



- S&T well-equipped for the year-end spurt
- Sales EUR 150 million - EBIT EUR 2 million

S&T Third Quarter Results 2004



S&T well-equipped for the year-end spurt

EBIT EUR 2 million in the first nine months of the year, sales up 15.6 % to EUR 150 million

28 October 2004, Vienna, Austria – S&T System Integration & Technology Distribution AG (ISIN AT0000905351) has just announced its business figures for the first nine months and the third quarter of 2004.

Higher Sales in the First Nine Months

After a good first nine months S&T has seen total sales in 2004 rise to EUR 150.2 million from EUR 130.0 million in the previous year, an increase of 15.6%. Compared to the third quarter of 2003 sales rose 15.1% from EUR 43.6 million to EUR 50.1 million. This is remarkable insofar as it is the result of purely organic growth.

Consistent Focus on Service

In the first nine months of the year sales in high-margin service segments grew by 31% from EUR 43.8 million to EUR 57.4 million (in the third quarter by 11% from EUR 17.5 million to EUR 19.5 million). The Business Solutions unit recorded a 38% increase in the first nine months while Customer Support posted a 25% increase.

Performance Improvement

In the first nine months of the year EBIT improved from EUR – 2.2 million to EUR + 2.0 million. EBIT in the third quarter improved from EUR – 1.4 million to + 0.8 million. EBITDA rose from EUR 3.4 million to EUR 6.0 million compared to the first nine months of 2003. Compared to the third quarter 2003 EBITDA rose from EUR 0.2 million to EUR 2.2 million.

Significant Improvement to Gross Margin

Due to continuing growth in services the gross margin rose to 29.4% in the first nine months of 2004 compared to 27.5% in 2003. As a result the EBITDA margin rose from 2.5% to 4.0% in the first nine months of 2004.

Outlook

S&T well-equipped for the year-end spurt. The Management Board expects that the traditionally strong 4th quarter will produce another significant improvement in results. This will be made possible by a continuing and consistent focus on services and upon increasing market shares in the telecom, financial services, production and public administration sectors. The main emphasis in 2005 will be upon preparing the Group to continue its successful growth course. The Management Board expects that increased foreign direct investment and rising expenditure on IT in the markets in which S&T is active will also stimulate growth. The medium term goal is to achieve sales of EUR 500 million and an EBIT margin of 6% by the end of 2006. Strategic acquisitions will play an important role here.

Consolidated income statement

(all amount in EUR '000)

Period from 01.01., ended	30.09.2004	30.09.2003	31.12.2003
Sales			
Business Solutions (BS)	32.381	23.459	38.823
Enterprise Systems (ES)	84.487	80.621	126.759
Customer Support (CS)	22.823	18.264	25.082
Managed Services (MS)	2.216	2.063	3.806
Medical (MED)	8.264	5.553	9.921
Information Technology Distributions (ITD)	--	--	79
Total Sales	150.171	129.960	204.470
Other operating income	1.221	2.095	4.812
Total revenues	151.392	132.055	209.282
Merchandise, spare parts and purchased services	(105.971)	(94.188)	(151.316)
Staff costs	(26.139)	(22.238)	(31.442)
Other operating expenses	(13.234)	(12.278)	(18.318)
Total operating expenses	(145.344)	(128.704)	(201.076)
<i>Profit from operations before depreciation and amortization (EBITDA)</i>	<i>6.048</i>	<i>3.351</i>	<i>8.206</i>
Depreciation and amortization	(2.391)	(2.413)	(3.506)
<i>Profit from operations after depreciation/amortization and before amortization of goodwill (EBITA)</i>	<i>3.657</i>	<i>938</i>	<i>4.700</i>
Amortization and impairment of goodwill	(1.644)	(3.097)	(4.468)
<i>Profit from operations (EBIT)</i>	<i>2.013</i>	<i>(2.159)</i>	<i>232</i>
Finance costs (net)	(667)	(1.485)	(2.020)
Profit/(loss) before tax	1.346	(3.644)	(1.788)
Income tax expense	(1.800)	(308)	(818)
Profit/(loss) after tax	(454)	(3.952)	(2.606)
Minority interest	(1)	--	--
Net profit/(loss) for the period	(455)	(3.952)	(2.606)
Basic earnings per share in EUR	(0,13)	(1,14)	(0,76)
Diluted earnings per share in EUR	(0,13)	(1,14)	(0,75)
Weighted number of ordinary shares in issue (thousands)	3.442	3.452	3.448

