

S&T AG: Successful with Strong Organic Growth

- **3rd Quarter 2006: Continued clear focus on core industries and services**
- **Forecasts revised upward**

25 October 2006. Austria – Vienna. S&T System Integration & Technology Distribution AG closes Q3 2006 with an outstanding result. In the summer months the IT solutions provider generated sales of EUR 113.2 million (+35.6% compared to Q3 2005 with EUR 83.5 million) and an EBIT of EUR 1.5 million (+94.1% compared to EUR 0.8 million in Q3 2005). Sales between January 1st and the end of September 2006 totalled EUR 319.0 million, an increase of 41.9% on the same period in 2005 (2005: EUR 224.7 million). EBIT in the same period amounted to EUR 7.6 million, 131.3% higher than at the end of September 2005 (2005: EUR 3.3 million). This substantial growth is a result from the extremely positive level of incoming orders at the company and S&T AG's consistent implementation of its core industries and services focus.

The third quarter 2006 at S&T was characterised by strong organic growth. Although the Czech Grall Group taken over in April 2006 was consolidated, as a medium-sized investment this did not have a material impact. The same applies to the recently sold Swiss company EFP. The recently acquired Hungarian company Unitis and T-Systems Turkey will probably be consolidated in Q4. In fact this pleasing result clearly reflects the company's focus on software solutions and managed services. "The summer months this year were characterised by continuously full order books and the resulting turnover. Our clear positioning as a total solutions provider has delivered excellent results for eight consecutive quarters. We will continue to place strong emphasis on organic growth, but this does not mean acquisitions will not play a role in future," explained Christian Rosner, CEO of S&T AG.

Strong growth dynamics in the business units Managed Services and Business Solutions

The two business segments Managed Services and Business Solutions still have the wind in their sails and remained the business areas with the highest margins in Q3 2006. Managed Services covers orders to increase the productivity of IT systems and the consolidation and optimal alignment of business-critical IT processes within a company. Business Solutions includes all SAP projects, as well as ERP (Enterprise Resource Planning) orders, document management and Enterprise Application Integration (e.g. SOA Service Oriented Applications). S&T is one of the leading SAP integrators in CEE and pursues the clear goal of reinforcing and expanding this competitive position.

Czech Republic and Poland the Strongest Countries

A comparison of the 18 S&T countries shows the dominance of Poland and the Czech Republic. Their IT markets are highly developed and report strong demand for IT solutions. In the Czech Republic, the medical business was especially successful in Q3. The S&T countries Croatia, Serbia, Romania, Hungary and Ukraine were also extremely dynamic.

Forecast Revised Upward

Due to the positive development of business S&T will exceed its original sales and EBIT targets for the financial year 2006 of EUR 400 million and EUR 10 million respectively. In fact, annual sales are now expected to total approximately EUR 430 million and EBIT approximately EUR 11 million. The fourth quarter will also be characterised by strong growth in the solutions business. "Our project pipeline is nicely filled and we do not rule out one or the other acquisition," said Rosner.

Overview of S&T Results:

	Q3 2006 EUR million	Q3 2005 EUR million	Change *
Sales	113.2	83.5	+35.6%
EBIT	1.5	0.8	+94.1%

	Jan.-Sept. 2006 EUR million	Jan.-Sept. 2005 EUR million	Change*
Sales	319.0	224.7	+41.9%
EBIT	7.6	3.3	+131.3%

* Calculated on the basis of unrounded figures.

Picture:

Legend: Christian Rosner, CEO S&T AG; Martin Bergler, CFO S&T AG

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Description: Christian Rosner, CEO S&T AG (left); Martin Bergler, CFO S&T AG (right)

Conference Call

S&T management will be available for a conference call on October 25th, 2006, at 16:00 CET. In order to participate, please call +49 (0)69 2222 7111 from Germany, +43 (0)1 7957 6055 for Austrian participants and +44 (0)20 7784 1004 for participants from the UK a few minutes before the start of the conference.

As an additional service, a recording of the conference call will be available from November 3, 2006, on the S&T homepage: <http://www.snt.at>

About S&T – www.snt.at – XETRA Vienna: SNT

With some 2,350 employees (fte) S&T is the leading provider for IT solutions and services for customers in Central and Eastern Europe. The company develops and implements custom-tailored IT solutions for large and medium-sized telecommunications companies, banks, power utilities, manufacturing companies and public institutions. Through our subsidiaries in 18

countries we realise cross-border IT structures, offering our clients outstanding solutions and service competence.

