

Capital Day | Internet of Things



Rational of the Capital Day

- On 12th/13th of October 2016 S&T and Ennoconn announced its IoT alliance supported by equity investments (S&T into Kontron; Ennoconn into S&T);
- The stock market reacted negative: ENN -17%; SANT -16%; KBC +7% (13th Nov vs 11th of Oct)
- We think this cooperation will increase value to all stakeholders -> today we want to explain why!

Agenda

10.00 – 11.00

Presentation

- Hannes Niederhauser
- Thomas Riegler
- Ed Wu

CEO S&T AG

CFO Kontron AG

Chairman Ennoconn

11.00 – 11.30

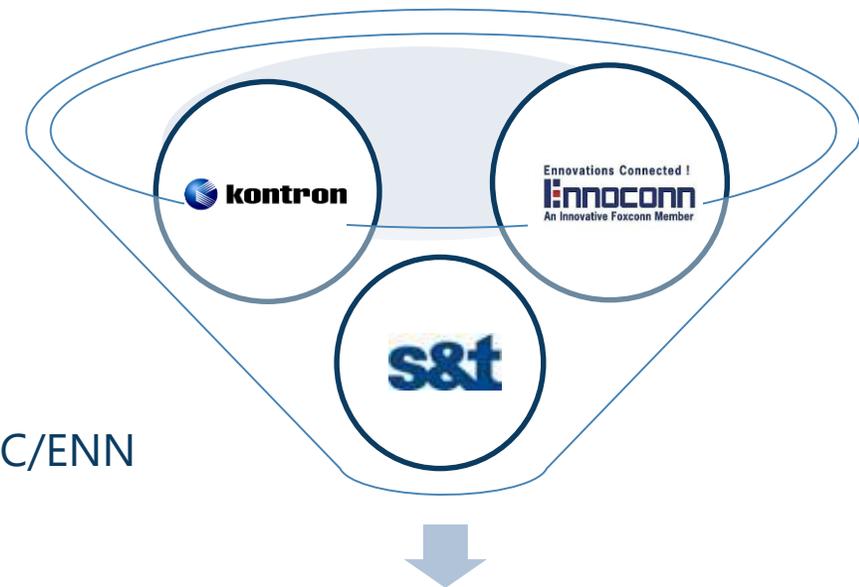
Q&A

Analysts and Investors

11.30 – 12.30

Get-together Lunch

All with managers of S&T/KBC/ENN



Leader in IoT



S&T AG Capital day

Hannes Niederhauser, CEO
Richard Neuwirth, CFO

Frankfurt, 16th of November 2016

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 25 Bn. devices will be connected to the internet

2

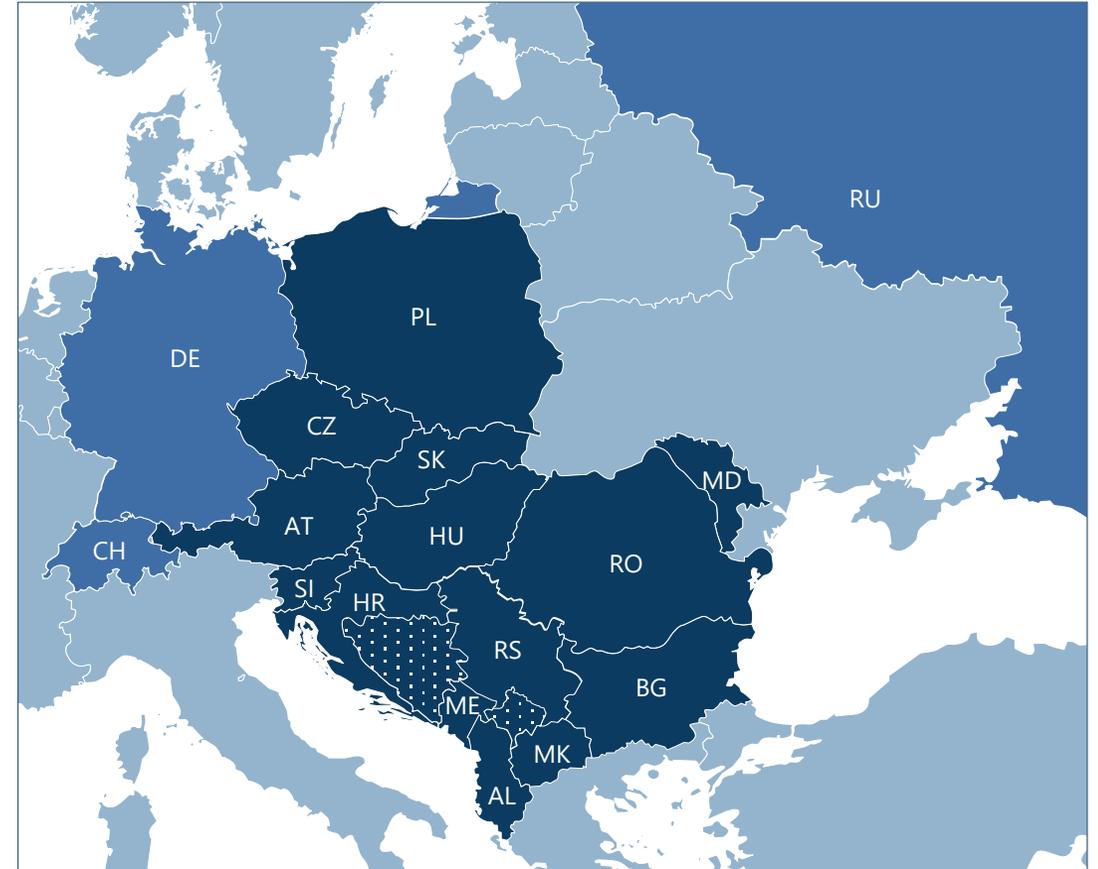
- **S&T is an IT service provider with regional focus**
 - Germany, Austria, Switzerland (DACH)
 - East Europe

