ERSTE GROUP

Company Report – IT Services – Poland – December 5, 2008

Sygnity from Hold to Reduce

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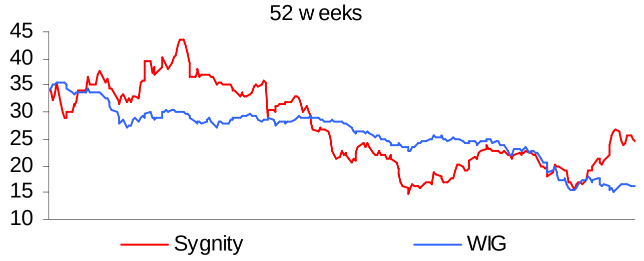
PLN mn	2007	2008e	2009e	2010e
Net sales	1,265.8	1,005.2	1,005.2	1,062.0
EBITDA	-16.6	56.1	49.2	53.2
EBIT	-72.3	13.1	14.6	19.5
Net result after min.	-65.6	1.4	7.3	11.8
EPS (PLN)	-6.81	0.12	0.61	0.99
CEPS (PLN)	-2.30	3.55	3.53	3.83
BVPS (PLN)	31.77	31.61	32.23	33.24
Div./share (PLN)	0.00	0.00	0.00	0.00
EV/EBITDA (x)	-30.6	6.8	7.2	6.4
P/E (x)	-5.2	197.1	40.1	24.8
P/CE (x)	-15.3	6.9	6.9	6.4
Dividend Yield	0.0%	0.0%	0.0%	0.0%



Performance	12M	6M	3M	1M
in PLN	-28.4%	7.0%	6.1%	42.0%
in EUR	-32.7%	-6.1%	-7.0%	31.5%

Share price (PLN)	24.50	Reuters	COMW.WA	Free float	61.2%
Number of shares (mn)	11.9	Bloomberg	CPL PW	Shareholders	Legg Mason (10.3%)
Market capitalization (PLN mn / EUR mn)	291 / 76	Div. Ex-date			Pioneer Pekao (5.7703%)
Enterprise value (PLN mn / EUR mn)	379 / 99	**Target price**	**22.7**	Homepage:	www.sygnity.com

Hope for takeover offer

- **We downgrade our recommendation on Sygnity to Reduce (from Hold), with a 12-month target price of PLN 22.7. Already incorporated in the target price is a 30% (or PLN 3.1 per share) chance of Sygnity being taken over by Ness Technologies at the rumored price of PLN 30 per share.**

- **Sygnity published 3Q08 figures that showed further signs of improvement, as the gross margin was above 19% for the second consecutive quarter. The outlook for FY08 is also positive, given Sygnity's aim to reach break-even on the EBIT level, excluding the sale of non-core assets. This positive result would be especially necessary for Sygnity to support its negotiations with its lender banks, which have only granted credit lines until March 31, 2009. Furthermore, it is expected that Sygnity will not be able to roll over its 1Y bond maturing in July, 2009 (PLN 50mn outstanding). Hence, the bond might be replaced by credit lines.**

- **Our assumptions disregard proceeds and book gains on potential non-core asset sales. These sales are expected to add a book gain of around PLN 14mn by 1H09, reducing net debt by about PLN 30mn (estimating the book value of the real estate to be sold at about PLN 14mn). Even including these sales in the valuation would not result in upside potential for the stock, from the current point of view.**

- **The main driver for the share price in the recent past has been rumors that Ness Technology could acquire Sygnity at a price of PLN 30 per share. This was mentioned by the CEO of Sygnity as the price at which the major shareholders (BBI, Legg Mason,..) would consider selling their stakes (~30%). Given the current share price, the potential decline clearly exceeds the potential upside in the case that the rumors prove wrong.**

- **We have incorporated further improvement from restructuring in our estimates. Our EPS estimates for 2008e-2010e are PLN 0.12, PLN 0.61 and PLN 0.99, respectively. This includes the already reflected book gain of around PLN 11.5mn in 2008, but no asset sales in the following years.**

