



Analyst call on transaction S&T – Kontron – Ennoconn

- Capital increase
- Investment in Kontron

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Transaction 1 – Foxconn



Ennoconn Corp subsidiary of Hon Hai precision Ltd („Foxconn“) invests in S&T AG

a. Capital increase in S&T AG

- 10% capital increase (4,38 Mio new shares) – no subscription rights
- Price 10,03 EUR per share = 43,97 Mio EUR cash inflow
- Capital increase subject to approval of Austrian take over commission
- Closing expected within 2 weeks

b. Share purchase agreement for old shares („SPA1“)

- 19,35% old shares acquired (9,8 Mio old shares), Price 11,10 EUR per share = main seller Grosso
- Niederhauser sold 980k shares, keeping 60% of his stake, contractual commitment to ENN staying min until Jan 2019
- SPA1 is subject to approval of Austrian take over commission and various anti trust releases

After 2 weeks / 20 heads in due dilligence Foxconn was convinced on S&Ts competencies / R&D

About „Foxconn“



Key facts

Chinese name:	Hon Hai precision technology, HQ Taiwan
Employees:	1,2 mio employees, mainly in China, 10k in CZ
Revenues:	\$ 150 Bn
Cash on hand:	\$ 21 Bn
Forbes ranking:	#4 in employees, #17 in revenues globally

Biz model

Foxconn is the global leader in OEM/ODM manufacturing

Main products:	Apple iPhone, iPad Google, Amazon data servers for server farms
Design capacity:	> 4000 Computer designs per year



Synergies for S&T

Sales:	Foxconn is strong in USA/Asia, weak in East Europe -> Foxconn wins EE channel, S&T wins appliances channel in Asia S&T = partner for Foxconn in EE / DACH <ul style="list-style-type: none">- hi end data server/storage products- Sharp POS/POI
Engineering:	Joint development of IoT, industry 4.0 systems – chose from 4000 designs a year
Production:	cost leading 1st class volume products

Transaction 2 – Kontron



S&T AG acquires 29,9% stake in Kontron AG, Augsburg from Kontron key shareholders

- a. Tranche 1 – 2,840 Mio shares (5,1%) closed today („SPA2“)
- b. Tranche 2 – 13,81 Mio shares (24,8%) trustee („SPA3 + SPA4“)
 - subject to approval of anti trust committee
 - Closing expected within 4 weeks
- c. We do not plan any tender offer – we do not plan now to buy further shares on the market
- d. Total cost 59,9 mio EUR financed 44 Mio EUR (cap. Increase) and EUR 16 Mio internal cash

S&T AG will use its influence as major shareholder to turnaround Kontron

- a. Embedded market extrem healthy – all Kontron competitors make good profit and are growing

Once turnaround is achieved (3 – 6 months) we may propose to merge Kontron into S&T Group

- a. S&T will not consolidate any losses of Kontron
- b. Impact on S&T profits: 2017: EPS of S&T are stable, 2018: EPS increase > 15% based on Kontron deal

