

# **Growth, knowledge, experience**

**Leader in IT solutions to banking sector in Poland**

# AGENDA

## 1. IT Market in Poland

2. Softbank Today

3. Prospects

# IT Market in Poland – Growth potential

## IT expenditures as % GDP

Poland	1.8
Western Europe	3.1

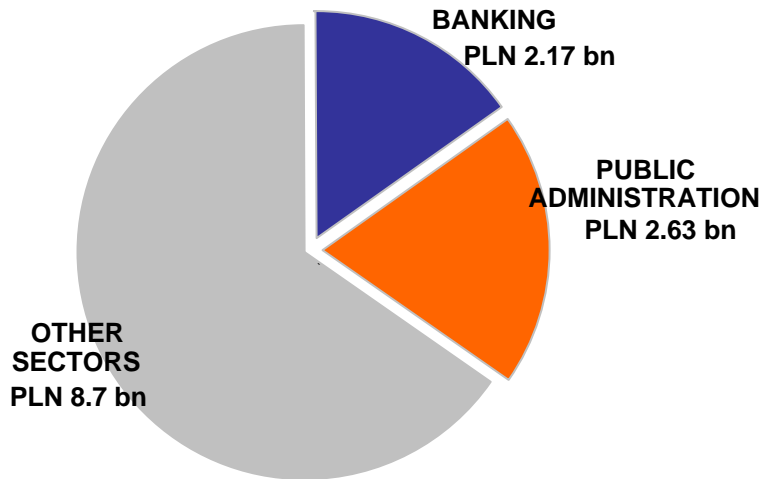
Source: EITO 2005

## IT expenditures per capita (EUR)

Lithuania	86
<b>Poland</b>	<b>100</b>
Hungary	190
Slovenia	270
Czech	238
Western Europe	732

