



We Report on
improve results 1-9/2008
IT

S&T again increases services sales in Q3

Optimistic outlook for the entire 2008 financial year

Despite the ongoing international financial crisis, the IT consultancy and service provider S&T has again successfully expanded its consulting and services business in the third quarter of 2008. In the Managed Services sector (outsourcing solutions), S&T showed an increase in sales of 23.2%, to 26.1 million Euro, for this period (Q1-Q3 2008: 73.3 million Euro, +21.0%). Sales figures for the Business Solutions Division (software solutions and SAP consulting) rose in the third quarter of 2008 by 1.3% to 39.9 million Euro, and increased in the first nine months of the year by 12.4% to 115.3 million Euro. Total sales increased in Q3 2008 by 1.7% to 124.9 million Euro, and increased from January to September 2008 by 3.1%, to 362.3 million Euro. The company is expecting sales of 510-520 million Euro and an EBIT of 11-12 million Euro for the whole year, thereby achieving numbers close to the record figures from 2007.

The contribution to S&T Group sales growth made by the service provision business (outsourcing, software and consulting) has increased over-proportionally and now accounts for 52% of total sales. The hardware-related Enterprise Services business achieved sales of 58.9 million Euro (-5.4%) in Q3 2008 and 173.7 million Euro (-7.8%) for the first nine months of the year. "Due to the financial crisis, some customers have postponed infrastructure orders, in particular those involving servers and storage equipment," explains Christian Rosner, S&T CEO.

In the third quarter of 2008, the Group generated an EBITDA of 3.3 million Euro (-24.7%), January to September totalling 10.6 million Euro (-7.7%). The EBIT for Q3 was 1.4 million Euro (-44.4%) and was 5.0 million Euro (-17.1%) for the first nine months of the year. The gross margin was 40.5% in Q3 and 40.2% for the year to the end of September. Rosner: "The financial crisis unfortunately can't fail to have some impact on S&T, but we have a stable business model with a considerable portion of our portfolio consisting of services and consulting, as well as mostly mid-term duration contracts and projects. In addition, IT is crucial for practically every company and is vital in particular when it comes to boosting cost and efficiency potentials. We are therefore currently expecting a good 2008 fourth quarter in our key business units".

Adriatic Region and DACH grow, as does Asia

The Adriatic Region in particular performed exceptionally well in the third quarter of 2008. Double digit sales growth in this period was built on the basis of a significant contribution from Slovenia, where a number of large projects were carried out. The DACH Region

(Germany, Austria, Switzerland) also achieved good sales growth in the third quarter, as well as in the first nine months of the year. The Asia Region also demonstrated double digit growth (although the absolute figures were relatively small) from January through September 2008, with business in the East and Central Regions holding steady. “Despite the unfavorable framework conditions, we have achieved a turnaround in Hungary, and the results in Turkey are now also positive. The political situations in Bulgaria and Ukraine have admittedly been a brake on growth, as have the commercial problems in the automotive and financial services sectors, and the financial crisis in Russia,” comments Rosner.

Share price no longer reflects the fundamental value of the business

The downwards pressure on stock markets has also dragged the S&T share price down to a level below that of the IPO price (which was 25.95 Euro) in 1998. “The current price in no way reflects the value of the company, but is purely and simply a result of the financial crisis and a certain degree of hysteria. In 1998, S&T had 239 employees in 7 countries and achieved sales of 30 million Euro. Today, we are represented in 22 countries by 3,100 employees and sales have increased by a factor of almost 20, in tandem with solid profitability. We are well financed by means of long-term secured external funds, and our wide-ranging portfolio of customers, services and products, together with our geographic spread, means that we are not dependent on individual sectors or customers,” comments Rosner.

2008 Outlook

Despite the prevailing economic climate, the S&T Group expects a good 2008 fourth quarter in the majority of its countries. For the whole year, the company expects total sales of 510-520 million Euro and an EBIT of 11-12 million Euro. Rosner: “We are assuming that we will again increase the gross margin for the whole year and that we will be able to continue on our path of solid success, despite the ongoing crunch. In 2009 we will focus on increasing profitability in all countries and business units.”

About S&T - www.snt-world.com - XETRA Vienna: SNT

With more than 3,100 employees and €522.2m of sales in 2007, S&T is the leading provider of IT consulting, IT solutions, and IT services for customers in Central and Eastern Europe, the DACH region (Germany, Austria and Switzerland), Japan and China. The S&T Group comprises around 70 subsidiaries representing the company in 22 countries. The core business of S&T is IT consulting, as well as the development, implementation and operation of custom IT solutions, processes and systems. S&T supports large and medium sized companies along the entire IT value-adding chain. S&T focuses on customers in the manufacturing and retail industries, telecommunications, the public sector, and also financial service providers and utilities. S&T AG has its corporate headquarters in Vienna and has been listed on the Vienna Stock Exchange since 2003.

