

STATEMENT ON THE REPORT OF THE SHORT SELLER VICEROY RESEARCH

Preface

On December 16th, 2021, the short seller Viceroy Research LLC (Viceroy) published a report on S&T AG (ISIN: AT0000A0E9W5), raising allegations which, in the view of S&T AG, are either not correct, not related to S&T or refer to incidents which lie more than 10 years in the past or are immaterial. This statement by S&T AG aims at transparently outlining the facts and refuting the raised allegations by providing historical as well as financial and legal background information on the concerns raised by Viceroy. It should be noted that Viceroy did not contact S&T AG before publishing its research report – which in the view of S&T is unfortunate, as the company would have been happy to educate Viceroy on its alleged findings.

1. Business Background & Structure

Viceroy claims: *“S&T AG has a long, checkered history in the tech industry, constantly rebranding itself and re-imagining its strategic business direction. S&T came out of the former Gericom: widely known to make the worst laptops in the early 00’s and one of the great capital destroyers of its era.”*

S&T states: The company name “S&T AG” has been unchanged since 2012. New investors, including the current CEO of S&T, took over the majority in Gericom out of a liquidity constraint and renamed Gericom to Quanmax AG in 2008. When Quanmax AG took over “S&T old” (i.e. S&T System Integration & Technology Distribution), “S&T AG” was selected as the new company and brand name and the strategic business direction was realigned. Operating in a rapidly developing technology environment requires to regularly adapt the business model to enable profitable growth of the company.

Background

Today’s S&T AG (registration number FN 190272m, Industriezeile 35, 4021 Linz, Austria) was originally founded in December 1999. While operating under “Gericom AG” until 2008, with revenues of EUR 28.2 million and 67 employees in the financial year 2008, the former Gericom management was replaced in the course of the take over by new investors, including the current S&T AG CEO Hannes Niederhauser, and the company renamed to Quanmax AG. After a capital increase of Quanmax AG by 60 per cent in 2009, the company embarked on a strong growth path. In 2011, Quanmax AG acquired S&T System Integration & Technology Distribution (“S&T old”); registration number FN 47292y, Geiselbergstrasse 10, 1110 Vienna, Austria), a company listed on the Vienna Stock Exchange at that time. In 2012, “S&T old” was merged into Quanmax AG and delisted from the Vienna Stock Exchange. With that transaction, Quanmax AG was renamed to S&T AG, as “S&T” was a well-established brand name in the IT Services business for customers and in several markets. Hannes Niederhauser became CEO of S&T AG in June 2012 and led the company’s technology transformation, which grew S&T AG from EUR 28 million revenues in 2008 to more than EUR 1,200 million revenues in 2020.

Viceroy claims: *“S&T’s roll-up corporate structure is unnecessarily complex without any integration.”*

S&T states: This allegation is outdated. S&T has already addressed the simplification of its corporate structure in the course of the previously communicated "TTS" program (Trust-Transparency-Share). The program will be continued as planned, including further reduction of the complexity of the corporate structure.

Background

Since the beginning of 2016, S&T closed 30 acquisitions, of which 21 were fully integrated and legally merged into S&T group companies. Part of S&T’s business strategy – known to S&T investors for years - is to acquire low performing businesses with good synergy potential at low cost.

2. Off-Balance Entities

Viceroy claims: “S&T has numerous off-balance sheet entities recorded as minority holdings.”

S&T states: This allegation is unfounded. S&T does not hold any 'off-balance entities'. The entities in question have either been a) sold (for the most part many years ago), b) S&T holds (less than) 5% without control and/or c) the entities have been using S&T's brand name in regional markets against payment of licensing fees for more than a decade. All these participations and/or contracts are properly accounted for in S&T AG's financial statements. As S&T holds no controlling or even significant stakes in any of these companies, it is thus also not involved in these company's tender processes and cannot comment on Viceroy's accusations against these companies.

Background/History

Aforementioned S&T System Integration & Technology Distribution AG (“S&T old”) was an IT Services company founded in 1991 by Mr. Thomas Streimelweger and Mr. Karl Tantscher. The current S&T Management did not have any functions in “S&T old” back then. The primary focus of “S&T old” was in the field of IT-Services in Eastern Europe and Austria. In the years 2006/2007, “S&T old” acquired swiss based IMG Holding, a consulting company focused on IT-Business-Solutions such as SAP, with approx. 650 employees and revenues in FY 2006 of EUR 81.6 million. The acquisition of IMG Holding by “S&T old” was closed after merger control clearance on April 4th, 2007 ([see https://www.pressestext.com/news/20070404019](https://www.pressestext.com/news/20070404019)).

