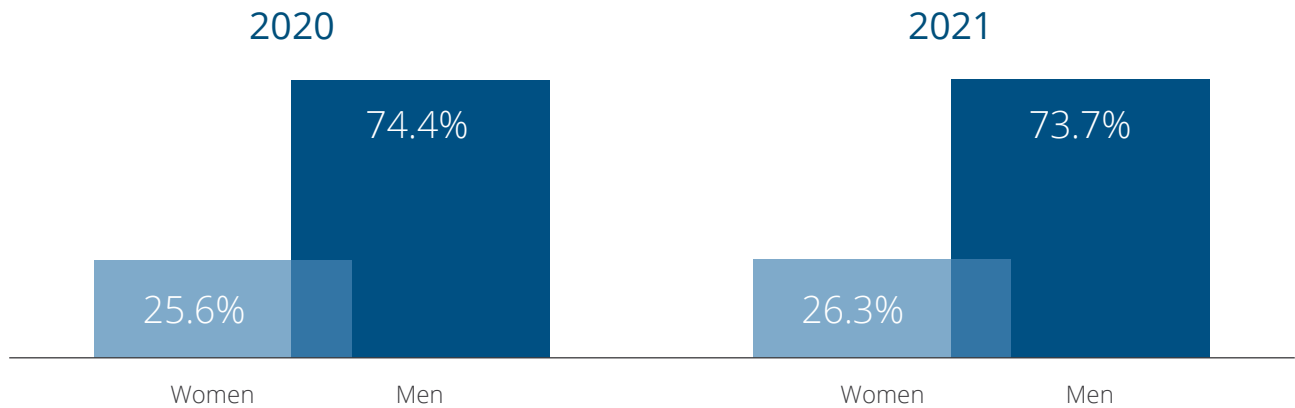
When filling any position in the Group, S&T follows the principle of promoting women and non-discrimination. Promoting women's interests forms part of S&T's process of adapting its operations to account for changes in the worlds of work and in daily life. This process extends to S&T's management for 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 22.1% (PY: 21.6%) to at least 26.3% (PY: 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.

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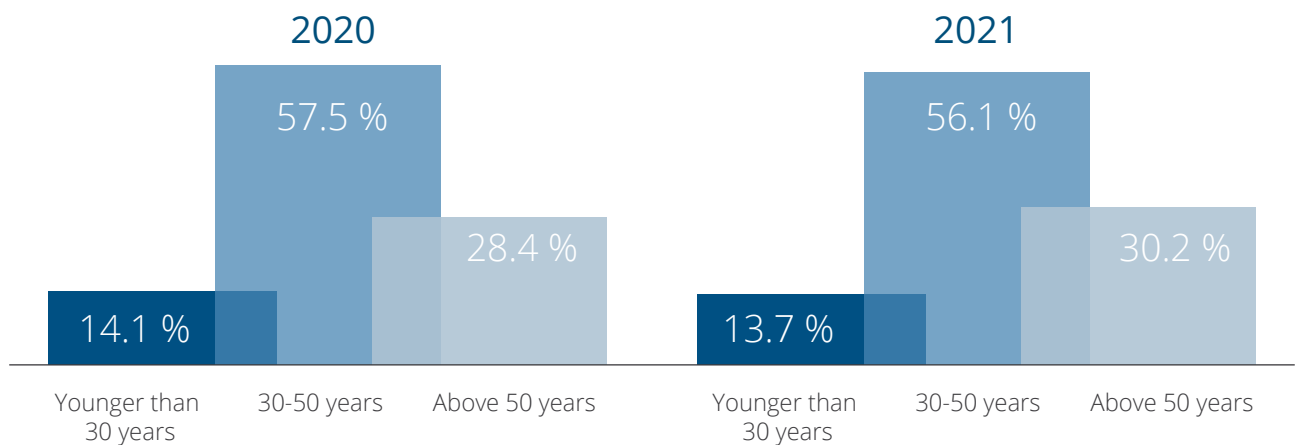
SUSTAINABILITY REPORT

As of December 31, 2021, S&T's workforce had the following gender distribution:



Of our 6,206 employees as of December 31, 2021, the following age distribution was observed: some 13.7% (PY: 14.1%) were less than 30 years old; 56.1% (PY: 57.5%) were in the middle group (between 30 years and 50 years), and 30.2% (PY: 28.4%) were older than 50 years. Our objective is to make use of the diversity of age shown by our employees to optimally support 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.

