



S&T AG Company Presentation

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About S&T



1

- **S&T provides proprietary IoT 4.0 technology**
 - S&T offers vertical IoT solutions and security appliances for Industrial/Infotainment/Smart Energy/Medical
 - IoT grows fast: 2020 will be 25 Bn. devices connected to the internet

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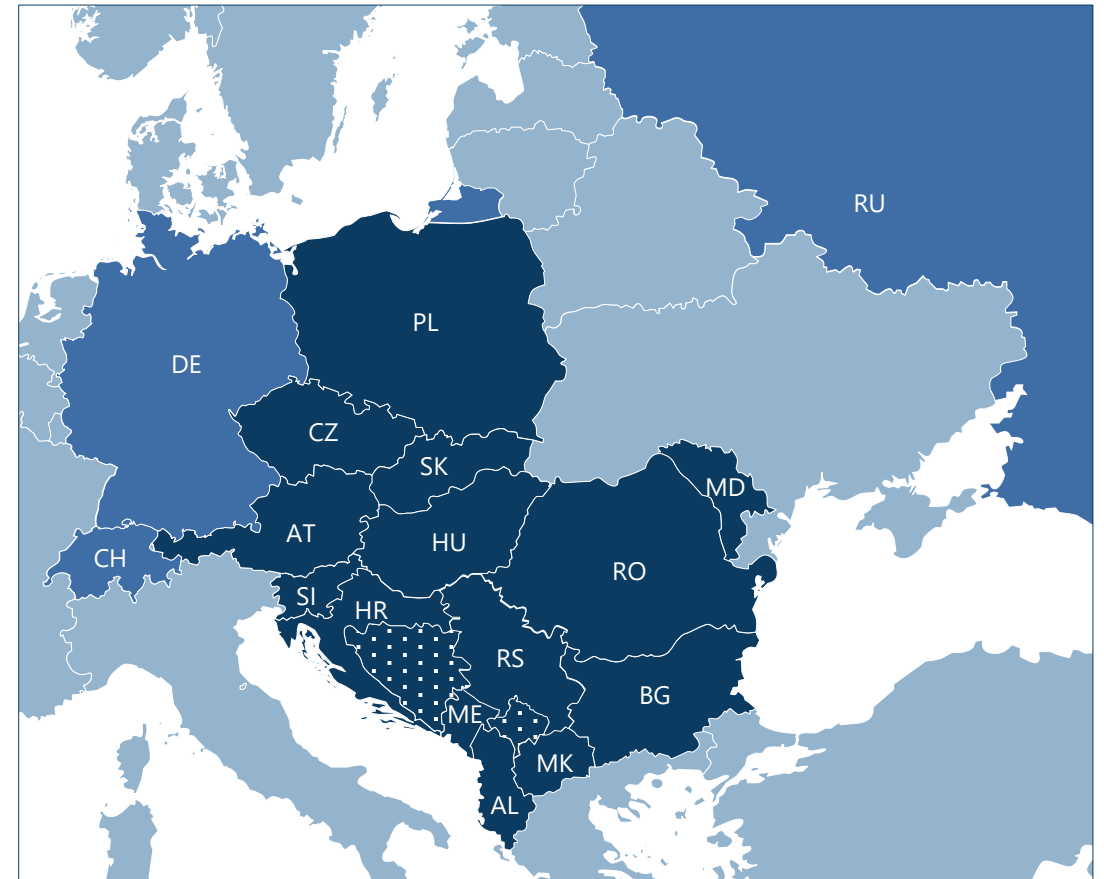
- **S&T is an IT service provider with regional focus**
 - Germany, Austria, Switzerland (DACH)
 - East Europe

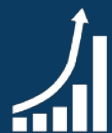
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- **S&T in figures**
 - 2015: EUR 468 Mio. Revenues and 28,4 Mio. EBITDA
 - 2490 employees in 19 countries

4

- **Listed in Frankfurt – Member of the TecDAX**
 - EUR 400 Mio. Market cap
 - Headquarter in Linz, Austria





Focus on Profit Improvement

- Revenue 9m/2016 (9m/2015): stable EUR 301,3 Mio. (EUR 302,4 Mio.)
- EBITDA 9m/2016 (9m/2015): +16% EUR 19,4 Mio. (EUR 16,7 Mio.)



Leading IoT alliance with Ennoconn and Kontron with appr 2 Bn of Revenues in 2018

- 29,3% investment of Ennoconn into S&T AG
- S&T acquires 29,9% in Kontron AG shares; no tender offer planned



Increased Shareholder Focus

- Sept 2016: S&T AG added to TecDAX
- 4 years growth path of share price: 38% CAGR per year
- Continuous increase of dividend: 2013 6ct; 2014 7ct; 2015 8ct; 2016 >8ct

S&T Current Business Model

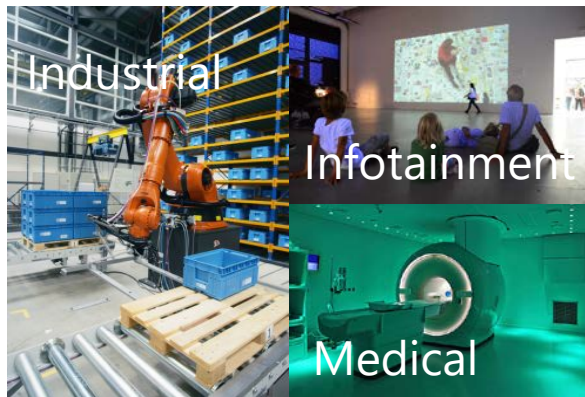


IoT Technology Products

- Security appliances for the „Internet of Things“
- 2015: EUR 133 Mio. @ 12% EBITDA
- 2016fc: ~ EUR 155 Mio. - average growth > 20% p.a.

