

UNISYSTEMS

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Sector consolidation finds Unisystems under the umbrella of Info-Quest

unisystems



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INITIAL STATEMENT

by VALUATION & RESEARCH SPECIALISTS (VRS)

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UNISYSTEMS

Information Technology Sector

PREVIOUS UPDATE IN DECEMBER 2005

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Company Description:

Unisystems is the leading systems integrator in Greece servicing large corporate clients of the banking, public, and private sector in the country. The company offers integrated IT solutions, supporting complex IT systems of different platforms. Unisystems is the dealer of the world's prominent high tech companies such as Microsoft, Hewlett Packard, IBM, Nortel Networks, Oracle, SAP, Cisco Systems, EMC, Chip PC, and Unisys.

	2004	2005	2006 E
(in mil. €)			
Turnover	40,976	44,332	45,117
EBIT	5,649	4,040	5,141
EBT	5,509	3,872	5,041
Net Profit	4,184	3,511	3,829
Cash Eq.	22,128	19,684	14,143

Price Close in €	5 Oct. '06	€ 2.12
Shares (mn outstanding)		38.51
Mkt Cap (in mn €)		81.65

Beta	0.820
Dividend in €	0.10
Div. Yield	4.72%

	2004	2005	2006 E
P/E	19.51	23.26	21.32
P/BV	1.63	1.59	1.60
ROE	8.33%	6.86%	7.51%
Debt/Equity	2.70%	1.82%	1.77%

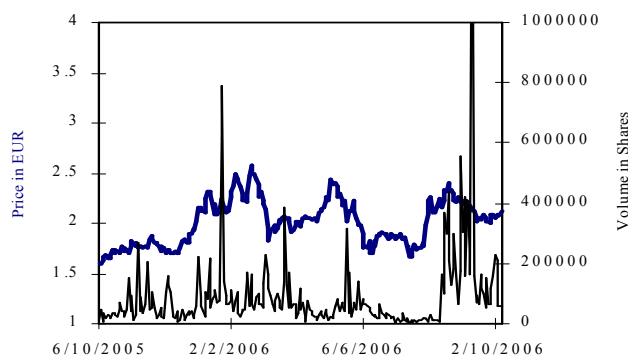
Source: Company & Res. Dept. Projections

Key Investment Points

- ⊙ **Info-Quest**, one of the leading IT groups in Greece and listed on Athens Exchange, **agreed with Unisystems' major shareholder to acquire 32.976%** of the Company. In anticipation of approval granted by competition authorities, Info-Quest, as the Company's new major owner, has not yet elaborated on Unisystems' business role and broader strategy.
- ⊙ Greek IT sector is still characterized by **sluggish business activity and weak demand** for large scale IT projects. With sector conditions negatively affecting domestic system integrators, **we would expect Unisystems to continue its one-digit revenue growth in the following couple of years.**
- ⊙ Unisystems' growth is mostly driven by IT investments made by Greek banks' subsidiaries in neighboring countries. Telecommunications sector has completed most of the IT investments required, demonstrating a relatively limited growth potential. **Unisystems remains cash rich, with limited bank debt and an attractive price to book value ratio.**

Share Price Graph (52 weeks)

Max: € 2.58 - Min: € 1.59



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Info-Quest Acquires Unisystems

Info-Quest, one of the leaders in the Greek information technology (IT) sector, recently sold its mobile telephony provider Q-Telecom receiving a strong cash inflow of about € 350 million. Since the above transaction, the Group has been consolidating its position in the broader Greek IT sector, seeking for acquisitions in order to strengthen its market share. Under this strategic objective, Info-Quest agreed with Apostolos Doxiades, the largest shareholder of Unisystems, for the purchase of 12,700,000 shares of Unisystems (32.976% of the total share capital) at a price of € 1.85 per share. The transaction is expected to complete following approval by the regulatory authorities (Greek state authorities and Competition Committee).

Although the acquisition of Unisystems' equity stake by Info-Quest is of strategic importance, we do not expect the two companies to merge in the near term. As a broader Group however, Info-Quest and Unisystems will have the size and financial strength to undertake larger scale public as well as private IT contracts, with Unisystems providing the know-how that has gained from its participation in several IT system integration projects of this size. Info-Quest and Unisystems are currently bidding (by participating in two different consortiums) for the large OPAP (Greek Lottery & Betting Organization) project of EUR 200 million, concerning the 'Supply, Installation and Maintenance of IT Equipment, Terminals and Services'.

