FLASH REPORT

Financial results of Synergon Information Systems plc. for the 12-month period January 1st - December 31st 2004

Unaudited, consolidated data collated in accordance with the International Financial Reporting Standards

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In 2004, the Synergon Group delivered as planned and entered a steady and sustainable course of growth. It has stabilised its operations in Hungary; each of the three operating companies performed at a good level of efficiency and achieved profitability. Since the restructuring of its foreign operating companies is still in progress, the results of the changes had a slight negative impact on the performance of the Group in 2004.

The Group management considers that through the stabilisation of Group-level results and the operation of the Hungarian operating companies accounting for an overwhelming part of those results, the time is ripe to create a higher-level international co-operation and co-thinking among the operating companies. On the basis of this co-operation, establishing new partnerships and through its acquisition plans, the management will expand the Group's operation to other countries of the region.

On an Eastern European market recovering after a recession period, the Synergon Group achieved a sales revenue of HUF 20.5 billion, at a contribution of HUF 4.7 billion (contribution ratio: 23 percent). After the loss-making or just profitable operation during the previous years, the Group generated a net profit of HUF 156 million.

As shown in the consolidated accounts of Synergon plc. and Synergon Atos Origin, in 2004, they achieved an 8-percent increase of sales (an average sales growth on the IT market), at a contribution of 26 percent and a service content of 44 percent, as the result of several years of readjusted reorganisation efforts and the advance preparation for market trends. The Group achieved profit on both the operative and after-tax levels. In this year of the turning of a trend in the life of Synergon, it successfully integrated its new operating company, Synergon Atos Origin. The network communication activity has remained the backbone of Synergon's operation, providing the background of its growth; harnessing the ICT market trends, the Company popularized numerous new technologies among its customers. Following some stagnation, the hardware division managed to find new paths in 2004 for the expansion of its activities and markets, while, through the expansion of software operations, development has become a driving force in this field. Since the paradigm change has not yet taken place on the ERP market due to its saturation, there was some decline in terms of its volume. The integration of Synergon Atos Origin was successful, and the company, with a cleaned-up portfolio, achieved significant market growth both through independent projects and its co-operation with Synergon.

The restructuring of Fibex was also completed successfully, which enabled it to achieve remarkable growth in 2004 as the result of the expansion of its portfolio, restructuring and market expansion. In Croatia, Span expanded its organisation at a higher rate than would have been justified by its 2004 operations; also, it was less efficient in terms of successful tenders. Because of its declining efficiency started during the previous years, the operation of Infinity was affected by gradually carried out restructuring measures and changes in the senior management. During the second half of the year, that impact, i.e. the staff waiting to see the outcome and the increased fluctuation normal in such situations, was felt even more powerfully in its operation. The positive results of the necessary changes will start to be seen from 2005.

In 2005, the Synergon Group will focus on regionality. Through its reinforced international sales activity, the Group will complement its acquisition-based expansion plans by the establishment of third-country partnerships. The regional management structure has been redrawn and cross-border communications and work are to continue under a project-based approach, on an expanded operative basis. In 2005, the regional strategic technical areas will include network communication to resolve voice and data integration, in particular IP communication; commercial IT solutions bridging international business problems; outsourcing; and the popularization of the know-how supporting projects in the health and municipal sectors, which is closely related to tendering for EU or pre-accession financing.

ANALYSIS OF THE 2004 RESULTS OF THE SYNERGON GROUP JANUARY - DECEMBER

Comparing the twelve-month period ending December 31st 2004 with the same period of 2003

The data contained in this report are based on the unaudited consolidated balance sheet and profit and loss accounts, prepared in accordance with the IFRS. For the convenience of readers, forint amounts have been converted into Euro amounts. The average exchange rates applied for the items of the profit and loss account are HUF 249.07 and HUF 254.08 per 1 Euro for the twelve months of 2003 and 2004 respectively. The closing exchange rates applied for the balance sheet items are HUF 262.23 and HUF 245.92 per 1 Euro for December 31st 2003 and December 31st 2004, respectively.

Group results

Profit and loss account	12-month period ending December 31 2004 thousand HUF	2004 thousand EUR	2003 thousand HUF	2003 thousand EUR	Change, % HUF basis	Change, % EUR basis
Net sales*	**20 548 018**	**80 872**	**19 790 183**	**79 458**	4%	2%
of which services (%)	41%		32%			
of which products (%)	59%		68%			
Cost of sales	**-15 785 951**	**-62 130**	**-15 427 148**	**-61 940**	2%	0%
in % of sales	77%		78%			
Contribution	**4 762 067**	**18 742**	**4 363 035**	**17 518**	9%	7%
Contribution margin (%)	23%		22%			
Operating expenses	-4 751 546	-18 701	-5 284 589	-21 218	-10%	-12%
EBITDA	**844 349**	**3 323**	**129 956**	**522**	na	na
EBITDA margin (%)	4%		1%			
Operating profit	**10 521**	**41**	**-921 554**	**-3 700**	na	na
Operating margin (%)	0%		-5%			
Net financial income	122 229	481	82 373	331	48%	45%
Extraordinary items	5 881	23	-511 732	-2 055	na	na
Profit before tax	138 630	546	-1 350 913	-5 424	na	na
Corporate tax	-13 468	-53	-75 355	-303	-82%	-82%
Minority interest	31 318	123	-36 203	-145	na	na
Net profit	**156 481**	**616**	**-1 462 471**	**-5 872**	na	na
Net margin (%)	1%		-7%			

***** Including other revenues

Net sales

In 2004, Synergon Information Systems plc., including the consolidated operating companies, achieved a sales revenue of HUF 20,548 million, which, calculated on HUF basis, is 4 percent higher than that of the base period. Within the Group, Fibex achieved the highest sales increase (+55 percent), while Synergon achieved a growth of 8 percent, an average rate on the Hungarian market. Infinity and Span performed in accordance with the tendency they had shown during the previous years.