IT Services

- Cloud services and security focus
- 2015: EUR 335 Mio. @ 4% EBITDA
- 2016fc: ~ EUR 330 Mio. – average growth ~ 5% p.a.



2015:
EUR 83 Mio. @ 57% GM

2015:
EUR 51 Mio. @ 42% GM

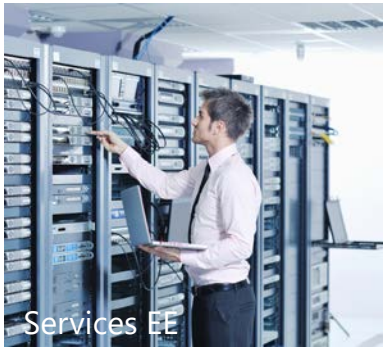
East Europe 2015:
EUR 264 Mio. @ 27% GM

DACH 2015:
EUR 70 Mio. @ 24% GM

S&T Business Model 2018 after potential Kontron merger



IT Services



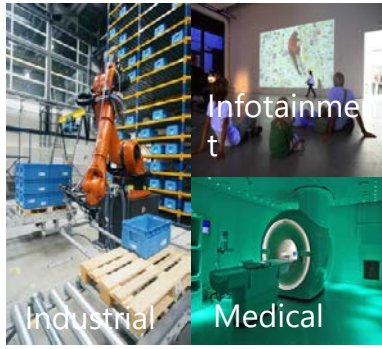
Services EE



Services DACH

2018: EUR 390 Mio @ ~5% EBITDA

IoT / Industry 4.0 Products



Industrial

Medical

Infotainment



Smart Energy

2018: EUR 440 Mio. @ ~9% EBITDA

Embedded Systems



Communications



Avionics

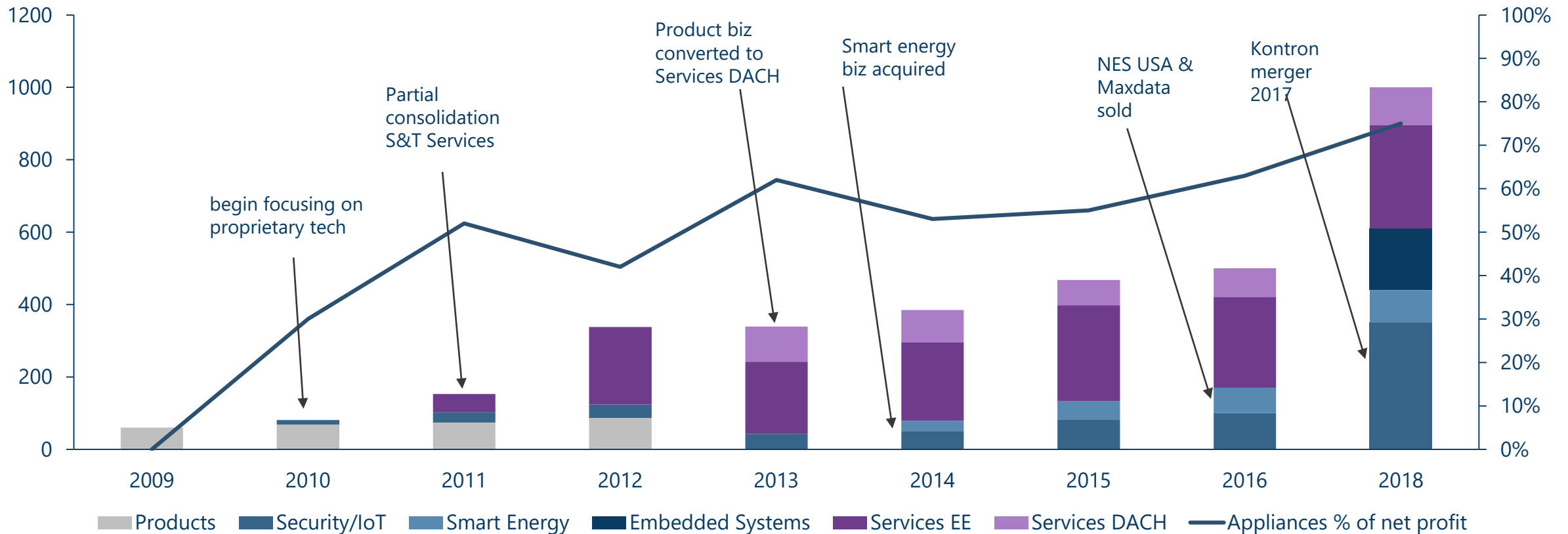
2018: EUR 170 Mio. @ ~7% EBITDA
America

S&T and Kontron serve similar customers in IoT -> easy integration; Planned total EBITDA Ratio >6 %

S&T - no longer a boring business



Revenue by Business Line (Left) and Consolidated Income % from Technology (Right)



While beginning as an IT supplier, 65% of Consolidated Income comes from own technologies in 2016

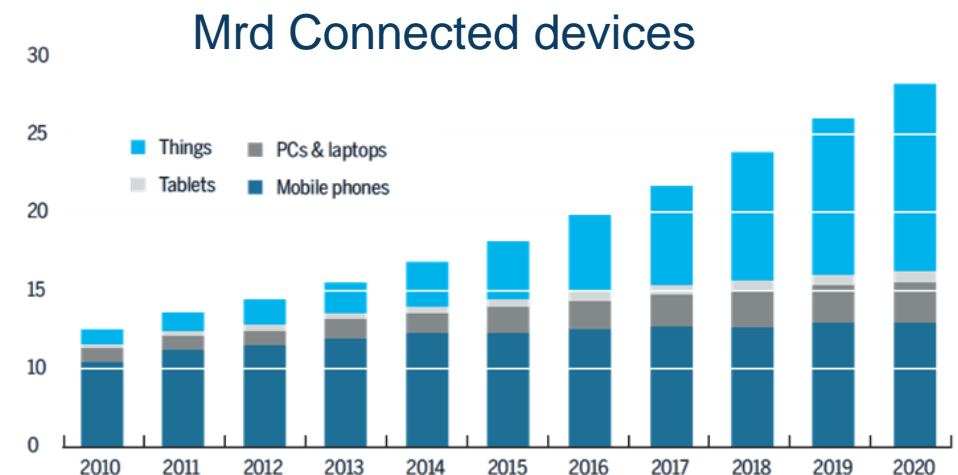
Internet of Things market



What is Internet of things „IoT“ ?

