IT SOLUTIONS & SERVICES

we improve IT

# Report on the First Half of 2008

**S&T Group Key Data**

| S&T Group in millions of euros | Jan - June 2008 | Jan - June 2007 | +/- in % | Jan - Dec 2007 |
|---|---|---|---|---|
| Sales | 237.4 | 228.7 | 3.8 | 522.2 |
| Profit from operations before depreciation, amortization and finance costs (EBITDA) | 7.3 | 7.1 | 2.8 | 20.4 |
| Profit from operations (EBIT) | 3.7 | 3.6 | 1.4 | 13.0 |

## Milestones for the First Half of 2008

January — S&T Austria implements a new computing center and takes over administration of Managed Desktop Services for ISS Facility Services.
Order volume: 1.8 million euros

February — S&T partially takes over responsibility for Managed Desktop Services and infrastructure management for OMV in 14 countries.
Order volume: several million euros

March — S&T plans and installs SAP at Direct Trade and Direct Group in Serbia.
Order volume: more than half a million euros

April — Multi-million order from SPAR: maintenance and servicing of the checkout systems at all SPAR branches in Austria

June — S&T develops an IT-System for the state Eco-Portal in Poland
Order volume: 1.1 million euros

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**“We have sustained our position during the first half of 2008. Our stable results confirm our successful focus on solutions and services.”**

## Letter to the shareholders

Ladies and Gentlemen, distinguished shareholders,

Despite the tough market situation, we have achieved record sales in the first half of 2008 and have continued our fast-track expansion in the areas of Business Solutions and Managed Services. The share of sales for these two businesses amounted to 45% in the first six months of last year, a figure which has now risen to over 50%. We are approaching our goal for 2010 of more than 60% share of sales for these two businesses.

Sales of 237 million euros equate to a 4% increase on the previous year. The development of our Business Solutions unit (plus 19%) is very pleasing, particularly in the field of SAP, as well as that of the Managed Services unit (plus 20%). These figures are above the average market growth. The Enterprise Systems decreased by 9%, which is partly a logical consequence of our margin-and value focused strategy and partly due to deferral of IT infrastructure investments on the part of customers, due to the economic situation and effects particular to local areas.

We have consolidated our leading position amongst the IT service providers in Central and Eastern Europe. Order books are well filled in Business Solutions and Managed Services, and we still expect a strong Q4 in Enterprise System. We are on course in terms of profit, but are expecting a significant increase during the second half of the year. The EBITDA and EBIT for the first half of 2008, amounting to 7.3 million euros and 3.7 million euros, are above the figures for the previous year.

The S&T share price this year has been as volatile as that of many European IT service companies. Although the S&T stock was the top performer on the ATX Prime in March, with an increase of 7.4%, it could not maintain this price level during the second quarter of 2008; the share price development of our peers was also negative during this period. By the middle of August the S&T share price was at 33 euros. We therefore continue to consider the S&T share as a profitable investment. This view is backed up by the company’s excellent position in the Central and Eastern European Region, which continues to be a motor of growth, its strong presence in the DACH (German speaking) Region, limited exposure to exchange rate fluctuations and an attractive business model with further growth potential.

We are optimistic for the second half of 2008, particularly as the order pipeline is well filled, especially in the fields of Business Solutions and Managed Services, and because the Enterprise System business is traditionally focused on the final quarter of the year. A review of our previous forecasts for 2008 (sales of 560-580 million euros; EBIT of 15-17 million euros) will be made with the announcement of the 3rd quarter figures .