Age distribution in the S&T Group as of December 31, 2021:



SANDRA GRÜN WALD

HEAD OF EXECUTIVE BOARD OFFICE
S&T AG

Sandra Grünwald has worked for the S&T Group for more than 15 years. In her role as head of the Executive Board administrative office she has contributed to the company's transformation from an IT services provider to an internationally leading supplier of IoT technologies. The rapid growth in recent years has not only led to higher revenues, but also higher demands and additional tasks for Sandra's team.

In addition to various organisational agendas, the Executive Board office acts as a hub for all S&T Group subsidiaries, putting them in touch with the right contacts and so assisting the flow of information within the Group. Corporate governance and compliance issues are successfully managed through the work of the Executive Board office of the S&T Group.

When asked about her own career path, Sandra believes that it is important to remain open to new things, to see the positive aspects of a changing environment and to see new tasks as an opportunity for personal development. It is for that reason that Sandra supports the training schemes in the S&T Group. The training of apprentices is particularly important to her and she is proud to have already accompanied many colleagues on their way to passing their final apprenticeship examination.

In addition to its everyday activities, the Executive Board office also coordinates special projects. One such was the reductions in office space and the move to a new location in 2021. This presented an opportunity to expand the waste separation system at the site.



”

“I would like to take this opportunity to thank the entire S&T team for the many years of good cooperation – especially Alexandra and Jelena for supporting the ESG projects completed in 2021!”

Sandra Grünwald

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SUSTAINABILITY REPORT

The distribution of employees as of December 31, 2021, among “management” and “specialists” was as follows:

	2021	♀ F	♂ M
Management	15.5%	22.1%	77.9%
Specialists	84.5%	27.1%	72.9%
Total	100.0%	26.3%	73.7%

The average seniority in the financial year 2021 was 10.2 years, and staff turnover was 14.8% (PY: 10.3%). Due to the realisation of synergies, for example in the IT Services segment in Germany and in North America, staff reductions were necessary in 2021, which led to an increase in staff turnover.

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 annual CSR survey, 1.4% of Group employees count as employees with disabilities.

ADDITIONAL EMPLOYEE AND SOCIAL INDICATORS

INDICATOR	GRI	UNIT	2021	2020
Employees total	102-8	FTE	6,206	6,607
Women	102-8	in %	26.3	25.6
Men	102-8	in %	73.7	74.4
Share of trainees of employees total	102-8	in %	1.7	1.8
Share of female trainees of trainees total	102-8	in %	20.3	29.0
Employees with disabilities	405-1	Headcount	89	57
Fluctuation	405-1	in %	14.8	10.3
Ø Company seniority		in years	10.2	11.0

INDICATOR	YES/NO
Is the company located in a country where there is no right to collective bargaining, works councils and freedom of association?	no
Are there strict prohibitions regarding collective bargaining and freedom of association?	no
Are there any operating sites with a significant risk of incidents of child labor?	no
Are there any operating sites with a significant risk of incidents of forced or compulsory labor?	no

TRAINING AND EDUCATION

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 dedicated 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.

S&T's long-held philosophy

— “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 financial year 2021, the S&T Group invested around EUR 1.5 million (2020: EUR 1.1 million) in employee training. Due to the restrictions made necessary by the COVID-19 pandemic, training courses were increasingly conducted in online teaching formats, as they were in the 2020 financial year. Training and further education took place in a wide variety of subjects and fields. Above all, many technical training courses were held to maintain or expand certifications with individual manufacturers such as AWS, SAP, Microsoft, HP, VMware, Cisco, etc. Leadership training and coaching, occupational safety training, project management seminars, and languages were also strongly represented.

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.

S&T GROUP LEADERSHIP ACADEMY



S&T GROUP LEADERSHIP ACADEMY

The first round of the new S&T leadership training, the S&T Group Leadership Academy, started in November 2021. The one-year program focuses particularly on female junior executives in a wide variety of fields who will be prepared for their next career steps within the S&T Group by external trainers and S&T managers. The aim of the academy is to enable participants to develop comprehensive leadership skills for their continuing professional development within the Group. Participants will receive professional, well-founded and practical management training in, among other things, all the important areas of Group business, from finance to legal to our solutions. In addition to professional qualifications, the course also includes modules on soft skills. 21 S&T Group employees are taking part in the first round of the academy, of whom about 70 percent are women and 30 percent are men. Female applicants were prioritised for acceptance on the course, in keeping with the S&T Group's goal of increasing the proportion of female executives in the future.