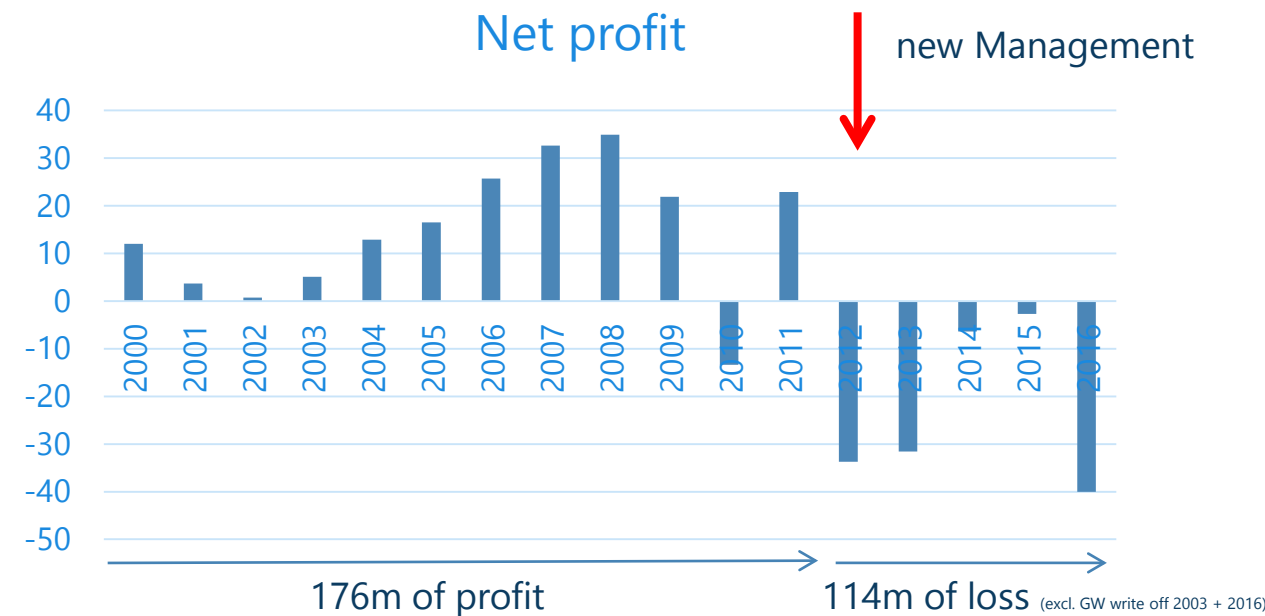
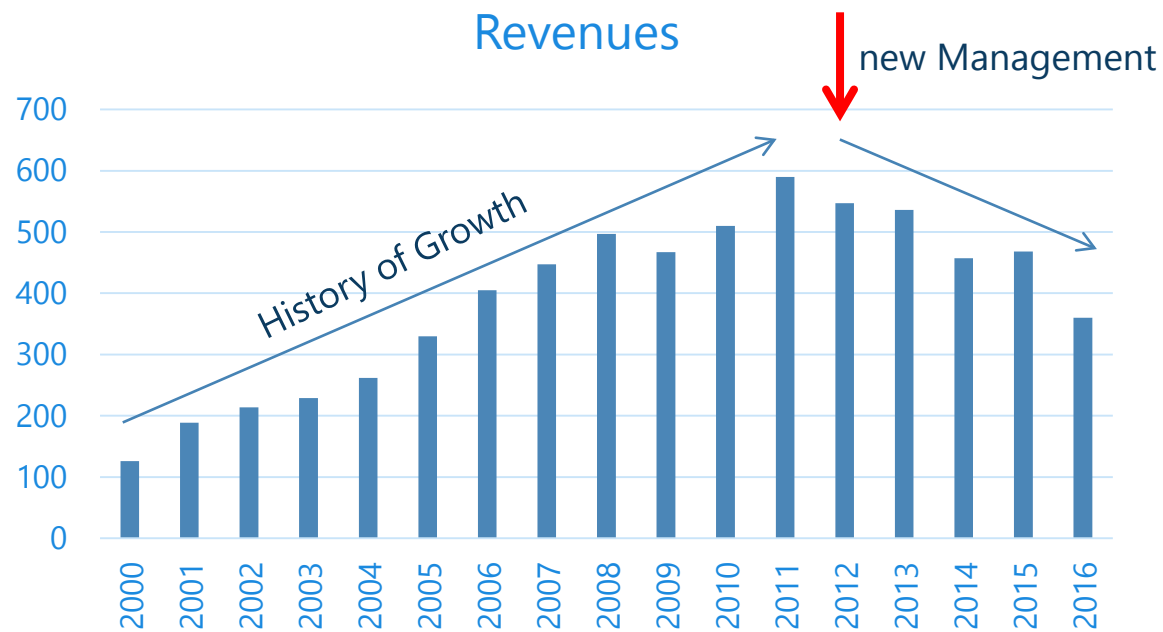
Step by step transaction to limit inherent risks

Next steps



Step	action	Date (2016)
1	Acquire 29,9% in Kontron	done
2	<ul style="list-style-type: none">- Approval take over commission- Approval anti trust commission	Mid November
3	<p>Call extra ordinary shareholder meeting at Kontron</p> <ul style="list-style-type: none">- Decide 10% capital increase (conditional „Sanierungs Privileg“)- Vote on supervisory board	Q4
4	Start Kontron without burden/restructuring costs in 2017	Jan 2017
5	First profitable quarter	Q1 or Q2 latest
6	Potential merger S&T and Kontron	Maybe H2/17

Kontron Business trend since 2000



Strong business development until 2011 – followed by restructuring (1) without success, restructuring (2) recently announced

Kontron turnaround



No fast revenues growth:

- Currently: Bad order entry
- Forecast:: H2/17 back to growth based on new Fox/S&T products

fast improved Gross margin:

- H1/2016: included 4m "one offs"
- 2017: 29% GM (+4%), add Software to Kontron products
- 2018: 32% GM (+3%), asianize products + include more Software

Opex – reduce inflated G/A cost

- 9,7% (34m) G/A back to 6,6%
- Reduce overpaid management and all consultants, public cost

Restructuring and write offs

- 30m expected for 2016, no more burden in 2017

Liquidity

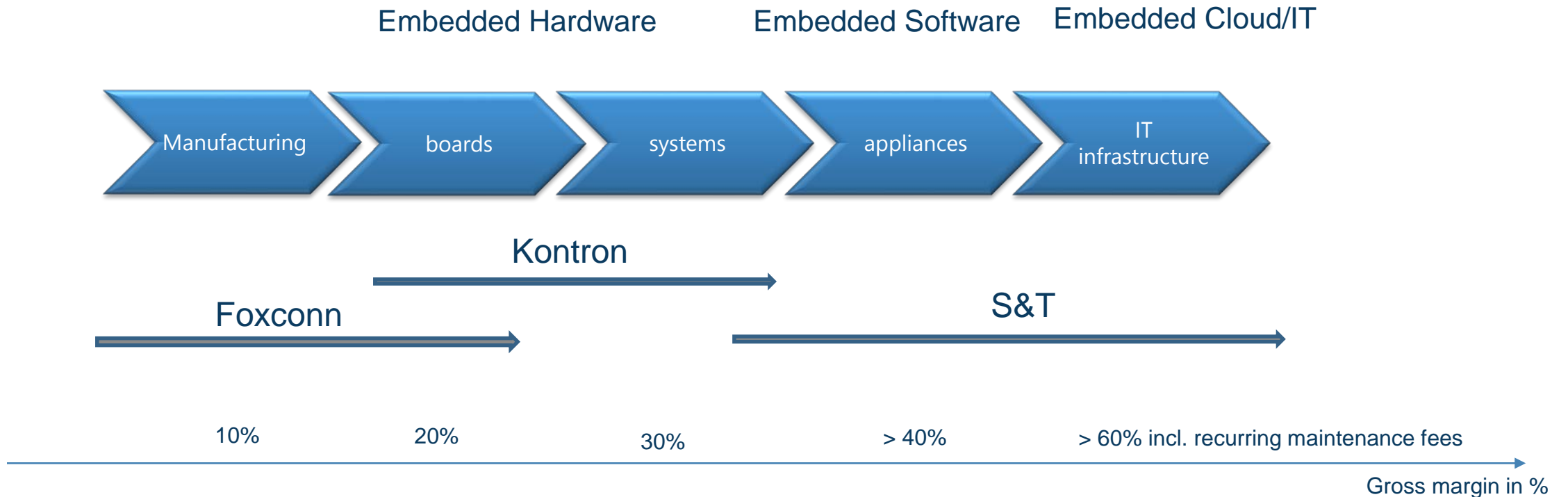
- Capital increase of 10% by S&T conditional to „Sanierungsprivileg“
- Reopen 50m credit line in Dec asap after cap increase and stop losses

P&L (in mEUR)	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

Experience and high success rate in turnaround

- Kontron 2000
- Gericom 2008
- S&T 2011
- Smart energy 2015
- Add value – not only cost cutting mentality
- Former K. subsidiaries RT Soft + Ubi successfully integrated

Value Chain: Ennoconn/Kontron/S&T



Industry 4.0 requires integration of machines into IT infrastructure (machines produce huge data amounts) ENN/S&T/Kontron will release **new product category** of industry 4.0 „appliances“ directly connected to IT infrastructure/cloud. The old embedded hardware market will disappear (like PC).

Synergies S&T – Ennoconn - Kontron



	S&T	Kontron	Foxconn/Ennoconn
Technology	1.800 engineers mainly Software	only 250 engineers	4000 latest designs to chose from
Liquidity	Good credit rating Trust of banks	No more credit line	Deep pockets if needed \$ 21 Bn cash on hand
Sales channel	DACH, Eastern Europe	Global, strong installed base	very strong in Asia
Production	No focus	sold	Undisputed#1, asianize
Logistics			RMA center CZ
Management	Experienced management proven track record	Interim, Not long in place	High trust in S&T

Strategic investor with clear vision and strategy

S&T Business Model after Kontron merger



IT Services DACH

2018: €110m @ 6% EBITDA



IT Services EE

2018: €290m @ 6% EBITDA



IoT – Industry 4.0

2018: €350m @ 11% EBITDA
(industry, medical, infotainment)



