

annual report



s&t

Consulting. Integration. Outsourcing.

highlights 2009

No. 1 consultant in the CEE region

Logistics system at Milsped

S&T developed a mobile ticketing system for TUI Hellas

S&T implemented over 50 Euro conversion projects in Slovakia

Poland takes the next (e-)step with S&T

Flagship project in Slovakia

S&T leads the Romanian ERP market

S&T wins major healthcare project in Moldova

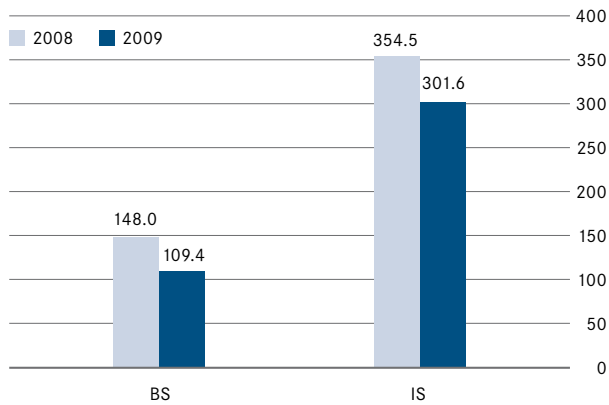
Award for innovative human resource management

Clients rate S&T above the industry average

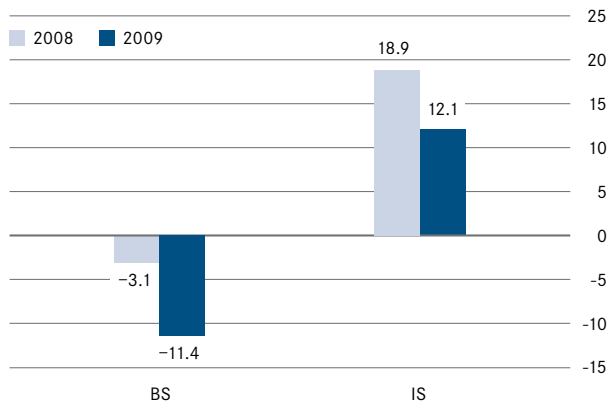
Please find further information on the highlights on page 13.

our key figures

REVENUE DEVELOPMENT (in EUR million)

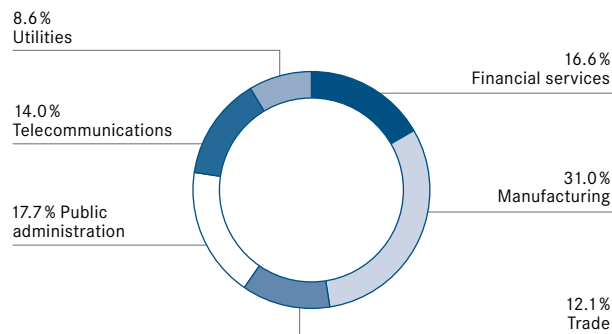


EBIT DEVELOPMENT* (in EUR million)

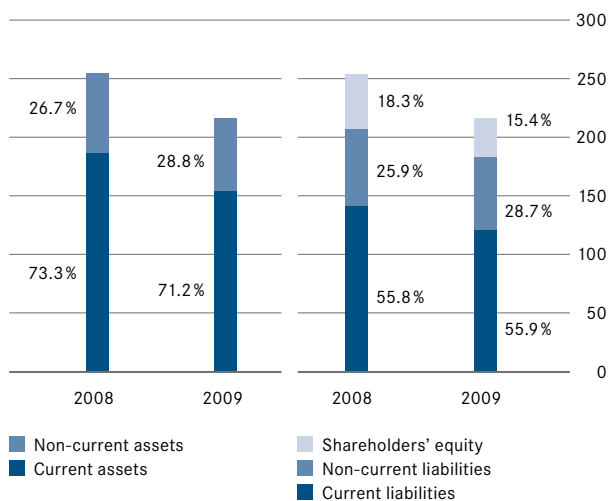


*) does not include unallocated expenses

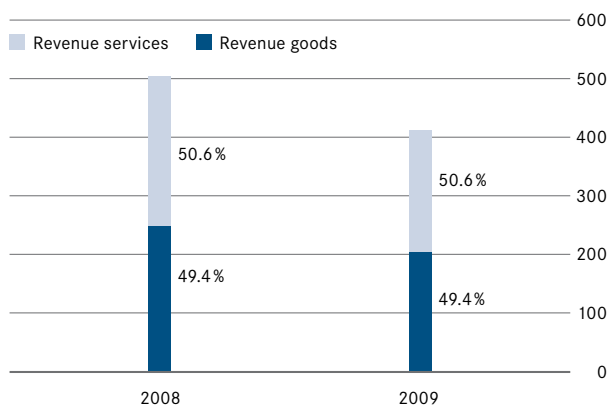
REVENUE PER INDUSTRY (in EUR million)



BALANCE SHEET STRUCTURE (in EUR million)



DEVELOPMENT OF SERVICE SHARE IN REVENUES (in EUR million)

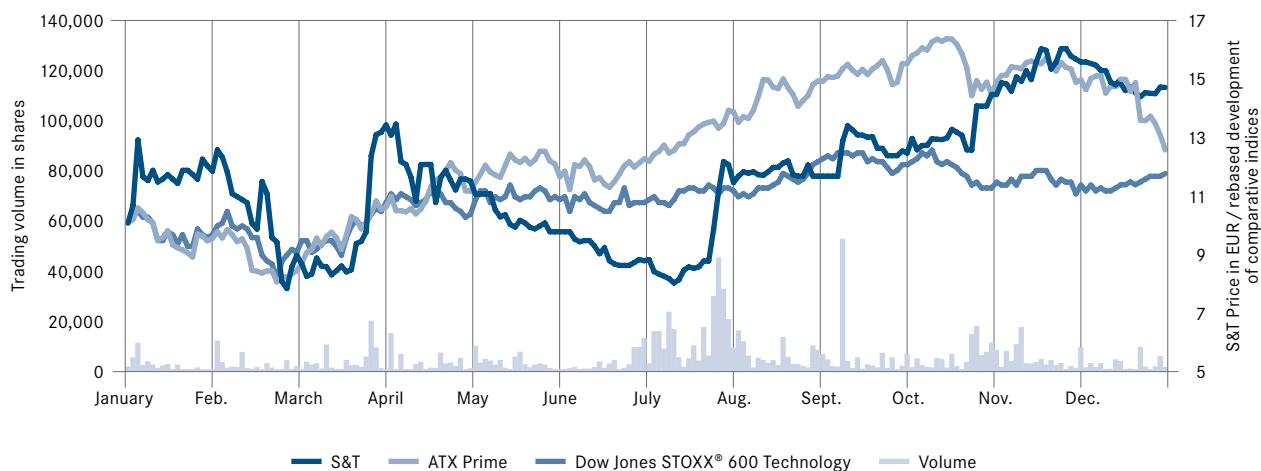


KEY FINANCIAL DATA 2007-2009 (in EUR million)

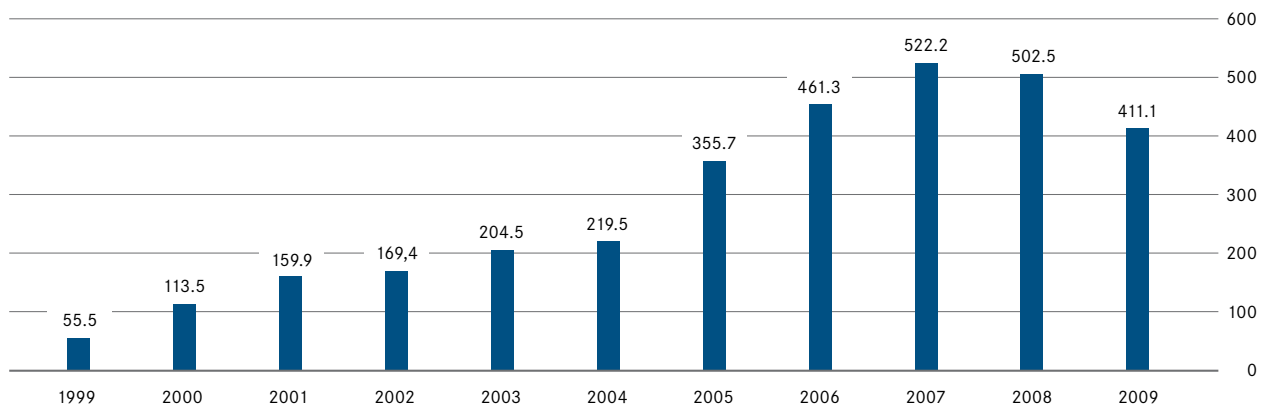
	2009	change in %	2008*	change in %	2007
Revenue	411.1	-18%	502.5	-4%	522.2
EBITDA	2.8	-85%	18.7	-8%	20.4
Profit from operations (EBIT)	-3.1	-	11.6	-11%	13.0
Profit before tax	-7.0	-	4.8	-39%	7.9
Profit for the year / Net profit	-12.3	-	-0.3	-	3.8
Diluted earnings per share in EUR	-2.46	-	0.71	-	1.03
Shareholders' equity	33.4	-29%	46.8	-5%	49.4
Total assets	216.8	-15%	255.5	-4%	266.0
Net financial liabilities	51.8	-6%	55.2	7%	51.4
Net gearing	23.9%	-	21.6%	-	19.3%
Employees at year-end	2,581	-18%	3,135	0%	3,138

* Reclassified in accordance with IFRS 5

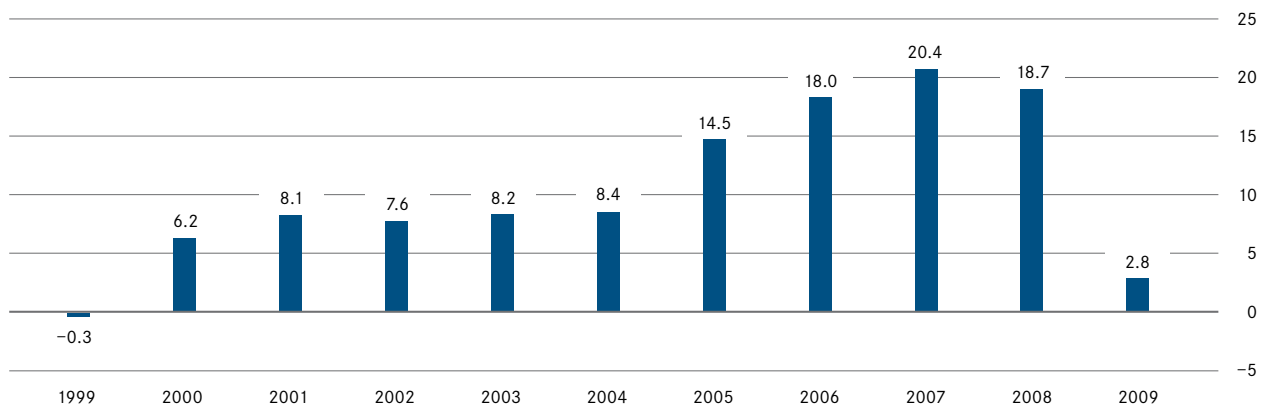
SHARE PRICE DEVELOPMENT IN 2009



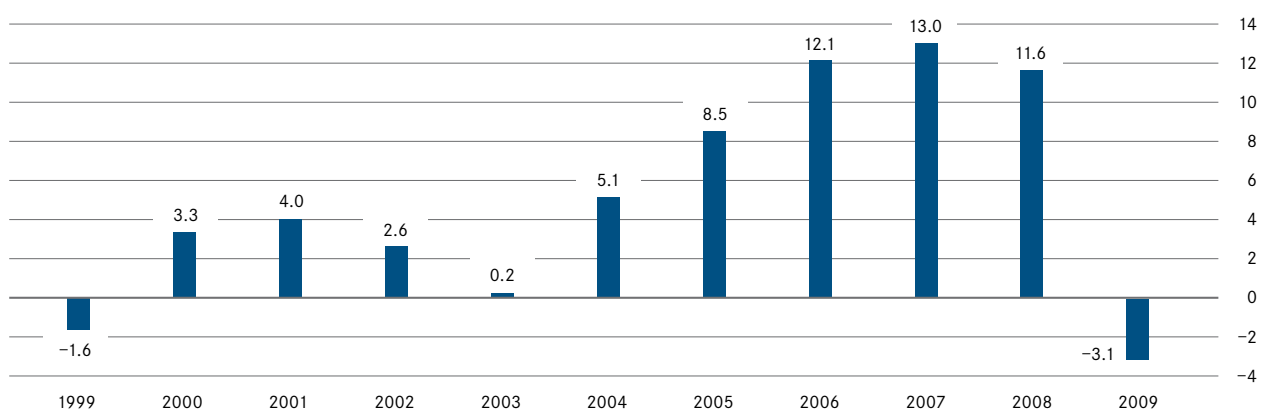
DEVELOPMENT TOTAL SALES SINCE 1999 (in EUR million)



DEVELOPMENT EBITDA SINCE 1999 (in EUR million)



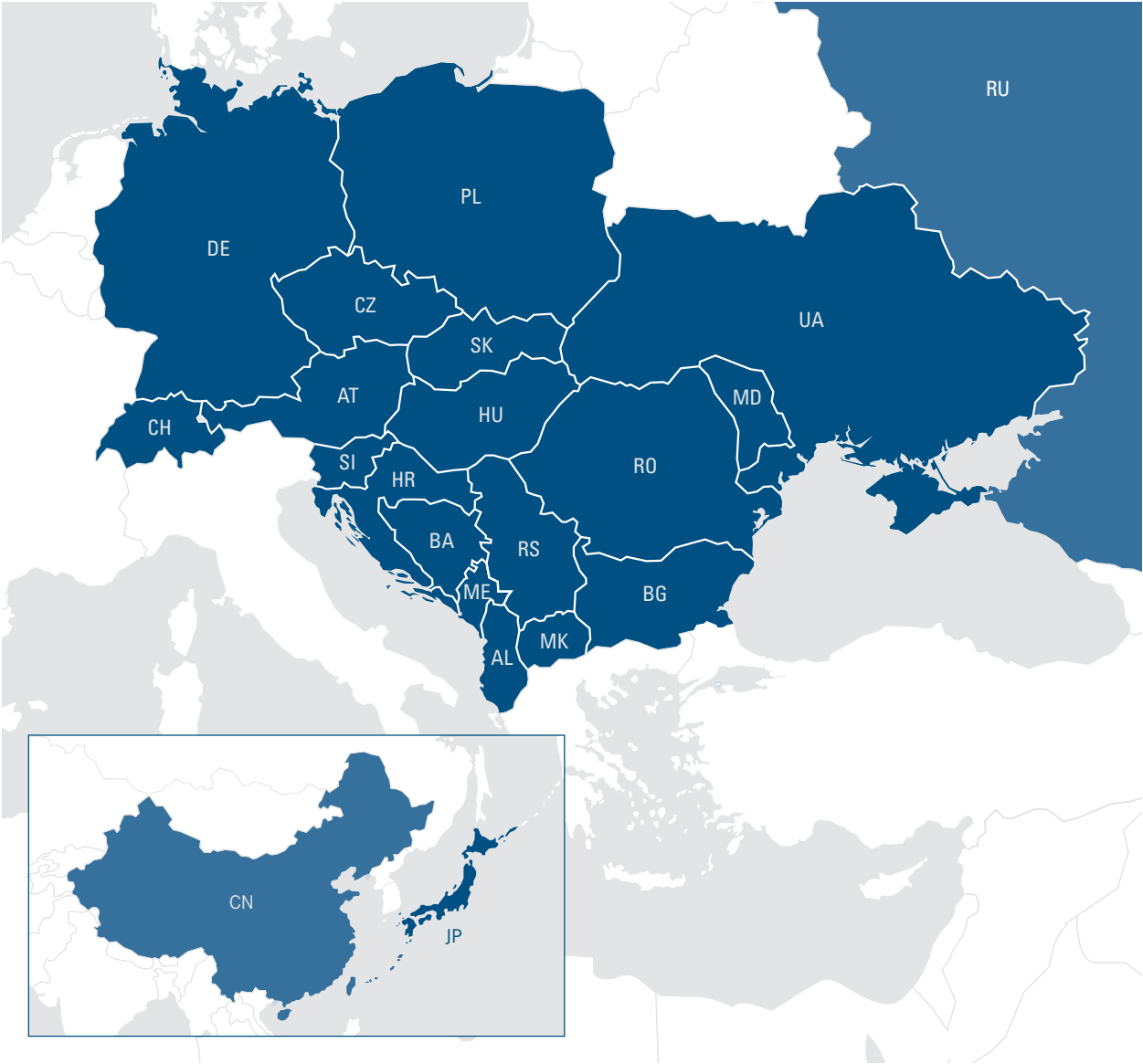
DEVELOPMENT EBIT SINCE 1999 (in EUR million)



The figures for 2008 and 2009 do not contain Russia, China and Turkey.

s&t at a glance

With approximately 2,600 employees and sales of EUR 411 million (2009), S&T is the leading provider of comprehensive consulting, outsourcing, systems integration and IT services in Central and Eastern Europe as well as in the German speaking region. The S&T Group operates in 21 countries, including two minority shareholdings in China and Russia. S&T's core business focuses on the consulting, development, implementation and operation of IT solutions, processes and systems. S&T serves companies along the entire IT value chain in the fields of manufacturing, commerce, telecommunications, public services, financial services as well as energy and utility companies. S&T AG is headquartered in Vienna and has been listed on the Vienna Stock Exchange since 2003.



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foreword by the CEO



Ladies and Gentlemen,
Esteemed Shareholders!

It already became apparent in the second half of 2008 that the year 2009 would not be easy at all. The turn of the year was characterized by the uninterrupted deterioration of the overall economic climate and a worsening of diverse economic indicators, particularly in Eastern Europe and in the automobile industry. In the second half of 2009, it became increasingly accepted that the downturn had bottomed out and hopefully the economy was finally climbing out of the recession.

The S&T Group also encountered extreme head winds. Uncertainties around the globe led many of our more than 2,000 customers to reduce budgets and delay planned projects. The IT market research company Gartner called 2009 “the worst year ever in the history of the IT sector”.

Within the context of this challenging scenario, and above all due to project restructuring in Germany and Switzerland, 2009 was without doubt a pivotal event and turning point for a company like ours which had been used to dynamic growth. We had to adjust our cost basis in all 21 countries in just a few months without sacrificing our competence. At the same time, the project selection process had to be toughened to take more account of risks, in order to prevent receivables losses. The underlying premise governing our business operations in 2009 was to accept fewer projects in case of doubt, but to ensure a secure revenue flow and corresponding precautions for the future. In addition to shutting down our subsidiary in Turkey, our activities in Russia and China were converted into strategic partnerships with minority stakes.

We succeeded in concluding the financial year 2009 with business results which cannot be considered to be gratifying by any means, but which reflected the circumstances

under which we had to operate. This was due to the extreme dedication and hard work of our employees, who had to deal with increased pressure and uncertainty but still managed to do outstanding work. On behalf of the Management Board, I would like to extend my sincere and warm-hearted thanks to all employees.

Our employees are the “face” of the company to our customers, and comprise the focal point of our new communications drive. We have not hired anonymous models to serve as S&T ambassadors conveying the key messages of our S&T campaign “we create values”. Instead, we have called upon 24 of our employees, who in reality create added value for our customers, each and every day.

The new brand positioning of S&T is more than just a marketing ploy. S&T has grown considerably, integrated numerous companies and further developed its service and product portfolio. It is crucial for our own self-image to have a modern and unified visual identity embodying the “S&T spirit”. For this reason, the brand “IMG – Consulting Services of S&T” has also been merged into the S&T brand in 2010. The consulting and service offering will remain the same, just as the German and Swiss markets will continue to remain vitally important to S&T.

Business Solutions (BS) and Infrastructure Solutions (IS) comprise the two pillars of our product portfolio. This orientation has proven its worth. Both business units will be even more strongly synchronized with customer requirements and wishes. Thanks to longstanding customer relationships, sales in the Infrastructure Solutions segment remained stable and thus developed gratifyingly. Accordingly, it is our declared goal to further increase the share of services, which already comprised close to 50 percent of total Group sales in 2009. Since 1 February 2010 a top manager in the IT sector has been responsible for achieving our BS performance targets. We would like to welcome Peter Trawnicek as

member of S&T’s Management Board, and Chief Operating Officer for the Business Solutions business unit.

S&T is well positioned based on its two-pillar strategy. However, in a dynamic industry such as the IT sector, it goes without saying that our product portfolio will be subject to ongoing change. We provide answers to the questions our customers pose, and help them to develop long-term corporate and IT strategies. Two timely examples of this approach are S&T’s nearshoring initiative, ensuring attractive cost structures in software development for customers, and our virtual data centers, featuring reference models for data processing and outsourcing services which are individually tailored to customer needs.

2009 was a unique year. But allow me to be realistic. 2010 will be just as “unique” and at least as challenging as the preceding year. IT analysts predict that we will have to wait until 2012/2013 to reach pre-crisis sales levels attained in 2008.

The good news is that information technology continues to be the driving force of the economy and the key to innovation and greater productivity. A crisis always represents an opportunity to start anew.

I would like to express my thanks for the confidence you have all placed in S&T.



Christian Rosner
Chief Executive Officer of S&T AG

s&t management



From left to right:
Martin Bergler, CFO
Peter Sturz, COO IS
Peter Trawnicek, COO BS
Christian Rosner, CEO



foreword by the chairman of the supervisory board



Hard times require decisive measures. The year 2009 was characterized by severe across the board cutbacks. Work was dominated by issues such as cost reductions, productivity increases and the imposition of investment stops. Accordingly, the entire attention, energies and dedication of management and employees had to be devoted to dealing with this situation. The bottom line was that 2009 comprised an abnormal and unusual year of belt-tightening in terms of sales, profit and the number of employees.

But what also remains with us is the company's ambition to become better and stronger on the basis of the "diet regimen" it has been forced to undergo. The many painful decisions included the partial withdrawal from promising markets, i. e. Russia, China and Turkey. In retrospect, the reduction of S&T's exposure was the right approach. In a year like 2009, a company cannot afford to get involved in any expensive betting on the future, but must focus on nearby, predictable, cash generating markets and customers.

It was also difficult to find the right balance among acceptable risks, customer wishes and currency fluctuations, but S&T managed this feat without any major losses. In any case, the past year should be considered a "reality stress test", and we passed the test.

Now it is time again to move ahead. We were able to perceive a somewhat more upbeat attitude on the part of customers, and the willingness to make IT investments is once again increasing. The focus is on new issues but also many technological innovations, such as the "cloud" concept or the strong impetus for mobile applications.

In order to master these new challenges, we made adjustments to the management team, and are pleased to welcome Peter Trawnicek to the Management Board, who will be responsible for the Consulting and Solutions area as of February 2010. He is also a good example to show that S&T offers a working environment and a corporate culture comparable to the big players in the industry. (Peter Trawnicek had a top executive position at Microsoft and spent many years in management positions at SAP.)

We want to preserve the corporate culture of S&T – full of dynamism, boasting flexibility and an entrepreneurial way of doing business – as our most valuable feature. This brings customers many advantages, and is the biggest motivation for our employees. We have not lost sight of our long-term goal, i. e. to position S&T as the dominant IT consulting, integration and outsourcing provider in the eastern part of Europe.

On behalf of the entire Supervisory Board, I would first like to thank all employees for their contributions and the sacrifices they made in the year 2009, and the management for its determined efforts, including all the necessary adjustments to these challenging conditions. This year was really a new experience, because S&T had never been forced to “reverse gear” throughout its entire history. I would also like to thank customers for their loyalty and shareholders for their trust in the positive long-term perspectives relating to an investment in S&T.

A handwritten signature in blue ink, appearing to read 'Thomas Streimelweger', with a large, sweeping initial 'T'.

Thomas Streimelweger
Chairman of the Supervisory Board

strategy 2010plus

Leading market position

S&T is the leading IT consulting and services provider in Central and Eastern Europe and in German-speaking Europe. S&T is the preferred IT partner of internationally operating companies, which can rely on consistent service and product quality in diverse regions. The Group has approximately 70 branch offices in 21 countries, of which the companies in 19 countries are fully owned subsidiaries of S&T AG and minority shareholdings in 2 countries.

The company ranks among the top five service providers in many countries, and is usually one of the top three. It serves more than 2000 customers, many of which have remained loyal to S&T over a period of many years. No single customer accounts for more than 5 percent of total sales, thus for the most part avoiding any dependence on a few large customers. The latest Customer Satisfaction Survey demonstrates just how happy customers are with the quality of our services, and even shows a further improvement in the overall level of customer satisfaction in spite of the challenging economic times.

Information technology has become a crucial competitive factor, and sustainably influences corporate productivity. To be a developer and technological support of new business processes is a promising business. In times of crisis, this applies even more than ever before.

The traditional strengths of S&T consulting include an understanding of individual customer requirements. S&T works in markets featuring different degrees of market maturity. The company takes advantage of its strong presence in both mature and emerging markets by actively exploiting the respective advantages. Thus we deploy our know-how and industrial expertise across all markets, and exploit the cost advantages in the CEE region in our nearshoring centers as the basis for implementing personnel-intensive and highly specific developments throughout the Group, but still manage to remain customer-oriented.

Unchanged strategy and goals

The past financial year featuring unheard of challenges led S&T to carry out numerous adjustment and redimensioning measures, enabling S&T to act as a leaner and more efficient company in the light of changed economic conditions. Nevertheless, all these measures do not entail a corresponding change in our business strategy, but are designed to ensure the sustainable and profitable development of S&T in the years to come.

S&T has retained its positioning as a Business Innovation & Transformation Partner (BITP) featuring a broad product offering of related services. S&T focuses on the complete servicing of medium-sized and large multinational companies. With regard to vertical markets, S&T's priorities are manufacturing industry, retailing, telecommunications, the public sector and financial services providers.

In 2008, S&T already built up two core strategic pillars, namely the Infrastructure Solutions (IS) and Business Solutions (BS) business units. This orientation comprises the sole segmentation of S&T's activities. S&T no longer structures the business according to a secondary segmentation in geographical submarkets, in order to strengthen cross-border, transnational cooperation with respect to customer acquisition and customer service. The IS and BS business units will also be more closely synchronized in 2010. Details about our service offering are available on page 18.

Furthermore, the international orientation of S&T has emerged as an essential strategic advantage due to the significant improvements made to internal processes.

Create added value

The presentation of this strategy has been put on a new footing. Our main claim, “we create values” has become the guiding principle of our communications to internal and external stakeholders. With this approach, we convey our primary focus on project implementation and the added value provided to customers based on a strategic advantage derived from IT operations or efficiency improvements in core processes. The broad service offering enables S&T to analyze the entire IT value chain and optimize the customer’s information technologies in their entirety.

The services offered by the Group are based on an extraordinarily intimate knowledge of industries and extensive problem-solving skills displayed by employees. One of the top priorities of S&T’s top management has been to promote and maintain this key competitive edge. S&T also continues to be an attractive employer despite the staff reductions carried out in 2009. S&T aims to take advantage of the prevailing market environment in 2010 in order to selectively hire highly qualified specialists. (Refer to the section on human resources, page 47).

The overall economic environment has significantly reduced growth forecasts. IT analysts expect global IT sales, including those in the CEE region, to come close to reaching their pre-crisis 2008 level by 2012/2013. (For further information, refer to the section on IT investment trends on page 22.)

Priorities for 2010

Particular strength is required in the field of customer acquisition in order to successfully operate in the prevailing market environment. Only high capacity utilization enables us to maintain the high level of competence as well as our broad-based service offering, which in turn is necessary as the basis for winning new and attractive projects. Similar to 2009, the focus will be on achieving revenue with customers holding good or very good creditworthiness, in order to continue being successfully immune to the increasing default rate on outstanding receivables.