EMPLOYEE SATISFACTION

FAIR REMUNERATION

A single set of principles of remuneration applies to all employees of the S&T Group. We always strive for fair remuneration of all employees regardless of gender, origin, religion, age, disability, or sexual orientation. The total remuneration packages are based on the average of the relevant labor market in each case to ensure that each employee receives a remuneration appropriate to the labor 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 that they deserve and which motivates them to continue performing well.

Stock option schemes 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

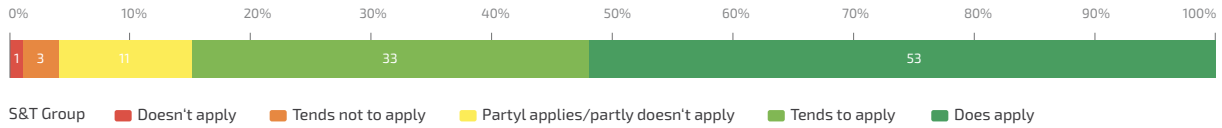
As a basic rule, our employees have a say in the organisation of their working hours. This opportunity is even open to them where legal provisions for working hours such as part-time work or parental or care time are in place, as they are in some countries. Flexitime and a wide variety of part-time models, as well as shift swaps 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 2021, the large number of people working from home was continued, also to protect employees.

EMPLOYEE SURVEYS

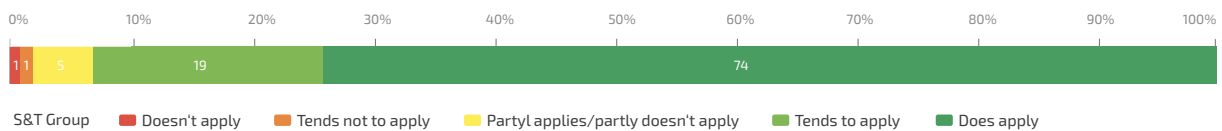
Regular employee surveys are conducted to find out the prevailing mood in the individual Group companies and identify areas where improvements can be made. The surveys have so far been carried out locally in the companies by an external service provider who ensures that the replies are anonymised. In the fourth quarter of 2021, a first Group-wide employee survey was carried out and an external service partner was appointed in accordance with the aforementioned requirements. Over 80% of S&T employees were invited to participate in the survey voluntarily. In approximately 50 questions they were asked about their daily work, how they found their work with colleagues and managers, sustainability, diversity, and employer attractiveness.

The anonymised results of the employee survey were made available to management at the beginning of 2022 and will now be analysed until the second quarter of 2022. Together with management at the local sites, measures are then defined in the subsidiaries to exploit the potential for improvement that has emerged. The aim is to further or continuously improve employee satisfaction and the attractiveness of the S&T Group as an employer.

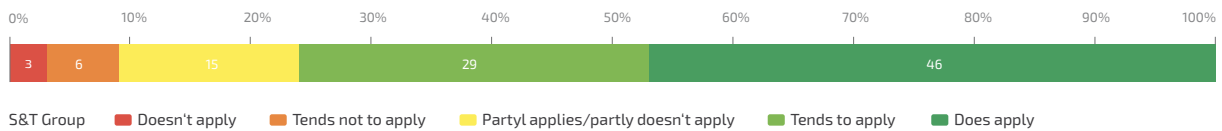
Overall, I really enjoy working in the company



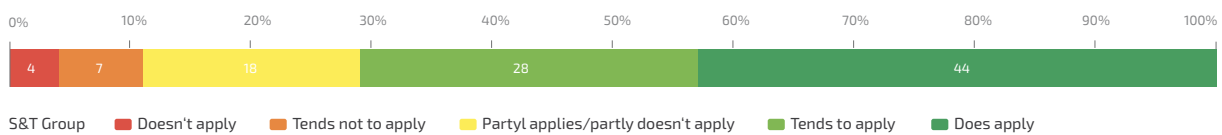
We treat each other with respect and appreciation - regardless of age, gender or cultural background.



