IT SOLUTIONS & SERVICES

Annual Report 04

Mission Statement
» S&T is the leading provider of IT solutions in 21 countries in Central and Eastern Europe. »

S&T GROUP - in EUR Million

	2004	Change in %	2003	2002	2001	2000
Total revenues	220.9	6%	209.3	171.1	161.6	116
EBITDA	8.5	3%	8.2	7.6	8.1	6.2
EBITA	5.2	10%	4.7	4.9	6.0	4.3
Profit/Loss from operations (EBIT)	5.2	-	0.2	2.6	4.0	3.3
Profit/Loss before tax	4.2	-	-1.8	0.5	2.8	1.3
Net Profit/Loss after tax	2.8	-	-2.6	0.2	1.4	0.4
Diluted earnings per share in EUR	0.79	-	-0.76	0.05	0.42	0.14
Shareholders' equity	31.4	15%	27.2	31.2	30.3	27.3
Total assets	104.7	-8%	113.4	112.4	109.3	75.3
Employees at year-end	1,169	-3%	1,208	882	815	599
Net debt	10.7	109%	5.1	11.1	-8.9	6.4
Tangible equity	20.5	20%	17.1	16.2	15.5	17.5
Net gearing	10.2%	-	4.5%	9.9%	-8.1%	8.5%

> **Disclaimer**
  This Annual Report reflects the situation of S&T as per December 31, 2004.

> 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 operations 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. This Annual Report is neither an offer nor an invitation to submit an offer to buy S&T securities.

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» Welcome to the world of S&T »

Letter to the Shareholders

> **Dear Shareholders,**

2004 was not only an extremely successful year for the S&T Group, it was also one which pointed the way to the future. We achieved record sales and substantially higher profitability, while at the same time laying the foundation for future growth. In the reporting year strategic acquisitions were initiated which will have an impact on business activity from 2005. The capital markets recognized the company's growth potential and rewarded our earning power. In 2004 our share was the best performer on the Vienna Stock Exchange, rising by 164.7% over the course of the year.

> A number of factors contributed to this pleasing development. Within the company we were able to improve margins by consistently focusing upon IT services and leveraging cross-border synergies. External factors which made a positive contribution included European Union enlargement and the resultant overall positive assessment of the IT markets in which we are active.

> Following a year of consolidation we will persistently continue our strategy of expansion in 2005. Further growth has already been initiated with three acquisitions in Slovenia and Austria. The integration of our new employees at ITS in Slovenia, Computacenter Austria and T-Systems DSS should be successfully completed by the middle of the year. We are already seeking further acquisitions designed to strengthen our position in the region as well as to enhance our value-added chain.

> We have set ambitious goals: we aim to achieve sales of approximately EUR 380 million in 2005. With our 1,600 employees at more than 50 local offices in 21 Central, South and East European countries, we will make every effort to identify and exploit the doubtless existing opportunities, thereby increasing shareholder value and confirming the trust which you, as customers and investors, have placed in us.

Karl Tantscher
Chief Executive Officer, S&T

Vienna, March 2005

Karl Tantscher

Chief Executive Officer, S&T

Letter to the Shareholders

» Have you met our board members recently? »

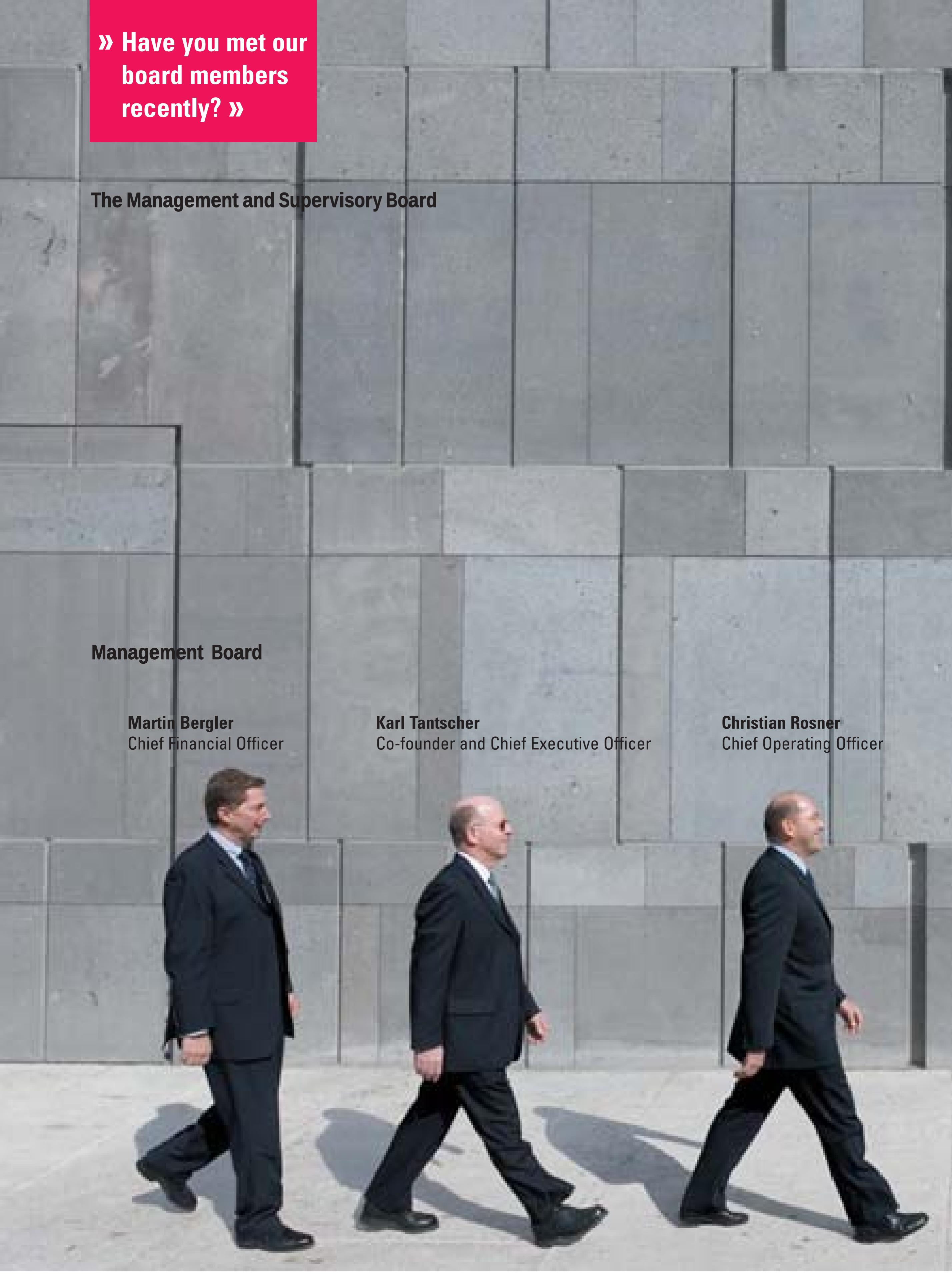
The Management and Supervisory Board

Management Board

Martin Bergler
Chief Financial Officer

Karl Tantscher
Co-founder and Chief Executive Officer

Christian Rosner
Chief Operating Officer



Management and Supervisory Board

> **Karl Tantscher**, Chairman of the Management Board of S&T since 2000, was one of the founders of the company and is responsible for strategic organization development, investor relations, human resources and business development in the regions South and East. Mr. Tantscher, who holds a degree in physics, can look back on 30 years of experience in the IT industry, including management positions at Control Data and Hewlett-Packard.

> **Martin Bergler** joined the company in 1998. As a member of the Management Board, he is responsible for corporate finances and administration. A trained business economist, he was CEO of Mazda Bank Austria AG, which also operates in Slovenia, Croatia and Hungary. Prior to this he worked as a financial specialist at the Girozentrale.

> **Christian Rosner** joined S&T in January 2004 as Chief Operating Officer. He is responsible for marketing & sales, vendor relations und business development in the Central and Adriatic regions. He acquired his comprehensive expertise in the computer and telecommunications industry in management positions at Commodore Computer, Hewlett-Packard and Digital Equipment but also as CEO of EMTS and eTel Austria.

Supervisory Board:

Thomas Streimelweger
Chairman

Reinhard Moser
Deputy Chairman

Wolfgang Auer von Welsbach
Member

William de Gelsey
Member

Franz Jurkowitsch
Member

Karl-Michael Millauer
Member

» S&T: The first 12 years »

The S&T Milestones

January 2005	> Expansion in Austria: S&T acquires T-Systems DSS and Computacenter Austria GmbH
2004	> S&T share is the best performing stock 2004 in the ATX Prime, rising +164.7% > S&T acquires ITS Intertrade Sistemi d.o.o. in Slovenia
2003	> S&T acquires subsidiaries of Fujitsu Services in Poland, the Czech Republic, Hungary, Romania, Greece and Malta > April 11: S&T is listed on the Vienna Stock Exchange > Takeover of Microsoft specialists Atlantis in Slovenia and Epsilon in Croatia > Establishment of S&T Austria GmbH
2002	> Expansion to Montenegro > S&T expands in Turkey
2001	> Acquisition of Aster (Geographical Information Systems and specialist for banking applications) in Slovenia > Acquisition of network specialist INNET in Hungary > Acquisition of IT infrastructure supplier Neos Computer in the Czech Republic > Acquisition of IT system integrator Netway Computer Systems in Romania
2000	> Acquisition of the leading IT infrastructure supplier Soft-Tronik in Ukraine > Acquisition of Largo Systems in Poland > Entry into the Russian market with the establishment of S&T International
1999	> Acquisition of market leader in the Adriatic region, Hermes Plus, with branches in Slovenia, Croatia, Bosnia and Herzegovina and Macedonia > Establishment of S&T Hungary
1998	> S&T goes public on the EASDAQ Stock Exchange in Brussels
1996	> Establishment of S&T Yugoslavia
1995	> Establishment of S&T Moldova
1994	> Establishment of S&T Romania
1993	> Establishment of S&T Slovakia > Establishment of S&T Bulgaria and S&T Ukraine

» What you should know about S&T »

About S&T

> **Our Services**

Our customers take care of their core business, while we take care of their IT systems. S&T provides a broad spectrum of services covering all aspects of IT system integration from consulting and project management to system implementation, configuration of the optimal hardware and software to round-the-clock customer support and training. Our goal is to optimize our customers' business processes in order to enhance their profitability and competitiveness. More than 50 local offices in 21 countries guarantee optimal customer proximity.

> S&T develops customized solutions based on the cutting-edge technologies of leading global hardware and software manufacturers such as Cisco Systems, EMC², Hewlett-Packard, IBM, Microsoft, Oracle, SAP and others.

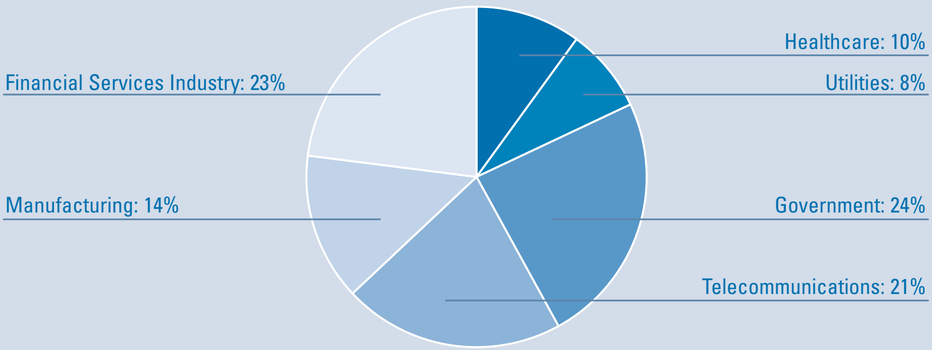
> **Our Claim: "One-Stop-IT-Shop"**

Each customer has a contact person at S&T who is responsible for the implementation of their project, be it a single server, a complex cross-border software rollout or the outsourcing of a complete IT infrastructure. We provide the competence of approximately 1,200 highly qualified and certified employees, each of whom meets the exacting quality standards of S&T and our customers. The annual customer satisfaction survey provides impressive proof of this.

> **Our Customers**

We serve mainly large customers from the telecommunications and financial services industries, the public sector as well as utilities and industrial and retail companies. On the following pages you will find examples of applications which have been successfully installed for customers from a wide range of business areas.