In a sector-by-sector breakdown of the sales of the Synergon Group, the telecommunications and the financial sectors accounted for 16 percent and 13 percent respectively, industrial companies and the public utilities and transport industries represented an overall 29 percent, whereas the public sector accounted for 17 percent during the period under review. Other, unclassified sales represented 25 percent. Compared to the base period, no significant change took place in any of the industries in terms of the performance during 2004, apart from some slight realignment due to general market dynamics.

In 2004, the service content of sales increased to 41 percent compared to the 32 percent achieved during 2003, a steady growth in terms of the comparison of both the individual quarters and the overall reporting periods.
There was significant growth (30 percent) in the Group's sales revenue generated by services. Such a positive change of the indicators was due to the growing volume and share of the service revenues of Infinity and Synergon plc., while the overwhelmingly product sales of Fibex did not have a significant impact on those indicators because of the small volume of its sales revenue.

Cost of sales

The cost of sales consists mainly of products sold, basic materials, payments to contractors and direct labour costs. The rate of the increase of cost of sales (2 percent) was lower than that of net sales in the comparison of 2003 (HUF 15,427 million) and 2004 (HUF 15,786 million). Cost of sales corresponded to 77 percent of sales, which had been a steady indicator during the previous periods.

Contribution

In 2004, the contribution amounted to HUF 4,762 million, as compared to HUF 4,363 million in 2003, representing a 9-percent increase.
Contribution amounted to 23 percent of the Group's net sales during the period under review; this indicator increased compared to the 2003 level as the result of the increasing ratio of services.
The contribution margin achieved by the Group was affected by the facts that, firstly, due to the price competition on the market, the potentially available contribution margin continued to shrink and, secondly, that the level and the volume of sales of services of a higher contribution ratio increased. Of the operating companies, the sales structure of Synergon plc. had the most powerful effect on this value because of its weight in terms of the Group's sales.

Operating expenses

There was a substantial (10-percent) decline in the level of operating expenses in the face of increasing production. In 2004, this cost item amounted to HUF 4,752 million as the result of increasing cost-efficiency. The decrease of operating expenses was due to the following main items: in 2003 HUF 268 million in extra goodwill depreciation had to be accounted for as compared to the year in question, furthermore, indirect staff costs and the expenses listed below also went down as compared to the base year due to the cost saving measures taken. The most significant operating expenses: costs in connection with vehicles (HUF 304 million), experts' fees (HUF 458 million) and marketing costs (HUF 306 million).

Operating profit

By the end of 2004, the Group achieved an operating profit of HUF 10.5 million. The quality improvement compared to the base year (HUF 922 million loss) was due to the growth of Synergon plc. and Fibex and the reduction, by HUF 533 million, of the operating expenses against a slight decrease in the performance of the foreign operating companies. As an overall result, the EBITDA indicator was HUF 844 million, which clearly shows the efficiency improvement in the operation of the Group, compared to the value (HUF 130 million) achieved during the base period.

Net financial income

Net financial income amounted to HUF 122 million in 2004, generating income 48 percent higher than that of the same period of the previous year (HUF 82 million). That growth was the aggregate result of the interest income on deposits and the net exchange gain accrued by Synergon and the interest expense of the reduced loan amounts of the foreign operating companies.

Extraordinary items

The Group recorded an extraordinary profit of HUF 6 million during the accounting period, which was the result of the write-off of Span's trade debtors and creditors.

Profit before tax

As the result of improving profits and the steady level of expenses, the Synergon Group achieved a pre-tax profit of HUF 139 million in 2004, as compared to the loss of HUF 1,351 million generated during the same period of 2003. That result was positively affected by the profitable operation of Synergon plc. and Fibex, while the losses of Span and Infinity had a negative impact.

Net profit

In 2004, the Synergon Group achieved a net profit of HUF 156 million compared to the net profit of –1,462 generated in 2003. This improvement was the result of the structural and efficiency-increasing changes effected within the Group.

Staff level

The following table contains the average staff numbers of the Synergon Group, indicating that the trend of staff expansion at the operating companies during the first three quarters of the accounting period turned around by the fourth quarter, with the apparent signs of a consolidation process; the sole exception was Fibex, achieving substantial growth, where both the average and the closing staff numbers increased as compared to the entire periods. The Group-level closing staff levels as of December 31st 2003 and December 31st 2004 were respectively 598 and 553.

Average staff numbers	Average, 2004	Average, 2003	Change, %
Synergon plc. & SAO	335	359	-7%
Fibex	18	16	9%
Infinity	163	168	-3%
Span	51	50	2%
Total	567	593	-4%

Analysis of the operating companies of the Synergon Group

The table below shows the breakdown of the Group's sales by operating company.

