

“We have had the best third quarter in the Company’s history and anticipate a successful 2007.”

Foreword by the Chairman of the Management Board

Ladies and gentlemen:
Distinguished shareholders:

Our long-term strategy is working. The S&T Group expects to double its solutions and services business in the next years – which will generate more than 60% of sales by 2010. In the first three quarters of 2007, we have already achieved 46% of this goal – even 49% in the third quarter.

The third quarter of 2007 shows we are right on track: Sales increased by 8% year-on-year. The highlights were Business Solutions with an outstanding 98% increase and Managed Services with a 12% increase. Profitability is also our primary focus in the Enterprise Systems business, where our focus is increasingly centred on higher margin projects, which also demand consulting and services. This is reflected in the approximate 16% sales decline, which we have consciously accepted. We have significantly increased EBITDA (+50%) and EBIT (+62%), even though the third quarter is usually challenging in our industry.

We raised total sales by 10% year-on-year to EUR 351.5 million in the first three quarters of 2007. EBIT is greatly improved at EUR 6.1 million. We still had integration and restructuring expenses in the third quarter, but reduced them compared to the first half of 2007. And we implemented all such measures in the third quarter for the most part, particularly with respect to the IMG Group, UNITIS in Hungary, S&T Russia, and S&T Turkey. As compared to the first half of 2007, we slowed the decline in EBIT in the Business Solutions area – which was affected by investments in development and expansion and the incorporation of more than 150 new employees. This confirms our formula for success: to steadily rebuild acquired companies and quickly place them on the path to future success.

From January through September 2007 our financial results developed from EUR -1.2 million to EUR -3.3 million. Finance expenses for IMG, which were primarily interest expenses from the May 2006 bond, were controlling in this regard. This factor and increased depreciation of tangible assets due to higher staff levels reduced pre-tax results from EUR 6.4 million to EUR 2.7 million. The higher tax expense – despite the drop in pre-tax profit from EUR -2.2 million to EUR -2.6 million – reflects the fact that integration and investment expenses affecting results in the services business accrued primarily in countries with lower tax rates. Overall, we obtained results of about EUR 0.3 million for the period.

Despite the continuing effects of the U.S. subprime market crisis on capital markets, S&T shares levelled off above sustainable EUR 50,-. From the start of the year until November 16, 2007 the price of S&T shares rose by 31%, thereby increasing market capitalization from EUR 140 million to EUR 184 million.

As reported on October 24, 2007, we expect to increase total sales to EUR 510-520 million and EBIT to EUR 13-15 million in fiscal year 2007. The fourth quarter is the traditionally strongest of the year.

With sincere thanks for your confidence

Christian Rosner

Consolidated income statement

(all amounts in EUR '000)

Period from 01/01., ended	09/30/2007	09/30/2006	12/31/2006
Sales			
Business Solutions (BS)	102,551	65,274	93,778
Enterprise Systems (ES)	188,414	199,967	292,832
Managed Services (MS)	60,583	53,760	74,689
Total Sales	351,548	319,001	461,299
Merchandise, spare parts and purchased services	(227,701)	(227,250)	(330,979)
Staff costs	(85,256)	(58,309)	(81,656)
Other operating expenses	(31,955)	(24,254)	(34,992)
	(344,912)	(309,813)	(447,627)
Other operating income	4,791	2,588	4,328
Total operating expenses less other income	(340,121)	(307,225)	(443,299)
<i>Profit from operations before depreciation, amortization and finance costs (EBITDA)</i>	<i>11,427</i>	<i>11,776</i>	<i>18,000</i>
Depreciation and amortization	(5,375)	(4,184)	(5,920)
<i>Profit from operations (EBIT)</i>	<i>6,052</i>	<i>7,592</i>	<i>12,080</i>
Finance costs - net	(3,348)	(1,216)	(1,600)
Profit/(loss) before tax	2,704	6,376	10,480
Income tax expense	(2,595)	(2,219)	(3,698)
Profit from continuing operations	109	4,157	6,782
Profit from discontinued operation	166	--	--
Profit for the period	275	4,157	6,782
Attributable to:			
Equity holders of the company	221	4,155	6,781
Minority interest	54	2	1
Profit for the period	275	4,157	6,782
Earnings per share attributable to equity holders of the company in EUR:			
Basic earnings per share	0.06	1.17	1.91
Diluted earnings per share	0.06	1.16	1.89
Weighted number of ordinary shares in issue (thousands)	3,559	3,548	3,552