Our Customers By Segment 2004



» There's S&T inside »

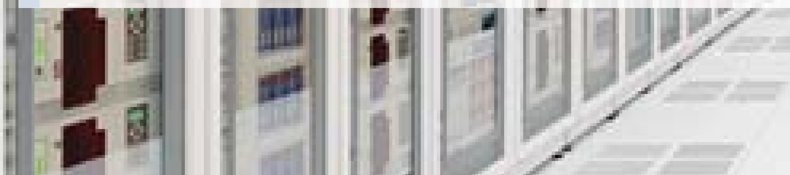
Success Stories

> **Central Region** | Czech Republic | Financial Services Industry

S&T optimizes sales at Komercni Banka

The task was to develop a software solution for Komercni Banka that would optimize the management and monitoring of sales processes. With 8,000 employees and some 330 branches, Komercni Banka is one of the top three universal banks in the Czech Republic. Due to the fact that data is available in different systems, valuable sales information frequently remains unutilized. Integration of the different sales systems for investment, loan and insurance products into a single database was particularly important.

> The business intelligence software (Cognos) implemented by S&T gives top managers at the bank's headquarters and in the branch offices quick access at all times to the right information from the large volume of data on the different systems. The result is improved risk management, faster transactions and higher profits. A team from S&T successfully completed the project in the first quarter of the reporting year. This project was the largest Cognos implementation in the Czech Republic.



> **Adriatic Region** | Croatia | Manufacturing Industry

S&T modernizes management control at the Lura food group

Croatia's largest milk and beverages producer which employs 3,000 people and generates sales of approximately EUR 230 million per year, faced the challenge of replacing the previous IBM AS/400-solutions used throughout the Group with a modern standardized system. S&T was awarded the contract for the entire project - consulting and project management, licensing, implementation of hardware and software, training and maintenance.

> In the first phase of the project, the "heart" of the software, "mySAP Business Suite" with the most important modules such as finance, controlling, stock-keeping, production planning, sales and distribution and personnel management, will be implemented. Lura managers will be able to retrieve the most important business data at the touch of a button, while the quality and up-to-date nature of the data will enable them to make sound decisions faster. The project is scheduled for completion in June 2005.

Success Stories

Success Stories

> **East Region** | Russia | Telecom Industry

S&T implements a planning system for Megafon

The leading Russian mobile communications operator Megafon was looking for a planning tool which would enable it to participate in the strong growth of the communications industry. S&T is supplying a fully computerized planning system for the rapidly expanding data transmission network and will also be responsible for maintenance. The order volume amounts to USD 1.7 million. The challenge of this project, which should enable Megafon to put new transmitters into operation rapidly and more cost effectively while reducing maintenance costs, is to adapt the solution to the enormous size of this country.

> **South Region** | Turkey | Government Industry

S&T installs analysis software to detect money laundering for the Turkish Ministry of Finance

The Financial Crimes Investigation Board MASAK (Mali Suçları Arastirma Kurulu) based at the Turkish Ministry of Finance was looking for analysis software to help identify suspicious transactions and S&T was able to win the contract for this EU-financed order. The project “Fight against Money Laundering – Information Technology and Analysis Tools” should enable the tax authorities to uncover more cases of money laundering. In addition to the implementation of the anti-money laundering analysis software, S&T will also carry out maintenance work as well as training and warranty services. The contract, which is worth EUR 1.4 million, was signed on November 30, 2004 and will run until November 30, 2006.

The S&T Team

> **As a service provider**, highly qualified employees are our most valuable capital. They not only possess comprehensive technical expertise, they also have detailed knowledge of the requirements of the local markets. As our employees are recruited exclusively in the 21 countries where S&T operates we can offer our customers solutions tailored to their specific regional setting. As of December 31, 2004, S&T employed 1,169 people* worldwide, down from 1,208 at the end of 2003.

> An important aspect of S&T's corporate culture is based upon awareness that together we can be more successful than as individuals. The "S&T Way" is team spirit put into practice, which means taking on personal responsibility for the success of the company. This commitment is also reflected in customer relationships: Offering top quality services and products, establishing long-term customer relationships and treating both internal and external partners with respect.

> This approach helped S&T to rank 54th among the 500 fastest growing companies in Europe in 2004. Since 2000, the "Europe's 500" ranking - drawn up in co-operation between 3i, Microsoft, Boston Consulting Group and Pricewaterhouse Coopers - has listed those companies which achieve an average annual growth rate of 15% in employees and sales figures (www.europes500.com).

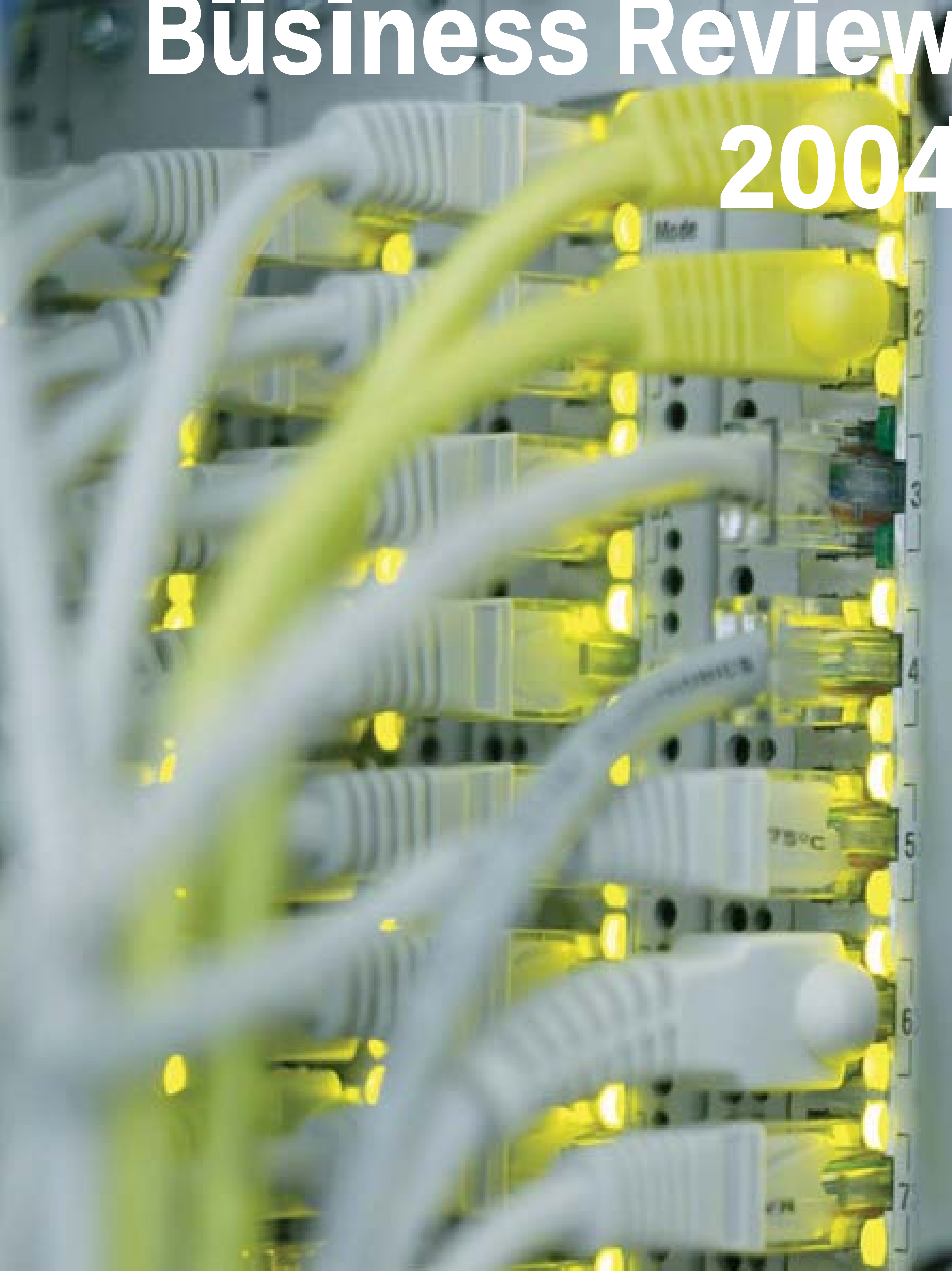
Number of Employees per Country

as of December 31, 2004

	AT	BA	BG	CZ	GR	HR	HU	LV	MD	MK	MT	PL	RO	RU	SCG	SI	SK	TR	UA	Total
2004	27*	7	34	188	44	82	28	6	20	22	12	137	66	44	31	246*	70	14	91	**1,169**
2003	26	10	34	211	39	75	39	4	19	19	13	136	84	32	29	246	63	49	80	1,208
2002	18	8	37	139	-	55	25	8	18	19	-	19	71	28	21	201	63	79	73	882
2001	14	12	37	161	-	52	24	-	16	16	-	22	64	29	12	230	58	-	69	816
2000	15	13	36	24	-	37	29	-	16	14	-	24	38	22	8	177	71	-	75	599

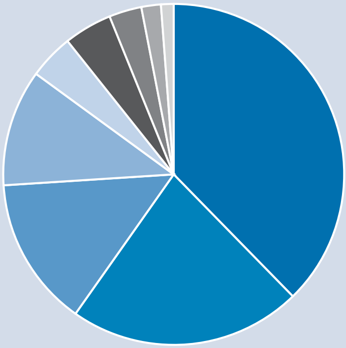
* excluding employees at the new acquisitions ITS Slovenia, T-Systems DSS and Computacenter Austria

Business Review 2004



Business Review 2004

IT Spending in CEE in EUR Million



Austria	6,514
Poland	3,818
Czech Republic	2,456
Hungary	1,912
Slovakia	736
Romania	789
Slovenia	534
Bulgaria	320
Latvia	207

Source: EITO 2005

Foreign Direct Investment 2004 in EUR Million

	2004	Change in %	2003
Poland	3,300	-9.84%	3,660
Slovakia	990	106.25%	480
Slovenia	40	136.36%	-110
Czech Republic	3,627	73.54%	2,090
Hungary	2,500	7.76%	2,320
Latvia	450	91.49%	235
Bulgaria	1,500	21.95%	1,230
Croatia	840	-51.45%	1,730
Romania	4,040	111.52%	1,910
Russia	7,910	50.95%	5,240
Ukraine	1,210	-3.97%	1,260

Source: BA-CA

Economic Situation

The financial year was characterized by a global economic recovery. International production in 2004 rose by 5% and the forecast for the next two years is also optimistic. Although growth will weaken somewhat it should nevertheless remain robust. The US economy remains the engine for recovery and even though its growth rate of 4.3% is not the highest, it is by far the largest economy. The performance of the Asian economies has also had a positive impact on global economic activity, with Japan finally emerging from a period of stagnation which lasted for more than ten years. Supported by developments on the global stage, the European economy overcame its low, although growth rates lagged behind those of the other global economies. Only the new members of the European Union were able to report pleasing economic growth.

IT Market

The market for information technology and telecommunications (ITC) is once again characterized by stable growth, following a nosedive at the start of the new millennium. Europe holds just under a third of the total market and has recently developed more slowly than the global market. The IT market in 2004 was again marked by fierce competition and rapid technological development. While the hardware segment continues to struggle with falling prices, the market was shaped by the services sector, as consulting and project management offer both higher growth and higher margins.

The S&T Group is an important regional player in the IT sector on the emerging markets of Central and Eastern Europe. EU enlargement on May 1, 2004 initiated a growth process which triggered an increase in direct foreign investment. The S&T Group has more than 50 local offices in 21 countries in Central and Eastern Europe (CEE).

Revenues

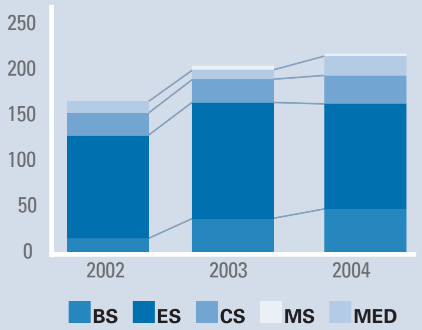
In the reporting year S&T recorded sales of EUR 219.5 million, the highest in the company's history. This represents an increase of 7% on 2003, when sales reached EUR 204.5 million. This pleasing development was the result of new sales initiatives focusing on solutions and the related strengthening of sales and consulting expertise. In reflection of this, the Business Solutions segment reported the strongest growth, with sales up 28% from EUR 38.9 million to EUR 49.8 million. Romania was the country with the strongest sales, slightly ahead of Slovenia. In addition to this core business area, Medical Systems also reported a massive increase - from EUR 9.9 million to EUR 21.1 million (+114%) due to two large-scale projects. One of these projects will also contribute to earnings in 2005.