As a result of the financial crisis in the years 2008 and beyond, the development of IMG did not meet expectations and several entities of IMG Holding started to become loss-making. In addition, the acquisition of IMG was financed with two bonds, which were to become due until 2011. As the refinancing of these bonds was at risk, “S&T old” started to seek new investors to allow the restructuring of the business. “S&T old” sold all of its shares in IMG China in 2010/2011.

In late 2010 and in the course of the restructuring process for “S&T old”, the financing banks of “S&T old” requested, in order to provide “S&T old” with a bridge loan and to agree a stand-still agreement until the investor search process could be finalized, among others, two main things: a) the appointment of a Chief Restructuring Officer (Mr. Michael Lanik, selected by the banks) as independent CEO and b) a contribution of “S&T old” equal to the amount of the bridge loan through divestments of “S&T old” assets. In order to fulfill the bank's request, the management of “S&T old” sold a 90% stake in Sandt Holding, domiciled in Cyprus, in 2011 where activities in the Ukraine and Moldova were bundled ([see https://www.pressestext.com/news/20110131016](https://www.pressestext.com/news/20110131016)). As part of the divestment of S&T Ukraine in 2011, it was agreed, that S&T Ukraine is entitled to continue to use the S&T brand against payment of a yearly licensing fee.

All those steps were executed before and independently of the acquisition by and the subsequent merger of “S&T old” with Quanmax AG, which together with grosso holding GmbH signed a term sheet with the financing banks only on September 3rd, 2011. The current S&T Management did not participate in any decisions regarding these steps or requested such sale of assets, which were in particular requested by the financing banks.

The allegations of Viceroy regarding supposed “off balance sheet” entities concern the following companies:

- IMG China → This entity was sold by “S&T old” in 2010 before Quanmax AG acquired “S&T old” in 2011. In respect to the claim by “IMG” that it is still part of S&T Group, this claim is incorrect. S&T Group does not maintain any business relationship to IMG China nor did or does IMG China have any trademark licensing agreement with S&T as S&T did not prolong the IMG trademarks because the brand “IMG” was being phased out. IMG China was sold to Mu Yu Ltd in two steps, in March 2010 (90% share) and in December 2011 (10% share). Thus, IMG China thus has not been part of S&T Group since 2011. S&T AG holds no stake in this company, has no business relationship with this company and did not receive any material payment or cash in from IMG China since the sales of IMG China.
- S&T Ukraine → This entity was sold by “S&T old” in 2011 before Quanmax AG acquired “S&T old”. Since that time S&T Ukraine has been entitled to use the S&T brand name for the Ukrainian market against payment of an annual trade license fee of EUR 35,000. This license agreement is currently in termination. S&T AG holds no stake in this company and, according to publicly available information, S&T Ukraine has been – without any involvement of S&T AG – sold by Sandt Holding in October 2021.

- In respect to Sandt Holding and its mentioned current or previous subsidiaries, S&T Group has done minor business with the company (< 100 TEUR p.a.) until 2019. As of today, S&T Group does not maintain any business relationship with Sandt Holding or S&T Ukraine except for the aforementioned trade license fee received from S&T Ukraine. Furthermore, in connection with the off-balance sheet allegation raised by Viceroy, it should be noted that S&T AG has correctly accounted for the investment in Sandt Holding. From 2014 on, S&T AG held 5% (250 Class B shares out of a total of 5,000 shares (4,500 Class A shares and 500 Class B shares)) in Sandt Holding. The investment is recognized in the balance sheet of S&T AG in accordance with IFRS "at cost", i.e. at acquisition cost, at EUR 25,000 and is also included in the consolidated financial statements of S&T AG, e.g., as of December 31st, 2020 in Note 14, "non-current financial assets, other investments", in the total amount of EUR 293,000. In the course of its TTS program and independently of Viceroy's report, S&T AG started a sales process for the remaining 5% share some time ago and finally sold the 250 Class B shares to the majority owner of Sandt Holding for EUR 250 (EUR 1 per share) on December 17th, 2021. The sale is currently being incorporated in the respective trade register. The loss of EUR 24,750 will be accounted for in the financial statements of S&T AG in 2021 and will not have any material impact on S&T's guidance or financial position.
- S&T Moldova s.r.l. → This entity was sold by "S&T old" in 2011 in the course of its restructuring process of "S&T old" before Quanmax AG acquired "S&T old". "S&T old" sold the entity jointly with Sandt Holding (and S&T Ukrain) to generate liquidity until the search process for new investors was finalized. In 2014, after the restructuring of acquired "S&T old" had progressed well, the management of S&T AG decided to buy back previously owned S&T Moldova s.r.l. and to reintegrate it into S&T Group. With a non-controlling shareholding of S&T AG in Sandt Holding, Sandt Holding does not and did not represent a related party and – other than falsely alleged in the Viceroy report – no publication of a related party transaction was required for the acquisition of S&T Moldova.