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Consolidated income statement

(all amount in EUR '000)

Period from 01.01., ended	30.09.2006	30.09.2005	31.12.2005
Sales			
Business Solutions (BS)	65.274	39.467	66.203
Enterprise Systems (ES)	193.607	132.658	214.373
Managed Services (MS)	52.870	45.463	63.688
Medical Systems (MED)	7.250	7.157	11.406
Total Sales	319.001	224.745	355.670
Other operating income	2.588	4.383	4.788
Total revenues	321.589	229.128	360.458
Merchandise, spare parts and purchased services	(227.250)	(159.423)	(253.556)
Staff costs	(58.309)	(43.622)	(64.050)
Other operating expenses	(24.254)	(18.820)	(28.342)
Total operating expenses	(309.813)	(221.865)	(345.948)
<i>Profit from operations before depreciation and amortization (EBITDA)</i>	<i>11.776</i>	<i>7.263</i>	<i>14.510</i>
Depreciation and amortization	(4.184)	(3.981)	(6.038)
<i>Profit from operations (EBIT)</i>	<i>7.592</i>	<i>3.282</i>	<i>8.472</i>
Finance costs (net)	(1.216)	(694)	(2.112)
Profit/(loss) before tax	6.376	2.588	6.360
Income tax expense	(2.219)	(1.050)	(1.442)
Profit for the period	4.157	1.538	4.918
Attributable to:			
Equity Holders of the company	4.155	1.536	4.917
Minority interest	2	2	1
Net profit/(loss) for the period	4.157	1.538	4.918
Earnings per share attributable to equity holders of the company in EUR:			
Basic earnings per share	1,17	0,44	1,40
Diluted earnings per share	1,16	0,43	1,38
Weighted number of ordinary shares in issue (thousands)	3.548	3.494	3.507

Consolidated balance sheet

(all amounts in EUR '000)

Assets	30.09.2006	30.09.2005	31.12.2005
<i>Non-current assets</i>			
Property, plant and equipment	16.538	13.260	15.153
Intangible assets	21.948	15.570	20.027
Investments in affiliated companies	5.733	2.642	112
Other investments	958	593	473
Non-current receivables	2.702	1.668	2.931
Deferred tax assets	4.383	3.627	4.002
	<u>52.262</u>	<u>37.360</u>	<u>42.698</u>
<i>Current assets</i>			
Inventories	15.529	16.219	19.680
Trade accounts receivable	84.052	67.815	98.158
Other receivables and prepayments	16.313	20.973	17.350
Cash and cash equivalents	37.380	9.424	19.781
	<u>153.274</u>	<u>114.431</u>	<u>154.969</u>
Total assets	205.536	151.791	197.667
Equity and Liabilities			
	30.09.2006	30.09.2005	31.12.2005
<i>Equity</i>			
Issued capital	7.137	7.137	7.137
Share premium	5.938	8.361	5.907
Treasury shares	53	(20)	(69)
Accumulated translation adjustments	(713)	(671)	(521)
Retained earnings and other reserves	29.488	19.368	25.213
Equity attributable to equity holders of the company	<u>41.903</u>	<u>34.175</u>	<u>37.667</u>
Minority interest in subsidiaries	4	3	2
	<u>41.907</u>	<u>34.178</u>	<u>37.669</u>
<i>Non-current liabilities</i>			
Loans and other liabilities	60.092	23.817	32.383
Deferred tax liability	648	523	525
	<u>60.740</u>	<u>24.340</u>	<u>32.908</u>
<i>Current liabilities</i>			
Trade accounts payable	36.870	32.015	55.715
Current tax liabilities	712	231	1.292
Other payables	16.384	12.032	18.478
Short-term borrowings	22.782	29.224	24.626
Provisions and deferred income	26.141	19.771	26.979
	<u>102.889</u>	<u>93.273</u>	<u>127.090</u>
Total equity and liabilities	205.536	151.791	197.667

Consolidated cash flow statement

(all amounts in EUR '000)

Period from 01.01., ended	30.09.2006	30.09.2005	31.12.2005
Operating activities			
Profit from operations	7.592	3.282	8.472
Adjustments for items not affecting cash:			
Depreciation and amortization	4.184	3.981	6.038
Gain on disposal of subsidiary	--	(17)	(350)
Other (net)	(553)	(1.764)	(2.652)
	<u>11.223</u>	<u>5.482</u>	<u>11.508</u>
Changes in working capital:			
(Increase) / decrease in trade accounts and other receivables	16.309	(7.479)	(26.854)
(Increase) / decrease in inventory	4.464	(94)	(1.999)
Increase / (decrease) in current liabilities	(26.991)	(11.358)	14.313
	<u>(6.218)</u>	<u>(18.931)</u>	<u>(14.540)</u>
Interest received	476	342	494
Interest paid	(1.400)	(1.663)	(2.329)
Taxes paid	(2.569)	(1.424)	(914)
Net cash from operating activities	1.512	(16.194)	(5.781)
Investing activities			
Capital expenditure	(3.887)	(2.785)	(4.913)
Purchase of investments	--	(719)	(5)
Proceeds from sale of fixed assets	348	125	1.181
Proceeds from sale of investments	1	99	251
Disposal of subsidiary, net of cash		(8)	(372)
Acquisition of subsidiaries, net of cash	(6.337)	(5.044)	(4.875)
Decrease in time deposit for a period longer than three months	--	52	52
Proceeds from derivative financial instruments	876	--	--
Long-term loans and receivables to other parties	(261)	610	(621)
Net cash used in investing activities	(9.260)	(7.670)	(9.302)
Financing activities			
Treasury shares	122	618	569
Increase in long-term loans and borrowings	29.595	8.528	24.347
Decrease in long-term loans and borrowings	(1.967)	--	(7.600)
Repayment of finance lease	(951)	(934)	(1.197)
Increase/(decrease) in short-term borrowings	(1.587)	12.650	6.184
Net cash used in financing activities	25.212	20.862	22.303
Net (decrease) / increase in cash and cash equivalents	17.464	(3.002)	7.220
Movement in cash and cash equivalents			
At start of year	19.781	12.034	12.034
Increase/(decrease)	17.464	(3.002)	7.220
Effect of exchange rate changes	135	392	527
At end of year	37.380	9.424	19.781
Time deposits for a period longer than three months	--	--	--
Cash and cash equivalents (in Balance Sheet)	37.380	9.424	19.781

