



ANNUAL REPORT 2019

01

S&T GROUP OVERVIEW



KEY FIGURES 2019 | 2018 | 2017

EUR MIO.	2019	2018	2017
Revenues	1,122.9	990.9	882.0
Gross profit	407.5	346.5	315.0
EBITDA	111.7	90.5	68.1
Amortization and depreciation	49.9	29.0	26.3
EBIT before PPA amortization ¹⁾	70.1	67.3	47.9
Net income after minorities	49.1	48.5	29.4
Operating cash flow	83.4	35.5	44.9
Free cash flow ²⁾	56.3	10.4	21.9
Earnings per share ³⁾	75 cent	70 cent	43 cent

EUR MIO.	31.12.2019	31.12.2018	31.12.2017
Cash and cash equivalents	312.3	171.8	216.9
Equity	385.1	367.3	331.9
Equity ratio	31.4%	43.3%	41.2%
Net cash (+)/Net debt (-) ⁴⁾	29.5	52.7	101.8
Working capital ⁵⁾	153.9	156.4	121.5
Backlog	841.5	606.9	474.2
Project-pipeline	2,157.5	1,632.6	1,104.6
Employees ⁶⁾	4,934	4,248	3,849

The depiction in EUR million can cause differences due to rounding off in relation to the previous reports

1) EBIT before amortization from purchase price allocations

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

2) Earnings per share undiluted

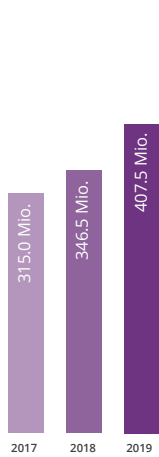
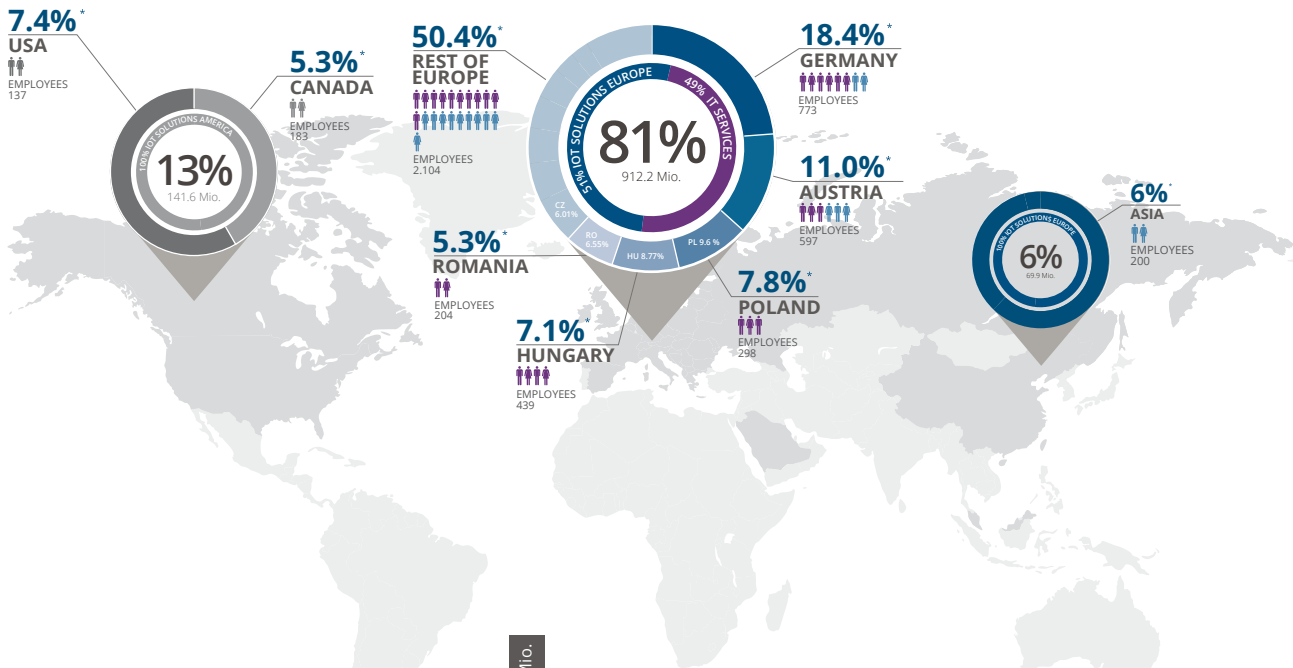
4) Cash and cash equivalents less non-current and current financial liabilities (incl. liabilities from leasing)

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 (number of previous years adjusted)

S&T GROUP OVERVIEW

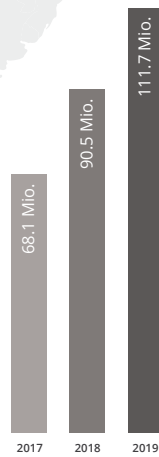
REVENUE AND EMPLOYEE DISTRIBUTION OF S&T GROUP



GROSS PROFIT

407

In its ninth record year in a row, S&T increased gross profit by a strong 17.6% to EUR 407.5 million.



EBITDA

112

The operating result before depreciation and amortization (EBITDA) rose by 23% to EUR 111.7 million, exceeding the original EBITDA guidance.



OPERATING CASH FLOW

83

The operating cash flow improved with a record of EUR 83.4 million significantly compared to the previous year.



CASH AND CASH EQUIVALENTS

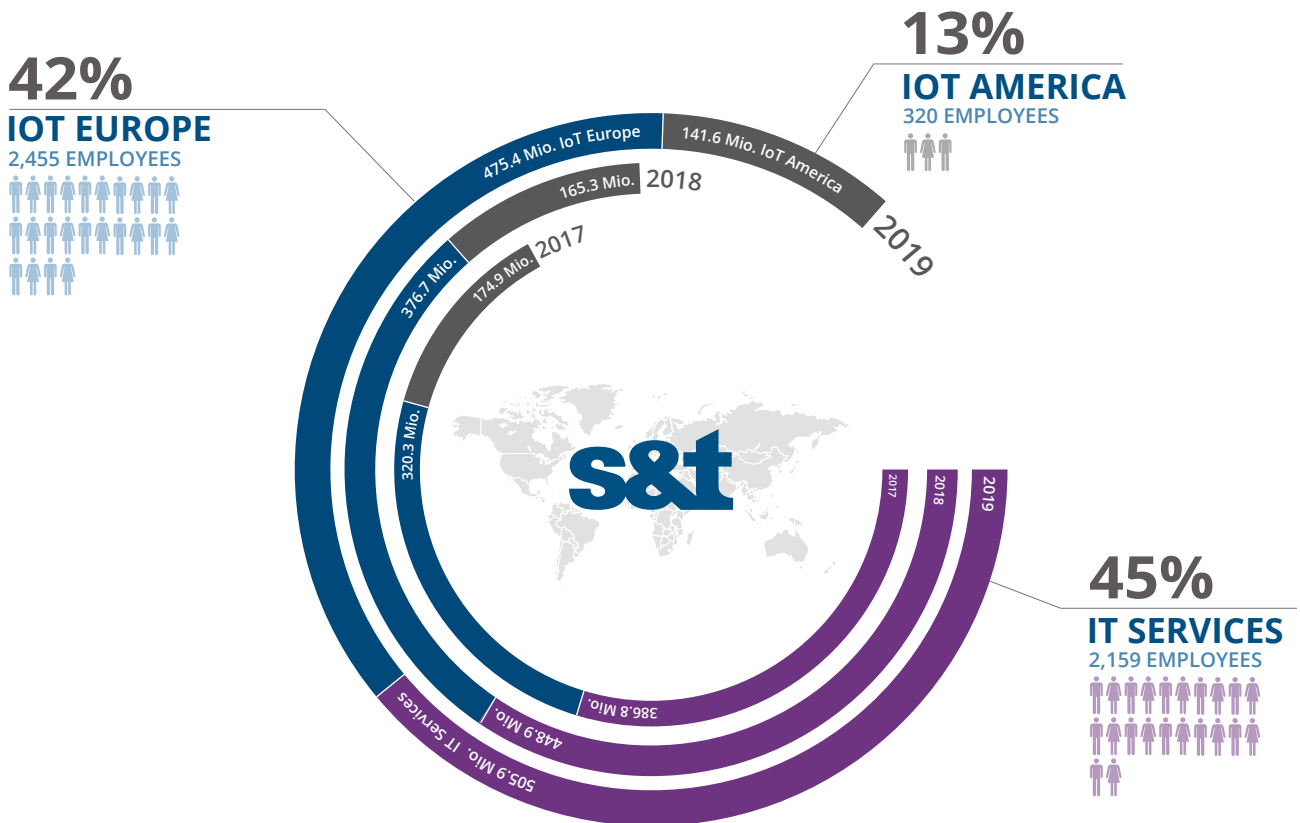
312

S&T is crisis-proof and, with over EUR 312.3 million in cash, well prepared for acquisition opportunities as they arise.

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

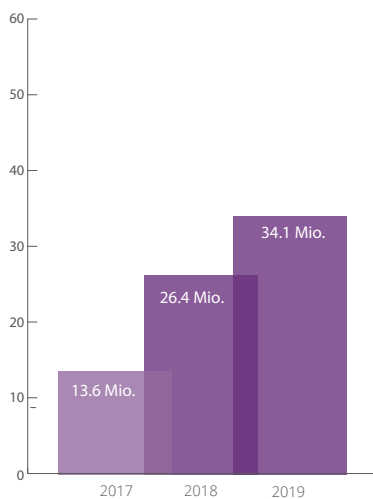
DEVELOPMENT OF THE BUSINESS SEGMENTS OF S&T AG

REVENUE 2017 | 2018 | 2019

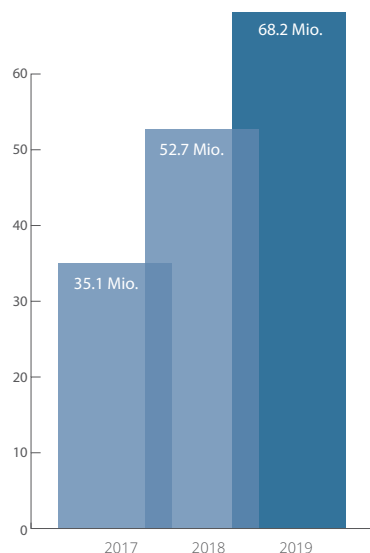


EBITDA 2017 | 2018 | 2019

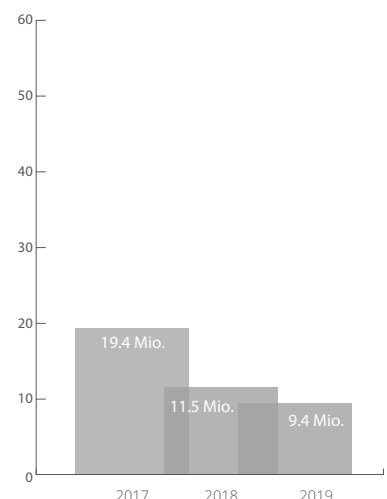
IT SERVICES



IOT SOLUTIONS EUROPE



IOT SOLUTIONS AMERICA





FOREWORD

THE CARDS ARE BEING RESHUFFLED!

When writing the foreword to an annual report, you are supposed to present the figures achieved in the past financial year and your company's prospects for the future. However, over the past few weeks everything has changed: Within two weeks, S&T AG's stock lost 40% of its value. We achieved very good results in financial year 2019 and our prospects are excellent – however, neither the facts nor the forecasts are currently of interest. This is due to the dominance of the “Corona crisis”. I wish therefore to take this opportunity to present our view of the situation.

The spreading of the SARS-CoV-2 virus around the globe has already changed the world – and will do so even more dramatically in the weeks to come. As is the case with global warming, this crisis requires adapting our ways of living. In 2019, S&T registered record results – for the ninth year in a row. In 2019, revenues rose 13% to EUR 1,123 million, with the EBITDA increasing 23% to EUR 112 million. In January 2020, in an additional move, we further increased our target for EBITDA in 2023 to EUR 220 million. Our implementation of the “PEC program” (“Profit, Efficiency, Cash”) enabled us to significantly increase our operative cash flow, which reached the record of EUR 83 million in 2019. Up respectively over 30%, our order backlog and project pipeline reached record values as well.

The onset of the “Corona crisis” has sent the markets – and our stock – into free fall. Our investors are unsettled. They do not know how to assess the efficacy of the measures undertaken by governments to halt this pandemic. Doomsday scenarios are being run through. The world's economy is being massively powered down for at least two months. The questions arise: which companies are going to survive, and which are going to go bankrupt? Our ways of living and working are going to have to adapt to these new conditions. Corona is a game-changer. S&T views this crisis as an opportunity, for a variety of reasons – four of which appear to me to be especially worthy of mentioning:

- › S&T is an important supplier to the medical technology industry. We achieve revenues of around EUR 150 million in this area. Complex systems and respiratory equipment, which is desperately needed in the current situation, are equipped with S&T's intelligent IoT intelligence solutions. In March and April, we are running extra shifts to cover demand.
- › The future's workplaces are going to increasingly be home offices in decentralized networks. Meetings will be “virtualized”. This will cut down the number of long and exhausting trips and of commutes. It will also enhance the protection of the environment. The S&T Group is a software company where home offices are already very much part of our daily operations. Until the end of this year, we want to expand this share from currently 25% to 40% on a sustained basis. Enabling us to do this are the software solutions that we have developed and that we distribute. We are working to upgrade these solutions, which will also be offered to our customers.
- › Conversely, the transformation of factories into “home plants” is obviously not possible. Such industrial facilities are in fact becoming “smart factories”, and thus are increasingly managed remotely by process engineers who utilize cloud-based applications to do such. High-performance IIoT networks operating in real-time – built using our SUSiEtec system – do not require a large staff on-site. The equipping of machines, the alteration of processes, and the solution of problems are all capable of being handled via remote management and controls.
- › Individual transport is also being transformed. Vehicles operating autonomously and energy-efficient means of public transport are increasingly replacing individual transport. S&T is a technology leader in both of these cutting-edge sectors.

What does all the above have to do with the current situation? Well, it is furthering the transformation of the world of work and is increasing the demand for solutions capable of furthering this. Over the last few weeks, Corona has enhanced demand for S&T solutions such as IoT solutions deployed in medical technologies, and for IT services such as those employed in home office-based solutions and in setting up and maintaining secure network connections.

S&T's strong finances ensure that our Group will emerge victorious from this crisis. Our strong cash flow in 2019 enabled us to increase our cash to EUR 312 million as of December 31, 2019. This equips us to ride out the crisis. There is more than EUR 250 million in our “war chest”. This will permit us to acquire competitors that are not as financially robust, and to do such at valuations that have substantially fallen.

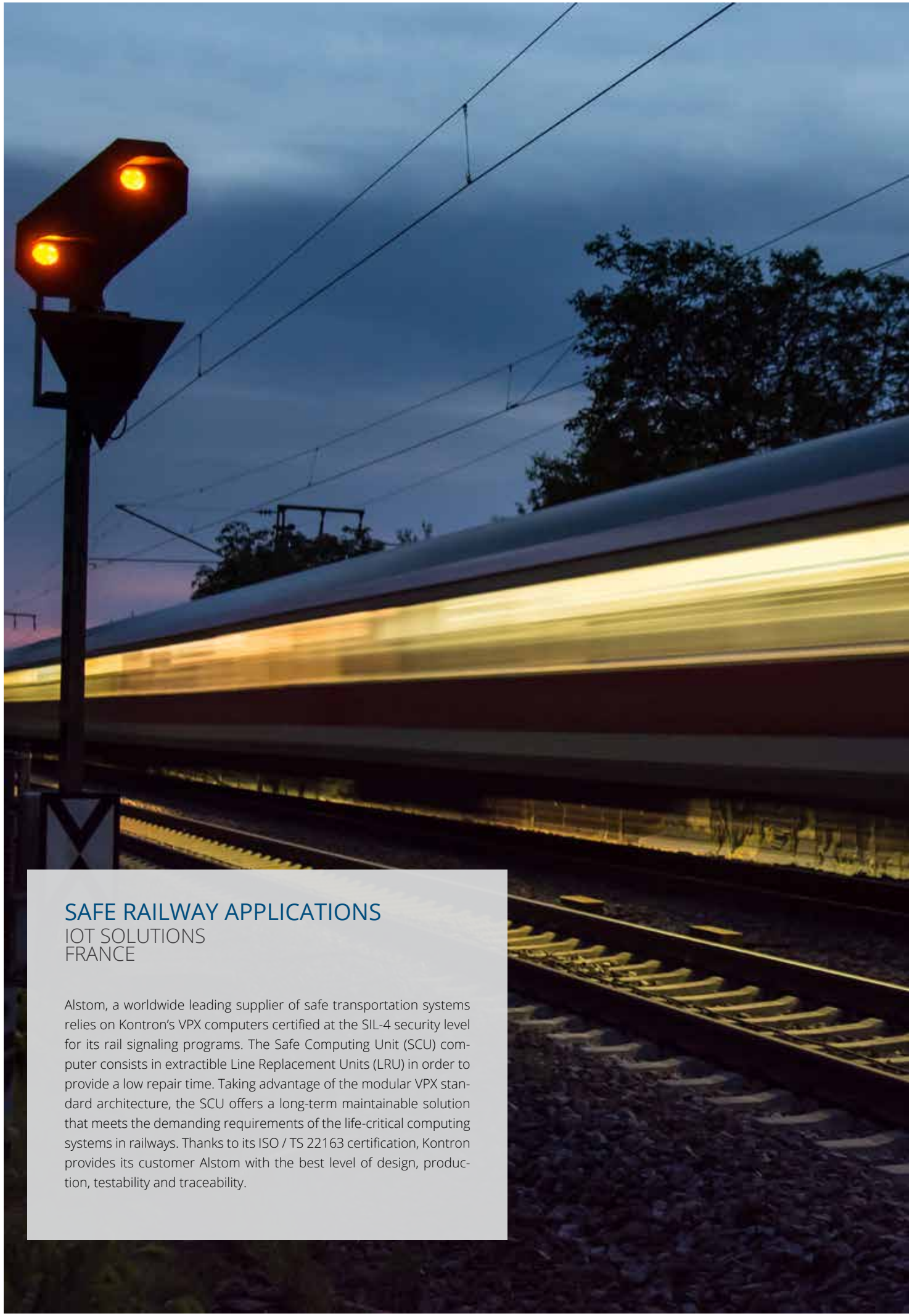
Our order situation remains excellent. Our project pipeline rose to EUR 2.16 billion. That was an increase of 32% as compared to the beginning of the financial year 2019. The order backlog outpaced that, rising 38% to EUR 841 million.

I wish to take this opportunity to express my special thanks to our employees. Both in the previous years, and especially now – a very difficult time for our employees and their families – S&T's staff is showing the motivation, the customer dedication and the ability to work in teams to handle challenging situations that have been the employees' hallmarks over the past few years. These traits will enable them to be proactive and very successful players in the “post-Corona” era.

For 2020 we expect distortions due to the corona crisis. Despite influences on our supply chain, we were able to get off to a good start in the first quarter with continued strong order intake. However, we assume that the corona virus will have a significant impact on the global economy, which S&T AG will not be able to avoid in the short term. We are therefore withdrawing our previous annual target and will reconsider it as soon as the corona effects become more transparent. In the medium term, however, S&T will be a winner of the crisis. We therefore confirm our ambitious medium-term target for 2023 of EUR 2 billion in revenues and an EBITDA of EUR 220 million!



Hannes Niederhauser, CEO



SAFE RAILWAY APPLICATIONS

IOT SOLUTIONS
FRANCE

Alstom, a worldwide leading supplier of safe transportation systems relies on Kontron's VPX computers certified at the SIL-4 security level for its rail signaling programs. The Safe Computing Unit (SCU) computer consists in extractible Line Replacement Units (LRU) in order to provide a low repair time. Taking advantage of the modular VPX standard architecture, the SCU offers a long-term maintainable solution that meets the demanding requirements of the life-critical computing systems in railways. Thanks to its ISO / TS 22163 certification, Kontron provides its customer Alstom with the best level of design, production, testability and traceability.

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03

MANAGEMENT TEAM OVERVIEW



HANNES NIEDERHAUSER
CEO

Hannes Niederhauser joined the company in 2011 as CEO. Following his studies in electrical engineering at the Graz University of Technology, the Austrian-born manager worked as a developer of microchips and in the embedded computer segment. Prior to 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.



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 technology after obtaining a technical degree. He was also Vice President Operations at Kontron AG. He has years of management experience in the IT industry behind him and has distinguished himself professionally, particularly in the areas of development, production and quality assurance.



RICHARD NEUWIRTH
CFO

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



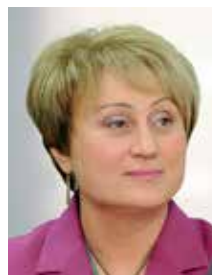
CARLOS QUEIROZ
COO, IOT SOLUTIONS EUROPE

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



PETER STURZ
COO, SERVICES EE

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



OLGA SINENKO
EVP, SMART ENERGY

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



MICHAEL RIEGERT
EVP, TRANSPORTATION

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



CHRISTOPH NEUMANN
VP, TECHNOLOGY

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



STEVE CHEN
EVP, ASIA

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



ROBERT COURTEAU
VP, NORTH AMERICA

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



BERNHARD GÜNTNER
VP, SMART FACTORIES

Bernhard Günthner, Managing Director of Kontron Technologies GmbH, took over the position as VP Smart Factory in October 2019. He has been with Kontron for +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 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 25+ years in the US Aerospace business. He first worked as a Digital Systems Engineer and then specialized in Real Time Systems development for the Aviation and Defense industry. Since 2010, Mason held management positions at Kontron involving technology, product, engineering and business development. In July 2019, Mason was named EVP of the Global Avionics group. He has degrees in Mathematical Statistics.



COATING SYSTEM FOR OLED MICRO-DISPLAY PRODUCTION

IOT SOLUTIONS
GERMANY

In August 2019, the first ALD (Atomic Layer Deposition) equipment from Beneq with Kontron AIS equipment control framework ToolCommander® was put into operation at the end customer. It was pre-tested in the Beneq Headquarter, in Espoo (Finland). The coating system is now used in China in a cluster for OLED microdisplay production. The Beneq system consists of a heater, loadlock, transfer module and a process module, which is controlled by Beneq. A special feature is that both single-wafer and batch processes can run in the system. In addition to the equipment control solution using the ToolCommander® Kontron AIS also realized a custom host integration.

PORTFOLIO OF PRODUCTS AND SERVICES

S&T – A MULTINATIONAL TECHNOLOGY CORPORATION AND A LEADING PARTNER FOR IOT AND INDUSTRY 4.0 SOLUTIONS

Headquartered in Linz, Austria, S&T AG is an Austrian technology corporation that operates in 32 countries. As of the end of 2019, S&T employed some 4.900 employees. S&T's business is partially comprised in the segments "IoT Solutions Europe" (formerly "IoT Solutions") and "IoT Solutions America" (formerly "Embedded Systems"). These segments make S&T a leading international supplier of services, products and proprietary innovations constituting the Industry 4.0, Internet of Things (IoT) and Embedded Computer Technologies (ECT) environments.

In addition, S&T AG is a renowned supplier of IT services. These are provided by its "IT Services" segment. Implementing the "Plan-Build-Run" principle, these services encompass the broad range of services used in the areas of consulting, outsourcing and integration. 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 THREE BUSINESS SEGMENTS OF THE S&T GROUP IN FINANCIAL YEAR 2019

- › **"IT Services"**: Bundled in this segment are all activities undertaken by the IT services business in Germany, Austria and Switzerland, in the rest of Central Europe, and in Eastern Europe.
- › **"IoT Solutions Europe"**: This segment focuses on the development of secure and networked solutions that are comprised of combinations of hardware, middleware and services from S&T's portfolio. These solutions are in the areas of Internet of Things (IoT) and Industry 4.0. Renamed "IoT Solutions Europe" at the beginning of financial year 2019, the segment is focused on serving markets in Europe and parts of Asia.
- › **"IoT Solutions America"**: This segment contains the business activities of the former "Embedded Systems" segment. Its renaming into "IoT Solutions America" at the beginning of 2019 was due to the adaptation of its portfolio of products and the constantly growing software share. The renaming led to no alterations in the subsidiaries assigned to the segment.

The services and products offered by S&T's three business segments combine to constitute a portfolio of products characterized by a diversity of synergistic and attractive solutions and a wide range of customer segments, of sectors and of vertical markets. The large stock of optimally complementary technologies and know-how in its portfolio and the considerable engineering expertise possessed by the S&T Group enable its end-to-end realization of projects found in relevant areas, and, as well, a rapid and flexible response to market requirements.

These capabilities permit the ongoing expansion and adaptation of S&T's portfolio of services during technology cycles. The aim is to address the cutting edge of trends and customer needs in all areas and position S&T as a technology leader.

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

S&T AG's excellent position on the Central and Eastern European market stems from its many years of being a full-service provider of IT systems and solutions on it. As an independent provider, S&T supports customers in the development, implementation and operation of IT projects within the framework of the "Plan-Build-Run" principle. Companies from a wide range of industries, as well as public institutions, rely on S&T's expertise.

Thanks to its strong presence with regional companies in numerous Central and Eastern European countries, S&T is one of the few providers able to offer internationally operating customers and partners in this region a very broad range of services from a single source.

In accordance with conditions on local markets and with the structure of customers, the services provided, the business areas focused upon, and the selection of technology partners are adapted by the respective subsidiaries in individual countries. This enables the companies to offer portfolios that optimally meet customer and market needs and wishes. The regional centers of expertise maintained by S&T are availed by the entire Group. This strategy prevents S&T from incurring inefficiency-causing redundancies in complex areas of operation. It also enables a performance-enhancing focusing of activity.

Comprised in the comprehensive "Plan-Build-Run" offer from S&T are nearly all services required for the planning, implementation and operation of IT solutions.

- › The services supplied by the consulting area include the designing of IT architectures, the consulting on the implementation of ERP systems such as SAP, and the provision of support to the creation of holistic IT security concepts. An ever-more important focus of Consulting is serving the fast-growing cloud segment. S&T is a cloud integrator that realizes solutions that operate in the Amazon and Microsoft environments and is an authorized Microsoft Tier 1 Cloud Solution Provider and a certified AWS Advanced Consulting and Reselling Partner. This imparts to S&T the capability of directly offering its clients consulting, integration and support services and, as well, cloud products stemming from the Azure, Office 365 and AWS environments. Amanox AG, a Switzerland-based subsidiary of S&T, is a company that is focused upon offering innovative, scalable and easy-to-operate cloud solutions. The company is one of the leading providers of consulting and IT solutions in the cloud-based data center environment, with customers such as Flughafen Zürich AG and the energy group Alpiq AG.
- › S&T's integration services are rendered to implement, supply and configure the widest variety of hardware and software in the broadest sense. Included in this area are the rollout of clients such as notebooks, desktops, servers, POS systems, peripheral devices and printers as well as the installation and configuration of a great diversity of hardware and software. S&T is a highly regarded integration and distribution partner. As such, S&T maintains working relationships – in a number of cases, of many years in duration – with countless leading providers of technologies, with these including Canon, Cisco, Fujitsu, Hewlett Packard and Hewlett Packard Enterprise, Lenovo, Nutanix, Microsoft, SAP, VMWare and XEROX – to name but a few. This breadth of operation and of customer base makes S&T a highly adept provider of solutions to its clients and a partner to the cooperating manufacturers. The technological innovations displayed by the projects undertaken by S&T have repeatedly set standards in their areas. For the Rohrer Group, an internationally successful provider of industrial services, the company has implemented the cloud-based ERP system SAP S/4HANA Cloud in several countries. This project was not only one of the first of such implementations in Europe, but could also be realized within a few weeks.
- › The service provision segment outsourcing includes the takeover of parts or all of the IT operations. Such outsourcing projects comprise for instance the supplying of operating services to and in the areas of data centers, and managed desktop and printing. Such "managed services" involve S&T's serving as the outsourcing partner that provides on a recurring basis precisely defined and basically strongly standardized services. These are experiencing ever-stronger demand. This is because outsourcing providers can often offer cost advantages and good planning capability by exploiting economies of scale. To account for this trend, S&T is expanding its range of corresponding offerings on an ongoing basis. The IT systems division of S&T has a large number of clients. They include the SPAR retailing group, for which S&T – via a "workplace management" commission – operates all IT-based workplaces. This comprises S&T's efficient management of the entire lifecycle of device use, starting with rollouts and software installation, and extending to financing and the operation of help-desks. S&T's clients profit from the plannable and competitive costs, from the unvarying high quality of services and, especially, from the high level of user satisfaction.

The projects accompanied by S&T, or often designed or implemented under its leadership, fall into several of the aforementioned service categories and include project management services. It is precisely such commissions that enable S&T's deployment of all of its operating assets, which have arisen from its many years of successfully handling such services and hardware-based projects, and of configuring these offerings to meet customer needs.

DEVELOPMENT INTO A SPECIALIST FOR SOLUTIONS IN THE IOT AND INDUSTRY 4.0 ENVIRONMENT

Until the takeover of Kontron at the end of 2016, S&T AG was a classic provider of IT systems, whose business was primarily comprised of the provision of IT services, software and security solutions (“security appliances”). Since software-based security solutions and cloud computing had long been the trends shaping the world of IT, S&T already had a large stock of experience in this area. It consigned this asset to its new subsidiary Kontron, which was a supplier of industrial computing technologies. The merger thus joined computing technologies, production environments and enterprise IT into entities. This, in turn, enabled the entry into the market for the realization 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.

S&T – A SPECIALIST FOR IOT SOLUTIONS

Via its two IoT Solutions segments, the S&T Group provides products and services for primarily the following vertical markets:

- › Industrial automation
- › Medical technologies
- › Aviation
- › Public transport
- › Telecommunication
- › Energy supply
- › Infotainment
- › Retailing
- › Security and defense

The “IoT Solutions Europe” and the “IoT Solutions America” (which was transferred from the former “Embedded Systems” segment at the beginning of 2019) segments are home to the IoT, Industry 4.0 and embedded technologies know-how of the S&T Group, which is an enabler of digitalization and IIoT (Industrial Internet of Things). In this role, the S&T Group facilitates its clients’ pursuit of convergence between their information technologies (“IT”) and their operational technologies (“OT”) by enabling the seamless communication between these two areas.

The solutions developed and produced by S&T’s subsidiary Kontron in the areas of IoT, Industry 4.0 and Embedded Computer Technologies (ECT) make it one of the world’s leaders in these areas. Kontron offers industrial embedded/IoT modules, boards and systems that use advanced and open standards such as TSN and OPC UA to communicate. This, in turn, enables the real-time communication on and among levels that start with field operations and that comprise public and private clouds. Embedded technologies are characterized by long operating lives, robustness in industrial settings, and customized outfitting and performance, with the latter including real time data processing functions. Embedded technologies are thus capable of enabling secure and innovative applications for a wide variety of sectors, with these including the controlling of machines in industrial operations.

S&T Group’s subsidiary Kontron Technologies possesses years of experience in the areas of providing software and networking expertise to cloud computing and connected devices environments. These offerings, in turn, form part of the proprietary IoT, Industry 4.0 and embedded technologies portfolio. In October 2018, Kontron Technologies launched its proprietary-developed IoT software framework “SUSIEtec” (S&T’s User focused Solutions for IoT Embedded), which was successfully put into use by a large number of clients in financial year 2019.

“SUSIEtec” is an IoT software framework that serves as the “super-glue” for secure inter-device and device-cloud linkups. To set up and maintain these connections, SUSIEtec takes the individual pieces of the IoT infrastructure – from the sensors and the edge computers to the private, public and hybrid cloud – and fits these parts of the puzzle into a single package. In doing such, the S&T Group’s SUSIEtec is furthering the “from sensor to edge to cloud” approach. This empowers companies to evaluate their data at precisely the point where such is required, or at which this can be done most efficiently: Namely at the edge of the network of sensors, or centrally – in the proprietary computing center or in the cloud, where data is gathered and assessed by such intelligent IoT devices and edge analytics.

One application of this is the controlling of machines. Comprised in this process is the filtering, evaluation and securing of data at and in appropriate and safe locations. Kontron selected Microsoft Azure to be the favored platform for these IIoT solutions. In a further move in April 2019, the company commenced – via its partnership with ICONICS, one of the world's leading suppliers of automation software – the equipping of SUSiEtec with SCADA functions. These are employed in the visualization of complex Industry 4.0 processes in the cloud.

In October 2019, the S&T Group's acquisition of the Dresden-based AIS Automation GmbH significantly further expanded its software know-how and capabilities in the area of IoT solutions for Industry 4.0 clients. AIS has a team of more than 100 highly qualified engineers and a portfolio of products and solutions complementing that of the S&T Group. AIS Automation's IIoT service platform "Equipment Cloud" constitutes a perfect platform for the S&T Group's IoT solutions business – and especially complements the SUSiEtec IoT framework. The teaming up of SUSiEtec and AIS solutions provides clients from the entire S&T Group with an even broader range of IIoT solutions. The acquisition also yields large-sized synergies and great cross-selling potential for the S&T Group.

SUSiEtec's large number of applications are being deployed in a wide variety of sectors. A SUSiEtec workforce solution put into operation in 2019 enables S&T customer Hauser GmbH to master a diversity of challenges that arise from the management of the field service personnel for its clients. The SUSiEtec workforce solution connects on a mobile basis the entire corporate team of service technicians – via their tablet computers – with the company's control center and with its clients. This ensures that the technicians have access to all information that they require at all times. This in turn enables the rapid and efficient work on and repairs of the chiller cabinets installed in supermarkets and gastronomy. This precludes breakdowns and the ensuing losses of business. This solution also simplifies and optimizes the technicians' communication with corporate headquarters. Thanks to it, dispatchers maintain a grip on and overview of all ongoing processes. The solution-engendered automation of these processes constitutes optimal support for handling day-to-day business.

S&T – SOLUTIONS FOR INDUSTRIAL IOT (IIOT) AND INDUSTRY 4.0

State-of-the-art technologies and services enabling "smart factories" were presented in financial year 2019. These in turn form part of the company's range of industrial IoT (IIoT) and Industry 4.0 solutions. The objective of these is the secure networking of devices, in order to increase the efficiency of production processes. The "Smart Factory Components" area introduced in 2019 the newest boards and modules. Employing the respective state of technology processor technologies – including the X86 from Intel® and AMD, Arm® from NXP and Raspberry Pi from Qualcomm – these products form the basis for the controlling, visualization and inter-communication of and among machines. This then sets up the teaming up of the large number of devices and components comprising the production environment. In addition to the latest form factors, the new OEM motherboards added to the portfolio through the acquisition of Fujitsu's motherboard division.

In July 2019, S&T AG's subsidiary Kontron S&T AG acquired, via an asset deal, the Augsburg-based industrial mainboard business of Fujitsu. This enhanced the ranges of offerings supplied by S&T and by Kontron. The OEM mainboards are available in a variety of form factors, now including Mini-ITX, Thin Mini-ITX, µATX, Mini-STX, and ATX from Fujitsu. These optimally extend Kontron's embedded motherboard portfolio, which includes pITX (2.5") and Mini-ITX. Optimally benefiting from this are users. The maintenance of Fujitsu's embedded mainboard business permits Kontron to strengthen its position on this segment's markets. Bearing the label "Made in Germany", Kontron is now providing its customers with an expanded range of OEM mainboards. The many new options ensuing give rise to new fields of application. The deployment of high-performance processors whose significant cost-efficiency stems from the use of fans – as opposed to passively cooled chips – have opened up new complementary, semi-industrial markets such as retailing, kiosks, vending, ticketing, infotainment and digital signage for the company. These markets' relative short life cycles of three to four years enable new and high-volume business activities within short periods. This is due to these markets' always requiring the latest and highest performance processor and graphic output, and is in contrast to other segments such as industrial and medical technologies.

At the "smart factory systems", the latest scalable industrial computers such as box PCs, panel PCs and rackmount PCs for use as IoT gateways, edge controllers or edge servers were presented in 2019. These are deployed in IoT gateways, edge controllers and edge servers. Also introduced were the newest "smart factory control" solutions. These are for – to provide examples – soft SPS applications on CODESYS-ready platforms. Kontron's "smart factory solutions" applies embedded clouds and the SUSiEtec IoT software framework – as shown in case studies – to the configuration of TSN real time networks, to the centralized monitoring and documentation of cooling chains in supermarkets, and to the asset tracking of mobile devices. In further moves, in financial year 2019 Kontron also launched tools that are deployed for such artificial intelligence appliances as machine and deep learning. A further innovation was vision systems. The partner of preference for scalable solutions involving learning and inference in the area of artificial intelligence (AI) is Intel®. Its multicore processors and neuronal chips form part of a portfolio extending to middleware that is used to accelerate AI applications. In a further

move in 2019, Kontron entered into a partnership with NVIDIA. It encompasses high performance graphic processing units that complement the portfolio supplying rackmount servers used in AI applications.

KINEXON is a Munich-based company that is a specialist for the development of highly precise location and movement sensors. The company employs embedded systems from S&T AG's subsidiary Kontron to create an innovative navigation system. It is used in driver-less vehicles deployed in production environments. KINEXON chose for its KINEXON Brain FTF (driverless transport vehicles) navigation software a new approach to sensor-based locating, enabling a much greater precision in position determination. In order for such a carefully calibrated navigation system as KINEXON to function, large amounts of data have to be present and have to be rapidly processed. This in turn requires the deployment of small-sized, high-performance and robust high-achievement systems. These have to master these quantities of data in rapid and efficient ways, and to do such under encumbering environments. Kontron's IoT gateway makes all this possible. The standards and scalability that it offers joins with its interfaces in enabling the solutions to be integrated into the products offered by a wide range of manufacturers of vehicles, and to do such in a problem-free way. This in turn gives rise to a great number of applications in a wide variety of fields, with these including intralogistics and service robotics.

S&T – NETWORKING SOLUTIONS FOR ALL INDUSTRIES

The S&T Group's focus on industrial automation has been accompanied by the company's establishment in many other industries. This allows S&T to transfer its expertise on the intelligent networking of devices forming part of the IoT environment to the greatest variety of applications and markets. In addition to the diversification of the company, this also offers security, as the dependence on individual industries can be compensated for in periods of economic weakness.

TRANSPORTATION

For many years, the S&T Group has been offering industry-specific and innovative transport solutions through its subsidiary Kontron in the field of transportation, which enable intelligent and more efficient Smart City traffic. The Group's technologies in this area include high-performance TRACe on-board computers that constitute a proven base for the creation of intermodal transport grids. Such innovative wireless technologies as LoRaWAN form part of Kontron's systems and serve to network large numbers of sensors placed in trains. These technologies then transmit sensor-gathered data to control centers, without having to install cables in trains.

In May 2019, S&T AG took over Kapsch CarrierCom and Kapsch PublicTransportCom. This significantly expanded Kontron/S&T Group's portfolio of offerings in the "IoT Transportation" field. The companies were assigned to the newly created "Kontron Transportation". This move expanded the portfolio to include communication solutions for mission-critical networks whose thrusts are the planning, development, assembly and maintenance of GSM-R (Global Systems for Mobile Communications Railways) networks, and, as well, their transformation into FRMCS (Future Railway Mobile Communication System). Other thrusts are cutting edge PS-LTE (Public Safety LTE) products and offerings, and, as well, solutions for public urban transport. Its focus on the development of technologies created by investments in research and development have placed the S&T Group at the forefront of the setting of the standards to be applied to mission-critical communication. This involvement includes the participation in the pan-European Shift2Rail research initiative.

In 2007, Österreichische Bundesbahnen (ÖBB) and Kontron Transportation launched upon their successful working relationship. The partners have now begun to set up GSM-R – the digital radio system used in managing operations – for ÖBB Infrastruktur AG. Comprised in this commission are the maintenance and extension of this system. Each year brings the equipping of further stretches of the grid with Kontron Transportation's advanced mobile communication technology. Routes planned for and outfitted with it in 2019 included "Salzburg – Gnigl" and "Arnoldstein – Hermagor". Comprised in this working relationship have also been the joint specification, implementation and – in some cases – putting into operation of ancillary applications. These include the geo-redundant linking up of base stations, high priority calls, periodic retry, and optimization of handovers (SI10bis/ter) in group calls. For the years of 2020+, ÖBB and Kontron Transportation plan to set forth their partnership. This will entail the equipping of further routes, and the modernization and extension of centrally important components.

The UK's Network Rail is the operator of the country's rail infrastructure. The company has been working with Kontron Transportation since 2007. In the period 2007-2014, Network Rail put Kontron Transportation's GSM-R system into operation on a systematic basis and throughout the UK's rail network. This represented a major accomplishment. The system has been steadily developed since then. Planned is for instance an upgrading of the software that supports the introduction of the European Rail Transport System (ERTMS). Kontron Transportation Austria supports Network Rail's implementation of its Digital Rail Program. This in turn advances the introduction of state-of-the-art digital technologies forming part of signal and train control systems. These will increase the capacities of transport systems by increasing the frequency of trains running through an area. These will also reduce the incidence of delays, will increase operational security, and will cut the costs of operating the entire railway network.

MEDICAL TECHNOLOGIES

In the area of medical technologies, the Kontron Group introduced in financial year 2019 highly advanced solutions based on the Raspberry Pi (Rpi) universal mini-computer. Previously mostly used by do-it-yourselfers, the Rpi was given a starter kit that was developed by Kontron. This has made Rpi suitable for industrial applications. This development was preceded by five years of tracking Raspberry Pi by Kontron. It noticed that the Raspberry Pi was destined to be used in industrial and other commercial environments. This was due to engineers' and developers' having been trained on this platform while pursuing their studies. This enabled their rapid realization of results on it. Another Rpi asset is the huge amount of software developed by its proprietary community.

To exploit this asset, Kontron was joined by a client in developing a solution for use in the medical sector. It is based upon the Raspberry Pi, and it gathers the vital data of patients confined to their beds on an ongoing and contactless basis. The device is portable, and is placed under the beds of patients, and is thus not visible to them. The device automatically alarms physicians and nurses upon the reaching of certain critical heart and breath frequency values. The device can also be used to prevent pressure sores and falls. In creating this device, the company avails itself of its years of experience in meeting the requirements set by and in those classes of medical standards that the device had to be certified for. The device also satisfies the wishes held by hospitals for a rapid implementation and for long component lives.

AVIATION

The aviation business segment is profiting from the sustained and strong demand for new applications in the area of in-flight entertainment and Internet connectivity. The IFE&C-solution from Kontron enables passenger smartphones, tablets and laptops receiving transmissions of live videos or of other streaming contents while being connected to other contents.

An important precondition for such is an end-to-end and secure connection between ground operations and aircraft. Thanks to a large number of successful implementations, Kontron/ S&T Group have established themselves in the air transport market as being the number one providers of proprietary aircraft connectivity technologies and retrofit solutions. Kontron's IFE hardware and software have been installed in more than 4,500 passenger aircrafts and business jets worldwide.

In financial year 2019, Kontron implemented a large number of its solutions for IFE and IFE&C systems. They feature open architectures, include the ACE Flight™ 4608 high-performance avionics server, and are successful with customers. A further advantage is that several of the IFE&C systems have been especially certified for Airbus, Boeing and other manufacturers. Successfully deployed in September 2019 was – along with Lufthansa Systems, a specialist for aviation-use IT – Kontron's Cab-n-Connect™ A100 Cabin Wireless Access Point (CWAP). It served as a wireless connectivity platform for an innovative testbed borne on a flight from Munich to Los Angeles.

BUILDING AUTOMATION

In the area of building automation, S&T's Kontron subsidiary has been working successfully for more than 10 years with Zumtobel, an Austria-based company that is the world's leading provider of professional illumination systems. Comprised in this relationship is Kontron's support provision – with this taking the form of platforms for automation controllers and servers – to the illumination automation solutions provided by Zumtobel. One of Zumtobel's highly prestigious projects was the equipping of the Louvre's branch museum in Abu Dhabi with illumination that have impressive effects. Many of the works of art exhibited in the museum are highly light sensitive. Due to this, a maximum for the annual amount of illumination cast upon each has been set for a number of them. This limit is not to be exceeded. The implementation of the software governing the casting of such light is based upon a KISS ("Kontron Industrial Silent Server"). This system thus ensures that the works of art will be both illuminated and preserved for the generations to come. This management of illumination has to work securely and reliably on a 24/7/365 basis. The Kontron control computer lives up to these standards. Such computers are built to operate flawlessly on a long-term basis. They are housed in a standard casing featuring the form factor 2U Short. They thus fit into every standard switching and server cabinet that is deployed in building automation systems.



WIND POWER AND SPECIES CONSERVATION GO HAND IN HAND

IOT SOLUTIONS
GERMANY

A solution from Fleximaus GmbH shows how wind power and nature conservation can be reconciled. It uses an embedded computer with integrated soft PLC from the S&T subsidiary Kontron and intelligent software, as well as rain and temperature sensors, to enable automated function monitoring of wind turbines. For the Fleximaus solution, experts have studied the behavior of bats and birds of prey and combined the evaluated sensor data. Based on these values, the system automatically switches the turbines off and only switches them on again when the danger to the flying hunters is over. An intelligent algorithm decides whether to operate or shut down the wind turbine (WTG). This enables wind turbine operators to achieve maximum operating times while protecting bats or birds of prey, thus reconciling the economic operation of wind farms and species protection.

REPORT OF THE SUPERVISORY BOARD



Dear shareholders and colleagues,
dear ladies and gentlemen!

As Chairman of the Supervisory Board, I am turning to you for my eighth and last time since assuming this function, and am reporting to you on the 2019 financial year.

As my term as Chairman ends upon the holding of S&T AG's Annual General Meeting in June 2020, I am allowing myself to go a little further ahead: My seven years as Chairman enabled me to accompany S&T along its impressive path, which transformed it from a company requiring restructuring into a leading provider of advanced technologies. Each of these financial years' quarters has been marked by S&T AG's meeting – even exceeding – the ambitious objectives it had set for it. During these years, revenues had been tripled, going from EUR 339.5 million in 2012 to some EUR 1.123 billion in 2019. As this shows, this last financial year saw S&T's breaking through the sound barrier of one billion euros in revenues a year. During these seven years, EBITDA rose eight-fold, increasing from EUR 13.9 million to EUR 112 million, with the number of employees climbing from 1,520 to 4,934. These figures have formed the basis for the substantial and fundamental upswing registered by the share price of S&T AG, which was at EUR 2.33 as of December 31, 2012 and climbed to EUR 21.28 as of December 31, 2019, translating into a gain of more than 800%. These business successes were accompanied and facilitated by a systematic strategic realignment: S&T developed itself from being a provider of solely IT systems towards one that is the leader in the supplying of IoT and Industry 4.0 solutions that feature proprietary hardware and software. Today, thanks to its realignment, the S&T Group is present and well positioned in all key sectors of the future. This adds up to an exceptional achievement.

I have the following to report on financial year 2019: The conclusion in the previous years of the restructuring and integration of the Kontron group was followed by the financial year under review's focusing on the extension of the range of proprietary products. This took place via both its own research and development services and, for example, through the acquisition of the Kapsch CarrierCom Group or AIS Automation GmbH. These accomplishments enabled the S&T Group to further expand its lineup of software and other products in its portfolio – and to further improve its position on such megatrends as industrial automation – often referred to as "Industry 4.0" – and as public urban and long-distance transport – "IoT transportation". These accomplishments also manifested in the results achieved in financial year 2019: Revenue increased 14% going from EUR 991 million to EUR 1.123 million, with EBITDA outpacing that increase from EUR 90.5 million in 2018 to EUR 112 million in 2019. This achievement enables the S&T Group to plan to achieve its communicated medium-term target of 10% EBITDA margin from the Agenda 2023 already in the 2020 financial year. The development of S&T AG's balance sheet was shaped by the initial application of the new IFRS 16 financial reporting standard and, especially, by the initial consolidation of the newly-acquired Kapsch CarrierCom group as well as by the issuing of a bonded loan amounting to EUR 160 million: Although this reduced the equity ratio from over 40% to 31%, a cash position of EUR 312 million – equivalent to some 25% of the balance sheet sum – constitutes, however, an extremely solid basis for the further organic and inorganic growth of the S&T Group in line with Agenda 2023.

In my capacity as the Chairman of the Supervisory Board of S&T AG, I would also like to inform you that the Supervisory Board of S&T AG exercised its statutory functions and performed all legally required tasks and control functions in financial year 2019. It worked closely with the Executive Board and was involved in all strategic or significant corporate decisions at an early stage and to an appropriate extent. The Executive Board briefed the Supervisory Board in a regular, prompt and comprehensive way, and prepared and provided the Supervisory Board with relevant information and with key indicators of corporate performance. The Supervisory Board convened itself in financial year 2019 for four regular meetings and for two sessions of its Auditing Committee. To efficiently pursue its responsibilities, the Supervisory Board formed two further committees in May 2019, the Remuneration and Nomination Committee. In each, a majority is constituted by independent members. In addition to the regularly convened meetings, the Chairman of the Supervisory Board held various discussions with the CEO and CFO of the company on issues of strategy, current business development, the risk situation, risk management and compliance of the company. In addition, the Supervisory Board agreed on issues of succession planning and the investment and investment strategy of the company without the participation of the Management Board. Where the approval or authorization of the Supervisory Board was required for decisions or measures of the Management Board, the draft resolutions previously submitted to the members of the Supervisory Board were examined and resolutions were passed in the meetings by voting or by circulation.



Such measures included in financial year 2019 the Supervisory Board's consenting to the refinancing of the S&T Group via its issuance of a bonded loan, its authorization of two share repurchase programs as well as of diverse acquisitions and restructurings.

In financial year 2019, the Supervisory Board experienced no conflicts of interest. All of its resolutions – except for when abstentions were required or were appropriate – were unanimously approved by all members of the Supervisory Board. Further, the Executive Board did not undergo any changes in the period under review. The composition of the Supervisory Board experienced the following changes: Personal reasons caused Mr. Hsi-Chung Tsao (Hans Tsao) to resign from the Supervisory Board, with this having taken place as of the end of the 2019 Annual General Meeting. At the 2019 Annual General Meeting, Mr. Yu-Lung Lee (Max Lee) was elected for the first time to the Supervisory Board. His membership of the Board is attributable to Ennoconn/Foxconn.

The financial statements for the company were compiled in accordance with Austria's Commercial Code (UGB); the consolidated statements for the S&T Group in accordance with the IFRS. Appointed the official auditors for 2019 – after conducting a Europe-wide tender in 2018 – were Ernst & Young Wirtschaftsprüfungsgesellschaft mbH. The financial accounts for the company, the consolidated financial accounts for the Group, the report on the company's business, the management's report on the Group, the sustainability report and the report on the audit conducted by the official auditors were submitted to all members of the Supervisory Board and thus to those of its Auditing Committee. These financial statements for the financial year 2019 were extensively discussed – in the presence and subsequent to a report rendered by the official auditors – by the Supervisory Board and by the Auditing Committee. The Supervisory Board has approved the financial accounts for the company and the consolidated financial statements for the Group compiled by the Executive Board. They have thus been authorized, in accordance with § 125 Paragraph 2 of Austria Stock Corporation Act (AktG). The Supervisory Board has also given its approval to the management report on S&T AG and to the Group management report, with this especially entailing the assessment of the further development of the S&T Group.

The Supervisory Board joined the Executive Board in issuing the Corporate Governance Report foreseen by § 243c of Austria's Commercial Code (UGB) and required by Germany's Corporate Governance Code. This has been made accessible to the shareholders via the chapter on "Corporate Governance" in the company's annual report.

I wish to conclude by thanking, in the name of the Supervisory Board, our customers and shareholders for the loyalty that they have shown in our Group. I also wish to express our gratitude to all staff members and to the Executive Board for their magnificent work. I am closing by wishing S&T and all its stakeholders every success in the years to come.

Vienna, March 2020

For the Supervisory Board

Dr. Erhard F. Grossnigg
Chairman

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 Austria's Stock Act, the Executive Board manages the company independently. It exercises this responsibility in accordance with the requirements of the wellbeing of the company and while taking into account the interests of its shareholders and employees. The Supervisory Board supervises the management and supports the Executive Board in significant decisions.

§ 243c of Austria's Commercial Code (UGB) stipulates that a joint stock company whose shares have been authorized for trading on a regulated market is required to compile a Corporate Governance Report. This obligation is fulfilled by providing the following Corporate Governance Report:

01. 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). S&T AG has complied with the German Corporate Governance Code in the version of February 7, 2017 (§ 243c Paragraph 1 N 2 UGB) in an update dated January 31, 2020 on its website at https://ir.snt.at/Corporate_Governance.en.html. This is publicly available at <http://www.corporate-governance-code.de>.

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 trust. The foundations of Germany's Corporate Governance Code are the rules contained in Germany's shares, securities exchange and capital market acts, and in OECD's directives on Corporate Governance. The Code takes effect through the company's voluntary commitment to it. This commitment causes any case of non-adherence to it to have to be substantiated ("comply or explain").

1.2. DIVERGENCES

S&T AG diverges from the stipulations of the following recommendations of the Corporate Governance Code. The company details its reasons for doing such as follows (§ 243c Paragraph 1 N 3 UGB):

POINT 2.2.2. CORPORATE GOVERNANCE CODE

A basic rule is that shareholders have a right of subscription to the shares being issued that is proportionate to their holdings of the company's share capital. In accordance with § 153 Paragraph 3 ff of the Austrian Stock Act (AktG) and as permitted by legal regulations, with this particularly applying to increases in capital defrayed by contributions of non-financial assets or by cash that amount to up to 10% of the share capital, S&T AG avails itself of its right to exclude its shareholders' right of subscription.

POINT 3.8. CORPORATE GOVERNANCE CODE

As of this writing, no deductible has been agreed upon for the D&O insurance policies covering the members of the Executive and Supervisory Boards.

POINT 4.1.5 AND POINT 5.1.2. CORPORATE GOVERNANCE CODE

Germany's Stock Act establishes stipulations on appointing women to positions of corporate leadership and of statutory control. S&T does not satisfy these stipulations by setting targets for such. As of January 1, 2018, Austria's Stock Act requires a minimum 30% representation by women or by men on the supervisory boards of publicly-listed companies, in cases in which such boards have more than six members, and in which the company in question has a staff that is comprised of at least 20% by women or by men. S&T AG's supervisory board has less than six members. This notwithstanding, S&T AG will attempt to take into account the legally imposed guidelines when conducting elections to appoint new members to the Supervisory Board and plans to propose only female candidates for the Supervisory Board mandate that becomes vacant after the end of the next Annual General Meeting. This is complemented by S&T AG's observance of the principles of fostering the advancement of women and of equal treatment when filling positions in the senior management and corporate institutions of the company and of its subsidiaries.

POINT 4.2.3. CORPORATE GOVERNANCE CODE

The objective of the management of S&T AG is to cause the company to develop in a way sustainably benefiting all stakeholders over the long-term. To achieve the objectives set for the short term and to realize projects, the company has established variable components of remuneration. Some of these are oriented towards objectives that are short-term in nature, and that relate to the current financial year. Such components are complemented by other variable components of remuneration that are long-term in nature, such as stock options.

POINT 5.1.2. AND POINT 5.4.1. CORPORATE GOVERNANCE CODE

S&T does not regard the institution of a discrete age of retirement for members of the Executive and Supervisory Boards as useful or being efficacious. S&T AG regards the candidate's qualifications as being more important than the imposition of a recommended age of retirement.

POINT 5.2. AND POINT 5.3.2 CORPORATE GOVERNANCE CODE

The Supervisory Board and the Auditing Committee are identical. Each of these boards has the same five members. The chairman of the Supervisory Board's qualifications and stock of experience entitle him to also chair the Auditing Committee. The fact that these two boards of S&T AG consist of the same persons deems this appointment appropriate. In course of the upcoming changes of the Supervisory Board and the composition of the committees, a reassessment will be carried out based on the qualifications of the Supervisory Board.

02. CORPORATE GOVERNANCE STATEMENT OF THE CORPORATE GOVERNANCE OF THE COMPANY

The Code of Conduct implemented throughout the Group and other internal principles and guidelines ensures compliance with rules of conduct and laws at S&T AG in particular. The Code of Conduct sets out the most important guidelines and principles for conduct in business life and serves as an aid to employees and managers in their daily work. The Code of Conduct published on the S&T AG website also supports the confidence of the public, business partners, employees and financial markets in our company. The Compliance Officer of the S&T Group monitors compliance with the Code of Conduct, checks that it is up to date and makes updates as necessary. In addition, compliance with the Code of Conduct is also regularly checked during internal audits. Overall responsibility for compliance lies with the Executive Board, which regularly reports on this to the Audit Committee and the Supervisory Board. In fulfilling its compliance responsibilities, the Management Board has delegated the relevant tasks to various functions within the S&T Group. The Compliance Officer ensures the exchange of information between the compliance-relevant internal interfaces. He monitors the Group's whistleblowing platform and is the first point of contact for each employee for all compliance issues.