With many thanks for your continuing confidence

Christian Rosner

## The S&T Share

### International Overview

During the first six months of 2008 international stock markets were characterized by continuing significant loss adjustments reported at financial institutions as a result of the mortgage crisis in USA, as well as growing concern about stagnating growth and rising inflation. After large decreases in stock prices at the beginning of the year and in early March, international markets recovered between mid-March and mid-May. On most international markets these increases were mostly wiped out towards the end of the 2nd quarter, however, due further oil price increases. Market losses in the first quarter were lower in the USA than on European markets and in Japan, due to the resolute policy of lowering interest rates pursued by the US Federal Bank. The main American market index, the Dow Jones Industrial (DJI), could not, however, sustain the positive development relative to other international markets. Due to the small correction in the first quarter of the year the DJI, displaying a loss of 14.4%, retained its advantage over the European Eurostoxx 50 index (minus 23.8%) over the course of the complete first half of the year, but was somewhat weaker than the Japanese Nikkei 225 index (minus 11.9%) and the Eastern Europe CECE index (minus 14.2% in euro terms). The negative trend across international markets was still prevalent in mid-July 2008. This was followed by a temporary recovery on international finance markets, lasting until mid-August, which was a result of steadily dropping oil prices and a strengthening US dollar.

### Vienna Stock Market

The leading Vienna share index, ATX, with a loss of 12.6% for the first 6 months of 2008, has performed considerably better than the Eurostoxx 50 European benchmark index. The development of prices on the Vienna Stock Market generally reflects progress on the international markets, although the recovery phase from the (at that time) year low of 3,524.64, reached on the 17th March, was considerably stronger than in other markets, resulting in the index reaching a year high of 4,532.10 in mid-May. Due to weak international demand and the difficult economic conditions, the share prices in Vienna fell considerably towards the end of the 2nd quarter and pushed the ATX below the 4,000 level again. A new low of 3,380 was reached by the ATX in mid-July, at which point it benefited, in line with other international indices, from a rebound phase. By mid-August the ATX had recovered to the 3,600 mark.

### The S&T Share

In the first quarter of 2008, S&T share, with an increase of 7.4%, was in March still the top performer on the ATX prime market, although it was also not entirely spared the effects of the sustained market crisis. The second quarter saw a strengthening of the effect of the negative turbulence in the capital markets, with the shares of many European IT competitors not being able to withstand this downward suction. At the end of June 2008 the share price was 32.49 euros.

On the 16th July the S&T Group celebrated the 10 year anniversary of its IPO. The solid business development in the first half of 2008 is sadly not reflected in the share price development. By mid-August the price had settled at around 33 euros.

# Group Management Report

## 1. Economic Frame-Conditions

Expectations of the effects of the financial market crisis in 2008 are ambiguous. The American mortgage crisis continued its negative impact on the world economy, and thereby also the willingness of our customers to invest, in the second quarter of 2008. While leading economic research institutes had raised their forecasts for 2008 due to good progress in the first 3 months of the year, such positive sentiment was eroded towards the end of the second quarter. The strong euro exchange rate, the weak dollar in the first half of the year and the continuing strong demand for raw materials, combined with increasing inflationary pressures, led to a weakening of growth in the euro zone. However, in July the International Monetary Fund (IMF) raised its global economic forecasts for 2008: for global growth from 3.7% to 4.1%, for USA from 0.5% to 1.3%, and for the euro zone from 1.4% to 1.7%. An average economic growth of 5.8% is forecasted for the Central and Eastern European region. Leading the way here in terms of growth rates are Russia (7.0%), Slovakia (6.9%), Bulgaria (5.6%) and Romania (5.5%). Most of the countries in this region are characterized by a continuing high level of competitiveness and a robust economic situation. Leading economic institutes expect these countries to be able to overcome the challenges of the crisis in the international financial markets. However, market researchers, such as Gartner, are forecasting more restrained growth even in the IT sector, although worldwide growth of 8% in this industry will still be considerably better than many other sectors, such as the service industry. Special regional and national factors, such as elections in various countries (Serbia, Macedonia, Slovenia, Bosnia-Herzegovina, Romania) should be noted, as well as harmonization with and adaptation to EU norms, such as in Bulgaria.

