

F L A S H R E P O R T

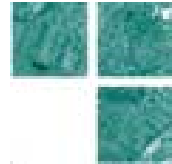


**Financial results of
Synergon Information Systems plc.
for the 9-month period of
January 1 - September 30, 2002**

Unaudited Consolidated Financial Statements
Prepared in accordance with
International Accounting Standards

www.Synergon.hu

www.synergon.hu
email: investor.relations@synergon.hu



During the third quarter, traditionally regarded as one of the least dynamic periods in terms of seasonality, also including the summer months, Synergon Information Systems plc. managed to achieve a positive Group-level net profit as well as to increase its sales compared to both the second quarter of 2002 and the base period (3rd quarter) of 2001. This is an indication of the softening of the crisis on the IT market and of the results of the measures taken in order to increase the efficiency of the financial management of the Group. The *cumulative* financial indicators concerning the January-September period also show a gradual improvement: the sales revenue of the first nine months of 2002 was 3 percent higher than during the same period of 2001, whereas the net profit was reduced to less than one-tenth (-HUF 61 million) of the loss of HUF 749 accumulated during the base period.

Despite the lasting difficulties of the telecommunications sector, representing a dominant part of the demand of the IT market, the overall dynamics of the market has shown changes during the second half of 2002. Customer segments have come to be represented in information projects in a more balanced fashion and, more specifically, the first project opportunities have emerged, following the parliamentary elections, within the public administration sector. There has also been a change in terms of the size categories of the various customer groups: besides the few formerly crucial large customers, the requirements of several medium-sized customers have reached an economical project size, which has ensured a more balanced distribution of orders for information companies. However, the annual seasonality effect does not appear to change, *i.e.* the fourth quarter will probably provide the highest order level of Synergon in 2002, too.

These changing market trends also require gradual alterations in the organisational management of the Synergon Group. Centralised Group-level management is thus expected to have increased importance in the future, in order to achieve a better overview of and faster reaction to regional processes. While the development of the related organisational and personal conditions has begun, the first measures in that field are expected to be taken in 2003, probably involving the rearrangement of personal tasks as well as structural organisational changes.

Excluding fourth quarters, which are peak periods in terms of seasonality, during the period June-September 2002, the Synergon Group has achieved the highest sales level since the first quarter of 2001, the Ebitda level never exceeded that of the period under review during 2000-2002, while the net profit has never been higher since the second quarter of 2000. The sales trends and the improvement of profitability are indications, respectively of the new market circumstances and the results of internal procedures.

Of the foreign subsidiaries, Span, of Croatia, maintained its outstanding performance during the third quarter. The solid financial and technological background provided by the Group enabled a continuously growing Span to get into dominant (at certain fields market-leading) positions in Croatia and to diversify into new business development lines.

The Czech market environment, already weak during the first part of 2002 (Parliamentary elections, the strengthening of the Czech crown) was further burdened by the floods throughout the country, as a result of which the dynamics of the market showed no improvement during the third quarter. Consequently, the Czech subsidiary Infinity suffered a 16-percent reduction of sales revenue and a 7-percent drop of contribution.



Analysis of Synergon's financial results in 2002

Comparing the nine-month period ending September 30, 2002 with the same period of 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 the convenience of readers, forint amounts have been converted into US dollars. The average exchange rate applied for the items of the profit and loss account are HUF 288.5 and HUF 264.11 per US\$ for the first nine months of 2001 and 2002 respectively. The closing exchange rate applied for the balance sheet items are HUF 281.29 and HUF 247.36 per US\$ for September 30, 2001 and September 30, 2002, respectively.

Company results

When assessing Company results, the strong seasonality characterizing the IT industry and thus also affecting the operations of Synergon represents an important consideration. It was due to that effect, that, in 2001, Synergon generated over 35 percent of both its annual sales revenue and contribution during the fourth quarter. That will probably be repeated for the entire period of 2002, despite the fact that the Group achieved almost balanced sales and contribution levels during the first three quarters of the year.