My direct manager provides sufficient support for employees training and development



I personally can recommend the company as an employer to friends and acquaintances



Source: vieconsult GmbH, result report S&T employee survey

MANAGEMENT PRINCIPLES

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 behavior.

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 instill and embody this approach in an authentic and credible way, we have to take personal and frequent looks at what constitutes management. To do this, we at S&T encourage our managers to participate in leadership training programs held on and outside S&T premises.

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 coronavirus pandemic in 2020.

Our experts – occupational safety specialists and company doctors – advise us on all aspects of occupational safety, including the ergonomic design of workstations and psychological aspects of work. 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 behavior 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 2021 financial year, 23 accidents at work were recorded in the S&T Group (PY:16), although fortunately none was serious or fatal. 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.

INCREASED EMPLOYEE COMMUNICATION

In 2021, the COVID-19 pandemic again presented the S&T Group with the challenge of having to contact the larger number of employees who were working from home. In 2021, the established communication format, the “state of the nation” which informs employees about strategic and commercial issues every quarter, was again 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. As a complementary service, a separate “S&T Corona Info Hub” was set up on the intranet, where the latest information can be retrieved. In addition, anonymous coaching was offered to any employees wishing to talk to someone about the current situation and the stress it was causing.



FORMULA STUDENT – AUTONOMOUS DRIVING WITH RACING FEELING

IOT SOLUTIONS EUROPE

Electric and autonomous driving are the essential buzzwords for innovation in the automotive world. In Formula Student, the international design competition with 40,000 participants from around 500 teams, they come to life by students. The goal is to design, build and test a racing car within one year.

About 60 students of the TU Hamburg have been building a new electric racing car every year since 2011 under the name “e-gnition Hamburg”. Kontron takes part in this largest engineering competition in the world with its COM Express® modules as a partner to e-gnition Hamburg. The COMe-bCL6 module with a Core i7-9850HE from Intel® offers the needed computing power and reduces the external effort with the soldered-on flash memory. External sensor technology is connected via USB and Ethernet. A direct Ethernet connection between the COMe module and the microcontroller allows fast and flexible data exchange between the two units, while the COMe module's connection to the CAN bus in the vehicle enables easy communication with all other boards.

“The COMe module enables us to develop an extremely powerful individual computing solution. Due to the excellent products and the extensive expertise, Kontron is exactly the right partner for us”, says Felix Scheikowski, e-gnition Hamburg e.V.

Kontron is proud to work on one of the main future projects closely with the TU Hamburg and to develop powerful concepts and technology in autonomous driving.

HEALTH AND SAFETY INDICATORS

INDICATOR	GRI	UNIT	2021	2020
Total employees (headcounts, as of 31.12., excluding apprentices, interns and contingent workers)	102-8	Headcounts	6,482	6,326
Is there someone responsible for occupational safety at the site?	403-1	Yes as %*	81.1	81.8
		No as %*	18.9	18.2
Accidents at work (all accidents occurring while performing work at the place of work and during work-related activities except accidents occurring on the way to or from work)				
Accidents at work entailing up to 3 days of sick leave	403-2	Accidents	7	6
Work accidents entailing over 3 days of sick leave	403-2	Accidents	16	10
Total number of accidents	403-2	Accidents	23	16
Accident rate	403-2	Accidents per 1,000 HC	3.5	2.5
Fatal accidents at work	403-2	Accidents	0	0
Sick leave				
Women on sick leave	403-2	Days	17,687	17,485
Men on sick leave	403-2	Days	24,131	25,859
Total sick leave	403-2	Tage	41,818	43,344
Total sick leave per employee	403-2	Tage	6.5	6.8

*as % of all Group companies

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 centers 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 2021 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 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. We are an IT company and as such, we sponsor the equipping of schools and children's homes with IT. We also provide support to IT projects undertaken by educational institutions.

CHRISTMAS CAMPAIGN — ESCHENAU CHILDREN'S FARM



KONTRON TRANSPORTATION

Employees of Kontron Transportation in Austria collected donations for Eschenau children's farm as part of this year's Christmas campaign. Together, they managed to fill an impressive 13 packing cases with food, toiletries, batteries, money, and other useful items. On top of that, our management made a monetary donation.

