



# HALF-YEAR REPORT 2020

# 01

## S&T GROUP OVERVIEW



### KEY FIGURES

EUR MIO.	6M 2020	6M 2019
Revenues	538.7	473.8
Gross profit	211.6	174.5
EBITDA	52.0	44.3
Amortization and depreciation	27.6	21.9
EBIT before PPA amortization <sup>1)</sup>	29.4	25.8
Net income after non-controlling interests	19.6	18.2
Operating cash flow	27.2	-11.7
Free cash flow <sup>2)</sup>	13.5	-23.7

EUR MIO.	30.06.2020	31.12.2019
Cash and cash equivalents	257.7	312.3
Equity	383.5	385.1
Equity ratio	33.5%	31.4%
Net cash (+)/Net debt (-) <sup>3)</sup>	-5.7	29.5
Working capital <sup>4)</sup>	168.9	153.9
Backlog	909.8	841.5
Project-pipeline	2,625.3	2,157.5
Employees <sup>5)</sup>	4,936	4,934

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

3) Cash and cash equivalents less non-current and current financing liabilities

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

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



## WE DEFY THE CORONA CRISIS!

Corona virus caused us the biggest economic crash since “Black Friday” in 1929. The global economy has been battling the pandemic and its knock-on effects for five months now. In the second quarter it is becoming clear what this crisis means. In China, gross national product has fallen by 10%, in the EU by 13% and in the USA by as much as 30%. Governments are implementing all sorts of different programmes to try to prevent record unemployment and stabilize the economy. Economists are discussing how the recovery from the corona virus crisis will develop, and some of the scenarios they describe are truly disquieting.

S&T defies the crisis and the forecasts: the second quarter brought us no downturn, our revenues staying more or less the same as they had been in the first quarter of 2020 (minus 0.5%), while our earnings (EBITDA) even rose by 8%. Compared with the same quarter last year, revenues are up by 8% to EUR 268.6 million, and EBITDA grew by 16% to EUR 27.0 million. In the first half of 2020, gross margin reached 39.3% as opposed to 36.8% in the same period of the previous year. This positive profit situation is due in part to the further increase in the share of proprietary technologies in our portfolio. Earnings per share rose by 18% to 16 cents. What this all means is that S&T has achieved the 46<sup>th</sup> record quarter in succession, and that in the economically challenging environment of a pandemic.

Why has the crisis spared S&T? Or will the crisis break out belatedly at S&T? The reasons why S&T will continue to reach its ambitious targets are plain to see:

- › S&T is active in a wide range of different markets and regions. So although our “Avionics” activities and the US market experienced a marked downturn, we were able to achieve new records in the “Medical” and “Public Business” fields.
- › In general, technology businesses have come through the crisis in better shape. The demand for products such as e-learning platforms, video conference systems and workstations for home offices is directly linked to the quarantine measures that were introduced. S&T has offered its employees the chance to work from home for a long time. As a result, we were well prepared and were able to cope with the increased demand very well, although in May over 70% of our staff were working from home.
- › S&T entered the crisis with record cash reserves and was able to increase its financial leeway even further: In the second quarter, operating cash flow stood at EUR 20.8 million, which is considerably more than the previous year’s figure of EUR 1.3 million. This substantial level of liquidity and the positive cash flow allow us to respond quickly in our dealings with suppliers and customers. Above all, though, these reserves can be used to exploit favourable acquisition opportunities against the backdrop of corona virus.

Despite the crisis, our outlook is positive. S&T has so far emerged as one of the winners of the corona virus crisis. In the second quarter, our order backlog increased still further, and as of June 30, 2020 has a value of EUR 910 million – EUR 68 million more than at the start of the year. In July we were able to strategically expand our product portfolio with the acquisition of Iskratel and CITYCOMP, which has further enhanced our competitiveness. With EUR 258 million in cash and cash equivalents as well as further unused credit lines, we are in a financially strong and crisis-proof position. S&T is strongly placed to acquire more competitors at a reasonable cost. In 2020 there is no doubt that we will fulfil our guidance of revenues of EUR 1,150 million and EBITDA of EUR 115 million. The successful development of our order pipeline and the acquisitions we have completed mean that we can reaffirm our ambitious mid-term target of revenues of EUR 2 billion with EBITDA of EUR 220 million in 2023 with even more conviction.



Hannes Niederhauser, CEO

## HALF-YEAR MANAGEMENT REPORT



### POSITIVE TREND IN REVENUES AND EBITDA DESPITE CORONA PANDEMIC

Although the shutdowns imposed because of the corona pandemic led to a massive slump in the global economy in the second quarter of 2020, the S&T Group was able to further improve its results compared to the same period in the previous year, 2019.

In the first six months of financial year 2020, revenues rose by approximately 14% compared to the same period last year, from EUR 473.8 million in the first six months of 2019 to EUR 538.7 million. EBITDA increased by 17% to EUR 52.0 million (PY: EUR 44.3 million). Thus, it was possible to continue the long-term strategy of achieving a profitable growth in revenues in both the first half of 2020 and the second quarter of 2020. Revenues in the second quarter of 2020 rose to EUR 268.6 million, compared with EUR 248.7 million in the same period of the previous year. EBITDA for the second quarter of 2020 came to EUR 27.0 million, as against EUR 23.2 million in that period in 2019.

In the second quarter of 2020 gross profit rose to EUR 103.8 million (PY: EUR 89.1 million), with gross profit for the first half of 2020 amounting to EUR 211.6 million compared with EUR 174.5 million in the same period in the previous year. This caused gross margin to increase to 39.3% in the first six months of 2020 (PY: 36.8%).