Operating companies	12-month period ending December 31							
	2004			2003			Change, %	
	thousand HUF	thousand EUR	%	thousand HUF	thousand EUR	%	HUF	EUR
Sales*	**20 548 018**	**80 872**	100%	**19 790 183**	**79 458**	100%	**4%**	**2%**
Synergon plc. & SAO	**13 985 209**	**55 043**	68%	**12 978 251**	**52 108**	66%	**8%**	**6%**
Fibex	**1 360 353**	**5 354**	7%	**879 330**	**3 531**	5%	**55%**	**52%**
Infinity	**4 714 192**	**18 554**	23%	**5 211 615**	**20 925**	26%	**-10%**	**-11%**
Span	**1 244 921**	**4 900**	6%	**1 263 610**	**5 073**	6%	**-1%**	**-3%**
Consolidation	**-756 658**	**-2 978**	-4%	**-542 624**	**-2 179**	-3%	**39%**	**37%**

* Including other revenues

The distribution of income

The sales of Synergon plc. accounted for 68 percent of the sales of the Synergon Group, while the remaining part was generated by the operating companies. There is a slight change and some realignment in terms of the sales ratio of the foreign operating companies in comparison of the various periods. Due to their deteriorating sales indicators, the weight of Span and Infinity is decreasing in terms of the Group's overall sales, as opposed to the powerful growth of Fibex and the steady increase (8 percent) of Synergon plc.

The performance of Synergon Atos Origin (SAO) is shown consolidated with the profit data of Synergon, since the operation of this subsidiary is closely integrated with that of the parent company. Synergon plc. has transferred all of its outsourcing and operation-related functions to SAO, and comparability is also prejudiced by the fact that the consolidation period started at the end of last year.

Operational environment

The Synergon Group has operated in a regional environment that encompasses four countries. The overwhelming part of its sales is generated within Hungary by Synergon plc., SAO Ltd. and Fibex Ltd. In the Czech and Slovak markets, the Group is represented by Infinity, whereas the operating company Span operates on the Croatian market.

In these four countries, there are structural differences in the situation of the ICT market due to the different stages of their development. Of the four, the Hungarian market is the most developed, customer demand in the large company segment increasingly focusing on solutions of significant added value. While corporate managers and government administration are open to information technology, having realised its importance in improving the efficiency of operation, often, particularly in the small and medium-sized company and the institutional segment, shortage of financing presents a powerful block to the funding of projects. The Czech and Slovak markets are at very similar stages of development. While the Czech market is still slightly more developed, the investment-friendly policies of the Slovakian government may soon manage to turn that situation around. In these countries, there is still a substantial potential in the large company segment in the fields of infrastructure (communication networks, hardware and software) and ERP solutions, while they have also opened up to business-critical systems. In the comparison of the countries concerned, the Croatian market is slightly less developed; here, major project demand still concerns infrastructure development.

The map of demand may be redrawn by the EU grants available to the member states with the exception of Croatia, where pre-accession funds may provide additional sources of investment.

Apart from the above, the broader international activities of the Synergon Group are represented by individual projects. Further opportunities will be opened up on these markets by the partnership agreement made with Atos Origin, which launched some successful, not just outsourcing-related projects in 2004. The Group continues to seek further sales opportunities with third countries through partnerships and acquisitions.

Co-operation between the operating companies

Co-operation among the members of the Synergon Group has been driven by the need to increase efficiency, expand competencies and achieve a more cost-efficient operation. During the past years, co-operation was organised organically for individual projects or tenders and in order to learn about the potentials of the other companies of the Group. 2004 saw the beginning of knowledge transfer under which outstanding solutions by the individual operating companies, the related know-how and the possibilities of their implementation were discussed. The implementation plan of the regional competence centre was drawn up to focus primarily on the central organisation and provision of network communication and system operation tasks. With a view to more balanced and coordinated communication co-operation in the future, an international sales position was established within the organisation of Synergon, on the basis of which the Group participated in a number of international tender invitations, often together with Atos Origin, outside the group of its direct customers.

One of the conditions of co-operation has been the adequate preparation of the organisation, which has been impeded for both Span and Infinity, by the smallness of the organisation of the former, and the organisational changes that fell due in 2004 as the result of earlier events in the case of the latter.

Acquisitions, regional expansion

In 2004, the Synergon Group expanded its portfolio through acquisitions. Infinity, the Czech operating company, acquired the Czech IT company BrnoData-IS spol. s.r.o., specialising in the sales and implementation of Microsoft Business Solutions-Navision; the acquisition price was financed out of its provisions allocated for the purpose from its 2003 profit. The subsidiary, fully owned by Infinity, was consolidated by Infinity as of March 25th 2004, operating since that date under the name InfinityData s.r.o.

Apart from the acquisitions, the Group also seeks to enlarge its territory of regional operation through partnerships established in other countries, preparations for which were begun in 2004.

The Group's acquisition strategy has remained the same, constantly seeking targets suitable to be added to the Group.

Synergon plc.

While Synergon plc. is the Hungarian operating company of the Synergon Group, in legal terms it is also the parent company, being the major shareholder in the other operating companies. The activities of Synergon plc. and other information relating to the company are described in Hungarian and English on the company's Internet sites at www.synergon.hu, www.synergon.hu/en. The activities of Synergon Atos Origin Ltd. and other information relating to the company are described in Hungarian on the company's Internet site at www.sao.hu.

Synergon plc. & SAO	12-month period ending December 31					
	2004		2003		Change, %	
	thousand HUF	thousand EUR	thousand HUF	thousand EUR	HUF	EUR
Net sales*	**13 985 209**	**55 043**	**12 978 251**	**52 108**	**8%**	**6%**
of which services (%)	44%		35%			
of which products (%)	56%		65%			
Cost of sales	**-10 379 830**	**-40 853**	**-9 987 668**	**-40 101**	**4%**	**2%**
in % of sales	74%		77%			
Contribution	**3 605 380**	**14 190**	**2 990 583**	**12 007**	**21%**	**18%**
Contribution margin (%)	26%		23%			
Operating expenses	-3 427 658	-13 490	-3 616 059	-14 519	-5%	-7%
EBITDA	**608 438**	**2 395**	**-180 574**	**-725**	**na**	**na**
EBITDA margin (%)	4%		-1%			
Operating profit	**177 722**	**699**	**-625 476**	**-2 511**	**na**	**na**
Operating margin (%)	1%		-5%			

* Including other revenues

Operational environment

Synergon achieved growing sales on a slow-growing market. Leaving behind the worst part of a recession period, the Hungarian economy started on a slow growth path in 2004, during which market operators were compelled to go slow because of the EU accession and the changes in the government. Since the rate and the extent of IT projects are essentially determined by the Hungarian GDP, there was minimal growth on Synergon's markets.