- **Embedded market:** Starting around year 2000: machines had been equipped with computers to become intelligent
- **IoT market:** Starting with year 2010: intelligent machines had been connected to the Internet to communicate to each other = 4th Industrial Revolution („Industry 4.0“)
- By year 2020 there will be expected **12 Bn. machines in the Internet vs. 4 Bn. human PCs**

Product in 2016	Market size	CAGR
Embedded Boards	3,2 Bn.	7,5%
Embedded System	3,5 Bn.	9,7%
Connectivity	16 Bn.	16,7%
Services	58 Bn.	15,7%
Total IoT in 2020	9400 Bn.	18%



2016: average value of embedded systems is EUR 948 – connected to IoT it is EUR 2.263

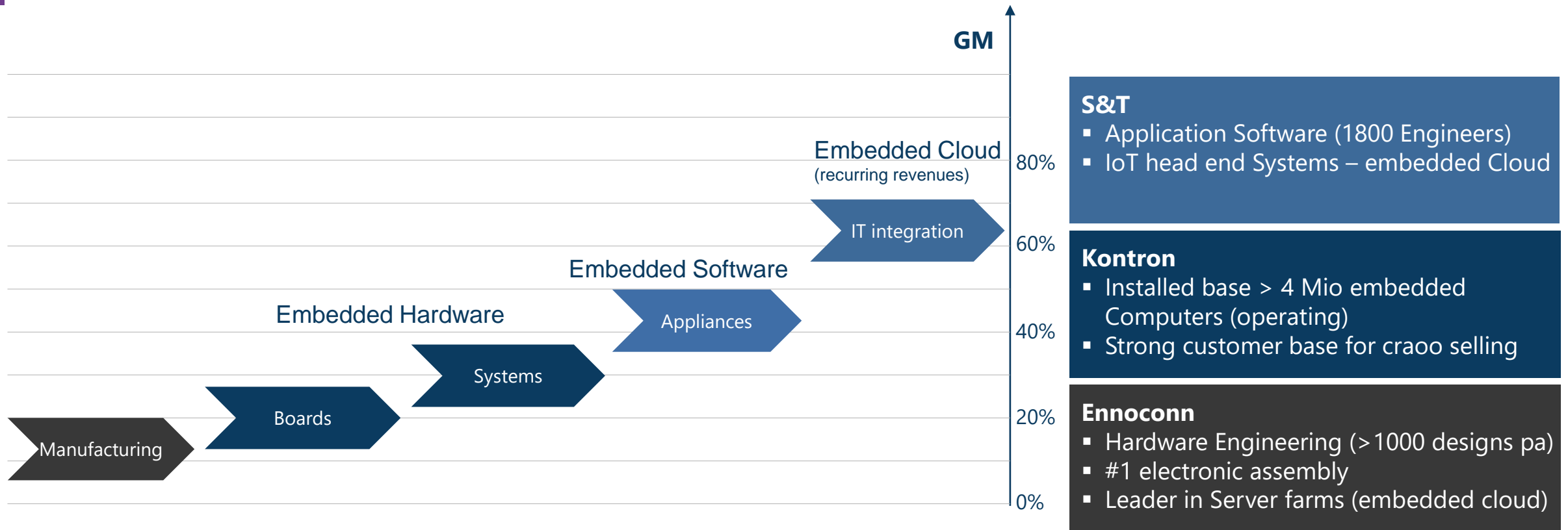
The IoT Alliance – transaction and schedule



A	S&T acquired 29,9% old shares in Kontron <ul style="list-style-type: none"> Anti-Trust approval granted, no tender offer planned 	Cash out EUR 60 Mio. <ul style="list-style-type: none"> Seller Warburg Pincus and Triton, 16,6 Mio. KBC shares @ 3,60 EUR
B	S&T shareholder will be represented in Kontron <ul style="list-style-type: none"> 3 Kontron supervisory board members + CEO resigned 	Proposal to court Augsburg to appoint S&T representatives <ul style="list-style-type: none"> Control will result in consolidation of Kontron Jan 2017
C	S&T evaluates to support Kontron financing <ul style="list-style-type: none"> Guarantees, loans or capital increase 	Cash out EUR 10 - 20 Mio. <ul style="list-style-type: none"> Bank discussions ongoing
D	S&T evaluates merger with Kontron in 2017 <ul style="list-style-type: none"> Independent valuation report 	Potential capital increase in S&T <ul style="list-style-type: none"> Delisting Kontron
E	Ennoconn signs 10% capital increase in S&T <ul style="list-style-type: none"> Approved by take over commission, ENN appoints 1 board seat 	Cash in EUR 44 Mio. <ul style="list-style-type: none"> 4,39 Mio. SNT shares @ 10,03 EUR (price = 10 days av. Xetra)
F	Ennoconn acquires 19,3% old shares in S&T <ul style="list-style-type: none"> Subject to anti trust approval 	Cash to grosso <ul style="list-style-type: none"> Seller mainly VC grosso 9,8 Mio. shares @ 11,1 EUR
G	Ennoconn supports S&T/KBC in operations <ul style="list-style-type: none"> 5 cooperation programs to release in 2017 (R&D, production) 	CM business of USD 200 Mio. in 2018 <ul style="list-style-type: none"> 2% improvement in Gross Margin



