

F L A S H R E P O R T



**Financial results of
Synergon Information Systems plc.
for the period of January 1 to June 30, 2002.**

Unaudited Consolidated Financial Statements
prepared in accordance with
International Accounting Standards

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The results of Synergon Information Systems plc. in the first six months of 2002 were affected profoundly by the effect of the cost-saving and streamlining measures adopted in the last year. Despite weak domestic market conditions, and a resulting sales figure that is 5 percent behind the revenues of the first six months of 2001 profitability shows a notable improvement: operating results of the group was reduced from a HUF -423 million loss in the last year to HUF -67 million in the first six months of 2002, while the profit before taxation dropped from a loss of HUF 410 million to HUF -3 million, and the profit after taxation from HUF -526 million to -93 million.

Demand on the IT market in the first six months of 2002 was dominated by the slowing momentum of the telecommunication sector which is considered one of the most important customer segments. In the telecommunication segment low demand for services, as well as unfavorable operating circumstances experienced by these companies were ultimately responsible for their extremely moderate demand for IT services.

In countries – Hungary, the Czech Republic and Croatia – within the operating range of Synergon group major political issues also affected the results of the first six months of 2002. The political agenda in the Czech Republic and in Hungary included parliamentary elections, and the related preparations, plus the installation of the new government while in Croatia the end of the period was characterized by cabinet crises and the formation of a new government. Political changes delayed investments from not only one of the big customer segments – the government segment -, but due to the overall fence-sitting attitude most of the sectors encountered a similar trend.

Synergon group sought to fend off the adverse market effects of many different aspects. Cost-saving and staff streamlining measures in 2001 still help to maintain the increased efficiency of operations under deteriorated economic circumstances. Driving service and contribution oriented activities in the focus of the strategy along with a slight increase, or decrease of the sales revenues results in improving profitability for the group. These two factors led to a significant improvement of the operating, before taxation, and after taxation result figures. Cost items also show noticeable signs of improving profitability in the operations of the group: the direct cost of sales was reduced by 7 percent, while other operating costs dropped by 13 percent. The improvement is even more significant in the light of operating figures compared to staff numbers: the group achieved improved results with a staff reduced by 8 percent.

Depreciation which includes amortisation of the goodwill of the foreign subsidiaries is a major item in among the posted cost figures of Synergon. The EBITDA index which filters out the effect of depreciation, and reflects on the operative profitability of the company also proves that the group closed the past six-month period with considerably positive figures that reveals the positive cash-flow generating capacity of the operations.

Of the foreign subsidiaries, Span has been able to produce outstanding growth during the period. The economic environment in Croatia, and the stable financial and technological background provided by the group created a proper situation for Span to put themselves into dominant (in certain segments even market leader) position in Croatia. During this period Synergon increased its shareholding in Span to 68.1 %.

The momentum of the market for the Czech Infinity was overshadowed by the uncertainty before the parliamentary elections. Economic conditions for the Czech companies were profoundly affected by an almost 20 % appreciation of the Czech koruna against the US dollar since the beginning of 2002. These effects are also reflected by Infinity's sales revenues that were reduced by 26 percent, however, the higher percentage of services sold, as well as the effect of efficiency improvement measures prevented the drop of sales from affecting the net contribution of the company which grew by 4 percent compared to the first six months of 2001. At the end of the period Synergon increased its shareholding in Infinity to 66.67 percent.



Analysis of Synergon's financial results in 2002

Comparing the six-month periods ending June 30, 2002 and 2001

The data contained in this report are based on the unaudited consolidated balance sheet and profit and loss accounts prepared in accordance with the IAS. For convenience of the readers, forint amounts have been converted into US dollars. The average exchange rate applied for the items of the profit and loss account is HUF 291.09 per USD for the first six months of 2001, and HUF 271.47 per USD for the same period in 2002. The closing exchange rate applied to the balance sheet items are HUF 287.39 and HUF 246.72 per USD for June 30, 2001 and June 30, 2002, respectively.

Group results

In assessing the results of the Company and the group, it is an important consideration that strong seasonal fluctuations characterize the IT industry, which also affects the operations of Synergon. In 2001, this factor resulted in Synergon generating more than 35% of both its annual sales revenue and contribution during the fourth quarter. In the light of the experience of the last couple of years the results of the second and third quarters lag considerably behind the first three months producing average results, and the traditionally strongest third quarter.