> The region generating the highest sales in 2004 was Adriatic. However, the strongest growth (23%) was reported by the East region, followed by South with 12%. These growth rates reflect the more vigorous growth in these regions compared to the EU states. Together, the "old" EU countries and the new members accounted for some 50% of sales in 2004.

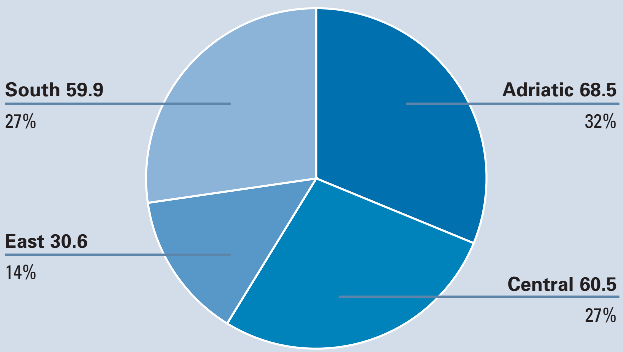
Revenues by Business Segment in EUR Million

	2004	Change in %	2003	2002	2001
Business Solutions (BS)	49.8	28%	38.9	17.2	14.2
Enterprise Systems (ES)	114.3	-10%	126.8	112.1	89.8
Customer Support (CS)	31.4	25%	25.1	23.9	18.9
Managed Services (MS)	2.9	-24%	3.8	0.0	0.0
Medical Systems (MED)	21.1	114%	9.9	12.8	21.0
Other (ITD), divested 2002	-	-	-	3.4	16.0
Total Sales	219.5	7%	204.5	169.4	159.9
Other Operating Income	1.4	-71%	4.8	1.7	1.7
Total Revenues	**220.9**	**6%**	**209.3**	**171.1**	**161.6**

Revenues by Business Segment in EUR Million



Revenues per Region in EUR Million



S&T Regions 2004

Adriatic: Slovenia, Bosnia and Herzegovina, Croatia, Macedonia, Serbia and Montenegro, Albania

Central: Austria, Hungary, Poland, Slovakia, Czech Republic

East: Latvia (The Baltics), Moldova, Russia, Ukraine

South: Bulgaria, Greece, Malta, Cyprus, Romania, Turkey

Business Review 2004

> **Earnings**

In 2004 S&T Group's profit from operations (EBIT) rose from EUR 0.2 to EUR 5.2 million. This increase in earnings is largely attributable to the utilization of synergies within the Group without one-time effects from acquisitions. This positive development was also supported by the discontinuation of amortization of goodwill following the first-time application of IFRS 3 accounting principles as of January 1, 2004. The significant improvement in the gross margin from 26% to 28.4% bears witness to the successful implementation of the strategy of focusing upon value-added services.

> Recent acquisitions had no significant impact on results in the reporting year. Although ITS Slovenia was taken over in November 2004, it will only contribute to results as of January 1, 2005. The Group continued to seek and evaluate suitable targets for acquisition, resulting in expenditure such as consulting expenses.

> The increase in staff costs was due to costs from restructuring and the resulting redundancies on the one hand, while at the same time the shift in emphasis toward the services business has required the employment of more highly qualified staff. The related expenditure on education and further training has led to a substantial increase in expenses.

> At EUR 5.2 million, EBITA is approximately 10% higher than in the previous year (EUR 4.7 million). EBITDA rose by approximately 3% from EUR 8.2 million in 2003 to EUR 8.5 million. This small increase in EBITDA is basically due to the first-time application of IFRS 3, as release of negative goodwill in 2004 were no longer reported as income.

> Interest expenses remained stable at the previous year's level. Gains on foreign currency translations in 2004 resulted in a significantly improved financial result compared to 2003, when there were foreign exchange losses.

> At approximately 34% the tax rate corresponds to the current corporate income tax rate of the holding company.

> The Group reported a net profit of EUR 2.8 million after income taxes, the equivalent of basic earnings per share of EUR 0.80.

Condensed Profit and Loss Statement in EUR Million

	2004	Change in %	2003	2002	2001
Total revenue	220.9	6%	209.3	171.1	161.6
EBITDA	8.5	3%	8.2	7.6	8.1
EBITA	5.2	10%	4.7	4.9	6.0
Profit/loss from operations (EBIT)	5.2	-	0.2	2.6	4.0
Profit/loss before tax	4.2	-	-1.8	0.5	2.8
Net profit/loss for the period	2.8	-	-2.6	0.2	1.4
Operative earnings per share in EUR	1.49	-	0.07	0.74	1.21

> **Financial Position, Assets and Capital Structure**
The financial position of the company continued to improve in 2004. In addition to the result from operating activities - a net profit of EUR 2.8 million – the application of IFRS 3 led to a further increase in the equity ratio from 24% to 30%.

> Cash flow from operating activities before the change of working capital improved substantially from EUR 5.2 million to EUR 8.6 million. The reversal of positive net working capital from 2003 resulted in a slightly negative cash flow from operating activities in 2004. The strong fluctuations in net working capital reflect the project-oriented nature of S&T's business.

> The particularly pleasing volume of business at the end of the year allowed the company to build up a corresponding level of working capital, whereby cash levels were reduced and more use made of existing lines of credit.

> Tangible equity (equity minus intangible assets) improved by 20% despite the discontinuation of amortization of goodwill.

Cash Flow Statement in EUR Million

	2004	Change in %	2003	2002	2001
Cash flow from operating activities before change of working capital	8.6	65%	5.2	7.7	7.6
Cash flow from operating activities	-2.9	-	10.4	-13.0	20.8
Cash flow from investing activities	-0.8	-	0.5	-4.4	-3.2
Cash flow from financing activities	-2.8	57%	-4.9	5.7	1.9
Cash and cash equivalents at year-end	12.0	-33%	18.0	12.6	25.0

Business Review 2004

Key Indicators

	2004	Change in %	2003	2002	2001
Equity ratio %	30.0	-	24.0	27.8	27.7
Net working capital in TEUR	16,574	-	8,284	14,931	-5,941
Gearing in %	21.8	-	22.0	24.3	19.7
Liquidity ratio	1.30	2%	1.27	1.30	1.25
Capitalization at year-end	64.2	166%	24.1	22.69	51.56

Key Indicators in EUR Million and %

	2004	Change in %	2003	2002	2001
Total assets	104.7	-8%	113.4	112.4	109.3
Net working capital	16.6	100%	8.3	14.9	-5.9
Shareholders' equity	31.4	16%	27.2	31.2	30.3
Tangible equity	20.5	20%	17.1	16.2	15.5
Net debt	10.7	110%	5.1	11.1	-8.9
Net gearing	10.2%	-	4.5%	-	-8.1%

> **Investments**

No major investments were made in property, plant and equipment in the financial year 2004. The largest financial investment was the acquisition of ITS Intertrade Sistemi d.o.o., a company active in Slovenia, Croatia and Serbia, which however, will only contribute to results in 2005.

> Furthermore, EUR 2.7 million were invested into infrastructure for office, computer equipment and the vehicle fleet and is thus below the depreciation of 2004.

> **Risk Management**

In addition to recognizing and utilizing opportunities, a functioning system of risk management is vital for safeguarding business success. In order to diversify risk S&T attaches great importance to a broad-based customer and supplier structure. No more than 5% of company sales are attributable to a single customer. The principle of maximum diversification also applies to our regional focus. Consistent project management and ISO 9001 certification guarantee the high quality of our services. The diverse nature of the markets requires knowledge of local conditions with regard to terms of payment, transaction structures and customer contracts. Responding to these regional business practices not only ensures customer satisfaction, it also minimizes the residual risk.

> Exchange rate fluctuations resulting from S&T's business activities are largely countered by operational measures. For individual large projects, hedging measures such as derivative financial instruments are used. In a number of countries, such as Slovenia, S&T has also adopted the strategy used by international banks of refinancing in EUR. The advantage of lower interest costs far exceeds the costs incurred due to exchange rate losses. As a consequence, exchange rate losses as a percentage of sales have considerably declined in recent years.

> **Outlook**

The global economic recovery is mainly taking place in the USA, East Asia and in the transition countries of Central and Eastern Europe. Economic growth in the CEE region is forecast to exceed the worldwide average in 2005. This growth will be largely driven by rising levels of foreign investment, not least of all due to EU enlargement on May 1, 2004, and pent-up economic demand. We took the necessary measures to establish a strong position in the region years ago and intend to expand this pioneering role still further.

> S&T's management regards the continuation of the growth strategy as vital for the company's future success. Following a year of consolidation, S&T is seeking further acquisitions to increase the market share of the existing S&T country organizations. The rapid integration of new acquisitions into the S&T organization and the exploitation of synergy effects will support the profitable future of this area. In the financial year 2005 we expect to achieve organic growth of approximately 10%.

> The three acquisitions ITS Intertrade Sistemi d.o.o. in Slovenia and the two Austrian IT companies Computacenter Austria GmbH and T-Systems DSS GmbH & Co KG will be integrated into the Group in 2005 and will contribute to results in 2005. With these acquisitions S&T has more than 300 employees in Austria and expects to gain a significant share of the fragmented Austrian IT market.

> S&T has already completed its transformation from hardware supplier to a solutions provider and will continue to pursue its services-focused strategy. Last but not least, the growth achieved by the S&T Group has necessitated the creation of new sales structures which permit a stronger focus on the key industries telecommunications, financial services, manufacturing and public administration. The resulting cross-border synergies, in combination with fast and efficient decision-making processes, will have a positive impact on the Group's market position and earning power.

Average Annual Growth in IT Expenditure* 2003 – 2008

Country	CAGR (%)
Russia	19.2
Ukraine	16.5
Turkey	16.5
Serbia and Montenegro	15.8
Romania	12.8
Bulgaria	12.5
Poland	11.8
The Baltics	10.8
Slovakia	9.6
Greece	8.9
Czech Republic	8.6
Hungary	8.5
Croatia	8.4
Slovenia	7.2

* Forecast, Source: IDC

Report of the Supervisory Board

> The Supervisory Board of S&T AG met four times in the financial year 2004. The Supervisory Board received regular reports from the Management Board concerning the company's business development and situation as well as regarding important projects and transactions. On the basis of these reports and the additional information given, the Supervisory Board carried out its control function and discussed all measures which require the approval of the Supervisory Board and other business transactions of particular importance in detail and was satisfied that the company's business was being conducted in a proper and orderly manner.

> The financial statements for 2004 and the Management Report were audited by PwC Wirtschaftsprüfung AG, 1030 Vienna, Erdbergstrasse 200 and accorded clean opinion. The Supervisory Board concurred with the result of this audit and endorsed the Annual Report submitted by the Management Board, including the use of the net result, and approved the financial statements for 2004, which are therefore approved in accordance with Article 125 para. 2 of the Stock Corporation Act.

> Peter Kohl and Herbert Stepic resigned from the Supervisory Board as of April 28, 2004. At the Annual General Meeting on April 28, 2004 Thomas Streimelweger and Franz Jurkowitsch were elected to the Supervisory Board. The new Supervisory Board elected Thomas Streimelweger as chairman and Reinhard Moser as deputy chairman. At the extraordinary General Meeting held on November 15, 2004 Wolfgang Auer von Welsbach was elected as an additional member of the Supervisory Board.

Vienna, March 2005
For the Supervisory Board

Thomas Streimelweger
Chairman


Management
Report 2004

Management Report of S&T System Integration & Technology Distribution AG

> **I. Course of Business and Economic Situation**

The IT business remains highly competitive and characterized by rapid technological development. Within the industry, profitability differs substantially between the various segments. Whilst the hardware distribution segment is struggling with falling prices and the resulting shrinking margins, software and services such as consulting and project management offer both growth and interesting margins. Management is therefore promoting investments and efforts in these business areas.

> The S&T Group is a major regional player in the emerging markets of Central and Eastern Europe. It is also unique in terms of the area-wide coverage it offers in the region. As a result of EU expansion in 2004 this region is experiencing an economic growth process which is triggering additional IT investments, due in part to generally rising standards of living and pent-up demand. Although GDP growth in Central and Eastern Europe is higher than in Western Europe, average IT spending per capita in Western Europe still exceeds that of the new EU countries several times.