## 2. S&T Group Sales Development

The S&T Group achieved solid sales in the first half of 2008.  Growth was driven by the business areas of Business Solutions, with 75.4 million euros (+19%), and Managed Services, with 47.2 million euros (+20%). Large and long-term Managed Services contracts, such as those with OMV, the retail chain Spar and ISS Facility Management, have contributed decisively to these increases. Both business units combined recorded an increase of 20% over the first six months of the previous year. We have again achieved growth above the market average, which proves our “strategy 2010”. Our strategic move to the stronger-margined “Value Business” in the business area of Enterprise Systems has paid off, despite the facts that some investment in infrastructure has been delayed due to the economic situation, the fact that our business in some countries fluctuates with the strength of US dollar and that the price of hardware continues (unfortunately) to drop. As a result, the Enterprise Systems business unit achieved sales of 114.8 million euros, which is 9% below the same period in the previous year. The positive aspect in this context is that the overall gross margin rose from 34% in the first half of 2007 to 40% in this reporting period – which is an increase of 18%.

| **Sales per Business Area in millions of euros** | **Jan - June 2008** | **Jan - June 2007** | **+/- in %** | **Jan - Dec 2007** |
|---|---|---|---|---|
| Business Solutions | 75.4 | 63.2 | 19.3 | 149.1 |
| Managed Services | 47.2 | 39.4 | 19.9 | 86.5 |
| Enterprise Systems | 114.8 | 126.1 | -9.0 | 286.6 |
| **Total Sales** | **237.4** | **228.7** | **3.8** | **522.2** |

In the second quarter of 2008 S&T achieved total sales of 120.8 million euros, with the Managed Services business unit displaying the strongest growth (+22%) to achieve sales of 24.3 million euros. Business Solutions brought in 40.8 million euros and Enterprise Systems 55.8 million euros. Further evidence of our successful strategy is the fact that the areas of Business Solutions and Managed Services continued to grow in the 2$^{nd}$ quarter of 2008 and exceeded the 1$^{st}$ quarter figures by 18% and 6%, respectively. Their share of total sales was 54% in the 2$^{nd}$ quarter, an increase from the 49% share recorded in the preceding quarter.

The S&T regions have all developed well. The DACH region showed particularly pleasing progress in the 2$^{nd}$ quarter. Poland and the Czech Republic in the Central Region recorded sales above last year's figures. Developments in Hungary were also very promising. Excellent contributions were made by Serbia and Croatia, and the Adriatic Region can look back at a first class first half of 2008. The months from January to June were noticeably profitable in the East Region: following restructuring, Russia achieved the highest increase in sales in the region, and Bulgaria and Romania continue on their paths of expansion. The first signs of improvement can also be seen in Turkey after reorganization. We have made a good start in the Asia Region: our branches in Japan and China were highly profitable in the first half of 2008.

## 3. Stable Sales in the First Half of 2008

EBITDA and EBIT remained stable in the first half of 2008, with figures of 3.7 million euros (+1.4%) and 7.3% million euros (+2.8%) respectively. In the 2$^{nd}$ quarter the EBIT was 1.4 million euros and the EBITDA was 3.2 million euros. Our results could have been even better, but one should take into account the 25% increase in personnel costs, compared to the first half of the previous year, caused by the acquisition of IMG, which was not included in the results of the 1$^{st}$ quarter of 2007. Miscellaneous operating expenses have also risen by 25%, which includes the increased fixed investments in personnel infrastructure resulting from the IMG integration. Project restructuring in Poland and Germany have weighed particularly on the 2nd quarter results for 2008. Our establishment and restructuring in Hungary, Russia and Turkey are basically completed and are showing the first signs of improvements in terms of sales and profit. Positive contributions to operating income are already being made by Hungary and Russia. Financing expenses have increased, due to the acquisition of IMG, by approximately 22%. The effect of this is that the result before tax is 29% lower than during the first half of the previous year. A consequence of this is the reduction in tax costs by 45%, so that the result for the first half of 2008 has grown by 64% compared to the period of comparison.

