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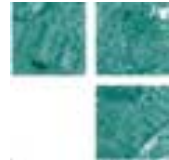


**Financial results of  
Synergon Information Systems plc  
for the 12-month period of  
January 1 – December 31, 2002**

Unaudited Consolidated Financial Statements  
prepared in accordance with  
International Accounting Standards

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**Life at Synergon Information Systems plc was marked by rationalisation in 2001 and consolidation in 2002. As a result, building on the foundations created in 2001, it was possible to restore the profitable operation of the group in 2002. Following an after-tax loss of HUF 504 million incurred in 2001 the group closed the year in 2002 with a modest, but positive after-tax profit amounting to HUF 34 million. This, in every respect, reflects a performance that fulfils the prior expectations and calculations of the company management. In 2002 the operating profit already showed a considerable surplus at close (HUF 158 million, compared to HUF -167 million in 2001), as did the financial profit as well (HUF 114 million, compared to HUF 35 million in 2001).**

Even in 2002 the IT market showed the signs of only moderate improvement, and the crisis in the telecommunications sector dragged on along with the uncertainty of the world market. The Synergon group responded by enhancing internal operations and changing its portfolio. As a result of this the group managed to operate with a considerably improving profitability despite a 9% drop in sales revenues (HUF 19,480 million in 2002, HUF 21,398 million in 2001), which allowed for us to achieve more than just break-even at each of the operating, before-tax and after tax levels.

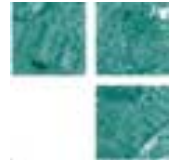
With the decline of the big telecommunications companies the sector by sector breakdown of the group's sales revenues has changed, along with the make up of the customers according to their size. Sector breakdown became more balanced due to the fact that the number of customers in industry and the public administration domain rose, and this entailed the fact that the average project and customer size shrunk. The annual performance made up by an increased number of small projects resulted in higher reliability and predictability regarding the performance of the entire group.

All four divisions of Synergon saw a definite efficiency improvement in 2002. This is shown by the fact that rising sales revenues came with an increase of contribution for certain divisions, or that where sales revenues diminished, the absolute value of divisional contribution increased nevertheless. Beyond this efficiency improvement, all this was a result of everywhere adding new activities and innovative directions to the portfolio.

Of the foreign subsidiaries the Croatian Span closed another exceptional year in 2002. The firm financial and technological background provided by the group created the conditions for the company to become a dominant player on the market in Croatia. Span achieves this through continuous organic growth and market acquisition, the costs of which – incurred because of the future objectives – are in part imposed on the company's results of 2002.

In 2002 several negative factors affected the market environment in the Czech Republic (parliamentary elections, strengthening Czech crown, floods). These factors left their mark on the IT market and on Infinity, as well. The subsidiary suffered a drop of 19% in sales revenues over the year, and despite improving efficiency they suffered a 15% drop in contribution.

Following the consolidation process in 2002, the group entered the year of 2003 with the intention of focusing on its regional role. After restoring profitable operations based on solid foundations the group wishes to concentrate on increasing its role in Central-Eastern Europe, partly by stepping up the integration of the member companies, and partly by opening towards new markets. In order to achieve this goal the management of the group has been reformed, and acting as a holding centre the Executive Committee (EC), the operative body of the board of directors, will exercise control in association with the Chairman of the Board of Directors, over the current 4 members of the group (Synergon, Infinity, Span, and Fibex).



## Analysis of Synergon Group's financial results in 2002

Comparing the twelve-month period ending December 31, 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 286.54 and HUF 258.00 per US\$ for the first twelve months of 2001 and 2002 respectively. The closing exchange rate applied for the balance sheet items are HUF 279.03 and HUF 225.16 per US\$ for December 31, 2001 and December 31, 2002, respectively.

### Group results

When assessing Company results, the strong seasonality characterising the IT industry and thus also affecting the operations of Synergon represents an important consideration. It was due to this effect, that in 2001 Synergon generated over 35 percent of both its annual sales revenue and contribution during the fourth quarter. Considering the whole of

2002 this trend seemed to diminish due to the international diversification of the group, but typically the fourth quarter, where the group produced 28% of the annual sales revenue and 35% of the annual contribution, is still considered the strongest period by the group.