Based on the persistent implementation of this strategy, the Management Board expects to further strengthen the contribution made by the service business, which already comprised about 50 percent of total sales in 2009. In particular, long-term and repeated revenue flows comprise the reliable and profitable component of our business. Consulting services will be further developed in line with market requirements, and our sales efforts will be focused even more on customer needs. Greater importance is being attached by customers to outsourcing entire business processes or parts of them. For this reason, S&T has long focused on solutions such as outsourcing, cloud computing and process optimization, which are increasingly in the forefront of the IT business.

business development

Initial situation and development

The significant decline in demand on global IT markets left few if any companies untouched. Following years of ongoing growth, we were subject to the same developments our customers and competitors faced, due to our strong positioning in Central and Eastern Europe and in sectors which were disproportionately impacted by the economic situation. S&T Group was confronted with a considerable drop in sales of 18 percent. In 2009, it generated total sales of products and services amounting to EUR 411 million, down from EUR 503 million in 2008. The two segments did not develop uniformly. The business unit Infrastructure Solutions (IS) profited from a very satisfactory and stable service and outsourcing business. In contrast, the business unit Business Solutions was strongly affected by project delays and budget cutbacks.

Underlying risks

Several factors played a particularly strong role in the sales decline. In respect to vertical markets, the biggest decrease in sales was in the automobile and mechanical engineering industries. Companies across all sectors had to struggle to finance their investments. The economic uncertainties in the CEE region dramatically reduced the volume of direct investments, and led to IT budget cuts and project delays. Currency and receivables risks aggravated the situation. About 25 percent of the downward trend in sales can actually be attributed to currency factors and receivables risks.

Measures

S&T's management reacted quickly and determinedly to market developments, initiating, amongst other measures, a strict, Group-wide cost reduction program. At the same time, the selection of projects was more risk-oriented, in order to prevent potential losses on receivables as described above. For this reason, double-digit million projects were rejected by the company on the grounds of posing overly high risks. Accordingly, the company did not report any major losses on receivables in 2009.

The measures were carried out very selectively and implemented to varying degrees of intensity, taking into account the specific situation in each S&T market. Furthermore, the exposure in several countries was reduced considerably. S&T withdrew completely from the Turkish market. In Russia, S&T's majority shareholding in a local company was sold to a local strategic partner. Preparations were made to do the same in China, and the sale is going to be completed in the second quarter of 2010. Two of the four offices in Japan were shut down, but the country will continue to play a role as S&T's "Asian hub".

No change in the business strategy

The measures mentioned above do not represent any changes in S&T's long-term strategy but adaptations to the current market environment.

Awards and successes

Despite a few negative developments, 2009 was also a year characterized by a good deal of public recognition and important project successes. An overview of the year:

No. 1 consultant in the CEE region

The Gartner Group lists S&T as number 1 Consulting Services Provider in Eastern Europe. S&T has an almost 10% market share and sales of 150 million USD, ranking well ahead of Deloitte, IBM and Ernst & Young.

Logistics system at Milsped

S&T Serbia planned an extremely complex warehouse management system based on Infor WMS. This project has allowed Milsped to overhaul its business processes and significantly improve the efficiency of its warehouse operations.

S&T developed a mobile ticketing system for TUI Hellas

Within only four months S&T designed and implemented a mobile ticketing system for TUI Hellas and rolled it out across the company.

S&T implemented over 50 Euro conversion projects in Slovakia

S&T Slovakia implemented euro conversion projects with all its 54 SAP customers.

Poland takes the next (e-)step with S&T

S&T has designed and implemented e-step, a web-based IT system for monitoring the transposition process of EU laws into Polish laws.

Flagship project in Slovakia

Slovakia Steel Mills is investing EUR 6 million in the application and infrastructure of its business processes. The contract covers the implementation of a business information system based on SAP plus the deployment of manufacturing execution systems and central dispatching, incl. document administration.

S&T leads the Romanian ERP market

A study published by Pierre Audoin Consultants (PAC), ranked businesses that offer ERP applications and services – with S&T Romania again on top of the list.

S&T wins major healthcare project in Moldova

S&T was chosen by the Moldovan Ministry of Health to provide seven hospitals with state-of-the-art medical equipment. S&T implemented an innovative imaging system and handles the servicing of the system and as well as the training of the medical staff.

Award for innovative human resource management

S&T Germany, was certified for the sixth year in succession at the German BestPersAwards. The company also achieved the top position in the “HR Development” category and third place in “Recruitment”.

Clients rate S&T above the industry average

Increased customer satisfaction despite difficult economic environment. The Customer Satisfaction Survey 2009 demonstrates that S&T’s dedication and customer focus are recognized and appreciated by our clients.





positioning and markets

Service offering – from outsourcing to nearshoring – page 18

**Our business units: Business Solutions,
Infrastructure Solutions and Healthcare Solutions** – page 19

Strong partnerships with leading vendors – page 19

IT investment trends – page 22

Customer satisfaction even higher in 2009 – page 23

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and the Ukraine** – page 24

positioning and markets

Service Offering

One important insight gained in the year 2009 is that S&T's fundamental positioning is the right approach. It continues to be based on a comprehensive regional presence throughout Central and Eastern Europe and a focus on medium-sized and large companies. In order to be capable of providing holistic consulting services, S&T relies on sound problem-solving skills based on in-depth industry know-how. For this reason, our focus is on customers in the manufacturing, retail, energy, telecommunications and financial services industries as well as in public administration. It goes without saying that S&T also intensively cooperates with leading IT providers. The result is a high level of competence in our two business areas, Business Solutions und Infrastructure Solutions.

In 2009, S&T already generated about 50 percent of its total sales from its service business, defined as the entire Business Solutions segment and service revenue from the Infrastructure Solutions segment. In particular, S&T's service offering was expanded in the outsourcing business and for vertical solutions, and its long-term orientation was further intensified. On balance, the stabilizing effects of long-term contracts in 2009 clearly demonstrated the success of S&T strategic approach focusing on continually promoting its service business, above all in the fields of managed services and outsourcing.

In the consulting business (Business Solutions), S&T has been a major player with regard to SAP consulting in our target markets, as well as in systems integration for complex applications in a Microsoft.net/Java environment.

All varieties of outsourcing

Economic pressure is causing an increasing number of customers to consider outsourcing their IT services. S&T offers managed services and conventional outsourcing solutions. Volume-oriented and Web-based supply models encompassed at the present time under the umbrella name "cloud services" have long been part and parcel of the S&T portfolio. S&T can optimally exploit the advantages of economies of scale on behalf of its customers.

S&T operates so-called virtual data centers (VDC) featuring a server and storage landscape in its computing center which makes an infrastructure available to customers if necessary thanks to sophisticated virtualization techniques (e.g. VMware). S&T operates two such data centers at different locations and has trained its own specialists comprising the VDC Task Force.

S&T offers customers a holistic service offering in the field of outsourcing:

- Program/process outsourcing (applications/processes)
- Secure computing operations (data center services)
- Workstation management (workplace outsourcing)

The service offering ranges from workstations with automatically installed software updates to making programs available via Web interfaces ("clouds"). Simple standard services such as communications operations (e.g. MS Exchange) or complex individualized programming are also included in our outsourcing portfolio.

Nearshoring with a locational advantage

An important strategic addition to the S&T product portfolio is its nearshoring center. In its software development, S&T relies on the international expertise within the Group and bundles this know-how partially in virtual working groups. The geographical presence in the CEE markets is a decisive locational advantage, and is exploited to offer high quality services at competitive prices. In order to fulfill the demands of our customers, nearshoring is clearly the better alternative compared to offshore models in Asia.

Our business units

S&T provides strategy and process consulting, the realization and comprehensive outsourced management of implemented systems. As the leading supplier in Central and Eastern Europe, S&T features a unique geographical outreach. Customers can be sure of close proximity to their consultants. The products used by S&T are manufactured by leading technology suppliers, which continually certify S&T's optimally trained customer consultants.

Standardization and individualization are not contradictions when it comes to S&T's IT solutions. Technological standards and many years of experience serve as the basis for very efficient project implementation. Experts for individualized programming are also available, offering services at competitive prices thanks to S&T's nearshoring capabilities.

Strong partnerships

Despite intensive cooperation with various technology suppliers, S&T adheres to the principle of neutrality in respect to its product policy and customer consulting. This means our customers are offered the latest products and solutions available on the IT market, tailored to the particular project requirements.

The partnership between HP and S&T has existed for more than a decade. As HP's strongest "Preferred Partner" with a declared focus on Eastern Europe, S&T has demonstrated its competence within the context of numerous projects. S&T's cooperation with HP relates to hardware, services and software solutions.

Cisco is our leading partner for network solutions. With Cisco's support S&T offers optimal network planning, implementation and optimization. The partnership has been recently expanded to reflect Cisco's positioning in the server business.

S&T is the largest and best qualified partner of EMC in Central and Eastern Europe. This cooperation continued in 2009, focusing on storage and archiving solutions as well as digital information processing.

SAP is Europe's largest software producer, focusing on software enabling companies to manage business process execution. Awarded the highest level of partner certification, "Gold", S&T is considered to be an outstanding partner, with about 1,000 SAP consultants.

S&T is a preferred "Gold" partner of Microsoft and has access to brand new, cutting edge technologies e.g. server and portal solutions or different software and collaboration tools.

A high level cooperation closely links S&T with IBM, featuring security, server and storage solutions or trendy products such as Tivoli and WebSphere.

S&T has teams in many countries, specialized in Infor ERP LN and Infor MAX. Thanks to Infor, S&T has expanded its core strengths in ERP and successfully applied them in many projects.

S&T also operates in the field of health care. In close cooperation with Philips Healthcare, it develops integrated solutions for the medical sector.

Business Solutions

The portfolio of S&T's business solutions ranges from pure strategic consulting for management to complete outsourcing projects. S&T offers an in-depth know-how in the manufacturing, retail and financial services industries as well as in the energy and telecommunications sectors.

Typical projects carried out by the Business Unit Business Solutions include customer-specific design and implementation of ERP systems based on our industry know-how. A focal point of S&T's work are solutions integrating specific applications developed by S&T in response to customer requirements. Accordingly, S&T is the first point of contact for SAP users in Central and Eastern Europe. Some 1,000 consultants with SAP expertise provide a unique service for the S&T region.

Together with the University of St. Gallen, S&T developed a special project method entitled PROMET®. It has demonstrably shown that it can help to implement projects more efficiently and quickly. PROMET® is a management tool which has proven its value over the last 15 years, and is used in various modules.

Infrastructure Solutions

S&T's Business Unit Infrastructure Solutions provides the comprehensive range of services related to IT components, ranging from strategic consulting for the IT architecture, the entire technical conception, planning and naturally implementation of workplace, data center, network, storage and security solutions to holistic security concepts and communications solutions.

In addition, S&T provides operational IT infrastructure support. Many customers are already taking advantage of this cost saving potential. S&T offers installation and maintenance as "managed services" and also the opportunity to completely outsource the infrastructure to an S&T computing center (virtual data center).

Infrastructure Solutions	Business Solutions
IT Consulting Services Information Security Consulting IT Architecture Consulting	Business Process Reengineering Company Process Evaluation and Design
Value Add IT Procurement Infrastructure & Supplies Management License Management Logistics Warehouse Configuration	Corporate Business Services Support Process Implementation with focus on FI, CO, HR, BI, DM, ECM, Portals, EAI, ...
IT Infrastructure Services Server Solutions Storage Solutions Network & Communications Solutions Security Solutions Infrastructure Management Software	Industry Specific Services Core Process Implementation with focus on ERP, CRM, PLM, SCM, ...
Managed IT Operations Workplace Management Data Center Services	Software Engineering Software development and adaption
	SAP Managed Services Hosting and maintenance of SAP based software solutions
	IT Strategy and Processes IT Strategy, Organization and Processes

Healthcare Solutions

S&T provides innovative solutions for the health care sector. As a longstanding partner of well-known producers of medical devices, S&T has become an important point of contact to hospitals in some regions.

Working closely with Philips Medical Systems as well as other leading technology manufacturers, S&T developed integrated solutions that improve patients' health care results throughout the entire treatment cycle – from preventing and screening to diagnosis, treatment, monitoring and management. S&T also offers solutions for the digitalization of images, storage of information and the enhancement of connectivity between patients and health care providers.

The S&T Healthcare Solutions team operates in the Czech Republic, Slovakia, Romania, Bulgaria and Moldova.

Macroeconomic conditions

The global response to the economic and financial crisis in 2009 did not lead to a repeat of the Great Depression following the 1929 stock market crash. Nevertheless, there is a consensus that the world experienced the worst recession since World War II. Due to the massive decline in international trade, the world economy contracted by 0.8 percent year-on-year according to the International Monetary Fund, and the so-called developed markets were even worse off, posting negative growth rates of – 3.2 percent. Global trade was hit harder, and thus the globalization process was set back for the time being. Imports and exports were both down by about 12 percent.

Regional differences

S&T's core markets were impacted in different ways. A strong drop in exports and the perceptible investment restraint on the part of the business community disproportionately burdened the German-speaking countries of Europe. They faced a massive decrease in industrial production, which dropped by 18 percent in Germany, for example. In the CEE region, the recession had a much stronger influence on overall consumer demand, so that all economies contracted with the exception of Poland, with enormous differences in negative growth rates, for example –3.9 percent in the Czech Republic, –7.0% in Romania and –14.0% in the Ukraine.

Government assistance

There was first a change of mood on global capital markets and initial signs of a silver lining on the horizon in the spring of 2009. This can be primarily attributed to the economic stimulus programs enacted by governments around the world and even expanded once again in the early months of 2009, as well as the impressive international cooperation and unconventional support measures implemented by leading central banks. The economy was massively flooded with “cheap money” based on the enormous increase in available liquidity and low interest rate policies, which were not fully passed on by banks to borrowers. In the years to come, the public sector will unlikely be able to match its massive intervention to jump start the economies in previous years.

However, the CEE region (with the exception of Russia) was not able to implement such far-reaching stimulus packages as in Western Europe. Government intervention in the Eurozone comprised about 30% of GDP in 2008 and 2009, and was even as high as 50% in the USA. Similar to the experience gained during previous recessions, the unemployment rate has increased considerably, and has hovered at a high level of 10% in many Central European countries since then. A quick drop in unemployment and a speedy economic recovery are not expected at the present time.

(Sources: RZB, Bank of England, IMF, UniCredit, WIIW.)

IT investment trends

2009 in retrospect, and forecasts of IT analysts

The four large segments (hardware, software, services and telecommunications) were more seriously impacted by the global recession in 2009 than at the time of the dot-com bubble back in 2001. The hardware sector suffered the worst setback in the past financial year, registering a 16.3 percent decline in sales. This development had serious consequences for the development of other segments, due to the fact that expenditures on hardware investments usually drive investments in software and services as well. According to the IT market research company IDC, hardware accounts for 40 percent of global IT expenditures.

The situation in vertical markets is not any different. The most drastic cuts in IT budgets were carried out by manufacturing companies, the financial sector as well as the automobile and transport industries.

Gartner anticipates an average growth of 3.3 percent for global IT expenditures in 2010. IDC has arrived at similar conclusions. Market researchers predict a 3.2 percent increase in worldwide IT investments (Status: January 2010).

A key finding of the IT Buyer Outlook 2010 from Global Markets Direct is that 25 percent of the companies surveyed intend to increase their IT expenditures in 2010, whereas 20 percent do not plan to make any changes to their IT budgets. Many of the firms said they will review the relationships with their IT suppliers and could conceivably switch to other IT service providers, due to the increasing market competitiveness. 35 percent of IT customers consider IT partnerships to be a top priority, as a means of optimizing their deployment of capital and reducing costs.

Changes in investment patterns

IT budgets will continue to be restrictive in 2010, and are expected to be concentrated on the second half of the year. Two aspects dominate the investment behavior displayed by companies:

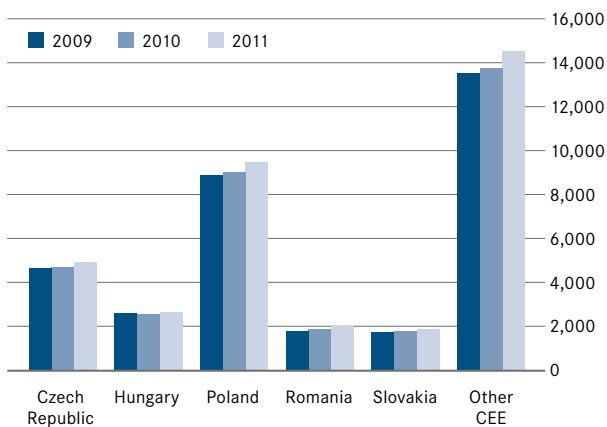
1. The normal investment cycle for hardware is three years. However, this pattern no longer applies, at least for the time being. Each year, at least three percent of the servers must be replaced around the world. In the meantime, at least 10 percent should be replaced in 2010/2011. Deficient and old hardware increase systemic risk.
2. Companies only invest at present if the feasibility study yields convincing results. IT managers and CIOs must clearly demonstrate the value proposition, or the contribution of IT investments to the company's success. Scalable and volume-dependent calculation models can be of help. CFOs and CEOs are more closely involved in IT investment decisions.

Eastern Europe: Slight rise in 2010 IT expenditures

PAC, an international provider of analyses for the software and IT services industry, confirms the slight upward trend in IT expenditures in almost all Central and Eastern European countries. In particular, total investments in Poland's IT market are expected to reach a level of EUR 9.5 billion in 2011, the highest in Eastern Europe.

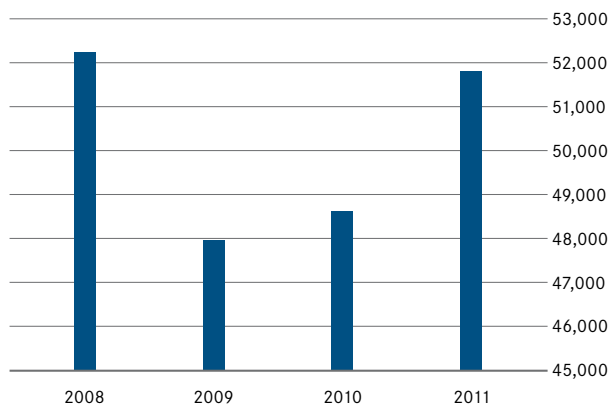
IT expenditures in the CEE region declined dramatically in 2009. According to PAC, IT investments in the region are expected to rise slightly in 2010 and then reach more than EUR 51 billion in 2011/2012, close to the 2008 level.

IT SPENDINGS BY COUNTRIES (in EUR billions)



(Source: PAC Report – Software & IT Services, Dec. 2009)

IT SPENDING YEAR-ON-YEAR (in EUR billions)



(Source: PAC Report – Software & IT Services, Dec. 2009)

Customer Satisfaction

Clients more satisfied in 2009

The S&T study on customer satisfaction is an integral part of a holistic evaluation of business relationships. It serves as a performance benchmark measuring the effectiveness of our own work, and examines the accuracy of judgments, opinions and attitudes. In the meantime, the study is carried out by S&T on an annual basis. Against the backdrop of a tense market situation and considerable price pressures, the Customer Satisfaction Survey 2009 shows good results.

1,250 customers in 13 countries were asked to respond, and 44 percent actually did. The evaluation was based on a scale of 1 to 6 (1 = very satisfied, 6 = very dissatisfied). The overall results in a year-on-year comparison are quite gratifying. Customer satisfaction across all markets improved to 2.2 in 2009 (2008: 2.3).

The best performing countries in respect to overall customer satisfaction were:

- Moldova (1.48)**
- Ukraine (1.78)**
- Romania (1.79)**

S&T rated above the industry average

In particular, customers highly value the competence of S&T's consultants as well as their technical know-how. They also praise the ability of S&T's staff to comply with contractual stipulations, the extraordinary efforts made to keep commitments and the high availability of the designated contact persons. Our customers also rate S&T's price-performance ratio above the IT industry average.

Customers were also asked about their priorities for 2010. According to their feedback, investments in the near future will primarily be made in:

- IT strategy and processes
- Security, network and connectivity solutions and
- Storage solutions

A key conclusion to be drawn from the study is that the strategic orientation of the S&T Group corresponds to the investment priorities of customers in the year 2010. The most important objective of the CIO Agenda – and the focus of S&T's business operations – is to technologically support and optimize the transformation and innovation processes of customers.

Case Study Switzerland



Ina Kaiser
Tecan Project Director



Bernhard Lenzin
Country Manager S&T Switzerland

innovation

Tecan is a leading international provider of laboratory instruments and solutions for the biopharmaceutical, forensics and clinical diagnostic industries, which rank among the leading industries worldwide. The company specializes in the development, production and sales of automated solutions for laboratories in the field of life sciences. Tecan's customers are pharmaceutical and biopharmaceutical companies, research departments of universities and diagnostic laboratories. 1,100 employees conduct research and manufacture at European and U.S. production sites.

This company also demands innovative solutions from its suppliers. S&T Switzerland, convinced Tecan of the value of a new and more efficient service model, developed in close cooperation with the internal project team.

As a manufacturer of laboratory instruments, Tecan considers service to be crucial. Up until now, service processes were primarily paper-based, which, amongst other things, led to delayed and work-intensive data collection. The S&T consultants developed an innovative solution to increase efficiency in a service environment, working in close cooperation with the Tecan project team.

In addition to establishing a service cockpit for in-house operations, a mobile alternative for field staff was also developed. The "mobile solution" used for servicing customers conveys the image of a modern and innovative service organization which knows how to efficiently use technology and logistical know-how to support its services.

The new service approach was implemented on schedule, meeting very tight deadlines. The pilot project in the USA was a success. According to Ina Kaiser, Project Director at Tecan, "Customer service is extremely important at Tecan. In the course of the project, the initial skeptical attitude towards a new solution was replaced by enthusiasm for the results. This was further underlined by positive customer feedback".

Tecan offers service and sales in 52 countries. Following the successful pilot project in the USA, the worldwide rollout of the new "service functions" was initiated. The entire field staff consisting of about 180 employees will be integrated in the new process by the end of 2010.

Country: Switzerland

Customer: Tecan Trading AG

**Project: Trend-setting solution
for customer service**

"We optimized our service processes in cooperation with S&T. We developed and implemented an innovative mobile service solution for the benefit of our service technicians." – Ina Kaiser

"We are linked to Tecan by a longstanding customer relationship. That's all the more reason for us to be extremely pleased that this project supports Tecan in its efforts to position itself as a service-oriented and innovative company." – Bernhard Lenzin

Case Study Romania



Dorina Mironescu
CEO of Informatica Feroviara



Bogdan Cocora
Country Manager S&T Romania

partnership

The Romanian railway network ranks among the longest in all of Europe. Hundreds of thousands of people rely on this infrastructure day in and day out, to go to work or see their families. In this regard, the communications network is just as important as the railway network itself. The national railway company CFR has been relying on the know-how of S&T Romania for using state-of-the-art technologies and keeping fit its IT infrastructure.

The starting point for the longstanding partnership was a complex modernization project implemented by CFR and financed by the World Bank. The project was designed to modernize Romania's railroad traffic and to increase its competitiveness in the context of a free access to the European railway system. An important subproject entitled IRIS (Integrated Railway Information System) was concluded in 2003. Similar to real-life railways, the IT network had to function at two different levels – providing both local service to nearby areas (Local Area Network) as well as main line service (Wide Area Network). The IT system was required to monitor and coordinate four core areas of the company's business operations: rail infrastructure, railroad carriages, freight and railway traffic.

On this basis, the second project phase launched in 2005 comprised a major expansion. S&T Romania was contracted to carry out the next modernization step, in particular providing users with improved access to information. The implementation phase commenced in March 2008, and was completed on schedule after one year. This highly complex project was supported by the company's own IT department "Informatica Feroviara" as well as local Microsoft consultants. CFR had decided to select Microsoft in line with the recommendation made by S&T. The latest product version of the server operating system simplified management tasks and fulfilled the required security parameters. Thanks to S&T, everything at CFR is technologically on track.

Country: Romania

Customer: Romanian National Railway Company (CFR)

**Project: Modernization of the IT infrastructure –
"Full sail ahead for Europe"**

"12,000 users in the three national railway companies access the system. The unified structure reduces the costs of ongoing operations and makes it possible to manage the system centrally. This is an important pre-requisite for connecting IRIS to other business processes and the Romanian railways to Europe's rail network." – Dorina Mironescu

"The successful completion of the project, has once again demonstrated S&T Romania's capability to integrate high technology into complex IT systems. In addition to being a great reference for the company, the project certified the skills of both the technical and the project management team." – Bogdan Cocora

Case Study Slovakia



Jan Tusim
General Manager Slovakia Steel Mills



Peter Kucer
Country Manager S&T Slovakia

passion

Start-ups do not only exist for Internet-based business, but also in older and more traditional industries. In this sense, Slovakia Steel Mills (SSM) is a relatively young company. It has been founded in 2007 as a wholly owned subsidiary of Steel Assets Management B.V. in the Netherlands. A new steel and rolling mill is being constructed (Project) at the present time in Strazske, which will directly or indirectly create 750 jobs in the region.

State-of-the-art steel production is not possible at all without IT support, not to mention the planning and preproduction phases. SSM has planned installation of an ERP system at the very beginning of the Project, when the Project Engineer has commenced the first designs of the new plant.

The project was also a “greenfield” operation for S&T. The underlying basis for talks with the management was good, due to the fact that S&T had the best possible manufacturing industry references.

This experience and the inherent commitment, stipulated in Corporate Governance on the part of S&T led to an extensive cooperation with SSM, currently, for period over six months. Extant, S&T Slovakia is implementing the SAP systems and installing the connections to the production facilities (MES) and central production planning, including document administration. The coordination with numerous subcontractors and suppliers has to be perfectly organized. “A large number of people had to be motivated and their work coordinated in order to define architecture solutions, which have been precisely-tailored and competitive”, recalls his thoughts the S&T key account manager Roman Gacik.

General Manager of SSM Jan Tusim is very satisfied with the results. “The production process was perfectly mapped out”. Tusim manages one of the most technologically advanced steel production plants in entire Europe.

Project experience, a professional approach and good pricing have made S&T Slovakia the preferred IT partner of SSM. The indomitable commitment of S&T helped to build a foundation of mutual trust, enabling one of the biggest SAP and outsourcing deals ever in Slovakia. S&T Slovakia will also take overall responsibility for all the systems over the next three years on an outsourcing basis.

Country: Slovakia

Customer: Slovakia Steel Mills

Project: SAP and Outsourcing Solution

“The implementation of this system as the core of all business processes will decisively help us to build up Slovakia Steel Mills as a fully integrated and automated production plant.” – Jan Tusim

“This project poses a major challenge to our employees, not only due to its scope but also in respect to project management and systems integration.” – Peter Kucer

Case Study Ukraine



Sergey Detyuk
DTEK CIO



Iuri Lyetskyi
Country Manager S&T Ukraine

expertise

Few countries were more severely impacted by the economic crisis than Ukraine. The wheat is separated from the chaff in difficult situations. Companies which demonstrate competence, experience and assertiveness succeed in the end. In 2009, the team at S&T Ukraine carried out a challenging assignment on behalf of one of the largest private power companies in the country.

DTEK is the leading heat and electric power provider in Ukraine, with a market share of about 45.8 percent (including the associated OJSC Dneproenergo, DTEK's stake is 47.5%). The company's catchment area covers major share of the east of Ukraine with subsidiaries located in the Donetsk, Dnepropetrovsk, Lugansk and Zaporozhye regions. This area boasts a population of more than 12 million people of whom approximately 52,000 are company employees.