Current Shareholders' Structure

The shareholders' structure of Unisystems – prior to approval of the Company's acquisition by Infoquest - is presented below:

Shareholder	Participation Stake (As of August '06)
Apostolos Doxiadis	39.64%
Alpha Bank	10.06%
Shareholders & Institutions	29.77%
Free Float	20.53%
Total	100.00%

Source: Athens Exchange.

Forecasts Revision

Our revisions are based on the assumption that Unisystems will continue activating as autonomous player in the Greek IT sector. Although the Company will be under the umbrella of Info-Quest, at this stage, we haven't assumed any considerable financial impact, stemming from this relationship, on financial results of Unisystems.

Old / New Forecasts

	2004		2005		2006	
	Forecast	Actual	Forecast	Actual	Old Forecast	New For.
Turnover	40.07	41.09	42.08	44.33	43.60	45.11
EBITDA	7.01	6.74	6.77	6.61	6.87	7.49
EBT	5.62	5.43	5.33	3.87	5.44	5.04
EAT	3.93	4.05	3.95	3.51	4.03	3.82

Source: Unisystems, VRS. Notes: Previous and old forecasts presented in VRS report as of December 27th 2005.

Assumptions on Forecasting Model

Turnover: We anticipate moderate, one-digit, growth in view of continuing weak demand for system integration projects from both private and public sectors in the domestic market.

Gross Profit Margins: The first half of 2006 saw Unisystems improving its gross profit margin on consolidated basis. We have chosen a scenario of slowly improving gross profit margin in our model, in view of a more efficient product mix. Profit margins may further improve if sector consolidation intensifies in the next couple years.

Operating Expenses: Strong R&D expenses in subsidiary Financial Technologies should affect this year's total operating expenses, which should however stabilize in the following years (as percentage of turnover).

Liability Side: We anticipate a volatile creditor turnover ratio. The bank debt is expected to remain at an especially low level as compared to equity.

Cash Flow Analysis: Our model implies a weakening cash flow in 2006 as compared to the previous year, following the land acquisition, but an improving outlook in the following years. In the current year, cash outflow from investing activities should be counterbalanced from the Company's operating inflows and cash position. The latter may gradually expand in the following financial years.

Financial Performance in 6-Month 2006 according to IFRS

Consolidated Basis: Turnover amounted to EUR 21.09 million in 6-months 2006, with gross profit margin settling at 28.96% versus 25.29% in 6-months 2005. Net profit before taxes settled at EUR 1.74 million with net profit (before minorities) reaching EUR 1.18 million. As of end July 2006, liquid securities accounted for EUR 7.81 million, with cash amounting to EUR 3.91 million. Total liabilities reached EUR 16.91 million with total net worth (excluding minorities) at EUR 47.25 million.

It is noted that Unisystems consolidates Uninortel Hellas SA (70% participation stake) and Financial Technologies (54.24% participation stake) in its financial statements. Uninortel activates as a solution provider in the areas of enterprises, carriers and wireless networks in Greece and Cyprus, whereas Financial Technologies has developed and distributes the banking software "Globus".

Parent Basis: Turnover settled at EUR 20.24 million, declining by 0.53% as compared to 6-months 2005. Gross profit margin moved lower to 24.54% in 6-months 2006 vis-à-vis 25.29% in the same period of year 2005. Profit before taxes settled to EUR 2.07 million as compared to EUR 2.55 million in 6-months 2005 (-18.66%).

Unisystems, Analysis on Quarterly Financial Results (1)