Profit and loss statement	Twelve-month period ending December 31					
	2002		2001		Change %	
	000 HUF	000 USD	000 HUF	000 USD	HUF basis	USD basis
Net sales*	19,479,553	75,502	21,397,826	74,677	-9%	1%
Of which services(%)	31%		27%			
Of which products (%)	69%		73%			
Cost of sales	-14,850,649	-57,561	-16,681,543	-58,217	-11%	-1%
As % of sales	76%		78%			
Contribution	4,628,904	17,941	4,716,283	16,459	-2%	9%
Contribution margin (%)	24%		22%			
Operating expenses	-4,471,070	-17,330	-4,883,614	-17,043	-8%	2%
Operating profit	157,834	612	-167,331	-584	na.	na.
Operating margin (%)	1%		-1%			
Net financial income	114,237	443	34,992	122	226%	263%
Extraordinary items	-716	-3	-1,796	-6	-60%	-56%
Profit before tax	271,356	1,052	-134,136	-468	na.	na.
Corporate tax	-135,398	-525	-182,611	-637	-26%	-18%
Minority interest	-102,133	-396	-187,423	-654	-46%	-39%
Net profit	33,824	131	-504,169	-1,760	na.	na.
Net margin (%)	0%		-2%			

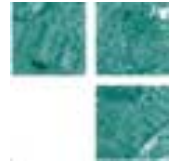
\* Including other revenues.

### Sales revenue

During the first twelve months of 2002, Synergon Information Systems plc, including its consolidated subsidiaries, achieved a sales revenue of HUF 19,480 million, representing, on a HUF basis, a 9-percent decrease compared to the sales revenue of HUF 21,398 million generated during the base period. By the end of the year changes in the individual national currencies' exchange rates against the US dollar turned to be a major influencing factor: compared to a 9% drop in the HUF value of the sales revenue the group achieved a 1% increase in USD value in such a way that except for Infinity, both Synergon and the subsidiaries reported increasing sales revenues. The performance of the individual companies in the

group gives a true reflection of the given market conditions: in Hungary the year 2002 was marked by stagnation and a more or less permanent market size, in the Czech Republic by significant problems, while in Croatia by an expanding market and a period of deepening market penetration. The global crisis in the telecommunications sector has a major impact on all Synergon markets, but shifting the focus to other sectors managed to made up for part of the sales losses during this period.

In a sectoral breakdown of Synergon group sales, the telecommunications sector, the financial sector and industrial companies accounted for 17%, 10%, and 20%, respectively, whereas the public utility and



transportation sector and the public sector represented 11% and 18%, respectively, during this period. Other non-classified sales amounted to 24%. Compared to a spectacular decline in the telecommunications sector the share of the industrial sector grew considerably, mainly as a result of Infinity's consolidation, and the public sector achieved a greater percentage due to sector-specific Synergon solutions (e.g. SAP).

During 2002 the service content of sales amounted to 31%, compared to 27% in 2001. This rise is mainly attributable to the improving proportion of services at Infinity in the first place and the Communication Division of Synergon in the second place. Raising gradually the proportion of services sold is a strategic objective of the group; the results of the period under review (increasing proportion of services – improving contributions) were achieved through the gradual implementation of this strategy.

#### **Cost of sales**

The overall cost of sales is made up of products sold, basic materials, payments to subcontractors, and direct labour costs. The costs of sales have been reduced both in HUF (by 11%) and USD (by 1%) terms, which shows that it was possible to keep the cost of sales below the change in the sales revenue. The cost of sales amounting to HUF 14,851 million in 2002 represents a 76% cost level in proportion of the sales revenue, which reveals an improving trend compared to the 78% cost percentage in 2001. This result is attributable to the higher proportion of services sold and to the measures adopted (in the previous periods) to improve the efficient use of labour.

#### **Contribution**

Thanks to a beneficial change in the cost of sales, the decrease of contribution stayed far behind the decline of sales revenues: compared to HUF 4,716 million achieved in 2001 the 2% reduction of contribution resulted in an amount of HUF 4,629 million by 2002. The difference between the rate of change of the sales revenues and that of the cost of sales led to an improvement in the proportion of contribution comparable to that of the previous periods (from 22% in 2001 to 24% in 2002), which was made possible by measures taken to rationalise the cost of sales, in addition to the increased service content.

#### **Other operating expenses**

Other operating expenses amounted to HUF 4,471 million in 2002, which represents a 8% drop compared to the amount of HUF 4,884 million achieved in 2001. The most important constituents of the other operating expenses are the cost of non-

divisional labour (HUF 1,230 million), depreciation (HUF 783 million), and vehicle expenses (HUF 353 million). In 2002, of the other operating expenses, the costs that rose considerable compared to the figures of the last year were rentals (+16%), and travelling expenses (+11%), but labour and shipping costs showed a significant decrease (-22% and -58%, respectively).