Industry 4.0 value Chain: Ennoconn/Kontron/S&T



The old embedded hardware market will suffer (like PC). Industry 4.0 requires integration of machines into IT infrastructure Alliance will release new product category for industry 4.0 with the 2018 target: technology & revenues leader ~2 bn \$

S&T's view on Kontron's turnaround



- 1
 - **No fast revenues growth expected**
 - Currently: weak order entry
 - Forecast: H2/17 back to growth based on new alliance products
- 2
 - **Focus on fast improvement of Gross Margin**
 - 9m/2016: 25% GM (exclude EUR 4 Mio. "one offs")
 - 2017: ~ 29% GM (+4%), add S&T Software to Kontron products
 - 2018: ~ 32% GM (+3%), ENN P&L coop, add more Software
- 3
 - **OPEX**
 - Reduce inflated G/A cost
 - Re-size overhead to current business need
- 4
 - **Restructuring and Write-offs**
 - Further write-offs expected for 2016 (mainly non cash)
 - No more burden in 2017
- 5
 - **Liquidity**
 - S&T would support capital increase subject to „Sanierungsprivileg“
 - Support on credit line

P&L (in EUR Mio.)	H1/16	H2/16	2017
Revenues	180	170	~ 350
Gross Margin	41 (23%)	43 (25%)	101 (~ 29%)
OPEX	-65	-56	-95
EBIT	-25	-13	6
Write offs	-61	-30	0

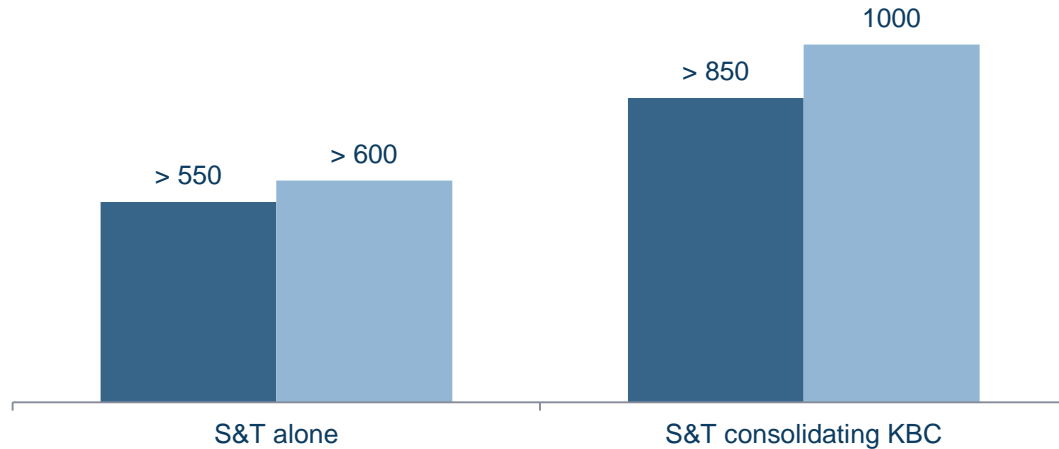
- **S&T: successful experience rate in turnarounds**
 - Kontron 2000
 - Gericom 2008
 - S&T (old) 2011
 - Add value – not only cost cutting mentality
 - > 600 ex Kontron employees work for S&T today

Merger impact on S&T's P&L

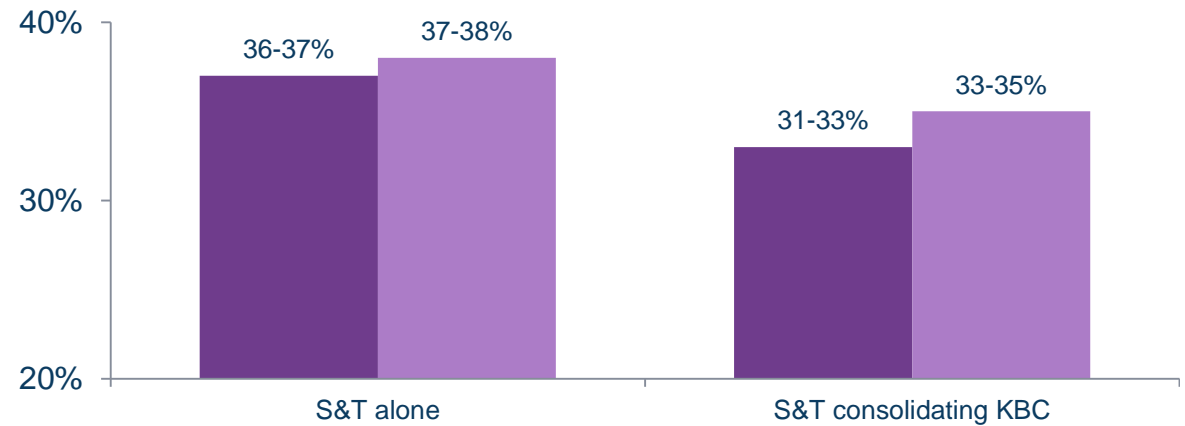
Assumptions only, plan not approved yet, in EUR Mio.