## 4. Financial Situation, Assets and Liabilities Structure, Capital Structure

The balance sheet total has increased slightly (by 1.2%) in comparison to the previous year, from 244.5 million euros to 247.6 million euros. The booked equity capital has risen by 7.2 million euros. This includes own shares amounting to 1.3 million euros, which are to be balanced against the equity capital in accordance with IFRS. The equity ratio has risen accordingly from 18.7% to 21.4% in the first half of 2008, an increase of 14%.

## 5. Risk Management

The risk situation in the first half of 2008 remains unchanged from the picture in the 2007 business year. The S&T Group has a balanced risk structure with a high level of customer diversification: no single customer contributes more than a 4% share of total sales and the customer base is spread over 22 countries in various geopolitical regions. Customer and payment risks are thus well distributed.

## 6. Non-financial Performance Indicators

Faster processes, minimization of risk and improved planning certainty – IT systems that support such goals are in great demand amongst businesses in the energy and raw materials industry, as well as operations that are heavily dependent on raw materials, such as airlines, refineries and a whole host of other raw material consumers. S&T now provides such systems in cooperation with Triple Point, the leading supplier of commodities trading and risk management solutions. S&T has thus entered a new market segment and is addressing this target sector across the Group.

S&T has initiated a strategic partnership, focused on Central and Eastern Europe, with FirstApex, one of the leading global providers of IT solutions for the insurance industry, which is headquartered in Singapore. S&T and FirstApex offer consulting and IT solutions for the complete insurance sector value adding chain in 16 countries. The objective of the new partnership is to further strengthen S&T's business with insurance companies.

## 7. Outlook

S&T continues to pursue a successful path. The order pipeline is well filled with mid-term orders in the area of IT services and solutions. Based on the information available to us today, we continue to expect whole year sales of 560-580 million euros and an EBIT in the region of 15-17 million euros. We will specify our forecast for 2008 at the latest when figures for the first three quarters of the year are released on 29th October 2008 – as this is when it will be possible to obtain a serious outlook for the infrastructure business.

The S&T Group will continue to retain its role as a market consolidator. Our future growth is planned to include not just organic growth, but will also be driven by targeted acquisitions. Of particular interest here are takeover candidates that support for our strategic objectives in Business Solutions and Managed Services.

Vienna, 25.8.2008

Christian Rosner                Martin Bergler

**Disclaimer**
This report contains statements relating to the future development of the S&T Group and its constituent businesses, as well as future economic and political developments. These future-oriented statements contain assessments made by the management, known and unknown risks, as well as unknown and other factors, which may lead to the actual results, financial standing, performance or goals achieved, or the sector results deviating considerably from the forecasts regarding future results made or implied in such future-oriented statements. Such factors include: competition from other businesses, changes in operational expenditure, negative developments in terms of legal and fiscal framework conditions etc. S&T therefore assumes no responsibility, neither explicitly nor conclusively, for the correctness or completeness of the information contained in this report that affects and relates to the statements made about the future, or for opinions or assessments made. S&T also undertake so responsibility to adapt such statements made about the future in order to reflect future events or developments.

