

Corporate Governance:

Corporate Governance Report

Guidelines

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

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

- 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.

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 is firmly anchored in the Group in line with this commitment. In order to make this transparent to all stakeholders, S&T was one of the first companies to declare its commitment to voluntarily 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. In 2011, we particularly aim to reaffirm the trust our shareholders, business partners, employees and the public have placed in us, and further develop corporate governance throughout the S&T Group.

About the Austrian Corporate Governance Code

The Austrian Corporate Governance Code took effect in October 2002. As of January 1, 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 is 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 and previous versions of the Austrian Corporate Governance Code are 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 2010 version, with the following exceptions*:

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 company on a case by case basis should the need arise.

Rule 31 – Management Board remuneration

In 2010, for the first time and including the 2009 figures for comparison, the listing of the remuneration paid to the Management Board members will be divided into two groups, i.e. the active board members as at December 31, 2010, and the previous board members, in order to clearly differentiate the two groups. The Management Board does not believe that any further breakdown would be of added value to investors.

Rule 41 – Nomination Committee

The Nomination Committee was formed in 2010 as planned in the previous year.

Rule 43 – Remuneration Committee

This committee was also established in 2010.

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 formally 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 structures, 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 a 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.

Responsibilities and Interaction of the Management and Supervisory Boards

The Supervisory Board

As at December 31, 2010, the Supervisory Board of S&T consisted of nine members (December 31, 2009: ten). Refer to the section on Members and Committees of the Supervisory Board, page 22.

Duties of the Management and Supervisory Boards

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

Cooperation between the Management and Supervisory Boards

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 concerning the strategic orientation of the Group and important business initiatives with respect to the budget and corporate planning.

* 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.

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

Similar to all 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 there will be some voting how to react on such facts.

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).

Neither former members of the Management Board nor former senior executives are represented on the Supervisory Board. There are also no cross-involvements. No loans were granted to Supervisory Board or Management Board members, nor were such loan agreements concluded. Information on related party transactions is provided to the notes to the consolidated financial statements on page 90.

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 specialist who serves as Chairman of the Audit Committee.

Supervisory Board committees

In the year 2010 two additional committees, the Nomination and Remuneration Committees, were established in addition to the committees set up in 2009. Accordingly, the following committees had been set up as at the reporting date of December 31, 2010:

Audit Committee*

The Audit Committee must perform the duties incumbent upon it as stipulated in Section 92 Para. 4a Stock Corporation Act. This means that the committee deals with all issues pertaining to the annual financial statements, auditing of the Group, accounting and reporting on behalf of the entire Supervisory Board. In addition, the committee evaluates the risk management of the company as well as the independence and quality of the auditor. The Audit Committee met twice during the year under review. Proposals were developed to appoint the auditor and give attention to the annual financial statements. Moreover, the committee dealt with the company's risk management activities and the liquidity situation.

Chairman and members:

Karl-Michael Millauer (Chairman, financial expert)
Reinhard Moser (Deputy Chairman)
Thomas Streimelweger (until his resignation from the Supervisory Board)
Karl Nigl
Kurt Waniek

Strategy Committee*

The responsibility of the Strategy Committee is to discuss the strategy of the company with the Management Board and develop proposals to further develop the company's business. The Strategy Committee convened five times in the reporting period, and primarily focused on the further development of the business strategy.

Chairman and members:

Andreas Frech (Chairman)
Ernst Nonhoff (Deputy Chairman)
Thomas Streimelweger (until his resignation from the Supervisory Board)
Kurt Waniek

Nomination Committee*

The Nomination Committee convened for its constituent meeting on December 1, 2010. The focus of its work is to prepare nominations for Management Board positions on behalf of the Supervisory Board and submit the corresponding resolution to the Supervisory Board. The committee held six sessions in December 2010, and dealt with the search and selection of a Chief Restructuring Officer working together with external specialists, and the preparation of the nomination (which took place in 2011).

Chairman and members:

Andreas Frech (Chairman)
Franz Jurkowitzsch (Deputy Chairman)
Ernst Nonhoff

* As of December 31, 2010

Remuneration Committee*

The Remuneration Committee was established on September 23, 2010. The committee's task is to prepare issues relating to the remuneration of Management Board members and the contents of employment contracts with Management Board members, as well as changes and termination of employment contracts with these members. It also prepares proposals for granting bonuses (variable salary components) and similar matters in order to submit the relevant resolutions to the Supervisory Board. The committee convened four times in the reporting period and deal with developing a supplementary clause to the Management Board contract with Mr. Streimelweger and reaching a termination agreement with him.