Since the projects by the government administration, the driving force behind the IT development of other areas, remained at a conservative level, there was no substantial growth on the market in general, which has affected the rate of the IT development of the entire economy. The market-boosting effects of the EU accession have so far been felt through a few projects only, and thus they were primarily manifested regarding developments the government was obliged to implement. Through its enhanced sales operations, Synergon managed to expand its existing markets and broaden its co-operation with partners and customers. Synergon managed to achieve its targets envisaged for 2004. Of the sales priorities of Synergon, sales from the financial institution and telecom sectors increased most, retaining its former position in the face of a sagging public administration market. The Company was successfully restructured in order to better access industrial and commercial businesses and to increase the number of its customers. Synergon's customers have increasingly demanded complex IT projects with a higher proportion of value-added services. That trend is demonstrated by the changes of the Company's contribution and sales service content indicators.

Results

In 2004, Synergon plc. increased its sales (HUF 13,985 million) by 8 percent as compared to 2003 (HUF 12,978 million). The sales of the company were boosted by the market-increasing effect of the new operating company, Synergon Atos Origin.

The service content of the company grew to 44 percent in 2004 compared to the 35 percent achieved in 2003. This was due to the fact that service-generated sales increased by 35 percent against a decreasing level of product sales. As the result of the increase of sales and, more specifically, of the sales of services and of controlling the increase of cost of sales (+4 percent), during the period under review net contribution grew by 21 percent, to HUF 3,605

million, while the contribution ratio increased to 26 percent from 23 percent in 2003.
As the consequence of the favourable income figures and powerful control over costs (operating costs decreased by 5 percent), Synergon generated a profit of HUF 178 million during the 2004 period as compared to the operating profit of HUF –625 million in 2003. As the result of its net financial income, Synergon achieved a positive pre-taxation and net profit during the same period. The Ebitda indicator, the truest indicator of real performance, changed sign from minus to plus in 2004 compared to the 2003 value, amounting to HUF 608 million.

Business units

The network communication operation continued to perform strongly, providing the overwhelming majority of the sales and contribution of the Company. Due to the fact that market demand shifted toward new technologies more than expected, outstanding contribution was achieved while there was only a slight growth of sales. The share of related services grew within sales, as several customers entrusted Synergon with the operation of the systems implemented. In the field of new technologies, outstanding portfolio items included service-provider management solutions and IP telephone solutions where the demand for system implementation projects during the first six months increasingly shifted toward system expansion requirements by the second half of the year. The intelligent buildings operations performed outstandingly during the entire accounting period, and there was steady demand regarding the implementation of data centres. Synergon was also commissioned with various greenfield infrastructure projects where customer requirements included the application of passive devices of the highest standard (CAT7).
In the sectors relevant for Synergon, the division performed steadily, being present on the industrial and financial institution markets through IP communication and other communication solutions due to the expansion of bank networks. In the public administration sector, Synergon had projects related to the Public Network Project and also performed maintenance and infrastructure upgrade jobs for telecom businesses.

There was a degree of realignment in 2004 in the software division; the major part of both sales and contribution is generated by development, which is recorded essentially as service revenues. Due to the extreme seasonality of the market, efficiency in this field reached its maximum during the middle of the second six-month period and the final quarter. While software licensing has traditionally been one of the strengths of Synergon, by the end of 2004, the software development competency established and consolidated during the past eighteen months had become critical, generating a high rate of growth compared to previous years. Due to the portfolio expanded through software development, in 2004 the division mainly focused on satisfying the increased market demand and on organisational development.
Financial institutions, the industrial and service sectors were the industries accounting for the major part of the performance of the division; in terms of the latter two, it managed to strengthen its positions to a significant extent.
Outstanding products included multi-project management, Oracle-based solutions and Plumtree filing and document management systems. The recovery of the investment into the Phoenix e-learning framework system began during the year along a reconsidered strategy. Following reorganisation at the beginning of the year, Synergon's information security competency regained its recognition and market share.
Synergon became an Enterprise Project Management Partner, a title awarded to Microsoft's Gold Certified Partners.

In the hardware division, seasonality, typical of the IT industry, was upset; due to the various project phases, the division performed outstandingly during the traditionally inferior second and third quarters and therefore profit from the activities remained even in the comparison of the various quarters. Despite weaker performance during the first quarter, the division met its annual plan, in fact, exceeded it in terms of its contribution. The highest hardware demand was generated by the industrial and public utility sectors and financial institutions, while there was average demand from the public administration and telecom sectors. As far as the demand structure is concerned, there was a shift toward value-added services of a higher contribution margin and toward projects requiring complex solutions. Another significant achievement was an increase in the number and volume of maintenance and operation agreements extending to several years, which ensure ongoing and calculable sales. The restructuring of market demand is demonstrated by the fact that the number of 'box-moving' projects is decreasing, i.e. Hungarian businesses are open to high-tech IT developments, and demand has moved toward business-critical system implementation (hardware consolidation and storage).