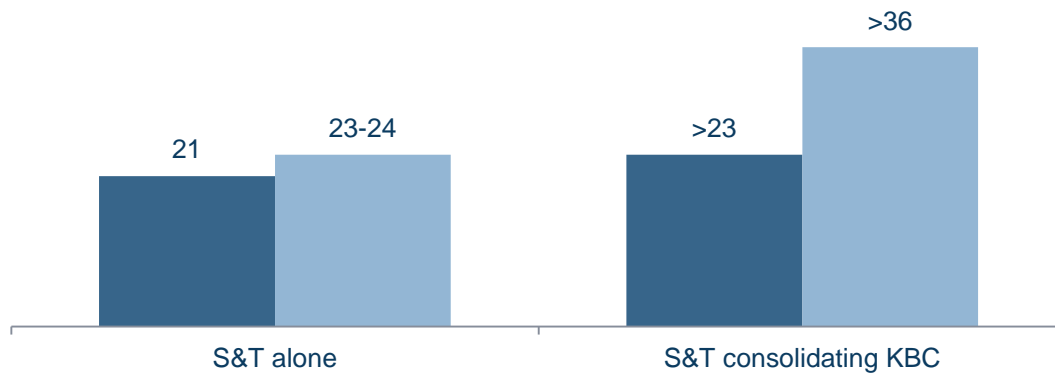
Revenue 2017 and 2018



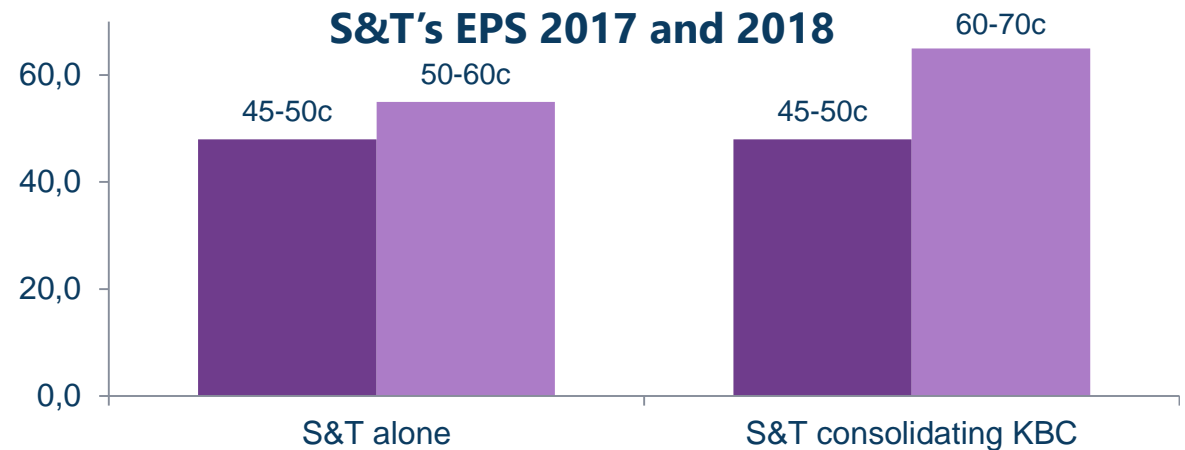
Gross Margin 2017 and 2018



Consolidated Income 2017 and 2018



S&T's EPS 2017 and 2018



S&T's IoT & Gross Margin Improvement Strategy



Add more technology revenue to product mix

- Focus on hype areas IoT, Industry 4.0, Smart Energy
- Specialized IoT systems for vertical markets
- Latest security and communication technology
- Big data handling in embedded data center / cloud



Add IoT Software & Services to embedded market

- Offer head end Software in IoT grids and implementation
- Enjoy Recurring revenues over IoT machine lifetime
- Focus on the right customer: low volume, hi price, customization

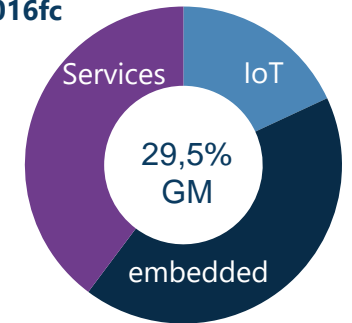


Improve Services/Product mix

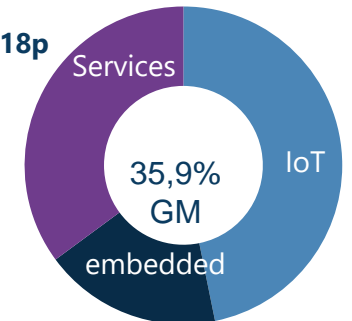
- Increase Services DACH GM: 23% (2015) to 29% (2017)
- Maxdata sold, invest in Raiffeisen IT (private cloud, close April)
- Focus Services to implementation of IoT -> target 30% GM

2016: EUR 26 Mio. unprofitable biz sold – mid term target 40% Gross Margin
 Industry 4.0 Solutions will boost Gross Margins in Embedded
 Cost efficient east European SW engineering resources

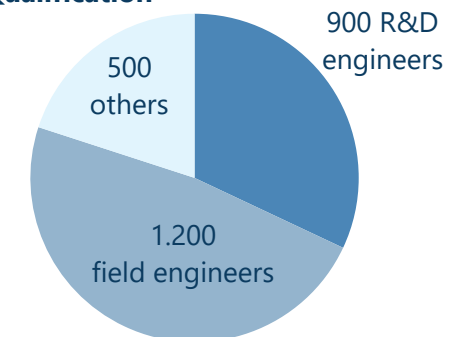
Revenue 2016fc



Revenue 2018p



S&T Qualification



Security Appliances: driving profit



- S&T offers appliances dedicated to special vertical markets
- Appliance = „black box“ (HW+SW) offering Security for machines (IoT)
- Appliances require long term maintenance contracts
- Strong customers: Siemens, Novomatic, ÖBB, tipp3, Bosch

9m/2016	Security Appliances	S&T Group
Gross Margin	54,3%	34,8%
EBITDA Margin	14,1%	6,4%

A solid and recurring base business with significant upside via new IoT applications

Smart Energy: new field of growth



Pioneer in smart energy – 4,5 Mio. installations

- Smart Grids optimize the generation, distribution and usage of energy
- 80% smart grids required by EU law until 2019, subsidies for East Europe
- EUR 40 Bn. TAM within the EU (>200 Mio. pieces) – 12% are done
- Amortizing fast: reduce theft, reduce reading cost, efficient energy usage
- Russia: electrical and gas grids, 400 engineers = SW development center
- S&T USPs: End-to-end supplier, integration of Smart Energy into IT
- Since Q1/16 Focus to Europe and Software (divest NES Corp USA)
- Price pressure in meter HW -> profits in implementation and Software