2.1. EXECUTIVE BOARD AND SUPERVISORY BOARD (§ 243C PARAGRAPH 2 N 1 UGB)

THE EXECUTIVE BOARD

The Management Board of S&T AG consists of a CEO and four other members. As of December 31, 2019, the following members were active on the Management Board, each with the following areas of responsibility:

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

The Executive Board continually discusses current business developments, takes the necessary decisions in its discussions and meetings and passes the necessary resolutions. The members of the Executive Board are in a constant exchange of information with each other and with the respective senior managers responsible. The Executive Board informs the Supervisory Board regularly, promptly and comprehensively about all relevant issues of business development including the risk situation and risk management at S&T AG and its Group companies. In the spirit of good corporate governance, open discussions take place between the Executive Board and Supervisory Boards, also outside the regularly scheduled meetings. In addition, the Chairman of the Supervisory Board is in regular contact with the members of the Executive Board and discusses the company's strategy, business development and risk management with them.

THE SUPERVISORY BOARD

As of December 31, 2019, the Supervisory Board is composed of the following five members, who oversee and advise the Executive Board:

- › Dr. Erhard F. Grossnigg, born September 22, 1946, Chairman of the Supervisory Board
- › Mag. Bernhard Chwatal, born October 12, 1970, Deputy Chairman of the Supervisory Board
- › Hui-Feng Wu (Ed Wu), born January 2, 1949, Member of the Supervisory Board
- › Fu-Chuan Chu (Steve Chu), born June 18, 1962, Member of the Supervisory Board
- › Yu-Lung Lee (Max Lee), born September 1, 1970, Member of the Supervisory Board

Mr. Ed Wu, Mr. Steve Chu and Mr. Max Lee are members of the Supervisory Board with business relationships to the S&T AG shareholder Ennoconn Corporation, which holds with 26,61% of the shares of S&T AG more than 10% of the shares holding voting rights of S&T AG. The members of the Supervisory Board, Dr. Erhard F. Grossnigg (Chairman of the Supervisory Board (with the right to cast the vote breaking a tie among the members, according to the Articles of Association of S&T AG)) and Mag. Bernhard Chwatal (Deputy Chairman of the Supervisory Board) hold some 0.04% of S&T AG's shares (Dr. Grossnigg) and 0 shares (Mag. Chwatal). They are thus independent members of the Supervisory Board.

The Chairman of the Supervisory Board and no other member has ever been a member of the Executive Board of S&T AG. The exact composition of the Supervisory Board and its committees is shown in the following tables:

COMPOSITION OF THE SUPERVISORY BOARD UNTIL THE END OF THE ORDINARY ANNUAL GENERAL MEETING 2019

BOARD MEMBER	POSITION	INITIAL APPOINTMENT	END OF TERM	AUDIT COMMITTEE
Dr. Erhard F. Grossnigg	Chairman of the Supervisory Board	25.10.2011	AGM 2020	x
Bernhard Chwatal	Deputy Chairman	17.05.2013	AGM 2023	x
Hui-Feng Wu	Member	27.06.2017	AGM 2022	x
Fu-Chuan Chu	Member	27.06.2017	AGM 2022	x
Hsi-Chung Tsao	Member	27.06.2017	21.05.2019	x

COMPOSITION OF THE SUPERVISORY BOARD SINCE THE END OF THE ORDINARY ANNUAL GENERAL MEETING 2019

BOARD MEMBER	POSITION	INITIAL APPOINTMENT	END OF TERM	AUDIT COMMITTEE	NOMINATION COMMITTEE	REMUNERATION COMMITTEE
Dr. Erhard F. Grossnigg	Chairman of the Supervisory Board	25.10.2011	AGM 2020	x	x	x
Bernhard Chwatal	Deputy Chairman	17.05.2013	AGM 2023	x	x	x
Hui-Feng Wu	Member	27.06.2017	AGM 2022	x		
Fu-Chuan Chu	Member	27.06.2017	AGM 2022	x		
Yu-Lung Lee	Member	21.05.2019	AGM 2024	x	x	x

WORKING METHODS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

At S&T AG, the term Corporate Governance stands for responsible, value-based corporate management and control oriented towards sustainable value creation. A key aspect of good corporate governance is efficient cooperation between the Executive Board and the Supervisory Board, which always act and decide in the best interests of the company. Their common goal is the sustainable increase in the value of the company. The dual management system prescribed by the Austrian Stock Corporation Act explicitly separates the management (Executive Board) and supervision (Supervisory Board) of a company, and the responsibilities of both bodies are clearly defined by law as well as by the articles of association and the rules of procedure of both bodies. The Executive Board and Supervisory Board are convinced that good corporate governance, which takes into account company- and industry-specific aspects, is an important basis for the success of a company.

The work and cooperation of the Executive Board members is governed by rules of procedure approved by the Supervisory Board. Each member of the Executive Board is accountable for his own area of responsibility, about which he keeps his colleagues on the Executive Board informed on an ongoing basis. Meetings of the Executive Board are held as required, usually on a quarterly basis, and are chaired by the CEO. Corporate strategy issues are discussed and resolutions on measures and transactions are passed at the meetings. For resolutions to be passed, at least three of the five members of the Executive Board must participate in the decision-making process. Resolutions of the full Executive Board are passed by simple majority and can also be passed outside of meetings by means of verbal, telephone or written (including e-mail) voting. In addition to the regular Executive Board meetings, Executive Board retreats and strategy meetings are held, during which strategic objectives are developed Group-wide.

The Executive Board of S&T AG always informs the Supervisory Board promptly and comprehensively at Supervisory Board meetings or in writing about the planning, business development and situation of the Group, including risk management and compliance. Extraordi-

nary Supervisory Board meetings are convened in the event of significant events. The Executive Board involves the Supervisory Board in strategic planning and in all issues of fundamental importance to the company. For important business transactions, the by-laws of the Executive Board stipulate that the Supervisory Board's approval is required.

Further information on the cooperation between the Executive Board and the Supervisory Board and on important topics of discussion in the 2019 financial year is provided in the Report of the Supervisory Board. The Supervisory Board of S&T AG holds at least four meetings per calendar year and has established rules of procedure for its activities in addition to the requirements of the Articles of Association. Accordingly, the Chairman of the Supervisory Board coordinates the work of the Supervisory Board, chairs the meetings, as a collegial body, and represents the interests of the body both internally, for example in matters relating to the Management Board and externally. Supervisory Board resolutions are generally passed in meetings, although resolutions may also be passed outside of a meeting in writing or in qualified telephone or video conferences. The Supervisory Board constitutes a quorum 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, unless the law requires a different majority. The Supervisory Board meetings are recorded in minutes and the minutes are made available to all members of the Supervisory Board. Resolutions adopted outside of meetings are passed in writing by circular letter.

2.2. COMPOSITION AND WORKING METHODS OF THE MANAGEMENT AND SUPERVISORY BOARD COMMITTEES

The Executive Board has not established any committees. The Supervisory Board has three committees: the Audit Committee, the Nomination Committee and the Remuneration Committee.

THE AUDIT COMMITTEE

Due to the importance and manageable size of the Supervisory Board of S&T AG, the Audit Committee is composed of all five members of the Supervisory Board. The Audit Committee is charged with the examination and preparing for auditing of the annual accounts; and the examination of the consolidated annual accounts, of the proposal for the appropriation of profits, of the management review, of the Group management review, and of the Corporate Governance Report. The Audit Committee also prepares the proposal to the Annual General Meeting for the election of the independent auditor.

THE NOMINATING COMMITTEE

The Nomination Committee was established on May 21, 2019 and, like the Remuneration Committee, is composed of the two independent members of the Supervisory Board, Dr. Erhard F. Grossnigg as Chairman of the Nomination Committee and Mr. Bernhard Chwatal as his deputy, and a third, non-independent member, Mr. Max Lee. The Nomination Committee is responsible for the further development of the management organization. If necessary, it accompanies the search for suitable candidates for the appointment of new members of the Executive Board and Supervisory Board, submits appropriate proposals to the Supervisory Board and prepares contracts with members of the Executive Board. The Nomination Committee has not yet held any meetings in the 2019 financial year.

THE REMUNERATION COMMITTEE

The Remuneration Committee was established on May 21, 2019 and is composed of a majority of independent members of the Supervisory Board: The two independent members of the Supervisory Board, Dr. Erhard F. Grossnigg, as Chairman and Mr. Bernhard Chwatal, as Deputy Chairman, and the third, non-independent member, Mr. Max Lee. The Remuneration Committee is responsible for the ongoing review of the remuneration of the Executive Board and has the right to propose the remuneration of the Supervisory Board to the Supervisory Board or the Annual General Meeting. The committee has not yet held any meetings in the 2019 financial year.

MEETINGS OF THE SUPERVISORY BOARD

BOARD MEMBER	POSITION	26.03.2019	21.05.2019	17.09.2019	12.12.2019
Dr. Erhard F. Grossnigg	Chairman	P	P	P	P
Bernhard Chwatal	Deputy Chairman	P	P	P	P
Hui-Feng Wu	Member	V	V	V	V
Fu-Chuan Chu	Member	P	V	P	V
Yu-Lung Lee	Member	n/a	P	P	P
Hsi-Chung Tsao	Member	V	n/a	n/a	n/a

P > Present in person | V > Video/telephone conference or proxy | n/a > not yet or any more member of the Supervisory Board

MEETINGS OF THE AUDIT COMMITTEE

BOARD MEMBER	POSITION	26.03.2019	12.12.2019
Dr. Erhard F. Grossnigg	Chairman	P	P
Bernhard Chwatal	Deputy Chairman	P	P
Hui-Feng Wu	Member	V	V
Fu-Chuan Chu	Member	P	V
Yu-Lung Lee	Member	n/a	P
Hsi-Chung Tsao	Member	V	n/a

P > Present in person | V > Video/telephone conference or proxy | n/a > not yet or any more member of the Supervisory Board

2.3. CORPORATE GOVERNANCE IN THE S&T GROUP

Within the S&T Group, good corporate governance represents open and transparent corporate communication, respect for shareholders' interests, responsibility in all business decisions, appropriate handling of risks and the promotion of equality and diversity. Compliance with national and international laws, regulations and guidelines as well as the principles of the German Corporate Governance Code are a matter of course for S&T and are part of the management mentality. Responsible, sustainable and value-oriented corporate management is given the highest priority in the S&T Group.

CAPITAL MARKET COMMUNICATION

One of the most important principles of S&T AG's capital market communication is to inform institutional investors, private shareholders, financial analysts, employees and all other interest groups simultaneously and comprehensively about the company's situation through regular, open and up-to-date communication. In doing so, S&T strictly follows the applicable legal regulations and the principle of equal treatment of all shareholders. All of these interest groups have immediate access to all information or presentations in German and English, which are also provided to financial analysts and investors, for example.

A central component of investor relations work at S&T AG 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 updated on an ongoing basis.

FOSTERING OF THE ADVANCEMENT OF WOMEN (§ 243C PARAGRAPH 2 N 2 UGB)

The Supervisory Board of S&T AG currently consists of a total of five, exclusively male members. The Executive Board and the Nomination Committee intend to submit exclusively female candidates to the Annual General Meeting as nominations, and appoint a woman. In view of the international orientation, the Supervisory Board also considers at least two members of the Supervisory Board who are not Austrian or have special international experience to be an appropriate proportion in terms of diversity.

S&T AG has adapted to changes in the world of life and work in the area of women's advancement. S&T AG also intends to continuously increase the proportion of women in management positions in order to achieve equal participation in responsibility and decision-making.

INDEPENDENCE

The Supervisory Board considers a number of at least two independent members to be appropriate. A member of the Supervisory Board shall be considered independent if he or she has no personal or business relationship with the S&T Group, the management, a controlling shareholder or an affiliated company. Two of the current five members of the Supervisory Board are to be classified as independent. Conflicts of interest, especially those arising from commitments with competitors, should be avoided. However, it should be noted that conflicts of interest cannot be excluded in principle in individual cases. Furthermore, it should be mentioned that the independent chairman of the Supervisory Board, or, if he is prevented from doing so, his equally independent deputy, is entitled to the right of diminution in the event of a tie. Possible conflicts of interest must be reported directly to the Chairman of the Supervisory Board and will be eliminated immediately through appropriate measures. There are currently no conflicts of interest.

AVOIDANCE OF CONFLICTS OF INTEREST

The Executive Board and the Supervisory Board are obliged to refrain from actions that could lead to conflicts of interest with their activities at S&T AG. Any activities of the Executive Board must be disclosed immediately to the Supervisory Board and require its approval. The Supervisory Board must inform the Annual General Meeting of any conflicts of interest that arise and how they are handled. No conflicts of interest arose in the Supervisory Board in the 2019 financial year.

SUFFICIENT TIME AVAILABILITY

The members of the Supervisory Board of S&T AG must ensure that they have sufficient time to properly fulfill their duties on the Supervisory Board. This includes attending at least four ordinary Supervisory Board meetings per year, including an appropriate amount of preparation time. Furthermore, the members of the Supervisory Board should be able to devote sufficient time to attend extraordinary Supervisory Board meetings and the Annual General Meeting as required, to audit the annual financial statements and the consolidated financial statements and to perform their duties in the committees of the Supervisory Board.

SHARES OWNED BY MEMBERS OF CORPORATE INSTITUTIONS

As of December 31, 2019, the members of the Executive and Supervisory Board held the following amounts of shares and stock options, which makes in total 2,97% in the company:

BOARD MEMBER	POSITION	NUMBERS OF SHARES	NUMBER OF STOCK OPTIONS
Dr. Erhard F. Grossnigg	Chairman of the Supervisory Board	23,499	0
Bernhard Chwatal	Deputy Chairman	0	0
Hui-Feng Wu	Member of the Supervisory Board	0	0
Fu-Chuan Chu	Member of the Supervisory Board	0	0
Hsi-Chung Tsao*	Member of the Supervisory Board	0	0
Yu-Lung Lee**	Member of the Supervisory Board	0	0
Hannes Niederhauser	CEO	1,162,538	175,000
Richard Neuwirth	CFO	41,039	175,000
Michael Jeske	COO	30,000	140,000
Dr. Peter Sturz	COO	8,833	170,000
Carlos Queiroz	COO	0	70,000

* until the Annual General Meeting on May 21, 2019

** from the Annual General Meeting on May 21, 2019

Linz, March 2020

The Executive Board of S&T AG



Dipl. Ing. Hannes Niederhauser



Michael Jeske



Dr. Peter Sturz



MMag. Richard Neuwirth



Carlos Manuel Nogueira Queiroz

THE S&T SHARE



S&T AG's stock got off to a friendly start to the 2019 trading year. The fall in quotes, generally being experienced by technology stocks, came to a halt at the beginning of 2019. This enabled S&T's stock to recover and gradually rise during the period from January to April 2019 – at which it reached its high for the year of EUR 24.66. During the months of May to November 2019, the volatility roiling capital markets caused the share to fluctuate between EUR 17 and EUR 19. Caused by the crises springing up around the world, this volatility gave rise to a generally experienced restraint and insecurities on the part of capital markets in 2019. Two of these crises were the trade-related dispute between the USA and China and the "Brexit". The negative development of working capital and the development of operating cash flow compared with the development of EBITDA was criticized on a company-specific basis. However, the initiatives comprised in the "PEC Program", had already achieved significant improvements by the time the third quarterly statement of 2019 was announced. As a result, the stock once more exceeded the EUR 21 mark as of the end of December 2019. The share closed the 2019 financial year at a price of EUR 21.28 – and thus up nearly 35% compared to the end of 2018. The TecDAX® turned in a rise of some 23% during the period, with the SDAX® increasing some 32%.

In the 2019 financial year, the S&T AG share continued to be listed in the TecDAX® and SDAX® of the Frankfurt Stock Exchange. During 2019, a total of 49.2 million S&T shares were traded with a turnover of around EUR 986 million, as opposed to 69.5 million shares with a turnover of EUR 1.4 billion in the previous year.

	31.12.2018	31.12.2019	CHANGE IN %
SDAX®	9,509	12,512	31.6%
TecDAX®	2,450	3,015	23.1%
S&T AG	15.81	21.28	34.6%

In a gratifying move, S&T's stock was able to set forth its positive development at the beginning of 2020, and rose past the EUR 25 mark within the first few weeks of the new financial year. Starting in February and continuing in March, the market responded strongly and negatively to the uncertainties stemming from global spreading of the SARS-CoV-2 virus, with a dramatic drop in the share price, so that the S&T AG share closed at EUR 15.00 on March 20. As of this point in time, no forecasts can be made as to when the market will recover.

The development of S&T's stock had also been driven in the past by up- and downward trends. One such upswing took place from the beginning of 2016 and extended until September 2018. Especially the acquisition of Kontron S&T AG in October 2016 had a positive impact on the shareprice back then. Influenced by the "Brexit" vote in September 2018, and the general decline in technology stocks, the share entered a downward trend from November 2018 on, ending the last quarter of 2018 at a share price of EUR 15.81, which lasted until early 2019 as described above.

CAPITAL MARKET COMMUNICATION

To keep in regular touch with interested investors, S&T's Executive Board and its Investor Relations department staged and participated in eleven road shows, nine conferences, and a variety of on-site visits and telephone conferences. These meetings and meet-ups resulted in some 300 investor contacts (PY.: 275). In addition, there was an intensive exchange with the covering analysts of S&T AG. Main stops for the road shows staged in 2019 were Germany, Austria, France, the United Kingdom, Switzerland, Denmark, Finland, Spain, Poland and the USA. S&T AG was invited to participate in the following conferences in 2019:

- › German Corporate Conference; staged by UniCredit and by Kepler Cheuvreux, January 2019 in Frankfurt, Germany;
- › Raiffeisen Centrobank AG Investor Conference, March 2019 in Züri, Austria;
- › Warburg's German Ideas Day, April 2019 in Warsaw, Poland;
- › Spring Conference, May 2019 in Frankfurt, Germany;
- › HAIB Stockpicker Summit 2019, May 2019 in Madrid, Spain;
- › Commerzbank Sector Conference 2019, August 2019 in Frankfurt, Germany;

- › J.P. Morgan Pan-European Small/Mid-Cap Conference, September 2019 in London, United Kingdom;
- › Berenberg and Goldman Sachs Eighth German Corporate Conference, September 2019 in Munich, Germany;
- › Equity Forum, November 2019 in Frankfurt, Germany.

The Executive Board of S&T AG is planning to participate once more in several conferences in financial year 2020 and to further intensify investor discussions in the current fiscal year.

At the end of the 2019 financial year, the S&T share was actively covered by six analysts who, as of 31.12.2019, were assuming the following recommendations and price targets:

Hauck & Aufhäuser	buy	EUR 30.00
HSBC	buy	EUR 30.00
Pareto Securities	buy	EUR 30.00
Kepler Cheuvreux	buy	EUR 28.00
Warburg Research	buy	EUR 26.00
Raiffeisen Centrobank	hold	EUR 20.00

Two further analysts are currently preparing to commence coverage of S&T AG. This is to be launched during the first half of financial year 2020. According to information by HSBC, they plan to withdraw from this area of research. Corporate policies are leading HSBC to wind up its coverage of S&T and of other European small and medium-sized caps.

ANNUAL GENERAL MEETING

On May 21, 2019, the Executive Board and Supervisory Board of S&T AG welcomed shareholders to the 20th Annual General Meeting of the company in Hagenberg, Austria. The shareholders present or represented by proxies had holdings amounting to some 61% of the subscribed capital of S&T AG (2018: some 52% of the subscribed capital). All of the resolutions proposed by the Executive Board passed were accepted with the required majority of votes.

DIVIDEND

The primary objective of the Executive Board of S&T AG is pursuing business policies designed to successfully implement its strategy of attaining sustained growth. The company's policy on dividends forms part of this objective: The Management Board therefore plans to further increase the dividend. This is being done to enable shareholders to enjoy ongoing earnings from the S&T share even in volatile times.

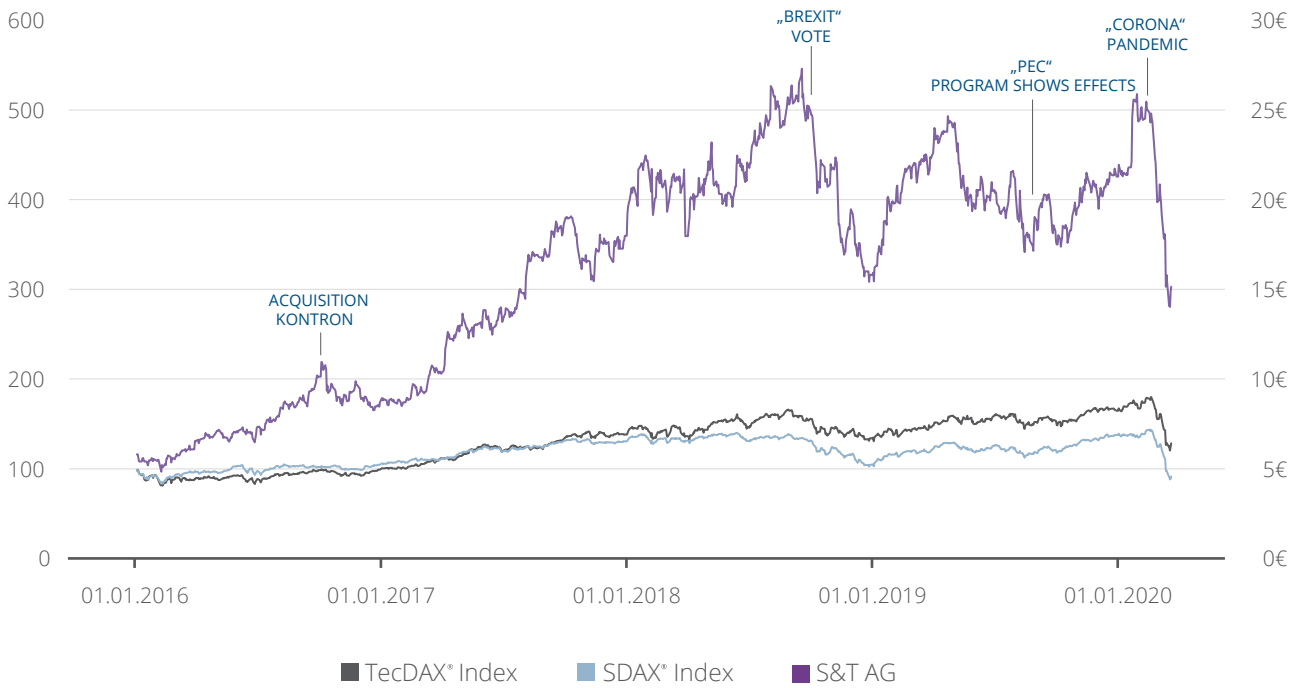
Resolved at the 20th Annual General Meeting of S&T AG, which was held on May 21, 2019, was the paying out of a dividend of 16 cent per dividend-entitled share. For the 21st Annual General Meeting, which is scheduled for June 2020, the Executive Board of S&T AG plans to propose a resolution foreseeing the paying out to shareholders of a dividend amounting to 19 cent per dividend-entitled share. This represents an increase in the dividend of approximately 20% compared to 2018.

The key figures on the S&T share for 2019 are to be summarized as follows:

KEY FIGURES ON THE SHARE 2019

Exchange	Frankfurt Stock Exchange
Exchange segment	Prime Standard
Index membership	TecDAX® & SDAX®
Securities ID number	A0X9EJ
Exchange abbreviation	SANT
ISIN	AT0000A0E9W5
Numbers of shares 31.12.2019	66,096,103
Numbers of treasury shares 31.12.2019	788,245
Stock quote range 01.01. - 31.12.2019	EUR 15.45 – 24.66
Closing quote 30.12.2019	EUR 21.28
Average daily XETRA trading volume	196.000 shares
Market capitalization 31.12.2019	EUR 1.4 billion
Market capitalization Free float 31.12.2019	EUR 892 million
Free float 31.12.2019	68.4%
Designated Sponsor	Oddo Seydler Bank AG Pareto Securities AS
Coverage 31.12.2019	Hauck & Aufhäuser – Tim Wunderlich HSBC – Henrik Paganetty Kepler Cheuvreux – Martin Jungfleisch Pareto Securities – Dustin Mildner Warburg Research – Malte Schaumann Raiffeisen Centrobank – Theresa Schinwald

SHARE PRICE DEVELOPMENT





01 FOUNDATIONS OF THE GROUP'S BUSINESS

BUSINESS MODEL

S&T AG is a supplier of Industry 4.0 and Internet-of-Things technologies and of IT systems. It is headquartered in Linz, Austria. The company is mainly active in its core markets of Germany, Austria, Switzerland, Eastern Europe, North America, and, increasingly, Asia. S&T AG serves as its group's holding company. Via its "IT Services" segment, S&T AG directly offers IT services to the Austrian market. Subsidiaries cover the markets of the 31 other countries in which S&T AG operates. The S&T Group's strategy is to offer the technologies, solutions and IT systems required by its customers and by its markets. These solutions incorporate innovations ensuing from development and are then adapted on an ongoing basis to accord to current trends. S&T primarily and increasingly focuses its operations on the development of proprietary technologies that form part of hardware and software. This is undertaken to increase the value added of the products, solutions and services comprised in its portfolio.

In accordance with the core areas of the portfolio of the S&T Group, its business is organized into the following segments. These were maintained in 2019:

- › **"IT Services"**: This segment comprises the former S&T segments "Services DACH" (Germany, Austria and Switzerland) and "Services EE".
- › **"IoT Solutions Europe"**: This segment encompasses the former S&T segments "Appliances Security" and "Appliances Smart Energy" and parts of the Kontron group. In addition, acquired in the financial year under review were the Kapsch CarrierCom Group and AIS Automation GmbH, which were assigned to this segment.
- › **"IoT Solutions America"**: Especially comprised in this segment are the activities of the Kontron Group in North America. Formerly called "Embedded Systems", as of the beginning of financial year 2019 this segment was renamed "IoT Solutions America".

Financial year 2019's key events were

- › the acquisition of Kapsch CarrierCom and Kapsch Public Transportation Group and their thorough restructuring and integration;
- › the further development of proprietary technologies – with this especially applying to the software area – and the pursuing of the synergetic teaming up of the portfolios of Kontron and the S&T Group;
- › the long-term refinancing of the S&T Group, with this taking the form of the securing of financing – of the largest amount in the company's history – in April 2019.

The range of products, services and solutions supplied by the S&T Group now comprises the

- › development, implementation and marketing of hardware and software-based solutions and of IT services (“IT Services” segment) and
- › proprietary-developed hardware, software and solutions for Internet of Things (IoT) and Industry 4.0 applications, with this including the associated implementation and operating services, and with these provided in the vertical markets of industrial automation, medical technologies, infotainment and smart energy (“IoT Solutions Europe” segment), and with this extending to
- › the development of embedded hardware and software products and of the associated services for the transport, aviation and communications sectors (“IoT Solutions America” segment).

In these three business segments the S&T Group realized in financial year 2019 revenues of EUR 1,122.9 million (PY: EUR 990.9 million). The S&T Group thus now ranks among the largest in its sector, with this especially applying to Europe and North America.

Assigned to the “**IT Services**” business segment are all activities involving IT services and handled by the Services DACH (Germany, Austria and Switzerland) and Services EE (Poland, Czech Republic, Slovakia, Hungary, Slovenia, Croatia, Serbia, North Macedonia, Albania, Bulgaria, Romania, Belarus, Montenegro and Moldova) sub-segments. The “IT Services” segment consults on and distributes hardware and software provided by such third parties as Microsoft, SAP, Cisco, HP and Dell/EMC², and handles these items’ implementation and operation. Manifesting the “plan-build-run” principle of our customers, the IT Services segment’s portfolio of services is essentially divided into three main areas:

- › **Planning (consulting):** The focus of the Planning area is the provision of consulting services related to IT architecture and data security and to the formulation of migration scenarios required by the replacement of technologies. Planning also delivers support services – with these not being dependent upon specific projects or hardware – such as the management and optimization of licenses. The latter two activities especially entail the identification of the software licenses needed to satisfy customer requirements, the coordination with the client’s extant compliance stipulations, the administration of utilization and licensing agreements and registrations, and, as well, the analysis of and comparison with the respective fees and licensing costs. The focus is increasingly placed on the designing of hybrid public/private cloud infrastructures, with this being undertaken along with Amazon Web Services and Microsoft Azure. Also undertaken in this area is the development of scenarios enabled the transferring to new ERP systems such as SAP HANA and HANA Enterprise Cloud.
- › **Implementation (integration):** The services provided by the “Implementation” area comprise the installation and assembly of such components of IT infrastructure as hybrid cloud computer center infrastructure and network security technologies. The services involving computer centers encompass the analysis, planning and optimization of them, and the procurement and implementation of the corresponding hardware and software, and provision of cloud services. The area also handles the procurement of hardware (non-influenced by any particular manufacturer) and the planning and implementation of rollouts, with these including their configuration and their go-lives. This area also handles the development of software meeting customer specifications and capable of creating the corresponding interfaces and of integrating their systems.
- › **Outsourcing:** This comprises all IT services outsourced by clients to S&T AG on recurring and long-term bases. These particularly include complex maintenance commissions, with this extending to the provision of first and second level support and to the operation of the individual outsourced IT facilities or the entire dedicated infrastructure of clients that has been outsourced. This area also delivers to clients data center services, and arranges the provision to them by third parties of those services incorporating cloud solutions (software-as-a-service). This is done in cooperation with Amazon Web Services and Microsoft Azure.

The strategy pursued by the “IT Services” segment is to significantly increase the share accounted for by services, and to further reduce the low-margin revenues realized through the sale of solely hardware. This is done by realizing organic and inorganic growth. Entailed in this is the optimization of the mix of offerings contained in the portfolio. This, in turn, yields a sustained rise in gross margins and in recurring revenues. The realization of the strategy involved the transferring of part of the low-margins products division to an Austrian supplier as of September 30, 2016. In a further move, as of the end of 2020 this supplier will take over the associated brands “ChiliGREEN” and “Maxdata”, and will maintain these brands on independent bases. In the financial year under review, S&T Group also

undertook acquisitions that further developed its portfolio of services. These included the purchasing of a majority of the shares of BASS Systems S.R.L. Chişinău, Moldova by S&T AG. This was implemented on a business basis on August 1, 2019. This move made S&T one of the leading suppliers of IT in Moldova. In a further move, signed in the fourth quarter of the financial year was a letter of intent foreseeing the purchasing of Cronus eBusiness SRL. It is headquartered in Bucharest, Romania. This purchase then took place on January 1, 2020. It significantly expanded the portfolio of S&T Romania in the areas of networks and their security. In financial year 2019, the “IT Services” segment of the S&T Group realized external revenues amounting to EUR 505.9 million (PY: EUR 448.9 million).

Focus of the “IoT Solutions Europe” segment’s business is the development of proprietary products and solutions (own technologies) for the S&T Group. These are for the industrial automation, medical technologies, infotainment, energy industry and public transportation markets. This segment includes the business done by the Kontron group, now integrated into S&T Group, outside of North America, with this including Asia. The acquisition of the Kontron group has strengthened the S&T Group’s portfolio by adding products and services such as customized hardware and software-based specialized systems that were developed to serve niches in the above markets, and that are adapted to meet customer specifications. These technology-driven activities include

- › the development of standard embedded hardware systems such as boards, modules and embedded computers featuring a variety of form factors,
- › the development of customer-specific embedded systems such as panel PCs and rackmount systems for primarily industrial environments,
- › network and communication solutions that are cable-, wireless- or radio-based, and that enable real-time and secure networking,
- › security functionalities for embedded systems, such as, for instance, those comprised in the Kontron APPROTECT security solution, which is used to protect IP rights, and which also offers a defense against copying and reverse engineering to achieve an end-to-end protection,
- › the development of interfaces (APIs) providing access to a range of hardware and software components, as well as
- › SUSiEtec, the proprietary-developed IoT software framework. This new software product has enabled the connection and controlling of industrial/IoT applications.

Examples of how these solutions are employed are:

- › Solutions used to control production equipment, with these including such requisite hardware components as control computers, touch screens, driver development and BIOS adaptations.
- › Embedded cloud computing, with this comprising specialized security solutions enabling clients to control their industrial applications and to securely process and/or save their data in cloud environments (public or private ones).
- › End-to-end communication solutions for mission-critical networks used in areas such as railway transport. Other solutions encompass public transportation mobility. These cover the entire chain of services-driven value added.
- › S&T AG supplies the infotainment market with security solutions used in betting machines, and with algorithm-based betting software.

In financial year 2019, S&T’s “IoT Solutions Europe” segment was able to realize external revenues of EUR 475.4 million (PY: EUR 376.7 million). This made the segment again the most profitable, and for the first time, the S&T Group’s segment with the highest revenues, amounting to EUR 562.8 million (including intercompany revenues).

The “IoT Solutions America” (formerly “Embedded Systems”) business segment contains those Kontron group businesses that serve the vertical markets of aviation, transport and communications. This segment took a further step in financial year 2019 towards reconfiguring its portfolio of embedded products, which had traditionally been hardware-oriented, to meet the needs of the IoT solutions business. The expiry of extant contracts and the lack of new business capable of offsetting this drop-off caused the segment to fail to live up to the expectations placed on its revenue and earnings.

Examples of how the solutions supplied by the “IoT Solutions America” segment are employed:

- › the implementation of such in-flight entertainment solutions and broadband services in aircraft as the provision of Internet and VPN accesses and the streaming of multimedia content for video-on-demand. These are channeled via broadband-based air-to-ground and air-to-satellite connections;
- › the automation of the operation of vehicles through the deployment of a real-time embedded server –including a real time operating system – developed by S&T and used – to provide an example – to run professional vehicles deployed in agriculture;
- › their deployment in carrier grade and mission-critical communication equipment supplied by third parties, with these receiving – on the basis of their employing Kontron’s Open Communication Platform (OCP) – a highly-reliable foundation for their products.

In financial year 2019, S&T realized in its “IoT Solutions America” business segment external revenues of EUR 141.6 million (PY: EUR 165.3 million).

As of December 31, 2019, the S&T Group had 4,934 employees (PY: 4,248 employees). The following figures express staff numbers based on full-time equivalents, and do not include vocational trainees or persons on parental leave. The rise in staff numbers is essentially attributable to the acquisitions of Kapsch CarrierCom, Kapsch Public Transportation and AIS Automation GmbH. Of the total number of employees, some 44% work for the “IT Services” segment, 50% for the “IoT Solutions Europe” segment and 6% for the “IoT Solutions America” segment. As of the balance sheet date, the employees of the S&T Group worked in the following divisions:

- › 383 employees in production and logistics
- › 485 employees in hardware-driven IT services
- › 740 employees in management and administration
- › 677 employees in distribution and marketing
- › 2.649 employees in development (research & development as well as engineering)

Viewed geographically, S&T AG has 79 (PY: 70) operative directly and indirectly fully consolidated subsidiaries. They operate in 32 (PY: 24) countries: Albania, Austria, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Canada, China, Croatia, Czech Republic, France, Germany, Hungary, Malaysia, Malta, Moldova, Montenegro, North Macedonia, Poland, Portugal, Romania, Russia, Saudi Arabia, Serbia, Slovakia, Slovenia, Spain, Switzerland, Taiwan, the Ukraine, the UK and the USA.

S&T AG’s role in the corporate group is handling operations in Austria and serving as the holding for the other Group companies. Most of the operative business processes undertaken by its subsidiaries are locally defined and managed. Centrally managed are such Group processes as IT structures, risk and licenses management, Group accounting, Group controlling and – in several cases – financing. The local alignment of key business processes stems from the need to interact with clients and an increasing share of services. The establishment of subsidiaries and offices in a large number of European countries has enabled the optimal coverage of regional issues and needs. This, in turn, has made S&T a high-demand partner capable of serving basis the international business sector – and its individual markets on a 24/7/365.

The key external factors influencing the business done and developed by the Group are the investments and expenses made by companies and by the public sector. These, in turn, are immediately affected by financial budgets and by the companies’ own development of business, and by non-financial factors such as technological developments and data security. These factors join to determine demand behavior, which immediately affects S&T AG’s business potential. Cost saving measures undertaken by companies or by the public sector can yield two differing effects for the S&T Group: On the one hand, they can diminish demand by causing the postponement of investments in new or replacement items. On the other hand, they can foster demand by increasing the need for cost cutting achieved via outsourcing and the imparting of flexibility to cost-causing structures.

MANAGEMENT SYSTEM

The management's objective is to increase on a sustainable basis the value of the S&T Group and, thereby, that of S&T AG itself. To achieve this, we have to set forth our profits-producing growth, to pursue the development of proprietary technologies yielding rises in value added, and to strengthen the Group's financial capabilities on a continuous basis. To determine the extent of our progress towards attaining these strategic goals, we employ an internal management system.

The focuses of the Group's management are:

- › Coupling growth with increases in profitability;
- › expansion of the shares of markets held by IT Services and by the IoT and Embedded Systems sectors;
- › increasing of the share accounted for by proprietary software in the IoT solutions environment;
- › stepping up the cross-selling within and the integrated value added by the S&T Group;
- › optimization of working capital and of operative cash flow;
- › initiating and monitoring of strategic and synergistic research and development projects;
- › undertaking acquisitions on a regular basis, to team up organic and inorganic growth, and to increase the Group's stock of technological know-how.

To accomplish this, the management system employs the key indicators – based on financial accounting in accordance with IFRS – of revenue, gross margin, earnings before interest, taxes and depreciation (EBITDA), and earnings per share (EPS). The management of liquidity employs the key indicators of net indebtedness and operative cash flow. Of relevance are the management of the equity rate and indebtedness rate. The takeovers made – with this especially applying to those in the "IoT Solutions Europe" segment – led to setting forth the sharpening of the focus upon working capital in 2019.

The revenues and costs incurred by all of the Group's areas are monitored both centrally and locally on an ongoing basis. This is handled on the management level, which uses monthly scorecards and quarterly reports to intensively do such, and to thus be able to respond to developments on an early basis. Regional-level management monitors the operating results achieved by each Group company. In addition to the development of revenues, the key indicators used in doing such are especially the personnel costs, the EBITDA and operative cash flow. Our monitoring of the long-term projects business is comprised of a dedicated controlling system that commences with the compilation and approval of offers and extends to the conclusion of the project. A special-purpose "red flag" system is deployed to monitor on an ongoing basis mission-critical projects and developments undertaken by individual subsidiaries, to enable S&T AG, in its function as the Group's headquarter, to institute measures on a prompt basis and to thus counter any negative developments.

Strict budget controls are imposed upon all costs-causing items in the Group. These controls take the form of assessing the performance of each individual profit and cost center on a monthly basis. Determined is whether or not budgets are being adhered to and if costs are developing in accordance with forecasts. This controlling is based on a dynamic model of budgeting. This imparts a high degree of flexibility to the key components of the relationship between revenues and budgeted costs. In order to achieve, even exceed the envisioned profitability, the budgeting of costs is adapted during the financial year to take into account the development of sales.

S&T supplies IT and develops proprietary technologies. This means that strategic- and technology-relevant acquisitions join research and development (and the innovations yielded by it) in forming the basis for sustained business success. This, in turn, mandates the further development of the Group's portfolio of products on an ongoing basis. The requisite deployment of resources is optimized through the identification of the best – in terms of implementation of strategy – mix of purchases of technologies, through the forging of working relationships and through proprietary development.

The management of liquidity and of the operative cash flow is largely shaped by management of receivables. This is undertaken on a local basis and is subject to internal controlling processes. Factoring-based financing is used by individual subsidiaries, as this yields improvements in the structure of receivables and in liquidity. The management of receivables remains the responsibility of locally based S&T companies. Operative cash management is largely undertaken on the local level, while strategic cash management and financing activities are generally managed on a centralized basis.

RESEARCH AND DEVELOPMENT

The path pursued over the last few years of creating and placing proprietary-developed products and services was intensively pursued and expanded in 2019. In addition to generating proprietary developments in the software area, in the financial year under review this significant investment in technologies took the form of acquisitions of companies such as Kapsch CarrierCom Group, which operates in the railway communication area, and AIS Automation GmbH in the field of industrial automation. The ever-greater importance placed by the S&T Group on research and development is shown by the fact that more than 50% of its employees now work in R & D and in the associated field of engineering.

In 2019, the expenses for research, development and engineering came to EUR 170.5 million (PY: EUR 122.8 million). In addition, development costs amounting to EUR 15.5 million (PY: EUR 15.1 million) were capitalized in 2019. This was equivalent to some 15.2% of revenues (PY: 12.0%) being invested in research and development.

Notable among the companies acquired is S&T subsidiary Kontron Transportation, which plays a major role in such international activities as projects of standardization (ETSI, 3GPP) and innovation ("Shift2Rail"). Its objective is the development, integration, demonstration and validation of innovative technologies. This participation fostered the achievement of significant progress in the creation of an advanced, modular and flexible system architecture that is used in mission-critical railway applications (FRMCS, RCA, OCORA). These will form the basis for the migration of GSM-R to successor standards in Europe.

S&T's subsidiary Kontron AIS GmbH, formerly AIS Automation GmbH, has placed the focus of its activities upon the further development of the Equipment Cloud. The Equipment Cloud is an innovative software-as-a-service solution created by Kontron AIS for SMEs (small and medium-sized enterprises) in the areas of industrial and plant engineering. The Equipment Cloud forms the basis for the equipment manufacturers' successful implementation of digitalization strategies. Equipment Cloud offers Kontron AIS' customers a range of apps and solutions. These optimize their processes of development and manufacturing, enable the digitalization of chains of value added, and, as well, the formulation and deployment of new, cutting-edge and sustainable business models. Kontron AIS dedicated a great deal of resources in 2019 to the further development of ToolCommander.next. This innovative software framework was created by Kontron AIS to enable the highly complex controlling of facilities used in a variety of industries. ToolCommander offers project engineers working for Kontron AIS, for its customers and for other companies of application a highly flexible and advanced way of developing a great variety of controlling solutions. The ToolCommander.next supplies a large number of components (both sector-independent and -dependent). These meet – on an out-of-the-box basis – the requirements placed today on manufacturing processes, which are expected to evince a high degree of flexibility, on extant standards of communication, and on technologies.

02 ECONOMIC REPORT

FURTHER POSITIVE DEVELOPMENT OF S&T GROUP IN 2019 – EBITDA AT A NEW, RECORD LEVEL

The Eurozone and the economy of the 28 members of the EU concluded 2018 with GDP rises of 1.9% and 2.1% (EU-27) respectively. This upswing cooled off in 2019 to some 1.2% and 1.5% (EU-27). Inter-regional differences were less pronounced than those of previous years. This progressive lessening was produced especially by Poland, Romania, Hungary and other Eastern European countries, which achieved disproportionately strong growth rates of around 4%.

According to the European Commission, the rate of GDP growth in Germany – the S&T Group's largest sales market – sank from 1.5% to 0.6% in the financial year under review. The growth rate of Austria, S&T's home market, came to 1.6% in 2019 (PY: 2.7%). Worthy of mentioning about those markets outside the EU-28 zone in which S&T operates – for instance the USA and Switzerland – is that, when compared to the previous year, they registered lower rates of growth of some 2% (PY: 2.9%) and 0.9% (PY: 1.1%) in real terms. Contrarily, Russia's economy performed better in 2019 than in previous years, and registering growth of 1.9%.

The key events of the financial year under review were:

- › June 2019's acquisition of Kapsch CarrierCom and Kapsch Public Transportation Group, which constituted important steps towards reaching the goals set for growth. The focus was placed on the companies' thoroughgoing restructuring, their integration and synergistic linking up with the companies of the S&T Group.
- › The S&T Group places a high priority on the creation of new and the further development of extant products. Setting forth past years' practices, the Group invested heavily in technologies in financial year 2019. Targets were proprietary software development and the acquisition of such companies as Kapsch CarrierCom Group in the railway communication area and AIS Automation GmbH in industrial automation.
- › The issuance of a bonded loan amounting to TEUR 160,000 in April 2019 provided the funds required to realize the goals set by the S&T Group's "Agenda 2023" five-year plan, which is based upon achieving organic growth and on making acquisitions. The timing of issuance enabled S&T to profit from the low rate of interest prevailing. The financing was concluded at correspondingly advantageous conditions. The loan is comprised of tranches, which bear either fixed or floating rates of interest, and have terms of five and seven years.

In financial year 2019, these accomplishments enabled the registering of revenues of EUR 1,122.9 million (PY: EUR 990.9 million). They thus exceeded, in a corporate first, the EUR 1 billion mark. The rise in profitability in 2019 outpaced that of revenues. EBITDA increased from EUR 90.5 million in financial year 2018 to EUR 111.7 million in financial year 2019. This rise in profitability ensued from the financial effects of the initial application of the stipulations of IFRS 16 in financial year 2019, from the positive development of the "IT Services" and "IoT Solutions Europe" segments, and from the rapid turnaround of Kontron Transportation Group.

ASSETS, FINANCES AND EARNINGS

"Agenda 2023" is the S&T Group's five-year plan. It foresaw in financial year 2019 preparations for and the implementation of steps leading to further organic and inorganic growth, and, as well, the increasing of efficiency targeted by the "PEC" program. Focuses were especially the restructuring and integration of Kapsch CarrierCom and the Kapsch Public Transportation group, which were acquired in June 2019; the increasing of profitability through the raising of the share of business stemming from proprietary technologies and through the boosting of operating efficiency; and the optimization of working capital and of the cash conversion rate.

Organic growth and consolidation effects caused the revenues achieved by the "IT Services" and "IoT Solutions Europe" segments to develop exceptionally positively. The shrinking of the "IoT Solutions America" segment – despite the securing of many new customers – could not yet be stopped. Viewed as a whole, consolidated revenues grew from 2018's EUR 990.9 million to 2019's EUR 1,122.9 million.

The ever-greater share of total revenues stemming from proprietary technologies and the ensuing reconfiguration of the mix of offerings in the portfolio joined with the exploitation of further inter-segment synergies is causing – boosted by the effects stemming from IFRS 16 – EBITDA to increase significantly. It rose by more than 23%, going from 2018's EUR 90.5 million to 2019's EUR 111.7 million. This translates into an EBITDA margin of 9.9%. Influenced by a rise in depreciation and amortization and in costs of financing, net income did not increase quite as strongly. It came to EUR 49.5 million. The profits earned and the long-term financing secured by the S&T Group through the issuance of the bonded loan in April 2019 further enhanced the Group's financial stability.

EARNINGS

Revenues grew in 2019 at a rate of some 13%. This boosted revenues to a new corporate record of EUR 1,122.9 million. Profitability developed even more gratifyingly. EBITDA increased some 23%, rising from EUR 90.5 million to EUR 111.7 million. This resulted in once more achieving the Group's long-term objective of the rise in earnings outpacing that of revenues.

Launched in summer 2019 was the PEC ("profitability, efficiency and cash") program. Its implementation caused significant improvements in cash flow and working capital in 2019. Despite the cost-cuttings already implemented in financial year 2019, personnel expenses rose in 2019. This is attributable to the newly consolidated Group companies, with this especially including the Kontron Transportation Group. Therefore, personnel expenses rose from EUR 194.6 million in financial year 2018 to EUR 245.7 million in financial year 2019. Other operating expenses in financial year 2019 came to EUR 8.0 million, and were thus at the previous year's level (EUR 7.5 million). The increase in depreciation and amortization of tangible and intangible assets, which went from EUR 29.0 million (2018) to EUR 49.9 million (2019), is ascribable to the initial application of IFRS 16 and to the rise in depreciation and amortization of (intangible) fixed assets acquired along with companies. The above-described effects joined to yield a slight increase in EBIT, which went from 2018's EUR 61.5 million to 2019's EUR 61.8 million.

The high interest bond with a 7.25% interest rate, amounting to EUR 15 million was repaid in 2018. This was followed up by the extension of the long-term credit line in Austria on an ahead-of-schedule basis. This credit line amounts to EUR 30 million with a fixed interest rate until 2023. Concluded was also a long-term financing of EUR 30 million, with a fixed rate of interest, and featuring the participation and assumption of liability by the Österreichische Kontrollbank. The focus in 2019 was the securing of the long-term financing of the S&T Group, as this is a precondition for the achievement of the ambitious growth objectives set by Agenda 2023. To effect this, a bonded loan amounting to EUR 160 million was placed in April 2019. The loan has tranches with terms of between five and seven years, and margins of 110 or 130 basis points. Due to this loan, the S&T Group possesses the liquidity required to make the acquisitions foreseen by Agenda 2023, and to do such without having to undertake significant equity measures. The increase in financial liabilities and the initial reporting of the interest components of rental and leasing arrangements in the financial result stipulated by IFRS 16, joined to cause financial expenses to rise from financial year 2018's EUR 6.2 million to financial year 2019's EUR 9.0 million. This produced a worsening of the financial result, which went from EUR -5.2 million to EUR -7.7 million in financial year 2019. To be noted is that financial reporting rules demand the reporting in the financial results of dividends paid to holders of non-controlling interests in subsidiaries that have entered into contractually stipulated obligations to purchase on the part of S&T AG. Also obligatory to report in this item are reciprocal options held with the above. These amounted in 2019 to TEUR 479.

Viewing matters as a whole, net income prior to non-controlling interests rose slightly, increasing from EUR 48.5 million to EUR 49.5 million. In financial year 2019, the successful pursuit of the acquisition of non-controlling interests from already fully consolidated companies caused the net income after non-controlling interests to increase by 10%, going from EUR 45.0 million to EUR 49.1 million. Earnings per share (EPS) rose from 70 cents (2018) to 75 cents (2019).

As of December 31, 2019, the order backlog of the S&T Group came to EUR 841.5 million (PY: EUR 606.9 million). This backlog includes contractually fixed orders and deliveries. Additionally, the project pipeline increased to EUR 2,157.5 million (PY: EUR 1,632.6 million).

DEVELOPMENT OF THE BUSINESS AREAS

S&T's reporting on and management of its Group divide it into three strategic business areas:

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

The following is an in-depth look at the activities of these strategic business areas:

"IT SERVICES"

This segment's focuses were traditionally the marketing and implementation of IT technologies forming part of clients, servers, storage devices and applications, as well their operation and maintenance. The scaling down of the proprietary hardware business in 2016 caused this segment to concentrate on meeting customers' needs for services, with these especially comprising consulting, integration and outsourcing services. The S&T Group offers a large number of solutions in this area. These are for work places (clients and printers), computer centers (networks, servers, storage and security solutions), for the cloud (private/hybrid/public cloud), and for applications, their operating and development (SAP implementation and operation). The joining of the "Services DACH" and "Services EE" segments has caused these activities to be supplied in a wide variety of ways in the following markets: Germany, Austria, Belarus, Switzerland, Poland, Czech Republic, Slovakia, Hungary, Slovenia, Croatia, Serbia, North Macedonia, Albania, Bulgaria, Romania, Montenegro and Moldova. To be stepped up is also the offering of integration and operating services associated with the S&T Group's proprietary technologies.

"IOT SOLUTIONS EUROPE"

This business segment is comprised of proprietary technologies used in the vertical markets of industrial automation, infotainment, medical technologies, transport and smart energy. The segment was created in 2017 through the merging of S&T's former "Appliances Security" and "Appliances Smart Energy" segments with Kontron's former Industry business division. Assigned to this segment were the Kontron Transportation group and AIS Automation GmbH in 2019. The teaming up of the S&T Group's special-purpose software solutions and innovative know-how with Kontron hardware is to serve as the basis for the formulation of a portfolio of products able to achieve high margins on a long-term basis. A further focus is the corresponding development of the cloud computing business field into the embedded cloud. The distribution of these technologies is currently especially pursued in Europe and Asia.

"IOT SOLUTIONS AMERICA"

Created in 2017, the "Embedded Systems" segment pursued the development and implementation of hardware and software for the vertical markets of transport, aviation, and communication. Its proprietary developed products include in-flight entertainment systems, digital signage solutions for public transport, and carrier-grade servers for telecommunication corporations. Also launched in 2018 were solutions for autonomous driving. The alteration undertaken in its portfolio caused the "Embedded Systems" segment to be renamed "IoT Solutions America" at the beginning of financial year 2019. The assignment of subsidiaries remained the same. Many of the above solutions are developed in North America, and are distributed in North America, in Europe and in Asia.

The y-on-y comparison of the business done by the segments reveals the following:

(IN EUR MILLION)	IT SERVICES		IOT SOLUTIONS EUROPE		IOT SOLUTIONS AMERICA		S&T GROUP	
	2019	2018	2019	2018	2019	2018	2019	2018
Total revenues	523.1	466.8	562.8	442.2	153.3	173.9	1.239.2	1.082.9
Internal revenues	-17.2	-17.9	-87.4	-65.5	-11.7	-8.6	-116.3	-92.0
Segment revenues	505.9	448.9	475.4	376.7	141.6	165.3	1.122.9	990.9
Gross profit	152.9	136.7	203.0	154.3	51.7	55.5	407.5	346.5
EBITDA	34.1	26.4	68.2	52.7	9.4	11.5	111.7	90.5
Depreciation and amortization							-49.9	-29.0
Finance income							1.3	1.0
Finance expenses							-9.0	-6.2
Income taxes							-4.5	-7.9
Results of the period							49.5	48.5

- › Revenues developed exceptionally positively in the **“IT Services”** segment in financial year 2019. The strong performance registered by the economies in Eastern Europe produced a nearly 13% y-on-y rise in segment revenues. The **“IT Services”** segment's gross profit increased from EUR 136.7 million to EUR 152.9 million. Gross margin remained stable on a y-on-y basis at 30.2% (PY: 30.5%). Comprised in the operative costs of the **“IT Services”** segment are all headquarters-related expenses. The increase in the segment's profits is partially attributable to the charging of these expenses, and of costs of brands and licenses to the **“IoT Solutions Europe”** and **“IoT Solutions America”** segments. The EBITDA achieved by the **“IT Services”** segment rose accordingly by some 30%, going from EUR 26.4 million to EUR 34.1 million. With this not including headquarter charges, the segment's operative EBITDA margin came to some 5%. This increase manifested the segment's improvement in operations and enabled it to close the gap to its peer group further. Measures stemming from the **“PEC program”** that are designed to improve the segment's profitability are now being implemented.
- › The **“IoT Solutions Europe”** segment remains the profits-driver and **“cash cow”** of the S&T Group. The segment now accounts for some 42% of the revenues of the S&T Group and 61% of its EBITDA. The segment's revenues rose 26%, going from EUR 376.7 million in 2018 to EUR 475.4 million. Driving this rise were the positive development of operations and the contribution made by the Kontron Transportation Group ever since its initial consolidation on June 1, 2019. Gross profit showed a corresponding rise, going from EUR 154.3 million to EUR 203.0 million in the year under review. This caused the gross margin to increase from 41% to nearly 43%. This is primarily attributable to the further increase in the share of business done by the segment involving software. Registering a further, nearly 30% y-on-y increase, the segment's EBITDA came to EUR 68.2 million (PY: EUR 52.7 million), yielding an EBITDA margin of 14.4%. This is the highest in the S&T Group.
- › Setting forth a trend, the **“IoT Solutions America”** segment did not perform satisfactorily in financial year 2019. The securing of business from a large number of new clients did not suffice to offset the effects of the loss of two long-term key accounts. Revenues fell from EUR 165.3 million to EUR 141.6 million. This caused gross profit to decline from 2018's EUR 55.5 million to 2019's EUR 51.7 million. However, gross margin increased, rising from financial year 2018's 33.6% to financial year 2019's 36.5%. This rise was a product of efforts to develop and distribute complex solutions featuring a greater share of software. The EBITDA earned by the segment came to EUR 9.4 million (PY: EUR 11.5 million). Established – and already implemented in some cases – have been further measures designed to improve profitability, with this especially entailing the cutting of costs.