<i>Profit and loss statement</i>	Nine-month period ending September 30					
	2001		2000		Change %	
	000 HUF	000 USD	000 HUF	000 USD	HUF basis	USD basis
Net sales*	14 026 710	53 109	13 621 849	47 216	3%	12%
<i>Of which services(%)</i>	28%		27%			
<i>Of which products (%)</i>	72%		73%			
Cost of sales	-11 005 223	-41 669	-10 829 716	-37 538	2%	11%
<i>As % of sales</i>	78%		80%			
Contribution	3 021 486	11 440	2 792 134	9 678	8%	18%
<i>Contribution margin (%)</i>	22%		20%			
Operating expenses	-3 057 001	-11 575	-3 428 682	-11 885	-11%	-3%
Operating profit	-35 515	-134	-636 549	-2 206	na.	na.
<i>Operating margin (%)</i>	0%		-5%			
Net financial income	97 786	370	53 965	187	81%	98%
Extraordinary items	0	0	-300	-1	-100%	-100%
Profit before tax	62 271	236	-582 884	-2 020	na.	na.
Corporate tax	-77 394	-293	-85 895	-298	-10%	-2%
Minority interest	-45 379	-172	-80 422	-279	-44%	-38%
Net profit	-60 502	-229	-749 201	-2 597	na.	na.
<i>Net margin (%)</i>	0%		-5%			

* Including other revenues.

Sales revenue

During the first nine months of 2002, Synergon Information Systems plc., including its consolidated subsidiaries, achieved a sales revenue of HUF 14,027 million, representing, on a forint basis, a 3-percent increase compared to the sales revenue of HUF 13,622 million generated during the base period. Within the Group, a significant increase was achieved by Synergon and the Croatian subsidiary Span, whereas the growth of the consolidated sales revenue was slowed down by the reducing sales level of Infinity. There were no signs, during the third quarter, possibly indicating a checking of the long-lasting and dynamic expansion of the Croatian market, which enabled Span to continue its outstanding growth rate. While the size of the Hungarian market, currently in a state of transition, appears to stabilize, Synergon managed to consolidate its market positions and, consequently, to increase its sales. In contrast with the growth of the Group, the sales of the Czech subsidiary Infinity dropped. This was due to the definite deceleration of the Czech market, probably due to the go-slow policy before and after the Parliamentary elections, the substantial upward valuation of the Czech crown during the period under review as well as to the floods inflicting the country. Whereas the global crisis of the telecommunications sector considerably affected all Synergon markets, the focus on other sectors appears to have made up for such loss of sales. Because of



purchases being paid for primarily in US dollars, projects are often invoiced on a USD basis. Calculated on USD basis, the Group achieved a considerable growth of 12 percent in comparison of the two periods.

In the sectoral breakdown of the overall sales of the Synergon Group (including, apart from Synergon plc., each of the three subsidiaries from 2002), the telecommunications and the financial sectors accounted for 19 percent and 8 percent respectively, whereas industrial companies, the public utilities/transport industries and the public sector represented 21 percent, 9 percent and 18 percent respectively, during the period under review. Other, non-classified sales accounted for 25 percent of the sales total. Compared to previous years, a remarkable setback occurred in the telecommunications sector, due to the aforementioned global market trends, while the share of industrial companies grew substantially, due primarily to the consolidation of Infinity. The public sector also grew as the result of new directions in trade and of the consolidation of the subsidiaries.

During the first nine months of 2002, the service content of sales was 28 percent, as compared to the 27 percent achieved during the same period of 2001. As with the first six months, the increase was primarily the result of the increase of service content at Infinity and Synergon's Communications Systems Division. The gradual increase of the proportion of services sold is one of the Group's strategic objectives; the results during the period under review (the growth of service content – improving contribution margins) are due to ongoing implementation of that strategy.

Cost of sales

The cost of sales is built up primarily of products sold, base materials, payments to contractors and direct labour costs. The 2-percent increase in the cost of sales during the first nine months of 2002 was below the growth rate of sales, amounting to HUF 11,005 million, compared to the HUF 10,830 million of the base period. In proportion of the sales revenue, the cost of sales decreased to 78 percent compared to the 80-percent ratio during the same period in 2001. This was the result of the higher ratio of services sold and of the measures taken (during previous periods) in order to improve the efficiency of the use of labour.

Contribution

Contribution during the first nine months of 2002 amounted to HUF 3,021 million, as compared to the HUF 2,792 million realised during the same period of 2001, representing an 8-percent increase. The Group managed to increase contribution at a rate exceeding that of the growth of sales, which was, apart from the increased service content, made possible by the measures taken with a view to the rationalisation of the cost of sales. The different rates of the change of the sales revenue and of the contribution had been a long-term trend with the Synergon Group: that trend resulted in an increase of the contribution at a rate of 22 percent during January-September, 2002, compared to the rate of 20 percent during the same period of 2001.