3Q08 results showed ongoing operating improvement

3Q08 results with improved profitability and a book gain of PLN 11.5mn

Sygnity showed signs of improvement in 3Q. Although sales only amounted to PLN 183.7mn (-22.5% y/y), i.e. 17% below our estimate and 19% below the consensus, the improved gross margin of 19.3% (+10.8pp y/y) helped to compensate for that. EBIT was again boosted by a book gain of PLN 11.5mn on the sale of ZCP, reaching PLN 11.8mn (3Q07: PLN -54.6mn, 5.6% below our estimate, 3.8% below the consensus). Hence, excluding the book gain from the sale of ZCP, EBIT remained positive, which is a good sign. Net profit came in at PLN 6.3mn, which fell well short of our forecast and the consensus estimate of PLN 9.5mn and PLN 9.3mn, respectively.

Net debt in 3Q08 increased due to WC needs

The figures are positive, the sales mix is improving and the gross margin remained above 19% for the second consecutive quarter. The reason why Sygnity increased its indebtedness by about PLN 27mn in 3Q08 was the higher working capital needs (seasonality).

Sygnity (PLN mn)	3Q 08	3Q 07	y/y	1-3Q 08	1-3Q 07	y/y
Sales	**183.7**	**236.9**	***-22.5%***	**664.7**	**835.3**	***-20.4%***
of products	146.6	141.0	*3.9%*	438.8	445.9	*-1.6%*
of total sales	*79.8%*	*59.5%*	-	*66.0%*	*53.4%*	-
of goods & materials	37.1	95.9	*-61.3%*	225.9	389.4	*-42.0%*
of total sales	*20.2%*	*40.5%*	-	*34.0%*	*46.6%*	-
COGS	**-148.2**	**-216.9**	***-31.7%***	**-547.9**	**-755.4**	***-27.5%***
of products	-116.9	-128.5	*-9.0%*	-353.9	-401.5	*-11.9%*
of goods & materials	-31.3	-88.4	*-64.6%*	-193.9	-353.9	*-45.2%*
Gross margin	*19.3%*	*8.4%*	-	*17.6%*	*9.6%*	-
of products	*20.2%*	*8.9%*	-	*19.3%*	*9.9%*	-
of goods & materials	*15.6%*	*7.8%*	-	*14.1%*	*9.1%*	-
EBITDA	**23.5**	**-46.4**	***-150.6%***	**20.0**	**-89.9**	***-122.2%***
EBITDA margin	*12.8%*	*-19.6%*	-	*3.0%*	*-10.8%*	-
EBIT	**11.8**	**-54.6**	***-121.7%***	**-14.9**	**-127.0**	***-88.3%***
EBIT margin	*6.4%*	*-23.0%*	-	*-2.2%*	*-15.2%*	-
EBIT adj.*	**0.3**	**-17.8**	***-101.4%***	**-71.7**	**-26.9**	***166.9%***
EBIT margin adj.	*0.1%*	*-7.5%*		*-10.8%*	*-3.2%*	
Pre-tax profit	8.5	-57.4	*-114.8%*	-19.8	-135.6	*-85.4%*
Net profit	**6.3**	**-50.1**	***-112.6%***	**-18.4**	**-107.9**	***-82.9%***
Net profit margin	*3.4%*	*-21.2%*	-	*-2.8%*	*-12.9%*	-

Source: Company data
*2007: excl. restructuring reserves; 2008: excl. book gains on non-core asset sales

Outlook for 4Q08 and beyond

FY08 guidance points at break even on EBIT level

The backlog for 2008 is at PLN 900mn, meaning that Sygnity already has about PLN 240mn contracted revenues for 4Q08. Management stated that it aims to reach an EBIT margin of around 1-2% for FY08, leaving aside the book gains on the sale of its non-core assets. The targeted FY08 revenues are PLN 1bn. This would mean that Sygnity aims to reach revenues of PLN 340mn in 4Q08 at an EBIT margin of more than 7.5% (excl. book gains). Book gains in 4Q08 could amount to about PLN 3.5mn (with an effect on EBIT due to sale of Geomar).

Industrial focus now becomes strength

Regarding the revenue outlook for the coming years, Sygnity's former weakness could become its strength. In the past few years, Sygnity had to deal with delayed public tenders, disappointing investors by missing their guidance. In the current environment, the strong focus on the public and industrial sector (which is often related to the public sector, like utilities, telco) should help Sygnity maintain its revenues at the level seen in 2008, i.e. PLN 1bn. This should help Sygnity to offset potentially lower sales to the financial sector.