3

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

4

- **Listed in Frankfurt – Member to the TecDAX**
 - EUR 400 Mio. Market cap
 - 4 years growth path of share price: + 36% pa



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

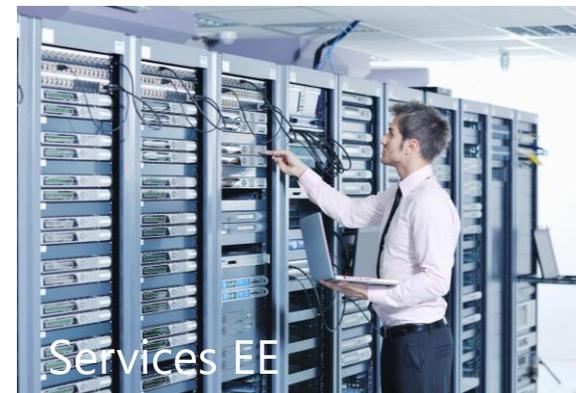
- Cloud services and security focus
- 2015: EUR 335 Mio. @ 4% EBITDA
- 2016fc: EUR ~330 Mio. – average growth ~5% p.a.



2015:
EUR 83 Mio. @ 57% GM



2015:
EUR 51 Mio. @ 42% GM

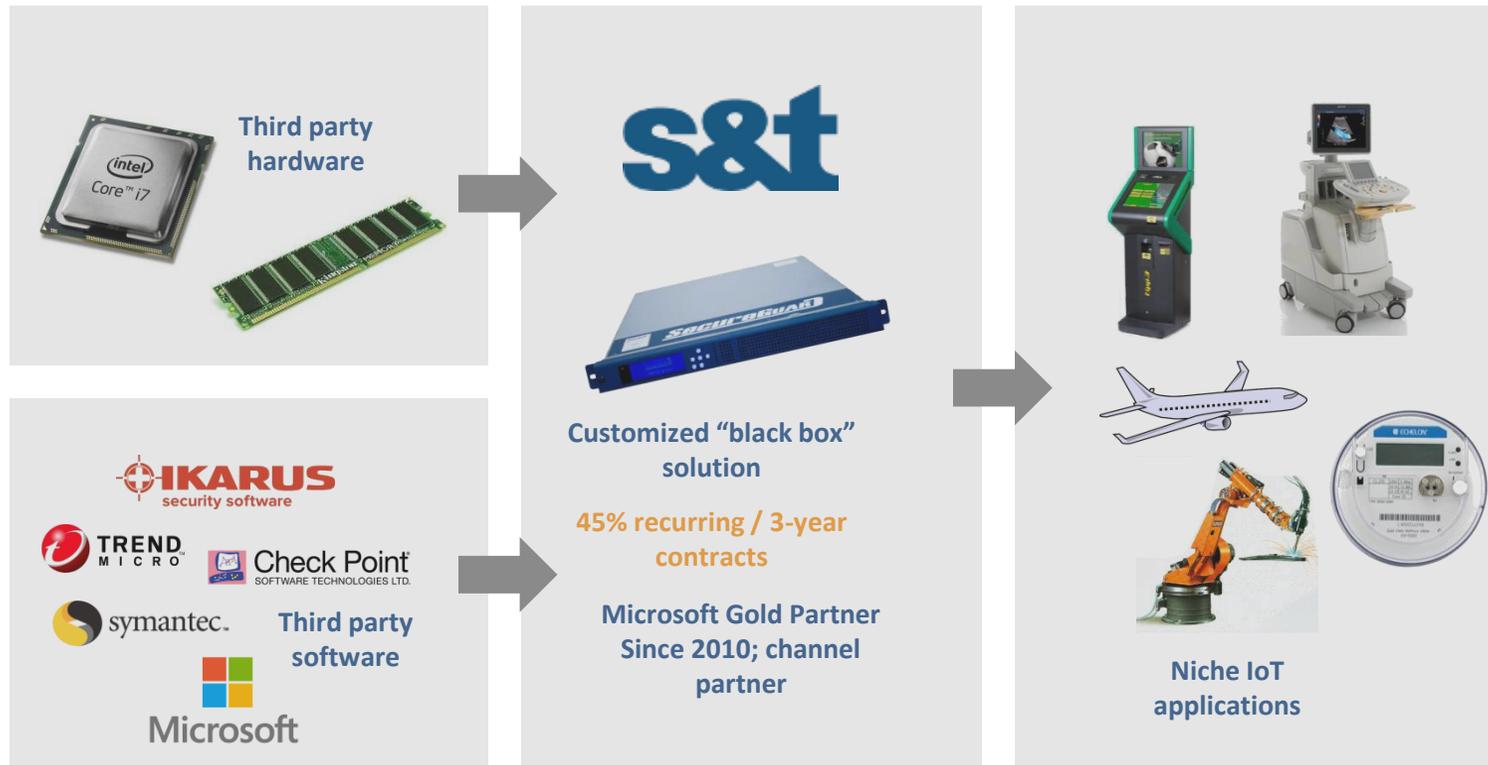


East Europe 2015:
EUR 264 Mio. @ 27% GM



DACH 2015:
EUR 70 Mio. @ 24% GM

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

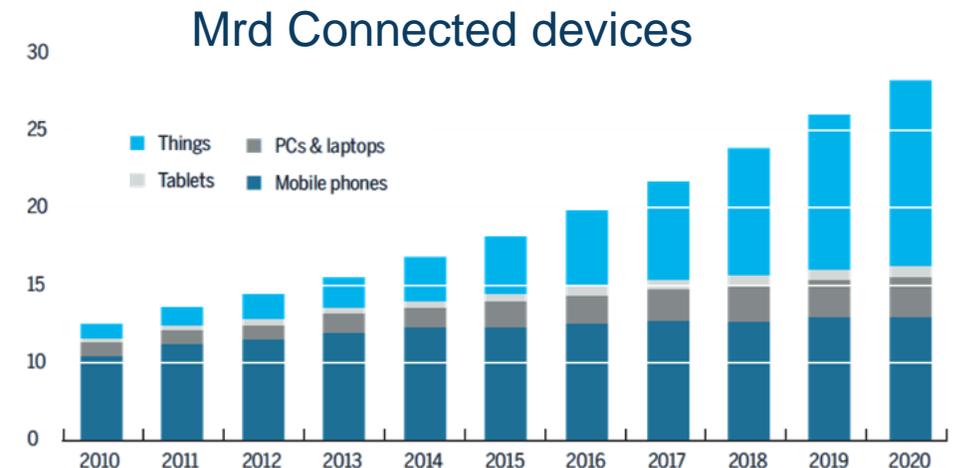
Internet of Things market



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

