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DISCLAIMER

This Annual Report reflects the situation of S&T as per December 31, 2001. The Annual Report contains certain forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, financial condition, performance or achievements of S&T, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following:

- competition from other companies,
- changes in operating expenses,
- attraction and retention of qualified employees,
- uncertainties arising out of S&T's operation outside Austria,
- adverse changes in applicable tax laws,
- adverse changes in governmental rules and fiscal policies,
- civil unrest,
- acts of God,
- acts of war, and
- other factors referenced in this Annual Report.

Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. No representation or warranty can be given, expressly or implied, regarding the correctness, completeness or fairness of information and opinion regarding such forward looking statements contained in this Annual Report. S&T disclaims any obligation to update any such forward-looking statements to reflect future events or developments.

S&T and the persons acting on behalf of S&T do not accept any liability whatsoever arising from any use of this Annual Report or its contents or otherwise arising in connection therewith.



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MISSION STATEMENT

S&T is the preferred provider for mission-critical IT solutions and services in the Emerging Countries of Central and Eastern Europe

- > S&T is a predictable and reliable partner for shareholders, customers and employees
- > S&T is committed to exceeding customer expectations for quality and on-time performance
- > S&T management and personnel participate in the success of the company through an industry leading reward system



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LETTER TO SHAREHOLDERS



> DEAR SHAREHOLDERS, CUSTOMERS AND COLLEAGUES,

The 2001 Business Year represented further positive developments for our Company. Sales increased by 41% to a record € 160 million and EBIT rose by 21% to a new high of € 4 million. We gained an important foothold on key markets in Central and Eastern Europe by integrating companies in Poland, Hungary, Czech Republic, Slovenia and Romania. S&T now employs a workforce of 815 in 14 countries throughout Central and Eastern Europe.

Compared to our original plans at the beginning of the year, we exceeded sales forecasts by a substantial amount but were required to revise our ambitious profit goals. The IT industry remained depressed throughout the year as a result of the economic downturn in the United States and its gradual spread to Europe. Our earnings growth was further hampered by the one-time effect of a € 1.0 million provision for doubtful receivables from Bank Ukraine.

In keeping with our strategy, we continued to refocus our portfolio away from IT hardware toward software solutions and services. This is demonstrated by the shift in sales generated by the individual business units. Information Technology Solutions (ITS), our largest division, recorded 65% of Group sales in 2001 compared to 54% in the prior year, while Customer Support (CSO) accounted for 12% (2000: 11%), and Medical Systems (MED) 13% (2000: 8%). Information Technology Distribution (ITD) declined as planned from 21% to 10%.

To further support our development as a major player in the IT service business, we extended our SAP solution capabilities from Slovenia to our existing organizations in Croatia and Yugoslavia. The acquisition of specialized companies in Romania (Netway srl) and Slovenia (Aster doo) will provide us with added resources in the consulting and service area. The steady restructuring of our portfolio was also reflected in the sale of HPC d.o.o., a Slovenian subsidiary of S&T, during the third quarter of 2001. This PC and printer distribution unit contributed 21% to Group sales in 2000.

The year 2002 will be characterized by further growth, both organic and through acquisitions. We plan to enter the Turkish market through a carefully selected acquisition. This market is expected to make a positive contribution to earnings in the initial year of operations. S&T will also identify and develop promising opportunities for expansion in Russia, Poland and Hungary. At the same time, we intend to maintain a clear-cut focus on IT services. In order to speed up the pace of growth in this area, we have created a separate business unit named Solution Design. This division, which was previously part of ITS (Information Technology Solution), is expected to form the basis for above-average growth in both revenues and profit over the coming years.

Our future development will be shaped to a large extent by the eastward expansion of the European Union. By 2004 the first countries in Central and Eastern Europe are scheduled to join the EU. This membership is expected to trigger a significant rise in IT spending throughout the region, as both institutions and companies rush to compensate for the past and achieve rapid integration with EU institutions.

By this time, S&T will be established as the provider of choice for high-end, mission-critical IT solutions in Central and Eastern Europe. We intend to play a major role in consulting, implementation, ongoing support, and customer education for required solutions.

At this point I would like to express my appreciation to all our employees for their dedication and enthusiasm. Their efforts represent the basis for our past achievements and future success. My thanks also go out to our shareholders, customers, and business partners for their continued support and loyalty.

Sincerely,



Karl Tantscher

Chief Executive Officer | S&T Systems Integration & Technology Distribution AG

THE FOLLOWING BUSINESS UNITS REFLECT OUR NEW ORGANIZATIONAL STRUCTURE:

Solution Design (SD):

software and consulting services

System Integration (SI):

high-end hardware design and
implementation

Customer Support (CS):

ongoing 24/7 support for
demanding customers

Medical Systems (MED):

sale, implementation and support
for Philips medical diagnostic
systems (formerly Agilent)

THE MANAGEMENT BOARD



KARL TANTSCHER | 54 | CO-FOUNDER OF S&T (1993) | CHIEF EXECUTIVE OFFICER AND CHAIRMAN OF THE MANAGEMENT BOARD SINCE 2000.

From 1972 to 1977 he worked as a systems analyst with Control Data Corporation in Vienna. In 1977 he joined Hewlett-Packard where, for 17 years, he held various management positions in sales, marketing and business development for Southeast Europe, Middle East and Africa. His responsibilities at S&T include strategic planning, organizational development, acquisitions, investor relations, and selected key accounts. A particular challenge in the coming year will be to “continue our expansion course through selected acquisitions and organic growth and at the same time accelerate the shift from products to services”.

**MARTIN BERGLER | 41 | CHIEF FINANCIAL OFFICER
AND MEMBER OF THE MANAGEMENT BOARD SINCE 1998**

He is responsible for organizational development, finance and administration, acquisitions, and investor relations. From 1984 to 1988 he served as finance specialist, account manager and consultant in the financial engineering and project finance areas with Girozentrale Bank in Vienna. From 1989 to 1998 he was CEO of MAZDA Bank Austria AG and Managing Director of MAZDA Austria Leasing- ges.m.b.H, operating also in Slovenia, Croatia and Hungary. In 2002 his activities will focus primarily on managing and financing growth, and supervising the integration of acquired companies. He considers it particularly important for S&T to “maintain high corporate governance standards and a lean administration while growing fast in emerging markets”.

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SUPERVISORY BOARD

> SUPERVISORY BOARD

PETER KOHL | 62 | CHAIRMAN

Former Regional Director for Southern and Eastern Europe, Hewlett-Packard Vienna and Geneva.

REINHARD MOSER | 50 | DEPUTY CHAIRMAN

Professor of Business Administration and Head of the Institute of International Business, Vienna University of Economics and Business Administration, Vienna.

FRANZ HÖRHAGER | 45 | MEMBER

Managing Director of Mezzanine Management GmbH, an investment and financial advisory firm active in Central and Eastern Europe; former head of international commercial banking for the Bank Austria Group.

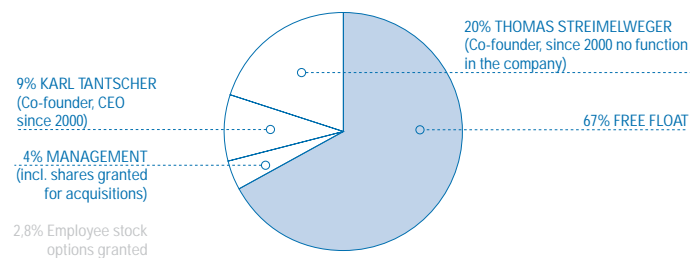
WILHELM HENDRICKS | 84 | MEMBER

Serves on the boards of various international non-governmental institutions and trade companies and has been involved in East-West trade since 1952; Honorary Consul of the Republic of Gabon.

KARL-MICHAEL MILLAUER | 42 | MEMBER (AS OF APRIL 27, 2001)

Member of the Management Board of BWT AG, responsible for the "Aqua Systems Technologies" business area. In his last position on the Management Board of WOLFORD AG, he was responsible for the development of overseas markets and played a leading role in the company's IPO and subsequent Investor Relations activities.

> SHAREHOLDER STRUCTURE | 3,495,600 ordinary voting shares



MANAGEMENT STRUCTURE

> MANAGEMENT STRUCTURE AND PHILOSOPHY

S&T has created a management structure that is ideally suited to oversee and develop international operations. The management process is directed from two different angles. Our business in Central and Eastern Europe is divided into four regions – Adriatic, Cyrillic, Central, and South – each with a Region General Manager responsible for operational results, marketing, organizational development, and key accounts. The other facet of our management approach revolves around the types of services offered by S&T – Customer Support, IT Solution Design, and IT System Integration. Each of these business units is under the charge of a single Business Unit Manager who is responsible for sales development, supplier relations, and cross-regional fertilization. A Human Resource Manager complements our key management. This matrix structure provides optimal support for the implementation of our Company strategy, coordinated development of existing and new markets, and the efficient control of our business.

A cornerstone of our management philosophy is entrepreneurship. Our managers are developers and innovators who have the ability to identify opportunities and transform these opportunities into reality. They take on the risks of the marketplace and benefit from its rewards. These rewards are reflected in our compensation program for management, which is based on the “balanced scorecard” approach. This form of management by objective is used to set objectives and measure results. Our compensation includes a significant variable component for all functions, which is based on the achievement of sales and profitability targets.

> STRATEGIC GOAL: NO. 1 IN EMERGING EUROPE

Depending on economic developments, S&T should be able to generate organic growth rates of 20% – 30% per year on the markets in which we operate. The continued shift towards value added services will help us reach this goal. We will also continue to make selected acquisitions of IT service companies. From 1999 – 2001, we acquired nine companies or groups with revenues ranging from € 2 million to € 40 million. All have been successfully integrated into the S&T organization. Our acquisition plans for 2002 will focus on opportunities in Turkey, Russia, Poland and Hungary.



S&T MANAGEMENT

S&T'S REGIONAL MANAGERS



KLAVDIJ
GODNIC
Adriatic Region

IRINA
D'AMICO-JANISCH
Cyrillic Region

DAN
ROMAN
Region South

PETER A.
KUNZ
Central Region

S&T – THE IT SERVICE COMPANY



> FROM HARDWARE SELLER TO SERVICE PROVIDER

S&T is a leading IT systems integrator in Central and Eastern Europe. Our clients include leading companies in telecommunications, the financial sector, energy, and manufacturing industries as well as government agencies. We provide a wide range of IT consulting services, develop and implement customized solutions, and offer 24/7 customer support. S&T is a specialist for highly critical applications that require dependable back up and disaster recovery functions.

We at S&T sell solutions, not products. We cover all stages necessary to complete the most challenging IT projects. At the start of an IT assignment, our Solution Design (SD) business unit offers consulting and project management services tailored to meet the individual needs of our customers. The installation of hardware for networks, servers, and storage solutions with all necessary software adaptations and developments is the responsibility of our System Integration (SI) business unit. The Customer Support (CS) business unit, which is available 24 hours every day, guarantees reliable service and nonstop operations for our customers.

In keeping with our corporate strategy, we are continuing to shift the focus of our business from the sale of hardware to the development of comprehensive IT solutions. We are currently the only company to provide both sales and support for multivendor IT environments across the emerging countries of Central and Eastern Europe. Our goal is to become the undisputed Nr. 1 systems integrator for mission-critical IT solutions in this region.

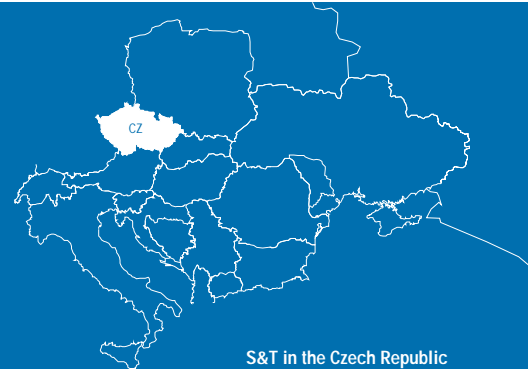
SUCCESS STORIES

CZECH REPUBLIC – BANKING | Česká Spořitelna a.s.

Česká Spořitelna is the second largest bank in the Czech Republic and a member of the Erste Bank Group (Austria). It is the market leader in Retail Banking with a share of 35% in primary deposits, 50% in lending, 30% in mortgage loans, and 75% in ATM and credit cards. A further core business involves services for small and medium-sized companies. Česká Spořitelna has 680 branch offices and 12,600 employees.

The expansion of business created a demand for new technology solutions. Česká Spořitelna needed to integrate branch offices and introduce new technologies because existing systems were unable to handle data capacity – they were too slow, unreliable and not secure enough. In addition, recently introduced banking and support applications for customers required a better infrastructure, network throughput, and security. Česká Spořitelna selected S&T (NEOS Computer a.s.) because of our reputation for providing first-class solutions and solving complex problems. Our experience with network technologies was a further decisive factor. This large project was divided into several segments, with work extending from 1999 to 2001. All sub-projects involved a sizeable number of specialists and, in some cases, parallel activities. A unique aspect was the required implementation during normal working days with no interruption of bank operations.

The old networking technology had been supplied by different vendors and was therefore difficult to maintain. In contrast, the new system uses only CISCO technology as a base. We also made substantial improvements in data transmission by installing a fast local area network (LAN) at every branch office. Each of the 680 Česká Spořitelna branches now has its own dedicated line to allow secure data exchange and fast Internet access. We also connected the various headquarters buildings, data centers and server farms with a high-speed link (GigabitEthernet), which is 10 times as fast as the LAN connection.



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www.sntcr.cz

Česká Spořitelna now has leading-edge network architecture, which is standardized and suitable for future expansion. The network infrastructure provides an optimal environment for business applications, and will reduce operating costs and time.

SUCCESS STORIES



S&T in Slovakia

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Branch Offices:
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LADISLAV COCHER
IT-Director of Slovenské
Elektrárne, A.S.

**LONG-TERM
PARTNERSHIP,
PROVEN SUCCESS**

SLOVAKIA – ENERGY | Slovenské Elektrárne, A.S.

Slovenské Elektrárne (SE) was founded in 1994 by the National Property Fund of the Slovak Republic. The primary business of SE is the generation, transmission and sale of heat and electricity both in Slovakia and across borders, and the operation of transmission systems. The company manages 39 power plants, including 34 hydroelectric plants.

Up-to-date information is critical for SE operations. The present infrastructure provides reliable service, but does not include a high-availability system that can prevent unexpected downtime and related financial losses.

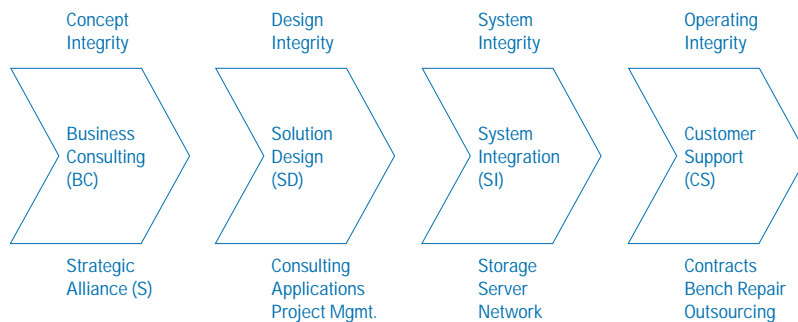
This specific project covers the design and implementation of IT infrastructure in two phases with an operating system upgrade that supports all the new features, Hewlett-Packard clusters (servers which run 24/7 even if one of them breaks down), a high-availability storage solution, and backup/restore system. It involves co-operation with Hewlett-Packard, Pronix, Delta, and Aiten, all major players in the IT business.

The partnership between S&T and Slovenské Elektrárne dates back to 1994, with SE's selection of Hewlett-Packard as preferred technology provider and S&T as the most experienced company to implement and support these high-tech products. This connection with S&T quickly became an outstanding relationship because of the high-quality services provided by specialists at S&T Slovakia. It was therefore a logical conclusion for SE to choose S&T Slovakia for this high-availability, large-scale upgrade project. S&T's experience and direct approach in dealing with problems proved to be a highly valuable asset and guarantee for successful results.

