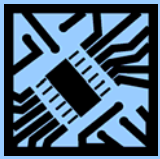


26 February 2008

Update


IT
 Poland

Sygnity

COMW.WA; CPL.PW

Buy

(Reiterated)

| | |
|-------------------------------|-----------------|
| Current price | PLN 43.5 |
| Target price | PLN 65.0 |
| Market cap* | PLN 517.0m |
| Free float* | PLN 328.5m |
| Avg daily trading volume (3M) | PLN 5.07m |

* post-SPO

Shareholders

| | |
|---------------------|--------|
| Legg Mason | 10.27% |
| BBI Investment | 10.16% |
| PKO TFI | 5.84% |
| Commercial Union IM | 5.11% |
| Deutsche Bank AG | 5.08% |
| Others | 63.54% |

Sector Outlook

The value of the bank automation services market was estimated at PLN 2.2 billion in 2005 (14.5% of the overall IT market). Forecasts for the years ahead foresee continued double-digit growth in our IT market. In 2006, the value of the Polish ERP market exceeded PLN 500m. According to IDC, this market will increase by ca. 16.5% a year until 2009.

Company Profile

Sygnity is one of Poland's leading system integrators, catering to government agencies, the healthcare industry, telecoms, manufacturers, and financial organizations. Sygnity was formed through a merger between ComputerLand and Emax.

Sygnity Ends Q407 In the Black

As promised, Sygnity ended the fourth quarter of 2007 in the positive territory. Revenues missed target by 8.4% due to delayed contracts totaling PLN 21m, but actual EBIT reached 99.3% of the company's forecast. Sygnity sold certain assets in Q4, the effects of which we considered separately when making our projections for the period. Adjusted for this one-time gain, reported EBIT came in line with expectations, reinforcing our financial forecasts and valuation estimates.

Sygnity's stock appreciated 50% since we rated it a buy in December, but we stand by this rating as we look at the positive effects of the company's restructuring efforts, noticeable in the Q4 results (PLN 14.5m savings).

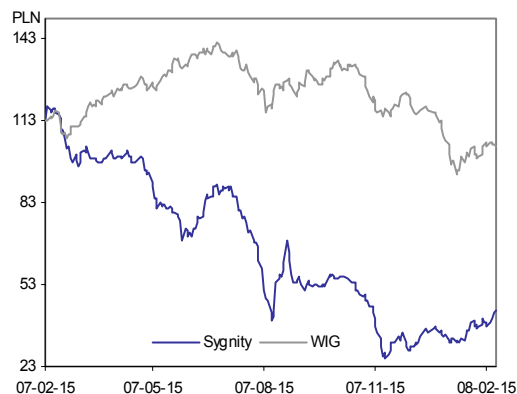
Fourth-Quarter Results

Sygnity's earnings targets for the fourth quarter were PLN 428m for revenue and PLN 33m for EBIT (similar to our own forecasts). The original guidance did not include the one-time gain recorded in the quarter from sale of assets to ABG SPIN, after which the EBIT target was revised upwards to PLN 56m. The actual fourth-quarter EBIT came in at PLN 55.6m.

Sygnity generated debt service costs in FY2007 of PLN 12.0m, close to our forecasted PLN 12.7m (total debt as of 31 December 2007 stood at PLN 193.6m). The first three quarters of FY2007 saw an aggregate PLN 12.0m tax benefit (PLN 7.4m in Q3 2007), while a tax charge of PLN 9.0m was reported in Q4 (the full-year tax effect was a positive PLN 3.0m). Finally, Sygnity's bottom line (including the asset sale to ABG SPIN) showed a PLN 43.0m profit for the fourth quarter, and an estimated PLN 64.8m loss for full-year FY2007.

Shareholder Reshuffle

Sygnity's main shareholder is Legg Mason Zarządzanie Aktywami, which most recently reported a 10.27% equity interest in the company. The other shareholders include Commercial Union IM, which increased its interest to 5.11%, PKO TFI (5.84%), Deutsche Bank (5.08%), and BBI funds (10.16%).

SGN vs. WIG

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| (PLN m) | 2005 | 2006 | 2007F | 2008F | 2009F |
|---------------|-------|-------|---------|---------|---------|
| Revenue | 858.1 | 927.1 | 1 305.4 | 1 328.7 | 1 428.3 |
| EBITDA | 55.7 | 55.2 | -41.1 | 105.4 | 141.8 |
| EBITDA margin | 6.5% | 6.0% | - | 7.9% | 9.9% |
| EBIT | 34.0 | -13.3 | -94.0 | 58.3 | 82.0 |
| Net profit | 11.5 | -27.5 | -90.7 | 42.3 | 62.4 |
| Cash earnings | 33.2 | 41.0 | -37.8 | 89.4 | 122.1 |
| P/E | 26.1 | - | - | 12.2 | 8.3 |
| P/CE | 9.0 | 8.5 | - | 5.8 | 4.2 |
| P/BV | 1.4 | 0.8 | 1.9 | 1.4 | 1.2 |
| EV/EBITDA | 3.8 | 7.1 | - | 5.4 | 3.7 |

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List of abbreviations and ratios contained in the report:

EV – net debt + market value
EBIT – Earnings Before Interest and Taxes
EBITDA – EBIT + Depreciation and Amortisation
P/CE – price to earnings with amortisation
MC/S – market capitalisation to sales
EBIT/EV – operating profit to economic value
P/E – (Price/Earnings) – price divided by annual net profit per share
ROE – (Return on Equity) – annual net profit divided by average equity
P/BV – (Price/Book Value) – price divided by book value per share
Net debt – credits + debt papers + interest bearing loans – cash and cash equivalents
EBITDA margin – EBITDA/Sales

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BUY – we expect that the rate of return from an investment will be at least 15%
ACCUMULATE – we expect that the rate of return from an investment will range from 5% to 15%
HOLD – we expect that the rate of return from an investment will range from -5% to +5%
REDUCE – we expect that the rate of return from an investment will range from -5% to -15%
SELL – we expect that an investment will bear a loss greater than 15%
 Recommendations are updated at least once every nine months.

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Comparative – based on a comparison of valuation multipliers of companies from a given sector; simple in construction, reflects the current state of the market; weak points include substantial variability (fluctuations together with market indices) as well as difficulty in the selection of the group of comparable companies.

Previous recommendations issued for Sygnyty

| Recommendation | Buy | Buy |
|--------------------------------|------------|------------|
| Date issued | 2007-08-28 | 2007-12-14 |
| Price on day of recommendation | 55.00 | 29.00 |
| WIG on day of recommendation | 60073.46 | 57736.50 |