FINANCES

SUMMARIZED CASH FLOW STATEMENT (IN EUR MILLION)

	2019	2018
Net cash flows from operating activities	83.4	35.5
Net cash flows from investing activities	-55.7	-63.1
Net cash flows from financing activities	83.8	-20.9
Cash and cash equivalents as of the end of the year	312.3	171.8
Financial liabilities	282.7	119.1
Net cash (+)/net debt (-) ¹⁾	29.5	52.7

1) non-current and current financial liabilities, less cash and cash equivalents and excluding IFRS 16

Realized in the year under review was an operating cash flow of EUR 83.4 million, while the comparable figure for 2018 was EUR 35.5 million. This accomplishment enabled S&T to significantly beat the improvement in the ratio of EBITDA to cash conversion targeted by the "PEC program". Comprised in the cash flow from investments are investments for fixed assets and payments for the acquisition of companies and stakes therein. The figure came to EUR -55.7 million (PY: EUR -63.1 million), with the price of the acquisition of AIS Automation GmbH – and other smaller-sized purchases of stakes – representing the largest amount. Shaping the cash flow from financing was, on the one hand, the influx of funds stemming from the placement of the bonded loan. On the other hand, the ongoing repayments of the participatory financing provided by OeKB, the payment of interest, of dividends to the shareholders of S&T AG (EUR 10.6 million, PY: EUR 8.3 million) and for the acquisition of non-controlling interests held in Kontron S&T AG and in Amanox Solutions GmbH decreased the financing cash flow. Operative investments remained unchanged at a normal level.

To achieve the objective of aligning financing to be term-congruent, and to provide for the further growth foreseen by the Agenda 2023 program, S&T placed – in a corporate first – a bonded loan in the financial year under review. The loan's volume is EUR 160 million and its tranches' terms are five respective seven years. Its margins – 110 or 130 basis points – are attractive. This loan secures the long-term financing of the S&T Group. 53% of the loan's volume bears fixed rates of interest. To protect itself from any rise in interest rates, S&T AG monitors on an ongoing basis the development of interest rates – in this case the EURIBOR. The development of interest and swap rates caused the Group to refrain from taking out the latter in the financial year under review.

Cash and cash equivalents rose from December 31, 2018's EUR 171.8 million to December 31, 2019's EUR 312.3 million. This led to the S&T Group's net cash position – with this not taking into account the rental and leasing arrangements covered by IFRS 16 – of EUR 29.5 million (PY: EUR 52.7 million). Of the cash and cash equivalents, EUR 4.8 million (PY: EUR 7.8 million) was subject to restrictions of availability caused by provisions of security.

ASSETS AND LIQUIDITY

BALANCE SHEET INDICATORS (IN EUR MILLION)	2019	2018
Balance sheet total	1,225.7	847.9
Equity	385.1	367.3
Equity ratio ¹⁾	31%	43%
Net current assets ²⁾	10.2	74.5
Cash and cash equivalents	312.3	171.8
Net Cash (+)/net debt (-) ³⁾	29.5	52.7

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

2) current assets (excluding cash and cash equivalents) less current liabilities (not including financial liabilities)

3) non-current and current financial liabilities less cash and cash equivalents (excl. IFRS 16)

The S&T Group's balance sheet total rose from 2018's EUR 847.9 million to EUR 1,225.7 million. This increase was largely caused by the initial consolidation of the Kontron Transportation/Kapsch CarrierCom Group, by taking out the bonded loan amounting to EUR 160 million, and by the balance sheet extension stemming from the initial application of the stipulations of IFRS 16.

In absolute terms, equity increased. The significant rise in the balance sheet total did however cause equity to correspondingly decline in relative terms. Non-current financial liabilities rose from 2018's EUR 79.4 million to 2019's EUR 220.0 million. Current financial liabilities increased in the same manner, climbing from EUR 39.6 million to EUR 62.8 million. The following key financing bears fixed rates of interest: the participatory financing taken out in 2017, provided by OeKB for the acquisition of the Kontron group, amounting to EUR 45 million; the participatory financing also supplied by OeKB for the purchase of the Exceet companies, amounting to EUR 30 million; and the long-term credit line amounting to EUR 30 million and now bearing a fixed rate of interest for its entire term. It is repayable upon maturity. Of the bonded loan, EUR 85 million – 53% of its total volume – bears a fixed rate of interest, with the rest having a floating interest rate. Also secured in December 2019 in conjunction with the acquisition of Kapsch CarrierCom was a fixed-interest overdraft facility amounting to EUR 15 million. The floating rates of interest are linked to EURIBOR and to other applicable benchmark interest rates. Equity and non-current financing thus cover nearly 49% (PY: 53%) of the balance sheet total. Cash and cash equivalents came to EUR 312.3 million. They are thus up significantly over those of the previous year (EUR 171.8 million), and amount to more than 25% of the balance sheet total. The S&T Group disposes as of the balance sheet date of December 31, 2019 of a net cash position of EUR 29.5 million (December 31, 2018: EUR 52.7 million).

Trade accounts receivable rose from EUR 202.7 million to EUR 212.2 million. Inventories as of December 31st rose from 2018's EUR 130.8 million to 2019's EUR 146.8 million. These increases are attributable to the acquisition of Group companies, the expansion of business, and the increasing of inventories, with this being undertaken to handle the greater amount of orders. Notwithstanding these increases, working capital increased thanks to the efforts and measures undertaken under the auspices of the "PEC program". The increasing of the efficiency of storage operations, the optimization of procurement processes, and follow-up negotiations with suppliers and clients caused a further reduction in 2020. Trade accounts payable came to EUR 205.0 million in 2019. This figure was also significantly higher than that of 2018 of EUR 177.0 million.

Due to the acquisitions carried out and to the investments made in technologies and in operating and business equipment and facilities, non-current assets rose once more, going from EUR 292.5 million to EUR 457.2 million as of the balance sheet date. The key additions stemmed from the acquisition of intangible fixed assets and the ensuing rise in goodwill, from investments in property, plant and equipment; and from the capitalization of losses carried forward. In total, cash-effective investments in property, plant and equipment and in intangible assets amounted to some EUR 27.1 million in financial year 2019 (PY: EUR 25.1 million).

Non-current and current provisions amounted to EUR 84.3 million as of December 31, 2019, up from the previous year's EUR 42.6 million. This rise was especially attributable to provisions made for the restructuring of the Kapsch CarrierCom group, and for its projects. The other current receivables and assets rose to EUR 70.1 million (PY: EUR 46.0 million). The other current liabilities came to EUR 126.7 million and were thus at the previous year's level (December 31, 2018: EUR 66.7 million).

In the financial year under review, there were no capital measures – from the authorized capital. To satisfy the stock options exercised and stemming from the Stock Options Program 2015 – Tranche 2016, the conditional authorized capital was increased by 7,000 shares (PY: 469,000). The number of shares issued therefore increased from 2018's 66,089,103 shares to 2019's 66,096,103 shares. Based on the Shares Repurchasing Program II 2019, S&T AG held as of the balance sheet date of December 31, 2019 788,245 treasury shares. The equity attributable to the shareholders of S&T AG rose to EUR 372.7 million – as opposed to EUR 356.0 million as of December 31, 2018. The Executive Board and Supervisory Board are planning for this reason to propose to the Annual General Meeting of the shareholders of S&T AG, to be convened on June 16, 2020, the passing of a resolution foreseeing a dividend payment coming to 19 cents (PY: 16 cents) per share.

NON-FINANCIAL INDICATORS OF PERFORMANCE

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

PROTECTION OF THE ENVIRONMENT

The quantities of electronic devices and wastes deployed and incurred in S&T's markets continue to grow. These devices and wastes contain both hazardous items and important raw materials that can be reused. S&T AG places a high importance on the conscientious handling of the available resources. This handling comprises the use of appropriate ways of waste disposal and the formulation of technological concepts minimizing the consumption of resources during procurement, distribution and production operations. All these measures constitute S&T's contribution to the achievement of sustainable development. The same applies to the materials used in the packaging and transporting of the electronic devices produced by the S&T Group, whose focus in this regard is on their efficient use and reuse. The monitoring of S&T's adherence to such environmental rules of conduct is assured by the performance of environmental audits and the attainment of ISO certifications. This entails supervision of environmental matters by external parties. The S&T Group also strives to optimize on an ongoing basis the efficiency of power consumed by the computer centers operated by it. To do such, the Group employs the most advanced technologies around. This is complemented by the proprietary production of energy, which is undertaken at a number of facilities operated by the S&T Group.

EMPLOYEE WELFARE AND PROTECTION

As of December 31, 2019, the S&T Group had a total of 4,934 (PY: 4,248) employees for whose welfare S&T has assumed societal responsibility. Excluded from this number are persons on parental leave and vocational trainees. Rendered on a regulatory and on a voluntary basis, payments made to social funds – with these including severance pay – amounted in financial year 2019 to EUR 47.6 million (PY: EUR 37.9 million). The focus of the personnel development work undertaken was upon the integration of the companies and business areas into the Group. This encompassed their employees. The acquisitions undertaken on an ongoing basis will cause this work of integration to be set forth in the years to come. Its thrusts are the introduction of a single set of processes in the HR area, the standardization and migration of the IT systems jointly supporting this, and the strengthening of employees' senses of belonging and loyalty to the Group.

Ensuring the security and health of the employees of the S&T Group is also a key focus. This is pursued to preclude physical impairments – such as those arising from monotonous work at PCs – and psychological encumbrances produced by augmented work requirements. This preclusion is attained by staging training programs featuring external experts (occupational physicians). Employees working in production facilities are provided with internal and external education designed to foster their awareness of security and technical issues. This schooling keeps them aware of security issues and of the importance of workforce protection.

For many years, S&T's philosophy has been to "hire for attitude, train for skills". Its implementation causes the company to stage internal programs open to employees and fostering their personal and professional development. The S&T Group provides financial support to employees who want, in addition, to participate in externally staged training programs and courses. To this end, the S&T Group expended EUR 1.7 million (PY: EUR 1.4 million) on training measures for staff members in financial year 2019. These, in turn, also participate on an ongoing basis in the professional and technical education provided by S&T's industrial partners. This enables them to maintain or attain the certifiably high standard of expertise required by such manufacturers as AWS, SAP, Microsoft, HP, VMware and Cisco.

The Executive Board of S&T AG wishes to take this opportunity to gratefully thank all of our staff members for the extraordinary dedication and performance that they once more showed in financial year 2019.

SUMMARY

In financial year 2019, the S&T Group performed once more gratifyingly well. The ambitious goals set for the Group for the year were met, even in some cases exceeded. Revenue came to EUR 1,122.9 million, and was thus slightly under the target set. At EUR 111.7 million, profitability was much higher than the figure originally planned of some EUR 100 million – and greater than the capital market guidance of EUR 105 million. Viewing the situation as a whole, in financial year 2019, the S&T Group proved once more the sustainability of its strategy by fulfilling the Group's communicated objectives. The further improvement in earnings and liquidity is enabling the management of S&T AG to propose once more to its shareholders, who will convene at the Annual General Meeting to be held on June 16, 2020 in Hagenberg, the passing of the following resolution: the paying of a dividend (once again greater than that of the previous year) of 19 cents (PY: 16 cents) per share.

03 FORECAST, OPPORTUNITIES AND RISK REPORT

FORECAST

Financial year 2019 was basically shaped by the negative sentiments prevailing on the world's economy and on securities exchanges. The forecasts of the prospects of the economies constituting the main markets of the S&T Group – Europe, North America and Russia – were corresponding lowered on a progressive basis during 2019. These predictions for this weakness of growth are extending throughout 2020.

- › The worldwide insecurities caused the European Commission – in its Winter Forecast issued in February 2020 – to predict growth rates in the Eurozone of respectively 1.2% in 2020 and 2021. The EU as a whole will experience rises of respectively 1.4% in 2020 and 2021, thus decreasing slightly compared to 2019's 1.5%. The S&T Group's most important sales markets in Europe are Germany and Austria. These economies are expected to grow in 2020 at rates of 1.1% and 1.3%.
- › The S&T Group realizes some 15% of its revenue in North America. The International Monetary Fund expects the region's economy to cool off from 2% in 2020 to 1.7% in 2021. To counter the economic ramifications of the SARS-CoV-2 virus expected to materialize, the Federal Reserve Bank of the USA cut its prime rate of interest at the beginning of March. The effect of this measure of support upon the economy and upon the patterns of behavior of investors were not calculable as of this time of writing.
- › According to the most recent forecasts of the World Bank, the Russian economy grew at a rate of 1.2% in 2019. Expected for 2020 and 2021 are rises of 1.6% and 1.8%. The main risks faced by the economy are the imposition by the USA of further sanctions, and the further and greater fall in the price of oil. This is already occurring as of this time of writing, which is March 2020. This drop in demand and thus price is being caused by the SARS-CoV-2 virus and by the disputes among the world's leading suppliers of oil as to the amounts of oil to be produced in the future.
- › In January 2020, the International Monetary Fund forecasts that economic growth in Asia would come to 5.8% in 2020 and 5.9% in 2021, with the respective figures for China being 6% in 2020 and 5.8% in 2021. It is not possible at this time to quantify the effects of the SARS-CoV-2 virus. These could lead to a revising of the forecast.

The worldwide spreading of the SARS-CoV-2 virus in the first quarter of 2020 will lead, according to the International Monetary Fund and other bodies to 0.20% – 0.30% less growth than forecast in the previous predictions. The actual impact remains difficult to assess. In the first weeks of its spread, the virus had an impact on the procurement and supply chains of the S&T Group, resulting in particular in delays in the delivery of products or necessary components for the "IoT Solutions" segments, which is likely to lead to a shift in sales from the first quarter of 2020 to subsequent quarters in the single-digit million euro range. On the other hand, further incoming orders, for example for embedded systems for ventilators in the medical technology sector and for the expansion of home office infrastructures in the IT Services segment led to increased sales. The situation regarding supply chains appears to be easing at present due to the decline in new cases of Covid-19, particularly in China, although demand in Europe is expected to decline in the second quarter of the current financial year. A detailed, serious forecast for the full year 2020 is not yet possible, which is why the Management Board is withdrawing the revenue and EBITDA guidance published in January 2020 and re-evaluating it. The Management Board of the S&T Group and local management have taken extensive measures, which are reviewed twice a week in order to be able to react to current developments at short notice.

These negative expectations notwithstanding, the S&T Group is maintaining its long-term objective of achieving profitable growth. The elucidations above mean that the Group's focuses will be strengthened. These are increasing profitability, generating positive cash flows and optimizing working capitals, even at the expense of achieving sales growth. The further development of the S&T Group into an innovative tech company that supplies solutions featuring an ever-greater portion of proprietary development will yield rises in value added. This will join with the cessation of the offering of other low-margin products in causing gross and profit margins to further increase.

REPORT ON OPPORTUNITIES AND RISKS

The terms “opportunities” and “risks” comprise all influences, factors and developments that have the potential to affect the S&T Group’s attainment of its goals. The company’s basic focus is to ensure that inherent opportunities are greater than inherent risks. Many of the decisions reached by the company require a balancing of such opportunities and risks. S&T AG is an internationally active technology company that has been placing an increasingly strong focus on developing proprietary innovations. This span and focus expose S&T to the widest range of risks – financial and non-financial, sector-specific and entrepreneurial risks. Its sector and the company’s entrepreneurial approach also give rise to a large number of opportunities. Management’s goal is to deploy the Group’s opportunity and risk management system to identify and assess those arising on markets and from corporate actions. The attainment of this objective requires the instilling the awareness of risks potentially and actually faced by the company in all employees and, especially, decision-makers. A group-wide risk management system is employed to apprehend such risks and their related structures. This coverage is continually updated. The expansion of the business segments’ regional operations and of their ranges of technologies has been accompanied by corresponding alterations and expansions in the system. Projects have been instituted in order to further the integration into the system of subsidiaries acquired. This has been accomplished through the delineation, implementation and controlling of standardized processes. Covered by risk alerting and management operations are the financial and controlling, distribution, project management, production, procurement and development business areas. Incorporated from outside sources are also the results of the work conducted by official auditors, attorneys, tax consultants and other external providers of services. Internal and external audits and certifications compiled and secured on a regular basis also provide insights into opportunities for improvement and risk factors. The monitoring of risk parameters is a two-phase process. The first is the conducting of a standardized procedure yielding the issuing of reports to the Executive Board on a regular basis. The second is the specifying of dedicated “red flag” criteria which, when being exceeded, trigger immediate measures by the Executive Board of the S&T Group.

OPPORTUNITY MANAGEMENT

Of key importance is the pursuit of business enabling the exploitation of opportunities arising. These opportunities are to be turned into corporate successes. The “IT Services” segment continues to deliver stable sales and earnings. It is not perceived, however, as being capable of serving as the basis for the achievement of the objectives set by S&T for its growth – and, especially – its profitability. Such opportunities are presumed to be greater for the “IoT Solutions Europe” and “IoT Solutions America” segments. Management’s task is to steadily increase the share of IoT Solutions segments’ business stemming from software, and to further the development of the segments into providers of solutions integrating hardware and software. Other tasks are to purposefully extend S&T AG’s international structure, to further the integration of subsidiaries, to institute strategic measures enabling the exploitation of distribution and costs-incurred synergies, and to successfully enter other markets. The creation and development of proprietary technologies are perceived to be the key way of expanding the chains of value added and the portfolio of products and services served and offered by the S&T Group. While doing so, risks are to be minimized and inherent opportunities are to be effectively utilized. The following areas constitute the essential opportunities to be exploited by the S&T Group:

FOCUS ON SOFTWARE AND ON IOT

We view the implementation of our software-middleware strategy – which forms part of our focus on Industry 4.0 and on IoT – as offering great business potential for the entire S&T Group. The extant portfolio of hardware is to be complemented by new offerings of middleware, with this to include items giving rise to seamless integration in private and public clouds. This will put the Group in the position to offer innovative and holistic products, solutions, platforms, and innovations on the Internet of Things market. The improvement in the integration of hardware-based security solutions imparts to us the capability to satisfy market requirements as to data protection and security. The efforts being made in this area by S&T’s proprietary development division are being expanded. This was furthered by the acquisition of AIS Automation GmbH, which has extended the portfolio of software available in the IoT environment – and strengthened the base of customers.

SCALING UP OUR OFFERINGS OF SERVICES

The extension of our portfolio of services also yields opportunities for the S&T Group. Our primary objective is to increase the further usefulness to customers of products and solutions by teaming them up with services, and to develop new and comprehensive ones that form part of products and solutions-based environments. These two thrusts will enable us to offer our customers complete solutions – comprised of the requisite hardware, software and integration and operation services – on a one-stop basis. This expansion will

also allow us to provide support to our customers during their entire product cycles. The new dimension of business achieved by the S&T Group joins with its worldwide reach of operation in yielding further potentials for synergies and for optimization. To this end, the following four strategic technology issues (ITP programs) were identified. These are being intensively and internationally rolled out in 2020 and beyond:

- › Software for industrial automation (SUSiEtec and Equipment Cloud);
- › IFE solutions for the aviation sector;
- › communication systems for railway traffic; as well as
- › smart grid solutions.

EXTENSION OF EXTANT PARTNERSHIP; ENTERING OF NEW ONES

The strategic partnership entered into in 2016 with Ennoconn Corporation (Ennoconn) and with its main shareholder, Hon Hai Precision Ltd. (Foxconn), can yield further opportunities. More strongly in focus is the expansion of our long-term partnerships with leading suppliers of technologies such as Microsoft in the area of embedded clouds, and with its Microsoft Azure®. Other key partnerships are with Intel and its Mobileye subsidiary in the areas of autonomous driving and embedded edge servers. The transformations gripping technology give rise to a succession of new constellations of suppliers. The S&T Group is a sought-after partner in such. These emerging working relationships yield further potential for growth.

RISK MANAGEMENT

STRATEGIC RISKS

The focus of S&T's strategy is exploiting further synergies existing between the product portfolios of Kontron and of the S&T Group, and pursuing the reconfiguration of the "IT Services" segment's portfolio, to give it a greater share of services and of recurring revenues.

- › Entailed in the restructuring of the Kontron group – now that the adjusting of its costs-causing structures to the declining sales experienced in previous years has been successfully concluded – is furthering the integration of its product portfolio, and developing hardware and software-based solutions on a group-wide scope. The lack of success in the implementation of this strategy could immediately affect the Group's risks.
- › The focuses of the "IT Services" segment - after having positively concluded the integration of the subsidiaries acquired and of their customers - are cross-selling with and upselling to these new customers. A further push is the extension of the portfolio of services, with these including SAP-based services and services in the security environment.

Despite the above, S&T AG's strategy may turn out to be not or not entirely successful. 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.

Each of the investments undertaken to implement this strategy can turn out to be partially or entirely unproductive. This holds especially true in the technology sector, which is subject to fast-paced transformations. This market is characterized by rapidly changing technologies, by frequent launches of improved or new products and services, and by constantly altering and new customer and regulatory requirements. Data protection is an example of the latter. Whether or not S&T AG is successful is largely determined by its ability to anticipate such new trends and developments – those involving Industry 4.0, smart grids, and cloud computing – and alterations in data protection. Consequently, existing products and services need to be adapted and improved constantly to meet the needs arising from technological transformation, from regulations, from cheap products from competitors and from customer expectations. Doing such requires the deployment of technologies, personnel and resources. Each case of delay or hindrance of the launching improved or new products and services (and thus expanding the company's portfolio of such) can have a lastingly detrimental impact upon the company's competitiveness, as can a lack of or delay in demand on markets.

PERSONNEL RISKS

The individual proficiencies and know-how possessed by our staff members constitute a key driver of the S&T Group's success. The attempt to realize our objective of being one of the leading suppliers and employers in high-tech forms a precondition for the attracting of

leading minds to the S&T Group – and for retaining them on long-term basis. The importance of this attraction stems from the substantial lessening of availability – with this particularly applying to Austria, Germany and Switzerland – of highly-qualified personnel. This gives rise to the current risk of not being able to recruit personnel to fill all vacant positions in the short term. To counter this, the S&T Group has forged working relationships with schools, universities of applied sciences, and other universities. These enable S&T to secure top talents at early stages in their development. This securing takes the form of offering these young persons internships or opportunities to do degree-track research. These stints at S&T provide the students with insights into what working for the Group offers in terms of values adhered to and careers available to them.

RISK FROM TECHNOLOGIES

S&T AG's development of products featuring proprietary technologies is especially pronounced in the "IoT Solutions Europe" and "IoT Solutions America" segments. These products are comprised of hardware and software, are frequently based upon standard systems, and are configured by the S&T Group to meet customer specifications. The development of such products gives rise to the risk that they will prove to be badly conceived or uncompetitive. 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 realized in a profitable way. In all of these cases, the acquisitions-related and development costs incurred and those revenues planned to offset them may not be –entirely – recouped and earned.

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. These developments, in turn, could cause orders and earnings to worsen – to the detriment of the Group's assets, finances and earnings. Further significant risks faced by S&T AG are strong competitive pressures and changes in customer wishes and investment patterns. Requisite to counter these is the monitoring of markets on a continuing basis, as this enables the rapid and reliable identification of trends and the adapting of products to meet customer needs. S&T's goal when doing such is not the researching of trends, but rather, the ambitious and expeditious exploitation of emerging developments. This requires the attaining of short response times, lean internal procedures and entrepreneurial approaches by our staff members. Increasingly observed are the forging of new working relationships, and Asian players' direct entry into Eastern Europe's market for services – and into the world market for embedded systems. S&T AG's ways of countering this are to employ new models of cooperation (as with Microsoft and Foxconn in the embedded cloud area, and with Intel and Mobileye in the embedded edge server area), to exploit synergies available in indirect distribution, and – in the embedded systems area – to achieve a competitive edge by achieving a variety of offerings. This is accomplished by bundling embedded systems hardware with the corresponding software products and with integration services. It remains to be seen how the problems that arose in the S&T Group's procurement markets at the beginning of 2020 will affect sales markets. These problems will be mitigated – as far as possible – by the diversification of customers and sectors served by the S&T Group.

RISKS FROM CUSTOMERS

S&T AG's business model yields a diversified base of customers – many of which with years, even decades of close relationships with the company. In the past, the company experienced neither unduly large losses of clients nor significant losses due to delinquent receivables. The Kontron group constituted an exception. The development of its business over a number of years caused it to lose its technology leadership and customers – and to become a secondary source for those remaining. This especially applied to the "IoT Solutions America" segment, which experienced the loss of two key customers. This led sales to fall substantially over the past few years. The goal was and is to restore clients' trust. Another objective is to gain new customers and market shares. The possibility of receivables-related delinquencies has caused an increasing number of S&T Group companies to engage in risk-reducing procedures such as taking out credit insurance and employing factoring. The latter is genuine in nature. Our clients in Eastern Europe are largely major-sized companies and public sector organizations. The assignment of credit limits to customers is generally done on an individual basis and according to customer ratings– or to the credit limits assigned by recognized commercial credit insurers. Outstanding receivables are monitored by the management, and are subject to a standardized assessment that accords to IFRS 9. In the course of the Corona crisis, measures were taken to monitor credit limits even more closely or to reduce them, due to higher risks in certain customer segments, as an increase in payment defaults or insolvencies can be expected in the medium term.

PRODUCT-RELATED RISKS

The basic risk to which S&T is exposed in the area of product quality takes the form of deficient products leading to a damage for customers. This would lead to the customers' placing of warranty-validated claims for indemnification. We counter this risk by undertaking a range of measures. Prime among them is the maintaining of a comprehensive system of technology-based quality assurance in our product development and manufacturing operations. In addition, the S&T Group has set up a professional-level quality management system. It audits all important suppliers on a regular basis. We maintain for Kontron our service- and repair centers. They are found all over the world, and ensure that faulty Kontron products will be repaired quickly and effectively, and that they are expeditiously sent back to our customers. We complement all this by securing against products-related risks by taking out centralized insurance policies. A further, equally important focus is the management of the relationship between customer-specific commissions of development and those for standard products in a way ensuring a balance between both. A strong over-weighting of customer-driven business activities led to an imbalance of distribution in the past and to high, complexity-caused costs. The extant and great diversity of versions shown in the individual products impairs our operative handling. We will counter this risk by instituting more intensive consulting among the various divisions of the Group.

RISKS FROM PROCUREMENT AND PRODUCTION

S&T AG distributes embedded systems products such as embedded boards, embedded servers, IPCs and smart meters. The procurement of merchandise joins with the punctual delivery of the products offered in placing high demands upon S&T's organization and logistics. S&T has outsourced parts of the logistics process. This prevents the company from having direct or unlimited influence upon these, to preclude or alleviate disturbances. Acts of nature, epidemics or strikes hindering the transporting of merchandise can also lead to delays in the delivering of goods. This has been the case, to provide an example, at the beginning of financial year 2020, in which the eruption of Covid-19 caused the partial halting of manufacturing in especially Asia. The diversification of production facilities and of procurement channels have caused this epidemic as of this writing to have an effect on only a small portion of the goods sourced by the S&T Group. How matters will further develop is difficult to foresee. S&T maintains good working relationships with partners of production located outside of the initial main regions of the crisis. These relationships join with the capability to run up proprietary production operations in countering the risks to which the S&T Group is exposed in this area.

In the area of logistics, the costs incurred by logistics services could increase. The developments mentioned above or additional fees and customs duties could cause such rises. Such increases could reduce sales margins. Each disturbance or interruption of this chain of logistics services – with this applying to both within and outside the S&T Group – can have a lastingly detrimental impact upon business, as can a significant rise in expenses for such. The restrictions imposed by the EU upon exports to Russia are still in force and could impair sales originating in the Union in Russia. In a countervailing move, part of the tension has been removed from the relationship between China and the USA. Remaining to be seen are the effects ensuing from the SARS-CoV-2 virus upon worldwide logistics processes, with this encompassing the primary products that the S&T Group requires. Expected is a slight rise in costs in this regard over the medium term.

So-called rare earths are employed in the IT sector's key technologies. The largest deposits of such ores are in China, which often kept the supply of such artificially low in the past. This caused the prices of these raw materials to rise – pushing up the prices of the products in which these are incorporated. The predominance of the manufacturing of the hardware used by S&T AG is undertaken in Asia, whose rising wage costs and lessened production capacities – ensuing from shutdowns of manufacturing facilities in Asia caused by the Covid-19 pandemic – could affect price levels. In an offsetting development, the working relationship entered into with Ennoconn, a strategic investor in its "preferred customer" S&T, is creating a large number of ways to reduce these risks.

RISKS FROM PROJECTS AND OPERATING CONTRACTS

S&T AG's "IT Services" segment conducts projects involving the planning and implementing of IT solutions configured for customers. IT projects are characterized by high complexity and substantial expenses of time and money. The same holds true for the "design-ins" undertaken in the embedded systems area and for the implementation of smart grid solutions. Most of these projects, with this especially applying to projects commissioned by the public sector, rarely permit the agreeing upon advances. The services rendered by the S&T Group can thus, as a rule, be invoiced only upon completion of the project segments agreed upon in advance (milestones) – or upon completion of the project as a whole (after the go-lives). This means that the S&T Group is often forced to incur large-scale upfront costs. Not to be excluded is the delaying, calling off or – for other reasons – failure of projects or not achieving their hoped-for success. A result of this is the non-attainment of milestones. That can cause investments made to be partially or totally lost, services rendered to not

be invoiced, and any indemnification claims towards customers to not be lodged (for legal, business or practical reasons) or enforced. Further problems can be in such cases the disruption or lasting encumbrance of customer relationships. Group-wide methods and tools are deployed to manage the risks arising from the administration and controlling of projects. The companies' project controlling is, in a further move, monitored on a centralized and ongoing basis. Identified project risks are adequately accounted for by constituting the corresponding provisions for them. In addition, S&T AG and its subsidiaries have secured insurances covering a wide variety of typical liability and corporate operative risks.

RISKS FROM FINANCING AND LIQUIDITY

The positive development of business and the issuing of a bonded loan amounting to EUR 160 million in April 2019 join to impart a great solidity to the finances of S&T AG and the S&T Group, notwithstanding the acquisitions made, the ongoing repayments of loans, and the dividends paid out in May 2019. Additionally, banks are prepared to provide sufficient lines of credit. These provide S&T with rapid access to the requisite finance. The high rate of equity coverage enhances S&T's financial stability. S&T AG takes into account banks' creditworthiness when making selections of such. Financing and investments are accordingly concluded only with those banks that do not give rise to risk of default. In interests of diversification, the S&T Group maintains business relationships with several banks. In a further move, financing is secured on both central and localized – via subsidiaries – bases. The issuance of the bonded loan enabled S&T to gain access to a new group of investors, being located, for example, in Liechtenstein, Taiwan, China. Accompanying the issuance of the loan was the extension of the maturities of key financings to 2024 and 2026, obviating the need for refinancing. In addition, the implementation of a centralized factoring set-up that comprises six companies in Eastern Europe and parts of the Kontron group (Germany, France, the USA and Canada) has establishing a model of financing that fosters growth and that handles seasonal variations.

RISKS FROM CHANGES IN INTEREST RATES

The risks from changes in interest are constituted by interest-driven fluctuations in the values of fixed-interest financial instruments employed to provide financing for the Group. About half of the loans taken up by and of current credit accounts extended to the S&T Group bear fixed rates of interest. This includes the following loans: the loan taken out in 2017, amounting to EUR 45 million, for the acquisition of Kontron AG; the loan of EUR 30 million secured in financial year 2018 to finance the purchasing of the Exceet companies; and a non-current loan amounting to EUR 30 million. Taken out in 2019, the bonded loan comes to EUR 160 million. Of that amount, EUR 85 million bears a fixed rate of interest. Monitored on an ongoing basis is the development of the interest rate of the remaining part of the loan. Quotations for conversions are secured whenever so dictated. The development of benchmark- and swap rates of interest formed the basis for the decision to refrain from securing a fixed rate of interest. However, the financing secured by S&T's subsidiaries generally bears floating rates of interest. The risk exists that the EURIBOR or another benchmark rate could rise, increasing the interest-caused expenditures of the S&T Group. This is countered by the strengthening of intra-Group financing being handled by S&T AG and provided to Group companies. S&T AG generally has more cost-advantageous – when compared to locally-based subsidiaries – ways of refinancing itself. As of December 31, 2019, the S&T Group had entered into an interest hedge (interest swap) amounting to EUR 15 million and going to secure it against floating rates of interest ensuing from current credit accounts being drawn in Austria.

RISKS FROM CURRENCIES

S&T AG's international approach leads to a large percentage of its transactions being undertaken in currencies other than the Euro, which is the Group's reporting currency. The other currencies especially include the US dollar, the Russian ruble, Poland's zloty and Hungary's forint. The volatility shown by individual currencies can strongly affect revenues and earnings recorded by S&T AG and its subsidiaries. Risks from foreign currencies are countered by financing transactions in congruent currencies, the procurement of outside services in the respective national currency, and the agreeing upon of exchange rate fluctuation clauses. Derivative financial instruments are employed on individual bases to hedge such risks. Speculation – defined to be the entering into risks not arising from usual business operations – is not permissible in the S&T Group. Such hedges are exclusively used in extant balance sheet items or cash flows whose realization is highly probable. Currency-caused risks arising from financing are minimized by employing the same currency to finance the business transaction as the one in which the financing has been secured. As of the balance sheet date, subsidiaries of S&T AG had entered into forex or currency options transactions serving to secure amounts of procurement or other items. The group of persons entitled to conclude the corresponding hedging transactions is very limited. Extant transactions are reported on an ongoing basis, and are continuously monitored by a Group-wide IT system (TM5). For further information on risks from changes in exchange rates, please consult the elucidations on risk management in the notes to the accounts.

LEGAL RISKS

As is the case with each internationally operating company, S&T AG is exposed to legal risks showing a variety of scopes. These risks stem from corporate operations, contracts, patents, taxes and customs. As a basic principle, such risks are minimized by the institution of standard processes and authorization procedures, and by the employment of standardized orders and business operating conditions. Whenever requisite and appropriate, the services of external attorneys, auditors, tax consultants and other experts are secured for purposes of assessing risk and processing matters. Our protection and monitoring of patents and trademarks takes the form of involving external attorneys specialized in these areas.

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

Key components of the internal control system are the standardized reports that are sent, as a basic rule, on a monthly basis to management and on a quarterly basis to the company's Supervisory Board. Standardized core processes and work descriptions are available upon when establishing procedures. These are subject to internal controlling. The reporting and controlling of risks is structured hierarchically. The financial division of the respective company implements the requirements of the financial reporting process.

The pursuit of the following processes serves to largely exclude the incidence of errors in financial reporting:

- › It is obligatory to apply to accounting and consolidation processes according to the IFRS on a Group-wide basis and the standardized reporting forms and files supporting them. In addition, in financial year 2019 a new financial reporting handbook, which elucidates key components of financial reporting statements, was developed. Its use furthers the standardization of the reporting undertaken by Group subsidiaries acquired. The handbook's use is obligatory for all fully consolidated subsidiaries of the S&T Group. All of the subsidiaries taken over in 2019 – with this especially applying to the Kapsch CarrierCom Group – were directly connected to the COGNOS IT system., which facilitated their consolidation. This gave rise to a single-level process of consolidation. For the initial application of stipulations of IFRS 16 in financial year 2019, an application based on SAP RE-FX was introduced for all key subsidiaries. This application permits the systematic financial reporting, depiction and verification of rental and leasing obligations.
- › Local management is also responsible for the adherence to the Group-wide requirements, while S&T AG's central financial division handles the aggregation and assessment of all data. This is followed by the dispatching of a standard report to S&T AG's senior management. The companies' managements are obliged to take positions on all key risks. In addition to rendering all requisite ad-hoc risk reporting, this is undertaken by carrying out a risk assessment process by the head of the Group's Internal Audit department on a regular basis. At the same time, central controlling gathers data for reconciliation with the financial data stemming from the individual areas. The results are then checked for plausibility. The central financial and controlling division report independently and separately to the CFO.
- › A single set of rules grants authorization to access to centralized accounting programs. These are centrally monitored. The only staff members with access to the aggregated and consolidated data in the COGNOS system are those working for S&T AG's financial departments.
- › All Group reports are subject to assessment by the central financial division and by further internal and external persons. Comprised in this are ad hoc verification and the internal audits of Group companies conducted by S&T AG on regular bases. In addition, the internal audit encompasses a validation and a monitoring of the bottom-up reporting of risks.
- › Samples and plausibility tests are regularly conducted using manual and IT-based procedures undertaken to verify the comprehensiveness and correctness of the accounting system's data. The detailed financial reports compiled for each month and quarter are used to identify and analyze divergences from the earnings and assets listed in plans and in previous years' reports. In 2019, a further focus was placed on the working capital and cash management. These are subjects of the centralized monthly reporting and analyses of development undertaken under the leadership of the "head of working capital management". This position was recently created. Members of the Executive Board visit the Group companies on a regular basis, and additionally hold conference calls. These enable the direct discussions between the responsible parties of the results.
- › Complex matters – including the valuation of actuarial matters or the setting of prices of options forming part of SOPs (stock options programs) – cause the commissioning of outside experts by S&T AG or by locally acting entities.

05 DISCLOSURES IN ACCORDANCE WITH § 243A UGB

1. Share capital amounts to EUR 66,096,103, and is divided into 66,096,103 non-par value bearer shares. Share capital has been completely employed.
2. The right to exercise votes at the annual general meeting is unlimited. There are no known limitations that might affect voting rights or the transferring of shares.
3. As of December 31, 2019, Ennoconn Corporation, New Taipei, Taiwan, held – via two subsidiaries associated with Ennoconn Corporation – 26.61% of the voting rights. This made it the largest shareholder of S&T AG, as far as the company is aware. In addition, the second largest shareholder – Allianz Global Investors GmbH – held as of the balance sheet date 5.01% of the shares of S&T AG. All other shareholders had holdings that were below the threshold of 5% as of the balance sheet day.
4. No shares exist that grant special rights of control.
5. In 2014, S&T AG launched stock option programs (SOP 2014, SOP 2015, SOP 2015 – Tranche 2016, SOP 2018 – Tranche 2018, SOP 2018 – Tranche 2019) for members of the Executive Board and for senior managers of S&T AG and of companies affiliated with it. No right of control over voting is associated with them. Employees owning shares exert their voting rights directly at the Annual General Meeting.
6. No stipulations exist that exceed the bounds of law and apply to the members of the Executive or Supervisory Boards. No stipulations exist that could not be immediately derived from the legal code on the making of alterations in the articles of association.
7. The resolution passed at the Annual General Meeting of May 30, 2014 authorized the re-acquisition of treasury shares. In a resolution passed at the Annual General Meeting of June 14, 2016, this was rescinded. The Executive Board was empowered at the same time to acquire for the thirty months starting on June 14, 2016 the company's non-par value bearer shares at the amount of up to 10% of the company's share capital. These purchases were to be made on or outside exchanges. This authorization ended on December 14, 2018.

For that reason, proposed at the Extraordinary General Meeting taking place on January 15, 2019 was a resolution for the issuing of a further authorization to repurchase treasury shares. This was approved. The Executive Board is thereby authorized to purchase during the term of authorization, which is 30 months and which began on January 15, 2019, non-par value bearer shares of the company amounting to up to 10% of the share capital of the company, and to do so on and outside exchanges. The shares are to have an equivalent value that is not 10% more/less than the average quote of the last five trading days prior to the purchase. The Executive Board's resolution and the respective repurchase program based on it are to be published, with this including its term. The Executive Board is also authorized to withdraw shares once they have been successfully repurchased, and to do such without securing a further resolution by the AGM. The Supervisory Board is authorized to resolve the alterations in the Articles of Association resulting from the withdrawal of shares.

The Executive Board is also authorized to sell the treasury shares acquired, in accordance with § 65 Paragraph 1 N 8 and Paragraphs 1a and 1b of AktG (Austria's Stock Corporation Act), in ways other than via exchanges or the making of a public offer. The objective is to be the issuance of shares to constitute consideration to be used in the acquisition of companies, operations, parts thereof, and of stakes in one or more than one company, with it/these to be located either in Austria or abroad, or other assets (such as patents). When doing so, the Executive Board is entitled to exclude the general subscription rights held by the shareholders.

The pertinent stock quote is the closing one registered by the company's stock on the XETRA trading platform (or the system that has taken the place of the XETRA system) maintained by the Frankfurt Stock Exchange during the last five trading days prior to the acquisition of the shares.

In the financial year under review, the Executive Board made use of its authorization to purchase treasury shares by instituting two shares repurchase programs.

- › The Executive Board of S&T AG resolved on January 17, 2019 to acquire shares worth up to EUR 30 million (or to purchase 2,000,000 such shares) at a price not to exceed EUR 18.00 per share ("Shares Repurchase Program 2019"). The Shares Repurchase Program was concluded on July 22, 2019. No shares were repurchased during this period.
- › The Executive Board of S&T AG subsequently resolved on July 22, 2019 – on the basis of the resolution of authorization passed at the Extraordinary General Meeting held on January 15, 2019 – to conduct a further shares repurchase program ("Shares Re-

purchase Program II 2019"). Using the Shares Repurchase Program II 2019, S&T AG had repurchased 788,245 of its shares as of December 27, 2019. The weighted average price was EUR 18.5822 per share. This is equivalent to 1.193% of the share capital of the company. The total amount expended – with this not including ancillary costs – to repurchase the shares came to EUR 14,647,351.95. As of the time of writing of this report, sold from the stock of treasury shares was 31,000 shares. These shares were used to satisfy stock options exercised by those possessing rights of subscription stemming from stock options programs.

Subsequent to the balance sheet date, the Executive Board of S&T AG resolved on February 28, 2020 – on the basis of the resolution of authorization passed at the Extraordinary General Meeting held on January 15, 2019 – to conduct a further shares repurchase program ("Shares Repurchase Program I 2020"). The Shares Repurchase Program I 2020 foresees a volume of up to EUR 15 million, a maximum price of EUR 22.00, and a maximum of 1,000,000 shares. The program's term extends until June 30, 2020. As of the March 20, 2020, a total of 263,168 treasury shares had been acquired. The total price of acquisition – with this not including ancillary costs – came to EUR 4,407,997.47.

8. On the authorized capital: In the resolution passed by the Annual General Meeting on June 25, 2015, the Executive Board was authorized, provided Supervisory Board's consent, to increase – within five years after the entering of the corresponding alteration in the articles of association – the company's share capital by up to EUR 18,115,600.00. This is done through the issuance of up to 18,115,600 new non-par value bearer shares equipped with voting rights, with this to be done via payment of cash or the provision of consideration, and with it to be on a one-time or repeated basis, and, if necessary, via a direct right of subscription ("Authorized Capital II").

In a resolution passed on October 13, 2016, the Executive Board made use of this authorization. Ennoconn International Investment Co., Ltd., 6F, No. 10, Jiankang Road, Zhonghe County, New Taipei City 23586, Taiwan, and Ennoconn Investment Holdings Co., Ltd., 2F Building B, SNPF Plaza, Savalado, Apia, Samoa – both subsidiaries of Ennoconn Corporation – were authorized to subscribe for 4,383,620 new shares of S&T AG. The associated increase in capital was entered into the corporate registry on December 28, 2016. This correspondingly reduced Authorized Capital II.

Subsequent to this, in a resolution passed by the Annual General Meeting held on June 27, 2017, the Executive Board was authorized to increase within five years subsequent to the entry of the corresponding alteration in the articles of association and subject to the approval by the Supervisory Board, the company's share capital – if so required, in two or more tranches and featuring the partial exclusion of subscription rights – by up to EUR 10,000,000.00. This is done through the issuance of 10,000,000 new non-par value bearer shares equipped with voting rights, with this to be via payment of cash or by the provision of consideration, and with this to be on a one-time or repeated basis, and, if necessary, via an indirect right of subscription ("Authorized Capital 2017").

Authorized Capital II (§ 5 Paragraph 6 of the Articles of Association) of up to EUR 18,115,600 has been completely utilized. As of February 8, 2019, it was deleted from the Articles of Association of S&T AG. Available from the Authorized Capital 2017 (§ 5 Paragraph 5 of the Articles of Association), which amounts to up to EUR 10,000,000, is still EUR 7,208.534. The remainder of EUR 1,408,843 was used to perform a non-cash capital increase ("Non-cash Capital Increase Kontron Canada"). This took the form of the issuance of 1,408,843 new shares.

Shareholders resolved at the Annual General Meeting held on May 21, 2019 to create a new authorized capital. This enables the Executive Board, with the Supervisory Board's consent, to increase the share capital by up to EUR 6,600,000 ("Authorized Capital 2019"). This is to take place by until June 25, 2024. It can involve the partial or entire exclusion of the right of subscription held by shareholders, with this to possibly take the form of a direct exclusion. The resolution provides the Executive Board with the power to exclude this right in certain cases. In financial year 2019, no use was made of extant authorizations to issue new shares from the authorized capital.

On the Conditional Capital: According to the resolution passed by the Annual General Meeting on June 25, 2015 on the conditional increase of share capital foreseen by § 159 Paragraph 2 N 3 AktG (Austria's Stock Corporation Act), this is to be done through increase of the share capital by up to EUR 420,000.00 through the issuance of up to 420,000 new bearer shares. This is for the purpose of satisfying the stock options awarded by the Stock Options Program of 2014 to the company's employees, senior managers and members of the Executive Board or that of a company affiliated with it ("Conditional Capital I"). As of December 31, 2019, this was completely taken up. In addition, the resolution passed on the conditional increase of share capital foreseen by § 159 Paragraph 2 N 3 AktG stipulates this is to be done by up to EUR 2,580,000.00 and through the issuance of up to 2,580,000 new bearer shares. This is for satisfying the stock options awarded by the Stock Options Program of 2015 to company's employees, senior managers and members of the Executive Board or that of a company affiliated with it ("Conditional Capital II"). In financial year 2019, the share cap-

ital was increased through the issuance of 7,000 new shares from Conditional Capital II to those entitled to subscribe them. This was for the satisfaction of the stock options exercised and ensuing from Stock Options Program 2015 – Tranche 2016 (2018: 469,000).

On the Authorized Conditional Capital: Resolved in a further move at the Annual General Meeting held on May 21, 2019 was a new authorized conditional capital. It authorizes the Executive Board, in accordance with § 159 Paragraph 3 AktG (Austria's Stock Corporation Act), to increase the company's share capital by up to EUR 1,500,000. This is for the purposes of granting stock options, and is to be undertaken by June 25, 2024, and subsequently to the securing the consent of the Supervisory Board ("Authorized Conditional Capital 2019"). This capital increase is solely for this specific purpose, and thus is to be carried out only in cases in which the following conditions are met. It is to satisfy owners of options stemming from Stock Options Program 2018 Tranche 2018 and Tranche 2019 of the company – or from a future program, one foreseeing the initial exercising of the options at least three years at the earliest after the granting of the options. The floor price of such an exercising is to be 25% above the quote of the company's stock on the Frankfurt Stock Exchange. As of December 31, 2019, 700,000 stock options had been assigned by the Supervisory Board from these stock option programs to the Executive Board of S&T AG, with a further 150,000 shares being granted to senior managers of S&T AG and of companies affiliated with it. These options can be initially exercised during the window of exercising that starts upon the expiry of the term of retention, which concludes on December 18, 2021. In financial year 2019, there was therefore no utilization of Authorized Conditional Capital 2019.

Aside from these, the members of the Executive Board have no powers that do not directly stem from the legal codes, with this especially applying to ways of issuing or repurchasing shares.

9. Extant are loan contracts that could be altered or terminated in cases of a "change of control". Loan contracts entered by S&T AG with the banks providing financing provide the latter with an option to cancel in cases of a change of control at S&T AG that meets the definition of Austria's Takeover Act. A change of control is defined to have taken place if a person or a group of persons acts jointly acquiring 50% of the shares and/or voting rights, or upon their securing a way of determining the majority of the members of the Executive and/or Supervisory Boards. The above definition was incorporated into – among others – the following loan contracts: BAWAG's one-time loan of 2013, OeKB's participatory financing of 2017, and OeKB's participatory financing of 2018. In some cases, the increasing of the stake held by Ennoconn Corporation has been excluded from incorporation into the "change of control" clause in loan contracts. The latterly mentioned exception is to be found – among others – in the bonded loan issued in 2019. "Change of control" is defined in the contracts concluded to be the achievement of a controlling participation in S&T AG. In such contracts, the increasing (directly or indirectly) of the stake held by Ennoconn Corporation (or its legal successor) in S&T AG does not constitute a change of control.
10. Indemnification agreements, as defined by § 243a Paragraph 1 N 9 UGB (Austria's Commercial Code), do not exist.

Linz, March 25, 2020



Dipl. Ing. Hannes Niederhauser



Michael Jeske



Dr. Peter Sturz



MMag. Richard Neuwirth



Carlos Manuel Nogueira Queiroz

This Group management report contains statements that refer to the future development of S&T AG and of the economy. These statements constitute assessments. They were compiled by S&T AG based on all information available to it at the point of time. The non-applicability of the assumptions upon which the assessments are based, or the occurrence of further risks, can lead to the diverging of actual results from those currently expected. S&T AG cannot assume any warranty for these figures.

Od 5 lutego br. będą dostępne nowe funkcjonalności Platformy Usług Elektronicznych Urzędu Patentowego RP (PUEUP)

Szczegóły w zakładce **AKTUALNOŚCI**



Ostrzeżenie przed wprowadzającymi w błąd wezwaniami do zapłaty, fakturami lub staższonowymi decyzjami!



WYNALEZKI I WZORY UŻYTKOWE



ZNAKI TOWAROWE



WZORY PRZEMYSŁOWE

ELECTRONIC SERVICES PLATFORM OF THE PATENT OFFICE POLAND IT SERVICES

S&T designed, developed and implemented a dedicated System composed of several domain applications. The whole project was completed by delivery of modern ICT infrastructure and its integration with already existing systems. Additionally, over 500 thousand documents previously kept in paper form were digitalized and added to the new System. Thanks to the creation of the PUEUP platform entrepreneurs, patent attorneys and state administration agencies can submit electronic applications and process electronic applications for protection of inventions and designs. The platform also makes it easier to keep track of important deadlines in this area. The PUEUP platform was designed and implemented in accordance with SOA assumptions, using the concept of microservices. The Polish Patent Office is one of the first patent authorities in Europe to transfer its services to a digital platform to such a large extent.

CONSOLIDATED INCOME STATEMENT



CONSOLIDATED INCOME STATEMENT	NOTES	2019 TEUR	2018 TEUR
Revenues	(1)	1,122,885	990,881
Capitalized development costs	(2)	15,528	15,111
Other income	(3)	8,013	7,500
Expenses for materials and other services purchased	(4)	-715,371	-644,335
Personnel expenses	(5)	-245,159	-194,626
Depreciation and amortization	(6)	-49,943	-29,039
Other operating expenses	(7)	-74,185	-83,984
Result from operations		61,768	61,508
Finance income	(8)	1,325	1,005
Finance expenses	(8)	-9,010	-6,161
Financial result		-7,685	-5,156
Result from associated companies		-19	-8
Earnings before taxes		54,064	56,344
Income taxes	(9)	-4,552	-7,881
Net income		49,512	48,463
Results from the period attributable to owners of non-controlling interests		403	3,480
Results from the period attributable to owners of interests in parent company		49,109	44,983
Earnings per share (undiluted)	(10)	0.75	0.70
Earnings per share (diluted)	(10)	0.73	0.70
Average number of shares in circulation (in thousands undiluted)		65,871	64,333
Average number of shares in circulation (in thousands diluted)		66,909	64,588

STATEMENT OF OTHER COMPREHENSIVE INCOME

STATEMENT OF OTHER COMPREHENSIVE INCOME	2019 TEUR	2018 TEUR
NET INCOME	49,512	48,463
Items that will not be reclassified to profit or loss		
Remeasurement according to IAS 19		
Gains(+)/losses(-) from remeasurement	-1,706	322
Items that may be subsequently reclassified to profit or loss		
Unrealized gains/losses from currency translation	2,476	1,409
Net loss on debt instruments at fair value through other comprehensive income	-11	-7
Results from remeasurement of financial instruments at fair value through other comprehensive income	88	5
	2,553	1,407
Other comprehensive income	847	1,729
Total comprehensive income	50,359	50,192
of which attributable to		
owners of non-controlling interests	1,067	3,382
owners of interests in parent company	49,292	46,810

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET	NOTES	31.12.2019 TEUR	31.12.2018 TEUR
NON-CURRENT ASSETS			
Property, plant and equipment	(11)	99,809	37,066
Intangible assets	(12)	294,878	207,575
Investments in associated companies	(13)	289	308
Financial assets non-current	(14)	7,984	6,061
Contract assets from customer contracts	(1)	3,331	0
Other non-current assets	(15)	16,464	11,649
Deferred taxes	(16)	34,430	29,810
		457,185	292,469
CURRENT ASSETS			
Inventories	(17)	146,766	130,752
Trade receivables	(18)	212,150	202,651
Contract assets from customer contracts	(1)	27,206	4,357
Financial assets current	(19)	14,533	13,719
Other receivables and assets	(20)	55,602	32,236
Cash and cash equivalents	(21)	312,284	171,759
		768,541	555,474
Total assets		1,225,726	847,943
EQUITY AND LIABILITIES			
	NOTES	31.12.2019 TEUR	31.12.2018 EUR
EQUITY			
Subscribed capital	(22)	66,096	66,089
Capital reserves	(22)	170,057	177,414
Accumulated results	(22)	154,745	116,211
Other reserves	(22)	-3,562	-3,745
Treasury shares		-14,647	0
Equity attributable to owners of interests in parent company		372,689	355,969
Non-controlling interests	(22)	12,363	11,306
		385,052	367,275
NON-CURRENT LIABILITIES			
Financing liabilities non-current	(23)	219,979	79,429
Other financial liabilities non-current	(24)	54,573	13,648
Contract liabilities from customer contracts	(1)	13,710	11,178
Other non-current liabilities	(25)	231	397
Deferred taxes	(16)	13,368	12,603
Provisions	(26)	29,964	14,606
		331,825	131,861
CURRENT LIABILITIES			
Financing liabilities current	(23)	62,765	34,056
Trade payables	(27)	205,037	176,968
Contract liabilities from customer contracts	(1)	59,971	37,502
Other financial liabilities current	(28)	66,450	28,372
Provisions	(26)	54,384	28,006
Other current liabilities	(29)	60,242	43,903
		508,849	348,807
Total equity and liabilities		1,225,726	847,943

CONSOLIDATED CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT	NOTES	2019 TEUR	2018 TEUR
CASH FLOWS FROM OPERATING ACTIVITIES			
Earnings before taxes		54,064	56,344
Depreciation and amortization		49,943	29,039
Interest expenses		9,011	6,161
Interest and other income from the disposal of financial assets		-1,325	-1,005
Result from associated companies		19	8
Increase/decrease of provisions		-31,929	-17,886
Gains/losses from the disposal of non-current non-financial assets		601	-515
Changes in inventories		-1,438	-4,117
Change in trade receivables and contract assets		49,712	-23,063
Changes in other receivables and assets		-6,963	874
Changes in trade payables and contract liabilities		-29,996	2,055
Changes in other liabilities		5,241	-6,307
Other non-cash income and expenses		-1,881	-1,597
Cash and cash equivalents from operations		95,059	39,991
Income taxes paid		-11,670	-4,448
Net cash flows from operating activities		83,389	35,543
NET CASH FLOWS FROM OPERATING ACTIVITIES			
Purchase of non-current non-financial assets		-27,103	-25,107
Purchase/Sale of financial instruments		-17	-18
Proceeds from sale of non-current non-financial assets		2,239	1,061
Disposal/purchase of financial instruments		-4,271	-147
Payments to acquire subsidiaries less cash assumed and plus current account liabilities assumed	(A)	-27,193	-39,585
Proceeds from sale of subsidiaries less cash disposed and plus current account liabilities disposed		58	0
Interest income		565	658
Net cash flows from investing activities		-55,722	-63,138
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in financing liabilities and other financial liabilities		168,025	35,633
Decrease in financing liabilities and other financial liabilities		-39,943	-34,460
Interests paid		-5,768	-5,116
Acquisition of non-controlling interests	(A)	-13,351	-10,812
Dividends to owners of interests in parent company		-10,574	-8,301
Payments for acquisition of own shares		-14,647	0
Capital increase (less transaction costs)		21	2,157
Net cash flows from financial activities		83,763	-20,899
Changes in exchange rates		1,142	318
Changes in financial funds		112,572	-48,176
Financial funds as of the beginning of the financial year	(30)	152,593	200,769
Financial funds as of the end of the financial year	(30)	265,165	152,593
Overdrafts	(30)	42,321	11,376
Restricted cash	(30)	4,798	7,790
Total cash and cash equivalents	(30)	312,284	171,759

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DEVELOPMENT OF EQUITY	NOTES	EQUITY ATTRIBUTABLE TO OWNERS OF INTERESTS IN PARENT COMPANY	
		SUBSCRIBED CAPITAL TEUR	CAPITAL RESERVES TEUR
as of December 31, 2017		63,442	167,789
Effects of adoption of new accounting standards		0	0
as of January 1, 2018		63,442	167,789
TOTAL COMPREHENSIVE INCOME			
Net income		0	0
Other comprehensive income		0	0
		0	0
OTHER CHANGES			
Stock options		469	2,004
		469	2,004
TRANSACTIONS WITH OWNERS OF INTERESTS			
Changes in non-controlling interests		0	-40,576
Dividends		0	0
Capital increase		0	0
Capital increase with a contribution in kind		2,178	48,715
Transaction costs		0	-518
		2,178	7,621
as of December 31, 2018		66,089	177,414
as of January 1, 2019		66,089	177,414
TOTAL COMPREHENSIVE INCOME			
Net income		0	0
Other comprehensive income		0	0
		0	0
OTHER CHANGES			
Acquisition of subsidiaries		0	0
Stock options	(37)	7	1,238
		7	1,238
TRANSACTIONS WITH OWNERS OF INTERESTS			
Changes in non-controlling interests	(22)	0	-8,412
Decrease of shares in subsidiaries without loss of control	(22)	0	-183
Dividends	(22)	0	0
Repurchase of treasury shares		0	0
		0	-8,595
as of December 31, 2019		66,096	170,057

ACCUMULATED RESULTS TEUR	EQUITY ATTRIBUTABLE TO OWNERS OF INTERESTS IN PARENT COMPANY			NON- CONTROLLING INTERESTS	EQUITY
	OTHER RESERVES TEUR	TREASURY SHARES	TOTAL TEUR	TEUR	TEUR
79,529	-5,654	0	305,106	26,745	331,851
0	82	0	82	0	82
79,529	-5,572	0	305,188	26,745	331,933
44,983	0	0	44,983	3,480	48,463
0	1,827	0	1,827	-98	1,729
44,983	1,827	0	46,810	3,382	50,192
0	0	0	2,473	0	2,473
0	0	0	2,473	0	2,473
0	0	0	-40,576	-18,821	-59,397
-8,301	0	0	-8,301	0	-8,301
0	0	0	0	0	0
0	0	0	50,893	0	50,893
0	0	0	-518	0	-518
-8,301	0	0	1,498	-18,821	-17,323
116,211	-3,745	0	355,969	11,306	367,275
116,211	-3,745	0	355,969	11,306	367,275
49,109	0	0	49,109	403	49,512
0	183	0	183	664	847
49,109	183	0	49,292	1,067	50,359
0	0	0	0	4,067	4,067
0	0	0	1,245	0	1,245
0	0	0	1,245	4,067	5,312
0	0	0	-8,412	-5,142	-13,554
0	0	0	-183	1,065	882
-10,575	0	0	-10,575	0	-10,575
0	0	-14,647	-14,647	0	-14,647
-10,575	0	-14,647	-33,817	-4,077	-37,894
154,745	-3,562	-14,647	372,689	12,363	385,052



A.