**S&T System Integration & Technology Distribution AG, Vienna**

# INTERIM FINANCIAL STATEMENTS as of June 30, 2008

**Consolidated income statement**

| Period from 01.01., ended | 30.06.2008 | 30.06.2007 | 31.12.2007 |
|---|---|---|---|
| Sales | | | |
| Business Solutions (BS) | 75.407 | 63.195 | 149.060 |
| Enterprise Systems (ES) | 114.802 | 126.132 | 286.623 |
| Managed Services (MS) | 47.191 | 39.358 | 86.553 |
| Total Sales | 237.400 | 228.685 | 522.236 |
| Merchandise, spare parts and purchased services | (142.359) | (150.728) | (342.445) |
| Staff costs | (67.125) | (53.639) | (119.589) |
| Other operating expenses | (24.924) | (19.999) | (46.970) |
| | (234.408) | (224.366) | (509.004) |
| Other operating income | 4.283 | 2.758 | 7.163 |
| Total operating expenses less other income | (230.125) | (221.608) | (501.841) |
| *Profit from operations before depreciation, amortization and finance costs (EBITDA)* | *7.275* | *7.077* | *20.395* |
| Depreciation and amortization | *(3.611)* | *(3.463)* | *(7.363)* |
| *Profit from operations (EBIT)* | *3.664* | *3.614* | *13.032* |
| Finance costs - net | (2.645) | (2.173) | (5.163) |
| **Profit before tax** | **1.019** | **1.441** | **7.869** |
| Income tax expense | (843) | (1.542) | (4.133) |
| **Profit from continuing operations** | **176** | **(101)** | **3.736** |
| Profit from discontinuing operations | -- | 208 | 23 |
| **Profit for the period** | **176** | **107** | **3.759** |
| Attributable to: | | | |
| Equity holders of the company | 161 | 59 | 3.661 |
| Minority interest | 15 | 48 | 98 |
| **Profit for the period** | **176** | **107** | **3.759** |
| Earnings per share from continuing operations attributable to equity holders of the company in EUR: | | | |
| Basic earnings per share | 0,05 | (0,03) | 1,03 |
| Diluted earnings per share | 0,05 | (0,03) | 1,03 |
| Weighted number of ordinary shares in issue (thousands) | 3.555 | 3.564 | 3.558 |

*for the period ended June 30, 2008 in TEUR*

## Consolidated balance sheet

| **Assets** | 30.06.2008 | 30.06.2007 | 31.12.2007 |
|---|---|---|---|
| *Non-current assets* | | | |
| Property, plant and equipment | 15.244 | 16.605 | 16.209 |
| Intangible assets | 45.144 | 44.676 | 44.012 |
| Financial assets | 5.067 | 4.014 | 4.319 |
| Deferred tax assets | 7.661 | 6.622 | 6.748 |
| | *73.116* | *71.917* | *71.288* |
| *Current assets* | | | |
| Inventories | 19.158 | 20.642 | 17.323 |
| Trade accounts receivable | 111.675 | 103.202 | 126.040 |
| Other receivables and prepayments | 25.340 | 22.904 | 21.304 |
| Financial assets | 118 | -- | 146 |
| | 18.180 | 24.427 | 29.947 |
| Cash and cash equivalents | -- | 1.439 | -- |
| | *174.471* | *172.614* | *194.760* |
| **Total assets** | **247.587** | **244.531** | **266.048** |

| **Equity and Liabilities** | | | |
|---|---|---|---|
| *Shareholders' equity* | | | |
| Issued capital | 7.170 | 7.137 | 7.170 |
| Share premium | 6.036 | 5.938 | 6.034 |
| Treasury shares | (1.283) | (613) | (1.097) |
| Retained earnings | 40.931 | 34.236 | 37.262 |
| Equity attributable to equity holders of the company | *52.854* | *46.698* | *49.369* |
| Minority interest | *10* | *(992)* | *(2)* |
| | *52.864* | *45.706* | *49.367* |
| *Non-current liabilities* | | | |
| Long-term financial liabilities and other long-term liabilities | 62.722 | 62.702 | 62.889 |
| Long-term provisions | 5.460 | 5.697 | 5.041 |
| Deferred tax liabilities | 624 | 566 | 745 |
| | *68.806* | *68.965* | *68.675* |
| *Current liabilities* | | | |
| Trade accounts payable | 44.306 | 42.647 | 65.536 |
| Current tax liabilities | 37 | -- | 457 |
| Other payables | 17.767 | 19.545 | 21.063 |
| Short-term financial liabilities | 27.633 | 28.212 | 19.104 |
| Provisions | 2.178 | 3.659 | 1.940 |
| Accrued liabilities | 33.996 | 34.672 | 39.906 |
| Liabilities classified as held for sale | -- | 1.125 | -- |
| | *125.917* | *129.860* | *148.006* |
| **Total equity and liabilities** | **247.587** | **244.531** | **266.048** |

