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- EBIT of minus EUR 1.4 million in the third quarter, minus EUR 2.2 million in the first 9 months
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**28 October 2003, Vienna, Austria – S&T System Integration & Technology Distribution AG (Vienna Stock Exchange: SNT, OTC: STSQY)**, a leading IT systems integrator in Central, Eastern and Southeast Europe announces results for the 3rd quarter 2003 and first nine months ended 30 September 2003.

As already announced on 14 October 2003, total sales in the 3rd quarter 2003 amounted to EUR 44 million, a 2 percent increase over the same quarter in the previous year. In the first nine months of 2003, sales rose from EUR 115 million to EUR 130 million, a 13 percent increase compared to the previous year.

Third quarter sales in the high-value service segment Business Solutions stand at EUR 10 million. The increase of 141 percent compared to the 3rd quarter 2002 is the result of the continued focus on the higher margin solution and service business. On a nine-month basis, this represents an increase of 102 percent in this segment. Sales in the Enterprise Systems segment fell by 19 percent in the reporting quarter compared to the same quarter in 2002. The increase in the gross margin from 23 percent in the third quarter of the previous year to some 28 percent in the 3rd quarter 2003 should also be seen in connection with this pleasing shift in sales. In the first nine months of the current business year the gross margin rose from 26 percent in 2002 to 28 percent.

EBITDA (earnings before interest, taxes, depreciation and amortisation) amounts to EUR 0.2 million, a decline of 64% in the 3rd quarter 2003 and 12% in the first three quarters of 2003. EBIT (earnings before interest and taxes) is minus EUR 1.4 million in the 3rd quarter and minus EUR 2.2 million for the first 9 months of 2003 (including a EUR 1,1 million impairment adjustment of the Turkish operation in the 2nd quarter 2003).

The main reasons for this decline in earnings are weak sales in the summer months and the postponement of planned projects in Romania, Russia and Ukraine to the 4th quarter 2003. The planned shift toward higher value solutions and services led to a 37 percent increase in payroll costs in the first nine months of the current business year.

### **Outlook**

As in previous years, management expects strong sales in the 4th quarter 2003 (the 4th quarter 2002 accounted for 32 percent of the total sales for 2002, in 2001 the figure was 38 percent). The restructuring measures initiated during the year should impact costs favourably in the next two quarters. Marketing initiatives have been started to increase the company's presence in the comparatively large IT markets Austria, Poland, the Czech Republic and Russia. The recently announced acquisitions of software

companies in Slovenia and Croatia will shift the product portfolio still further in the direction of solutions and services and thus higher margins. The year 2004 will see the accession to the EU of 10 candidate states. As a

result, S&T will generate over 50% of its sales within the EU. The expected upturn in direct investments (FDI) should lead to higher than average market growth in 2004 and the following years. Due to the weak results in the 3rd quarter 2003, expectations for EBIT for 2003 as a whole will be downscaled to a "black zero." For total sales, management expects a result of around EUR 190 million.

**CONSOLIDATED INCOME STATEMENT (unaudited) in EUR 1,000 for the three months period ending on September 30, 2003 and 2002**

<b>Sales (in EUR 000)</b>	<b>Q3 2003</b>	<b>Q3 2002</b>	<b>-%+</b>
Business Solutions (BS)	10,442	4,336	141%
Enterprise Systems (ES)	24,871	30,884	-19%
Customer Support (CS)	6,276	6,034	4%
Managed Services (MS)	814	0	-
Medical (MED)	1,149	1,491	-23%
Information Technology Distribution (ITD)	0	7	-
<b>Total sales</b>	<b>43,552</b>	<b>42,752</b>	<b>2%</b>
Other Income	790	102	675%
<b>Total Revenues</b>	<b>44,342</b>	<b>42,854</b>	<b>3%</b>
COGS	-31,418	-32,915	-5%
Staff	-8,302	-5,850	42%
Other Operating Expenses	-4,429	-3,554	25%
<b>EBITDA</b>	<b>193</b>	<b>535</b>	<b>-64%</b>
Depreciation and amortisation	-952	-648	47%
<b>EBITA</b>	<b>-759</b>	<b>-113</b>	<b>572%</b>
Amortisation of goodwill	-673	-665	1%
<b>Profit from Operations / EBIT</b>	<b>-1,432</b>	<b>-778</b>	<b>84%</b>