The starting point was typical for fast growing firms with heterogeneous IT-infrastructures. The DTEK group first arose in 2002 from the merger of 15 local coal mining and energy generating companies, each of which featured different IT infrastructures. Such isolated systems and applications impeded both communications and logistics, and were also reflected in the high maintenance costs. "In order to efficiently support business processes, we had to completely revamp the IT-infrastructure", says DTEK CIO Sergey Detyuk. "In this project, our partner's longstanding conceptual experience and technological expertise were more important than anything else. This project can only be implemented with specialists".

Enterprises with IT-infrastructures totalling more than 4,000 PCs and near 300 servers are to be migrated to Microsoft technologies. All Microsoft platforms are installed from the ground up, from the flexible server capacity utilization (Hyper-V) to communications (Office Communication Server). They were supplemented by data protection solutions from Symantec with the storage and back-up systems harmonized on the basis of Hewlett-Packard products. The target is to roll out the project at all major DTEK affiliated companies with the potential to scale it up to cover as much as 10,000 workplaces.

One novelty: the management and administration of the new infrastructure are carried out centrally, and the systems can dynamically grow in line with the expanding business without the need for any significant investments. The improved communications logistics alone, implemented in line with unified communications solutions, will reduce corresponding costs by 12 percent over the next three years. "Total Cost of Ownership and maintenance expenses will decline by 32 percent", DTEK CIO Sergey Detyuk expects.

Country: Ukraine

Customer: DTEK, the first private power company in Ukraine

Project: Harmonization and centralization of the company IT-infrastructure

"The project is about the creation of a new platform to support business development. IT is transformed from being a cost center to a real business asset. The IT-infrastructure TCO together with maintenance expenses will decline by 32 percent." – Sergey Detyuk

"This challenge involves much more than just computing power and new connections. The right IT-infrastructure has sustainable effects on business success. The dynamic IT approach proved to be a success in the DTEK project." – Iuri Lysetskyi





corporate governance

**Corporate Governance Report: Commitment
to Austrian Corporate Governance Code – page 34**

**Responsibilities and Interaction of the
Management Board and Supervisory Board – page 36**

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corporate governance

Corporate Governance Report

Guidelines

A clearly-defined system of corporate governance consistently practiced throughout the company services as a guiding principle of our corporate management.

The corporate governance system of S&T comprises the basis and underlying maxim of good corporate management.

For S&T, corporate governance means

- a responsible, value-based management and supervision of the company oriented towards achieving sustainable success,
- a goal-oriented and efficient cooperation between the Management Board and Supervisory Board,
- the performance-oriented remuneration of the Management Board and employees,
- foresighted risk management, the establishing of compliance and internal auditing in the company as well as ongoing supervision, and
- active, transparent and balanced reporting.

In this way we can create sustainable value on behalf of our shareholders and customers.

Commitment to the Austrian Corporate Governance Code

The Management Board and Supervisory Board of S&T consider the commitment to a responsible and sustainably-oriented corporate management to be the basis for the continued existence of the company and the sustainable creation of value. A comprehensive corporate governance

system has been firmly anchored in the Group in line with this commitment for years. In order to make this transparent to all stakeholders, S&T has been declared its commitment to comply with the Austrian Corporate Governance Code, beginning with the 2007 financial year. Since then, S&T has attached considerable importance to continually adhering to the stipulations of the Austrian Corporate Governance Code. It is our goal to continuously reaffirm the trust our shareholders, business partners, employees and the public place in us, and further develop corporate governance throughout the Group.

About the Austrian Corporate Governance Code

The Austrian Corporate Governance Code took effect in October 2002. As of 1 January 2004, it became binding for all companies listed on the Prime Market of the Vienna Stock Exchange to comply with the code and to explain any deviations.

The basis for the Austrian Corporate Governance Code are the provisions of Austrian corporation law, securities law and capital markets law, the recommendations of the European Commission with regard to the responsibilities of the Supervisory Board and remuneration of director as well as the OECD Principles of Corporate Governance. The principles underlying the Austrian Corporate Governance Code are equal treatment of all shareholders, transparency, the independence of the Supervisory Board, open communications between the Supervisory Board and the Management Board, the avoidance of conflicts of interest between corporate bodies, and ensuring efficient supervision by the Supervisory Board and auditors, in order to strengthen the confidence of investors in the company and in Austria as a financial center.

The Austrian Corporate Governance Code sets out different categories of rules. The L-Rules refer to mandatory legal requirements such as those contained in the Austrian Stock Exchange Act and the Stock Corporation Act. The C-Rules should be followed, but any deviation must be explained and the reasons stated in order to be in compliance with the code ("Comply or explain"). The currently valid version of the Austrian Corporate Governance Code is available on the Website of the Austrian Working Group for Corporate Governance at <http://www.corporate-governance.at>.

Compliance with the rules set out in the Austrian Corporate Governance Code

Principally speaking, S&T complies with all the rules contained in the Austrian Corporate Governance Code in the January 2009 version, with the following explanations*:

Rule 21 – Implementation of the Compliance Decree for Issuers

The provisions contained in the Compliance Decree for Issuers are fully implemented by the parent company of the S&T Group. Corresponding organizational measures and instructions to ensure confidentiality and non-disclosure are carried out in the Group on a case by case basis should the need arise.

Rule 31 – Management Board remuneration

A break-down of the remuneration of the individual Management Board members hardly brings added value to readers of the Annual Report. For this reason, the sum total of the remuneration paid to the entire Management Board, containing important variable and performance-based salary components, is disclosed.

Rule 41 – Nomination Committee

The nomination, appointment and termination of employment of members of the Management Board are the responsibility of the entire Supervisory Board. S&T plans to establish a separate Nomination Committee in the year 2010.

Rule 43 – Management Board issues

Issues pertaining to the remuneration of the Management Board members are handled by the Supervisory Board under the direction of its Chairman.

Rule 53 – Independence of Supervisory Board members

All members of the Supervisory Board and not just a majority of its members are to be considered as independent in terms of the criteria laid out in annex 1 of the Corporate Governance Code, and have also declared their independence to the company.

The Corporate Governance system at S&T

The corporate governance system at S&T is based on principles of internal governance (effective cooperation between the Management Board and Supervisory Board, a performance-based remuneration system, setting up of compliance and internal auditing units and control by a specially designated compliance officer) and external governance (good relations to shareholders as well as active, transparent and balanced reporting).

S&T fundamentally pursues a sustainable and long-term business strategy aiming to enhance shareholder value. For this reason, considerable importance is attached to the consistent application of the principles of good corporate management and transparency. Because we are a dynamic company with changing structure, we continually evaluate and further refine our internal control systems to ensure greater efficiency and consistency and strict adherence to them.

S&T treats all shareholders equally, and provides comprehensive information to them. In order to prevent insider trading, we have introduced our own Compliance Code. This code implements the provisions of the Issuer Compliance Directive of the Austrian Financial Market Authority with the inclusion of all Supervisory Board members. Adherence to the Compliance Directive is monitored by our Compliance Officer on an ongoing basis.

*) This declaration does not comprise a legal requirement pursuant to § 860 Austrian Civil Code ABGB nor does it represent a binding obligation pursuant to § 880 a Austrian Civil Code. Accordingly, S&T, its corporate bodies, subsidiaries of the company or their corporate bodies will not accept any liability arising from non-compliance with the provisions of the Austrian Corporate Governance Code in its currently valid version, inasmuch as this is legally permissible.

Responsibilities and Interaction of the Management Board and Supervisory Board

The Supervisory Board

As at 31 December 2009, the Supervisory Board of S&T consisted of ten members (31 December 2008: eight). Refer to the section on Members and Committees, page 38.

Duties of the Supervisory Board and Management Board

The prevailing legal regulations in Austria define the division of responsibilities between the corporate bodies.

Cooperation between the Management Board and Supervisory Board

The Management Board and Supervisory Board work together on the basis of the corporate governance system. Their joint aim is to ensure the sustainable development of the company. The Management Board regularly provides the Supervisory Board with timely and comprehensive information about all relevant issues relating to business development and risk management. In particular, any deviations from planned objectives have been subject to ongoing discussions in recent years in the light of volatile market conditions. Meetings are also held in respect to the strategic orientation of the Group and important business initiatives in respect to the budget and corporate planning.

Avoidance of conflicts of interest on the part of the Supervisory Board

Similar to the members of the Management Board, Supervisory Board members must give top priority to the interests of the Group within the framework of their work on behalf of S&T, and put aside their personal interests. Potential conflicts of interest must be immediately disclosed to the rest of the Supervisory Board and if required, a suitable solution must be found.

Independence of the Supervisory Board

S&T requires all members of the Supervisory Board and thus all committees to be completely independent, above and beyond Rule 53 of the Austrian Corporate Governance Code, for reasons of transparency and to strengthen the Supervisory Board. The definition of independence and the declarations of the independence of all Supervisory Board members are available on the corporate Website at [www.sntworld.com/Investors/Corporate Governance](http://www.sntworld.com/Investors/Corporate%20Governance).

Thomas Streimelweger, the former Chief Executive Officer (up until the end of 1999) and co-founder of the company, was elected to serve as Chairman of the Supervisory Board in 2004, thus fulfilling Rule 55, which stipulates a two-year waiting period between the termination of the person's work as Chairman of the Management Board and the start of the term of office as Chairman of the Supervisory Board.

Neither former members of the Management Board nor former senior executives are represented in the Supervisory Board. There are also no cross-involvements. No loans were granted to Supervisory Board or Management Board members, nor were similar contracts concluded with them. Information on related party transactions is provided in note 34 to the consolidated financial statements on page 125.

A resolution passed by the Annual General Meeting held on 15 May 2009 approved an amendment to the Articles of Association stipulating that a majority of at least three-quarters of the votes cast at the Annual General Meeting is required to elect members of the Supervisory Board or to revoke the appointment of any member.

Mode of operation of the Supervisory Board

The entire Supervisory Board jointly makes decisions with respect to issues of vital importance and the strategic orientation of the company. Nominations of Management Board members or the revocation of their appointment are handled by the entire Supervisory Board. The contents and conclusion of contracts with Management Board members is the responsibility of the Chairman of the Supervisory Board, whereas the entire Supervisory Board deals with and resolves upon issues relating to the remuneration of Management Board members.

The Supervisory Board includes Karl-Michael Millauer, a financial expert who serves as Chairman of the Audit Committee. This committee carried out preparatory work on behalf of the Supervisory Board concerning all issues related to the annual financial statements, the Group audit and accounting. Moreover, it reviews the company's risk management system as well as the independence and quality of the auditors of the financial statements.

A Strategy Committee was established in 2009 for the first time under the chairmanship of Andreas Frech, and consisting of Kurt Waniek, Ernst Nonhoff and Thomas Streimelweger. The objective of the committee is to discuss the strategic orientation of the company, appropriate measures, and short-, medium- and long-term business development perspectives with the Management Board, and to prepare any required resolutions to be dealt with by the entire Supervisory Board.

Remuneration of the Supervisory Board

The Supervisory Board does not include any employee representatives. On 15 May 2009, the Annual General Meeting of S&T approved a resolution stipulating an annual fixed remuneration of EUR 10,000 for every member of the Supervisory Board and EUR 12,000 p.a. for the Chairman. The remuneration scheme applies for the periods between the annual general meetings, and not for the respective calendar year. Newly appointed members receive the entire sum in the first calendar year, but nothing in their final year of office.

Only expenses incurred by the Chairman of the Supervisory Board have been refunded. In 2009, companies under the control of the Chairman of the Supervisory Board were compensated TEUR 86 (2008: TEUR 73) for expenses incurred by these. The members of the Supervisory Board did not receive any further remuneration or benefits from the company or its subsidiaries.

Members and committees of the Supervisory Board

Name	Year of birth	Appointed	Term of office until	Function
Thomas Streimelweger	1959	2007	2012	Chairman Member of the Audit and Strategy committees
Reinhard Moser	1951	2007	2012	Deputy Chairman Member of the Audit Committee
Wolfgang Auer-Welsbach	1956	2008	2012	
Franz Jurkowitsch	1948	2007	2012	
Karl-Michael Millauer*	1958	2007	2012	Chairman of the Audit Committee
Karl Nigl	1949	2007	2012	Member of the Audit Committee
Kurt Waniek	1959	2007	2012	Member of the Audit and Strategy committees
Ernst Nonhoff	1944	2007	2012	Member of the Strategy Committee
Andreas Frech	1959	2009	2014	Chairman of the Strategy Committee
Viktoria Kickingner	1952	2009	2014	

* as financial expert

All members of the Supervisory Board have declared vis-à-vis the company that they have been completely independent during 2009 and still are at the date of their declaration, according to the Austrian Corporate Governance Code (rule 53). Furthermore all members of the Supervisory Board except Mr. Thomas Streimelweger and Mr. Wolfgang Auer-Welsbach have declared vis-à-vis the company that they are not shareholders holding a stake of over 10% or act in the interest of such shareholder.

Committees

Audit Committee

Karl-Michael Millauer (Chairman)
Thomas Streimelweger
Reinhard Moser
Karl Nigl
Kurt Waniek

Strategy Committee

Andreas Frech (Chairman)
Ernst Nonhoff
Thomas Streimelweger
Kurt Waniek

Remuneration in EUR	Further Supervisory Board mandates
12,000	
10,000	
10,000	Financial Global Network AG; Binder & Co AG; new econ AG
10,000	Sigmund-Freud-Privatstiftung, Vienna; Vienna International Hotel- management AG (Chairman)
10,000	Frequentis AG; Huber Holding AG; Austrian Institute of Technology
10,000	Magna Gaz Joint Supply Organization OOO
10,000	C-QUADRAT Investment AG
10,000	Bank Sal. Oppenheim jr. & Cie. (Austria) AG; CA Immo International AG (Vice Chairman)
10,000	Medianet AG; ST Global Holding AG (Chairman)
10,000	Polytec AG

Report of the Chairman of the Supervisory Board

The Supervisory Board of S&T AG held a total of six meetings in the course of the 2009 financial year, and the Audit Committee convened three times. A Strategy Committee was set up in 2009, which also met three times.

The Management Board regularly and in time informed the Supervisory Board and the committees about the development and situation of the company, as well as about major projects and business transactions. Based on these reports and information, the Supervisory Board discharged all of its Supervisory responsibilities. All measures which required the approval of the Supervisory Board and other significant business developments were discussed in detail. The Supervisory Board was completely satisfied that the company's business was conducted in a proper and orderly manner.

The financial statements and management report for the 2009 financial year were audited by the appointed auditors, PwC Wirtschaftsprüfungs GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, and were granted an unqualified opinion. Moreover, the auditor also confirmed that the management report and the Group management report for the 2009 financial year are consistent with the financial statements and the consolidated financial statements.

All documentation relating to the consolidated financial statements, as well as the corporate governance report and the auditor's report, were subject to a thorough review and discussion with the auditors and subsequently presented to the Supervisory Board.

The Supervisory Board examined pursuant to Section 96 of the Austrian Stock Corporation Act (AktG), and did not discover any inconsistencies or objections, and thus formally approved the results of the audit. The Supervisory Board

approves the financial statements for 2009 financial year which are therefore approved pursuant to Section 96 para. 4 Austrian Stock Corporation Act (AktG). The Supervisory Board also declares that it concurs with the IFRS consolidated financial statements prepared pursuant to Section 245a of the Austrian Commercial Code, the management report, Group the management report and the corporate governance report.

Two additional members were elected to the Supervisory Board at the Annual General Meeting held on 15 May 2009:

Viktoria Kickinger, until 2014 and
Andreas Frech, until 2014.

Effective 31 December 2009, S&T and Georg Komornyik reached an amicable agreement to terminate the management contract with Mr. Komornyik. CEO Christian Rosner was appointed to take over his responsibilities on an interim basis effective 25 November 2009. According to stock corporation law, the revocation of the board member was legally effective on 3 December 2009.

The Supervisory Board appointed Peter Trawnicek as a new member of the Management Board of S&T and COO for Business Solutions, effective 1 February 2010.

Vienna, 7 April 2010



Thomas Streimelweger
Chairman of the Supervisory Board

The Management Board

Members of the Board

The Management Board of S&T consisted of four members in the 2009 financial year. However, on 25 November 2009, Christian Rosner assumed the position of Georg Komornyik on an interim basis from CEO, who left the company as at 31 December 2009.

Christian Rosner, CEO (1957)

Group functions

Strategy, M&A, Business Development, Human Resources, Investor Relations, Corporate Communications, head of the Business Unit "Healthcare Solutions"

Professional career

Since 2006 at S&T AG, CEO; 2004-2005 S&T AG, Chief Operating Officer; 2003 EMTS Technologie AG, CEO; 2000-2002 eTel Austria AG, CEO; 1992-1999 CWS, Managing Director for Austria and Central and Eastern Europe; 1977-1991 management positions at Nixdorf, DEC and HP in sales, marketing and corporate development for Austria and Central and Eastern Europe.

Supervisory Board positions

Member of the Supervisory Board of CEG IV Beteiligungs-Invest AG, Member of the Supervisory Board of HTAIII Beteiligungs-Invest AG.

Martin Bergler, CFO (1959)

Group functions

Accounting, Controlling, Finance, Law, Internal Audit, Risk Management, IT, Country Management Finance & Administration.

Professional career

Since 1998 S&T AG, CFO; 1989-1998 Mazda Bank Austria AG, CEO; 1984-1988 Girozentrale Vienna, financial specialist.

Peter Sturz, COO IS (1958)

Group functions

Business Unit Infrastructure Solutions, country management for Romania, Slovenia, Ukraine, Croatia, Serbia, Bulgaria, Macedonia, Moldova, Bosnia-Herzegovina, Albania and Montenegro.

Professional career

Since 2007 S&T AG, COO since 2009, 2007-2008 S&T, Region General Manager Adriatic; 2000-2007 CSC Austria AG, Management Board member with responsibility for Austria and Eastern Europe; 1997-2000 CSC Ploenzke (Austria) GmbH, Managing Director; 1982-1997 Allgemeine Bausparkasse reg.Gen.m.b.H., Member of the Management Board as of 1992

Peter Trawnicek, COO BS (1963)

Group functions

Business Unit Business Solutions, country management for Germany, Austria, Switzerland, Poland, Czech Republic, Hungary, Slovakia and Japan

Professional career

Since 2010 COO S&T AG; 2008-2010 SAP Alliance, Managing Director EMEA; 2005-2008 Microsoft Central and Eastern Europe, Microsoft Dynamics Leader; 2004-2005 Fujitsu Siemens Computer Austria, Managing Director; 1995-2004 SAP Österreich GmbH, including Senior Vice President Sales SAP Central and Eastern Europe, Vice President Business Development; 1993-1995 Oracle GmbH, Head of Oracle Application Systems Austria; 1991-1993 Unisys Österreichz GmbH, Project Manager; 1989-1991 Cube Software GmbH, co-founder

Remuneration of the Management Board

The precise remuneration paid to members of the Management Board is proposed by the Remuneration Committee and resolved upon by the entire Supervisory Board. Management contracts are concluded for a period of 3-5 years and based on Austrian law. The aim of the remuneration system is to ensure appropriate compensation for Management Board members in line with national and international practices and in accordance with the nature and scope of their responsibilities on behalf of S&T, taking into account their personal performance and the objectively measurable success of the company.

A performance-based remuneration scheme for Management Board members is achieved on the basis of fixed and variable salary components. As defined in the S&T Corporate Governance System the sustainable success of the Group is the key criterion for the definition of the variable component. The total remuneration is oriented to fulfilling pre-defined performance, share price and profit-based criteria. More specifically, performance-based pay is linked to achieving sales and earnings objectives as defined by the business plan as well as the share price development of the S&T share, and is determined anew each year by the Supervisory Board. The specific objectives are defined and weighted for each Management Board member in accordance with their respective area of responsibility.

All members of the Management Board have concluded a pension agreement with an external pension fund based on a defined contribution plan. In addition to prescribing the minimum duration of the employment relationship with S&T, the pre-requisite for eligibility to receive retirement benefits is to reach a pre-defined retirement age. However, it is not necessary for the Management Board member to have a valid employment contract with S&T in order to be considered as a beneficiary of the pension fund.

In case of a premature termination of employment contracts, members of the Management Board are eligible to various entitlements (e.g. severance pay) depending on the specific reasons for ending the employment relationship and the remaining duration of the employment contract. Furthermore, we would like to point out details included in the Management Report about entitlements for Management Board members in case their employment contracts are terminated due to a change in the controlling interest in the company resulting from a takeover offer.

The principles underlying the performance-based remuneration scheme have not changed since the previous year.

Total gross salaries for the members of the Management Board amounted to TEUR 1,085 in the past 2009 financial year for all four members (2008: TEUR 664 for two members). These salaries consisted of fixed salary components of TEUR 806 (2008: TEUR 443), bonus payments of TEUR 29 (2008: TEUR 149), pension fund contributions of TEUR 130 (2008: TEUR 72) and a severance payment of TEUR 120 (2008: TEUR 0) in connection with the premature termination of the employment contract concluded with Georg Komornyik. No funds were allocated to provisions for severance payments in 2009, due to the fact that the relevant contractual agreement ended in 2006. As at 31 December 2009, there were no provisions for severance payments for the Management Board (31 December 2008: TEUR 0).

Other disclosures

D&O Insurance

A D&O Insurance (directors and officers liability insurance) in line with current standards was taken out on behalf of the members of the Management Board and Supervisory Board of S&T.

Measures to promote the career advancement of women in the Management Board, Supervisory Board and top positions

In reality, S&T has long included women in its internal and external selection for top positions. In fact, S&T is at the cutting edge of the IT sector. In 2009, women were appointed to top positions at company headquarters, and have been successfully working at top level management jobs for several local S&T subsidiaries for years. In May 2009 we could report that a woman was elected to the S&T Supervisory Board in 2009 for the first time.

Appointment of auditor and audit fee

The Annual General Meeting of S&T AG held on 15 May 2009 appointed PwC Wirtschaftsprüfungs GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft to audit the annual financial statements and consolidated financial statements of S&T for the 2009 financial year. In addition to its work as the auditor of the financial statements, PwC and its global partner offices also work carry out tax advisory and other consulting work on behalf of the S&T Group in individual cases. Expenditures for the auditor consisted of TEUR 60 (2008: TEUR 60) invoiced as an audit fee and TEUR 72 (2008: TEUR 58) for other auditing services in connection with the financial statements of the parent company, the subsidiary High Performance Systems Holding GmbH and other related auditing services.

Compliance

A comprehensive Compliance Code was issued which is binding for the entire Group. All employees are bound to an up-to-date compliance handbook based on regulatory requirements. A specially designated Compliance Officer monitors compliance with these guidelines.

Internal auditing

An annual audit plan based on Group-wide risk evaluation is developed in cooperation with the Management Board. The Internal Audit department is responsible for ensuring independent and objective auditing and consulting services based on a systematic approach. The regular internal audits are designed to evaluate the effectiveness of S&T's risk management and internal control system and adherence to internal Group guidelines. Moreover, the audits assess the effectiveness and efficiency of operating processes and show where there is room for potential improvement. The results of the internal audits are presented to the Management Board on a regular basis.

The Internal Audit Department also carries out ad-hoc audits focusing on current and future risks, by order of the Management Board.

Risk management

The success of the company is intimately linked to identifying risks at an early stage, continually evaluating them and limiting their impact to ensure that the economic benefit outweighs the negative effects. S&T has set up a comprehensive risk management system integrated into business processes. The pillars of the risk management system are standardized planning and controlling processes, ongoing reporting, Group-wide guidelines and the internal control system.

The Risk Management Department at S&T is assigned responsibility for the implementation and active monitoring of the adherence to the company's risk policies as determined by the Management Board and monitored by the Supervisory Board. It is carried out by the holding and the individual subsidiaries on a decentralized basis on the basis of a reasonable division of responsibilities. The tasks to be carried out encompass the management, monitoring and limits to Group-wide risks at the holding level, and the identification,

evaluation and limiting of risks on the level of the local subsidiaries. Financial risks, particularly liquidity, foreign exchange and interest rate risk, are primarily managed by the holding, which coordinates Group-wide hedging measures.

The risk policy and guidelines for systematic risk management are defined in a risk management handbook, and have been implemented throughout the Group since 2008. The risk management system implemented by S&T is oriented to the internationally recognized COSO Enterprise Risk Management Framework for Risk Management and Internal Control.

The risk inventory is updated every six months within the framework of the internal risk management process by means of adding risks or newly evaluating risks already included in the list. The risks are assessed in respect to their probability of occurrence and potential damage. The management teams of the individual business areas are responsible for risk assessment, whereas a Group-wide risk manager reporting directly to the CFO is assigned the task of coordinating and monitoring the various risks, prioritizing risks and developing suitable countermeasures applied locally and on a Group level to avoid, minimize and safeguard against risks. Furthermore, the Management Board is directly informed about significant immediate risks in addition to information provided via normal reporting processes. The Supervisory Board is regularly updated about the risk situation.

Internal and external audits continuously evaluate the effectiveness of the risk management system at S&T, and ensure its ongoing further development. Pursuant to Rule 83 of the Austrian Corporate Governance Code, the auditor of the annual financial statements carries out an annual analysis of the efficiency of the risk management systems and subsequently submits a report to the Management and Supervisory Boards.

From today's perspective, there are no significant individual risks which could potentially threaten the continued existence of the S&T Group. A detailed presentation of financial risk management is presented in point 5 of the accounting policies included in the notes to the consolidated financial statements, whereas the Management Report contains a detailed description of individual risks on page 66.

Internal control system for financial reporting

Regarding the internal control system for financial reporting we refer to the detailed explanation in the Management Report.

Stable shareholder structure

The share capital of S&T is divided into 3,585,017 common shares, of which 20,286 shares comprised treasury stock as at 31 December 2009. Above and beyond this fact, there are no preferential shares or restrictions. The principle “one share – one vote” fully applies. S&T has two core shareholders, namely Thomas Streimelweger and companies connected with him (approx. 28%) and the AvW Group (about 29%). The following shareholders also hold more than 5% of the shares: BAWAG P.S.K. Versicherung AG, (about 5%) and Capital Bank AG (approx. 9%).

The shareholder structure is depicted on page 58 of the Annual Report. About 34% of the S&T shares are in free float.

Director dealings

In line with prevailing regulations, sales and acquisitions of S&T financial instruments by members of the Management and Supervisory Boards must be promptly reported to the Compliance Officer of S&T after the transactions have been concluded as well as to the Financial Market Authority, which publishes the information on its Website at www.fma.gv.at. Every interested person can also gain access to the information via a link on the S&T Website (Investors/Corporate Governance/Director’s Dealings).

Investor relations and active corporate communications

Based on S&T’s value system, the active, transparent and balanced reporting is an important component of S&T’s corporate governance system. Refer to the section on “Investor relations”, page 55, for more information on investor relations guidelines.

The Corporate Communications Department is responsible for comprehensive and ongoing communications on the part of the S&T Group with its target groups aside from the capital market. Pro-active and up-to-date communications with media representatives, customers and all stakeholder groups interested in the company are carried out by the S&T headquarters in Vienna as well as on a Group basis by the PR managers in all 21 countries in which S&T operates.

New managers were appointed to head the Corporate Communications and Investor Relations departments. Both were already able to leave their imprint on the company, and will further promote the development of the company in these areas in 2010.

Corporate Social Responsibility

Group-wide guidelines

S&T is active in 19 countries and confronted with different legal regulations and social customs with regard to corporate social responsibility in each of them. Against this backdrop, we established a Group-wide CSR system based on the core principles of good corporate governance. It consists of a valid Code of Conduct binding for all employees, and specific CSR guidelines for each country. The Code of Conduct defines the obligations of the company and the behavior of each S&T employee in their professional work towards stakeholders, employees, customers and suppliers, both within the company and on the outside. The desired behavior of employees is more explicitly dealt with by corporate guidelines. These guidelines are based on international and national laws as well as principles derived from the corporate governance system and S&T's mission statement. For this reason, they are designed to incorporate both valid Group-wide rules as well as country-specific features. Implementation is the responsibility of the local CSR manager, who is required to ensure compliance with binding rules ("must do"), whereas some guidelines or recommendations can be adapted to the particular local environment ("can do"). The CSR guidelines had not yet been adopted by all S&T subsidiaries as of the end of 2009. However, the process should be completed during the course of 2010. Accordingly, the majority of S&T subsidiaries also have CSR guidelines in effect.