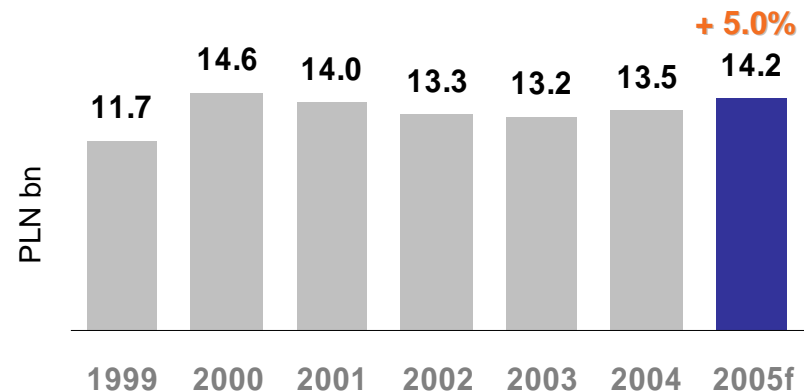
Source: EITO 2005

## IT MARKET IN POLAND (PLN 13.5 bn, 2004)



Source: DiS Research Report

## IT MARKET IN POLAND 1999-2005F

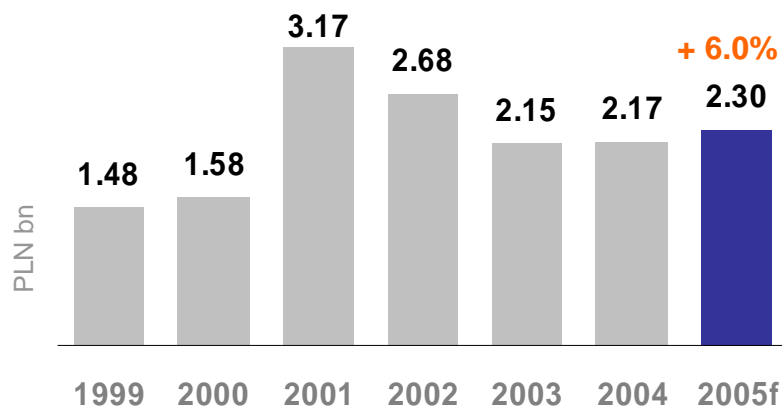


Source: DiS Research Report

# IT Market – Banking & Finance – Already a mature market

## BANKING & FINANCE

IT expenditures in Poland



Source: DiS Research Report

## SOFTBANK MARKET POSITION in 2004

Market share	15.0%
Position	No. 1

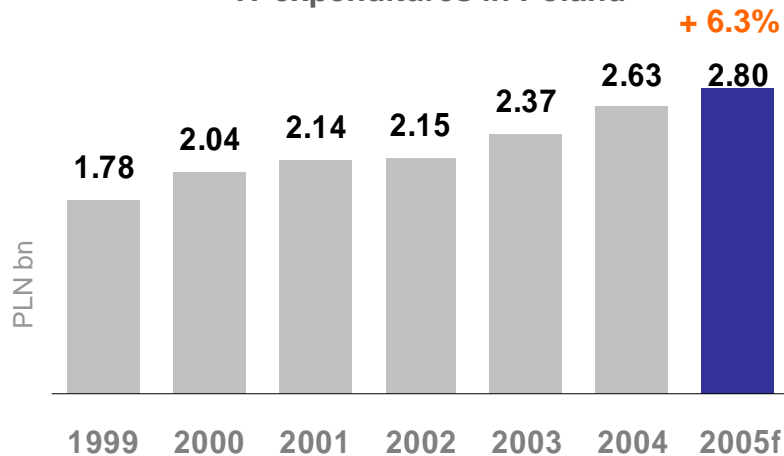
## MARKET DRIVERS

- **Regulatory changes** e.g. CAD III (Basel Committee)
- Focus on **data integration** and its conversion into value added business
- Further **mergers & acquisition** in banking sector
- Development of **cross selling** mechanism and implementation of **business process management**
- Increasing attempts to win over **new clients** - increasing interest in CRM systems
- Pressure on **high profitability** - growing interest in backoffice centres, etc

# IT Market – Public Administration – Growth is yet to come

## PUBLIC ADMINISTRATION

IT expenditures in Poland



Source: DiS Research Report

## SOFTBANK MARKET POSITION in 2004

Market share 5.8%

Position **No. 2**

## MARKET DRIVERS

- Adjustment to **EU rules&regulations** forces investments in IT (e.g. E-Government Systems)
- Pressure on **cost cutting** within administration
- **Underdeveloped IT** infrastructure in public administration (Poland is country No 72 in terms of using IT solutions in public administration)
- **Tenders in 2005** - Integration of National Registers and related to Poland access to Schengen area
- Growing interest in **financial systems**, budgeting systems, etc.

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## Basic stock market info – The lowest P/E on the IT market

### BASIC FIGURES (as on 28 Nov 2005)

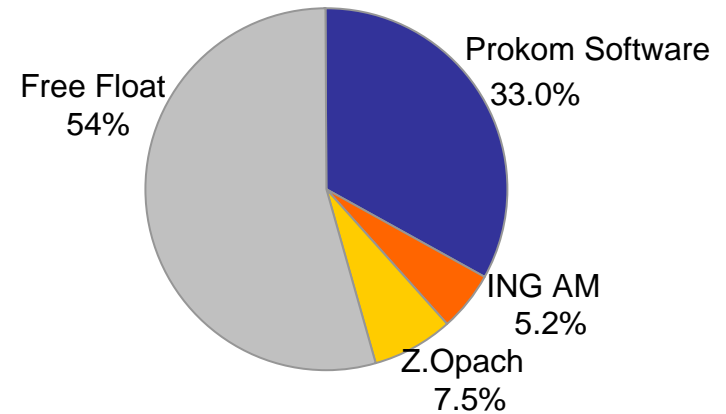
Market capitalization **PLN 881 m / EUR 220 m**

Free float **PLN 476 m / EUR 118 m**

Component of **WIG 20** – Polish blue chip index

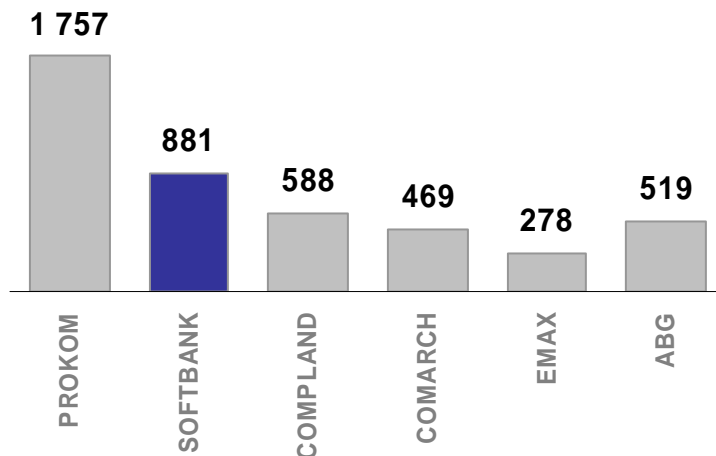
Stock is covered by **12 equity analysts**