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

S&T AG is a technology corporation that employs some 4,900 employees, who work for operative units located in 32 countries around the world. S&T's stock is listed on the Frankfurt Stock Exchange, and forms part of its TecDAX® and SDAX® indexes. S&T's diverse and combined portfolio features proprietary technologies in the areas of embedded systems, cloud solutions, software and services. This portfolio makes S&T one of the world's leading providers of Industry 4.0 and Internet of Things (IoT) technologies. S&T's "IT Services" segment is one of the leading providers of a comprehensive range of IT services and solutions in Central and Eastern Europe.

S&T AG is a joint stock company constituted according to the legal codes of Austria. Its headquarters are located in Industriezeile 35, A-4021 Linz, Austria. It has been entered into the Court of Corporate Registry in Linz under the corporate number of FN 190272 m. The company's stock is listed on the Prime Standard segment of the Frankfurt Stock Exchange (FSE) in Frankfurt am Main, Germany.

PRINCIPLES OF FINANCIAL REPORTING

The consolidated financial statements of S&T AG have been compiled in accordance with the financial reporting standards of the International Accounting Standards Board (IASB), with the International Financial Reporting Standards (IFRS), and with the interpretations of the IFRS Interpretation Committee (IFRS IC), as applicable in the European Union, and the additional corporate legal regulations contained in § 245a Paragraph 1 UGB (Austria's Commercial Code). Unless otherwise noted, all amounts are denominated in thousands of euros (TEUR). When adding rounded amounts and percentages, rounding differences may occur due to the use of automated methods of calculation.

ADJUSTED PRESENTATION IN THE CONSOLIDATED BALANCE SHEET

The Group has adjusted the presentation of the consolidated balance sheet. Both within current and non-current assets, financial assets are now presented separately from other non-financial assets in the balance sheet. Until the previous year, only the notes to the consolidated balance sheet within the notes in the consolidated financial statements depicted this separation. Within the non-current assets, the previously reported item "Other non-current assets" has been replaced by the two items "Non-current financial assets" and "Other non-current assets". Within the current assets, the previously reported item "Other receivables and assets" is replaced by the two items "Current financial assets" and "Other current assets". Additionally, the corresponding adjustments in current liabilities reported in the consolidated balance sheet took place. The previously reported item "Other current liabilities" is replaced by the two items "Other current financial liabilities" and "Other current liabilities".

In addition, non-current financial liabilities are broken down into financial liabilities owed to banks and into other financial liabilities.

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



NEW AND ALTERED STANDARDS AND INTERPRETATIONS

Since January 1, 2019, the following new or altered standards and interpretations have been required to be applied:

NEW AND ALTERED STANDARDS AND INTERPRETATIONS – REQUIRED TO BE APPLIED SINCE JANUARY 1, 2019

IFRS 16	Leases (publication: January 2016)
IFRIC 23	Uncertainties over income tax treatments (publication: June 2017)
IAS 28	Alterations in IAS 28 Non-current investments in associated companies and joint ventures (publication: October 2017)
IFRS 9	Alterations in IFRS 9 prepayment features with negative compensation (publication: October 2017)
Diverse	Annual improvements (Cycle 2015 – 2017) (publication: December 2017)
IAS 19	Alterations in IAS 19 Adjustments, abridging and compensation (publication: February 2018)

IFRS 16 – Published on January 13, 2016 was IFRS 16 Leases. It replaced the extant regulations on those, with this including IAS 17 Leases, IFRIC 4 (determination whether an agreement contains a leasing arrangement), SIC-15 Operating leases – incentives, and SIC-27 (evaluation of the economic content of a transactions taking the form of leasing arrangements). IFRS 16 introduces a universal model of financial reporting, according to which leases are to be recognized in the lessee's balance sheet. A lessee recognizes a right of utilization depicting their right to use the underlying asset, and, as well, a debt ensuing from the leasing arrangement depicting the lessee's obligation to make leasing payments. The standard foresees exceptions for short-term leases, as well as for leases involving low-value assets. The financial reporting for the lessor is comparable to that required by IAS 17. This standard obliges the lessor to continue to distinguish between financing and operating leasing agreements.

S&T initially applied IFRS 16 on January 1, 2019, according to the modified retrospective method, according to which the previous year's figures will not be adjusted, and to which all alterations required due to the initial application are to be recognized in cumulative results. The Group has opted to apply the exemption provision laid down in IFRS 16.C3. Applying to the period of transition, this provision states that the Group can forego reassessment of a contract's constituting or containing a leasing arrangement. Instead, the Group has applied the standard only to those contracts that it – using IAS 17 and IFRIC 4 – categorized as being leasing arrangements as of the initial time of application.

Instead of the reporting of minimum leasing payments from operating leases as other financial obligations, the non-current assets increase due to the financial reporting of rights of usage. In the same manner, the non-current and current financial liabilities increase due to the reporting of the corresponding leasing liabilities. In the consolidated financial statements as of December 31, 2019, the non-current leasing liabilities are reported in the balance sheet item of "Other financial liabilities non-current"; the current leasing liabilities are a component of the "Other financial liabilities current" item. As of the initial time of application, the leasing liability was recognized at the present value of the leasing payments outstanding, with the discounting employing the respective incremental borrowing rate prevailing as of the time of the initial application. The right of utilization of the leasing object is measured as a general rule as of the time of initial application at the amount of the leasing liability, being adjusted to account for accruals or deferrals constituted for the leasing payments reported in the balance sheet as of December 31, 2018. Initial direct costs are not comprised in the valuation of the right of utilization of the leasing object as of the time of initial application. The options foreseen in IFRS 16 regarding the treatment of leases with a term of not more than 12 months, and those regarding leases involving low-value assets were exercised.

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The Group has not altered the carrying amount of assets and liabilities arising from leases that were categorized according to IAS 17 as financing leasing arrangements (that means the carrying amount of the rights of utilization and of leasing arrangements corresponded to those that would have resulted from the valuation of leased assets and leasing liabilities according to IAS 17). As of January 1, 2019, the stipulations of IFRS 16 were applied to leasing arrangements.

In addition, the Group has opted to apply IFRS 16's following exemption rules when performing the initial application. Taking an in-depth look:

- › For leasing arrangements whose term ends within the 12 months subsequent to the time of initial application, neither rights of utilization nor leasing arrangements were recognized. The current leasing payments continue to be recognized immediately in profit or loss.
- › No impairment test was carried out. Taking its place was the conducting – immediately prior to the time of initial application – of an assessment as to whether onerous contracts existed.
- › Applied to leasing arrangements whose term ends within the 12 months subsequent to the time of initial application were the rules of exception applicable to current leasing arrangements.
- › The terms of leasing arrangements that have options of extension or cancellation were retrospectively determined.

Regarding the consolidated income statement, reported instead of the previous expenditures for operating leasing arrangement are the depreciation of rights of utilization and, as well, interest expenditure for the liabilities. In the consolidated cash flow statement, the component comprised of leasing payments and interest expenditures is reported as part of cash flow from financing.

The financial reporting according to IFRS 16 led to a corresponding balance sheet extension. This was especially due to the leasing arrangements involving rented offices and production facilities as well as vehicles.

The following chart details the adjustments in the opening balance sheet as of January 1, 2019 occurring due to the initial application of IFRS 16:

IN TEUR	31.12.2018	ALTERATION IFRS 16	01.01.2019
Property, plant and equipment	37,066	53,320	90,386
Other financial liabilities non-current	13,648	40,743	54,391
Other financial liabilities current	22,781	12,577	35,358

The leasing liabilities were discounted using the incremental borrowing rate as of January 1, 2019. The weighted average interest rate came to 1.89%.

IN TEUR

Liabilities from operating leases and rental agreements as of December 31, 2018	55,200
Discounting	-1,998
Short-term leases	-2,504
Low-value asset leases	-74
Adjustments due to changes in duration and termination options	2,697
Liabilities from finance leases as of December 31, 2018	13,715
Leasing liabilities as of January 1, 2019	67,036
Thereof current	18,168
Thereof non-current	48,868

All of the other standards to be applied as of January 1, 2019 had no material impact upon the consolidated financial statements of S&T AG.

The following standards (and their alterations) and interpretations were promulgated by the IASB. Their application was, however, not yet obligatory for financial year 2019. Ahead-of-schedule applications of these standards are not foreseen. No significant impacts upon the consolidated financial statements are foreseen from them.

STANDARDS APPROVED BY THE IASB NOT REQUIRED TO BE APPLIED IN FINANCIAL YEAR 2019

TERM OF APPLICATION

IFRS 17	Insurance contracts (publication: May 2017)	January 1, 2021
IAS 1	Alterations of IAS 1 Clarification of criteria used in the classification of liabilities as either current or non-current (publication: January 2020)	January 1, 2022
IFRS 3	Alterations of IFRS 3 Business Combinations (publication: October 2018)	January 1, 2020
IAS 1 IAS 8	Alterations of IAS 1 and IAS 8 Definition of material (publication: October 2018)	January 1, 2020
Diverse	Alteration of IFRS 9, IAS 39 and IFRS 7 (IBOR Project) (publication: September 2019)	January 1, 2020

PRINCIPLES OF CONSOLIDATION

S&T AG's consolidated financial statements includes all companies fully consolidated by S&T AG and all Group companies directly or indirectly controlled by it (subsidiaries). To determine the scope of consolidation, S&T AG (the investor) analyzes whether or not the potential subsidiary (the investee) satisfies the criteria for the existence of direct or indirect control. Control is deemed to exist in cases in which:

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

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

Subsidiaries are fully consolidated as of the point in time in which S&T AG has gained control over them, or in which S&T AG is entitled to exert this at any time.

Subsidiaries are deconsolidated at the point in time in which the parent company's control over them ends. Their assets, liabilities and proportionate equity components are correspondingly derecognized.

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

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

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

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

All intra-Group balances, transactions, and unrealized profits and losses from intra-Group transactions and dividends are completely eliminated. Consolidation procedures take into account the ramifications upon income taxes. If such are incurred, deferred taxes are recognized.

Losses experienced by a subsidiary are also assigned to the non-controlling interests, in cases in which they lead to a negative balance.

Any alteration in the investment in a subsidiary is reported as an equity transaction, if no loss of control is associated with it.

Corporate mergers are reported using the purchase method. The acquisition costs of a company are measured to be the sum of the consideration transferred – this is measured at the fair value prevailing as of the time of acquisition – and of the shares in the company acquired held by the non-controlling interests. Each case of corporate merger leads to S&T AG's valuating the non-controlling interests in the acquired company either at their fair value or at their corresponding share of the identifiable net assets – measured at fair value – of the company acquired. Costs arising from the corporate merger are reported as expenditure in the other operating expenditure item. The results achieved by the companies acquired are consolidated as of the time of acquisition in the consolidated financial statements.

When the Group acquires a company, it selects the classifications and designations suitable to the financial assets and liabilities assumed. These are to accord with the contractual conditions, business features and prevailing circumstances as of the time of acquisition.

Recognized at fair value as of the time of acquisition is contractually agreed upon contingent consideration. Subsequent alterations of the fair value of contingent consideration constituted by an asset or a liability are recognized in the income statement. A contingent consideration classified as being equity will not be re-measured. Its subsequent compensation will be reported in the equity.

Terminable or limited-term equity components held in subsidiaries that include tender rights possessed by shareholders with non-controlling interests constitute financial liabilities for the S&T Group. The recognition of such liabilities occurs, in accordance with IFRS 9, at fair value. Regardless of whether or not the shareholder with non-controlling interest is currently the beneficial owner of the shares, their initial consolidation takes place as a preferred acquisition. This means that the tender right accruing to the shareholdings will be

assigned to the S&T Group from the very start, and as if the rights had already been exercised. This will be followed by the liability resulting from the tender right being measured as of every date of financial reporting at fair value through profit or loss.

Goodwill is measured upon initial recognition at acquisition costs. This is defined to be the excess of the sum of total consideration transferred and of the amount held by the non-controlling interests of the assets acquired and identifiable, and of the debts assumed by the Group. In cases in which the fair value of the net assets acquired is greater than the total consideration transferred, the Group is to ascertain whether it had correctly identified all assets and liabilities assumed. The Group is also to examine the procedure applied to determine the amounts having to be reported as of the time of acquisition. Should the consideration subsequent to this re-determination still be less than that of the fair value of the net assets of the subsidiary acquired, this difference is to be reported in the income statement.

Subsequent to its initial recognition, the goodwill is measured to be the acquisition costs less accumulated expenditures for value impairment. For purposes of a value impairment test, any goodwill acquired through a corporate merger will be assigned as of the time of acquisition to those cash-generating units of the Group that are expected to profit from the corporate merger. This is independent of other assets or liabilities of the company acquired assigned 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, 2019, S&T AG's group of consolidated companies comprised 79 fully consolidated companies (PY: 70 companies). Of them, 8 companies (PY: 12) are headquartered in Austria and 71 companies (PY: 58) are headquartered outside of Austria. As of December 31, 2019, the Group had a shareholding in one company (PY: 1) that was reported using the equity method.

The number of fully consolidated companies has developed as follows:

GROUP COMPANIES (NUMBER)	2019	2018
Number of fully consolidated companies as of January 1	70	65
Companies founded	3	1
Group companies merged	-12	-12
Companies acquired	21	16
Disposals	-3	0
Number of fully-consolidated companies as of December 31	79	70

CHANGES IN 2019 IN COMPANIES CONSOLIDATED IN THE GROUP

In December 2018, Kontron Canada Inc., Boisbriand, Canada, founded Kontron Communication Spain SL, Barcelona, Spain. Kontron Canada Inc. holds a 100% stake in Kontron Communication Spain SL. The entry of the company in the corporate registry occurred in December 2018. The operative business of Kontron Communication Spain SL was launched at the beginning of 2019. As of this point in time, the company was consolidated in the consolidated financial statements of S&T AG. The company was assigned to the "IoT Solutions America" segment.

In the previous financial year, RTSoft Project OOO, Moscow, Russia, had founded Interactive Energy Lab OOO (subsequently renamed RTSoft Smart Grid OOO), Moscow, Russia. Founded in financial year 2019 was RTSoft-ES OOO, Moscow, Russia. RTSoft Project OOO holds a 99% stake in RTSoft Smart Grid OOO, as well as a 100% stake in RTSoft-ES OOO. The two companies launched business operations in April 2019. As of this point in time, the two companies were consolidated in the consolidated financial statements of S&T AG. Both companies were assigned to the "IoT Solutions Europe" segment.

The following companies were merged in financial year 2019:

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

Via business mergers, the S&T Group acquired shares in the following companies in financial year 2019, with this leading to their full consolidation:

- › Epro electronic GmbH, Schorndorf, Germany
- › Epro Electronic Production Kft., Kapoly, Hungary (subsequently renamed Kontron Electronics Kft.)
- › XTRO Holding GmbH, Ismaning, Germany
- › Kapsch CarrierCom AG, Vienna, Austria (subsequently renamed Kontron Transportation Austria AG)
- › Kapsch CarrierCom Sp. z o.o., Warsaw, Poland (subsequently renamed Kontron Transportation Sp. z o.o.)
- › Kapsch CarrierCom Espana, S.L.U., Madrid, Spain (subsequently renamed Kontron Transportation España SL)
- › Kapsch CarrierCom - Unipessoal LDA Co., Ltd, Lisbon, Portugal (subsequently renamed Kontron Transportation Portugal, Unipessoal LDA)
- › Kapsch CarrierCom Taiwan Co., Ltd, Taipei, Taiwan (subsequently renamed Kontron Transportation Taiwan Co., Ltd)
- › Kapsch CarrierCom s.r.o., Prague, Czech Republic (subsequently renamed Kontron Transportation s.r.o.)
- › Kapsch CarrierCom Kft., Budapest, Hungary (subsequently renamed Kontron Transportation Hungary Kft.)
- › Kapsch CarrierCom Saudi Arabia LLC, Riyadh, Saudi Arabia
- › Kapsch CarrierCom Deutschland GmbH, Frankfurt, Germany (subsequently renamed Kontron Transportation Deutschland GmbH)
- › Kapsch (Beijing) Information and communication Technology Co., Ltd, Beijing, China
- › Kapsch CarrierCom France SAS, Paris, France (subsequently renamed Kontron Transportation France S.A.S.)
- › Kapsch CarrierCom UK Ltd., Harrow, UK (subsequently renamed Kontron Transportation UK Ltd.)
- › Kapsch PublictransportCom North America Inc., Delaware, United States of America (subsequently renamed Kontron Transportation North America Inc.)
- › Kapsch PublictransportCom Belgium NV, Diegem, Belgium (subsequently renamed Kontron Transportation Belgium NV)
- › AP Trans NV, Diegem, Belgium
- › Kapsch CarrierCom Romania S.R.L., Bucharest, Romania
- › BASS Systems S.R.L., Chisinau, Moldova
- › AIS Automation Dresden GmbH, Dresden, Germany

ACQUISITION OF 100% OF THE SHARES OF EPRO ELECTRONIC GMBH, SCHORNDORF, GERMANY, AND OF ITS SUBSIDIARY EPRO ELECTRONIC PRODUCTION KFT., KAPOLY, HUNGARY

Concluded on March 13, 2019 was a notarized contract foreseeing the purchasing of 100% of the shares of Epro electronic GmbH, Schorndorf, Germany, and of its 86% subsidiary Epro Electronic Production Kft., Kapoly, Hungary. The Epro companies are active in the development and contract manufacturing of embedded systems. Among their main customers are Exceet Electronics GmbH (now Kontron Electronics GmbH), which was acquired by Kontron Europe GmbH in financial year 2018. This move augmented the vertical integration of the production-driven chain of value added within the S&T Group. The companies were consolidated as of March 1, 2019 in the consolidated financial statements. The purchase price consisted of a fixed amount of cash amounting to TEUR 2,200, and of a variable component that came to TEUR 200. This was based on an earn-out agreement covering financial year 2019.

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

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NET ASSETS ACQUIRED	IN TEUR
Cash and cash equivalents	625
Non-current assets	910
Inventories	1,128
Trade receivables (nominal value TEUR 433)	433
Other receivables and assets	149
Non-current liabilities	-103
Deferred tax liabilities	-79
Trade payables	-305
Other current liabilities	-317
Current financial liabilities	-350
Net assets at fair value	2,091

GOODWILL	IN TEUR
Consideration transferred	2,400
Non-controlling interests measured as proportionate net assets	145
Net assets at fair value	-2,091
Goodwill	454

By acquiring Epro electronic GmbH, Germany, and its subsidiary Epro electronic Production Kft, Hungary, Kontron Electronics GmbH, Germany, also took over its main supplier of EMS (electronic manufacturing services). This move secured the chain of supply for the years to come and has the potential to relocate further processes of manufacturing to Hungary. This move also enables the modernization of technical assets in accordance with the specifications of Kontron Electronics GmbH. The ensuing synergies manifest themselves in the purchase price and goodwill.

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

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

NET FLOW OF CASH	IN TEUR
Purchase price paid in cash	-2,200
Cash assumed through takeover of subsidiaries, including current account liabilities	275
Cash flow from investing activities	-1,925
Transaction costs from acquisition of companies	-26
Cash flow from operating activities	-26

Immediately after acquisition, Epro electronic GmbH, Germany, was merged into Kontron Electronics GmbH, Großbettlingen, Germany. Epro Electronic Production Kft., Kapoly, Hungary (subsequently renamed Kontron Electronics Kft.) is a manufacturer whose products go nearly exclusively to S&T Group companies.

ACQUISITION OF 100% OF THE SHARES OF XTRO HOLDING GMBH, ISMANING, GERMANY

Signed on May 23, 2019 was a notarial contract foreseeing the acquisition of 100% of the shares of XTRO Holding GmbH, Ismaning, Germany. The company was consolidated in the consolidated financial statements of S&T AG as of June 1, 2019.

The purchase price was exclusively in cash and amounted to TEUR 979.

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

NET ASSETS ACQUIRED	IN TEUR
Cash and cash equivalents	7
Non-current assets	983
Other receivables and assets	19
Deferred tax liabilities	-293
Trade payables	-1
Net assets at fair value	715

GOODWILL	IN TEUR
Consideration transferred	979
Net assets at fair value	-715
Goodwill	264

In December 2017, the S&T Group acquired – via its 100% subsidiary S&T Deutschland GmbH – all of the shares of XTRO AG, Ismaning, Germany. Concluded with the seller as of that point in time was a limited-term, non-transferrable right of utilization of the brands and technologies owned by XTRO, which ended on December 31, 2018. The acquisition of 100% of the shares of XTRO Holding GmbH served therefore to gain control of the assets possessed by the company, with this especially including the brand “XTRO” and proprietary technologies. The possession of such proprietary software as “XBackup”, “XInstall”, “XMon” and “XSave” is designed to ensure the trouble-free maintenance of business relationships with XTRO clients. This is because the transferring of use to other products to fulfill contracts would increase costs and the risk customer loss. Additionally, these software products are supposed to be distributed to new customers – for example, by S&T Deutschland GmbH.

The goodwill resulting from the preliminary purchase price allocation was assigned to the “IT Services” segment.

The analysis of the cash flows arising from the acquisition of the company takes the following form:

NET FLOW OF CASH	IN TEUR
Purchase price paid in cash	-979
Cash assumed through takeover of subsidiary, including current account liabilities	7
Cash flow from investing activities	-972
Transaction costs from acquisition of company	-17
Cash flow from operating activities	-17

XTRO Holding GmbH was not an operative business, and was merged immediately subsequent to its acquisition into XTRO AG, Ismaning, Germany.

ACQUISITION OF THE BUSINESS AREAS „KAPSCH CARRIERCOM“ AND „KAPSCH PUBLICTRANSPORTCOM“

At the end of May 2019, S&T AG signed a contract with Kapsch-Group Beteiligungs GmbH, Vienna, Austria, and with Kapsch PublicTransportCom GmbH, Vienna, Austria, for the purchasing of the business areas “Kapsch CarrierCom” and “Kapsch PublicTransportCom”. Kapsch CarrierCom is one of the world’s leading suppliers of communication systems to operators of rail systems. It has completed its transformation from a provider of client-specific hardware products to a supplier of hardware-independent software solutions. The technologies acquired thus complement those in the portfolio of the S&T Group.

Acquired through the transaction involving the “Kapsch CarrierCom” business were 100% of the shares in respectively Kapsch CarrierCom AG, Vienna, Austria; Kapsch CarrierCom Sp. z o.o., Warsaw, Poland; Kapsch CarrierCom Espana, S.L.U., Madrid, Spain; Kapsch CarrierCom - Unipessoal LDA Co., Ltd, Lisbon, Portugal; Kapsch CarrierCom Taiwan Co., Ltd, Taipei, Taiwan; Kapsch CarrierCom s.r.o., Prague, Czech Republic; Kapsch CarrierCom Kft., Budapest, Hungary; Kapsch CarrierCom Saudi Arabia LLC, Riyadh, Saudi Arabia; Kapsch CarrierCom Deutschland GmbH, Frankfurt, Germany; Kapsch (Beijing) Information and communication Technology Co., Ltd, Beijing, China; Kapsch CarrierCom France SAS, Paris, France; Kapsch CarrierCom UK Ltd., Harrow, UK.

Acquired along with the “Kapsch PublicTransportCom” business area were a 100% stake in Kapsch PublictransportCom North America Inc., Delaware, United States of America; AP Trans NV, Diegem, Belgium; Kapsch CarrierCom Romania S.R.L., Bucharest, Romania; and 99.966% of the shares in Kapsch PublictransportCom Belgium NV, Diegem, Belgium. The companies were included in the consolidated statements of S&T AG as of June 1, 2019.

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

NET ASSETS ACQUIRED	IN TEUR
Cash and cash equivalents	10,817
Non-current assets	28,532
Inventories	10,354
Trade receivables (nominal value TEUR 40,423)	35,667
Other receivables and assets	14,637
Non-current liabilities	-20,991
Deferred tax liabilities	-2,041
Trade payables	-42,553
Other current liabilities	-67,130
Current financial liabilities	-24,755
Net assets at fair value	-57,463

GOODWILL	IN TEUR
Consideration transferred	0
Net assets at fair value	57,463
Goodwill	57,463

The acquisition of 100% of the shares in the Kapsch CarrierCom group and in the Kapsch PublicTransportCom group enabled S&T AG to augment its position on the market for IoT transportation. The transactions provide S&T AG with access to the market for public transportation, which is to be supplied to a high degree with digitalization and software solutions. Additionally, this also involves access to countries in which the S&T Group had not been represented. The business areas' some 400 employees are to be deployed to the securing of further projects. These will make S&T a key supplier of technological solutions in the area of communication systems used by public and private transportation companies. S&T AG views the customers served by the Kapsch CarrierCom- und Kapsch PublicTransportCom groups as constituting a source of further revenues for extant products and services. The synergies ensuing from the pooling of administrative activities – with this especially applying to Austria – are to be exploited, as are those arising from the joint utilization of a common infrastructure.

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

Due to the size of the acquired businesses and the complexity of the valuation issues associated with the project business, the fair values of the net assets acquired could not be finally determined by the time the consolidated financial statements were prepared.. The Group expects the initial consolidation to be finalized as of the second quarter of 2020.

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

NET FLOW OF CASH	IN TEUR
Purchase price paid in cash	0
Cash assumed through takeover of subsidiaries, including current account liabilities	-11,137
Cash flow from investing activities	-11,137
Transaction costs from acquisition of companies	-107
Cash flow from operating activities	-107

Since the date of full consolidation, the companies have contributed TEUR 70,653 to consolidated revenues and TEUR 11,290 to net income. Had the initial consolidation of the companies taken place as of January 1, 2019, consolidated revenues would have been altered by an additional TEUR 50,295, and net income by TEUR -31,424 (including restructuring expenditure).

ACQUISITION OF 51% OF THE SHARES OF BASS SYSTEMS S.R.L., CHISINAU, MOLDOVA

In August 2019, S&T AG signed a notarial contract stipulating its acquisition of 51% of the shares of BASS Systems S.R.L., Chisinau, Moldova. This was accompanied by the simultaneous sale of 49% of the shares of S&T Mold srl, Chisinau, Moldova by S&T AG. Subsequent to the conclusion of these transactions, S&T AG holds 51% of the shares in S&T Mold srl and BASS Systems S.R.L.. The sale of the shares in S&T Mold srl did not lead to a loss of control. The elucidations below cover the reporting of the recognition of the sale of the stake in the consolidated financial statements.

BASS Systems S.R.L. is one of the leading IT systems integrators in Moldova. BASS is specialized in the provision of hardware and software-based services. Its wide-ranging portfolio is also comprised of services and technologies stemming from leaders on international markets. As of August 1, 2019, the company was included in the consolidated financial statements of S&T AG. The purchase price is comprised of a fixed component of cash to be paid in 2020 and amounting to TEUR 5,739, and of a variable component that comes to TEUR 6,708, calculated based on an earn-out agreement covering the financial years of 2019 and 2020. Additionally, a consideration transferred was agreed upon, which entails the shares in S&T Mold srl that were relinquished and came to TEUR 582. The variable component of the purchase price will be determined by the after-tax earnings achieved by BASS Systems S.R.L. in financial year 2019 and 2020.

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

NET ASSETS ACQUIRED	IN TEUR
Cash and cash equivalents	2,867
Non-current assets	8,079
Inventories	1,839
Trade receivables (nominal value TEUR 12,311)	12,212
Other receivables and assets	820
Deferred tax liabilities	-906
Trade payables	-3,534
Other current liabilities	-13,002
Current financial liabilities	-76
Net assets at fair value	8,299

GOODWILL	IN TEUR
Consideration transferred	13,029
Non-controlling interests measured as proportionate net assets	4,067
Net assets at fair value	-8,299
Goodwill	8,797

The acquisition of 51% of the shares of BASS Systems S.R.L. enables S&T to augment its position on the market in Moldova of being an integrator of systems. BASS will join with Group subsidiaries S&T Moldova S.R.L and S&T Romania S.R.L. in serving large customers in the public sector and other major projects. The proficiencies possessed by the staff of more than 80 employees are conducive to the handling of projects featuring complex technical requirements.

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

As of the time of the compilation of the consolidated financial statements, the valuation of the net assets acquired could not yet be finalized. The Group expects the initial consolidation to be finalized as of the second quarter of 2020.

The analysis of the cash flows arising from 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, including current account liabilities	2,867
Cash flow from investing activities	2,867
Transaction costs from acquisition of company	-49
Cash flow from operating activities	-49

Since the date of full consolidation, the company has contributed TEUR 10,357 to consolidated revenues and TEUR 1,142 to net income. Had the initial consolidation of the companies taken place as of January 1, 2019, consolidated revenues would have been increased by an additional TEUR 13,465, and net income by TEUR 3,897.

ACQUISITION OF 100% OF THE SHARES OF AIS AUTOMATION DRESDEN GMBH, DRESDEN, GERMANY

On October 24, 2019, S&T AG signed a notarial contract stipulating its purchasing of a 100% stake in AIS Automation Dresden GmbH, Germany. AIS Automation Dresden GmbH is specialized in the development of innovative and flexible software solutions used in automation technologies. The company was included in the consolidated financial statements of S&T AG as of November 1, 2019. The purchase price is comprised of a fixed amount of cash coming to TEUR 12,500, and of a variable component amounting to TEUR 577, based on a profit share agreement covering the period January 1 – September 30, 2019.

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

NET ASSETS ACQUIRED	IN TEUR
Cash and cash equivalents	2,106
Non-current assets	5,005
Inventories	1,278
Trade receivables (nominal value TEUR 2,105)	2,025
Other receivables and assets	766
Non-current liabilities	-325
Deferred tax liabilities	-674
Trade payables	-2,426
Other current liabilities	-2,152
Net assets at fair value	5,603

GOODWILL	IN TEUR
Consideration transferred	13,077
Net assets at fair value	-5,603
Goodwill	7,474

The acquisition of the shares in AIS Automation Dresden GmbH primarily served to strengthen the S&T Group's expertise in their "IoT Solutions Europe" segment. The transaction enabled the S&T Group to gain the know-how of more than 100 development and software engineers. Their talents will increase the Group's value added. This move enables S&T to pursue its objective of teaming up its software-based know-how with that of extant hardware-based expertise.

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

As of the time of compilation of the consolidated financial statements, the initial consolidation had not yet been finalized. This is because the valuation of the net assets acquired had not been completed. The Group expects the valuation issues outstanding to be settled in the second quarter of 2020. This will enable the completion of the initial consolidation.

The analysis of the cash flows arising from the acquisition of the company takes the following form:

NET FLOW OF CASH	IN TEUR
Purchase price paid in cash	-13,077
Cash less financial liabilities assumed through takeover of subsidiary	2,106
Cash flow from investing activities	-10,971
Transaction costs from acquisition of company	-47
Cash flow from operating activities	-47

Since the date of full consolidation, the company has contributed TEUR 2,799 to consolidated revenues and TEUR 21 to net income. Had the initial consolidation of the companies taken place as of January 1, 2019, consolidated revenues would have been altered by an additional TEUR 10,811, and net income by TEUR 362.

ACQUISITION OF THE "INDUSTRIAL MAINBOARD" BUSINESS AREA OF FUJITSU TECHNOLOGY SOLUTIONS GMBH, MUNICH, GERMANY

Kontron S&T AG, Augsburg, Germany, a subsidiary of S&T AG, took over – via an asset deal in the second quarter of 2019 – the Augsburg-based industrial mainboard business of Fujitsu Technology Solutions GmbH, Munich, Germany. Paid entirely in cash, the purchase price came to TEUR 1,500. The company acquired is a "business operation" as defined by IFRS 3.

The assets acquired were recognized at the following fair values upon the company's initial consolidation in the Group's consolidated financial statements:

NET ASSETS ACQUIRED	IN TEUR
Non-current assets	1,500
Net assets at fair value	1,500

GOODWILL	IN TEUR
Consideration transferred	1,500
Net assets at fair value	-1,500
Goodwill	0

The analysis of the cash flows arising from the acquisition of the company takes the following form:

NET FLOW OF CASH	IN TEUR
Purchase price paid in cash	-1,500
Cash flow from investing activities	-1,500
Transaction costs from acquisition of company	-8
Cash flow from operating activities	-8

DECONSOLIDATIONS

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

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

The results from deconsolidation were reported in other income and totaled TEUR 275.

The assets and liabilities disposed of and the results of deconsolidation came to the following:

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

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

ACQUISITION OF NON-CONTROLLING INTERESTS

By conducting a variety of processes of purchase, in financial year 2019 S&T AG acquired further shares in companies that had already been fully consolidated:

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

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

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

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

In August 2019, S&T AG signed a notarial contract stipulating its acquisition of 51% of the shares of BASS Systems S.R.L., Chisinau, Moldova. This was accompanied by the simultaneous sale of 49% of the shares of S&T Mold srl, Chisinau, Moldova by S&T AG. Prior to signing this contract, S&T AG held 100% of the shares of S&T Mold srl. Subsequent to the conclusion of these transactions, S&T AG holds a 51% stake in S&T Mold srl, over which it exercises control. The consideration ensuing from the sale of the 49% stake is comprised of a fixed amount of cash coming to TEUR 300 and the transferring of consideration associated with the purchasing of the shares in BASS Systems S.R.L..

The reduction of the shareholdings held took the following form:

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

As of the balance sheet date of December 31, 2019, the following companies belonged to 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 Deutschland GmbH	Mendig, DE	100%	100%	EUR
XTRO AG	Ismaning, DE	100%	100%	EUR
SteuDaTec System- und Netzwertechnik GmbH	Mendig, DE	-	100%	EUR
CES POS d.o.o.	Zagreb, HR	100%	100%	HRK
CES POS DOO	Belgrade, RS	100%	100%	RSD
AIS Automation Dresden GmbH	Dresden, DE	100%	-	EUR
Kontron Technologies GmbH (former S&T Technologies GmbH)	Linz, AT	100%	100%	EUR
SecureGUARD GmbH	Linz, AT	69%	69%	EUR
computer betting company gmbh	Leonding, AT	100%	100%	EUR
STS Sportwetten GmbH	Leonding, AT	-	100%	EUR
S&T Romania S.R.L.	Bucharest, RO	100%	100%	RON
S&T Slovakia s.r.o.	Bratislava, SK	100%	100%	EUR
S&T Services s.r.o.	Bratislava, SK	-	100%	EUR
XLive GmbH	Mendig, DE	100%	100%	EUR
dorobet ltd.	St. Julians, MT	99%	99%	EUR
S&T CEE Holding s.r.o.	Bratislava, SK	100%	100%	EUR
S&T Plus s.r.o.	Prague, CZ	100%	100%	CZK
S&T CZ s.r.o.	Prague, CZ	100%	100%	CZK
S&T PilsCom s.r.o.	Plzen, CZ	-	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 BH d.o.o	Sarajevo, BA	100%	100%	BAM
S&T Slovenija d.d.	Ljubljana, SI	100%	100%	EUR
S&T Hrvatska d.o.o.	Zagreb, HR	100%	100%	HRK
S&T Carrier Business d.o.o.T	Zagreb, HR	-	100%	HRK
S&T Macedonia d.o.o.e.l.	Skopje, MK	100%	100%	EUR
S&T ICB d.o.o.e.l.	Skopje, MK	-	100%	MKD
S&T Medical d.o.o.	Ljubljana, SI	51%	51%	EUR
S&T Bulgaria e.o.o.d.	Sofia, BG	100%	100%	BGN

COMPANY	HEADQUARTERS	DIRECT SHAREHOLDINGS	SHAREHOLDINGS PREVIOUS YEAR	FUNCTIONAL CURRENCY
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
S&T Serbia d.o.o.	Belgrade, RS	100%	100%	RSD
S&T Mold srl.	Chisinau, MD	51%	100%	USD
S&T IT Technology SRL	Chisinau, MD	100%	100%	USD
BASS Systems S.R.L.	Chisinau, MD	51%	-	MDL
S&T Smart Energy GmbH	Linz, AT	100%	100%	EUR
Affair OOO ¹⁾	Moscow, RU	48%	48%	RUB
RTSoft Project OOO	Moscow, RU	74.50%	74.50%	RUB
Software Development Center RTSoft OOO	Moscow, RU	100%	100%	RUB
RTSoft AO	Moscow, RU	100%	100%	RUB
RTSoft Training Center	Moscow, RU	100%	100%	RUB
RTSoft GmbH	Ismaning, DE	100%	100%	EUR
SHS Centre OOO	Moscow, RU	100%	100%	RUB
RTSoft-ES OOO	Moscow, RU	100%	-	RUB
RTSoft Smart Grid OOO	Moscow, RU	99%	-	RUB
S&T MEDTECH SRL (former GADAGROUP ROMANIA SRL)	Bucharest, RO	100%	84%	RON
S&T SME Distribution GmbH	Linz, AT	51%	51%	EUR
Amanox Solutions AG	Bern, CH	100%	51.20%	CHF
Kontron Austria GmbH	Engerwitzdorf, AT	100%	100%	EUR
Kontron Austria Holding GmbH	Ebbs, AT	-	100%	EUR
Kontron Austria Electronics GmbH	Ebbs, AT	-	100%	EUR
Kontron Electronics AG	Rotkreuz, CH	100%	100%	CHF
hamcos IT Service GmbH ²⁾	Hohentengen, DE	49%	49%	EUR
S&T Services GmbH	Vienna, AT	-	100%	EUR
Linforge Technologies GmbH	Vienna, AT	-	100%	EUR

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NOTES 2019

COMPANY	HEADQUARTERS	DIRECT SHAREHOLDINGS	SHAREHOLDINGS PREVIOUS YEAR	FUNCTIONAL CURRENCY
Kontron S&T AG	Augsburg, DE	95.90%	95.15%	EUR
Kontron Europe GmbH	Ismaning, DE	100%	100%	EUR
Kontron Modular Computers SAS	Toulon, FR	100%	100%	EUR
Kontron Technology A/S	Horsholm, DK	-	100%	DKK
Kontron UK Ltd.	Chichester, GB	100%	100%	GBP
Kontron ECT design s.r.o.	Plzen, CZ	100%	100%	CZK
Kontron Ukraine OOO	Kiev, UA	100%	100%	UAH
Kontron Electronics GmbH	Großbettlingen, DE	100%	100%	EUR
Kontron Electronics Kft.	Kapoly, HU	100%	-	HUF
Kontron America Inc.	San Diego, US	100%	100%	USD
Kontron Canada Inc.	Boisbriand, CA	100%	100%	USD
Inocybe Technologies Inc UK Limited	London, UK	100%	100%	GBP
Inocybe Technologies USA Inc.	Delaware, US	100%	100%	USD
Kontron communication Spain SL	Barcelona, ES	100%	-	EUR
Kontron Asia Pacific Design Sdn. Bhd.	Penang, MY	100%	100%	MYR
Kontron Technology Beijing Co. Ltd.	Beijing, CN	100%	100%	RMB
Kontron Hongkong Technology Co. Ltd.	HongKong, CN	100%	100%	RMB
Kapsch (Beijing) Information and communication Technology Co., Ltd	Beijing, CN	100%	-	RMB
Kontron Asia Inc. (vorm. S&T Asia Inc.)	Taipei, TW	100%	100%	TWD
Kontron Asia Technology Inc.	Taipei, TW	100%	100%	TWD
Quanmax Malaysia Sdn. Bhd	Penang, MY	100%	100%	MYR
Quanmax USA Inc.	Irvine, US	95.64%	95.64%	USD
Kontron Transportation Taiwan Co., Ltd	Taipei, TW	100%	-	TWD
Kontron Transportation Austria AG	Vienna, AT	100%	-	EUR
Kontron Transportation Sp. z o.o.	Warsaw, PL	100%	-	PLN
Kontron Transportation España SL	Madrid, ES	100%	-	EUR
Kontron Transportation Portugal, Unipessoal LDA	Lisbon, PT	100%	-	EUR

COMPANY	HEADQUARTERS	DIRECT SHAREHOLDINGS	SHAREHOLDINGS PREVIOUS YEAR	FUNCTIONAL CURRENCY
Kontron Transportation s.r.o.	Prague, CZ	100%	-	CZK
Kontron Transportation Hungary Kft.	Budapest, HU	100%	-	HUF
Kapsch CarrierCom Saudi Arabia LLC	Riyadh, SA	100%	-	SAR
Kontron Transportation Deutschland GmbH	Frankfurt, GE	100%	-	EUR
Kontron Transportation France S.A.S.	Paris, FR	100%	-	EUR
Kontron Transportation UK Ltd.	Harrow, GB	100%	-	GBP
Kontron Transportation North America Inc.	Delaware, US	100%	-	USD
Kontron Transportation Belgium NV	Diegem, BE	100%	-	EUR
AP Trans NV	Diegem, BE	100%	-	EUR

- 1) Control due a call-option for 3% of the shares that could be exercised should S&T so agree. The option is to be evaluated as of the balance sheet date as being a substantial right held by S&T AG.
- 2) Control due to a call-option held by S&T AG that can be exercised at any time up to 31.12.2020 and for a stake of 25.9%. The consolidation was already performed at a 100% rate due to a put-option for the remaining shares held by the non-controlling interests that can be exercised until 31.12.2024.

CHANGES IN 2018 IN COMPANIES CONSOLIDATED IN THE GROUP

In December 2017, S&T Mold srl, Chisinau, Moldova, founded S&T IT Technology srl, Chisinau, Moldova. S&T Mold srl holds 100% of the shares in S&T IT Technology srl. The entry of the company in the corporate registry took place in December 2017. S&T IT Technology srl launched business operations at the beginning of 2018. The company was consolidated as of this point in time in the consolidated financial statements of S&T AG. The company develops software.

The following companies were merged in financial year 2018:

- › Industrial Computers Ltd., Easthampnett, UK: company taking over Kontron UK Ltd., Chichester, UK
- › S&T embedded GmbH, Munich, Germany: company taking over Kontron Europe GmbH, Ismaning, Germany
- › Roding Embedded GmbH, Munich, Germany: company taking over S&T embedded GmbH, Munich, Germany
- › BIT IT! Service GmbH, Neuwied, Germany: company taking over S&T Deutschland GmbH, Mending, Germany
- › S&T CZ Services s.r.o., Prague, Czech Republic: company taking over S&T CZ s.r.o., Prague, Czech Republic
- › S&T ICB d.o.o., Ljubljana, Slovenia: company taking over S&T Slovenija d.d., Ljubljana, Slovenia
- › Industrial Computers SAS, Valbonne, France: company taking over Kontron Modular Computers SAS, Toulon, France
- › Active Internet Performance GmbH, Vienna, Austria: company taking over S&T Services GmbH, Vienna, Austria
- › S&T Carrier business EOOD, Sofia, Bulgaria: company taking over S&T Bulgaria EOOD, Sofia, Bulgaria
- › S&T ICB DOO, Belgrade, Serbia: company taking over S&T Serbia DOO, Belgrade, Serbia
- › Fair Value Com S.R.L., Bucharest, Romania: company taking over S&T Romania S.R.L., Bucharest, Romania
- › CES POS Anteile A GmbH, Aiterhofen, Germany: company taking over S&T Deutschland GmbH, Mending, Germany

Through mergers, the S&T Group acquired shares in the following companies in financial year 2018. These in turn led to the full consolidation of the companies:

- › Foreign Trade Unitary Enterprise "Kapsch", Minsk, Belarus (subsequently renamed S&T Services Bel LLC)
- › Kapsch DOOEL, Skopje, North Macedonia (subsequently renamed S&T ICB DOOEL)
- › Kapsch CarrierCom d.o.o., Zagreb, Croatia (subsequently renamed S&T Carrier Business d.o.o.)
- › Kapsch d.o.o., Ljubljana, Slovenia (subsequently renamed S&T ICB d.o.o.)
- › Kapsch DOO Belgrade, Serbia (subsequently renamed S&T ICB DOO)
- › Kapsch EOOD, Sofia, Bulgaria (subsequently renamed S&T Carrier business EOOD)
- › Active Internet Performance GmbH, Vienna, Austria
- › exceet Austria GmbH, Ebbs, Austria (subsequently renamed Kontron Austria Holding GmbH)
- › exceet electronics GmbH, Ebbs, Austria (subsequently renamed Kontron Austria Electronics GmbH)
- › exceet electronics AG, Rotkreuz, Switzerland (subsequently renamed Kontron Electronics AG)
- › exceet electronics GmbH, Großbettlingen, Germany (subsequently renamed Kontron Electronics GmbH)
- › Fair Value Com S.R.L., Bucharest, Romania
- › Inocybe Technologies Inc UK Limited, London, UK
- › Inocybe Technologies USA Inc., Delaware, USA
- › S&T PilsCom s.r.o., Plzen, Czech Republic
- › SteuDaTec System- und Netzwerktechnik GmbH, Kempenich, Germany

As of December 31, 2018, the purchase price allocations associated with the acquisition of shares in the following companies had been concluded:

- › Foreign Trade Unitary Enterprise "Kapsch", Minsk, Belarus (subsequently renamed S&T Services Bel LLC)
- › Kapsch DOOEL, Skopje, North Macedonia (subsequently renamed S&T ICB DOOEL)
- › Kapsch CarrierCom d.o.o., Zagreb, Croatia (subsequently renamed S&T Carrier Business d.o.o.)
- › Kapsch d.o.o., Ljubljana, Slovenia (subsequently renamed S&T ICB d.o.o.)
- › Kapsch DOO Belgrade, Serbia (subsequently renamed S&T ICB DOO)
- › Kapsch EOOD, Sofia, Bulgaria (subsequently renamed S&T Carrier business EOOD)
- › Active Internet Performance GmbH, Vienna, Austria
- › Fair Value Com S.R.L., Bucharest, Romania
- › Inocybe Technologies Inc UK Limited, London, UK
- › Inocybe Technologies USA Inc., Delaware, USA
- › S&T PilsCom s.r.o., Plzen, Czech Republic
- › SteuDaTec System- und Netzwerktechnik GmbH, Kempenich, Germany

The assets and liabilities acquired were recognized at the following fair values in the consolidated financial statement at their time of initial consolidation:

NET ASSETS ACQUIRED	IN TEUR
Cash and cash equivalents	2,746
Non-current assets	2,632
Inventories	498
Trade receivables (nominal value TEUR 5,197)	4,571
Other receivables and assets	1,871
Non-current liabilities	-1,198
Deferred tax liabilities	-265
Trade payables	-3,896
Other current liabilities and provisions	-4,055
Net assets at fair value	2,904
GOODWILL	IN TEUR
Consideration transferred	7,783
Net assets at fair value	-2,904
Goodwill	4,879

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Of the goodwill resulting from the purchase price allocations, TEUR 4,305 was assigned to the "Embedded Systems" segment (renamed "IoT Solutions America" in 2019); and TEUR 2,133 to the "IT Services" segment; and a negative difference amounting to TEUR -1,559 was assigned to "other operating income". The goodwill is not tax deductible.

The analysis of the cash flows arising from the merger of companies takes the following form:

NET FLOW OF CASH	IN TEUR
Purchase price paid in cash	-5,666
Cash assumed through takeover of subsidiaries, including current account liabilities	2,746
Cash flow from investing activities	-2,920
Transaction costs from acquisition of companies	-376
Cash flow from operating activities	-376

As of the date of full consolidation, the companies acquired contributed TEUR 14,122 to consolidated revenues and TEUR -622 to net income in financial year 2018. Had the initial consolidation of the companies taken place as of January 1, 2018, consolidated revenues would have changed by TEUR 6,764, and net income by TEUR 387.

As of December 31, 2018, the purchase price allocations associated with the acquisition of shares in the following companies had been reported at preliminary fair values:

- › exceet Austria GmbH, Ebbs, Austria (subsequently renamed Kontron Austria Holding GmbH)
- › exceet electronics GmbH, Ebbs, Austria (subsequently renamed Kontron Austria Electronics GmbH)
- › exceet electronics AG, Rotkreuz, Switzerland (subsequently renamed Kontron Electronics AG)
- › exceet electronics GmbH, Großbettlingen, Germany (subsequently renamed Kontron Electronics GmbH)

The finalization of the calculations of fair value took place within the twelve months as of the time of acquisition, and took the following form:

NET ASSETS ACQUIRED	IN TEUR
Cash and cash equivalents	1,097
Non-current assets	9,657
Inventories	22,122
Trade receivables (nominal value TEUR 7,291)	6,970
Other receivables and assets	1,719
Non-current liabilities	-1,996
Deferred tax liabilities	-3,153
Trade payables	-6,996
Other current liabilities and provisions	-6,458
Current financial liabilities	-965
Net assets at fair value	21,977

GOODWILL	IN TEUR
Consideration transferred	30,771
Net assets at fair value	-21,997
Goodwill	8,774

The finalization of the calculation of the fair value of the assets and liabilities acquired and of the ensuing goodwill led to no changes compared to the preliminary calculations as of December 31, 2018.

The goodwill resulting from the purchase price allocations was assigned in its full amount to the "IoT Solutions" segment, and is not tax deductible.

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

NET FLOW OF CASH	IN TEUR
Purchase price paid in cash	-30,771
Cash less financial liabilities assumed through takeover of subsidiaries	132
Cash flow from investing activities	-30,639
Transaction costs from acquisition of companies	-65
Cash flow from operating activities	-65

As of the date of full consolidation, the companies contributed TEUR 27,636 to consolidated revenues and TEUR 548 to net income in financial year 2018. Had the initial consolidation of the companies taken place as of January 1, 2018, consolidated revenues would have increased by TEUR 41,316, and the net income by TEUR -1,755.

DECONSOLIDATIONS IN 2018

The S&T Group neither sold nor wound up any companies in financial year 2018. Acquisition of Anteilen ohne beherrschenden Einfluss an der Kontron S&T AG, Augsburg, Deutschland (vormals Kontron AG)

ACQUISITION OF THE NON-CONTROLLING INTERESTS IN KONTRON CANADA INC., BOISBRIAND, CANADA

As of September 21, 2018, S&T AG entered into a contract comprising the purchase – via the issuance of shares and the rendering of consideration – of the 49% stake in Kontron Canada Inc. still outstanding. Seller and provider of consideration was Ennoconn Investment Holdings Co. Ltd. Ennoconn Investment Holdings Co. Ltd is regarded as a company that is affiliated with S&T AG because S&T AG forms part of the group of companies consolidated by Ennoconn Corporation, based on the latter exerting de facto control over the former.

The price for the purchase of the 49% stake in Kontron Canada Inc. was comprised of the issuance of 2,177,711 new shares at a price of issuance of EUR 23.37 per share and for consideration, and of a supplemental payment in cash of EUR 0.15 per new share. The total value of the non-controlling interests' shares acquired came to some TEUR 16,991 as of the date of acquisition.

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

	IN TEUR
Consideration transferred	51,220
Non-controlling interests taken over	-16,911
Settlement with capital reserves	34,309

ACQUISITION OF NON-CONTROLLING INTERESTS IN KONTRON S&T AG, AUGSBURG, GERMANY

Via an offer to purchase shares made on a voluntary basis to free-float shareholders, S&T AG acquired in financial year 2018 further shares in Kontron S&T AG, which is not publicly listed. The shares held as of December 31, 2017 came to 92.29%. This rose to 95.15% as of December 31, 2018.

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

	IN TEUR
Consideration transferred	8,392
Non-controlling interests taken over	-3,652
Settlement with capital reserves	4,740

ACQUISITION OF THE NON-CONTROLLING INTERESTS IN S&T ROMANIA S.R.L., BUCHAREST, ROMANIA AND OF BIT IT! SERVICE GMBH, NEUWIED, GERMANY

On May 31, 2018, S&T AG concluded a contract foreseeing its purchasing of the 30.06% stake still outstanding in S&T Romania S.R.L. The price agreed upon for the purchase was comprised of a fixed component of TEUR 1,500, and of a variable purchase price component of TEUR 500. The variable purchase price component is based on the conclusion of customer contracts defined in the purchase agreement by S&T Romania until April 30, 2019, at the latest. It was incorporated into the price of purchase because it is assumed that the conditions will be fulfilled.

On April 10, 2018, S&T Deutschland GmbH, an associate of S&T AG, entered into a contract of purchase and assignment for the acquisition of the shares in BIT IT! Service GmbH, Neuwied, Germany, still outstanding. The price for the purchasing of the 19% stake came to TEUR 116.

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

IN TEUR

Derecognition of conditional consideration	2,116
Transferred non-controlling interests	-901
Settlement with capital reserves	1,215

REDUCTION OF THE SHAREHOLDINGS IN AMANOX SOLUTIONS AG, BERN, SWITZERLAND, WITHOUT LOSS OF CONTROL

In November 2018, S&T AG entered into an agreement on the termination of the put and call options forming part of the Master Purchase Agreement of March 2, 2016 for the purchasing of the rest of the shares still held by the sellers in Amanox Solutions AG. The agreed-upon conditions setting up reciprocal put and call options had caused Amanox to be 100% consolidated. The termination agreement caused the corresponding cancellation of the options, leading to the shares held by S&T AG dropping from 100% to today's 51.2%. That percentage means that S&T has not lost control over the company. As of the time of reduction of the shares held, the fair value of the conditional consideration amounted to TEUR 2,568. This was rebooked in a way not impacting upon net income.

The reduction in the holding of shares took the following form:

IN TEUR

Derecognition of conditional consideration	-2,568
Transferred non-controlling interests	2,880
Settlement with capital reserves	312

B.

ACCOUNTING AND VALUATION PRINCIPLES

CURRENCY TRANSLATION

The figures in the consolidated financial statements are in euros, the functional currency of the parent company. Each subsidiary selects its functional currency, which is used in the company's primary business environment. The annual financial statements of non-Austrian subsidiaries are translated according to the concept of functional currencies by using the modified reporting date method in accordance with IAS 21. Expenses and earnings are translated into the currency of depiction used in the consolidated financial statements at average rates; assets and liabilities at the closing rates of the balance sheet date. Rates of exchange-related profits and losses that have not been realized at the balance sheet date are reported in the results for the period affecting net income. Historic rates are used in the translation of the equity of subsidiaries. Changes in exchange rates are settled with equity without impacting net income. Such changes are depicted separately in the statement of changes in consolidated equity.