#### **Operating profit**

The ratio of other operating expenses to sales (22.95%) incurred in the year of 2002 was below the contribution margin of the period under review (23.76%), which means that the group managed to cross the operating break-even line in 2002 (achieving an operating profit of HUF 158 million). The group closed the year of 2001 with a loss of HUF -167 million, compared to which the result of the year 2002 shows a significant improvement.

#### **Net financial income**

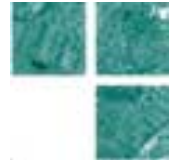
Net financial income of financial transactions in 2002 amounted to HUF 114 million compared to HUF 35 million in 2001. This significant growth is mainly attributable to Synergon's interest income (HUF 117 million), which was reduced by HUF 38 million due to interest charges incurred by the subsidiaries, and increased by HUF 35 million resulting from exchange gain.

#### **Profit before tax**

As a result of shrinking costs and improving contribution margins, the profit before tax changed its sign to positive and following a loss of HUF -134 million in 2001, the group achieved a positive profit figure of HUF 272 million in 2002. The favourable change is due, to a lesser degree, to the financial profit, and, to a greater degree, to the operating profit resulting from group operations. This significant change was made possible in the first place by cost reduction and staff rationalisation measures adopted within the Company.

#### **Net profit**

Two items reduce the profit before tax when calculating the net profit. Corporate income tax was lower in 2002 than in 2001 because subsidiary profits were also reduced. Minority interests were also lower in 2002 because Synergon's share in the ownership structure of the subsidiaries grew on account of transactions carried out during the year, and the distributed profit of Infinity diminished, too. As a result of the profit before tax showing considerable improvement, and the reduced items to be deducted net profit amounted to a positive value of HUF 34 million in 2002 following a HUF 504 million loss in 2001.



## Divisions and subsidiaries

The table below shows the distribution of the sales of the Group broken down according to parent company division and subsidiary:

Divisions	Twelve-month period ending December 31							
	2002			2001			Change %	
	Th HUF	Th USD	%	Th HUF	Th USD	%	HUF	USD
<b>Net sales*</b>	<b>19,479,553</b>	<b>75,502</b>	100%	<b>21,397,826</b>	<b>74,677</b>	100%	<b>-9%</b>	<b>1%</b>
Communications Systems	4,319,485	16,742	22%	5,877,291	20,511	27%	-27%	-18%
HW-SW Integration	4,866,797	18,864	25%	3,686,248	12,865	17%	32%	47%
Services	1,385,828	5,371	7%	1,365,283	4,765	6%	2%	13%
Consulting	1,031,902	4,000	5%	935,483	3,265	4%	10%	23%
Fibex Ltd.	877,913	3,403	5%	933,753	3,259	4%	-6%	4%
Infinity**	5,859,437	22,711	30%	7,247,267	25,292	34%	-19%	-10%
Span**	1,740,348	6,746	9%	1,256,163	4,384	6%	39%	54%
Consolidation	-602,157	-2,334	-3%	96,338	336	0%	-725%	-794%

\* Including other revenues.

\*\* From February 1, 2001. Including minority interest.

Even after last year Infinity, the Czech subsidiary remains the unit contributing the most to the group's sales revenue in 2002, showing a strong seasonal fluctuation in the fourth quarter as during the year its sales revenue was always lower than that of the Hardware-Software Integration Division that produced the second greatest sales revenue by the end of the year. The Communications Systems Division retained its major share in terms of both the

Hungarian and the overall sales revenue in spite of the fact that the brunt of the negative market developments affected the portfolio of this division. With its good performance, the Croatian Span subsidiary managed to increase its share in the group's sales revenue for the whole year, standing out among the minor units representing a 5 to 7% share (Services and Consulting Division, and Fibex Ltd.).

### Communications Systems Division

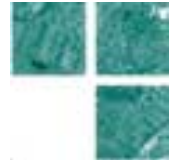
The Communication Systems Division, specialising in the design, supply and the installation of integrated communications infrastructure and the related services, multimedia communication and

cable television networks, achieved a revenue of HUF 4,318 million in 2002, compared to HUF 5,877 million in 2001, which represents a 27-percent decrease.