> **2004: A Year of Consolidation and Higher Profits**

The S&T Group recorded total sales of EUR 219.5 million in 2004. The strategy of shifting the focus toward value-added services is reflected in the development of revenue distribution per division.

> The S&T Group registered organic growth of roughly 7%, whereby Romania was the country with the strongest sales.

> The EBIT of the S&T Group rose from EUR 0.2 to EUR 5.2 million in the year concerned. This increase in earnings is largely attributable to the utilization of synergies within the Group without one-off effects of acquisitions. This positive development was also supported by the elimination of amortization of goodwill following the application of IFRS 3 accounting principles.

> **II. Post Balance Sheet Events**

On November 16, 2004 the Group finalized a contract for the acquisition of ITS Intertrade Sistemi d.o.o. In January 2005 acquisition contracts were signed for T-Systems DSS GmbH & Co KG and Computacenter Austria GmbH - two major players on the Austrian IT market. These transactions are not reflected in the consolidated financial statements for 2004.

> **III. Financial Instruments and Risk Management**

The business activities of the S&T Group involve a variety of financial risks such as the effects of changes in debt and equity market costs, foreign currency exchange rates and interest rates. S&T's risk management essentially uses the hedging opportunities provided by operational business. Whilst this leads to profits and losses in the individual group companies, from a Group perspective these basically offset each other. Furthermore, when necessary, the Group also uses derivative financial instruments such as foreign exchange contracts, currency swaps and interest rate swaps to hedge certain exposures.

> Risk management is carried out by the central and local treasury departments under policies approved by the Management Board.

> Due to the high level of customer diversification there is little credit risk with respect to trade receivables. Even large projects, which represent trade receivable risks in the individual companies, do not account for more than 5% of total Group sales. The customer structure is also characterized by a wide range of industries: telecommunications, financial services, manufacturing, trade and government organizations.

> **IV. Outlook**

Economic growth in the CEE region in 2005 is forecast to exceed the worldwide average. This growth will be largely driven by rising levels of foreign investment - also as a result of EU enlargement in 2004 - and pent-up economic demand.

> In the future, management will continue to focus business activities upon improving earnings by leveraging cross-border synergies and upon growth through acquisitions.

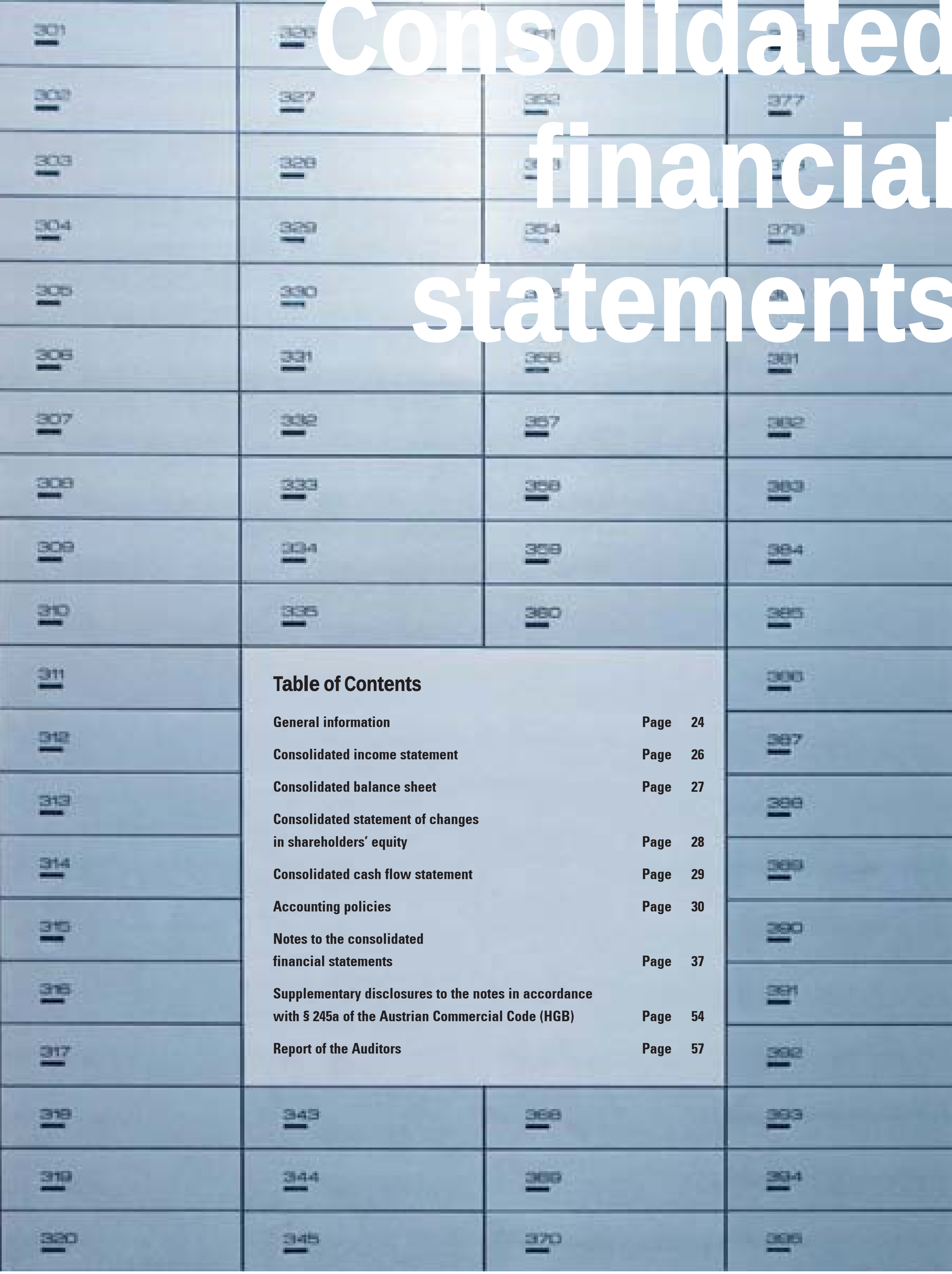
> The Management Board regards the continuation of the growth strategy as necessary for the future success of the company. Acquisitions will be made with a view to improving the market share of existing S&T subsidiaries. The rapid integration of new acquisitions into S&T's organization and the exploitation of synergies will support the profitable future of this area.

> **V. Research and Development**

S&T does not make major investments in research and development, although continuous training, project-related studies and local competence centers ensure a very high level of technical expertise within the Group.

Vienna, March 11, 2005

Karl Tantscher | Martin Bergler | Christian Rosner



Consolidated financial statements

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General information

S&T currently operates in the following business segments: Business Solutions (BS), Enterprise Systems (ES) with System Integration as main activities; Customer Support (CS), where high-level pre- and post-sales services are provided, Managed Services (MS); and Medical Diagnosis Systems (MED), where hospitals are supplied with high-tech diagnosis and monitoring systems. Further S&T defined the business segment Business Consulting (BC); such revenues accrued up until year-end 2004 were immaterial and reported under BS, ES and CS.

S&T integrates customer-specific solutions for major companies and institutions using technologies and products from leading hardware and software manufacturers:

> applications software: SAP, SSA Global, Mercury Interactive, Microsoft, Oracle, Remedy, Micromuse, Ixos, Cognos
> servers: Hewlett-Packard, IBM, Sun Micro Systems, Fujitsu Siemens
> storage: EMC^2, Hitachi Data Systems, Network Appliance, Mc Data, Brocade, Legato, Veritas, StorageTek
> networking and security: Cisco Systems, Checkpoint, Entrust Technologies
> medical field: Philips Medical Systems, Medison

adding value through customization, customer consulting, user training, and, in certain circumstances, organization of financing for customer projects. 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.

The Company has been listed on the Vienna Stock Exchange since April 11, 2003.

The following subsidiaries are included in the consolidation:

	2004	2003	Comments
S&T Slovakia spol. s.r.o., Slovakia	100%	100%	
S&T CEE Holding s.r.o., Slovakia	100%	--	Founded and consolidated for the first time in 2004
S&T Romania S.R.L., Romania	100%	100%	
Netway S.R.L., Romania	--	--	Acquired and consolidated for the first time in 2001, liquidated in 2003
Plaut Romania S.R.L., Romania	100%	100%	
S&T Soft-Tronik, Ukraine [1)]	100%	100%	
S&T Bulgaria e.o.o.d., Bulgaria [1)]	100%	100%	
S&T Yugoslavia d.o.o., Serbia and Montenegro	100%	100%	
S&T (Malta) Limited, Malta	100%	100%	Acquired and consolidated for the first time in 2003
S&T Hellas S.A., Greece	100%	100%	Acquired and consolidated for the first time in 2003
S&T Mold S.R.L., Moldova	99%	99%	
S&T Polska Sp.z.o.o., Poland	100%	100%	
S&T Services Polska Ltd., Poland [1)]	100%	100%	Acquired and consolidated for the first time in 2003

	2004	2003	Comments
S&T International ooo, Russia	100%	100%	
S&T Plus s.r.o., Czech Republic [1]	100%	100%	
S&T Latvia SIA, Latvia	100%	100%	
S&T IT Systems & Services Inc. (formerly Protek A.S.), Turkey	100%	100%	
S&T BA d.o.o., Bosnia-Herzegovina [1]	100%	100%	
S&T Austria GmbH, Austria	100%	100%	Founded and consolidated for the first time in 2003
S&T Services Hungary Ltd., Hungary	100%	100%	Acquired and consolidated for the first time in 2003, divested in 2004, see also Note 31
S&T Services Ceska republika s.r.o., Czech Republic [1]	100%	100%	Acquired and consolidated for the first time in 2003
S&T Ceska republika a.s. Czech Republic (formerly Neos Computer a.s.)	↑	100%	2004 merged into S&T Services Ceska republika s.r.o., Czech Republic
GCC a.s., Czech Republic	100%	100%	
High Performance Systems Holding GmbH, Austria	100%	100%	
HPS International ooo, Russia	100%	100%	
S&T Hungary Ltd., Hungary	100%	100%	1% held indirectly through HPC Trading, Cyprus
Hermes Plus d.d., Slovenia [1]	100%	100%	Sub-group acquired and consolidated for the first time in 1999
Probis d.o.o, Slovenia	--	↑	Acquisition of the remaining 20% interest took place in 2000, merged into Hermes Plus d.d., Slovenia in 2003
Aster d.o.o., Slovenia	--	↑	Acquired and consolidated for the first time in 2001, merged into Hermes Plus d.d., Slovenia in 2003
Skupina Atlantis d.o.o., Slovenia	100%	100%	Acquired and consolidated for the first time in 2003
Hermes Plus d.o.o., Croatia	100%	100%	
Epsilon d.o.o., Croatia	100%	100%	Acquired and consolidated for the first time in 2003
Hermes Plus d.o.o.e.l., Macedonia	100%	100%	
HPC Trading Ltd., Cyprus	100%	100%	

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

	% held by S&T	Comments
S&T Crna Gora d.o.o., Montenegro [1]	100%	Founded in 2002, currently dormant
S&T IT Solutions & Services Ltd., Cyprus	100%	Founded in 2002, currently dormant
S&T Software S.R.L., Romania	100%	Acquired in 2003, currently dormant
Subsidiary of High Performance Systems Holding GmbH, Austria: S&T TechnoServ Leasing Moscow ooo, Russia	100%	Founded in 1999, currently dormant

1) Since 2004 held indirectly through S&T CEE Holding s.r.o., Slovakia.

Consolidated Financial Statements 2004

Consolidated income statement (all amounts in EUR '000)

	notes	2004	2003
		Year ended December 31	
Sales	(1)	219,539	204,470
Other operating income	(2)	1,342	4,812
Total revenues		**220,881**	**209,282**
Merchandise, spare parts and purchased services		(157,054)	(151,316)
Staff costs	(3)	(36,567)	(31,442)
Other operating expenses	(4)	(18,799)	(18,318)
Total operating expenses		**(212,420)**	**(201,076)**
Profit from operations before depreciation and amortization (EBITDA)		**8,461**	**8,206**
Depreciation and amortization	(5)	(3,279)	(3,506)
Amortization and impairment of goodwill	(5)	--	(4,468)
Profit from operations (EBIT)	**(1)**	**5,182**	**232**
Finance costs (net)	(6)	(943)	(2,020)
Profit/(loss) before tax		**4,239**	**(1,788)**
Income tax expense	(7)	(1,479)	(818)
Profit/(loss) after tax		**2,760**	**(2,606)**
Minority interest		(1)	--
Net profit/(loss) for the period		**2,759**	**(2,606)**
Basic earnings per share in EUR	(8)	0.80	(0.76)
Diluted earnings per share in EUR	(8)	0.79	(0.76)

The accounting policies on pages 30 to 36 and the notes on pages 37 to 56 form an integral part of these consolidated financial statements.