Personnel expense in the first half of 2020 was EUR 125.7 million (PY: EUR 111.4 million). This is due principally to the increased number of employees resulting from the acquisition of subsidiaries. Calculated in full-time equivalents, the average number of employees rose from 4,367 employees in the first six months of 2019 to 4,643 in financial year 2019 and to 4,909 in the first six month of 2020.

The result from the period attributable to owners of interests in S&T (after non-controlling interests) in the second quarter of 2020 came to EUR 10.1 million as opposed to EUR 8.8 million in the corresponding period in 2019. For the first half of 2020, earnings improved to EUR 19.6 million from EUR 18.2 million in 2019. Earnings per share (undiluted) rose during the past six months to 30 cents (PY: 28 cents).

Development of the individual segments:

6M 2020 (IN EUR MILLION)	IT SERVICES	IOT SOLUTIONS EUROPE	IOT SOLUTIONS AMERICA	S&T GROUP
Total revenues	235.5	310.4	66.9	612.8
Internal revenues	-8.1	-52.3	-13.7	-74.2
Revenues	227.4	258.1	53.2	538.7
EBITDA	16.9	31.8	3.3	52.0

6M 2019 (IN EUR MILLION)	IT SERVICES	IOT SOLUTIONS EUROPE	IOT SOLUTIONS AMERICA	S&T GROUP
Total revenues	213.0	237.2	77.9	528.2
Internal revenues	-9.0	-38.7	-6.6	-54.4
Revenues	204.0	198.5	71.2	473.8
EBITDA	14.9	26.5	2.9	44.3

Q2 2020 (IN EUR MILLION)	IT SERVICES	IOT SOLUTIONS EUROPE	IOT SOLUTIONS AMERICA	S&T GROUP
Total revenues	114.4	157.3	36.1	307.8
Internal revenues	-4.4	-28.1	-6.7	-39.2
Revenues	110.0	129.2	29.4	268.6
EBITDA	9.7	16.1	1.2	27.0

  

Q2 2019 (IN EUR MILLION)	IT SERVICES	IOT SOLUTIONS EUROPE	IOT SOLUTIONS AMERICA	S&T GROUP
Total revenues	110.4	127.2	40.1	277.7
Internal revenues	-5.0	-21.7	-2.3	-29.0
Revenues	105.5	105.5	37.7	248.7
EBITDA	7.1	14.5	1.6	23.2

On the individual segments:

- › The revenues earned by the “IT Services” segment increased in the first half of 2020 to EUR 227.4 million (PY: EUR 204.0 million). The same trend manifested itself in the second quarter of 2020, in which revenues increased from EUR 105.5 million to EUR 110.0 million. These results enabled the “IT Services” segment to achieve EBITDA of EUR 16.9 million (PY: EUR 14.9 million). EBITDA for the second quarter of 2020 came to EUR 9.7 million (PY: EUR 7.1 million). This increase is attributable to improvements in operations and to extending management fees to other consolidated companies.
- › “IoT Solutions Europe” continued its growth in the first half of 2020: Revenues rose from EUR 198.5 million to EUR 258.1 million. The segment’s EBITDA correspondingly increased to EUR 31.8 million (PY: EUR 26.5 million). Revenues increased in the second quarter of 2020 to EUR 129.2 million (PY: EUR 105.5 million). The segment’s EBITDA amounted to EUR 16.1 million, up from EUR 14.5 million in the same period last year.
- › The “IoT Solutions America” segment was able to achieve revenues of EUR 53.2 million (PY: EUR 71.2 million) in the first half of 2020. EUR 29.4 million (PY: EUR 37.7 million) of this was earned in the second quarter of 2020. The segment’s EBITDA rose in the first half of 2020 from EUR 2.9 million to EUR 3.3 million. EUR 1.2 million of this was accrued in the second quarter of 2020 (PY: EUR 1.6 million). This is largely due to the drop in revenues of two former large customers and the negative impact of the COVID-19 pandemic.

## SOLID FINANCES, SIGNIFICANT IMPROVEMENT IN CASH FLOW

The company's assets and liquidity remain positive. As of June 30, 2020, cash and cash equivalents amounted to EUR 257.7 million as against EUR 312.3 million as of December 31, 2019 and EUR 276.1 million as of March 31, 2020. This decrease is due principally to the outflow of funds for the ongoing quarterly repayments of the loans for acquisitions, payments for the acquisition of subsidiaries and non-controlling interests, and buying back of own shares. This is offset by unused credit lines which are available for funding the further growth of the S&T Group. As of June 30, 2020 the net debt came to EUR 5.7 million as opposed to December 31, 2019 when net cash of EUR 29.5 million was reported.

As of June 30, 2020 equity stood at EUR 383.5 million (December 31, 2019: EUR 385.1 million | March 31, 2020: EUR 384.8 million). As a result of the reduction in the balance sheet total compared with December 31, 2019 the equity ratio increased to 33.5% as of June 30, 2020 (December 31, 2019: 31.4%) and remained unchanged compared with March 31, 2020. The cash flow from operating activities for the second quarter of 2020 amounted to EUR 20.8 million (PY: EUR 1.3 million). This caused cash flow in the first half of 2020 to rise significantly to EUR 27.2 million (PY: EUR -11.7 million) thanks to the optimization measures of the PEC programme.

## OPPORTUNITIES AND RISKS

S&T is maintaining its objective of positioning itself as a leading international supplier of Industry 4.0 and Internet of Things technologies, and of being a reputed provider with a focus on developing proprietary technologies and maintaining a network covering the markets in the DACH region (Germany, Austria, Switzerland), Eastern Europe, North America, China and Russia. The management of the S&T Group is implementing its strategy of transforming it into an innovative technology corporation whose solutions feature an ever-greater proportion of proprietary developments, particularly in the software sector. The implementation is increasing the value added by the company and is thus the driver of greater profit margins. This strategy continues to be purposefully pursued in 2020, despite corona virus. Encompassed in this are intra-group development projects and, to cite one example, the takeover of the Iskratel Group whose software- and hardware-based communications solutions expand the S&T Group's portfolio in the 5G sector for transportation and manufacturing solutions in particular.