Consolidated Financial Statements (in EUR mil.)	2004	3M 2005	6M 2005	9M 2005	2005	3M 2006	6M 2006
		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Turnover	40.976	9.672	20.350	32.353	44.332	11.153	21.099
Cost of Goods Sold	27.324	7.081	15.202	24.086	33.624	8.749	14.987
Gross Profit	13.652	2.591	5.148	8.267	10.708	2.404	6.112
Gross Profit Margin	33.32%	26.79%	25.30%	25.55%	24.15%	21.55%	28.97%
Other Operating Income	0.536	0.030	0.759	0.035	2.209	0.525	0.612
Gross Operating Income	14.188	2.620	5.907	8.302	12.918	2.929	6.724
Administrative Expenses	3.328	1.062	1.415	2.256	3.428	0.966	1.875
R & D or Other Expenses or Other Income	0.785	0.072	0.167	-0.411	1.354	0.464	1.010
Distribution Expenses	4.426	1.175	1.724	3.203	4.095	1.048	2.082
Depreciation Charges		0.000				0.000	
Net Financial Income	-0.140	-0.019	-0.044	0.123	-0.168	0.024	-0.016
Net Operating Income	5.509	0.293	2.557	3.378	3.872	0.475	1.741
Extraordinary Income							
Extraordinary Expenses							
Net Profit (Loss) Before Taxes	5.509	0.293	2.557	3.378	3.872	0.475	1.741
Minority Interests	-0.042	0.000	0.000	0.000	0.767	0.057	0.114
Net Profit (Loss) After Minorities and Before Taxes	5.468	0.293	2.557	3.378	4.639	0.531	1.855
Income Tax	1.284	0.094	0.818		1.128	0.186	0.563
Net Profit (Loss) After Minorities and Taxes	4.184	0.199	1.739		3.511	0.345	1.293

Source: Company accounts.

Unisystems, Analysis on Quarterly Financial Results (2)

Consolidated Financial Statements (in EUR mil.)	Q4 2004	Q1 2005	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006
		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Turnover	12.437	9.672	10.678	12.003	11.979	11.153	9.947
Cost of Goods Sold	5.460	7.081	8.121	8.884	9.538	8.749	6.238
Gross Profit	6.977	2.591	2.557	3.119	2.441	2.404	3.709
Gross Profit Margin	56.10%	26.79%	23.95%	25.99%	20.38%	21.55%	37.28%
Other Operating Income	0.229	0.030	0.729	-0.724	2.174	0.525	0.086
Gross Operating Income	7.205	2.620	3.287	2.395	4.615	2.929	3.795
Administrative Expenses	0.908	1.062	0.353	0.840	1.172	0.966	0.909
R & D or Other Expenses or Other Income	0.235	0.072	0.095	-0.578	1.765	0.464	0.546
Distribution Expenses	1.153	1.175	0.549	1.480	0.892	1.048	1.034
Depreciation Charges							
Net Financial Income	-0.112	-0.019	-0.025	0.167	-0.292	0.024	-0.039
Net Operating Income	4.798	0.293	2.264	0.821	0.494	0.475	1.266
Extraordinary Income	-0.307		0.000	0.000	0.000		0.000
Extraordinary Expenses	-0.246		0.000	0.000	0.000		0.000
Net Profit (Loss) Before Taxes	4.737	0.293	2.264	0.821	0.494	0.475	1.266
Minority Interests	-1.283	0.000	0.000	0.000	0.767	0.057	0.057
Net Profit (Loss) After Minorities and Before Taxes	3.454	0.293	2.264	0.821	1.261	0.531	1.324
Income Tax		0.094	0.725			0.186	0.377
Net Profit (Loss) After Minorities and Taxes		0.199	1.540			0.345	0.947

Source: Company accounts.

Income Statement – Historic and Projected Accounts, IFRS

(in ,000 €)	2004	2005	2006 E	2007 E
Turnover	40,976	44,332	45,117	46,249
y-o-y Change %		8.19%	1.77%	2.51%
Cost of Sales	26,197	32,851	30,053	30,775
% of Turnover	63.93%	74.10%	66.61%	66.54%
y-o-y Change %		25.40%	-8.52%	2.40%
Total Gross Operating Results	14,779	11,481	15,064	15,474
Gross Operating Margin	36.07%	25.90%	33.39%	33.46%
y-o-y Change %		-22.32%	31.21%	2.72%
Other operating income	536	2,209	600	600
Administrative Expenses	2,971	2,969	3,068	3,099
% of Turnover	7.25%	6.70%	6.80%	6.70%
Distribution Cost	4,218	3,878	3,970	4,162
% of Turnover	10.29%	8.75%	8.80%	9.00%
Total Expenses	7,220	7,079	8,166	7,955
% of Turnover	17.62%	15.97%	18.10%	17.20%
y-o-y Change %		-1.95%	15.36%	-2.59%
EBITDA	8,095	6,611	7,498	8,119
EBITDA Margin	19.76%	14.91%	16.62%	17.55%
y-o-y Change %		-18.33%	13.42%	8.28%
Depreciation	2,446	2,571	2,357	2,442
% of Turnover	5.97%	5.80%	5.22%	5.28%
EBIT	5,649	4,040	5,141	5,677
% of Turnover	13.79%	9.11%	11.40%	12.27%
y-o-y Change %		-28.48%	27.25%	10.41%
Total Financial Results	-140	-168	-100	-100
Net Results Before Taxes	5,509	3,872	5,041	5,577
EBT Margin	13.45%	8.73%	11.17%	12.06%
y-o-y Change %		-29.72%	30.20%	10.61%
Tax income	1,284	1,128	1,462	1,617
Net Results After Taxes	4,226	2,744	3,579	3,959
EAT Margin	10.31%	6.19%	7.93%	8.56%
y-o-y Change %		-35.06%	30.45%	10.61%
Proportion of Minority rights	42	-767	-250	-150
Consolidated Net Results (a.t.&m.i.)	4,184	3,511	3,829	4,109
Net Margin	10.21%	7.92%	8.49%	8.89%
y-o-y Change %		-16.10%	9.09%	7.31%