Consolidated balance sheet (all amounts in EUR '000)

		Year ended December 31	
Assets	**notes**	**2004**	**2003**
Non-current assets			
Property, plant and equipment	(10)	10,755	11,055
Intangible assets	(11)	10,954	10,170
Investments in affiliated companies	(12)	32	31
Other investments	(13)	144	229
Non-current receivables	(14)	828	433
Deferred tax assets	(22)	4,405	4,923
		27,118	**26,841**
Current assets			
Inventories	(15)	8,771	9,440
Trade accounts receivable		46,131	43,745
Other receivables and prepayments	(16)	10,595	13,581
Cash and cash equivalents	(17)	12,086	19,827
		77,583	**86,593**
Total assets		**104,701**	**113,434**
Equity and Liabilities			
Shareholders' equity			
Issued capital	(18)	7,137	7,091
Share premium	(18)	8,194	8,074
Treasury shares	(18)	(638)	(778)
Accumulated translation adjustments		(1,195)	(1,360)
Retained earnings and other reserves	(20)	17,940	14,193
		31,438	**27,220**
Minority interest		1	--
Non-current liabilities			
Loans and other liabilities	(21)	12,137	15,195
Deferred tax liability	(22)	1,543	2,782
		13,680	**17,977**
Current liabilities			
Trade accounts payable		26,148	32,387
Current tax liabilities		719	515
Other payables	(23)	9,675	14,658
Short-term borrowings	(24)	10,660	9,755
Provisions and deferred income	(25)	12,380	10,922
		59,582	**68,237**
Total equity and liabilities		**104,701**	**113,434**

The accounting policies on pages 30 to 36 and the notes on pages 37 to 56 form an integral part of these consolidated financial statements.

Consolidated statement of changes in shareholders' equity (all amounts in EUR '000)

	Issued capital	Share premium	Treasury shares	Accumulated translation adjustment	Retained earnings and other reserves	Total
Shareholders' equity						
Year ended December 31, 2003						
Opening amount	7,091	18,320	(173)	(570)	6,553	31,221
Currency translation differences	--	--	--	(790)	--	(790)
Transactions with treasury shares	--	--	(605)	--	--	(605)
Reclassification	--	(10,246)	--	--	10,246	--
Net profit for the year	--	--	--	--	(2,606)	(2,606)
Closing amount	**7,091**	**8,074**	**(778)**	**(1,360)**	**14,193**	**27,220**
Year ended December 31, 2004						
Opening amount	7,091	8,074	(778)	(1,360)	14,193	27,220
Capital increase	46	120	--	--	--	166
Currency translation differences	--	--	--	165	--	165
Transactions with treasury shares	--	--	140	--	--	140
Negative goodwill accord. to IFRS 3.81	--	--	--	--	988	988
Net profit for the year	--	--	--	--	2,759	2,759
Closing amount	**7,137**	**8,194**	**(638)**	**(1,195)**	**17,940**	**31,438**

The accounting policies on pages 30 to 36 and the notes on pages 37 to 56 form an integral part of these consolidated financial statements.

Consolidated cash flow statement (all amounts in EUR '000)

	notes	Year ended December 31 2004	2003
Operating activities			
Profit from operations		5,182	232
Adjustments for items not affecting cash:			
Depreciation and amortization		3,279	8,032
Gain on disposal of subsidiary		(48)	--
Other (net)		181	(3,058)
		8,594	**5,206**
Changes in working capital:			
(Increase)/decrease in trade accounts and other receivables		(50)	7,574
decrease in inventory		591	1,622
(decrease) in current liabilities		(8,793)	(1,091)
		(8,252)	**8,105**
Interest received		250	355
Interest paid		(1,473)	(1,608)
Taxes paid		(1,996)	(1,618)
Net cash from operating activities	(27)	**(2,877)**	**10,440**
Investing activities			
Capital expenditure	(27)	(2,685)	(1,930)
Purchase of investments		(66)	(6)
Proceeds from sale of fixed assets		563	1,798
Proceeds from sale of investments		176	34
Disposal of subsidiaries, net of cash	(31)	(158)	--
Acquisition of subsidiaries, net of cash	(30)	(6)	(1,174)
Decrease in time deposit for a period longer than three months		1,765	1,765
Long-term loans and receivables from other parties		(395)	12
Net cash used in investing activities	(27)	**(806)**	**499**
Financing activities			
Capital increase		166	--
Treasury shares		140	(605)
Increase/(decrease) in long-term loans and borrowings		(3,444)	(1,730)
Repayment of finance lease		(584)	(438)
Increase/(decrease) in short-term borrowings		888	(2,168)
Net cash used in financing activities		**(2,834)**	**(4,941)**
Net (decrease) / increase in cash and cash equivalents		**(6,517)**	**5,998**
Movement in cash and cash equivalents			
At start of year		18,010	12,594
Increase/(decrease)		(6,517)	5,998
Effect of exchange rate changes		541	(582)
At end of year	(17)	**12,034**	**18,010**

The accounting policies on pages 30 to 36 and the notes on pages 37 to 56 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

The consolidated financial statements are prepared in thousands of EURO (EUR '000 or TEUR) in accordance with International Financial Reporting Standards (IFRS) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The consolidated financial statements are generally prepared under the historical cost convention, unless otherwise stated. With regard to the reporting currency refer to Note 3.

The consolidated financial statements have been prepared applying those IFRS effective at the balance sheet date. Furthermore, S&T has early adopted IFRS 3 - Business Combinations in conjunction with IAS 36 - Impairment of Assets and IAS 38 - Intangible Assets.

The various group companies maintain their books and other accounting records in accordance with the legal requirements in the currency of the respective country in which they were founded and registered. Certain corrections have been effected to the financial statements in order to be in accordance with IFRS.

The provisions of § 245a of the Austrian Commercial Code (HGB) apply to consolidated financial statements of the Group. Therefore the consolidated financial statements are prepared in accordance with IFRS, and further disclosures are made in the section "Supplementary disclosures to the notes in accordance with § 245a of the Austrian Commercial Code (HGB)".

2 Consolidation

Subsidiary undertakings, i.e. 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 on which this effective control no longer exists. In the case of subsidiaries consolidated for the first time, assets and liabilities are valued at their fair value at the time of acquisition. Where the acquisition costs of the investments exceed the Group's share of net assets the difference is capitalized as goodwill. Until 2003 goodwill was amortized over its expected useful life using the straight-line method. In the event of negative goodwill arising, this, in accordance with IAS 22 paragraph 61 and 62, was presented in 2003 as an offset against the same balance sheet item as ordinary goodwill. If the negative goodwill relates to expected future losses/costs, it was recognized in the income statement when these losses/costs occurred. Otherwise it was amortized over the useful lives of identifiable, non-monetary assets.

In accordance with IFRS 3, applied in conjunction with IAS 36 (2004) and IAS 38 (2004) from January 1, 2004, the purchase method of accounting is prescribed to account for all business combinations. The initial consolidation is carried out by comparing the acquisition price with the revalued net assets of the subsidiary. Identifiable assets, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. Intangible assets should be raised separate from the goodwill, if they are separable or arise from a contractual or other right. Provisions for restructuring may not be raised as part of the purchase price allocation. The remaining positive difference is capitalized as goodwill. Negative goodwill arising from an initial consolidation is immediately recorded in income. At January 1, 2004, previously raised negative goodwill is set off against revenue reserves directly in equity.

In accordance with IFRS 3 in combination with IAS 36 (2004), capitalized goodwill is no longer amortized as of January 1, 2004. The carrying amount of goodwill is rather tested for impairment annually, or when there are indicators for an impairment. If this results in the carrying amount of a cash-generating unit to which goodwill was allocated exceeding the recoverable amount, the allocated goodwill is initially written down by the difference. Additional impairment losses are taken into account by reducing the carrying amount of the other remaining non-current assets on a prorated basis. In the deconsolidation, residual carrying amounts of capitalized goodwill are taken into account when calculating the profit on 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 were eliminated where material and minority interests are disclosed separately.

Subsidiaries where business is dormant or low in volume and which are only of minor importance in determining fair presentation of the Group's net assets, financial situation and earnings performance, are not consolidated. They are recognized in the consolidated financial statements at the lower of cost or fair value in accordance with IAS 39.73.

3 Foreign Currencies

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

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.

Currency 1 EUR =	2004 Average rate	2004 Closing rate	2003 Average rate	2003 Closing rate
CZK	31.9057	30.2500	31.8427	32.5900
HUF	251.7825	244.5000	253.5217	263.0000
HRK	7.4866	7.6000	7.5618	7.6300
LVL	0.6652	0.6990	0.6405	0.6710
PLN	4.5339	4.0650	4.3983	4.7150
SIT	239.1069	239.2500	233.8304	237.0000
SKK	40.0330	38.5500	41.4860	41.1000
USD	1.2433	1.3662	1.1309	1.2610
TRL	1.7746	1.8470	1,726,900.0000	1,755,000.000
UAH	6.8016	7.4319	6.2326	6.8780
YUN	73.3276	79.3549	--	--

When foreign subsidiaries conduct their operations primarily in USD (RU, MD, RO), these subsidiaries use the USD as their measurement and reporting currency for consolidation purposes. A restatement in accordance with IAS 29 (financial reporting in hyperinflationary economies) was not applied prior to 2003 in the case of Turkey on the grounds of immateriality. All other subsidiaries and the parent company prepare their financial statements in their respective local currency.

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. Monetary assets and liabilities in the balance sheet are translated at year-end exchange rates.

4 Financial Instruments

Originated financial instruments:

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

The Group has adopted IAS 39 and classifies 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 the case of liquidity needs arising 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 in the balance sheet on the trade date, which is the date that the Group commits to purchase or sell the asset. The cost of purchase includes transaction costs. Trading and available-for-sale investments are subsequently carried at fair value. Equity investments for which fair values cannot be measured reliably are recognized at cost less impairment. 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.

Derivative financial instruments:

With regard to hedging against the risk of change in value of balance sheet items, both the hedge transaction and the hedged risk portion of the underlying transaction are recognized at fair value. Valuation changes are recorded in the income statement.

5 Financial Risk Management

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt 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, currency swaps and interest rate swaps to hedge certain exposures. To minimise the risk of liquidity S&T AG and its subsidiaries compile liquidity plans on a weekly basis.
Local and central treasury departments carrying out the risk management operate under policies approved by the Board of Directors. These Treasury departments identify, evaluate and possibly hedge financial risks in close co-operation with the operating units. The Board provides written principles for business risk management, as well as written guidelines 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 with regard to their local reporting currency. Treasury departments are responsible for hedging such positions by using currency borrowings and external forward currency contracts.

Credit risk with respect to trade receivables is limited due to the Group's large number of customers, who are internationally dispersed and operate in e.g. manufacturing, distribution, financial and governmental services. Based on the Group's historical experience in the collection of accounts receivable, risks with regard to trade receivables are provided for by means of the creation of sufficient bad debt provisions. Management at present believes that no additional credit risk beyond amounts provided for in respect of 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 the useful life of 10 to 33 years for buildings, and 3 to 8 years for furniture and office equipment.

Repairs and maintenance are charged directly to the income statement in the year in which the expenditure is incurred. Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down to its recoverable amount in accordance with IAS 36. Low-value items are fully 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 was reported in the balance sheet as an intangible asset and was amortized until 2003 using the straight-line method over its estimated useful life, not exceeding 20 years. In the event of negative goodwill arising, this, in accordance with IAS 22 paragraph 61 and 62, is presented until 2003 as a deduction under the same balance sheet item as ordinary goodwill.

In accordance with the early-adopted IFRS 3 together with IAS 36 (2004) goodwill is no longer amortized, but is subject to an annual impairment test or impairment tests if indicators therefor exist.

8 Intangible Assets

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

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

9 Accounting for Leases - where a Group Company is the lessee

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the estimated present value of the underlying lease payments. The corresponding rental obligations, net of finance charges, are included in other non-current liabilities. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element 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.