*for the period ended June 30, 2008 in TEUR*

| **Statement of changes in equity** | Issued capital | Share premium | Treasury shares | Retained earnings | Equity attributable to equity holders of the company | Minority interest | Total |
|---|---|---|---|---|---|---|---|
| **Period ended June 30, 2008** | | | | | | | |
| Balance at January 1, 2008 | 7.170 | 6.034 | (1.097) | 37.262 | 49.369 | (2) | 49.367 |
| Currency translation differences | -- | -- | -- | 3.558 | 3.558 | (3) | 3.555 |
| Securities available for sale | -- | -- | -- | (35) | (35) | -- | (35) |
| Net income recognized directly in equity | -- | -- | -- | 3.523 | 3.523 | (3) | 3.520 |
| Net proft for the year | -- | -- | -- | 161 | 161 | 15 | 176 |
| Total recognized income for 2008 | -- | -- | -- | 3.684 | 3.684 | 12 | 3.696 |
| Initial consolidation | -- | -- | -- | (15) | (15) | -- | (15) |
| Changes in treasury shares | -- | -- | (186) | -- | (186) | -- | (186) |
| Share option plan | -- | 2 | -- | -- | 2 | -- | 2 |
| Balance at June 30, 2008 | 7.170 | 6.036 | (1.283) | 40.931 | 52.854 | 10 | 52.864 |
| **Period ended June 30, 2007** | | | | | | | |
| Balance at January 1, 2007 | 7.137 | 5.933 | 61 | 33.603 | 46.734 | 3 | 46.737 |
| Currency translation differences | -- | -- | -- | 572 | 572 | -- | 572 |
| Securities available for sale | -- | -- | -- | 2 | 2 | -- | 2 |
| Net income recognized directly in equity | -- | -- | -- | 574 | 574 | -- | 574 |
| Net proft for the year | -- | -- | -- | 59 | 59 | 48 | 107 |
| Total recognized income for 2007 | -- | -- | -- | 633 | 633 | 48 | 681 |
| | -- | -- | -- | -- | -- | (1.043) | (1.043) |
| Changes in treasury shares | -- | -- | (674) | -- | (674) | -- | (674) |
| Share option plan | -- | 5 | -- | -- | 5 | -- | 5 |
| Balance at June 30, 2007 | 7.137 | 5.938 | (613) | 34.236 | 46.698 | (992) | 45.706 |
| **Period ended December 31, 2007** | | | | | | | |
| Balance at January 1, 2007 | 7.137 | 5.933 | 61 | 33.603 | 46.734 | 3 | 46.737 |
| Capital increase | 33 | 98 | -- | -- | 131 | -- | 131 |
| Currency translation differences | -- | -- | -- | (18) | (18) | (4) | (22) |
| Securities available for sale | -- | -- | -- | 16 | 16 | -- | 16 |
| Net income recognized directly in equity | -- | -- | -- | (2) | (2) | (4) | (6) |
| Net proft for the year 2007 | -- | -- | -- | 3.661 | 3.661 | 98 | 3.759 |
| Total recognized income for 2007 | -- | -- | -- | 3.659 | 3.659 | 94 | 3.753 |
| Initial consolidation | -- | -- | -- | -- | -- | (1.043) | (1.043) |
| Deconsolidation | | -- | -- | -- | -- | 944 | 944 |
| Changes in treasury shares | -- | -- | (1.158) | -- | (1.158) | -- | (1.158) |
| Share option plan | -- | 3 | -- | -- | 3 | -- | 3 |
| Balance at December 31, 2007 | 7.170 | 6.034 | (1.097) | 37.262 | 49.369 | (2) | 49.367 |