* As of December 31, 2010

Chairman and members:

Andreas Frech (Chairman*)
 Reinhard Moser (Deputy Chairman)
 Viktoria Kickinger*
 Kurt Waniek

Remuneration of the Supervisory Board

On May 19, 2010, the Annual General Meeting of S&T approved a resolution stipulating an annual fixed remuneration of EUR 10,000 p.a. for every member of the Supervisory Board with the exception of Wolfgang Auer-Welsbach and EUR 12,000 p.a. for the Chairman. No remuneration was approved for Wolfgang Auer-Welsbach. The remuneration scheme applies for the

* Ms. Kickinger assumed the position as Chairwoman in 2011.

MEMBERS AND COMMITTEES OF THE SUPERVISORY BOARD AS AT DECEMBER 31, 2010

Name	Position	From	To	Independence
Viktoria Kickinger (born 1952)	Member (1)	2009	2013	x
Reinhard Moser (born 1951)	Deputy Chairman	2007	2012	x
Franz Jurkowsch (born 1948)	Member	2007	2012	x
Karl-Michael Millauer* (born 1958)	Member	2007	2012	x
Karl Nigl (born 1949)	Member	2007	2012	x
Kurt Waniek (born 1959)	Member	2007	2012	x
Ernst Nonhoff (born 1944)	Member	2007	2012	x
Andreas Frech (born 1959)	Chairman 29.6.2010 to 17.1.2011 (2)	2009	2011	x
Wolfgang Auer-Welsbach (born 1956)	(3)	2008	(3)	(3)

(1) Chairman since January 17, 2011

(2) Resigned on January 31, 2011

(3) Resigned on January 31, 2011

Furthermore Mr. Thomas Streimelweger served as Chairman of the Supervisory Board until June 29, 2010. The remuneration paid to him for the period from the Annual General Meeting until his leaving this corporate body amounted to EUR 2,000.

periods between the annual general meetings, and not for the respective calendar year.

With the exception of Mr. Thomas Streimelweger, the Supervisory Board members did not receive any other remuneration or privileges granted by the company or its subsidiaries apart from the pre-defined attendance fees to the amount of TEUR 1 per session of any committee and participant and the related compensation for travel costs. The reimbursement of costs to Mr. Streimelweger is detailed following the disclosure of the Management Board remuneration. The annual remuneration is calculated on a pro-rata basis upon resigning from the Supervisory Board. This was the case in 2010 with Mr. Streimelweger and Mr. Frech.

Members of committees				Remuneration 2010
Audit Committee	Strategy Committee	Nomination Committee	Remuneration Committee	in EUR
			Member	12,000
Deputy Chairman			Deputy Chairman	10,000
		Deputy Chairman		10,000
Chairman				10,000
Member				10,000
Member	Member			10,000
	Deputy Chairman	Member		10,000
	Chairman	Chairman	Chairman	12,000
(3)				0

Report of the Chairman of the Supervisory Board

The Supervisory Board of S&T AG held a total of eleven meetings in the course of the 2010 financial year. The Management Report regularly informed the Supervisory Board about the development and situation of the company, as well as about major projects and business transactions. Based on these reports and information provided by the Management Board, the Supervisory Board conducted 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 carried out in a proper and orderly manner.

The financial statements of the holding company and the consolidated financial statements for the 2010 financial year were audited by the appointed auditor, PwC Wirtschaftsprüfung GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft and were granted an unqualified opinion for the holding company of the Group. Due to the insolvencies that occurred after the balance sheet date of the subsidiaries included in the consolidated financial statements, S&T Deutschland GmbH, Germany, and S&T Schweiz Consulting AG, Switzerland, the audit of the financial information of these companies could not be performed due to the lack of access to original financial data, and thus a final assessment of this financial information was not possible. With respect to these figures the auditor granted a qualified opinion to the consolidated financial statements. Moreover, the auditor also confirmed that the Management Report and the Group management report for the 2010 financial year are consistent with the financial statements and the consolidated financial statements.