S&T's Internet of Things Strategy



Offer the full value chain in IoT

- Alliance: latest Computer designs and efficient production
- Specialized Computer systems for vertical markets
- Latest communication technology incl. security
- Big data handling in embedded data center / cloud



Add Software & Services to embedded market

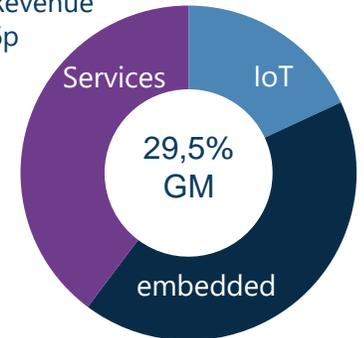
- Offer head end Software in IoT grids and implementation
- Security is key
- Enjoy Recurring revenues over IoT machine lifetime



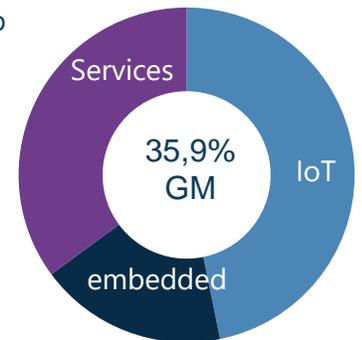
Focus on the right customers

- IoT machines with need for engineering customization (real time)
- Expensive machines (> EUR 100k) and lower volumes
- Avoid to compete big guys (Microsoft, Google ...)

