

Report on the first quarter 2011



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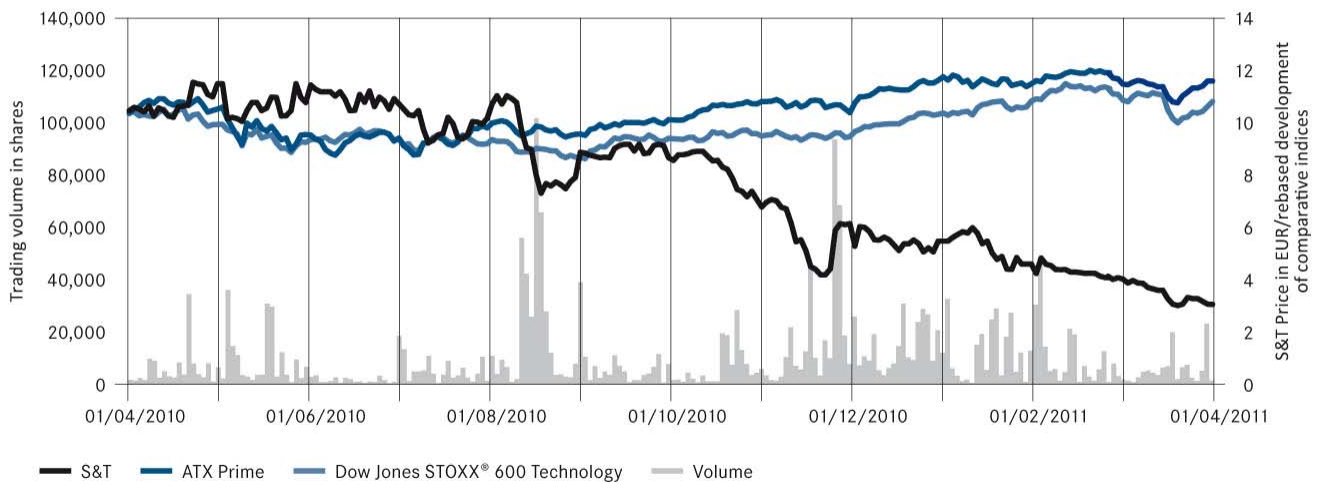
Key Figures

KEY FINANCIAL DATA (in EUR million)

	1-3 2011	1-3 2010*	%
Revenue	66.1	72.1	-8%
EBITDA	-5.9	-1.8	231%
Profit from operations (EBIT)	-6.8	-2.9	135%
Profit before tax	-9.2	-4.2	120%
Net profit	-11.7	-7.7	51%
Earnings per share in EUR	-2.72	-1.21	125%
Shareholders' equity	-22.0	28.0	-
Total assets	141.1	196.1	-28%
Net financial liabilities	73.8	66.6	11%
Net debt to total capital	52.3%	34.0%	54%

* Reclassified in accordance with IFRS 5

SHARE PRICE DEVELOPMENT



Management Report

Highlights

- Revenue decline to EUR 66.1 million, down 8.3% from the previous year.
- Initial successes of the restructuring efforts, but higher extraordinary expenses and provisions required.
- Focus on long-term successful markets and discontinuation of loss-generating operations.
- A comprehensive financing package was concluded in Q1 – Reductions in individual regional working capital financing packages increasingly leads to limitations in the operating business.
- The turnaround was initiated in Austria and initial successes were achieved. However, earnings in several CEE markets remained below the prior-year quarter.
- Investor participation has not yet been finalized, increasingly hampering restructuring efforts and leading to a deterioration of the company's market position and earnings prospects, especially in the second half of the year.

Results

in EUR million	Q1 2011	Q1 2010 **	Q1 2010***
Revenue	66.1	82.7	72.1
Operating result*	-3.0		
EBIT	-6.8	-5.9	-2.9

* Before restructuring expenses

** Revenue/earnings in 2010 as announced in the first-quarter report

*** Reclassified pursuant to IFRS 5

Restructuring

Far-reaching restructuring and reorganization measures were initiated in Q1 2011, as already communicated, especially for the Austrian subsidiary. During the period under review, as previously announced, Michael Lanik was appointed to serve as Chief Restructuring Officer and Spokesman of the Management Board with responsibility for coordinating the restructuring efforts.