Operating expenses

Operating expenses amounted to HUF 3,057 million during the first nine months of 2002, an 11-percent decrease compared to the HUF 3,429 million achieved during the same period of 2001. The most significant constituents of operating expenses include non-business line labour costs (HUF 865m), depreciation (HUF 577m), and vehicle expenses (HUF 255m). Of the operating expenses, the costs increasing at the highest rate during 2002, as compared to the data for January-September 2001, included rentals (+21 percent) and building maintenance expenses (+15 percent), while there was a substantial decrease in non-business line labour costs (-27 percent) and telephone expenses (-16 percent). The cost rationalisation programs initiated in 2001 resulted in perceivable and significant results also in terms of operating expenses: the Group reduced its cost/sales ratio to 22 percent during the period under review from 25 percent during the base period.

Operating profit

The operating cost ratio (21.79 percent) achieved during the first nine months of 2002 was about the same as the contribution margin (21.54 percent) during the period. That practically approached the operative break-even level of the Group, representing significant improvement in terms of the Group-level financial results as compared to the loss of –HUF 637 million, *i.e.* of a –5 percent operating profit margin, during January-September 2001. Under the operating profit, the figure for the difference of the operating cost ratio and the contribution showed a loss of –HUF 36 million, which is less than 6 percent of the loss during the base period.



Net financial income

The net financial income was HUF 97 million during the first nine months of 2002, compared to the HUF 54 million achieved in the same period of 2001. That significant increase was due primarily to the interest income (HUF 105m) of the Synergon plc., increased by the Group's exchange gain of HUF 11 million and reduced by the interest charges of the subsidiaries and by other financial items in the value of HUF 19 million.

Profit before tax

As the result of the favourable changes of expenses and contribution margins, the profit before tax changed its sign to positive in comparison of the two periods. Following a loss of –HUF 583 million made during the first nine months of 2001, the profit before tax line shows a positive result of +HUF 62 million for the same period of 2002. Although that positive balance was achieved by the inclusion of the profit on financial transactions, the cost-reduction and staff-rationalisation measures implemented at the Company contributed most significantly to the elimination of the overwhelming amount of the loss.

Net profit

Two items reduced the profit before tax for both the period under review and the base period. In 2001, they further increased the amount of net loss achieved, whereas in 2002, it turned a positive pre-taxation profit negative. Both the minority interest of HUF 45 million, associated with the foreign subsidiaries of a less than 100-percent ownership, and the tax liability of HUF 77 million, accrued by Synergon's subsidiaries were lower than the respective figures for the same period of 2001. The reduction of minority interest was due to the lower profit of Infinity as well as to the reduced minority share of Infinity and Span. The reduction of corporate tax was the result of the reduction of Infinity's profit. After deducting these two items, the net profit of the Group was –HUF 749 million and –HUF 61 million for the first nine months of 2001 and 2002 respectively. The significant improvement in the comparison of the two periods was due to the impact of the cost-reduction and efficiency-increasing programs referred to above, under the various items of the profit and loss account.

Divisions and subsidiaries

The table below shows the distribution of the sales of the Group broken down by the divisions of the parent company and by the subsidiaries:

Divisions	Nine-month period ending September 30							
	2002			2001			Change %	
	Th HUF	Th USD	%	Th HUF	Th USD	%	HUF	USD
Net sales*	14 026 710	53 109	100%	13 621 849	47 216	100%	3%	12%
Communications Systems	2 851 909	10 798	20%	3 813 210	13 217	28%	-25%	-18%
HW-SW Integration	4 032 990	15 270	29%	2 187 579	7 583	16%	84%	101%
Services	923 339	3 496	7%	906 276	3 141	7%	2%	11%
Consulting	621 403	2 353	4%	644 611	2 234	5%	-4%	5%
Fibex Ltd.	717 457	2 717	5%	683 772	2 370	5%	5%	15%
Infinity**	3 676 597	13 921	26%	4 353 321	15 089	32%	-16%	-8%
Span**	1 423 298	5 389	10%	902 430	3 128	7%	58%	72%
Consolidation	-220 284	-834	-2%	130 651	453	1%	-269%	-284%

* Including other revenues.