<i>Profit and loss statement</i>	Six-month period ending June 30					
	2002		2001		Change %	
	000 HUF	000 USD	000 HUF	000 USD	HUF basis	USD basis
Net sales*	9 203 267	33 902	9 703 782	33 336	-5%	2%
<i>Of which services(%)</i>	29%		27%			
<i>Of which products (%)</i>	71%		73%			
Cost of sales	-7 187 285	-26 475	-7 751 429	-26 629	-7%	-1%
<i>As % of sales</i>	78%		80%			
Contribution	2 015 982	7 426	1 952 353	6 707	3%	11%
Contribution margin (%)	22%		20%			
Operating expenses	-2 082 615	-7 672	-2 384 678	-8 192	-13%	-6%
Operating profit	-66 633	-245	-432 325	-1 485	-85%	-83%
<i>Operating margin (%)</i>	-1%		-4%			
Net financial income	63 485	234	22 708	78	180%	200%
Extraordinary items	0	0	-300	-1	-100%	-100%
Profit before tax	-3 148	-12	-409 918	-1 408	-99%	-99%
Minority interest	-41 545	-153	-56 331	-194	-26%	-21%
Corporate tax	-48 493	-179	-59 659	-205	-19%	-13%
Net profit	-93 186	-343	-525 907	-1 807	-82%	-81%
<i>Net margin (%)</i>	-1%		-5%			

* Including other revenues.

Sales revenue

Synergon Information Systems plc, including its consolidated subsidiaries, achieved a sales revenue of HUF 9,203 million in the first six months of 2002, which represents a 5 percent decrease compared to the sales revenue of HUF 9,704 million of the base period. Major part of this decrease between the examined periods was due to the weakened sales revenue of the Czech subsidiary, Infinity; the mother company (and Fibex Kft.) was able to produce a small increase in sales while Span boasted a major increase in sales revenue during the period. Parliamentary elections (and the related preparations) were typical factors that affected the market (in the Czech Republic and Hungary) during this period, not to mention the soaring of the exchange rates of certain currencies. The ailing telecommunication sector and its cutbacks on costs played an key role in the slowing of the market momentum during this time. Because of purchases paid in USD billing of projects are linked with the USD on many occasions. Calculated on USD basis the group produced a 2 percent increase between the two periods.



In a per-sector breakdown of the sales of Synergon group (both Synergon plc. and the three subsidiaries have been broken down as of 2002) telecommunication sector represents 18 percent, the financial sector 8%, the subsidiaries 19%, while the public utility and transportation sector claims 9 percent and the public sector gives 13% of the sales during this period. Other sales not categorized according to sectors produced 33% of the total sales. Compared to the previous years the telecommunication sector sank into a spectacular decline caused by the above mentioned global market trends, and there was an impressive increase in the share of industrial companies, which is mainly due to the consolidation of Infinity.

In the first six months of 2002 the service content of the sales was 29%, compared to 27% achieved in the first six months of 2001. The increase resulted mainly from the service content increase at Infinity and the Communications Division of Synergon, the explanation for which is included in the sections of each division. Gradually increasing the percentage of services sold is a strategic objective of the group, and the results of the first six months (increasing service content ration – improving contributions) prove the success of this strategy.

Cost of sales

The cost of sales is built up primarily of products sold, base materials, payments to contractors and direct labor costs. Cost of sales was reduced by 7 percent, amounting to HUF 7,178 million in the first six months of 2002 compared to HUF 7,751 in the base period. It is a positive operating result that after comparing the first quarters the decrease in the cost of sales surpassed the decrease of the sales revenue when the six-month periods were also compared. This effect was boosted by two factors in the first place: on the one hand, the ratio of services sold has increased at group level (see above), on the other hand, as a result of cost-saving and streamlining programs carried out in 2000 and 2001 the companies of the group, and Synergon in the first place, benefited of improved work and human resource management.

Contribution

Contribution in the first six months of 2001 amounted to HUF 1,952 million, while it was HUF 2,016 million in the first six month of 2001, which represents a 3 percent decrease. Contribution grew in spite of reduced sales, which resulted from the reduction of the cost of sales that was greater than the drop of the sales revenue. The different rate of change between sales revenue and contribution has been an ongoing trend for some time at the Synergon group: this resulted in the increase of contribution margin from 20% in the first six months of 2001 to 22% in the first six months of 2002.