Therefore, as of today, S&T AG neither directly nor indirectly holds any shares in Sandt Holding, S&T Ukraine or IMG China. Furthermore, S&T AG clearly states that there has been no material business relationship with any of these companies since these companies have been deconsolidated by "S&T old" and that S&T AG since then has

- never had control over these companies,
- never been involved in the management of these companies, and
- never received dividend payments which is why no minority results have been reported.

Thus, S&T sees no material risks arising from these immaterial business relationships.

Measures taken

S&T has executed the sale of the historic 5% stake in Sandt Holding and is in the process of terminating the brand license agreement with Sandt Holding/S&T Ukraine. Deloitte's forensic investigation will investigate and clarify the alleged off-balance sheet structures and analyze if there was and is any business relationship or payment flow with the mentioned companies apart from the now terminated licensing agreement with S&T Ukraine. Furthermore, Deloitte's forensic audit will investigate if any risks might arise for S&T Group given the alleged actions of these third-party companies.

3. Legal Issues on subsidiary Level

Viceroy claims: *"We also believe the company has a significant unrecognized contingent legal liability arising from criminal investigations into its operations."*

S&T states: This allegation is unfounded. There are no criminal investigations into S&T's operations that S&T is aware of. To the knowledge of S&T, there are investigations against single (former) employees. We don't see any legal liabilities arising from this for S&T.

CITYCOMP

Viceroy claims: “S&T acquired 55% of Citycomp Service GmbH in July 2020 for €6m with mutual options contracts on the remaining 45%, calculated at €11m as of FY2020. This was just over a year after Citycomp customers had their data leaked by hackers for failing to pay a ransom. [...] None of this was communicated by S&T to investors, who blamed the decline in sales to the “corona crisis and the shutdown of key customers”. Furthermore, Viceroy claims that the acquisition of Citycomp “is another in a growing list of declining companies with serious operational headwinds acquired by S&T as part of its value-destructive roll-up strategy.”

S&T states: This allegation is false. The data leak was public knowledge at the time S&T AG acquired CITYCOMP as it was extensively covered by both the trade and general interest press, including German top tier media such as DIE WELT and Handelsblatt. The statement of S&T AG is correct that the decline in sales in the months before the acquisition (July 2020) was due to the Covid-19 pandemic and lockdowns in March until June 2020, as many customers had postponed their projects/rollouts. Furthermore, CITYCOMP is expected to finish the financial year 2021 with revenues of EUR 37 to 38 million (10% growth compared to the previous financial year) and an EBITDA margin of approx. 10% and is thus a value-accretive investment for S&T.

Background

The hacker attack CITYCOMP suffered from in 2019 was covered in the media at that time and was therefore publicly known. In addition, this information was also disclosed in an investment memo of the seller’s M&A advisor and reviewed by S&T in course of its customary due diligence process before acquiring CITYCOMP. CITYCOMP did not lose any material customer as a consequence of this attack. It even managed to win its largest multi-year contract in history in April 2019 with a total volume of approx. EUR 30 million.

Since the acquisition by S&T, CITYCOMP has shown a positive business development and will generate revenues of around EUR 37 to 38 million with an EBITDA margin of around 10% in the financial year 2021. Due to this successful development, on December 15, 2021 S&T AG exercised its call option on the remaining minority shares and now holds 100% of CITYCOMP at a total purchase price of EUR 13 million, which corresponds to an EBITDA multiple of approximately 3.5x.