9m/16 vs 9m/15: Revenues increased from EUR 30,2 Mio. to EUR 33,5 Mio., EBITDA turned from -1,0 Mio. to 2,8 Mio.
NES Corp. USA divested -> reduce EUR 14 Mio. unprofitable business

Services: covering DACH + Eastern Europe



Service USPs

- S&T covers 19 countries with > 20 years of market presence
- Single point of contact for international customers



Technology + Cloud focus

- Focus on security applications, Steel Cloud ISO 27001
- Cross-selling of Appliance/Smart Grid Technology



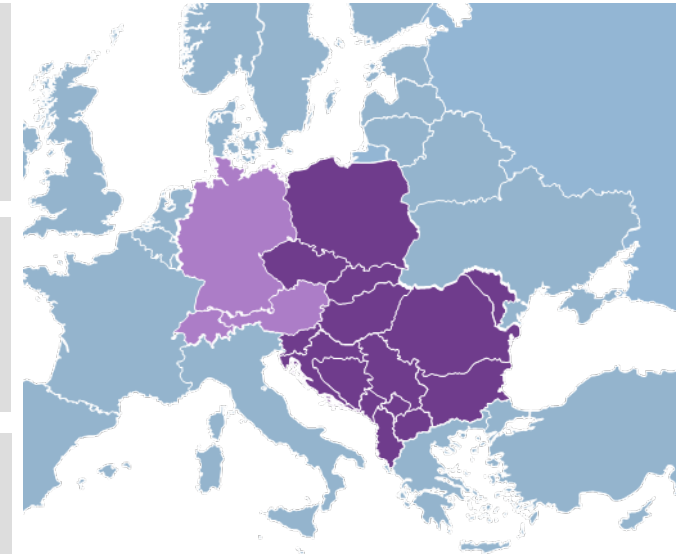
Services Eastern Europe – back to growth

- Cost efficiency program installed to increase EBITDA
- Market leader with > 3% share, 50% recurring revenues (contracts 2-4 years)

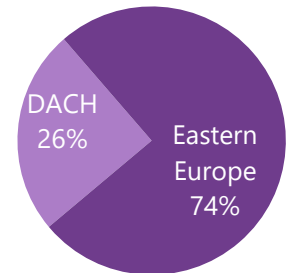


Services DACH

- Leverage Eastern Europe costs to win in DACH
- Gross Margin improvement program to 27% (2015: 23%)



Service Revenue Split 2016/9m

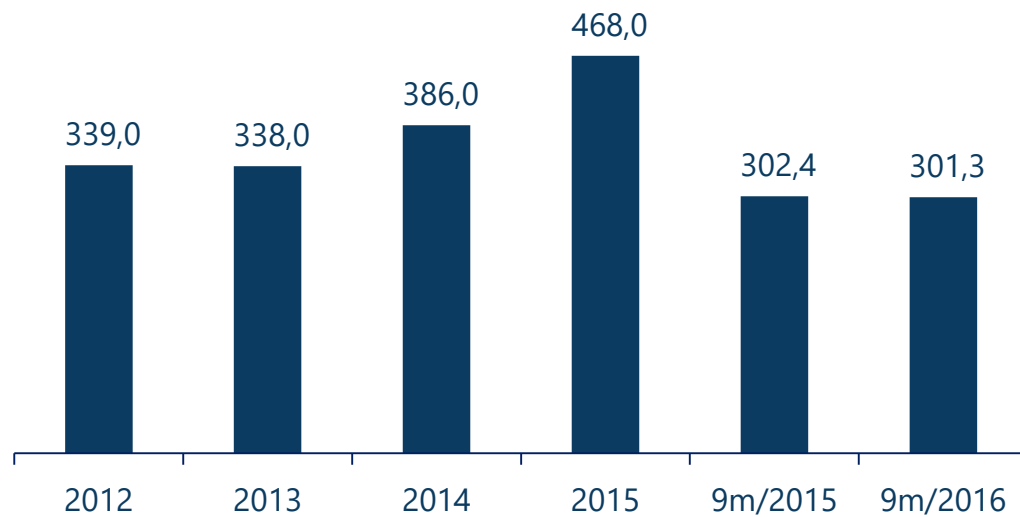


Market leading IT services business with technology niches and unique geographic coverage

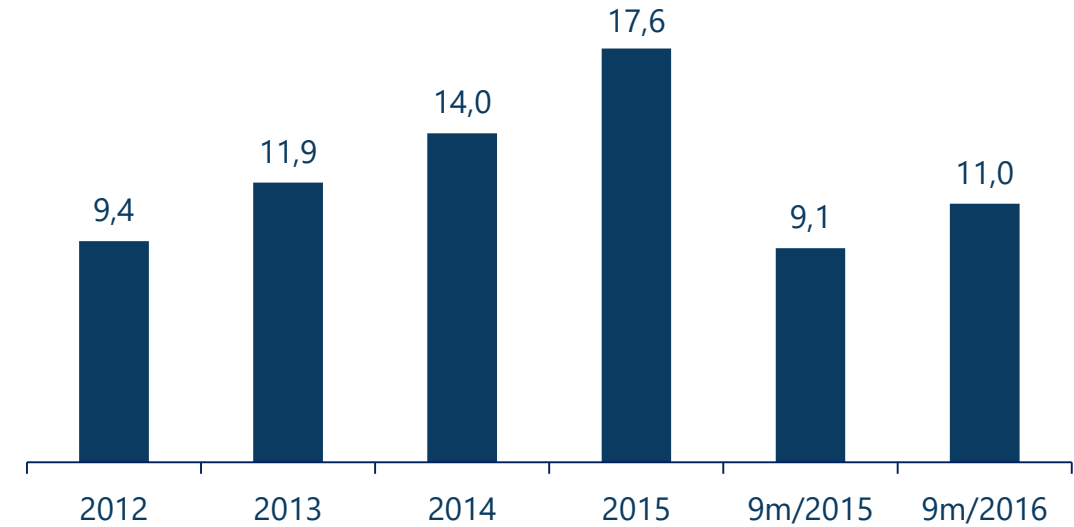
Long Term Trend (in EUR Mio.)



