

FLASH REPORT



**Synergon Information Systems plc.
Financial results for the 3-month period
January 1 – March 31, 2004**
Unaudited, consolidated data
collated in accordance with
International Financial Reporting Standards

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During the first quarter of 2004, the Synergon Group managed to meet its business plan and to operate at a profit. By reacting flexibly to market developments, the Group improved its results compared to previous periods, including the base period, the first quarter of 2003. The service content of the sales revenue of HUF 5,029 million achieved by the Synergon Group during the accounting period grew up, and on the Group level there was growth in terms of revenue from service activities. During the first quarter of 2004, Group operating profit increased by 39 percent to HUF 59 million, while profit before tax was HUF 81 million (a 50-percent increase). Net profit grew by 113 percent to HUF 79 million during the period under review. The significant change in the indicators can be put down to the low base level.

Important developments during the quarter included the horizontal expansion of the Group. Infinity became the 100-percent owner of the Czech information company InfinityData s.r.o. (formerly BrnoData-IS spol. s.r.o.), specialising in the sale and implementation of Microsoft Business Solutions – Navision. The acquisition is completely in line with the regional expansion strategy of the Synergon Group as well as with the business and market development efforts in order to counter the current regional market recession.

Overall, there was slow and fluctuating development on the operating markets of the Group and the operating companies. Whereas cost restrictions have continued to determine the government administration market, their effects were offset by projects generated by the start of the year and the preparation for the EU accession. Developments have been carried out in the telecom sector due to the expansion of broadband Internet use. Trade and industry have shown increased interest in added-value solutions (IP telephony, outsourcing). Because of the restructuring of the sources of income, efficiency-increasing solutions and solutions ensuring better public access are being sought in the financial sector. In Croatia, the continuing effects of the elections held at the end of last year are being felt on Span's performance and the investment and development spirit of market operators. The growth rate of the Czech market continued to decrease.

In Hungary, there was a steady growth in Synergon's sales revenue, and, of the Group's operating companies, Fibex and Span achieved significant growth. Infinity's sales revenue declined compared to the base period.

During the first three months of 2004, Synergon plc increased its sales, achieving HUF 4,066 million. The profitability of the company was further affected by the market-expanding effect of the acquisition of the new operating company, Synergon Atos Origin. The service content of the sales of the company increased to 33 percent during the period January – March 2004, due to the fact that income from services grew at a higher rate (79 percent) than the overall sales revenue. During the first quarter of 2004, Fibex increased its sales by 85%, while generating an operating profit, as opposed to the operating loss it suffered during the same period last year. Infinity increased its income from services by 39 percent, consequently increasing its service ratio to 60 percent, as a result of contracts entered into with several major customers. In the first quarter of 2004, Span increased its sales revenue by 68 percent, with a 28-percent service content.

For 2004, the Synergon Group expects steady sales and profit indicators. While market stagnation is expected to stir and a minimal recovery to be achieved in the operating markets of the region, tough competition will continue, which will keep prices low. With the exception of a few projects, the consequences of EU accession are still unpredictable. Its effects on profit will not really be felt before 2005. Since consolidation remains the main trend on the IT market, the Group will seek potential target companies for acquisition, in order to increase its leverage in the region. In order to increase the efficiency of the Group's operation, integration among operating companies will be enhanced and the opportunities provided by the EU accession exploited. On operating company level, increasing focus will be placed on cost-efficient operation.



ANALYSIS OF THE RESULTS OF THE SYNERGON GROUP JANUARY – MARCH 2004

Comparing the three-month period ending March 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 account, prepared in accordance with the IFRS. For the convenience of readers, HUF amounts have been converted into Euro. The average exchange rates applied for the items of the profit and loss account are HUF 243.63 and HUF 255.58 per 1 Euro for the first three months of 2003 and 2004 respectively. The closing exchange rates applied for the balance sheet items are HUF 246.84 and HUF 248.92 per 1 Euro for March 31st 2003 and March 31st 2004, respectively.