Kapsch TrafficCom Construction and Realization spol. s r.o. (KTCZ)

Viceroy claims: “On November 26, 2020, S&T acquired Kapsch TrafficCom for €1.26m, a Czech company who lost its sole remaining customer due to a high-reaching corruption scandal before S&T acquired it. [...] S&T announced the acquisition claiming Kapsch TrafficCom was ‘well- established on the local market and in the region and has numerous references in this area’.”

S&T states: Not Kapsch TrafficCom Services Czech sro but its sister company Kapsch TrafficCom Construction and Realization spol. s r.o. (KTCZ) was acquired by S&T to get access to the traffic management market.

Background

Kapsch TrafficCom Construction and Realization spol. s r.o. (KTCZ) did, as part of a consortium, participate in the contract for traffic management in the Czech Republic until January 1st, 2020. The investigations mentioned by Viceroy were conducted against its (former) sister company Kapsch TrafficCom Services Czech sro and were stopped in January 2021. The mentioned contract was not lost but ended on the basis of the agreed contract terms in 2019. Already before the investigations the new contract had been awarded to another supplier. S&T AG sees no risks that could arise from this investment.

Kapsch CarrierCom Poland

Viceroy claims: “SANT acquired Kapsch CarrierCom Sp. Z.o.o. aka Kontron Transportation on May 23, 2019 as part of its Master Purchase Agreement with Kapsch Group. Just one month later Poland’s Central Anticorruption Bureau announced the arrest of several CarrierCom employees in connection with an alleged €235m fraud of the Polish State Railways. [...] The alleged fraud relates to tender manipulation in favor of Kapsch and at the expense of the Polish State Railways. The allegations are that Kapsch unduly influenced the opinion of the Department of Electromagnetic Compatibility in Wroclaw [...] to win the contract at a cost of

PLN1.1b higher than the next bidder. [...] All this represents a regulatory and legal nightmare, one which S&T seemingly walked into with no due diligence. Shareholders should question management's rationale in acquiring Kapsch CarrierCom, considering it is likely to lose its revenue in short order."

S&T states: S&T is aware of investigations against (former) employees of Kapsch CarrierCom Sp. Z.o.o., but, to the best knowledge of S&T, there have been and are no investigations against Kapsch CarrierCom Sp. Z.o.o./Kontron Transportation Poland ongoing. Kontron Transportation Poland still has an active contract with the Polish State railways generating revenues of approx. EUR 1.5 million in the financial year 2020. S&T AG sees no legal risk for Kontron Transportation Poland.

Background

The reproach on this topic is also that the company was taken over by S&T without due diligence - with the addendum that the case should have been discovered there. In this regard, the following is to be noted:

- The case goes back to a tender in 2017. At the time, Kapsch CarrierCom Poland objected to the award of the new GSM-R Project to a competitor and submitted an expert opinion stating that their solution would not be technically feasible (a legitimate legal remedy in the view of S&T).
- The case was dismissed in the first instance and Kapsch CarrierCom decided not to proceed with further legal actions against the award at that time (early 2018).
- The investigations against (former) Kapsch CarrierCom employees took place in June 2019. At that time the acquisition of Kapsch CarrierCom was already closed and the investigations could not be assessed within the due diligence as they occurred only after closing of the transaction.

BASS Systems

Viceroy claims: *"S&T is now on the hook for the investigation with their lawyer and former presidential advisor Ion Paduraru having been involved in a previous corruption scandal in 2016. Looking forward it is unlikely that Bass Systems will provide any value to S&T shareholders: Ennoconn filings show the company turned an (€2.48m) operating loss in 2020 vs a €1.78m profit in 2019. Viceroy believes the stake in the company was 'swapped' for S&T Mold Srl to perpetuate the existing scheme."*

S&T states: These allegations are unfounded. To the best knowledge of S&T, there have never been any investigations against BASS itself or S&T during the time S&T was a shareholder in BASS. Whether the allegations against the former co-shareholder in BASS, Mr. Onisim Popescu, are justified, cannot be assessed by S&T and does not affect S&T. However, S&T was not satisfied how the investment developed and therefore, in course of the TTS program, sold its stake in BASS in September 2021. Based on the previous experience, the management of S&T has decided not to pursue new investments in Moldova and currently evaluates a complete withdrawal from the Moldavian market.