S&T/KBC Revenue 2016p



S&T/KBC Revenue 2018p

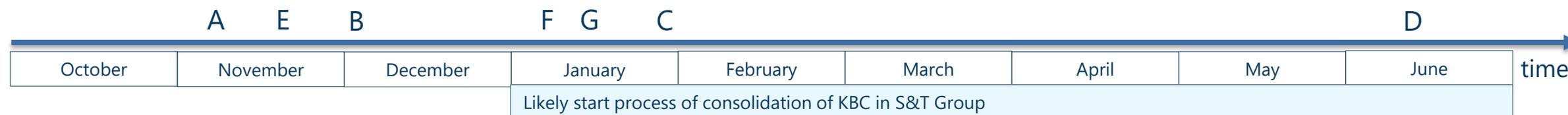


Industry 4.0 Solutions will be able to boost the current Gross Margins in Embedded of 25% to 40%

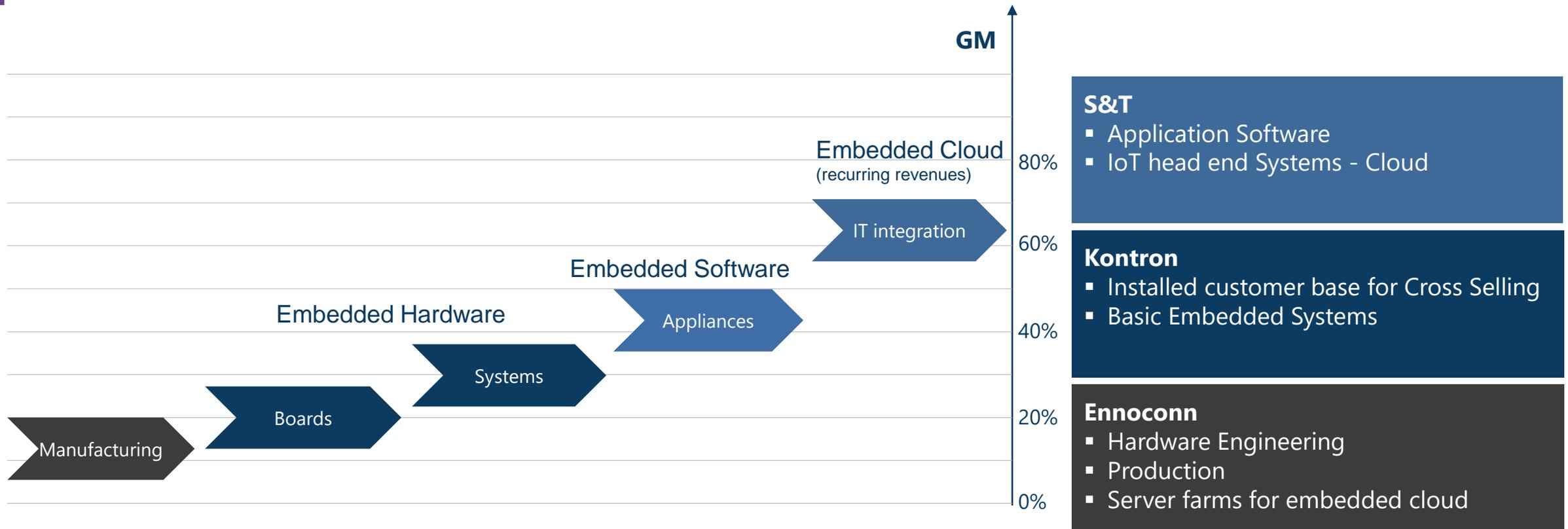
The IoT Alliance – transaction and schedule



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"> Proposal sent, court reaction in progress
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"> Subject to take over commission approval, 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 @ 11,10 EUR
G	Ennoconn supports S&T/KBC in operations <ul style="list-style-type: none"> Dragon 2 and Dragon 3 program, access to ENN design library 	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 „appliances“

Ennoconn + S&T + Kontron: the winning alliance



Ennoconn	Kontron	S&T
#1 electronic assembly company (i.e. 1 Mio iPhones per day) -> enables volume projects	Installed base of > 4 Mio. Embedded Computers (operating)	Experienced Management ~ 500 ex-Kontron employees and engineers
> 1000 designs p.a. with latest technology in Communication and Computing	Strong customer base , former global #1 in embedded market	Leading embedded Software Engineering , 1800 East European engineers, know how in security
#1 in servers and data center Runs the biggest server farms globally -> embedded cloud	Know how in embedded systems	Data center and head end Software implementation for embedded cloud

2018: Alliance of Ennoconn, Kontron and S&T will be among the leaders in IoT, technology and marketshare wise, with estimated revenues of EUR 1,5 – 2 Bn. (thereof EUR 1 Bn. S&T+Kontron)

S&T Business Model 2018 after potential Kontron merger



IT Services



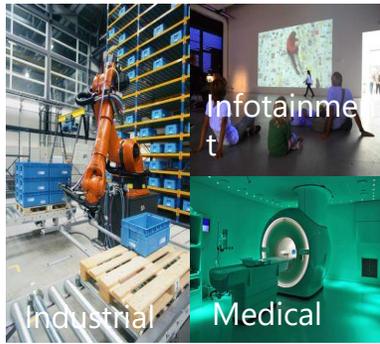
Services EE



Services DACH

2018: EUR 390 Mio @ ~5% EBITDA

IoT / Industry 4.0 Products



Industrial

Infotainment

Medical



Smart Energy

2018: EUR 440 Mio. @ ~9% EBITDA

Embedded Systems



Communications



Avionics

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

Similar customer base between S&T and Kontron in IoT -> easy integration

Planned total EBITDA Ratio >6 %

S&T's standalone 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 more
- 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