**CONSOLIDATED INCOME STATEMENT (unaudited) in EUR 1,000 for the nine months period ending on September 30, 2003 and 2002**

<b>Sales (in EUR 000)</b>	<b>2003</b>	<b>2002</b>	<b>-%+</b>
Business Solutions (BS)	23,459	11,600	102%
Enterprise Systems (ES)	80,621	74,679	8%
Customer Support (CS)	18,264	18,477	-1%
Managed Services (MS)	2,063	0	-
Medical (MED)	5,553	7,040	-21%
Information Technology Distribution (ITD)	0	3,408	-
<b>Total sales</b>	<b>129,960</b>	<b>115,204</b>	<b>13%</b>
Other Income	2,095	1,027	104%
<b>Total Revenues</b>	<b>132,055</b>	<b>116,231</b>	<b>14%</b>
COGS	-94,188	-85,026	11%
Staff	-22,238	-16,252	37%
Other Operating Expenses	-12,278	-11,130	10%
<b>EBITDA</b>	<b>3,351</b>	<b>3,823</b>	<b>-12%</b>
Depreciation and amortisation	-2,413	-1,837	31%
<b>EBITA</b>	<b>938</b>	<b>1,986</b>	<b>-53%</b>
Amortisation of goodwill	-3,097	-1,715	81%
<b>Profit from Operations / EBIT</b>	<b>-2,159</b>	<b>271</b>	<b>-</b>

**Total sales per region in EUR 1,000 for the nine months period ending on September 30, 2003 and 2002**

	<b>2003</b>	<b>2002</b>	<b>+/- %</b>
Adriatic	42,621	45,001	-5%
Central	35,860	30,188	19%
Cyrillic	17,072	26,914	-37%
South	34,407	13,101	163%
	<b>129,960</b>	<b>115,204</b>	<b>13%</b>

Adriatic: Slovenia, Croatia, Bosnia-Herzegovina, Republic of Macedonia, Serbia and Montenegro

Central: Czech Republic, Hungary, Poland, Slovakia

Cyrillic: Russia, Ukraine, Baltics, Moldova, CIS

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

## **Disclaimer**

This information reflects the situation of S&T as per September 30, 2003. The information contains certain forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, financial condition, performance or achievements of S&T, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following:

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

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## **About S&T**

S&T is a leading provider of IT solutions for customers in 20 countries in Central, Eastern and Southern Europe. The company provides consulting services, software development, IT solutions implementation and support services around the clock to the most demanding customers in telecommunication, banking, energy production and distribution, government and health care.

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## Consolidated income statement

(all amount in EUR '000)

Period from 01.01., ended	30.09.2003	30.09.2002	31.12.2002
Sales			
Business Solutions (BS)	23.459	11.600	17.220
Enterprise Systems (ES)	80.621	74.679	112.093
Customer Support (CS)	18.264	18.477	23.849
Managed Services (MS)	2.063	--	--
Medical (MED)	5.553	7.040	12.845
Information Technology Distributions (ITD)	--	3.408	3.403
Total Sales	129.960	115.204	169.410
Other operating income	2.095	1.027	1.678
Total revenues	132.055	116.231	171.088
Merchandise, spare parts and purchased services	(94.188)	(85.026)	(126.269)
Staff costs	(22.238)	(16.252)	(22.284)
Other operating expenses	(12.278)	(11.130)	(14.977)
Total operating expenses	(128.704)	(112.408)	(163.530)
<i>Profit from operations before depreciation and amortization (EBITDA)</i>	3.351	3.823	7.558
Depreciation and amortization	(2.413)	(1.837)	(2.618)
<i>Profit from operations after depreciation/amortization and before amortization of goodwill (EBITA)</i>	938	1.986	4.940
Amortization of goodwill	(3.097)	(1.715)	(2.378)
<i>Profit from operations (EBIT)</i>	(2.159)	271	2.562
Finance costs	(1.485)	(1.123)	(2.084)
<b>Profit before tax</b>	<b>(3.644)</b>	<b>(852)</b>	<b>478</b>
Income tax expense	(308)	(406)	(287)
<b>Profit after tax</b>	<b>(3.952)</b>	<b>(1.258)</b>	<b>191</b>
Minority interest	--	(1)	--
<b>Net profit for the period</b>	<b>(3.952)</b>	<b>(1.259)</b>	<b>191</b>
Basic earnings per share in EUR	(1,14)	(0,36)	0,06
Diluted earnings per share in EUR	(1,14)	(0,36)	0,05
Weighted number of ordinary shares in issue (thousands)	3.452	3.462	3.462