A financing package was concluded during the reporting period based on months of intensive negotiations with bondholders and other financing banks. The agreement stipulates delaying repayment of the bonds originally due for redemption in 2011 for the time being until April 1, 2012. Thus the basis was created to enable the intensive negotiations with potential investors to be concluded.

The main loss-making operations have either been terminated due to bankruptcy (Germany and Switzerland), redimensioned (Japan) or subject to restructuring (Austria). Initial savings could also be achieved at the parent company. Non-recurring restructuring costs were incurred in the first quarter which will first have a positive impact in subsequent quarterly periods.

In the first quarter the sale of the company's subsidiaries in the Ukraine and Moldova was agreed upon and completed, as already announced. The disposal of the subsidiaries is part of the comprehensive restructuring plan.

Development of revenue and expenses

Group revenue was down by 8% in the reporting period to EUR 66.1 million. The decline particularly affected the BS segment, where revenue fell by 24%. The drop in revenue in the IS segment amounted to 5%. This was in contrast to a 7% decrease in material costs. On the basis of the overall restructuring measures implemented in the previous year, staff costs also fell by 9% to EUR 19.1 million parallel to the drop in revenue in addition to the decline in material costs. The number of employees (FTE) was reduced from 1,780 people to 1,663.

In contrast, other operating expenses rose by 49% to EUR 10.2 million. The largest share of other operating expenses comprises extraordinary consulting costs in connection with the restructuring efforts. Furthermore, provisions were allocated with respect to the bankruptcy of the German subsidiary, which is not included in the restructuring costs reported in the result overview.

Non-recurring restructuring expenses

During the period under review, restructuring expenses totaled EUR 3.8 million. These expenses primarily related to restructuring costs as well as extraordinary legal costs and other consulting costs in connection with the financing package and preparations for the participation of a strategic investor in the parent company, and to a considerably lesser extent for Austria and Japan.

The operating result (excluding the above-mentioned restructuring expenses) amounted to EUR -3.0 million, an improvement from the prior-year level of EUR -5.9 million which also encompassed the results achieved in the Ukraine and Moldova. There is no major change from the EBIT of EUR -2.9 million in the prior-year quarter which was reclassified pursuant to IFRS 5. The reclassification according to IFRS 5 of companies which were terminated due to bankruptcy and 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 also have to be eliminated from the corresponding prior-year figures.

The negative interest income can be attributed to the newly arranged interest rates and the higher utilization of borrowed capital to the amount of about EUR 0.4 million compared to the prior-year quarter. Furthermore, currency translation differences in the first quarter were slightly positive compared to the considerable losses reported in the first quarter of 2010. However, net finance costs were mainly impacted by the initial recognition of the fair value of the betterment clause (on the basis of the financing package) amounting to EUR 1.5 million. For more information refer to “Significant events after the balance sheet date” on page 15.

The income tax expense rose from EUR 0.2 million to EUR 0.5 million, which is due to the taxable profits of Group subsidiaries.

The net result for the year totaled EUR -11.7 million, compared to EUR -7.7 million in Q1 2010. This also includes the result from discontinued operations to the amount of EUR -2.0 million. For more information refer to “Discontinued operations” on page 14.

Capital development and outlook

As shown in the consolidated statement of comprehensive income, the conversion of the financial statements of Group subsidiaries into the reporting currency (euros) also led to positive currency translation differences. As a consequence, so that shareholders' equity in the reporting period declined by EUR 8.5 million.

Total assets were down by 22% from December 31, 2010 to EUR 141.1 million. The most important reason underlying this development was the seasonal decrease in working capital by EUR 25.4 million (inventory and receivables) and EUR 26.4 million (payables). Thus net working capital remained more or less unchanged.

Due the previously described development, there was a further decrease of 33% in cash and cash equivalents to EUR 8.3 million.