** From February 2001. Including minority interest.



As far as the distribution of the Group's sales is concerned, the tendencies observed during the first six months appear to continue: during the first nine months of 2002, the Hardware-Software Integration Division achieved the highest sales revenue, followed by the Communications Systems Division, the division most affected by the market trends, and by the Czech subsidiary Infinity. Through its good performance, the Croatian subsidiary Span consolidated its 10-percent share of the Group's sales, which considerably exceeds those of the smaller units representing a ratio of 4-7 percent (Services and Consulting Divisions and Fibex Ltd.).

Communications Systems Division

The Communication Systems Division, specialising in the design, supply and the installation of the integrated communications infrastructure and the related services, multimedia communication and cable television networks, achieved a revenue of HUF 2,852 million during the first nine months of 2002, compared to the HUF 3,813 million in the same period of the previous year, which represents a 25-percent decrease.

<i>Communications Systems</i>	Nine-month period ending September 30					
	2002		2001		Change %	
	HUF m	USD 000	HUF m	USD 000	HUF	USD
Net sales	2 852	10 798	3 813	13 217	-25%	-18%
<i>Of which services (%)</i>	21%		18%			
<i>Of which products (%)</i>	79%		82%			
Cost of sales	-2 275	-8 614	-3 101	-10 750	-27%	-20%
<i>as % of sales</i>	80%		81%			
Contribution	577	2 184	712	2 468	-19%	-11%
<i>as % of sales</i>	20%		19%			

The 25-percent fallback of the sales of the Communications System Division compared to the base period is still due primarily to the shortfall of the first quarter; during the second and third quarters of 2002, the Division achieved a sales revenue similar to or exceeding those of the respective periods of 2001. Consequently, the lag shows a reducing tendency in terms of the cumulative figures: whereas there was a 57-percent fallback in comparison of the first quarters, the same indicator is as low as 40 percent and 25 percent, respectively, on a six-month and a nine-month basis. The loss of income was primarily the result of poor demand (both nationally and globally) of the telecommunications sector, a traditional market of the Division. In order to offset that loss, the Division has been reinforcing its presence among large non-telecommunications customers and in the public administration sector, which has resulted in the awarding of several significant projects, considered substantial in terms of Hungary (including the largest security and IP-telephony projects). The reduction rate of the Division's contribution was lower than that of the sales revenue, due partly to the income of special projects, sometimes requiring technical capacities unique in Hungary, and partly to the increase of the proportion of high added-value services provided by the Company in the field of communications.

As the result of a shift toward new sectors and services, the total service content of the Division showed a significant increase, reaching 21 percent during the first nine months of 2002, compared to 18 percent for January-September 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 customisation. During the first nine months of 2002, the Division achieved a sales revenue of HUF 4,033 million, representing an 84-percent increase compared to the revenue of HUF 2,188 million of the base period.



<i>Hardware-Software</i>	Nine-month period ending September 30					
	2002		2001		Change %	
	HUF m	USD 000	HUF m	USD 000	HUF	USD
Net sales	4 033	15 270	2 188	7 583	84%	101%
<i>Of which services (%)</i>	19%		26%			
<i>Of which products (%)</i>	81%		74%			
Cost of sales	-3 451	-13 067	-1 924	-6 668	79%	96%
<i>as % of sales</i>	86%		88%			
Contribution	582	2 204	264	914	121%	141%
<i>as % of sales</i>	14%		12%			

The growth of the Division's level of sales and the increase of the proportion of products in 2002 were primarily the results of the large public procurement PC project carried out during the first quarter. The Division continued to supply some major infrastructure projects during the third quarter, as a consequence of which the rate of the growth of the Division's sales exceeds the level measured for the first six months in terms of the cumulative comparison with the previous year. There was considerable growth in the field of software sales, due to the new WIN2K projects and the continuance of the earlier OSL contracts. Through the installation, fiscalisation, monitoring and maintenance of the cash-registers of its customer base primarily constituting filling station networks, supermarket chains and financial institutions, the Retail Business Unit, specialising in retail systems, substantially increased its sales and contribution levels both within and outside Hungary. The overall service content of the Division was 19 percent, which was lower than the level of January-September 2001, due to the major hardware projects described above. The improving efficiency, however, enabled the contribution margin to increase to 14 percent during the period under review, from 12 percent during the first nine months of the previous 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 by 2 percent, calculated on a forint basis, from HUF 906 million in the first nine months of 2001, the sales revenue of the Division amounted to HUF 923 million for the period January-September 2002.