> SERVICES TO GROW ON

Information Technology Solutions was the core segment of S&T's business in 2001, supplying not only hardware and software systems but also a wide range of services to design, implement, deliver and support customized solutions for client needs. As a reflection of our strategy to emphasize value added services, we have split this business unit into SI (System Integration) and SD (Solution Design) in our 2002 business model.

> BUSINESS MODEL 2002 | SOLUTION INTEGRITY



Our "Solution Integrity" approach anticipates the sequence of decisions to be made in order to achieve successful IT implementations.

Business Consulting (BC) expertise in strategic cooperation with world-class consulting groups allows S&T to provide our customers the necessary services for business process (re)engineering.

SD (Solution Design) is responsible for the development and implementation of software solutions for enterprise needs, including e-business solutions based on state-of-the-art technologies. SD also has the project management capabilities necessary to manage and complete large and complex IT projects.

Mission-critical infrastructure is a special area of SI. It provides application servers, storage solutions, networking, security products, and related services for high-availability systems to support the key business activities of our clients.

S&T – THE IT SERVICE COMPANY

These systems require precise selection of products and solutions, dedicated attention, and continuous service availability (24x7) with fast committed response time (1–2 hours) through our Customer Support (CS) business unit. The large number of such systems delivered by S&T in the CEE region is proof of our success in this important field.

High complexity and the rapid development of products on the information technology market have led us to segment our SI activities in order to sharpen our focus and facilitate continuous monitoring in each area. These segments – Enterprise Computing, Information Management, and Network & Security – offer platforms, storage, networking, and security applications. They are combined into broad-based solutions with best-of-breed products to maximize both the price-performance ratio and client satisfaction.



> OUR CUSTOMERS ARE MARKET LEADERS

We target the top 100 companies in each country, with specific concentration on telecommunication providers, banks, utilities, public authorities, and the health care sector. These companies and institutions depend on IT infrastructure to support their business operations. High levels of data security and operational reliability are among the most critical requirements for these organizations.

Our regional structure also makes us the ideal partner for multinational companies that conduct business in various CEE countries. We have the capability to provide high-quality standardized services combined with local expertise in 14 countries.

The planned expansion of the EU in Eastern Europe has led to growing interest in S&T solutions by government agencies in these countries. Harmonization with EU standards often requires improvements in the IT infrastructure, and S&T has established a reputation for outstanding performance in this area.

SUCCESS STORIES

Poland – Banking | Powszechna Kasa Oszczednosci Bank Polski SA (PKO BP)

PKO BP is one of the largest banks in Poland with a total workforce of roughly 38,000, nearly 7,000 branches, 6,000 cash counter outlets, and a dynamically growing ATM network with over 1,500 machines. The company offers a comprehensive range of products, which includes traditional services for consumers as well as capital and money market services for institutional clients such as private firms and government entities. PKO BP services over 3 million personal accounts and more than 500,000 corporate accounts, with a total number of transactions of nearly 600 million per year. The company co-operates with approximately 700 banks worldwide through the SWIFT system.

This project, which was completed in 2001, involved designing a storage solution for PKO BP's electronic card transaction authorization center. This center records all transactions conducted with plastic cards (e.g. credit cards or ATM cards) issued by PKO BP in Poland. The former storage system was unable to handle the exponentially growing volume of data, and new storage capacity was urgently needed. Another major improvement created by this new solution is real-time synchronized data copy. Transactions are now stored not only in the main data center, but also in another facility several kilometers away. In case of disaster, there is always a backup and no records are lost.

We were chosen because of our direct cooperation with Hitachi Data Systems, our best-in-class solution, and extremely short delivery and installation time. Our contract includes four years of warranty and post-warranty service as well as training for selected PKO BP employees. We see this as the first of many potential projects with this top client, where S&T can also demonstrate our competence and reliability in other IT areas.



S&T in Poland

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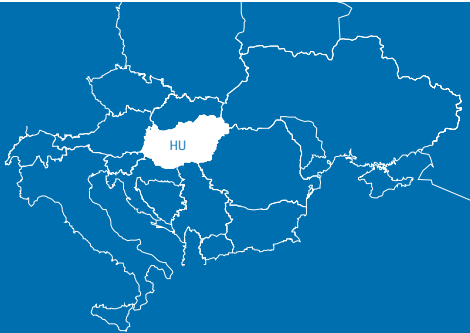


ZBIGNIEW PIETRZYK
Director Department
of Technology PKO BP

ANDRZEJ TRENTOWSKI
Vice Director Department
of Technology PKO BP

**BEST-IN-CLASS
SOLUTIONS FOR
BUSINESS SUCCESS**

SUCCESS STORIES



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HUNGARY – TELECOMMUNICATIONS | Westel Mobil Távközlési Rt.

Westel is the largest GSM service provider in Hungary, with over 2.5 million subscribers. In 2001 the company won a number of prestigious awards including the TOP TEAM AWARD from Deutsche Telekom, European Quality Award (EFQM), and Dale Carnegie & Associates Leadership Award.

In order to maintain its competitive advantage, Westel continually expands its product range to include new services such as WAP, GPRS (allows fast Internet access with your mobile phone), VoIP (allows phone calls over the Internet), and IP-VPN – all of which require an extremely reliable Internet security system. In 1998 InNet Ltd. started to provide mission-critical networking equipment and services to Westel. With the acquisition of InNet Ltd. in 2000, S&T Hungary continued this successful co-operation.

To meet Westel's growing needs for secure connections, S&T Hungary developed a highly available, flexible Internet security solution based primarily on CheckPoint software. This project, which is scheduled for completion during the first quarter of 2002, includes a firewall, virus scanning, intrusion detection, and monitor/alarm subsystem with a central management interface. This allows management of the entire Internet security system from a central point, quick error detection, and very short response time. Maintenance expenses are reduced by lower down time and labor costs. S&T Hungary provides 7x24 hour maintenance service with two-hour intervention time.

The security management infrastructure implemented by S&T Hungary is the first of its kind in the country and one of the first three such installations in the CEE region. The security system uses products from leading vendors such as CheckPoint, Nokia, and Aladdin, all delivered and installed by S&T Hungary. The system is capable of handling Westel's high bandwidth and reliability requirements because of its special security clusters. Major benefits to Westel include a high level of security, availability, and scalability, as well as strict control and monitoring, and easy management.

> OUR MARKET IS EMERGING EUROPE

S&T currently employs a workforce of 815 at operating subsidiaries in Poland, Russia, Hungary, Czech Republic, Slovakia, Slovenia, Croatia, Romania, Bulgaria, Ukraine, Macedonia, Moldova, Bosnia-Herzegovina, and Yugoslavia. The S&T's organizational structure divides these countries into four areas: Adriatic, Cyrillic, Central, and South – each with its own Regional Manager.



> S&T SALES BY REGION

in € million	2001	change in %	2000	1999
Adriatic	58	10	53	25
Central	57	142	24	10
Cyrillic	23	-13	26	13
South	22	99	11	7
	160	41	114	55

The regional classification of revenues shows that 36% were generated in the Central Region (Czech Republic, Hungary, Poland and Slovakia) as well as in the Adriatic region (Slovenia, Croatia, Bosnia-Herzegovina, Macedonia and Yugoslavia), 14% in the Cyrillic Region (Russia, Ukraine, Bulgaria and Moldova) and 14% in the Region South which to-date includes only Romania. We have established a solid presence throughout the CEE region, but our business is not dependent on any single country.

We view Central and Eastern Europe as a region with enormous potential. Forecasts for economic development are optimistic over the middle to long-term, and the IT market is expected to grow at above-average rates. Rising foreign direct investment, particularly from the US and Europe, and the eastern expansion of the EU are expected to further increase the demand for IT services in these countries.

According to IDC (December 2001), the worldwide IT market is forecasted to grow by roughly 5% in 2002, following a modest increase of 1.5% in 2001. In contrast, Eastern Europe is expected to expand by 21.6% in 2002 after 23% in the prior year. The growth potential inherent in the CEE market can also be demonstrated by a comparison with IT investment per capita in the EU. This figure is currently 10-times greater than IT expenditures per capita in the CEE countries that will join the EU in the near future.

SUCCESS STORIES



S&T in Slovenia

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Celje, Koper



INFORMATION TECHNOLOGY
DEPARTMENT
Borzen d.o.o.

SLOVENIA – ENERGY | Borzen d.o.o.

Borzen, a subsidiary of Electro Slovenia, an electrical power distribution company, was founded in March 2001 as an electric power exchange company following liberalization of the energy market. Its principal business activities include energy trading, the processing of operating schedules, and integration of the trading system in an information exchange system.

The company needed a comprehensive solution for the electronic marketplace, ranging from specific applications to an entire IT infrastructure. The nature of Borzen's business placed special demands on this design: high flexibility and availability were needed to support future expansion in both markets and services. Maximum security was also crucial because of the many transactions placed over the Internet.

S&T Slovenia supplied the complete IT system infrastructure with servers, database, networks, storage, and security systems. A major challenge was to finalize both purchase and implementation within the extremely short period of two months.

Borzen chose S&T because of our excellent references and competitive price. Our solution included products supplied by a number of partners (Compaq, Oracle, Legato, Network Appliance, HP, SUN, Cisco, Checkpoint, Raifinity and Microsoft), as well as our own developments, and required extensive coordination to complete the project on time.

Borzen is a well-known company on the Slovenian market, and one of our most important clients. This IT infrastructure project for electronic trading is an outstanding testimonial for S&T Slovenia. Value of the contract: nearly € 1 million.

SUCCESS STORIES

CROATIA – TELECOMMUNICATIONS | VIPnet d.o.o.

VIPnet, the first private GSM operator in Croatia, is owned by Mobilkom (66%), Western Wireless International (19%), Ingra (5%), and Večernji list (10%). This consortium includes top names from the world of mobile communications: Mobilkom Austria is one of the most successful European GSM operators and Western Wireless is one of the leading players on the US mobile market. This combination of foreign and domestic capital, together with excellent technical and marketing expertise, is the key to rapid development of a high-quality GSM network.

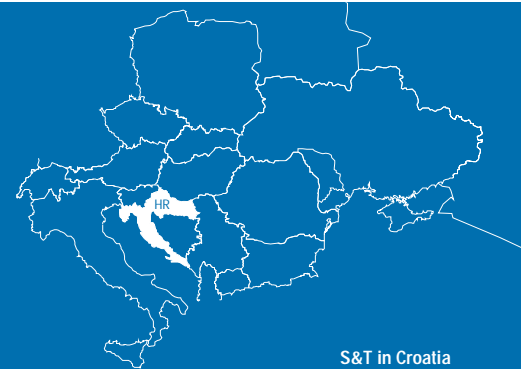
VIPnet started commercial operations in 1999 with 56.5% coverage, and now reaches 96% of the population. A pilot program in the Zagreb area marked the start of VIPnet plans to launch GPRS technology in Croatia.

GPRS billing is a very complex task, and an efficient platform was therefore crucial for success. S&T extended the existing platform to meet new requirements and, together with the VIPnet IT department and application provider, assisted in designing the optimal IT infrastructure to meet VIPnet needs.

Unique facets of this project are the high availability and importance criteria, which are related to the financial impact of data. Simply stated – call data that are not stored and processed cannot be billed to users.

VIPnet chose S&T Croatia because of our high level of expertise and proven record in implementing high-availability solutions in a wide variety of business environments.

Value of the project: € 3 million.



S&T in Croatia



GREGORY KENNETH H.
Chief Technical Officer, VIPnet

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SUCCESS STORIES



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SOLUTIONS FOR
CRITICAL OPERATIONS**

BOSNIA-HERZEGOVINA – BANKING | Central Bank of Bosnia-Herz.

The Central Bank of Bosnia and Herzegovina was founded in June 1997. It is responsible for traditional central banking functions such as the issue of domestic currency, management of foreign reserves, payment and settlement systems, and co-ordination of banking agencies throughout the country. The bank has 241 employees and operates through a headquarters, three main units, and two branches.

Since its founding, the Central Bank had lacked the application and IT infrastructure to automatically process operations for in-house accounting and functions such as treasury, commercial bank accounts, central bank reserves and deposits. Data was processed manually, which was very time and labor intensive.

The challenge for S&T BA was to develop and implement customized software for the Central Bank, and install the IT infrastructure necessary to support these automatic data processing applications. This resulted in substantial cost savings for our client.

S&T has a reputation for developing high quality solutions that have been implemented successfully on a wide range of projects. In the past, S&T BA has proven the ability to work closely with clients and partners in customizing software to function with existing applications.

A particularly interesting aspect of this project was the international nature of our team. The software implementation involved a number of experts from S&T Slovenia and S&T Bosnia-Herzegovina including specialists in programming, project management, and economic sciences. This project is the first of its kind for Bosnia and Herzegovina.

SUCCESS STORIES

MACEDONIA – TELECOMMUNICATIONS | AD Makedonski Telekomunikacii

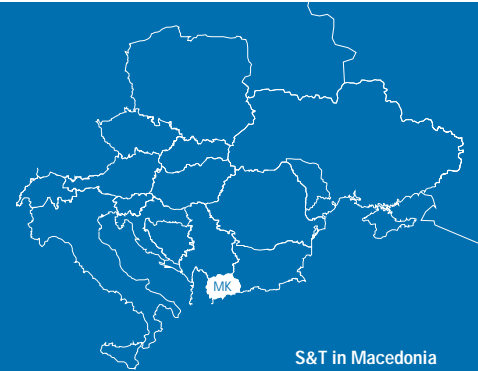
Makedonski Telekomunikacii AD (MT), is the national telecommunications company of Macedonia. It employs a workforce of roughly 3,500 and generates annual revenues of approximately € 120 million. The company is not only the technological leader in Macedonia, but also the largest customer of S&T Macedonia.

When MT decided to invest in new SAP and business support system applications, a reliable and efficient IT infrastructure was needed. Specifically, MT required a consolidated enterprise storage system capable of meeting their business needs in an optimal manner.

The S&T solution is based on integration of the EMC enterprise storage system, communication equipment from CNT, tape backup hardware by StorageTek and backup software by Hewlett-Packard. This combination provides an excellent solution at the lowest total cost. The specific advantage of S&T was provided by our references on similar projects in the CEE region.

Our solution provides for the consolidation of storage requirements, effective tape backup, and the real-time replication of data to a secondary location for disaster recovery. This project is scheduled for completion by April 2002.

Mile Mircevski, Head of IT Department, Macedonian Telecommunications added: "The solution offered by S&T Macedonia provides for high level of integration of proven hardware & software infrastructures while at the same time matching our business and technical requirements best. From a customer perspective we are satisfied and looking forward to fully utilize the capabilities of this solution."



S&T in Macedonia



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**STATE-OF-THE-ART
SOLUTIONS FOR
MODERN APPLICATIONS**

SUCCESS STORIES



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TELEKOM SERBIA AD Building in Pančevo



YUGOSLAVIA – TELECOMMUNICATIONS | Telekom Serbia AD

Telekom Serbia AD, the national telecommunications operator, awarded a further major contract to S&T Yugoslavia. This project involves the development and implementation of a center for operations, administration, and maintenance. The cooperation between Telekom Serbia and S&T dates back to 1999 with the delivery and implementation of computers and telecommunication networks. It was followed by a contract in April 2001 for servers and peripheral equipment.

Under this latest contract, S&T will supply a fully customized solution, ongoing support, and maintenance that will provide Telekom Serbia with improved functions such as automated status information on the telephone network. The result will be faster error detection and repair, and a higher level of customer service. Since the telephone network uses equipment from different vendors, S&T has developed highly flexible software to unify operations and permit the addition of new and different components.

“Winning this project underscores our reputation as the preferred provider of mission-critical IT solutions and services. It also confirms our successful cooperation with Telekom Serbia in the past”, remarked Predrag Vranes, Managing Director of S&T Yugoslavia.

Dragan Kovacevic, Network Division Manager of Serbia Telekom, commented that “Telekom Serbia awarded this contract to S&T Yugoslavia because they were able to offer high quality solutions that fully met our demands and thereby provide great advantages for our business”.