Operating expenses

Operating expenses amounted to HUF 2,083 million in the first six months of 2002, representing a 13 percent decrease compared to the amount of HUF 2,385 million produced in the first six months of 2001. In this cost row major cost items are represented such as non-divisional labor costs (HUF 584 million), vehicle costs (HUF 161 million), and depreciation (HUF 370 million). As of 2002 Synergon raised the goodwill writedown period of foreign subsidiaries acquired in 2001 from 5 years to 10 years in accordance with the expected ROI period. Of the other operating expenses only the costs of lease (+21%) show notable increase in 2002 compared to the last year while non-divisional labor costs and vehicle costs dropped significantly (-29% and -22%, respectively). Thus the trend showing the results of the cost-rationalization programs which started in 2001 has continued: the group succeeded in reducing the operating expenses to a degree that it went beyond the decrease of the sales revenue.

Operating profit

A dual effect manifests itself in the change of the operating profit. The trend of the contribution and the operating expenses working against the trend of the sales revenue produced a positive results in that the operating losses amounting to HUF 432 million in the first six months of 2001 was reduced considerably, resulting in a loss of HUF 67 million in the first six months of 2002.

The ratio of the operating expenses compared to the sales revenue, however, was greater than the contribution margin in the first six months of 2002, unlike the first quarter, and thus the positive operating profit of the first quarter turned into a loss considering the entire six months period. However, a significant improvement is apparent when the two reporting periods are compared to each



other. In the first six months of 2001 the ratio of operating expenses compared to the sales revenue was 4 percent higher than the contribution margin, but in the first six months of 2002 the difference was reduced to 1 percent.

Net financial income

Compared to HUF 23 million in the first six months of 2001 the net financial income amounted to HUF 63 million in the first six months of 2002. The considerable increase is due primarily to the high amount of cash in hand at Synergon (producing an interest income of HUF 80 million); the groups' gain on exchange rates generated an income of HUF 7 million, while the interests payable after subsidiary loans along with other financial items produced an expenditure of HUF 24 million.

Profit before tax

Profit before tax was HUF -410 million in the first six months of 2002, while it amounted to HUF -3 million in the first six months of 2001. The year of 2001 was still marked by efforts aimed at improving the efficiency of the Company, the results of which begin to show in 2002. The reduced loss in the profit before tax results from the positive trend showing in the operating and financial profit, and the factors described there.

Net profit

Profit before tax was reduced by the deduction of a minority interest amounting to HUF 42 million which is related to foreign, not fully owned subsidiaries, and the payable tax of HUF 48 million produced by Synergon subsidiaries. Both items were lower than in the first six months of 2001, on the one hand, due to the lower profit of Infinity, and because of the reduced minority shareholding in Span, on the other hand. After deducing the above items the net profit of the group was obtained, amounting to HUF - 526 million in the first six months of 2002, and to HUF -93 million in the first six months of 2001. Comparing the two periods reveals a significant improvement which results from the cost-saving and efficiency improvement programs that were carried out in the meantime.

Divisions and subsidiaries

The table below shows the sales revenues of the group in a breakdown indicating the divisions of the mother company and the subsidiaries.

Divisions	Six-month period ending June 30							
	2002			2001			Change %	
	Th HUF	Th USD	%	Th HUF	Th USD	%	HUF	USD
Net sales*	9 203 267	33 902	100%	9 703 782	33 336	100%	-5%	2%
Communications Systems	1 635 012	6 023	18%	2 713 523	9 322	28%	-40%	-35%
HW-SW Integration	3 000 102	11 051	33%	1 718 455	5 904	18%	75%	87%
Services	595 937	2 195	6%	584 573	2 008	6%	2%	9%
Consulting	395 210	1 456	4%	439 097	1 508	5%	-10%	-3%
Fibex Kft.	499 245	1 839	5%	474 948	1 632	5%	5%	13%
Infinity**	2 249 520	8 286	24%	3 054 350	10 493	31%	-26%	-21%
Span**	955 855	3 521	10%	656 858	2 257	7%	46%	56%
Consolidation	-127 613	-470	-1%	61 977	213	1%	-306%	-321%

* Includes other revenues.

** As of February 1 in 2001. Data includes minority interest.

In the compositions of the group's sales revenue the weight of certain divisions and subsidiaries went through a considerable change compared to the first six months of 2001. In the first six months of 2002 the highest sales revenue was produced by the HW-SW Integration Division while Communications Systems Division and the Czech Infinity subsidiary were pushed back into the second row due to negative market tendencies that affected mainly these two units. With a continued good performance Span, the Croatian subsidiary, producing 10% of the group sales seems to leave behind the small units representing 4 to 6 percent in the total sales (Services, Consulting, and Fibex Kft.).