Group results

Profit and loss account	3-month period ending March 31					
	2004		2003		Change, %	
	000 HUF	000 EUR	000 HUF	000 EUR	HUF basis	EUR alapon
Net sales*	5 029 100	19 678	4 973 047	20 412	1%	-4%
Of which services (%)	38%		24%			
Of which products (%)	62%		76%			
Cost of sales	-3 879 125	-15 178	-3 774 801	-15 494	3%	-2%
As % of sales	77%		76%			
Contribution	1 149 974	4 500	1 198 246	4 918	-4%	-9%
Contribution margin (%)	23%		24%			
Operating expenses	-1 091 024	-4 269	-1 155 802	-4 744	-6%	-10%
EBITDA	238 797	934	263 986	1 084	-10%	-14%
EBITDA margin (%)	5%		5%			
Operating profit	58 951	231	42 444	174	39%	32%
Operating margin (%)	1%		1%			
Net financial income	21 971	86	11 606	48	89%	80%
Extraordinary items	58	0	4	0	na.	na.
Profit before tax	80 979	317	54 053	222	50%	43%
Corporate tax	-9 708	-38	-15 050	-62	-35%	-39%
Minority interest	7 485	29	-2 109	-9	-455%	-438%
Net profit	78 757	308	36 894	151	113%	103%
Net margin (%)	2%		1%			

* Including other revenues.

Net sales

During the first three months of 2004, Synergon Information Systems plc, including the consolidated operating companies, generated a sales revenue of HUF 5,029 million, which, calculated on HUF basis, essentially equals that of the base period. Within the Group, Fibex and Span achieved the highest growth. In Hungary, Synergon generated a steady growth of 11 percent, while Infinity's sales declined.

In a sector-by-sector breakdown of the sales of the Synergon Group, the telecom and the financial sectors accounted for 12 percent and 14 percent respectively, industrial companies and the public utilities and transport industries represented an overall 25 percent, whereas the public sector

accounted for 24 percent during the period. Other, unclassified sales amounted to 25 percent. In comparison with the base period, the share of industry, public utilities, transport and the financial sector increased, in contrast with the decline of projects from the telecom and the public sectors.

During the first three months of 2004, the service content of sales grew to 38 percent, compared to the 24 percent achieved during the same period of 2003, which indicates a growth tendency. On Group level, sales revenue from services grew considerably. The positive shift of indicators was due to the increasing service income and ratio generated by Infinity and Synergon plc, the mostly product sales of Fibex and Span not having substantial effect on this indicator



due to the small turnover of the sales revenue of these companies.

Cost of sales

The cost of sales consists mainly of products sold, basic materials, payments to contractors and direct labour costs. In the comparison of the first quarters of 2003 and 2004, cost of sales grew by 3 percent (HUF 3,775 million and 3,879 million respectively), accounting for 77 percent of the sales revenue. This is confirmed by Span's sales in excess of that planned, realised at a low contribution ratio.

Contribution

Contribution amounted to HUF 1,150 million during the first three months of 2004, as compared to the HUF 1,198 million in the same period of 2003, representing a 4-percent decrease.

During the 2004 accounting period, contribution accounted for 23 percent in the Group's sales – that indicator was successfully maintained at approximately the 2003 level due to the growing ratio of services.

The contribution margin achieved by the Group was affected by the fact that the potentially available contribution content continued to shrink as a result of the price competition on the market. Of the operating companies, the sales structure of Synergon plc had the most substantial effect on that figure, because of its weight in terms of sales.

Operating expenses

Operating expenses improved by 6 percent during the first quarter of 2004 (HUF 1,091 million), compared to the HUF 1,156 million generated during the same period of 2003. The main reason of the decline in operating expenses was the fact that, due to the settlement of the goodwill depreciation brought forward to 2003 for the operating companies Infinity and Span, amortisation was lower than that in the base period.

The negative goodwill figure for Synergon Atos Origin Ltd., acquired in October 2003, had a contrary effect. Other than these, the most

substantial items of operating expenses included vehicle expenses (HUF 83 million), experts' fees (HUF 68 million) and marketing expenses (HUF 67 million).

Operating profit

During the first quarter of 2004, the Group's operating profit increased by 39 percent to HUF 59 million, as compared to the HUF 42 million achieved during the same period of 2003. This growth was the result of the cutback on operating expenses and the considerable growth of the operating profit of Fibex, offset by the decline of the profit of the operating companies. On the basis of the aggregate effects, the Ebitda, i.e. profit excluding amortisation, amounted to HUF 239 million.

Net financial income

During the period under review in 2004, net financial income amounted to HUF 22 million, generating an income 89 percent higher than during the same period of the previous year (HUF 12 million). The increase was due to interest income from rising interest rates and to the net exchange gain.

Extraordinary profit

The Group accounted for an extraordinary profit of HUF 58 thousand, which originates from the writing off of Span's customer and supplier liabilities.