10 Accounting for Leases - where a Group Company is the lessor

Finance leases

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

Operating leases

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

11 Inventories

Inventories including demonstration equipment are stated at the lower of cost or net 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, in particular time deposits.

14 Provisions

The Group recognizes provisions when it has a present legal or constructive obligation as a result of past events, it is probable that the transfer of economic benefits will be required to settle the obligation and a reasonable estimate of the obligation can be made.
The Group recognizes the estimated future liability on all products sold on or prior to balance sheet date and still under warranty at the balance sheet date. This provision is calculated based on past experience.

15 Employee Benefits

The holding company and certain subsidiaries provide various post-employment benefits, as well as, long-term benefits in accordance with local labor law. The entitlements are principally measured on the basis of the remaining working life of the employees until retirement age, as well as, if applicable, minimum periods of service. The costs of defined benefit plans are spread over future periods of service of the employees until retirement age using the projected unit credit method. Actuarial gains and losses which exceed the greater of the defined benefit obligation or the fair value of plan assets are recognized in income over the average remaining periods of service of the employees. Service costs are disclosed under staff costs, the interest costs of the increase in the provision under finance costs. Furthermore, employee benefits from defined contribution plans from external pension funds (see Note 3) exist.

16 Deferred Income Taxes

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. The principal temporary differences arise from provisions and the valuation of current, non-current assets and tax losses carried forward. Currently enacted tax rates for the individual subsidiaries' jurisdictions are used to determine deferred income tax. Deferred tax assets 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 utilized.

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 and benefits of ownership of the product have been transferred to the buyer and when the exact amount of revenue can be measured reliably. Service revenue is recorded when the services have been 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 EUR (TEUR) unless otherwise stated)

1 Segment Information

Primary reporting format - business segments

During 2004 S&T's activities were grouped into five business segments: Business Solutions (BS), Enterprise Systems (ES), Customer Support (CS), Managed Services (MS) and Medical Systems (MED).

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

Year ended December 31, 2004	**Business Solutions**	**Enterprise Systems**	**Customer Support**	**Managed Services**	**Medical Systems**	**Group**
Revenues	49,779	114,320	31,418	2,881	21,141	219,539
Segment result	5,034	5,486	5,553	173	1,831	18,077
Unallocated costs						(12,895)
Profit from operations (EBIT)						5,182
Finance costs (net)						(943)
Profit/(loss) before tax						4,239
Income tax expense						(1,479)
Profit/(loss) after tax						2,760
Minority interest						(1)
Net profit/(loss) for the period						**2,759**
Segment assets	12,969	34,331	9,925	343	3,746	61,314
Unallocated assets						43,387
Consolidated total assets						**104,701**
Segment liabilities	10,683	17,973	4,238	8	2,727	35,629
Unallocated liabilities						37,633
Consolidated total liabilities						**73,262**
Segment capital expenditure	669	605	771	138	87	2,270
Unallocated expenditure						415
Consolidated total expenditure						**2,685**
Segment depreciation and amortization	823	610	705	85	61	2,284
Unallocated depreciation and amortization						995
Consolidated total depreciation and amortization						**3,279**

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Year ended December 31, 2003	Business Solutions	Enterprise Systems	Customer Support	Managed Services	Medical Systems	Group
Revenues	38,823	126,838	25,082	3,806	9,921	204,470
Segment result	2,479	6,275	3,611	(413)	1,394	13,346
Unallocated costs						(13,114)
Profit from operations (EBIT)						232
Finance costs (net)						(2,020)
Profit/(loss) before tax						(1,788)
Income tax expense						(818)
Profit/(loss) after tax						(2,606)
Minority interest						--
Net profit/(loss) for the period						**(2,606)**
Segment assets	10,983	36,909	7,715	945	2,367	58,919
Unallocated assets						54,515
Consolidated total assets						**113,434**
Segment liabilities	8,025	29,093	3,057	547	2,658	43,380
Unallocated liabilities						42,834
Consolidated total liabilities						**86,214**
Segment capital expenditure	239	394	249	145	12	1,039
Unallocated capital expenditure						892
Consolidated capital expenditure						**1,931**
Segment depreciation and amortization	989	1,627	1,029	598	47	4,290
Unallocated depreciation and amortization						3,684
Consolidated total depreciation and amortization						**7,974**
(Thereof impairment charge)						1,793

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:

	2004			2003		
	Sales	Total assets	Capital expen-diture	Sales	Total assets	Capital expen-diture
Adriatic						
(Slovenia, Croatia, Macedonia, Serbia and Montenegro, Bosnia-Herzegovina)	68,498	37,875	927	61,957	34,506	898
Central						
(Poland, Czech Republic, Slovakia, Hungary, Austria)	60,463	33,011	996	64,116	34,387	370
East						
(Latvia, Russia, Ukraine, Moldova)	30,658	9,096	316	24,821	10,833	384
South						
(Bulgaria, Romania, Turkey, Malta, Greece)	59,920	17,866	305	53,571	19,785	168
Unallocated	--	6,853	141	5	13,923	111
	219,539	104,701	2,685	204,470	113,434	1,931

Sales revenue is classified 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.

2 Other operating income

	2004	2003
Gain on disposal of office equipment	267	383
Income from release of negative goodwill	--	2,097
Miscellaneous income	1,075	2,332
	1,342	**4,812**

Miscellaneous income mainly includes income from the passing on of cost charges and compensation received from insurances. In 2004 TEUR 48 representing the gain on the sale of S&T Services Hungary Ltd., Hungary was included in miscellaneous income. In 2003 income from the release of negative goodwill is recognized to the extent that restructuring costs in connection with acquisitions of subsidiaries are recognized.

3 Staff costs

	2004	2003
Salaries	25,742	22,877
Commissions	4,043	2,698
Social security costs and payroll tax	5,744	5,247
Expenses for leaving indemnities and pensions		
(see Note 21)	802	386
Other voluntary benefits	236	234
	36,567	**31,442**

Commissions relate to one-time bonuses paid to sales personnel in foreign countries. The number of staff was 1,169 at year-end 2004 (2003: 1,208). The average number of employees in 2004 was 1,171 (2003:1,109). Expenses for leaving indemnities and pensions include contributions to an external pension fund amounting to TEUR 157 (2003: TEUR 103).

Expenses for leaving indemnities and pensions consist of:

Expenses of defined benefit plans (especially leaving indemnities)	558
Contributions to “Mitarbeitervorsorgekassen” and other expenses	87
Contributions to an external pension fund	157
	802

4 Other operating expenses

	2004	2003
Rental expenses	3,370	3,343
Travel expenses	1,571	1,457
Legal, consultancy and audit fees	2,598	2,748
Communication and infrastructure costs	1,601	1,520
Marketing and advertising expenses	1,123	1,201
Office costs	1,540	1,740
Vehicle expense	1,910	1,629
Taxes and levies	332	426
Other operating expenses	4,754	4,254
	18,799	**18,318**

5 Depreciation and amortization

	2004	2003
Depreciation of property, plant and equipment	2,801	2,850
minus Income from amortization of negative goodwill allocated to identifiable acquired depreciable/amortizable assets	--	(58)
Amortization of intangible assets	414	616
Expenses from low value items written off	64	98
	3,279	**3,506**
Amortization of goodwill:		
> According to schedule	--	2,675
> Impairment charge	--	1,793
	--	**4,468**
	3,279	**7,974**

Arising from the first-time application of IFRS 3 in combination with IAS 36 (2004) as of January 1, 2004, goodwill is no longer amortized. Due to the economic situation in Turkey, goodwill related to the Turkish business was written down to its recoverable amount in 2003.

6 Finance costs (net)

	2004	2003
Interest income	250	355
Interest expense	(1,473)	(1,608)
Fair value losses net, securities available for sale and other investments	--	(15)
Net result of fair value adjustments to financial instruments	(15)	(83)
Net foreign exchange transaction gains/(losses)	269	(693)
Other	26	24
	(943)	**(2,020)**

7 Tax

	2004	2003
Current tax charge	2,140	1,528
Deferred tax charge	(661)	(710)
	1,479	**818**

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

	2004	2003
Profit before tax	4,239	(1,788)
Tax calculated at tax rate of 34%	1,441	(608)
Effect of different tax rates in other countries and other differences not recognized	907	711
Effect of change in tax rate on deferred tax charge [1]	189	--
Income not taxable	(1,424)	(591)
Expenses not deductible for tax purposes	366	1,306
Tax charge	**1,479**	**818**

1) In Austria the tax rate has been changed from 34% to 25% for the fiscal year 2005.

Further information on deferred tax is presented in Note 22.

8 Earnings per share

	2004	2003
Net profit attributable to shareholders	2,759	(2,606)
Weighted number of ordinary shares in issue (thousands)	3,451	3,448
Basic earnings per share in EUR	0.80	(0.76)

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

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 though no adjustment is made to net profit.

	2004	2003
Net profit attributable to shareholders	2,759	(2,606)
Weighted number of ordinary shares in issue (thousands)	3,451	3,448
Adjustment for share options	38	9
Weighted number of ordinary shares for diluted earnings per share	3,489	3,457
Diluted earnings per share in EUR	0.79	(0.75)

Diluted earnings per share in 2003 was calculated based on share options which were non-dilutive and thus not included in the EPS calculation. Therefore, diluted earnings per share for 2003 is EUR -0.76.

9 Dividends per share

In 2003 and in 2004 no dividends were paid out or declared.

10 Property, plant and equipment

Year ended December 31, 2004	Land/buildings	Office equipment	Total
Cost:			
Opening amount	6,846	16,607	23,453
Disposal of subsidiaries (Note 31)	(54)	(220)	(274)
Additions	95	2,856	2,951
Disposals	(44)	(2,463)	(2,507)
Translation adjustments	(53)	454	401
Closing amount	**6,790**	**17,234**	**24,024**
Accumulated depreciation:			
Opening amount	1,088	11,310	12,398
Disposal of subsidiaries (Note 31)	(54)	(189)	(243)
Depreciation charge	371	2,430	2,801
Disposals	(36)	(2,065)	(2,101)
Translation adjustments	9	405	414
Closing amount	**1,378**	**11,891**	**13,269**
Net book amount	**5,412**	**5,343**	**10,755**

Property to the amount of TEUR 3,627 is pledged as security for long-term loans. Additions include TEUR 505 assets acquired under finance leases (where a group company is the lessee). Net book value of property, plant and equipment under finance leases at December 31, 2004 is TEUR 1,112.

11 Intangible assets

	Goodwill		Licences &	
Year ended December 31, 2004	positive	negative	similar rights	Total
Cost:				
Opening amount	20,580	(3,143)	3,708	21,145
Disposal of subsidiaries (Note 31)	--	--	(16)	(16)
Additions	--	--	239	239
Disposals	--	--	(65)	(65)
Reclassifications	(10,011)	3,143	--	(6,868)
Translation adjustments	(13)	--	97	84
Closing amount	**10,556**	**--**	**3,963**	**14,519**
Accumulated amortization:				
Opening amount	10,011	(2,155)	3,119	10,975
Disposal of subsidiaries (Note 31)	--	--	(16)	(16)
Amortization charge	--	--	414	414
Disposals	--	--	(61)	(61)
Reclassifications	(10,011)	2,155	--	(7,856)
Translation adjustments	--	--	109	109
Closing amount	**--**	**--**	**3,565**	**3,565**
Net book amount	**10,556**	**--**	**398**	**10,954**

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 until 2003 5 - 20 years). The accumulated amortization at December 31, 2003 was carried forward to the cost of goodwill in accordance with IFRS 3.79 (b).

The carrying amount of negative goodwill as at December 31, 2004 was transferred directly to retained earnings and reserves (IFRS 3.81) in equity.

Goodwill was allocated to cash-generating units at the segment level or at a level beneath the segment level to carry out impairment tests. The carrying amounts of goodwill allocated to segments can be broken down as follows:

	2004	**2003**
Adriatic	3,302	3,314
Central	5,796	5,797
East	627	627
South	831	831
	10,556	**10,569**

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

Discount rates are determined on the basis of market data and are between 12.5% and 16.7% after tax and between 16% and 22.7% before tax for the cash-generating units.
S&T extrapolates expected currency devaluation going beyond the detailed budget horizon based on constant growth rates of 1.5%, which are derived from past experience for each division, and none of which exceed the average growth rates of the markets on which the companies are active. Growth rates are determined subtracting the capital expenditure required to achieve them.