Revenue



Consolidated Income



Backlog EUR Mio.	12/12	12/13	12/14	12/15	09/16
Project Pipeline	266	308	644	701	878
Scheduled Orders	86	97	157	181	220

Significant growth in backlog and income

S&T Key Figures



	2015	9m/2015	9m/2016
Revenues (EUR Mio.)	468,2	302,4	301,3
Gross Margin (EUR Mio.) (in %)	158,8 33,9	104,9 34,7	104,9 34,8
EBITDA (EUR Mio.) (in %)	28,4 6,1	16,7 5,5	19,4 6,4
EBIT (EUR Mio.)	20,6	11,1	12,9
EBIT before PPA amortization (EUR Mio.)	24,1	13,7	15,7
EBITDA Interest Coverage Ratio	9,5	7,6	6,7
Total Debt / Capital	0,3	0,4	0,4
Net Cash (EUR Mio.)	9,4	-18,1	-27,8
Working Capital (EUR Mio.)	45,1	58,1	67,1
Equity Ratio (in %)	32	35	36
Operating Cashflow (EUR Mio.)	26,6	-0,1	-5,8
Employees	2.352	2.302	2.490

S&T Group Balance Sheet (in EUR Mio.)



	30.09.2016	31.12.2015		30.09.2016	31.12.2015
			EQUITY	107,1	102,2
NON-CURRENT ASSETS	121,2	106,9	NON-CURRENT LIABILITIES	66,1	49,9
Fixed assets	103,0	91,0	Long-term loans and borrowings	38,9	28,1
Other assets	18,2	15,9	Other non-current liabilities	27,2	21,8
CURRENT ASSETS	180,2	212,1	CURRENT LIABILITIES	128,2	166,9
Inventories	29,7	28,7	Trade accounts payable	53,0	70,1
Trade accounts receivable	90,3	86,4	Short-term borrowings	18,8	22,9
Cash and cash equivalents	29,9	60,3	Other current liabilities	56,4	73,9
Other assets	30,3	36,7			
Assets	301,4	319,1	Liabilities & equity	301,4	319,1

At Kontron merger equity will increase to EUR 270 Mio (>45%). Net debt will reduce.

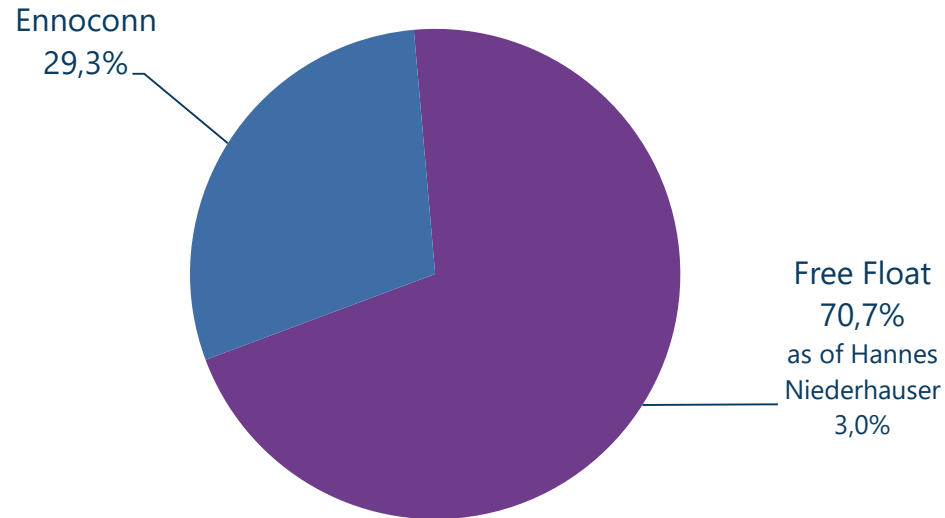


Equity Ratio	36%	32%
Net Cash	-27,8	9,4
Working Capital	67,1	45,1

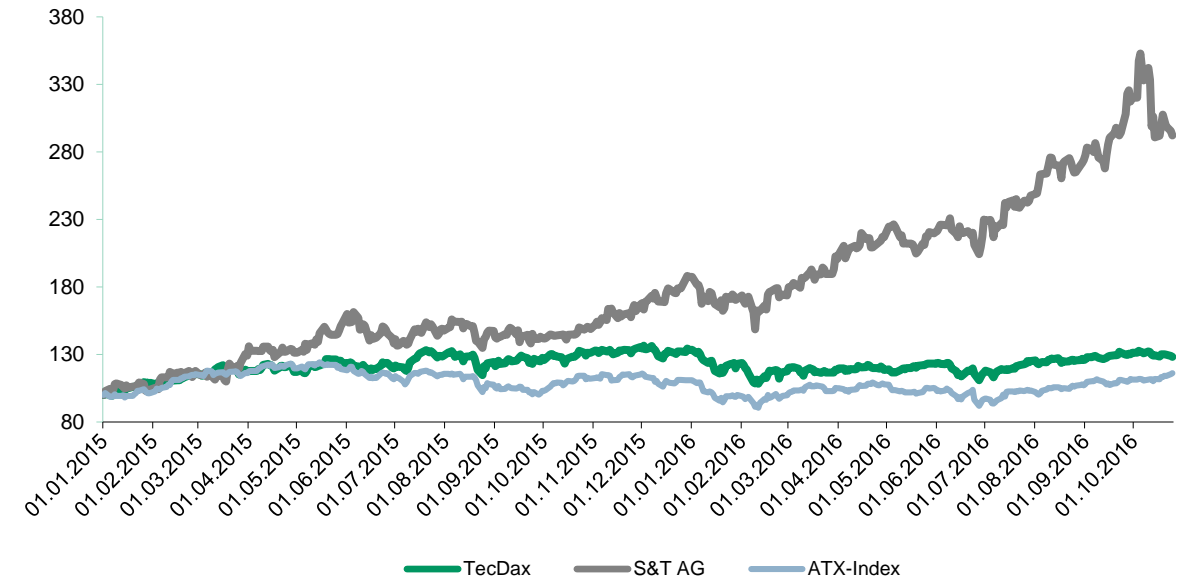
The S&T Share – now TecDAX member



Shareholder Structure (after Ennoconn Investment)