Profit before tax

As operating profit, net financial income and extraordinary income all grew, the Group achieved a profit before tax of HUF 81 million during the first three months of 2004, as compared to the HUF 54 million during the same period of 2003 (50-percent growth).

Net profit

Increasing by 113 percent, net profit grew to HUF 79 million during the period under review, compared to the net profit of HUF 37 million generated during the same period of 2003.



Staff level

The following table shows the average staff numbers of the Synergon Group. The staff level was affected positively by the acquisition of Synergon Atos Origin Ltd and negatively by the workforce

rationalisation at Infinity. The Group's closing staff numbers were 551 and 564 respectively as of March 31st 2003 and March 31st 2004.

Average staff level	1st quarter 2004	1st quarter 2003	Change, %
Synergon and Atos	345	313	10%
Fibex	17	15	13%
Infinity	159	168	-5%
Span	52	49	6%
Total	573	545	5%

Analysis of the operating companies of the Synergon Group

The table below shows the breakdown of the Group's sales by operating company. For Infinity and Span, the figures include minority interest.

Operating companies	3-month period ending March 31							
	2004			2003			Change, %	
	000 HUF	000 EUR	%	000 HUF	000 EUR	%	HUF	EUR
Net sales*	5 029 100	19 678	100%	4 973 047	20 412	100%	1%	-4%
Synergon plc.	4 065 902	15 909	81%	3 662 943	15 035	74%	11%	6%
Fibex	217 153	850	4%	117 682	483	2%	85%	76%
Infinity	822 822	3 219	16%	1 093 334	4 488	22%	-25%	-28%
Span	301 440	1 179	6%	179 303	736	4%	68%	60%
Consolidation	-378 217	-1 480	-7%	-80 215	-329	-2%	372%	349%

* Including other revenues.

The sales of Synergon plc. accounted for 81 percent of the sales of the Synergon Group, the rest was generated by the operating companies. There has been a slight change and some realignment in the magnitude of the sales ratio falling to the foreign operating companies during the various periods. In terms of their weight within the Group, there were significant changes with respect to Infinity and Synergon plc.

The reasons why the performance of Synergon Atos Origin during the period under review is shown consolidated with the profit data of Synergon are that the activity of the operating company is closely interconnected with that of the parent company, Synergon plc has relegated all of its outsourcing and operation-related functions and so comparison is inappropriate, since the consolidation period began at the end of last year.

Synergon plc

While Synergon plc is the Hungarian company of the Synergon Group, in legal terms it holds the position of parent company as the major shareholder in the other operating companies

The activities of Synergon plc and other information relating to the company are described in the company's home pages in Hungarian and English at www.synergon.hu, www.synergon.hu/en.



Synergon plc.	3-month period ending March 31					
	2004		2003		Change, %	
	000 HUF	000 EUR	000 HUF	000 EUR	HUF	EUR
Net sales*	4 065 902	15 909	3 662 943	15 035	11%	6%
Of which services (%)	33%		20%			
Of which products (%)	67%		80%			
Cost of sales	-3 187 478	-12 472	-2 772 244	-11 379	15%	10%
As % of sales	78%		76%			
Contribution	878 424	3 437	890 699	3 656	-1%	-6%
Contribution margin (%)	22%		24%			
Operating expenses	-807 163	-3 158	-821 019	-3 370	-2%	-6%
EBITDA	178 848	700	198 190	813	-10%	-14%
EBITDA margin (%)	4%		5%			
Operating profit	71 261	279	69 681	286	2%	-3%
Operating margin (%)	2%		2%			

* Including other revenues.

Growing sales were achieved on a stagnating market – slowly stirring, yet lagging considerably behind the dynamics of earlier years. Very few major new projects were started, with a lot of competition. Substantial government projects were cancelled or delayed due to cost cutbacks. The restraints in that sector affected the IT development of other industrial areas.

During the first three months of 2004, Synergon plc increased its sales (HUF 4,066 million) by 11 percent compared to the same period of 2003 (HUF 3,663 million). The profitability of the company was further affected by the market-expanding effect of the acquisition of the new operating company, Synergon Atos Origin.