Source: Company accounts, Research Department's forecasts.

Balance Sheet – Historic and Projected Accounts, IFRS

	2004	2005	2006 E	2007 E
Assets				
Total Intangible Assets	5,848	7,476	7,651	8,401
Accumulated depreciation	3,114	4,299	4,752	5,073
Total Net Intangible Assets	2,734	3,178	2,899	3,328
Tangible Assets	29,631	30,128	36,953	37,703
Accumulated depreciation	10,918	12,196	14,099	16,220
Total Net Tangible Assets	18,713	17,932	22,854	21,483
Financial & Other L-Term Assets	1,173	1,832	1,832	1,832
Total Fixed Assets	22,620	22,942	27,586	26,643
% Total Assets	33.88%	32.79%	41.27%	37.33%
Inventories	3,796	4,296	3,937	4,831
Debtors	16,694	21,117	19,674	22,647
Other Receivables	1,530	1,936	1,500	1,500
Securities (net)	19,512	13,036	8,000	8,000
Cash in bank and at hand	2,616	6,648	6,143	7,751
TOTAL CURRENT ASSETS	44,148	47,033	39,254	44,730
% Total Assets	66.12%	67.21%	58.73%	62.67%
GRAND TOTAL ASSETS	66,768	69,975	66,840	71,373
Equity & Liabilities				
Share capital	11,554	11,554	11,554	11,554
Share premium account	9,999	9,999	9,999	9,999
Total Reserves	21,421	23,481	23,864	24,275
Profit carried forward	6,097	5,171	5,554	5,964
Minority Rights	1,146	989	0	0
TOTAL CAPITAL & RESERVES	50,217	51,194	50,970	51,792
% Total Equity & Liabilities	75.21%	73.16%	76.26%	72.57%
L-Term Bank Loans	0	0	0	0
Provisions for Staff Retirement	3,541	1,860	2,000	2,100
Investment Grants	313	374	350	350
Other long term debts	1,971	1,076	1,100	1,100
Tax Liabilities	0	0	0	0
Total L-Term Liabilities	5,825	3,310	3,450	3,550
Suppliers	3,653	8,905	5,587	9,084
Banks	1,354	931	900	900
Taxes-duties	719	1,212	700	750
Social charges	528	476	491	496
Dividends	0	0	306	329
Sundry debtors	4,472	3,948	4,436	4,472
Total Current Liabilities	10,726	15,472	12,419	16,030
TOTAL LIABILITIES	16,551	18,782	15,869	19,580
% Total Equity & Liabilities	24.79%	26.84%	23.74%	27.43%
TOTAL EQUITY & LIABILITIES	66,768	69,975	66,840	71,373

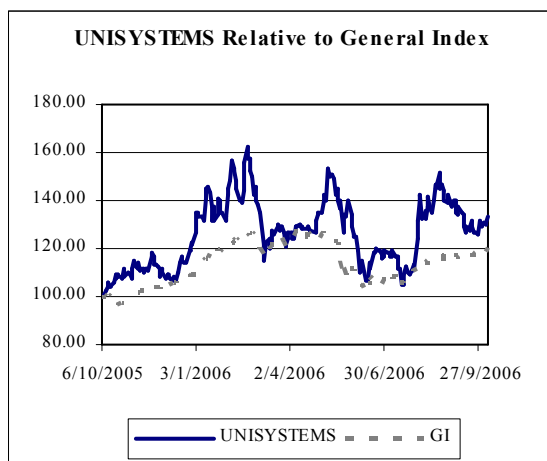
Source: Company accounts, Research Department's forecasts.