Communications Systems Division

Specialized in the design, supply and installation of integrated communications infrastructure and the related services, multimedia communication and cable television networks Communication Systems Division achieved a revenue of HUF 2,714 million during the first six months of 2001, compared to the HUF 1,635 million in the same period of 2002, which represents a 40-percent decrease.

<i>Communications Systems</i>	Six-month period ending June 30					
	2002		2001		Change %	
	HUF m	USD 000	HUF m	USD 000	HUF	USD
Net sales	1 635	6 023	2 714	9 322	-40%	-35%
<i>Of which services (%)</i>	25%		18%			
<i>Of which products (%)</i>	75%		82%			
Cost of sales	-1 334	-4 914	-2 247	-7 718	-41%	-36%
<i>as % of sales</i>	82%		83%			
Contribution	301	1 109	467	1 604	-36%	-31%
<i>as % of sales</i>	18%		17%			

The decline of the Communications Systems Division resulted mainly from the loss of the first quarter: in the second quarter of 2002 the division produced a sales revenue comparable to that of the second quarter in 2001. As a result the decline between the two six-month periods must have been caused by the same factors that lead to lag in the first quarter: obviously many of these factors have a long-term effect. The most important reason is the weak demand in the telecommunication sector (that is typical both in Hungary and on the global market) which is considered the traditional market of the Division. To counter these circumstances the Division focuses on the non-telecommunications corporate customers while offering efficiency improvement services to the telecommunication sector. With the inclusion of new technological solutions and services aimed to provide full support to the previously sold systems in its portfolio the Division targets new customer segments. All business units of the Division produced sales revenues lower than in the last year, but the Intelligent Buildings Business Unit was able to increase its contribution considerably.

As a result of the new trends the service content of the sales in the entire division increased, reaching 25% in the first six months of 2002, compared to the ratio of 18% in the first six months of 2001.

Hardware–Software Integration Division

The operations of the Hardware–Software Integration Division focus on the areas associated with the basic information infrastructure, its products and services ranging from desktop computers and peripheries to the servers constituting the basis of corporate systems, as well as the related sales of software, consulting and customization. The division produced a sales revenue of 1,718 million in the first six months of 2001, while in the same period of 2002 they achieved 75% more, generating a sales revenue of 3,000 million.

<i>Hardware-Software</i>	Six-month period ending June 30					
	2002		2001		Change %	
	HUF m	USD 000	HUF m	USD 000	HUF	USD
Net sales	3 000	11 051	1 718	5 904	75%	87%
<i>Of which services (%)</i>	19%		29%			
<i>Of which products (%)</i>	81%		71%			
Cost of sales	-2 588	-9 533	-1 500	-5 152	73%	85%
<i>as % of sales</i>	86%		87%			
Contribution	412	1 518	219	751	88%	102%
<i>as % of sales</i>	14%		13%			

As has been discussed in the report for this first quarter the sales revenue of the Division in the first six months of 2002 was boosted mainly by one or two low-contribution high volume public



procurement PC projects. This is reflected by the increasing ratio of products sold by the Division. There was a significant increase in the demand and in the sales of archiving and document management systems, and first of all software sales including the sale of Microsoft products led to a growth of more than 40% with higher efficiency (and margins) than in the last year. The Retail Business Unit engaged in retailer systems increased considerably its domestic and export sales revenues and contribution through the installation and fiscal approval of cash register systems. In total the service content ratio of the division sales was reduced from 29% achieved in the first six months of 2002 to 19% in the subject period, but due to the improved productivity this resulted in a contribution margin that is one percent higher than in the first six months of the last year.

Services Division

The operation of the Services Division encompasses the operation, supervision and management of information systems under long-term arrangements with the customers, making use of the Call Center, the Helpdesk as well as continuous availability. Increasing 2% from HUF 585 million generated in the first six months of 2002 the sales revenue of the division amounted to HUF 596 million in the same period of 2002.