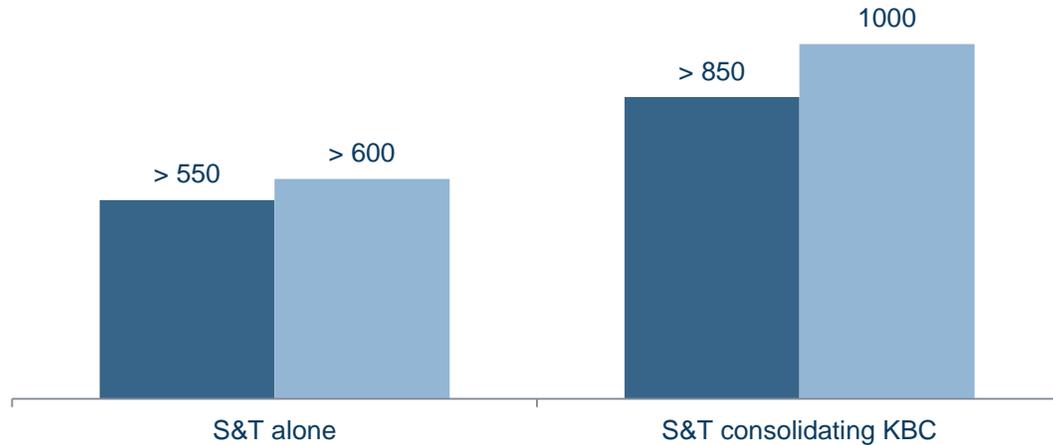
- **S&T: experience & high success rate in turnaround**
 - Kontron 2000
 - Gericom 2008
 - S&T (old) 2011
 - Add value – not only cost cutting mentality
 - Former Kontron subs RT Soft/Ubi successfully integrated

Merger impact on S&T's P&L

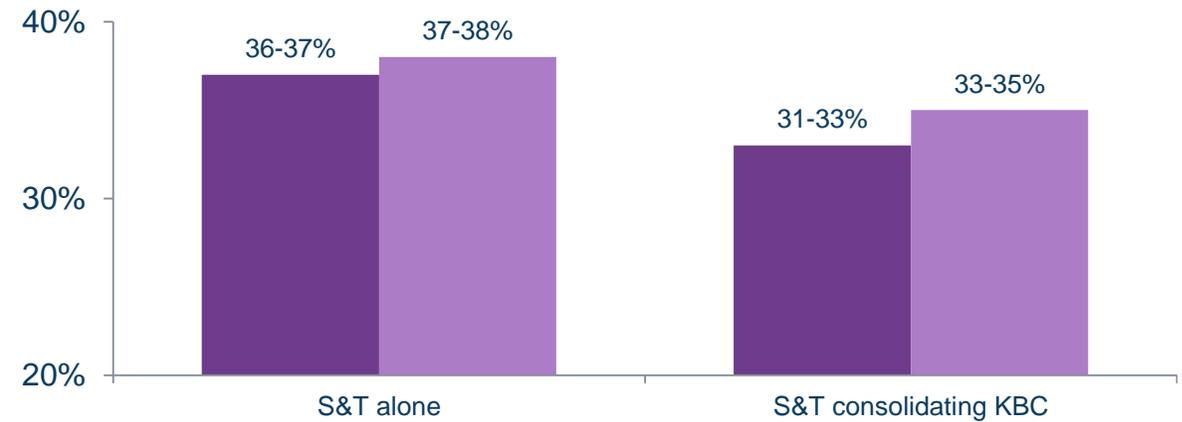
Assumptions, not planned and approved yet, in EUR Mio.