In the ERP solutions field, there was a powerful finish following a quieter year in terms of SAP, Synergon's main portfolio item in this field. Because of its role in business flows, the projects associated with that system are linked with the turning points of the financial year. The continuously high workload of the division was generated by system operation, whereas in the fourth quarter, regulatory changes, new modules and developments to resolve various tasks were introduced. As far as the MFGpro product is concerned, which had been assigned to Synergon through the SAO integration, sales were generated by operation in 2004.

Synergon's Inforend product held many referencies on a health service market struggling with a shortage of financing. In 2004, the product was implemented for various new customers, and a number of new development and system upgrade demands were serviced by Synergon. The IT requirements of hospitals and health institutions have increased and when selecting the solutions the integrated handling of the medical professional and the business sides has come into the foreground, Synergon has become an important competitor in this with its own, continuously updated system.

The availability of EU funding has altered market demand. While it has created an interest in IT projects from organisations, public administration and health institutions without adequate financing as well as SMEs, the ability to manage projects and the results that may facilitate development decisions and their accomplishment have become the most important criteria in terms of the selection of the service-provider. Accordingly, Synergon will serve the operators in this target group through a new service and organisation infrastructure from 2005.

Its system support and operation services have provided a steadily calculable source of income of a high contribution margin for Synergon Atos Origin (SAO). The company's sales were higher than expected, its operation was profitable, while it managed to keep costs under the planned level. Through its tight co-operation with Synergon, SAO managed to increase its customer base and the volume of its orders. While most of SAO's customers are from the financial and industrial sectors, there has been growing interest from administrative institutions. Due to its regional operation and the partnership with Atos Origin, the Group has been involved in a number of international projects as the local implementing party, while the potential is progressively increasing; EU accession has resulted in the implementation of truly international projects.

A new operation methodology and remote monitoring were introduced in order to improve competitiveness and to provide higher-standard services to customers, and the company will soon implement an IP-based call centre, which is also to serve as the basis for the regional helpdesk system. For the Group's operating companies, SAO has provided the outsourcing and operation technologies it established and the experience it obtained. This year, it obtained the ITIL qualifications (having played a groundbreaking role in the popularisation of the methodology) and is a founding member of HOA – the Hungarian Outsourcing Association.

SAO's market opportunities are affected to a substantial extent by the globalisation efforts of businesses intending to employ global service-providers; while it can thus often appear as a local implementer, in a tough international competition it may lose out on potential customers despite the advantage it has in terms of its competencies.

Fibex Ltd.

Fibex Ltd., specializing in the sales of optical and copper cables, network implementation materials and tools, operates as a 100-percent Synergon subsidiary.

For more information on the activities of Fibex Ltd. and for further details relating to the company (in Hungarian), please see the company's Internet site at www.fibex.hu.

Fibex Ltd.	12-month period ending December 31					
	2004		2003		Change, %	
	thousand HUF	thousand EUR	thousand HUF	thousand EUR	HUF	EUR
Net sales*	**1 360 353**	**5 354**	**879 330**	**3 531**	**55%**	**52%**
of which services (%)	2%		3%			
of which products (%)	98%		97%			
Cost of sales	**-1 146 186**	**-4 511**	**-757 577**	**-3 042**	**51%**	**48%**
in % of sales	84%		86%			
Contribution	**214 167**	**843**	**121 753**	**489**	**76%**	**72%**
Contribution margin (%)	16%		14%			
Operating expenses	-150 932	-594	-101 853	-409	48%	45%
EBITDA	**75 913**	**299**	**30 641**	**123**	**148%**	**143%**
EBITDA margin (%)	6%		3%			
Operating profit	**63 235**	**249**	**19 900**	**80**	**218%**	**211%**
Operating margin (%)	5%		2%			

* Including other revenues

The marked difference between the performance of Fibex Ltd. in 2003 and 2004 was due to the operational restructuring performed during the base period. Since the new organisational structure operated more efficiently and in a new business spirit, sales revenue and net profit increased in 2004 – seasonality eliminated – also in the comparison of the individual quarters.
In addition to improving efficiency, the company increased its share on existing markets, by adding new portfolio items, and entered new markets successfully (power electronics), as the figures show.
In 2004, the company increased its sales revenue by 55 percent, while it achieved an even more significant growth (three and four times respectively) of its operating profit and net profit. While its contribution margin corresponds to the Group average, the low volume of its service revenues and the ratio of the latter to its total sales revenue are affected by the fact that the major part of its sales are generated by product distribution. The greater part of the sales of Fibex has continued to originate from traditional telecom businesses and IT companies. In consequence, the EU development funds have only had indirect impact on the performance of the company.
Whereas the infrastructure markets relevant for the operating company have stagnated, the annual framework agreements entered into with some major customers helped to increase market share. Because of the persistence of a tight market, the company management has continued expanding the portfolio and extending its partner relations. As for the future, substantial contracts have been concluded on the telecom market in order to ensure continuous development.
The company plans to roll out its regional agency network in 2005, with the support of the foreign operating companies. While no substantial performance increase is forecast for 2005 and after due to the restructuring, a growth rate approximating the average of the IT market is envisaged. The basis for growth is ensured by the market expansion of the products launched in 2004 and the company's powerful position on its market.

Infinity a.s.

Infinity a.s. is the Czech operating company of the Synergon Group, in majority ownership (66.67 percent) of Synergon. The major part of the sales revenue of Infinity is generated by the sales of HP and Microsoft products and the related services, as well as by the remote monitoring, support and operation services based on these products. Infinity established its Slovakian representative office in Bratislava in 2003 in order to service the needs of its Slovakian projects and, as an addition to its ERP portfolio, in 2004 it purchased BrnoData s.r.o., now operating under the name Infinity Data. The performance of both companies is consolidated in the Infinity balance sheet and profit statement; for more information on the activities of Infinity and for further details relating to the company (in Czech and English), please see the company's Internet site at www.infinity.cz.