<i>Services</i>	Nine-month period ending September 30					
	2002		2001		Change %	
	HUF m	USD 000	HUF m	USD 000	HUF	USD
Net sales	923	3 496	906	3 141	2%	11%
<i>Of which services (%)</i>	99%		100%			
<i>Of which products (%)</i>	1%		0%			
Cost of sales	-375	-1 419	-445	-1 544	-16%	-8%
<i>as % of sales</i>	41%		49%			
Contribution	549	2 077	461	1 597	19%	30%
<i>as % of sales</i>	59%		51%			

A crucial factor affecting the sales of the Division, both new and existing customers responded by an increased cost control to the uncertain economic situation within and outside Hungary, which considerably limited the potentials for the increase of sales, even by winning over new customers. In terms of some USD-based contracts entered into by the Division, there was a considerable loss on forint revenues due to the unfavourable changes of exchange rate. The contribution of the Division, however, was determined by the rationalisation of supplier relations and the overall cost improvement, collectively resulting in a 16-percent decrease of the cost of sales and a 19-percent improvement of contribution during the first nine months of 2002 compared to the same period of 2001. Through the gradual expansion of the services offered to existing customers and through the broadening of its customer base, the Division continued to sell primarily services, which is indicated by its outstandingly high service content.



Consulting Division

The Consulting Division, specialising in business solutions and consulting – including ERP systems – realised a revenue of HUF 621 million in the first nine months of 2002, representing a 4-percent decline compared to the HUF 645 million generated during the same period of 2001.

Consulting Division	Nine-month period ending September 30					
	2002		2001		Change %	
	HUF m	USD 000	HUF m	USD 000	HUF	USD
Net sales	621	2 353	645	2 234	-4%	5%
<i>Of which services (%)</i>	70%		92%			
<i>Of which products (%)</i>	30%		8%			
Cost of sales	-452	-1 710	-525	-1 819	-14%	-6%
<i>as % of sales</i>	73%		81%			
Contribution	170	643	120	415	42%	55%
<i>as % of sales</i>	27%		19%			

The reasons contributing to the decline of the sales of the Division included the portfolio cleansing carried out in 2001 and the poor performance of the JD Edwards Business Unit. As a result of that, the partnership agreement between the system manufacturer and Synergon was terminated at the end of the period, and a new arrangement was made for the performance of the support services ordered by customers. The decrease of the sales revenue of the Division was counteracted by the performance of the SAP Business Unit, achieving 16-percent growth by strengthening its presence and its competences in the public administration and public utilities sectors. The outstanding growth of the Security Consulting Business Unit, however, had an impact even more significant than that of the SAP Business Unit. Apart from its crucial and high-contribution projects abroad, there was powerful demand from Hungary for services and consulting related to IT security.

As a result of the sales of Peregrine and SAP software licences and of security consulting-related hardware and software, the service content of the Consulting Division declined to 70 percent by the first nine months of 2002. Due to the reorganisation, last year, of the Division, and to the establishing of the optimal size of the business units retained, the Division's contribution margin rose to 27 percent in 2002 from the 19 percent achieved during the first nine months of 2001, even while sales were declining.

Fibex Ltd.

The Fibex Ltd., specialising in the sales of optical and copper cables, network implementation materials and tools, operates as a 100-percent Synergon subsidiary. Compared to the base period, the sales of Fibex increased by 5 percent during the first six months of 2002. That figure, however, comprises a non-recurring income item, accrued by the sale of a property. The comparison of the figures for the sales revenue generated strictly from the basic operation during the two periods would show a decline. As for the performance of the Fibex Ltd. during the entire nine-month period in 2002, the overall demand for its products continued to be essentially affected by the radically reduced demand of the telecommunications sector and the moderate demand of the IT sector as well as by the disappearance of the shortage of optical cables, which had substantially contributed to its profitability during the previous periods. 14 percent of the sales of the subsidiary went to other Synergon divisions, in comparison with the 20 percent in 2001. After the deduction of the extraordinary item, the decline of the contribution is adjusted in the positive direction, at a sales level lower than during last year, by the income generated by the sale of the property.