S&T outperformed TecDAX



Shares: 48,3 Mio. Shares
 Price (October 31, 2016): EUR 9,00
 EPS (2015): 36 cent
 EPS w/o PPA amortization (2015): 40 cent (80% rollout in 4 years)

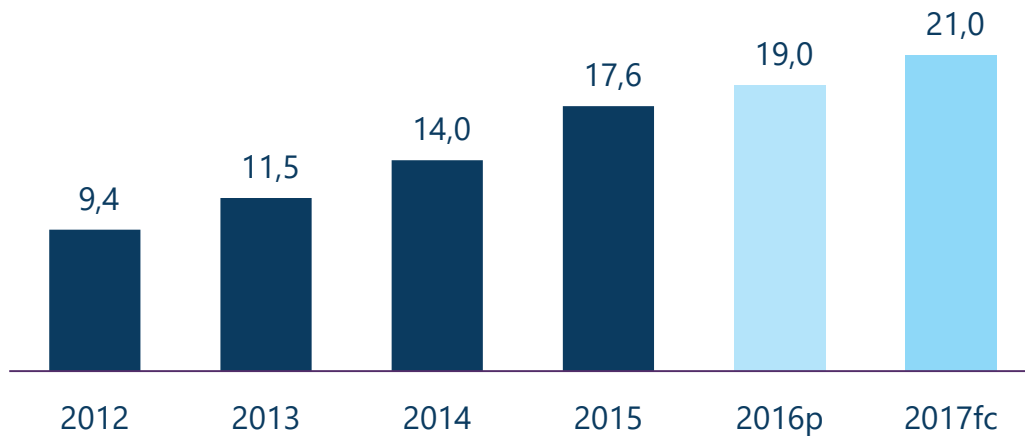
Dividend (2016): 8 cent (2015: 7 cent)
 Market Cap: ~ EUR 400 Mio.
 Liquidity last 90 days: > 400 Mio. EUR pa

October 2016: 15% drop in share price (Kontron transaction seen risky)

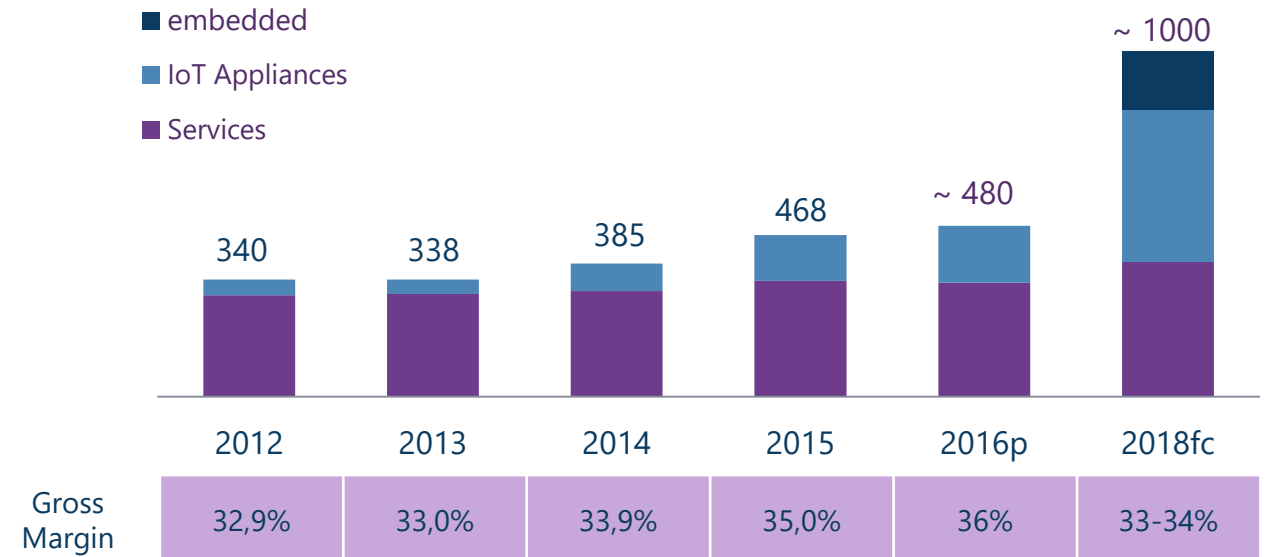
S&T's growth path continues...



Consolidated Income (in EUR Mio.)



Revenue (in EUR Mio.)



Plan 2016: EUR 19 Mio income confirmed, Revenues of EUR 480 Mio
Forecast 2017: Kontron profitable - Forecast 2018: EUR 1 Bn of revenues



Achievements 2016

- Growing backlog by 21% and pipeline by 26% in 2016
- Entering TecDax in Sept 2016
- Ennoconn/Kontron IoT alliance



Next Targets

- Proceed GM Improvement Strategy (mid term: 40%)
- Kontron turnaround & merger
- Start coop programs with ENN
- leadership in IoT/Industry 4.0



Risks

- Kontron turnaround delayed
- Big players enter our niches in Industry 4.0
- ENN cooperation fails



Opportunities

- IoT Partnership S&T/Kontron/Ennoconn
- Cost efficient engineering
- Hype in Industry 4.0

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