Statement of changes in equity	Issued Capital	Share premium	Treasury shares	Accumulated translation adjustment	Available for sale investments	Retained earnings and other reserves	Minority interest	Total	
Period ended September 30, 2006									
Opening amount 01.01.06	7.137	5.907	(69)	(521)	10	25.203	37.667	2	37.669
Reclassification	--	--	--	--	--	--	--	--	--
Increase from initial consolidation	--	--	--	--	--	133	133	--	133
Currency translation differences	--	--	--	(192)	--	--	(192)	--	(192)
Securities available for sale ¹⁾	--	--	--	--	(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
Transactions with treasury shares	--	--	122	--	--	--	122	--	122
Equity compensation plan	--	31	--	--	--	--	31	--	31
Closing amount	7.137	5.938	53	(713)	(3)	29.491	41.903	4	41.907

¹⁾ Net of tax (TEUR 3)

Statement of changes in equity	Issued Capital	Share premium	Treasury shares	Accumulated translation adjustment	Available for sale investments	Retained earnings and other reserves	Minority interest	Total	
Period ended September 30, 2005									
Closing amount 31.12.04 (as previously reported)	7.137	8.194	(638)	(1.195)	--	17.940	31.438	1	31.439
Adjustment (IFRS 2)	--	108	--	--	--	(108)	--	--	--
Opening amount 01.01.05	7.137	8.302	(638)	(1.195)	--	17.832	31.438	1	31.439
Currency translation differences	--	--	--	524	--	--	524	--	524
Net profit for the period	--	--	--	--	--	1.536	1.536	2	1.538
Total recognized income for 2005	--	--	--	524	--	1.536	2.060	2	2.062
Transactions with treasury shares	--	--	618	--	--	--	618	--	618
Equity compensation plans	--	59	--	--	--	--	59	--	59
Capital increase	--	--	--	--	--	--	--	--	--
Negative Goodwill accord. to IFRS 3.81	--	--	--	--	--	--	--	--	--
Closing amount	7.137	8.361	(20)	(671)	--	19.368	34.175	3	34.178

Statement of changes in equity	Issued Capital	Share premium	Treasury shares	Accumulated translation adjustment	Available for sale investments	Retained earnings and other reserves	Minority interest	Total	
Period ended December 31, 2005									
Opening amount 01.01.05	7.137	8.302	(638)	(1.195)	--	17.832	31.438	1	31.439
Reclassification	--	(2.454)	--	--	--	2.454	--	--	--
Currency translation differences	--	--	--	674	--	--	674	--	674
Securities available for sale ¹⁾	--	--	--	--	10	--	10	--	10
Net income recognized directly in equity	--	--	--	674	10	--	684	--	684
Net profit for the year	--	--	--	--	--	4.917	4.917	1	4.918
Total recognized income for 2005	--	--	--	674	10	4.917	5.601	1	5.602
Transactions with treasury shares	--	--	569	--	--	--	569	--	569
Equity compensation plan	--	59	--	--	--	--	59	--	59
Closing amount	7.137	5.907	(69)	(521)	10	25.203	37.667	2	37.669

¹⁾ Net of tax (TEUR 2)



Consolidated income statement

(all amount in EUR '000)

Period from 01.07., ended	30.09.2006	30.09.2005
Sales		
Business Solutions (BS)	19.835	12.663
Enterprise Systems (ES)	72.266	52.533
Managed Services (MS)	18.647	16.413
Medical (MED)	2.487	1.912
Total Sales	113.235	83.521
Other operating income	380	703
Total revenues	113.615	84.224
Merchandise, spare parts and purchased services	(82.464)	(61.067)
Staff costs	(19.602)	(14.512)
Other operating expenses	(8.659)	(6.459)
Total operating expenses	(110.725)	(82.038)
<i>Profit from operations before depreciation and amortization (EBITDA)</i>	<i>2.890</i>	<i>2.186</i>
Depreciation and amortization	(1.388)	(1.412)
<i>Profit from operations (EBIT)</i>	<i>1.502</i>	<i>774</i>
Finance costs (net)	(833)	(628)
Profit/(loss) before tax	669	146
Income tax expense	(550)	(144)
Profit for the period	119	2
Attributable to:		
Equity Holders of the company	118	1
Minority interest	1	1
Net profit/(loss) for the period	119	2