“We are pleased to see major Serbian customers coming back after difficult times. Our strategy to be a long-term reliable partner is clearly valued by our customers”, added Karl Tantscher, CEO of S&T.

SUCCESS STORIES

RUSSIA – GOVERNMENT | Russian Joint Supercomputer Center (JSC)

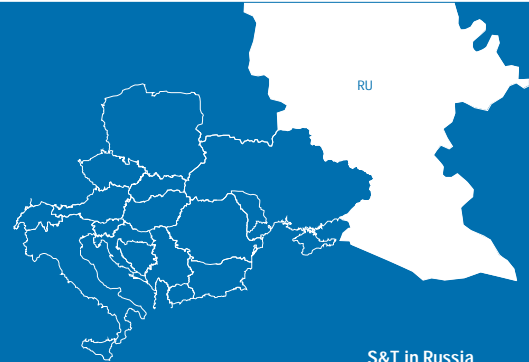
The Russian Joint Supercomputer Center (JSC), a state scientific institution formed by leading science, education and research organizations, has chosen S&T to implement their next generation storage system. JSC provides top researchers with state-of-the-art computer services and information processing, including access to domestic and world databases, as well as research and development systems and application software for science and education.

S&T supplied consulting services for data storage technology and delivered the first commercial Network Appliance equipment to be installed in Russia. This solution ensures that the supercomputer has a peak performance of 1Tflops. It is scalable up to 12 Terabyte (12 million megabytes) and guarantees 99.99% availability. Delivery took place in the second quarter of 2001.

"S&T offered a complex solution that satisfied our information system requirements. JSC is designated to become the focal point of federal, regional and problem-oriented centers and S&T is the ideal partner for this purpose", commented Boris M. Shabanov, Deputy Director of JSC.

JSC is the country's most powerful supercomputer center in the field of science and education, with ten times the capacity of any commercial computing center in Russia. Among others, the center services researchers from the Russian Academy of Science, scientific programs of the Ministry of Industry, Science and Technologies and the Ministry of Education.

Value of the contract: over € 1 million



S&T in Russia



BORIS SHABANOV
Deputy Director of JSC

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**COMPREHENSIVE
SOLUTIONS FOR
COMPLEX PROBLEMS**

THE BEST SERVICE FOR THE BEST CUSTOMERS



> CUSTOMER SUPPORT

Wide-ranging, reliable support for our customers is a cornerstone of our business philosophy. Our S&T team includes 244 highly qualified service professionals in 14 countries throughout Central and Eastern Europe.

With the start of operations at the S&T Area Support Center (ASC) in November 2000, our technical resources are part of a multinational network of expertise with access to available skills in UNIX and NT servers, enterprise storage systems, networking equipment and network security, operating systems, middleware, databases, PC's and peripherals. Customers benefit from local service organizations and strong technical backup support by the ASC.

We measure customer satisfaction through an annual survey, which included 1,310 clients in 2001. Results were very positive, with an overall score of 1.99 (on a scale of 1= excellent, 5= poor). This represents an improvement over the prior year value of 2.02. The customer loyalty index reached 1.63 versus 1.70 in 2000.

> SOLUTION DESIGN

Customers expect their IT partner to have expertise not only in the hardware and software areas, but also in business processes. Our new division, Solution Design, was established to meet these requirements. This organizational change also reflects our strategy to increase concentration on value-added, higher margin services.

Solution Design provides complete support for IT projects, from requirement specification, application design and software development to project management, customization and implementation of the solution and ongoing maintenance. Solution Design services are offered in all S&T countries throughout the CEE region.

THE BEST SERVICE FOR THE BEST CUSTOMERS

Designing the right solutions requires an ability to listen carefully to our customers, to diagnose their business problems, and supply customized solutions based on standard applications at a reasonable cost. This generates an appropriate return for our customers, and supports a lasting business relationship.

The increasing demand for comprehensive IT solutions in the CEE countries is expected to form the basis for strong growth of the Solution Design business unit, which is forecasted to exceed the overall growth of S&T.

> MEDICAL SYSTEMS

The Medical Systems (MED) Business Unit sells, implements and supports medical diagnostic and monitoring systems, mainly from Philips Medical Systems. These systems include patient monitoring for intensive care, defibrillators, fetal monitors, and a full range of cardiology diagnostic devices.

Developments in the medical sector are moving closer to the IT business with the growing importance of comprehensive solutions that include data management and necessary IT infrastructure. S&T is able to design and deliver complex solutions, which also involve clinical information systems, and also has the expertise to link various medical products from different vendors.

In 2001 S&T succeeded in winning several major tenders in the medical systems area. The most important was a contract in Romania with a total value of € 8.7 million.

SUCCESS STORIES



S&T in Ukraine

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ANATOLY SOLODOVNIK
Member of the Board
Doctor of Sciences
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Ukreximbank

UKRAINE – BANKING

The State Export-Import Bank of Ukraine (Ukreximbank)

S&T's Ukrainian subsidiary, in association with Sun Microsystems, has won a World Bank tender valued at roughly USD 1.5 million to supply an information system to Ukreximbank, the Ukrainian export-import bank. Headquartered in Kiev, this bank is one of the largest in the Ukraine with 23 institutions and 25 branches. As a financial agent of the Ukrainian government, Ukreximbank provides services for 13 foreign credit lines with total financing of USD 2.5 billion.

The customer needed a fail-safe solution to deal with typical banking problems such as the integration of existing technological capabilities, maximization of security levels, and protection of nonstop bank automation system (BAS) operations. This was guaranteed by a so-called Campus Clustering Solution with long distance node separation. Other significant improvements focused on data storage and distribution, central monitoring and remote system control, and information flows to/from subdivisions in Kiev. This project has enabled several offices to work on the same database in real time and has also provided effective backup functions.

The result is a reliable, high performance system with top security and fail-safe features that lowered BAS operating costs. It will have a life cycle of at least five years before an upgrade is required.

S&T's bid, which was developed in close cooperation with Sun Microsystems, was selected because it was the most comprehensive technical solution and competitively priced offer. S&T's proven customer support and the company's long-term relationship with the bank also played a role in securing this tender. The first equipment was delivered in December 2000 and start-up was completed by the end of May 2001.

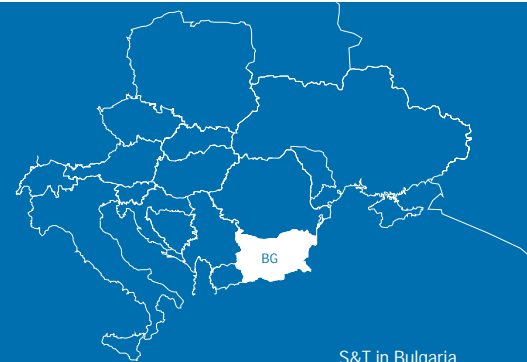
SUCCESS STORIES

BULGARIA – TELECOMMUNICATIONS | Mobiltel AD

Mobiltel AD, Bulgaria's largest mobile operator with over one million customers, has awarded S&T Bulgaria a contract to implement a scalable, high availability, intelligent storage system to cope with fast-growing data volume in a heterogeneous IT environment. Mobiltel needs to integrate its existing IT platforms to improve operational efficiency and ensure the uninterrupted availability of billing data. S&T won this contract against strong competition from major companies such as IBM and HP because of its outstanding reputation for quality and customer responsiveness in Central and Eastern Europe (CEE) as a whole and Bulgaria in particular. S&T has been serving major Bulgarian customers such as Bulgarian Telecommunications Company (BTC) for many years.

"We are delighted to welcome another major CEE telco provider as our customer. This shows the success of our strategy to focus on large accounts and mission-critical solutions," said Karl Tantscher, CEO of S&T.

Vladimir Milushev, IT Manager of Mobiltel AD, commented: "This project for the delivery and installation of an EMC Symmetrix 8530 intelligent storage system was the first between S&T Bulgaria and Mobiltel EAD. We are very pleased with the work done by the S&T Bulgaria team, as well as the professional implementation. S&T Bulgaria has demonstrated its excellent capabilities as a leading system integrator, and we are looking forward to further projects in the future."



S&T in Bulgaria



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THE BEST SERVICE FOR THE BEST CUSTOMERS

> BEST OF BREED

S&T is committed to quality, and to meeting or exceeding customer expectations. This includes not only quality products from top manufacturers, but all S&T services along the project life cycle: consulting, pre-sale and sale phase, solution design, implementation, and maximum uptime through S&T support and management services.

It is particularly important for multinational customers to receive a standardized level of service and processes in all countries in which they operate. In order to maintain this high standard, we subject our service organization to internal audits and periodic assessments by major vendors.

Based on standard applications from leading vendors such as SAP, IBM, Oracle, and Navision, S&T designs customized solutions to meet customer requirements. This best of breed strategy safeguards the value of customer investments over time. S&T relies on a multi-vendor strategy to provide the optimal technology for a specific task, independent of suppliers.

We are a reliable partner, and work to maintain our reputation by investing in the standardization and certification of business processes. All major S&T subsidiaries are ISO 9000 certified, a number of them also under the newest standard EN ISO 9001:2000. S&T has also received numerous awards, such as the "Professional Service Partner Award", from leading manufacturers.

SUCCESS STORIES

MOLDOVA – GOVERNMENT

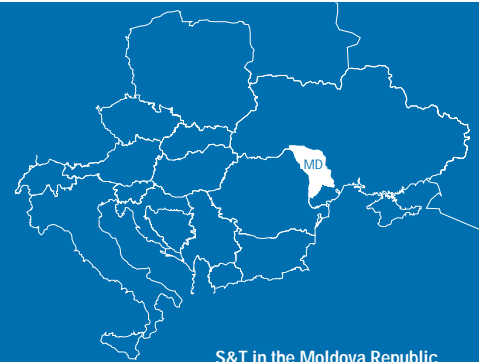
The Department of Information Technology – “Registru”

Registru is part of the Department of Information Technology and ensures its functioning on the basis of modern IT. The duties of Registru include development and maintenance of the basic state registers such as the state register of population, the distribution of personal documents, and development and implementation of information systems.

S&T is the only company in Moldova with experience in implementing the special HP high-end servers that were necessary for this project. Extensive knowledge of enterprise databases and network design was also required. The customer's main requirements were high system performance – in this case, processing multiple requests – plus security, installation by certified specialists, high availability, and service support. This made S&T the provider of choice.

S&T selected a combination of old and new HP equipment in order to protect the existing investment. The new servers normally handle processing, but the old ones serve as a backup in the event of failure. Attached to the servers is a storage unit that can archive huge amounts of data. This solution is the first of its kind in Moldova. High-speed CISCO networking equipment protects security access to the database by other governmental agencies. IBM Informix software products increase performance, and give Registru clients the option of sorting information according to their specific requirements. The project is divided into several stages: the first phase was completed in December 2000, the second is scheduled to end during the first half of 2002 when the system will approach full availability after a storage upgrade.

“During the course of its long cooperation with Registru, S&T Moldova has demonstrated its reputation as a reliable system and solution integrator. The client can rely on successful implementation and support”, commented Serghei Sitnic, Vice-Director, Department of Information Technologies of the Republic of Moldova.



S&T in the Moldova Republic

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SERGHEI SITNIC
Vice-Director of the
Department of
Information Technologies

DMITRY OLKHOVSKY
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S&T Mold S.R.L.

This project is of special importance for S&T because of Registru's role as a trend-setter for IT solutions in the public sector. Its database is used by other government organizations, which may also become S&T clients in the future.

THE S&T TEAM



HEADQUARTERS S&T AUSTRIA



TEAM FROM S&T ROMANIA

INTERNATIONAL
EXPERTISE, LOCAL
KNOW-HOW

> OUR VISION

We want to create an environment in which the industry's best people can do their best work while branding S&T as the employer of choice in the Emerging Economies.

> PEOPLE ARE THE KEY

S&T is a people business – our employees are the foundation of our success. The Information Technology industry places special demands on human resource strategy, particularly in Central and Eastern Europe, because competition for good people is especially strong in a high growth area. Our policy is to staff locally, and not with expatriates. This underscores our commitment to each country in which S&T operates and provides our customers with specialized local expertise that can only result from in-depth knowledge of the business environment.

We have implemented a professional selection process to ensure the hiring of highly qualified people, as well as a mentor program to provide ongoing support for new employees. Our training programs are specifically designed to meet the needs of individual participants, and include not only IT-related subjects but emphasize job-related skills such as sales, management, personal development, and leadership skills.

The maintenance and exchange of knowledge is not only important for our contact with customers, but also for the future development of S&T. We guarantee the exchange of know-how within the Group through regular meetings and training programs. We also encourage the creation of multi-national project teams, as well as informal cross-country networks of specialists.

> MAVERICK IDEAS AND ACTIONS

S&T places high value on the entrepreneurial spirit. Our employees are entrepreneurs and, as such, are responsible for more than just increasing sales and earnings. They also act as catalysts for change, which triggers growth and creates added value for all those associated with our Company. We believe in management by objectives. Targets and measurement criteria are defined jointly with employees, and management provides ongoing feedback and coaching as well as regular performance reviews and rankings. This open and transparent approach serves to reinforce and motivate our employees, our most valuable resource.

> OUR WORKFORCE

As of December 31, 2001 S&T employed a workforce of 815, for an increase of 36% over the prior year. This expansion is the result of both organic growth and acquisitions such as Neos Computer/GCC in the Czech Republic, Netway/eNet in Romania, and Aster in Slovenia. The human dimension is particularly important for the success of our strategy, which places substantial emphasis on growth through acquisitions and mergers. Our objective is to retain key management and employees wherever possible, and draw on these valuable resources to support the further development of the Group. Our multinational and multicultural workforce is united by the S&T corporate culture, which places high value on teamwork and respect for the individual.



S&T SALES KICK-OFF MEETING IN LOIPERSDORF, AUSTRIA

THE S&T TEAM

> NUMBER OF EMPLOYEES BY COUNTRY

as of December 31

	AT	BA	BG	CZ	HR	HU	MD	MK	PL	RO	RU	SI	SK	UA	YU	Total
2001	13.5	12	37	161	52	24	16	16	22	64	28	230	58.5	69	12	815
2000	14.5	13	36	24	37	29	16	14	24.5	38	22	177	71	75	8	599
1999	14	7	41	20	35	15	14	11	0	49	0	138	78	40	10	472

> SUCCESS-BASED COMPENSATION

In keeping with our philosophy, all S&T employees have a financial stake in the success of our business. S&T compensation programs are designed to support the communication and fulfilment of our strategic goals.

Success-based compensation is an absolute must to attract and keep entrepreneurs. We believe in rewarding individual performance as well as group performance. Results show significant improvement in employee retention, especially within the group of top performers.

In 2001 we introduced a new "pay for performance plan", which links compensation with specific goals such as revenue and profit growth. All S&T employees have a portion of their compensation package tied to Company results – with upside potential when we meet or exceed our ambitious goals for aggressive and profitable growth.

Our stock option program is open not only to top management, but also to all S&T employees. As of December 31, 2001 16.3% of our employees have received a total of 99,400 options. We view increased employee ownership as an important tool to motivate entrepreneurial behavior and enable our workforce to share in the future growth and profitability of S&T.

SUCCESS STORIES

ROMANIA – GOVERNMENT | BIS/Government of Romania

As a consequence of planned accession to the EU, the government of Romania was faced with the requirement of updating the production and distribution of passports to meet latest security standards. Following an international public tender, the relevant contract was awarded to Bundesdruckerei International Services GmbH (BIS), Germany, who selected S&T as a sole subcontractor for IT services and technology.

This project covers the entire range of IT services, from consulting to software development and maintenance. Implementation is scheduled to be completed in the first quarter of 2002. S&T was confronted with a special challenge – national deployment and management of IT architecture plus timely delivery and installation.

S&T Romania provided state-of-the-art technology and know-how to support the production infrastructure for new passports. The solution designed by S&T extends the existing structure with hardware, software and professional services to create an efficient system at 43 locations throughout the country. It also guarantees the high standard of security required for such applications.