Communications Systems	Twelve-month period ending December 31					
	2002		2001		Change %	
	HUF m	USD 000	HUF m	USD 000	HUF	USD
<b>Net sales</b>	<b>4,319</b>	<b>16,742</b>	<b>5,877</b>	<b>20,511</b>	<b>-27%</b>	<b>-18%</b>
Of which services (%)	25%		17%			
Of which products (%)	75%		83%			
<b>Cost of sales</b>	<b>-3,272</b>	<b>-12,681</b>	<b>-4,843</b>	<b>-16,900</b>	<b>-32%</b>	<b>-25%</b>
as % of sales	76%		82%			
<b>Contribution</b>	<b>1,048</b>	<b>4,061</b>	<b>1,035</b>	<b>3,611</b>	<b>1%</b>	<b>12%</b>
as % of sales	24%		18%			

The 27% reduction of the sales of the Communications Systems Division in 2002, compared to the base period, resulted from the recession in the telecommunication sector, which led to a short-fall against last year during the first quarter of the year in the first place. To offset the loss of revenue the Division succeeded in strengthening its presence in the non-telecom large customers segment and in the public administration

sector, which resulted in acquiring a number of important projects which were considered exceptional in Hungary (top network security and top IP telephony projects). These new technologies are still in their introductory phase, and they come with a high demand for added value and consulting services, thus featuring high contribution content. It is expected that in the near future the role of these technologies will continue to increase, for which the



Division has already made preparations with a highly qualified professional staff. The definite success of the Division's strategy and efforts is evidenced by the fact that despite declining sales they increased the contribution in the year 2002, which was made possible by the above new sectors and new

technologies through increasing the proportion of services representing a high added value. Considering the entire Division the service content increased in such a way that it had a major impact on the contribution at group level: from 17% in 2001, to 25% in 2002.

### 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. In 2002, the Division achieved sales revenue of HUF 4,867 million, representing a 32 percent increase compared to the revenue of HUF 3,686 million of the base period.

Hardware-Software	Twelve-month period ending December 31					
	2002		2001		Change %	
	HUF m	USD 000	HUF m	USD 000	HUF	USD
<b>Net sales</b>	<b>4,867</b>	<b>18,864</b>	<b>3,686</b>	<b>12,865</b>	<b>32%</b>	<b>47%</b>
<i>Of which services (%)</i>	20%		21%			
<i>Of which products (%)</i>	80%		79%			
<b>Cost of sales</b>	<b>-4,205</b>	<b>-16,299</b>	<b>-3,224</b>	<b>-11,251</b>	<b>30%</b>	<b>45%</b>
<i>as % of sales</i>	86%		87%			
<b>Contribution</b>	<b>662</b>	<b>2,564</b>	<b>462</b>	<b>1,614</b>	<b>43%</b>	<b>59%</b>
<i>as % of sales</i>	14%		13%			

The significant increase in the Division's sales revenue is mainly attributable to Microsoft-based large infrastructure projects and to the growing number of OSL licenses. Although some sizeable hardware deliveries also contributed to the sales revenue, their contribution content was further reduced during the year 2002, which may be triggered in part by the manufacturers' direct entry into the market, and the HP-Compaq merger. the

Retail Divisions which specialises in retail systems was able to increase its annual sales revenue and its contribution through its new services. Altogether the service content of the Division's sales hit a level comparable to that of last year (20% in 2002, 21% in 2001), but the increase of the cost of sales falling behind the sales revenue resulted in a 43 percent contribution increase.

### Services Division

The operation of the Services Division encompasses the operation, supervision and management of information systems under long-term arrangements with customers, making use of the Call Centre, the Helpdesk and also the continuous availability.

Increasing by 2 percent, calculated on a HUF basis (by 13 percent on USD basis) from HUF 1,365 million in 2001, the sales revenue of the Division amounted to HUF 1,386 million in 2002.

Services	Twelve-month period ending December 31					
	2002		2001		Change %	
	HUF m	USD 000	HUF m	USD 000	HUF	USD
<b>Net sales</b>	<b>1,386</b>	<b>5,371</b>	<b>1,365</b>	<b>4,765</b>	<b>2%</b>	<b>13%</b>
<i>Of which services (%)</i>	99%		99%			
<i>Of which products (%)</i>	1%		1%			
<b>Cost of sales</b>	<b>-473</b>	<b>-1,833</b>	<b>-588</b>	<b>-2,051</b>	<b>-20%</b>	<b>-11%</b>
<i>as % of sales</i>	34%		43%			
<b>Contribution</b>	<b>913</b>	<b>3,539</b>	<b>778</b>	<b>2,714</b>	<b>17%</b>	<b>30%</b>
<i>as % of sales</i>	66%		57%			



The telecom sector remains one of the key targets of the Division, where expansion of the number of projects is expected to continue into 2003. By gradually extending the services offered to existing customers, and enlarging the customer group the Division will continue to sell services in the first place, which is indicated by the exceptionally high service content (99%). In 2002 the Division's annual sales revenue was kept at the 2001 level by the fact that the conclusion of new contracts kept in pace

with the expiration of old contracts, and that there was a degree of activity expansion regarding ongoing contracts. The contribution of the Division changed considerably in contrast with the sales revenue: the 66% contribution margin in 2002 was the result of a 17% change in contribution. This was achieved by stepping up cost control, and through the inclusion of further activities in the existing contracts.