Consolidated balance sheet
(all amounts in EUR '000)

Assets	09/30/2007	09/30/2006	12/31/2006
<i>Non-current assets</i>			
Property, plant and equipment	16,049	16,538	15,195
Intangible assets	43,245	21,948	25,495
Investments in affiliated companies	55	5,733	36
Available-for-sale financial assets	620	958	1,179
Non-current receivables	2,651	2,702	2,627
Deferred tax assets	7,714	4,383	3,850
	<u>70,334</u>	<u>52,262</u>	<u>48,382</u>
<i>Current assets</i>			
Inventories	19,553	15,529	21,485
Trade accounts receivable	107,882	84,052	103,725
Other receivables and prepayments	21,676	16,313	17,521
Cash and cash equivalents	23,745	37,380	43,904
	<u>172,856</u>	<u>153,274</u>	<u>186,635</u>
Total assets	243,190	205,536	235,017
Equity and Liabilities			
	09/30/2007	09/30/2006	12/31/2006
<i>Shareholders's equity</i>			
Issued capital	7,137	7,137	7,137
Share premium	5,941	5,938	5,933
Treasury shares	(1,107)	53	61
Cumulative translation adjustments	1,294	(713)	1,495
Retained earnings and other reserves	32,336	29,488	32,108
Equity attributable to equity holders of the company	<u>45,601</u>	<u>41,903</u>	<u>46,734</u>
Minority interest	(44)	4	3
	<u>45,557</u>	<u>41,907</u>	<u>46,737</u>
<i>Non-current liabilities</i>			
Loans and other liabilities	68,184	60,092	60,460
Deferred tax liability	547	648	438
	<u>68,731</u>	<u>60,740</u>	<u>60,898</u>
<i>Current liabilities</i>			
Trade accounts payable	41,063	36,870	61,493
Current tax liabilities	365	712	751
Other payables	16,601	16,384	20,556
Short-term borrowings	29,513	22,782	12,975
Provisions and accrued liabilities	41,360	26,141	31,607
	<u>128,902</u>	<u>102,889</u>	<u>127,382</u>
Total equity and liabilities	243,190	205,536	235,017

Consolidated cash flow statement

(all amounts in EUR '000)

Period from 01/01., ended	09/30/2007	09/30/2006	12/31/2006
Cash flows from operating activities			
Profit from operations	6,052	7,592	12,080
Adjustments for non-cash items:			
Depreciation and amortization	5,375	4,184	5,920
Gain on disposal of subsidiary	(56)	--	(168)
Other (net)	(748)	(553)	(465)
	<u>10,623</u>	<u>11,223</u>	<u>17,367</u>
Changes in working capital:			
(Increase)/decrease in trade accounts and other receivables	13,046	16,309	(1,858)
(Increase)/decrease in inventory	1,932	4,464	(1,515)
Increase/(decrease) in current liabilities	(30,983)	(26,991)	5,795
	<u>(16,005)</u>	<u>(6,218)</u>	<u>2,422</u>
Interest received	690	476	1,143
Interest paid	(3,538)	(1,400)	(2,173)
Taxes paid	(2,964)	(2,569)	(3,620)
Net cash generated from operating activities	<u>(11,194)</u>	<u>1,512</u>	<u>15,139</u>
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	(4,461)	(3,887)	(5,692)
Purchase of investments	--	--	(732)
Proceeds from sale of property, plant and equipment	1,064	348	3,395
Proceeds from sale of investments	371	1	160
Disposal of subsidiaries, net of cash	725	--	1,090
Acquisition of subsidiaries, net of cash	(27,218)	(6,337)	(5,929)
Proceeds from sale of derivative financial instruments	--	876	880
Long-term loans and receivables (granted)/repaid	433	(261)	664
Net cash used in investing activities	<u>(29,086)</u>	<u>(9,260)</u>	<u>(6,164)</u>
Cash flows from financing activities			
(Purchase)/sale of treasury shares	(1,168)	122	130
Increase in long-term loans and borrowings	5,908	29,595	29,594
Decrease in long-term loans and borrowings	(638)	(1,967)	(2,239)
Repayment of finance lease liabilities	(813)	(951)	(1,400)
Increase/(decrease) in short-term borrowings	16,734	(1,587)	(11,487)
Net cash used in financing activities	<u>20,023</u>	<u>25,212</u>	<u>14,598</u>
Net (decrease) / increase in cash and cash equivalents	<u>(20,257)</u>	<u>17,464</u>	<u>23,573</u>
Movement in cash and cash equivalents			
At beginning of year	43,904	19,781	19,781
Increase/(decrease)	(20,257)	17,464	23,573
Effect of exchange rate changes	98	135	550
At end of year	<u>23,745</u>	<u>37,380</u>	<u>43,904</u>