The service content of the sales of the company increased to 33 percent during the period January – March 2004, as compared to the 20 percent achieved during the same period of the previous year. This was the result of the fact that income from services grew at a higher rate (79 percent) than overall sales revenue. The contribution content (22 percent) of sales slightly declined compared to the same period of 2003. These indicators were also affected by the fact that customers had opened up to added-value services – a payoff of Synergon's strategic efforts. However, this was felt mainly in the demand for services related to infrastructure activities, which has a more immediate effect on contribution. Another tendency – primarily in terms of public procurement projects – has been the breaking down of complex

projects into several smaller projects, with the result that Synergon was involved in the supply side of several projects of high value yet lower service and contribution content. The rate of increase of the cost of sales exceeding that of the sales revenue (due to the reduction of the contribution of hardware sales), the unchanging operating expenses and the slight decline of contribution all had a reducing effect on both operating and net profit. The 15-percent increase of the cost of sales was the result of the costs of strengthening the sales area.

Network communications have an important role within Synergon's portfolio as well as in terms of sales and contribution. The Division managed to compensate for the decreasing contribution from product sales by expanding the corporate customer base and by product-related consulting and other services, in accordance with the orientation of the corporate strategy focusing on strengthening service-provision and consulting. EU accession generated integrated network communications projects especially in the government sector. As opposed to last year's stagnation, telecommunications, the traditional market of the Division, has grown this year, as the result of the spreading of the use of broadband Internet and of the dynamic effects of the Public Net Project. The telecom sector, which used to have a powerful effect on the results of the Division, has been offset to a great extent by the IP telephone solutions, already increasingly popular in the industrial sector. During the first quarter of 2004, there was expansion also on the market of new



technologies (IP telephony, network security, wireless networks and data centres). The resources required for the implementation of high added-value solutions have been provided by the steady technological and sales foundations from traditional activity as well as by high-level maintenance services.

The Division accounted for nearly two-thirds of the Company's sales and contribution during the first quarter of 2004, through which it went over its plan for the quarter. Extended and new service agreements have also represented a steady and regular quarterly revenue source for the business unit.

The Division specialising in software operations reported on a livelier market during the first quarter compared to the previous periods, which was confirmed by the sales and contribution from its operations. The operation of the Division was set along the market strategy introduced early last year, whose results have shown in terms of improving sales and efficiency. Another result has been the growth of higher service-content projects and of service-provision. The new competencies and professional staff members were received very positively, generating an increasing number of projects in the field. Profitable projects were won with respect to each new portfolio element. They are in the process of launching Synergon's e-learning framework system on the market. In order to strengthen its market presence, the Division has built up a qualified partner base (of suppliers and subcontractors) with a view to meeting customer requirements at a high standard.

As far as general demand is concerned, the servicing of customer requirements concerning customised Microsoft-based solutions continue to dominate. In addition, the operation of the Division was determined by the strengthening of the banking sector, typically in need of development, ensuring the expansion of Synergon's development activities. Customers operating in the telecom and media sectors have been primarily interested in special software and security solutions.

The operation of the Hardware Division continued to be affected most heavily by a substantial decline of investments in the government administration sector, due to budgetary restraints. Owing to the loyalty of customers, the Division has a calculable regular

income base. Increasing demand throughout the market for services and consulting had a positive impact on the growth of service content also for this Division. However, due to the competition among IT solution suppliers, customers would often prefer to have the service and consulting fees included in the price of otherwise low profit-content products. While the improving efficiency of the organisational unit improved contribution, it is the competition among manufacturers that continues to determine the level potentially attainable on the market.

The Division prepares for its expansion to new markets through the adaptation of commercial methods and IT solution packages designed to address specific business problems. The fast spreading of digital data storage has started a development, over the market average, of the data storage market, a field where Synergon keeps intensifying and broadening its competencies. That, and the powerful and widespread emergence of the related demand for failure and disaster-tolerating systems will probably generate an additional increase in sales during the remaining part of the year.

On a quarter by quarter basis, seasonality keeps heavily affecting the performance of the Business Applications Division. Compared to last year, there have been no major changes on the ERP market. Besides SAP, a number of competing products have appeared, met by increasing market demand. The market of SAP, best suiting the needs of large companies, seems to have become saturated. Continuity with respect to this product is increasingly ensured by the contracts concerning its operation, providing continuous and renewable income for Synergon. The government administration market appears to be another market opportunity for SAP. Here, demand has been typically affected by cost cutbacks as well as by the expectations and the potential of resources available through tenders emerging as a result of the EU accession. On the basis of such tendencies, Synergon has decided to broaden its target group and widen its ERP supply portfolio, partly by employing new suppliers. As a consequence of internal restructuring due to the Atos Origin integration, the MFG Pro enterprise management system has been transferred to the Division's supervision. Operation agreements have been re-concluded and the regulation requirements due to EU accession have also been



customised for these customers in the customs, financial and reporting areas.