Despite this, the corona crisis dominated the second quarter just ended and the first half of 2020, and the effects of the ongoing global spread of the COVID-19 pandemic on the business activities of the S&T Group vary from country to country: the S&T Group assumes that the current situation may have a temporarily negative impact on general trends regarding expenditure on IT projects. Whereas initially the COVID-19 pandemic chiefly had a negative impact on the supply chain, which starts in Asia where S&T obtains approximately 25% of its contract manufacturing business, the disruptions subsequently led to supply bottlenecks and in some cases to production shutdowns in other regions.

Moreover, quarantine measures and lockdowns in several countries in which the S&T Group operates severely affected some divisions of industry and trade or even resulted in a complete standstill, although the effects generally depend on the measures taken by individual governments. Some S&T customers shut their production sites and IT systems down completely in early March or April 2020, not restarting them until the end of the second quarter, and then only gradually. This entails revenue or profit losses for the consolidated companies concerned.

Governments have in the meantime introduced some support schemes, such as short-time work models, provision of sureties through public bodies, deferment of tax payments and lowering of base rates. These are measures that the S&T Group also takes advantage of. Nevertheless, the risk remains that the support offered by governments is not enough to sustain the economy which would lead to considerable cuts in money spent on IT projects worldwide. This in turn would negatively impact the revenue and earnings of the Group. In the "Avionics" segment, S&T has already registered a significant fall in demand for the Group's services owing to the considerable effects that the COVID-19 pandemic is having on the aerospace industry. As countermeasures, the S&T Group has redeployed capacities and postponed investment in new products for the aerospace industry.

In addition, there is a risk of changes in the regulatory situation with regard to taxation, especially if governments are forced to consolidate their budgets as a result of spending considerable funds on fighting the negative effects of COVID-19.

Ultimately, future developments will depend on whether countries, regions or municipalities are forced to impose new or stricter temporary quarantine measures and lockdowns or to extend lockdowns already in place, and on when a vaccine is globally available or on whether the SARS-Covid-19 virus mutates, which would prolong or exacerbate the current situation.

Consequently, the COVID-19 pandemic has led to changes in the general economic conditions in the S&T Group's sales markets: while the S&T Group with its digitalization solutions has so far profited from the crisis, shutdowns of entire economies and the even more serious consequences for particular sectors such as the aerospace and travel industries create a paradigm shift to which the S&T Group must also be ready to react.

In this context, the spotlight is increasingly on continuous monitoring and optimization of cost structures – also making use of state programmes – as well as on the strategic targets. In addition, greater attention is being paid to management of outstanding debts in the face of a probable rise in insolvency cases and the resultant risk of increased defaulting on payments. On the other hand, the current situation also presents opportunities for the S&T Group, for instance the chance to take over competitors who are in a weaker financial position at more favourable conditions.

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## CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT	6M 2020 TEUR	6M 2019 TEUR	Q2 2020 TEUR	Q2 2019 TEUR
Revenues	538,674	473,776	268,595	248,670
Capitalized development costs	7,204	7,031	3,488	3,744
Other income	1,681	3,134	928	1,132
Expenses for materials and other services purchased	-327,073	-299,309	-164,841	-159,541
Personnel expenses	-125,709	-111,399	-60,392	-56,899
Depreciation and amortization	-27,629	-21,893	-13,859	-11,467
Other operating expenses	-42,815	-28,914	-20,825	-13,950
<b>Result from operations</b>	<b>24,333</b>	<b>22,426</b>	<b>13,094</b>	<b>11,689</b>
Finance income	1,103	410	567	259
Finance expenses	-4,361	-3,055	-1,733	-1,769
<b>Financial result</b>	<b>-3,258</b>	<b>-2,645</b>	<b>-1,166</b>	<b>-1,510</b>
Result from associated companies	-11	-8	-5	-6
<b>Earnings before taxes</b>	<b>21,064</b>	<b>19,773</b>	<b>11,923</b>	<b>10,173</b>
Income taxes	-2,537	-2,423	-1,922	-1,446
<b>Net income</b>	<b>18,527</b>	<b>17,350</b>	<b>10,001</b>	<b>8,727</b>
Results from the period attributable to owners of non-controlling interests	-1,117	-855	-98	-101
<b>Results from the period attributable to owners of interests in parent company</b>	<b>19,644</b>	<b>18,205</b>	<b>10,099</b>	<b>8,828</b>
Earnings per share (undiluted)	0.30	0.28	0.16	0.13
Earnings per share (diluted)	0.30	0.27	0.15	0.12
Average number of shares in circulation (in thousands undiluted)	65,109	66,090	64,951	66,091
Average number of shares in circulation (in thousands diluted)	66,109	67,127	65,951	67,129

## STATEMENT OF OTHER COMPREHENSIVE INCOME

STATEMENT OF OTHER COMPREHENSIVE INCOME	6M 2020 TEUR	6M 2019 TEUR	Q2 2020 TEUR	Q2 2019 TEUR
<b>Net income</b>	<b>18,527</b>	<b>17,350</b>	<b>10,001</b>	<b>8,727</b>
Items that may be subsequently reclassified to profit or loss				
Unrealized gains/losses from currency translation	-3,651	990	40	-994
Net loss on debt instruments at fair value through other comprehensive income	-12	-17	0	0
<b>Other comprehensive income</b>	<b>-3,663</b>	<b>973</b>	<b>40</b>	<b>-994</b>
<b>Total comprehensive income</b>	<b>14,864</b>	<b>18,323</b>	<b>10,041</b>	<b>7,733</b>
of which attributable to				
owners of non-controlling interests	-893	-484	332	-175
owners of interests in parent company	15,757	18,807	9,709	7,908