*for the period ended June 30, 2008 in TEUR*

## Consolidated cash flow statement

| Period from 01.01., ended | 30.06.2008 | 30.06.2007 | 31.12.2007 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax | 1.019 | 1.441 | 7.869 |
| Adjustments | | | |
| Finance costs - net | 2.645 | 2.173 | 5.163 |
| Depreciation and amortization | 3.611 | 3.463 | 7.363 |
| (Gain)/loss on disposal of subsidiary | -- | (125) | (68) |
| Other (net) | (714) | 67 | (2.858) |
| | 6.561 | 7.019 | 17.469 |
| Changes in working capital | | | |
| (Increase)/decrease in trade accounts and other receivables | 10.330 | 17.000 | (4.874) |
| (Increase)/decrease in inventory | (1.835) | 842 | 4.162 |
| Increase/(decrease) in current liabilities | (30.278) | (31.286) | (1.289) |
| | (21.783) | (13.444) | (2.001) |
| Cash generated from operations | (15.222) | (6.425) | 15.468 |
| Interest received | 359 | 566 | 980 |
| Interest paid | (3.481) | (2.959) | (4.948) |
| Taxes paid | (2.296) | (2.007) | (3.660) |
| Net cash generated from operating activities | **(20.640)** | **(10.825)** | **7.840** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment and intangible assets | (3.297) | (3.394) | (5.823) |
| Purchase of financial assets (securities and investments) | (174) | -- | -- |
| Proceeds from sale of property, plant and equipment | 3.302 | 843 | 1.326 |
| Proceeds from sale of financial assets | -- | 5 | 380 |
| Disposal of subsidiaries, net of cash | -- | -- | 723 |
| Acquisition of subsidiaries, net of cash | (170) | (26.106) | (27.117) |
| Long-term loans and receivables (granted)/repaid | (534) | 124 | (560) |
| Net cash used in investing activities | **(873)** | **(28.528)** | **(31.071)** |
| **Cash flows from financing activities** | | | |
| Capital increase | -- | -- | 131 |
| (Purchase)/sale of treasury shares | (186) | (674) | (1.158) |
| Increase in long-term borrowings | -- | 5.908 | 5.989 |
| Decrease in long-term loans and borrowings | (93) | (458) | (679) |
| Repayment of finance lease liabilities | (609) | (853) | (1.076) |
| Increase/(decrease) in short-term borrowings | 9.659 | 15.520 | 5.953 |
| Net cash generated from financing activities | **8.771** | **19.443** | **9.160** |
| **Net (decrease) / increase in cash and cash equivalents** | **(12.742)** | **(19.910)** | **(14.071)** |
| | | | |
| **Movement in cash and cash equivalents** | | | |
| At beginning of period | 29.947 | 43.904 | 43.904 |
| Incre IFRS 1 Erstmalige Anwendung der Internationalen Financial Reporting Standa | (12.742) | (19.910) | (14.071) |
| Effect of exchange rate changes | 975 | 433 | 114 |
| **At end of period** | **18.180** | **24.427** | **29.947** |

*for the period ended June 30, 2008 in TEUR*

## Consolidated income statement

| Period from 01.04., ended | 30.06.2008 | 30.06.2007 |
|---|---|---|
| Sales | | |
| Business Solutions (BS) | 40.768 | 40.891 |
| Enterprise Systems (ES) | 55.771 | 63.517 |
| Managed Services (MS) | 24.261 | 19.876 |
| Total Sales | 120.800 | 124.284 |
| | | |
| Merchandise, spare parts and purchased services | (72.146) | (77.643) |
| Staff costs | (34.301) | (32.568) |
| Other operating expenses | (12.467) | (12.162) |
| | (118.914) | (122.373) |
| Other operating income | 1.279 | 1.996 |
| Total operating expenses less other income | (117.635) | (120.377) |
| | | |
| *Profit from operations before depreciation, amortization and finance costs (EBITDA)* | *3.165* | *3.907* |
| | | |
| Depreciation and amortization | (1.727) | (1.888) |
| *Profit from operations (EBIT)* | *1.438* | *2.019* |
| | | |
| Finance costs - net | (974) | (1.203) |
| **Profit before tax** | **464** | **816** |
| | | |
| Income tax expense | (386) | (990) |
| | | |
| **Profit from continuing operations** | **78** | **(174)** |
| Profit from discontinuing operations | -- | 208 |
| **Profit for the 3-months-period** | **78** | **34** |
| | | |
| Attributable to: | | |
| Equity holders of the company | 81 | (14) |
| Minority interest | (3) | 48 |
| **Profit for the period** | **78** | **34** |

## Notes to the consolidated interim finanical statements

### Basis of preperation

The consolidated interim financial statements at June 30, 2008 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 2007 financial year. For additional information see the consolidated financial statements as of December 31, 2007, which form the basis for this interim financial statements. IAS 34 "Interim Reporting" was additionally applied.