The exchange rates for the currencies most important to the S&T Group changed on a y-on-y basis as follows:

CURRENCY 1 EURO	2019 AVERAGE EXCHANGE RATE	2019 CLOSING RATE	2018 AVERAGE EXCHANGE RATE	2018 CLOSING RATE
ALL	123.05000	121.83362	127.62170	123.49479
BGN	1.95583	1.95583	1.95583	1.95583
BYN	2.34074	2.36217	2.40530	2.47208
CAD	1.48548	1.45980	1.52937	1.56050
CHF	1.11245	1.08540	1.15496	1.12690
CZK	25.67045	25.40800	25.64700	25.72400
GBP	0.87777	0.85080	0.88471	0.89453
HRK	7.41797	7.43950	7.41816	7.41250
HUF	325.29675	330.53000	318.88969	320.98000
MDL	19.41609	19.26572	-	-
MKD	61.52393	61.50260	61.49775	61.48026
MYR	4.63742	4.59530	4.76336	4.73170
PLN	4.29762	4.25680	4.26149	4.30140
RON	4.74535	4.78300	4.65402	4.66350

CURRENCY 1 EURO	2019 AVERAGE EXCHANGE RATE	2019 CLOSING RATE	2018 AVERAGE EXCHANGE RATE	2018 CLOSING RATE
RMB	7.73549	7.82050	7.80808	7.87510
RSD	117.83469	117.54750	118.23911	118.21832
RUB	72.45534	69.95630	74.04160	79.71530
TWD	34.59591	33.60521	35.58529	35.00328
USD	1.11948	1.12340	1.18096	1.14500

TRANSACTIONS IN FOREIGN CURRENCIES AND BALANCES

Transactions denominated in foreign currencies are translated into the functional currency as of the point of time in which the business event is to be initially measured at the respectively valid cash rate. Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the date of financial reporting at the rate prevailing on that day. Differences arising from the settlement or translation of monetary items are to be reported impacting net income. Nonmonetary items whose valuation has been undertaken in a foreign currency and at historical acquisition costs and production are to be translated at the rate prevailing on the day of the business transaction.

DISCRETIONARY DECISIONS, ESTIMATES AND ASSUMPTIONS

The compilation of the consolidated financial statement requires the making of estimates of, discretionary decisions on, and assumptions about several items. These affect the amount of and the nature of reporting on assets, liabilities, income and expenses listed in the accounts. All estimates are reevaluated on an ongoing basis. They are based on experiences and on expectations regarding future events. The uncertainties associated with the assumptions and estimates may cause the actual events occurring in future periods to require adjustments of the assets and liabilities involved.

The main areas of application of discretionary decisions, assumptions and estimates are the reporting of acquisitions, the subsequent reporting of goodwill and other intangible assets, the valuation of provisions, the recognition of deferred taxes ensuing from tax losses carried forward, the measurement of inventories and of trade receivables, the measurement of provisions, accounting for leases, the assessment of legal risks, and the realization of proceeds from customer contracts. Please consult the elucidations of the individual items to learn more about the assumptions made.

PURCHASE PRICE ALLOCATIONS

The conducting of purchase price allocations for companies acquired requires assumptions about the existence and value of assets acquired (with this especially applying to intangible assets) and liabilities (including contingent liabilities). The calculation of fair values forming part of purchase price allocations also is dependent upon assumptions on primarily the cash flow expected and on the discounting rate. Further key assumptions include the fair values of contingent consideration and put-options on non-controlling interests (the details of the acquisitions of companies are found in Section A "Changes in the companies consolidated in the Group").

EXISTENCE OF CONTROL

In cases of transactions in which the S&T Group acquires shares of less than 50% in other companies, management is to determine whether or not the latter are, despite this, directly or indirectly controlled by S&T AG. Should control in fact exist, these companies are fully consolidated in the consolidated financial statements and – in cases of the company engaging in business operations – initially consolidated using IFRS 3's purchase method. This assessment particularly requires the management to make estimates and assumptions on S&T's capabilities to determine the relevant activities of the company – and therefore be able to influence the variable returns from the company. This requires the consideration of the nature and objective of each company, an analysis of the governance structure, and the identification of other ways in which S&T can exert influence in these companies beyond having a majority of voting rights.

IMPAIRMENT TESTS OF GOODWILL

The annually conducted impairment tests comprise goodwill. The impairment test takes place on the level of the cash-generating unit. It is based on the plans formulated by the company for the medium term, upon the discount rates specific to the market and company, and upon expected growth rates and of currency exchange rates (Details on the impairment tests performed on goodwill are found in Section D, Note (12)).

DEVELOPMENT COSTS

Development costs are capitalized according to the methods of financial reporting and valuation depicted. An initial capitalization of costs is based upon the assessment of the management that technical and economic feasibility has been established. For purposes of determining the amounts to be capitalized, management makes assumptions on the amount of the cash flows expected from the project, on the discounting rate to be applied and on the term of accrual of the expected future use (Details on the capitalization of development costs are found in Section D, Note (12)).

DEFERRED TAX ASSETS

Deferred tax assets are recognized for unused tax losses carried forward to the extent that it is probable that the taxable income will be available to actually utilize the losses carried forward. Factors of importance when calculating the deferred tax assets capable of capitalization are the assessment of the timing and amount of the future taxable income, and the strategy planned for taxation in the future. If an extant loss carried forward is not expected to be used within a reasonable period of five years on the basis of these future forecasts, no capitalization is undertaken of this loss carried forward (Details of the deferred tax assets are found in Section D, Note (16)).

VALUATION OF INVENTORIES

A standardized discounting for obsolescence is performed to take into account the risk of obsolescence. Finished goods are also subject to a systematic assessment. This loss-free valuation is essentially determined by expectations for unit sales, developments of exchange rates, the time of sale and the costs still to be expected (Details on the valuation of inventories are found in Section D, Note (17)).

MEASUREMENT OF TRADE RECEIVABLES

The Group employs a value adjustment matrix to calculate the credits-related losses expected to materialize in trade receivables and contract assets. The value adjustment ratios are determined using the duration of the arrears for the various portfolios of receivables.

The value adjustment matrix is based on the historic rates of delinquency experienced by the Group, with these being adjusted to account for future-related information. The historical rates of delinquency are updated as of each date of financial reporting. The evaluation of the relationship between historic default rates and loan defaults constitutes a key estimate. The historic rates of defaults and the future estimate may possibly not be representative of the actual defaults experienced with customers in the future.

DEFINED BENEFIT PENSION PLANS AND PROVISIONS FOR SEVERANCE PAY AND JUBILEE PAYMENTS

Actuarial methods are used to calculate expenses for and the present value of commitments to render defined benefit pension plans, severance pay and jubilee payments. These valuations are based on a variety of assumptions on matters such as discount rates; future rises in salaries and wages and pensions; and mortality tables. These assumptions may diverge from the future's actual developments (Details on the provisions constituted for pensions-related obligations and severance pay are found in Section D, Note (26)).

LEGAL RISKS

As an internationally operating corporation, the S&T Group is exposed to a variety of legal risks that arise in the areas of product liability, fair-trade regulations, patent, tax and other legislation, and contractual obligations. Sufficiently sized provisions are constituted for extant risks. However, it cannot be ruled out with certainty that current proceedings and court decisions will result in expenses that exceed the provisions made.

FINANCIAL REPORTING OF LEASES

IFRS 16 requires the making of assessments that in turn affect upon the measurement of leasing liabilities and rights of utilization. Comprised in this is the determination of the terms and rate of incremental borrowing to be applied to contracts covered by IFRS 16. The latter rate is used to discount future payment obligations. This rate of incremental borrowing is derived from the risk-free interest rate prevailing in the underlying term, adjusted for risks arising from countries, currencies and the corporation.

ALTERATION OF ESTIMATES

In financial year 2019, no significant alterations were performed on the estimates.

REVENUES FROM CONTRACTS WITH CUSTOMERS

TIME OF FULFILLMENT OF CONTRACTUAL OBLIGATIONS

The Group sells consulting, installation and repair services. These services are rendered on a time or material basis and are recognized as revenues in accordance with the expenses incurred or upon acceptance of the service by the customer.

A period of time-related realization of revenues occurs in the cases in which

- › the customer obtains the utility from a service rendered by the company, and can use it simultaneously with the provision of the service,
- › the service rendered by the company causes the creation or improvement of an asset over which the customer obtains the power of disposition during this creation or improvement, or
- › the service rendered by the company causes the compilation of an asset that does not display any alternative way of use for the company, and for which the company has a legal claim for payment for the previously-rendered services.

For any services rendered according to fixed price contracts – the length of these is generally less than one year – revenue is recognized over the time period according to the progress of performance. For limited term contracts, the percentage of completion is determined based on the hours worked in relation to the planned total hours. Contracts for materials apply the ratio of costs already incurred to the total costs planned to determine the percentage of completion.

The arising of circumstances altering the original estimates of proceeds, costs or degree of completion causes these estimates to be adjusted. These adjustments can either lead to a rise or decline in the estimated costs and are reported in the income of the period in which management has become aware of these circumstances.

In cases in which the results from a service contract featuring a fixed price cannot be reliably determined, the proceeds from the commission are recognized only to the extent that the commission's costs are probably capable of being reimbursed. In cases in which it is probable that the entire costs of the commission will exceed the entire proceeds from the commission, the loss expected is immediately recognized as expenses.

Revenues from the sale of goods and merchandise are recognized when the customer receives the power of disposition over the goods and merchandise sold. This occurs generally upon the sending of the goods and merchandise, taking into account the Incoterms respectively agreed upon with the clients. Price rebates and discounts awarded for volumes constitute variable remuneration. This is to be estimated as of the conclusion of the contract, and is to be correspondingly corrected in the revenue. This ensures at a high degree of probability that there will be no significant reversals in later periods once the uncertainty surrounding the variable remuneration no longer exists.

TRANSACTION PRICE AND ASSIGNMENT TO THE CONTRACTUAL OBLIGATIONS

Contracts that contain the delivery or provision of two or more separable products and services are to be separated into their individual components. A separate contribution to results is to be determined for each component. In the S&T Group, this can especially pertain to the combination of the installation of hardware and the provision of services, and deliveries of products with extended warranty and maintenance services. The price levied for the entire multicomponent transaction is to be divided among the individual components. The basis for this is the proportionate individual prices of sale. The revenue is separately realized for each component.

PRINCIPAL VERSUS AGENT CONSIDERATION

In cases in which more than one party is involved in the provision of goods or services to a client, a company has to decide where it is acting as a principal, in which case the revenues from sales are recognized on a gross basis; or as an agent, in which case revenue is realized at the net amount. A company acts as a principal in such cases in which it possesses the power of disposal over the product or service for which a commitment exists, prior to the former transferring the product or service to the client. In the S&T Group, this distinction primarily applies to the sale of hardware and software produced by third parties. This is because the S&T has no power of disposal over the products delivered to the client in individual cases. In-depth information is provided by the elucidations of the Group's obligations to render services. This is found in Section D, Note (1).

GRANTS FROM THE PUBLIC SECTOR

Grants from the public sector and associated with fixed assets are, in accordance with the option permitted by IAS 20, deducted from the carrying amount of the asset. These are essentially comprised of grants to support research and development.

BORROWING COSTS

Borrowing costs that can be directly assigned to the acquisition, construction or manufacturing of a qualifying asset are to be capitalized as part of the acquisition costs or production costs of the corresponding asset. All other borrowing costs are recognized as expenses in the period in which they are incurred.

SHARE-BASED PAYMENT

IFRS 2 differentiates between shares-based payments for transactions featuring cash compensation and those whose compensation takes the form of equity. The fair value of both instruments is to be calculated as of the time of granting. This fair value is then reported as personnel expenses, and apportioned throughout the period in which the beneficiaries have acquired an unlimited claim to the instruments.

The share option programs currently maintained by S&T AG entitles to the subscription of shares in exchange for the payment of the price of exercising, or the offering of cash compensation. S&T has the sole power of decision over this option. Since the fulfillment is expected to occur in shares, and since S&T AG possesses an adequate amount of conditional capital, this commitment is to be reported as a transaction featuring compensation in the form of equity. The recognition of the expenses resulting from the granting of equity instruments and of the corresponding increase in equity is made during the term in which the conditions of exercising have to be fulfilled (so-called "servicing period"). This period ends upon the day of the initial possibility of exercising, meaning at the time in which the employee involved becomes irrevocably entitled to subscribe.

The fair values are calculated using a suitable option pricing model (Black-Scholes model). The stock options measured at fair value are recognized in expenses for personnel and in the equity.

FINANCIAL INSTRUMENTS

A financial instrument is a contract that causes a company to have a financial asset and another company to have a financial liability or equity instrument. Financial instruments recognized as financial assets or liabilities are reported separately from each other.

The initial recognition of financial instruments occurs at fair value. For the subsequent measurement, financial instruments are assigned to one of the valuation categories according to IFRS 9:

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

Financial assets classified as being equity instruments give rise to the option of measuring these at fair value through other comprehensive income (without recycling).

FINANCIAL ASSETS

Financial assets comprise especially trade receivables, balances at banks, cash on hand, derivative financial assets as well as marketable securities and similar investments of money and of financial investments. The classification of financial instruments is based upon the business model according to which the instruments are held, and, as well, upon the composition of the contractually stipulated flows of payment.

Financial instruments measured at amortized cost (debt instruments)

Financial assets measured at amortized costs are non-derivative financial assets that have contractually stipulated payments that are exclusively comprised of payments of interest and principal, with this being the outstanding nominal amount. Such assets are held due to the objective of collecting the contractually stipulated flows of payment. Comprised in this are trade receivables, receivables from financing leases and cash and cash equivalents ("holding" business model).

The initial recognition of these financial assets is followed by their measurement at amortized costs, with this employing the effective interest method, less impairments for any defaults expected. Profit and loss are recognized in net income, in cases in which the asset is derecognized, modified or value impaired. The effects on interest ensuing from the application of the effective interest method joins with effects from currency translation in being recognized as 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 are non-derivative financial assets possessing contractually stipulated payments. These payments are exclusively comprised of payments of interest and of principal, with the latter constituting the outstanding nominal amount, and are held with the objectives of collecting the contractually agreed flows of payments, and of also making sales ("hold and sell" business model). In the case of financial instruments that are measured at fair value through other comprehensive income (with recycling), interest income, revaluations of profits and losses from currency translation, and impairments or value recovery are recognized in the income statement. These are calculated in the same way as the financial assets measured at amortized costs. The remaining alterations in the fair value are recognized in other comprehensive income. A derecognition causes the accumulated profit or loss resulting from alterations in fair value and reported in other comprehensive income to be reclassified to profit or loss.

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

Upon initial recognition, the Group has the irrevocable option to classify its equity instruments to be measured at fair value through other comprehensive income, in cases in which they fulfill the stipulation of IAS 32 (Financial Instruments: Depiction), and in which they are not held for trading purposes. This classification is to be undertaken for each instrument.

Profits and losses ensuing from these financial assets are never reclassified to the income statement. Dividends are recognized in the income statement as other income, in cases in which a legal claim to payment exists. This is unless – along with the payment of the dividends – a restitution of a portion of the acquisition costs of the financial asset is demanded. In this case, the profits are recognized in other comprehensive income. Equity instruments measured at fair value and reported in other comprehensive income are not assessed for impairment.

The Group has decided to assign its equity instruments to this category.

Financial assets measured at fair value through profit or loss

The group comprised of financial assets measured at fair value through profit or loss is comprised of financial assets that are classified as being such upon initial recognition, or financial assets whose measurement at fair value is compulsory. Financial assets are classified as being held for sale, in cases in which they were purchased with the objective of selling or repurchasing them in the near future.

Financial assets measured at fair value through profit or loss are recognized at fair value in the balance sheet. Alterations in fair value are settled against each other and are reported in the income statement.

IMPAIRMENT OF FINANCIAL ASSETS

The Group recognizes a value adjustment for expected credit defaults that could affect all financial instruments that are not measured at fair value through profit and loss. Defaults expected are based upon the difference between the contractually stipulated cash flows, whose payment is contained in the contract, and the sum of the cash flows that the Group expects to receive, discounted by a value approximating the original effective rate of interest.

Expected credit losses are recognized in two steps. A risk provision is constituted for financial instruments, whose risk of default has not significantly increased since the initial recognition. This provision is amounting to the credit-caused losses expected to materialize. These losses are based upon a default-causing event expected to occur within the next 12 months (12-months ECL). For financial instruments whose risk of default has significantly increased since its initial recognition, a risk provision is constituted. Its amount equals credits-caused losses expected to occur during the entire remaining term of the respective instrument, regardless of the point in time in which the default-causing event occurs (entire term-ECL).

S&T employs a simplified method to calculate the credit losses expected to incur and involving trade receivables, receivables from financing leasing, and contractual assets from contracts with customers. This method employs a value adjustment matrix and covers the entire term of the expected credit loss (ECL). This means that S&T does not track alterations in credit-related risks involving these financial instruments. Rather, it constitutes as of every reporting date a provision for risks, based upon the entire-term ECL.

The impairment rates will be determined by using the lengths of the arrears – expressed in days – as a base. The calculation comprises the probability-weighted result, and takes into account the interest effects and, as well, appropriate and proven information on past events, current conditions and the operating parameters expected to exist in the future that are available on the date of reporting.

Impairments will be reversed, with this affecting profit or loss, in cases in which the cause of the impairment no longer exists, or in which an improvement has materialized.

DERECOGNITION

A contractual asset or a component of a financial asset will be derecognized in cases in which the contractually stipulated right to the procurement of the cash flows from the financial asset has been extinguished, or in which the contractual right to the cash flows from a financial asset has been transferred to a third party.

In cases in which the Group transfers its contractual rights to the procurement of the cash flowing from the asset, it has to determine whether– or to which extent – the opportunities and risks associated with the property rest with the Group.

FINANCIAL LIABILITIES

All financial liabilities are measured at fair value upon their initial recognition. In the case of loans and liabilities, deducted from them are directly ascribable transaction costs.

The Group's financial liabilities especially comprise trade payables and other liabilities, loans, overdrafts and liabilities from financing leasing.

Financial liabilities measured at amortized costs

The initial recognition of financial liabilities is followed by the measurement at amortized cost, with this involving the use of the effective interest method.

The liabilities to banks and trade payables have the greatest importance to the consolidated financial statements.

A financial liability is derecognized if the obligation upon which it is based is satisfied, rescinded or expired. If an extant financial liability is replaced by another financial liability from the same creditor with substantially different contractual conditions, or the conditions of an extant liability are substantially altered, such an exchange or an alteration is to be treated as a derecognition of the original liability, and as the recognition of a new liability. The difference between the respective carrying amounts is recognized in profit or loss.

PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment are measured at the acquisition costs less accumulated, scheduled linear depreciation and impairments. The acquisition costs comprise the price of acquisition and ancillary costs, minus any rebates, bonuses, discounts for prompt payment and capitalized borrowing costs. In cases in which the acquisition costs of certain components of property, plant or equipment are of essential – when compared to the acquisition costs as a whole – size, these components are measured and depreciated individually.

The scheduled depreciation is based upon the following terms of utility:

DURATION OF UTILITY	YEARS
Buildings and leasehold improvements	4 – 40
Machines and mechanical facilities	3 – 10
Operating and business equipment	3 – 10
Fleet of vehicles	3 – 6
EDP equipment	3 – 5

Residual values, terms of utility and methods of depreciation are scrutinized at the end of each financial year, and are, should such be necessary, prospectively adjusted.

Disposals of assets cause the difference between the carrying amounts and the net disposal income to be reported in net income in other income (disposal proceeds greater than the carrying amount) or in the other operating expenses (disposal proceeds less than the carrying amount).

INTANGIBLE ASSETS

Intangible assets acquired through payment are reported at their acquisition costs. These take into account ancillary costs and cost reductions. Such assets are depreciated on a scheduled and linear basis during their terms of economic utility.

The scheduled depreciation is based upon the following terms of utility.

DURATION OF UTILIZATION	YEARS
Software, licenses and brand rights	2 – 10
Development costs and technologies	3 – 10
Customer relationships	3 – 5

Research costs are recognized as expenses in the period in which they are incurred. Development costs arising from a project are only capitalized as intangible assets in cases in which the Group can demonstrate both the feasibility of the technical realization and internal use or sale of the intangible asset. The Group also has to prove its intention to produce the intangible asset, and to then use or sell it. The Group is also required to show that the asset can yield a future economic benefit, that the Group possesses the resources required to produce the asset, and that it has the ability to reliably determine the expenses to be assigned to the intangible asset during its development. The development costs are reported in the balance sheet subsequent to their initial recognition with the acquisition cost model, in which the accumulated depreciation and impairment are subtracted from the acquisition costs. Depreciation begins at the conclusion of the development phase and at the point in time in which the asset can be utilized. The depreciation is performed during the period of time in which the future utility is to be expected. During the development phase an impairment test is carried out annually.

Capitalized development costs comprise all individual costs and overhead directly attributable to the development process. As part of the purchase price allocation, the acquisition costs of intangible assets are capitalized if they fulfill the preconditions for recognition in financial statements stipulated by IFRS 3 and IAS 38.

Residual book values, terms of utility and methods of depreciation are scrutinized at the end of each financial year, and are, should such be needed, prospectively adjusted.

GOODWILL

Goodwill is not subjected to scheduled depreciation. Instead, goodwill is checked for impairment at least once a year on December 31. This entails the comparison of the carrying amount of the respective cash generating unit (CGU) or group thereof, to which the goodwill has been assigned, with the recoverable amount for such. The recoverable amount is the greater of the net disposal price and the utilizable value of an asset. The latter is determined by using the discounted flows of payment calculated employing the financial plans approved by the management and covering a period of four years. Cash flows occurring after four years are extrapolated using a rate of growth of 1.0%. (PY: 1.0%) The plans take into account experiences in the past and assessments compiled by the management on future developments on markets. The flows of payment forecast for the cash generating units are discounted using the weighted average costs of capital (WACC) prior to taxes. In cases in which the recoverable amount is less than the carrying amount of the CGU, the first step is to perform an impairment on the goodwill assigned to the CGU. In cases in which the impairment is higher than the goodwill, the assets remaining to the CGU are amortized. This is done proportionately to its carrying amount, but is not to be less than the respectively recoverable amount. In addition, impairment tests are performed during the year in cases in which indications of such exist.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND OF INTANGIBLE ASSETS

Property, plant and equipment and intangible assets are examined for signs of impairment on a regular basis.

Should there be indications of impairment, an impairment test is carried out. Should such be necessary, extraordinary depreciation is performed on the asset. This writes down its value to the recoverable amount. This, in turn, is the greater of the asset's net value of disposal and its value in use. The latter is the present value of the cash flow estimated to accrue in the period to come from the setting forth of the utilization of the asset and from its disposal at the end of its term of utility.

An assessment of assets is undertaken at every balance sheet date, with the exception of goodwill. This assessment is to determine whether indications exist that a previously recognized impairment loss is no longer applicable, or has been reduced. In cases in which such indications exist, the Group makes an estimate of the recoverable amount of the asset. A previously recognized impairment loss is reversed only in cases in which an alteration has taken place since the recognition of the last impairment loss in the assumptions used in the determination of the recoverable amount. The value recovery is limited by the fact that the carrying value of an asset may not exceed either its recoverable amount or the carrying amount that would have resulted, after having taken into account scheduled depreciation, had there been no recognition in previous years of impairment losses.

INVENTORIES

The inventories are measured at the lesser of their costs of acquisition and production and of their net disposal values. The costs of production comprise the directly attributable costs, those of manufacturing and indirect materials, and depreciation. This takes into account fixed overhead. This is calculated using a normal rate of utilization of production facilities. Impairments upon inventories are undertaken in cases in which the costs of procurement or production are greater than those of the expected net disposal proceeds.

CONTRACTUAL BALANCES RESULTING FROM CONTRACTS WITH CUSTOMERS

In return for the transfer of agreed goods and services, the customer makes payments as compensation. An asset constitutes the conditional claim for the rendering of consideration for the complete fulfillment of the services stipulated in the contract. If the claim to receive the consideration becomes unconditional, a corresponding receivable is recognized. The contractual liability refers to payments received of an ahead-of-schedule basis, with this meaning prior to the fulfillment of the services contractually stipulated. Contractual liabilities are to be recognized as revenues from sales upon the contractually stipulated services have been rendered.

CASH AND CASH EQUIVALENTS

The balance sheet item of “cash and cash equivalents” comprises cash on hand and credit balances at banks as well as deposits whose original term is less than three months. The compilation of the Group’s cash flow statement requires cash and cash equivalents to comprise the above-defined cash and cash equivalents less liquid funds bearing restrictions on disposition and current account liabilities.

INCOME TAXES

This item reports the current taxes levied in the individual countries on taxable profits, and alterations in deferred taxes impacting upon the income statement.

The reported current income taxes are recognized based on the valid or resolved legal rules in force on the date of financial reporting. This is done at the amount that will probably have to be paid. Tax assets are offset against tax liabilities if they are due from the same authorities of submission, and if an utilizable claim is extant.

The determination of deferred taxes accords to IAS 12, which stipulates the use of the balance sheet-oriented liability method. It foresees the constituting of tax deferrals for the temporary differences arising between the valuations contained in the tax base and in the consolidated financial statements (temporary concept). Excepted from this are deferred taxes resulting from the initial recognition of goodwill or of an asset or liability resulting from a business transaction that is not a merger and that at the time of the business transaction influenced neither the result for the period legally accruing to the company nor the taxable results. Deferred taxes resulting from losses carried forward are, however, to be recognized.

Deferred tax claims upon deductible temporary differences, losses carried forward that have yet to be used for tax purposes, and non-utilized tax credits are recognized only to the extent that taxable income will probably be available for use in the exploitation of the deductible temporary differences, of the losses carried forward that have yet to be used for tax purposes, and of the unused tax credits.

The deferred taxes are determined using rates of taxation expected to be valid for the period in which an asset will be realized or in which a liability will be fulfilled. These rates (and taxation laws) are the ones in force as of the balance sheet date.

An offsetting of deferred tax assets and deferred tax liabilities occurs in cases in which the identity of the tax creditor is known, and in which the offsetting is legally permissible.

PROVISIONS

Provisions are constituted in cases in which a (legal or de facto) obligation exists towards a third party that results from an event in the past, that probably will lead to an outflowing of resources of business use, and whose amount is capable of being reliably assessed. Undertaken on a regular basis is the checking and adjustment of the estimates. If the Group expects at least a partial reimbursement for a deferred provision (for instance from an insurance contract), the reimbursement is to be recognized as a separate asset if the flow of funds from the reimbursement is almost certain. The expense arising from the constitution of the provision is reported in the income statement minus the reimbursement.

Non-current provisions are – if there is a significant discounting effect – recognized at the present value of expected future cash flows.

PROVISIONS FOR NON-CURRENT PERSONNEL OBLIGATIONS

The provisions for non-current personnel obligations comprise pension commitments, severance pay, and recompense for jubilees that are calculated using the actuarial methods stipulated in IAS 19 and the Projected Unit Credit Method.

The present value of the DBO (Defined Benefit Obligation) is calculated using the time of employment completed and the development of remuneration expected. The revaluations resulting from experience-caused adjustments and alterations made in the actuarial assumptions upon which the valuations were based are directly reported in the period of occurrence in the equity’s other comprehensive income. Any past services requiring recalculation is – with this not depending upon its maturity – reported in profit or loss immediately upon commitment.

Defined benefit pension commitments exist towards employees working in Germany and France. In Germany, the legal parameters for corporate pension plans have been laid down in the country’s dedicated act (Betriebsrentengesetz). In force in France are stipulations contained in laws and in collective bargaining agreements that commit the company to one-time payments to employees upon their retirement. These payments form part of collective bargaining agreements, and are based upon the length of service to the company

and on the remuneration paid to the employee prior to her or his retirement.

Provisions for severance pay largely comprise the commitments that Austria's legal code requires for employees whose relationship of employment began prior to January 1, 2003. The severance pay that Austria's legal code stipulates are one-time payments of compensation that labor laws require disbursing to employees that have been terminated by their employers, or that have reached the age of retirement. The amount of severance pay entitlement is determined by the number of years of service and the amount of remuneration. Similar obligations exist at the Group's subsidiaries in Poland and Slovenia.

Benefits accruing from defined contribution pension plans and stemming from legal or voluntary commitments are recognized as expenses during their periods of occurrence.

LEASES

S&T AS LESSEE

The Group judges as of the commencement of a contract whether it constitutes or contains a leasing arrangement. This is the case if the contract entitles to control the utilization of an identified asset during a certain term, and if this right stems from payment. The Group uses the stipulations of IFRS 16 Leases to determine whether a contract entitles to control an identified asset.

As of the commencement of utilization, all leasing arrangements – with the exceptions of short term (12 months at most) leases and leasing arrangements for low-value assets – are recognized in the financial statements as a right of utilization and as a leasing liability at the amount of the present value of the future leasing payments. If an agreement comprises both leasing and non-leasing components, the leasing payments are split between both components. This is done based on their relative individual prices of disposal. The non-leasing payments are reported as expenses.

The leasing liability is recognized at the amount of the present value of the future leasing payments during the periods of adequately secure utilization. The leasing payments encompassed in the valuation of the leasing liability include:

- › fixed-rate payments, including de facto fixed-rate payments
- › varying leasing payments that are tied to an index or (interest) rate, and that are initially measured using the index or rate of index in force on the provision date
- › amounts that are probably – due to a guarantee of residual value – to be paid, and
- › the price of exercising a purchase option if the Group is adequately certain of being able to exercise this; leasing payments made to exercise an option to extend if the Group is adequately certain of being able to exercise this; as well as penalty payments caused by an ahead-of-schedule termination of the leasing arrangement – unless the Group is adequately certain of not canceling on an ahead-of-schedule basis.

The series of payments is to be discounted at the implicit rate borne by the leasing arrangement, or, in cases in which this cannot be easily determined, the applicable and sufficient incremental borrowing rate carried by the leasing arrangement. All other varying payments are recognized as expenditure. The leasing liability is measured and maintained using the effective interest rate method. It is be remeasured if the future leasing payments change due to an alteration of the applicable index or (interest) rate; if the Group adjusts its estimate of the probable payments in conjunction with a residual value guarantee; if the Group alters its assessment of the exercising of a purchase, extension or cancellation option; or in which a de facto fixed-rate leasing payment is changed. Such a remeasurement of a leasing liability causes the undertaking of a corresponding adjustment of the carrying amount of the right of utilization. This is done in a way impacting upon income if the carrying amount has declined to zero.

The acquisition costs of the right of utilization are generally equivalent to the amount of the leasing liability as of the time of gaining access. This amount is additionally increased by the direct costs incurred at commencement. Incentive payments made by the lessor that have already been rendered lessen the acquisition costs. The subsequent measurement entails the linear depreciation of the right of utilization during the term of the leasing arrangement. Should such be required, incorporated into this measurement can be the results of extraordinary depreciation. In cases in which the rented assets become the property of the Group as of the end of the leasing arrangement, or in which the occurring of such – via a purchase option or tender right – is adequately certain, the right of utilization is depreciated during the term of economic utility of the underlying asset.

The term of the leasing arrangement is defined to be the adequately secure term of rental of the asset. In addition to the non-terminable basic time of rental, this term includes additional periods that arise from options to extend, in cases in which their being exploited is adequately certain as of the commencement of utilization. Also comprised in this are times of termination, in cases in which their being

exercised is not adequately probable. This assessment is checked if events not under the control of the lessee take place, or if significant alterations requiring an alteration of term of arrangement occur in the circumstances. The term of the leasing agreement is to be adjusted if an option to extend is exercised, or if an option to terminate is not exercised, and if this was not taken into account during the formulation of the original assessment. The adjustment of the term of leasing leads to an alteration in the future series of payment, and thus to a re-measurement of the leasing liability, with this to comprise the use of the current rate of interest. The difference is to be recognized in a way not impacting upon income in the right of utilization. Amounts of derecognition that exceed the carrying amount of the right of utilization are recognized as expenses.

S&T AS LESSOR

Financing leases

The existence of the preconditions for a financing leasing contract causes the present value of the future leasing payments (net investment value) to be reported as a receivable due from the lessee. The amount of the difference between the gross leasing receivables and the net investment amount is deferred as financial income that has to be realized. The financial income is to be distributed over the term of the contracts. This is done using a constant periodic discounting of the outstanding net investments.

Operative leases

Assets that are rented to clients via operative leasing contracts are reported under the property, plant and equipment item. In accordance with the reporting of fixed assets, they are depreciated over the customary terms of utility. The rental income resulting from this is reported linearly during the term of the lease in profit or loss.

MEASUREMENT OF FAIR VALUE

S&T AG measures financial instruments such as derivatives and conditional purchase price commitments at their fair value as of each balance sheet date. The fair values of financial instruments valued at amortized costs are listed in Section E, Note (32).

Fair value is the price that would be paid and garnered in an orderly business transaction between market players as of the day of measurement and for the sale of an asset or the transferring of a liability. The measurement of the fair value assumes that the business transaction forming the parameters of the sale of the asset or the transferring of the liability takes place on the main market for the asset or liability, or on the one most advantageous for them, in cases in which no main market exists.

The measurement of the fair value of an asset or a liability employs the assumptions that market players would use as their bases for the constitution of prices for the asset or liability. One of these assumptions is that market players always act in their best financial interests. The measurement of the fair value of non-financial assets takes into account the ability of a market player to engender business use through the attainment of the greatest and best employment of the asset or through its sale to another market player, which will find the greatest and best possible use of the asset.

The Group employs measurement techniques that are appropriate to the respective circumstances and for which data sufficient to measure the fair value is available. These efforts make the greatest possible use of significant, observable input factors, and minimize that of non-observable input factors.

All assets and liabilities for which the fair value is determined or which are reported in the financial statements are to be assigned to the fair value hierarchy described below. This is based upon the input parameter found on the lowest level that is – viewed generally – of key importance to the measurement of fair value.

- › Level 1: the prices (unadjusted) levied on markets for identical assets and liabilities
- › Level 2: measurement procedures, in which the input parameters found on the lowest level that are, viewed overall, of key importance to the measurement of fair value, are directly or indirectly observable on markets
- › Level 3: measurement procedures, in which the input parameters found on the lowest level that are, viewed overall, of key importance to the measurement of fair value are not observable on markets



INFLIGHT ENTERTAINMENT & INFLIGHT CONNECTIVITY HARDWARE

IOT SOLUTIONS EUROPE

The IFE&IFC hardware from Kontron greatly complements the hardware, services and products sold by Lufthansa Technik. As part of Lconnect multiple customers (satellite providers, airlines and multimedia companies) have received certified installation packages containing consistent, reliable and high-quality Wi-Fi from Kontron – together delivering a future-proof IFE cabin system, ready for any use case an end customer might be looking for. The passenger experience is being redefined, thanks to the global support and availability from Lufthansa Technik and their experience in installation of Kontron's products.



NOTES TO THE CONSOLIDATED INCOME STATEMENT

01 REVENUES FROM CONTRACTS WITH CUSTOMERS

REVENUE STREAMS

The revenues are divided as follows:

	2019	2018
Sale of products featuring proprietary technologies (hardware and software)	423,253	428,483
Sale of IT products from third parties (hardware and software)	371,817	298,598
Recurring IT operating services	288,659	241,000
One-time IT project services	39,156	22,800
Total revenues from contracts with customers	1,122,885	990,881
Of which Austria	102,897	98,435
Of which outside Austria	1,019,988	892,446

The assignment to the revenues from sale according to the category of inside/outside Austria is based on the respective headquarters of the customer.

2019	IT SERVICES	IOT SOLUTIONS EUROPE	IOT SOLUTIONS AMERICA	TOTAL
Sale of products featuring proprietary technologies (hardware and software)	0	290,254	132,999	423,253
Sale of IT products from third parties (hardware and software)	257,199	114,158	460	371,817
Recurring IT operating services	211,900	69,759	7,000	288,659
One-time IT project services	36,768	1,217	1,171	39,159
Total revenues from contracts with customers	505,867	475,388	141,630	1,122,885

2018	IT SERVICES	IOT SOLUTIONS EUROPE	IOT SOLUTIONS AMERICA	TOTAL
Sale of products featuring proprietary technologies (hardware and software)	0	272,715	155,768	428,483
Sale of IT products from third parties (hardware and software)	217,981	79,757	860	298,598
Recurring IT operating services	210,934	23,904	6,162	241,000
One-time IT project services	20,033	304	2,463	22,800
Total revenues from contracts with customers	448,948	376,680	165,253	990,881

Of the revenues accruing from the current financial year, TEUR 1,850 (PY: TEUR 636) result from activities as an agent, which are reported at their net amounts. Sales of items bearing rights of return were not made during the financial year.

CONTRACT ASSETS AND LIABILITIES

	31.12.2019	31.12.2018
Contract assets from customer contracts	30,537	4,357
Contract liabilities from customer contracts	73,681	48,680

Contract assets from customer contracts are initially recognized for future revenues from development and IT projects for which S&T has (partially) fulfilled its contractual obligations, and prior to the customer's paying the associated consideration, or prior to this becoming payable. This, in turn, causes the corresponding asset to be reclassified as trade receivables.

The development of the contract assets looked like this:

IN TEUR	2019	2018
Reclassification IFRS 15		1,346
As of 1.1.	4,357	1,346
Additions	30,313	4,349
Partially invoiced	-4,138	-1,095
Other adjustments	0	-236
Currency translation	6	-7
As of 31.12.	30,538	4,357

The large increase in value of contract assets ensued mainly from the acquisition of the business areas „Kapsch CarrierCom“ and „Kapsch PublicTransportCom“ in financial year 2019. The business areas conduct projects involving communication solutions supplied to rail operators. The associated revenues from sales are realized in accordance with the respective period.

The contract liabilities are essentially comprised of prepayments received from customers and prepayments received for project services, for which S&T has yet to (entirely) transfer or to provide the contractually stipulated goods and services to the customer.

Of the contract liabilities, TEUR 13,710 (December 31, 2018: TEUR 11,178) are reported in the non-current liabilities and TEUR 59,971 (December 31, 2018: TEUR 37,502) in the current liabilities.

The contract liabilities developed as followed:

IN TEUR	2019	2018
Reclassification IFRS 15		41,309
As of 1.1.	48,680	41,309
Additions	60,380	37,234
Recognized as revenues	-36,001	-28,704
Currency translation	622	-1,159
As of 31.12.	73,681	48,680

In accordance with the increase in contract assets, the rise in contract liabilities primarily resulted from the acquisition of the „Kapsch CarrierCom“ and „Kapsch PublicTransportCom“ business areas.

Essential significant financing components do not exist. This is because, as a rule, the period between the transferring of a good or service committed to the customer and the payment for this good or service amounts to 12 months at most.

PERFORMANCE OBLIGATIONS

Sale of products featuring proprietary technologies (hardware and software)

The obligation to render services involving the sale of products featuring proprietary technologies is fulfilled as of the point in time in which the power of disposition over the asset is transferred to the customer. As a rule, this occurs upon the delivery of the product featuring proprietary technologies, with this to take into account the respectively agreed upon Incoterms. The customary term of payment is, as a rule, between 30 and 90 days subsequent to delivery. Price rebates or discounts granted for volume are accorded only under exceptional circumstances. The same applies to rights of return: Instead, in these cases, the products featuring proprietary technologies are provided to the customer via trial uses and proof-of-concepts free of charge.

The Group grants the customary warranty rights for the products featuring proprietary technologies delivered. These rights constitute an assurance that the product involved evinces the contractually stipulated specifications (so-called assurance-type warranty). In a few cases, additional extended warranty or maintenance services are offered. These constitute, when in a combined contract, a separate obligation to render services. In such cases, the total remuneration is apportioned between the obligations to render services by employing the relative individual prices of sale. Revenues from sale are realized over the period of the provision of the warranty or maintenance.

Sale of IT products from third parties (hardware and software)

The fulfillment of obligations to render services involving the trading of products from third parties such as HP, IBM, Cisco and Microsoft, with which the sale of hardware and software represents the sole obligation to render services, takes place as of the point in time in which the power of disposition over the asset is transferred to the customer. This is generally upon the delivery of the IT products. The customary period of payment is, as a rule, between 14 and 30 days subsequent to delivery. Subsequently granted price rebates or discounts due to volumes are granted only in exceptional cases. The same applies to rights of return. The legally stipulated warranty obligations devolve in these cases upon the manufacturer of the IT products. S&T serves in such cases solely – and upon separate commissioning and payment by the manufacturer – as the agent of fulfillment for the settlement of warranty obligations held by the manufacturer.

In most cases, various consulting services in the field of product selection or license optimization join with the transferring of software licenses in constituting a single obligation to render services. Therefore, it can be assumed in such cases that S&T is acting as a principal. S&T conducts the trading in licenses only in exceptional cases (such as a Value Added Reseller). In such cases, the Group does not obtain the power of disposition over the products delivered or over the licenses prior to their being transferred to the customer. In such cases, S&T is acting as an agent. It recognizes the revenues from sales only at the net amounts able to be claimed as consideration for agent activities.

Recurring IT operating services

The obligation to render such recurring IT operating services as contracts of maintenance and support for IT infrastructure and application is fulfilled over the terms specified in the underlying contracts. The invoicing is performed as a rule on a monthly basis. Term of payment is between 14 and 30 days. Price rebates do not exist in this area.

One-time IT project services

The obligation to render IT project services is fulfilled during the term of the project. In this area, sales are recognized over the project period in accordance with the progress of the services provided. Payment generally falls due upon the attainment of contractually stipulated deadlines. Terms of payment are between 14 and 30 days. Several contracts stipulate the clients' rendering prepayments.

The Group's obligations to render services not (entirely) fulfilled as of December 31, 2019 are offset by future revenues from sale (transaction prices) to occur in financial year 2020 and in the following financial years:

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

IN TEUR	IT SERVICES	IOT SOLUTIONS EUROPE	IOT SOLUTIONS AMERICA	TOTAL
Financial year 2019	154,346	287,036	63,012	504,394
Financial years after 2019	45,433	39,241	17,805	102,479

02 CAPITALIZED DEVELOPMENT COSTS

In financial year 2019, development costs amounting to TEUR 15,528 (PY: TEUR 15,111) were capitalized.

03 OTHER INCOME

The other income is comprised of the following items:

	2019	2018
Income from the derecognition of liabilities	641	967
Income from the release of conditional consideration	2,925	1,287
Charging on of costs, indemnification for damages experienced	1,419	1,004
Income from final deconsolidation	275	0
Badwill from acquisition of companies	0	1,559
Income from contraventions of contracts by clients	61	53
Income from sales of fixed assets	611	680
Rental income	444	360
Other income	1,637	1,590
Total other income	8,013	7,500

The earnings from the dissolution of conditional consideration resulted from an adjustment of purchase price liabilities that was related to acquisitions of companies made in previous periods.

04 EXPENSES FOR MATERIALS AND SERVICES PURCHASED

Expenses for materials are comprised of expenses for the procurement and for the commissioned manufacturing of the products distributed. These include the ancillary costs of procurement.

The expenses for materials and other services procured were comprised of the following items:

	2019	2018
Expenses for materials	551,313	517,985
Services purchased	159,620	122,187
Incoming freight and others	4,438	4,163
Expenses for materials and other services purchased	715,371	644,335

05 PERSONNEL EXPENSES

The personnel expenses are comprised of the following:

	2019	2018
Wages and salaries	195,219	156,706
Expenses for severance pay, for payments into corporate employee benefit funds and similar obligations	1,217	487
Expenses for legally-mandated social levies and obligatory contributions	45,283	35,987
Other social security obligations	3,440	1,446
Personnel expenses	245,159	194,626

NUMBER OF EMPLOYEES

	2019	2018
Employees in Austria	597	494
Employees outside Austria	4,337	3,754
Employees as of the end of the year	4,934	4,248

The average number of employees came to 4,643 (PY: 4,130) in financial year 2019.

06 DEPRECIATION AND AMORTIZATION

The expenses for scheduled depreciation and amortization was comprised of the following items:

	2019	2018
Depreciation of property, plant and equipment	25,925	8,224
Amortization of intangible assets	24,018	20,815
Total depreciation and amortization	49,943	29,039

No impairment was performed on non-financial assets in the financial years 2019 and 2018. The increase in depreciation on property, plant and equipment is attributable primarily to the initial application of IFRS 16. The amortization on utilization rights came to TEUR 17,072.

07 OTHER OPERATING EXPENSES

The other operating expenses were comprised of the following items:

	2019	2018
Rental and leasing expenses	2,578	12,376
Maintenance and ancillary costs	10,153	7,034
Insurance	1,971	1,554
Transport expenses	2,207	1,721
Travel expenses and expenses for company cars	12,020	12,869
Mail and telecommunication	2,255	2,298
Expenses for contracted personnel and consulting	13,684	10,944
Expenses for advertising	7,542	7,214
Legal, tax advisor and audit expenses	5,530	6,771
Expenses for training and education	1,656	1,425
Expenses for guarantees and indemnification	790	1,510
Commissions	2,043	5,487
Taxes and charges not comprised in taxes on income and earnings	1,392	1,068
Other operating expenses	10,364	11,713
Total other operating expenses	74,185	89,984

Contained in the item rental and leasing expenses are expenses for leasing arrangements with a term of up to 12 months amounting to TEUR 2,504. TEUR 74 was expended on low-value leases.

08 FINANCIAL RESULT

The financial result is comprised of the following items:

	2019	2018
Interest income from banks	627	578
Interest income from finance leases	271	230
Other interest and finance income	427	197
Finance income	1,325	1,005
Interest paid to banks	-4,102	-2,624
Interest expenses from finance leases	-1,630	-485
Other interest and finance expenses	-3,278	-3,052
Finance expenses	-9,010	-6,161
Financial result	-7,685	-5,156

Net result from financial instruments:

IN TEUR	2019
At fair value through profit or loss	-418
At fair value through other comprehensive income	77
Financial assets at amortized costs	-1,816
Liabilities at fair value	2,405
Total	248

Used in the calculation of the net results from financial instruments are value adjustments and value recoveries, income and expenses ensuing from currency translation, profits and losses from disposals, and other alterations of the fair value of financial instruments with impact on profit and loss.

IN TEUR	2018
At fair value through profit or loss	-140
At fair value through other comprehensive income	-7
Financial assets at amortized costs	-458
Liabilities at fair value	1,125
Total	520

09 INCOME TAXES

Expenses for income taxes are comprised of the following items:

	2019	2018
Current income taxes	-9,517	-8,769
Ensuing and reversal of temporary differences	374	-4,345
Income due to reporting of tax losses carried forward	4,591	5,233
Income taxes reported in the consolidated income statement	-4,552	-7,881

The following table depicts a reconciliation between the expected expenses for income taxes that would be theoretically yielded by the application of the current Austrian rate of income tax of 25% (PY: 25%) on the Group level and between the expenses for income taxes actually reported by the Group:

	2019	2018
Earnings before taxes	54,064	56,344
Expenses for income taxes at a tax rate of 25% (PY: 25%)	-13,516	-14,086
Divergent non-Austrian rates of taxation	441	-503
Income taxes for prior period	-232	324
Initial capitalization of unrealized losses carried forward	4,413	7,992
Utilization of losses carried forward not previously capitalized	5,232	0
Non capitalized losses carried forward in current financial year	-755	-2,679
Earnings/expenses with no effects on taxes	-1,448	1,355
Change in tax rate	0	0
Other divergences	1,313	-284
Income tax expenses/earnings reported	-4,552	-7,881

10 EARNINGS PER SHARE

The undiluted earnings per share are calculated by dividing the results for the period attributable to the shareholders of S&T AG by the weighted average number of ordinary shares outstanding during the financial year. The treasury shares owned by the company are removed from the calculation of the average number of shares in circulation.

To calculate the diluted earnings per share, removed from the results for the period are all those alterations in expenses and income that would have been yielded by the transformation of outstanding stock options. To calculate the number of shares, the weighted average number of ordinary shares issued during the period is increased by the weighted number of shares that would have been yielded by a transformation of all stock options into ordinary shares.

As of the balance sheet date of December 31, 2019, the company had resolved to set up three stock options plans. Elucidations on these are found in Section E, Note (37). The diluted earnings per share were calculated using the assumption that all option rights will be exercised.

		2019	2018
Net income after subtraction of NCI (non-controlling interests)	TEUR	49,109	44,983
Average number of shares issued	Number in thousand	65,871	64,333
Average number of shares issued (diluted)	Number in thousand	66,909	64,588
Earnings per share (undiluted)	EUR/piece	0.75	0.70
Earnings per share (diluted)	EUR/piece	0.73	0.70

D.

NOTES TO THE CONSOLIDATED BALANCE SHEET

11 PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment developed as follows:

	PROPERTY, PLANT AND LEASEHOLD IMPROVEMENTS	OTHER FACILITIES, OPERATING AND BUSINESS EQUIPMENT	RIGHT OF USE ASSETS	TOTAL
ACQUISITION COSTS				
As of January 1, 2019	18,733	34,022	63,743*	116,498
Additions	446	8,027	9,633	18,106
Additions through changes in consolidated companies	4,655	5,697	8,628	18,980
Reclassifications	0	104	-104	0
Disposals	-794	-7,291	-2,296	-10,381
Currency translation differences	44	916	726	1,686
As of December 31, 2019	23,084	41,475	80,330	144,889
ACCUMULATED DEPRECIATION				
As of January 1, 2019	4,330	18,564	3,219	26,113
Additions	1,515	7,338	17,072	25,925
Reclassifications	0	70	-70	0
Disposals	-18	-5,824	-2,013	-7,855
Currency translation differences	55	791	51	897
As of December 31, 2019	5,882	20,939	18,259	45,080
Carrying amount as of December 31, 2019	17,202	20,536	62,071	99,809

*) Right of use assets as of January 1, 2019: including effects from initial application of IFRS 16 and amounting to TEUR 53,320

	PROPERTY, PLANT AND LEASEHOLD IMPROVEMENT	OTHER FACILITIES, OPERATING AND BUSINESS EQUIPMENT	FINANCE LEASES	TOTAL
ACQUISITION COSTS				
As of January 1, 2018	13,971	27,209	9,769	50,949
Additions	995	6,007	743	7,745
Additions through changes in consolidated companies	3,966	2,244	0	6,210
Reclassifications	114	-129	15	0
Disposals	-317	-1,922	-95	-2,334
Currency translation differences	4	613	-8	609
As of December 31, 2018	18,733	34,022	10,424	63,179

ACCUMULATED DEPRECIATION

As of January 1, 2018	3,445	13,653	1,980	19,078
Additions	974	5,934	1,316	8,224
Reclassifications	82	-86	4	0
Disposals	-209	-1,575	-75	-1,859
Currency translation differences	38	638	-6	670
As of December 31, 2018	4,330	18,564	3,219	26,113
Carrying amount as of December 31, 2018	14,403	15,458	7,205	37,066

The Group has entered into leasing arrangements for properties and car fleet, in particular. Leasing agreements for properties generally have terms of between four and ten years. In the case of car fleet, these terms are customarily between three and five years.

As of December 31, 2019, the carrying amounts of right of use assets are divided into the following assets classes:

	2019
Properties	48,249
Operating and business equipment	4,763
Car fleet	9,059
Total carrying amount of right of use assets	62,071

12 INTANGIBLE ASSETS

The development of the intangible assets was as follows:

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

	SOFTWARE AND LICENSES	OTHER INTANGIBLE ASSETS	GOODWILL	TOTAL
ACQUISITION COSTS				
As of January 1, 2018	81,378	41,876	104,909	228,163
Additions	18,104	0	0	18,104
Additions through changes in consolidated companies	221	4,952	15,297	20,470
Disposals	-299	0	0	-299
Currency translation differences	2,529	-43	-229	2,257
As of December 31, 2018	101,933	46,785	119,977	268,695

ACCUMULATED AMORTIZATION

As of January 1, 2018	17,410	20,824	0	38,234
Additions	14,991	5,824	0	20,815
Disposals	-227	0	0	-227
Currency translation differences	2,357	-59	0	2,298
As of December 31, 2018	34,531	26,589	0	61,120
Carrying amount as of December 31, 2018	67,402	20,196	119,977	207,575

As of December 31, 2019, the item other intangible assets consists of brands in the amount of TEUR 6,941 (PY: TEUR 8,548), customer relationships TEUR 11,932 (PY: TEUR 9,048) and technologies of TEUR 9,574 (PY: TEUR 2,600). With the exception of goodwill, there are no intangible assets of undefined term of usage.

Expenses made for research and development came to TEUR 170,495 (PY: TEUR 122,839) in financial year 2019. During the financial year, the S&T Group capitalized development costs of TEUR 15,528 (PY: TEUR 15,111).

10.D

NOTES 2019

The goodwill resulted from the positive differences between the acquisition costs of shares in companies and the fair value of the net assets taken over as of the date of acquisition. The goodwill reported in the financial statements was attributable to the following cash-generating units:

	2019	2018
Cash-generating unit "Services DACH"	22,217	21,813
Cash-generating unit "Services EE"	28,658	20,067
Cash-generating unit "IoT Solutions"	15,750	27,071
Cash-generating unit "IoT Industry"	51,095	31,965
Cash-generating unit "IoT Transportation"	57,519	0
Cash-generating unit "IoT America" (former "Embedded Systems")	19,145	19,061
Goodwill as of December 31	194,384	119,977

The increase over the previous year resulted from the acquisitions of companies undertaken in financial year 2019. This was especially due to the acquisition of the "Kapsch CarrierCom" and "Kapsch PublicTransportCom" business areas. These constitute the "IoT Transportation" cash-generating unit (please see Section A "Changes in companies consolidated"). The reduction in the "IoT Solutions" cash-generating unit is ascribable to the alteration in business activities, and to the corresponding alteration of the Group-internal management and supervision. This caused a reclassification of goodwill – amounting to TEUR 11,339 – to the "IoT Industry" cash-generating unit.

The "Embedded Systems" cash-generating unit was renamed – without any structural alterations – to "IoT America" at the beginning of financial year 2019.

The following charts display the discounting rates before taxes applied to the individual cash-generating units in the course of conducting impairment tests:

	2019	2018
Cash-generating unit "Services DACH"	10.4%	9.9%
Cash-generating unit "Services EE"	12.1%	12.1%
Cash-generating unit "IoT Solutions"	12.2%	13.4%
Cash-generating unit "IoT Industry"	12.8%	13.1%
Cash-generating unit "IoT Transportation"	9.9%	-
Cash-generating unit "IoT America" (former "Embedded Systems")	13.4%	12.1%

Peer groups were compiled to calculate the discounting rates for the respective CGUs.

The average rates of growth in revenues and EBIT contained in the financial plans for the years 2020-2023 amount to:

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

The previous year's average growth in revenues and EBIT – contained in the financial plans for 2019-2022 – amounted to:

AVERAGE PLANNED GROWTH 2019-2022	REVENUE	EBIT
Cash-generating unit "Services DACH"	2.8%	6.8%
Cash-generating unit "Services EE"	7.5%	21.7%
Cash-generating unit "IoT Solutions"	16.3%	44.1%
Cash-generating unit "IoT Industry"	3.2%	17.0%
Cash-generating unit "IoT America" (former "Embedded Systems")	5.4%	21.3%

In financial years 2018 and 2019 no impairments were performed on the goodwill carried in the balance sheets.

Neither a 10% reduction in the expected cash flows nor a 10% rise in the average weighted costs of capital before taxes would lead to an impairment for the cash generating units' goodwill.

As of the balance sheet date, the S&T Group – with the exception of goodwill – had no intangible assets of undetermined length of utility (PY: TEUR 0).

13 SHARES HELD IN ASSOCIATED COMPANIES

The development of the shares held in funworld gmbh, Linz, Austria, whose value is recognized at equity, took the following form:

SHARES HELD IN ASSOCIATED COMPANIES	2019	2018
Carrying amount on January 1	308	316
Proportionate result after taxes	-19	-8
Carrying amount on December 31	289	308

As of the balance sheet date of December 31, 2019, S&T AG held a 40% stake (December 31, 2018: 40%) in funworld gmbh.

The revenues and the results for the period developed as follows:

	2019	2018
Revenues	151	413
Results for the period after taxes	-46	-20
Share of equity held by the Group	40%	40%
Share of Group in total results for the period	-19	-8

The company had no income or expenses that were directly reported in other comprehensive income.

