

Interim Announcement on the First Nine Months 2011



Consulting. Integration. Outsourcing.

Economic Situation of the Company

Overview

- During the reporting period revenue declined by 15.6% compared to the prior-year level to EUR 191.6 million. However, the revenue drop could be partially compensated in earnings on the basis of extensive cost reductions.
- The restructuring successes were particularly perceptible in the secondary quarter. However, the restructuring efforts resulted in higher extraordinary expenses and provisions.
- Third-quarter revenue at EUR 60.3 million was below expectations. The operating result was still negative despite the improved cost structure.
- The targeted financial and balance sheet restructuring was concluded at the beginning of October 2011 in an agreement involving the Company, the investors Quanmax AG and grosso holding Gesellschaft mbH as well as the banks.
- In the Extraordinary General Meeting held on October 25, 2011, the shareholders approved the acquisition of a stake in the Company by the investors Quanmax AG and grosso holding Gesellschaft mbH within the context of an ordinary capital increase and a further capital increase from new authorized capital. The two capital increases will result in proceeds of about EUR 24 million for the Company.
- The implementation (closing) of the agreed-upon restructuring depends upon certain outstanding conditions being fulfilled. This is expected in the fourth quarter and will enable the implementation of debt relief to the amount of EUR 42 million.
- The liquidity situation is tense, but is ensured by the first capital increase expected soon in the fourth quarter.

Significant events

Based on the comprehensive financial package which could be realized in the first quarter of 2011, the operational restructuring of the Austrian subsidiary was further pursued in the second quarter, and the focus was put on selected measures in the CEE markets. In particular, structural improvements and considerable cost reductions succeeded in partially compensating for the decline in revenue.

In the generally seasonally weak third quarter, the priority of the Company was to finalize the agreements underlying the financial and balance sheet restructuring with the two investors Quanmax AG and grosso holding Gesellschaft mbH. The related detailed contractual agreements were signed at the beginning of October 2011.

At the Extraordinary General Meeting held on October 25, 2011, the shareholders of the Company approved a capital increase based on the issuing of 8 million shares excluding the subscription rights of shareholders. The new shares will be subscribed for and acquired by Quanmax AG and grosso holding Gesellschaft mbH. After the outstanding conditions are fulfilled, in particular the approval of the Austrian Monopolies and Mergers Commission and the granting of the restructuring privilege by the Austrian Takeover Commission, the capital increase can be carried out and the related debt relief can be finalized. Thus in this initial step S&T will reap cash proceeds of EUR 16 million, which in turn will increase equity to the same amount. With the implementation of debt relief the financial liabilities of the Company will be reduced to the amount of EUR 42 million, which will thus lead to a further rise in equity.

All 8 million new shares will be no-par value registered shares and together with the existing no-par value bearer shares will comprise the issued capital of the Company. No application has been submitted for admission to listing on the stock market for the no-par value registered shares.

Effective at the time of the implementation of the capital increase, the Supervisory Board will consist of four members: Erhard F. Grossnigg, Thomas Hoffmann, Werner Straubinger and Rudolf Wiczorek. They will replace the previous shareholder representatives.

Effective at the time of the capital increase, Martin Bergler will resign his position as a member of the Management Board, but will continue to serve the Company in an advisory capacity.

Furthermore, the Extraordinary General Meeting held on October 25, 2011 approved the creation of authorized capital consisting of 5.8 million shares. The investors Quanmax AG and grosso holding Gesellschaft mbH have agreed to subscribe for and acquire the shares issued at the going market price within the framework of the capital increase from the authorized capital for a total amount of EUR 8 million excluding the subscription rights of the other shareholders.

Development of Revenue and Expenses

During the period under review, Group revenue decreased by 15.6% to EUR 191.6 million. The decrease mainly affected the Business Solutions (BS) segment, where revenue was down by 28.1%. The revenue drop in the Infrastructure Solutions (IS) segment was 12.8%. This was in contrast to the disproportional decline in material costs of 15%.

The decline in the BS segment compared to the previous year is primarily due to the shutdown of the SAP business in Austria as well as the drastic savings measures on the part of the public sector in several countries. Nevertheless, earnings significantly improved despite the revenue decrease as a result of structural adjustments in the consulting business.

On a Group level, staff costs could be reduced by 16% to EUR 52.9 million in line with the revenue drop. The number of employees (full-time equivalents) fell in the third quarter to 1,516 people.

In contrast, other operating expenses rose by 19% to EUR 26.3 million. The largest share is comprised of extraordinary consulting costs in connection with the restructuring efforts as well as costs relating to the dismissal of employees.

As reported on October 21, 2011, revenue in the third quarter at EUR 60.3 million was below expectations. Despite the improved cost structure, the resulting lower contribution margin still resulted in a negative operating result.

Restructuring expenses, especially for external consulting services, were incurred once again in the third quarter. Furthermore, provisions were formed to cover the expected transaction costs.

Compared to the situation at June 30, 2011, the order situation does not present a unified picture. The business in Poland and the Adriatic markets developed quite satisfactorily, whereas the current political situation in Hungary, Slovakia and Slovenia is delaying impending investment decisions. Thus the ability to predict new customer acquisitions in the long-term is fraught with substantial uncertainties.

Earnings situation

The operating result and EBIT*** developed as follows:

EUR million	1-9 2011	1-9 2010*	Delta in %	Q3 2011	Q3 2010*	Delta in %
Revenue	191.6	226.9	-15.6%	60.3	75.6	-20.3
Operating result**	-5.6	-	-	-1.5	-	-
EBIT ***	-13.5	-7.6	-	-3.1	-2.2	-

* Reclassified pursuant to IFRS 5

** Before one-off expenses for restructuring and capital measures

*** Before expenses for potential adjustments to goodwill

The current economic development on the one hand and the foreseeable effects on the business prospects of S&T as a consequence of the upcoming participation of investors on the other hand led the Management Board of S&T to carry out an

impairment test on goodwill. A potential need to take an impairment loss on goodwill will lead to expenses which will burden the above-mentioned results (EBIT).

The reclassification according to IFRS 5 at the beginning of the year of S&T Group companies which were shut down due to bankruptcy or sold and subsequently eliminated from the scope of consolidation as “discontinued operations“ means that the revenue and earnings of these companies are not included in the above-mentioned business results and were also eliminated from the corresponding results of previous periods.

Outlook

The ongoing operating losses as well as additional expenses incurred in relation to the operational and financing restructuring efforts have a negative impact on the liquidity situation of the Company. The Management Board of S&T assumes that all the necessary steps required for the capital increase approved at the Extraordinary General Meeting of October 25, 2011 and the related capital inflow will be carried out in a timely manner and that the approval of public authorities for the entry of investors will be granted in the near future. This will enable business operations to be successfully continued and the Company to take advantage of the traditionally strong business at the end of the year.

Investor Relations

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