### Consulting Division

The Consulting Division, specialising in business solutions and consulting – including ERP systems – realised a revenue of HUF 1,032 million in 2002,

which represents a 10 percent (HUF based) growth compared to the amount of HUF 935 million generated in 2001.

Consulting Division	Twelve-month period ending December 31					
	2002		2001		Change %	
	HUF m	USD 000	HUF m	USD 000	HUF	USD
<b>Net sales</b>	<b>1,032</b>	<b>4,000</b>	<b>935</b>	<b>3,265</b>	<b>10%</b>	<b>23%</b>
<i>Of which services (%)</i>	80%		92%			
<i>Of which products (%)</i>	20%		8%			
<b>Cost of sales</b>	<b>-670</b>	<b>-2,596</b>	<b>-707</b>	<b>-2,467</b>	<b>-5%</b>	<b>5%</b>
<i>as % of sales</i>	65%		76%			
<b>Contribution</b>	<b>362</b>	<b>1,404</b>	<b>229</b>	<b>798</b>	<b>58%</b>	<b>76%</b>
<i>as % of sales</i>	35%		24%			

In 2002 SAP activities, where the Division won and implemented several important exclusive projects, had already assumed its role as the driver of the sales revenue. The main contractor status, on the one hand, and the sector-oriented specialisation (mainly in the field of public administration), on the other hand, gave a significant boost to the contribution achievable on operations. Another rapidly growing field in 2002 was security consulting. Here international projects enabled this activity to double the sales revenue, and to produce contribution that also improved considerably. Growth of the Division was slowed down by a couple of

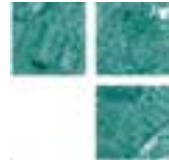
activities that had been cancelled in 2001, and the declining sales revenue from JD Edwards, as a phased-out product. The service content of the sales of the Consulting Division dropped to 80% in 2002, which was a result of selling Peregrine and SAP software licenses, plus the hardware and software related to security consulting.

Expanding and increasingly efficient activities produced improving contribution margins for the Division, and in this way they managed to achieve a 58 percent increase in contribution margin between the two years.

### Fibex Ltd.

Fibex Ltd., specialising in the sale of optical and copper cables, network implementation materials and tools, operates as a 100 percent Synergion subsidiary. Fibex sales in 2002 dropped by 6 percent compared to the base period: this figure, however, includes, as an other-income item, a non-recurring amount from the sale of an item of property. The performance of Fibex Ltd was determined by a radical decline in the demand generated by the telecommunications sector, and by

the fact that demand in the IT sector was moderate at best, and the shortage of optical cable supplies, which contributed considerably to the profitability, was eliminated by 2002. 14 percent of the sales generated by the subsidiary went to other Synergion divisions, compared to 19 percent in 2001. It was also the one-off sale of property, as an other income item, that triggered the positive change in the contribution.



<i>Fibex Ltd</i>	Twelve-month period ending December 31					
	2002		2001		Change %	
	HUF m	USD 000	HUF m	USD 000	HUF	USD
<b>Net sales*</b>	<b>878</b>	<b>3,403</b>	<b>934</b>	<b>3,259</b>	<b>-6%</b>	<b>4%</b>
<i>Of which services (%)</i>	0%		0%			
<i>Of which products</i>	100%		100%			
<b>Cost of sales</b>	<b>-691</b>	<b>-2,680</b>	<b>-802</b>	<b>-2,800</b>	<b>-14%</b>	<b>-4%</b>
<i>as % of sales</i>	79%		86%			
<b>Contribution</b>	<b>186</b>	<b>723</b>	<b>131</b>	<b>458</b>	<b>42%</b>	<b>58%</b>
<i>as % of sales</i>	21%		14%			

\* Including other revenues

### Infinity

Infinity a.s. is a Czech subsidiary in majority ownership of Synergon (66.67 percent since June 30, 2002), 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

<i>Infinity **</i>	Twelve-month period ending December 31					
	2002		2001		Change %	
	HUF m	USD 000	HUF m	USD 000	HUF	USD
<b>Net sales*</b>	<b>5,859</b>	<b>22,711</b>	<b>7,247</b>	<b>25,292</b>	<b>-19%</b>	<b>-10%</b>
<i>Of which services (%)</i>	26%		17%			
<i>Of which products (%)</i>	74%		83%			
<b>Cost of sales</b>	<b>-4,693</b>	<b>-18,189</b>	<b>-5,875</b>	<b>-20,503</b>	<b>-20%</b>	<b>-11%</b>
<i>as % of sales</i>	80%		81%			
<b>Contribution</b>	<b>1,167</b>	<b>4,522</b>	<b>1,372</b>	<b>4,789</b>	<b>-15%</b>	<b>-6%</b>
<i>as % of sales</i>	20%		19%			