Following a comprehensive review and discussion in the Audit Committee and at the Supervisory Board's meeting with the auditor, the Supervisory Board declared that it concurs with the management report prepared pursuant to Section 127 Austrian Stock Corporation Act (AktG), and formally approved the financial statements for the 2010 financial year, including the proposal on the appropriate of the profit, where are thus hereby adopted in accordance with Section 125 Para. 2 Stock Corporation Act. Furthermore, following a comprehensive evaluation and discussion in the Audit Committee and in its meeting with the auditor, the Supervisory Board approved the Group management report and the consolidated financial statements submitted in accordance with Section 127 Stock Corporation Act.

The Supervisory Board established two committees in 2010, the Nomination Committee and the Remuneration Committee.

At the Supervisory Board meeting held on June 29, 2010, Mr. Thomas Streimelweger was named to serve as the new Chairman of the Management Board following the Supervisory

Board's acceptance of the resignation of Mr. Christian Rosner as CEO effective July 1, 2010. In the light of his new position, the appointment of Mr. Streimelweger was revoked as Chairman of the Supervisory Board on June 29, 2010, and he resigned from the Supervisory Board effective June 30, 2010. As of July 31, 2010, Mr. Rosner and the Supervisory Board reached an amicable agreement on the termination of his employment contract on the Management Board.

Mr. Andeas Frech was appointed as the Chairman of the Supervisory Board on June 29, 2010. He remained in this position until his resignation on January 17, 2011. He was succeeded by Ms. Viktoria Kickinger, and left the Supervisory Board for personal reasons effective January 31, 2011. Moreover, Mr. Wolfgang Auer-Welsbach also resigned from the Supervisory Board on January 31, 2011.

The term of service of Mr. Thomas Streimelweger on the S&T Management Board was terminated on November 23, 2010 as a consequence of his resignation, which was accepted by the Supervisory Board. On December 1, 2010, the Supervisory Board named Martin Bergler as the new Spokesman of the Management Board.

Effective January 31, 2011, the Management Board was extended to include four members based on the appointment by the Supervisory Board of Mr. Michael Lanik as the Chief Restructuring Officer and Spokesman of the Management Board. On April 8, 2011, a works council as constituted for the first time at S&T AG. Subsequently three members of the S&T Works Council were appointed to serve on the Supervisory Board.

Vienna, May 27, 2011



Viktoria Kickinger
Chairwoman of the Supervisory Board

Changes in the Management Board after July 31, 2010

As already mentioned, Andreas Frech and Wolfgang Auer-Welsbach both ended their term of office on the Supervisory Board in 2011. The committee positions of Mr. Frech were assumed by Ms. Kickinger. On April 8, 2011 the constituent meeting of the S&T Works Council took place. Subsequently three members of the Works Council were elected to the Supervisory Board as the employee representatives.

The Management Board

Management Board and management

The Management Board of S&T AG consisted of three or four members in the 2010 financial year. As at January 1, 2010, the Management Board was composed of the four members listed in the previous year's Annual Report, i.e. Christian Rosner, Martin Bergler, Peter Trawnicek and Peter Sturz. Effective July 1, 2010, Thomas Streimelweger succeeded Christian Rosner, who resigned from his position as Chairman of the Management Board at his own request and left the Management Board entirely on July 31, 2010. Mr. Streimelweger served in this position until resigning from the Management Board on November 23, 2010. Accordingly, at the end of the 2010 financial year, the Management Board consisted of three members, in which case Martin Bergler was appointed to serve as the Spokesman of the Management Board on December 1, 2010.

Effective January 31, 2010, the Management Board was expanded to four members again due to the appointment of Mr. Michael Lanik as the Chief Restructuring Officer and Spokesman of the Management Board.

Michael Lanik, Chief Restructuring Officer, Spokesman of the Supervisory Board (Born 1947)

Group functions

Mr. Lanik is responsible for the implementation of the company's financial and operative restructuring measures as well as communications concerning these measures.

Professional career

Michael Lanik was educated in computer sciences in Vienna and Paderborn, specializing in ERP systems. Subsequently he worked for 14 years in the computer industry. Mr. Lanik has more than 20 years of experience as a restructuring specialist, CRO and turnaround manager carrying out more than 30 mandates in various industries. He also spent three years as a managing partner in a private equity fund. Most recently he was the sole director of a wholesale company in the sanitary and heating sector.