14 NON-CURRENT FINANCIAL ASSETS

The non-current financial assets are comprised of the following:

	2019	2018
Receivables from finance leases	5,050	4,201
Other investments	504	181
Securities	341	272
Receivables from loans granted	673	357
Other non-current receivables	1,416	1,050
Total non-current financial assets as of December 31	7,984	6,061

LEASE RECEIVABLES (FROM THE COMPANY'S LESSOR OPERATIONS)	2019	2018
Lease receivables (gross):		
Remaining term up to 1 year	3,983	3,367
Remaining term between 1 and 5 years	5,348	4,477
Remaining term > 5 years	0	0
	9,331	7,844
Unrealized future interest income from leasing receivables	-369	-332
Net receivables from finance leases	8,962	7,512

COMPOSITION	2019	2018
Current receivables (up to 1 year)	3,912	3,311
Non-current receivables (between 1 and 5 years)	5,050	4,201
Non-current receivables (> 5 years)	0	0
Net receivables from finance leases	8,962	7,512

The risk of default arising from leasing receivables due from customers is managed by employing Group directives and processes. Imputed from a comparable customer portfolio is the default rate upon trade receivables expected. The need to make value adjustments is assessed as of every reporting date. This calculation of credit losses expected employs a value adjustment matrix. The rates of value adjustment determined are based on the duration of arrears – expressed in days – experienced by similar models of default. This analysis yielded no essential risk of default as of the balance sheet date.

The average rate of interest borne by leasing receivables (current and non-current) amounted to 3.3% (PY: 6.4%) in financial year 2019.

15 OTHER NON-CURRENT ASSETS

The other non-current assets are comprised of the following:

	2019	2018
Prepayments to subcontractors for the provision of services constituting part of the supplying of services	14,499	9,611
Other non-financial assets	1,965	2,038
Total other non-current assets	16,464	11,649

16 DEFERRED TAXES

The deferred tax assets and liabilities constituted for the temporary differences between the valuations contained in the tax base and in the financial statements are assigned to the following items:

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

	DEFERRED TAX ASSETS 2018	DEFERRED TAX LIABILITIES 2018
Intangible assets	0	13,548
Trade receivables	4,012	2,133
Provisions and deferred liabilities	9,800	2,557
Losses carried forward	21,633	0
Balancing	-5,635	-5,635
Amount recognized in balance sheet	29,810	12,603

The increase in deferred tax assets ensuing from acquisitions of companies came to TEUR 2,377. Acquisitions of companies caused the deferred tax liabilities to rise by TEUR 3,993.

In financial year 2019, the plans for taxation formulated for the next five years caused the deferred tax assets constituted for losses carried forward to be increased by TEUR 4,413 (PY: TEUR 5,291). Based on the company's plans, recognized for losses carried forward for which a use is considered probable were deferred tax assets of TEUR 25,278 (PY: TEUR 21,633). The Group did not recognize deferred taxes associated with taxation-related losses carried forward and amounting to TEUR 51,456 (PY: TEUR 37,988) that would have been capable of being offset against future taxable earnings. This was because this capability of offsetting such was not certain. Of the non-capitalized losses carried forward TEUR 42,727 (PY: TEUR 22,317) are term-unlimitedly capable of being carried forward. TEUR 8,729 (PY: TEUR 15,670) are subject to a limited-term capability of being carried forward.

The deferred tax assets constituted for losses carried forward ensued especially in S&T AG and its tax group. Losses carried forward are recognized only to the extent that their exploitation can be reckoned with over the next five years, in accordance with the plans formulated for taxes.

As in 2018, S&T AG was able to achieve a tax-positive result in financial year 2019. This is also to be expected for future periods. This is due to expected improvements in the operative business, proceeds from trademark and license utilization concluded with Group companies, and earnings from management services and guarantee commissions charged to Group companies. These factors will sustain the stability of S&T AG's profitability and of, consequently, that of the Austria-based tax group.

In the financial year under review, reported directly in the equity were deferred taxes amounting to TEUR 237 (PY: TEUR 267).

An offsetting of deferred tax assets with deferred tax liabilities is undertaken in cases in which the identity of the tax creditor is known, and in which such an offsetting is permissible.

Deferred tax assets amounting to TEUR 834 (PY: TEUR 154) and ensuing from other tax deductible temporary differences were not recognized. This was because the offsetting with future taxable earnings is uncertain as of this time of reporting. Further, in accordance with IAS 12.39, deferred tax liabilities from temporary differences coming to TEUR 59,231 (PY: TEUR 75,948) and stemming from shareholdings in subsidiaries were not recognized. This was because the parent company is capable of controlling the timing of such, and because these temporary differences will not be reversed in the near future.

17 INVENTORIES

The stock of inventories reported was comprised of the following items:

	2019	2018
Finished products and merchandise	71,797	59,951
Raw, auxiliary and operating materials	49,280	47,574
Unfinished products	25,689	23,227
Total inventories as of December 31	146,766	130,752

The write-off of inventories that was reported in the period under review as expense came to TEUR 2,933 (PY: TEUR 3,175). This expense was reported in the material expenses. The carrying amount of the inventories measured at net disposal value came to TEUR 25,018 (PY: TEUR 5,651) as of December 31, 2019.

18 TRADE RECEIVABLES AND CONTRACT ASSETS

The trade receivables item was comprised of the following:

	2019	2018
Trade receivables	220,725	210,321
Value adjustment for expected credit-caused losses	-8,575	-7,670
Trade receivables December 31	212,150	202,651

Several of the companies in the S&T Group apply the “hold and sell” business model to their trade receivables. This is because the contractually stipulated flows of funds are subsumed by customer payments and by their sale via factoring agreements to a variety of main banks. This results in trade receivables being part of the “measured at fair value through OCI” category. The assignment of the trade receivables to this category has no essential impact upon the consolidated financial statements of S&T. This is because the large part of the trade receivables is expected to be paid within a year. This gives rise to the assumption that the fair value approximates the previously used yardstick of measurement, amortized costs. The other trade receivables are assigned to the “amortized costs” category. This is because the Group applies the “hold” business model to these trade receivables.

The Group recognizes an allowance for expected credit losses (ECL) for all receivables measured at fair value through OCI and amortized cost. For receivables measured at amortized cost, the allowance is recognized in other operating expenses. The development of the valuation allowance for expected credit-caused losses stemming from the trade receivables took the following form:

	2019	2018
Valuation allowance as of January 1	7,670	7,212
Adjustment due to initial application of IFRS 9	0	-82
Valuation allowance for expected credit defaults	931	1,257
Write-off	-290	-472
Currency translation differences	264	-245
Valuation allowance as of December 31	8,575	7,670

The valuation allowance performed upon the trade receivables is calculated using a valuation allowance matrix that takes into account historic defaults of receivables, and which has been adjusted to incorporate divergences expected to materialize in the future.

For trade receivables measured at fair value through OCI, the impairment loss is recognized in other comprehensive income in accordance with IFRS 9. Reported in other comprehensive income, the need to make value adjustments came to TEUR 64 (PY: TEUR 75) as of December 31, 2019. A portion of the trade receivables serves as security for current financing. Details of this are provided in the elucidations contained in the chapter on financial liabilities.

The carrying amount of the current contract assets from customer contracts amounted to TEUR 27,206 (PY: TEUR 4,357) as of December 31, 2019. The substantial rise of TEUR 22,849 essentially resulted from the acquisition of Kapsch CarrierCom and the Kapsch Public TransportCom Group, and of the related technological solutions in the area of communication for public and private transportation companies, for which a large portion of the revenue realization occurs within the period.

The risk of defaults involving contract assets is managed using Group directives and processes. A comparable customer portfolio is used to impute the rates of defaults upon trade receivables expected. The need to make value adjustments is assessed as of every balance sheet date. The value adjustment matrix is used to calculate the credit losses expected. The analysis yielded no essential risk of default as of the balance sheet date.

19 CURRENT FINANCIAL ASSETS

The current financial assets are comprised of the following items:

	2019	2018
Receivables from finance leases *)	3,912	3,311
Deposits	1,831	954
Current portion of loans granted	144	19
Receivables from annual bonuses	51	102
Creditors with debtor accounts	399	486
Deposits for guarantees	420	483
Derivative financial instruments	335	44
Other current financial assets	7,441	8,320
Total current financial assets	14,533	13,719
*) Receivables from finance leases – gross	3,983	3,367
Unrealized interest income	-71	-56
Present value of receivables from finance leases	3,912	3,311

20 OTHER CURRENT ASSETS

The other current assets are comprised of the following:

	2019	2018
Advances	3,102	1,999
Prepayments to subcontractors for the performing of services in conjunction with services to be provided	35,928	23,997
Receivables due from EU support programs and research premiums	8,110	1,151
Receivables from prepayments of income tax and other taxes	2,580	1,333
Input tax	5,882	3,756
Sum of other current assets	55,602	32,236

The large increase in prepayments to subcontractors and in subsidies-related receivables is primarily due to the acquisitions of Kapsch CarrierCom and of the Kapsch PublicTransportCom Group.

21 CASH AND CASH EQUIVALENTS

The cash and cash equivalents amounted to TEUR 312,284 (PY: TEUR 171,759) in 2019. They were comprised of cash on hand and credit balances at banks that are available within three months. These have been discounted using the respectively applicable rates of interest applied to short-term deposits.

	2019	2018
Cash on hand	75	121
Credit balances at banks	312,209	171,638
Cash and cash equivalents total	312,284	171,759

As of the balance sheet date, restrictions of disposition had been placed on amounts contained in this item. These were pledged due to financing secured by banks or due to balance netting and amounted to TEUR 4,798 (PY: TEUR 7,790).

22 EQUITY

SUBSCRIBED CAPITAL

As of December 31, 2019, the share capital of S&T AG amounted TEUR 66,096 (PY: TEUR 66,089) and is divided into 66,096,103 (PY: 66,089,103) non-par value bearer shares. The subscribed capital's development was as follows:

	2019	2018
Subscribed capital as of January 1	66,089	63,442
+ Increase in capital through consideration	0	2,178
+ Increase in capital through conditional capital	7	469
Subscribed capital as of December 31	66,096	66,089

AUTHORIZED CAPITAL

In the resolution passed by the Annual General Meeting on June 25, 2015, the Executive Board was authorized, provided that the Supervisory Board consents, to increase within five years after the entering of the corresponding alteration in the articles of association, the company's share capital by up to EUR 18,115,600 through the issuance of up to 18,115,600 new non-par value bearer shares equipped with voting rights, with this to be via payment of cash or the provision of consideration, and with this to be on a one-time or repeated basis, and, if need be, via an indirect right of subscription ("Authorized Capital II").

In a resolution passed on October 13, 2016, the Executive Board made use of this authorization. Ennoconn International Investment Co., Ltd., 6F, No. 10, Jiankang Road, Zhonghe County, New Taipei City 23586, Taiwan, and Ennoconn Investment Holdings Co., Ltd., 2F Building B, SNPF Plaza, Savalado, Apia, Samoa – both subsidiaries of Ennoconn Corporation – were authorized to subscribe for 4,383,620 new shares of S&T AG. The associated increase in capital was entered on December 28, 2016 in the corporate registry. This correspondingly reduced Authorized Capital II.

Subsequent to this, in a resolution passed by the Annual General Meeting held on June 27, 2017, the Executive Board was authorized to increase within five years subsequent to the entry of the corresponding alteration in the Articles of Association and subject to the approval by the Supervisory Board the company's share capital – if required in two or more tranches and featuring the partial exclusion of subscription rights – by up to EUR 10,000,000.00 through the issuance of 10,000,000 new non-par value bearer shares equipped with voting rights, via payment of cash and/or the provision of consideration, and on a one-time or repeated basis, and, if necessary, via a direct right of subscription ("Authorized Capital 2017").

Authorized Capital II (§ 5 Paragraph 6 of the Articles of Association) of up to EUR 18,115,600 has been completely utilized. As of February 8, 2019, it was deleted from the Articles of Association of S&T AG. Available from the Authorized Capital 2017 (§ 5 Paragraph 5 of the Articles of Association), which amounts to up to EUR 10,000,000, is still EUR 7,208,534. The remainder was used to perform capital increases against consideration.

Shareholders resolved at the Annual General Meeting held on May 21, 2019, to create a new authorized capital. This enables the Executive Board, should the Supervisory Board consent, to increase the share capital by up to EUR 6,600,000 ("Authorized Capital 2019"). This is to take place by until June 25, 2024. It can involve the partial or entire exclusion of the right of subscription held by shareholders, with this to possibly take the form of a direct exclusion. The resolution provides the Executive Board with the power to exclude this right in certain cases. In financial year 2019, no use was made of extant authorizations to issue new shares from the authorized capital.

CONDITIONAL CAPITAL

According to the resolution passed by the Annual General Meeting on June 25, 2015, on the conditional increase of share capital foreseen by § 159 Paragraph 2 N 3 AktG (Austria's Stock Corporation Act), this is to be done through the increasing the share capital by up to EUR 420,000.00 through the issuance of up to 420,000 new bearer shares. This is for the purpose of satisfying the stock options awarded by the Stock Options Program of 2014 to the company's employees, senior managers and members of the Executive Board or that of a company affiliated with it ("Conditional Capital I"). As of December 31, 2019, this was completely taken up. In addition, the resolution passed on the conditional increase of share capital foreseen by § 159 Paragraph 2 N3 AktG stipulates this is to be done by up to EUR 2,580,000.00, and through the issuance of up to 2,580,000 new bearer shares. This is for satisfying the stock options awarded by the Stock Options Program of 2015 to company's employees, senior managers and members of the Executive Board or that of a company affiliated with it ("Conditional Capital II"). In financial year 2019, the share capital was increased through the issuance of 7,000 new shares from Conditional Capital II to those entitled to subscribe them. This was for the satisfaction of the stock options exercised and ensuing from Stock Options Program 2015 – Tranche 2016 (2018: 469,000).

AUTHORIZED CONDITIONAL CAPITAL

Resolved in a further move at the Annual General Meeting held on May 21, 2019, was a new authorized conditional capital. It authorizes the Executive Board, in accordance with § 159 Paragraph 3 AktG (Austria's Stock Corporation Act), to increase the company's share capital by up to EUR 1,500,000. This is for the purposes of granting stock options, and is to be undertaken by June 25, 2024, and subsequent to the securing the consent of the Supervisory Board ("Authorized Conditional Capital 2019"). This capital increase is solely for this specific purpose, and thus is to be carried out to satisfy owners of options stemming from Stock Options Programs 2018 Tranche 2018 and Tranche 2019 of the company – or from a future program, one foreseeing the initial exercising of the options at least three years at the earliest after the granting of the options. The floor price of such an exercising is to be 25% above the quote of the company's stock on the Frankfurt Stock Exchange. As of December 31, 2019, 700,000 stock options had been assigned by the Supervisory Board from these stock option programs to the Executive Board of S&T AG, with a further 300,000 shares being granted to senior managers of S&T AG and of companies affiliated with it. These options can be initially exercised during the window of exercising that starts upon the expiry of the term of retention, which concludes on December 18, 2021. In financial year 2019, there was therefore no utilization of Authorized Conditional Capital 2019.

Aside from that, the members of the Executive Board do not possess any powers that do not directly stem from the appropriate legal codes.

TREASURY SHARES

Passed at the Extraordinary General Meeting taking place on January 15, 2019, was a resolution for the issuing of a further authorization to repurchase treasury shares. The Executive Board is thereby authorized to purchase during the term of authorization, which is 30 months and which began on January 15, 2019, non-par value bearer shares of the company amounting to up to 10% of the share capital of the company, and to do so on and outside exchanges. The shares are to have an equivalent value that is not 10% more/less than the average quote of the last five trading days prior to the purchase. The Executive Board's resolution and the respective repurchase program based on it are to be published, with this including its term. The Executive Board was also authorized to withdraw shares once they have been successfully repurchased, and to do such without securing a further resolution by the AGM. The Supervisory Board is authorized to resolve the alterations in the Articles of Association resulting from the withdrawal of shares.

The initial shares repurchase program 2019 was conducted between January 22, 2019 and July 22, 2019 and was concluded without repurchasing any shares.

Under the auspices of the second shares repurchasing program 2019, which enabled the purchasing of up to 2,000,000 shares, 788,245 shares were purchased between July 25, 2019 and December 27, 2019. This corresponds to a share of the company's share capital of 1.193% or EUR 14,647,351.96. The Executive Board is authorized to sell the treasury shares acquired in accordance with § 65 Paragraph 1 N 8 and Paragraphs of 1a and 1b of the Stock Corporation Act in a way that does not involve exchanges or the making of a public offer. The objective is to issue these shares in exchange for consideration supplied by and for companies, operations, parts thereof, and shareholdings in one or several companies located inside and outside Austria, and for other assets (such as patents). While doing such, the Executive Board is empowered to exclude the general rights of subscription held by extant shareholders, and to apply these shares to satisfy the rights to options resulting from the stock options programs and accruing to members of the Executive Board and senior managers.

The relevant share price is the average closing quotation of the company share on the XETRA trading platform (or the system that has taken the place of the XETRA system) maintained by the Frankfurt Stock Exchange during the last five trading days prior to the purchase of the shares.

Subsequent to the balance sheet date, the Executive Board of S&T AG resolved on February 28, 2020 – on the basis of the resolution of authorization passed at the Extraordinary General Meeting held on January 15, 2019 – to conduct a further shares repurchase program ("Shares Repurchase Program I 2020"). The Shares Repurchase Program I 2020 foresees a volume of up to EUR 15 million, a maximum price of EUR 22.00, and a maximum of 1,000,000 shares. The program's term extends until June 30, 2020. As of March 20, 2020, a total of 263,168 treasury shares had been acquired due to the Shares Repurchasing Program.

CAPITAL RESERVES

The capital reserves mainly contain the premiums paid in the course of carrying out increases in capital, the offsetting of differences arising between the acquisition of or from the disposal of non-controlling interests, and the offsetting entry of personnel expenses recognized due to the measurement of the stock option program.

OTHER COMPONENTS OF EQUITY

The other components of equity are comprised of changes in equity not impacting upon income. These include the revaluations carried out in accordance with IAS 19, currency translation differences, and the results of the subsequent and remeasurement of financial instruments.

The individual components of the other results are to be assigned in the following way to the other equity components:

	OTHER COMPONENTS OF EQUITY	DEBT INSTRUMENTS AT FAIR VALUE THROUGH OCI (IFRS 9)	ACTUARIAL GAINS/LOSSES ACC. IAS 19	MARKET VALUATION RESERVES	ADJUSTMENT ITEMS FOR CURRENCY TRANSLATION
as of January 1, 2018	-5,572	82	-748	16	-4,922
Other result					
Unrealized profit/loss from currency translation	1,507	0	0	0	1,507
Actuarial profit/loss acc. to IAS 19	322	0	322	0	0
Impairment of debt instruments at fair value through OCI	-7	-7	0	0	0
Result from remeasurement of financial instruments measured at fair value through OCI	5	0	0	5	0
As of December 31, 2018	-3,745	75	-426	21	-3,415
Other result					
Unrealized profit/loss from currency translation	1,812	0	0	0	1,812
Actuarial profit/loss acc. to IAS 19	-1,706	0	-1,706	0	0
Impairment of debt instruments at fair value through OCI	-11	-11	0	0	0
Result from remeasurement of financial instruments measured at fair value through OCI	88	0	0	88	0
As of December 31, 2019	-3,562	64	-2,132	109	-1,603

DIVIDENDS

Following a proposal by the Executive Board and Supervisory Board, the Annual General Meeting of S&T AG held on May 21, 2019, resolved to pay from the net profit as of December 31, 2018 and listed in the individual financial statements of S&T AG, which are compiled according to Austria's UGB (Code of Corporate Law), and amounting to EUR 37,737,127.20, a dividend coming to EUR 0.16 per dividend-entitled share. The resolution also determined that the remaining amount will be carried forward. As of Monday, May 27, 2019, the trading in the company's stock on exchanges was carried out ex-dividend. The paying out of the dividend took place as of May 29, 2019.

NON-CONTROLLING INTERESTS

The non-controlling interests depict other companies' holdings of the equity of subsidiaries. The NCI developed as follows:

	2019	2018
Non-controlling interests as of January 1	11,306	26,745
Additions to non-controlling interests	5,277	2,880
Results for the period attributable to non-controlling interests	403	3,480
Acquisitions of non-controlling interests	-5,287	-21,701
Other comprehensive income attributable to non-controlling interests	664	-98
Non-controlling interests as of December 31	12,363	11,306

The additions in financial year 2019 are comprised of the initial recognition of the non-controlling interests in Epro Electronic Production Kft., Kapoly, Hungary (subsequently renamed Kontron Electronics Kft.) and in BASS Systems S.R.L., Chisinau, Moldova. The Group added non-controlling interests through its sale of a 49% stake in S&T Mold srl., Chisinau, Moldova, and in S&T IT Technologie srl., Chisinau, Moldova (please see the elucidations found in Section A. "Alterations in companies consolidated in the Group in 2019").

The acquisition of non-controlling interests depicts the alterations resulting from the increasing of the shares held by S&T in extant subsidiaries. This applied in financial year 2019 to the acquisition of a further 0.75% of Kontron S&T AG, Germany, with an effect of TEUR 910; and, as well, the shares outstanding in Amanox Solutions AG, Bern, Switzerland (48.80%), amounting to TEUR 4,216; and in Epro Electronic Production Kft., Kapoly, Hungary (subsequently renamed Kontron Electronics Kft.), (16%) amounting to TEUR 162 (please see Section A. "Alterations in companies consolidated in the Group in 2019").

The following table shows summarized financial information before intercompany eliminations for each subsidiary with significant non-controlling interests. As the carrying amount of the Kontron Group's non-controlling interests has been further reduced compared to the prior year due to further acquisitions in 2019, it is no longer considered material for the consolidated financial statements and therefore no summarized financial information is presented.

IN TEUR	AFFAIR OOO (SUBGROUP)	BASS SYSTEMS S.R.L.
	31.12.2019	31.12.2019
Non-current assets	17,405	16,329
Current assets	20,751	17,236
Non-current liabilities	978	815
Current liabilities	23,474	13,897
Net assets	13,704	18,853
Ownership share/voting rights – share of non-controlling interests	52.00%	49.00%
Carrying amount of non-controlling interests	3,385	4,847
	1-12/2019	8-12/2019
Proportionate profit/loss attributable to non-controlling interests	-137	559
Proportionate other comprehensive income attributable to non-controlling interests	559	221
Dividends attributable to non-controlling interests	0	0

IN TEUR	KONTRON GROUP (SUBGROUP)	AFFAIR OOO (SUBGROUP)
	31.12.2018	31.12.2018
Non-current assets	133,274	12,508
Current assets	199,797	19,442
Non-current liabilities	17,327	9
Current liabilities	170,849	18,898
Net assets	144,895	13,043
Ownership share/voting rights - share of non-controlling interests	4.85%	52.0%
Carrying amount of non-controlling interests	3,671	2,963
	1-12/2018	1-12/2018
Proportionate profit/loss attributable to non-controlling interests	679	149
Proportionate other comprehensive income attributable to non-controlling interests	77	-594
Dividends attributable to non-controlling interests	0	0

23 FINANCIAL LIABILITIES

The items of non-current financial liabilities and current financial liabilities contain loans, coverdrafts and the bonded loan issued in financial year 2019.

The financial liabilities reported in the balance sheet are to be divided as follows:

	31.12.2019			31.12.2018		
	TOTAL	OF WHICH NON- CURRENT	OF WHICH CURRENT	TOTAL	OF WHICH NON- CURRENT	OF WHICH CURRENT
Bonded loan	160,000	160,000	0	0	0	0
Acquisition loans	47,080	28,716	18,364	66,607	47,079	19,528
Other loans	33,343	31,263	2,080	35,502	32,350	3,152
Overdrafts	42,321	0	42,321	11,376	0	11,376
Total financial liabilities	282,744	219,979	62,765	113,485	79,429	34,056

BONDED LOAN

S&T AG issued in April 2019 a bonded loan amounting to TEUR 160,000 (PY: TEUR 0). The issuance occurred in a variety of tranches, each with its own term and agreed-upon rate of interest.

TERM	AGREED UPON INTEREST RATE/ FIXED OR FLOATING	TRANCHE IN TEUR
Until April 17, 2024	fixed rate of interest	75,000
Until April 17, 2026	fixed rate of interest	10,000
Until April 17, 2024	floating rate of interest	49,000
Until April 17, 2026	floating rate of interest	6,000
Until April 30, 2026	floating rate of interest	20,000
		160,000

The extant contracts covering the bonded loan and credits contained contractual agreements stipulating the meeting of financial indicators. These financial covenants include the requirement that a consolidated equity rate of 30% or greater be achieved. The non-adherence to this financial indicator entitles the provider of credit to terminate the respective contract of financing. Also agreed upon is a margin step-up. Should the ratio of net indebtedness (with this including rental and leasing liabilities constituted in accordance with IFRS 16) to the EBITDA of the previous financial year be greater than 3 as of the balance sheet date, this gives rise to a claim on the part of the provider of credit. The rate of interest is to rise by 50 basis points as compared to the ones in the original conditions. As of the balance sheet date of December 31, 2019, the consolidated equity rate came to 31.4%, and thus above the contractually agreed upon floor. Further, the ratio between net indebtedness to EBITDA as of December 31, 2019 led to no increasing of the margin accruing to the provider of credit.

ACQUISITION LOANS

In financial year 2016, S&T took out a loan for the shares acquired in November 2015 of GADGROUP ROMANIA SRL, which has been renamed S&T Medtech srl. The amount outstanding as of December 31, 2019, came to TEUR 375 (PY: TEUR 1,125). The non-current share of the loan amounts to TEUR 0 (PY: TEUR 375), and the current share to TEUR 375 (PY: TEUR 750). The loan is being paid back in semi-annual installments. Its term extends until March 31, 2020. The rate of interest amounts to some 1.5%.

Loans partially financed the acquisitions made in financial year 2014 of shares in Affair OOO, Moscow, Russia; S&T Mold srl, Chisinau, Moldova; and of the outstanding 50% share of S&T Serbia d.o.o., Belgrade, Serbia. The loan outstanding for the acquisition of the shares of Affair OOO amounted to TEUR 1,000 (PY: TEUR 1,667) as of December 31, 2019. The non-current share comes to TEUR 333 (PY: TEUR 1,000); the current share of the loan amounts to TEUR 667 (PY: TEUR 667). The loan is being repaid in six-month installments, and has a term extending until June 30, 2021. The loan agreement stipulates a 2.5% rate of interest. It is secured by a pledging of the shares in Affair OOO.

Two loans were taken out to pay for the acquisition of the shares of S&T Mold srl and of S&T Serbia d.o.o.. As of December 31, 2019, the amount outstanding came to TEUR 263 (PY: TEUR 1,316). The non-current share of the loans comes to TEUR 0 (PY: TEUR 263); and the current to TEUR 263 (PY: TEUR 1,053). The loan agreements stipulate a some 1.5% rate of interest. They are being repaid in quarterly installments and have a term extending until March 31, 2020.

In order to refinance the costs of acquiring Kontron AG and of other further shares of Kontron AG and of S&T Deutschland Holding AG (now Kontron S&T AG), a loan amounting to TEUR 45,000 was taken out in June 2018. The amount outstanding of the loan came as of December 31, 2019 to TEUR 22,500 (PY: TEUR 32,500). The loan's non-current component comes to TEUR 12,500 (PY: TEUR 22,500), with its current component amounting to TEUR 10,000 (PY: TEUR 10,000). The loan is being repaid in quarterly installments, and has a term until January 31, 2022. The loan agreement established its fixed-rate of interest to be 1.32%.

Concluded in financial year 2018 was an agreement for a loan amounting to TEUR 30,000. The agreement is with Raiffeisenlandesbank Oberösterreich, Raiffeisen Bank International AG and Raiffeisenlandesbank Steiermark AG. The loan is for the refinancing of the purchase of the shares in Kontron Electronic GmbH and for the financing of the shares purchasing program. Now concluded, this program involved the remaining free-float shareholders of Kontron S&T AG, which was acquired in 2016 and 2017. The credit is secured by bills of surety issued by the Republic of Austria. This credit line is being repaid in quarterly installments. Term is until March 31, 2023. As of the balance sheet date of December 31, 2019, the balance outstanding was TEUR 22,941 (PY: TEUR 30,000). The non-current component comes to TEUR 15,882 (PY: TEUR 22,941), and the current component amounts to TEUR 7,059 (PY: TEUR 7,059). The loan agreement has a fixed rate of interest of 1.48%.

Featuring an assumption of liability by the Österreichische Kontrollbank, both of these investment financings – amounting to originally EUR 45 million in 2017 and EUR 30 million in 2018 – stipulate the achieving of a minimum equity rate of 30% and of a ratio of net indebtedness to EBITDA of a maximum of 3.0. Both of these financial covenants had been fulfilled as of December 31, 2019.

OTHER LOANS

In financial year 2016, S&T AG revamped a major portion of its structure of financing. Two lines of credit amounted to TEUR 9,000 were replaced. This formed part of the granting of a new line that comes to TEUR 30,000. In financial year 2018, the credit lines were extended on ahead-of-schedule bases by two years and thus until June 30, 2023. As of the reporting date, the lines had been fully exploited. The ahead-of-schedule extension was accompanied by the setting of a fixed rate of interest of 1.66%. This will fall to 1.40% as of February 1, 2020.

Regarding the non-current bank loan that amounts to EUR 30 million and which has a term of until June 30, 2023: the loan contract contains two financial covenants. Firstly, achieved has to be a minimum equity rate of 25%. Secondly, the ratio between adapted net indebtedness to EBITDAR (earnings before taxes, depreciation and rent & operating lease expenses) may not exceed 2.5. As of the balance sheet date, both financial covenants had been fulfilled.

As of October 3, 2017, S&T AG took out of a loan for the financing of software licenses, and amounting to TEUR 693. Of that, TEUR 254 (PY: TEUR 531) was still outstanding as of December 31, 2019. The loan is being paid back on monthly basis. Its term extends to October 31, 2022. Its rate of interest is 0.0%.

In addition, as of December 31, 2019, the company had taken out two development support loans coming to TEUR 829 (PY: TEUR 1,496). Their terms end between June 30, 2021 and December 31, 2021, and their rates of interest come to 1.7% - 2.2%.

OTHER CURRENT FINANCIAL LIABILITIES – OVERDRAFTS

As of December 31, 2019, the company had current financial liabilities comprising the short-term utilization of current account credit agreements and of short-term overdraft credits and coming to a total of TEUR 42,321 (PY: TEUR 11,376). The rate of interest charged for overdrafts ranges between 0.0% and 8.0% (PY: 1.1% and 12.5%).

To provide collateral for overdrafts held by subsidiaries, trade receivables amounting to TEUR 6,379 (PY: TEUR 922) were pledged in a blanket assignment for these current financial liabilities. The collateral also comprised the pledging of inventories coming to TEUR 0 (PY: TEUR 1,836). In addition, liens amounting to TEUR 0 (PY: TEUR 183) have been placed on buildings.

No disturbances in the flow of payments occurred during the year under review for the financial liabilities reported as of December 31, 2019. This covers their repayments and payment of interest, as well as their repayment funds and conditions

24 OTHER NON-CURRENT FINANCIAL LIABILITIES

The other non-current financial liabilities reported in the balance sheet are structured as follows:

	2019	2018
Leasing liabilities	47,159	8,125
Liabilities from conditional consideration ensuing from corporate acquisitions	4,516	3,048
Liabilities from corporate acquisitions	477	969
Liabilities due to a research support society	2,421	1,506
Total other non-current financial liabilities	54,573	13,648

The increase of obligations from leasing arrangements resulted from the application of IFRS 16, the new financial reporting standard. Since the initial application of IFRS 16 as of January 1, 2019, the leasing liabilities have developed as follows:

	2019
As of 1.1.	67,036
Additions	9,310
Additions from changes in consolidated companies	8,628
Increase in interest	1,630
Payments	-15,754
As of 31.12.	70,850
Of which current	23,691
Of which non-current	47,159

Possible future outflows of funds amounting to TEUR 6,169 were not comprised in the leasing liabilities, as it is not sufficiently certain that the leasing contracts will be extended.

Non-current liabilities for conditional consideration ensuing from the acquisition of companies amounted to TEUR 4,516 (PY: TEUR 3,048) as of the balance sheet date of December 31, 2019. The increase resulted from the addition associated with the acquisition of

BASS Systems SRL, Chisinau, Moldova, which amounted to TEUR 3,456. Countervailing this was the reduction in conditional consideration stemming from the acquisition of S&T Smart Energy GmbH, Linz, Austria. This was caused by the adjustment in its fair value as of December 31, 2019.

The fair value of the contingent consideration as of December 31, 2019, represents the best estimate of the company's management. Its calculation uses the discounted cash flow method. It depicts a Level 3 fair value.

The conditional consideration resulting from the acquisition of 49% of S&T Smart Energy GmbH, Linz, Austria, is calculated using the earnings before income taxes achieved by S&T Smart Energy GmbH and by other S&T Group companies in the area of smart energy in the financial years 2016-2022. The variable payment of the purchase price expected has been calculated to be TEUR 677. The comparative decline resulted from an alterations in the plans formulated for the companies. These plans foresee reduced results in the following financial years. This caused a dissolution of the conditional consideration with impact upon income amounting to TEUR 2,475.

The key factors of input employed in the calculation of the fair value of the conditional consideration are the following:

- › range of earnings before interest expected from financial years 2016-2022: TEUR 0 – TEUR 1,143
- › Discounting rate: 1.6%

The conditional consideration arising from the acquisition of a 51% stake in BASS Systems SRL, Chisinau, Moldova, was calculated using the results after taxes in financial years 2019 and 2020. The varying payment for purchase expected has been calculated to be TEUR 7,046.

The key factors of input employed in the calculation of the fair value of the conditional consideration are the following:

- › range of expected earnings after taxes from financial years 2019 and 2020: TEUR 5,003 – TEUR 8,865
- › Discounting rate: 1.046%

Further conditional consideration ensuing from the acquisition of companies with a non-current purchase price component does not exist.

Measurement procedures and input parameters used in the calculation of Level 3 fair value include:

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

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NOTES 2019

The development of the Level 3 fair value is to be depicted as follows:

	CURRENT PORTION	NON-CURRENT PORTION	TOTAL
As of January 1, 2018	2,521	9,463	11,984
Addition (acquisition)	500	0	500
Recognized as income	-1,197	-90	-1,287
Recognized as expenses	9	0	9
Interest expenses	32	121	153
Payment	-2,460	-183	-2,643
Reclassification	3,695	-3,695	0
Derecognition	0	-2,568	-2,568
As of December 31, 2018	3,100	3,048	6,148
Addition (acquisitions)	3,750	3,506	7,256
Recognized as income	-500	-2,425	-2,925
Recognized as expenses	326	315	641
Interest expenses	18	72	90
Payment	-2,822	0	-2,822
As of December 31, 2019	3,872	4,516	8,388

25 CONTRACT LIABILITIES AND OTHER NON-CURRENT LIABILITIES

The other non-current liabilities reported in the financial statements are to be divided as follows:

	2019	2018
Contract liabilities from customer contracts	13,710	11,178
Other	231	397
Total of contract liabilities and other non-current liabilities	13,941	11,575

26 PROVISIONS

The provisions reported in the balance sheets are apportioned as follows:

	2019	2018
Provisions for pension commitments	9,406	1,619
Provisions for severance payments	10,530	3,971
Provisions for jubilee payments	1,471	597
Provisions for guarantees and warranty services	2,709	1,820
Other non-current provisions	5,848	6,599
Non-current provisions as of December 31	29,964	14,606
Provisions for guarantees and warranties	5,057	5,435
Provisions for pending losses	11,541	5,275
Provisions for legal and trial costs	14,026	3,149
Provisions for restructuring costs	7,082	222
Other current provisions	16,678	13,925
Current provisions as of December 31	54,384	28,006
Total provisions as of December 31	84,348	42,612

PROVISIONS FOR PENSION COMMITMENTS

Defined-benefit pension commitments have been made to employees of the S&T group in Germany and France.

Legal parameters and description of the commitments:

The legal parameters in Germany placed on corporate pensions (bAV) are contained in the country's Act on Corporate Pensions (BetrAVG). It establishes the minimum legal requirements to be adhered to by such plans. Also to be followed are rules and verdicts stemming from Germany's labor code and courts. The pension system is centered upon the provision of pensions accruing to employees reaching the age of retirement, or reaching this on an ahead-of-schedule basis; to persons becoming invalids and thus incapable of working; to persons who are the surviving members of the family of the deceased.

As of the balance sheet date, 9 staff members of Kontron Europe GmbH and 45 staff members of Kontron Transportation Germany GmbH were participating in pension plans. The obligations ensuing respectively to the companies are not covered by plan assets, as is customary for small-sized enterprises.

As of the balance sheet date, 3 staff member of AIS Automation Dresden GmbH were taking part in its pension plan. This participation is covered by plan assets, which consist of independently managed pension fund assets.

France's legal and collective bargaining stipulations require Kontron Modular Computers S.A.S. and Kontron Transportation France S.A.S. to render one-time payments to staff members upon their retirement. These payments form part of collective bargaining agreements, and are based on the length of service at the company, and upon the final remuneration paid prior to retirement. An employee departing from the company prior to the age of retirement – regardless of doing such voluntarily or due to the employer's ordering such – does not receive such a payment. As of the balance sheet date, 91 employees of Kontron Modular Computers S.A.S. and 127 employees of Kontron Transportation France S.A.S. were taking part in such plans.

Essential risks ensuing from commitments to render defined benefits – with these possibly arising from the development of interest and from long lives – are not expected to materialize.

Composition and development of provisions:

The following chart depicts the development of pensions-related commitments and of plan assets constituted for defined benefits plans. The detailing in charts of the development of provisions for pensions and of the assumptions made in the previous year upon which these were calculated is being refrained from – for reasons of lack of significance.

2019

Pension obligations (DBO) as of December 31, 2018 / January 1, 2019	1,619
Changes in companies consolidated	8,272
Ongoing service costs	238
Interest expenses	80
Preliminary total recognized in the net income	318
Remeasurement: actuarial gains (-) / losses (+)	
due to demographic assumptions	4
due to financial assumptions	507
due to experience-caused corrections	73
Preliminary total contained in other comprehensive income	584
Pension payments made	-107
Pension obligations (DBO) as of December 31	10,686
Market value of plan assets as of December 31	-1,280
Net liabilities from pension obligations as of December 31	9,406

Recognized in other comprehensive income due to actuarial losses incurred in the period and amounting to TEUR 584 were deferred taxes coming to TEUR 158.

The measurement of the obligations is based on the following actuarial assumptions:

ACTUARIAL ASSUMPTIONS 2019	GERMANY	FRANCE
Discount factor	1.00% - 1.26%	0.62% - 0.70%
Remuneration trend	0.00% - 2.00%	1.50% - 2.00%
Pension trend	1.50% - 2.00%	n.a.

The Projected United Credit Method is employed in the compilation of actuarial-based measurements. Its calculations are based upon INSEE 2012-2015 for France, and upon the mortality tables issued in 2018 by G von K. Heubeck for Germany.

The analysis of the sensitivity of the basic assumption yields the following figures:

EFFECTS UPON THE DEFINED BENEFITS OBLIGATIONS

	ALTERATION OF ASSUMPTION	INCREASING OF ASSUMPTION	REDUCTION OF THE ASSUMPTION
31.12.2019			
Discount rate	0.50%	-803	908
Future increases of remuneration	0.50%	340	-320
Pension trend	1.00 %	655	-543

The increasing of life expectancy by one year leads to an increase in the overall commitment amounting to TEUR 221.

The following amount will probably be paid into the defined benefits pension plans over the next 10 years:

WITHIN THE NEXT 12 MONTHS	BETWEEN 2 AND 5 YEARS	BETWEEN 5 AND 10 YEARS	TOTAL
261	1,223	3,219	4,703

The average term of the individual commitments to pay pensions ranges between 1.9 years and 22.9 years.

PROVISIONS FOR SEVERANCE PAYMENTS

The obligation for severance payments to employees working in Austria whose relationship of employment began prior to January 1, 2003 are covered by defined-benefit plans. These are one-time payments of compensation that labor laws require disbursing to employees that have been terminated by their employees, or that have reached the age of retirement. The amount of severance pay entitlement is determined by the number of years of service and the amount of remuneration.

The obligation to furnish severance payments for staff members working for non-Austrian subsidiaries also constitute one-time compensation whose payment is required by labor laws upon the termination of the labor relationship. The amount of the claim is determined by the number of years of service and the amount of remuneration.

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

ACTUARIAL ASSUMPTIONS 2019	AUSTRIA	POLAND	SLOVENIA
Discount factor	0.70% - 0.95%	2.00%	0.40%
Biometric base of calculation	AVÖ 2018-P für Angestellte	Polish Life Expectancy Tables 2016	Mortality Tables Slovenia 2007
Fluctuation	No fluctuation	depends on age: 2.00% - 20.00%	depends on age: 1.00% - 10.00%
Increase in remuneration	2.00%	4.00%	2.00% - 2.30%

10.D

NOTES 2019

ACTUARIAL ASSUMPTIONS 2018	AUSTRIA	POLAND	SLOVENIA
Discount factor	2.00%	3.00%	1.50%
Biometric base of calculation	AVÖ 2008-P für Angestellte	Polish Life Expectancy Tables 2016	Mortality Tables Slovenia 2007
Fluctuation	No fluctuation	depends on age: 2.00% - 20.00%	depends on age: 1.00% - 10.00%
Increase in remuneration	2.00%	4.00%	2.10% - 2.20%

The development of the present value of the defined-benefit severance payment obligations took the following form:

	2019	2018
Present value of the severance payment obligations as of January 1	3,971	2,965
Service cost	300	157
Interest expenses	127	49
Revaluations	1,357	-244
Benefits paid	-921	-326
Changes in consolidated companies	5,694	1,373
Alterations from currency translation	2	-3
Present value of the severance payment obligations as of December 31	10,530	3,971

Service cost is reported in the consolidated net income statement's personnel expenses item. Interest expenses is reported in the financial expenses.

The revaluations are comprised of the following:

	2019	2018
Alterations in demographic assumptions	-416	62
Alterations in financial assumptions	-409	84
Adjustments based on experience	-532	98
Profits (+) / losses (-) recognized from revaluations	-1,357	244

Profits/losses from revaluations are recognized in the period in which they come into being in the other comprehensive income (OCI) in the equity.

A sensitivity analysis of the actuarial assumptions that are regarded as being of key importance to the calculation of the claims for defined benefits depicts the ramifications – shown below – of alterations of assumption upon the present value of the obligation:

EFFECT UPON THE OBLIGATION

	ALTERATION OF THE ASSUMPTION	INCREASING OF THE ASSUMPTION	DECREASING OF ASSUMPTION
31.12.2019			
Discount rate	0.25%	-292	302
Future increase in remuneration	0.25%	288	-280
31.12.2018			
Discount rate	0.25%	-218	45
Future increase in remuneration	0.25%	41	-215

The sensitivity analysis is based on the alteration of a single assumption and upon the maintenance of the others. The reality is that, however, it is rather unlikely that these factors of influence do not correlate.

Paid for employees working in Austria whose employment began on or after January 1, 2003 are contributions coming to 1.53% of their remuneration. Recipient is an external employee pension fund. The payments for this defined contribution benefit plan came to TEUR 301 (PY: TEUR 378) in financial year 2019. This was recognized in personnel expenses.

OTHER PROVISIONS

The other non-current provisions developed in the year under review as follows:

	GUARANTEES AND WARRANTIES	OTHERS	TOTAL
as of January 1, 2018	850	15,686	16,536
Changes in companies consolidated	0	222	222
Addition	121	76	197
Reclassifications	1,001	-7,942	-6,941
Usage	-148	-788	-936
Release	-4	-75	-79
Currency translation differences	0	17	17
as of December 31, 2018	1,820	7,196	9,016
Changes in companies consolidated	0	6,672	6,672
Addition	590	223	813
Reclassifications	915	83	998
Usage	-112	-1,502	-1,614
Release	-512	-5,355	-5,867
Currency translation differences	8	2	10
as of December 31, 2019	2,709	7,319	10,028

In contrast to the depiction contained in the 2018 annual report, the other non-current provisions contain provisions for jubilee payments.

The other non-current provisions as of December 31, 2018, essentially served to secure against any damages ensuing from a long-term project. The damages threatening never materialized, enabling the release of the corresponding provisions. To also be noted that the enforcing of any claims would no longer have been possible – due to the length of time (statute of limitations) and lack of causality.

The addition to the companies consolidated in the Group in financial year 2019 pertains to “Kapsch CarrierCom”, and covers risks involving expanded commitments to render maintenance and downstream costs in projects for customers.

The other current provisions developed in the year under review as follows:

	GUARANTEES AND WARRANTIES	LEGAL AND TRIAL COSTS	PENDING LOSSES	RESTRUCT- URING	OTHERS	TOTAL
as of January 1, 2018	6,624	3,956	8,042	7,010	11,048	36,680
Changes in companies consolidated	213	0	299	0	1,471	1,983
Addition	1,568	59	1,743	0	1,826	5,196
Reclassifications	-286	0	567	0	6,651	6,932
Usage	-1,245	-637	-4,396	-1,160	-5,408	-12,846
Release	-1,381	-218	-947	-5,628	-1,694	-9,868
Currency translation differences	-58	-11	-33	0	31	-71
as of December 31, 2018	5,435	3,149	5,275	222	13,925	28,006
Changes in companies consolidated	1,858	12,955	14,156	9,669	12,341	50,979
Additions	965	696	2,526	812	3,378	8,377
Reclassifications	0	0	-970	0	173	-797
Usage	-1,067	-1,887	-7,209	-1,454	-12,621	-24,238
Release	-2,198	-891	-2,343	-2,162	-625	-8,219
Currency translation differences	64	4	106	-5	107	276
as of December 31, 2019	5,057	14,026	11,541	7,082	16,678	54,384

The additions to the companies consolidated in the Group in financial year 2019 largely resulted from the acquisition of the “Kapsch CarrierCom” and “Kapsch PublicTransportCom” business areas.

The provisions for product guarantees cover the claims arising from guarantees accorded to products sold and lodged during the term of the warranties.

Provisions for legal and trial costs largely comprise reserves constituted for possible legal disputes, settlements and penalties for mission-critical projects forming part of the portfolios of the “Kapsch CarrierCom” and “Kapsch PublicTransportCom” business areas.

The provisions for impending losses cover the risks ensuing from the valuation of the regular projects being undertaken by the newly

acquired business areas. These comprise the downstream costs for projects from customers that have already been accepted.

The provisions for restructuring stemming from the additions to the companies consolidated in the Group resulted from the acquisition of the “Kapsch CarrierCom” and “Kapsch PublicTransportCom” business areas. These provisions largely encompass measures undertaken in the personnel area. The announcement of the restructuring plans and the launching of the implementation of the measures concluded took place prior to the gaining of control by S&T AG. The restructuring is expected to have been concluded by the end of 2020.

The addition to the other current provisions basically covers risks involving project costs not taken into account in other categories of provision. It is referred to in this item as additions to the companies consolidated in the Group. The consumption reported in the other current provisions is largely comprised of contractual commitments made to render services.

27 TRADE PAYABLES

The trade payables do not bear interest and all have a remaining term of up to one year.

28 OTHER CURRENT FINANCIAL LIABILITIES

The other current financial liabilities are comprised of the following:

	2019	2018
Current leasing liabilities	23,691	5,591
Current component of conditional consideration	3,872	3,100
Liabilities from the acquisition of companies	6,231	0
Debtors with credit balances and credits due to clients	552	85
Deferred liabilities – others	18,614	13,752
Derivative financial instruments	723	4
Others	12,767	5,840
Total other current financial liabilities	66,450	28,372

The increase in current financial liabilities essentially resulted from the rise in leasing liabilities. This was due to the application of IFRS 16. In a further move, the increase in conditional consideration stemmed from the acquisition of companies. The growth of deferred liabilities was associated with ongoing projects.

29 OTHER CURRENT LIABILITIES

The other current liabilities are to be divided into:

	2019	2018
Liabilities from value added tax and wage taxes	18,131	11,611
Liabilities due to employees	30,775	23,216
Liabilities from social charges	3,066	2,699
Current income tax liabilities	5,900	5,802
Prepayments received	1,173	575
Others	1,197	0
Total of other current liabilities	60,242	43,903

The increase in other current liabilities is attributable to the rise in number of employees, which has caused the increase in liabilities owed to staff, and the larger-sized salary and social charges.



Start

VIDEO DELIVERY AT THE NETWORK EDGE: EDGE CACHING SOLUTION

IOT SOLUTIONS
CANADA

The S&T subsidiary Kontron has developed a scalable caching solution with ISV partner Anevia, designed to reduce video data volumes sent from the Cloud through street-ready cache servers. The joint offering runs Anevia NEA-CDN® software on Kontron's ME1100 mobile edge computing servers that are compact enough to fit into street cabinets – closest to where the viewers of the content reside. The benefits of having a distributed offloading solution that performs most of the caching at edge locations – near mobile phones, tablets, laptops, etc. are numerous, including lower CapEx and bandwidth costs and a better experience for viewers due to lower response times. Operators can now share resources within the radio access network (RAN) with other demanding applications such as artificial intelligence, data caching, ultra-low latency, and high-bandwidth edge applications, amongst others. The ruggedized hardware form factor is designed to withstand extreme temperatures, operate in harsh environments, and seamlessly adapt to the communication service provider's (CSP) virtual infrastructure to deliver broadcast-quality video to viewers.

E.

OTHER DISCLOSURES

30 NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

The consolidated cash flow statement shows the sources and usage of the flow of funds. These are divided into cash flows from operating, investing and financing activities.

The means of payment listed in the consolidated cash flow statement comprise all cash and cash equivalents reported in the balance sheet. These are cash on hand and credit balances at banks in cases in which they are available within three months of their times of deposit, less overdraft facilities and credit balances at banks subjected to restrictions upon disposition.

IN TEUR	2019	2018
Cash on hand	75	121
Credit balances at banks	312,209	171,638
Cash and cash equivalents according to consolidated balance sheet	312,284	171,759
Overdrafts	-42,321	-11,376
Restricted cash	-4,798	-7,790
Total cash and cash equivalents	265,165	152,593

The cash flows from investing and financing activities are calculated on an actual payment basis. The cash flow from operating activities, on the other hand, is indirectly derived from the earnings before taxes. Interest payments received are assigned to investment activities, interest paid to financing activities. The repayment of lease liabilities is reported in the cash flow from financing in item "repayment of financing liabilities".

The cash flow from operating activities is affected by TEUR 17,012 due to the first-time application by IFRS 16. In a countervailing move, the cash flow from financing was impacted by TEUR 15,754, resulting from the repayment of leasing liabilities and from the payment of interest on those.

Information on the impact on payments stemming from the acquisition of companies is contained in Section A.

The following chart depicts the financing liabilities – including liabilities from the Group's leasing arrangements – divided into the components of cash effective and non cash effective:

	31.12.2018		01.01.2019	CASH EFFECTIVE CHANGES	NON CASH EFFECTIVE CHANGES		31.12.2019
		Opening balance IFRS 16			New leases	Other changes	
Bonded loan	0	0	0	160,000	0	0	160,000
Acquisition loans and other loans	102,109	0	102,109	-21,727	0	40	80,422
Leasing liabilities	13,716	53,320	67,036	-15,754	9,633	9,935	70,850
	115,825	53,320	169,145	122,519	9,633	9,975	311,272

		01.01.2018	CASH EFFECTIVE CHANGES	NON CASH EFFECTIVE CHANGES		31.12.2018
				New leases	Other changes	
Bond 2013-2018		14,956	-14,956	0	0	0
Acquisition loans and other loans		83,565	16,916	0	1,628	102,109
Finance leases		12,746	-258	743	485	13,716
		111,267	10,697	743	-6,882	115,825

The leasing liabilities are reported under the balance sheet item "other current and non-current financial liabilities".

The other alterations in financial year 2019 include changes arising from the acquisition of companies without cash effect and amounting to TEUR 8,630 (PY: TEUR 1,640), as well as currency effects that especially affect leasing liabilities.

31 REPORTING ON SEGMENTS

As of December 31, 2019, the S&T Group had three reportable business segments:

- › **“IT Services”**: This segment handles consulting on, and the distribution, commissioning and operation of hardware and software from third parties in Germany, Austria, Switzerland and Eastern Europe. The segment’s portfolio comprises the planning (consulting), implementation (integration) and outsourcing of IT services.
- › **“IoT Solutions Europe”**: This segment focuses its operations on the development of secure solutions. The segment’s portfolio offers combinations of the hardware, middleware and services needed by the Internet of Things (IoT) and Industry 4.0 sectors. Renamed to “IoT Solutions Europe” in the beginning of 2019, this segment is oriented towards serving markets in Europe and parts of Asia.
- › **“IoT Solutions America”**: This segment includes the business done by the former “Embedded Systems” segment. It was renamed “IoT Solutions America” at the beginning of 2019 due to the reconfiguration of its portfolio of products, and to the ever-increasing share of activities stemming from software. The segment’s operations are based in North America. These operations are teamed up to serve the vertical markets of transport, aviation and communication.

Management employs the IFRS to monitor on separate bases the EBITDA and gross profit (revenues from sales minus expenses for materials) achieved by the business units. This is done to reach decisions on the apportionment of resources and to determine the profitability of the segments. The development of the segment is measured in the consolidated financial statements. Employed are EBITDA and gross profit. These are contrasted and reconciled with those of the Group as a whole.

The transfer prices levied between the business segments are calculated using the costs of procurement and production prevailing at normal rates of utilization plus a supplement charged throughout the Group.

2019	IT SERVICES	IOT SOLUTIONS EUROPE	IOT SOLUTIONS AMERICA	CONSOLIDATION/ RECONCILIATION	TOTAL
Total revenues	523,088	562,763	153,330		1,239,181
Internal revenues	-17,221	-87,375	-11,700	-116,296	
Revenues	505,867	475,388	141,630		1,122,885
Gross profit	152,862	202,964	51,688		407,514
EBITDA	34,109	68,242	9,360		111,711
Depreciation and amortization				-49,943	-49,943
Finance income				1,325	1,325
Finance expenses				-9,011	-9,011
Result from associated companies				-19	-19
Income taxes				-4,552	-4,552
Result for the period				49,512	49,512
Segment assets	474,400	431,561	97,313		1,003,274
Segment liabilities	525,061	288,963	26,650		840,674
Segment investments	6,471	14,370	6,261		27,102

2018	IT SERVICES	IOT SOLUTIONS EUROPE	IOT SOLUTIONS AMERICA	CONSOLIDATION/ RECONCILIATION	TOTAL
Total revenues	466,797	442,223	173,894		1,082,914
Internal revenues	-17,849	-65,543	-8,641	-92,033	
Revenues	448,948	376,680	165,253		990,881
Gross profit	136,716	154,294	55,536		346,546
EBITDA	26,362	52,670	11,515		90,547
Depreciation and amortization				-29,039	-29,039
Finance income				1,005	1,005
Finance expenses				-6,161	-6,161
Result from associated companies				-8	-8
Income taxes				-7,881	-7,881
Result for the period				48,463	48,463
Segment assets	330,648	288,260	91,041		709,949
Segment liabilities	300,955	151,907	27,807		480,669
Segment investments	6,509	13,350	5,990		25,849

The "IT Services" segment comprises all costs incurred by S&T AG (headquarter costs) that are not functionally apportioned to other segments. This segment also includes costs not directly attributable to the operative businesses of the other segments.

Segment assets comprise property, plant and equipment; intangible assets; bank deposits; inventories and receivables. Investments and goodwill are generally not allocated.

Segment liabilities comprise current and non-current liabilities.

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Information on geographic areas:

	2019		2018	
	REVENUES	NON-CURRENT ASSETS	REVENUES	NON-CURRENT ASSETS
Austria	102,897	102,722	98,435	57,018
Germany	164,606	95,040	134,345	63,271
Poland	84,663	6,752	71,982	2,288
Romania	57,583	17,802	52,564	17,325
Hungary	76,921	12,965	58,049	6,570
Czech Republic	54,763	3,287	48,934	6,664
Russia	35,621	9,581	40,994	4,930
North America	126,493	29,245	133,168	22,546
Other countries	419,338	117,293	352,410	64,029
	1,122,885	394,687	990,881	244,641

The presentation of non-current assets is composed of the items property, plant and equipment and intangible assets.

The depiction of revenues from sales according to geographic areas makes use of the respective residence of the customers.

None of S&T AG's external customers is responsible for 10% or more of the revenues realized.