The impairment-test carried out at September 30, 2004 has not resulted in a write-down of goodwill.

12 Investments in affiliated companies

	2004	2003
Opening net book amount:	31	185
Reclassification [1]	--	(154)
Translation adjustments	1	--
Closing net book amount	**32**	**31**

1) 2003: Pixelpark TEUR 154

Investments in affiliated companies include S&T IT Solutions & Services Ltd., Cyprus and S&T Crna Gora d.o.o., Montenegro, S&T Services S.R.L., Romania and S&T TechnoServ Leasing Moscow ooo, Russia.

The investment in Streiko spol. s.r.o., Czech Republic, was sold in 2004.

13 Other investments

	2004	2003
Opening net book amount:	229	172
Acquisition of subsidiaries	--	6
Additions	66	6
Reclassification [1]	--	71
Disposals	(154)	(15)
Impairment charge	--	(15)
Write-up	2	1
Translation adjustments	1	3
Closing net book amount	**144**	**229**

1) 2003: plus Pixelpark (TEUR 154) minus companies consolidated for the first time (TEUR 83)

Other investments comprise marketable securities and other financial instruments. The investment in Pixelpark CEE Holding AG (14.2%) was sold in 2004.

14 Non-current receivables

	2004	2003
Finance leases – gross investments	152	6
Unearned finance income	(3)	(1)
	149	**5**
Long term loans	679	428
	828	**433**

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 6% to 7% in the 2004 financial year.

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

	2004	2003
Gross investment in finance leases:		
Not later than 1 year	99	32
Later than 1 year and not later than 5 years	152	6
	251	**38**
Unearned future finance income on finance leases	(15)	(3)
Net investment in finance leases	**236**	**35**
Representing:		
> current receivables (not later than 1 year)	87	30
> non-current receivables (later than 1 year and not later than 5 years)	149	5
Net investment in finance leases	**236**	**35**

15 Inventories

	2004	2003
Merchandise	5,564	5,914
Spare parts	2,903	3,055
Other products	304	471
Net book amount	**8,771**	**9,440**

16 Other receivables and prepayments

	2004	2003
Receivables from tax authorities	1,339	1,367
Finance lease - gross investment (Note 14)	99	32
Unearned finance income	(12)	(2)
	87	**30**
Receivables due from affiliated/related companies	42	67
Prepayments	3,924	6,830
Prepaid expenses and other current receivables	5,203	5,287
	10,595	**13,581**

Receivables from tax authorities in 2004 comprise tax prepayments to the amount of TEUR 800 (2003: TEUR 661) and prepaid value-added tax to the amount of TEUR 539 (2003: TEUR 706). Other receivables to the amount of TEUR 190 were ceded as a loan collateral to a financial institution.

17 Cash and cash equivalents

	2004	2003
Cash at banks and on hand	12,086	19,614
Marketable securities, held for trading at fair value	--	213
	12,086	**19,827**

For the purpose of preparing the cash flow statement, cash and cash equivalents were reduced by time deposits held for a period longer than 3 months to the amount of TEUR 52 (cash and cash equivalent net balance of TEUR 12,034; in 2003: TEUR 18,010). These deposits are pledged as security for long-term loans. The weighted average effective interest rate on short-term bank deposits was 4.9% in 2004 (2003: 4.9%).

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, 2003	3,546	7,091	18,320	(173)	25,238
Reclassification [1]	--	--	(10,246)	--	(10,246)
Transactions with treasury shares	--	--	--	(605)	(605)
At December 31, 2003	**3,546**	**7,091**	**8,074**	**(778)**	**14,387**
Capital increase (equity compensation plans)	23	46	120	--	166
Transactions with treasury shares	--	--	--	140	140
At December 31, 2004	**3,569**	**7,137**	**8,194**	**(638)**	**14,693**

1) to Retained earnings and other reserves (see Consolidated statement of changes in shareholders' equity)

In financial year 2004 the exercising of the equity compensation plan (Note 19) led to an increase of the issued capital from TEUR 7,091 to TEUR 7,137.

At December 31, 2004 issued capital of TEUR 7,137 represents 3,568,655 no-par-value shares currently incorporated in the Company's register. The total authorized number of ordinary shares as at the balance sheet date is 5,352,982 with a value of EUR 2 per share.

Taking into account the average treasury share stock, the average number of shares was 3,451,257 during the year.

The cost incurred by the Company to re-acquire its own shares and related proceeds for subsequent re-sale are shown as a deduction from equity (treasury shares).

19 Equity compensation plans

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

	Stock Option Program	Jan. 1, 2004	Reclassi-fication	Granted in 2004	Lapsed in 2004	Exercised in 2004	Dec. 31, 2004	Strike Price EUR
Management Board								
Karl Tantscher	2000	3,000	--	--	--	--	3,000	20.00
	2001	5,000	--	--	--	(5,000)	--	9.50
	2002	4,000	--	--	--	--	4,000	6.75
	2003	6,000	--	--	--	--	6,000	8.00
Martin Bergler	2000	3,000	--	--	--	--	3,000	20.00
	2001	10,000	--	--	--	(10,000)	--	9.50
	2002	4,000	--	--	--	--	4,000	6.75
	2003	10,000	--	--	--	--	10,000	8.00
Christian Rosner	2000	--	--	--	--	--	--	20.00
	2001	--	--	--	--	--	--	9.50
	2002	--	--	--	--	--	--	6.75
	2003	--	--	--	--	--	--	8.00
	2004	--	--	18,000	--	(18,000)	--	8.50
Directors	2000	2,000	(2,000)	--	--	--	--	15.50
	2001	6,000	(3,000)	--	--	(3,000)	--	9.50
	2002	7,000	(4,000)	--	--	(2,000)	1,000	6.75
	2003	4,000	(4,000)	--	--	--	--	8.00
Employees (Parent)	2000	1,650	2,000	--	(500)	--	3,150	15.50
	2001	9,700	3,000	--	(5,200)	(7,500)	--	9.50
	2002	14,100	4,000	--	(2,434)	(8,598)	7,068	6.75
	2003	19,900	4,000	--	(1,500)	--	22,400	8.00
Total Parent		**109,350**	**--**	**18,000**	**(9,634)**	**(54,098)**	**63,618**	
Employees	2000	18,350	--	--	(1,500)	--	16,850	15.50
(Subsidiaries)	2001	31,100	--	--	(17,400)	(13,700)	--	9.50
	2002	40,730	--	--	(4,790)	(8,591)	27,349	6.75
	2003	56,000	--	--	(1,800)	--	54,200	8.00
Total Group		**255,530**	**--**	**18,000**	**(35,124)**	**(76,389)**	**162,017**	
Thereof	2000	28,000	--	--	(2,000)	--	26,000	
	2001	61,800	--	--	(22,600)	(39,200)	--	
	2002	69,830	--	--	(7,224)	(19,189)	43,417	
	2003	95,900	--	--	(3,300)	--	92,600	
	2004	--	--	18,000	--	(18,000)	--	

The exercise periods for the stock option programs are generally May 15 to June 15; for the program 2000: in the year 2005, for the program 2002: in the year 2005 and for the program 2003: in the years 2005, 2006, 2007 and 2008. A third (for the program 2003: a quarter) of the options granted under each program may be exercised in each one of the defined exercise periods. Options of a program not exercised in one exercise period can be carried forward to the program's other exercise period(s). Compensation costs for the fair value or the intrinsic value of share options granted are not recognized in these financial statements.

20 Distributable retained earnings/(losses)

The reconciliation to distributable retained earnings/(losses) and other reserves as of December 31, 2004 compared to the prior year is as follows:

	2004	2003
Consolidated retained earnings and other reserves	17,940	14,193
Non-distributable reserves	(2,044)	(2,333)
Consolidation adjustments	7,704	16,070
Distributable retained earnings and other reserves	**23,600**	**27,930**
Thereof: > Parent Company	377	--
> Subsidiaries	23,223	27,930

Non-distributable legal and other reserves to the amount of TEUR 2,044 (2003: TEUR 2,333) are included in the consolidated retained earnings and other reserves as of December 31, 2004.

21 Loans and other liabilities (non-current)

	2004	2003
Long-term loans and borrowings	10,567	14,011
Lease liabilities	330	425
Provisions for employee benefits	1,240	759
	12,137	15,195

Long-term loans and borrowings include bank loans partially guaranteed by the Republic of Austria and bearing mainly a fixed interest rate of 4%. The bank loans are secured by certain shares held in consolidated investments. Other receivables amounting to TEUR 190 were ceded as a loan collateral to a financial institution.

The weighted average effective interest rates are:

> bank overdrafts	3 - 8%
> long-term bank borrowings and loans	4%

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

	2004	2003
Within 1 year	4,072	3,627
Between 1 and 5 years	6,495	10,384
More than 5 years	--	--
Total	**10,567**	**14,011**

The average interest rate for lease liabilities is 9%

Finance lease liabilities - minimum lease payments:

	2004	2003
Not later than 1 year	404	399
Later than 1 year and not later than 5 years	335	443
	739	**842**
Future finance charges on finance leases	(22)	(47)
Present value of finance lease liabilities	**717**	**795**

Representing lease liabilities:		
> current (not later than 1 year)	387	370
> non current	330	425
	717	**795**

The liability for termination indemnities relates to obligations of the parent Company and some subsidiaries towards its employees and as such it is based on the local 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. These employee benefit liabilities are unfunded.

According to Austrian labor law (or the terms of the relevant collective labor agreement), service anniversary bonuses must be paid to employees after 20, 25, 35 and 40 years of service. The present value of accrued liabilities is also included in the calculation.

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

Present value of obligations	1,012
Unrecognized actuarial gains	99
Provisions for leaving indemnities	**1,111**
Accruals for service anniversary bonuses and other commitments	129
Provisions for employee benefits	**1,240**

The amounts recognized in the income statement are as follows:

Current service cost	511
Additional voluntary benefits	47
Total included in staff costs	**558**
Interest cost [1)]	53
	611

1) included in the finance costs

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

Beginning of the year	584
Net expense charged in the income statement	611
Contributions paid	(91)
Exchange differences	7
End of the year	**1,111**

The principal actuarial assumptions used were as follows:

Discount rate as at December 31, 2004:	5.0 - 7.6%
Future salary increases:	1.5 - 5.0%

22 Deferred income taxes

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

	2004	2003
Deferred tax assets	(4,405)	(4,923)
Deferred tax liabilities	1,543	2,782
	(2,862)	**(2,141)**

Deferred income tax assets on tax loss carry forwards and deductible temporary differences are recognized only to the extent that realization is probable. The Group has deferred income taxes in connection with tax losses of TEUR 3,391 (2003: TEUR 2,522) which can be carried forward against future taxable income, and which have not been recognized in these financial statements due to uncertainty of their recoverability. Net deferred tax assets in the amount of TEUR 547 (2003: TEUR 799) 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 recognized to the extent that future taxable profits in the respective Group companies are expected.

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

	31.12.03	Charged/ (credited) to equity	Charged/ (credited) to P/L	Acquisition and disposal of subsidiaries	Exchange differences [1]	31.12.04
Deferred income tax liabilities						
Valuation of non-current assets	233	--	(105)	--	(23)	105
Valuation of receivables and inventory	2,310	--	(845)	--	(173)	1,292
Accruals and provisions	124	--	(36)	--	(9)	79
Accounts payable	115	--	(45)	--	(3)	67
	2,782	**--**	**(1,031)**	**--**	**(208)**	**1,543**
Deferred income tax assets						
Valuation of certain current and non-current assets	(448)	--	70	--	30	(348)
Impairment of receivables and inventory	(1,847)	--	476	--	105	(1,266)
Provisions and liabilities	(899)	--	(386)	--	14	(1,271)
Unused tax credits	(181)	--	66	--	3	(112)
Tax loss carry forwards	(1,548)	--	144	--	(4)	(1,408)
	(4,923)	**--**	**370**	**--**	**148**	**(4,405)**
Net deferred income tax assets	**(2,141)**	**--**	**(661)**	**--**	**(60)**	**(2,862)**

1) incl. reclassifications

23 Other payables

	2004	2003
Advances received	3,937	8,085
Payables due to affiliated companies	--	5
Employees' bonuses/salaries	93	393
Other payables	5,645	6,175
	9,675	**14,658**

Other payables mainly consist of liabilities to social security agencies and tax authorities: VAT and payroll taxes.