Replacing the 1Y bond in mid 2009…

The main issue Sygnity is currently dealing with is the refinancing of its debt. After 3Q08, Sygnity had outstanding short-term bonds of PLN 63.3mn, out of which PLN 6.8mn were already redeemed in the middle of November, while new bonds (under the 3M bond program) have been issued (see table below). As it currently seems questionable whether Sygnity will be able to roll over the 1Y bond as it has done in the past, Sygnity's management is now negotiating with its banks over a replacement with other credit facilities.

Sygnity's outstanding bonds (as of 2008-11-20)

Redemption date	Nominal value (PLNmn)
2008-11-19	6.75
2009-01-14	3.71
2009-02-18	4.98
2009-03-18	3.57
2009-07-27	50.00
Total outstanding	62.26

Source: company data

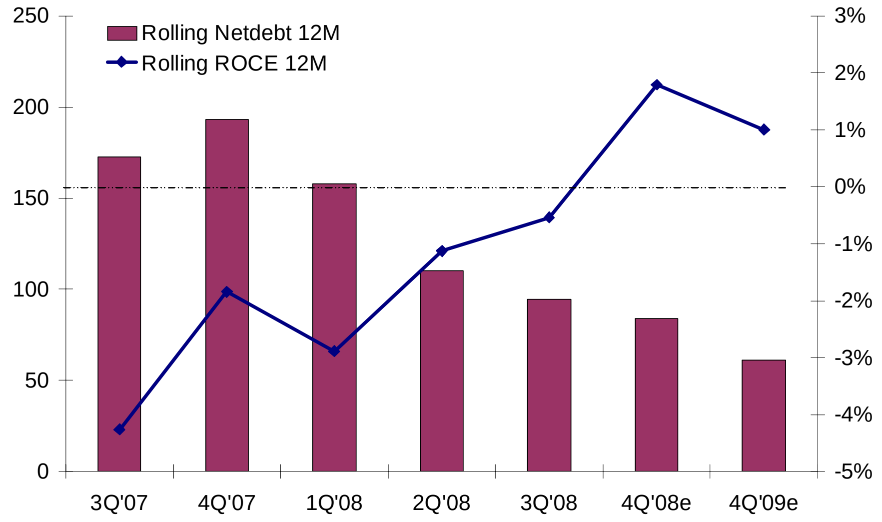
…and extending credit lines as main issue

Under the current credit agreement, Sygnity's banks have extended their loan contracts in October until the end of March 2009. Consequently, Sygnity is expected to post a sound result for 4Q08. This could have not only the positive effect that the credit lines would be extended, but also that Sygnity's lender banks could remove the company from their watch list.

Net debt to decline gradually

Given Sygnity's recent and expected development (excluding the upcoming sale of non-core assets), we estimate that the company's external financing needs will be reduced and that net debt will decline further, as we expect the company to increase its cash flow.

Rolling ROCE (PLNmn)



Source: Company data, Erste Group Research

Further sale of non-core assets until 1H09

Sygnity has already announced that it will continue to sell non-core assets. After the sale of Geomar and KPG had to be cancelled (as the buyer did not transfer the agreed upon price, which was already booked in 2Q08), the sale of both companies is now planned to occur by the end of 1Q09. Furthermore, the sale of an office building that Sygnity has already rented to a third party will be sold to the tenant. As we have not reflected any of the future sales in our estimates, the following table provides an overview of the expected effect of these transactions. Each of these sales is expected to not only increase Sygnity's EBIT, but also cash flow, hence reducing the company's net debt.