32 FURTHER INFORMATION ON FINANCIAL INSTRUMENTS

The following chart details the carrying amounts of the financial instruments comprised in the consolidated financial statements. This detailing takes the form of a categorization according to IFRS 9:

	MEASUREMENT CATEGORY ACC. IFRS 9	CARRYING AMOUNT 31.12.2019	FAIR VALUE 31.12.2019
ASSETS			
Cash and cash equivalents	at amortized costs	312,284	312,284
Trade receivables			
of which:	at amortized costs	199,848	199,848
of which:	FV through OCI (with recycling)	12,302	12,302
FV hierarchy			LEVEL 3
Other current financial assets			
of which:	at amortized costs	14,198	14,198
of which:	FV through profit or loss	355	355
FV hierarchy			LEVEL 2
Other non-current financial assets			
of which:	at amortized costs	7,139	7,139
of which:	FV through profit or loss	504	504
FV hierarchy			LEVEL 3
of which:	FV through OCI (with recycling)	341	341
FV hierarchy			LEVEL 1
LIABILITIES			
Other current financial liabilities			
of which:	at amortized costs	56,116	56,116
of which:	FV through profit or loss	10,334	10,334
FV hierarchy			LEVEL 3
Trade payables	at amortized costs	205,037	205,037
Current financial liabilities	at amortized costs	62,765	62,765
Non-current financial liabilities	at amortized costs	219,979	228,884
Other non-current financial liabilities			
of which:	at amortized costs	50,057	50,057
of which:	FV through profit or loss	4,516	4,516
FV hierarchy			LEVEL 3

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	MEASUREMENT CATEGORY ACC. IFRS 9	CARRYING AMOUNT 31.12.2018	FAIR VALUE 31.12.2018
AKTIVA			
Cash and cash equivalents	at amortized costs	171,759	171,759
Trade receivables			
of which:	at amortized costs	189,856	189,856
of which:	FV through OCI	12,795	12,795
FV hierarchy			LEVEL 3
Other current financial assets			
of which:	at amortized costs	13,675	13,675
of which:	FV through profit or loss	44	44
FV Hierarchie			LEVEL 2
Other non-current financial assets			
of which:	at amortized costs	5,608	5,608
of which:	FV through profit or loss	181	181
FV hierarchy			LEVEL 3
of which:	FV through OCI (with recycling)	272	272
FV hierarchy			LEVEL 1
PASSIVA			
Other current financial liabilities			
of which:	at amortized costs	25,268	25,268
of which:	FV through profit or loss	3,104	3,104
FV hierarchy			LEVEL 3
Trade payables	at amortized costs	176,968	176,968
Current financial liabilities	at amortized costs	34,056	34,056
Non-current financial liabilities	at amortized costs	79,429	80,717
Other non-current financial liabilities			
of which:	at amortized costs	10,600	10,600
of which:	FV through profit or loss	3,048	3,048
FV hierarchy			LEVEL 3

The fair value of the non-current financial liabilities is calculated using a prevailing discount rate (DCF – discounted cash flow method). The proprietary credit risk as of December 31, 2019 was assessed to be non-material.

33 CAPITAL MANAGEMENT

The prime objective of the Group's capital management is to ensure that its creditworthiness is accorded a rating by banks enabling the supporting of its business operations and a maximization of shareholder value through the securing of debt financing featuring financing costs kept as low as possible. Management views the Group's equity ratio as being the key indicator in the attainment of a good credit rating. As of the balance sheet date, the Group's consolidated equity ratio came to 31.4% (PY: 43.3%). Management uses the gearing to monitor capital. This ratio is that of the net financial debts to the sum of equity and net financial liabilities. The monitoring is undertaken via the monthly reports submitted by the Group companies. The reporting is submitted to the Executive Board. As of the balance sheet date, the net financial liabilities amounted to TEUR 528,390 (PY: TEUR 308,909), and the total of equity and net financial liabilities came to TEUR 913,442 (PY: TEUR 676,184), yielding a debt ratio of 58% (PY: 46%). The net financial liabilities comprise interest-bearing loans, debts from accounts payable, and other debts less cash and cash equivalents and short-term deposits. The equity is comprised of that reported in the balance sheets. If so required, the Group can employ authorized capital to issue shares. This, in turn, increases the equity ratio. The Group manages its capital structure and undertakes adjustments in such to take into account the transformations imposed by economic conditions. To maintain or adjust the capital structure, the Group can undertake alterations in the dividends paid to shareholders, or can issue shares.

	2019	2018
Equity	385,052	367,275
Total equity and liabilities	1,225,726	847,943
Equity ratio	31.4%	43.3%
Non-current liabilities	331,825	131,861
Current liabilities	508,849	348,807
	840,674	480,668
Cash and cash equivalents	-312,284	-171,759
Net financial liabilities	528,390	308,909
Equity	385,052	367,275
Equity and net financial liabilities	913,442	676,184
Debt ratio	57.8%	45.7%

As of December 31, 2019, no alterations had been undertaken in objectives, guidelines or processes. The covenants established by banks as to key financial indicators to be used in the granting of credit lines were met.

34 RISK MANAGEMENT

With the exception of derivative financial instruments, the financial liabilities generally used by the Group comprise notes and loans from banks, a bonded loan taken out in 2019, short-term overdrafts, leasing liabilities, trade payables and other liabilities. The main purpose of these financial liabilities is financing the business of the Group. The Group disposes of a variety of financial assets, with these including trade receivables, other receivables, cash and cash equivalents, and short-term deposits directly resulting from its business operations.

In addition, the Group employs derivative financial instruments. The objective of this is securing against risks arising from changes in rates of exchange and interest that ensue from the Group's business and from its sources of finance. The Group does not deal in derivatives for speculative purposes. This in line with the Group-internal directive.

The Group is exposed to risks involving markets, loans and liquidity. The Group's management is charged with handling these risks. Corporate management formulates strategies and processes capable of managing the individual kinds of risk portrayed below.

LIQUIDITY RISK

The Group monitors on an ongoing basis the risk of any shortages of liquidity. It uses liquidity planning to identify at an early stage any need for financing, and to coordinate such with partner banks.

The objective of the Group is to maintain a balance between the continuous coverage of the need for financing and the securing of flexibility. This is done through the utilization of short-term overdrafts and of other sources of financing.

As of December 31, 2019, the Group's financial liabilities showed the maturities depicted below. The figures are made on the basis of contractually stipulated and non-discounted payments.

2019	DUE ON DEMAND	UP TO 90 DAYS	91 - 365 DAYS	MORE THAN 365 DAYS	TOTAL
Financing liabilities current	19,000	11,580	35,038	0	65,618
Financing liabilities non-current	0	0	0	228,884	228,884
Other financial liabilities non-current	0	0	0	61,726	61,726
Trade payables	0	205,037	0	0	205,037
Other financial liabilities current	2,062	13,292	52,585	0	67,939
	21,062	229,909	87,623	290,610	629,204

2018	DUE ON DEMAND	UP TO 90 DAYS	91 - 365 DAYS	MORE THAN 365 DAYS	TOTAL
Financing liabilities current	1,572	18,280	14,498	0	34,350
Financing liabilities non-current	0	0	0	80,717	80,717
Other financial liabilities non-current	0	0	0	23,456	23,456
Trade payables	0	176,968	0	0	176,968
Other financial liabilities current	6,249	5,309	11,222	0	22,780
	7,821	200,557	25,720	104,173	338,271

Total financing liabilities came in 2019 to TEUR 282,744 (PY: 113,485). These were comprised of long-term bank credits amounting to TEUR 219,979 (PY: TEUR 79,429) as well as short-term bank credits and working capital facilities in the amount of TEUR 62,765 (PY: 34,056). The taking out of a bonded loan in 2019 that amounted to TEUR 160,000 furthered the Group's financial flexibility, enabling it to restructure on a long-term basis its financing. The interest paid and ensuing from the interest-bearing liabilities came to TEUR 8,179 (PY: TEUR 5,905).

MARKET RISK

Market risk is the risk arising from fluctuations in the fair value of or in the future cash flow from a financial instrument caused by alterations in market prices. Comprised in market risks are the three following types: foreign exchange risks, interest risks and price risks. Financial instruments exposed to market risks include interest-bearing loans, deposits, financial instruments and derivative financial instruments.

EXCHANGE RATES RISK

The Group is exposed to currency-derived risks arising from individual transactions involving the sales and purchases made by operating units in a currency that is not its functional one. The key currency-derived risks result from changes in the USD/EUR rate of exchange. As befitting a global company, S&T makes sales and purchases of materials in American dollars and in euros. The ensuing currency-caused effects are partially offset over the courses of periods. Remaining outliers are secured against by using short-term future contracts and by entering into options-based transactions. The optimization of the strategy of securing against such risks foresees the risk arising from the difference between proceeds denominated in foreign currencies and expenditures planned for transactions that form part of Group planning and which will very probably occur's being eliminated or limited. This is done through the employment of a variety of hedging instruments.

The fair value of the currency futures extant on the reporting date was TEUR -283 (PY: TEUR -2). They had a nominal volume of TEUR 10,307 (PY: TEUR 520). The share of the outstanding currency futures with a positive market value came to TEUR 11 (PY: TEUR 0). As of December 31, 2019, S&T had concluded no currency options.

IFRS 7 requires the depiction of currency risks to include the conducting of a currency sensitivity analysis. It reveals the effects of hypothetical changes in relevant risk variables upon earnings and equity. All currencies not being the Group's functional ones and in which Group companies have entered into financial instruments are regarded, as a basic rule, as being risk variables. The ramifications upon the period are determined by applying the alterations in the risk variables to the stock of financial instruments as of the balance sheet date. It is imputed that the stock as of the balance sheet date is representative for the entire year.

The following table details the sensitivity of earnings before taxes (due to alterations in the fair value of monetary assets and liabilities) to – and according to reasonable judgment – possible changes in the rates of exchange of the US dollar. All other variables remain unchanged. The fluctuations in exchange rates have no direct impact upon the equity.

	EXCHANGE RATE USD	EFFECT ON EARNINGS BEFORE TAXES IN TEUR
Financial year 2019	+ 10%	-3,795
	- 10%	3,795
Financial year 2018	+ 10%	-1,966
	- 10%	1,966

The following chart details the sensitivity of the results to the valuation at market terms of the currency futures extant as of December 31, 2019. The chart shows the imputed effects of a 5% or 10% change in the value of the euro against that of another currency:

CHANGE IN VALUE OF EURO	EFFECT ON EARNINGS BEFORE TAXES IN TEUR	
	FINANCIAL YEAR 2019	FINANCIAL YEAR 2018
+5%	265	23
+10%	507	44
-5%	-293	-26
-10%	-620	-55

INTEREST RISK

Interest risk is the risk arising from the fluctuations in the fair value of or in future cash flows from financial instruments caused by alterations in rates prevailing on markets.

The risk to the Group resulting from changes in rates of interest largely result from the financing bearing floating rates of interest concluded, and from investments in time deposits. An alteration in the general rate of interest could cause a rise in or a reduction of the expenditures for interest, or in the earnings from interest.

As of December 31, 2019, the S&T Group had secured an interest cap amounting to TUSD 3,000 to secure a floating-rate financing. The contract has a term of up to June 5, 2020.

The assumption employed in the compilation of the following interest sensitivity analysis is that floating rates of interest and the fixed rates applying to the short-term (cash advances) would either be 100 basis points higher or lower than the interest rates borne by all currencies during the reporting period. Management views this as constituting a substantiated, possible alteration in rates of interest.

The base was formed by determining the exposure to interest rate risk borne by financial instruments as of the balance sheet date. It imputes that the outstanding liabilities and receivables as of the balance sheet date were representative for the entire year.

Some 42% (PY: 21%) of the financing liabilities, which amount to TEUR 282,744 (PY: TEUR 113,484) have floating rates of interest. Comprised in this are tranches from the bonded loan coming to TEUR 75,000. Acquisition loans amounting to TEUR 45,441 (PY: TEUR 47,080), tranches from the bonded loan coming to TEUR 85,000 and further loans from banks amounting to TEUR 30,000 bear fixed rates of interest.

In cases in which the interest rate would be increased by 100 basis points and in which all other variables would remain unchanged, the result from interest would worsen by TEUR 1,345 (PY: TEUR 247). Should the interest rate be lowered by 100 basis points, and should all other variables stay the same, the result from interest would improve by TEUR 77 (PY: TEUR 247). The fluctuations in interest investigated have no direct impact upon the equity. Regarding the liabilities listed in the balance sheet, the Group does not perceive as of this writing that it is exposed to interest-related risk.

To secure against changes in the rates of interest borne by the loans bearing floating rates of interest, concluded in financial year 2019 was an interest rate swap amounting to TEUR 15,000. The 5 year maturity ends on September 30, 2024. The market value of the interest rate swap as of December 31, 2019, came to TEUR -122.

The following table shows the sensitivity of the results from the market valuation of the interest rate swap extant on December 31, 2019. Imputed is an effect on earnings stemming from a fictive alteration of the rate of interest of 50 or 100 basis points:

CHANGES IN INTEREST RATE	EFFECTS ON EARNINGS BEFORE TAXES IN TEUR
	FINANCIAL YEAR 2019
+50 basis points	336
+100 basis points	662
-50 basis points	-347
-100 basis points	-704

CREDIT RISK

Credit risk comprises the risk that a business partner will not meet the obligations stemming from a financial instrument or customer framework contract, and that this failure will cause financial losses. The Group's operating activities expose it to default risks (these especially arising from trade receivables) as well as those stemming from its financing activities. These include deposits at banks and financial institutes, currency transactions and other financial instruments.

Applicable to all original financial instruments underpinned by relationships of performance is the rule that default risks – with this depending upon the nature and amount of the respective items being provided or performed – are minimized through the securing of credit reports or through the use of historical data stemming from previous business relationships, with this especially involving payment practices. The objective is to avoid such defaults. To that end, the Group has instituted a debtor management system. It supervises the stock of receivables on an ongoing basis. In a further move, trade receivables are mainly credit insured. In cases in which, despite all this, risks of default become identifiable for individual financial assets, the risks are accounted for by value adjustments. A concentration of default risks arising from business relationships to individual debtors or to groups of such is not discernible.

The amount of the financial assets reported in the balance sheets indicates, regardless of extant security provided, the maximum risk of default from business partners' not being able to fulfill their payment obligations. The corresponding figures can be found in the chapter on "Further information on financial instruments".

The following overview uses a valuation allowance matrix to depict the risk of defaults to which the Group's trade receivables are exposed:

31.12.2019	NOT OVERDUE	1 TO 60 DAYS OVERDUE	61 TO 90 DAYS OVERDUE	91 TO 180 DAYS OVERDUE	181 TO 270 DAYS OVERDUE	271 TO 365 DAYS OVERDUE	MORE THAN 365 DAYS OVERDUE
Estimated total gross carrying amount of delinquent payments	170,040	21,448	4,093	11,919	1,549	1,581	10,095
Expected credit losses	570	185	185	510	227	157	6,741

The previous financial year was as follows:

31.12.2018	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	161,530	27,739	5,487	3,801	1,895	1,579	8,290
Expected credit losses	839	308	583	766	603	524	4,047

Regarding the amount of trade receivables that are neither impaired nor payment delinquent, there are no signs as of the balance sheet date that would indicate that the debtors cannot satisfy their obligations to render payments. This also applies to overdue and non-impaired trade receivables.

35 OTHER FINANCIAL OBLIGATIONS

CONTINGENT LIABILITIES

The operative business done by the S&T Group led it to enter into fulfillment and tender guarantees amounting to TEUR 23,758 (PY: TEUR 16,058). These fulfillment and tender guarantees stem largely from the S&T subsidiaries S&T Romania TEUR 3,398 (PY: TEUR 2,951), Serbia TEUR 1,931 (PY: TEUR 1,594), Poland TEUR 8,047 (PY: TEUR 6,540) and RTSoft OOO, Russia, with TEUR 2,543 (PY: TEUR 2,487) as well as Kontron Transportation Belgium TEUR 5,140. A variety of other guarantees also exist, which add up to TEUR 2,726 (PY: TEUR 2,487).

36 FEES OF THE AUDITOR

The services rendered in financial year 2019 by Ernst & Young Steuerberatungs- and Wirtschaftsprüfungsgesellschaft m.b.H. were recompensed with TEUR 572 (PY: TEUR 575). Of that, TEUR 308 (PY: TEUR 286) was incurred by the audit, and TEUR 264 (PY: TEUR 289) by other services.

37 STOCK OPTIONS PROGRAMS

The company resolved to create stock option programs. Entitled to participate in them are employees, senior managers and members of the Executive Board of the company or of a company affiliated with it.

STOCK OPTIONS PROGRAM 2019 (TRANCHES 2018 AND 2019)

In December 2018, a total of 500,000 stock options respectively per tranche were granted on the basis of the Stock Options Programs 2018 (Tranche 2018) and Tranche 2019 to members of the Executive Board of S&T AG, to senior managers of S&T AG and managing directors of selected Group companies.

The term of the stock options program begins on the day of issuance and ends upon the expiry of 60 months. The stock options can be exercised only upon the expiry of a time of waiting, which is comprised of the 36 months subsequent to the day of issuing. The times of exercising established for the Stock Options Program 2018 amount to 30 exchange trading days. The term commences upon the second exchange trading day subsequent to the publication of the report for the quarter, six months or year, and subsequent to the day of the staging of annual press conference on S&T's financial statements. Non-exercised stock options lapse at the end of the term. Stock options are transferable only between those entitled to have them, and thus not to third parties. The Stock Options Program 2018 provides the company with the sole right of determination of whether the parties entitled to subscribe receive shares in exchange for the payment of the price of exercising, or are offered cash compensation.

The fair value of the stock options granted was determined as of the time of granting using the option price model according to Black/Scholes.

STOCK OPTIONS PROGRAM 2015 (TRANCHE 2016)

In March 2016, the members of the Executive Board of S&T AG, senior managers of S&T AG and managing directors of selected Group companies were granted a total of 478,000 stock options. This was done on basis of the Stock Options Program 2015 (Tranche 2016).

The term of the stock options program began upon the day of issuance and ends upon the expiry of 45 months. The stock options can be exercised only upon the expiry of a time of waiting. It begins upon the day of issuance and ends upon the expiry of twelve months or twenty-four months. Each of the terms of exercising set in the Stock Options Program 2015 (Tranche 2016) amounts to 20 days. The term commences upon the second exchange trading day subsequent to the publication of the report for the quarter, six months or year, or of the holding of the press conference on the year's financial results. Non-exercised stock options lapse at the end of the term. The stock options are transferable only between those eligible for such – and not to third parties. Stock Options Program 2015 (Tranche 2016) provides the company with the sole right of determination of whether the parties entitled to subscribe receive shares in exchange for the payment of the price of exercising, or are offered cash compensation.

The fair value of the stock options granted was determined as of the time of granting using the option price model according to Black/Scholes.

The following chart shows the essential parameters in force at the time of the granting of stock through the stock options programs:

	STOCK OPTIONS PROGRAM 2015 (TRANCHE 2016)	STOCK OPTIONS PROGRAM 2018	STOCK OPTIONS PROGRAM 2018 (TRANCHE 2019)
Number of stock options	478,000	500,000	500,000
Day of issuance	March 7, 2016	Dec. 21, 2018	Dec. 21, 2018
Term	3.75 years	5 years	5 years
Exercising price	Closing quote on issuance day	Closing quote on issuance day	Closing quote on issuance day
Stock quote on the day of issuance	EUR 5.74	EUR 15.71	EUR 15.71
Dividend yield	1.49%	1.44%	1.44%
Expected volatility	29.13%	36.58%	36.58%
Interest rate	0.30%	0.23%	0.23%
Expected term of the options	3.20 years	4.43 years	4.43 years
Option price	89.22 cents	EUR 3.74	EUR 3.74

In financial year 2019, 7,000 options (PY: 322,000 options) from Stock Options Program 2015 (Tranche 2016) were exercised.

The average weighted price of exercising of the options exercised and the average weighted stock quote of the day of exercising were the following:

	STOCK OPTIONS PROGRAM 2015 (TRANCHE 2016)	
	2019	2018
Average weighted price of exercising of options exercised	5.74	5.74
Average weighted stock quote on day of exercising of options	23.74	19.18

As of December 31, 2019, the rights outstanding for the Stock Options Program 2015 (Tranche 2016) came to 31,000 (PY: 38,000); for the Stock Options Program 2018, a total of 500,000 (PY: 500,000); and for the Stock Options Program 2018 (Tranche 2019), a total of 500,000 (PY: 500,000).

The expenses for stock options programs is reported in personnel expense. It came in financial year 2019 to TEUR 1,247 (PY: TEUR 63).

38 REMUNERATION REPORT

This report presents the basic policies applying to, the structure of and the amounts specified in the system of remunerating members of the Executive and Supervisory Boards. The compilation of this remuneration report accords to the legal rules and to the recommendations contained in Germany's Code of Corporate Governance (Version of February 7, 2017).

REMUNERATION OF THE EXECUTIVE BOARD

The remuneration paid to the members of the Executive Board is structured to foster their leadership of the company in sustained and results-oriented ways. The amount of remuneration dispensed to the members of the Executive Board manifests the magnitude and scope of the responsibilities borne and the achievements realized by each – and the size and economic situation of the company and of the corporate area that the member heads. The remuneration also and especially evinces the successes achieved by the company and its prospects for the future. Also taken into account are the structures of remuneration prevailing in the company's peer group.

The total remuneration paid to a member of the Executive Board is comprised of several components that are of fixed amounts – they are not dependent upon success achieved – and of those that do vary according to the accomplishments realized during the short and long-term. The former include the remuneration paid on a fixed basis every month and ancillary benefits. Comprised in this are the utilization of company cars, lump sum car allowances, and parking spaces in garages granted. Used in the calculation of the successes-driven remuneration, which is paid once a year, is the extent to which the previously-agreed upon indicators of success have been achieved. Evaluated separately are such extraordinary effects as especially the undertaking of acquisitions. Employed in the calculation of these indicators are the audited consolidated financial statements of S&T Group. A further component of long-term, success-driven proportionately-based remuneration is the granting of rights of subscription that stem from stock options programs. These programs were set up to foster the interest of participants in achieving the sustained growth of corporate operations and earnings. Granted via a variety of programs, the stock options are to be exercised only after the conclusion of preset terms of retention that last several years, and upon the attainment of certain thresholds. The total remuneration granted is examined once a year by the Remuneration Committee.

Paid in financial year 2019 to the Executive Board was remuneration totaling TEUR 1,197 (PY: TEUR 6,822). The difference in amounts stems from the greater number of stock options exercised in 2018. These stemmed from Stock Options Program 2014, Stock Options Program 2015 and from Stock Options Program 2015 (Tranche 2016).

Commitments to provide benefits and payments to a member of the Executive Board upon the ahead-of-schedule termination of her or his activities for this institution have not been agreed upon, with this also applying to changes of control.

Also not granted on behalf of members of the Executive Board in the year under review were loans or assumptions of liability.

The following tables detail the compensation granted and the inflows paid out in the financial year. Listed in the compensation granted are: the amount actually paid, and the minimum and maximum possible amounts to have been reached. The rights of procurement of stock options stemming from stock options programs are measured at their fair values (option price) as of the time of granting. The inflows in the financial year detail both the fixed-amount components of remuneration, and, as well, the inflows ensuing from the one-year, varying compensation. In cases in which stock options granted in previous years were exercised during the financial year, indicated is the amount specified by the applicable tax codes.

10.E

NOTES 2019

BENEFITS AWARDED IN THE FISCAL YEAR	HANNES NIEDERHAUSER CEO 21.05.2012				RICHARD NEUWIRTH CFO 01.07.2013				PETER STURZ COO, SERVICES EE 06.11.2012			
IN TEUR	2019	2019 (MIN)	2019 (MAX)	2018	2019	2019 (MIN)	2019 (MAX)	2018	2019	2019 (MIN)	2019 (MAX)	2018
NON-PERFORMANCE-RELATED REMUNERATION												
Fixed remuneration	7	7	7	7	275	275	275	250	250	250	250	250
Fringe benefits ¹⁾				3	12	12	12	12	12	12	12	12
Total fixed remuneration	7	7	7	10	287	287	287	262	262	262	262	262
PERFORMANCE-RELATED REMUNERATION												
One-year variable remuneration ²⁾					90		150	80	25			100
Multi-year variable remuneration:												
Stock Option Programmes - with long-term share-based incentive effect ³⁾												
SOP 2014												
SOP 2015												
SOP 2015 (Tranche 2016)												
SOP 2018				262				262				262
SOP 2018 (Tranche 2019)	262	262	262		262	262	262		262	262	262	
Total variable remuneration	262	262	262	262	352	262	412	342	287	262	362	362
Pension costs												
Total Remuneration	269	269	269	272	638	548	698	603	548	523	623	623
BENEFITS AWARDED IN THE FISCAL YEAR	MICHAEL JESKE COO, SERVICES DACH 28.05.2009				CARLOS QUEIROZ COO, IOT SOLUTIONS EUROPE 21.08.2017				TOTAL			
IN TEUR	2019	2019 (MIN)	2019 (MAX)	2018	2019	2019 (MIN)	2019 (MAX)	2018	2019	2019 (MIN)	2019 (MAX)	2018
NON-PERFORMANCE-RELATED REMUNERATION												
Fixed remuneration	175	175	175	175	175	175	175	137	882	882	882	819
Fringe benefits ¹⁾	11	11	11	12	11	11	11	11	45	45	45	48
Total fixed remuneration	186	186	186	187	186	186	186	147	927	927	927	867
PERFORMANCE-RELATED REMUNERATION												
One-year variable remuneration ²⁾				18				48	115			250
Multi-year variable remuneration:												
Stock Option Programmes - with long-term share-based incentive effect ³⁾												
SOP 2014												
SOP 2015												
SOP 2015 (Tranche 2016)												
SOP 2018				262				262				1,309
SOP 2018 (Tranche 2019)	262	262	262		262	262	262		1,309	1,309	1,309	
Total variable remuneration	262	262	262	280	262	262	262	310	1,424	1,309	1,559	1,555
Pension costs												
Total Remuneration	447	447	447	466	448	448	448	457	2,351	2,236	2,486	2,422

1) Included in the fringe benefits: e.g. car benefit in kind, car-allowance and garage parking spaces

2) Bonus based on individually agreed key performance indicators

3) Awarded Stock Options = number awarded Stock Options x granted option price

PAYMENTS DURING THE FISCAL YEAR	HANNES NIEDERHAUSER CEO 21.05.2012		RICHARD NEUWIRTH CFO 01.07.2013		PETER STURZ COO, SERVICES EE 06.11.2012	
	2019	2018	2019	2018	2019	2018
IN TEUR						
NON-PERFORMANCE-RELATED REMUNERATION						
Fixed remuneration	7	7	275	250	250	250
Fringe benefits ¹⁾		3	12	12	12	12
Total fixed remuneration	7	10	287	262	262	262
PERFORMANCE-RELATED REMUNERATION						
One-year variable remuneration ²⁾			116	119	99	120
Multi-year variable remuneration:						
Stock Option Programmes - with long-term share-based incentive effect ³⁾						
SOP 2014		1,323				
SOP 2015						
SOP 2015 (Tranche 2016)				2,103		
SOP 2018						
SOP 2018 (Tranche 2019)						
Total variable remuneration		1,323	116	2,222	99	120
Pension costs						
Total Remuneration	7	1,333	403	2,483	361	382
PAYMENTS DURING THE FISCAL YEAR	MICHAEL JESKE COO, SERVICES DACH 28.05.2009		CARLOS QUEIROZ COO, IOT SOLUTIONS EUROPE 21.08.2017		TOTAL	
IN TEUR	2019	2018	2019	2018	2019	2018
NON-PERFORMANCE-RELATED REMUNERATION						
Fixed remuneration	175	175	175	137	882	819
Fringe benefits ¹⁾	11	12	11	11	46	48
Total fixed remuneration	186	187	186	147	928	867
PERFORMANCE-RELATED REMUNERATION						
One-year variable remuneration ²⁾	18	18	36	30	269	287
Multi-year variable remuneration:						
Stock Option Programmes - with long-term share-based incentive effect ³⁾						
SOP 2014						1,323
SOP 2015						
SOP 2015 (Tranche 2016)		2,243				4,346
SOP 2018						
SOP 2018 (Tranche 2019)						
Total variable remuneration	18	2,261	36	30	269	5,956
Pension costs						
Total Remuneration	204	2,448	222	177	1,197	6,823

1) Included in the fringe benefits: e.g. car benefit in kind, car-allowance and garage parking spaces

2) Bonus based on individually agreed key performance indicators

3) Payments from stock option = number of stock options exercised x (stock price at the time of exercise - stock price at the time of grant)

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration paid to the members of the Supervisory Board was comprised in financial year 2019 of an annually-paid, fixed amount, and of compensation paid for each attendance of sessions of the Supervisory Board and of its committees

The members of the Supervisory Board currently receive remuneration that is quite low, when compared to that provided to their peer group, to the nature of their responsibilities, and to the situation of the company. This is why the Annual General Meeting, to be held in June 2020, will receive a proposal for a revamping of the remuneration paid to the Supervisory Board. The current remuneration is comprised of an annually-paid, fixed amount. The chairman of the Supervisory Board receives TEUR 18 a year; his deputy, TEUR 12; every other member, TEUR 10. Each member also receives TEUR 1.5 for each attendance of a session of the Supervisory Board or of one of its committees (be it in person or via video or audio-based remote conference systems). In cases in which two or more meetings take place on a single day, the compensation will be dispensed only once on this day. No changes were made in 2019 in the rates prevailing in the previous year.

COMPONENTS OF THE SUPERVISORY BOARD REMUNERATION IN TEUR

	2019	2018
Chairman	18	18
Deputy Chairman	12	12
Members	10	10
Attendance fee per Supervisory Board Meeting ¹⁾	2	2
Attendance fee per Committee Meeting ¹⁾²⁾	2	2

1) Attendance fees based on the number of personal attendances or qualified telephone/video participation in Supervisory Board and Committee meetings

2) Not applicable if supervisory board meeting takes place on the same day

In financial year 2019, the remuneration paid to members of the Supervisory Board came to a total of TEUR 85 (PY: TEUR 85). The compensation paid to the members of the Supervisory Board is comprised of fixed components of remuneration and of per meeting compensation. The apportionment of these payments is detailed in the chart, which depicts financial years 2019 and 2018:

COMPONENTS OF THE SUPERVISORY BOARD REMUNERATION IN TEUR

	FIXED REMUNERATION		ATTENDANCE FEE ¹⁾		TOTAL REMUNERATION	
	2019	2018	2019	2018	2019	2018
Dr. Erhard F. Grossnigg (Chairman)	18	18	6	6	24	24
Mag. Bernhard Chwatal (Deputy Chairman)	12	12	6	6	18	18
Wu Hui-Feng	10	10		3	10	13
Chu Fu-Chuan	10	10	5	6	15	16
Lee Yu-Lung ²⁾	6		5		11	
Tsao Hsi-Chung ³⁾	4	10	2	2	5	12
Total	62	62	23	23	85	85

1) Attendance fees based on the number of personal attendances or qualified telephone/video participation in Supervisory Board and Committee meetings

2) Lee Yu-Lung joined the Supervisory Board on May 21, 2019, therefore the fixed remuneration for 2019 will be calculated on a pro rata basis

3) Tsao Hsi-Chung has left the Supervisory Board as of May 21, 2019, therefore the fixed remuneration for 2019 will be calculated on a pro rata basis

Aside from the remuneration listed above, the members of the Supervisory Board received no other compensation or other benefits from such services as consulting and brokerage ones that were personally rendered.

Neither loans nor assumptions of liability on behalf of members of the Supervisory Board were granted or engaged in financial year 2019.

D&O INSURANCE

On behalf of the Executive Board and the Supervisory Board and of the management of subsidiaries consolidated in the Group, the company has secured D&O insurance, which covers these persons against any legal liability ensuing from their exercising of their executive, supervisory or management roles in and for the company that caused a purported damaging of assets. No deductibles accrue to the persons insured by this policy.

39 DISCLOSURES OF RELATED PARTY TRANSACTIONS

Normal business operations give rise to relationships of supply of goods and services with related companies and persons. These are governed by contractual agreements. Compensation in these is invoiced according to market prices. The relationships with related companies and persons during the 2019 financial year and on December 31, 2019, are to be depicted as follows:

2019	PROCURED GOODS AND SERVICES	GOODS AND SERVICES SUPPLIED	FINANCIAL INCOME	RECEIVABLES	LIABILITIES
Business relationships with the Executive and Supervisory Boards	0	7	0	0	1
Business relationships with associated companies	9	73	13	369	0
Business relationships with the parent company or its controlling company	49,236	13,239	0	2,956	16,575
Business relationships with other related persons and companies	1,075	0	0	0	0
2018	PROCURED GOODS AND SERVICES	GOODS AND SERVICES SUPPLIED		RECEIVABLES	LIABILITIES
Business relationships with the Executive and Supervisory Boards	0	8		0	0
Business relationships with associated companies	148	124		412	0
Business relations with the parent company or its controlling company	61,663	16,302		2,182	9,254

The goods and services purchased from related parties relate to deliveries of goods and payments for rental agreements for the use of office space of a Group company to the local managing director. The term of the rental agreement is generally one year, but it is assumed that new rental agreements will be concluded for subsequent years. The services provided to related parties relate to deliveries of goods.

The business relationships with the parent company or its controlling company comprise those with Ennoconn Corporation, whose stake in S&T AG came as of December 31, 2019 to 26.6%. The S&T Group was consolidated on July 1, 2017 in the group of companies consolidated by Ennoconn, with this being done on the basis of its exerting de facto control over S&T, and with this also applying to that of the group headed by Hon Hai Precision Industry Co., Ltd., which holds a 38.54% stake in Ennoconn Corporation, and which is thus the

latter's largest single share-holder. These relationships' contents are the securing of supplies and services from Ennoconn and Hon Hai Precision Industry Co., Ltd., and the commission-driven manufacturing of such electronics as embedded boards, industrial PCs and embedded systems, with those going to S&T's "IoT Solutions Europe" and the "IoT Solutions America" segments. Key companies of delivery within the S&T Group are the subsidiaries of Kontron S&T AG in Germany, North America and Croatia.

Impairments were not performed on receivables due from related companies and persons (PY: TEUR 0).

For further information on the remuneration paid to the members of the Executive Board of S&T AG and on the remuneration paid to those on the Supervisory Board of S&T AG, please consult Note (38) Remuneration Report

40 CONSOLIDATED FINANCIAL REPORTING GIVING RISE TO EXCEPTIONS

The consolidated financial statements of S&T AG are to be regarded as giving rise to an exemption to render such by Kontron S&T AG, Augsburg, Germany, and by Kontron Europe GmbH, Ismaning, Germany, as both are consolidated by the former, and are thus eligible for the provisions of § 291 HGB (Germany's Commercial Code). Consolidated in the S&T Group, Kontron Europe GmbH, Augsburg, Kontron electronics GmbH, Großbettlingen, Kapsch CarrierCom Deutschland GmbH, Neu-Isenburg, and AIS Automation Dresden GmbH, Dresden, avail themselves of the stipulations governing exemptions laid down in § 264 Paragraph 3 HGB. In accordance with § 264 Paragraph 3, Nr. 4 HGB, the latter will disclose such.

41 SUBSEQUENT EVENTS

The following key events took place after the balance sheet date:

- › Acquisition of Cronus eBusiness SRL: The signing in the fourth quarter of 2019 of a "letter of intent" for the purchasing of Cronus eBusiness SRL, which is headquartered in Bucharest, Romania, was followed on January 1, 2020, by the conclusion of an agreement setting up the acquisition of a 100% stake in Cronus by S&T Romania s.r.l., Bucharest, Romania, which is a direct and indirect (100%) subsidiary of S&T AG. Cronus eBusiness SRL is one of the leading suppliers in Romania of solutions that are especially based on Cisco products and solutions. The acquisition has significantly developed the portfolio of the S&T Group in Romania in the area of networks and their secure operation. The fixed-price for 100% of the shares of Cronus eBusiness SRL amounts to EUR 1.5 million. Also agreed upon was a floating component of the price. It depends on the profits achieved during financial year 2019, and on the equity as of December 31, 2019. The company acquired was consolidated as of January 1, 2020, in the group of companies consolidated in the S&T Group. It was assigned to the "IT Services" segment.
- › Covid-19 pandemic: Reports began emerging in December 2019 of a new, SARS-related Corona virus, now known as "SARS-CoV-2". By January 2020, the virus – now also referred to as "Covid-19" – had spread out of Wuhan, the Peoples' Republic of China, and began making its way throughout the world. Its initial effects seemed to be an affecting of chains of supply that begin in Asia. These disturbances caused scarcities of supply and, in some cases, shut downs of production, and thus reductions in the volumes of goods available in Europe and the Americas. By now nearly all of the world's countries are affected by this "pandemic", as WHO has called it. SARS-CoV-2 has by now manifested itself in Europe and North America, which are the S&T Group's most important sales markets. The number of people afflicted with Covid-19-caused illnesses is rising day-by-day exponentially, as of the date of publication of this report. The countries affected have responded to this pandemic by restricting the movements of their citizens, with this including their trips within the country and its regions. Another commonly-enacted measure has been to close or scale down non-online retailing, tourism and production operations. Governments have also enacted programs of support. Comprised in this are models of short times of work, the provision of guarantees by public sector bodies, the postponing of the payment of taxes, and the reduction of prime rates of interest – such as the one promulgated in the United States of America. The objective of all these measures is to minimize the negative impacts of the Corona crisis on economies. At the outset of this crisis, this impact was viewed as being of a limited – in terms of time and 'footprint' – scale. Subsequent to the balance sheet date, these negative economic effects began mushrooming. As of this writing, it is difficult to calculate what the crisis' effects will be upon the global economy and upon its local components. How severe and far-reaching they are will decisively depend on how quickly the government-ordered measures – such as social isolation – can stop the exponentially upwardly-curving rise in the number of those afflicted with the Covid-19 illnesses. The S&T Group responded rapidly and at early stage to this pandemic. To protect its staff and to maintain its ability to deliver, the Group assigned its employees to home offices. The Group also constituted redundant teams. As of this writing, some areas of the S&T Group profited in the first quarter from the crisis. This included those areas equipping companies with home office and IoT solutions. These are being supplied to medical

technologies companies, to provide examples. It is currently not possible to forecast with any degree of certainty the magnitude of the crisis unleashed by SARS-CoV-2 – and of the ensuing, global disturbances. Among these effects: customers have been completely shutting down production operations and IT systems. To offset this, S&T AG will avail itself of public sector subsidies – for example the new models of short-time work – available, and will do such until the restrictions imposed are rescinded, and until there is thus a return to normal life. It is in view of this situation that the Executive Board is rescinding its guidance for revenues and EBITDA in 2020. The Executive Board is maintaining, however, the objectives set for the medium-term in its “Agenda 2023” program.

- › Shares Repurchasing Program I 2020: The Executive Board S&T AG resolved on February 28, 2020 – on the basis of the resolution of authorization passed at the Extraordinary General Meeting held on January 15, 2019 and which was published on the same date via an electronic communications system – to conduct a further shares repurchase program (“Shares Repurchase Program I 2020”) that accords to § 65 paragraph 1 N 8 Austrian Stock Corporation Act. This “Shares Repurchasing Program I 2020” serves to set forth “Shares Repurchasing Program II 2019”, which S&T AG concluded on December 27, 2019. It resulted in the purchasing of a total of 788,245 proprietary shares. This corresponded to 1.193% of the share capital of the company. The total price – with this not including ancillary costs – of repurchasing the shares came to EUR 14,647,351.95. The Shares Repurchasing Program I 2020, which was launched on March 4, 2020, has a volume of up to 1,000,000 individual shares. The maximum price to be paid for each is EUR 22.00. As of March 20, 2020, 263,168 shares had been acquired. The average weighted share price – with this not including ancillary costs – was EUR 16.75.
- › Extraordinary general meeting of Kontron S&T AG on March 13, 2020: via its letter dated September 23, 2019, S&T AG communicated to Kontron S&T AG its demand, which accords to § 327a paragraph 1 Sentence 1 of German Stock Companies Act, that the Annual General Meeting of Kontron S&T AG resolve the transferring of the shares held by minority shareholders in Kontron S&T AG to S&T AG, in exchange for the provision of an appropriately-sized cash settlement. In its letter dated January 23, 2020, S&T AG gave further details of this demand, which foresees the paying of EUR 5.68 in cash compensation for each bearer share transferred to S&T AG. This amount is based on the appraisal compiled by an expert and examined by the appraiser appointed by the court. The extraordinary general meeting held on March 13, 2020 of Kontron S&T AG passed the resolution. It stipulates the transferring of the shares held by minority interests in Kontron S&T AG to S&T AG. The resolution received 58,760,443 “yes” votes of the 58,811,931 shares represented of Kontron S&T AG’s share capital. This was equivalent to a majority of 99.91% for the resolution.

42 PROPOSAL FOR THE DISTRIBUTION OF PROFITS

The basis for the proposal on the distribution of profits is constituted by the individual financial accounts of the company. These were compiled in accordance with the regulations of Austria’s Commercial Code.

The individual financial statements of S&T AG report for financial year 2019 a preliminary net profit of TEUR 38,356 (PY: TEUR 37,737). The Executive Board suggests the paying out of a dividend amounting to EUR 0.19 per share.

43 AUTHORIZATION FOR PUBLICATION

The Executive Board authorized the publication of the consolidated financial statements of S&T AG on March 25, 2020.

44 EXECUTIVE BODIES

The following persons served in financial year 2019 on the Supervisory Board:

- › Dr. Erhard F. Grossnigg, Chairman
- › Mag. Bernhard Chwatal
- › Wu Hui-Feng
- › Chu Fu-Chuan
- › Tsao Hsi-Chung (until May 21, 2019)
- › Yu-Lung Lee (appointed at the Annual General Meeting held on May 21, 2019)

The following persons served in financial year 2019 on the Executive Board:

- › Dipl.-Ing. Hannes Niederhauser, CEO
- › MMag. Richard Neuwirth, CFO
- › Michael Jeske, COO
- › Dr. Peter Sturz, COO
- › Carlos Manuel Nogueira Queiroz, COO

Linz, March 25, 2020

Dipl.-Ing. Hannes Niederhauser eh

Michael Jeske eh

MMag. Richard Neuwirth eh

Dr. Peter Sturz eh

Carlos Manuel Nogueira Queiroz eh



MANAGED STORE INFRASTRUCTURE AT THE MARKET LEADER

IT SERVICES
AUSTRIA

With 37 locations in Austria and a diverse range of books, eBooks and a broad selection of non-book items, Thalia Buch & Medien GmbH combines quality, personality, inspiration and service. S&T has taken over the maintenance of the entire POS infrastructure for Thalia throughout Austria, consisting of the cash register system, customer display, cash drawer and receipt printer in the Thalia stores. In addition to the POS systems, clients (desktops and notebooks) and A4 printers were included in the maintenance contract.

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, 2019, 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, 2019 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 is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We considered the following matters as key audit matters for our audit:

1. Definition of cash generating units and recoverability of goodwills – impairment test according to IAS 36
2. Accounting of the acquisition of Kapsch Carrier Com AG and the business unit Kapsch Public Transport Com including the preliminary purchase price allocation

1. DEFINITION OF CASH GENERATING UNITS AND RECOVERABILITY OF GOODWILLS – IMPAIRMENT TEST ACCORDING TO IAS 36

DESCRIPTION

As at December 31, 2019, the consolidated financial statements of S&T AG show a significant goodwill balance amounting to kEUR 194.384 which is spread over several material cash generating units. The composition of two cash generating units has been changed due to a reorganization in management reporting in 2019 and therefore also a reallocation of goodwills to these two cash generating units was made.

In the context of the annual impairment test according to IAS 36 the assessment of the recoverability of goodwill requires significant judgement and management estimates in assessing whether any impairment loss has arisen at yearend, and in quantifying such impairment. The principal risk is in relation to management's estimate of future cash flows and the discount rate for the determination of value in use.

For S&T AG's disclosures related to goodwill refer to note "B. Principles of financial reporting and measurement – Goodwill" and "D.12 Intangible Assets" to the consolidated financial statements.

HOW OUR AUDIT ADDRESSED THE MATTER

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

- › Evaluation of the composition of cash generating units by aligning with management reporting and evaluation of the changes made in the composition during the financial year and the correct reallocation of goodwills to cash generating units
- › Assessment of the design and implementation of the controls over the valuation process
- › Involvement of our valuation specialists to examine the methodology used, test the mathematical accuracy of calculations concerning the impairment tests and to validate the plausibility of the discount rates
- › Comparison of the planning documents to approved budgets and business plans as well as a plausibility check and analysis of the principle assumptions in order to verify the reasonableness of the planning documents
- › Assessment of the historical accuracy of management's budgets and forecasts by comparing them to actual performance and to prior year
- › Evaluation of the appropriateness of disclosures made regarding impairment tests and related assumptions

2. ACCOUNTING OF THE ACQUISITION OF KAPSCH CARRIERCOM AG AND THE BUSINESS UNIT KAPSCH PUBLICTRANSPORTCOM INCLUDING THE PRELIMINARY PURCHASE PRICE ALLOCATION

DESCRIPTION

DS&T group has acquired with purchase agreement of May 23 2019 100% of shares of Kapsch CarrierCom AG including its subsidiaries and the business unit Kapsch PublicTransportCom. Kapsch CarrierCom AG was then renamed in Kontron Transportation Austria AG. The first time consolidation was done as of June 1, 2019. The acquired net assets as of June 1, 2019 amounted to EUR -57,5 Mio EUR.

According to IFRS 3 the acquired identifiable assets and liabilities have to be recognized at their fair value at the acquisition date.

The valuation of the acquired assets and liabilities is complex and requires significant estimates and judgements in application of forecasts and assumptions. The main risk related to the preliminary purchase price allocation is the valuation of identified intangible assets. A significant risk exists also in respect of complete recognition and assumptions and estimates made by management for project related provisions.

The disclosures of S&T AG for the acquisition of Kapsch CarrierCom AG including their subsidiaries and the business unit Kapsch PublicTransportCom are included in the notes disclosure "A. General Information – group of consolidated companies".

HOW OUR AUDIT ADDRESSED THE MATTER

In order to address this risk related to the acquisition of Kapsch CarrierCom AG and the business unit Kapsch PublicTransportCom we performed amongst others the following audit procedures:

- › Review of the purchase agreement, to get an understanding about the significant conditions and clauses and to verify, if the correct accounting in terms of point of time of the first time consolidation and other clauses of the purchase agreement was applied
- › Evaluation of completeness of identification of acquired assets and liabilities, examining the methodology used, testing the mathematical accuracy of calculations and validation the plausibility of the discount rates by involving our valuation specialists to evaluate the adequacy of the preliminary purchase price allocation
- › Assessment of project reports for critical projects and discussion of significant judgements of management in respect of project forecasts and the valuation of project related provisions (mainly warranty provisions and onerous contracts)
- › Evaluation of the adequacy of notes disclosures for the preliminary purchase price allocation and the related assumptions

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.

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.

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.

ADDITIONAL INFORMATION IN ACCORDANCE WITH ARTICLE 10 EU REGULATION

We were elected as auditor by the ordinary general meeting at June 4, 2018 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 25, 2020

Ernst & Young

Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Johanna Hobelsberger-Gruber eh
Wirtschaftsprüferin

ppa Dr. Dominik Permanschlagler eh
Wirtschaftsprüfer

* This report is a translation of the original report in German, which is solely valid. Publication or sharing with third parties of the consolidated financial statements together with our auditor's opinion is only allowed if the consolidated financial statements and the management report for the Group are identical with the German audited version. This audit opinion is only applicable to the German and complete consolidated financial statements with the management report for the Group. Section 281 paragraph 2 UGB (Austrian Company Code) applies to alternated versions.

STATEMENT OF LEGAL REPRESENTATIVES

We confirm to the best of our knowledge and in accordance with the applicable reporting principles that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and that the Group management report, including the profit or loss of the Group, represents a fair view of the assets, liabilities, financial position and the performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

We confirm to the best of our knowledge that the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company S&T AG as required by the applicable reporting principles and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal opportunities and uncertainties the company faces.

Linz, March 25, 2020

Dipl.-Ing. Hannes Niederhauser eh

Michael Jeske eh

MMag. Richard Neuwirth eh

Dr. Peter Sturz eh

Carlos Manuel Nogueira Queiroz eh

SUSTAINABILITY REPORT
2019

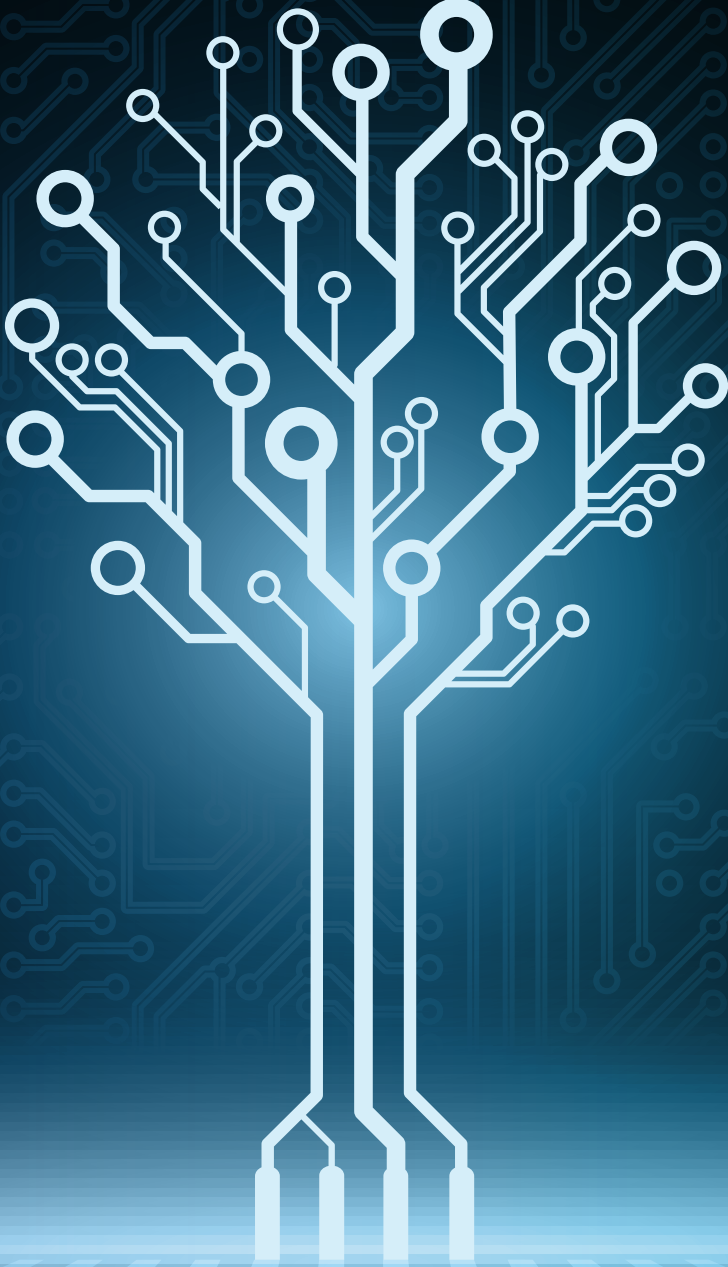


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SUSTAINABILITY REPORT



INTRODUCTION

FOREWORD

The S&T Group strives to always maintain a balance among the economic, societal and ecological challenges facing us. When realizing the short- and long-term objectives that we have set for our growth, our decision-making is future-oriented and sustainable at the same time. S&T has dedicated itself to conducting business in a sustainable way, to displaying respect towards its stakeholders in daily business life, and to diligently analyzing the impacts of its actions upon society and the environment.

The S&T Executive Board manages the Group with the objective of attaining a sustainable value added. The principles forming part of good corporate governance, corporate social responsibility and compliance are incorporated into the Board's decisions. Our corporate goal is to facilitate the further development and enforcement of international social and ecological standards.

We constantly and consistently strive to minimize the effects of our activities upon the environment and to develop innovative and energy-efficient products and solutions for our clients. We maintain longstanding partnerships with producers, suppliers and other stakeholders, which enable our success in this area. Our attainment of sustainable business is predicated upon our proactive environmental management. Entailed in this has been the S&T Group's securing of the ISO 14001 environmental management standard for primarily production-related facilities.

Our actions are designed to further the sustainable development of those markets, countries and the environment in which the company and its suppliers and customers do business. We have dedicated ourselves to observing the principles formulated in the United Nations' Global Compact. This is an alliance of companies and organizations that devote themselves voluntarily and around the world to the fostering of human rights, of fair work conditions and of the protection of the environment.

Thank you for your interest.

The Executive Board of S&T AG

Dipl. Ing. Hannes Niederhauser


Michael Jeske

Dr. Peter Sturz

MMag. Richard Neuwirth

Carlos Manuel Nogueira Queiroz

KEY FIGURES

<p>IoT + Industry 4.0 </p> <p>Internationally-leading supplier of Industry 4.0- and Internet of Things-technologies</p>	<p>1,123 Mio </p> <p>Revenues 2019 EUR 1,123 million</p>	<p>Green Solutions </p> <p>Supplier of products and solutions forming part of energy-efficient, sustainable and secure applications</p>
<p>170.5 Mio </p> <p>2019: EUR 170.5 million for engineering, research & development</p>	<p>4,900 </p> <p>More than 4,900 employees in 32 countries</p>	<p>3 Business segments </p> <p>IT Services IoT Solutions Europe IoT Solutions America</p>

INFORMATION ON THE REPORT

Since financial year 2017, S&T AG has published a separate Sustainability Report at the same time as the annual report. With this third Sustainability Report for the financial year 2019, we inform our customers, investors, business partners, employees and the interested general public about how the S&T Group handles sustainability-related issues.

This report follows well-established guidelines such as those laid down by the Global Reporting Initiative (GRI) and – as a listed company on a stock exchange in Germany – those formulated by BDI (Bundesverband der Deutschen Industrie e.V.), which is the Association of Germany's Manufacturers.

The principle of significance to the S&T Group guided the selection of contents for this report. To make this selection, a base was formed in which topics were arrayed in a matrix of significance. This displayed their importance to the S&T Group. The topics were classified of 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, 2019. S&T's Sustainability Report 2019 will be published on March 26, 2020. To obtain in-depth information on the company's financial objectives and on the development of its business, please consult S&T's 2019 annual report.

SHORT PROFILE

S&T AG (www.snt.at, ISIN AT0000A0E9W5, WKN A0X9EJ, SANT) is a technology corporation. It has some 4,900 employees, and offices and operations in 32 countries around the world. S&T is listed on the Frankfurt Stock Exchange, and forms part of its TecDAX® and SDAX® stock indexes.

S&T is an Austrian technology company headquartered in Linz. With its two „IoT Solutions“ segments, it is a leading international provider of services, products and proprietary technologies in the environment of Internet of Things (IoT) and Embedded Computing Technology (ECT). S&T AG is also a renowned provider of IT systems. Its „IT Services“ segment supplies a wide range of consulting, outsourcing and integration services. To get more information on our technology corporation, please consult the „Portfolio of products and services“ chapter of our annual report, found on page 11.

1.4. SUSTAINABILITY PROJECTS “SETTING A GOOD EXAMPLE”

“Small-scale measures with big effects” is the S&T Group's motto. It refers to our approach to realize and implement the ideas and suggestions proposed by our employees. Our objective is to achieve a work environment that shows a greater degree of sustainability. We are pleased that other companies in the S&T Group are pursuing many of the projects initiated.

LED LIGHTING

An energy audit conducted by Kontron Europe GmbH in August 2019 yielded further recommendations how to increase its energy efficiency further. One of the first steps in 2018 was to completely revamp the lighting of production facilities in Augsburg. The new illumination is LED-based. This initiative was pursued in 2019, in which the storage facility's lighting was upgraded to LED on a systematic basis.

The replacement with LED illumination is now being pursued throughout the S&T Group. Keep it up!



NEW WORK SCHEDULES

Kontron America Inc. has launched a 9/80 work schedule. It permits employees to add one hour of work a day, and to take off a Friday every two weeks. This in turn helps reducing the consumption of electricity and water, the incurring of wastes, and the distances covered by commuters in cars for 26 days a year.

Flexible work schedules and the opportunity to work at home are increasingly being offered in the entire S&T Group. That is great news for the environment, for our employees and for our company!