The CSR guidelines encompass the following areas: employees, environment and society. They are actively practiced by S&T. The following examples represent a cross-section of the extensive activities which were continued or expanded in the difficult 2009 financial year:

Selected initiatives in 2009

Support when leaving the company – Austria, Germany, Switzerland

An important aspect of our corporate culture is to carry out market-related job cuts or resignations by employees in a fair, proper and socially-oriented manner, also in economically difficult times such as in 2009. The Human Resources Department supports all employees leaving the company

in Germany, Austria and Switzerland within the context of a standard assistance program, encompassing support in preparing curriculum vitae, job application coaching and establishing contacts to key networks, such as headhunters and partners. We consider it our responsibility to support employees in their efforts to reposition themselves professionally.

Group-wide professional development and further education

Our value "Expertise" symbolizes the fact that the ongoing professional development and further education of our employees is a key goal of the company. The focus of our efforts in 2009 was on technical certification, language skills and top management "leadership" programs. These measures were complemented in the individual countries by onboarding and introductory events, as well as training in specific company processes and information, personality training tailored to job roles and programs for "high potentials" to promote particularly talented employees.

Climate protection – Austria

We also attach considerable importance to environment and climate protection. In the past financial year, we reduced waste gas emissions on the part of new additions to the vehicle fleet by 15-20 percent based on the consistent implementation of a new car policy.

Group-wide social involvement

The S&T Group strives to support the sustainable development of the markets and countries in which the company operates. In addition to pursuing economic goals, sustainability also means taking account of and fulfilling socio-political objectives. Accordingly, S&T promotes various initiatives and projects in the field of education, science and culture as well as social and charitable projects. For example, S&T Macedonia and S&T Moldova regularly donate computers and computing equipment to children's homes, whereas S&T Poland financially supports the Iskierka Foundation for children with cancer. S&T also supports initiatives and institutions assisting sick or socially disadvantaged children in Austria, the Ukraine and several other countries. In Bulgaria, S&T financed a demo lab for students at the Technical University in Sofia, and in Romania S&T sponsors annual IT competitions held in schools and universities.





human resources

S&T employees – advancement and training – page 48

Career examples – page 50

S&T values and communications campaign – page 51

human resources

Our know-how

S&T employees stand out because of their expertise, passion, cosmopolitan thinking, teamwork and flexibility. Well-trained specialists work in cross-border teams and continually contribute their know-how where it is required by customers. A total of 2,581 people in 21 countries do precisely that. Last year, 3,135 people were working for S&T. However, a redimensioning of the workforce was essential due to the repositioning of S&T in Russia and China, the restructuring drive in Japan and the closing down of the subsidiary in Turkey.

The management of S&T reacted to weaker demand in some industries or for certain products by implementing a future-oriented reorganization drive. New internationally deployable pools of specialists were established, the strategies of the competence centers were redefined, and greater attention was focused on sales positions. S&T employees are well prepared to master the challenges posed by dynamic changes in their business environment. S&T's further education program implemented on a permanent basis includes high level, ongoing product trainings, technical certifications and language courses.

Employee figures

As at 31 December 2009, a total of 2,581 people were employed by the S&T Group. 70 percent of all employees hold a university degree. The highest percentage of women within the group holds S&T Romania at 44 percent, followed by Czech Republic, Switzerland and Serbia at 38 percent. The average age of S&T's staff is 36.8.

Number of employees

	2009	2008	2007
Albania	9	10	6
Bosnia-Herzegovina	7	20	18
Bulgaria	46	50	44
Croatia	167	175	149
Macedonia	33	31	27
Moldavia	35	35	22
Montenegro	6	7	5
Poland	312	356	358
Romania	225	250	235
Russia	0*	66	81
Serbia	76	89	92
Slovakia	150	168	158
Slowenien	294	324	371
Czech Republic	261	292	307
Turkey	0*	70	65
Ukraine	161	201	198
Hungary	139	184	203
Germany	147	158	186
Austria	363	397	361
Switzerland	45	63	92
China	0*	58	39
Japan	105	131	121
Total Group	2,581	3,135	3,138

*) (future) discontinued operations

Professional development and awards

The S&T Leadership Academy brings together selected management staff from all S&T regions. These workshops have generated many positive initiatives, for example improved international networking or the strengthening of a unified management philosophy in the Group. The S&T Leadership Academy also serves as the basis for more quickly carrying out staff changes in a well thought out manner, a crucial advantage in the current market environment.

Promising future executives in Austria, Germany and Switzerland are being prepared to assume greater responsibility by taking part in a specially created management training program called “High Potentials @ S&T” for a period of 18 months. The first twelve high potentials completed their seminars in January 2010, whereas the second generation began the next internal training and mentoring program in March 2010.

The so-called “competence model” introduced by S&T Slovenia is an first-rate example of optimally focusing human resources. Each employee is classified according to her or his basic competencies and special skills. This instrument has not only proven its value for deployment planning, but is applied as well for issues relating to personnel development and performance-linked incentives.

The excellent work performed by S&T’s staff has been repeatedly awarded prizes by external institutes. For example, in 2009 the Institute for Management Competence at Saarland University in Saarbruecken bestowed two of its BestPersAwards on S&T Germany, namely for personnel development (1st place) and recruiting (3rd place). In particular, the jurors praised the integration of new employees and the manner in which S&T responds to the needs of its respective target groups.

Outstanding achievements and extraordinary dedication are also honored within the company. In line with the new S&T positioning “we create values”, annual prizes will be granted to employees in the four relevant categories starting in 2010. The awards will be for employees who particularly strive hard to implement a project (PASSION), develop a new solution (INNOVATION), learn to hold their customers in high esteem (PARTNERSHIP), or who score points based on their competence and experience (EXPERTISE).

Business & science

Innovation is one of the guiding principles of S&T’s business operations. “New thinking” and the ongoing optimization of business processes are keys to sustainable success. The focus of the scientific cooperation between S&T and the Institute for Information Management at the renowned University of St. Gallen is how to establish transformation, innovation and modernization in an organization’s activities. Joint research and consulting projects as well as workshops for CIOs open up new perspectives for implementation in day-to-day business operations. This longstanding partnership was renewed and intensified in 2009 in line with the motto “Business Innovation”.

Best of careers

S&T offers its employees an outstanding basis for moving up the corporate ladder. Existing employees are frequently appointed to top management positions in order to optimally exploit the Group’s own internal know-how. Several examples of employees who have taken advantage of internal promotion opportunities are presented on the following page:

Career Examples



Helena Horovcakova
Director Business Applications
Austria

Helena started her work for S&T in 2004 as the Business Unit Manager BS at S&T Slovakia. In 2008, she transferred to corporate headquarters in Vienna, where she assumed responsibility for the development of a Group-wide business plan for S&T Business Applications. Since the end of 2009, Helena has been head of the business unit Business Applications, and is also responsible for software development at the S&T nearshore centers.



Milan Ojstersek
Project Manager
Slovenia

Milan launched his career at S&T Slovenia in the year 2000 as a systems engineer. He spent several years as a consultant and project manager. In addition to his role as an experienced project manager for the most complex IT projects, he is also involved in building up project management offices, methodologies and information systems.



Sabina Wojciechowska
Business Unit Manager IS
Poland

Sabina has been working for S&T Poland since 2003, where she originally spent 7 years heading areas such as service and helpdesk management or international contract management. Since September 2009, Sabina has served as a member of the subsidiary's management board, and is responsible for the entire IS business in Poland.



Miroslav Milic
Business Unit Manager IS
Serbia

Miroslav has been a member of the S&T team since 1996, and 2007 was appointed to be head of the Business Unit IS in Serbia. In his many years with S&T, Milan has continually demonstrated his competence and outstanding dedication, for example as Customer Support Manager, Managed Services Manager or Account Manager Telco.

Values and Communication

New communications campaign

S&T is one of the leading brands among Europe's IT services providers. The strategic positioning of the company is also reflected in its communications and visual identity.

20 January 2010 was an important milestone in S&T's history. For the first time, the new "face" of S&T was presented online on the company's Website after months of work by a team of internal and external specialists. An intensive development process resulted in a communicative repositioning of the Group based on four core competencies: PASSION, INNOVATION, EXPERTISE and PARTNERSHIP convey in a nutshell what customer and partners value about S&T, i.e. the added value expressed by the slogan "we create values"

Consulting. Integration. Outsourcing.

These strengths are manifested to varying degrees depending on the particular project and application. S&T is an IT service provider. In contrast to pure technology suppliers, S&T also provides sophisticated services, offering a unified high quality level in the most diverse markets and displaying a deep understanding of the intricacies of business process granularity. S&T consultants feature high execution skills and practical experience, but do not stubbornly persist in defending their theoretical positions.

S&T is a major factor boasting a sound position on the IT marketplace and a company which customers can rely on. Nevertheless, despite its strong market presence, S&T is not a Group handicapped by any formal, hierarchical structures.

The communications "facelift" which S&T underwent does not comprise a fundamental reorientation of its product or service offering, but is rather the logical consequence of the strategic further development of the Group over the last three years. The slogan "we create values" is an up-to-date message which gets to the heart of what S&T aims to express.

Employees are the ambassadors of S&T. They display enormous dedication and commitment in carrying out their mission in all 19 countries. For this reason, the logical next step in developing the new image campaign was to invite them to a photo shooting. People are the ones who stand behind the success of processes and services. Similarly, precisely 24 colleagues form the S&T letters.

we create values



Many people in the business world think brains and brawn are what really count. At S&T, we think heart and passion are also needed. Our employees show true commitment to their work and find meaning in the tasks assigned to them. Only those who accept day-to-day challenges anew with honest enthusiasm and dedication will be able to ensure long-term profits and success.



There are people who spend a lot of time analyzing the future. We prefer to take the future into our own hands. The underlying key is innovation, which is why S&T embodies a corporate culture promoting creative and pro-active individuals. In turn, this requires a willingness to take risks, forge new paths and believe in the power of vision.



A company such as S&T can only be as good as the people who work for us. Their know-how, experience and cultural diversity comprise our most valuable asset. We never lose sight of this fact. Therefore, true expertise for us begins with the careful selection and professional training of our employees. It's not for nothing that they rank among the most sought-after people in our industry.



We're not satisfied having a "good customer relationship". At S&T, we consider cooperation with customers to be a partnership based on mutual trust and respect. Thinking and behavior are designed to achieve a common goal, i.e. finding the best solution for every challenge, no matter how difficult it is. That's also one of the reasons why partnerships with our customers are so long-lasting.





investor relations

Parameters of the capital market, objectives of investor relations and review 2009 – page 56

Shareholder structure – page 58

Share, listing, coverage, figures and financial calendar 2010 – page 59

investor relations

Parameters of the capital market

Objectives of investor relations at S&T

The objective of S&T's investor relations (IR) activities is to actively serve current and potential shareholders as well as key players working at capital markets such as analysts, journalists, shareholder representatives and other interested parties, in order to secure and sustainably maintain the confidence of investors and position S&T as an attractive investment opportunity. IR is the bidirectional interface connecting all capital market participants and the company's management.

S&T attaches considerable importance to communicating with capital market participants. We are aware that the market-related share price decline in 2008 and the reduced liquidity of the S&T stock since then impose even higher demands on the self-initiative and quality of our IR work. Regardless of market capitalization, we make sure that all capital market participants are provided with quick access to corporate information. This objective is achieved by regular publications (quarterly and annual reports, ad-hoc announcements and press releases) as well as the opportunity to take part in telephone conferences held on a quarterly basis at a minimum. Recordings of these events can be downloaded in their entirety on the Internet and are accessible to everyone.

Moreover, our efforts aim at presenting the company to both private and institutional investors within the context of conferences and roadshows.

Investor relations news

In September 2009, Michael Dvorak assumed the position of Head of Investor Relations for the S&T Group. The investor relations work had previously been coordinated by Corporate Communications on an interim basis. Thus an experienced manager was appointed to this crucial position with responsibility for relations with the capital market. Michael Dvorak will report directly to the CEO and will work closely together with the Chief Financial Officer.

Principles of Investor Relations at S&T

1. Confidence

The IR activities of S&T are long-term oriented and are designed to secure and maintain the confidence of the capital market in S&T.

2. Consistency

In order to establish trust, communications must be consistent across all communications channels. The aim of our communications work is to inform all interested parties about the development of the company on an ongoing basis and convey information which is of relevance to shareholders. In addition to complying with all valid legal regulations as well as the guidelines contained in the Austrian Corporate Governance Code, we strive to ensure that our financial communications consistently and demonstrably fulfill capital market requirements in line with the principle of equal treatment of all participants.

3. Transparency

Our communications work aims at promoting transparency in reporting about the company. This means making the business model, activities and market position of S&T generally understandable to external stakeholders, ensuring that our business development is comprehensible and future perspectives can be optimally assessed.

4. Pro-activity

We are well aware that it is the company's responsibility to provide all interested parties with high quality information about S&T and the market in which it operates. In this regard, we proactively appeal to different target groups of investors. Furthermore, we actively work with financial analysts and journalists in order to provide a realistic assessment of the situation.

Performance of capital markets and the S&T share in 2009

The year 2009 once again demonstrated what experience has shown us, namely that stock markets are generally several months ahead of developments in the real economy. The first months were characterized by the uninterrupted continuation of dramatic share price losses which had jolted equity markets since the fall of 2008. Whereas analysts issuing macroeconomic and company reports continuously made downward revisions to their forecasts for 2009 and beyond, international stock exchanges quickly registered a loss in value of about 20% before bottoming out and rebounding significantly around 9 March 2009.

Subsequently, the most important stock exchanges, to varying degrees but without exception, reported a clearly positive upward trend until the end of the year. This was accompanied by a decline in long-term interest rates and a significant easing of the unfavorable yield situation for corporate bonds. Remarkably high volumes of stock and bond issues attested to the revival of global capital markets, even if the new issues market benefitted considerably from government guarantees.

2009 was an interesting year for S&T shareholders. S&T shares posted a 42% rise in value. This development was somewhat less dynamic than the growth of the ATX Prime benchmark index on Vienna's capital market, which climbed by 52%, but matched the performance of the ATX index (+42.5%) of the 20 stocks with the highest market capitalization on the Vienna Stock Exchange. However, the S&T share clearly outperformed the Dow Jones 600 Technology index (+21.6%), the important benchmark and sector index. According to analysts, the S&T share was negatively impacted by unfavorable media coverage in connection with key shareholders.

The unresolved issue of the precise shareholding held by AvW Gruppe AG and AvW Invest AG ("AvW Group") in S&T was also resolved in 2009. The Austrian Takeover Commission published its ruling on 7 April 2009, concluding that the AvW Group had secured a controlling interest of 38.44% of

the shares in S&T System Integration & Technology Distribution AG with permanent voting rights. Within the stipulated deadline of 20 trading days, the AvW Group reduced its stake in S&T to below the threshold of 30% of the shares.

Due to the low liquidity of the S&T share, the stock was subject to increased volatility (share price fluctuations) in the course of the year. Our efforts to provide transparent and regular information to investors are designed to reduce volatility. However, besides providing liquidity via market maker, the company does not intend at the present time to interfere with trading, for example by repurchasing or disposing of treasury shares.

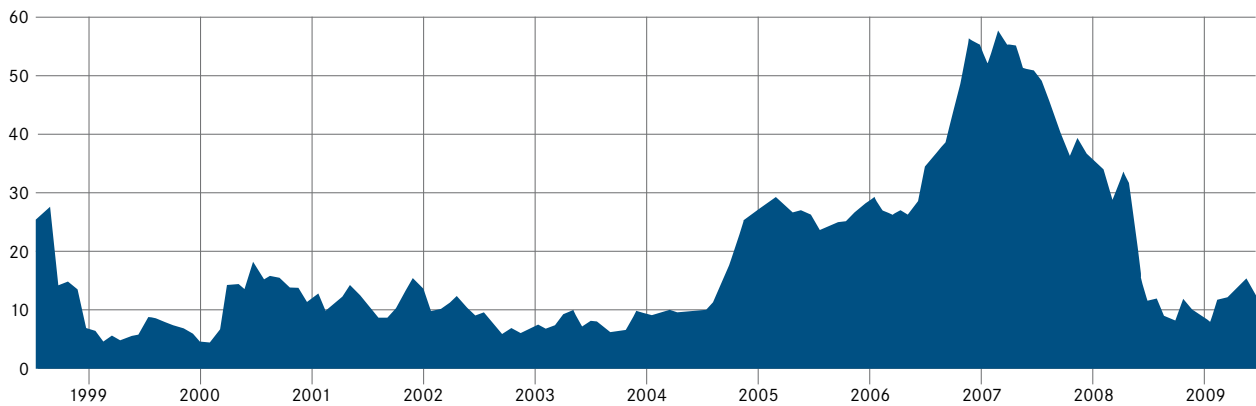
The total volume of trading of the S&T share on the Vienna Stock Exchange remained low, at EUR 5.4 million. This was complemented by additional over the counter trading (OTC, off-exchange) with mandatory disclosure totaling EUR 6.9 million, comprising a sum total of EUR 12.3 million. The unusually high percentage of OTC trading can be attributed, amongst other reasons, to the above-mentioned changes in the shareholder structure during the course of the year.

Active communications with capital market participants

We aim to attract increased investor attention to the company and the S&T stock by implementing proactive communications measures, such as participation in roadshows, regular telephone conferences for analysts and press conferences for financial journalists.

The S&T Website serves as a comprehensive communications platform, which also offers extensive information about the company in the "Investors" section. In addition to the up-to-date company and investor relations presentation, the Website also includes annual and quarterly reports, information on analyst coverage, analyst reports, key indicators, ad-hoc announcements, recordings of conference calls with analysts, results of annual general meetings, the articles of association and much more.

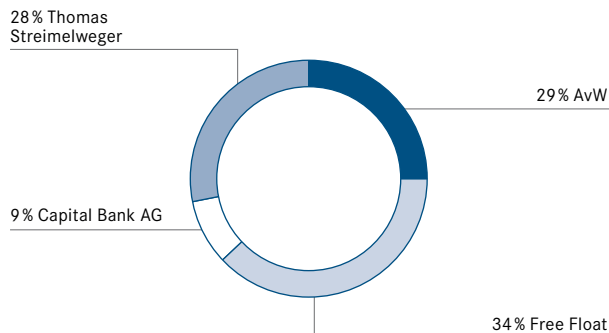
SHARE PRICE DEVELOPMENT SINCE THE IPO IN JULY 1998



Shareholder structure

Number of outstanding shares and shareholder structure

As of 31 December 2009, the number of ordinary shares issued by S&T amounted to 3,585,017, unchanged from the previous year. All shares are bearer shares and have been granted the same rights. No preferential shares or different categories of shares have been issued. To our knowledge, AvW Group AG and AvW Invest AG held a stake of approximately 29% on 31 December 2009, whereas Thomas Streimelweger owned about 28% (partly indirectly) and Capital Bank AG 9%. The remaining 34% of the shares were in free float.



Share, Listing, Coverage

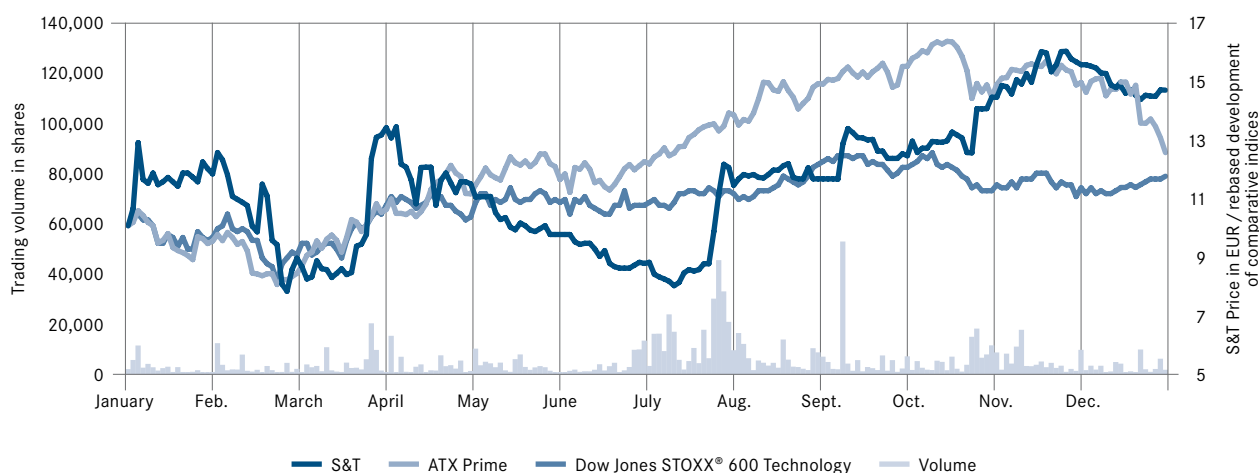
Listing

The S&T share is listed on the Prime Market of the Vienna Stock Exchange and traded via the XETRA Vienna electronic trading system. The ISIN code is AT0000905351, the WKN code 915194. An ADR Level 1 program was established with the Bank of New York Mellon (U.S. trading symbol: STSQY) for trading in the USA. In addition, S&T is also tradable on the Frankfurt Stock Exchange in Germany. Trading symbols – Xetra Wien: SNT, Bloomberg: SNT AV, Reuters: SNTS.VI.

Coverage

S&T is currently actively analyzed by Erste Group. Reports and updates are available on the S&T Website (www.snt-world.com/ir).

SHARE PRICE DEVELOPMENT IN 2009



Key S&T share indicators

	2009	2008	2007
Share price at the end of December 2009 in EUR	12.50	8.80	46.50
Shares in circulation at the end of December 2009	3,585,017	3,585,017	3,585,017
Market capitalization at the end of December 2009 in EUR million	44.8	31.5	166.7
Share price high in EUR	15.97	46.20	59.20
Share price low in EUR	7.00	8.80	39.00
Free float	34%	34%	46%

Financial calendar 2010

10 February 2010	Preliminary results for the 2009 financial year
8 April 2010	Annual results 2009, Annual Report 2009
28 April 2010	Results 1 st quarter 2010
17 May 2010	Interim report on the 1 st quarter 2010
19 May 2010	Annual General Meeting 2010
28 July 2010	Results 1 st half-year 2010
18 August 2010	Interim report on the 1 st half-year 2010
28 October 2010	Results of the 3 rd quarter 2010
17 November 2010	Interim report on the 3 rd quarter 2010

Status: April 2010, subject to change.

The financial calendar is available on the S&T Website at www.snt-world.com/fin_cal.





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group management report for the 2009 financial year

Overall business environment and development

The financial crisis, which clearly intensified in the second half of 2008, turned into a global recession in 2009. The IT sector was not immune to these developments. In particular, hardware sales (infrastructure) and expenditures on IT consulting services declined significantly.

Due to its focus on particular industries (above all the automotive section and investment goods) and its geographical presence in the CEE region, S&T was seriously hit by the economic downswing. Budget cutbacks and project delays at the customers' side had a negative impact, particularly in the consulting business. The infrastructure service and outsourcing segments remained stable for the most part, and continued to report good profitability. In individual

markets, the consequences and effects of regional economic stimulus programs varied considerably. Whereas business in the Ukraine was severely impacted by the recession, the Croatian and Serbian markets developed quite satisfactorily.

The S&T Group operates in 21 countries, either directly or via partnerships. S&T covers all areas contributing to greater productivity in business, from strategic and project consulting to the complete outsourcing of hardware and software operations. The cooperation with well-known manufacturers ensures that state-of-the-art technologies are used. The mix of a strong regional presence and extensive know-how in vertical markets is one of S&T's main strengths.

Business development

Total revenues of the S&T Group must be seen in the light of this market environment. They fell to EUR 411 million in the 2009 financial year (adapted for discontinued operations, see Note 8 to the consolidated financial statements), a decline of 18% compared to the level of EUR 503 million in the previous year. Companies had difficulties arranging financing for their projects in 2009, particularly in S&T's German-speaking markets. This frequently led firms to completely stop or delay projects in subsequent periods, often as the result of customer uncertainty. Even in the implementation phase, customers demanded the realization of additional cost cutting, and projects were cancelled.

Following the publication on 10 February 2010 of our preliminary results for the 2009 financial year, new facts arose relating to the business transactions carried out in 2009, which must be taken into account in 2009 in order to shed more light on the balance sheet performance of the company. These circumstances involve guarantee expenditures and write-downs on trade accounts receivable as well as the corresponding additions to provisions.

Earnings

Substantial forward-looking measures were carried out in 2009. The cost basis of the S&T Group was significantly optimized and a new organizational structure was rolled out (see the section “Business Development”).

Discontinued operations: S&T withdrew to its core markets, which led to the closing down of the Turkish subsidiary and the sale of a majority shareholding in its Russian subsidiary to a strategic partner. All income and expenses relating to the operation and shutdown of these companies, including one-off expenditures, were recognized as “discontinued operations”. This also includes the disposal of the majority of the Chinese subsidiary to a strategic partner, which was prepared and approved in 2009. The comparable figures of the 2008 financial year were correspondingly adapted. S&T continues to operate on the Russian and Chinese markets via a strategic partner and minority stake respectively.

Due to the aforementioned business conditions, it was necessary to considerably reduce the total number of employees. In the course of 2009, staff was reduced by about 10% (outside of Turkey, Russia and China) primarily on the basis of natural attrition as well as by laying off employees within the context of strictly implementing socially responsible measures. This required restructuring resulted in one-off expenditures. Nevertheless, S&T still managed to cut staff costs by 12.5%.

Operating expenses could be reduced by 12.7%, as a result of a reduction in rented office space and general savings in other operating expenses.

These adjustments were implemented while paying considerable attention to maintaining high quality service and the professional competence of the S&T Group.

In any case, EBIT was not satisfactory, at EUR –3.1 million, down from +11.6 million in 2008. In addition to the lower business volume and the cyclically-related downward pressure on prices, the negative EBIT can also be primarily attributed to one-off expenditures relating to organizational changes as well as restructuring expenses, in particular subsequent rectification and warranties in connection with individual problematic projects. The Management Board of S&T initiated comprehensive organizational and personnel changes in the affected business areas in order to return to sustainable profitability.

Financing costs: The net finance costs of EUR –3.8 million, positively impacted by favorable terms and conditions for long-term financing at the present time, can be considered to be satisfactory. The significant improvement in comparison to the net finance costs of EUR –6.8 million in the previous financial year is due to the reduced volatility of key currencies in 2009, and an improvement in S&T’s foreign currency management.

S&T did not capitalize deferred tax assets for tax loss carry-forwards for several Group subsidiaries. Accordingly, despite the negative result before tax, the income tax expense amounted to EUR 1.8 million in the 2009 financial year, compared to EUR 2.2 million in 2008. Only EUR 1.3 million of the income tax expense had an effect on liquidity, whereas the rest related to changes in deferred taxes.

The negative net result of EUR 12.3 million is comprised of the results from continuing operations of EUR 8.8 million as well as the results of discontinued operations at EUR 3.5 million.

Development of segments

The S&T Group is structured into two strategic business segments:

Business Solutions (BS): Demand for IT solutions and process consulting is growing. Transformation processes must be technologically supported and mapped out. S&T rises up to this challenge by making its extensive expertise available to customers. Although selected IT solutions are the decisive key to ensure higher productivity, the Business Solutions segment was seriously affected by customer restraint in making new IT investments. A particularly high project risk was perceptible in the Business Solutions segment in 2009. The general trend towards “fixed price projects” put considerable pressure on IT service providers, which also had to deal with uncertainties such as sudden project cancellations.