**Consolidated income statement**

(all amount in EUR '000)

Period from 01.07., ended	30.09.2003	30.09.2002
Sales		
Business Solutions (BS)	10.442	4.336
Enterprise Systems (ES)	24.871	30.884
Customer Support (CS)	6.276	6.034
Managed Services (MS)	814	--
Medical (MED)	1.149	1.491
Information Technology Distributions (ITD)	--	7
Total Sales	43.552	42.752
Other operating income	790	102
Total revenues	44.342	42.854
Merchandise, spare parts and purchased services	(31.418)	(32.915)
Staff costs	(8.302)	(5.850)
Other operating expenses	(4.429)	(3.554)
Total operating expenses	(44.149)	(42.319)
<i>Profit from operations before depreciation and amortization (EBITDA)</i>	193	535
Depreciation and amortization	(952)	(648)
<i>Profit from operations after depreciation/amortization and before amortization of goodwill (EBITA)</i>	(759)	(113)
Amortization of goodwill	(673)	(665)
<i>Profit from operations (EBIT)</i>	(1.432)	(778)
Finance costs	(454)	(738)
<b>Profit before tax</b>	<b>(1.886)</b>	<b>(1.516)</b>
Income tax expense	80	18
<b>Profit after tax</b>	<b>(1.806)</b>	<b>(1.498)</b>
Minority interest	--	--
<b>Net profit for the period</b>	<b>(1.806)</b>	<b>(1.498)</b>

**Consolidated balance sheet**

(all amounts in EUR '000)

<b>Assets</b>	30.09.2003	30.09.2002	31.12.2002
<i>Non-current assets</i>			
Property, plant and equipment	10.834	10.527	10.479
Intangible assets	11.161	15.691	15.065
Investments in affiliated companies	285	667	185
Other investments	207	105	172
Non-current receivables	612	555	434
Deferred tax assets	4.214	1.806	3.164
	<u>27.313</u>	<u>29.351</u>	<u>29.499</u>
<i>Current assets</i>			
Inventories	12.185	8.367	10.333
Trade accounts receivable	35.963	31.234	42.262
Other receivables and prepayments	10.153	7.319	14.158
Cash and cash equivalents	13.531	9.007	16.176
	<u>71.832</u>	<u>55.927</u>	<u>82.929</u>
<b>Total assets</b>	<b>99.145</b>	<b>85.278</b>	<b>112.428</b>
<b>Equity and Liabilities</b>			
	30.09.2003	30.09.2002	31.12.2002
<i>Shareholders' equity</i>			
Issued capital	7.091	6.991	7.091
Share premium	18.320	17.920	18.320
Treasury shares	(751)	(699)	(173)
Accumulated translation adjustments	(1.079)	(458)	(570)
Retained earnings and other reserves	2.601	5.171	6.553
	<u>26.182</u>	<u>28.925</u>	<u>31.221</u>
Minority interest in subsidiaries	--	1	--
<i>Non-current liabilities</i>			
Loans and other liabilities	17.881	16.721	15.536
Deferred tax liability	2.010	1.036	2.078
	<u>19.891</u>	<u>17.757</u>	<u>17.614</u>
<i>Current liabilities</i>			
Trade accounts payable	16.663	14.971	25.430
Current tax liabilities	384	1.244	1.894
Other payables	9.024	6.116	8.502
Short-term borrowings	13.841	10.012	11.771
Provisions and deferred income	13.160	6.252	15.996
	<u>53.072</u>	<u>38.595</u>	<u>63.593</u>
<b>Total equity and liabilities</b>	<b>99.145</b>	<b>85.278</b>	<b>112.428</b>

### Consolidated cash flow statement

(all amounts in EUR '000)