## CONSOLIDATED BALANCE SHEET

ASSETS	30.06.2020 TEUR	31.12.2019 TEUR
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	93,064	99,809
Intangible assets	290,898	294,878
Investments in associated companies	278	289
Financial assets non-current	8,284	7,984
Contract assets from customer contracts	3,246	3,331
Other non-current assets	15,604	16,464
Deferred taxes	33,672	34,430
	<b>445,046</b>	<b>457,185</b>
<b>CURRENT ASSETS</b>		
Inventories	158,025	146,766
Trade receivables	180,479	212,150
Contract assets from customer contracts	23,273	27,206
Financial assets current	16,253	14,533
Other receivables and assets	63,841	55,602
Cash and cash equivalents	257,744	312,284
	<b>699,615</b>	<b>768,541</b>
<b>Total assets</b>	<b>1,144,661</b>	<b>1,225,726</b>
<b>EQUITY AND LIABILITIES</b>	<b>30.06.2020 TEUR</b>	<b>31.12.2019 TEUR</b>
<b>EQUITY</b>		
Subscribed capital	66,096	66,096
Capital reserves	164,674	170,057
Accumulated results	174,389	154,745
Other reserves	-7,449	-3,562
Treasury shares	-20,604	-14,647
Equity attributable to owners of interests in parent company	377,106	372,689
Non-controlling interests	6,432	12,363
	<b>383,538</b>	<b>385,052</b>
<b>NON-CURRENT LIABILITIES</b>		
Financing liabilities non-current	210,715	219,979
Other financial liabilities non-current	50,689	54,573
Contract liabilities from customer contracts	10,291	13,710
Other non-current liabilities	61	231
Deferred taxes	12,822	13,368
Provisions	26,460	29,964
	<b>311,038</b>	<b>331,825</b>
<b>CURRENT LIABILITIES</b>		
Financing liabilities current	52,679	62,765
Trade payables	169,648	205,037
Contract liabilities from customer contracts	73,365	59,971
Other financial liabilities current	62,186	66,450
Provisions	44,837	54,384
Other current liabilities	47,370	60,242
	<b>450,085</b>	<b>508,849</b>
<b>Total equity and liabilities</b>	<b>1,144,661</b>	<b>1,225,726</b>

# CONSOLIDATED CASH FLOW STATEMENT

## CONSOLIDATED CASH FLOW STATEMENT

	6M 2020 TEUR	6M 2019 TEUR	Q2 2020 TEUR	Q2 2019 TEUR
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Earnings before taxes	21,064	19,773	11,923	10,173
Depreciation and amortization	27,629	21,893	13,859	11,467
Interest expenses	4,361	3,055	1,733	1,769
Interest and other income from the disposal of financial assets	-1,103	-410	-567	-259
Result from associated companies	11	8	5	6
Increase/decrease of provisions	-14,821	-16,866	-7,063	-6,302
Gains/losses from the disposal of non-current non-financial assets	-10	-22	4	-4
Changes in inventories	-2,444	-23,135	286	-12,930
Change in trade receivables and contract assets	37,042	60,352	-11,471	12,813
Changes in other receivables and assets	-7,807	-5,184	4,483	2,469
Changes in trade payables and contract liabilities	-22,773	-47,276	15,016	-3,381
Changes in other liabilities	-13,241	-18,784	-4,382	-11,758
Other non-cash income and expenses	2,734	-1,245	-1,469	-758
<b>Cash and cash equivalents from operations</b>	<b>30,642</b>	<b>-7,841</b>	<b>22,357</b>	<b>3,305</b>
Income taxes paid	-3,435	-3,853	-1,546	-1,978
<b>Net cash flows from operating activities</b>	<b>27,207</b>	<b>-11,694</b>	<b>20,811</b>	<b>1,327</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of non-current non-financial assets	-13,678	-11,970	-8,244	-6,275
Purchase/sale of financial instruments	-19	0	0	0
Proceeds from sale of non-current non-financial assets	261	367	8	325
Disposal/purchase of financial instruments	2,352	-6,915	-210	-7,336
Payments to acquire subsidiaries less cash assumed and plus overdrafts assumed	-17,116	-17,205	-10,216	-14,437
Proceeds from sale of subsidiaries less cash disposed and plus current account liabilities disposed	0	59	0	59
Interest income	292	270	137	185
<b>Net cash flows from investing activities</b>	<b>-27,908</b>	<b>-35,394</b>	<b>-18,525</b>	<b>-27,479</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Increase in financing liabilities and other financial liabilities	1,237	164,923	313	156,608
Decrease in financing liabilities and other financial liabilities	-25,707	-24,605	-10,507	-14,526
Interests paid	-3,413	-2,409	-2,234	-1,445
Acquisition of non-controlling interests	-8,086	-11,079	-7,961	-10,789
Dividends to owners of interests in parent company	0	-10,574	0	-10,574
Payments for acquisition of treasury shares	-6,533	0	-1,076	0
Capital increase (less transaction costs)	6	21	0	21
<b>Net cash flows from financing activities</b>	<b>-42,496</b>	<b>116,277</b>	<b>-21,465</b>	<b>119,295</b>
Changes in exchange rates	-3,596	488	867	-14
<b>Changes in financial funds</b>	<b>-46,793</b>	<b>69,677</b>	<b>-18,312</b>	<b>93,129</b>
Financial funds as of the beginning of the period	265,165	152,593	236,684	129,141
<b>Financial funds as of the end of period</b>	<b>218,372</b>	<b>222,270</b>	<b>218,372</b>	<b>222,270</b>
Overdrafts	33,821	40,947	33,821	40,947
Restricted cash	5,551	2,878	5,551	2,878
<b>Total cash and cash equivalents</b>	<b>257,744</b>	<b>266,095</b>	<b>257,744</b>	<b>266,095</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DEVELOPMENT OF EQUITY	EQUITY ATTRIBUTABLE TO OWNERS OF INTERESTS IN PARENT COMPANY	
	SUBSCRIBED CAPITAL TEUR	CAPITAL RESERVES TEUR
<b>as of December 31, 2018</b>	<b>66,089</b>	<b>177,414</b>
<b>as of January 1, 2019</b>	<b>66,089</b>	<b>177,414</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		
Net income	0	0
Other comprehensive income	0	0
	<b>0</b>	<b>0</b>
<b>OTHER CHANGES</b>		
Stock options	7	637
	<b>7</b>	<b>637</b>
<b>TRANSACTIONS WITH OWNERS OF INTERESTS</b>		
Changes in non-controlling interests	0	-6,934
Dividends	0	0
	<b>0</b>	<b>-6,934</b>
<b>as of June 30, 2019</b>	<b>66,096</b>	<b>171,117</b>
<b>as of January 1, 2020</b>	<b>66,096</b>	<b>170,057</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		
Net income	0	0
Other comprehensive income	0	0
	<b>0</b>	<b>0</b>
<b>OTHER CHANGES</b>		
Stock options	0	225
Other	0	-97
	<b>0</b>	<b>128</b>
<b>TRANSACTIONS WITH OWNERS OF INTERESTS</b>		
Acquisition of non-controlling interests	0	-5,511
Dividends	0	0
Repurchase of treasury shares	0	0
Capital increase	0	0
	<b>0</b>	<b>-5,511</b>
<b>as of June 30, 2020</b>	<b>66,096</b>	<b>164,674</b>