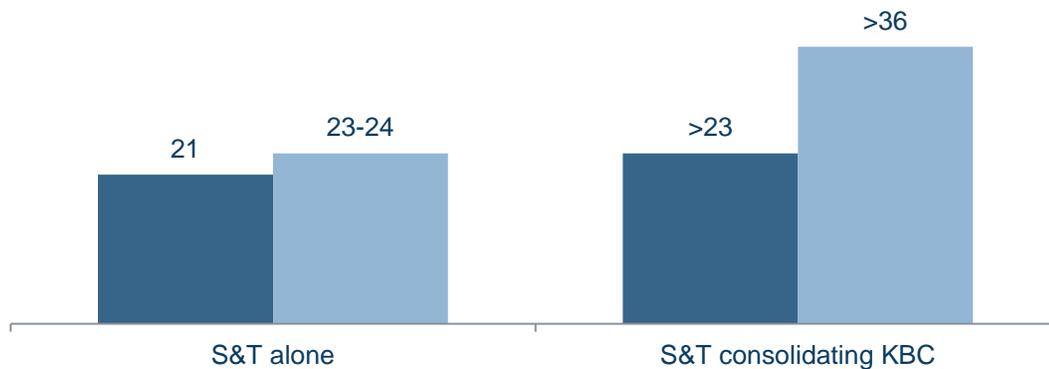
Revenue 2017 and 2018



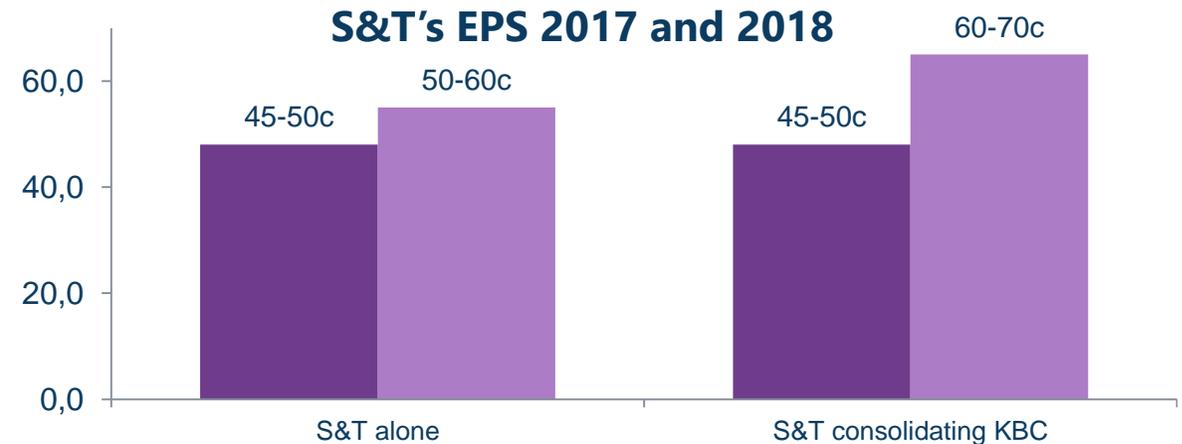
Gross Margin 2017 and 2018



Consolidated Income 2017 and 2018



S&T's EPS 2017 and 2018



Merger impact on S&T's Balance Sheet

added proforma based on reported figures 30.9.2016, in EUR Mio.



30.09.2016, in EUR Mio.	S&T alone	merged		S&T alone	merged
			EQUITY	107	317
NON-CURRENT ASSETS	121	245	NON-CURRENT LIABILITIES	66	77
Fixed assets	103	212	Long-term loans and borrowings	39	39
Other assets	18	33	Other non-current liabilities	27	38
CURRENT ASSETS	180	373	CURRENT LIABILITIES	128	224
Inventories	30	110	Trade accounts payable	53	108
Trade accounts receivable	90	169	Short-term borrowings	19	26
Cash and cash equivalents	30	46	Other current liabilities	56	90
Other assets	30	48			
Assets	301	618	Liabilities & Equity	301	618