Period from 01.01., ended	30.09.2003	30.09.2002	31.12.2002
<b>Operating activities</b>			
Profit from operations	(2.159)	271	2.562
Adjustments for items not affecting cash:			
Depreciation and amortization	5.510	3.552	4.996
Gain on disposal of subsidiary	--	--	3
Other (net)	(982)	613	176
	<u>2.369</u>	<u>4.436</u>	<u>7.737</u>
Changes in working capital:			
(Increase) / decrease in trade accounts and other receivables	19.212	(1.045)	(18.688)
(Increase) / decrease in inventory	(1.123)	2.139	269
Increase / (decrease) in current liabilities	(19.785)	(24.897)	(1.171)
	<u>(1.696)</u>	<u>(23.803)</u>	<u>(19.590)</u>
Interest received	239	331	481
Interest paid	(1.177)	(1.081)	(1.547)
Taxes paid	(1.494)	(522)	(70)
Net cash from operating activities	<b>(1.759)</b>	<b>(20.639)</b>	<b>(12.989)</b>
<b>Investing activities</b>			
Capital expenditure	(1.231)	(1.722)	(2.269)
Purchase of intangible assets	(119)	(132)	(241)
Purchase of investments	(228)	(229)	(313)
Proceeds from sale of fixed assets	1.524	398	499
Proceeds from sale of investments	28	62	68
Disposal of subsidiary, net of cash	--	(15)	(1)
Acquisition of subsidiaries, net of cash	(2.468)	(3.682)	(4.262)
Decrease in time deposit for a period longer than three months	1.765	1.765	1.765
Long-term loans and receivables from other parties	(177)	264	385
Net cash used in investing activities	<b>(906)</b>	<b>(3.291)</b>	<b>(4.369)</b>
<b>Financing activities</b>			
Treasury shares	(579)	82	608
Increase in long-term loans and borrowings	819	646	120
Repayment of finance lease	(56)	(71)	(113)
Increase/(decrease) in short-term borrowings	1.968	4.199	5.045
Net cash used in financing activities	<b>2.152</b>	<b>4.856</b>	<b>5.660</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(513)</b>	<b>(19.074)</b>	<b>(11.698)</b>
<b>Movement in cash and cash equivalents</b>			
At start of year	12.594	25.017	25.017
Increase/(decrease)	(513)	(19.074)	(11.698)
Effect of exchange rate changes	(367)	(518)	(725)
At end of year	<b>11.714</b>	<b>5.425</b>	<b>12.594</b>
Time deposits for a period longer than three months	1.817	3.582	3.582
<b>Cash and cash equivalents (in Balance Sheet)</b>	<b>13.531</b>	<b>9.007</b>	<b>16.176</b>

<b>Shareholders' Equity</b>	Issued Capital	Share premium	Treasury shares	Accumulated translation adjustment	Retained earnings and other reserves	Total
<b>Period ended June 30, 2003</b>						
Opening amount	7.091	18.320	(173)	(570)	6.553	31.221
Increase from initial consolidation	--	--	--	--	--	--
Currency translation differences	--	--	--	(509)	--	(509)
Transactions with treasury shares	--	--	(578)	--	--	(578)
Capital increase	--	--	--	--	--	--
Net profit of the period	--	--	--	--	(3.952)	(3.952)
Closing amount	7.091	18.320	(751)	(1.079)	2.601	26.182

<b>Shareholders' Equity</b>	Issued Capital	Share premium	Treasury shares	Accumulated translation adjustment	Retained earnings and other reserves	Total
<b>Period ended June 30, 2002</b>						
Opening amount	3.629	21.282	(781)	(496)	6.616	30.250
Increase from initial consolidation	--	--	--	--	(186)	(186)
Currency translation differences	--	--	--	38	--	38
Transactions with treasury shares	--	--	82	--	--	82
Capital increase	3.362	(3.362)	--	--	--	--
Net profit of the period	--	--	--	--	(1.259)	(1.259)
Closing amount	6.991	17.920	(699)	(458)	5.171	28.925

<b>Shareholders' Equity</b>	Issued Capital	Share premium	Treasury shares	Accumulated translation adjustment	Retained earnings and other reserves	Total
<b>Period ended December 31, 2002</b>						
Opening amount	3.629	21.282	(781)	(496)	6.616	30.250
Increase from initial consolidation	--	--	--	--	(254)	(254)
Currency translation differences	--	--	--	(74)	--	(74)
Transactions with treasury shares	--	--	608	--	--	608
Reclassification	3.362	(3.362)	--	--	--	--
Capital increase	100	400	--	--	--	500
Net profit of the period	--	--	--	--	191	191
Closing amount	7.091	18.320	(173)	(570)	6.553	31.221