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
116,211	-3,745	0	355,969	11,306	367,275
116,211	-3,745	0	355,969	11,306	367,275
18,205	0	0	18,205	-855	17,350
0	602	0	602	371	973
18,205	602	0	18,807	-484	18,323
0	0	0	644	0	644
0	0	0	644	0	644
0	0	0	-6,934	-4,490	-11,424
-10,575	0	0	-10,575	0	-10,575
-10,575	0	0	-17,509	-4,490	-21,999
123,841	-3,143	0	357,911	6,332	364,243
154,745	-3,562	-14,647	372,689	12,363	385,052
19,644	0	0	19,644	-1,117	18,527
0	-3,887	0	-3,887	229	-3,658
19,644	-3,887	0	15,757	-888	14,869
0	0	576	801	0	801
0	0	0	-97	0	-97
0	0	576	704	0	704
0	0	0	-5,511	-3,092	-8,603
0	0	0	0	-2,467	-2,467
0	0	-6,533	-6,533	0	-6,533
0	0	0	0	516	516
0	0	-6,533	-12,044	-5,043	-17,087
174,389	-7,449	-20,604	377,106	6,432	383,538

## NOTES



### PRINCIPLES OF ACCOUNTING

The interim consolidated financial statements of S&T AG as of June 30, 2020 have been compiled according to the financial reporting standards of the International Accounting Standards Board (IASB), of the International Financial Reporting Standards (IFRS) and to the interpretations of the IFRS Interpretation Committee (IFRS IC), as they are to be applied in the European Union. The principles of financial reporting and measurement employed in the financial statements for the year ending on December 31, 2019 were applied to the compilation of these accounts without there having been any changes in such.

The interim consolidated financial statements as of June 30, 2020 have been subject to neither an audit nor an auditor's review.

Unless otherwise noted, all amounts are denominated in thousands of euros (TEUR).

In the first six months of the current financial year the business environment in which S&T AG operates was negatively influenced by the COVID-19 pandemic, although measures introduced by the governments of several countries, such as effective financial support and short-time work models, had mitigating effects. The spread of the virus makes it difficult to predict the duration and overall impact of the effects it is producing on the assets, liabilities, results and cash flows of S&T. Estimates and assumptions with relevance to the financial statements are based on current knowledge and available information which suggest that the current situation is not a long-term one. Accordingly, no immediate adjustment of the discretionary decisions, estimates and assumptions applied and explained in the annual financial statements as of December 31, 2019 was carried out in the present interim report. S&T believes that the suggested assumptions adequately reflect the current circumstances.

An enduring or expanding COVID-19 pandemic can affect financial statements issued by S&T as a result of interest rate adjustments in various countries, increasing exchange rate volatility, default on payments or delayed payments, delays in incoming orders or fulfilment of contracts, and limitations on the deployment of assets. These factors can influence the fair values and book values of assets and liabilities, the level and date of revenue recognition, and the cash flow that can be achieved.

For more information on the effects of COVID-19, please refer to the management report for the first half of 2020.

### 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. The number of companies fully consolidated in the Group developed as follows during the first six months of financial year 2020:

GROUP COMPANIES (NUMBER)	2020
Number of fully consolidated companies as of January 1	79
Group companies merged	-2
Companies acquired	1
Disposals	-4
<b>Number of fully consolidated companies as of June 30</b>	<b>74</b>

The following companies were merged in the first half of 2020:

- › S&T SME Distribution GmbH, Linz, Austria: absorbing company S&T Smart Energy GmbH, Linz, Austria
- › Cronus eBusiness SRL, Bucharest, Romania: absorbing company S&T Romania S.R.L., Bucharest, Romania

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

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

The purchase price consists of a fixed cash purchase price of TEUR 1,500 and a variable share of TEUR 173 contingent on the profit attained in financial year 2019 and the company equity as of December 31, 2019. The newly acquired company will become part of the group of consolidated companies of the S&T Group from January 1, 2020.