Fibex Ltd.	Nine-month period ending September 30					
	2002		2001		Change %	
	HUF m	USD 000	HUF m	USD 000	HUF	USD
Net sales*	717	2 717	684	2 370	5%	15%
<i>Of which services (%)</i>	0%		0%			
<i>Of which products</i>	100%		100%			
Cost of sales	-537	-2 032	-578	-2 005	-7%	1%
<i>as % of sales</i>	75%		85%			
Contribution	181	685	105	365	72%	87%
<i>as % of sales</i>	25%		15%			

* Including other revenues.



Infinity

Infinity a.s. is a Czech subsidiary in the majority ownership (66.67 percent since June 30, 2002) of Synergon, consolidated as of February 1, 2001. The major part of the sales revenue of Infinity is generated by the sales of HP and Microsoft products and the associated services as well as the remote management and support services based on these products..

Infinity**	Nine-month period ending September 30					
	2002		2001		Change %	
	HUF m	USD 000	HUF m	USD 000	HUF	USD
Net sales*	3 677	13 921	4 353	15 089	-16%	-8%
<i>Of which services (%)</i>	26%		15%			
<i>Of which products (%)</i>	74%		85%			
Cost of sales	-2 963	-11 221	-3 585	-12 427	-17%	-10%
<i>as % of sales</i>	81%		82%			
Contribution	713	2 700	768	2 663	-7%	1%
<i>as % of sales</i>	19%		18%			

(Consolidated from February 1, 2001) * Including other revenues. ** Including minority interest.

During the first nine months of 2002, Infinity's sales revenue declined by 16 percent, as compared to that of the first eight months consolidated during 2001. The slackening of the Czech market had been the result of several factors, primarily the uncertain global economic situation, the Czech parliamentary elections, the crisis of the telecommunications sector, the floods and the considerable strengthening of the Czech crown. As a consequence, the third quarter continued to be characterised by a go-slow approach by the customers (including government institutions), as far as the awarding and commencement of project contracts were concerned. Infinity intended to make up for the loss of revenue through focusing on high-contribution projects, primarily the sales of services, which counteracted the impact to the contribution of the declining revenue. As a result, the contribution declined at a lower rate than the sales revenue (-7% vs. -16%), the contribution margin even increasing by one percentage point in the face of the lower volume of contribution: following the 18 percent during the first eight months of 2001, the ratio achieved during the first nine months of 2002, in a tougher management environment, was 19 percent.

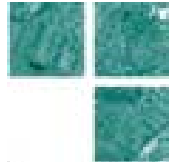
Span

Span d.o.o. is a Croatian subsidiary in the majority ownership (68.1 percent) of Synergon, consolidated as of February 1, 2001. Apart from various networking and infrastructure-management projects, the major part of the sales revenue of Span is currently generated by the sales of Microsoft products, Windows-based infrastructure projects, the associated services and training.

Span**	Nine-month period ending September 30					
	2002		2001		Change %	
	HUF m	USD 000	HUF m	USD 000	HUF	USD
Net sales*	1 423	5 389	902	3 128	58%	72%
<i>Of which services (%)</i>	16%		14%			
<i>Of which products (%)</i>	84%		86%			
Cost of sales	-1 212	-4 589	-740	-2 563	64%	79%
<i>as % of sales</i>	85%		82%			
Contribution	211	800	163	565	30%	42%
<i>as % of sales</i>	15%		18%			

(Consolidated from February 1, 2001) * Including other revenues. ** Including minority interest.

Following a sales revenue of HUF 902 million during the eight months consolidated in 2001, Span grew by 58 percent, achieving a revenue of HUF 1,423 million during the first nine months of 2002. Despite the traditionally weaker summer months, the trends started earlier in the year have appeared to continue at Span for the entire period: as a result of the powerful demand for various services (e.g. training) provided by the subsidiary, the company has become a market leader in several fields, has continued to expand the range of its services, offering them at a premium price for its customer base that includes Croatia's largest companies. It was the consequence of these factors that the 58-percent growth achieved in terms of the



cumulative nine-month comparison exceeded the rate of the increase of sales calculated on a six-month basis. While the subsidiary has had substantial sales of Microsoft licences and products, it also managed to increase the service content of its sales, from 14 percent during the first nine months of 2001 to 16 percent for the same period of 2002. The change of the contribution margin did not follow the increase of the sales revenue, due primarily to the investments made with a view to the dynamic and powerful internal growth of the company.