### Initial adoption of new standards

The IASB has issued standards as well as amendments to existing standards and interpretations, which are not yet mandatory for the 2008 financial year. The standards and interpretations were adopted by the EU and published in the official journal.

- IFRS 8 Operating Segments (mandatory for annual periods beginning on or after January 1, 2009)

The effects of these standards cannot yet be estimated reliably.

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 January 1, 2008)
- IAS 23 Borrowing Costs (applies to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after January 1, 2009)
- IFRIC 13 Customer Loyalty Programmes (mandatory for annual periods beginning on or after July 1, 2008)
- IFRIC 14 - The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction (mandatory for annual periods beginning on or after January 1, 2008)
- IAS 1 Presentation of Financial Statements (revised September 2007 - mandatory for annual periods beginning on or after January 1, 2009)
- IFRS 3 Business Combinations (revised January 2008 - mandatory for annual periods beginning on or after July 1, 2009)
- IAS 27 Consolidated and Separate Financial Statements (revised January 2008 - mandatory for annual periods beginning on or after July 1, 2009)
- IFRS 2 Share-based Payment (revised January 2008 - mandatory for annual periods beginning on or after January 1, 2009)
- IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Amendments of Puttable Instruments and Obligations arising on Liquidation (revised February 2008 - mandatory for annual periods beginning on or after January 1, 2009)
- IFRIC 15 Agreements for the Construction of Real Estate (mandatory for annual periods beginning on or after January 1, 2009)
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (mandatory for annual periods beginning on or after October 1, 2008)
- Improvements to IFRSs - 2007 (affects various standards - mandatory for annual periods beginning on or after January 1, 2009)
- IFRS 1 First-time adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements (revised 2008 - mandatory for annual periods on or after January 1, 2009)
- IAS 39 Financial Instruments: Recognition and Measurement (revised July 2008 - mandatory for annual periods beginning on or after July 1, 2009)

The effects of these standards cannot yet be estimated reliably.

*for the period ended June 30, 2008 in TEUR*

### Events after balance sheet date

There were no events of major importance after the end of June 30, 2008.

### Segment results

The segment breakdown applied to sales is as detailed in the profit and loss account.

The segment results for the first half year are as follows:

| | 2008 | 2007 |
|---|---|---|
| Business Solutions | 1.117 | 2.810 |
| Enterprise Systems | 5.848 | 4.350 |
| Managed Services | 7.236 | 5.631 |
| | 14.201 | 12.791 |
| Unallocated expenses less other income | (10.537) | (9.177) |
| Profit from operations (EBIT) | 3.664 | 3.614 |

### Other information

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

Vienna, August 25, 2008

Christian Rosner Martin Bergler

**Statement of all legal representatives in accordance with section 87 Para. 1 No. 3 BörseG (Austrian Stock Exchange Act)**

We confirm to the best of our knowledge that the condensed interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of important events that have occured during the first six months of the financial year and their impact on the condensed interim financial statements, of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions to be disclosed.

Vienna, August 25, 2008

Christian Rosner Martin Bergler

## Financial Calendar 2008

| | |
|---|---|
| February 6 | Preliminary Annual Results 2007 |
| April 2 | 2007 Annual results<br>Publication of the 2007 Annual Report |
| April 29 | Report on the first quarter of 2008 |
| May 7 | 2008 Annual General Meeting |
| July 31 | Report on the first half of 2008 |
| August 29 | 2008 Extraordinary Annual General Meeting |
| October 29 | Report on the first three quarters of 2008 |