Potential and already realized book gains

(PLNmn) Asset for sale	sale when (expected)	book value	est. sales price	book gain
sale of EFH	1Q08	3.8	4	0.2
sale of ZCP	3Q08	9.38	20.88	11.5
sale of Geomar	4Q08 or 1Q09	7.378	10.845	3.467
sale of KPG	4Q08 or 1Q09	2.174	6.154	3.98
office building*	1Q or 2Q09	~14	~21	~ 7
Additional CF			~38	
Additional book gain (EBIT)				~14.4

Source: company data; *values for office building estimated by Erste Group research

Effect of asset sales on P&L – EBITDA & EBIT adjusted

PLNmn	2008e*	2009e**	2010e
Sales	1,005.15	1,005.19	1,062.04
EBITDA	44.35	49.22	53.21
margin	*4.41%*	*4.90%*	*5.01%*
EBITDA incl. book gains	59.52	60.20	53.21
margin adj	*5.92%*	*5.99%*	*5.01%*
EBIT	1.35	14.57	19.51
margin	*0.13%*	*1.45%*	*1.84%*
EBIT incl. book gains	16.52	25.55	19.51
margin adj.	*1.64%*	*2.54%*	*1.84%*

*2008: sale of EFH, ZCP, Geomar reflected; **2009: sale of KGP, office building reflected

Source: Erste Group estimates, company data

Further upside to our estimates - restructuring

Apart from not having reflected any potential upcoming asset sale, we have also only reflected a minor improvement from further restructuring. Sygnity is about to merge with three related subsidiaries (Aram, Support, ICD Comp Consulting), which should bring further savings potential. From the estimated PLN 15mn additional cost savings, we have reflected PLN 13mn.

Sygnity as takeover target – BBI is said to sell @ PLN 30

Recently, rumors have popped up that Ness Technologies may be in negotiations to take over Sygnity at a price of around PLN 30 per share. Sygnity has admitted that a few IT companies have shown interest in taking it over, but that no due diligence has been carried out so far (which they could not admit in any case). CEO Piotr Kardach stated that the major shareholders (BBI, Legg Mason, PPIF, DB with ~30% of shares) would be willing to sell at around PLN 30 (i.e. valuing Sygnity at PLN 360mn). Alternatively, Ness could also take over just BBI's stake (worth about PLN 31mn at a price of PLN 30 per share) with the aim to increase its shareholding at a later point in time. Sygnity and Ness signed a partnership agreement in July of this year, under which they will jointly offer services and solutions to select clients in Central and Eastern Europe.

As the biggest PL integrator, Sygnity is a potential take over target

Basically, we believe that Sygnity could be an interesting takeover target, now that the company has overcome the worst difficulties. Sygnity is the biggest IT integrator in Poland and the current environment could prompt cash-rich big IT companies to acquire a strong position on the Polish market. Ness Technology is already present in CEE, with its local headquarters in the Czech Republic and offices in Slovakia, Hungary and Romania. Consequently, Poland, as the biggest market in CEE, is currently only dealt with from abroad. IT integration is also a main focus of Ness Technologies.

Valuation and target price

Increasing efficiency at stable revenues drives further development

In our DCF model, we have assumed that Sygnity will be able to keep its revenues stable over the next few years, due to its focus on the public, utility and industrial sector (the latter two are influenced by the public sector), as well as the telco sector (which is rather independent of the economic cycle). For 2008, we have incorporated the company's guidance regarding the top line and EBIT. For the coming years, we expect a slight improvement of Sygnity's operating efficiency (due to the ongoing restructuring program). Still, we have left aside potential sales of non-core assets, which would have a positive effect on the net debt and EBIT (see above).

30% chance of take over reflected

In addition to the usual approach of calculating our target price as a result of the DCF and multiple value, we have also assigned a 30% probability to a scenario in which Sygnity is acquired. This step adds another PLN 3.1 to our 12-month target price.

Valuation assumptions

PLN (mn)	2007	2008e	2009e	2010e	2011e	2012e	2013e	TV
Sales	1,265.8	1,005.2	1,005.2	1,062.0	1,109.7	1,179.3	1,251.0	1,282.3
EBIT	-72.3	13.1	14.6	19.5	25.5	36.7	42.5	44.9
adj.taxes	4.0	-0.5	-1.7	-2.8	-4.3	-6.7	-7.8	-8.5
Noplat	-68.3	12.6	12.8	16.7	21.3	30.0	34.7	36.3
Depreciation	55.7	43.0	34.7	33.7	32.2	24.6	22.6	22.6
Capex	-17.7	-20.0	-20.0	-20.0	-20.0	-20.0	-20.0	-22.6
Change in working capital	35.6	-8.2	0.6	-9.2	-9.4	-13.0	-13.4	-10.0
Free cash flow	**5.3**	**27.3**	**28.0**	**21.2**	**24.1**	**21.7**	**23.9**	**26.3**
PV FCF	0.0	0.0	25.4	17.5	18.0	14.7	14.7	214.8
Enterprise Value	**305.0**							
Net debt (as of 31.12.08)	84.1							
Associated comp.	14.6							
Equity value (as of 31.12.08)	235.5							
Equity value (as of 04.12.09)	**264.9**							
Equity value per share (as of 04.12.09)	**22.6**							