Services	Six-month period ending June 30					
	2002		2001		Change %	
	HUF m	USD 000	HUF m	USD 000	HUF	USD
Net sales	596	2 195	585	2 008	2%	9%
<i>Of which services (%)</i>	99%		100%			
<i>Of which products (%)</i>	1%		0%			
Cost of sales	-251	-925	-278	-956	-10%	-3%
<i>as % of sales</i>	42%		48%			
Contribution	345	1 270	306	1 052	13%	21%
<i>Contribution margin (%)</i>	58%		52%			

The sales revenue of the division in the first quarter was still below the figure of the last year, but the trend took a positive turn regarding the entire six-month period. In the second quarter the division made up for the lag in spite of the fact that the prevailing economic environment did not change much, that is, because of the low spending of the existing customers resulting from the uncertain economic prospects, and the fence-sitting attitude of the potential customers waiting for an upturn in the global economy and in the demand delays with the conclusion of new contracts and with the starting of new services were still typical. The efficiency boost played an decisive role also in this division, pairing a 2% increase in sales with a 13% increase in contribution. The sales of the Divisions continue to be dominated by services which is indicated by the extremely high service content ratio.

Consulting Division

The Consulting Division, specializing in business solutions and consultancy – including ERP systems – realized a revenue of HUF 395 million in the first six months of 2002, a 10-percent decline compared to the HUF 439 million generated during the first six months of 2001.

Consulting Division	Six-month period ending June 30					
	2002		2001		Change %	
	HUF m	USD 000	HUF m	USD 000	HUF	USD
Net sales	395	1 456	439	1 508	-10%	-3%
<i>Of which services (%)</i>	84%		91%			
<i>Of which products (%)</i>	16%		9%			
Cost of sales	-274	-1 008	-346	-1 190	-21%	-15%
<i>as % of sales</i>	69%		79%			
Contribution	122	448	93	318	31%	41%
<i>Contribution margin (%)</i>	31%		21%			



Due to a portfolio cleansing in the last year the sales revenue of the Division dropped by 10 percent between the two six-month periods; in contrast with that the contribution and its margin grew due to the increased efficiency. More than two-third of the sales revenue of the Division is realized in projects involving ERP systems. In the first six months of 2002 the SAP Business Unit generates a sales revenue equal that is on par with that of the last year, mainly resulting from projects extending into the subject period, and long-term support agreements. Growth of the sales revenue was hindered by the fact that due to the parliamentary elections work on many projects that have been won was postponed. The sales revenue of the JD Edwards Business Unit was also reduced in the first six months of 2002 after a high flying base period in the last year. In the first six months the business unit took mainly support orders which had a higher contribution margin than before, new projects have not been started in the period. The sales revenue of the Security Consulting Business Unit grew considerably (by more than 200 percent) which indicates that even on a weak IT market the demand for IT security services and consulting remains strong, both in Hungary and abroad.

The service content ratio of the sales of the Consulting Division dropped to 84% from 91% in the first six month of 2002 due to the sale of Peregrine software licenses, and hardware and software related to security consulting, but due to the reorganization of the division last year, and shaping the remaining business units to the optimum size, and also due to the high-contribution security consulting the contribution rose from 21% in the first six months of 2001 to 31% in 2002.

Fibex Ltd.

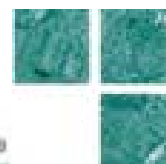
The Fibex Ltd., specializing in the sales of optical and copper cables, network implementation materials and tools, has operated as Synergon's 100-percent subsidiary. Sales of Fibex grew by 5% in the first six months of 2002 compared to the base period, but the sales revenue of the second quarter also includes the sale of a building. Without the revenue from the sale of the building the sales revenue generated by the core activity would show a trend of decline if the two periods are compared. The performance of Fibex Kft was influenced mainly by the critically weakened demand in the telecommunication sector which is considered one of their primary markets, and also by the moderate demand in the IT sector that is seen as their other market, plus the fact that the optical cable shortage providing a boost for their profitability has ended. 17 percent of the subsidiary's sales went to the other divisions of Synergon, compared to 23% in 2001. In addition to the sales revenue being lower than in the last year, the reduction of the contribution is also shifted towards the positive figures by the revenue from the sale of the building.

<i>Fibex Ltd.</i>	Six-month period ending June 30					
	2002		2001		Change %	
	HUF m	USD 000	HUF m	USD 000	HUF	USD
Net sales*	499	1 839	475	1 632	5%	13%
<i>Of which services (%)</i>	0%		0%			
<i>Of which products</i>	100%		100%			
Cost of sales	-340	-1 251	-396	-1 361	-14%	-8%
<i>as % of sales</i>	68%		83%			
Contribution	160	588	79	270	103%	117%
<i>Contribution margin (%)</i>	32%		17%			

* Includes other revenues.