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Consolidated income statement

Period from 01.01., ended	30.09.2008	30.09.2007	31.12.2007
Sales			
Business Solutions (BS)	115.261	102.551	149.060
Enterprise Systems (ES)	173.747	188.414	286.623
Managed Services (MS)	73.331	60.583	86.553
Total Sales	<u>362.339</u>	<u>351.548</u>	<u>522.236</u>
Merchandise, spare parts and purchased services	(216.692)	(227.701)	(342.445)
Staff costs	(101.775)	(85.256)	(119.589)
Other operating expenses	(37.708)	(31.955)	(46.970)
	<u>(356.175)</u>	<u>(344.912)</u>	<u>(509.004)</u>
Other operating income	4.386	4.791	7.163
Total operating expenses less other income	<u>(351.789)</u>	<u>(340.121)</u>	<u>(501.841)</u>
<i>Profit from operations before depreciation, amortization and finance costs (EBITDA)</i>	<i>10.550</i>	<i>11.427</i>	<i>20.395</i>
Depreciation and amortization	(5.530)	(5.375)	(7.363)
<i>Profit from operations (EBIT)</i>	<i>5.020</i>	<i>6.052</i>	<i>13.032</i>
Finance costs - net	(4.569)	(3.348)	(5.163)
Profit before tax	451	2.704	7.869
Income tax expense	(1.177)	(2.595)	(4.133)
Profit from continuing operations	(726)	109	3.736
Profit from discontinuing operations	--	166	23
Profit for the period	(726)	275	3.759
Attributable to:			
Equity holders of the company	(703)	221	3.661
Minority interest	(23)	54	98
Profit for the period	(726)	275	3.759
Earnings per share from continuing operations attributable to equity holders of the company in EUR:			
Basic earnings per share	(0,20)	0,06	1,03
Diluted earnings per share	(0,20)	0,06	1,03
Weighted number of ordinary shares in issue (thousands)	3.556	3.559	3.558

Consolidated balance sheet

Assets	30.09.2008	30.09.2007	31.12.2007
<i>Non-current assets</i>			
Property, plant and equipment	14.419	16.049	16.209
Intangible assets	45.138	43.245	44.012
Financial assets	4.818	3.326	4.319
Deferred tax assets	6.334	7.714	6.748
	<u>70.709</u>	<u>70.334</u>	<u>71.288</u>
<i>Current assets</i>			
Inventories	18.154	19.553	17.323
Trade accounts receivable	112.660	107.882	126.040
Other receivables and prepayments	24.911	21.676	21.304
Financial assets	86	--	146
Cash and cash equivalents	21.015	23.745	29.947
	<u>176.826</u>	<u>172.856</u>	<u>194.760</u>
Total assets	247.535	243.190	266.048
Equity and Liabilities			
<i>Shareholders' equity</i>			
Issued capital	7.170	7.137	7.170
Share premium	6.036	5.941	6.034
Treasury shares	(1.278)	(1.107)	(1.097)
Retained earnings	40.369	33.630	37.262
	<u>52.297</u>	<u>45.601</u>	<u>49.369</u>
Equity attributable to equity holders of the company	52.297	45.601	49.369
Minority interest	(26)	(44)	(2)
	<u>52.271</u>	<u>45.557</u>	<u>49.367</u>
<i>Non-current liabilities</i>			
Long-term financial liabilities and other long-term liabilities	62.700	62.663	62.889
Long-term provisions	5.772	5.521	5.041
Deferred tax liabilities	632	547	745
	<u>69.104</u>	<u>68.731</u>	<u>68.675</u>
<i>Current liabilities</i>			
Trade accounts payable	46.136	41.063	65.536
Current tax liabilities	177	365	457
Other payables	18.319	16.601	21.063
Short-term financial liabilities	26.321	29.513	19.104
Provisions	649	3.690	1.940
Accrued liabilities	34.558	37.670	39.906
	<u>126.160</u>	<u>128.902</u>	<u>148.006</u>
Total equity and liabilities	247.535	243.190	266.048

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 September 30, 2008							
Balance at January 1, 2008	7.170	6.034	(1.097)	37.262	49.369	(2)	49.367
Currency translation differences	--	--	--	3.875	3.875	(1)	3.874
Securities available for sale	--	--	--	(50)	(50)	--	(50)
Net income recognized directly in equity	--	--	--	3.825	3.825	(1)	3.824
Net profit for the year	--	--	--	(703)	(703)	(23)	(726)
Total recognized income for 2008	--	--	--	3.122	3.122	(24)	3.098
Initial consolidation	--	--	--	(15)	(15)	--	(15)
Changes in treasury shares	--	--	(181)	--	(181)	--	(181)
Share option plan	--	2	--	--	2	--	2
Balance at September 30, 2008	7.170	6.036	(1.278)	40.369	52.297	(26)	52.271
Period ended September 30, 2007							
Balance at January 1, 2007	7.137	5.933	61	33.603	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	--	--	--	(194)	(194)	(2)	(196)
Net profit for the year	--	--	--	221	221	54	275
Total recognized income for 2007	--	--	--	27	27	52	79
Initial consolidation	--	--	--	--	--	(1.043)	(1.043)
Deconsolidation	--	--	--	--	--	944	944
Changes in 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)	33.630	45.601	(44)	45.557
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 profit 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