Infrastructure Solutions (IS): In addition to renting out hardware or managing operations in a virtual data center, S&T also offers complete purchasing services as well as the installation and maintenance of IT facilities. The expertise offered by S&T ranges from simple workplace computers to complex network, security and storage concepts. The Infrastructure Solutions segment encompasses the two previous business areas “Enterprise Solutions” and “Managed Services”, which had been reported separately up until the third quarter of 2009. S&T decided to implement this

change on the basis of the high operational and contractual integration. Despite customers’ stopping or redimensioning numerous infrastructure projects, sales in 2009 were in line with overall market developments. Servicing and maintenance contracts extending over a period of several years had a positive impact on the business development of this segment.

Revenue development in the two segments varied considerably, in line with the differing offers and customer responses. Whereas revenue fell significantly in the Business Solutions segment, dropping by 26 %, the decline in the Infrastructure Solutions segment was relatively satisfactory in comparison with the overall market development. These trends become even more apparent by an analysis of the profit contributions. Cost reductions in the Business Solutions business unit were primarily achieved by means of job cuts, and first had a positive impact with a significant delay varying from country to country. The Infrastructure Solutions business unit was also negatively affected by a revenue decline, but the impact on earnings was much less dramatic than in the Business Solutions segment, due to the high variable cost component. In particular, the long-term nature of contracts in the Infrastructure Solutions segment led to a satisfactory segment performance, and thus once again to a positive EBIT.

Condensed Income Statement (in EUR million)	2009	Change	2008 *)
Revenue goods	13.3	2 %	13.1
Revenue services	96.2	-29 %	134.9
Total Business Solutions revenue	109.5	-26 %	148.0
Revenue goods	194.7	-19 %	241.2
Revenue services	106.9	-6 %	113.3
Total Infrastructure Solutions revenue	301.6	-15 %	354.5
Revenue goods (total)	208.0	-18 %	254.3
Revenue services (total)	203.1	-18 %	248.2
Total revenue	411.1	-18 %	502.5
EBITDA	2.8	-85 %	18.7
Profit from operations (EBIT)	-3.1	--	11.6
Result before tax	-7.0	--	4.8
Result for the year/Net result	-12.3	--	-0.3
Profit from operations per share in EUR (diluted) ¹⁾	-0.88	--	3.26

1) Profit from operations (EBIT)/Weighted number of shares in circulation
 *) Reclassified in accordance with IFRS 5

Cash flow

Condensed Cash Flow Statement (in EUR million)	2009	Change	2008
Cash flow from operating activities	5.3	--	-0.8
Cash flow from investing activities	-2.8	155%	-1.1
Cash flow from financing activities	-5.4	--	2.0
Cash and cash equivalents at the end of the year	27.3	-10%	30.5

In spite of the negative result for the year and the overall decline in business volume, S&T still managed to generate a positive cash flow from operating activities. This can be primarily attributed to a reduction in working capital by EUR 12.8 million. In turn, this is related to a consistent management of trade accounts receivable, which enabled S&T

to more than compensate for the negative cash flow from business activities. On balance, despite the increased cash flow from investing activities from EUR 1.1 million to 2.8 million and the repayment of financial liabilities of EUR 5.4 million, cash and cash equivalents at the end of the year declined by EUR 3.2 million only.

Assets, finances and liquidity

Key Figures Balance Sheet	2009	Change	2008 ^{*)}
Total assets in EUR million	216.8	-15%	255.5
Shareholders' equity in EUR million	33.4	-29%	46.8
Equity ratio in %	15.4	--	18.3
Working capital in EUR million ¹⁾	28.8	-28%	40.2
Net financial liabilities in EUR million ²⁾	51.8	-6%	55.2
Gearing in % ³⁾	36.5	--	33.5
Liquidity ratio ⁴⁾	1.27	-3%	1.31
Market capitalization at year-end in EUR million ⁵⁾	44.8	42%	31.5

1) Current assets (excluding cash and cash equivalents) less current liabilities (excluding financial liabilities)

2) Non-current and current financial liabilities less cash and cash equivalents

3) Non-current and current financial liabilities in relation to total assets

4) Current assets in relation to current liabilities

5) Number of shares multiplied by the share price at the end of the financial year

*) Reclassified in accordance with IFRS 5

The revenue downturn along with the strategic cutback of business operations in three countries led to a considerable reduction in total assets, which declined by 15%, from EUR 255.5 million to 216.8 million.

With regard to non-current assets, scheduled depreciation resulted in a decline in the item property, plant and equipment from EUR 13.2 million in 2008 to 9.6 million in 2009. Intangible asset fell slightly from EUR 44.3 million to 43.2 million. No impairment loss was recognized on goodwill following impairment test. The tougher economic climate led to a reduction in the positive difference between the recoverable amount and the carrying amount.

Non-current financial liabilities were down to EUR 56.1 million as of 31 December 2009, compared to EUR 59.8 million in 2008. Shareholders' equity fell by EUR 13.4 million, from 46.8 million to 33.4 million. This can be attributed to the negative result for the year as well as to the negative effect from re-translation of net investments in foreign subsidiaries reported directly in equity (in particular stemming from the subsidiaries in Japan, Romania and Serbia).

In spite of the substantial loss experienced by the S&T Group, liquidity remained at a satisfactory level. Our refinancing terms and conditions are currently very favorable for non-current liabilities. Nevertheless, during the time elapsed the average term to maturity of these liabilities declined. In the case of a major underperformance on the part of the company, the risk exists that the current lines of credit will not be extended, changed or terminated. Before the bonds reach maturity (a bond with a nominal value of EUR 30 million will be due in May 2011), S&T is currently carrying out initial talks relating to a refinancing of the bonds as well as a potential restructuring of current loans and borrowings owed to banks. The objective is to ensure the long-term financing and liquidity of the S&T Group, even if the company does not achieve the targeted yields and debt repayment period as stipulated in the applicable terms and conditions for certain current lines of credit as of 31 December 2010. In this regard, the Management Board is continually evaluating various financing options, including a syndicated credit facility, issuing a bond, raising share-capital, or hybrid forms of financing.

The reduction of retained earnings and total assets resulted in a decline in the equity ratio to 15.4%, down from 18.3% in the previous year. Accordingly, the objective is not only to return to profitability, but to increase the equity ratio once again to match the level of 2008 on the basis of generating a positive cash flow from operating activities and retaining earnings.

Order entry

The difficult market environment and the typical cyclical development continued in 2010. S&T makes use of customer relationship management and control systems to evaluate the order situation and estimate order volume in advance. These instruments point to an improvement in order volume coming on the heels of a weak development in the first quarter of 2010. The longer-term predictability of non-contracted revenue (visibility) remains difficult in the light of the current economic situation, but the trend is positive.

Risk management

S&T has set up a comprehensive risk management system integrated into business processes and improved it further in Q1 2010. The pillars of the risk management system are standardized planning and control processes, ongoing reporting, Group-wide guidelines and the internal control system.

The principles underlying risk management are defined by the Management Board and supervised by the Supervisory Board. The Risk Management Department at S&T is assigned responsibility for implementing suitable countermeasures and actively monitoring compliance with these principles. Risk management processes are described in detail in the section on corporate governance.

From today's perspective, there are no significant individual risks which could potentially threaten the continued existence of the S&T Group. The primary financial risks and relevant countermeasures are explained below. A detailed presentation of financial risk management is presented in point 5 of the accounting policies included in the notes to the consolidated financial statements.

- **Market risk**

Due to the international orientation of the S&T Group, a significant share of business is carried out in other currencies than the euro, the reporting currency of the company. Key currencies include the US dollar, Swiss franc and local currencies in Central and Eastern Europe. The volatility of individual currencies entails the risk of a weakening of these foreign currencies against the euro, the reporting currency, which could have a significant effect on the sales proceeds and earnings of the S&T Group. Foreign exchange risk is countered by means of matched funding of business transactions, ensuring that services along the value chain are primarily invoiced in the respective local currency and price adjustment clauses in the event of currency fluctuations. Derivative financial instruments are applied in isolated cases to hedge risk. Speculative transactions involving the incurring of risks above and beyond those arising from normal business operations are not permitted.

- **Default risk**

We counteract default risk in respect to trade accounts receivable with a consistent receivables management and a systematic targeted strategy of customer diversification. The creditworthiness of customers is continually evaluated. Based on the results of this assessment, credit limits and risk-adequate payment terms and conditions are agreed upon. Write-downs are recognized and provisions are allocated in the case of recognizable default risks. Because of the diversified customer base, no single customer is responsible for more than 10 percent of total Group sales. Potential default risk is also counteracted by the geographical diversification of the companies served by the S&T Group, in 21 countries and across many different sectors.

- **Financing and liquidity risk**

The primary aim of S&T's efforts in respect to financing and liquidity risk management is to maintain the solvency of the Group at all times. We effectively counteract liquidity risks by means of weekly liquidity analyses, centrally managed financial planning and the safeguarding of the required financial resources. In respect to its medium- and long-term financing needs, S&T is efficiently financed on the basis of a mix of its equity capital resources and debt capital. The company is working on refinancing options in the light of liabilities that will fall due in 2011 and 2012.

- **Interest rate risk**

Interest rate risk is the risk of changes in the value of fixed-interest financial instruments used to finance the Group's operations as a result of movements in market interest rates. The Group's risk management policies do not allow for the active hedging of non-cash risks, and thus no corresponding measures are taken.

Other main risk categories covered by S&T's regular risk reporting are described below:

- **Project risk**

The IT project business is subject to various risks in respect to calculating fees and the delivery process, particularly contracts based on fixed prices. It cannot be excluded that consulting projects are postponed, delayed or cancelled. S&T applies and continually upgrades PROMET®, a methodology featuring a modular structure, which enables the company to fulfill the demands posed by highly complex projects. All activities are implemented in accordance with pre-defined phases and results are reported within the framework of pre-structured results documentation. Despite intensive project management and controlling, the year 2009 was characterized by a particularly high level of project risk. Existing project risks increased in the course of 2009, but ongoing methodological evaluation identified them at an early stage. As a result, individual losses could be significantly limited. The project management, controlling and monitoring will be continuously developed.

- **Personnel risk**

The economic downturn in the last year and the resulting decline in sales made it necessary to adjust staff levels in line with economic conditions. Nevertheless, and particularly in the currently weak market environment, it is extremely important for us to retain the long-term loyalty of highly qualified and experienced employees. For years, S&T has been making extensive investments in the professional development of its staff. We counteract the risk of high employee fluctuation by taking targeted measures, for example an attractive, performance-based remuneration system, regular product and technology trainings, language courses (S&T English Academy) and management seminars (S&T Leadership Academy).

Internal control system

S&T's internal control system (ICS) features several levels of operation. The organizational unit situated in the company's headquarters reports directly to the CFO. With this depending upon the nature of the responsibility, the local units report to the heads of either finances or of project. The Management Board's responsibility is to set up and design the system, which ensures that the entire group adheres to all legal requirements by pursuing the in-house controlling of and managing of the risks arising from accounting procedures.

The ICS' core principles are maintaining the separation of functions, incorporating the principle that at least two responsible parties must be involved in each transaction in hierarchized processes of authorization, and deploying preset key controls. The responsibility at the level comprised of locally active companies for the implementation and monitoring of the operations of the ICS has been given to the management of national level companies. They are charged with employing self-evaluation methods to achieve adherence to the controlling procedures while undertaking mission-critical processes, and with the undertaking of the documentation of such. The investing in a single IT system (SAP4ALL) covering all group operations will also increase efficiencies and transparency of procedures.

Group companies maintain their books and their documentation in ways according to the legal codes in force in the countries in which they were founded and in which they are registered. Group-wide accounting and evaluation methods are employed to undertake the transition necessary to reconcile the companies' financial statements with the IFRS. This is a precondition for the statements' incorporation into the consolidated accounts. The transferring of the financial data to the central system of consolidation is largely performed via automated interfaces. A step in the compilation of the consolidated financial statements is the confirmation by the managements of group subsidiaries that the financial data yields a proper depiction of the reporting unit's assets, finances and earnings.

The internal auditing system uses sampling procedures conducted on a regular basis to verify adherence to group directives and to ascertain compliance with and the efficiency of business and organizational guidelines and procedures. The planning of risk audits is cleared by the executive board once a year. The results of verification and compliance checks are reported to the executive and supervisory boards on a regular basis.

A standardized planning and reporting tool is used in in-house management reporting procedures. This tool largely automatically avails itself of data issued by the primary system. The reporting is undertaken according to countries and segments, and contains reports on the results achieved in the past months, forecasts of the three months to come and of financial year in total, and a variety of analyses of divergences.

Also deployed are purpose-specific project management and controlling solutions. The developments occurring during the year of reporting have led to this area's being expanded and further developed on an ongoing basis.

The reporting is undertaken to the Management and Supervisory boards and to the audit committee. At its regularly convened meetings, the committee is provided with the consolidated financial accounts for the quarter, and is briefed, via detailed reports, on business developments.

Research and development

The S&T Group does not carry out fundamental research in the scientific sense. However, S&T specialists continually develop innovative IT solutions, on the basis of standardized products such as SAP and Microsoft as well as with individual programming. S&T's own nearshore centers carry out such work in a concentrated manner. Research is also implemented on a project basis within the context of a bilateral cooperation with universities such as the University of St. Gallen.

Human resources

Highly trained people used to working and communicating in different cultures and markets work for the S&T Group. Despite the necessary restructuring in 2009, personnel development and the targeted advancement of promising employees remain top priorities of the Human Resources Department. Career advancement and professional development occur at both the local and Group levels, where new performance incentives and awards have been developed for the year 2010.

Excluding the shutdown or sale of the three national subsidiaries (discontinued operations) the average number of employees declined from 2,915 to 2,640.

Non-financial performance indicators

• Customer satisfaction

In 2009, S&T conducted a further “Customer Satisfaction Survey” in 13 countries, asking 1,250 of the most important customers to respond. The representative results (with a response rate of over 44 percent) showed an improvement in overall customer satisfaction. S&T was rated at a level of 2.3 in the year 2008 and achieved a level of 2.2 in 2009 (1 = very satisfied, 6 = very dissatisfied). The best performing countries in respect to overall customer satisfaction were Moldova (1.48), Ukraine (1.78) and Romania (1.79). The results are a fixed component of the performance targets set with our employees.

• Corporate social responsibility

Despite economic pressures, the S&T Group strives to support the sustainable development of the markets and countries in which the company operates. In addition to pursuing economic goals, sustainability also means taking account of and fulfilling socio-political objectives. Accordingly, S&T promotes various initiatives and projects in the field of education, science and culture as well as social and charitable projects. For example, S&T Macedonia regularly donates computers and computing equipment to children’s homes, whereas S&T Poland financially supports

the Iskierka Foundation for children with cancer. In Bulgaria, S&T financed a demo lab for students at the Technical University in Sofia, and in Romania S&T sponsors annual IT competitions held in schools and universities.

Non-financial performance indicators such as capacity utilization or customer satisfaction are used within the framework of the balanced scorecard system applied in several countries on a local level.

• Information on environmental issues

The business activities of the S&T Group do not encompass the production of material goods. For this reason, the environmental impact is naturally very limited. Nevertheless, S&T attaches considerable importance to the issue of energy efficiency in selecting the suitable IT infrastructure for customers and for its own use.

Significant events after the balance sheet date

As already announced in 2009, Peter Trawniczek was appointed as a member of the Management Board of the S&T Group and Chief Operating Officer Business Solutions, effective 1 February 2010.

In March 2010, new terms and conditions were negotiated with a bank.

Outlook

Following the crisis year 2009 some of the effects will continue well into 2010. If a recovery does in fact take place, such slight upward trend may first become apparent in the second half of 2010. Most analysts do not anticipate a return to pre-crisis sales before 2012 or 2013.

Pierre Audoin Consultants (PAC) expects various industries to pursue different investment strategies in 2010. The financial sector is already profiting from the recovery on international stock markets, investment strength varies considerably in individual countries and also depends on government assistance. In the manufacturing sector and automobile industry, IT projects will only be carried out if they promise short-term savings. Outsourcing is increasing significantly. The strong price pressure in the telecommunications market is also affecting the level of IT expenditures. The public sector will continue to play an important role, sustaining demand on the basis of e-Government projects. However, the growth of public sector IT investments is also expected to slow down.

S&T is well prepared for this challenging environment. Management already reacted to expected developments years ago by focusing on long-term, higher-margin contractual agreements with customers, and will further expand the offering in this segment, both in the Infrastructure Solutions and Business Solutions segments. We continue to see growth opportunities arising as a result of new market trends, such as cloud computing, the virtualization of computing centers or the higher demands placed on networks and their security. The trend in the Business Solutions segment is clearly towards optimizing existing ERP systems and their processes, but CIOs are also attaching greater importance to issues such as mobility, improved CRM systems and the practical application of business intelligence solutions.

An important market trend for S&T is the increasing inter-relatedness of the market requirements for the Group's two business units – Business Solutions and Infrastructure Solutions – leading to the development of joint solutions and offers to operate IT and application process solutions in many countries and in the same high quality.

By downsizing our staff, we adjusted the cost structure to reflect the changed market environment. A more offensive and pro-active sales strategy will be the key to winning new customers in 2010. The offering for outsourcing services will be expanded in line with increasing demand.

Peter Trawniczek, a highly experienced IT manager, was appointed to head the Business Solutions segment. He has gained extensive experience with SAP and Microsoft, two of the most important players in the entire industry.

The objectives of S&T's medium-term corporate vision "Strategy 2010+" remain unchanged: It focuses on a return to healthy, solid and constant growth, and to increasing the share of total sales generated by the service business to two-thirds. Furthermore, we plan to further reduce financial liabilities and restructure financing (see the section on assets, finances and liquidity), and are working flat out to achieve this in 2010.

Information technology creates added value, now more than ever.

Disclosures pursuant to § 243a Section 1 Austrian Commercial Code

The company's share capital consists of 3,585,017 individual bearer share certificates. There is only one category of shares, each with the same rights. There are no owners of shares with special controlling rights. There are also no restrictions with regard to voting rights or the assignment of shares. The Management Board is not aware of any agreements between shareholders restricting voting rights or the assignment of shares.

The provisions relating to the appointment or dismissal of members of the Management Board are exclusively derived from the relevant regulations contained in the currently valid version of the Austrian Stock Corporation Act 1965. The Management Board has been authorized pursuant to § 169 Stock Corporation Act to increase the share capital by up to EUR 3,585,016 by 3 July 2014, by issuing up to 1,792,508 individual bearer shares.

The Management Board has not been authorized to repurchase shares pursuant to § 243a Section 1 (7) Austrian

Commercial Code. At the 17th Annual General Meeting, the Management Board was granted the right, in accordance with § 65 Section 1b Stock Corporation Act to sell its own shares (treasury stock) using other channels than the stock market, excluding subscription rights or the opportunity to purchase shares granted to shareholders. The authorization to sell treasury stock is valid for a period of five years.

The Management Board is aware of the following direct or indirect shareholdings of at least 10 percent: Thomas Streimelweger (about 28%) and AvW Group (about 29%). As described in the section on corporate governance in this annual report, a three-quarters majority of votes cast at the Annual General Meeting is required for the election of a member of the Supervisory Board or a revocation of this member's appointment.

The company has not concluded any major agreements that would come into force, change or lose their validity in the event of a takeover offer. In the event of a takeover of the company, the members of the Management Board appointed before the 2007 balance sheet date have the right to receive transitional remuneration if they continue to be employed. Alternatively, the Management Board is entitled to severance pay should they exercise their right to resign.

The internal control system and risk management system in respect to the accounting process are described above.

Vienna, 31 March 2010

The Management Board



Christian Rosner



Martin Bergler



Peter Sturz



Peter Trawnicek



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for the year ended 31 december 2009

General information

S&T System Integration & Technology Distribution AG, the ultimate parent company of the S&T Group, is incorporated as a joint stock corporation and domiciled in Austria. The address of its registered office is A-1110 Vienna, Geiselbergstrasse 17-19.

The company has been listed on the Prime Market of the Vienna Stock Exchange since 11 April, 2003 (ISIN AT0000905351).

S&T customers are generally medium-sized to large companies and institutions, in particular telecommunication providers, financial institutions, traders, utilities, railways, industrial companies, public and government organizations (ministries, civil service, hospitals).

S&T operates in the following operating segments: 'Business Solutions' (BS) and 'Infrastructure Solutions' (IS). These two operating segments correspond exactly with the segments in the financial reports.

The operating segment **Business Solutions** (BS) comprises IT consulting services, ERP and SAP projects as well as the development and implementation of 'Business Intelligence', such as Data-Warehouse solutions and Customer Relationship Management. Furthermore, in this business field S&T also provides support for projects in the fields of Document and Content Management, Integration, Enterprise Application Integration and Service Oriented Architecture (SOA). By virtue of our specific know-how, our activities focus primarily on sales, customer service and supply chain solutions for technical industries, for the retail branch, and for the process, consumer goods and financial sectors.

Within the operating segment **Infrastructure Solutions** (IS) S&T renders services in connection with data processing centers (server and storage), IT-workstations and data-networks. These range from consulting and conception to supply, installation and integration of hardware and software as well as the operation of the complete infrastructure. The services are provided either in customer specific projects or in long-term outsourcing contracts. The medical sector also belongs to the fields of competence in the operating segment IS.

S&T offers tailor-made customer solutions, consulting services and user training, and, if needed, is able to advise customers regarding the financing of the projects.

For this purpose S&T uses leading technologies from well-known hardware and software manufacturers such as Cisco Systems, Dell, EMC², Hewlett-Packard, IBM, Lenovo, Microsoft, Oracle/Sun, Philips Medical Systems, SAP and VMware.

The following subsidiaries are included in the consolidation:

	2009	2008	Comments
Asset Verwaltungsgesellschaft m.b.H., Austria	100%	--	Founded and consolidated for the first time in 2009.
The Information Management Group AG, Switzerland	100%	100%	Subgroup acquired and consolidated for the first time in 2007. 2009 contributed from S&T System Integration & Technology Distribution AG to Asset Verwaltungsgesellschaft m.b.H., Austria.
IMG (AG), Switzerland	--	↑	2008 merged into The Information Management Group AG, Switzerland.
The Information Management Group IMG GmbH, Germany	100%	100%	
IMG Information Management Polska Sp. z o.o., Poland	100%	100%	
S&T Serbia d.o.o., Serbia	100%	100%	Founded and consolidated for the first time in 1996, 2008 contributed from S&T System Integration & Technology Distribution AG to The Information Management Group AG, Switzerland.
S&T CEE Holding s.r.o., Slovakia	100%	100%	Founded and consolidated for the first time in 2004. 2009 contributed from S&T System Integration & Technology Distribution AG to Asset Verwaltungsgesellschaft m.b.H., Austria.
S&T Ukraine (previously S&T Soft-Tronik), Ukraine	100%	100%	
S&T Bulgaria e.o.o.d., Bulgaria	100%	100%	
S&T Services Polska Sp. z o.o., Poland	100%	100%	
BEELC Polska Sp. z o.o., Poland	↑	100%	Acquired at the end of 2005 and consolidated for the first time in 2006. 2009 merged into S&T Services Polska Sp. z o.o., Poland.
S&T Plus s.r.o., Czech Republic	100%	100%	
S&T BA d.o.o., Bosnia-Herzegovina	100%	100%	
S&T CZ s.r.o., Czech Republic	100%	100%	
GCC Services a.s., Czech Republic	--	↑	Acquired and consolidated for the first time in 2001, merged into S&T CZ s.r.o., Czech Republic, in 2008.
S&T Slovenija d.d., Slovenia	100%	100%	
S&T Hrvatska d.o.o., Croatia	100%	100%	
S&T Macedonia d.o.o.e.l., Macedonia	100%	100%	
HPC Trading Limited i.L., Cyprus	100%	100%	
S&T UNITIS Hungary Ltd. (previously S&T Hungary Ltd.), Hungary	100%	100%	Acquired in 1999, sold within the group to S&T System Integration & Technology Distribution AG in 2007. 2009 contributed from S&T System Integration & Technology Distribution AG to Asset Verwaltungsgesellschaft m.b.H., Austria.
UNITIS Rendszerhez Informatikai Zrt., Hungary	--	↑	Acquired and consolidated for the first time in 2006, merged into S&T UNITIS Hungary Ltd. (previously S&T Hungary Ltd.), Hungary, in 2008.

	2009	2008	Comments
S&T Austria GmbH, Austria	100%	100%	Acquired and consolidated for the first time in 2005. 2009 contributed from S&T System Integration & Technology Distribution AG to Asset Verwaltungsgesellschaft m.b.H., Austria.
IMG Information Management Group GmbH, Austria	--	↑	Acquired and consolidated for the first time in 2007. Sold within the group to S&T Austria GmbH, Austria, and merged into S&T Austria GmbH, Austria, in 2008.
S&T Business Solutions GmbH & Co KG, Austria	--	↑	Acquired and consolidated for the first time in 2005. Contributed from High Performance Systems Holding GmbH, Austria, to S&T Austria GmbH, Austria, and merged into S&T Austria GmbH, Austria, in 2008.
S&T Business Solutions GmbH, Austria	--	↑	Acquired and consolidated for the first time in 2005. Contributed from High Performance Systems Holding GmbH, Austria, to S&T Austria GmbH, Austria, and merged into S&T Austria GmbH, Austria, in 2008.
High Performance Systems Holding GmbH, Austria	100%	100%	
HPS International, OOO, Russia	--	100%	Founded and consolidated for the first time in 2000, sold in 2009 (see Note 32).
S&T Romania S.R.L., Romania	100%	100%	Founded in 1994 and consolidated for the first time in 1995. 2008 contributed from S&T System Integration & Technology Distribution AG to High Performance Systems Holding GmbH, Austria.
S&T Deutschland GmbH, Germany	100%	100%	
S&T Slovakia s.r.o. (previously S&T Varias s.r.o.), Slovakia	100%	100%	
IMG Slovakia s.r.o, Slovakia	--	↑	Acquired and sold within the group to High Performance Systems Holding GmbH, Austria in 2007, merged into S&T Slovakia s.r.o. (previously S&T Varias s.r.o.), Slovakia, in 2008.
Varias a.s., Slovakia	--	↑	Acquired and consolidated for the first time in 2005, 2008 merged into S&T Slovakia s.r.o. (previously S&T Varias s.r.o.), Slovakia.
S&T Asia Holding AG, Switzerland	100%	100%	Founded in 2008. 2009 contributed from S&T System Integration & Technology Distribution AG to High Performance Systems Holding GmbH, Austria.
IMG (UK) Ltd., United Kingdom	100%	100%	Acquired and consolidated for the first time in 2007. 2008 contributed from The Information Management Group AG, Switzerland, to S&T Asia Holding AG, Switzerland.
IMG Japan K.K., Japan	100%	100%	Acquired and consolidated for the first time in 2007. 2008 contributed from The Information Management Group AG, Switzerland, to S&T Asia Holding AG, Switzerland.
IMG Software Service (Shanghai) Co., Ltd., China	100%	100%	Acquired and consolidated for the first time in 2007. 2008 sold within the group from IMG Japan K.K., Japan, to S&T Asia Holding AG, Switzerland. 2009 classified as held for sale (see Note 8).
The Information Management Group Russia Holding AG, Switzerland	100%	95%	Acquired and consolidated for the first time in 2007. 2008 contributed from The Information Management Group AG, Switzerland, to S&T Asia Holding AG, Switzerland, and further acquire of shares. 2009 remaining shares acquired (see Note 31).
The Information Management Group Russia, OOO, Russia	--	100%	Acquired and consolidated for the first time in 2007, sold in 2009 (see Note 32).