After the balance sheet date of March 31, 2011, the restructuring process was further intensified and significant results were achieved in the negotiations with banks. Above all, considerable progress was made with respect to the planned entry of a strategic investor. In this connection the underlying concepts stipulate equity and external capital raising measures as well as the supply of fresh liquidity. However, the fact that the participation of an investor has not yet been finalized increasingly hampers the operative restructuring efforts and thus leads to a deterioration of the company's market position and earnings prospects, especially in the second half of the year.

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 undertakes no responsibility to adapt such statements made about the future in order to reflect future events or developments.

Interim Financial Statements for the period ended March 31, 2011

Consolidated income statement - by nature of expense

Period from 01.01., ended	31.03.2011	31.03.2010 ¹⁾	31.12.2010 ¹⁾
Revenues			
Business Solutions (BS)	10.084	13.263	55.971
Infrastructure Solutions (IS)	56.050	58.879	266.705
Total revenues	66.134	72.142	322.676
Other own work capitalized	14	136	610
Merchandise, spare parts and purchased services	(43.282)	(46.753)	(215.949)
Staff costs	(19.122)	(21.098)	(83.939)
Other operating expenses	(10.152)	(6.805)	(31.319)
	(72.556)	(74.656)	(331.207)
Other operating income	546	605	3.021
Total operating expenses less other operating income	(72.010)	(74.051)	(328.186)
<i>Result from operations before depreciation, amortization and finance costs (EBITDA)</i>	<i>(5.862)</i>	<i>(1.773)</i>	<i>(4.900)</i>
Depreciation and amortization	(2.352)	(1.135)	(12.265)
Result from operations (EBIT)	(9.172)	(2.908)	(17.165)
Finance costs - net	(895)	(1.268)	(4.256)
Result before tax	(7.715)	(4.176)	(21.421)
Income tax expense	(519)	(155)	(1.945)
Result from continuing operations	(9.691)	(4.331)	(23.366)
Result from discontinued operations	(2.034)	(3.411)	(25.307)
Result for the period	(11.725)	(7.742)	(48.673)
Attributable to:			
Equity holders of the company	(11.724)	(7.742)	(48.669)
Minority interest	(1)	–	(4)
Result for the period	(11.725)	(7.742)	(48.673)
Earnings per share from continuing operations attributable to equity holders of the company in EUR:			
Basic and diluted earnings per share	(2,72)	(1,21)	(6,55)
Weighted number of ordinary shares in issue (thousands)	3.565	3.565	3.565

1) Reclassified in accordance with IFRS 5.

Consolidated statement of comprehensive income

Period from 01.01., ended	31.03.2011	31.03.2010	31.12.2010
Result for the period	(11.725)	(7.742)	(48.673)
Items net of tax			
Available-for-sale financial assets ¹⁾	(28)	16	7
Net investment hedge	–	–	–
Currency translation differences	3.225	2.356	1.758
Other comprehensive income	3.197	2.372	1.765
Total comprehensive income	(8.528)	(5.370)	(46.908)
Attributable to:			
Equity holders of the company	(8.527)	(5.370)	(46.904)
Minority interest	(1)	–	(4)
Total comprehensive income	(8.528)	(5.370)	(46.908)
1) net of deferred tax	–	(2)	(1)