Infinity	12-month period ending December 31					
	2004		2003		Change, %	
	thousand HUF	thousand EUR	thousand HUF	thousand EUR	HUF	EUR
Net sales*	**4 714 192**	**18 554**	**5 211 615**	**20 925**	**-10%**	**-11%**
of which services (%)	40%		32%			
of which products (%)	60%		68%			
Cost of sales	**-3 750 429**	**-14 761**	**-4 113 296**	**-16 515**	**-9%**	**-11%**
in % of sales	80%		79%			
Contribution	**963 762**	**3 793**	**1 098 319**	**4 410**	**-12%**	**-14%**
Contribution margin (%)	20%		21%			
Operating expenses	-946 362	-3 725	-928 541	-3 728	2%	0%
EBITDA	**212 984**	**838**	**333 088**	**1 337**	**-36%**	**-37%**
EBITDA margin (%)	5%		6%			
Operating profit	**17 401**	**68**	**169 778**	**682**	**-90%**	**-90%**
Operating margin (%)	0%		3%			

*Including other revenues
Figures include minority interest

This has been a year of structural change and the building up of professional expertise for Infinity. These were the two main factors that influenced its performance and caused a temporary setback in profitability. In order to facilitate future market expansion and taking into account the size of the business, the ownership and management functions were separated. In the second half of 2004 Balázs Cseh was the acting general manager, while a Czech manager, still to be found, will be appointed next year. New members of senior management were also appointed during the year with the company getting a new commercial and a new financial director. The most important event concerning portfolio development was the acquisition of the Czech company BrnoData s.r.o. At the end of the year, the company's technical organisation was restructured into a competency-based organisation and a portfolio cleansing was performed in order to increase efficiency.

As far as the Czech Republic is concerned, apart from the temporary demand upsets referred to above and a government crisis during the summer, it is a mature and yet steadily growing market with numerous opportunities. Among other things, this is also demonstrated by the fact that Internet acceptance is relatively high in both the business and the private sectors. However, it is also true that the IT market is characterized by fierce competition, with a powerful presence of multinational companies and numerous Polish businesses, local companies also being more heavily represented than on the Hungarian market. As far as demand is concerned, product sales opportunities are decreasing, due partly to direct sales by manufacturers. Demand for services remained high in 2004, while the intense competition reduced the contribution margin attainable.

Infinity's total net sales revenue decreased by 10 percent over 2004 compared to the corresponding period of 2003; revenue from product sales decreased, too. Although Infinity increased its income from services by 15 percent during the period under review, it could not compensate for its lower product sales. The proportion of services in total sales was 47 percent compared to the 32 percent in 2003. The company's service sales revenue was generated by software development, operation contracts and the sale of a portfolio item obtained through the acquisition. While Infinity had a positive operating profit during the period under review, it made a loss on net profit basis due to its financial income.

A substantial part of sales continued to be generated on projects carried out for customers operating in the industrial sector, with substantial additional sales in

the SME sector. In addition, the company was awarded some major public administration contracts. Since cost of sales and contribution decreased respectively by 9 and 12 percent, the annual contribution margin dropped to 20 percent in 2004 compared to the base level of 21 percent in 2003. The Ebitda indicator continues to register profitable operation, and in spite of the lower level of total profit the company continued to operated profitably. Infinity made a provision for the acquisition price of BrnoData from last year's profit; the fully owned subsidiary was added to the consolidated reports of Infinity as of March 25th 2004. Despite poorer results, the company still has a sound cash flow.
The Slovakian market, where the company has a representative office, is another important market to be exploited by Infinity. While this is an area of major potential, the company has only seized a very small share of the market, although some successful and profitable projects have already been undertaken.

Given the circumstances, the primary task of Infinity is to consolidate its organisation and reinforce sales operations. The new management has launched a program aiming at reducing costs and improving efficiency. The company has focused on its existing major customers and targeted new markets and customers through core products and solutions. The company is active in business development in order to expand its portfolio through software development and business solutions. The impact of the structural changes initiated this year will only be reflected in the performance of 2005.

Span d.o.o.

Span d.o.o. is the Croatian operating company of the Synergon Group, in the majority ownership (68.1 percent) of Synergon plc. Apart from various networking and infrastructure-management projects, the major part of the sales revenue of Span is generated by the sale of Microsoft products, Windows-based infrastructure projects, the associated support and operation services and training. For more information on the activities of Span, and further information relating to the company (in Croatian), please see the company's Internet site at www.span.hr

Span	12-month period ending December 31					
	2004		2003		Change, %	
	thousand HUF	thousand EUR	thousand HUF	thousand EUR	HUF	EUR
Net sales*	**1 244 921**	**4 900**	**1 263 610**	**5 073**	**-1%**	**-3%**
of which services (%)	30%		22%			
of which products (%)	70%		78%			
Cost of sales	**-1 069 759**	**-4 210**	**-1 043 881**	**-4 191**	**2%**	**0%**
in % of sales	86%		83%			
Contribution	**175 162**	**689**	**219 729**	**882**	**-20%**	**-22%**
Contribution margin (%)	14%		17%			
Operating expenses	-250 949	-988	-259 366	-1 041	-3%	-5%
EBITDA	**-20 586**	**-81**	**7 409**	**30**	**na**	**na**
EBITDA margin (%)	-2%		1%			
Operating profit	**-75 787**	**-298**	**-39 637**	**-159**	**-91%**	**-87%**
Operating margin (%)	-6%		-3%			