At Eschenau children's farm, the donations were personally handed over by Kontron Transportation employees to Dagmar Gratz, head of the organisation "Verein Chance für das Kind – Chance für alle" ("Opportunity for the Child — Opportunity for All"). A guided tour of the farm gave our colleagues an idea of how wonderful it is for the children and young people there and how well they can recover and gather renewed courage and strength. The large house is bright and decorated with lots of color and attention to detail. There is also a big garden with a trampoline, seating area, bicycles, a playground and many animals, such as pot-bellied pigs, Haflinger horses, a cat, Dagmar's dog, a couple of goats, chickens, and a rooster. Dagmar told us that the children particularly appreciate the idyllic location in the countryside and that they can romp around here and be loud to their heart's content, can play with the animals and, above all, spend a carefree time.

Since 1981, children and young people from a hostel for homeless families in Vienna have found a safe haven at Eschenau children's farm. Through regular activities in the countryside, group excursions, discussions, games, and contact with the animals on the farm, the children acquire new, positive experiences. They learn that there are safe and caring ways of being together, free of violence. The children take this realisation back with them to their everyday environment where it gives them strength and support. More details: Kinderbauernhof Eschenau – Verein Chance für das Kind, Chance für Alle.

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 undergraduate, postgraduate and research projects and offer internships as well as trainee and training programs. In 2021, for example, Kontron supported TU Hamburg on the “Formula Student” design competition.

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 institutions of vocational training such as Germany’s DAA (Deutsche Angestellten-Akademie) and BIB Augsburg GmbH. We also present the company to students at trade fairs, such as the “HTL Career Days” in Vienna.

The longstanding close cooperation with HTL Spenglergasse, a polytechnic based in Vienna, was successfully continued in 2021. As an Austrian company, S&T cooperates closely with the University of Applied Sciences in Salzburg and the University of Applied Sciences in Hagenberg, and is also heavily involved in a great variety of research projects in collaboration with the Fraunhofer Institute in Austria. Outside Austria, the S&T Group 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.

GOVERNANCE

CORPORATE ETHICS

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 (DCGK). 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 a way of managing and controlling a company that is responsible, value-based geared 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.

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 & COMPLIANCE TRAINING

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 rolled out throughout the Group. The Code's contents are regularly assessed, updated and staff trained in them. The next code update is scheduled for the first half of 2022 and will include additions arising from the S&T Group's participation in the UN Global Compact.

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, behavior 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. Our current code of conduct is available on the S&T AG compliance website: <https://ir.snt.at/Compliance.en.html>.

New employees receive compliance training as part of the onboarding process and commit to compliance with the S&T Code of Conduct. Regular “refresher” sessions are subsequently held throughout the Group. In 2021, a new Group-wide online training scheme was introduced that makes it easier to coordinate and maintain training cycles throughout the Group and quickly roll out new content across the Group if necessary. In addition, the new tool enables better tracking of test results which are then used for continuous adjustment of the training scheme.

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.

ADHERENCE TO LAWS

Adherence to and observance of all applicable laws are compulsory in the entire S&T Group. Every staff member is required to adhere to national and international codes of law. In order 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 is available on the S&T 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, Human Resources or a member of the works council.

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 of the International Bill of Human Rights, the European Convention on Human Rights and the principles in the United Nations Global Compact. We do not tolerate forced labor 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 labor 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" as well as the section "Supplier Code of Conduct" on the S&T AG compliance website: <https://ir.snt.at/Compliance.en.html>).

DATA PROTECTION AND DATA SECURITY

As a technology supplier and IT service provider, 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 or 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 met 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.

As a fast-moving multinational technology leader, we are constantly challenged by cyber criminals. The Group's IT department has implemented several security checks and technologies to prevent or respond to this. The data security plans and measures in place are continually adapted 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 in the process of achieving global ISO 27001 and ISO 27018 (cloud privacy) with ISO 22301 (business continuity management) compliance: more and more automated systems and processes are being deployed with the requisite external services, such as regular penetration tests and independent architecture analysis. Penetration tests were carried out on all internal systems in 2021, for example. In addition, the EMOTET threat was addressed with mandatory multi-factor authentication and we are continuing the transition to the passwordless era with tokens. We can protect ourselves well against attacks on Microsoft Exchange vulnerabilities, for example, by switching off the local infrastructure in an emergency. This is possible thanks to the advanced status of cloud adaptation and advanced security tools available to us for the Cloud infrastructure which cover all services and terminals.