Martin Bergler, CFO, Spokesman of the Management Board from December 1, 2010 to January 30, 2011 (Born 1959)

Group functions

Accounting, Controlling, Finance, Law, Internal Audit, Risk Management, IT, Country Management Finance & Administration, Human Resources, Investor Relations.

Professional career

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

Peter Trawnicek, COO BS (Born 1963)

Group functions

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

Professional career

Since February 1, 2010 S&T AG, COO; 2007-2009 Microsoft Corporation Managing Director EMEA SAP Alliance; 2005-2007 Microsoft Corporation Director Business Solutions Central Eastern Europe; 2004-2005 Fujitsu Siemens Computer Austria, Managing Director; 1995-2004 SAP Austria 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 Austria GmbH, Project Manager 1989-1991

Peter Sturz, COO IS (Born 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 2009 S&T AG, COO; 2007-2008 S&T, Region 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.

All members of the Management Board are jointly responsible for Strategy, M&A and Business Development.

Remuneration of the Management Board

The remuneration paid to members of the Management Board is proposed by the Remuneration Committee and resolved upon by the entire Supervisory Board. Pursuant to Austrian law, management board contracts are concluded for a period of 3-5 years. 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 fund agreement with a 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.

In concluding Management Board contracts for 2010, a limitation of severance payments in case of a premature termination of employment was taken into account. In this case S&T complied with the stipulations contained in Rule 27a.

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

Disclosure of Management Board remuneration

Total gross salaries for the members of the Management Board amounted to TEUR 1,641 in the past 2010 financial year for all five members (2009: TEUR 1,085 for four members). This encompassed TEUR 773 for active members (2009: TEUR 459) and TEUR 868 (2009: TEUR 625) for former members. The remuneration is broken down as follows below.

The following people are included in the category, "retired members":

- 2010: Christian Rosner, Thomas Streimelweger;
- 2009: DI Georg Komorniyk, Christian Rosner.

Severance payments involved the premature termination of the employment contracts with Mr. Christian Rosner and Mr. Thomas Streimelweger. As at December 31, 2010, no severance payment provisions were allocated for claims on the part of the Management Board (2009: TEUR 0).

The above-mentioned figures represent expenses which in some cases do not correlate to the actual payments. The negative amounts arose in 2009 due to the release of provisions.

Furthermore during the year under view TEUR 90 for the reimbursement of expenditures was paid or allocated to provisions for companies related to Thomas Streimelweger. In the previous year the remuneration for costs paid to Mr. Streimelweger as Chairman of the Supervisory Board totaled TEUR 86.

		Fixed salary			Variable salary	Severance payments incl. employee retirement fund	Pensions
		TOTAL	During active work	After leaving Man. Board			
Active members as at December 31, 2010	2010	773,116	514,792	0	164,150	7,294	86,880
	2009	459,298	363,316	0	29,361	6,141	60,480
Retired members	2010	867,509	282,568	344,547	0	159,754	80,640
	2009	625,245	430,560	0	-451	126,016	69,120
TOTAL	2010	1,640,625	797,360	344,547	164,150	167,048	167,520
	2009	1,084,543	793,876	0	28,910	132,157	129,600

Other disclosures

D&O insurance

A D&O Insurance (directors and officers liability insurance) in line with modern-day standards has been 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 and Supervisory Boards and top executive positions

In reality, S&T has long included women in its internal and external selection process for top positions. In fact, S&T is at the cutting edge of the IT sector. In 2010, women were appointed to several top positions at the company. In January 2011 a woman was named to serve as the country manager for the Bulgarian subsidiary. In January 2011 we also reported about the first-time election of a woman to chair the S&T Supervisory Board.

Appointment of auditor and audit fee

The Annual General Meeting of S&T AG held on May 19, 2010 appointed PwC Wirtschaftsprüfungs GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft to audit the annual financial statements and consolidated financial statements of S&T for the 2011 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 (2009: TEUR 60) invoiced as an audit fee and TEUR 80 (2009: TEUR 72) 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. Moreover, TEUR 50 was invoiced for the additional time involved in auditing the consolidated financial statements of the S&T Group.