GREEN TRANSPORT

In accordance with S&T's ESG ("environmental, social and governance") objectives, it is promoting the utilization of trains and other forms of public transportation. As part of this, Kontron Transportation Belgium launched a "cash for car" program. It pays cash to those employees who give up their company cars, and who take public transportation instead.

Other S&T facilities have introduced measures leading to the reducing of carbon dioxide incurred through travel!



SUSTAINABLE CORPORATE MANAGEMENT

VALUES AND GUIDELINES

Our corporate values inform our daily work, and guide and drive our company.



Business success



Respect and appreciation in dealing with each other



Our strength stems from common purpose



Partnership

The management of the S&T Group places a high priority on living up to its responsibilities towards the company, its employees, the environment and society. The reputation of the S&T Group and the trust placed in it by our customers, investors, employees and the general public are determined by the actions undertaken by each and every person working for the S&T Group. We view our employees as being the drivers of the successes achieved by our company.

We offer our some 4,900 employees a progressive environment of work, 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 such, we place a high priority upon such key values 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. We are convinced that our participation in networks and initiatives that transcend the borders imposed by organizations strengthen our company. To enable this participation, we operate in a culture marked by open and constructive feedback. We give and get input, as these are the ways of improving ourselves and others.

The S&T Group always keeps an eye on ecological sustainability issues. As a supplier of IoT/embedded computer technologies, the Kontron S&T group develops solutions that are deployed by clients for many years. These extremely long times of utilization cause these systems to evince ecological effects that are substantially less than those resulting from the devices forming part of consumer electronics, which have a relatively short duration of use. Our solutions, in addition, foster increases in efficiencies of energy and resource employment. Long terms and durability of hardware employment are highly important to both our clients and our engineers.

CORPORATE ETHICS

COMPLIANCE IN THE S&T GROUP

S&T operates according to a simple and very clear approach to business: we expect integrity-driven performance. S&T AG's Code of Conduct contains the requirements to be observed by all our employees and our partners.

CODE OF CONDUCT

The Code of Conduct of S&T was implemented in the whole Group. Its directives were revised in financial year 2019 and the updated version rolled out throughout the Group. The Code's contents are assessed, updated and imparted on regular bases. In 2019, the focus was upon precautionary training in the S&T facilities in Eastern Europe.

The entire S&T Group is required to adhere to and to observe the laws and legal codes in force in the countries in which we do business. Each staff member is obliged to comply with national and international legal codes – and to act in corresponding ways. We also demand of our employees that their behavior is in conformance with these codes, that they meet their personal commitments, and that they refrain from undertaking actions that could damage the reputation of the S&T Group. The Code of Conduct describes and governs such issues as the observance of laws in force, the combating of corruption, the adherence to fair-trade and anti-trust laws, behavior towards third parties, handling of financial and business records, combating money laundering, observation of export control and duty laws, principles of equal treatment, data protection and security, conflicts of interest, and the dealing with gifts, invitations to events, donations, sponsoring and advertisements. We have recently adapted our Code of Conduct to satisfy the newly-promulgated stipulations of the Second Shareholders' Rights Directive and those of Austria's Stock Corporation Act, which implements the Directive on the local level, and which is applicable to S&T AG as an Austrian company. The latest version of our Code of Conduct is on our Website at: https://ir.snt.at/SnT_CodeofConduct_EN.pdf

HUMAN RIGHTS

The adherence to internationally valid standards of human rights and of labor is a matter of course for us. Our standards correspond to those laid down in the International Bill of Human Rights, in the European Convention on Human Rights, and in the principles of the United Nations' Global Compact. We tolerate no form of forced labor, be it also in a prison or due to subjugation. Each person working for the S&T Group does so according to her or his own free will and volition. Any employee can terminate this relationship of employment, provided that she or he observes the agreed-upon terms of such. Also not tolerated in the S&T Group is child labor. We require of our suppliers the adherence to all laws in force, with these including the laws applying to human rights and fair business practices (please see the chapter on "Suppliers" on page 207 and S&T Suppliers' Code of Conduct at https://ir.snt.at/SnT_Supplier_CodeofConduct_EN.pdf).

GOVERNMENT CONTRACTS AND THE COMBATING OF CORRUPTION

The S&T Group competes for contracts placed by governmental 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 on and stipulations applying to public-sector procurement, with this including legislation designed to preclude the impermissible influencing of civil servants. A large number of countries have promulgated anti-corruption laws that accord to internationally applicable standards. These laws forbid bribery committed by companies. Several of these laws – such as the UK's Bribery Act and the USA's Foreign Corrupt Practices Act – are recognized around the world, and are robustly applied in the S&T Group.



ENERGY MANAGEMENT MADE EASY

IOT SOLUTIONS GERMANY

Solar-Log™ is a pioneer in monitoring photovoltaic systems. With the “Solar-Log Base”, a new energy management system was successfully launched on the market in 2019. Solar-Log™ relies, among other things, on the SL i.MX6ULL SoM module from the S&T subsidiary Kontron. Solar-Log Base is a flexible, open system, easy-to-install overall package for greater efficiency in the control, regulation and monitoring of photovoltaic plants. The base-series offers all the desired functionalities for the respective plant operators for every size of plant, from private homes to large industrial plants. With the add-on module MOD I/O, all requirements in the field of power supply management can be easily covered.

ADHERENCE TO LAWS

Compulsory in the entire S&T Group is the adherence to and observation of all applicable laws. Each staff member is required to adhere to national and international codes of law, and to operate in ways expressing such. We also require of our staff members personal behavior that is in accordance with the law. We insist upon their meeting personal obligations, and upon their refraining from actions that could damage the reputation enjoyed by the S&T Group. In order to provide employees and third parties with a way of alerting the Compliance department to possible breaches of law committed in the company, S&T AG set up an electronic whistleblower system. It also enables anonymous reporting. This system is to be found on S&T's website at: <https://compliance.snt.at>.

Potential contraventions can also be reported directly and at any time to the Compliance Officer, the Legal Affairs department, Human Resources and a works council.

CORPORATE GOVERNANCE

"Corporate governance" denotes the legal and factual parameters created to govern the management and supervision of a company. Corporate governance's objective is the enhancement of the transparency and capability of control of management and of its actions, as doing such causes management to live up to its responsibilities when pursuing its duties. This, in turn, represents a key component of sustainable value added.

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. In accordance with Germany's Stock Act (§ 161 AktG), S&T AG – since it is a publicly listed company – is required to disclose the extent to which it has satisfied the recommendations of the Code. Each divergence from its recommendations is to be explained – in accordance with the principle of "comply or explain". This is to be done in the "Corporate Governance Report", which forms part of the financial year's annual report, and which is also maintained on the company's 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 and sustainability-oriented in nature, and that thus yields sustainable value added. Key components of good corporate governance are efficient working relationships between the Executive and the Supervisory Board; openness-based channels of communication within the company; respect for shareholder interests; the achievement of transparency and accountability when making decisions for the company; an appropriate dealing with risks; and the furthering of equal treatment and opportunity and of 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 the observing of national and international laws, 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.

It is for that reason that S&T AG's divergences from the Corporate Government Code encompass only a few points. These divergences are elucidated in depth in the declaration of compliance rendered annually and in the Corporate Governance Report found on page 20 of the 2019 annual report, and on the website of S&T's Investor Relations department at https://ir.snt.at/Corporate_Governance.en.html.

STRATEGIC MANAGEMENT OF RISKS AND OPPORTUNITIES

Risk and opportunity management constitutes an important component of S&T's handling of its business. The objective of S&T's executives is to employ the intra-Group system of risks and opportunities management in ways enabling their recognition, evaluation and proactive influencing whenever they arise on markets and as a consequence of corporate actions. Covered in this are opportunities and risks that are both internal and external in nature.

S&T generally avoids risks that imperil its corporate existence. Notwithstanding this, S&T's business does expose it to risks that directly ensue 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. It also supports us in achieving our corporate goals. The risk management system fosters an awareness of risk, and, as well, the trust that our stakeholders place in our company. It also improves the bases of our planning and of decision-making.

The close intermeshing with financial processes and the ongoing development of methods of assessing and managing risks and of their reporting is ensuring that the Executive Board and Supervisory Board are informed promptly and comprehensively on the risks to which the company is exposed.

A further component of good entrepreneurship is the recognition and exploitation of opportunities. Doing such ensures the company's viability by strengthening its ability to compete. This represents a key component of our strategy. Our system of management of risks and opportunities enables us to assess both of them properly.

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 organizational chart makes the system part of our internal audit team, which is the institution reporting to the Executive Board as a collegial body. The Group's Risk Manager consults on a regular basis with the Executive Board, which serves as the collegial body. The Risk Manager also supervises the adherence to the risk management process and to the reporting routines that have been set up.

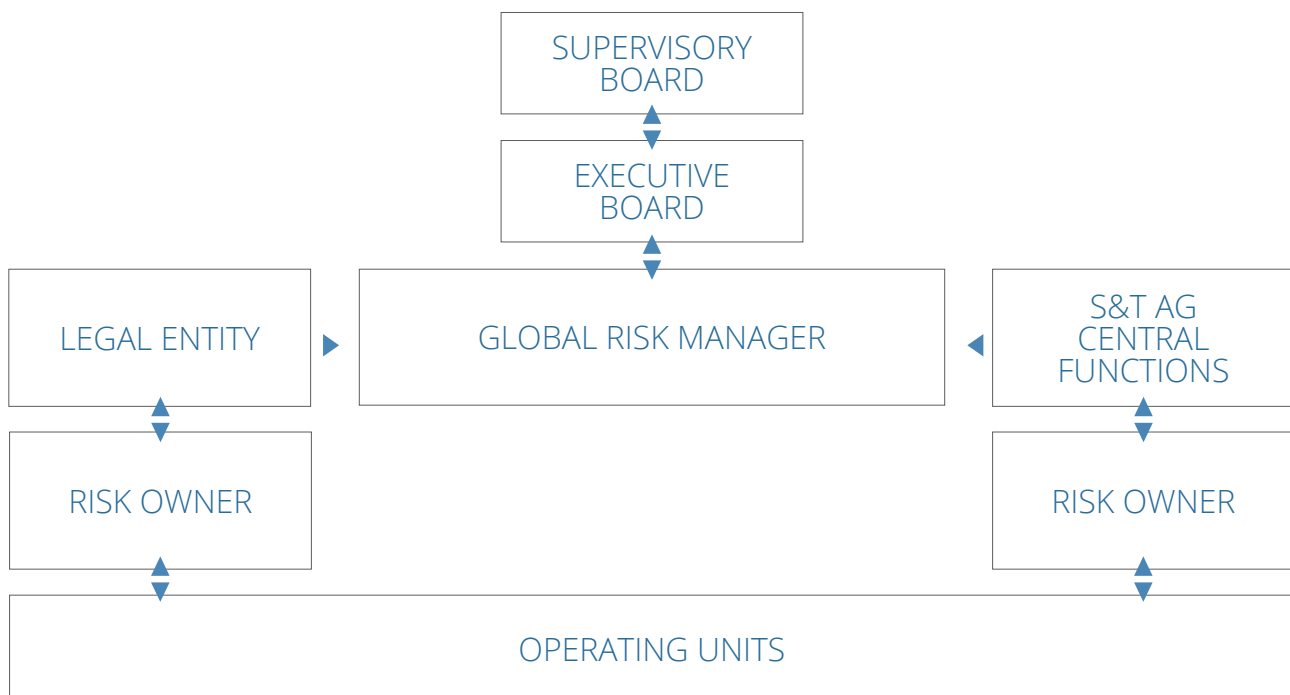
The group-wide process of risk management is depicted and elucidated in the Group's Risk Manual. It describes in-depth the steps comprising the process of managing risk, with these starting with the identification of risks and extending to its reporting:



The Group Risk manual determines the responsibilities and procedures comprised in the risk management system. It lays down clearly stipulated directives – such as on the principles of risk management – whose adherence is compulsory for all responsible 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. This report is then supplied to the Executive Board and to the Supervisory Board. As of the end of the year, the smaller-sized companies report their risks. These are then aggregated, yielding a comprehensive overview of the risks facing the S&T Group. In addition to compiling standard reports, Group companies have to issue ad hoc reports upon exceeding of preset limits or upon the occurrence of exceptional situations. A highly topical and pertinent example is the current spreading of the Covid-19 pandemic around the world.

RISK MANAGEMENT ORGANIZATION



The assessment of the probability of occurrence and the possible financial impact are assessed based on pre-formulated criteria. A rating system has been implemented which enables the comprehensive depiction of the relevance of the risks.

Each risk is assigned to a “risk owner”, whose responsibility is the monitoring of the risk and of the measures enacted to manage it. The updating of assessments and the tracking of risks take the form of the reporting rendered on a regular basis to the Group’s risk manager, whose job is to aggregate these reports and to report them to the Executive Board. The Executive Board informs the Supervisory Board of the main risks on a regular basis.

This system ensures the group-wide transparency and the effective handling of the risks facing the company. Further information is provided in our “Report on Opportunities and Risks”, which is to be found on page 46 of this annual report.

RESPONSIBLE MANAGEMENT

ENVIRONMENTAL PROTECTION AND MANAGEMENT

Our management always bears in mind that it is responsible for our environment. Treating the environment in a way expressing this commitment and protecting the climate 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 is promoting 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 premises' environmental performance and thus delivers indications on how to improve it on an ongoing basis. The system embodies our environmental policies, which permit the derivation of both generally and specifically applicable objectives. The compilation of these policies constitutes the expression of our obligations towards the protection of the environment, obligations fulfilled through the deployment of an environment management system.

The S&T Group currently has facilities maintained by 26 companies – located in Albania, Austria, Belarus, Belgium, Czech Republic, China, Croatia, France, Germany, Hungary, Malaysia, Montenegro, Romania, Serbia, Slovakia, Spain and the United Kingdom – that have been certified as meeting the environmental management standards codified in ISO 14001. The S&T Group's plans to secure ISO 14001 certification for further facilities took steps forward in financial year 2019. The measures comprising the certification according to ISO 14001 are assessed and further developed on ongoing bases. 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 individually evaluated and subsequently classified. This enables the effective implementation of measures of improvement. As stipulated by the new standard, we have extended our assessment to comprise the evaluation of the opportunities and risks arising from our respective environment-impacting activities. This enables their effective management. The assessment is checked and updated at least once a year.

WE ARE PURSUING OUR ENVIRONMENTAL OBJECTIVES THROUGH:



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 ways enabling it to facilitate our identification and monitoring of 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 are according to the applicable legal codes. To achieve this, we employ an online register of laws that automatically briefs us on alterations in laws and directives applying 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 the respective facility.

We also expect our suppliers to adhere to ecological and societal standards. This adherence is verified through the audits that we conduct and that encompass our suppliers. We systematically take in the expectations of all those parties that are interested in our environmental performance. We then evaluate these. This enables us to proactively fulfill the requirements placed by our respective sets of stakeholders upon our protection of the environment – and to forge ties with them, with this depending on their levels of interest.

Our goal is to improve our environmental performance continually. We employ our corporate environmental policies to the annual compilation of the environmental objectives established for the respective facility. By doing such, we ensure the efficacy of the program. We institute – should such be needed – measures of improvement. We establish appropriate new objectives. While doing such, we work to identify indicators capable of quantifying all environmental objectives, to enhance their capability of being calculated and measured. Examples of indicators are electricity consumed per employee, need for heating per unit of surface area, and emissions of CO₂ from business trips on a per employee basis.

ENVIRONMENTAL OBJECTIVES OF THE S&T GROUP



REDUCTION OF CONSUMPTION OF ELECTRICITY AND THE UTILIZATION OF RENEWABLE ENERGY

- › Installation of photovoltaic facilities at a variety of locations
- › Electricity-conserving IT equipment at places of work and at our datacenters
- › Systematic upgrading of the lighting at our facilities by switching to LED-based illumination
- › Enhancing staff member awareness of the need to preclude unnecessary consumption of electricity

REDUCTION OF NEED FOR HEATING AND COOLING/M²

- › Sensible use of office heating and air conditioning – only when needed
- › Turning off heat in empty individual offices
- › Closing windows and doors when heating or air conditioning are on (ventilating in bursts)

REDUCTION OF PAPER CONSUMPTION

- › Focus on paperless processes within the S&T Group
- › Print only what is necessary, preferably archive PDF printouts, and implement Follow-Me Printing solutions to reduce uncollected printouts
- › Reduction through deployment of electronic, integrated HR systems (for example: on-site systems of managing working hours and absences from work), and utilization of E-invoices

REDUCTION OF EMISSIONS 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
- › Fostering the use of public transportation

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 characterized by low consumption of energy and that 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 today – more than ever – of ever-greater importance in our innovative developments and in our economic considerations and decisions. Therefore, we always take care to conserve natural resources – for example, by avoiding waste and using efficient recycling solutions.

PRODUCTS FEATURING THE MOST ADVANCED INTEL® PROCESSORS AND USED IN ENERGY-EFFICIENT COMMUNICATION, VISUALIZATION AND CONTROL OPERATIONS

Kontron products have been updated with the electricity-conserving Intel® systems-on-chip processors of the eighth generation. As compared to previous models, these have twice as many cores, and provide about 25% more performance with identical power dissipation. The employment of these chips gives rise to new ways to communicate and visualize. These processors are capable of being directly employed in heavy-duty production processes. These highly robust, fan-less control systems do not have to be installed in stand-alone, air conditioned computer rooms. This obviates the need for air conditioning, thus reducing the energy consumed by the applications.



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 consistently secure briefings by our suppliers on the compositions of the components that we procure from them and which are incorporated into our proprietary products. This enables us at any time to provide our customers with information about the components installed in their products. At the same time, we pursue our goal of accomplishing an environmentally conscious product design. We fulfill customers' specific requirements, in ways according to the stipulations imposed by legal codes. The S&T Group's adherence to environmental requirements imposed by applicable laws and regulations starts in the phase of the development of products. These regulations and their national-level implementations include:

- › EU Directive 2012/19/EU on waste electrical and electronic equipment (WEEE Directive)
- › EU Directive 2011/65/EU on the restriction on the use of certain hazardous materials in electrical and electronic devices (RoHS Directive)
- › EU Regulation 1907/2006/EG on the registration, evaluation, authorization and restriction of chemicals (REACH Regulation)

WEEE DIRECTIVE: AVOIDANCE OF ELECTRICAL AND ELECTRONIC WASTES

The EU promulgated on January 27, 2003, an environment protection directive entitled "WEEE Directive 2002/96/EC" (abbreviation is of "Waste Electrical and Electronic Equipment"). Its objective was to bring about the reduction of the increasing quantity of electronic wastes that stems from no longer used electrical and electronic devices. It 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 countries are required to implement the WEEE Directive in national codes of laws.

The S&T Group has committed itself to undertaking actions fostering the security and health of the 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 fulfill its requirements by

- › taking into account their future disassembly and reclamation, and, as well, by bearing in mind the requirements of recycling when developing the devices,
- › marking of the device with the symbol stipulated by the WEEE Directive: a wheeled waste bin that has been crossed out, as well as
- › 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 established in accordance with the WEEE Directive. Our “embedded computers” are not stand-alone 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 the handling of 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, which sell their products under their own company names to end-users.

To facilitate our customers’ satisfaction of all 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 are able to enter into an agreement foreseeing the obligatory returning of the components involved.

In addition to embedded computers, we also produce complete systems such as rackmount servers, which are considered to be stand-alone systems. We satisfy the obligations imposed by the WEEE to register such systems in the EU member countries affected by it.

ROHS-COMPLIANCE: RESTRICTION OF HAZARDOUS SUBSTANCES

On July 1, 2006, the EU promulgated its RoHS (“Restriction of Hazardous Substances”) Directive 2002/95/EG on the restriction of the use of certain hazardous materials in electric and electronic equipment.

Since this promulgation of the directive, the member states of the European Union have been required to ensure that electric and electronic devices introduced on to markets do not contain – in accordance with the RoHS Directive – lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls (PBB), or polybrominated diphenylethers (PBDE). The Directive foresees exceptions to this prohibition only under certain conditions.

Published on June 8, 2011 by the EU was its updated RoHS Directive (2011/65/EU, RoHS 2), categorized as a CE directive of designation. The exemptions that had been granted were classified as having expired as of January 2, 2013. As of January 2, 2013, the EU member states had to implement and publish the requisite legal and administrative regulations, to meet the stipulations of the RoHS-2 Directive.

The Kontron companies are subsidiaries of S&T AG that are engaged in manufacturing. They fulfill the stipulations of the RoHS-2 Directive, and maintain the availability of RoHS-conforming products for their customers.

There are a few exceptions to Kontron’s using RoHS-conforming products. The European Commission evaluate these products regularly regarding their extension. Kontron and the S&T Group take the expiry of the active RoHS-2 exceptions very seriously.

The company commits to always relaying to its customers the latest information available on the disposal of hazardous materials that stem from components used. The S&T Group – and specifically its subsidiary Kontron, which is active in the product area – has a broad base of offerings of electronic and mechanical components, modules and processes. This spectrum of availability enables S&T to recognize trends at an early stage, and to thus implement unique solutions. These in turn enable manufacturers of components to avoid using hazardous materials.

EU'S REGULATION ON CHEMICALS: REACH

The REACH Regulation ("Registration, Evaluation, Authorization of Chemicals") was decreed by the European Union to lessen the risks arising from chemicals to human and environmental health.

Since June 1, 2008, manufacturers and importers of chemicals in and into the European Economic Area (EEA) have been required to register those materials obliged to be registered with the European Chemicals Agency, if such chemicals are being produced or imported in quantities of at least one ton a year. Excepted from this rule are so-called "phase-in materials" and those listed in EINECS directory of extant materials.

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 defined to be 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. REACH considers such manufactured products to inherently not be obliged to be registered.

The S&T Group commits to managing its products and processes in ways minimizing the risks ensuing from to the health and security of humans and the environment. The Candidates List of the European Chemicals Agency (ECHA) comprises those "Substances of Very High Concern" (SVHCs). Kontron monitors this list on a regular basis, to ascertain the incorporation of new substances. The disclosure of the existence of SVHCs is obligatory for inquiries to our authorized manufacturers. In accordance with Article 33 of REACH, Kontron and S&T brief their clients on prompt bases on alterations in the Candidates List and upon these changes' relevance to our products. In addition, such queries may be submitted to our company at any time.

CONFLICT MINERALS

The USA's "Dodd-Frank Wall Street Reform and Consumer Protection Act" contains disclosure and reporting requirements involving so-called "conflict minerals" stemming from the Democratic Republic of the Congo (DRC) and its neighboring countries. Since July 2010, companies listed on securities exchanges in the USA have been obliged to adhere to these requirements. Comprised in the term "conflict minerals" are such raw materials as tantalum, tin, gold and tungsten in cases in which their mining and trading form part of the financing or other kinds of support provided to armed groups in the DRC and its neighboring countries. We accord the highest priority to respecting human rights and to thus adhering to the Dodd-Frank Wall Street Reform and Consumer Protection Act. We have instituted measures to preclude our use of conflict minerals in our chain of supply. This represents one way in which we help avoiding or minimizing violations of human rights (Please see "S&T Supplier Code of Conduct").

We assist our customers in the comprehensive declaration on the utilization of conflict minerals that accords to the stipulations imposed by USA's Securities and Exchange Commission (SEC). Such suppliers are required to furnish the corresponding information on their chains of supply. This in turn requires their meeting of disclosure obligations and their conducting diligence-based verification. S&T AG's Kontron subsidiaries have the capabilities requisite to assess and track the components and suppliers covered by the reporting and by the declaration on the utilization of conflict minerals. To determine the origins of the metals used, we call upon and work closely with external providers of services and with the manufacturers. This is because we do not directly procure these metals from mines or smelters.

In June, 2016, the European Commission, the European Parliament and its member states agreed, in a first, upon guidelines of a directive to govern the trading in so-called "conflict minerals". The new Conflict Minerals Regulation ("CMRT") of the EU will take effect on January 1, 2021. It is supposed to further the constraining of trading in tin, tantalum, tungsten and gold stemming from conflict regions. This new EU regulation thus avails itself of the corporate obligation to render diligence in the raw materials sector. This, in turn, will enhance the taking of responsibility for the supply chain of raw materials, with this entailing the undertaking of the appropriate measures. All this is done to preclude the financing of conflicts or of contraventions of human rights. The new EU regulation affects the S&T Group only indirectly. Despite this, we show a great degree of diligence in meeting our obligations towards our suppliers and customers. This obliges us to undertake the preparations required to satisfy the stipulations of the new regulation already today.

DISPOSAL AND RECYCLING

We properly handle the disposal of the wastes ensuing from our production facilities and from our offices. This disposal has been structured in an easily understood and binding way. Waste materials engendered in our production operations are assigned to the following categories, and then disposed of in the containers that have been correspondingly marked and labeled: paper and cardboard, recyclables (Styrofoam, plastics, foils etc.), metal wastes, electronic wastes (for instance: cables, boards, keyboards and monitors), and rechargeable and other batteries. Special rules have been established for the ESD (electrostatic discharge) area. Such items are disposed of in dedicated containers. Wastes generated in offices are also separated. The offices have special bins for paper and cardboard and for the other kinds of wastes, whose separation is handled by providers of disposal services. Additionally, locked bins are used for the disposal of confidential documents.

Other ways in which the S&T Group avoids wastes are that we produce our proprietary products and those procured from others in ways minimizing their amount of packaging. This also applies to items ordered. Working with our suppliers, we are increasingly employing environmentally friendly packaging, with these including decomposition-possible materials such as plastics made from cornmeal, algae and hemp, and recyclable items such as paper and cardboard. The objective of this is to avoid using conventional plastics.

GREEN DATACENTERS

Sustainability plays a crucial role in IT services. Our commitment to conducting “green business” is expressed in the S&T Group’s selection of our partners for datacenter operation. Criteria used to assess adherence to “green IT” include the efficiency of the air conditioning used to cool the datacenters. 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 employment of IT resources in ways actually meeting needs, and the assignment of our employees in a manner optimizing their routes.

SOCIETAL AND SOCIAL ENGAGEMENT

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, athletics and public welfare. Targets of this support are 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 organizations and foundations.

As had been the case in previous years, the support provided by the S&T Group in 2019 included donations of money and physical items; the forging of partnerships with athletic associations, schools and universities; and the facilitation of a large number of charitable projects. Donations made in 2019 included those going to organizations helping children, to facilities sheltering women who are victims of domestic violence, and to medical facilities (for instance: the Red Cross in Germany and the Marie Pagé Foundation in Canada). S&T also raised money for research into cancer and for cancer patient assistance. A large number of local athletic organizations also received support from S&T. We are an IT company – as such, we sponsor the equipping of schools and children’s homes with IT. We also provide support to the IT projects undertaken by educational facilities. A further example is the large-scale campaign undertaken to provide gifts for Christmas. The role of Amanox Solutions AG – S&T’s subsidiary in Switzerland – in this comprised its support for a project undertaken by the Brändi foundation. It fosters the integration of handicapped people in labor markets.

COLLECTING DONATIONS FOR THE DR. CLOWN FOUNDATION

**KONTRON CANADA INC.**

In 2019, staff members of Kontron Canada collected donations for the Dr. Clown Foundation. The objective of this innovative organization is to improve the quality of life of hospitalized children, of senior citizens living in facilities providing long-term care, and of handicapped citizens. This objective is realized by the visits made by the clowns to these people. At these visits, the clowns play games and tell stories to them, thus bringing joy to them. On May 16, 2019, staff members of Kontron Canada took part in a "Friendship Olympics", and in a tour of a local school for those with special needs. Its pupils are between 12 and 21 years old and have physical or mental handicaps. The funds raised are being used to finance the visits made on regular bases by the clowns to the school during the year.



EMPLOYEES

Our employees are the driver of the successes achieved by the S&T Group. Therefore, S&T relies on the motivation and proficiencies of its staff. To foster these, we invest in a large number of professional education and training programs. We also offer our staff ways of developing further within our company.

In financial year 2019, the S&T Group invested some EUR 1.7 million in the further occupational education of its personnel. That represented – once more – a rise over 20% in expenditure compared to 2018's EUR 1.4 million. This investment went to realize training and educational sessions on the greatest possible variety of topics, especially technical training and certification in a large number of fields; manager training and coaching; schooling in compliance and operating security; project management; and language courses. In addition, internal and external training courses are held on an ongoing basis to ensure that our employees are always up to date with the latest technology and can additionally position themselves for further career steps.

We in S&T are convinced that sustaining the success enjoyed by our company depends on creating a working atmosphere with a high degree of personal responsibility. The attainment of this climate entails fostering corporate values and principles of management, attuning them to each other, and creating flat hierarchies. This is to be accompanied by team spirit and the attainment of participatory decision-making.

MANAGEMENT PRINCIPLES AT THE S&T GROUP

In addition to capital and know-how, professional leadership is our most important driver of corporate success.

Our management principles form the foundation for dealing with our staff members 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 parameters 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. To be noted is that we used an open-ended language when formulating our principles. This is due to each manager's style being individual and personal. To instill and embody this approach in an authentic and credible way, we have to take personal and frequent looks at the subject of what constitutes

management. To enable this, we at S&T encourage our managers to participate in leadership training programs held on and outside corporate premises.

EMPLOYEE INDICATORS

S&T is a company that operates around the world, maintaining subsidiaries and offices in 32 countries. Its headquarters are in Austria. As of December 31, 2019, the S&T Group had 4,934 employees. Not included in this figure are vocational trainees and staff on parental leave. The following figures on employees express full-time equivalents as of the balance sheet date.

Broken down among S&T's business areas and as of December 31, 2019, some 383 employees worked in production and logistics; 485 people in hardware-related IT services; some 740 in management and administration; 677 people in sales and marketing; and some 2,649 in development (comprising research and development and engineering).

Broken down among S&T business segments and as of December 31, 2019, some 2,159 people worked for "IT Services"; 2,456 for "IoT Solutions Europe"; and 320 for "IoT Solutions America". Broken down among regions: some 89.5% of all S&T employees worked in Europe, some 6.5% in North America, and some 4.1% in Asia. The number of employees in Austria, the Group's home base of operation, was some 597 as of December 31, 2019.

The number of our staff members had risen y-on-y by some 16.1% to 4,934 as of December 31, 2019. This rise is attributable to the acquisitions performed during the year and to the increasing of the staff size in the "IoT Solutions Europe" business segment, which was undertaken to enhance software capabilities. A large number of facilities of the S&T Group serve as centers of vocational education, at which young persons are trained for technical and business professions. The center's educational activities express S&T Group's years of commitment to educating young persons, a commitment enabling it to cover part of its need for highly qualified young employees. The Group also maintains working relationships with a large number of universities of applied sciences and other institutions of higher education. The Group also provides support to students undertaking dual majors in a variety of technical and scientific areas. S&T also offers internships and permit students to work on projects with it. As a whole, the S&T Group employed in 2019 97 (2018: 87) vocational trainees and students on combined work-study programs.

EMPLOYEES ACCORDING TO REGIONS*:	2019	2018
Europe	4,414	3,712
Thereof Eastern Europe	2,655	2,381
Thereof Austria	597	494
Thereof Germany	773	653
Thereof rest of Europe	389	184
Asia	200	218
North America	320	318
Total	4,934	4,248

* Employees on parental leave or on senior semi-retirement and trainees are not included in these figures (previous year adjusted)

DIVERSITY AND VARIETY

Our group's international scope of business fosters diversity among our staff. This is important to us – because the individuality of our employees joins with equality of opportunity and respect for origin, age, religion, gender and other characteristics in forming our corporate culture.

When filling any position in the Group, S&T follows the principle of promoting women and equal treatment. The fostering of women's interests forms part of S&T adapting its operations to account for alterations in the worlds of work and in daily life. This fostering extends to S&T's management, for which the Group is striving to increase the share accounted for by women, to attain an equality 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 18% to at least 26% by the end of 2021, which corresponds to the current gender distribution in the Group. 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.

To this end, we are stepping up our participation in local initiatives leading to high school students getting acquainted with our company and its professions. In financial year 2019, our facility in Augsburg, Germany, provided – in cooperation with locally based institutions of occupational education such as Germany’s DAA (Deutsche Angestellten-Akademie) and BIB Augsburg GmbH – internships to high school students. As had been the case in 2018, our site in Vienna participated in “Daughters’ Day” in April 2019. This initiative gives young women between the ages of 11 and 16 the opportunity to get to know technical professions at local companies. Additionally, we participate in job fairs for high school students such as Vienna’s “HTL-Karrieretage” (“HTL Career Days”). At these job fairs, we present our company and, in cooperation with HTL Spenglergasse, offer internships and supervised degree theses.

FEMALE EXECUTIVES AT S&T



HELENA HOROVCAKOVA

MANAGING DIRECTOR
S&T SLOVAKIA S.R.O.

After Helena had worked successfully at S&T’s headquarters in Vienna, and demonstrated her outstanding management skills, she was offered in 2013 the position of managing director of S&T’s subsidiary in Slovakia, which was experiencing difficulties. Helena turned it around, and made it a flourishing company. This success is not only the result of hard work, but also of several insights she had gained during her career.

After gaining an MBA from the City University of Seattle, Helena, 22 years old in those days, launched her career in IT and consulting. Her age (or lack of it) seemed to be one challenge. The other, perhaps more serious, her gender. As she remembers:

It is difficult enough to be taken seriously when you have just graduated. And being a woman in a sector that is dominated by men? As Helena puts it: “I handled these challenges by employing a direct style of management and communication. I worked more purposefully than did most of my male colleagues. And that approach was successful. I started out as a project manager and consultant. I then worked for several managers and directors, spending five years in the process at S&T’s headquarters in Austria.” Helena learned something important and valuable during this time – valuable also for the S&T Group. Being a woman is not necessarily a disadvantage in IT. It can even be an advantage. Helena’s recognition of this fact has enabled her to deploy all her female traits – to the benefit of the company and of its clients.

”

Such female qualities as conscientiousness and intuitiveness and as openness and empathy are always useful. They can be employed when recruiting a reliable team and when reaching business decisions. I am successful because I am true to myself, to my being a woman. And this is what I have to say to all women who are thinking about becoming managers: Being a woman is your advantage. Put it to good use.

Helena Horovcakova

”

NICOLETA MACOVEI

MANAGING DIRECTOR
S&T ROMANIA S.R.L.

Nicoleta Macovei has more than 25 years of experience in the IT sector. In March 2018, Nicoleta Macovei was appointed head of the Romanian subsidiary of the S&T Group. Nicoleta studied at the Faculty of Business IT at Bucharest's Academy of Economic Studies. After earning her doctorate in the same field, she began her career at the Institute of Computer Sciences in Bucharest. Her next position was in banking, in which she worked for a decade. Nicoleta rose to become one of the leading managers in the local IT&C community. She occupied leading positions at several companies. Nicoleta loves mastering challenges by overcoming difficulties – and by motivating those around her to come up with the best possible solutions. Her position at S&T Romania has provided Nicoleta with the opportunity to put together a management team. As of this writing, they are all women. Nicoleta's leadership is enabling S&T Romania to enhance its position of being a high-capability IT-integrator on the Romanian market.



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I was one of the first women to get a position of leadership in Romania's IT sector. The initial period was difficult. It required tenacity and persistence. I believe that women make good managers. We are clever and creative. Here is my advice for women that are considering going into technical professions: Don't hesitate to do such. Have the courage to embark upon this path. Your doing such will be supported and furthered by the S&T Group.

Nicoleta Macovei

”

OKSANA KUNZ

MANAGING DIRECTOR
S&T BELARUS

Oksana Kunz was appointed managing director of S&T's subsidiary in Belarus in 2018. Oksana Kunz studied automation at the National Technical University in Donetsk, Ukraine. She then pursued her studies at the International Institute for Management in Minsk, Belarus. Her major was in international business.

Oksana's career took her to internationally renowned companies, at which she occupied a variety of positions. Oksana launched a new and successful sales strategy on the market in Belarus. She also developed and maintained relationships with clients, partners and vendors. Oksana is also known for her financial skills. These manifest in her ability to keep costs within the bounds of budgets, and in her delivery of precisely formulated forecasts that accord to her business objectives.

Oksana's years of experience have given her a large stock of experience in dealing with a variety of clients – companies, the public sectors, banks, operators of mobile communication networks, to name a few. Her scope of responsibility comprised Belarus, Moldova, Armenia and Georgia. In the fast-growing S&T Group, Oksana has found the right environment to successfully deploy her various skills and the experience she had gained over the years.



”

I handle challenges successfully. I am results- and customer-oriented. I strive to maximize sales and earnings, to achieve my personal goals, and to help improve total profitability. I enjoy my work. It is multifaceted. My advice for women – all of them – is to launch their careers in IT...

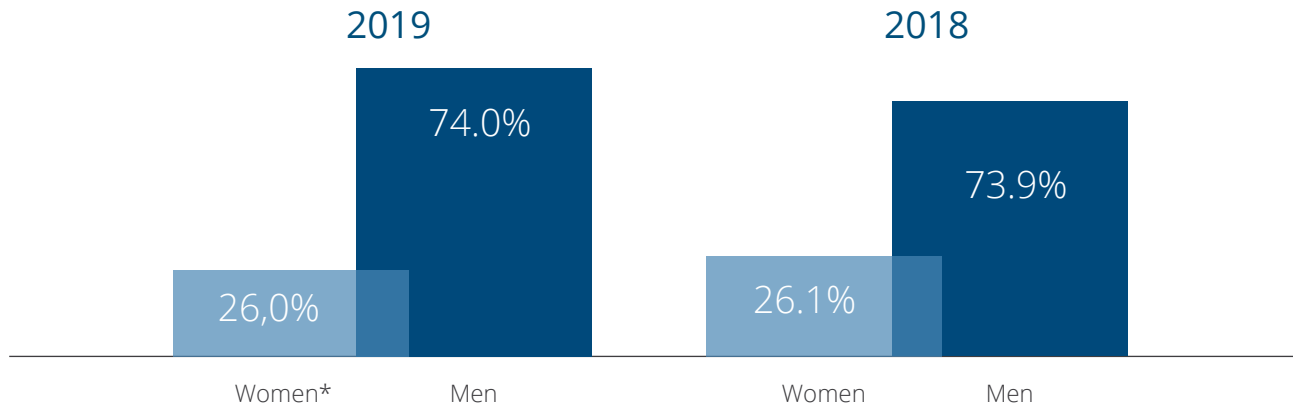
Oksana Kunz

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SUSTAINABILITY REPORT

As of December 31, 2019, S&T's work force had the following distribution of gender:

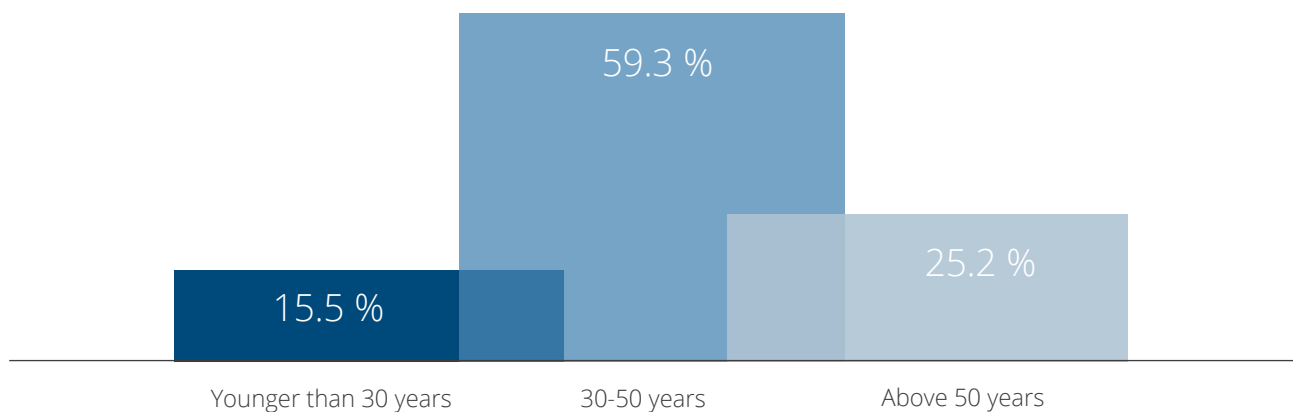


*Share of women from 2018 to 2019 – decline due to effects of first-time consolidations

At our facilities, we strive to enable and foster the employment of people whose health impairs their capability to work. To provide an example of this commitment: we expanded the number of barrier-free accesses at our production facility in Augsburg, Germany.

Of our 4,934 employees as of December 31, 2019, the following age distribution was observed: some 15.5% were less than 30 years old; 59.3% were in the middle group (between 30 and 50), and 25.2% were older than 50. Our objective is to make use of the diversity of age shown by our staff, to optimally develop and deploy each employee in our Group. To achieve this, we foster the securing and transferring of know-how, with this occurring through the exchange of information and ideas among all staff members of the Group.

Age distribution in the S&T Group as of December 31, 2019:



Figures in percentage of staff of December 31, 2019

The distribution of employees as of December 31, 2019 among the levels of “middle and top management”, “lower management” and “specialists” was as follows:

	2019	♀ F	♂ M	2018
Number of employees in middle and top management	3.2%	17.7%	82.3%	3.9%
Number of employees in lower management	14.7%	20.1%	79.9%	18.7%
Specialists	82.1%	25.2%	74.8%	77.4%
Total	100%	26,0%	74,0%	100%

Comprised in middle and top management are the Executive Board and those reporting directly to it, and, as well, managers with authorization of signature and working for S&T AG and for its subsidiaries. “Lower management” encompasses those responsible for managing staff members and those whose leadership functions are a result of their technical expertise. “Specialists” includes the employees not forming part of the other two categories. In comparison with financial year 2018, the lower management level increased in size in 2019. These minor realignments were caused by the acquisitions of companies undertaken in financial year 2019, and by the growth registered by the S&T Group. Personnel turnover at S&T AG came to 17.4% in financial year 2019 (PY: 18.9%).

FAIR REMUNERATION AND FLEXIBLE WORK

A single set of principles of remuneration applies to all staff of the S&T Group. It thus does not take into account gender, origin, religion, age, physical capabilities or sexual orientation. The total remuneration packages are based on the average of the respectively relevant labor market, to ensure that each staff member receives a remuneration appropriate to the labor market that is applicable to her or him. These packages are comprised of a monthly fixed salary, and, with this depending upon position held and area of responsibility, of a performance-based varying component, and of a variety of supplemental benefits. Our objective is to provide our employees with the remuneration that they deserve, remuneration motivating them to continuing to deliver so well.

As a basic rule, our staff members are able to participate in the organization of their working hours. This is distinct from the legally stipulated regulations on such, with these including rules on part-time work, parental and dependent caring leave, in force in a number of countries. In wide use at the S&T Group are flexible working hours, a wide variety of part-time models, as well as shift changes or time reductions, possible by individual arrangement. It is our concern to 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 realization of partial and/or full-time mobile work. Within the S&T Group, this mobile work stands for a culture of trust and constructive dialogue.

OCCUPATIONAL SAFETY AND HEALTH PROTECTION

We place a great importance on maintaining the safety and health of the S&T Group’s employees. The planning and implementation of occupational health and safety measures, ensuring suitable organization and providing the necessary resources is part of our occupational health and safety management.

To do that, we consult with our experts – occupational safety specialists and physicians – on all aspects of occupational safety, with these comprising humane working conditions. This enables us to prevent physical impairment through, for instance, monotonous work at computers; and of psychological stress, with this resulting from increased work demands. These objectives are realized through, to provide an example, offices being outfitted with ergonomic equipment. In addition to the configuration of workplaces, other activities are the assessment of sources of endangerment. These assessments are performed to effectively minimize dangers 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-impacting procedures. Our occupational safety officers are responsible for facilitating the protection of health, for the conducting of occupational protection and accident-prevention measures, and for the ensuring of safety-conscious behavior of all employees. We also educate our employees through training and specialization-appropriate instructions how to ensure their own safety and health at work.

In financial year 2019, 16 accidents (2018: 14) were registered on premises maintained by the S&T Group – fortunately, none of them serious, let alone fatal. The accidents reported were traffic-caused accidents arising on ways to work and minor accidents taking place during working hours on company premises. In order to create a working environment that is as completely 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.

COOPERATIONS WITH SCHOOLS AND UNIVERSITIES

In order to secure the services of young staff members on the international scale, the S&T Group maintains – via its local operations – partnerships and cooperations with schools and universities around the world. We also support students by supervising final theses and diploma theses, internships and traineeships, and education programs.

The longstanding cooperation with HTL Spenglergasse, a polytechnic based in Vienna, was successfully pursued in 2019. As an Austrian company, S&T cooperates closely with the University of Applied Sciences in Salzburg and with the University of Applied Sciences in Hagenberg. S&T also takes part – along with the Fraunhofer Institute in Austria – in a great variety of research projects. Outside of Austria, the S&T cooperates with the following universities and institutions of higher education: in Switzerland – the University of Applied Sciences in Northwest Switzerland and the University of Lucerne; in Germany – the Universities of Technical Application in Kirchheim/Teck and in Reutlingen, the Promotion of Professions Agency (Berufsförderungswerk) Schömburg and the Academy of Professions, with the University for Technologies and Business in Dresden; in the UK – the University of Chichester; in France – Versailles-Saint Quentin University, and École d'Ingénieur généraliste en informatique et technologies du numérique, Paris; in Portugal – ISEL (Instituto Superior Engenharia Lisboa); in Serbia – School of Electrical Engineering and University of Belgrade; in Russia – Bauman Moscow State Technical University and National Research University; in the Czech Republic – West Bohemia University and CVUT (Czech Technical University Prague); in Moldova – Universitatea Tehnica; and in Romania – Polytechnical University in Bucharest.

CUSTOMERS

S&T is an internationally renowned company that maintains long-term and trust-driven relationships with a large number of customers. Developing these relationships requires our constantly striving to provide our customers with sustainable, innovative and secure products and services. We possess deep expertise on our customers' sectors and of our customers' needs. We work to constantly expand and extend these, 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.

QUALITY MANAGEMENT

We know about the great importance and priority placed by our customers on receiving highest quality products. We therefore strive on a 24/7/365 basis to achieve flawless, lasting and robust quality for all of the items in our portfolio. To attain this, we test and improve the quality of our products, solutions and services at every stage of the value-added 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 reliability-characterized business relationships featuring 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 stand-

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 scope and efficiency of our quality management system.

	NUMBER OF CERTIFICATES 2019	NUMBER OF CERTIFICATES 2018
ISO 9001 (Quality Management Systems)	41	12
ISO 14001 (Environmental Management Standard)	22	11
ISO 27001 (Information technology – Security techniques – Information security management systems)	16	5
ISO 80079-34 (Quality Management Systems for Product manufacturing)	2	1
ISO 13485 (Medical devices – Quality Management Systems)	3	3
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)	2	1
AS 9100 (Quality Management System – Requirements for Aviation, Space and Defense Organizations)	2	2
OHSAS 18001 (Standard for management of labor and health protection)	5	
ISO 2000 (IT Service Management (ITSM))	6	

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. Objectives are the quickest possible settlement and delivery to our customers with efficient further use of products. This corresponds to the focus of our sustainability-oriented environmental management, which strives to conserve resources by efficiently repairing items.

Measures ensuring the prevention of deficiencies form a key part of the attainment of customer satisfaction and the prevention – or at least minimizing – of 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.

DATA PROTECTION AND SECURITY

As a technology supplier and IT service provider, responsible handling of personal data is essential for us. Entailed in this are the mutually reinforcing protection and security of data. We always handle personal data confidentially.

We apply and adhere to all pertinent legal stipulations when collecting and processing personal data. To that end, we follow all national regulations and the EU's General Data Protection Regulation (GDPR), which took effect in May 2018, and, as well, the local acts implementing it. Implementation activities included, for example, the adaptation of Group policies and processes regarding 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 organizational measures we use in our company. This successful implementation enables us to guarantee a very high degree of data protection and security.



DIGITAL RAIL PROGRAM

IOT SOLUTIONS EUROPE

The Kontron Transportation GSM-R was gradually put into operation throughout the British rail network between 2007 and 2014 and is a major achievement. The system is constantly being expanded & developed. Future enhancements include a software upgrade to support the introduction of the European Rail Traffic Management System (ERTMS). The delivery of such improvements and the continuation of the success depends on the cooperation of all users of the system. Kontron Transportation UK with support from France, Austria and Germany are all working in collaboration with Network Rail on the implementation of the Digital Rail program to promote the introduction of modern digital technology for signaling and train control systems in order to increase capacity, reduce delays, improve safety, and lower costs and environmental damage throughout the rail network.

We have appointed a data protection officer for the Group as a whole, and data protection heads for each of our locally operated subsidiaries. Their jobs are to ensure that personal data is handled in accordance with the law throughout the S&T Group. Furthermore, the officers' responsibilities include the further development of company-specific data protection measures, and the regular consulting with their respective senior managements and with the specialized department of the S&T Group. Thanks to this system, we have ensured that the rights of affected persons to information, correction, deletion, and data transfer can be fulfilled in proper and prompt ways. All queries placed by persons and by supervisory authorities and involving the protection of data are documented, checked and processed in proper and orderly ways. Treating data in a responsible way is of the greatest importance for us. In financial year 2019, there were a few queries on data maintenance or deletion. Complaints or procedures involving data protection laws have not been lodged against S&T AG or its subsidiaries.

SUPPLIERS

We consistently strive to configure our relationships with our suppliers to be partnerships. The bases of these efforts are 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, adherence with our requirements in the areas of environment and sustainability, human rights and occupational safety as well as compliance is therefore highly relevant for us.

PRINCIPLES OF PROCUREMENT

Our principles of procurement are summarized 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 recognized directives comprised 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:

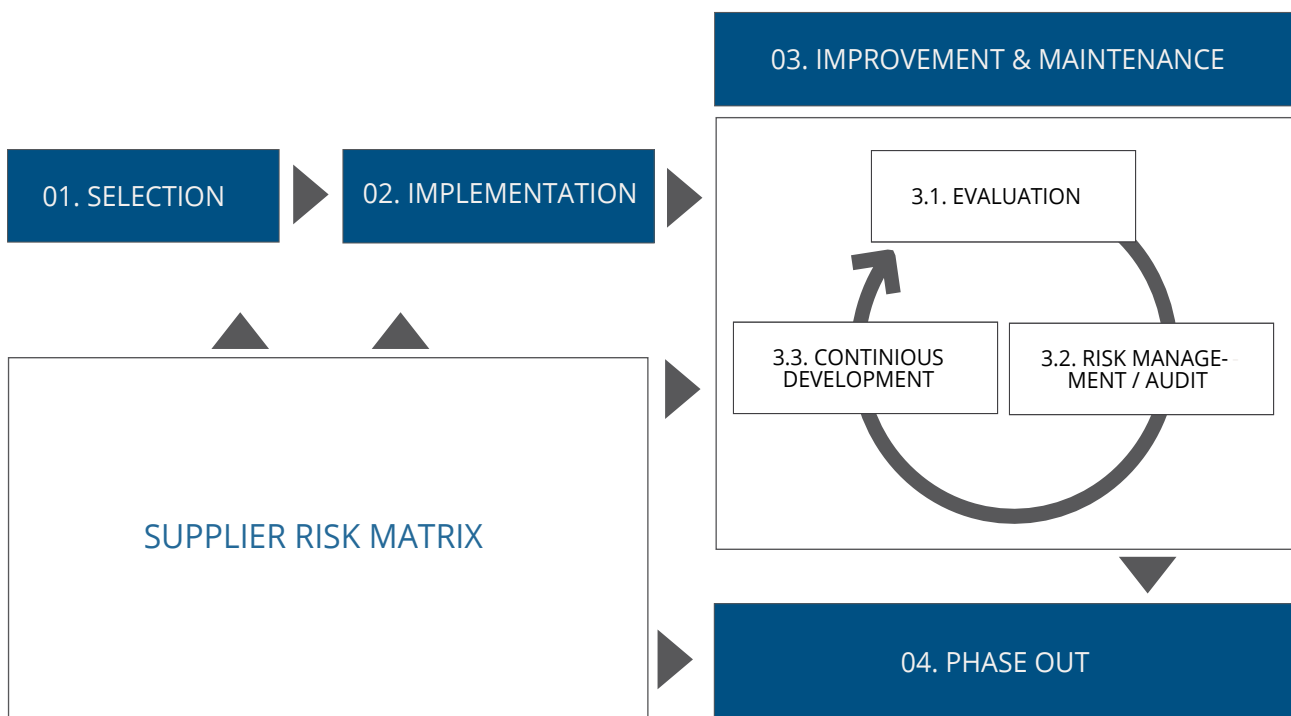


A central criterion in the placing of orders by public authorities and industrial customers is that basic labor and social standards are observed in the production of goods, which are specified by the International Labour Organisation (ILO), by the United Nations' Global Compact, and by the respective national laws applicable in the country of production.

The S&T Group has committed itself to the protection of human rights. To be noted, however, is that the end-to-end – in every link in the chain of IT and IoT supply – adherence to and corresponding documentation of standards of labor and social matters constitutes a challenge. This adherence and documentation cannot for that reason always be guaranteed. The S&T Group assumes the 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 further. It is comprised of four main processes. Depicting the entire matrix of responsibilities entailed in the end-to-end management of suppliers, the processes' activities cover the fields of selection, implementation, ongoing improvement & maintenance, and phase out.



Prior the commissioning of suppliers, 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 the adherence to laws, to principles of human rights, and to standards of labor and social matters. The S&T Group does not award commissions to suppliers that have received a disqualifying ranking within the process of evaluation. This means that suppliers whose performance or business practices do not meet S&T's expectations and are thus disqualified will not be commissioned. This disqualification can also lead to the supplier's losing all those orders that are subject to initiatives of procurement.

Reasons for such a disqualification are, for instance, the failure to adhere to relevant environmental, health and security standards and laws, or to the conventions promulgated by the International Labour Organisation and by the United Nations. Further causes of disqualification are lack of alignment with the principles, values and rules of conduct that guide the decision, processes and systems

of an organization in ways leading to its actions benefiting its employees and other important stakeholders. The observation of human rights comprises suppliers enacting processes designed to preclude their use of conflict minerals. The suppliers' production processes also have to obviate the incorporation of raw materials that stem from high-risk areas, or from areas that are experiencing conflicts. To be excluded is any procurement that could lead to a contravention of human rights, to corruption, or to the financing of armed groups, terrorism or similar activities. Specialized external partners, who employ queries placed with databases, are monitoring the adherence. Cases of non-compliance cause demands to be lodged with suppliers regarding the adaption of their chains and supply. Suppliers are also required to ensure the observation of other products-related requirements such as those imposed by REACH and RoHS. Upon request, the suppliers have to disclose the contents and origins of the products supplied. Also disqualified are suppliers whose actions foster corruption, or which 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 audits, inspection logs and sustainability reports. In addition to making use of generally available information, S&T's activities in this area comprise the conducting of inspections of facilities and audits of suppliers, to get a first-hand look at production conditions. Further measures include staging exchanges of information with representatives of the chain of supply on regular basis. These measures facilitate and optimize the S&T Group's compliance with these standards when manufacturing IT and IoT products.

Please visit <https://ir.snt.at/reports/Reports.en.html> to get access to our annual and quarterly reports, and to our releases, each of which is placed online on its day of publication. We also disclose in a prompt and timely way any updating of dates and events on our Website.

This annual report was published on March 26, 2020, in German and in English. The former is always the authoritative and binding version. This annual report contains statements that refer to future developments. These are based on assumptions and assessments made by the Executive Board. We believe these assumptions and assessments to be realistic and applicable. Notwithstanding this, they comprise certain risks and uncertainties. These in turn mean that the events actually taking place could significantly differ from those postulated by the assumptions and assessments. Among the factors leading to such divergences could be alterations in the economic situation as a whole; in the company's business, markets and competitors; in rates of exchange and interest; and in business strategy. This uncertainty has recently been augmented by the outbreak and spreading of the SARS-CoV-2 virus. We accept no warranty for the developments and events actually taking place in the future according to the assumptions and assessments articulated in this annual report. These assumptions and assessments will not be updated.

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FINANCIAL CALENDAR

2020



26.03.2020	Annual report 2019
26.03.2020	Earnings-Call FY 2019 (register under: ir@snt.at)
07.05.2020	Q1-quarterly statement 2020 (Earnings-Call Q1 2020)
18.05.2020	Spring Conference 2020 (Frankfurt), 18.05. - 20.05.2020
16.06.2020	Annual shareholder meeting
06.08.2020	Half-year report 2020 (Earnings-Call Q2 2020)
05.11.2020	Q3-quarterly statement 2020 (Earnings-Call Q3 2020)
16.11.2020	Equity forum (Frankfurt) 16.11. - 18.11.2020

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