	2009	2008	Comments
S&T Software S.R.L. i.L., Romania	100%	100%	
S&T Mold S.R.L., Moldova	99%	99%	
S&T International, OOO, Russia	--	100%	Founded and consolidated for the first time in 2000, sold in 2009 (see Note 32).
S&T Bilisim Cözümleri A.S. (previously T-Systems Bilisim Teknolojileri A.S.), Turkey	--	100%	Acquired and consolidated for the first time in 2006, 2009 closed (see Note 32).

The following subsidiaries were not consolidated on the grounds of immateriality:

	held by S&T	Comments
S&T Crna Gora d.o.o., Montenegro	100%	Founded in 2002
S&T TechnoServ Leasing Moscow, OOO, Russia	100%	Founded in 1999, currently dormant
S&T Albania Sh.p.k., Albania	100%	Founded in 2005
IMG Ukraine Ltd., Ukraine	100%	Acquired in 2007, currently dormant
Information Management Group – IMG S.R.L. i.L., Romania	100%	Acquired in 2007, in liquidation

Consolidated income statement – by nature of expense

	Notes	year ended 31 December	
		2009	2008 ¹⁾
Revenues	(1)	411,088	502,506
Other own work capitalized	(11)	733	725
Merchandise, spare parts and purchased services		(254,169)	(308,764)
Staff costs	(2)	(114,593)	(130,906)
Other operating expenses	(3)	(43,849)	(50,231)
		(412,611)	(489,901)
Other operating income	(4)	3,576	5,354
Total operating expenses less other operating income		(409,035)	(484,547)
Profit from operations before depreciation, amortization and finance costs (EBITDA)		2,786	18,684
Depreciation and amortization	(5)	(5,913)	(7,093)
Profit from operations (EBIT)	(1)	(3,127)	11,591
Finance costs	(6)	(4,585)	(7,650)
Finance income	(6)	755	813
Finance costs – net	(6)	(3,830)	(6,837)
Result before tax		(6,957)	4,754
Income tax expense	(7)	(1,822)	(2,242)
Result from continuing operations		(8,779)	2,512
Result from discontinued operations	(8)	(3,515)	(2,818)
Result for the year		(12,294)	(306)
Attributable to:			
Equity holders of the company		(12,288)	(191)
Minority interest		(6)	(115)
Result for the year		(12,294)	(306)
Earnings per share from continuing operations attributable to equity holders of the company in EUR:			
Basic and diluted earnings per share	(9)	(2.46)	0.71

1) Reclassified in accordance with IFRS 5.

The accounting policies on pages 83 to 97 and the Notes on pages 98 to 125 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

	year ended 31 December	
	2009	2008
Items net of tax		
Available-for-sale financial assets ¹⁾	43	(29)
Net investment hedge	119	(480)
Currency translation differences	(1,256)	(1,503)
Other comprehensive income	(1,094)	(2,012)
Result for the year	(12,294)	(306)
Total comprehensive income	(13,388)	(2,318)
Attributable to:		
Equity holders of the company	(13,383)	(2,206)
Minority interest	(5)	(112)
Total comprehensive income	(13,388)	(2,318)

1) net of deferred tax TEUR -5 (2008: TEUR +5)

The accounting policies on pages 83 to 97 and the Notes on pages 98 to 125 form an integral part of these consolidated financial statements.

Consolidated balance sheet

		as at 31 December	
	Notes	2009	2008
Assets			
Non-current assets			
Property, plant and equipment	(10)	9,570	13,181
Intangible assets	(11)	43,228	44,285
Financial assets	(12)	828	713
Long-term receivables	(13)	3,361	3,372
Deferred tax assets	(23)	5,496	6,695
		62,483	68,246
Current assets			
Inventories	(15)	13,899	18,674
Trade accounts receivable and other receivables	(16)	112,017	136,254
Current income-tax receivables		582	1,774
Financial assets held for trading	(12)	82	38
Cash and cash equivalents	(17)	27,329	30,529
Assets classified as held for sale	(8)	369	--
		154,278	187,269
Total assets		216,761	255,515
Equity and Liabilities			
Shareholders' equity			
Issued capital	(18)	7,170	7,170
Share premium	(18)	5,882	5,915
Treasury shares	(18)	(1,326)	(1,322)
Retained earnings and other reserves	(19)	21,658	35,041
Equity attributable to equity holders of the company		33,384	46,804
Minority interest		5	(18)
		33,389	46,786
Non-current liabilities			
Long-term financial liabilities	(20)	56,120	59,802
Other long-term liabilities	(21)	514	762
Long-term provisions	(22)	5,481	5,436
Deferred tax liabilities	(23)	49	265
		62,164	66,265
Current liabilities			
Trade accounts payable and other payables	(24)	96,034	115,668
Current income-tax liabilities		405	101
Short-term financial liabilities	(25)	23,035	25,922
Provisions	(26)	1,288	773
Liabilities classified as held for sale	(8)	446	--
		121,208	142,464
Total equity and liabilities		216,761	255,515

The accounting policies on pages 83 to 97 and the Notes on pages 98 to 125 form an integral part of these consolidated financial statements.

Consolidated statement of changes in shareholders' equity

	Issued capital	Share premium	Treasury shares	Retained earnings	Equity attributable to equity holders of the company	Minority interest	Total
Shareholders' equity							
Balance at 1 January 2008	7,170	6,034	(1,097)	37,262	49,369	(2)	49,367
Currency translation differences	--	--	--	(1,986)	(1,986)	3	(1,983)
Securities available for sale	--	--	--	(29)	(29)	--	(29)
Net result recognized directly in equity	--	--	--	(2,015)	(2,015)	3	(2,012)
Net result for the year 2008	--	--	--	(191)	(191)	(115)	(306)
Total comprehensive income	--	--	--	(2,206)	(2,206)	(112)	(2,318)
Initial consolidation	--	(121)	--	(15)	(136)	96	(40)
Changes in treasury shares	--	--	(225)	--	(225)	--	(225)
Share option plan	--	2	--	--	2	--	2
Balance at 31 December 2008	7,170	5,915	(1,322)	35,041	46,804	(18)	46,786
Shareholders' equity							
Balance at 1 January 2009	7,170	5,915	(1,322)	35,041	46,804	(18)	46,786
Currency translation differences	--	--	--	(1,138)	(1,138)	1	(1,137)
Securities available for sale	--	--	--	43	43	--	43
Net result recognized directly in equity	--	--	--	(1,095)	(1,095)	1	(1,094)
Net result for the year 2009	--	--	--	(12,288)	(12,288)	(6)	(12,294)
Total comprehensive income	--	--	--	(13,383)	(13,383)	(5)	(13,388)
Initial consolidation	--	(33)	--	--	(33)	28	(5)
Changes in treasury shares	--	--	(4)	--	(4)	--	(4)
Share option plan	--	--	--	--	--	--	--
Balance at 31 December 2009	7,170	5,882	(1,326)	21,658	33,384	5	33,389

The accounting policies on pages 83 to 97 and the Notes on pages 98 to 125 form an integral part of these consolidated financial statements.

Consolidated cash flow statement

		year ended 31 December	
	Notes	2009	2008
Cash flows from operating activities			
a) Cash flows from continuing operations			
Profit before tax		(6,957)	4,754
Adjustments			
Finance costs – net		3,830	6,837
Depreciation and amortization		5,913	7,093
(Gains)/losses on disposals		(240)	(2,030)
Foreign exchange gains/(losses) from operating activities		(764)	(1,792)
Other (net)		(2,970)	(2,534)
		(1,188)	12,328
Changes in working capital			
(Increase)/decrease in trade accounts and other receivables		18,601	10,785
(Increase)/decrease in inventory		4,726	(1,352)
Increase/(decrease) in current liabilities		(10,528)	(15,117)
		12,799	(5,684)
Cash generated from operations		11,611	6,644
Interest received		755	811
Interest paid		(3,866)	(4,887)
Taxes paid		(1,518)	(2,799)
		6,982	(231)
b) Cash flows from discontinued operations	(8)	(1,673)	(553)
Net cash generated from operating activities	(28)	5,309	(784)
Cash flows from investing activities			
a) Cash flows from continuing operations			
Purchase of property, plant and equipment and intangible assets	(28)	(3,251)	(4,448)
Purchase of financial assets (securities and investments)		(30)	(27)
Proceeds from sale of property, plant and equipment		812	3,558
Disposal of subsidiaries, net of cash	(32)	(193)	--
Acquisition of subsidiaries, net of cash	(31)	(5)	(235)
Proceeds from sale of derivative financial instruments		239	--
Payments for derivative financial instruments		(474)	--
Long-term loans and receivables (granted)/repaid		84	196
		(2,818)	(956)
b) Cash flows from discontinued operations	(8)	23	(109)
Net cash used in investing activities	(28)	(2,795)	(1,065)
Cash flows from financing activities			
a) Cash flows from continuing operations			
(Purchase)/sale of treasury shares		(4)	(225)
Decrease in long-term loans and borrowings		(3,450)	(679)
Repayment of finance lease liabilities		(1,493)	(873)
Increase/(decrease) in short-term borrowings		(2,075)	3,231
		(7,022)	1,454
b) Cash flows from discontinued operations	(8)	1,596	544
Net cash generated from financing activities		(5,426)	1,998
Net (decrease)/increase in cash and cash equivalents		(2,912)	149
Movement in cash and cash equivalents			
At beginning of year		30,529	29,947
Increase/(decrease)		(2,912)	149
Effect of exchange rate changes		(280)	433
At end of year	(17)	27,337	30,529

The accounting policies on pages 83 to 97 and the Notes on pages 98 to 125 form an integral part of these consolidated financial statements.

Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

1. Basis of preparation

The consolidated financial statements at 31 December 2009 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the applicable commercial law provisions of § 245a UGB.

They have been prepared under the presumption that the group will continue as a going concern and the historical cost convention, with the exception of financial assets and derivative instruments which are measured at fair value.

The preparation of financial statements in conformity with IFRS as adopted by the European Union requires the use of certain estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in item 20 'Critical Accounting Estimates and Assumptions' of the accounting policies.

The consolidated financial statements are prepared in thousands of euro (EUR '000 or TEUR). Calculations are based on full amounts including not displayed digits and may cause calculation differences.

The various group companies maintain their books and other accounting records in accordance with local legal requirements in the currency of the respective country in which they were incorporated and are registered. Adjustments to these financial statements have been effected in order to achieve compliance with IFRS, as adopted by the EU.

The consolidated financial statements were prepared by the Management Board on the undersigned date and released for issue. The entity financial statements of the parent company, which have been included in the consolidated financial statements after reconciliation to the applicable accounting standards, will be presented to the Supervisory Board for review and approval on 7 April 2010. The Supervisory Board and, assuming presentation of these financial statements at the Annual General Meeting, the shareholders could alter these entity financial statements in a form that may also impact the presentation in the consolidated financial statements.

The consolidated financial statements have been prepared applying those IFRS effective at the balance sheet date. The International Accounting Standards Board (IASB) published a number of changes to existing standards as well as new standards and interpretations mandatory for 2009. These standards should also be applied in the EU and concern the following topics:

a) New and amended standards and interpretations adopted by the European Union and applied for the first time in the fiscal year

IFRS 8 'Operating segments' replaces IAS 14 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as for internal reporting purposes. The application of the new standard results in a change of the operating segments in the segment reporting. As goodwill was allocated to cash-generating units based on operating segments, a reallocation of the goodwill to the newly defined operating segments and cash-generating units was necessary.

IAS 1 'Presentation of financial statements' replaces the former IAS 1. The main amendments to the previous version are: a) to present all changes in equity, except contributions by and distributions to owners, either in a single statement of comprehensive income or in two statements (in a separate income statement and a reconciliation to total comprehensive income), b) to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period presented as part of the financial statements where an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, c) to disclose separately the amount of income tax relating to each component of other comprehensive income and d) to disclose reclassification adjustments regarding the components of other comprehensive income. The first time adoption resulted in insignificant changes in the presentation of the income statement and the statement of changes in equity.

All other pronouncements applicable for the first time (standards, amendments of standards and interpretations) and mandatory in the current financial year do not have any material impact on the group's financial statements.

b) New standards and interpretations adopted by the European Union

IFRS 3 (Revised) 'Business combinations' and IAS 27 (Amendment) 'Consolidated and separate financial statements' (effective for reporting periods beginning on or after 1 July 2009). In case of future business combinations the group will apply these standards in reporting periods beginning on or after 1 January 2010.

A number of further amendments to standards and interpretations were published and adopted by the European Union. These pronouncements do not have any material impact on the group's financial statements and are therefore not explained in detail.

c) Standards, interpretations and amendments to published standards that have not been adopted by the European Union and do not have any material impact on the group's financial statements

A number of amendments to standards, new standards and interpretations were published that have not been adopted by the European Union. These pronouncements do not have any material impact on the group's financial statements and are therefore not explained in detail.

2. Consolidation

Subsidiaries are those companies in which the group, directly or indirectly, holds an interest of more than one-half of the voting rights or otherwise has power to exercise control over the operations. Subsidiaries are consolidated from the date on which effective control is transferred to the group and are no longer consolidated from the date on which this effective control no longer exists.

In accordance with IFRS 3, applied in conjunction with IAS 36 and IAS 38, the purchase method of accounting is prescribed to account for all business combinations. The initial consolidation is carried out by comparing the acquisition price with the group's share of the revalued net assets of the subsidiary. Identifiable assets, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. Intangible assets should be raised separately from the goodwill if they are identifiable or arise from a contractual or other legal right. Provisions for restructuring may not be raised as part of the purchase price allocation. The remaining positive difference is capitalized as goodwill. An excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (also referred to as 'negative goodwill') arising from an initial consolidation is recognized immediately in income.

In accordance with IFRS 3 in combination with IAS 36 the carrying amount of goodwill is tested for impairment annually, or when there are indicators for an impairment. If this results in the carrying amount of a cash-generating unit to which goodwill was allocated exceeding the recoverable amount, the allocated goodwill is initially written down by the difference. An impairment loss recognized for goodwill shall not be reversed in a subsequent period. Additional impairment losses are taken into account by reducing the carrying amount of the other remaining non-current assets on a prorated basis. In the deconsolidation, residual carrying amounts of capitalized goodwill are taken into account when calculating the profit/loss on disposal.

All inter-company transactions, balances and unrealized profits from transactions within the group were eliminated on consolidation. Material inter-company profits were eliminated. Minority interests are disclosed separately.

Subsidiaries which are dormant or have low business volumes and which are only of minor importance in determining fair presentation of the group's financial position, financial situation and results, are not consolidated. They are recognized in the consolidated financial statements at the lower of cost or fair value in accordance with IAS 39.46.

Transactions with minority shareholders – economic entity approach

The group treats transactions with minority shareholders as transactions with equity owners of the group. For purchases of minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to minorities are also recorded in equity

3. Foreign Currencies

In the individual financial statements of S&T AG and its consolidated subsidiaries, transactions in foreign currencies are translated at the rates prevailing at the dates of the transactions.

The income statements of foreign entities are translated into euro at the average exchange rates for the year, balance sheets are translated at the mid-rates at the balance sheet date. Exchange differences arising from re-translation of the net investments in foreign subsidiaries are taken to 'accumulated translation adjustments' in shareholders' equity.

Currency 1 EUR =	2009 Average rate	2009 Closing rate	2008 Average rate	2008 Closing rate
CHF	1.5099	1.4836	1.5871	1.4850
CNY	9.5174	9.8350	10.2285	9.4956
CZK	26.4548	26.4730	24.9590	26.8750
GBP	0.8911	0.8881	0.7965	0.9525
HRK	7.3413	7.3000	7.2242	7.3555
HUF	280.5442	270.4200	251.7375	266.7000
JPY	130.2333	133.1600	152.3300	126.1400
PLN	4.3298	4.1045	3.5151	4.1535
RON	4.2396	4.2363	3.6840	4.0225
RSD	94.5536	96.7741	82.0420	90.1972
RUB ¹⁾	44.1030	43.8810	36.4231	41.2830
TRY ²⁾	2.1618	2.2212	1.9072	2.1488
UAH	11.3572	11.6374	7.8282	11.1776
USD	1.3933	1.4406	1.4706	1.3917

1) In 2009: Average from January to June and as of 1 July 2009 respectively.

2) In 2009: Average from January to March and as of 1 April 2009 respectively.

In the Republic of Moldova and in Macedonia, where the subsidiaries conduct their operations primarily in USD and in EUR respectively, the USD and the EUR respectively serve as the functional currencies. All other subsidiaries and the parent company prepare their financial statements in their respective local currency, which also represents the functional currency. The functional currency is the currency of the primary economic environment in which the subsidiary operates.

Foreign currency transactions are converted at the exchange rates prevailing at the date of the transactions: gains and losses resulting from such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognized in the income statement. Monetary assets and liabilities in the balance sheet are translated at year-end exchange rates.

4. Financial Instruments

Originated financial instruments

Financial instruments carried in the balance sheet include cash and cash equivalents, securities, investments, trade receivables, trade creditors, lease liabilities and borrowings. The recognition and measurement methods applied for these financial instruments are shown under the accounting policies for the relevant financial statement line items.

The group classifies its investments in accordance with IAS 39 into the following categories: financial assets at fair value through profit or loss with its subcategory trading and available-for-sale. Investments that are acquired principally for the purpose of generating a profit from short-term price fluctuations are classified as trading investments and included in current assets. Investments intended to be held for an indefinite period of time, which may be sold in the case of liquidity requirements or changes in interest rates, are classified as available-for-sale. These are included in non-current assets unless management has the express intention of disposing of these securities within the next 12 months from the balance sheet date, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

All purchases and sales of investments are recognized in the balance sheet on the trade date, which is the date that the group commits to purchase or sell the asset. The cost of purchase of available-for-sale investments includes transaction costs. The securities are derecognized when the rights to the cash flows have expired or have been transferred and the group has transferred substantially all risks and rewards. Trading and available-for-sale investments are subsequently valued at fair value. Securities, in particular equity investments, for which fair values cannot be measured reliably on the basis of market prices or using valuation models are recognized at cost or cost less applicable impairment. Realized and unrealized gains and losses arising from changes in the fair value of available-for-sale investments are recognized directly in equity. As soon as indicators for impairment exist an impairment test is carried out. Significant or prolonged declines in the fair values are charged to the income statement.

Derivative financial instruments

Derivative financial instruments are initially recognized at acquisition cost on the day of conclusion of the contract. In future periods these are valued at fair value. The method of recognizing gains or losses depends upon whether the derivative was classified as a hedge instrument and, if this is the case, the underlying hedged item. With the exception of a single EUR-CHF-Forward and two EUR-USD-Forwards valued at fair value the group did not hold any derivative financial instruments as at 31 December 2008. The company did not hold any derivative financial instruments as at 31 December 2009.

Net Investment Hedge

In 2008 the group designated a loan in CHF as a net investment hedge. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold. Due to a partial repayment of the loan in CHF the net investment hedge became ineffective in 2009. No new net investment hedge was designated.

5. Financial Risk Management

5.1 Financial Risk Factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow risk and interest rate risk), credit risk and liquidity risk. With due regard to these inherent risks, the central S&T risk management attempts to minimize possible losses and their effects on the financial strength of the entity. The group occasionally uses derivative financial instruments such as foreign exchange contracts, currency swaps and interest rate swaps to hedge certain exposures.

Local and central treasury departments carrying out the risk management operate under group policies approved by the Board of Directors. These Treasury departments identify, evaluate and possibly hedge financial risks in close cooperation with the operating units. The Board provides written guidelines acting on the exposures to business risks, as well as written guidelines covering specific areas, such as foreign exchange risk, credit risk, etc.

Market risk

(1) Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to US-Dollar (USD), to Swiss Franc (CHF) and the various local currencies in Central and Eastern Europe. In single cases forward contracts are used to hedge their exposure to foreign currency risk with regard to their local reporting currency. Treasury departments are responsible for hedging such positions by using foreign currency borrowings and external forward currency contracts.

At 31 December 2009 (31 December 2008), if the currencies listed below had weakened/strengthened by the percentage rates ('volatility') with all other variables held constant, pre-tax profit and equity for the year would have been higher/lower by the following amounts:

Currency	Volatility	Hypothetical change of result	
		2009	2008
USD	10 %	365	333
CHF	10 %	334	862

(2) Cash flow and interest rate risk

As the group holds no material interest-bearing assets, the consolidated net profit and operating cash flow are mostly independent of changes in the market interest rate. The group's interest rate risk arises from long-term interest-bearing borrowings. The interest rate risk is the risk that arises from changes in the value of fluctuations of financial instruments, other balance sheet line items and/or interest rate dependent cash flows as a result of fluctuations in market interest rates. In the case of variable interest rates for balance sheet items, the interest rate risk includes the cash flow risk. For fixed interest rate financial instruments a market interest rate over the full period of the instrument is agreed upon. For these financial instruments the risk exposure lies in the fact that the market value (present value of future cash flows, i. e. interest and capital repayment, discounted with the interest rate applicable at the balance sheet date for the remaining outstanding period of the instrument) will change. The interest rate risk would result in a loss or profit if a fixed interest rate financial instrument is disposed of or repaid prior to maturity. In the case of variable interest rate financial instruments the interest rate is adjusted promptly and tends to follow the market interest rate. The risk exposure is a fluctuating market interest rate, which may result in different interest payments

The S&T Group predominantly uses third party financing. In addition to financing obtained through non-interest-bearing trade payables as well as short-term and variable interest rate borrowings, fixed interest rate long-term borrowings exist.

Changes in the market interest rates of non-derivative financial instruments with fixed interest rates only affect income if these are measured at their fair value. As such, all financial instruments with fixed interest rates that are carried at amortized cost are not subject to interest rate risk as defined in IFRS 7. Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments, the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks. As a consequence, they are included in the calculation of income-related sensitivities. If the market interest rates had been 100 basis points higher (lower) at 31 December 2009, profit or loss and equity would have been TEUR 198 (31 December 2008: TEUR 259) lower (higher).

The book values of trade receivables and other receivables and payables, as well as, cash and cash equivalents disclosed in the balance sheet approximate their fair values due to the short payment terms.

Credit risk

Credit risk with respect to trade receivables is limited due to the group's customer diversification and large number of customers who are internationally dispersed and operate in different branches, e. g. manufacturing, distribution and financial services. In addition, governmental institutions form part of the customer base. Based on the group's historical experience in the collection of accounts receivable, risks with regard to trade receivables are provided for by means of the creation of adequate bad debt provisions. Management at present does not envisage any additional material credit risk beyond amounts provided for in respect of collection losses in the group's trade receivables.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability for public offerings.

Management monitors rolling forecasts of the group's liquidity reserves based on liquidity plans compiled weekly.

The table below analyses the group's financial liabilities and derivative financial liabilities into maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the undiscounted cash flows.

At 31 December 2009	Less than 1 year	Between 1 and 5 years	Over 5 years
Financial liabilities (ex finance lease liabilities)	22,439	58,725	--
Finance lease liabilities	1,878	1,390	--
Derivative financial instruments	--	--	--
Trade and other payables	53,906	--	--

At 31 December 2008	Less than 1 year	Between 1 and 5 years	Over 5 years
Financial liabilities (ex finance lease liabilities)	25,312	64,678	--
Finance lease liabilities	2,070	1,922	--
Derivative financial instruments	661	--	--
Trade and other payables	62,560	--	--

Similar to most companies, the S&T Group is financed partly with long and short term debt. The financing structure of the S&T Group is primarily dominated by the non-current bonds issued by the parent company. The cash balances approximate the short-term bank liabilities. Accordingly, the group is a net borrower and depends on the ongoing continuation of these financing possibilities. In case of a major underperformance as is the case with all bank financing, the risk exists that the short term lines of credit will not be extended, changed or terminated. Before the bonds reach maturity (one bond with a nominal value of 30 million Euros is due in May 2011), S&T is currently conducting initial negotiations regarding the refinancing of the bonds as well as a potential restructuring of short term liabilities to banks. The objective is to ensure the financing and liquidity of the S&T Group, even if the company does not achieve the effective covenants as of 31 December 2010 regarding profitability and debt repayment period for certain short term lines of credit. According to current liquidity planning the S&T Group has access to adequate credit lines and, therefore, liquidity reserves available to ensure the continued existence until the closing of the financing negotiations described above.

5.2 Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as non-current and current liabilities as shown in the consolidated balance sheet less cash and cash equivalents. Total capital is calculated as shareholders' equity as shown in the consolidated balance sheet plus net debt.

	2009	2008
Non-current liabilities	62,164	66,265
Current liabilities	121,208	142,464
Cash and cash equivalents	(27,329)	(30,529)
Net debt	156,043	178,200
Shareholders' equity	33,389	46,786
Total capital	189,432	224,986
Gearing ratio	82 %	79 %

The increase of the gearing ratio arises from the decreased total capital and net debt, which did not decrease to the same extent.

6. Property, Plant and Equipment

All property, plant and equipment is recorded at historical cost, reduced by depreciation using the straight-line method over the useful life of 10 to 33 years for buildings, and 3 to 10 years for furniture and office equipment.

Repairs and maintenance are charged directly to the income statement in the year in which the expenditure is incurred. Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down to its recoverable amount in accordance with IAS 36.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

7. Goodwill

Within a business combination goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net assets of the acquired subsidiary at the date of acquisition. Goodwill on such acquisitions is disclosed in the balance sheet as an intangible asset. In accordance with IFRS 3 together with IAS 36 goodwill is no longer amortized, but is subject to an annual impairment test or impairment tests if indicators therefore exist. In order to assess impairment, goodwill is allocated to cash-generating units. Every one of these cash-generating units represents the investment of the group in the relevant region in terms of the operating segment.

8. Intangible Assets

The intangible assets other than goodwill are recorded at cost and are amortized using the straight-line method over their estimated useful lives (licenses and similar rights 2 to 5 years).

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down to its recoverable amount in accordance with IAS 36.

Research and development cost

Costs associated with research are recognized as an expense. Development costs that are directly attributable especially for the SAP-template 'SAP4ALL' are recognized as intangible assets when all of the following criteria are met:

- a. it is technically feasible to complete the intangible asset so that it will be available for use or for sale
- b. management intends to complete the intangible asset and use or sell it
- c. there is an ability to use or sell the intangible asset
- d. it can be demonstrated how the intangible asset will generate probable future economic benefits. The entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset
- e. the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset and
- f. the expenditure attributable to the intangible asset during its development can be reliably measured

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Development costs recognized as intangible assets are amortized over their estimated useful lives not exceeding four years. The amortization commences when the asset is available for use.

Development costs which are not yet amortized are tested for impairment in accordance with IAS 36. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

9. Accounting for Leases – where a Group Company is the lessee

Leases of property, plant and equipment where the group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other non-current liabilities. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leasing contracts is depreciated over the useful life of the asset.

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

10. Accounting for Leases – where a Group Company is the lessor

Finance leases

When assets are sold under a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Finance income is recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Operating leases

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar fixed assets. Rental income is recognized on a straight-line basis over the lease term.

11. Inventories

Inventories including demonstration equipment are stated at the lower of cost or net realisable value. Cost comprises all external cost including freight and duties and is determined by the first-in, first-out (FIFO) method or by the average cost method. Net realizable value is the estimated selling price in the ordinary course of business less installation and selling cost.

12. Receivables from ‘fixed-price’ service agreements

When the outcome of a ‘fixed-price’ service agreement cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a ‘fixed-price’ service agreement can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The group uses the ‘percentage-of-completion method’ to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

The group presents as an asset the gross amount due from customers for ‘fixed-price’ service agreements in progress for which costs incurred plus recognized profits (less recognized losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within ‘trade and other receivables’.

The group presents as a liability the gross amount due to customers for ‘fixed-price’ service agreements in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses).

13. Trade Receivables

Trade receivables are carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified.

14. Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, and investments in money market instruments, in particular time deposits.

15. Provisions

The group recognizes provisions when it has a present legal or constructive obligation as a result of past events, it is probable that the transfer of economic benefits will be required to settle the obligation and a reasonable estimate of the obligation can be made.