Infinity

Infinity a.s. is a Czech subsidiary in the majority ownership (50 percent + 1 share) of Synergon, consolidated as of February 1, 2001. As of June 30, 2002 Synergon increased its shareholding to 66.67%, and for this reason the new shareholding has already been included in the balance sheet, but as yet it does not affect the items of the profit and loss statement during the subject period. The sales revenue of Infinity is generated mainly by the sales of Compaq and Microsoft products and the associated services as well as the remote management and support services based on these products.



Infinity**	Five-month period ending June 30					
	2002		2001		Change %	
	HUF m	USD 000	HUF m	USD 000	HUF	USD
Net sales*	2 250	8 286	3 054	10 493	-26%	-21%
<i>Of which services (%)</i>	26%		13%			
<i>Of which products (%)</i>	74%		87%			
Cost of sales	-1 755	-6 467	-2 579	-8 861	-32%	-27%
<i>as % of sales</i>	78%		84%			
Contribution	494	1 820	475	1 632	4%	11%
<i>Contribution margin (%)</i>	22%		16%			

(Consolidated as of February 1 in 2001) * Includes other revenues. ** Data includes minority interest.

The sales revenue of Infinity was characterized by a 26-percent drop in the first six months of 2002 compared to the sales revenue of the first five months consolidated in 2001. The slowing of the Czech market was greatly influenced by the uncertain condition of the global economy, the Czech parliamentary elections, the crisis of the telecommunication sector, and the Czech koruna getting considerably stronger. As a result, the wait-and-see attitude is still there when it comes to undertaking or starting projects. The company intends to counter balance the losses on sales by selling services with a high contribution content which generates increasing contribution in spite of the weakening sales. This trend corresponds to the general strategy of the Synergon group which makes the subsidiary also responsible for moving towards the sale of services. Due to the implementation of the strategy the declining sales revenue does not affect the contribution of the subsidiary: with an increase of 4% compared to the HUF 475 million generated in the first five months of 2001, the company produced contribution amounting to HUF 494 million in the first six months of 2002 which is indicated by the contribution margin rising to 22% from 16% between the aforesaid periods.

Span

Span d.o.o. is a Croatian subsidiary in the majority ownership (68.1% percent) of Synergon, consolidated as of February 1, 2001. Synergon increased its shareholding in Span during the second quarter of 2002 (04-18-2002). In addition to certain networking and infrastructure management projects the major part of the sales revenue of Span is currently generated by the sales of Microsoft products, the associated services and training.

Span**	Five-month period ending June 30					
	2002		2001		Change %	
	HUF m	USD 000	HUF m	USD 000	HUF	USD
Net sales*	956	3 521	657	2 257	46%	56%
<i>Of which services (%)</i>	16%		14%			
<i>Of which products (%)</i>	84%		86%			
Cost of sales	-795	-2 928	-542	-1 860	47%	57%
<i>as % of sales</i>	83%		82%			
Contribution	161	593	115	396	40%	50%
<i>Contribution margin (%)</i>	17%		18%			

(Consolidated as of February 1 in 2001) * Includes other revenues. ** Data includes minority interest.

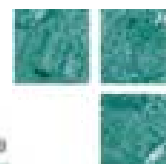
Increasing 46% from a sales revenue of HUF 657 million representing the first five months consolidated in 2001 Span generated a sales revenue of HUF 956 million in the first six months of 2002. The trends of the first quarter continued at Span for the entire duration of the six-month period: as a result of a strong demand for certain services (e.g. training) from the subsidiary the company became market leader in a number of sectors, and is able to continue to extend the scope of its services, offering its services at premium prices to its customer group which includes the biggest companies of Croatia. The subsidiary is engaged in a strong sale of Microsoft licenses and products, but it also succeeded in raising the service content of its sales from 14% achieved in the first six months of 2001 to 16% in the same period of 2002. The contribution margin did not grow in line with the sales revenue, which resulted from the amounts spent on the dynamic and strong internal growth of the company.