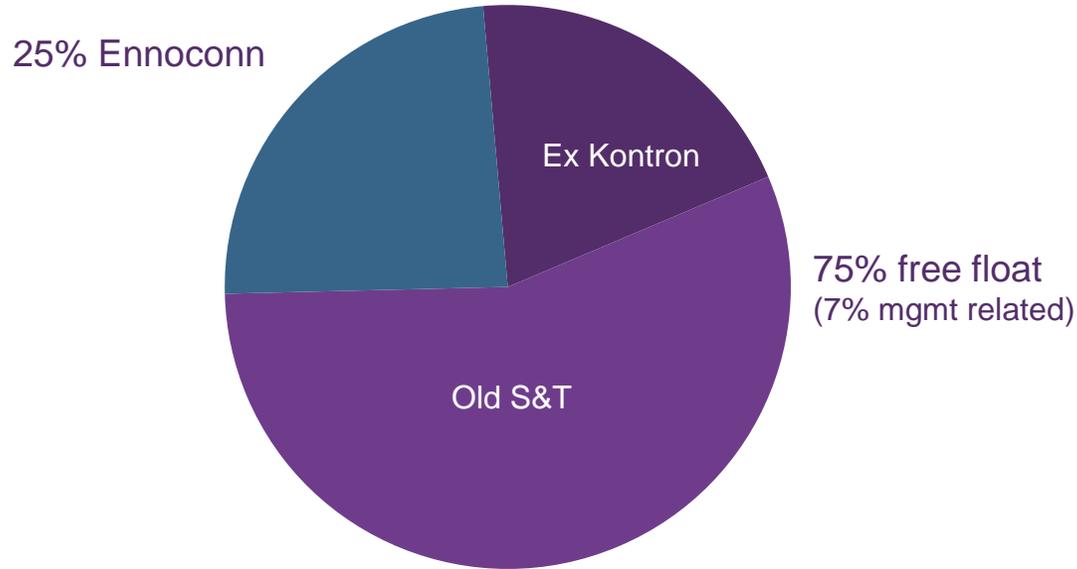


Equity Ratio	36%	51%
Net Debt	28	19
Working Capital	67	171

Merger impact on S&T's Share

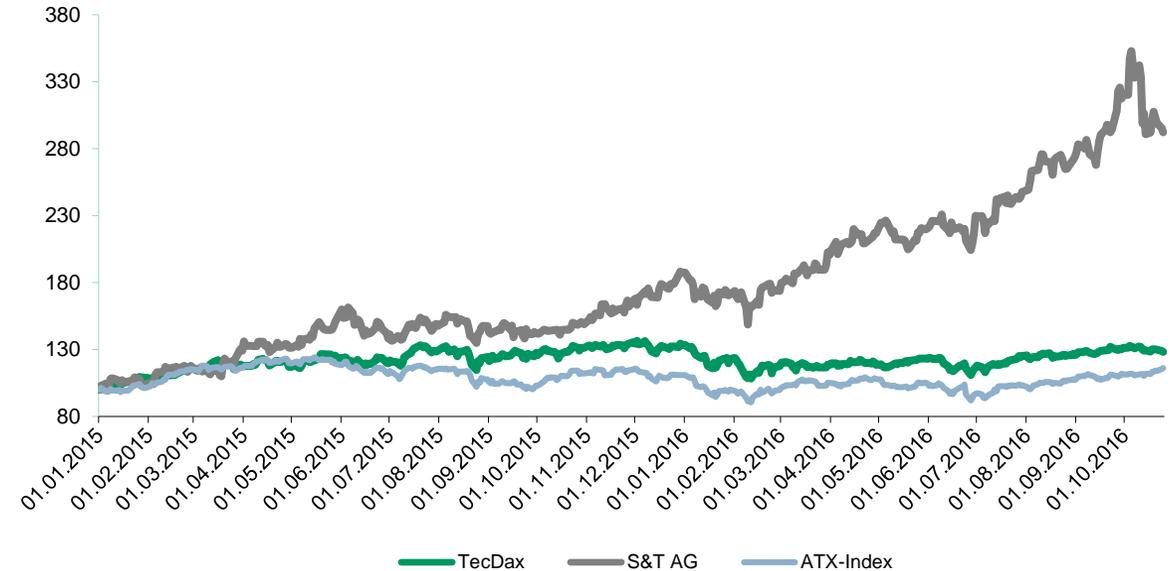


Shareholder Structure (after Merger)



Shares: 56-64 Mio. Shares
 Price (November 11, 2016): EUR 8,75
 EPS (2015): 36 cent
 EPS (2018 alone/merged): 50-60c / 60-70c

S&T outperformed TecDAX



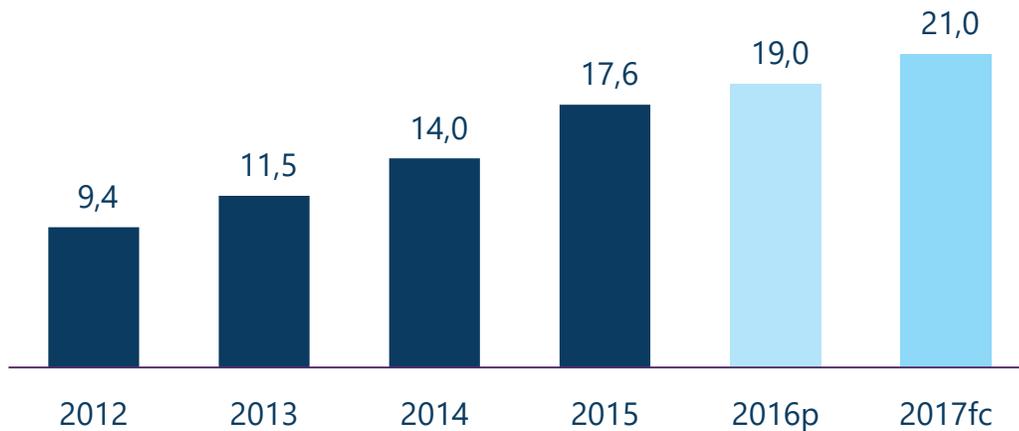
Dividend (2016): 8 cent (2015: 7 cent)
 Dividend (2018): min. 10 cent
 Market Cap: > 500 Mio. EUR
 Liquidity: > 400 Mio. EUR p.a.