Background

S&T was already present in Moldova since 2014 with S&T Mold srl when BASS was acquired in 2019. S&T management back then aimed to grow S&T's market share in Moldova with the investment in BASS. The BASS investment did not develop as expected. BASS generated a net loss of EUR 2.27 million in 2020 which was based on an extraordinary write-off of intangible assets from Purchase Price Allocation in the amount of EUR 2.17 million. S&T already previously stated towards investors that the investment did not fulfill expectations. Therefore, S&T sold its 51% stake in BASS on September 30th, 2021. S&T AG has no representation or guarantees in the sales contract of BASS which could trigger a clawback to S&T Group.

Iskratel

Viceroy claims: *"S&T describes 'Iskratel portfolio as 'supplying information and communications technology for operators of telecommunications, railway and energy networks and industrial automation solutions'. While it may do these things, Iskratel also covertly sells surveillance and intelligence solutions to state clients."*

S&T: It is correct that Iskratel sells lawful surveillance solutions. However, it is incorrect that Iskratel hides any of its business activities. As a sidenote, these lawful surveillance solutions are not material revenue contributors, not for Iskratel and even less for S&T Group.

Background

Iskratel supplies information and communications technology for operators of telecommunications, railway and energy networks and industrial automation solutions. Lawful surveillance solutions, which are used by law enforcement agencies to conduct electronic surveillance of circuit and packet-mode communications as authorized by judicial or administrative order, are part of the portfolio.

All services are provided on a legal basis and are part of the offering of various network and communication equipment providers around the globe.

The revenue contribution of surveillance solutions is marginal, amounting to 3% of Iskratel's revenue in the financial year 2020 and 2% in the first nine months of the financial year 2021. From the perspective of S&T Group, the share of revenue of Iskratel's lawful surveillance solutions amount to approx. 0.2% of 9M 2021 revenues.

Dorobet

Viceroy claims: *"The Malta Gaming Authority revoked Dorobet's B2C gaming license in February 2020 for breach of rules relating to regulatory payments and failure 'to comply with one or more applicable obligations in terms of any regulatory instrument or any other applicable law of Malta'. [...] Despite this the company continues to report marginal revenues through 2019 before apparently being wound down in 2020. We question where these revenues came from, and if they were at all related to Dorobet's traditional business."*

S&T states: These speculations are false. Dorobet's license was revoked in the course of the liquidation of Dorobet. The marginal revenues in 2019 stem from the sale of unused internal server equipment.

Background

Dorobet Ltd. was acquired in October 2011 for a consideration of EUR 0.1 million offering a gaming license to support S&T's infotainment solutions business back then. In 2016, S&T decided to withdraw from the infotainment terminals/gaming business step by step. In May 2019, S&T started the liquidation process of Dorobet Ltd. and the license was not prolonged. As a result of the non-prolongation, the license was not required by S&T anymore due to the wind down of Dorobet Ltd. was revoked. The liquidation of Dorobet Ltd. was completed early in 2021. In 2019, the unused server equipment was sold which resulted in minor revenues of Dorobet Ltd.

XTRO

Viceroy claims: *"S&T acquired Xtro twice: what appears to be the same business, from the same individuals, 7 years apart."*

S&T states: This allegation is false. S&T did not acquire same XTRO two times. The acquisitions concern different legal entities founded by Mr. Nechwatal and Mr. Roos over the last 15 years.

Background

In January 2010, S&T AG (at that time named Quanmax AG) acquired an 80% share of XTRO IT solutions GmbH for EUR 2.9 million paid in Quanmax shares, and subsequently acquired the remaining 20% stake. XTRO IT solutions GmbH was a highly profitable IT security company generating revenue of EUR 6.3 million and a net profit of EUR 0.8 million in the financial year 2010. In February 2016, XTRO IT solutions was merged into S&T Deutschland GmbH.

The founders of XTRO IT solutions GmbH, Mr. Nechwatal and Mr. Roos, agreed to stay on board for a period of minimum five years (from 2010 until 2015) and continued to run XTRO after the acquisition by S&T. In 2015, Mr. Nechwatal and Mr. Roos left XTRO and subsequently started a new company, XTRO AG, in October 2015.