Staff numbers

The table below shows the average numbers of the employees of the Synergon Group. The change between the two periods is mainly due to the reducing effect of the cost-saving and staff streamlining programs performed at Synergon during the year 2001 the effect of which already appears markedly at each divisions and support units. The staff of the Services Division was reduced also by the transfer of personnel to other divisions. In the case of Infinity the expansion took place mainly in the second half of 2001, while it was an ongoing process at Span, extending over 2001 and 2002. The total number of employees at the Group was 567 persons on June 30, 2001, while it was 521 persons on June 30, 2002

<i>Average staff numbers</i>	First six months 2002	First six months 2001	Change %
Communications Systems D.	53	58	-8%
Hardware-Software Integr. D.	34	42	-19%
Services	28	70	-60%
Consulting	50	68	-27%
Fibex	28	29	-4%
Infinity	161	128	25%
Span	40	22	85%
Strategic Sales & Marketing + Company support units	118	140	-16%
Total	512	557	-8%



Analysis of the balance sheet and liquidity position as of June 30, 2002

<i>Balance sheet</i>	June 30, 2002		June 30, 2001		Change %	
	HUF 000	USD 000	HUF 000	USD 000	HUF	USD basis
Assets						
Non-current assets	3 544 127	14 365	3 129 633	10 890	13%	32%
Fixed assets	2 321 756	9 410	2 252 626	7 838	3%	20%
Intangible assets	1 177 239	4 772	840 902	2 926	40%	63%
Investments	45 131	183	36 105	126	25%	46%
Current assets	7 679 761	31 127	8 249 171	28 704	-7%	8%
Inventories	1 808 848	7 332	1 661 600	5 782	9%	27%
Accounts receivable	3 787 937	15 353	4 131 969	14 378	-8%	7%
Cash and equivalents	1 578 493	6 398	1 594 240	5 547	-1%	15%
Other current assets	504 481	2 045	861 362	2 997	-41%	-32%
Total assets	11 223 888	45 492	11 378 804	39 594	-1%	15%
Liabilities and shareholder's equity						
Shareholders' equity	7 701 878	31 217	7 834 319	27 260	-2%	15%
Share capital	1 910 926	7 745	1 910 926	6 649	0%	16%
Capital reserves	5 655 996	22 925	5 648 738	19 655	0%	17%
Profit reserves + Balance sheet profit	134 956	547	274 655	956	-51%	-43%
Short-term liabilities	3 309 551	13 414	3 192 669	11 109	4%	21%
Accounts payable	2 217 661	8 989	1 837 678	6 394	21%	41%
Other short-term liabilities	1 091 890	4 426	1 354 991	4 715	-19%	-6%
Long-term liabilities	100 959	409	80 330	280	26%	46%
Minority interest	111 500	452	271 486	945	-59%	-52%
Total liabilities and shareholders' equity	11 223 888	45 492	11 378 804	39 594	-1%	15%

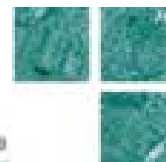
The balance sheet total of the Company as of June 30 (HUF 11,224 million) shows an insignificant change (1% decrease) calculated in forint, compared to the closing value of the same period of the previous year, but as a result of the change in the HUF/USD exchange rate the amounts calculated in USD now show a 15-percent growth.

In the consolidated balance sheet of the Group the value of intangible assets (HUF 1,177 million) grew by 40%. This growth results mainly from the difference between the new goodwill items related to the purchase of additional shareholding in Infinity and Span, and the depreciation calculated for the goodwill.

The net value of fixed assets (HUF 2,321 million) grew by 3%. The growth is mainly the result of infrastructural investments effected by foreign subsidiaries as Synergon's investments do not exceed the value of the accounted depreciation.

The growth of inventories can be traced back to a project inventory purchased by Synergon and Span for ongoing projects which has not been invoiced to the customers as yet. The 8 percent shrinking of the accounts receivable (HUF 3,788 million) was produced by the decreasing figures posted by Infinity in the same rows. The cash and equivalents amounted to HUF 1,578 million at the end of the period a dominant part of which (HUF 1,356 million) is posted in the books of the mother company. Purchases of shareholdings in the subsidiaries does not affect noticeably the cash in hand at the Company. The closing value of the other current assets was HUF 504 million: in 2001 this figure was HUF 861 million. The decrease is due to the shrinking of Synergon's other receivables and accrued items.

The row indicating reserves in the shareholder's equity results from the valuation reserve created previously for, and removed after the sale of the Fibex building, as well as the exchange rate differences calculated for CZK, HRK and GBP on the closing day of the six-month period. The profit reserve and the balance sheet profit figure dropped by 51% compared to the value at the end of the first six months of 2001. The decline results from the balance of several items including the positive



second quarter profit of 2001, the loss on the sale of treasury shares (accounted against the profit reserve last year), and the loss of the first six months of 2002.