(Consolidated from February 1, 2001)

\* Including other revenues

\*\* Including minority interest

Infinity closed the year of 2002 with a 19% loss of sales revenue compared to the consolidated sales revenue of 2001. The slowing of the Czech market was a result of the combined effect of several factors that made their effect felt throughout the entire year of 2002, of which, apart from global problems (uncertainty concerning the health of the global economy, crises in the telecommunication sector) parliamentary elections, floods, and the strengthening Czech crown should be cited. Due to these factors, the trend of the previous periods did not change considerably by the fourth quarter of 2002; customers (including institutions of the public

administration sector) assuming a 'wait-and-see' attitude and the decline of IT investments were typical in spite of the fact that the usual seasonal fluctuation was apparent also in 2002. The company tried to make up for the loss of sales revenue by focusing on projects with high contribution content, that is, on the sale of services in the first place, which mitigates the effect of the decreasing sales revenue on contribution. Accordingly, contribution was reduced to a lesser extent than the sales revenue, and despite the lower amount of contribution the contribution margin of Infinity still grew by 1 percentage point.

### Span

Span d.o.o. is a Croatian subsidiary in 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**	Twelve-month period ending December 31					
	2002		2001		Change %	
	HUF m	USD 000	HUF m	USD 000	HUF	USD
<b>Net sales*</b>	<b>1,740</b>	<b>6,746</b>	<b>1,256</b>	<b>4,384</b>	<b>39%</b>	<b>54%</b>
<i>Of which services (%)</i>	12%		14%			
<i>Of which products (%)</i>	88%		86%			
<b>Cost of sales</b>	<b>-1,487</b>	<b>-5,763</b>	<b>-1,033</b>	<b>-3,604</b>	<b>44%</b>	<b>60%</b>
<i>as % of sales</i>	85%		82%			
<b>Contribution</b>	<b>253</b>	<b>982</b>	<b>224</b>	<b>780</b>	<b>13%</b>	<b>26%</b>
<i>as % of sales</i>	15%		18%			

(Consolidated from February 1, 2001)

\* Including other revenues

\*\* Including minority interest

Following the consolidation of its sales revenues amounting to HUF 1,256 million in 2001, Span managed to produce growth of 39 percent in 2002. The subsidiary has significant MS licence and product distribution sales, but apart from that, it raised the service content of its sales successfully from 14% in 2001 to 16% in 2002. The subsidiary was able to achieve this rise in its sales due to the fact that there is a continuous and intensive demand for services offered in its range of activities (e.g. training), and that Span meets customer demands at

an exceptionally high level, and does not stop extending its range of activities or its customers. Now Span has become a supplier to the majority of the 10 biggest Croatian companies. On the expanding Croatian market, Span is in the market building and market share expansion stage, that is, it is investing heavily to support its growth. As a result the increase of contribution lagged behind the growth of the sales revenue, and the contribution margin shrunk when comparing the years 2001 and 2002.

## Staff level

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 dwindling effect of cost and staff rationalisation programs carried out at Synergon during 2001, the effects of which can now be clearly felt in each division and support unit. Regrouping staff to other divisions added to the reduction of the staff numbers at the Services Division. Expansion marked 2002 for

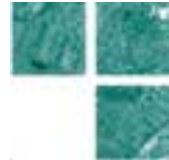
all service-oriented activities, which, however, has not made an impact on the comparison of annual staff levels. For Infinity, growth took place mainly in the third and fourth quarter of 2001, while it was an ongoing process for Span, continuing over 2001 and 2002. The overall staff level for the Group at close was 505 on December 31, 2001 while it was 527 on December 31, 2002.

Average staff numbers	2002	2001	Change
Communications Systems	52	52	0%
Hardware-Software Integration	35	41	-16%
Services	28	67	-58%
Consulting	47	60	-23%
Fibex	25	31	-20%
Infinity	159	151	5%
Span	42	28	52%
Strategic Sales and Marketing+	128	126	1%
<b>Total</b>	<b>516</b>	<b>556</b>	<b>-7%</b>

## The new organisation model and reporting structure scheduled for launch in 2003

The importance of foreign subsidiaries in the operations of the Synergon group will increase gradually, and through further foreign acquisitions the group intends to play an even stronger regional role on the Central-Eastern European market in the

future. In line with this objective, the management of the group will also be changed, where a controlling body (EC, Executive Committee) which is independent of the operative management of the group members, and the Chairman of the Board of



Directors would assume a leading role. The objective of the new management model is to establish a balanced and holding-like operation between the Hungarian and foreign member companies. The group will provide the content for its quarterly reports of 2003 in this context: apart from the profit and loss statement, the analysis of the balance sheet and liquidity position that has been presented so far, the divisional breakdown will be

replaced by a per-company breakdown. In this way, Synergion will appear in the analysis reports as a consolidated organisational unit in addition to the other subsidiaries, that is, the similarly important Infinity, Span and Fibex and which had been presented as individual units in the past. For the purpose of ensuring future comparability the year 2002 figures, being the basis year, will be also broken down according to the new structure.