However, implementing security technologies alone is not enough; our employees are also an important part of the line of defense. To ensure that our employees are aware of IT security, potential attack methods, etc., the S&T Group's IT department has started implementing a security awareness program for all users. As a Group initiative, the employee Security Awareness Program – covering simulations – can strengthen the overall security level in the Group. The Security Awareness Program ensures that everyone in our organisation is sufficiently informed of security issues and has the requisite measure of responsibility for dealing with threats to data security and data protection.

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 departments of the S&T Group. In particular we have ensured that the rights of affected persons to information, correction, deletion, and data transfer are 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 financial year 2021, 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.

RISK AND OPPORTUNITY MANAGEMENT

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 is represents a key component of our strategy. Our systematic management of risks and opportunities enables us to identify and exploit both.

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 the Supervisory Board and monitors adherence to the risk management process and the reporting routines that have been established.

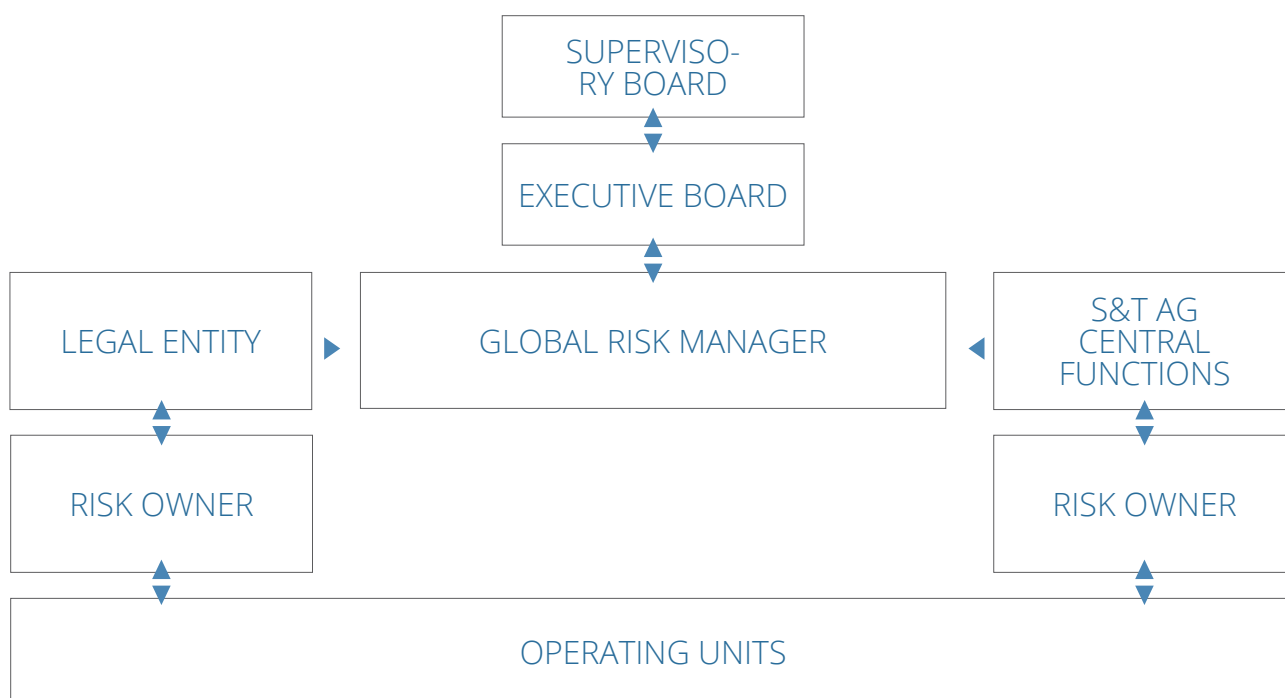
The Group-wide risk management process is presented and explained in a Group manual which describes in detail the individual steps in the risk management process, from risk identification to risk reporting:



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 regular standard reporting, companies are required to report risks on an ad-hoc basis if they exceed predefined limits or if exceptional situations arise, such as the global spread of COVID-19 infections or the shortage of components in 2021, or the war in Ukraine at the beginning of 2022.

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” section of the management report in the annual financial report and the annual report.

QUALITY MANAGEMENT AND CERTIFICATIONS

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 behavior 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 such as ISO 9001 (quality management), ISO 14001 (environmental management) and ISO 27001 (information security).