The assets and liabilities acquired were recognized at the following preliminary fair values upon the companies' first-time consolidation in the Group's consolidated financial accounts:

NET ASSETS ACQUIRED	IN TEUR
Cash and cash equivalents	849
Non-current assets	175
Inventories	14
Trade receivables and contract assets (nominal value TEUR 1,873)	1,437
Other receivables and assets	106
Non-current liabilities	-61
Deferred tax liabilities	-9
Trade payables and contract liabilities	-1,253
Other current liabilities	-60
<b>Net assets at fair value</b>	<b>1,198</b>
GOODWILL	IN TEUR
Consideration transferred	1,673
Net assets at fair value	-1,198
<b>Goodwill</b>	<b>475</b>

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	-1,500
Cash assumed through takeover of subsidiary	849
<b>Cash flow from investing activities</b>	<b>-651</b>

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

In the first half of financial year 2020 the S&T Group sold or divested the following companies:

- › Inocybe Technologies Inc UK Limited, London, United Kingdom: liquidation, deconsolidation April 2020
- › Inocybe Technologies USA Inc., Delaware, USA: liquidation, deconsolidation May 2020
- › CES POS DOO, Belgrade, Serbia: liquidation, deconsolidation June 2020
- › Quanmax USA Inc., Irvine, USA: liquidation, deconsolidation May 2020

## ACQUISITION OF NON-CONTROLLING INTERESTS

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

## COMPANIES ACQUIRED IN 2019 – FINAL PURCHASE PRICE ALLOCATIONS

### ACQUISITION OF 100% OF THE SHARES OF EPRO ELECTRONIC GMBH, SCHORNDORF, GERMANY, AND THAT COMPANY'S SUBSIDIARY, EPRO ELECTRONIC PRODUCTION KFT., KAPOLY, HUNGARY

As of December 31, 2019 the purchase price allocation in connection with the acquisition of shares of Epro Electronic GmbH, Schorndorf, Germany, and that company's subsidiary, Epro Electronic Production Kft., (subsequently renamed Kontron Electronics Kft.), Kapoly, Hungary, was recognized at preliminary fair values.

Final calculation of the acquired assets and liabilities at fair values and of the resultant goodwill was carried out within twelve months of the date of acquisition and did not lead to any change compared to the preliminary recognition as of December 31, 2019.

### ACQUISITION OF THE BUSINESS AREAS "KAPSCH CARRIERCOM" AND "KAPSCH PUBLICTRANSPORTCOM"

As of December 31, 2019 the purchase price allocation in connection with the acquisition of shares of the business areas "Kapsch CarrierCom" and "Kapsch PublicTransportCom" was recognized at preliminary fair values.

Final calculation of the fair values was carried out within twelve months and takes the following form:

NET ASSETS ACQUIRED	IN TEUR
Cash and cash equivalents	10,817
Non-current assets	29,825
Inventories	10,354
Trade receivables and contract assets (nominal value TEUR 41,513)	35,667
Other receivables and assets	12,850
Non-current liabilities	-19,455
Deferred tax liabilities	-1,879
Trade payables and contract liabilities	-41,073
Other current liabilities	-70,815
Current financial liabilities	-24,755
<b>Net assets at fair value</b>	<b>-58,464</b>

GOODWILL	IN TEUR
Consideration transferred	0
Net assets at fair value	58,464
<b>Goodwill</b>	<b>58,464</b>

Final calculation of the acquired assets and liabilities resulted in an increase of goodwill of TEUR 1,001 compared with December 31, 2019. This is due primarily to the final appraisals on the basis of previous experience gained in connection with provisions for projects and restructuring measures.

No retroactive adjustment of the previous year's figures was made owing to the negligibleness of the change. The adjustment of the goodwill is reported in the development of intangible assets as an acquisition.

## EQUITY

As of June 30, 2020 the share capital of S&T AG amounted to TEUR 66,096 (December 31, 2019: TEUR 66,096). It is divided into 66,096,103 (December 31, 2019: 66,096,103) no-par value bearer shares. The equity developed as follows:

SUBSCRIBED CAPITAL	2020	2019
Subscribed capital as of January 1	66,096	66,089
Increase in capital by conditional capital	0	7
<b>Subscribed capital as of June 30</b>	<b>66,096</b>	<b>66,096</b>

## STOCK OPTIONS

As of June 30, 2020 the company has two stock options programmes. Eligible to participate in these are members of the Executive Board of S&T and employees of the company and its subsidiaries.

The 2019 annual report contains a detailed description of the stock options programmes.

During the first six months of financial year 2020, 31,000 of the options provided by Stock Options Program 2015 – Tranche 2016 were exercised. These stock options were drawn from S&T AG's own stock so that there was no increase in the subscribed capital compared to January 1, 2020.

The expenses for stock options are reported in personnel expense and came to TEUR 623 (PY: TEUR 623).