The group recognizes the estimated future liability on all products and generated services sold on or prior to balance sheet date and still under warranty at the balance sheet date. This provision is calculated based on past experience.

16. Employee Benefits

The holding company and certain subsidiaries provide various post-employment benefits, as well as, long-term benefits in accordance with local labour law. The entitlements are principally measured on the basis of the remaining working life of the employees until retirement age, as well as, if applicable, minimum periods of service. The costs of defined benefit plans are spread over future periods of service of the employees until retirement age using the projected unit credit method (see Note 22). Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions in excess of the greater of 10% of the value of the plan assets or 10% of the defined benefit obligation, are charged or credited to income over the expected average remaining working lives of the related employees. Service costs are disclosed under staff costs, the interest costs of the increase in the provision under finance costs. Furthermore, employee benefits from defined contribution plans from external pension funds (see Note 2) exist.

In the years 2000–2003 the group issued a share option plan. The fair value of the employee services received in exchange for the grant of the options is calculated using the Merton-Black-Scholes model and recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity. This program terminated in 2008.

17. Income Taxes

Income taxes are recognized according to the source of tax and are based on the corresponding profit of the financial year. Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. The principal temporary differences arise from provisions and the valuation of current, non-current assets and tax losses carried forward. Currently enacted tax rates for the individual subsidiaries' jurisdictions are used to determine deferred income tax. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. A deferred tax asset is set off against a deferred tax liability of the same taxable entity if they relate to income taxes levied by the same taxation authority and the entity has a legally enforceable right to set off current tax assets against current tax liabilities.

18. Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

The group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of goods

Sales of goods are recognized when a group entity has delivered products to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

Sales of services

The group sells consulting-, installation- and repair-services. These services are provided on a time and material basis or as a fixed-price contract, with contract terms generally ranging from less than one year to three years.

Revenue from time and material contracts is recognized under the percentage-of-completion method. Revenue is generally recognized at the contractual rates. For time contracts, the stage of completion is measured on the basis of labour hours delivered as a percentage of total hours to be delivered. For material contracts, the stage of completion is measured on the basis of direct expenses incurred as a percentage of the total expenses to be incurred.

Revenue from fixed-price contracts is also recognized under the percentage-of-completion method. Revenue is generally recognized based on the services performed to date as a percentage of the total services to be performed. Maintenance contract revenue is recognized over the period of the relevant agreement.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known by management.

Interest income

Interest income is recognized using the effective interest method.

Dividend income

Dividend income is recognized when the right to receive payment is established.

19. Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Due to the liquidation of the subsidiary in Turkey, the transfer of the Russian activities in a cooperation with a minority interest and the intended sale of the subsidiary in China we have presented these activities as discontinued operations in accordance with IFRS 5. Comparatives were adjusted. Assets shown in the balance sheet under assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell, if their book value will be mainly recovered from sale instead of continuing use.

20. Critical Accounting Estimates and Assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Potential impairment of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in item 7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 11).

If the actual EBIT margin were 10% lower than management's estimated EBIT margin at 30 September 2009, the group would not yet have to record impairment charges on goodwill. If the pre-tax discount rate, which was used in the calculation of the value-in-use, was 1% higher than management's estimate at 30 September 2009, the group would not yet have to record impairment charges on goodwill.

Due to the current loss situation, the two cash generating units of the Business Solutions (BS) segment were evaluated once again for any potential impairment. This test carried out as at 31 December 2009 did not give rise to any impairment.

An adjustment of specified parameters would result in the following sensitivities:

a) CGU 'Business Solutions – DACH, Asia and Central Europe (BS – DACH, Asia, CE)':

If the actual EBIT margin had been 10% below the expected EBIT margin as anticipated by the management on 31 December 2009, the Group would have had to report an impairment loss on goodwill amounting to TEUR 1,039. If the discount rate before tax used to calculate the value in use had been one percentage point above the management's estimate on 31 December 2009, a write-down in the value of goodwill amounting to TEUR 1,143 would have been necessary.

b) CGU 'Business Solutions – South and Eastern Europe (BS – SEE)':

A change in the two above-mentioned parameters would not result in any need to recognize an impairment loss.

Income taxes

The group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

With regard to the other balance sheet items, changes in estimates and assumptions do not result in significant effects on the financial position, financial performance and the cash flows for the following operating year.

Legal risks

On a case by case basis S&T is exposed to legal process risks arising in the ordinary course of its business, including those from contract law, copyright, product liability and labor law. The counter parties could be former partners, employees, but also customers. The outcome of any currently pending or future proceedings cannot be predicted with certainty. It is therefore possible that legal or regulatory judgments could give rise to expenses that are not covered, or not fully covered, by insurers' compensation payments and which could significantly affect the business and earnings.

Based on the current estimates allowances for bad debts and, where required, provisions were raised. The outcome of these claims cannot be estimated finally.

Employee Benefits

The present value of obligations for pensions, leaving indemnities and jubilee bonuses depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for the estimation of employee benefits are based in part on current market conditions. Additional information is disclosed in note 22.

Notes to the consolidated financial statements

1. Segment Information

Operating segments

S&T's activities are grouped into the operating segments Business Solutions (BS) and Infrastructure Solutions (IS). The management board of S&T System Integration & Technology Distribution AG acting as 'Chief Operating Decision Maker' in accordance with IFRS 8 (applicable from 1 January 2009 onwards), reviews these two operating segments for purposes of allocating resources and assessing performance. The strategic management assesses the performance of the operating segments based on segment-EBIT. The calculation of the segment-EBIT conforms to the profit from operations (EBIT) determined according to IFRS measurement principles before allocation of unallocated expenses (group expenses). This form of reporting is also supported by the expansion of the management board with a COO Business Solutions and a COO Infrastructure Solutions from 1 January 2009 onwards. Compared with the previous reporting this results in an aggregation of the separately reported units Enterprise Systems and Managed Services into the operating segment Infrastructure Solutions (IS). Comparative figures were amended accordingly.

There are no material sales or other transactions between the operating segments. Unallocated costs represent mainly corporate expenses. Segment assets consist primarily of property, plant and equipment, inventories and receivables, and generally exclude investments and cash and cash equivalents. Segment liabilities consist of operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to property, plant and equipment and intangible assets.

Year ended 31 December 2009 in TEUR	Business Solutions	Infrastructure Solutions	Group
Revenue goods	13,258	194,700	207,958
Revenue services	96,167	106,963	203,130
Revenues	109,425	301,663	411,088
Segment result	(11,438)	12,135	697
Unallocated costs			(3,824)
Profit from operations (EBIT)			(3,127)
Finance costs (net)			(3,830)
Result before tax			(6,957)
Income tax expense			(1,822)
Result from continuing operations			(8,779)
Result from discontinued operations (Note 8)			(3,515)
Result for the year			(12,294)
Segment assets	62,170	114,975	177,145
Unallocated assets			39,616
Consolidated total assets			216,761
Segment liabilities	26,035	75,449	101,484
Unallocated liabilities			81,888
Consolidated total liabilities			183,372
Segment capital expenditure	750	732	1,482
Unallocated capital expenditure			2,035
Consolidated total capital expenditure			3,517
Segment depreciation and amortization	1,561	2,142	3,703
Unallocated depreciation and amortization			2,210
Consolidated total depreciation and amortization			5,913

Year ended 31 December 2008 in TEUR	Business Solutions	Infrastructure Solutions	Group
Revenue goods	13,137	241,202	254,339
Revenue services	134,891	113,276	248,167
Revenues	148,028	354,478	502,506
Segment result	(3,057)	18,922	15,865
Unallocated costs			(4,274)
Profit from operations (EBIT)			11,591
Finance costs (net)			(6,837)
Result before tax			4,754
Income tax expense			(2,242)
Result from continuing operations			2,512
Result from discontinued operations (Note 8)			(2,818)
Result for the year			(306)
Segment assets	86,447	125,241	211,688
Unallocated assets			43,827
Consolidated total assets			255,515
Segment liabilities	40,806	78,192	118,998
Unallocated liabilities			89,731
Consolidated total liabilities			208,729
Segment capital expenditure	1,289	1,880	3,169
Unallocated capital expenditure			1,595
Consolidated total capital expenditure			4,764
Segment depreciation and amortization	2,565	2,604	5,169
Unallocated depreciation and amortization			1,924
Consolidated total depreciation and amortization			7,093

Geographical information

in TEUR	2009		2008	
	Sales	Non-current assets	Sales	Non-current assets
Austria	83,575	3,842	98,074	3,938
Foreign countries	327,513	48,956	404,432	53,528
	411,088	52,798	502,506	57,466

No material revenues are generated in a single country outside Austria. Sales revenue is classified based on the country in which the customer is located. Non-current assets are shown by countries in which the assets are located.

Information about major customers

S&T did not generate 10% or more of the reported revenues with a single customer.

Notes to the consolidated income statement

Due to the liquidation of the subsidiary in Turkey, the transfer of the Russian activities in a cooperation with a minority interest and the intended sale of the subsidiary in China we have presented these activities as discontinued operations in accordance with IFRS 5 (see Note 8).

The following Notes 2 to 7 to the consolidated income statement relate to the continuing operations.

2. Staff costs

	2009	2008
Salaries	77,784	85,771
Variable remuneration	15,296	21,015
Social security costs and payroll tax	18,785	21,248
Expenses for leaving indemnities and pensions	1,553	1,371
Share option plan	--	2
Other voluntary benefits	1,175	1,499
	114,593	130,906

Variable remuneration includes one-off bonuses paid to management and sales personnel.

The average number of employees is as follows:

	2009	2008
Total	2,734	3,116
– discontinued operations	94	201
– continuing operations	2,640	2,915

Expenses for leaving indemnities and pension plans consist of:

	2009	2008
Expenses of defined benefit plans		
– pensions (Note 22)	722	695
– leaving indemnities (Note 22)	136	169
Contributions to employee provident funds and other expenses	478	340
Contributions to external pension funds	217	167
	1,553	1,371

3. Other operating expenses

	2009	2008
Rental expenses	7,190	7,754
Travel expenses	4,826	6,603
Legal, consultancy and audit fees	4,215	5,000
Communication and infrastructure costs	2,976	3,437
Marketing and advertising expenses	2,659	4,267
Office costs	3,423	3,910
Vehicle expense	7,929	9,481
Other taxes and levies	835	944
Training expenses	1,731	3,224
Maintenance expenses	1,622	1,858
Write-offs and allowances for receivables	3,001	1,112
Warranty expenses	1,002	73
Other operating expenses	2,440	2,568
	43,849	50,231

4. Other operating income

	2009	2008
Gain on disposal of assets excluding financial assets	428	2,184
Compensations from suppliers	491	1,552
Miscellaneous income	2,657	1,618
	3,576	5,354

For 2008 gain on disposal of assets includes the profit on disposal of a property in Ukraine amounting to TEUR 1,841.

Miscellaneous income mainly includes income from the passing on of cost charges and compensation received from insurances. In 2009 a compensation in connection with the early termination of a customer contract in the amount of TEUR 788 is included.

5. Depreciation and amortization

	2009	2008
Depreciation of property, plant and equipment (Note 10)	4,666	5,637
Amortization of intangible assets (Note 11)	1,213	1,496
Expenses from low value items written off	103	139
	5,982	7,272
Less discontinued operations	(69)	(179)
Sum of continuing operations	5,913	7,093

6. Finance costs – net

	2009	2008
Interest expense		
– financial instruments	(3,848)	(4,741)
– provisions for employee benefits	(413)	(414)
Gain/(loss) on held for trading financial instruments	41	(104)
Net result of fair value adjustments to derivative financial instruments	376	(621)
Net foreign exchange differences	(764)	(1,770)
Other	23	--
Finance costs	(4,585)	(7,650)
Finance income – interest income	755	813
	(3,830)	(6,837)

Finance costs (net) include expected return on plan assets in the amount of TEUR 306 (2008: TEUR 266).

The company did not hold any derivative financial instruments as at 31 December 2009. As at 31 December 2008 the group held a single EUR-CHF-Forward in the nominal amount of TEUR 5,000 (maturity 9 March 2009) and two EUR-USD-Forwards in the nominal amount of TEUR 477 (each with maturity 26 January 2009). The derivative financial instruments were valued at fair value.

7. Tax

	2009	2008
Current tax charge	1,306	2,314
Deferred tax charge	516	(72)
	1,822	2,242

Tax on the group profit before tax differs from the theoretical amount that arises from the application of the corporate tax rate in Austria, the home country of the parent company, as follows:

	2009	2008
Profit before tax	(6,957)	4,754
Tax calculated at tax rate of 25 %	(1,739)	1,188
Effect of different tax rates in other countries	(949)	(322)
Other differences not recognized	3,832	1,019
Income not taxable	(77)	(674)
Expenses not deductible for tax purposes	755	1,031
Tax charge	1,822	2,242

Other differences not recognized relate primarily to loss carry-forwards not recognized. Further information on deferred tax is presented in Note 23.

8. Discontinued operations

Result from discontinued operations	2009	2008
Revenues	3,231	10,886
Operating expenses less other income	(4,254)	(13,368)
Profit from operations (EBIT)	(1,023)	(2,482)
Finance costs – net	(368)	(595)
Result before tax of discontinued operations	(1,391)	(3,077)
Tax	(385)	259
Result after tax of discontinued operations	(1,776)	(2,818)
Pre-tax loss recognized on costs to sell and on disposal ¹⁾	(1,739)	--
Tax ²⁾	--	--
After tax loss recognized on costs to sell and on disposal	(1,739)	--
Result from discontinued operations	(3,515)	(2,818)
Attributable to:		
Equity holders of the company	(3,509)	(2,703)
Minority interest	(6)	(115)
Result from discontinued operations	(3,515)	(2,818)

1) Thereof from deconsolidation of subsidiaries TEUR –1,713 (see Note 32).

2) Failing adequate recoverability no deferred taxes on the losses on disposal were raised.

Revenues earned from discontinued operations were recognized in segment Business Solutions (BS) in the amount of TEUR 2,510 (2008: TEUR 8,174) and in segment Infrastructure Solutions (IS) in the amount of TEUR 721 (2008: TEUR 2,712). The profit from operations (EBIT) was recognized in segment Business Solutions (BS) in the amount of TEUR –941 (2008: TEUR –2,014) and in segment Infrastructure Solutions (IS) in the amount of TEUR –82 (2008: TEUR –468).

Assets and liabilities classified as held for sale

The assets and liabilities classified as held for sale relate to the subsidiary in China (solely segment Business Solutions):

Assets classified as held for sale	2009
Property, plant and equipment	44
Trade accounts receivable and other receivables	317
Cash and cash equivalents	8
	369

Liabilities classified as held for sale	2009
Trade accounts payable and other payables	344
Short-term financial liabilities	102
	446

Cash flows from discontinued operations	2009	2008
Cash flows from operating activities	(1,673)	(553)
Cash flows from investing activities	23	(109)
Cash flows from financing activities	1,596	544
	(54)	(118)

9. Earnings per share

	2009			2008		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Result for the year in TEUR	(8,779)	(3,515)	(12,294)	2,512	(2,818)	(306)
Minus:						
Minority interest	--	6	6	--	115	115
Remaining for: Equity holders of the company	(8,779)	(3,509)	(12,288)	2,512	(2,703)	(191)
Weighted number of ordinary shares in issue (thousands)	3,565	3,565	3,565	3,559	3,559	3,559
Basic earnings per share in EUR	(2.46)	(0.98)	(3.45)	0.71	(0.76)	(0.05)

Basic earnings per share is calculated by dividing the net group profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year (see Note 18).

Notes to the consolidated balance sheet

10. Property, plant and equipment

	Land and buildings	Office equipment	Total
31 December 2009			
<i>Cost:</i>			
1 January 2009	7,364	33,647	41,011
Additions	67	2,126	2,193
Disposal of subsidiaries (Note 32)	(668)	(1,324)	(1,992)
Disposals	(253)	(4,896)	(5,149)
Reclassification ¹⁾	--	(74)	(74)
Translation adjustments	(52)	(135)	(187)
31 December 2009	6,458	29,344	35,802
<i>Accumulated depreciation:</i>			
1 January 2009	3,642	24,188	27,830
Depreciation charge	495	4,171	4,666
Disposal of subsidiaries (Note 32)	(400)	(1,105)	(1,505)
Disposals	(182)	(4,392)	(4,574)
Reclassification ¹⁾	--	(30)	(30)
Translation adjustments	(26)	(129)	(155)
31 December 2009	3,529	22,703	26,232
Net book amount	2,929	6,641	9,570
31 December 2008			
<i>Cost:</i>			
1 January 2008	8,783	35,419	44,202
Additions	199	3,830	4,029
Disposals	(1,690)	(4,396)	(6,086)
Reclassification	13	(13)	--
Translation adjustments	59	(1,193)	(1,134)
31 December 2008	7,364	33,647	41,011
<i>Accumulated depreciation:</i>			
1 January 2008	3,836	24,157	27,993
Depreciation charge	579	5,058	5,637
Disposals	(714)	(3,834)	(4,548)
Reclassifications	7	(7)	--
Translation adjustments	(66)	(1,186)	(1,252)
31 December 2008	3,642	24,188	27,830
Net book amount	3,722	9,459	13,181

1) assets classified as held for sale

As of 31 December 2009 no property (2008: TEUR 0) was pledged as security for short-term loans. Additions include TEUR 246 (2008: TEUR 656) office equipment acquired under finance leases (where a group company is the lessee). Net book value of office equipment under finance leases at 31 December 2009 is TEUR 1,234 (2008: TEUR 1,708).

11. Intangible assets

	Goodwill	Internally generated software development costs	Licences and similar rights	Total
31 December 2009				
<i>Cost:</i>				
1 January 2009	41,807	725	12,430	54,962
Additions	--	733	591	1,324
Disposal of subsidiaries (Note 32)	(810)	--	(112)	(922)
Disposals	--	--	(248)	(248)
Translation adjustments	(358)	(10)	--	(368)
31 December 2009	40,639	1,448	12,661	54,748
<i>Accumulated amortization:</i>				
1 January 2009	--	41	10,636	10,677
Amortization charge	--	305	908	1,213
Disposal of subsidiaries (Note 32)	--	--	(112)	(112)
Disposals	--	--	(248)	(248)
Translation adjustments	--	(1)	(9)	(10)
31 December 2009	--	345	11,175	11,520
Net book amount	40,639	1,103	1,486	43,228
31 December 2008				
<i>Cost:</i>				
1 January 2008	41,419	--	12,972	54,391
Additions	--	725	666	1,391
Disposals	--	--	(907)	(907)
Translation adjustments	388	--	(301)	87
31 December 2008	41,807	725	12,430	54,962
<i>Accumulated amortization:</i>				
1 January 2008	--	--	10,379	10,379
Amortization charge	--	41	1,455	1,496
Disposals	--	--	(893)	(893)
Translation adjustments	--	--	(305)	(305)
31 December 2008	--	41	10,636	10,677
Net book amount	41,807	684	1,794	44,285

The additions to the development costs include the internally generated SAP-template 'SAP4ALL' with TEUR 609 (2008: TEUR 686).

IFRS 8, 'Operating segments', was compulsory applied from 1 January 2009. The impact is a reduction of the reportable segments. Since goodwill was previously allocated based on the secondary reporting format (geographical segments) which was removed with the change of the regulations for segment reporting, management had to allocate the goodwill to the newly identified cash generating units below segment level. This resulted in a reallocation of goodwill to the following cash generating units:

	2009
Business Solutions – DACH, Asia and Central Europe (BS – DACH, Asia, CE)	25,618
Business Solutions – South and Eastern Europe (BS – SEE)	2,382
Infrastructure Solutions – DACH, Asia and Central Europe (IS – DACH, Asia, CE)	8,891
Infrastructure Solutions – South and Eastern Europe (IS – SEE)	3,748
	40,639

The impairment test involves determining the recoverable amount of the cash-generating units based on value in use calculations. The value in use is determined based on cash flow budgets, which are based on the medium-term budget for a period of three years, which has been approved by the Executive Board and which is valid when the impairment test is performed. These budgets are based on past experience as well as on surveys of external analysts and future expected market trends. The medium-term budget is based on the general economic data derived from macroeconomic and financial studies and makes assumptions primarily on the development of gross domestic product, consumer prices, interest rates and nominal wages.

The company regularly carried out an impairment test on 30th September of each financial year. The impairment test carried out on 30 September 2009 did not give rise to an impairment loss.

Due to the current loss situation, the two cash generating units of the Business Solutions (BS) segment were evaluated once again for any potential impairment. This test carried out as at 31 December 2009 did not give rise to any impairment (also refer to point 20: 'Critical Accounting Estimates and Assumptions' in the section 'Accounting Policies').

Assumptions used for value in use calculation of the respective CGU:

	BS – DACH Asia, CE	BS – SEE	IS – DACH Asia, CE	IS – SEE
Weighted average growth rate used to extrapolated cash flows beyond the budget period	1.50%	1.50%	1.50%	1.50%
Pre-tax discount rate	10.79%	12.66%	10.94%	14.18%
After-tax discount rate	8.71%	10.81%	8.82%	11.92%

Key assumptions of the management used for the value in use calculation of the cash-generating units are revenues, EBIT margins and discount rates. The calculation is based on reasonable EBIT margins reflecting the regional performance. S&T extrapolates expected currency devaluation going beyond the detailed budget horizon based on constant growth rates of 1.5%, which are derived from past experience for each division, and none of which exceed the average growth rates of the markets on which the companies are active. Growth rates are determined subtracting the capital expenditure required to achieve them.

12. Financial assets

	2009	2008
Available for sale financial instruments:		
– Non-consolidated subsidiaries	55	55
– Securities	703	618
– Other financial assets	70	40
	828	713
Financial instruments held for trading (securities)	82	38
	910	751
Thereof: non-current	828	713
Thereof: current	82	38

Development of available for sale financial instruments:

	2009	2008
Opening net book amount	713	675
Additions	64	61
Write-up/(write-off) recognized in equity	48	(34)
Translation adjustments	3	11
Closing net book amount	828	713

Non-consolidated subsidiaries and other financial assets comprising equity instruments that do not have a quoted market price are carried at cost less impairment losses.

13. Long-term receivables

	2009	2008
Finance lease – gross investments	1,095	1,291
Unearned finance income	(85)	(100)
	1,010	1,191
Long-term loans and receivables	2,351	2,181
	3,361	3,372

Other long-term loans and receivables include fair value of an insurance policy covering unfunded pension obligations in the amount of TEUR 336 (2008: TEUR 291).

Finance lease receivables (where a group company is the lessor):

	2009	2008
Gross investment in finance leases:		
Not later than 1 year	1,418	1,485
Later than 1 year and not later than 5 years	1,095	1,291
	2,513	2,776
Unearned future finance income on finance leases	(115)	(136)
Net investment in finance leases	2,398	2,640
Representing:		
– current receivables (not later than 1 year)	1,388	1,449
– non-current receivables (later than 1 year and not later than 5 years)	1,010	1,191
Net investment in finance leases	2,398	2,640

The current portion of receivables from finance leases is shown in Note 16. The average interest rate on such lease receivables (current and non-current) ranged from 3% to 5% in the 2009 financial year (2008: 5%).

14. Additional disclosures on financial instruments

Carrying amounts, amounts recognized, and fair values by measurement category

	Category in accordance with IAS 39	Amounts recognized in balance sheet according to IAS 39					Amounts recognized in balance sheet according to IAS 17	Fair Value 31 Dec. 2009
		Carrying amount 31 Dec. 2009	Amortized cost	Cost	Fair Value recognized in equity	Fair Value recognized in profit or loss		
Assets								
Non-current financial assets	AfS	828	--	125	703	--	--	828
Non-current receivables	LaR/n.a.	3,361	2,351	--	--	--	1,010	3,361
Trade accounts receivable and other receivables								
a) Trade accounts receivable	LaR	91,863	91,863	--	--	--	--	91,863
b) Other receivables	LaR/n.a.	6,955	5,567	--	--	--	1,388	6,955
Current financial assets	FAHfT	82	--	--	--	82	--	82
Cash and cash equivalents	LaR	27,329	27,329	--	--	--	--	27,329
Liabilities								
Long-term financial liabilities	FLAC/n.a.	56,120	54,831	--	--	--	1,289	55,365
Other long-term liabilities	FLAC	--	--	--	--	--	--	--
Trade accounts payable and other payables								
a) Trade accounts payable	FLAC	50,086	50,086	--	--	--	--	50,086
b) Derivatives without a hedging relationship	FLHfT	--	--	--	--	--	--	--
c) Other payables	FLAC	3,820	3,820	--	--	--	--	3,820
Short-term financial liabilities	FLAC	23,035	21,271	--	--	--	1,764	24,157
Of which: aggregated by category in accordance with IAS 39								
Loans and Receivables (LaR)		127,110	127,110	--	--	--	--	127,110
Held-to-Maturity Investments (HtM)		--	--	--	--	--	--	--
Available-for-Sale Financial Assets (AfS)		828	--	125	703	--	--	828
Financial Assets Held for Trading (FAHfT)		82	--	--	--	82	--	82
Financial Liabilities measured at Amortised Cost (FLAC)		130,008	130,008	--	--	--	--	130,375
Financial Liabilities Held for Trading (FLHfT)		--	--	--	--	--	--	--

Assets classified in category 'Fair Value recognized in equity' and in category 'Fair Value recognized in profit or loss' are measured at quoted market prices.

**Amounts recognized in balance
sheet according to IAS 39**

Category in accordance with IAS 39	Carrying amount 31 Dec. 2008	Amor- tized cost	Cost	Fair Value recog- nized in equity	Fair Value recog- nized in profit or loss	Amounts recog- nized in balance sheet accord- ing to IAS 17	Fair Value 31 Dec. 2008
AfS	713	--	95	618	--	--	713
LaR/n.a.	3,372	2,181	--	--	--	1,191	3,372
LaR	116,605	116,605	--	--	--	--	116,605
LaR/n.a.	6,030	4,581	--	--	--	1,449	6,030
FAHfT	38	--	--	--	38	--	38
LaR	30,529	30,529	--	--	--	--	30,529
FLAC/n.a.	59,802	57,942	--	--	--	1,860	58,868
FLAC	358	358	--	--	--	--	358
FLAC	58,936	58,936	--	--	--	--	58,936
FLHfT	661	--	--	--	661	--	661
FLAC	3,624	3,624	--	--	--	--	3,624
FLAC	25,922	24,144	--	--	--	1,778	27,041
	153,896	153,896	--	--	--	--	153,896
	--	--	--	--	--	--	--
	713	--	95	618	--	--	713
	38	--	--	--	38	--	38
	145,004	145,004	--	--	--	--	145,189
	661	--	--	--	661	--	661

15. Inventories

	2009	2008
Merchandise	9,671	13,459
Spare parts	3,872	4,264
Other products	356	951
Net book value	13,899	18,674

	2009	2008
Inventory at cost	23,667	32,171
Less: Valuation allowance	(9,768)	(13,497)
Net book value	13,899	18,674

Expenses for valuation allowances and write-off of inventories amounted to TEUR 1,127 (2008: TEUR 1,483).

16. Trade accounts receivable and other receivables

	2009	2008
a) Trade accounts receivable		
Trade accounts receivable	100,041	122,717
Less: Valuation allowance for impairment	(8,178)	(6,112)
	91,863	116,605
Receivables from 'fixed-price' service agreements	8,780	5,783
Progress billings	(5,894)	(2,853)
'Fixed-price' service agreements with amounts due from customers	2,886	2,930
	94,749	119,535
b) Other receivables		
Receivables from tax authorities	288	128
Finance lease – gross investment (Note 13)	1,418	1,485
Unearned finance income	(30)	(36)
	1,388	1,449
Receivables due from non-consolidated subsidiaries	705	777
Prepayments	1,503	3,428
Prepaid expenses	8,522	7,133
Other current receivables	4,862	3,804
	17,268	16,719
	112,017	136,254

Prepaid expenses mainly comprise prepayments to subcontractors for future services to be rendered.