	Detailed period	Infinity	Cost of debt	
Beta	1.5	1.0	Net debt (PLN mn)	84.1
Risk free rate	4.7%	5.0%	Debt + equity (PLN mn)	276.1
Equity premium	6.0%	5.5%	Debt/equity	43.8%
Required rate of return	13.7%	10.5%	After tax COD	4.9%
Number of shares (mn)	11.9		Debt premium	2.5%
WACC	10.3%	10.2%	TV growth rate	2.5%

Final Valuation Sygnity

(PLN per share)	DCF		Multiple
Implied price	20		15
Implied price 12m	**22.6**		**16.7**
Weight	50%		50%
implied price per share		17.2	
Average price 12M		**19.6**	
30% chance of takeover @ PLN 30		3.1	
Final Target price 12 months		**22.7**	
Current price		24.5	
Upside (downside)		-7.2%	

Source: Company data, Erste Group estimates

In order to provide an idea of the impact of the planned non-core asset sales, we provide a simulation of the effect further below.

Theoretical valuation including sale of assets

PLNmn incl. sale of assets	2007	2008e	2009e	2010e	2011e	2012e	2013e	TV
Sales	1265.8	1005.2	1005.2	1062.0	1109.7	1179.3	1251.0	1282.3
EBIT	-72.3	16.6	28.6	19.5	25.5	36.7	42.5	44.9
tax rate	-5.6%	-6.9%	-15.4%	-14.4%	-16.7%	-18.2%	-18.4%	-19.0%
Taxes on EBIT	4.0	-1.1	-4.4	-2.8	-4.3	-6.7	-7.8	-8.5
Noplat	-68.3	15.4	24.2	16.7	21.3	30.0	34.7	36.3
Depreciation	55.7	43.0	34.7	33.7	32.2	24.6	22.6	22.6
Capex	-17.7	-20.0	-20.0	-20.0	-20.0	-20.0	-20.0	-22.6
Change in working capital	35.6	-8.2	0.6	-9.2	-9.4	-13.0	-13.4	-10.0
Free cash flow	**5.3**	**30.2**	**39.4**	**21.2**	**24.1**	**21.7**	**23.9**	**26.3**
PV FCF			35.7	17.5	18.0	14.7	14.7	214.8
Enterprise Value (as of 31.12.08)	**315.3**							
Net debt (as of 31.12.08)	74.10							
Associated comp.	14.55							
Equity value (as of 31.12.08)	255.7							
Equity value (as of 04.12.09)	**287.68**							
Equity value per share (as of 04.12.09)	**24.20**							

Valuation incl. asset sale	DCF		Multiple comparison
Implied price	24.4		18.6
Weight	50%		50%
Average		**21.5**	
30% takeover probability @30		2.55	
Theoretical 12M TP incl. asset sales		**24.0**	
Current price		**24.5**	
upside / (downside)		-1.8%	

Source: Company data, Erste Group estimates

In case the take over proves wrong, strong downside potential

As becomes visible, despite reflecting potential asset sales, Sygnity's share price still trades at a premium to its 12-month target price. This is a clear indication that the market has already priced in a higher probability of Sygnity being taken over than we have in our report. Although we do believe that Sygnity is a potential takeover target, we would expect Ness (as the most realistic acquirer right now) to buy a strategic stake in Sygnity, given its own financial situation (net debt at PLN 20mn in 3Q08) and share price development (-52% YTD).