Consolidated balance sheet

Assets	31.03.2011	31.03.2010	31.12.2010
<i>Non-current assets</i>			
Property, plant and equipment	6.803	9.261	7.590
Intangible assets	20.428	44.102	20.670
Financial assets	167	860	858
Long-term receivables	1.679	2.773	2.613
Deferred tax assets	2.749	5.814	2.882
	<u>31.826</u>	<u>62.810</u>	<u>34.613</u>
<i>Current assets</i>			
Inventories	10.708	16.077	11.733
Trade accounts and other receivables	89.692	102.228	114.076
Current income tax receivables	601	763	734
Cash and cash equivalents	8.264	13.823	12.379
	<u>109.265</u>	<u>132.891</u>	<u>138.922</u>
Assets classified as held for sale	–	408	7.852
	<u>109.265</u>	<u>133.299</u>	<u>146.774</u>
Total assets	141.091	196.109	181.387
Equity and Liabilities			
<i>Shareholders' equity</i>			
Issued capital	7.170	7.170	7.170
Share premium	5.882	5.882	5.882
Treasury shares	(1.326)	(1.326)	(1.326)
Retained earnings and other reserves	(33.773)	16.288	(25.246)
Equity attributable to equity holders of the company	<u>(22.047)</u>	<u>28.014</u>	<u>(13.520)</u>
Minority interest	–	5	1
	<u>(22.047)</u>	<u>28.019</u>	<u>(13.519)</u>
<i>Non-current liabilities</i>			
Long-term financial liabilities	15.009	56.003	14.146
Other long-term liabilities	900	448	814
Long-term provisions	2.050	5.671	2.572
Deferred tax liabilities	4	192	9
	<u>17.963</u>	<u>62.314</u>	<u>17.541</u>
<i>Current liabilities</i>			
Trade accounts and other payables	77.101	79.296	103.478
Current income tax liabilities	612	365	499
Short-term financial liabilities	67.069	24.407	67.416
Provisions	393	1.172	856
	<u>145.175</u>	<u>105.240</u>	<u>172.249</u>
Liabilities classified as held for sale	–	536	5.116
	<u>145.175</u>	<u>105.776</u>	<u>177.365</u>
Total equity and liabilities	141.091	196.109	181.387

Consolidated statement of changes in shareholders' equity

	Issued capital	Share premium	Treasury shares	Retained earnings	Equity attributable to equity holders of the company	Minority interest	Total
Period ended 31 March 2011							
Balance at 1 January 2011	7.170	5.882	(1.326)	(25.246)	(13.520)	1	(13.519)
Currency translation differences	–	–	–	3.225	3.225	–	3.225
Securities available for sale	–	–	–	(28)	(28)	–	(28)
Net result recognized directly in equity	–	–	–	3.197	3.197	–	3.197
Result for the period	–	–	–	(11.724)	(11.724)	(1)	(11.725)
Total comprehensive income	–	–	–	(8.527)	(8.527)	(1)	(8.528)
Balance at 31 March 2011	7.170	5.882	(1.326)	(33.773)	(22.047)	–	(22.047)
Period ended 31 March 2010							
Balance at 1 January 2010	7.170	5.882	(1.326)	21.658	33.384	5	33.389
Currency translation differences	–	–	–	2.356	2.356	–	2.356
Securities available for sale	–	–	–	16	16	–	16
Net result recognized directly in equity	–	–	–	2.372	2.372	–	2.372
Result for the period	–	–	–	(7.742)	(7.742)	–	(7.742)
Total comprehensive income	–	–	–	(5.370)	(5.370)	–	(5.370)
Balance at 31 March 2010	7.170	5.882	(1.326)	16.288	28.014	5	28.019
Period ended 31 December 2010							
Balance at 1 January 2010	7.170	5.882	(1.326)	21.658	33.384	5	33.389
Currency translation differences	–	–	–	1.758	1.758	–	1.758
Securities available for sale	–	–	–	7	7	–	7
Net result recognized directly in equity	–	–	–	1.765	1.765	–	1.765
Result for the year	–	–	–	(48.669)	(48.669)	(4)	(48.673)
Total comprehensive income	–	–	–	(46.904)	(46.904)	(4)	(46.908)
Changes in treasury shares	–	–	–	–	–	–	–
Balance at 31 December 2010	7.170	5.882	(1.326)	(25.246)	(13.520)	1	(13.519)

