

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