Consolidated cash flow statement

Period from 01.01., ended	30.09.2008	30.09.2007	31.12.2007
Cash flows from operating activities			
Profit before tax	451	2.704	7.869
Adjustments			
Finance costs - net	4.569	3.348	5.163
Depreciation and amortization	5.530	5.375	7.363
(Gain)/loss on disposal of subsidiary	--	(56)	(68)
Other (net)	(1.183)	(748)	(2.858)
	<u>9.367</u>	<u>10.623</u>	<u>17.469</u>
Changes in working capital			
(Increase)/decrease in trade accounts and other receivables	9.773	13.046	(4.874)
(Increase)/decrease in inventory	(831)	1.932	4.162
Increase/(decrease) in current liabilities	(28.856)	(30.983)	(1.289)
	<u>(19.914)</u>	<u>(16.005)</u>	<u>(2.001)</u>
Cash generated from operations	(10.547)	(5.382)	15.468
Interest received	562	690	980
Interest paid	(4.225)	(3.538)	(4.948)
Taxes paid	(1.157)	(2.964)	(3.660)
Net cash generated from operating activities	(15.367)	(11.194)	7.840
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	(4.034)	(4.461)	(5.823)
Purchase of financial assets (securities and investments)	(166)	--	--
Proceeds from sale of property, plant and equipment	3.315	1.064	1.326
Proceeds from sale of financial assets	--	371	380
Disposal of subsidiaries, net of cash	--	725	723
Acquisition of subsidiaries, net of cash	(170)	(27.218)	(27.117)
Long-term loans and receivables (granted)/repaid	(354)	433	(560)
Net cash used in investing activities	(1.409)	(29.086)	(31.071)
Cash flows from financing activities			
Capital increase	--	--	131
(Purchase)/sale of treasury shares	(181)	(1.168)	(1.158)
Increase in long-term borrowings	--	5.908	5.989
Decrease in long-term loans and borrowings	(100)	(638)	(679)
Repayment of finance lease liabilities	(794)	(813)	(1.076)
Increase/(decrease) in short-term borrowings	7.656	16.734	5.953
Net cash generated from financing activities	6.581	20.023	9.160
Net (decrease) / increase in cash and cash equivalents	(10.195)	(20.257)	(14.071)
Movement in cash and cash equivalents			
At beginning of period	29.947	43.904	43.904
Increase/(decrease)	(10.195)	(20.257)	(14.071)
Effect of exchange rate changes	1.263	98	114
At end of period	21.015	23.745	29.947

Consolidated income statement

Period from 01.07., ended	30.09.2008	30.09.2007
Sales		
Business Solutions (BS)	39.854	39.356
Enterprise Systems (ES)	58.945	62.282
Managed Services (MS)	26.140	21.225
Total Sales	124.939	122.863
Merchandise, spare parts and purchased services	(74.333)	(76.973)
Staff costs	(34.650)	(31.617)
Other operating expenses	(12.784)	(11.956)
	(121.767)	(120.546)
Other operating income	103	2.033
Total operating expenses less other income	(121.664)	(118.513)
<i>Profit from operations before depreciation, amortization and finance costs (EBITDA)</i>	3.275	4.350
Depreciation and amortization	(1.919)	(1.912)
<i>Profit from operations (EBIT)</i>	1.356	2.438
Finance costs - net	(1.924)	(1.175)
Profit before tax	(568)	1.263
Income tax expense	(334)	(1.053)
Profit from continuing operations	(902)	210
Profit from discontinuing operations	--	(42)
Profit for the 3-months-period	(902)	168
Attributable to:		
Equity holders of the company	(864)	162
Minority interest	(38)	6
Profit for the period	(902)	168

Notes to the consolidated interim financial statements

Basis of preparation

The consolidated interim financial statements at September 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 this standard 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 May 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.

Events after balance sheet date

There were no events of major importance after the end of September 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 nine months are as follows:

	2008	2007
Business Solutions	2.696	4.616
Enterprise Systems	7.363	6.171
Managed Services	11.416	9.312
	21.475	20.099
Unallocated expenses less other income	(16.455)	(14.047)
Profit from operations (EBIT)	5.020	6.052

Other information

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

Vienna, November 10, 2008

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