Statement of changes in equity	Issued capital	Share premium	Treasury shares	12/31/2006	Available for sale investments	Retained earnings and other reserves	Equity attributable to equity holders of the company	Minority interest	Total
Period ended September 30, 2007									
Balance at January 1, 2007	7,137	5,933	61	1,495	(10)	32,118	46,734	3	46,737
Currency translation differences	--	--	--	(201)	--	--	(201)	(2)	(203)
Securities available for sale	--	--	--	--	7	--	7	--	7
Net income recognized directly in equity	--	--	--	(201)	7	--	(194)	(2)	(196)
Net profit for the year	--	--	--	--	--	221	221	54	275
Total recognized income for 2007	--	--	--	(201)	7	221	27	52	79
Initial consolidation	--	--	--	--	--	--	--	(1,043)	(1,043)
Deconsolidation	--	--	--	--	--	--	--	944	944
Transactions with treasury shares	--	--	(1,168)	--	--	--	(1,168)	--	(1,168)
Share option plan	--	8	--	--	--	--	8	--	8
Balance at September 30, 2007	7,137	5,941	(1,107)	1,294	(3)	32,339	45,601	(44)	45,557
Period ended September 30, 2006									
Balance at January 1, 2006	7,137	5,907	(69)	(521)	10	25,203	37,667	2	37,669
Currency translation differences	--	--	--	(192)	--	--	(192)	--	(192)
Securities available for sale	--	--	--	--	(13)	--	(13)	--	(13)
Net income recognized directly in equity	--	--	--	(192)	(13)	--	(205)	--	(205)
Net profit for the year	--	--	--	--	--	4,155	4,155	2	4,157
Total recognized income for 2006	--	--	--	(192)	(13)	4,155	3,950	2	3,952
Initial consolidation	--	--	--	--	--	133	133	--	133
Deconsolidation	--	--	--	--	--	--	--	--	--
Changes in treasury shares	--	--	122	--	--	--	122	--	122
Share option plan	--	31	--	--	--	--	31	--	31
Balance at September 30, 2006	7,137	5,938	53	(713)	(3)	29,491	41,903	4	41,907
Period ended December 31, 2006									
Balance at January 1, 2006	7,137	5,907	(69)	(521)	10	25,203	37,667	2	37,669
Currency translation differences	--	--	--	2,016	--	--	2,016	--	2,016
Securities available for sale	--	--	--	--	(20)	--	(20)	--	(20)
Net income recognized directly in equity	--	--	--	2,016	(20)	--	1,996	--	1,996
Net profit for the year 2006	--	--	--	--	--	6,781	6,781	1	6,782
Total recognized income for 2006	--	--	--	2,016	(20)	6,781	8,777	1	8,778
Initial consolidation	--	--	--	--	--	134	134	--	134
Deconsolidation	--	--	--	--	--	--	--	--	--
Changes in treasury shares	--	--	130	--	--	--	130	--	130
Share option plan	--	26	--	--	--	--	26	--	26
Balance at December 31, 2006	7,137	5,933	61	1,495	(10)	32,118	46,734	3	46,737

Consolidated income statement

(all amount in EUR '000)

Period from 07/01., ended	09/30/2007	09/30/2006
Sales		
Business Solutions (BS)	39,356	19,835
Enterprise Systems (ES)	62,282	74,484
Managed Services (MS)	21,225	18,916
Total Sales	122,863	113,235
Merchandise, spare parts and purchased services	(76,973)	(82,464)
Staff costs	(31,617)	(19,602)
Other operating expenses	(11,956)	(8,659)
	(120,546)	(110,725)
Other operating income	2,033	380
Total operating expenses less other income	(118,513)	(110,345)
<i>Profit from operations before depreciation, amortization and finance costs (EBITDA)</i>	4,350	2,890
Depreciation and amortization	(1,912)	(1,388)
<i>Profit from operations (EBIT)</i>	2,438	1,502
Finance costs - net	(1,175)	(833)
Profit/(loss) before tax	1,263	669
Income tax expense	(1,053)	(550)
Profit from continuing operations	210	119
Profit from discontinued operation	(42)	--
Profit for the 3-months-period	168	119
Attributable to:		
Equity holders of the company	162	118
Minority interest	6	1
Profit for the 3-months-period	168	119