The storage and backup solutions supplied by S&T ensure high availability of IT services and data integrity, both of which are essential for the issue of passports. In addition, we provide a complete range of professional services: IT solution design, software module development, project management, equipment installation and testing, help-desk services, and on-site training of personnel to ensure a high level of customer satisfaction.



S&T Romania srl.



DAN ROMAN
General Manager Region South
Managing Director S&T Romania

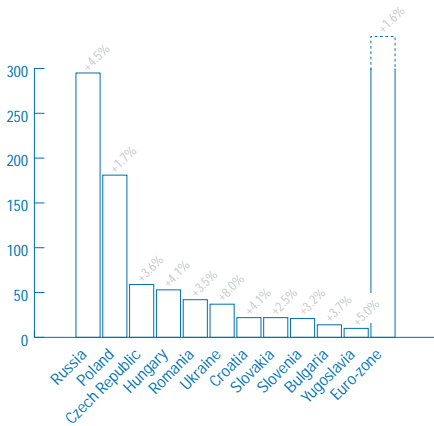
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The professionalism of our S&T team, the excellence of our solution, first-class project management, and fast service were given high recognition by our customer. Last but not least, this S&T solution can be adapted for other countries where similar applications are required.

BUSINESS REVIEW AND MD&A

> THE BUSINESS ENVIRONMENT

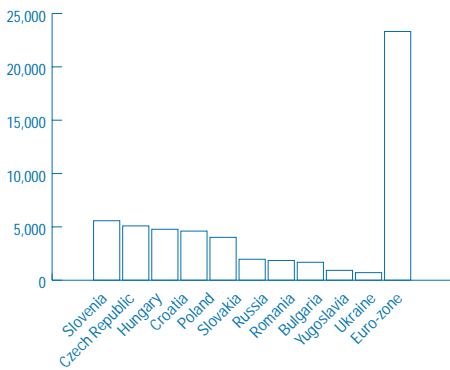
GDP 2001 PER COUNTRY in € billion



The IT business is highly competitive, and characterized by fast-paced technological development. Profitability differs substantially by segment, with the hardware distribution sector subject to falling prices and low margins. The consulting and project management area shows superior margins and higher growth rates. The telecommunications and banking industries are the largest users of IT services, and place special demands on IT because of their need for mission-critical solutions. These two branches also draw the highest foreign direct investment in Central and Eastern Europe (CEE).

From a revenue standpoint, the IT business is highly seasonal in nature. The general economic climate has a strong influence on capital expenditure decisions by both private companies and public institutions. Normal patterns of corporate spending also lead to a shift of business in the IT industry towards the fourth quarter of the year.

GDP 2001 PER CAPITA in €

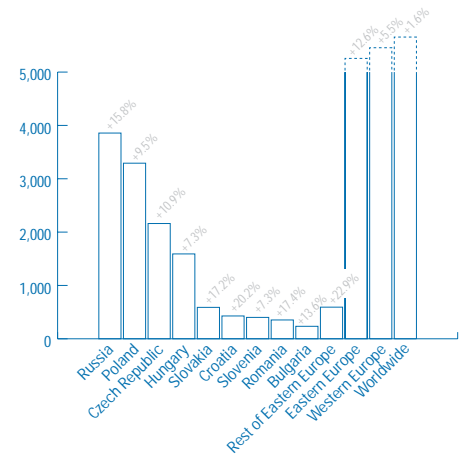


S&T is a major player in the IT business in the Emerging Countries of Central and Eastern Europe. This region is generally characterized by an economic recovery process that has triggered not only added IT spending, but also major changes in the overall lifestyle. Although GDP growth in the CEE region is higher than in Western Europe, average IT spending per capita in the west exceeds the comparable level in the CEE countries by a factor of 10.

The potential for growth is excellent throughout the entire CEE region, but opportunities are greater and more predictable in certain countries. Prospects for expansion are good in Hungary and the Czech Republic because of the planned EU accession and absolute size of these markets. Although Poland is currently in the midst of a severe downturn, the economy is expected to recover over the mid-term. Russia is unlikely to join the EU in the near future, but its size and the investment required to bring this country up to the level of its more developed neighbors is enormous.

The CEE region offers a promising climate for the IT business. The key factors for success are a wide base of operations, high quality services in all countries, a solid reputation as a supplier of IT solutions and customer support, and continued extension of the value added chain to include comprehensive IT and business consulting services.

IT SPENDING 2001 PER COUNTRY in € million



The following tables of selected consolidated financial data concerning the Company and the Group should be read in conjunction with the Consolidated Financial Statements and related notes.

BUSINESS REVIEW AND MD&A

> REVENUES

SALES +40% TO € 163 MILLION

S&T recorded revenues of € 163 million in 2001, for an increase of 40% over the prior year level of € 116.5 million. Our strategy to refocus business activities toward higher value-added services is evidenced in the distribution of revenues by segment. Sales in the IT Solutions segment, which will be separated into Systems Integration and Solution Design as of 2002, reached € 104.1 million or 65% of total Group sales (2000: € 61.5 mill.). The Customer Support segment generated € 18.9 million or 12% of Group revenue for the reporting year (2000: € 12.1 mill.). The Medical segment showed growth of more than 130% to € 21.0 million (2000: € 9.0 mill.) after the conclusion of a unique project in Romania with total revenue of € 8 million. The concentration of our business activities was further demonstrated by the sale of the majority share in the PC and printer distribution segment at the end of the third quarter 2001. The Test and Measurement and Chemical Analysis segments were sold or terminated in late 2000.

ORGANIC GROWTH +20%

Organic growth totaled 20% in 2001, and was supported by particularly strong development in Slovakia, Romania, Macedonia and Russia. After an adjustment for discontinued business units, organic revenue growth totaled 45%. S&T groups its markets into four regions: Adriatic (SI, HR, BA, YU, MK), Central (PL, CZ, SK, HU), Cyrillic (UA, RU, BG, MD), and South (RO, planned: TK, GR, CY). The Adriatic Region represented € 57.7 million or 36% of Group revenues in 2001. Growth was modest at 10% despite the planned decline in the hardware distribution business (ITD).

SALES BY REGION in € million

	2001	2000	1999
Adriatic	57.7	52.5	24.4
Central	57.2	23.6	10.3
Cyrillic	23.1	26.6	13.1
South	21.6	10.8	6.7
Total sales*	159.9	113.5	55.5

* including other sales (see Note 1)

Revenues in the Central Region totaled € 57.2 million in 2001, which equals 36% of Group sales. Strong development was supported by the acquisition of Neos in the Czech Republic and InNet in Hungary as well as 43% organic growth, which was recorded largely in Slovakia. The Cyrillic Region generated revenues of € 23.1 million in 2001, or 14% of Group sales. The emphasis on services and consulting activities combined with lower hardware sales placed revenues under pressure in 2001. This smaller portfolio has good growth potential, however, especially on the huge Russian market. The Region South, which covered only Romania up to 2001, recorded revenues of € 21.6 million in 2001, or 14% of Group sales. Several major transactions and the acquisition of Netway srl. led to growth of about 100% for the reporting year. S&T follows a strategy of balanced growth throughout the CEE region, which minimizes exposure in any one market. No single country accounts for more than 18% of revenues. The share generated in Slovenia, S&T's largest market, decreased from nearly 30% in 2000 to 18% in the reporting year, mainly due to a reduction in the ITD business.

EXPANSIVE GROWTH IN ALL REGIONS

The development of S&T revenues during the year reflects a pattern typical for the IT business, with a high proportion of sales during the fourth quarter. This "year-end rally" totaled 38% of annual revenue in 2001, and was generated primarily through sales of mission-critical storage systems and the above-mentioned large medical transaction in Romania.

TRADITIONAL YEAR-END SALES RALLY

REVENUES BY BUSINESS SEGMENT in € million

	2001	2000	1999
Information Technology Solutions (ITS)	104.0	61.5	26.2
Customer Support Organisation (CSO)	18.9	12.1	8.5
Medical Systems (MED)	21.0	9.0	4.7
Information Technology Distribution (ITD)	16.0	23.4	10.1
Other (TMO + CA)	--	7.5	6.0
Total Sales	159.9	113.5	55.5
Other Income	3.1	3.0	1.2
Total Revenues	163.0	116.5	56.7

BUSINESS REVIEW AND MD&A

> RESULTS OF OPERATIONS

EBIT +21% EBIT rose to € 4.0 million in 2001, for an increase of 21% over the prior year (2000: € 3.3 mill.). This development was supported by both acquisitions and organic growth, but was partly offset by a provision for doubtful receivables from Bank Ukraine that impacted the IT Solution segment and Cyrillic region. During the reporting year, higher earnings were reported in all countries.

NET EARNINGS

**TRIPLE TO
€ 1.4 MILLION**

S&T's cost framework is comprised primarily of infrastructure and staff, which can be classified as fixed over the short-term. Earnings are a function of workforce utilization for billable services and the margin on hardware and software sales. The cost of materials and services rose by 40% to € 121.6 million in 2001. This ratio equals 76% of sales, and has remained relatively stable over the past three years. The increasing shift in our portfolio to services has led to a higher portion of value added projects, thereby offsetting the general trend of eroding margins on hardware sales. Personnel expenses totaled € 18.9 million in 2001, for an increase of 37% over (2000: € 13.8 mill.). Growth was triggered primarily by the acquisitions of Neos and GCC in the Czech Republic, InNet in Hungary, and Netway in Romania. S&T does not invest significant funds in research and development. Ongoing training, project-related studies, and local centers of expertise ensure a superior level of technical expertise throughout the Group.

EBITDA +31%

EBITDA increased by 31% to € 8.1 million in 2001 (2000: € 6.2 million), supported by both organic growth and acquisitions. Depreciation and amortization rose from € 1.9 million in 2000 to € 2.1 million 2001, mainly due an increase in fixed assets necessary for expansion of the business. The amortization of goodwill increased significantly from € 1.0 million in 2000 to € 2.0 million in 2001 due to S&T's heavy acquisition activity.

INCOME STATEMENT (short version) in million €

	2001	Change in %	2000	1999
Total revenues	163.0	40.0	116.5	56.7
EBITDA	8.1	31.1	6.2	-0.3
Profit/Loss from operations EBIT	4.0	20.8	3.3	-1.6
Profit/Loss before tax	2.8	112.3	1.3	-1.7
Net profit/Loss for the period	1.4	197.0	0.5	-1.4
Profit/Loss from operations per share in €	1.21	17.6	1.03	-0.52
Basic and diluted earnings per share (EPS)	0.42	200	0.14	-0.45

> FINANCIAL RESULTS

Financial results improved from € -2.0 million in 2000 to € -1.2 million for the reporting year. Net interest expense increased slightly due to higher utilization of credit facilities necessary for the expansion of business. Despite the high volatility of the euro-dollar exchange rate, foreign exchange gains and losses were balanced. S&T works to counter the impact of inflation by using the US Dollar as functional currency in countries such as Romania, Russia, Ukraine and Moldova. Local business practices also link ordinary business transactions to this currency. Income tax of € 1.5 million in 2001 is comprised of domestic and foreign income tax expense and deferred taxes calculated in accordance with IAS. In 2001 the Group had tax loss carry-forwards of € 0.5 million to apply against future taxable income, but these amounts are not recognized as a deferred asset in the financial statements due to uncertain recovery in individual S&T countries.

Legal and tax restructuring of the Hungarian operation resulted in one-time tax credits in 2001 and therefore in an unusual low tax rate for this fiscal year. However, amortization of goodwill on acquisitions is in general not deductible for tax purposes. S&T's management will continue to work within the legal framework of various operating countries to restructure the Group and to achieve a reduction in the overall tax rate.

IMPROVEMENT IN FINANCIAL RESULTS

OPTIMIZATION OF GROUP STRUCTURE

KEY INDICATORS

	2001	2000	1999
ROS in %	3.7	3.7	-2.5
EBIT margin in %	2.5	2.9	-2.9
EBITDA margin in %	5.0	5.3	-0.5
ROE in %	4.8	1.9	-5.7
Earnings per Share	0.42	0.14	-0.45
EVA (Economic Value Added in € million)*	1.1	0.5	-3.8
Productivity (net profit per employee in €)	1,962	872	-3,963

* Net operating profit after tax (NOPAT) – net operating assets (NOA) x cost of capital

BUSINESS REVIEW AND MD&A

> CAPITAL RESOURCES AND CASH FLOW

EQUITY INCREASES TO € 30.3 MILLION

Equity increased from € 27.3 million per year-end 2000 to € 30.3 million per year-end 2001. Gearing (interest-bearing liabilities from banks as a percent of total assets) improved to 20% from 25% in 2000. Adjusting this figure for long-term deposits and a related long-term loan will further improve gearing to 16% (2001) versus 17% (2000). Despite an increase in the volume of business, working capital declined due to significantly higher trade accounts receivable.

FOCUS ON LIQUIDITY

The project-oriented nature of S&T's business causes liquidity levels to vary significantly. Management is aware of the importance of proper liquidity planning and monitors information on a regular basis. The Company maintains credit lines with various banks, and financing is granted primarily to the parent company due to the lack of banking and credit facilities in many markets. Development of the banking sector in the CEE region will allow a gradual changeover to financing at the individual subsidiary level, which is expected to result in less expensive and enhanced credit opportunities. S&T also uses supplier credit lines to finance working capital over the short-term. Considerable importance is placed on inventory management to control stocks of spare parts and demonstration equipment. Supplies of merchandise, which are key to a successful distribution business, will decline in the future with the divestment of this segment.

As of December 31, 2001 the number of issued shares totaled 3,495,600. Additionally, authorized capital of 675,000 shares remained as of this date, with 525,000 shares designated solely for acquisitions.

KEY INDICATORS

	2001	2000	1999
Equity ratio in %	27.7	36.3	47.1
Working capital in T€	-5,941	8,874	8,930
Gearing in %	19.7	25.2	16.8
Gearing adjusted in %	15.5	17.4	16.8
Liquidity ratio	1.25	1.46	1.28
Capitalisation at year-end in € million	51.56	38.04	20.92

CASH FLOW STATEMENT in € million

	2001	2000	1999
Cash flow from operating activities	20.8	0.3	-2.0
Cash flow from investing activities	-3.2	-2.0	-17.0
Cash flow from financing activities	1.9	3.8	1.3
Cash and cash equivalents at year-end	25.0	5.5	3.1

Cash flow from operating activities increased substantially from € 255 thousand in 2000 to € 20.8 million for the reporting year. This was due primarily to the utilization of interest-free supplier credit lines, and resulting increase in cash balances at year-end. The high level of trade receivables at year-end must be viewed in the context of S&T's business. Sales in the IT industry, particularly of hardware, are concentrated in December and generally lead to corresponding high cash inflows in January of the following year. Cash flow from investing activities reflects S&T's extensive acquisition program, with net outflows rising from € 2.0 million in 2000 to € 3.2 million in 2001.

HIGHER OPERATING CASH FLOW

Acquisitions made during the reporting year were financed with long-term loans and stock. In general, S&T finances the purchase of smaller companies internally; the acquisition of larger targets is financed through a combination of debt and equity. Cash flow from financing activities decreased from € 3.8 million in 2000 to € 1.9 million in 2001 and covers the major part of S&T's investments. S&T's objective is to finance acquisitions with equity to the greatest extent possible. Through the use of stock financing, S&T is working to develop its share as a currency. Sound financing and low gearing expose S&T to only a very limited degree of interest rate risk. All long-term borrowings carry fixed interest rates.