Number of staff

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- and staff rationalisation programs carried out at Synergon during 2001, the effects of which were now clearly felt at each division and the support units. Reorganisation to other divisions added to the reduction of the number of staff at the Services Division. For Infinity, the expansion occurred mainly during the second half of 2001, whereas for Span, it was continuous, i.e. during both 2001 and 2002. The closing overall number of staff for the Group was 540 and 521 as of September 30, 2001 and September 30, 2002, respectively.

<i>Average number of employees</i>	2002 Q3	2001 Q3	Change
Communications Systems D.	52	55	-6%
Hardware-Software Integr. D.	35	42	-17%
Services	29	69	-58%
Consulting	48	64	-25%
Fibex	28	30	-8%
Infinity	160	135	18%
Span	41	24	74%
Strategic Sales &Marketing + Company support units	123	133	-7%
Total	515	552	-7%



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

<i>Balance sheet</i>	Sept. 30, 2002		Sept. 30, 2001		Change %	
	HUF 000	USD 000	HUF 000	USD 000	HUF	USD basis
Assets						
Non-current assets	3 564 991	14 412	3 006 295	10 688	19%	35%
Fixed assets	2 389 286	9 659	2 188 840	7 781	9%	24%
Intangible assets	1 128 610	4 563	776 195	2 759	45%	65%
Investments	47 095	190	41 259	147	14%	30%
Current assets	8 063 103	32 597	7 752 112	27 559	4%	18%
Inventories	1 751 842	7 082	1 671 282	5 941	5%	19%
Accounts receivable	4 420 505	17 871	3 412 993	12 133	30%	47%
Cash and equivalents	1 386 550	5 605	1 948 135	6 926	-29%	-19%
Other current assets	504 207	2 038	719 702	2 559	-30%	-20%
Total assets	11 628 094	47 009	10 758 407	38 247	8%	23%
Liabilities and shareholder's equity						
Shareholders' equity	7 735 509	31 272	7 572 093	26 919	2%	16%
Share capital	1 910 926	7 725	1 910 926	6 793	0%	14%
Capital reserves	5 656 943	22 869	5 659 494	20 120	0%	14%
Profit reserves + Balance sheet profit	167 640	678	1 674	6	9917%	11291%
Short-term liabilities	3 683 339	14 891	2 811 875	9 996	31%	49%
Accounts payable	2 300 681	9 301	1 513 929	5 382	52%	73%
Other short-term liabilities	1 382 658	5 590	1 297 946	4 614	7%	21%
Long-term liabilities	92 767	375	78 862	280	18%	34%
Minority interest	116 479	471	295 577	1 051	-61%	-55%
Total liabilities and shareholders' equity	11 628 094	47 009	10 758 407	38 247	8%	23%

The balance sheet total of the Company (HUF 11,628m), as of September 30, increased by 8 percent compared to the closing value of the same period of the previous year. Calculated in US dollars, however, that growth was 23 percent, as the result of the change of the HUF/USD exchange rate.

The consolidated balance sheet of the Group shows a 45-percent growth (HUF 1,128m) of intangible assets. That increment was due mainly to the new goodwill items associated with the acquisition of Synergon's increased share in the Infinity and Span subsidiaries, and the difference of the depreciation recorded for the goodwill.

The net value of fixed assets (HUF 2,389 m) grew by 9 percent. This was generated primarily by the infrastructure investments of the foreign subsidiaries, the recording of two proprietary software (e-learning and hospital infrastructure applications) for Synergon plc. The closing value of these assets was reduced, however, by the sale of the Vác site of the Fibex Ltd. The 5-percent growth of inventories (HUF 1,752m) was due to the currently non-invoiced project inventory, purchased for ongoing projects at Synergon. The 30-percent change of account receivable (HUF 4,421m) is affected by the high-value invoices issued by Synergon plc. at the end of the quarter as the result of a growing demand during the third quarter.

The amount of cash was HUF 1,387m at the end of the period, the overwhelming part of which (HUF 1,159m) is shown in the books of the parent company. The reasons for the 29-percent drop include the acquisitions, in 2002, of shares in the subsidiaries and the high amount of sales revenue not yet received, recorded under accounts receivable. The closing value of the other current assets was HUF 504m, as opposed to the HUF 720m in 2001. The reduction was caused by Synergon's other receivables and the reduction in accrued and deferred assets.