## Analysis of the balance sheet and liquidity position as of December 31, 2002

<i>Balance sheet</i>	Dec. 31, 2002		Dec. 31, 2001		Change %	
	HUF 000	USD 000	HUF 000	USD 000	HUF	USD basis
<b>Assets</b>						
<b>Non-current assets</b>	3,492,830	15,513	2,980,843	10,683	17%	45%
Fixed assets	2,355,198	10,460	2,237,055	8,017	5%	30%
Intangible assets	1,093,230	4,855	711,873	2,551	54%	90%
Investments	44,403	197	31,914	114	39%	72%
<b>Current assets</b>	9,513,460	42,252	11,158,002	39,989	-15%	6%
Inventories	1,229,354	5,460	1,680,074	6,021	-27%	-9%
Accounts receivable	5,689,348	25,268	6,135,663	21,989	-7%	15%
Cash and equivalents	1,617,472	7,184	2,364,694	8,475	-32%	-15%
Other current assets	977,286	4,340	977,571	3,503	0%	24%
<b>Total assets</b>	<b>13,006,290</b>	<b>57,765</b>	<b>14,138,845</b>	<b>50,671</b>	<b>-8%</b>	<b>14%</b>
<b>Liabilities and shareholder's equity</b>						
<b>Shareholders' equity</b>	7,788,685	34,592	7,793,957	27,932	0%	24%
Share capital	1,910,926	8,487	1,910,926	6,848	0%	24%
Capital reserves	5,615,792	24,941	5,654,890	20,266	-1%	23%
Profit reserves + Balance sheet profit	261,967	1,163	228,141	818	15%	42%
<b>Short-term liabilities</b>	4,982,812	22,130	5,901,334	21,149	-16%	5%
Accounts payable	2,739,587	12,167	3,679,975	13,188	-26%	-8%
Other short-term liabilities	2,243,225	9,963	2,221,359	7,961	1%	25%
<b>Long-term liabilities</b>	83,108	369	87,261	313	-5%	18%
<b>Minority interest</b>	151,684	674	356,293	1,277	-57%	-47%
<b>Total liabilities and shareholders' equity</b>	<b>13,006,290</b>	<b>57,765</b>	<b>14,138,845</b>	<b>50,671</b>	<b>-8%</b>	<b>14%</b>

The balance sheet total of the Company (HUF 13,006 million), as of December 31, increased by 8 percent compared to the closing value of the same period of the previous year. Calculated in US dollars, however, it shows a growth (14%) as a result of the change of the HUF/USD exchange rate.

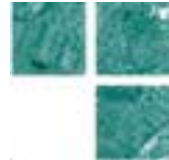
The net value of fixed assets (HUF 2,355 million) grew by 5 percent. This was generated by infrastructure and IT investments effected at the foreign subsidiaries and on the Synergion premises. The purchase price of internal resources spent on two software applications (e-learning and hospital infrastructure applications) was also accounted for by Synergion. The sale of the premises owned by Fibex at Vác had an effect that was opposite to these on the figure posted in this balance sheet row.

Intangible assets (HUF 1,093 million) in the consolidated balance sheet for the group rose by 54

percent. This increase is produced mainly by the difference between new goodwill items related to the purchase of increased Synergion interest in the subsidiaries Infinity and Span, and depreciation on goodwill generated by the company's past and new investments.

The 27 percent decrease of inventories (HUF 1,229) resulted from the increased efficiency of the inventory management of Synergion and Infinity. The 7% reduction of accounts receivable can be explained by the fourth quarter not being as strong as the same quarter in the previous year (the year 2002 was characterised by a more balanced distribution of the sales revenue).

The amount of cash and equivalents at the end of the period under review was HUF 1,617 million, the major part of which (HUF 1,313 million) was posted in the parent company's books. The 32% decrease



was caused by further participations bought in the subsidiaries in 2002. The closing value of other current assets amounted to HUF 977 million, compared to HUF 978 million in 2001.