Consolidated cash flow statement

Period from 01.01., ended	31.03.2011	31.03.2010 ¹⁾	31.12.2010 ¹⁾
Cash flows from operating activities			
a) Cash flows from continuing operations			
Result before tax	(9.172)	(4.176)	(21.421)
Adjustments			
Finance costs - net	2.352	1.268	4.256
Depreciation and amortization	958	1.135	12.265
(Gains)/losses on disposals	(18)	(45)	(86)
Foreign exchange gains/(losses) from operating activities	153	(392)	(465)
(Gains)/losses on disposal of subsidiaries	–	–	(535)
Other (net)	506	874	399
	<u>(5.221)</u>	<u>(1.336)</u>	<u>(5.587)</u>
Changes in working capital			
(Increase)/decrease in trade accounts and other receivables	4.439	5.491	(16.649)
(Increase)/decrease in inventory	915	(2.167)	1.642
Increase/(decrease) in current liabilities	(5.458)	(17.299)	10.883
	<u>(104)</u>	<u>(13.975)</u>	<u>(4.124)</u>
Cash generated from operations	(5.325)	(15.311)	(9.711)
Interest received	107	41	808
Interest paid	(415)	(254)	(4.635)
Taxes paid	(364)	(540)	(1.253)
	<u>(5.997)</u>	<u>(16.064)</u>	<u>(14.791)</u>
b) Cash flows from discontinued operations	92	1.525	(291)
Net cash generated from operating activities	(5.905)	(14.539)	(15.082)
Cash flows from investing activities			
a) Cash flows from continuing operations			
Purchase of property, plant and equipment and intangible assets	(336)	(540)	(1.921)
Purchase of financial assets (securities and investments)	–	–	(1)
Proceeds from sale of property, plant and equipment	35	71	584
Proceeds from sale of financial assets	–	–	–
Disposal of subsidiaries, net of cash	626	150	127
Acquisition of subsidiaries, net of cash	–	–	–
Proceeds from sale of derivative financial instruments	–	–	–
Payments for derivative financial instruments	(1)	–	–
Long-term loans and receivables repaid	327	653	1.250
	<u>651</u>	<u>334</u>	<u>39</u>
b) Cash flows from discontinued operations	–	18	(438)
Net cash used in investing activities	651	352	(399)
Cash flows from financing activities			
a) Cash flows from continuing operations			
Increase in long-term loans and borrowings	–	–	3.985
Decrease in long-term loans and borrowings	–	(3.288)	(3.288)
Repayment of finance lease liabilities	(466)	(453)	(1.708)
Increase/(decrease) in short-term borrowings	741	8.376	5.937
	<u>275</u>	<u>4.635</u>	<u>4.926</u>
b) Cash flows from discontinued operations	–	(4.314)	(4.051)
Net cash generated from financing activities	275	321	875
Net (decrease) / increase in cash and cash equivalents	(4.979)	(13.866)	(14.606)

Movement in cash and cash equivalents

At beginning of period	13.180	27.337	27.337
Increase/(decrease)	(4.979)	(13.866)	(14.606)
Effect of exchange rate changes	63	394	449
At end of period ²⁾	8.264	13.865	13.180

1) Reclassified in accordance with IFRS 5.

2) Included in cash and cash equivalents per the Balance sheet
Included in the assets classified as held for sale

8.264	13.823	12.379
–	42	801
8.264	13.865	13.180

Notes to the consolidated interim financial statements

Basis of preparation

The consolidated interim financial statements at 31 March 2011 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 2010 financial year. For additional information see the consolidated financial statements as of 31 December 2010 which form the basis for this interim financial statements. IAS 34 "Interim Reporting" was additionally applied.

Impact of new or amended standards and interpretations:

a) New and amended standards and interpretations adopted by the European Union and applied for the first time in the fiscal year:

All pronouncements applicable for the first time (standards, amendments of standards and interpretations) and mandatory in the current financial year do not have any material impact on the group's financial statements.

b) New standards and interpretations adopted by the European Union

A number of amendments to standards and interpretations were published and adopted by the European Union. These pronouncements do not have any material impact on the group's financial statements and are therefore not explained in detail.

c) Standards, interpretations and amendments to published standards that have not been adopted by the European Union and do not have any material impact on the group's financial statements

A number of amendments to standards, new standards and interpretations were published that have not been adopted by the European Union. These pronouncements do not have any material impact on the group's financial statements or are not yet finally evaluated and are therefore not explained in detail.