Historic and Projected Financial Ratios, IFRS

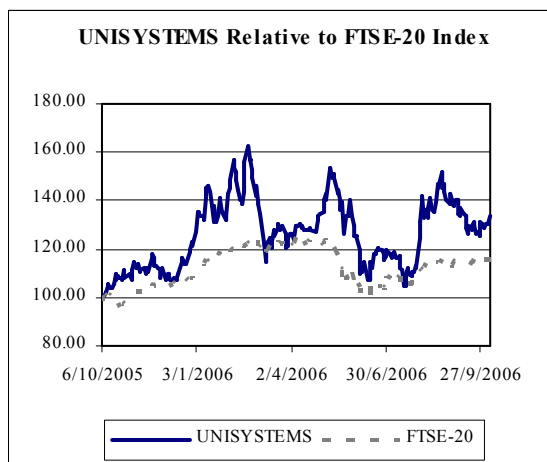
	2004	2005	2006 E	2007 E
Profit Margins				
Gross margin	36.07%	25.90%	33.39%	33.46%
EBITDA margin	19.76%	14.91%	16.62%	17.55%
EBIT margin	13.79%	9.11%	11.40%	12.27%
Pre-tax profit margin	13.45%	8.73%	11.17%	12.06%
Net profit margin	10.21%	7.92%	8.49%	8.89%
Profitability				
ROIC	7.59%	6.44%	7.10%	7.56%
ROA	6.27%	5.13%	5.60%	5.95%
ROE	8.33%	6.86%	7.51%	7.93%
Activity				
Stock Days	53	45	50	52
Debtors Days	149	156	165	167
Creditors Days	51	70	88	87
Operating Cycle	202	201	215	219
Cash Cycle	151	131	127	132
Capital Gearing				
Equity on Assets	0.73	0.72	0.76	0.73
Interest Coverage	25.47	16.77	25.71	28.38

Source: Company accounts, Research Department's forecasts.

Share Price Performance vs. General Index & FTSE / ASE 20 (base=100)



Source: Valuation & Research Specialists.



Source: Source: Valuation & Research Specialists.

Unisystems – Developments since our Previous Research Update

29 August 2006: Ionian Holdings, an Alpha Bank subsidiary, sold its 3.9% equity stake in Unisystems and as a result Alpha Bank's (direct and indirect) participation in Unisystems dropped from 14.33% to 10.43%.

28 June 2006: Bank of Piraeus, one of the leading Greek commercial banks, granted Unisystems with a contract for the creation and installation of a total IT system concerning the electronic management of bank checks.

16 May 2006: The General Shareholders' Meeting approved a dividend of EUR 0.10 per share for the financial year 2005, as well as the option concerning a bond issue up to EUR 20 million.

11 April 2006: Unisystems and Singular Integrator were granted a contract for the creation and operation of the "Electronic Urban Planning System", with a total budget of EUR 2.175 million.

23 March 2006: Unisystems acquired a land, covering a total of 1,936 m² area, in Athens. Unisystems will build office facilities in this land, which was purchased for a total cost of EUR 5.25 million.

8 February 2006: Probank, a small size bank in Greece, granted Unisystems with a contract for the installation of an upgraded customer service electronic system. The new IT system (Financial Transaction Manager or FTM of Unisys) would serve the bank's clients via the Internet aiming at the most efficient dissemination of information.

5 February 2006: The consortium "Unisystems – ATKOSoft – Orco" was granted a contract for the creation of the "Health IT System of DYPE Crete", a state entity. The IT project had an initial budget of EUR 5.391 million and concerned the provision of IT systems, software solutions and other consulting services aiming at the installation of an upgraded IT system administering health data information of an area with population of more than 600,000.

Notes

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DISCLOSURE CHECKLIST

Covered Company	Reuters	Price	Price Close	Disclosure
Unisystems	USYr.AT	€ 2.12	5 October 2006	2, 3, 4, 5, 7

1. VRS has acted as financial consultant for the covered company within the past 24 months.
2. VRS has sent the research report to the covered company, prior to publication or dissemination, for factual verification.
3. VRS has changed the contents of the initially sent report, with respect to: no change has been made.
4. VRS has received compensation from the covered company for the preparation of this research report.
5. VRS produces research reports for this company on systematic basis.
6. VRS produces research reports for this company on demand basis.
7. VRS has produced a research report for this company within the past 12 months.

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