

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