Another two years later, in December 2017, S&T acquired this new company, XTRO AG, for EUR 2.5 million in cash. And finally, in May 2019, S&T acquired XTRO holding GmbH from the XTRO founders, which included the intellectual property rights for software products in use for a total consideration of EUR 0.98 million. As of today, the acquired XTRO companies are integrated into S&T Deutschland GmbH. Over the past 10 years, all XTRO companies jointly generated an EBIT of around EUR 10 million. In the financial year 2021, S&T Deutschland GmbH, including the former XTRO business, is expected to achieve approx. EUR 20 million in revenues and to generate an EBITDA of EUR 2.6 million.

Roding Embedded

Viceroy claims: *“Roding Embedded is another undisclosed related party transaction involving S&T AG management dealing with themselves.”*

S&T states: This allegation is false. At the time S&T acquired Roding Embedded in 2015, Dr. Wieczorek, a former Supervisory Board member of S&T, did not have any function within S&T Group.

Background

Dr. Wieczorek served on S&T's Supervisory Board until June 2013 and was deleted from the company's register ("Firmenbuch") as of August 19, 2013.

Roding Embedded was founded in April 2014 by Dr. Wieczorek, together with former Kontron engineers, which he knew from his previous times serving as CTO in Kontron AG until 2011. Roding Embedded was founded in context of the centralization strategy of Kontron AG which resulted in a close down of the Roding engineering center.

S&T acquired 100% of Roding Embedded in June 2015 for EUR 1.55 million in cash, taking over 21 highly qualified engineers as well existing customer contracts and assuming EUR 0.34 million in cash and cash equivalents. The main asset for S&T in Roding Embedded were highly skilled engineers, who are still part of S&T and for instance designed the embedded solution for a medical systems customer, who was the largest customers of S&T in 2020. The acquisition of Roding Embedded took place two years after Dr. Wieczorek left the Supervisory Board of S&T AG. Thus, S&T AG had no obligation to disclose a related party transaction in this instance.

funworld

Viceroy claims: *“Another undisclosed related party transaction was the acquisition and subsequent disposal of Funworld gmbh. Funworld first appears at S&T in September 2010 when S&T (then Quanmax) acquired the assets and debts of the insolvent Funworld AG for €9.48m.”*

S&T states: This allegation is false. The acquisition of Funworld GmbH in 2010 was no related party transaction. The assets of funworld AG were acquired by S&T out of insolvency in 2010. In 2016, a new funworld GmbH was founded in the course of a management buy-out after S&T's decision to phase out its infotainment/gaming activities and ultimately stop being active in this business field. Disclosure of related party transactions was not required, as all transactions with related parties were disclosed in the Annual Report of S&T AG from the date of the "at equity" consolidation of funworld GmbH.

Background

In September 2010, S&T AG (at that point in time named Quanmax AG) acquired the assets (no debt) of funworld AG out of insolvency for a consideration of EUR 1.9 million (not EUR 9.48 million as incorrectly claimed in Viceroy's report). The assets were merged into Quanmax AG.

Quanmax AG and later S&T AG continued to offer infotainment terminals including software under the brand name "funworld". In 2016, S&T decided to retreat from the infotainment market and supported a management buy-out of its Funworld assets. The former funworld sales director Rainer Eder founded funworld GmbH. Other investors, including S&T AG and Hannes Niederhauser, CEO of S&T AG, invested in the new funworld GmbH. In total, S&T invested EUR 0.33 million, to receive a 40% stake, with the intention to sell its 40% stake once funworld would be well established. No shares were acquired from S&T AG's CEO Hannes Niederhauser.

As of the date of at-equity consolidation (2017-2020) of funworld GmbH, the relationships between funworld GmbH and S&T AG or other Group companies were reported as related party transactions (see note 39 in Annual Report 2020 or note 34 in Annual Report 2019/2018/2017).

The spin-off however did not meet expectations and was sold at a loss for all funworld shareholders in 2020.

further Legal Allegations raised

Viceroy claims: S&T Serbia: “*Sued by state for non-delivery of goods and services.*”

S&T states: This is correct. However, Viceroy omits the information that S&T Serbia also sued the state for non-payment. The proceeding is ongoing.

Viceroy claims: S&T Romania: “*Ties to individuals implicated in corruption scandals over state tenders.*”

S&T states: This statement is misleading. It is correct, that various companies, including S&T Romania are part of anti-monopoly investigations. As a sub-contractor, S&T Romania participated in a consortium under the lead of PORR construct S.R.L. S&T does not expect any finding or material claims out of this investigation.