* Including other revenues
Figures include minority interest

Investment policies playing the waiting game continued to characterise the Croatian market in 2004. In addition to the unfavourable market trends, Span's 2004 performance was affected by the extra costs of its organisation upgraded in anticipation of a more powerful market expansion as well as its poorer tendering achievements. In 2004, Span's sales revenue was 1 percent less (HUF 1,245 million) than in 2003 (HUF 1,264 million). The service content of its sales was 31 percent during the period, showing a marked growth trend compared to the previous years, while sales generated by services increased by 35 percent on an annual basis. Currently, the overwhelming majority of new projects are based on service or support activities. Cost of sales increased by 2% while the contribution decreased by 20 percent between 2003 and 2004 due to the low contribution margin available on the market, even on service-type products, as a result of the pressure of competitive pricing.

In 2004, Span decided to separate the technical and the financial management functions, appointing a financial manager in order to complement the function of the managing director.
Knowledge transfer within the Group has continued to also include Span; the major focus is currently on the support provided by Synergon to the Croatian operating company by transferring experience and information obtained in tendering for various PHARE projects in Hungary.

Analysis of the balance sheet and liquidity position as of December 31st 2004

Balance sheet	31 December, 2004		31 December, 2003		Change, %	
	thousand HUF	thousand EUR	thousand HUF	thousand EUR	HUF basis	EUR basis
Assets						
Non-current assets	**2 636 113**	**10 719**	**2 991 577**	**11 408**	-12%	-6%
Fixed assets	2 053 463	8 350	2 308 425	8 803	-11%	-5%
Intangible assets	524 600	2 133	645 168	2 460	-19%	-13%
Investments	58 050	236	37 985	145	53%	63%
Current assets	**9 966 638**	**40 526**	**11 255 459**	**42 922**	-11%	-6%
Inventories	847 030	3 444	1 071 948	4 088	-21%	-16%
Accounts receivable	5 904 086	24 007	7 208 514	27 489	-18%	-13%
Cash and equivalents	2 191 225	8 910	2 010 800	7 668	9%	16%
Other current assets	1 024 297	4 165	964 197	3 677	6%	13%
Total assets	**12 602 751**	**51 245**	**14 247 036**	**54 330**	**-12%**	**-6%**
Liabilities						
Shareholders's equity	**6 586 499**	**26 782**	**6 370 696**	**24 294**	3%	10%
Share capital	1 910 925	7 770	1 910 925	7 287	0%	7%
Capital reserves	5 679 501	23 094	5 747 506	21 918	-1%	5%
Profit reserves + retained profit of the year	-1 003 927	-4 082	-1 287 735	-4 911	na	na
Short-term liabilities	**5 928 116**	**24 105**	**7 728 300**	**29 471**	-23%	-18%
Accounts payable	3 125 448	12 709	4 338 684	16 545	-28%	-23%
Other short-term liabilities	2 802 666	11 396	3 389 616	12 926	-17%	-12%
Long-term liabilities	**24 149**	**98**	**32 863**	**125**	-27%	-22%
Minority interest	**63 988**	**260**	**115 178**	**439**	-44%	-41%
Total liabilities	**12 602 751**	**51 245**	**14 247 036**	**54 330**	**-12%**	**-6%**

The Company’s balance sheet total as of December 31st 2004 (HUF 12,603 million) was, on HUF basis, 12 percent lower than the closing value of the same period of the previous year and, since the HUF/EUR exchange rate changed significantly, on EUR basis there was only a 6 percent decrease.

Assets

Fixed assets

The net value of fixed assets (HUF 2,053 million) decreased by 11 percent. The reduction was the result of the infrastructure and IT investments carried out by the Group and of the difference of amortization recorded.

Intangible assets
The value of intangible assets (HUF 525 million) recorded in the Group's consolidated balance sheet decreased by 19 percent. The difference was primarily the result of goodwill and depreciation recognized for the subsidiaries at the end of the year.

Investments
The increase in the value of investments (HUF 58 million) was mainly the result of the consolidation of BrnoData, acquired by Infinity.

Inventories
The 21-percent reduction of inventories (HUF 847 million) was due to Synergon plc's improving inventory management, achieved partly through the restructuring of operations (project logistics) and of purchasing (Just-in-Time). At the end of the period, the companies did not have any substantial outstanding uninvoiced projects with stocks reserved.

Accounts receivable
Eliminating internal invoicing within the Group, the 18-percent reduction of accounts receivable (HUF 5,904 million) was mainly the result of the better scheduling of invoicing, broken down into smaller part values, and the result of better payment morals.

Cash and equivalents
At the end of the reporting period, the value of cash and equivalents was HUF 2,191 million, the major part of which (HUF 1,708 million) was recorded in the books of the parent company. The 9-percent increase was due primarily to the positive profit.

Liabilities and shareholders' equity
Shareholders' equity
There was no significant change in terms of reserves under shareholders' equity. The profit reserves decreased due to paid dividends, while the retained profit of the year increased significantly compared to the base year.

Short-term liabilities
The value of short-term liabilities (HUF 5,928 million) was 23 percent lower than the closing value of the base period, due primarily to the reduction of the accounts payable recorded in the books of Synergon plc. and Infinity a.s. On a Group basis, it represents a reduction of HUF 1,213 million (28 percent) for the balance sheet item.

Long-term liabilities
The reduction of long-term liabilities (48 percent) was due to the changing of the value of loans at the subsidiaries.