New target price

	DCF	Multiple	Weight	30% takeover chance	12-month target price	act. shareprice	upside to target price	Recommendation
Sygnity	22.6	16.7	50/50	3.1	22.7	24.5	-7.2%	Reduce

Source: Erste Group estimates

New rating – REDUCE, TP PLN 22.7

Consequently, we have a Reduce recommendation on Sygnity, with a target price of PLN 22.7. It should be noted that we have already included PLN 3.1 to reflect the acquisition scenario. Leaving this aside, we would arrive at a target price of PLN 19.6, marking a substantial downside potential for the stock (-20%).

Peer group valuation

	Mcap. (EUR mn)	EV/sales			EV/EBITDA			P/E			P/CE			P/BV		
		08e	09e	10e	08e	09e	10e	08e	09e	10e	08e	09e	10e	08e	09e	10e
S&T	46	0.2	0.2	0.1	4.4	3.2	2.4	6.6	4.2	3.3	2.9	2.3	2.0	0.8	0.7	0.6
Atos Origin SA	1164	0.3	0.3	0.2	2.8	2.7	2.3	6.7	6.7	6.0	3.4	3.1	2.8	0.6	0.6	0.5
IDS Scheer AG	172	0.3	0.2	0.2	5.1	2.5	1.8	20.0	9.4	7.8	8.1	7.1	6.3	0.8	0.7	0.7
Asseco Poland	850	1.1	1.0	0.9	6.1	5.5	4.9	8.3	8.9	8.8	6.9	7.3	7.1	1.0	0.9	0.8
ComArch	110	0.4	0.3	0.2	3.5	2.7	1.5	1.9	7.6	5.8	1.7	5.3	4.4	0.9	0.8	0.7
Computacenter	127	0.1	0.1	0.1	2.1	2.1	2.2	4.0	4.2	4.0	1.7	2.7	2.8	0.4	0.4	0.4
TietoEnator Oyj	568	0.4	0.4	0.3	3.6	3.3	2.7	6.0	6.1	5.3	3.7	3.5	3.1	1.1	1.0	0.9
Indra Sistemas SA	2653	1.2	1.1	1.0	9.2	8.5	7.8	14.5	13.6	12.4	12.1	11.5	10.5	3.3	3.0	2.6
Logica	1151	0.4	0.4	0.4	5.2	5.3	4.8	6.1	6.6	6.3	5.8	5.6	4.7	0.6	0.6	0.6
Ness Technologies	36	0.3	0.3		2.3	3.2		4.7	4.8	5.0	6.1	5.6		0.4	0.4	
Median CEE		**0.3**	**0.3**	**0.2**	**4.0**	**3.2**	**2.4**	**6.3**	**6.6**	**5.9**	**4.7**	**5.5**	**4.4**	**0.8**	**0.7**	**0.7**

Median (PLN)	Sales (mn)			EBITDA (mn)			EPS			CEPS			BVS		
	08e	09e	10e	08e	09e	10e	08e	09e	10e	08e	09e	10e	08e	09e	10e
Sygnity	1,005	1,005	1,062	56	49	53	0.12	0.61	0.99	3.6	3.5	3.8	31.6	32.2	33.2
Implied equity value (PLN)	230	230	186	136	91	81	0.8	4.1	5.8	17	19	17	25	23	23
Net debt	84	61	43	84	61	43									
Minorities	3.7	3.8	4.1	3.7	3.8	4.1									
Average	**230**			**114**			**2.4**			**18**			**24**		
Per Sygnity share (PLN)	**19**			**9.6**			**2.4**			**18.1**			**24.0**		
Per Sygnity share, average (PLN)	**14.7**														

Cost of Equity	13.7%
Net present value as of 04.12.09	**16.7**

Peer group valuation incl. asset sales

	08e	09e	10e	08e	09e	10e	08e	09e	10e	08e	09e	10e	08e	09e	10e
Sygnity	1,005	1,005	1,062	60	60	53	0.36	1.36	0.99	3.8	4.3	3.8	31.8	33.2	34.4
Implied equity value (PLN)	240	268	216	161	163	111	2.3	9.0	5.8	18.0	23.4	16.9	25.4	23.4	23.4
Net debt	73	23	13	73	23	13									
Minorities	3.7	3.8	4.1	3.7	3.8	4.1									
Average	**254**			**162**			**5.7**			**21**			**24**		
Per Sygnity share (PLN)	**21.4**			**13.7**			**5.7**			**20.7**			**24.4**		
Per Sygnity share, average (PLN)	**17.2**														