Consolidated income statement
(all amount in EUR '000)

Period from 01.07., ended	30.09.2004	30.09.2003
Sales		
Business Solutions (BS)	11.407	10.442
Enterprise Systems (ES)	28.509	24.871
Customer Support (CS)	7.408	6.276
Managed Services (MS)	664	814
Medical (MED)	2.151	1.149
Information Technology Distributions (ITD)	--	--
Total Sales	50.139	43.552
Other operating income	416	790
Total revenues	50.555	44.342
Merchandise, spare parts and purchased services	(34.932)	(31.418)
Staff costs	(8.825)	(8.302)
Other operating expenses	(4.646)	(4.429)
Total operating expenses	(48.403)	(44.149)
<i>Profit from operations before depreciation and amortization (EBITDA)</i>	2.152	193
Depreciation and amortization	(827)	(952)
<i>Profit from operations after depreciation/amortization and before amortization of goodwill (EBITA)</i>	1.325	(759)
Amortization and impairment of goodwill	(548)	(673)
<i>Profit from operations (EBIT)</i>	777	(1.432)
Finance costs (net)	(186)	(454)
Profit/(loss) before tax	591	(1.886)
Income tax expense	(773)	80
Profit/(loss) after tax	(182)	(1.806)
Minority interest	--	--
Net profit/(loss) for the period	(182)	(1.806)

Consolidated balance sheet
(all amounts in EUR '000)

Assets	30.09.2004	30.09.2003	31.12.2003
<i>Non-current assets</i>			
Property, plant and equipment	10.491	10.834	11.055
Intangible assets	8.807	11.161	10.170
Investments in affiliated companies	36	285	31
Other investments	239	207	229
Non-current receivables	637	612	433
Deferred tax assets	3.977	4.214	4.923
	<u>24.187</u>	<u>27.313</u>	<u>26.841</u>
<i>Current assets</i>			
Inventories	7.778	12.185	9.440
Trade accounts receivable	38.836	35.963	43.745
Other receivables and prepayments	8.910	10.153	13.581
Cash and cash equivalents	10.377	13.531	19.827
	<u>65.901</u>	<u>71.832</u>	<u>86.593</u>
Total assets	90.088	99.145	113.434
Equity and Liabilities			
	30.09.2004	30.09.2003	31.12.2003
<i>Shareholders' equity</i>			
Issued capital	7.137	7.091	7.091
Share premium	8.194	18.320	8.074
Treasury shares	(638)	(751)	(778)
Accumulated translation adjustments	(1.049)	(1.079)	(1.360)
Retained earnings and other reserves	13.738	2.601	14.193
	<u>27.382</u>	<u>26.182</u>	<u>27.220</u>
Minority interest in subsidiaries	1	--	--
<i>Non-current liabilities</i>			
Loans and other liabilities	13.831	17.881	15.195
Deferred tax liability	1.701	2.010	2.782
	<u>15.532</u>	<u>19.891</u>	<u>17.977</u>
<i>Current liabilities</i>			
Trade accounts payable	16.868	16.663	32.387
Current tax liabilities	1.177	384	515
Other payables	7.206	9.024	14.658
Short-term borrowings	10.380	13.841	9.755
Provisions and deferred income	11.542	13.160	10.922
	<u>47.173</u>	<u>53.072</u>	<u>68.237</u>
Total equity and liabilities	90.088	99.145	113.434