Minority interest
Minority interest decreased as a result of the negative value of retained profit of the year for Span and Infinity and of the diminishing effects of the 2004 dividend allocated to shareholders by Infinity.

Liquidity position
The value of cash and equivalents held by the Company as of December 31st 2004 was HUF 2,191 million. The Company had a continuously sound liquidity position during the period under review. The stability of Synergon's cash and equivalents ensured steady operation for the Group.

Cash flow from operations
Operations generated a positive cash flow of HUF 536 million, due primarily to the changes in accounts payable, accounts receivable and inventories, as described under the analysis of the balance sheet, and due to the favourable change of the operating profit, adjusted for depreciation and tax.

Net operating cash flow
The closing value of net operating cash flow at the end of the period was HUF 658 million, including the positive financial result.

Cash flow from investment
The change in the value of the Group's investments during the period amounted to HUF –546 million.

Net cash flow from financial operations
The value of the Net cash flow from financial operations (HUF 69 million) was chiefly affected by the recording of minority interest and the payment of dividends. As a result, liquid cash assets increased by HUF 180 million as compared to December 31st 2003.

Cash-flow	12-month period ending December 31 2004		2003	
	thousand HUF	thousand EUR	thousand HUF	thousand EUR
Operating profit after taxation	**34 252**	**135**	**-1 544 844**	**-6 203**
Depreciation and amortization	833 829	3 282	1 051 510	4 222
Change in payables	-1 708 043	-6 722	2 537 775	10 189
Change in accruals	-875	-3	9 779	39
Change in inventories	224 918	885	177 124	711
Change in receivables	1 245 203	4 901	-1 542 735	-6 194
Change in provisions	-93 641	-369	505 389	2 029
Cash flow from operations	**535 644**	**2 108**	**1 193 997**	**4 794**
Net financial result	122 229	481	82 373	331
Cash flow from financing activities	**657 872**	**2 589**	**1 276 370**	**5 125**
Change in assets	-493 820	-1 944	-487 935	-1 959
Change in investments	-52 551	-207	20 581	83
Cash flow from investing	**-546 371**	**-2 150**	**-467 354**	**-1 876**
Net change in loans	-7 214	-28	-371 890	-1 493
Change in share capital	127 328	501	0	0
Eliminating minority interest	-51 190	-201	-42 799	-172
Cash flow from financing	**68 925**	**271**	**-414 689**	**-1 665**
Net change in cash	180 426	710	394 327	1 583
Opening cash position	2 010 800	7 914	1 616 473	6 490
Closing cash position	2 191 225	8 624	2 010 800	8 073
Change in cash	**180 426**	**710**	**394 327**	**1 583**

Shareholder structure and company events

Taking into account notifications by shareholders on the basis of their mandatory disclosure obligation, the following table shows the shareholding structure of Synergon Information Systems plc as of December 31st 2004.

Shareholding structure of Synergon plc		
Shareholder's name	**December 31, 2004**	**December 31, 2003**
Deutsche Bank (depository)	0.55%	1.00%
Treasury shares	2.77%	2.77%
Davon Kft.	5.03%	6.02%
Berenberg Global Opportunity-Magyar Budapest Fund	5.31%	5.31%
Curdie Trust Corp.	9.94%	9.94%
RCX Kft.	10.00%	10.00%
Financial investors, below 5 percent of shares each	66.04%	64.96%
Total	**100%**	**100.0%**

General Assembly – On April 30th 2004, the ordinary annual General Assembly of Synergon plc approved the report of the Board of Directors and Synergon's Annual Report. A decision was made concerning the amendment of the Articles of Association, and members of the Board of Directors and the Supervisory Board were appointed by vote. Ernst & Young Könyvvizsgáló Kft. was appointed Auditor of the Company.

Board of Directors – The following major decisions were made at the meetings of the Board of Directors of Synergon Information Systems plc. during the period January 1st and December 31st 2004:

The Board made a decision on the convening of Synergon's ordinary annual General Assembly and approved the report of the Board and the annual reports of Synergon plc. and of the Group. The Board of Directors issued a declaration for the Budapest Stock Exchange, signed by three Board members, on Synergon plc's responsible company management practices. On May 19th 2004, the Board elected Mr Ferenc Czakó chairman for the remaining term of the Board's mandate. On July 23rd 2004, the Board decided to supplement the Responsible Management guidelines with Risk Management Principles before 1st March 2005. At the same meeting, the Board made a preliminary decision, in accord with the Supervisory Board, to reorganize the Span d.o.o. operating company as a private corporation through a capital increase to the debit of the capital reserve.

Supervisory Board – The following major decisions were made at the meetings of the Supervisory Board of Synergon Information Systems plc. during the period January 1st and December 31st 2004: The Supervisory Board approved the convening of Synergon's ordinary annual General Assembly and the proposals to be submitted to the Assembly. It suggested to the Board of Directors that a declaration on responsible management be issued to the Budapest Stock Exchange. On May 5th 2004, the Supervisory Board elected Dr. Miklós Jeszenszky chairman of the Supervisory Board. A proposal was made concerning the deadline for creating a workgroup responsible for the preparation of the Risk Management Principles.

Organisational changes – With a view to enhancing the performance and the efficiency of the sales activity of Synergon plc, Mr Pál Polgár was appointed the Company's assistant manager for sales and marketing as of February 2nd 2004.

Former General Manager of Infinity a.s. Mr Jiri Fanta resigned as of July 31st 2004, as the ownership and management functions were separated. Until the final appointment of the new General Manager, Mr. Balázs Cseh will remain the acting General Manager.

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