October 2016: 15% drop in share price (Kontron transaction seen risky, Ennoconn potential neglected)

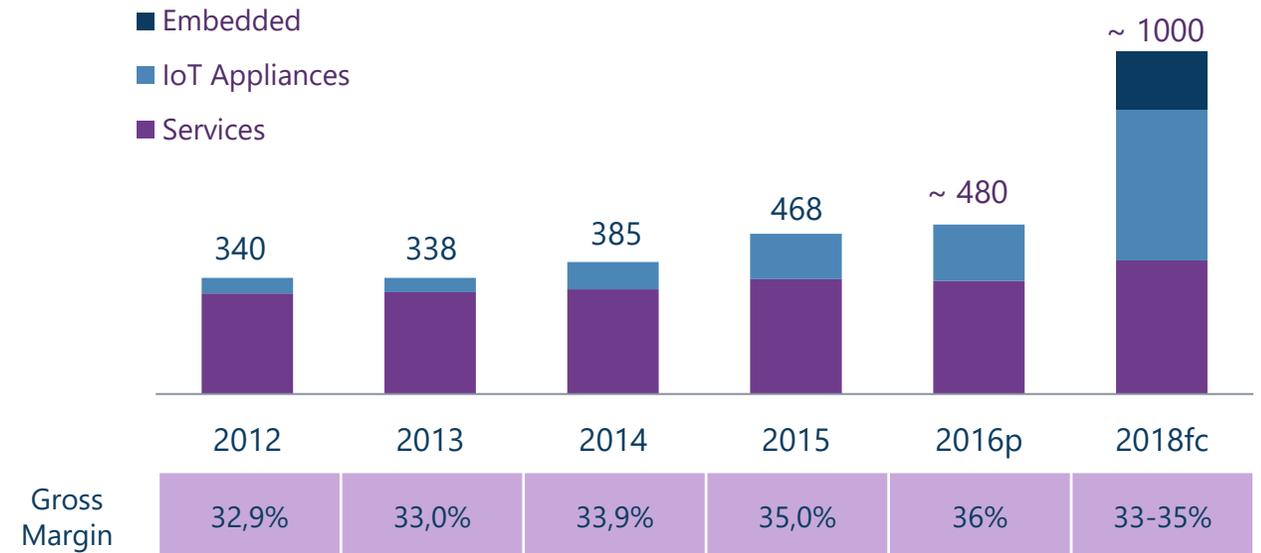
S&T's growth path continues...



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

- IoT alliance founded
- Transaction financed
- Emb. cloud implemented



Next Targets

- Start coop programs with ENN
- Turnaround of Kontron
- Merger with Kontron



Risks

- Kontron turnaround delayed
- Big players enter our market
- ENN cooperation fails



Opportunities

- IoT technology and market share leadership
- Cost efficient R&D and P&L
- Hype in IoT / Industry 4.0

This document includes 'forward-looking statements'. Forward-looking statements are all statements, which do not describe facts of the past, but containing the words "believe", "estimate", "expect", "anticipate", "assume", "plan", "intend", "could", and words of similar meaning. These forward-looking statements are subject to inherent risks and uncertainties since they relate to future events and are based on current assumptions and estimates of S&T AG, which might not occur at all or occur not as assumed. They therefore do not constitute a guarantee for the occurrence of future results or performances of S&T AG. The actual financial position and the actual results of S&T AG, as well as the overall economic development and the regulatory environment may differ materially from the expectations, which are assumed explicitly or implicitly in the forward-looking statements and do not comply to them. Analysts and investors, and any other person or entity that may need to take decisions, or prepare or release opinions about the shares / securities issued by S&T AG are cautioned not to place undue reliance on those forward-looking statements, which speak only as of the date of this document. Past performance cannot be relied upon as a guide to future performance.

Except as required by applicable law, S&T AG undertakes no obligation to revise these forward-looking statements to reflect events and circumstances after the date of this presentation, including, without limitation, changes in S&T's business or strategy or to reflect the occurrence of unanticipated events. The financial information and opinions contained in this document are unaudited and are subject to change without notice. This document contains summarized information or information that has not been audited. In this sense, this information is subject to, and must be read in conjunction with, all other publicly available information, including if it is necessary, any fuller disclosure document published by S&T AG. None of the Company, its subsidiaries or affiliates or by any of its officers, directors, employees, advisors, representatives or agents shall be liable whatsoever for any loss however arising, directly or indirectly, from any use of this document its content or otherwise arising in connection with this document.

This document or any of the information contained herein do not constitute, form part of or shall be construed as an offer or invitation to purchase, subscribe, sale or exchange, nor a request for an offer of purchase, subscription, sale or exchange of shares / rities of S&T AG, or any advice or recommendation with respect to such shares / securities. This document or a part of it shall not form the basis of or relied upon in connection with any contract or commitment whatsoever.

This document does not constitute an offer to purchase securities in the United States, Canada, Australia, South Africa and Japan. Securities, including the bond of S&T AG may not be sold or offered for sale within the United States or to or for the account of / in favour of US citizens (as defined in Regulation S under the U.S. Securities Act of 1933 in the current version (the "Securities Act") unless they are registered under the regulations of the Securities Act or unless they are subject to an exemption from registration. Neither S&T AG nor any other person intend to register the offer or a part thereof in the United States or to make a public offer of the securities in the United States.