## REPORTING ON SEGMENTS

6M 2020 (IN TEUR)	IT SERVICES	IOT SOLUTIONS EUROPE	IOT SOLUTIONS AMERICA	S&T GROUP
Total revenues	235,471	310,413	66,944	612,828
Internal revenues	-8,106	-52,340	-13,708	-74,154
<b>Revenues</b>	<b>227,365</b>	<b>258,073</b>	<b>53,236</b>	<b>538,674</b>
<b>EBITDA</b>	<b>16,890</b>	<b>31,770</b>	<b>3,302</b>	<b>51,962</b>

6M 2019 (IN TEUR)	IT SERVICES	IOT SOLUTIONS EUROPE	IOT SOLUTIONS AMERICA	S&T GROUP
Total revenues	213,046	237,248	77,870	528,164
Internal revenues	-9,006	-38,741	-6,641	-54,388
<b>Revenues</b>	<b>204,040</b>	<b>198,507</b>	<b>71,229</b>	<b>473,776</b>
<b>EBITDA</b>	<b>14,909</b>	<b>26,519</b>	<b>2,891</b>	<b>44,319</b>

Q2 2020 (IN TEUR)	IT SERVICES	IOT SOLUTIONS EUROPE	IOT SOLUTIONS AMERICA	S&T GROUP
Total revenues	114,393	157,272	36,103	307,768
Internal revenues	-4,355	-28,136	-6,681	-39,172
<b>Revenues</b>	<b>110,037</b>	<b>129,136</b>	<b>29,422</b>	<b>268,595</b>
<b>EBITDA</b>	<b>9,657</b>	<b>16,079</b>	<b>1,217</b>	<b>26,953</b>

Q2 2019 (IN TEUR)	IT SERVICES	IOT SOLUTIONS EUROPE	IOT SOLUTIONS AMERICA	S&T GROUP
Total revenues	110,449	127,151	40,069	277,669
Internal revenues	-4,972	-21,701	-2,326	-28,999
<b>Revenues</b>	<b>105,478</b>	<b>105,450</b>	<b>37,743</b>	<b>248,671</b>
<b>EBITDA</b>	<b>7,077</b>	<b>14,457</b>	<b>1,623</b>	<b>23,157</b>

The "IT services" segment comprises all costs ensuing from S&T AG (expenses for headquarters) that cannot be apportioned among the other segments due to functionalities. In addition, the effects upon consolidated income that are not directly associated with the operative businesses of the segments are reported in the "IT Services" segment.

Revenues from contracts with customers are comprised of the following:

6M 2020 (IN TEUR)	IT SERVICES	IOT SOLUTIONS EUROPE	IOT SOLUTIONS AMERICA	S&T GROUP
Sale of products featuring proprietary technologies (hardware and software)	0	151,536	49,033	<b>200,569</b>
Sale of IT products from third parties (hardware and software)	113,447	55,408	641	<b>169,496</b>
Provision of recurring IT operating services	100,012	50,248	3,333	<b>153,593</b>
Provision of one-time IT project services	13,906	881	229	<b>15,016</b>
<b>Total revenues from contracts with customers</b>	<b>227,365</b>	<b>258,073</b>	<b>53,236</b>	<b>538,674</b>

6M 2019 (IN TEUR)	IT SERVICES	IOT SOLUTIONS EUROPE	IOT SOLUTIONS AMERICA	S&T GROUP
Sale of products featuring proprietary technologies (hardware and software)	0	134,787	67,904	<b>202,691</b>
Sale of IT products from third parties (hardware and software)	93,123	49,191	110	<b>142,424</b>
Provision of recurring IT operating services	96,605	14,116	3,215	<b>113,936</b>
Provision of one-time IT project services	14,312	413	0	<b>14,725</b>
<b>Total revenues from contracts with customers</b>	<b>204,040</b>	<b>198,507</b>	<b>71,229</b>	<b>473,776</b>

Of the revenues from sales achieved during the first six months of financial year 2020, TEUR 47,615 was earned in Austria (PY: 47,896).

### OTHER INFORMATION

The 21<sup>st</sup> Annual General Meeting of S&T AG was held on June 16, 2020. In accordance with § 1 paragraph 2, COVID-19-GesG (Health and Food Safety Act), Austrian Civil Code (BGBI) I no. 16/2020 BGBI as amended I no. 24/2020 and the COVID-19-GesV (Corporate Law), BGBI. II no. 140/2020 it was held as a virtual meeting. At this virtual AGM, the following resolutions were passed:

- › Resolution to carry forward the entire retained earnings onto new account in order to ensure the greatest possible flexibility in the face of the current COVID-19 situation. Depending how S&T AG develops in the current situation, it may be possible to propose an extra dividend for financial year 2019 at the Annual General Meeting for financial year 2020;
- › Resolution to elect Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. to be official auditors and Group auditors for financial year 2020;
- › Resolution relating to remuneration policy with regard to the basis of remuneration of the members of the Supervisory Board and the Executive Board;
- › Resolution to elect to the Supervisory Board of S&T AG Ms. Claudia Badstöber for the maximum term foreseen by the relevant legislation, i.e. until conclusion of the Annual General Meeting which presides over the discharge of the board for financial year 2024. At the conclusion of the Annual General Meeting on June 16, 2020 the tenure of Dr. Erhard F. Grossnigg ended. Ms. Claudia Badstöber was elected to the Supervisory Board as a new independent member on the basis of a proposal put forward by the company. At the ensuing constituent meeting of the Supervisory Board, Ms. Claudia Badstöber was elected the new chair of the Supervisory Board.
- › Resolution to partially revoke the existing authorization of the Executive Board, issued in accordance with § 159 paragraph 3 AktG (Stock Corporation Act), to perform a conditional increase in the company's share capital of up to EUR 1,500,000 (authorized capital 2019), specifically to curtail the usable sum by EUR 500,000 or 500,000 no-par value bearer shares, and to carry out the requisite amendments to the Articles of Association;
- › Resolution to issue 2,000,000 equity warrants with members of the Executive Board and employees of S&T AG excluded from subscribing in accordance with § 174, AktG;
- › Resolution authorizing the Executive Board to increase the company's share capital in accordance with § 169 AktG (authorized capital 2020) by up to EUR 2,000,000 in exchange for cash or other consideration with partial exclusion of subscription rights, and partially authorizing the Executive Board to exclude subscription rights (authorized capital 2020) and carry out the requisite amendments to the Articles of Association.