The change in the 'capital reserves' row under the shareholders' equity is attributable to elimination of the valuation reserve on the sale of the Fibex building (the reserve was made for that purpose), and the exchange rate difference on balance sheet items calculated for the quarter's closing day in CZK, HRK and GBP and translated to HUF. The increase of profit reserves and balance sheet profit compared to the value on December 31, 2001 stems from the profit gained in 2002.

### Liquidity position

The value of the cash and securities held by the Company as of December 31, 2002 was HUF 1,617 million.

The overall liquidity position of the Company during the period under review was balanced. Operations produced a positive cash-flow amounting to HUF 568 million, which stems partly from changes of the accounts payable, accounts receivable and the inventories, as described under the balance sheet analysis, and partly from the impact of the positive balance of the operating profit excluding

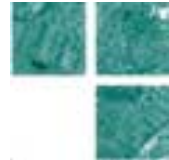
The closing value of short-term liabilities decreased by (HUF 4,983 million) 16 percent. Specifically, other short term liabilities (HUF 2,243 million) grew by 1 percent, while the considerable change is due to the 26% drop in the value of the accounts payable (HUF 2,740 million). In 2002 major inventory purchases took place typically in the third quarter, which were paid to the supplier by the end of the year. The decrease of long term liabilities (5%) can be explained by the change in the value of the subsidiaries' loans. Shrinking minority interest is a result of Synergon's increased shareholding.

depreciation and net of taxes, amounting to more than HUF 702 million.

The value of the Group's investments (HUF 1,334 million) was primarily the result of the additional holdings purchased in the subsidiaries and the total fixed asset purchases of the parent company and the subsidiaries.

The amount recorded in the row 'Cash flow from financing' (HUF -96 million) was determined by the change in Infinity's short-term loans and the decrease of minority interest. As a result, the amount of liquid cash decreased by HUF 747 million compared to December 31, 2001.

<i>Cash-flow</i>	Twelve-month period ending December 31			
	2002		2001	
	HUF 000	USD 000	HUF 000	USD 000
<b>Operating profit after taxation</b>	<b>-80,413</b>	<b>-312</b>	<b>-575,672</b>	<b>-2,009</b>
Depreciation and amortisation	782,616	3,033	796,856	2,781
Changes in payables	-1,006,012	-3,899	2,981,653	10,406
Change in accruals	625	2	-21,930	-77
Change in inventories	450,722	1,747	106,190	371
Change in receivables, other assets	445,974	1,729	-2,250,978	-7,856
Change in provisions	-25,134	-97	29,676	104
<b>Cash flow from operations</b>	<b>568,378</b>	<b>2,203</b>	<b>1,065,796</b>	<b>3,720</b>
Net financial result	114,237	443	71,503	250
<b>Cash flow from financing activities</b>	<b>682,615</b>	<b>2,646</b>	<b>1,137,298</b>	<b>3,969</b>
Change in assets	-716,094	-2,776	-659,904	-2,303
Change in investments	-617,608	-2,394	-833,661	-2,909
<b>Cash flow from investing</b>	<b>-1,333,701</b>	<b>-5,169</b>	<b>-1,875,759</b>	<b>-6,546</b>
Net change in loans	108,470	420	694,149	2,423
Change in minority interests	-204,605	-793	356,292	1,243
<b>Cash flow from financing</b>	<b>-96,134</b>	<b>-373</b>	<b>971,690</b>	<b>3,391</b>
Net change in Cash	-747,220	-2,896	233,229	814
Opening cash position	2,364,694	9,165	1,749,271	6,105
Closing cash position	1,617,472	6,269	2,364,694	8,253
<b>Change in cash</b>	<b>-747,222</b>	<b>-2,896</b>	<b>615,423</b>	<b>2,148</b>



## Shareholder structure and company events

Taking into account the shareholders' register of Synergon Information Systems Plc. and the owners' obligation to provide information, the following table

shows the shareholding structure of Synergon Information Systems plc as of December 31, 2002.

Synergon's ownership structure		
Shareholder's name	Dec 31, 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, each below 5 percent ownership proportion	59.7%	56.8%
Treasury shares	2.8%	2.8%
<b>Total</b>	<b>100%</b>	<b>100%</b>

In the period between September 30 and December 31, 2002 Synergon Information Systems plc held a meeting of the Supervisory Board on one occasion, and two meetings of the Board of Directors. At the meeting on December 14, 2002 the Board of

Directors appointed a new chief executive officer as the head of Fibex Ltd, 100% owned by Synergon, and they passed a decision to relocate the registered office of Fibex Ltd. The new registered office is at H-1047 Budapest, Baross u. 91-95.

### For further information please contact:

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