Notes to the consolidated financial statements

Basis of preparation

The consolidated interim financial statements at 30 September 2007 were compiled in accordance with International Financial Reporting Standards (IFRS). Presentation currency is the Euro. The figures are presented in thousands of Euro (TEUR). With the exception of the new pronouncements described below, the consolidated interim financial statements use the same accounting and valuation methods as the consolidated financial statements for the 2006 financial year. For additional information see the consolidated financial statements as of 31 December 2006, which form the basis for this interim financial statements. IAS 34 "Interim Reporting" was additionally applied.

Initial adoption of new standards:

The International Accounting Standards Board (IASB) published a number of changes to existing standards as well as new standards and interpretations which are mandatory. These standards also have to be applied in the EU and relate to the following issues:

- Amendment to IAS 1 Capital Disclosures
- IFRS 7 Financial Instruments: Disclosures
- IFRIC 10 Interim Financial Reporting and Impairment (mandatory for annual periods beginning on or after 1 November 2006)
- IFRIC 11 Group and Treasury Share Transactions pursuant to IFRS 2 (mandatory for annual periods beginning on or after 1 March 2007)

The first-time adoption of these regulations had no material effect on the financial position, cash flows and performance of the Group.

The following standards or amendments to standards and interpretations were adopted by the IASB or IFRIC, however, by the time these consolidated financial statements were prepared, they had not yet been adopted by the EU.

- IFRIC 12 Service Concession Arrangements (mandatory for annual periods beginning on or after 1 January 2008)
- IFRS 8 Operating Segments (mandatory for annual periods beginning on or after 1 January 2009)
- IAS 23 Borrowing Costs (applies to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009)
- IFRIC 13 Customer Loyalty Programmes (mandatory for annual periods beginning on or after 1 July 2008)

- IFRIC 14 – The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction (mandatory for annual periods beginning on or after 1 January 2008)
- IAS 1 Presentation of Financial Statements (revised September 2007 – mandatory for annual periods beginning on or after 1 January 2009)

The effects of these standards cannot yet be estimated reliably.

Initial consolidation

With effect from 1 April 2007, the Group acquired IMG AG „The Information Management Group“, St. Gallen, Switzerland. A subsidiary of IMG group was acquired with a view to its subsequent disposal. The initial accounting of the business combination was determined only provisionally in accordance with IFRS 3.62.

The impact of these acquisitions for the interim financial statements as of 30 September 2007 is as follows:

Purchase consideration	35.998
Fair value of net assets acquired	<u>(18.154)</u>
Goodwill	17.844

The fair values of assets and liabilities arising from acquisitions are as follows:

Non-current assets	6.503
Current assets	33.786
Non-current liabilities	(3.132)
Current liabilities	(20.046)
Minority interest (in subsidiaries)	1.043
Fair value of net assets acquired	<u>18.154</u>
Goodwill	<u>17.844</u>
Total purchase consideration	35.998
Cash and cash equivalents in subsidiaries acquired	<u>(10.614)</u>
	25.384
Subsequent changes in acquisition costs	1.834
Total cash outflow (see consolidated cash flow statement)	<u>27.218</u>

Events after balance sheet date

There were no events of major importance after the end of 30 September 2007.



Cyclical business

Based on past years' experience, we are expecting a strong fourth quarter.

Segment results

The segment breakdown applied to sales is as detailed in the profit and loss account. The segment results for the first nine months are as follows:

	2007	2006
Business Solutions	4.616	6.165
Enterprise Systems	6.171	5.049
Managed Services	9.312	9.261
	<hr/>	<hr/>
	20.099	20.475
Unallocated expenses less other income	(14.047)	(12.883)
Profit from operations (EBIT)	<hr/>	<hr/>
	6.052	7.592

Integration costs and the costs of personnel layoff respectively hiring new personnel are allocated to and included in the relevant segment results.

Other information

The interim financial statements were neither subject to an audit nor were the books reviewed by an auditor.

Vienna, 6 November 2007

Christian Rosner

Martin Bergler