Cost of Equity	13.7%
Net present value as of 04.12.09	**19.5**

Source: Erste Group estimates, FactSet

Income Statement	2005	2006	2007	2008e	2009e	2010e
(IAS, PLN mn, 31/12)	31/12/2005	31/12/2006	31/12/2007	31/12/2008	31/12/2009	31/12/2010
Net sales	**858.12**	**927.06**	**1,265.79**	**1,005.15**	**1,005.19**	**1,062.04**
Cost of goods sold	-638.87	-713.43	-1,115.44	-816.36	-811.22	-854.83
Gross profit	**219.24**	**213.63**	**150.35**	**188.79**	**193.97**	**207.21**
SG&A	-175.39	-229.21	-232.39	-188.75	-180.41	-188.76
Other operating revenues	5.30	10.75	40.82	22.05	10.05	10.62
Other operating expenses	-15.09	-8.53	-31.07	-9.05	-9.05	-9.56
EBITDA	**55.83**	**55.13**	**-16.60**	**56.05**	**49.22**	**53.21**
Depreciation/amortization	-21.76	-68.49	-55.69	-43.00	-34.66	-33.70
EBIT	**34.07**	**-13.35**	**-72.29**	**13.05**	**14.57**	**19.51**
Financial result	-12.54	-7.33	-12.86	-10.56	-5.43	-4.70
Extraordinary result	0.00	0.00	0.00	0.00	0.00	0.00
EBT	**21.53**	**-20.68**	**-85.15**	**2.49**	**9.14**	**14.81**
Income taxes	-9.64	0.08	4.02	-0.47	-1.74	-2.81
Result from discontinued operations	0.00	0.00	0.00	0.00	0.00	0.00
Minorities and cost of hybrid capital	-0.44	-7.00	15.51	-0.60	-0.15	-0.24
Net result after minorities	**11.45**	**-27.60**	**-65.62**	**1.41**	**7.25**	**11.76**

Balance Sheet	2005	2006	2007	2008e	2009e	2010e
(IAS, PLN mn, 31/12)						
Intangible assets	73.08	284.86	250.16	233.63	223.77	213.62
Tangible assets	33.60	53.66	42.16	35.70	30.90	27.35
Financial assets	8.02	10.11	4.52	4.52	4.52	4.52
Total fixed assets	**114.71**	**348.63**	**296.85**	**273.85**	**259.19**	**245.49**
Inventories	36.07	53.52	71.57	70.36	70.36	74.34
Receivables and other current assets	308.36	397.48	350.63	320.99	310.85	315.76
Other assets	68.94	120.17	92.07	80.41	80.42	84.96
Cash and cash equivalents	106.57	59.77	51.32	51.32	11.55	11.55
Total current assets	**519.94**	**630.94**	**565.59**	**523.08**	**473.18**	**486.62**
TOTAL ASSETS	**634.65**	**979.57**	**862.44**	**796.93**	**732.37**	**732.11**
Shareholders'equity	**215.98**	**304.72**	**343.51**	**375.70**	**383.10**	**395.10**
Minorities	**4.53**	**128.96**	**3.10**	**3.70**	**3.85**	**4.09**
Hybrid capital and other reserves	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Pension and other LT personnel accruals	0.55	1.42	1.19	3.02	3.02	3.19
Other LT provisions	0.00	0.00	0.00	0.00	0.00	0.00
Interest-bearing LT debts	1.88	4.69	3.84	5.77	5.77	5.77
Other LT liabilities	10.19	33.60	26.57	19.10	19.10	20.18
Total long-term liabilities	**12.07**	**38.30**	**30.42**	**24.87**	**24.87**	**25.95**
Interest-bearing ST debts	94.30	169.22	172.15	126.63	64.00	45.88
Other ST liabilities	399.79	414.30	373.72	325.65	253.53	257.91
Total short-term liabilities	**347.22**	**453.41**	**436.56**	**359.50**	**287.38**	**271.93**
TOTAL LIAB. , EQUITY	**634.65**	**979.57**	**862.44**	**796.93**	**732.37**	**732.11**