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

Period from 01.01., ended	30.09.2004	30.09.2003	31.12.2003
Operating activities			
Profit from operations	2.013	(2.159)	232
Adjustments for items not affecting cash:			
Depreciation and amortization	4.035	5.510	8.032
Gain on disposal of subsidiary			
	--	--	--
Other (net)	(374)	(982)	(3.058)
	<u>5.674</u>	<u>2.369</u>	<u>5.206</u>
Changes in working capital:			
(Increase) / decrease in trade accounts and other receivables	8.747	19.212	7.574
(Increase) / decrease in inventory	1.661	(1.123)	1.622
Increase / (decrease) in current liabilities	(22.085)	(19.785)	(1.091)
	<u>(11.677)</u>	<u>(1.696)</u>	<u>8.105</u>
Interest received	185	239	355
Interest paid	(1.120)	(1.177)	(1.608)
Taxes paid	(1.273)	(1.494)	(1.618)
Net cash from operating activities	(8.211)	(1.759)	10.440
Investing activities			
Capital expenditure	(1.612)	(1.350)	(1.930)
Purchase of investments	(12)	(228)	(6)
Proceeds from sale of fixed assets	452	1.524	1.798
Proceeds from sale of investments	8	28	34
Disposal of subsidiary, net of cash	--	--	--
Acquisition of subsidiaries, net of cash	568	(2.468)	(1.174)
Decrease in time deposit for a period longer than three months	1.817	1.765	1.765
Long-term loans and receivables from other parties	(204)	(177)	12
Net cash used in investing activities	1.017	(906)	499
Financing activities			
Proceeds from issuance of share capital			
Issue of ordinary shares	46	--	--
Share premium	120	--	--
Treasury shares	140	(579)	(605)
Increase/(decrease) in long-term loans and borrowings	(1.476)	819	(1.730)
Repayment of finance lease	(322)	(56)	(438)
Increase/(decrease) in short-term borrowings	699	1.968	(2.168)
Net cash used in financing activities	(793)	2.152	(4.941)
Net (decrease) / increase in cash and cash equivalents	(7.987)	(513)	5.998
Movement in cash and cash equivalents			
At start of year	18.010	12.594	12.594
Increase/(decrease)	(7.987)	(513)	5.998
Effect of exchange rate changes	354	(367)	(582)
At end of year	<u>10.377</u>	<u>11.714</u>	<u>18.010</u>
Time deposits for a period longer than three months	--	1.817	1.817
Cash and cash equivalents (in Balance Sheet)	10.377	13.531	19.827

Shareholders' Equity	Issued Capital	Share premium	Treasury shares	Accumulated translation adjustment	Retained earnings and other reserves	Total
Period ended September 30, 2004						
Opening amount	7.091	8.074	(778)	(1.360)	14.193	27.220
Increase from initial consolidation	--	--	--	--	--	--
Currency translation differences ¹⁾	--	--	--	311	--	311
Transactions with treasury shares	--	--	140	--	--	140
Capital increase	46	120	--	--	--	166
Net profit for the period	--	--	--	--	(455)	(455)
Closing amount	7.137	8.194	(638)	(1.049)	13.738	27.382

¹⁾ incl. adjustment to equity (IAS 29)

Shareholders' Equity	Issued Capital	Share premium	Treasury shares	Accumulated translation adjustment	Retained earnings and other reserves	Total
Period ended September 30, 2003						
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 for the period	--	--	--	--	(3.952)	(3.952)
Closing amount	7.091	18.320	(751)	(1.079)	2.601	26.182

Shareholders' Equity	Issued Capital	Share premium	Treasury shares	Accumulated translation adjustment	Retained earnings and other reserves	Total
Period ended December 31, 2003						
Opening amount	7.091	18.320	(173)	(570)	6.553	31.221
Increase from initial consolidation	--	--	--	--	--	--
Currency translation differences	--	--	--	(790)	--	(790)
Transactions with treasury shares	--	--	(605)	--	--	(605)
Reclassification	--	(10.246)	--	--	10.246	--
Capital increase	--	--	--	--	--	--
Net profit for the period	--	--	--	--	(2.606)	(2.606)
Closing amount	7.091	8.074	(778)	(1.360)	14.193	27.220