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 2021*	NUMBER OF CERTIFICATES 2020*
ISO 9001 (Quality Management Systems)	48	49
ISO 14001 (Environmental Management Standard)	19	25
ISO 27001 (Information Security)	24	28
ISO 80079-34 (Quality Management Systems for Product manufacturing)	0	5
ISO 13485 (Medical devices – Quality Management Systems)	5	5
ISO 45001 (Occupational health and safety, before „OHSAS 18001“)	14	14
ISO 2000 (IT Service Management (ITSM))	11	11
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)	1	2
RISQS (Railway Industry Supplier Qualification Scheme)	2	2
AS 9100 (Quality Management System – Requirements for Aviation, Space and Defense Organizations)	2	2

*Changes in number are due to new certifications, acquisitions or reduction of certifications after company mergers.

APPENDIX

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 fifth Sustainability Report for the financial year 2021, 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) whose standards are used selectively here, and – as a listed company on the German stock exchange – 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, 2021. S&T's Sustainability Report 2021 will be published on March 21, 2022. To obtain in-depth information on the company's financial objectives and on the development of its business, please consult S&T's 2021 annual financial report and the 2021 annual report.



SAP S/4HANA AND SAP C/4 SERVICE CLOUD FOR A HUNGARIAN UTILITY COMPANY IT SERVICES

As part of a two-year project, SAP S/4HANA and SAP C/4 Service Cloud re-implementation project was completed in 2021 by S&T Hungary. The aim was to implement a SAP system for Főtvár (Budapest District Heating Company) and its subsidiaries.

The main goal of the project was to abandon the old developments of the previous SAP R/3 system and to replace these developments and the outdated business processes with new SAP standards. The new system will ensure a more efficient business operation and risk-free maintenance for Főtvár.

Another goal of the project was to build a forward-looking, stable, and scalable SAP system environment that provides a solid base for the establishment of a unified utility company in Budapest. The new utility company was established in September 2021 in Budapest, with the implementation of the proven European Stadtwerke-model, and uniformly uses the SAP S/4HANA system for its financial systems (divisions of the established Budapest Public Utilities Ltd.: Waste Management, Public Utility, Public Cleaning, District Heating, Gardening, Funeral, Chimney Sweeping). The functional expansion of the new company concerning the SAP system has not yet been completed, the S&T Hungary project will therefore be continued in 2022.

The merge of public companies has led to significant organizational and process optimisation resulting in central professional management with utility approach, combined with forward-looking sustainability and significant operational cost-effectiveness. After the merger, annual savings are expected in the medium term, resulting from synergies exploited.

Please visit <https://ir.snt.at/reports/Reports.en.html> for access to our annual and quarterly reports, and to our releases, each of which is placed online on the day of its publication. Any changes to schedules and dates are also announced on our website in good time. This annual report was published on March 21, 2022, in German and in English. The English version is provided for convenience only. The German version is definitive. No liability is assumed for any typographical or printing errors.

This annual report contains statements that refer to future developments. These are based on assumptions and assessments made by the Executive Board. Although we are of the opinion that the assumptions and estimates are realistic and correct, they are subject to certain risks and uncertainties that may cause actual future results to diverge materially from the assumptions and estimates. Factors that may result in a discrepancy include changes in the overall economic, business, financial and competitive situation, exchange and interest rate fluctuations as well as changes to the business strategy. This uncertainty has recently been heightened by the outbreak and spread of the SARS-CoV-2 virus as well as the war in the Ukraine. We accept no warranty for the developments and events actually taking place in the future according to the assumptions and assessments articulated in this annual report. The assumptions and estimates made in this report are not updated.

PUBLISHER	CONTACT	DESIGN AND PRODUCTION	PRINTED BY
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FINANCIAL CALENDAR

2022



21.03.2022	Annual report 2021
21.03.2022	Earnings-Call FY 2021 (Register under: ir@snt.at)
05.05.2022	Q1-quarterly statement 2022 (Earnings-Call Q1 2022)
06.05.2022	Annual shareholder meeting
23.05.2022	Spring Conference 2022 (23.05. - 25.05.2022)
04.08.2022	Half-year report 2022 (Earnings-Call Q2 2022)
03.11.2022	Q3-quarterly statement 2022 (Earnings-Call Q3 2022)
28.11.2022	Equity forum (28.11. - 30.11.2022)

Further details available under

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

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