Compliance

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

Internal auditing

The Internal Audit department supports the Management Board in reaching corporate targets by evaluating the effectiveness of S&T's risk management, internal control system along with the management and supervisory processes based on a systematic and targeted approach, and helps to improve these processes. Moreover, the internal audits examine adherence to internal

guidelines and operating processes with respect to their effectiveness and efficiency, and the extent to which they are oriented to enhancing value creation.

All results of the internal audits are regularly reported to the Management and Supervisory Boards.

The further development of the Internal Audit department has been underlined by the audit system approved by the Management Board, which took effect on August 2, 2010. This audit system not only includes a risk-oriented audit plan based on Group-wide process-oriented risk evaluation and the expansion of the types of audit carried out but also a quality assurance program.

Internal auditing is also involved in consulting on internal projects in order to implement improvement measures designed to minimize current and future risks.

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 also coordinates Group-wide hedging measures.

The risk policy and guidelines for systematic risk management are defined in the risk management handbook are implemented throughout the Group. 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.

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 37.

Internal control system for financial reporting

Regarding the internal control system for financial reporting reference is made to the detailed explanation contained in the Management Report.

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 December 31, 2010. Above and beyond this fact, there are no preferential shares or restrictions. The principle “one share – one vote” applies. The biggest core shareholder at the beginning of 2010 was the AvW Group, which held a stake of about 29% of S&T shares via AvW Group AG and AvW Invest AG. Upon the opening of bankruptcy proceedings as concerns the assets of both companies, Insolvenzverwaltungsges.m.b.H. was appointed to serve as the bankruptcy trustee. Since that time Gerhard Brandl, attorney, and Ernst Malleg, tax consultant and auditor, have exercised the effective control over these voting rights as their stockholders.

The second main shareholder is Mr. Thomas Streimelweger, who together with related companies owns about 28% of S&T shares. 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 17 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 16, 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 countries in which S&T operates.

Corporate Social Responsibility

The international nature of the business operations of the S&T Group is based on adherence to different legal regulations and social customs in the countries in which S&T operates. The Code of Conduct defines the obligations of the company and the behavior of each S&T employee towards stakeholders, fellow employees, customers and suppliers.

The S&T Group endeavors to support the sustainable development of those markets and countries in which the company is active. For this reason, S&T supports initiatives in the fields of education, science and in the social sector. S&T Macedonia and S&T Moldova regularly donate computers and computing equipment to children's homes. For years S&T Poland has provided support to the Iskierka foundation for children with cancer.

Selected CSR projects

Each One Teach One

S&T Slovenia implemented the project "Each One Teach One" which supports selected initiatives of U3A, the University of the Third Age in Slovenia. This is an international educational institution for older adults, who confront scientific and educational issues in an academic environment by attending seminars, lectures and working groups and who also work on their own further education. The Slovenia U3A has already set up a network of over 40 universities throughout the country. Employees at S&T Slovenia share their knowledge with students at the university. In particular, they convey their know-how in computer courses. S&T also provided for the technical equipment of the classrooms. The aim of the project is to exploit the existing expertise in companies and pass it on to the local population.

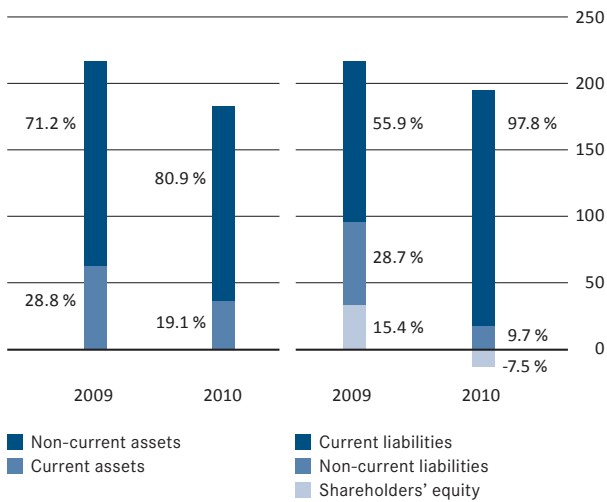
Employee Assistance Program

S&T Austria offers employees external and cost-free support in times of crisis. The objective of the consulting is to learn to deal with difficult situations in life as constructively as possible. The focus is on coaching on problems in their careers, such as professional re-orientation, burnout, conflict management and also personal advisory services. The consultants boast specialized legal, psychological and medical training. This employee service guarantees absolute discretion and protects the anonymity of individuals towards the employer.