ACQUISITIONS FINANCED FOR THE MOST PART INTERNALLY

BALANCE SHEET (SUMMARY) in € million

	2001	2000	1999
Assets			
Non-current assets	28.7	25.7	20.4
Current assets	80.6	49.6	28.6
Total assets	109.3	75.3	49.0
Equity and liabilities			
Capital and reserves	30.3	27.3	23.1
Minority interest in subsidiaries	0	0	0.1
Non-current liabilities	14.8	14.1	3.5
Current liabilities	64.2	33.9	22.3
Total equity and liabilities	109.3	75.3	49.0

BUSINESS REVIEW AND MD&A

> INVESTMENTS

ACQUISITIONS TOTAL € 10.4 MILLION IN 2001

During the reporting year, a total of € 2.4 million was invested to expand and modernize sales and administration facilities. This figure represents a decrease of 27% over the prior year level of € 3.3 million. Acquisitions totaled € 10.4 million in 2001, and were directed toward increasing market shares and technical know-how. S&T acquired 100% holdings in the following companies during the reporting year (see also Note 29):

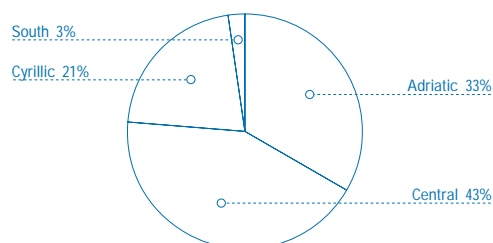
- Neos Computer a.s., since renamed “S&T Česká republika a.s.” and its 100% subsidiary GCC a.s., in the Czech Republic
- InNet Kft., since merged into S&T Hungary kft, Hungary
- Netway Computer srl, Romania,

FOCUS ON HIGH POTENTIAL FOR SYNERGY

Our acquisition policy is to address only well-organized companies with a sound business structure, good market position, and high potential for synergy. We are interested only in “friendly takeovers” because they provide an optimal basis for future development and integration in the S&T organization. Our goal is 100% ownership, with a controlling stake as the minimum. S&T’s investment policy focuses on the analysis of potential targets by management. Favorable valuation, reasonable market position, and potential synergies are the key qualities. Where possible, acquisitions are financed internally through cash and/or stock.

INVESTMENTS BY REGION

Total: € 2.4 million



In general, S&T does not invest in land or buildings to maintain an added degree of flexibility. If required by the local legal framework or real estate market, we will make such purchases and have already done so in Kiev, Ukraine. Further offices in Ljubljana, Celje and Zagreb are owned by S&T, all other premises are leased under short-term rental agreements. The company in Ljubljana operates at different locations, and plans are underway to combine these offices into a single rented workplace. All other facilities are considered adequate to meet present requirements. During the reporting year, S&T held no material investments in shares or funds.

> RISK MANAGEMENT

The business environment in Central and Eastern Europe is generally understood to carry an inherently higher degree of risk than in the US or Western Europe. Among others, risk may arise from the political, legal or economic system. In addition, S&T is exposed to the normal risks associated with a project and service business.

S&T has 10 years of experience as a major player in this region, and estimates the overall degree of risk in the CEE countries as manageable. The Company's diversified portfolio covers 14 countries, and provides a high degree of independence from individual events. Business risk is further reduced by our customer base, which is comprised of major companies and governmental institutions in each country. Many of S&T's projects are supported by foreign investments from companies such as Deutsche Telekom and Volkswagen.

The IT business is highly competitive, and S&T works to safeguard and expand its market share by remaining on the leading edge of technological developments. S&T is the only company which is able to provide the same high standard of IT solutions built from best-of-breed products and local services throughout the CEE region. This gives S&T a competitive advantage in dealing both with multinational companies that do business in various CEE countries and internationally networked local organizations.

**DIVERSIFIED
REGIONAL PORTFOLIO**

**COMPETITIVE
ADVANTAGE IN
TECHNOLOGY**

EXCHANGE RATES: USD VS. EUR

	2001	2000	1999
Year-end	0.88	0.93	1.00
Average	0.90	0.92	1.07
Low	0.84	0.83	1.00
High	0.95	1.03	1.18

Source: Oesterreichische Nationalbank (Austrian National Bank)

BUSINESS REVIEW AND MD&A

CONTROL AND MONITORING OF BUSINESS RISK

Delivery and payment terms are established for each country to reflect conditions on local markets. Depending on the transaction, invoices are issued in local currency, Euro, or US Dollars and this may lead to exchange rate losses. We use various strategies such as risk sharing with suppliers, refinancing of receivables in respective currencies, and forward contracts to minimize risk. Further hedging of residual risk, such as the use of insurance or assignment of receivables, is not part of our current policy because of high cost and uncertain availability. During the reporting year, receivables from ITS sales to Bank Ukraine led to a significant provision for doubtful accounts because the customer entered compulsory liquidation. This event represents an exception since no such incidents have occurred in the past, and there is no similar exposure in the S&T portfolio at this time. Although this was a singular event, S&T has tightened its credit policy as a result of this experience.

FOCUS ON SOLUTIONS AND SERVICES

No single customer is responsible for more than 5% of S&T revenues, so customer risk in terms of business and payment may be classified as minimal. On major transactions, S&T reduces exposure through partial payments and/or guarantees.

The refocusing of business activities towards services will lower payment risk because these revenues are billed in proportion to the percentage of work completed. Furthermore, the increasing volume of service contracts moves S&T closer to customers, and this contact provides a superior level of information. The Company has implemented strict authorization procedures for projects, which also include payment conditions.

> LEGAL PROCEEDINGS

S&T is currently not subject to any litigation, governmental proceedings, claims or arbitration that had or would have a material adverse effect on its business, financial condition or results of operations.

> OUTLOOK

Economic development in the CEE region is forecasted to exceed the worldwide average in 2002. Rising foreign direct investment, the eastward expansion of the EU, and pent-up demand will form the major drivers for growth.

Real GDP is predicted to increase by 3% or more in the Czech Republic, Hungary, Slovakia, Slovenia, Bulgaria, Yugoslavia, and Romania. The economic downturn in Poland is forecasted to intensify, with clear signs of recovery not expected before 2003.

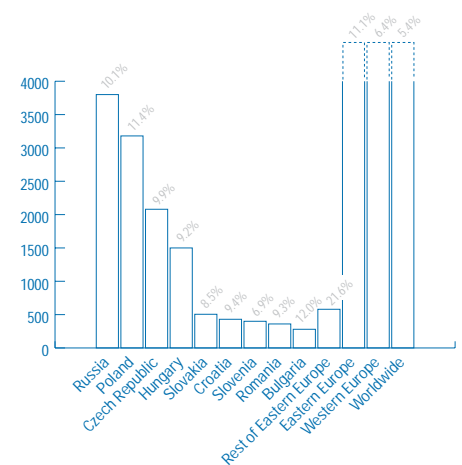
According to IDC, the IT market in the CEE region is expected to expand faster than in Western Europe due to the need to compensate for decades of underinvestment. Mainly in EU accession candidates, this growth will be accelerated by EU institutional investment and foreign direct investment.

S&T management expects revenues to grow at least in line with market growth. Further utilization of synergies will result in a further improved EBIT.

Our strategy calls for selective acquisitions to expand territory coverage to other emerging countries (e.g. Turkey) and to accelerate the growth of our portfolio of IT services. Rapid integration into the S&T organization and the use of synergies will support the profitable future development of business in this area.

Margins are expected to improve following divestment of the hardware distribution business and increasing shift to value-added services. Based on current information, management also expects a further improvement in earnings for 2002.

IT SPENDING 2002 (estimated) in € million



MANAGEMENT REPORT

> MANAGEMENT REPORT

The IT business is highly competitive, and characterized by fast-paced technological development. Profitability differs substantially by segment, with the hardware distribution sector subject to falling prices and low margins. The consulting and project management area shows superior margins and higher growth rates.

S&T is a major player in the IT business in the emerging countries of Central and Eastern Europe. This region is generally characterized by an economic recovery process that has triggered not only added IT spending, but also major changes in the overall lifestyle. Although GDP growth in the CEE region is higher than in Western Europe, average IT spending per capita in the west exceeds the comparable level in the CEE countries by a factor of 10.

> 2001: THE YEAR OF GROWTH AND FOCUS

S&T recorded total revenues of € 163 million in 2001, for an increase of 40% over the prior year level of € 116.5 million. Our strategy to shift the focus of business activities toward higher value-added services is evidenced in the distribution of revenues by division. Organic growth totaled 20% in 2001, and was supported by particularly strong development in Slovakia, Romania, Macedonia and Russia. After an adjustment for discontinued business units (IT Distribution), organic revenue growth totaled 46%.

EBIT rose to € 4.0 million in 2001, for an increase of 21% over the prior year (2000: € 3.3 mill.). This development was supported by both acquisitions and organic growth, but was partly offset by a provision for doubtful receivables from Bank Ukraine.

S&T does not invest significant funds in research and development. Ongoing training, project-related studies, and local centers of expertise ensure a superior level of technical expertise throughout the Group.

> OUTLOOK

Economic prospect in the CEE region is forecasted to exceed the worldwide average in 2002. Rising foreign direct investment, the eastward expansion of the EU, and pent-up demand will form the major drivers for growth.

S&T management expects revenues to grow at least in line with market growth. Further utilization of synergies will result in a further improved EBIT.

Our strategy calls for selective acquisitions to expand territory coverage to other emerging countries (e.g. Turkey) and to accelerate the growth of our portfolio of IT services. Rapid integration into the S&T organization and the use of synergies will support the profitable future development of business in this area.

Margins are expected to improve following divestment of the hardware distribution business and increasing shift to value-added services. Based on current information, management also expects a further improvement in earnings for 2002.

CONSOLIDATED FINANCIAL STATEMENTS 2001

GENERAL INFORMATION

S&T currently operates in the following business segments: "Information Technology Solutions" (ITS), its main activities are "System Integration"; "Customer Support Organisation" (CSO), which provides high-level pre- and post-sales services; and "Medical Diagnosis Systems" (MED), which serves hospitals with high-tech diagnosis and monitoring systems. The business unit "Information Technology Distribution" (ITD), a PC and peripherals distribution business in Slovenia was sold at the end of Q3 2001. ITD operations in Croatia are currently under sale (see Note 1 and 31).

S&T integrates customer-specific solutions using technologies and products from leading hardware and software manufacturers such as Agilent, Baltimore, Checkpoint, Cisco Systems, CNT, Compaq, EMC², Entrust Technologies, Hewlett-Packard, Hitachi Data Systems, IBM, Informix, Kretztechnik, Legato, Microsoft, Network Appliance, Oracle, SAP and Sun Micro Systems, adding value through customization, customer consulting, user training, and, in certain circumstances the organization of financing for customer projects. **S&T** also enhances customers' self-sufficiency by organizing and facilitating the transfer of information know-how and expertise within the customer's internal organisation. **S&T** customers are generally medium-sized to large companies and institutions, including telecommunication providers, banks, utilities, railways, manufacturing companies, governmental agencies and healthcare providers.

S&T System Integration & Technology Distribution AG is incorporated as a joint stock corporation and domiciled in Austria. The address of its registered office is A-1190 Vienna, Gunoldstrasse 16.

Since July 16, 1998, the Company has been listed on NASDAQ Europe (Reuters: SNTS.ED, Bloomberg: SNTS ES). **S&T** is also listed on NEWEX (XETRA: SYA) since November 03, 2000.

CONSOLIDATED FINANCIAL STATEMENTS 2001

THE FOLLOWING SUBSIDIARIES ARE INCLUDED IN THE CONSOLIDATION:

	2001	2000	1999	COMMENTS
S&T Slovakia spol. s.r.o., Slovakia	100%	100%	100%	
S&T Romania srl., Romania	100%	100%	100%	
Netway Computer srl, Romania	100%	--	--	Acquired and first time consolidated 2001, see Note 29
S&T Soft-tronik Ukraine Ltd., Ukraine	100%	100%	100%	
Soft-tronik Kiev Ltd., Ukraine	↑	100%	--	Acquired and first time consolidated in 2000, 2001 merged into S&T Softronik Ukraine Ltd.
S&T Bulgaria e.o.o.d., Bulgaria	100%	100%	100%	
S&T Yugoslavia d.o.o., Yugoslavia	100%	100%	100%	
S&T Mold srl., Moldavia	99%	99%	(99%)	First time consolidated 2000, previously not consolidated on the grounds of immateriality
S&T Polska Sp.z.o.o., Poland	100%	100%	--	Acquired in 2000
S&T International o.o.o., Russia	100%	100%	--	Founded and first time consolidated 2000
S&T Plus srl., Czech Republic	100%	100%	100%	Acquired and first time consolidated 1999, until 2001 held through Hermes Plus d.d.
High Performance Systems Holding GmbH, Austria	100%	100%	100%	First time consolidated 2000, previously dormant
HPS International o.o.o., Russia	100%	100%	--	Founded and first time consolidated 2000
S&T Hungary Kft., Hungary	100%			A result of the merger of the 3 companies below, 1% held indirectly through HPC Trading, Cyprus
Hermes Plus Kft., Hungary	↑	(100%)	(100%)	Acquired 1999, First time consolidated 2001, previously dormant
S&T Hungary Kft., Hungary	↑	100%	100%	Founded 1999
InNet Kft., Hungary	↑	(100%)	--	Acquired year end 2000, first time consolidated 2001, see Note 29
S&T Ceska Republica a.s. Czechia (prior Neos Computer a.s.)	100%	--	--	Sub-group acquired and first time consolidated 2001, see Note 29
GCC a.s., Czech Republic	100%	--	--	
Hermes Plus d.d., Slovenia	100%	100%	100%	Sub-group acquired and first time consolidated in 1999
HPC d.o.o., Slovenia	100%	100%	100%	Divested Q3 fiscal year 2001, see also Note 29
Probis d.o.o., Slovenia	100%	100%	80%	Acquisition of the remaining 20% interest took place in 2000
Aster d.o.o., Slovenia	100%	--	--	Acquired and first time consolidated 2001, see Note 29
ICOS d.o.o., Slovenia	100%	100%	--	Acquired and first time consolidated 2000
Hermes Plus d.o.o., Croatia	100%	100%	100%	
HPC d.o.o., Croatia	100%	100%	100%	See Note 31
Hermes Plus d.o.o., Macedonia	100%	100%	100%	
HPC Trading Ltd., Cyprus	100%	100%	100%	
Hermes Plus d.o.o., Bosnia-Herzegovina	100%	100%	--	Founded and first time consolidated 2000

The following subsidiaries of the S&T Group were not consolidated on the grounds of immateriality:

	% HELD BY S&T	COMMENTS
e-Net Data GmbH, Austria		100% Acquired in 2001, currently dormant
Streiko spol. s.r.o, Czech Republic		75% Dormant
S&T Business Development GmbH, Vienna		51% Dormant
Subsidiary of S&T Bus.Dev.:		Dormant
S&T TechnoServ Leasing Moscow o.o.o.		100%
(Sub-)group companies of Hermes Plus:		% held by Hermes Plus d.d.
Macek d.o.o., Slovenia		100% Dormant

CONSOLIDATED INCOME STATEMENT (all amounts in T€)

	NOTES	2001	2000
YEAR ENDED DECEMBER 31			
Sales	(1)	159,874	113,527
Other operating income	(2)	3,169	2,941
Total revenues		163,043	116,468
Merchandise, spare parts and purchased services		(121,557)	(86,672)
Staff costs	(3)	(18,922)	(13,768)
Other operating expenses	(4)	(14,455)	(9,841)
Total operating expenses		(154,934)	(110,281)
Profit from operations before depreciation and amortization (EBITDA)		8,109	6,187
Depreciation and amortization	(5)	(2,151)	(1,855)
Profit from operations after depreciation / amortization and before amortization of goodwill (EBITA)		5,958	4,332
Amortization of goodwill	(5)	(1,956)	(1,018)
Profit from operations (EBIT)	(1)	4,002	3,314
Finance costs	(6)	(1,164)	(1,977)
Profit before tax		2,838	1,337
Income tax expense	(7)	(1,451)	(902)
Profit after tax		1,387	435
Minority interest		--	32
Net profit for the period		1,387	467
Basic and diluted earnings per share in €	(8)	0.42	0.14

CONSOLIDATED STATEMENT OF TOTAL RECOGNIZED GAINS AND LOSSES (all amounts in T€)

	2001	2000
YEAR ENDED 31 DECEMBER		
Currency translation differences	(936)	226
Net (losses)/gains not recognized in income statement	(936)	226
Net profit	1,387	467
Total recognized gains and losses	451	693

The accounting policies on pages 52 to 54 and the notes on pages 55 to 70 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET (all amounts in T€)

