

Quarterly Report Q3/2001

29 October 2001

S&T announces good third-quarter results and expects even stronger Q4

- Revenue up 41 percent, EBITDA up 20 percent
- Core business ITS up 82 percent
- Successful integration of last year's acquisitions
- Strong order pipeline supports Q4 expectations

Nasdaq Europe listed S&T System Integration & Technology Distribution AG (S&T) maintained its growth momentum in the third quarter of 2001. Revenues and EBIT of Q3 were well above the last year figures, thanks in part to the improved business climate in several S&T markets in Central and Eastern Europe and to the successful integration of last year's acquisitions.

The third quarter is normally the weakest for the company, but this year it saw a repeat of the first quarter's positive earnings. S&T further tightened its focus on its three core business units - Information Technology Solutions (ITS), Customer Support Organisation (CSO) and Medical Diagnostic Systems (MED) - in the third quarter, further running down its Information Technology Distribution (ITD) operations by disposing of the Slovenian hardware sales subsidiary, HPC.

At the same time the ITS sector was expanded by the takeover of the Slovenian software house Aster d.o.o. The acquisition has strengthened S&T's know-how and its presence in the high-end system integration and software solutions market.

Significant third-quarter rise in revenue and earnings

Revenue was up 41 percent in the third quarter of 2001, from EUR 24.502 million (m) to EUR 34.519m. Apart from the revenue of the two businesses disposed in December 2000, Electronic Test and Measurement Systems (TMO) and Chemical Analysis Systems (CA), revenue was up by an even more impressive 47 percent.

Organic growth amounted to 20 percent, the balance being contributed by acquisitions, particularly in the Czech Republic. Some 67 percent of revenue (third quarter 2000: 51 percent) came from the ITS business sector, which also showed the highest growth in revenue - 82 percent. S&T also racked up a marked gain in earnings compared with the like period of the previous year. EBITDA climbed by 20 percent, from EUR 1.506 million to EUR 1.801 million. Earnings before interest and tax (EBIT) advanced from EUR 684,000 to EUR 799,000.

Third quarter sales (consolidated, unaudited, IAS)

EUR '000	2001	2000	+/- %
Information Technology Solutions (ITS)	22.382	12.310	+82%
Customer Support Organization (CSO)	4.907	3.478	+41%
Medical Diagnosis and Monitoring Systems (MED)	2.219	1.127	+97%
Information Technology Distribution (ITD)	4.056	5.510	-26%
Electronic Test and Measurement Systems (TMO)	-	741	-
Chemical Analysis (CA)	-	883	-
Total sales	33.564	24.049	+40%

Consolidated income statement for the third quarter (unaudited, IAS)

EUR'000	7-9/2001	7-9/2000	+/- %
Total sales	33.564	24.049	+40%
Other income	955	453	+111%
Total revenues	34.519	24.502	+41%
Merchandise, spare parts and purchased service	(25.400)	(17.964)	+41%
Staff costs	(4.336)	(3.142)	+38%
Other operating expenses	(2.982)	(1.890)	+58%
EBITDA	1.801	1.506	+20%
Depreciation and amortisation expenses	(512)	(471)	+9%
Amortisation of goodwill	(490)	(351)	+40%
EBIT	799	684	+17%

Staff expenses rose more slowly than revenues, with restructuring programs beginning to bear fruit.

The increase of other operating expenses is caused by the enlarged base of operation, one time legal and consulting expenses related to the evaluation of potential acquisition targets and exceptional low expenses in Q3 2000. The year-to-date comparison shows an increase, which is well below the total growth of the company.

Sound results in first three quarters

In the first three quarters of 2001, S&T continued to systematically build up its core business sectors, pursuing an offensive acquisitions policy. Following the acquisitions in 2000 of Innet in Hungary and Neos (initial consolidation in 2001) in the Czech Republic, this year has seen the completion of purchases of Netway Computer Systems in Romania and software house Aster d.o.o. in Slovenia. The integration of these subsidiaries is going

ahead well, in line with S&T's track record of successful integrations in recent years. S&T's acquisition strategy focuses on building up its core businesses in the profitable high-end segments and on rapid entry to new regional markets.

The first nine months of 2001 saw revenue gain 33 percent from EUR 76.202m to EUR 101.170m. Despite the second quarter provision against a receivable from Bank Ukraine, EBITDA was up by five percent to EUR 3.980m. The breakdown of revenue by geographical markets shows 20% each coming from Slovenia and Czech Republic, 13% from Croatia, 10% from Slovakia, 9% from the Ukraine and 7% from Romania. The remaining 21% derive from 8 other CEE countries. In segmental terms, ITS with 64 percent contributes the bulk of the company's revenue, followed by CSO with 15.3 percent and MED with 6.8 percent. On 30th September 2001 (before the acquisition of Aster d.o.o.) the S&T Group had 750 employees.

Sales for the first three quarters (consolidated, unaudited, IAS)

EUR '000	2001	2000	+/- %
Information Technology Solutions (ITS)	63.586	37.289	+ 71%
Customer Support Organization (CSO)	15.209	9.153	+ 66%
Medical Diagnosis and Monitoring Systems (MED)	6.717	5.625	+ 19%
Information Technology Distribution (ITD)	13.788	16.197	- 15%
Electronic Test and Measurement Systems (TMO)	-	3.791	-
Chemical Analysis (CA)	-	2.732	-
Total sales	99.300	74.787	+ 33%

Consolidated income statement for the first three quarters (unaudited, IAS)

EUR '000	1-9/2001	1-9/2000	+/- %
Total sales	99.300	74.787	+33%
Other income	1.870	1.415	+32%
Total revenues	101.170	76.202	+33%
Merchandise, spare parts and purchased services	(73.872)	(55.422)	+33%
Staff costs	(13.318)	(9.598)	+39%
Provisions for Bank Ukraine	(1.063)		
Other operating expenses	(8.937)	(7.406)	+21%
EBITDA	3.980	3.776	+5%
Depreciation and amortisation expenses	(1.509)	(1.409)	+7%
Amortisation of goodwill	(1.448)	(748)	+94%
EBIT	1.023	1.619	-37%

Outlook

In the light of S&T's performance in the first three quarters and the fact that results normally pick up in the fourth quarter, management expects a year-end rally, which will enable the revenue target of a record EUR 150m for financial 2001 to be hit. EBITDA for 2001 is expected to come out at EUR 7-8m.

The Slovenian software house Aster d.o.o. (annual revenue in 2000: EUR 4.5m), which was acquired in September 2001, will be consolidated in the fourth quarter of 2001. The two recently announced major orders from Romania are also expected to contribute to revenue growth. S&T and Philips Medical Systems will supply state-of-the-art high-end medical equipment for Romanian hospitals, together with a complete IT package for installation and maintenance. The total value of the contract is EUR 8.7m, scheduled for delivery in several installments by the end of 2002. This order is likely to bring MED's share of revenue to more than 10 percent. The second new contract, for EUR 4.3m, is the IT solution for the new Romanian passport system.

***** **S&T is IT in Emerging Europe*******

S&T helps businesses in Emerging Europe to improve their results by using Information Technology. With total annual revenues expected to surpass EUR 150 million in 2001 and 785 employees as per April 2001, S&T operates subsidiaries in Poland, Russia, Hungary, Czech Republic, Slovakia, Slovenia, Croatia, Romania, Bulgaria, Ukraine, Macedonia, Moldova, Bosnia-Herzegovina and Yugoslavia.

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