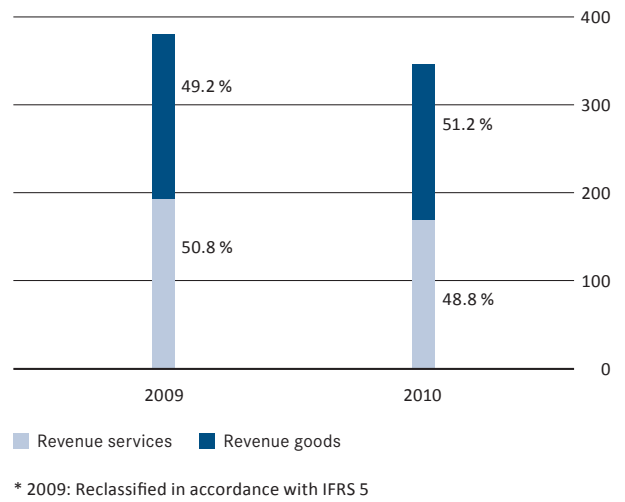
ILM Training Center

In 2007, the Sofia University of Technology opened a training laboratory specializing in developing solutions in the fields of ILM (Information Lifecycle Management) and Business Continuity / Disaster Recovery. On the basis of this project, S&T Bulgaria brings research and business a bit closer together and makes innovative technologies available enabling students to practice and test their skills in a real environment. The results obtained are then put at the disposal of potential and existing S&T customers. The ILM Training Center also offers courses for students, customers of S&T and its employees within the context of internal university curricula. The cooperation was successfully continued again in the year 2010.

BALANCE SHEET STRUCTURE (in EUR million)

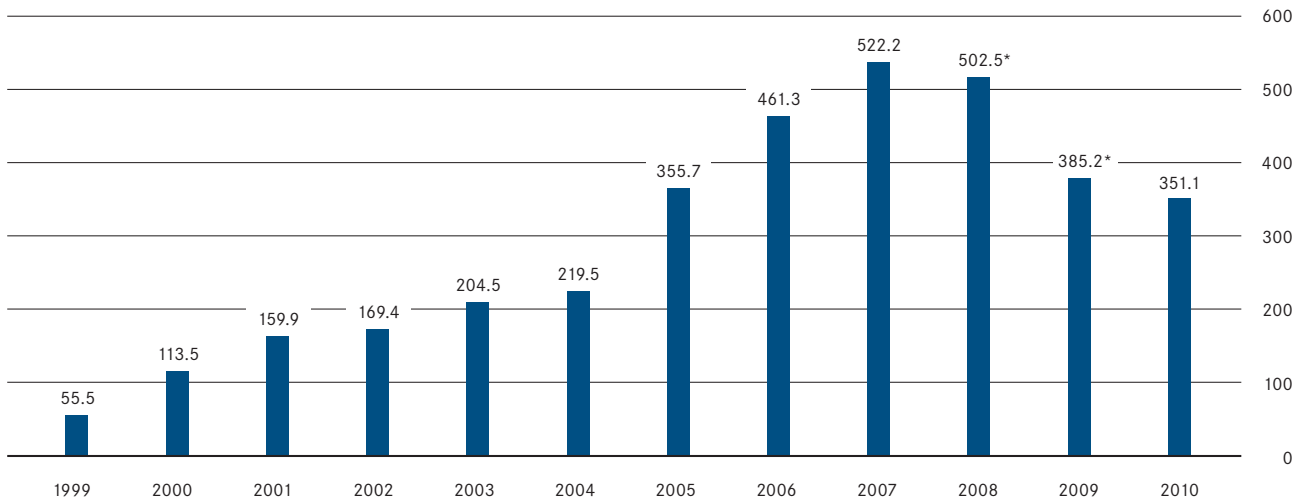


DEVELOPMENT OF SERVICE SHARE IN REVENUES (in EUR million)*



* 2009: Reclassified in accordance with IFRS 5

DEVELOPMENT TOTAL SALES SINCE 1999 (in EUR million)



* Reclassified in accordance with IFRS 5