ASSETS	NOTES	2001	2000
YEAR ENDED DECEMBER 31			
<i>Non-current assets</i>			
Property, plant and equipment	(10)	10,474	9,279
Intangible assets	(11)	14,744	9,881
Investments in affiliated companies	(12)	898	3,359
Other investments	(13)	167	35
Non-current receivables	(14)	842	1,653
Deferred tax assets	(22)	1,572	1,509
		28,697	25,716
<i>Current assets</i>			
Inventories	(15)	11,288	9,142
Trade accounts receivable		31,608	22,040
Other receivables and prepayments	(16)	7,341	5,775
Cash and cash equivalents	(17)	30,364	12,593
		80,601	49,550
Total assets		109,298	75,266

EQUITY AND LIABILITIES	NOTES	2001	2000
YEAR ENDED DECEMBER 31			
<i>Shareholders' equity</i>			
Issued capital	(18)	3,629	3,434
Share premium	(18)	21,282	19,219
Treasury shares	(18)	(781)	(1,014)
Accumulated translation adjustments		(496)	440
Retained earnings and other reserves	(20)	6,616	5,266
		30,250	27,345
<i>Non-current liabilities</i>			
Loans and other liabilities	(21)	13,410	13,208
Deferred tax liability	(22)	1,392	870
		14,802	14,078
<i>Current liabilities</i>			
Trade accounts payable		39,895	14,376
Current tax liabilities		753	106
Other payables	(23)	8,473	9,437
Short-term borrowings	(24)	8,068	5,760
Provisions and deferred income	(25)	7,057	4,164
		64,246	33,843
Total equity and liabilities		109,298	75,266

The accounting policies on pages 52 to 54 and the notes on pages 55 to 70 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT (all amounts in T€)

OPERATING ACTIVITIES	NOTES	2001	2000
YEAR ENDED DECEMBER 31			
Profit from operations		4,002	3,314
Adjustments for items not affecting cash:			
Depreciation and amortization		4,107	2,873
Gain on disposal of subsidiary		(277)	--
Other (net)		(262)	(1,463)
		7,570	4,724
Changes in working capital:			
(Increase) / decrease in trade accounts and other receivables		(7,109)	(9,980)
(Increase) / decrease in inventory		(1,364)	227
Increase / (decrease) in current liabilities		22,889	6,583
		14,416	(3,170)
Interest received			
		756	820
Interest paid			
		(1,705)	(1,715)
Taxes paid			
		(220)	(404)
Net cash from operating activities	(27)	20,817	255
INVESTING ACTIVITIES			
Capital expenditure	(27)	(2,073)	(3,085)
Purchase of intangible assets		(335)	(192)
Purchase of investments		(252)	(906)
Proceeds from sale of fixed assets		414	1,408
Proceeds from sale of investments		173	1,770
Disposal of subsidiary, net of cash	(27)	298	--
Acquisition of subsidiaries, net of cash	(29)	(3,531)	(1,590)
Decrease in time deposit for a period longer than three months		1,765	--
Long-term loans and receivables from other parties		309	624
Net cash used in investing activities		(3,232)	(1,971)
FINANCING ACTIVITIES			
Treasury shares		233	1,130
Increase in long-term loans and borrowings		(63)	3,479
Repayment from finance lease		(28)	(41)
Increase / (decrease) in short-term borrowings		1,733	(791)
Net cash used in financing activities		1,875	3,777
Net (decrease) / increase in cash and cash equivalents		19,460	2,061
MOVEMENT IN CASH AND CASH EQUIVALENTS			
At start of year		5,481	3,088
Increase / (decrease)		19,460	2,061
Effect of exchange rate changes		76	332
At end of year		25,017	5,481

The accounting policies on pages 52 to 54 and the notes on pages 55 to 70 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (all amounts in T€)

Shareholders' equity	Issued capital	Share premium	Treasury shares	Accumulated translation adjustment	Retained earnings and other	Total
YEAR ENDED DECEMBER 31 2000						
Opening amount	3,270	16,744	(1,862)	214	4,705	23,071
Increase from initial consolidation	--	--	--	--	(260)	(260)
Currency translation differences	--	--	--	226	--	226
Transactions with treasury shares	--	--	848	--	--	848
Reclassification	--	(354)	--	--	354	--
Capital increase	164	2,829	--	--	--	2,993
Net profit for the year	--	--	--	--	467	467
Closing amount	3,434	19,219	(1,014)	440	5,266	27,345
YEAR ENDED DECEMBER 31 2001						
Opening amount	3,434	19,219	(1,014)	440	5,266	27,345
Increase from initial consolidation	--	--	--	--	(37)	(37)
Currency translation differences	--	--	--	(936)	--	(936)
Transactions with treasury shares	--	--	233	--	--	233
Capital increase	195	2,063	--	--	--	2,258
Net profit for the year	--	--	--	--	1,387	1,387
Closing amount	3,629	21,282	(781)	(496)	6,616	30,250

The accounting policies on pages 52 to 54 and the notes on pages 55 to 70 form an integral part of these consolidated financial statements.

ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

1 Basis of Preparation

Since the introduction of the European Monetary Union, as of January 1, 1999, the consolidated financial statements are prepared in thousands of EURO (€ '000 or T€) in accordance with International Accounting Standards (IAS). The consolidated financial statements are prepared under the historical cost convention.

Since 2001 the provisions of § 245a of the Austrian Commercial Code (HGB) apply to the consolidated financial statements of the Group. Therefore further disclosures are made in the section "Supplementary disclosure notes in accordance with § 245a of the Austrian Commercial Code (HGB)".

2 Consolidation

Subsidiary undertakings, 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, were consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date of disposal. The accompanying consolidated financial statements include the accounts of all significant S&T affiliates (as listed above). All material intercompany accounts and transactions were eliminated on consolidation. Intercompany profits in inventories were eliminated where material. Minority interests are disclosed separately.

3 Foreign Currencies

The income statements of foreign entities are translated into euro at the average exchange rates for the year and balance sheets are translated at the year-end exchange rates in effect on December 31. Exchange differences arising from re-translation of the net investments in foreign subsidiaries are taken to "accumulated translation adjustments" in shareholders' equity. When foreign subsidiaries conduct their operations primarily in USD (RU, UA, MD, RO, YU, CY), these subsidiaries use the USD as their reporting currency for consolidation purposes. This includes subsidiaries operating in hyperinflationary economies. All other subsidiaries and the parent company prepare their financial statements in their local currency. Prior to January 1, 2000, all subsidiaries, except the Slovakian company and the head office in Austria, prepared their financial statements in USD. The Bulgarian subsidiary provided its financial statements in USD until 2000. Foreign currency transactions in Group companies are accounted for at the exchange rates prevailing at the date of the transactions: gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognized in the income statement. Assets and liabilities in the balance sheet are translated at year-end exchange rates.

4 Financial Instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, trade creditors, leases and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

At January 1, 2001 the Group adopted IAS 39 and classified its investments into the following categories: 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 response to liquidity needs 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 holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, 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 on the trade date, which is the date that the Group commits to purchase or sell the asset. The cost of purchase includes transaction costs. Trading and available-for-sale investments are subsequently carried at fair value. Realized and unrealized gains and losses arising from changes in the fair value of trading investments and of available-for-sale investments are included in the income statement in the period in which they arise.

Prior to the adoption of IAS 39 the Group had recorded its marketable securities at fair value with gains and losses being recognized in the income statement (see Note 13).

5 Financial Risk Management

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. The Group occasionally uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain exposures.

Local and central treasury departments, which operate under policies approved by the Board of Directors, carry out risk management. Treasury departments identify, evaluate and hedge financial risks in close cooperation with the operating units. The Board provides written principles for business risk management, as well as written policies covering specific areas, such as foreign exchange risk, credit risk and others.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to USD and the various local currencies in Central and Eastern Europe. Group companies sometimes use forward contracts to hedge their exposure to foreign currency risk in the local reporting currency. Treasury departments are responsible for hedging such positions in each currency by using currency borrowings and external forward currency contracts.

Concentrations of credit risk with respect to trade receivables are limited due to the Group's large number of customers, who are internationally dispersed, cover the spectrum of manufacturing, distribution, financial institutions and governmental organisations, and have a variety of end markets in which they sell. The Group's historical experience in collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

6 Property, Plant and Equipment

All property, plant and equipment is initially recorded at historical cost reduced by depreciation using the straight-line method over a useful life of 10 to 25 years for buildings, and 3 to 8 years for furniture and office equipment.

Repairs and renewals are charged to the income statement when the expenditure is incurred. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Low value items are written off in the year of purchase.

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

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 reported in the balance sheet as an intangible asset and is amortised using the straight-line method over its estimated useful life, not exceeding 20 years. The carrying amount of goodwill is reviewed annually and written down for permanent impairment where it is considered necessary.

8 Intangible Assets

The intangible assets other than goodwill are recorded at cost and are amortised using the straight-line method over their useful lives (licenses and similar rights 3 to 6 years)

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 estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other non-current liabilities. The interest element of the finance charge 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.

ACCOUNTING POLICIES

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. Lease 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 recognised on a straight-line basis over the lease term.

11 Inventories

Inventories including demonstration equipment are stated at the lower of cost or net realizable 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 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.

13 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.

14 Provisions

The Group recognizes provisions when it has a present legal or constructive obligation to transfer economic benefits as a result of past events and a reasonable estimate of the obligation can be made.

The Group recognizes the estimated liability on all products still under warranty at the balance sheet date. This provision is calculated based on service histories.

15 Employee Benefits

The parent Company provide post-employment benefits and other long-term employee benefits under the provisions of the Austrian labor law. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and a minimum service period. The expected costs of these benefits are allocated over the period of employment (Note 21).

16 Deferred Income Taxes

Deferred income tax is provided, using the full provision 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 relating to the carry forward of unused tax losses 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.

17 Revenue Recognition

Sales represent the amounts received and receivable for goods sold and services provided after deducting volume discounts and sales taxes, and after eliminating sales within the Group.

Sales revenues are recognized when the significant risks of ownership have been transferred to the buyer and when the amount of revenue can be measured reliably. Service revenue is recorded when the services are performed. Maintenance contract revenue is recognized over the period of the relevant agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In the notes all amounts are shown in thousand € (T€) unless otherwise stated)

1 Segment Information

Primary reporting format – business segments

During 2001 S&T's activities were grouped into four business segments: Information Technology Solutions (ITS), Medical Systems (MED), Information Technology Distribution (ITD), and the Customer Support Organisation (CSO). In the following presentation for 2000 and 1999 the "Other" operations of the Group comprise Chemical Analysis Business (CA) and Electronic Test and Measurement Systems Business (TMO), which constituted a separate segment until they were sold at the end of 2000. The Slovenian ITD operation was sold at the end of Q3 2001, the remaining ITD business is under sale (see Note 31).

There are no material sales or other transactions between the business segments with the exception of sales of computer equipment from ITD in the amount of approx. T€ 2,050. Unallocated costs represent generally 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 December 31, 2001	Information Technology Solutions	Information Technology Distribution	Medical Systems	Customer Support Organisation	Unallocated Capital Expenditure	Group
Revenues	104,051	16,019	20,951	18,853		159,874
Segment result	7,273	725	1,880	4,538		14,416
Unallocated costs						(10,414)
Operating profit (EBIT)						4,002
Finance costs						(1,164)
Profit before tax						2,838
Tax						(1,451)
Group profit						1,387
Minority interest						--
Net profit						1,387
Segment assets	24,763	2,263	4,657	4,780		36,463
Unallocated assets						72,835
Consolidated total assets						109,298
Segment liabilities	20,841	186	9,871	2,348		33,246
Unallocated liabilities						45,802
Consolidated total liabilities						79,048
Capital expenditure and purchase of intangible assets	1,215	66	281	299	547	2,408
Depreciation and amortization	2,282	129	523	581	592	4,107

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2000	Information Technology Solutions	Information Technology Distribution	Medical Systems	Customer Support Organisation	Other	Group
Revenues	61,498	23,434	9,066	12,076	7,453	113,527
Segment result	5,063	653	660	1,848	419	8,643
Unallocated costs						(5,329)
Operating profit (EBIT)						3,314
Finance costs						(1,977)
Profit before tax						1,337
Tax						(902)
Group profit						435
Minority interest						32
Net profit						467
Segment assets	16,247	10,414	2,052	6,506	2,102	37,321
Unallocated assets						37,945
Consolidated total assets						75,266
Segment liabilities	(16,959)	(6,882)	(1,065)	(3,192)	(855)	(28,953)
Unallocated liabilities						(18,968)
Consolidated total liabilities						(47,921)
Capital expenditure and purchase of intangible assets	1,154	269	212	365	1,277*)	3,277
Depreciation and amortization	554	120	78	556	1,565	2,873

*) includes unallocated items.

1 SEGMENT INFORMATION (CONTINUED):

Secondary reporting format – geographical segments

Although the S&T business segments are managed on Group level, they operate in the following main geographical areas in Central and Eastern Europe:

	Sales	Total assets	Capital expenditure*)	Sales	Total assets	Capital expenditure*)
	2001			2000		
Adriatic (Slovenia, Croatia, Bosnia, Macedonia, Yugoslavia)	57,748	38,122	681	52,574	34,336	1,026
Central (Poland, Czech Republic, Slovakia, Hungary)	57,162	34,892	877	23,577	10,454	372
Cyrillic (Bulgaria, Russia, Ukraine, Moldova)	23,125	12,723	438	26,552	9,569	1,290
South (Romania)	21,561	7,071	46	10,824	3,104	100
Austria	278	16,490	366	--	17,803	489
	159,874	109,298	2,408	113,527	75,266	3,277

*) inc. purchase of intangible assets

With the exception of the above countries no other individual country contributed more than 10% to consolidated revenues and assets. Sales revenue is based on the country in which the customer is located. Total assets and capital expenditure are shown by geographical area in which the assets are located.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 OTHER OPERATING INCOME	2001	2000
Gain on disposal of office equipment	152	478
Miscellaneous income	3,017	2,463
	3,169	2,941

Miscellaneous income mainly includes income from reimbursement of cost and from the release of accrued liabilities and unused provisions in the amount of T€ 1,470 (in 2000: T€ 502). In 2001 T€ 277 representing the net gain on the sale of HPC d.o.o., Slovenia (see section "General Information") was included in miscellaneous income.

3 STAFF COSTS	2001	2000
Salaries	14,179	9,976
Commissions	1,410	1,298
Social security costs and payroll tax	3,107	2,152
Provision for post-employment benefits (see Note 21)	122	141
Other voluntary benefits	104	201
	18,922	13,768

Commissions relate to one-time bonuses paid to sales personnel in foreign countries. The number of staff was 815 at year-end 2001 (2000: 599). The average number of employees in 2001 was 787 (2000: 546).

4 OTHER OPERATING EXPENSES	2001	2000
Rental expenses	2,172	1,384
Travel expenses	1,369	1,360
Legal, consultancy and audit fees	1,750	1,218
Communication and infrastructure costs	1,085	814
Marketing and advertising expenses	894	808
Office costs	1,180	732
Vehicle expense	992	569
Taxes and levies	232	166
Provision for receivable from Bank Ukraine	839	--
Other operating expenses	3,942	2,790
	14,455	9,841

Other operating expenses mainly comprise cost of travel and rental expenses, as well as communications, infrastructure and other general administration expenses. In 2001 other operating expenses also included legal and consulting costs for due diligence work on a potential acquisition, which was not completed due to the unsatisfying outcome of this evaluation, as well as a provision made for doubtful receivables from Bank Ukraine in the amount of T€ 839 (net of foreign exchange losses of T€ 171).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 DEPRECIATION AND AMORTIZATION	2001	2000
Depreciation of property, plant and equipment	1,856	1,612
Amortization of intangible assets	249	162
Expenses from low value items written off	46	81
	2,151	1,855
Amortization of goodwill	1,956	1,018
	4,107	2,873

6 FINANCE COSTS	2001	2000
Interest income	756	820
Interest expense	(1,705)	(1,715)
Fair value losses net, securities available for sale and other investments	(8)	(18)
Impairment losses on investments in affiliated companies	(424)	--
Net foreign exchange transaction gains / (losses)	139	(1,064)
Other	78	--
	(1,164)	(1,977)

7 TAX	2001	2000
Current tax charge	1,042	518
Deferred tax charge	409	384
	1,451	902

Tax on Group profit before tax differs from the theoretical amount that would arise applying the basic corporate tax rate in Austria, the home country of the Company, as follows:

	2001	2000
Profit before tax	2,838	1,337
Tax calculated at tax rate of 34%	965	455
Effect of different tax rates in other countries and other differences not recognized	263	(210)
Expenses not deductible for tax purposes	223	657
Tax charge (income)	1,451	902

Further information on deferred tax is presented in Note 22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 EARNINGS PER SHARE	2001	2000
Net profit attributable to shareholders	1,387	467
Weighted number of ordinary shares in issue (thousands)	3,317	3,229
Basic earnings per share in €	0.42	0.14

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year (see Note 18). For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. For share options, a calculation is performed to determine the number of shares that could have been acquired at market price (determined as the average annual share price of the Company's shares) based on the monetary value of subscription rights attached to outstanding share options to determine the 'bonus' element; the 'bonus' shares are added to ordinary shares outstanding but no adjustment is made to net profit.