Viceroy claims: Iskratel Ukraine: “*Under criminal investigation for tender fraud.*”

S&T states: This allegation is false. To the knowledge of S&T, Iskratel Ukraine is not under criminal investigation for tender fraud.

Measures taken

S&T evaluates the economical and reputational risks concerning the raised points as minor and not material. For example, S&T sees no risk of being excluded from government tenders in the future as Viceroy predicts. Nevertheless, the forensic audit by Deloitte will also investigate the above-mentioned legal allegations and potential risks or contingent liabilities for S&T.

4. Financials (Economic Performance & Warrants)

Cash flow development

S&T Group’s operational cash flow development has not tapped into its full potential especially in 2017 (operating CF of EUR 44.9 million) and 2018 (operating CF of EUR 35.5 million). Therefore, S&T AG announced its “PEC” program (Profitability – Efficiency – Cash) in 2019 to improve its working capital and operational cash flow. First improvements were already achieved in 2019, where the operational cash flow increased to EUR 83.4 million, resulting in an EBITDA/operating cash flow conversion of 74.6%. In the financial year 2020, S&T Group achieved a record operating cash flow of EUR 140.8 million.

As already communicated, the operational cash flow development of S&T Group in the financial year 2021 is impacted by external factors such as the current chip and component shortage. Limited allocations on ordered chips and components as well as delayed shipments led to an increase of inventory due to semi-finished goods and build-up of buffer stock. The inventory increased from EUR 159.9 million as of December 31, 2020, by EUR 40.6 million to EUR 200.5 million as of September 30, 2021. Following improvements in the supply chain and the redesign of some products in order to be able to use better available chipsets, S&T Management expects improvements of inventory and working capital as well as operational cash flow already in the fourth quarter of 2021, and especially in the financial year 2022.

Viceroy claims: “S&T appears to immediately realize (i.e. sell, collect or factor) low-quality working capital assets from acquisitions for cash, boosting operating cash flows for that reporting period. This creates a one-time operating cash flow boost which, superficially, appears to show excellent earnings to cash conversion. [...] S&T’s Iskratel acquisition took effect on October 1, 2020 bringing with it €23m in accounts receivable. The suggestion is that S&T collected >€30m in cash in 2020, but this is due to one-time effects from acquisitions, presumably the immediate realization of Iskratel’s receivables.”

S&T states: This allegation is false. This becomes evident by looking at the two biggest acquisitions in the last three years, Kapsch CarrierCom and Iskratel:

- At the day of first-time consolidation of Kapsch CarrierCom (May 1st, 2019), the account receivables assumed from the acquisition, amounted to EUR 22.3 million, while at December 31st, 2019 the Account Receivables were at EUR 17.2 million. Within the period of consolidation in 2019, Kapsch CarrierCom contributed EUR 1.6 million to S&T Group’s operating cash flow. No account receivables of Kapsch CarrierCom had been sold or factored ever since the acquisition of Kapsch CarrierCom in the financial year 2019.
- Iskratel was first time consolidated on October 1st, 2020 with account receivables in the amount of EUR 23 million (no factoring as of October 1st, 2020). At year end 2020 Iskratel’s account receivables amounted to EUR 29.4 million, of which EUR 2.5 million were factored. So the reality looks like this: The account receivables net of factoring increased from October 1st, 2020 till December 31st, 2020 by EUR 3.9 million, which also reflects the seasonality of Iskratel’s business with a strong fourth quarter. Iskratel Group’s contribution to S&T group’s operating cash flow in the fourth quarter of 2020 amounted to EUR 6.6 million, which is a normal contribution based on the seasonality of the business.

Revenue per employee development

Viceroy claims: “Revenues per employee has steadily declined since 2019. This is the opposite of the expected trend in any IP- or technology- driven enterprise.”

S&T states: This allegation is misleading. Revenue per employee increased from 2016 to 2020 by 19%.

Background

Viceroy’s calculation is misleading. It is based on the number of employees at the end of the year instead of using an average number of employees, which differs due to acquisitions. For example, Kontron AG was first time consolidated on December 1st, 2016, therefore contributing revenues for one month only in the financial year 2016, but yet Viceroy takes year end full-time equivalent (FTE) numbers into account for its evaluation of the financial year 2016. The same applies to the financial year 2020, when Iskratel was acquired and consolidated as of October 1st, 2020. Unlike claimed by Viceroy, the revenue per employee increased over the past five years and has decreased by only 1% in the financial year 2020 compared to the financial year 2019 (against the background of 2020 being the first year the COVID-19 pandemic impacted the global economy). Also, the use of half-year figures in such an analysis is not meaningful in the case of S&T, as in S&T’s business model, significant revenues are being generated in the fourth quarter of each financial year.