Discontinued operations

Due to the sale of a majority stake of the subsidiary in China in 2010 and the sale of the subsidiaries in Moldova and Ukraine in the first quarter of 2011, we have presented these activities as discontinued operations. Due to the bankruptcy proceedings of S&T Schweiz Consulting AG we have presented this company and her subsidiaries as discontinued operations in accordance with IFRS 5.

Financial information for these operations is presented below:

Period from 01.01., ended	31.03.2011	31.03.2010	31.12.2010
Revenues	2.652	10.650	53.968
Operating expenses less other income	(2.718)	(13.675)	(61.373)
Result from operations (EBIT)	(66)	(3.025)	(7.405)
Finance costs - net	2	(301)	(733)
Result before tax of discontinued operations	(64)	(3.326)	(8.138)
Tax	24	(105)	(795)
Result after tax of discontinued operations	(40)	(3.431)	(8.933)
Pre-tax result recognized on costs to sell and disposal	(1.994)	20	(15.234)
Tax	–	–	(1.140)
After tax result recognized on costs to sell and disposal	(1.994)	20	(16.374)
Result from discontinued operations	(2.034)	(3.411)	(25.307)
Attributable to:			
Equity holders of the company	(2.034)	(3.411)	(25.303)
Minority interest	–	–	(4)
Result from discontinued operations	(2.034)	(3.411)	(25.307)
Earnings per share from discontinued operations attributable to equity holders of the company in EUR:			
Basic and diluted earnings per share	(0,57)	(0,96)	(7,10)
Weighted number of ordinary shares in issue (thousands)	3.565	3.565	3.565

Segment reporting

for the period 01.01.2011 - 31.03.2011	Business Solutions	Infrastructure Solutions	Group
Revenue goods	1.190	33.276	34.466
Revenue services	8.894	22.774	31.668
Revenues	10.084	56.050	66.134
Segment result	(1.638)	(985)	(2.623)
Unallocated costs			(4.197)
Result from operations (EBIT)			(6.820)
for the period 01.01.2010 - 31.03.2010 ¹⁾	Business Solutions	Infrastructure Solutions	Group
Revenue goods	1.099	38.303	39.402
Revenue services	12.164	20.576	32.740
Revenues	13.263	58.879	72.142
Segment result	(2.608)	695	(1.913)
Unallocated costs			(995)
Result from operations (EBIT)			(2.908)

1) reclassified in accordance with IFRS 5

Events after balance sheet date

After the initiated bankruptcy proceedings of S&T Schweiz Consulting AG and her German subsidiary (see discontinued operations) is the restructuring process of the group implemented and should be concluded by the end of 2011. The focus is on the Austrian subsidiary. Furthermore, all other group companies including S&T AG are being evaluated with respect to the potential to improve earnings. External consultants were contracted in cooperation with the banks. The scheduled implementation of the previously described measures is a decisive factor in determining the success of the restructuring efforts, and maintaining the financing obligations of the banks. The agreement with the banks includes a so-called betterment clause stipulating the obligation to pay a surcharge of up to 20 % of the enterprise value once Group equity reaches a level of 8 %. The fair value of this obligation was accrued with TEUR 1.457 in these interim financial statements on the basis of assessing the probabilities of occurrence of different scenarios. In May 2011, important required contract adjustments were agreed upon in the financing agreements, and the reallocation and ultimately payment of a further line of credit totaling EUR 3,7 million were arranged. In addition, the rights to prematurely terminate the agreement on grounds of the inability to meet specified performance targets in the current financial year were suspended. From the Management Board's point of view, despite the dependence on the financing creditors and banks, the pre-requisites enabling a positive going concern forecast have been fulfilled and the basis exists for successful negotiations aiming to attract a strong, long-term investor. In this regard, the underlying concepts stipulate equity and external capital raising measures as a means of restructuring the liabilities side of the balance sheet as well as the supply of fresh liquidity.

Other information

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

Vienna, 13 July 2011

signed:

Michael Lanik
CRO

signed:

Martin Bergler
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signed:

Peter Sturz
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