Cash Flow Statement	2005	2006	2007	2008e	2009e	2010e
(IAS,PLN mn, 31/12)						
Cash flow from operating activities	122.82	-84.84	-6.90	39.74	47.14	47.13
Cash flow from investing activities	-59.09	35.85	-6.36	1.79	-21.97	-51.47
Cash flow from financing activities	-4.03	2.20	4.81	-41.54	-64.94	4.34
CHANGE IN CASH , CASH EQU.	**59.71**	**-46.80**	**-8.45**	**0.00**	**-39.77**	**0.00**

Margins & Ratios	2005	2006	2007	2008e	2009e	2010e
Sales growth	13.5%	8.0%	36.5%	-20.6%	0.0%	5.7%
EBITDA margin	6.5%	5.9%	-1.3%	5.6%	4.9%	5.0%
EBIT margin	4.0%	-1.4%	-5.7%	1.3%	1.4%	1.8%
Net profit margin	1.4%	-2.2%	-6.4%	0.2%	0.7%	1.1%
ROE	5.5%	-10.6%	-20.2%	0.4%	1.9%	3.0%
ROCE	8.9%	-3.1%	-12.9%	1.7%	2.1%	3.1%
Equity ratio	34.7%	44.3%	40.2%	47.6%	52.8%	54.5%
Net debt	-9.8	115.6	125.9	84.1	61.2	43.3
Working capital	103.8	57.4	37.0	83.2	105.4	129.7
Capital employed	220.9	582.8	499.0	482.6	467.3	462.6
Inventory turnover	15.7	15.9	17.8	11.5	11.5	11.8

Source: Company data, Erste Group estimates

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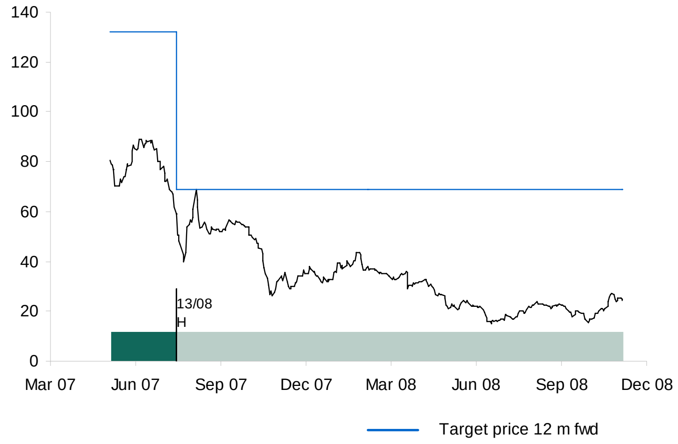

Rating history

Date	Rating	Price	Target Price
13. Aug 07	Hold	59.00	69.00
11. Apr 06	Buy	109.00	147.00
22. Sep 05	Accumulate	94.50	104.00
29. Nov 04	Hold	104.00	110.00
20. Apr 04	Reduce	110.00	95.40

Company	Disclosure
Sygnity	

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Buy	> +20% to target price
Accumulate	+10% < target price < +20%
Hold	0% < target price < +10%
Reduce	-10% < target price < 0%
Sell	< -10% to target price

Our target prices are established by determining the fair value of stocks, taking into account additional fundamental factors and news of relevance for the stock price (such as M&A activities, major forthcoming share deals, positive/negative share/sector sentiment, news) and refer to 12 months from now. All recommendations are to be understood relative to our current fundamental valuation of the stock. The recommendation does not indicate any relative performance of the stock vs. a regional or sector benchmark.

Distribution of ratings

	Coverage universe		**Inv. banking-relationship**	
Recommendation	**No.**	**in %**	**No.**	**in %**
Buy	36	30.5	5	33.3
Accumulate	20	16.9	2	13.3
Hold	36	30.5	4	26.7
Reduce	6	5.1	1	6.7
Sell	2	1.7	0	0.0
N.R./UND.REV./RESTR.	18	15.3	3	20.0
Total	**118**	**100.0**	**15**	**100.0**

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