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---------------------------|----------------|----------------|----------------|----------------|----------------|
| No. of FTE on average | 2,518 | 3,823 | 4,130 | 4,643 | 5,271 |
| No. of FTE year end | 3,786 | 3,918 | 4,335 | 4,934 | 6,067 |
| Revenues (in EUR million) | 503.7 | 882.0 | 990.9 | 1,122.9 | 1,254.8 |
| Rev / FTE year end | 133,043 | 225,115 | 228,581 | 227,584 | 206,824 |
| Rev / FTE on average | 200,040 | 230,709 | 239,927 | 241,848 | 238,057 |

Allegedly unsuccessful US equity raise

Viceroy claims: “S&T went to US markets to raise USD650k in 2020 but was only able to raise USD14k, all of it from 3 non- accredited investors.”

S&T states: The allegation is false. S&T AG did not attempt to raise equity in the US (nor in any other equity market) in 2020. The cited SEC filing was mandatory to grant US employees of S&T Group access to a warrant offering exclusively made to eligible employees and managers of S&T AG and S&T group companies.

Background

The Viceroy report makes reference to a mandatory filing for the US part of a warrant offering exclusively made to eligible employees and managers of S&T AG and of S&T group companies under a warrant-based incentive and stock option plan (see https://ir.snt.at/Additional_Information_on_the_Stock_Option_Plan_2020___2022_.pdf) approved by S&T's annual general meeting on June 16th, 2020.

In Austria and Germany, the offering (as well as a listing of the warrants on the Vienna Stock Exchange) was made on the basis of a prospectus, approved by the Austrian Financial Market Authority, whereas for the registration-exempt offer of warrants to US-based S&T group employees, an SEC filing had to be made. No warrants were at all offered to external investors or other persons. All offered warrants were placed and allocated towards S&T employees and management, including three employees from US signing warrants under the Stock Option Plan 2020.

5. Action Plan

S&T takes corporate governance and compliance very seriously and fulfills international standards as well as legal requirements. To underline our commitment, several additional measures will be implemented to further increase transparency and corporate governance. S&T AG will take the following steps:

1. S&T AG has commissioned Deloitte to conduct an independent forensic investigation in particular into the alleged off-balance sheet structures as well as the alleged significant legal risks arising from alleged investigations against subsidiaries of the S&T Group and, if applicable, their alleged legal and economic impact on the S&T Group. S&T AG is convinced that this forensic investigation will confirm that Viceroy's allegations are unfounded. S&T expects that the investigation will take some time due to the fact that some of the questions date back more than ten years and concern companies in many different countries, but completion of the investigation by Deloitte is expected in the course of the first quarter of 2022. S&T AG will publish the results of the investigation report with regard to the allegations and make a comprehensive statement as soon as the report is available.
2. The Supervisory Board of S&T AG will seek and appoint an external expert, independent of the existing Executive Board, as Chief Compliance Officer to take over the topics of law, compliance and corporate governance within the S&T Management Board. His duties comprise coordinating the aforementioned investigation as well as further strengthening compliance and corporate governance structures of S&T Group. The search for possible candidates has already been initiated.
3. The measures initiated under S&T's "TTS" program (Trust-Transparency-Share) will be continued as planned. These include the further reduction of the complexity of the corporate structure and the selection of a new auditor, as previously announced. The Executive Board of S&T AG has carried out a two-stage tender process in recent months, from which KPMG emerged as the preferred bidder. The Supervisory Board - based on the proposal of the Executive Board and the recommendation of the Audit Committee - decided at its meeting on December 7th, 2021, to propose KPMG for appointment as the new auditor at the next Annual General Meeting of S&T AG on May 6th, 2022.
4. The evaluation process launched for the potential divestment of the IT services division ("Focus" project) will be continued. The S&T Group is currently undergoing a vendor due diligence process with external partners (PWC (Financial) and Schönherr (Legal)), which includes a legal, financial and tax due diligence.