### Shareholder structure



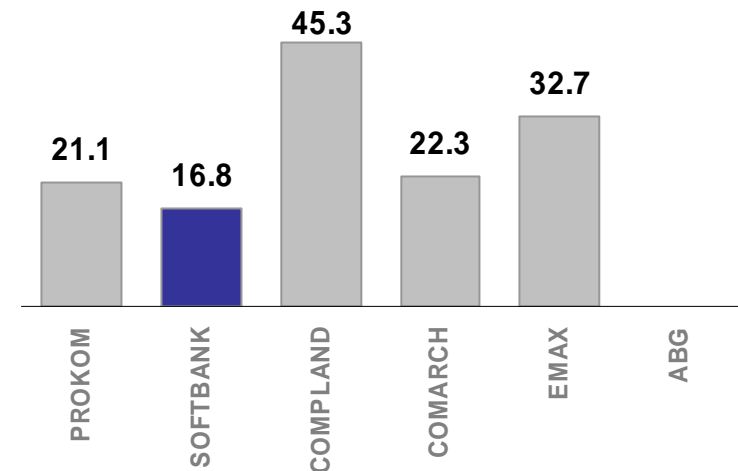
### Market Capitalization

Polish IT companies, m PLN



### P/E

Polish IT companies, EPS for the last 4 quarters



## Strategy – Focus on sale of value added competences

### STRATEGIC FOCUS



### RESOURCES

- Development of competences allowing for **full coverage of banking activity areas**
- Involvement in public administration projects requiring **development of unique software applications**
- Concentration on **complex integration projects** requiring high level of project management skills
- Development of **consulting services**
- Creation of country-wide **servicing network**

- Solid **financial position** (stable cash flow from long-term contracts)
- Employment of **750 IT specialists**
- **Experience** in implementation of very large, sophisticated IT projects
- Long list of implementations in reputable banks & public institutions
- Member of the **biggest IT Group** in CEE



## Results of restructuring

### YEAR 2003

### YEAR 2005

Market position (revenues from banking sector)	No 3	<b>No 1</b>
Revenues	PLN 345 m	<b>PLN 514 m* +50%</b>
Backlog	PLN 190 m	<b>PLN 1 022 m</b>
Employment	300	<b>550 +83%</b>
Administrative costs	Reduction of administrative costs by <b>10%</b>	
EBIT margin	2%	<b>15% (Q1-3'05)</b>
No of subsidiaries	10 companies	<b>5 companies</b>
Dividend policy	No policy	<b>Payout from 10% to 40%</b>
Market capitalization	PLN 350 m	<b>PLN 880 m +150%</b>

\*market consensus of estimates

# Capital Group – Coverage of key business areas

Strategic Investor



33%

**COMPLEX IT PROJECTS**  
 (INTEGRATION, DEVELOPMENT, CONSULTING)  
 Sectors: **BANKING, PUBLIC ADMINISTRATION**



**Professional IT services**  
**GLADSTONE**  
 51%

**SERVICE/ MAINTENANCE**  
**KOMA +**  
**Softbank Serwis**  
 100%

**OUTSOURCING**  
**E-LEARNING**  
**INCENTI**  
 100%

**IT SYSTEMS FOR**  
**SMALL/MEDIUM BANKS**  
**NOVUM**      **ASSECO**  
 51%              22%

## Major Ongoing Projects

### BANKING & FINANCE

- **Integrated Banking System (ZSI)** in PKO BP (the largest retail bank in Poland)
  - Total value **PLN 680 m**
  - **PLN 105 m** sales till the end of 2005 (15% of total value)
  - Implementation until 2011
- Implementation, upgrades and maintenance of other **systems in PKO BP.**
- **Risk management** system for Raiffeisen Austria AG, Raiffeisen Poland (compliance with Basel II Committee requirements)

### PUBLIC ADMINISTRATION

- IT system of National Central Register of Vehicles and Drivers (**CEPiK**)
  - Total value **PLN 220 m**
  - **PLN 103 m** sales till the end of 2005 (47% of total value)
  - Implementation until 2009