The reasons of the change of capital reserves are the valuation reserve eliminated on the sale of the Fibex building (the reserve was made previously for that purpose), and the exchange rate difference of the balance sheet items calculated for the quarter's closing day in CZK, HRK and GBP and translated to forint. The value of the profit reserves and balance sheet profit line grew by HUF 166 m compared to that of September 30, 2001, due to the increments, since that date, of the profit.



The closing value of short-term liabilities (HUF 3,683m) grew by 31 percent. More specifically, the value of other short-term liabilities (HUF 1,383m) grew by 7 percent, primarily influenced by the growth of the short-term credits of the Czech subsidiary. The 52-percent growth of accounts payable (HUF 2,300m) was evenly distributed among the companies of the Group, and was associated with the increase of purchases and the enforcement of more favourable payment arrangements made with some suppliers. The growth of long-term liabilities (+18 percent) was primarily due to the change of the value of Infinity's loans, whereas Synergon's increased holding accounts for the decrease of the minority interest.

Liquidity position

The value of the cash and securities held by the Company as of September 30, 2002 was HUF 1,387 m.

The overall liquidity position of the Company during the period under review was balanced. Cash flow from operations amounted to HUF 116 million, due partly to the changes, as described under the balance sheet analysis, of the accounts payable, accounts receivable and the inventories, whereas partly to the impact of the positive result of nearly HUF 541 million of the operating profit excluding depreciation (EBITDA).

The value of the Group's investments (HUF 1,159 million), was primarily the result of the additional holdings within the subsidiaries and the total fixed asset purchases of the parent company and the subsidiaries.

The amount recorded at the line 'Cash flow from financing' (-HUF 33 m) was determined by the change in Infinity's loans and the decrease of minority interest. In consequence, the amount of liquid cash decreased by HUF 978 m compared to December 31, 2001.

Cash flow	Nine-month period ending September 30			
	2002		2001	
	HUF 000	USD 000	HUF 000	USD 000
Operating profit after taxation	-158 288	-599	-803 166	-2 784
Depreciation and amortization	577 193	2 185	563 981	1 955
Change in payables	-2 419 470	-9 161	-250 478	-868
Change in accruals	-999	-4	-23 434	-81
Change in inventories	-71 766	-272	114 982	399
Change in receivables, other assets	2 189 519	8 290	731 065	2 534
Change in provisions	213	1	25 701	89
Cash flow from operations	116 402	441	358 653	1 243
Net financial result	97 786	370	53 965	187
Cash flow from financing activities	214 187	811	412 618	1 430
Change in assets	-605 605	-2 293	-429 275	-1 488
Change in investments	-553 682	-2 096	-852 264	-2 954
Cash flow from investing	-1 159 287	-4 389	-1 875 759	-6 502
Net change in loans	206 768	783	832 396	2 885
Change in share capital	-239 811	-908	295 577	1 025
Cash flow from financing	-33 043	-125	1 067 785	3 701
Net change in Cash	-978 143	-3 704	-395 356	-1 370
Opening cash position	2 364 694	8 953	1 749 271	6 063
Closing cash position	1 386 550	5 250	1 948 135	6 753
Change in cash	-978 144	-3 704	198 864	689



Shareholder structure and company events

Taking into account the shareholders' register of Synergon Information Systems plc. and the owners' mandatory information provision obligations, the following table shows the shareholding structure of Synergon Information Systems plc. as of September 30, 2002.

Synergon's ownership structure		
Shareholder's name	Sept. 30, 2002	Sept. 30, 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 June 30 – September 30, 2002, the Board of Directors and the Supervisory Board of Synergon Information Systems plc. held one meeting each. At its July 9 meeting, the Board of Directors appointed Ferenc Czakó General Manager of Synergon plc. until July 31, 2003, and approved the resignation of Gábor Bojár from his membership of the Board.

For further information please contact:

Tamás Kozák (tamas.kozak@synergon.hu)
Deputy CEO

Tamás Garamszegi (tamas.garamszegi@synergon.hu)
Director, Investor Relations

Synergon Informatika Rt., 1047, Budapest, Baross u. 91-95
www.synergon.hu