Net profit attributable to shareholders	1,387	467
Weighted number of ordinary shares in issue (thousands)	3,317	3,229
Adjustment for share options	6	--
Weighted No. of ordinary shares for diluted earnings per share	3,323	3,229
Diluted earnings per share in €	0.42	0.14

The conversion of potential ordinary shares in 2000 did not decrease net profit per share from continuing ordinary operations, and diluted earnings per share therefore equal basic earnings per share.

9 DIVIDENDS PER SHARE

In 2000 and in 2001 no dividends were paid out or declared.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 PROPERTY, PLANT AND EQUIPMENT

Year ended December 31, 2001	Land and buildings	Office equipment	Total
<i>Cost:</i>			
Opening amount	5,819	8,245	14,064
Acquisition of subsidiaries (Note 29)	1,291	1,066	2,357
Disposal of subsidiaries	(525)	(104)	(629)
Additions	433	1,690	2,123
Disposals / transfers	(26)	(1,498)	(1,524)
Translation adjustments	(113)	(109)	(222)
Closing amount	6,879	9,290	16,169
<i>Accumulated depreciation:</i>			
Opening amount	250	4,535	4,785
Acquisition of subsidiaries (Note 29)	--	419	419
Disposal of subsidiaries	(29)	(30)	(59)
Depreciation charge	230	1,626	1,856
Disposals / transfers	(5)	(1,100)	(1,105)
Translation adjustments	(4)	(197)	(201)
Closing amount	442	5,253	5,695
Net book amount	6,437	4,037	10,474

Property, plant and equipment is depreciated using the straight-line method. The useful lives are 10 to 25 years for office buildings and 3 to 8 years for office equipment. Property in the amount of T€ 3,260 is pledged as security for long-term loans. Additions include T€ 50 assets acquired under finance leases (where the Group is the lessee).

Year ended December 31, 2000	Land and buildings	Office equipment	Total
<i>Cost:</i>			
Opening amount	5,319	6,760	12,079
Acquisition of subsidiaries	--	407	407
Initial consolidation	--	71	71
Additions	1,537	1,548	3,085
Reclassifications	--	205	205
Disposals / transfers	(583)	(853)	(1,436)
Translation adjustments	(454)	107	(347)
Closing amount	5,819	8,245	14,064
<i>Accumulated depreciation:</i>			
Opening amount	109	2,924	3,033
Acquisition of subsidiaries	--	229	229
Depreciation charge	204	1,408	1,612
Disposals / transfers	(51)	(343)	(394)
Reclassifications	--	205	205
Translation adjustments	(12)	112	100
Closing amount	250	4,535	4,785
Net book amount	5,569	3,710	9,279

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INTANGIBLE ASSETS

	Goodwill	Licences and similar rights	Total
<i>Year ended December 31, 2001</i>			
<i>Cost:</i>			
Opening amount	10,547	802	11,349
Acquisition of subsidiaries (Note 29)	--	150	150
Additions	6,669	335	7,004
Disposals/reclassifications	--	(74)	(74)
Translation adjustments	(26)	29	3
Closing amount	17,190	1,242	18,432
<i>Accumulated depreciation:</i>			
Opening amount	1,183	285	1,468
Acquisition of subsidiaries (Note 29)	--	59	59
Amortisation charge	1,956	249	2,205
Disposals/reclassifications	--	(73)	(73)
Translation adjustments	(4)	33	29
Closing amount	3,135	553	3,688
Net book amount	14,055	689	14,744

	Goodwill	Licences and similar rights	Total
<i>Year ended December 31, 2000</i>			
<i>Cost:</i>			
Opening amount	3,861	613	4,474
Acquisition of subsidiaries	--	67	67
Additions	6,719	192	6,911
Disposals/reclassifications	(33)	(51)	(84)
Translation adjustments	--	(19)	(19)
Closing amount	10,547	802	11,349
<i>Accumulated depreciation:</i>			
Opening amount	202	154	356
Acquisition of subsidiaries	--	29	29
Amortisation charge	1,018	162	1,180
Disposals/reclassifications	(33)	(59)	(92)
Translation adjustments	(4)	(1)	(5)
Closing amount	1,183	285	1,468
Net book amount	9,364	517	9,881

Additions to goodwill in 2001 resulted from the acquisition of InNet, Neos (and its subsidiary GCC) as well as Netway (see Note 29). Intangible assets are recorded at cost and are amortized using the straight-line method over their useful lives (licenses and similar rights 3-6 years, goodwill 5-20 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 INVESTMENTS IN AFFILIATED COMPANIES

	2001	2000
Opening net book amount	3,359	3,289
Acquisition of subsidiaries	43	--
Additions	111	2,593
Impairment loss	(424)	--
Reclassification	(2,112) ¹⁾	(857)
Disposals	(68)	(1,575)
Translation adjustments	(11)	(91)
Closing net book amount	898	3,359

¹⁾ consolidated in 2001

Investments in affiliated companies include Macek d.o.o., Slovenia and S&T Business Development GmbH.

The investment in Streiko spol.s.r.o, Czech Republic, was written down in previous years. The investments in Pixelpark CEE Holding AG (22%) and in Megamax d.o.o., Slovenia (36,3%) are carried at cost less impairment losses which approximate fair value.

13 OTHER INVESTMENTS

	2001	2000
Opening net book amount	35	70
Acquisition of subsidiaries (Note 29)	33	9
Addition	141	--
Disposals /reclassification	(31)	(26)
Impairment charge	(11)	(18)
Translation adjustments	--	--
Closing net book amount	167	35

Other investments comprise marketable securities and other financial instruments. All items available for sale are included at fair value.

14 NON-CURRENT RECEIVABLES

	2001	2000
Finance leases – gross investments	52	703
Unearned finance income	(3)	(35)
	49	668
Long-term loans	793	985
	842	1,653

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 5.75% to 7% in the 2001 financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Finance lease receivables (where a Group Company is lessor):

	2001	2000
Gross investment in finance leases:		
Not later than 1 year	79	1,174
Later than 1 year and not later than 5 years	52	703
	131	1,877
Unearned future finance income on finance leases	(12)	(134)
Net investment in finance leases	119	1,743
Representing:		
- current receivables (not later than 1 year)	70	1,075
- non-current-receivables (later than 1 year and not later than 5 years)	49	668
	119	1,743

Finance lease receivables have decreased mainly due to impairment losses of T€ 1,010 recorded on receivables from Bank Ukraine (see Note 4).

15 INVENTORIES

(at lower of cost or net realizable value)	2001	2000
Merchandise	6,900	6,048
Spare parts	3,337	2,267
Other products	1,051	827
Net book amount	11,288	9,142

16 OTHER RECEIVABLES AND PREPAYMENTS

	2001	2000
Receivables from tax authorities	1,058	1,675
Finance lease - gross investment (Note 14)	79	1,174
Unearned finance income	(9)	(99)
	70	1,075
Receivables due from affiliated / related companies	738	323
Prepayments	1,402	630
Prepaid expenses and other current receivables	4,073	2,072
	7,341	5,775

Receivables from tax authorities in 2001 comprise tax prepayments in the amount of T€ 287 (2000: T€ 144) and prepaid value-added tax in the amount of T€ 771 (2000: T€ 1,531).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 CASH AND CASH EQUIVALENTS

	2001	2000
Cash at banks and on hand	30,359	12,567
Marketable securities, held for trading at fair value	5	26
	30,364	12,593

For the purpose of preparing the cash flow statement, cash and cash equivalents are derived by reducing total bank deposits and marketable securities of T€ 30,364 by deposits held for a period longer than 3 months of T€ 5,347 (representing net balance of T€ 25,017, in 2000: T€ 5,481). These deposits are pledged as security for long-term loans. The weighted average effective interest rate on short-term bank deposits was 4.1% (2000: 4.7%).

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 January 1, 2000	450	3,270	16,744	(1,862)	18,152
Adjustment for stock split June 2	2,700	--	--	--	--
Capital increase (acquisition Largo)	158	164	2,829	--	2,993
Reclassification	--	--	(354)	--	(354)
Transactions with treasury shares	--	--	--	848	848
At December 31, 2000	3,308	3,434	19,219	(1,014)	21,639
Capital increase (acquisition Neos)	188	195	2,063	--	2,258
Transactions with treasury shares	--	--	--	233	233
At December 31, 2001	3,496	3,629	21,282	(781)	24,130

With effect of June 2, 2000 a 1:7 stock split took place, resulting in the issue of 6 bonus shares for one S&T share. This stock split increased the number of shares from 450,000 to 3,150,000 ordinary voting shares. On June 30, 2000, a capital increase in kind was carried out as a result of the acquisition of "Largo" and involved the issue of 157,500 new S&T shares. In 2001 the acquisition of Neos (see Note 29) resulted in the issue of 188,100 new S&T shares. At December 31, 2001 issued capital of T€ 3,629 represents 3,495,600 shares with zero par value currently incorporated in the Company's register. The total authorized number of ordinary shares as at the balance sheet date is 4,170,600 with a value of € 1.04 per share. Including registration of the capital increase and treasury stock during the year, the average number of shares was 3,316,633. The cost incurred by the Company to purchase rights to re-acquire its own shares and related proceeds for subsequent re-sale are shown as a deduction from equity (treasury shares).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 EQUITY COMPENSATION PLANS

In 2000 first-time share options were granted to directors and employees. Movements in the number of share options outstanding are as follows:

	Stock Option Program	01.01.2001	Granted in 2001	Lapsed in 2001	Exercised in 2001	31.12.2001	Strike Price €	Intrinsic Value 31.12.2001 T€
Management Board								
Karl Tantscher	2000	3,000	0	0	0	3,000	20.00	0
	2001	0	5,000	0	0	5,000	9.50	26
Martin Bergler	2000	3,000	0	0	0	3,000	20.00	0
	2001	0	10,000	0	0	10,000	9.50	53
Directors	2000	2,000	0	0	0	2,000	15.50	0
	2001	0	6,000	0	0	6,000	9.50	31
Employees (Parent)	2000	3,750	0	(2,000)	0	1,750	15.50	0
	2001	0	10,600	0	0	10,600	9.50	56
Total Parent		11,750	31,600	(2,000)	0	41,350		166
Employees (Subsidiaries)	2000	29,400	0	(7,150)	0	22,250	15.50	0
	2001	0	35,800	0	0	35,800	9.50	188
Total Group		41,150	67,400	(9,150)	0	99,400		354
Thereof	2000	41,150	0	(9,150)	0	32,000		
	2001	0	67,400	0	0	67,400		

The exercise periods for the stock option programs are generally May 15 to June 15; for the program 2000: in the years 2002 and 2003, for the program 2001: in the years 2002, 2003 and 2004. One-third of the options granted under each program may be exercised at each exercise window. Portions not exercised can be carried forward to exercise periods of the following two years within the same stock option program. The intrinsic value for the options have been arrived using the year end market price for the company's shares (€ 14.75).

Compensation cost is not recognized in these financial statements for the fair value or intrinsic value of share options granted.

20 DISTRIBUTABLE RETAINED EARNINGS/(LOSSES)

The reconciliation to distributable retained earnings/(losses) and other reserves as of December 31, 2001 compared to the prior year is as follows:

	2001	2000
Consolidated retained earnings and other reserves	6,616	5,266
Non-distributable reserves	(602)	(211)
Consolidation adjustments	14,203	4,709
Distributable retained earnings and other reserves	20,217	9,764
Thereof: Parent Company	303	899
Subsidiaries	19,914	8,865

Included in the consolidated retained earnings and other reserves as of December 31, 2001 are non-distributable legal and other reserves in the amount of T€ 602 (2000: T€ 211).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 LOANS AND OTHER LIABILITIES (NON-CURRENT)

	2001	2000
Long-term loans and borrowings	13,156	12,998
Lease liabilities	64	43
Employee termination indemnities	158	115
Service anniversary bonuses	32	52
	13,410	13,208

Long-term loans and borrowings include a bank loans agreement guaranteed by the Republic of Austria totaling T€ 9,792 at an interest rate of 4%. The bank loan agreement is secured over certain shares held in consolidated investments.

The weighted average effective interest rates are:

- > bank overdrafts 6-19%
- > long-term bank borrowings and loans 4%

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

	2001	2000
Between 1 and 2 years	2,600	2,971
Between 2 and 5 years	8,772	6,696
Over 5 years	1,784	3,331
Total	13,156	12,998

The average interest rate for lease liabilities is 7%.

Finance lease liabilities – minimum lease payments:

	2001	2000
Not later than 1 year	59	23
Later than 1 year and not later than 5 years	65	46
	124	69
Future finance charges on finance leases	(6)	(7)
Present value of finance lease liabilities	118	62
Representing lease liabilities:		
- current (not later than 1 year)	54	19
- non-current	64	43
	118	62

The liability for termination indemnities relates to obligations of the parent Company towards its employees and as such it is based on the Austrian labor law. Such 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.

The expected liability at the date of termination of service has been discounted to its net present value using a discount rate of 4%. In view of the relative insignificance of the expense recognized in the income statement for the period, further disclosures required by IAS 19 have not been included. These employee benefit liabilities are unfunded.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

According to Austrian labor law (or the terms of the relevant collective labour agreement), service anniversary bonuses are to be paid to employees after 20, 25, 35 and 40 years of service. The present value of accrued claims has been calculated using a projected benefit valuation method (discount rate 4%).

22 DEFERRED INCOME TAXES

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

	2001	2000
Deferred tax assets	(1,572)	(1,509)
Deferred tax liabilities	1,392	870
	(180)	(639)

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 tax losses of T€ 538 to carry forward against future taxable income, which have not been recognised in these financial statements due to uncertainty of their recoverability. Net deferred tax assets in the amount of T€ 250 resulting from other deductible temporary differences have not been recognized because it is not probable that sufficient taxable profit will be available. All other deferred tax assets have been recognised as future taxable profits in the respective Group companies are expected.

Deferred tax assets and liabilities, deferred tax charge/(credit) in the income statement, and deferred tax charge/(credit) in equity are attributable to the following items:

	31.12.00	Charged/ (credited) to equity	Charged/ (credited) to income statement	Exchange differences	31.12.01
Deferred income tax liabilities					
Valuation of non-current assets	172	--	474	84	730
Valuation of receivables and inventory	586	--	33	11	630
Accruals and provisions	15	--	(14)	--	1
Treasury shares	--	40	(40)	--	--
Accounts payable	97	--	(46)	(20)	31
	870	40	407	75	1,392
Deferred income tax assets					
Valuation of certain current and non-current assets	14	--	(52)	(88)	(126)
Impairment of receivables and inventory	(167)	--	(102)	74	(195)
Provisions and liabilities	(72)	--	(16)	(90)	(178)
Unused tax credits	--	--	(279)	--	(279)
Tax loss carry forwards	(1,284)	--	451	39	(794)
	(1,509)	--	2	(65)	(1,572)
Net deferred income tax assets	(639)	40	409	10	(180)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 OTHER PAYABLES

	2001	2000
Advances received	2,281	3,951
Payables due to affiliated companies	487	336
Employees' bonuses/salaries	47	17
Other payables	5,658	5,133
	8,473	9,437

Other payables mainly consist of unpaid portions of purchase considerations for acquisitions, liabilities to social security agencies and to the tax authorities: VAT and payroll taxes.