IoT – Smart Energy

2018: €110m @ 10% EBITDA



Telecom

2018: €90m @ 9% EBITDA
Canada



Defense

2018: €90m @ 10% EBITDA
USA
(transport, defense, aerospace)

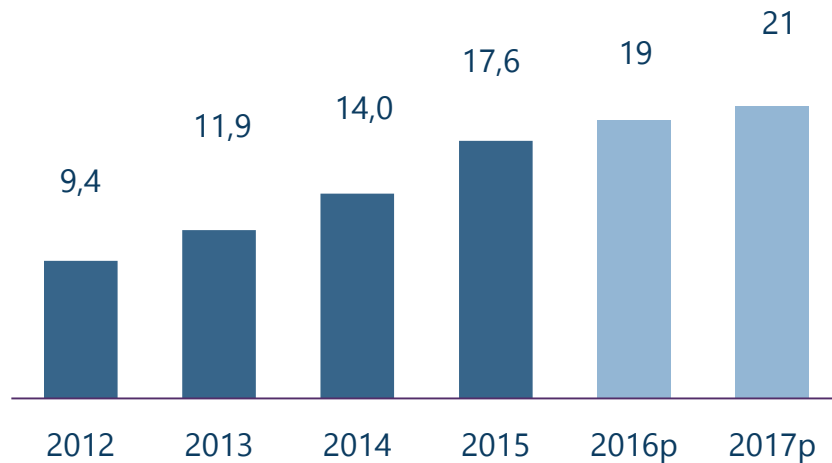


Similar customer base in appliances -> integration of segments easy
IoT/industry 4.0 the same, energy acquired from Kontron before

S&T's growth path continues...

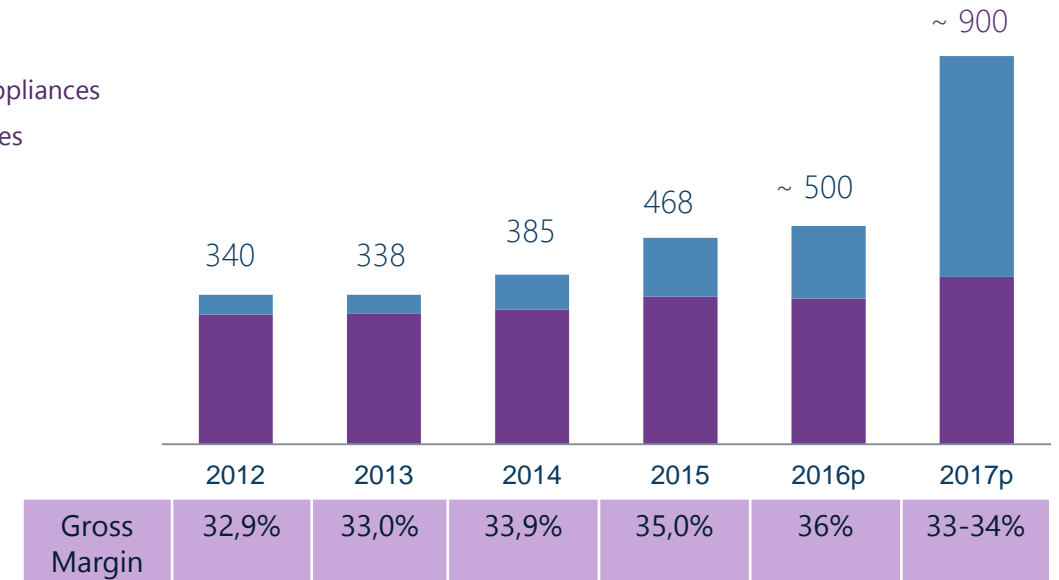


Consolidated Income (in EUR m)



Revenue (in EUR m)

■ IoT Appliances
■ Services



Forecast 2017: Kontron profitable, dilution of S&T's Gross Margin
No dilution of EPS

Comparison S&T EPS vs EPS incl. Kontron



In Mio EUR	2018 S&T	2018 S&T / KBC
Revenues	625	1000
Gross margin	230	~360
GM %	37%	~36%
EBITDA	45	65 - 70
EBITDA %	> 7%	> 6,5%
# shares	44	55-65
EPS	55-60c	65-70c

Kontron merger will improve EPS significantly -> add value to the shareholders

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