### DISCLOSURE OF RELATIONSHIPS WITH RELATED COMPANIES AND PERSONS

In the course of normal business operations, relationships of supply of goods and services exist with related companies and persons. As in financial year 2019, these business relationships are maintained almost exclusively with Ennoconn Corporation, Taiwan, and Hon Hai Precision Industry Co. Ltd., Taiwan. In addition, payments arising from rental agreements for use of the offices of a consolidated company are made to the local managing director in Russia. The duration of the rental agreement was fixed at one year. However, it is assumed that further rental agreements will be concluded for the following years. Business transactions with related companies and persons are conducted at arm's length.

### EVENTS AFTER THE BALANCE SHEET DATE

- › On June 30, 2020 S&T AG signed share sale contracts pertaining to the takeover of the Iskratel Group, a Slovenian business supplying information and communications technology for operators of telecommunications, railway and energy networks, and industrial automation solutions for these networks. Iskratel Group is based in Kranj, Slovenia, has more than 70 years of experience in ICT projects and is represented primarily in Eastern Europe through its group companies. In the 2019 calendar year, the Iskratel Group with its 900 employees achieved sales of EUR 115 million and a marginally positive result. The fixed purchase price for 100% of the Group's shares is EUR 37.5 million. In addition to this there are variable purchase price components that depend on the Iskratel consolidated companies' EBITDA in the years 2020, 2021 and 2022 and account for approximately 56% of the Iskratel consolidated companies' annual EBITDA.

- › On July 1, 2020 S&T AG signed a notarized contract for the purchase of company shares pertaining to the acquisition of 55.5% of CITYCOMP Service GmbH in Ostfildern, Germany, including its subsidiaries in Austria and Switzerland, from two shareholders who are no longer involved in the company management. The purchase price for 55.5% of the shares in CITYCOMP Service GmbH was fixed at EUR 6 million. 44.5% of the shares, which are held by other shareholders, are the subject of mutual options agreements which depend on the future EBITDA results of CITYCOMP Service GmbH and its subsidiaries. CITYCOMP was founded in 1988 as a third-party maintenance provider and grew over the years to become a full-service provider of IT services with a comprehensive service network in the DACH countries and the Benelux Union. Having concentrated initially on data centre systems, CITYCOMP has now expanded its portfolio of expertise to encompass all relevant IT sectors. These include network infrastructures, client systems and all types of devices relating to the trade sector. With its extensive and varied customer structure, the company, which employs around 300 people, attained sales of approximately EUR 38 million and positive net earnings in financial year 2019.
- › On the basis of a prospectus approved by the Austrian Financial Market Authority, FMA, 500,000 equity warrants were offered for public subscription to selected key employees of the S&T Group for the quoted price per equity warrant on July 13. Following expiry of the offer period and the rump placement that ended on July 23, 2020, 18:00 CET, the Executive Board, with the approval of the Supervisory Board, determined the final quantity of equity warrants and the distribution of the equity warrants offered as follows: a total of 2,000,000 equity warrants, comprising 1,500,000 allotted and 500,000 publicly offered equity warrants for which orders to purchase were received by the company before expiry of the deadline, are issued. 112 eligible subscribers who submitted subscription certificates for a total of 420,665 offered equity warrants receive the full allocation in accordance with the grading of each consolidated company and the management level of each eligible subscriber. The remaining 79,335 offered equity warrants were allotted to those eligible for allotted shares on the basis of the subscription certificates they had submitted for the rump placement. As of July 30, 2020 the equity warrants passed to the regulated over-the-counter market at the Vienna stock exchange. The equity warrants were subsequently delivered to those eligible to receive them.

## DECLARATION OF ALL LEGAL REPRESENTATIVES

We confirm to the best of our knowledge that the condensed interim financial statements give a true and fair view of the assets, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed interim financial statements and of the principal risks and uncertainties for the remaining six months of the financial year and of the major related part transactions to be disclosed.

Linz, August 6, 2020



Hannes Niederhauser eh



Michael Jeske eh



Peter Sturz eh



Richard Neuwirth eh



Carlos Manuel Nogueira  
Queiroz eh

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Our annual report and our quarterly reports and notifications can be found on our website under <https://ir.snt.at> from publication date. Any eventual date changes are also announced on our website in good time.

This half-year report was published on August 6, 2020. It is available in German and in English. The German version is authoritative.

This half-year report contains statements relating to the future that are based on current assumptions and estimates of the Management Board concerning future development. Although we are of the opinion that the assumptions and estimates are realistic and correct, they are subject to certain risks and uncertainties that may cause actual future results to diverge materially from the assumptions and estimates. Factors that may result in a discrepancy include changes in the overall economic, business, financial and competitive situation, exchange and interest rate fluctuations as well as changes to the business strategy. We cannot guarantee that the future development and actual future results will coincide with the assumptions and estimates expressed in this half-year report. Assumptions and estimates presented in this half-year report will not be updated.



# FINANCIAL CALENDAR

## 2020

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06.08.2020	Half-year report 2020 (Earnings-Call Q2 2020)
05.11.2020	Q3-quarterly statement 2020 (Earnings-Call Q3 2020)

Due to the uncertainties, caused by COVID-19, surrounding the holding of investor conferences, S&T AG's planned participation in these conferences is not mentioned here. Details on possible conference participations are available under [https://ir.snt.at/Financial\\_calendar.en.html](https://ir.snt.at/Financial_calendar.en.html).

### Austria (Headquarters)

S&T AG, 4021 Linz, Industriezeile 35  
Investor Relations: +43 1 80191 1196 | [ir@snt.at](mailto:ir@snt.at)

[www.snt.at](http://www.snt.at)

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