24 SHORT-TERM BORROWINGS

	2001	2000
Bank overdrafts	6,248	3,091
Short-term portion of long-term loans	1,766	2,650
Lease liabilities (see Note 21)	54	19
	8,068	5,760

The average effective interest rates for bank overdrafts ranged from 4% to 17% depending on the currency of the respective overdrafts (2000: 6% to 19%).

25 PROVISIONS AND DEFERRED INCOME

	2001	2000
Provision for warranties	592	561
Provisions for pending losses	147	88
Provisions for short-term personnel benefits	1,513	884
Other	2,104	1,214
	4,356	2,747
Deferred income	2,701	1,417
	7,057	4,164

Provisions for liabilities and charges mainly comprise consultancy and legal fees and warranties. Deferred income mainly represents the deferred portion of sales revenues, rentals and other income paid in advance.

26 OPERATING LEASE COMMITMENTS

There are no future minimum lease payments under non-cancellable operating leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 NON-CASH TRANSACTIONS AND SALE OF BUSINESS UNITS

The principal non-cash transactions relate to the acquisition of property, plant and equipment using finance leases (Note 10 and 21), and the sale of goods under finance lease (Note 14).

Proceeds of T€ 298 relating to the sale of HPC d.o.o., Slovenia, comprising the major part of the ITD business unit (Note 2) are included in cash flow from investing activities.

28 CONTINGENCIES

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, not all of which 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 project-oriented, the levels of earnings will naturally fluctuate according to the size and number of projects.

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

In the ordinary course of business, the Group has issued performance bonds and bid bonds in the total amount of T€ 514 (2000: T€ 1,589).

29 ACQUISITIONS AND INITIAL CONSOLIDATION

Effective January 1, 2001, the Group initially consolidated the companies "InNet Kft.", Hungary, acquired in December 2000 and "Neos Computer a.s." Czech Republic. Effective in June 2001, the company acquired 100% of "Netway Computer srl." Romania and in September 2001 the entire share capital of Aster d.o.o., Slovenia. The consideration for these acquisitions were/will be partly paid in cash and partly through the issuance of 188,100 of S&T shares (see also Note 18). The acquired businesses contributed revenues of T€ 24,605 and an operating profit of T€ 1,074 to the Group in 2001.

The impact of these acquisitions for the year 2001 is as follows:

Purchase consideration:	
- Cash paid/payable	8,159
- Fair value of shares transferred	2,257
Total purchase consideration	10,416
<hr/>	
Fair value of net assets acquired	(3,747)
<hr/>	
Goodwill (Note 11)	6,669

No provisions were created for plant closure or other restructuring.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The fair values of assets and liabilities arising from acquisitions and restated according to International Accounting Standards are as follows:

Cash and cash equivalents	1,177
Property, plant and equipment (Note 10)	1,938
Intangible assets (Note 11)	91
Investments (Note 12 and 13)	76
Non-current receivables	65
Deferred tax assets	111
Inventories	1,314
Receivables	7,026
Non-current liabilities	(796)
Deferred tax liabilities	(48)
Payables	(6,652)
Borrowings	(555)
Fair value of net assets	3,747
Goodwill	6,669
Total purchase consideration	10,416
Less:	
Discharged by shares issued (Note 18)	(2,258)
Considerations paid in prior years	(431)
Considerations payable	(3,019)
Cash and cash equivalents in subsidiaries acquired	(1,177)
Cash outflow of acquisitions	3,531

30 MANAGEMENT BOARD AND RELATED PARTY TRANSACTIONS

No related party transactions or other such transactions of a material or non-business-related nature were concluded in 2001. In addition to the current members of the Management Board (Karl Tantscher, CEO and Martin Bergler, CFO), Slavko Despotovic served on this body from July 01, 2000 until his resignation in February 2001; he left S&T in June 2001. Members of the Management Board received compensation totaling T€ 543 for 2001, consisting of T€ 390 of fixed salaries and benefits, T€ 130 of bonuses and T€ 23 of severance compensation (in 2000: in total T€ 676). As of December 31, 2001 provisions for mandatory severance compensation totaled T€ 45 for the members of the Management Board. The members of the Supervisory Board (Peter Kohl, Chairman, Reinhard Moser, Deputy Chairman, Wilhelm Hendricks, Franz Hörhager and Karl-Michael Millauer) received remuneration of T€ 23 in 2001 (in 2000: T€ 20). 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 T€ 330 (there were no loans to members of the Supervisory or Management Board).

31 POST BALANCE SHEET EVENTS

On March 1, 2002 the Group signed a letter of intent to sell its subsidiary HPC d.o.o., Croatia. In January 2002 S&T BA, Sarajevo, Bosnia Herzegovina was founded to facilitate the Group's entry into this rapidly growing market.

SUPPLEMENTARY DISCLOSURES TO THE NOTES IN ACCORDANCE WITH § 245A OF THE AUSTRIAN COMMERCIAL CODE (HGB)

1. Reporting in accordance with International Accounting Standards (IAS)

The consolidated financial statements as of December 31, 2001 are prepared in accordance with International Accounting Standards (IAS). The Austrian Consolidated Financial Statements Act ("Konzernabschlussgesetz") exempts entities that prepare consolidated financial statements in accordance with IAS from preparing consolidated financial statements in accordance with the Austrian Commercial Code. However, the following supplementary information must be disclosed.

2. Disclosure of material differences between IAS and EC Directive No. 7 (§245a (1) no. 1 Austrian Commercial Code (HGB))

The table below sets forth material differences between the presentation of the consolidated financial statements in accordance with IAS and presentation in accordance with accounting principles as stated in the EC-Directive No. 7 for the fiscal year ended December 31, 2001:

Material differences in accounting principles

	2001 in T€
Profit and loss reconciliation for fiscal year 2001	
Profit as per IAS	1,387
Changes in deferred tax assets relating to the carry-forward of unused tax losses	451
Adjusted result as per EC Directive No. 7	1,838
Equity reconciliation as per December 31, 2001	
Shareholders' equity as per IAS	30,250
Deferred tax assets relating to the carry-forward of unused tax losses	(794)
Adjusted shareholders' equity as per EC Directive No. 7	29,456

SUPPLEMENTARY DISCLOSURES TO THE NOTES IN ACCORDANCE WITH § 245A OF THE AUSTRIAN COMMERCIAL CODE (HGB)

3. Disclosure of material differences between accounting principles in accordance with Austrian Commercial Code (HGB) and IAS (§ 245a (1) no. 2 HGB)

Material Differences	IAS	HGB
Securities	In accordance with IAS securities are recorded at fair value.	Austrian accounting principles require current and non-current securities to be recorded at the lower of cost or market value.
Foreign currency valuation	IAS requires the recognition of unrealized profits and losses. See IAS 21.	Accounting principles require different treatment for unrealized profits arising from the valuation of foreign exchange items as of the balance sheet date. According to Austrian GAAP, the principle of realizable value allows only unrealized losses to be recorded.
Deferred taxes	In accordance with IAS, deferred tax assets and liabilities should be recognized for all temporary differences arising between the tax base and the financial reporting base of assets and liabilities. Furthermore, IAS requires recognition of deferred tax assets for operating tax loss carryforwards, as long as it is probable that they can be used by future taxable income.	As per Austrian GAAP, deferred tax liabilities should be recognized for expected future tax liabilities resulting from timing differences. Deferred tax assets may be recognized for expected future tax returns resulting from timing differences.

4. Additional disclosures to notes (§ 245a (1) no. 3 HGB)

Other current liabilities include liabilities due to the tax authorities amounting to T€ 1,307 as of December 31, 2001 and T€ 1,899 as of December 31, 2000, respectively, and liabilities due to the social security agency of T€ 510 as of December 31, 2001 and T€ 284 as of December 31, 2000 respectively.

Expenses for leaving indemnities

Expenses for leaving indemnities and pensions classified in accordance with § 266 no. 6 of the Austrian Commercial Code are as follows:

	2001	2000
Management board	23	61
Executive employees	7	2
Other employees	64	78
Total	94	141

To the Shareholders of S&T System Integration & Technology Distribution AG

We have audited the accompanying consolidated balance sheet of S&T System Integration & Technology Distribution AG and its subsidiaries ("the Group") as of December, 31 2001 and the related income and cash flow statements for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing, as well as, in accordance with the auditing standards generally accepted in Austria. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly in all material respects the financial position of the Group as of December 31, 2001 and of the result of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

According to the Austrian Commercial Code, we have audited the Management Report and the compliance with regulations for the exemption from the presentation of consolidated financial statements according to accounting principles generally accepted in Austria.

We confirm that the Management Report complies with the accompanying consolidated financial statements and that the legal requirements for the exemption from the presentation of consolidated financial statements according to the Austrian Commercial Code are fulfilled.

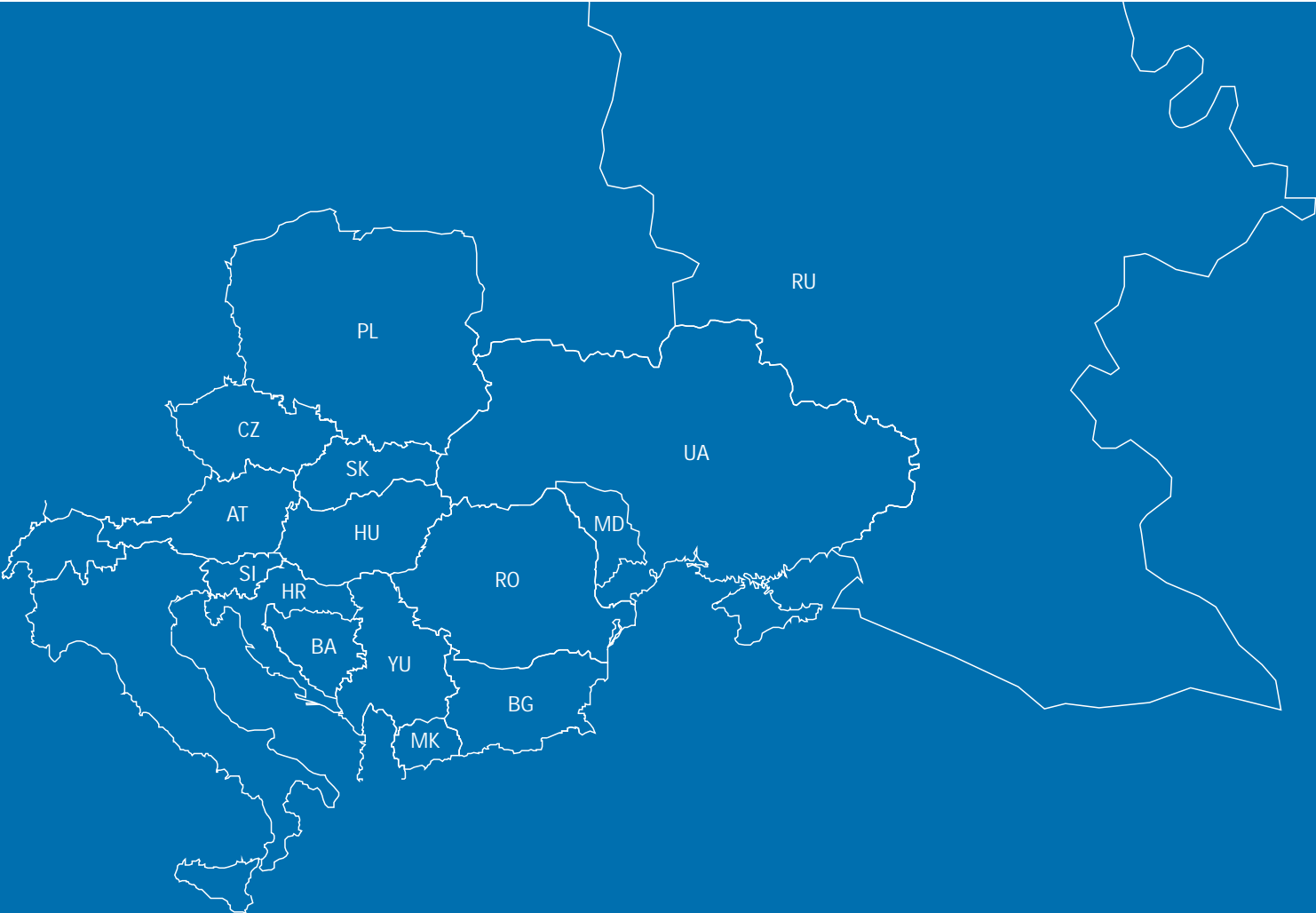
March 11, 2002
Vienna

PRICE WATERHOUSE AG

Christine Catasta

Aslan Milla

MEMBER COMPANIES OF THE S&T GROUP



MEMBER COMPANIES OF THE S&T GROUP

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CORPORATE GOVERNANCE

S&T is a reliable partner for shareholders. Together with customers and employees, our shareholders represent one of the three major constituencies of S&T.

Our objective is to create value for shareholders by building a solid foundation for the Company. Earnings are invested in growth, and shareholders benefit from a developing market price. Our reporting is based on compliance with Nasdaq Europe guidelines and International Accounting Standards to provide a high degree of transparency.

Milestones such as major projects, partnerships, acquisitions, and changes in shareholder structure or management are communicated immediately through channels such as Reuters, e-mail, and our website. We inform all interested parties at the same time to guarantee an equal base of information. S&T hold conference calls following the publication of results, and all announcements and reports are available for download from our website.

The Supervisory Board operates independently to guarantee an appropriate system of checks and balances for management, and cooperates with the Management Board to provide solid support for the conduct and development of business.

IMPRINT

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OPEN communications

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INFORMATION FOR SHAREHOLDERS

S&T shares have been traded on Nasdaq Europe (former EASDAQ) since 1998 and on NEWEX NX.plus since 2000. An ADR program has been launched in March 2002. The number of shares increased in 2000 following a 1:7 stock split (1999 numbers adjusted). In 2000 157,500 shares were issued for the acquisition of Largo. A total of 3,495,600 shares are outstanding per December 31, 2001. This includes the increase resulting from the acquisition of Neos (188,100 shares, since renamed „S&T Česká republika a.s.“).

Key data on the S&T share	2001	2000	1999
P/E ratio	35	82	-
Earnings per share (diluted)	0.42	0.14	-0.45
Market capitalization (as of 31.12.) in € mill.	51.56	38.04	20.92
Number of shares (as of 31.12.)	3,495,600	3,307,500	3,150,000
Stock price year-end	14.75	11.5	6.64
High	17.00	23.57	13.00
Low	8.00	6.09	5.07

S&T SHARES ARE LISTED ON:

Nasdaq Europe (www.nasdaqeurope.com)
NEWEX NX.plus (www.newex.com) – Liquidity Provider: Baader
Wertpapierhandelsbank AG

ABBREVIATIONS

Reuters: SNTS.ED
Bloomberg: SNTS ES
Datastream: ADR: STSQY
XETRA: SYA
ISIN: AT0000905351

INVESTOR RELATIONS

S&T believe in a proactive information policy. We release our announcements through NASDAQ Europe and use e-mail to reach investors, analysts, shareholders, and other interested parties. Immediate updates can be found on our corporate website, which also includes a news archive with all releases issued to date.

DURING THE REPORTING YEAR, THE FOLLOWING COMPANIES PUBLISHED ANALYSES ON S&T:

Bank Austria AG, Vienna
Raiffeisen Centrobank, Vienna
Nomura International plc, London
Société Générale Securities Ltd, London

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FINANCIAL CALENDAR

March 21, 2002	Press conference on Results for 2001
April 23, 2002	Results for the First Quarter 2002
April 24, 2002	Annual General Meeting, 10 am
July 24, 2002	Results for the First Six Months 2002
October 24, 2002	Results for the First Three Quarters 2002



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