# Financial Results – Visible continue improvement

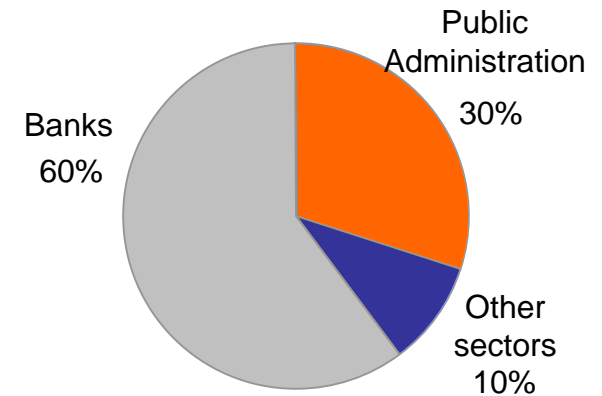
## P&L 2000 - 2005

PLN m	2000	2001	2002	2003	2004	Q1-3'05	2005F*
SALES	432	446	349	345	491	279	514
EBITDA	12	4	-2	8	63	48	64
Net Profit	19	-18	-155	2	29	33	42
<i>EBITDA margin</i>	12%	3%	-3%	8%	12%	17%	12%
<i>Net margin</i>	4%	-4%	-44%	1%	6%	12%	8%

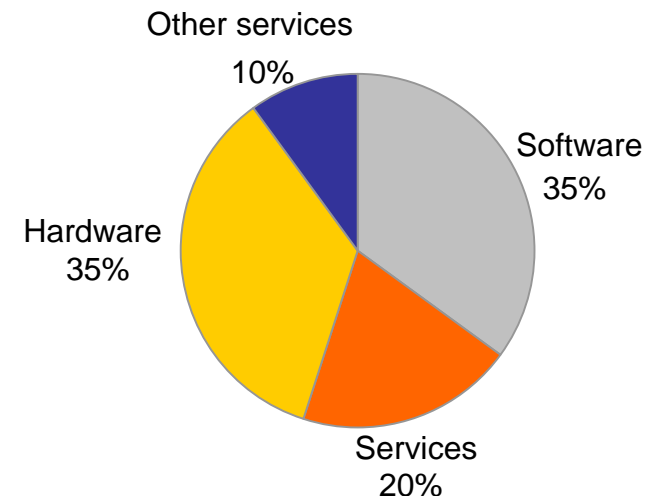
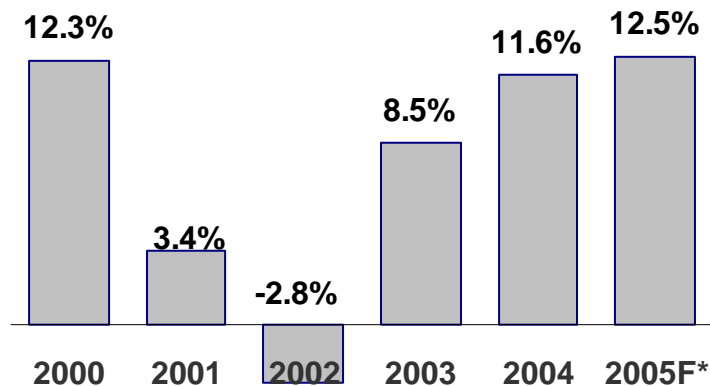
\*2005F – consensus forecast of 8 equity analysts

## SALES STRUCTURE

2005F



## EBITDA %



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## Prospects – High demand for consulting & BI competences

### BANKING & FINANCE

- **Business Intelligence & Risk management** systems
- **Chip credit cards** – software & consulting (target to top 10 banks in Poland)
- Development of **business consulting** competences for banks
- Development of countrywide **service network**
- Contracts at **PKO BP** (Implementation of core banking system; upgrade & maintenance of systems already implemented)
- Integrated group-life insurance management system in **PZU Zycie** (the largest in Poland life insurer). Common team with Prokom Software.
- Integration of the statutory **reporting systems** (ING, Raiffeisen)
- Changing requests in the core banking system in **Pekao SA**

## Prospects – EU regulations force investments in IT

### PUBLIC ADMINISTRATION

- Realization of the next stage of contract for IT system of National Central Register of Cars and Drivers (**CEPiK**)
- Start in tenders for **Integration of National Registers**
- Tenders related to Poland access to **Schengen** area
- **Content management** systems, document management
- Systems related to **e-administration**

## Summary – Expansion time

### Backlog (PLN m)

TOTAL	Q 4 2005	2006	2007-2011
1 022	206	273	543

- Backlog coverage - 2 years sales
- Stable cash flow from long-term contracts
- Financial means for further expansion
- Development from organic & acquisition growth
- Intent to further stream-line & develop competences:

- IT integration
- Consulting
- Services/maintenance
- Outsourcing
- Unique banking competences (e.g. risk, chip cards)





# Thank you for your attention

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