Development of valuation allowance:

	2009	2008
Opening amount	6,112	5,484
Additions	4,676	3,883
Usage	(385)	(172)
Reversal	(2,013)	(2,691)
Acquisition and disposal of subsidiaries	(131)	--
Currency translation differences	(81)	(392)
Closing amount	8,178	6,112

Receivables and valuation allowances will be derecognized, if no further payments are expected.

Maturity structure of accounts receivables:

	2009	2008
Not past due	74,224	93,025
Overdue, but not impaired:		
Between 1 and 60 days	12,664	19,117
Between 61 and 90 days	1,652	2,100
Between 91 and 180 days	1,300	1,532
More than 180 days	2,023	831
	91,863	116,605

The overdue receivables result from transactions with several independent customers, none of which gave rise to bad debt losses in the recent past.

17. Cash and cash equivalents

	2009	2008
Cash at banks and on hand	27,329	30,529

	2009	2008
Cash and cash equivalents according to the consolidated cash flow statement	27,337	30,529
Presented in assets classified as held for sale (Note 8)	(8)	--
	27,329	30,529

18. Issued capital, share premium and treasury shares and average number of shares

	Number of shares (thousands)	Issued capital	Share premium	Treasury shares	Total
At 1 January 2008	3,585	7,170	6,034	(1,097)	12,107
Initial consolidation	--	--	(121)	--	(121)
Expenses share option plan	--	--	2	--	2
Transactions with treasury shares	--	--	--	(225)	(225)
At 31 December 2008	3,585	7,170	5,915	(1,322)	11,763
Initial consolidation	--	--	(33)	--	(33)
Transactions with treasury shares	--	--	--	(4)	(4)
At 31 December 2009	3,585	7,170	5,882	(1,326)	11,726

As of 31 December 2009 issued capital of EUR 7,170,034 represents 3,585,017 fully paid up no-par-value shares currently incorporated in the company's register. The total authorized number of ordinary shares as at the balance sheet date is 5,377,525 with a value of EUR 2 per share.

Taking into account the average treasury share stock, the average number of shares was 3,564,796 (2008: 3,558,602) during the year.

At the balance sheet date the parent company holds 20,286 (2008: 19,946) own shares. The cost incurred by the company to re-acquire its own shares and related proceeds for subsequent re-sale are shown as a correction to equity (treasury shares). The treasury shares acquired in the fiscal year 2009 are intended to be used in a possible acquisition.

19. Retained earnings and other reserves

	Cumulative translation adjustment	Available for sale investments	Retained earnings and other reserves	Total
Balance at 1 January 2008	1,477	6	35,779	37,262
Currency translation differences	(1,506)	--	--	(1,506)
Net investment hedge (Note 20)	(480)	--	--	(480)
Securities available for sale ¹⁾	--	(29)	--	(29)
Net income recognized directly in equity	(1,986)	(29)	--	(2,015)
Net result for the year 2008	--	--	(191)	(191)
Total comprehensive income	(1,986)	(29)	(191)	(2,206)
Initial consolidation	--	--	(15)	(15)
Balance at 31 December 2008	(509)	(23)	35,573	35,041
Balance at 1 January 2009	(509)	(23)	35,573	35,041
Currency translation differences	(1,257)	--	--	(1,257)
Net investment hedge (Note 20)	119	--	--	119
Securities available for sale ²⁾	--	43	--	43
Net income recognized directly in equity	(1,138)	43	--	(1,095)
Net result for the year 2009	--	--	(12,288)	(12,288)
Total comprehensive income	(1,138)	43	(12,288)	(13,383)
Initial consolidation	--	--	--	--
Balance at 31 December 2009	(1,647)	20	23,285	21,658

1) net of deferred tax (TEUR +5)

2) net of deferred tax (TEUR -5)

In 2008 and in 2009 no dividends were paid or declared.

20. Long-term financial liabilities

	2009	2008
Bonds	54,831	54,658
Long-term bank loans	--	3,284
	54,831	57,942
Lease liabilities	1,289	1,860
	56,120	59,802

S&T System Integration & Technology Distribution AG in 2005 issued two bonds with a nominal value of EUR 15,000,000 and EUR 10,000,000 respectively, a duration of seven years and interest rates of 4.375% and 4%. The bond issued in 2006 with a nominal value of EUR 30,000,000 has a maturity of five years and an interest rate of 5.375%.

'50% plus one share' of the shares in The Information Management Group AG, St. Gallen, Switzerland, were pledged as collateral for long-term financial liabilities in the amount of TEUR 3,288.

The carrying amounts of the group's long-term financial liabilities are denominated in the following currencies:

	2009	2008
EUR	55,820	55,786
CHF	--	3,284
Other	300	732
	56,120	59,802

Maturity of bonds and non-current borrowings (excluding finance lease liabilities):

	Carrying amounts		Fair value		Cash flows	
	2009	2008	2009	2008	2009	2008
Within 1 year (Note 25)	4,788	4,785	5,910	5,904	5,956	5,953
Between 1 and 5 years	54,831	57,942	54,076	57,008	58,725	64,678
More than 5 years	--	--	--	--	--	--
Total	59,619	62,727	59,986	62,912	64,681	70,631

The fair value was calculated under the DCF-method using current market rates.

Loans in the amount of TCHF 6,500 were designated as net investment hedge till 30 June 2009.

Finance lease liabilities - minimum lease payments:

	2009	2008
Not later than 1 year	1,878	2,070
Later than 1 year and not later than 5 years	1,390	1,922
	3,268	3,992
Future finance charges on finance leases	(215)	(354)
Present value of finance lease liabilities	3,053	3,638
Representing lease liabilities:		
- current (not later than 1 year)	1,764	1,778
- non current	1,289	1,860
	3,053	3,638

The interest rate for lease liabilities ranged in the respective countries from 2% to 12%. The lease liabilities mainly concern passenger cars and subleased EDP equipment.

21. Other long-term liabilities

	2009	2008
Deferred income (non-current)	514	404
Other	--	358
	514	762

22. Long-term provisions

Provisions for employee benefits relate to obligations of the parent company and some subsidiaries towards its employees and as such it is based on local labour law, including provisions for pensions, provisions for leaving indemnities and provisions for service anniversary bonuses (jubilee payments). Indemnities must be paid to employees upon their release from service or retirement at pension age. Employees leaving voluntarily or dismissed for good cause are not entitled to such indemnities. These employee benefit liabilities are unfunded.

According to local labour laws, service anniversary bonuses must be paid to employees. The present value of accrued liabilities is also included in the calculation.

The amounts, recognized in the balance sheet, are determined as follows:

	2009	2008
Provisions for pensions	3,261	2,806
Provisions for leaving indemnities	1,829	1,814
Provisions for service anniversary bonuses and other commitments	391	816
Provisions for employee benefits	5,481	5,436

Provisions for pensions

	2009	2008
Present value of funded obligations	5,539	8,746
Fair value of plan assets	(5,288)	(8,891)
	251	(145)
Present value of unfunded obligations	413	359
Unrecognized actuarial gains/(losses)	2,597	2,592
Provisions for pensions	3,261	2,806

Unfunded pension obligations are partially covered by an insurance policy in the amount of TEUR 336 (2008: TEUR 291) with expected returns of 4.5% (see Note 13).

The amounts recognized in the income statement are as follows:

	2009	2008
Current service cost	765	764
Amortization of actuarial losses/(gains)	(43)	(69)
Total included in staff costs	722	695
Interest cost ¹⁾	325	327
Expected return on plan assets ¹⁾	(306)	(266)
	741	756

1) included in the finance costs

The movement in the liability recognized in the balance sheet is as follows:

	2009	2008
Beginning of the year	2,806	2,242
Net expense recognized in the income statement	741	756
Contributions paid	(295)	(425)
Exchange differences	9	233
End of the year	3,261	2,806

The movement in the present value of the defined benefit obligation is as follows:

	2009	2008
Beginning of the year	9,105	12,367
Current service cost	765	764
Interest cost	325	327
Settlement	(4,500)	(4,846)
Actuarial losses/(gains)	304	(595)
Exchange differences	(47)	1,088
End of the year	5,952	9,105

The movement in the fair value of plan assets is as follows:

	2009	2008
Beginning of the year	8,891	11,001
Expected return	306	266
Contributions paid	295	425
Settlement	(4,500)	(5,718)
Actuarial gains/(losses)	350	1,857
Exchange differences	(54)	1,060
End of the year	5,288	8,891

90% of plan assets is invested in a liability insurance policy. The expected return on plan assets of 3,25% approximates the gains of the last years. For the next financial year a required contribution of TEUR 295 is expected.

The principal actuarial assumptions used were as follows:

	2009	2008
Discount rate	3.25 – 5.25 %	3.50 – 6.00 %
Expected return on plan assets	3.25 %	3.25 – 3.50 %

The Austrian mortality table 'AVÖ 2008-P' and the mortality table of Dr. Klaus Heubeck '2005 G' were used as basis for the calculation. The actuarial calculations were based on an estimated increase in salaries of 1.50% (2008: 1.50%) and in pensions of 1.00% (2008: 1.00%).

Provisions for leaving indemnities

	2009	2008
Present value of obligations	2,166	1,618
Unrecognized actuarial gains/(losses)	(337)	196
Provisions for leaving indemnities	1,829	1,814

The amounts recognized in the income statement are as follows:

	2009	2008
Current service cost	141	168
Amortization of actuarial gains and losses	(5)	1
Total included in staff costs	136	169
Interest cost ¹⁾	88	87
	224	256

1) included in the finance costs

The movement in the liability recognized in the balance sheet is as follows:

	2009	2008
Beginning of the year	1,814	1,749
Net expense recognized in the income statement	224	256
Contributions paid	(211)	(178)
Exchange differences	2	(13)
End of the year	1,829	1,814

The principal actuarial assumptions used were as follows:

	2009	2008
Discount rate	5.25 – 6.00 %	5.75 – 6.00 %
Future salary increases	3.25 – 6.00 %	3.25 – 6.00 %

The Austrian mortality table 'AVÖ 2008-P' and the 'Polish Life Tables 2006' were used as basis for the calculation.

23. Deferred income taxes

Deferred income taxes are calculated on all temporary differences under the liability method.

	2009	2008
Deferred tax assets	(5,496)	(6,695)
Deferred tax liabilities	49	265
	(5,447)	(6,430)

Deferred income tax assets on tax loss carry forwards and deductible temporary differences are recognized only to the extent that realization is probable. The group has deferred income taxes in connection with tax losses of TEUR 16,329 (2008: TEUR 14,032) which can be carried forward against future taxable income and which have not been recognized in these financial statements due to uncertainty of their recoverability. Net deferred tax assets in the amount of TEUR 1,686 (2008: TEUR 387) resulting from other deductible temporary differences have not been recognized because it is not probable that sufficient taxable profit will be available. Deferred tax liabilities in the amount of TEUR 691 (2008: TEUR 1,189) were not recognized in accordance with IAS 12.39 (f).

Deferred tax assets and liabilities and deferred tax charges/(credits) in the income statement are attributable to the following items:

	31 Dec. 2008	Charged/ (credited) to equity	Charged/ (credited) to P/L	Acquisi- tion and disposal of subsid- iaries	Reclassi- fications	Exchange differences	31 Dec. 2009
Deferred income tax liabilities							
Valuation of non-current assets	56	--	(12)	--	(12)	(1)	31
Valuation of receivables and inventory	533	--	(92)	--	20	(20)	441
Accruals and provisions	(324)	--	(107)	--	(37)	16	(452)
Unused tax credits	--	--	--	--	29	--	29
	265	--	(211)	--	--	(5)	49
Deferred income tax assets							
Valuation of non-current assets	267	5	66	--	86	1	425
Impairment of receivables and inventory	(715)	--	(227)	--	(194)	12	(1,124)
Provisions and liabilities	(2,458)	--	424	--	145	17	(1,872)
Treasury shares	--	--	(12)	--	--	--	(12)
Accounts payable	(86)	--	90	--	(8)	7	3
Unused tax credits	(544)	--	144	--	(29)	--	(429)
Tax loss carry forwards	(3,159)	--	621	--	--	51	(2,487)
	(6,695)	5	1,106	--	--	88	(5,496)
Net deferred income tax assets	(6,430)	5	895	--	--	83	(5,447)
From discontinued operations			379				
From continuing operations			516				

24. Trade accounts payable and other payables

	2009	2008
a) Trade accounts payable		
Trade accounts payable	50,086	58,936
Payables from 'fixed-price' service agreements	(354)	63
Progress billings	400	176
'fixed-price' service agreements with amounts due to customers	46	239
	50,132	59,175
b) Other payables		
Liabilities to social security agencies and tax authorities	8,330	11,075
Advances received	3,015	4,948
Payables due to non-consolidated subsidiaries	125	--
Employees' bonuses/salaries	1,040	529
Negative fair value of derivative financial instruments	--	661
Miscellaneous payables	3,695	3,624
Deferred income	12,375	12,886
Accrued liabilities:		
– for short-term personnel benefits	11,243	15,916
– other	6,079	6,854
	45,902	56,493
	96,034	115,668

Short-term personnel benefits comprise of variable remuneration and unconsumed vacations. Accrued liabilities mainly comprise consultancy and legal fees and goods received but not yet invoiced. Deferred income mainly represents the deferred portion of sales revenues, rentals and other income received in advance.

25. Short-term financial liabilities

	2009	2008
Current accounts	16,483	19,359
Short-term portion of long-term loans	4,788	4,785
Lease liabilities (see Note 20)	1,764	1,778
	23,035	25,922

The effective interest rates for current accounts ranged in the respective countries from 1% to 23% depending on the currency of the respective overdrafts and other factors (2008: 4% to 29%). Trade accounts receivable of TEUR 19,190 (2008: TEUR 19,004) are pledged, in the context of a global cession, as collateral for short-term borrowings.

The carrying amounts of the group's short-term financial liabilities are denominated in the following currencies:

	2009	2008
EUR	15,872	17,147
CHF	5,987	5,385
USD	80	1,699
Other	1,096	1,691
	23,035	25,922

26. Provisions

	31 Dec. 2008	Acqui- sition/ disposal of subsi- diaries	Additions	Usage	Reversal	Currency translation differences	31 Dec. 2009
Provisions for warranties and similar obligations	541	--	952	(316)	(89)	4	1,092
Provisions for pending losses	232	(22)	--	(13)	--	(1)	196
Total provisions	773	(22)	952	(329)	(89)	3	1,288

The provisions for warranties refer to warranty claims taken on by the group over and above the manufacturer's warranty. The calculated amounts were determined based on past experience. The provisions for pending losses relate to risks from onerous contracts calculated at their probable value.

27. Operating lease commitments

The future minimum lease payments for building and passenger car rentals as a result of non-cancellable operating leases amount to TEUR 4,518 (2008: TEUR 6,821) of which TEUR 2,235 (2008: TEUR 1,733) is due not later than 1 year; the other commitments are due between two and five years.

28. Non-cash transactions

The principal non-cash transactions relate to the acquisition of property, plant and equipment through finance leases (Note 10 and 20) and EDP equipment leased out under finance lease (Note 13).

29. Disclosures regarding certain non-financial risks

The operations and earnings of the group continue, from time to time and to a varying degree, to be affected by political, legislative, fiscal and regulatory developments in the countries in which it operates. The nature and frequency of these developments and events, of which not all are covered by insurance, as well as their effect on future operations and earnings are not predictable. Furthermore, due to the fact that the company's operations are primarily project-oriented, the level of earnings will naturally fluctuate according to the size and number of projects.

Due to the uncertainty of the tax regulations in various Eastern and South Eastern European countries, there may be contingent taxation liabilities which, at present, cannot be quantified.

30. Contingencies

In the ordinary course of business, the group has issued performance bonds and bid bonds to the total amount of TEUR 9,777 (2008: TEUR 13,080).

31. Initial consolidation and acquisition of minority interest

In the second quarter of 2009 the group acquired 5 % former minority interest of The Information Management Group Russia Holding AG, Switzerland. The impact of this transaction is presented in the consolidated statement of changes in shareholders' equity (line initial consolidation).

This transaction contributed to a cash outflow of TEUR 5.

32. Disposals of investments and deconsolidation

Due to the liquidation of the subsidiary in Turkey and the transfer of the Russian activities in a cooperation with a minority interest these companies were deconsolidated (S&T Bilisim Cözümleri A.S., Turkey, as of 1 April 2009, The Information Management Group Russia, OOO, Russia, S&T International, OOO, Russia, and HPS International, OOO, Russia, as of 1 July 2009).

Disposal consideration/Liquidation proceeds	300
Book value of net assets disposed of including debt forgiven and cumulative translation adjustment	(2,013)
Loss on disposal	(1,713)

The effect of the deconsolidation on the consolidated cash flow statement for the year 2009 is as follows:

Cash and cash equivalents	343
Property, plant and equipment (Note 10)	487
Intangible assets (Note 11)	810
Inventories	49
Trade and other receivables	1,647
Long-term financial liabilities	(1,331)
Other long-term liabilities	(350)
Trade and other liabilities	(7,376)
Short-term financial liabilities	(769)
Provisions (Note 26)	(22)
Book value of net assets	(6,512)
Cumulative translation adjustments	(118)
Debt forgiven and other expenses	8,643
	2,013
Loss on disposal	(1,713)
Disposal consideration/Liquidation proceeds	300
Consideration payable	(150)
Cash and cash equivalents	(343)
Cash outflow on disposal	(193)

33. Costs for the auditor

The costs for the auditor include: audit of the consolidated financial statements TEUR 60 (2008: TEUR 60) and other audit services, concerning the separate financial statements of the parent company, the subsidiary High Performance Systems Holding GmbH and miscellaneous audit services amounting to TEUR 72 (2008: TEUR 58).

34. Management Board and related party transactions

No transactions of a material nature were concluded with related parties in 2009.

In 2009 the Management Board consisted of four members:

Christian Rosner, CEO
Martin Bergler, CFO
Georg Komornyik, COO (member from 1 January to 3 December 2009) and
Peter Sturz, COO (member since 1 January 2009)

With effect from 1 February 2010 Peter Trawnicek was appointed as further member of the Management Board.

In 2009 remunerations for members of the Management Board amounting to TEUR 1,085 (2008: TEUR 664 for two persons), consisting of TEUR 806 (2008: TEUR 443) fixed salaries and benefits, TEUR 29 (2008: TEUR 149) of bonuses, TEUR 130 (2008: TEUR 72) for a defined contribution retirement plan and TEUR 120 (2008: TEUR 0) for termination benefits. In the past fiscal year, no allocation was made to the provisions for leaving indemnities, as the corresponding contractual arrangement expired in 2006. As at 31 December 2009 no provision for leaving indemnities (2008: TEUR 0) for the members of the Management Board had been raised.

Members of the Supervisory Board:

Thomas Streimelweger, Chairman
Reinhard Moser, Deputy Chairman
Wolfgang Auer Welsbach
Andreas Frech (member since 15 May 2009)
Franz Jurkowitsch
Viktoria Kickinger (member since 15 May 2009)
Karl-Michael Millauer
Karl Nigl
Ernst Nonhoff
Kurt Waniek

The members of the Supervisory Board and related companies received remuneration and reimbursements of TEUR 188 in 2009 (2008: TEUR 148). The members of the Supervisory Board did not receive any other remuneration or benefits in kind from the company or its subsidiaries.

Loans to employees amounted to TEUR 199 (2008: TEUR 346) per balance sheet date. There were no loans granted to members of the Supervisory or Management Board.

35. Events after the balance sheet date

In March 2010 new credit terms were negotiated with a financial institution (also refer to Point 5.1 Financial Risk Factors – (2) Cash flow and interest rate risk under accounting policies).

With effect from 1 February 2010 Peter Trawnicek was appointed as further member of the Management Board.

Authorized for issue:

Vienna, 31 March 2010

The Management Board:

Christian Rosner

Martin Bergler

Peter Sturz

Peter Trawnicek

We draw attention to the fact that the English translation of this auditor's report is presented for the convenience of the reader only and that the German wording is the only legally binding version.

Auditor's Report

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of S&T System Integration & Technology Distribution AG, Vienna, for the fiscal year from 1 January to 31 December 2009. These consolidated financial statements comprise the consolidated balance sheet as of 31 December 2009, the separate consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year ended 31 December 2009, and the notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

The Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and with the legal provisions applicable in Austria. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing and with International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of 31 December 2009 and its financial performance and its cash flows for the fiscal year from 1 January to 31 December 2009 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Without qualifying our audit opinion, we draw attention to the disclosures contained in Note 5.1. 'Financial risk factors – liquidity risk' of the notes to the consolidated financial statements, where the Company comments on the existing liquidity risk. If the Company should be unable to implement the measures described there, a material uncertainty might arise with regard to the Group's ability to continue as a going concern.

In addition, we draw attention to the material uncertainties described in Note 1 'Basis of preparation' and Note 20 'Critical accounting estimates and assumptions' and the related risks. If the assumptions made there by management were not appropriate, this might result in a material impairment of individual amounts stated in the balance sheet.

Comments on the Management Report for the Group

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and whether the other disclosures in the management report for the Group do not give rise to a misstatement of the Group's financial position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB are appropriate.

In our opinion, the management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB are appropriate.

Vienna, 31 March 2010

PwC Wirtschaftsprüfung GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed:
Dr. Christine Catasta
Austrian Certified Public Accountant

Declaration of the Management Board in accordance with section 82 para. 4 no. 3 BörseG (Austrian Stock exchange act)

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, 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 the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties the group faces.

Vienna, 31 March 2010

The Management Board:



Christian Rosner



Martin Bergler



Peter Sturz



Peter Trawnicek





service

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Glossary

Archiving solutions

Solutions for the long-term, secure and unalterable storage of electronic data using a suitable storage medium, for the purpose of the structured safekeeping of data in line with statutory storage retention periods.

Business Intelligence

Business Intelligence primarily refers to the practice of automating reporting processes. Data collected from different transaction systems is used to analyze and evaluate the status of a company from different perspectives.

Business Innovation & Transformation Partner (BITP)

A so-called full service provider, which offers customers a mix of management and IT consulting, business process management services, as well as outsourcing, implementation and service. The objective is to achieve a long-term customer partnership and support on the basis of innovation and transformation services.

Business Solutions (BS)

One of the business units of the S&T Group, whose solutions range from strategic and process consulting to software development, adaptations and maintenance.

Cash Flow (operative)

The operative cash flow is a balance of inflows and outflows of cash from the principal revenue-producing activities of the entity and other activities that are not investing or financing activities (IAS 7.6).

Collaboration Tools

Collaboration refers to the integration of systems within a company, such as applications, data and processes relevant to communications. The goal is to optimize cooperative collaboration.

Cloud Computing

Cloud computing is an approach which makes available standardized IT infrastructures (e.g. server and/or storage capacity, also known as Infrastructure as a Service), finished IT platforms (Platform as a Service) and applications (Software as a Service) via a network or Internet and dynamically tailors them to requirements. Services are rendered within the context of pre-defined service level agreements and are invoiced based on actual use.

Deconsolidation

The removal of (former) subsidiaries from the scope of consolidation if the pre-requisites for consolidation no longer apply, for example after a sale or a significant reduction in the stake held by the company.

EBIT

Earnings Before Interest and Taxes. EBIT is an absolute yield parameter of an enterprise and indicates the operating result before interest and taxes.

EBITDA (Earnings Before Interests, Taxes, Depreciation and Amortization)

Indicates the operating result before interest, taxes, depreciation on fixed assets and amortization of intangible assets.

EBIT Margin

EBIT Margin is an operative business parameter. It is calculated from the relation of the EBIT to the sales turnover.

Earnings per Share

Is an important parameter for the determination of the earning power of an enterprise. It provides a measure of the interests of each share in the performance of the entity over the reporting period (IAS 33.11).

ERP

Enterprise Resource Planning supports companies to manage business processes such as inventory management, ordering processes, product planning, procurement and customer service. Application software consisting of several integrated modules provides the necessary technological underpinnings.

Equity

Equity stands for the financial means of an enterprise that have been provided by its proprietors (including any retained profits [profits not distributed to the shareholders]).

Gearing

Is defined as the relation between long and short-term loans and total assets.

Infrastructure Solutions

The business unit S&T Infrastructure Solutions (IS) provides consulting, purchasing, integration and operational services relating to IT components and IT infrastructure. In addition, IS includes the configuration, purchasing, distribution and administration of hardware and software as well as management services and the optimization of software licensing agreements.

IT Infrastructure

IT Infrastructure refers to material assets (workplace computers, storage and server systems as well as network security systems) and immaterial assets (software) enabling the operation of higher level application software.

Liability

A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow of resources.

Managed Services

Managed Services comprise SLA-based services designed to support different areas of IT operations (e.g. Managed Desktop Services, in which decentralized workplace systems can be put at the disposal of customers as a separate service).

Manufacturing Execution System

A Manufacturing Execution System serves the purpose of automated production planning, enabling the real-time control of production processes.

MS Exchange

A collaboration and communications system developed by Microsoft which enables the implementation of different tasks, such as the administration of emails, setting up of an Intranet or the preparation of schedules.

Nearshoring Center

Technical know-how in the field of software development is bundled at three S&T nearshoring centers. In particular, the Polish and Romanian facilities feature a high level of innovative strength, attractive price offers and customer proximity.

Net Financial Liabilities/EBITDA

Indicates the number of years theoretically needed to repay the liabilities relative to EBITDA.

No-Par-Value-Share

A no-par-value-share is a share without a nominal value. It refers to a particular part of the enterprise, without stating a fixed monetary value. Opposite: Par value share.

Microsoft.net

A software platform developed by Microsoft.

Outsourcing

IT outsourcing means that corporate structures and/or functions as well as the responsibility for carrying them out are partially or completely transferred to an external or third party service.

Prime Market

The Prime Market is a trading segment of the Vienna Stock Exchange for ordinary shares of issuers, which have been admitted for trading on the Official Market or the Second Regulated Market and which fulfill additional specified criteria. Admittance of shares for trading in the Prime Market is based, amongst other reasons, on assuming that the shares of the issuer will be accepted into continuous trading for the entire duration of its participation in the Prime Market. A further prerequisite is a minimum free float (Source: Vienna Stock Exchange).

PROMET

PROMET pragmatically refines the engineering approach and makes available procedural methods and templates for common project types and situations. The PROMET methodology was developed by S&T in cooperation with the University of St. Gallen.

Property, plant and equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and are expected to be used during more than one period.

Rebound

Upturn in share prices following a correction phase.

Receivable

A receivable is a contractual right, to receive cash or another financial asset from another entity.

Security

Security is a general term for dealing with dangers and hazardous events in connection with the use of IT infrastructure, and includes the protection of information and property against theft, forgery or loss from natural catastrophes, also ensuring simple access for authorized users at the same time.

Server

A computer or software that provides services for client computers and/or applications.

Shareholders' equity

Shareholders' equity refers to the financial resources or capital of a company provided by the owners (including all retained profits, i.e. profits not distributed to shareholders).

Vertical markets/industries

Vertical markets are those in which goods or services of a certain industry are offered. The S&T portfolio in the Business Solutions segment is tailored to meet the precise needs of selected vertical industries e.g. manufacturing, trade or insurance.

Virtualization

This refers to the abstraction of IT infrastructure resources and is a method underlying the logical sharing of server, storage and network system resources. For this reason, several logical servers can be operated on one physical server.

Virtual Data Center

The bringing together of a conventional data center infrastructure with a storage network, server landscape and relevant applications to create a completely virtualized architecture.

VMware

Leading company for the development and marketing of virtualization software.

Working capital

The working capital is the difference between current assets and current liabilities.

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