24 Short-term borrowings

	2004	2003
Bank overdrafts	10,273	9,385
Lease liabilities (see Note 21)	387	370
	10,660	**9,755**

The average effective interest rates for bank overdrafts ranged from 3% to 8% depending on the currency of the respective overdrafts and other factors (2003: 2% to 12%). Trade accounts receivable of TEUR 2,097 are pledged, in the context of a global cession, as collateral for short-term borrowings.

25 Provisions and deferred income

	2004	2003
Provisions	543	707
Accrued liabilities:		
> for short-term personnel benefits	3,604	2,447
> deferred income	3,763	4,454
> other	4,470	3,314
	12,380	**10,922**

	31.12.2003	Additions	Usage	Reversal	Currency translation differences	31.12.2004
Provision for warranties	703	272	(178)	(298)	9	508
Provisions for pending losses	4	31	--	--	--	35
Total provisions	**707**	**303**	**(178)**	**(298)**	**9**	**543**

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

Accrued liabilities mainly comprise consultancy and legal fees and goods received but not yet invoiced. Deferred income mainly represents the deferred portion of sales revenues, rentals and other income received in advance.

26 Operating lease commitments

The future minimum lease payments as a result of non-cancellable operating leases are TEUR 444 of which TEUR 332 is due not later than 1 year.

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).

28 Disclosures regarding certain non-financial risks

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

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

29 Contingencies

In the ordinary course of business, the Group has issued performance bonds and bid bonds to the total amount of TEUR 6,519 (2003: TEUR 7,694).

30 Acquisitions and initial consolidation

Effective April 1, 2003 (GR, HU, MT, PL)/June 1, 2003 (CZ)/July 1, 2003 (RO), former subsidiaries of Fujitsu Services in Eastern Europe were consolidated for the first time. Skupina Atlantis d.o.o., Slovenia, and Epsilon d.o.o., Croatia, were consolidated into the group for the first time effective July 1, 2003 and October 1, 2003 respectively. On November 16, 2004 the group acquired ITS Intertrade Sistemi d.o.o. taking effect at January 1, 2005. The impact of these acquisitions to the consolidated cash flow statement is as follows:

Cash paid for acquisitions in previous periods	(247)
Reimbursements for acquisitions in previous periods	1.014
Cash paid for acquisitions in the following period	(773)
Cash outflow on acquisition	(6)

31 Disposals of investments

S&T Service Hungary Ltd. was sold effective November 30, 2004. This disposal contributed to sales amounting to TEUR 1,343 and profit before tax amounting to TEUR 118.

The influence of this disposal to the Consolidated Financial Statements 2004 is as follows:

Purchase consideration	--
Fair value of net assets disposed	(48)
Profit on disposal of investment (see Note 2)	48

Cash and cash equivalents	158
Property, plant and equipment (see Note 10)	31
Intangible assets (see Note 11)	--
Inventories	77
Current receivables	409
Current liabilities	(510)
Provisions and deferred income	(213)
Fair value of net assets	**(48)**
Profit on disposal	48
Total purchase consideration	--
Less:	
Cash and cash equivalents in subsidiary disposed	(158)
Cash outflow of disposal	(158)

There is no tax effect resulting from this disposal.

32 Management Board and related party transactions

No transactions of a material or non-business-related nature were concluded with related parties in 2004.

In 2004 the Management Board consists of three members:
Karl Tantscher, CEO
Martin Bergler, CFO
Christian Rosner, COO

Members of the Management Board received compensation totaling TEUR 1,330 for 2004, consisting of TEUR 507 fixed salaries and benefits, TEUR 409 of bonuses, TEUR 330 severance payment provisions and TEUR 84 for a defined contribution retirement plan (in 2003: in total TEUR 518). As of December 31, 2004 provisions for mandatory severance payments totaled TEUR 528 for the members of the Management Board.

The members of the Supervisory Board

Thomas Streimelweger (member since April 28, 2004, chairman since May 26, 2004)

Peter Kohl (member and chairman until April 27, 2004)

Reinhard Moser, Deputy Chairman

Karl-Michael Millauer

William de Gelsey

Herbert Stepic (member until April 27, 2004)

Franz Jurkowitsch (member since April 28, 2004)

Wolfgang Auer von Welsbach (member since November 15, 2004)

received remuneration of TEUR 43 in 2004 (in 2003: TEUR 33). The members of the Supervisory Board did not receive any other remuneration or benefits in kind from the Company or its subsidiaries.

Loans to employees amounted to TEUR 294 per balance sheet date. There were no loans to members of the Supervisory or Management Board.

33 Post balance sheet events

On November 16, 2004 the Group acquired ITS Intertrade Sistemi d.o.o. and this was approved by the anti-trust law at the beginning of January 2005. An advanced payment had already been made in financial year 2004 (see Note 30). Further payments and an assumption of liabilities will follow. In 2004 the acquired company recognized sales amounting to EUR 14 million with 124 employees.

In January 2005 the Group acquired T-Systems DSS GmbH, T-Systems DSS GmbH & Co KG as well as Computacenter Austria GmbH. These acquisitions do not influence the consolidated financial statements. The companies are important regional players in the Austrian IT-market. In 2004 the companies recognized sales amounting to EUR 140 million with 380 employees. Further information is being treated confidentially due to the anti-trust process.

Supplementary disclosures to the notes in accordance with § 245a of the Austrian Commercial Code (HGB)

1. Reporting in accordance with International Financial Reporting Standards (IFRS)

The consolidated financial statements as of December 31, 2004 are prepared in accordance with International Financial Reporting Standards (IFRS). The Austrian Consolidated Financial Statements Act ("Konzernabschlussgesetz") per § 245a HGB exempts entities that prepare consolidated financial statements in accordance with IFRS 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 IFRS and EC Directive No. 7 (§245a (1) no. 1 Austrian Commercial Code (HGB))

With regard to the consolidated financial statements presented, there are no material differences between a presentation in accordance with IFRS and a presentation according to the regulations of the 7th EU directive and in its amendments in the Modernization Directive of June 18, 2003.

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

Material Differences	IFRS	HGB
Goodwill	IFRS 3 in combination with IAS 36 (2004) requires that goodwill is subjected to an impairment test once a year and whenever there is an indication of an impairment.	According to HGB goodwill must be capitalized and amortized or offset against retained earnings and reserves.
Securities	In accordance with IFRS 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	IFRS requires the recognition of unrealized profits and losses. See IAS 21.	Accounting principles require different treatment for unrealized profits and unrealized losses 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 IFRS, 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, IFRS requires recognition of deferred tax assets for operating tax loss carry-forwards, as long as it is probable that they can be used against future taxable income.	As per Austrian GAAP, deferred tax liabilities should be recognized for all expected future tax liabilities resulting from timing differences. Deferred tax assets may be recognized for expected future tax returns resulting from timing differences.
Derivative financial instruments	Derivative financial instruments are shown at fair market value, even if this exceeds the historical cost. Opportunities and risks resulting from the valuation of derivative financial instruments used for hedging purposes are immediately accounted for in the income statement.	There are no specific accounting rules in Austria for valuation of derivative financial instruments. The principles in the Austrian Commercial Code (e.g. historical cost principle, imparity principle) are to be considered for valuation purposes. However, market values are considered according to the imparity principle; in general a near-market valuation is limited.
Treasury shares	Treasury shares are set off against shareholders' equity.	According to § 225 par. 5 of the Austrian Commercial Code, treasury shares are disclosed as a separate item. A corresponding revenue reserve with the same amount is to be separately disclosed in the shareholders' equity.

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

Other current liabilities include liabilities due to the tax authorities amounting to TEUR 3,177 as of December 31, 2004 and TEUR 3,016 as of December 31, 2003 respectively, and liabilities due to the social security agency of TEUR 711 as of December 31, 2004 and TEUR 677 as of December 31, 2003 respectively.

Expenses for severance payments and pensions

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

	2004	2003
Management Board	414	157
Executive employees	8	23
Other employees	380	206
Total	**802**	**386**

Authorized for issue:
Vienna, March 11, 2005

Karl Tantscher | Martin Bergler | Christian Rosner

Report of the Auditors

To the Management Board and the Supervisory Board of S&T System Integration & Technology Distribution AG

> We have audited the accompanying consolidated financial statements of S&T System Integration & Technology Distribution AG and its subsidiaries ("the Group") as of and for the year ended December 31, 2004 prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). 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, 2004 and of the result of its operations and its cash flows for the year then ended in accordance with International Financial Reporting 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.

Vienna, March 11, 2005

PwC Wirtschaftsprüfung AG
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft

Christine Catasta Aslan Milla

» S&T is closer than you think »

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»Guess, who was the top performer on ATX in 2004? »

The S&T Share

Financial Calendar 2005:

March 31, 2005
Final Results 2004 (audited)

April 26, 2005
First Quarter 2005 Results

April 28, 2005
Annual General Meeting, Vienna

July 28, 2005
Half Year 2005 Results

October 27, 2005
Third Quarter 2005 Results

> **2004: Share price rises by 164.7%**

In the course of the year the price of the S&T share rose by 164.7% from EUR 6.80 to EUR 18 at year-end, making it the top performer on the ATX Prime in 2004. At the turn of the year 2003/2004 the financial markets experienced an upturn, which on the Austrian stock market was reflected in a 57% rise of the ATX Index in 2004. S&T has been listed on the Vienna Stock Exchange since April 11, 2003. An ADR Level 1 program was established with the Bank of New York in March 2002.

> **S&T is listed on the Vienna Stock Exchange (www.wbag.at), Prime Market:**

ISIN:	AT0000905351
Number of shares:	3,568,655
XETRA Vienna:	SNT
Reuters:	SNTS.VI
Bloomberg:	SNT AV
US Trading Symbol:	STSQY
Market Maker:	Capital Bank, Specialist
	Raiffeisen Centrobank

> **During the reporting year, the following banks published analyses on S&T AG:**

> CA IB International Markets Limited: Analyst Alfred Reisenberger
> Raiffeisen Centrobank: Analyst Tobias Winter
> Erste Bank: Analyst Ralf Burchert
> Capital Bank: Analyst Georg Koudelka

> **Investor Relations**

S&T AG defines investor relations as an intensive and continuous information policy. At more than 150 one-on-one meetings with investment managers, financial analysts and business journalists in the reporting year management provided information on the business situation, strategy and outlook of the company. An additional ten events with analysts and fund managers were held in Austria, Germany, Switzerland and the United Kingdom.

> Investors, analysts and journalists can obtain a current overview of the company online. All relevant information is available in German and English at www.snt.at.

> We will continue to provide comprehensive reports on the development of the company in the financial year 2005, to meet the information needs of the capital markets and the interested public.

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Key Data on the S&T Share

	2004	2003	2002	2001	2000
P/E ratio	23	-	128	35	82
Diluted earnings per share in EUR	0.79	-0.75	0.05	0.42	0.14
Market capitalization	64.20	24.10	22.70	51.60	38
Number of shares	3,568,655	3,545,600	3,545,600	3,495,600	3,307,500
Stock price year-end	18	6.80	6.40	14.75	11.50
High	18	11	14.75	17	23.57
Low	7.04	6.10	5.20	8	6.09

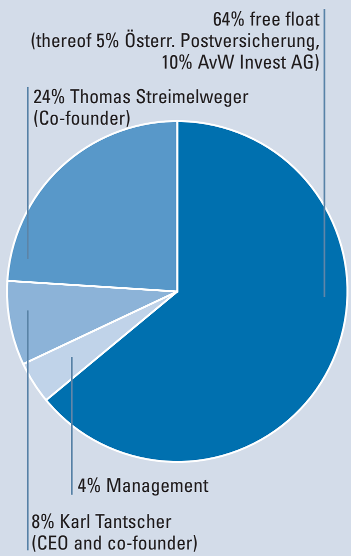
Share Price of S&T January 1, 2004 – March 7, 2005

2004: +164.7%

> **Corporate Governance**
> S&T AG is committed to responsible company management and control aimed at creating sustainable value. This should guarantee both the transparency of the principles upon which the company is run and its long-term development in order to maintain and strengthen the confidence of customers, business partners and shareholders.

> We therefore welcome the Austrian Corporate Governance Code and the ethical principles contained therein. Many of the standards and recommendations formulated in the Austrian Corporate Governance Code have been standard practice at S&T for many years. This compliance will also be maintained in the future.

Shareholder Structure
3,568,655 ordinary voting shares /
1 ADR per share



IT SOLUTIONS & SERVICES

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Slovakia
Slovenia
Turkey
Ukraine
Albania