The closing value of the short-term liabilities (HUF 3,310 million) increased by 4%. Under this heading other short-time liabilities (HUF 1,092 million) dropped by 19% which was affected mainly by the data of the Czech subsidiary. On the other hand, the 21-percent growth of the accounts payable (HUF 2,218 million) results from unpaid supplier invoices for materials and equipment purchased by Span and Synergon for their ongoing projects.

Liquidity position

The value of cash and securities held by the Company on June 30, 2002 was HUF 1,578 million.

Altogether the liquidity positions of the Company was balanced during the subject period. Operations resulted in a cash-flow of HUF 350 million which results partly from changes in the accounts receivable and payable that have been examined in the analysis of the balance sheet, and partly from the operating profit that shows a positive figure after deducing the depreciation.

The total amount of the investments effected by the group (HUF 932 million) covers mainly the purchase of further shareholding in the subsidiaries in the first place which also has a cash-reducing effect. The net cash from financing activities (HUF – 267 million) is due to changes in the loan portfolio of Infinity, and the shrinking of the minority shareholding. All this drained the liquid funds by HUF 786 million compared to the position at December 31, 2001.

Cash flow	Six-month period ending June 30			
	2002		2001	
	HUF 000	USD 000	HUF 000	USD 000
Net income before tax. and minority int.	-156 671	-577	-548 615	-1 885
Depreciation and amortization	369 915	1 363	369 179	1 268
Change in payables	-2 555 572	-9 414	479 894	1 649
Change in accruals	-1 768	-7	-22 901	-79
Change in inventories	-128 773	-474	124 664	428
Change in receivables, other assets	2 822 581	10 397	19 896	68
Change in provisions	377	1	25 685	88
Cash flow from operations	350 089	1 290	447 802	1 538
Net financial result	63 485	234	22 708	78
Cash flow from financing activities	413 574	1 523	470 510	1 616
Change in assets	-384 120	-1 415	-459 474	-1 578
Change in investments	-547 974	-2 019	-921 854	-3 167
Cash flow from investing	-932 094	-3 434	-1 381 328	-4 745
Net change in loans	-22 890	-84	484 301	1 664
Change in share capital	-244 790	-902	245 673	844
Cash flow from financing	-267 680	-986	755 787	2 596
Net change in Cash	-786 200	-2 896	-155 031	-533
Opening cash position	2 364 694	8 711	1 749 272	6 009
Closing cash position	1 578 493	5 815	1 594 240	5 477
Change in cash	-786 201	-2 896	-155 031	-533



Shareholder structure and company events

On the basis of the share register of Synergion Information Systems plc, and the shareholders' notices resulting from the obligation imposed by the law, the shareholder structure of Synergion Information Systems plc as of June 30, 2002 is as follows:

Shareholder Structure of Synergion plc.		
Shareholder	June 30, 2002	Dec 31, 2001
Deutsche Bank (depository)	9,6%	12,3%
Davon Kft.	7,8%	8,0%
RCX Kft.	10,2%	10,2%
Curdie Trust Corp.	9,9%	9,9%
Financial investors, below 5 percent of shares each	59,7%	56,8%
Treasury shares	2,8%	2,8%
Total	100%	100%

During the period between March 31 – June 30, 2002, the Board of Directors of Synergion Information Systems plc. held two meetings. At the meeting of May 21, the Board of Directors elected its chairman and the members of the Executive Committee of the Company.

During the period between March 31 and June 30, 2002 the Supervisory Board of Synergion Information Systems plc. held two meetings. At the meeting of May 14, the Supervisory Board elected its chairman, and approved its annual audit plan.

During the period between March 31 and June 30, 2002 Synergion Information Systems plc. held one General Meeting. The ordinary AGM held on April 30 approved the reports of the Board of Directors and the Supervisory Board, the annual report of the Company and the Synergion group, the amended Statutes, and appointed new members to the Board of Directors and the Supervisory Board, and the auditor of the Company.

For further information please contact:

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Liability statement

We hereby sign the flash report on the results of Synergion Information Systems plc during the first six months of 2002 in accordance with the Act CXX of 2001. This flash report contains true and valid unaudited data and statements, and does not conceal any facts that would influence judgment on the position of the Company.

Budapest - August 13, 2002

.....
Ferenc Czákó
Chief Executive Officer
Synergion Information Systems Plc.

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Tamás Kozák
Deputy Chief Executive Officer
Synergion Information Systems Plc.

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