The Inforend hospital information solution found stable markets; its success is demonstrated by a growing number of projects. The IT requirements of hospitals and health institutions are on the increase, and the integrated approach to professional medical and financial activities has had an increasingly important role in the choice of solutions. In that area, Synergon's own system has given the company a competitive edge.

New solutions are to be added to the Division's product portfolio in 2004. In addition to the marketing and operational support of traditional ERP products, significant market growth is expected in the launching of the solutions supporting customer relations management. These solutions are based on the ITIL methodology supporting IT operation.

In the first quarter of 2004, the integration of Synergon Atos Origin (SAO) was continued, along with the optimisation of its operation. Currently, its scope of operations includes all the Hungarian outsourcing and operation activities of the Synergon Group. The improvement of efficiency, as a result of

the acquisition and integration, has become apparent.

While the restructured organisation has not lost significant sales from its earlier customer base, it has obtained several new contracts. Due to EU accession, new regional co-operation opportunities have started to emerge on the basis of the strategic agreement entered into with Atos Origin International B.V., and some major Hungarian companies have expressed interest in regional services. While the outsourcing market is expanding, like the entire IT market, it is also characterised by tough competition. Representatives of the financial and industrial sectors are primarily interested in the outsourcing of IT services.

System support and operation provide a steadily calculable source of income to SAO, at a high contribution level. In the services portfolio, proactive services have been in the focus, on the basis of customer requirements. January 2004 saw the launch of the joint customer loyalty program of Synergon and SAO, aiming at an increasing service standard to existing customers, which will simplify the process of error tracking, and the new system will provide a trial opportunity for potential customers in the use of consulting services.

Fibex Ltd.

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

information relating to the company are described in Hungarian on the company's home page at www.fibex.hu.

Fibex Ltd.	3-month period ending March 31					
	2004		2003		Change, %	
	000 HUF	000 EUR	000 HUF	000 EUR	HUF	EUR
Net sales*	217 153	850	117 682	483	85%	76%
Of which services (%)	0%		3%			
Of which products (%)	100%		97%			
Cost of sales	-188 156	-736	-106 406	-437	77%	69%
As % of sales	87%		90%			
Contribution	28 997	113	11 276	46	157%	145%
Contribution margin (%)	13%		10%			
Operating expenses	-20 229	-79	-19 447	-80	4%	-1%
EBITDA	11 720	46	-5 310	-22	-321%	-310%
EBITDA margin (%)	5%		-5%			
Operating profit	8 768	34	-8 171	-34	-207%	-202%
Operating margin (%)	4%		-7%			



* Including other revenues.

Because of the long-term crisis of the telecom market, Fibex Ltd. restructured its operations in 2003, the results of which started to show during the second half of 2003. Comparing the period under review and the base period, there have been substantial changes at Fibex. During the first quarter of 2004, the company increased its sales by 85 percent, and also achieved a positive operating profit.

Infrastructure markets, important for the operating company, are recovering, a trend demonstrated by

the annual framework agreements entered into with several major customers. The greater part of the sales of Fibex has continued to come from customers representing the traditional telecom sector and operating in the field of information technology. Because of the persistence of a tight market, the company management has continued expanding the portfolio as well as partner relations. As far as the future is concerned, substantial contracts have been concluded on the telecom market, which will probably enable the company to maintain dynamic growth.

Infinity a.s.

Infinity a.s. is the Czech operating company of the Synergon Group, in the majority ownership (66.67 percent since June 30, 2002) 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 by as the remote management and support 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. The activities of Infinity and further information relating to the company are described in more detail in Czech and English on the company's home page at www.infinity.cz.

Infinity	3-month period ending March 31					
	2004		2003		Change, %	
	000 HUF	000 EUR	000 HUF	000 EUR	HUF	EUR
Net sales*	822 822	3 219	1 093 334	4 488	-25%	-28%
Of which services (%)	60%		33%			
Of which products (%)	40%		67%			
Cost of sales	-576 963	-2 258	-818 451	-3 359	-30%	-33%
As % of sales	70%		75%			
Contribution	245 859	962	274 883	1 128	-11%	-15%
Contribution margin (%)	30%		25%			
Operating expenses	-213 026	-834	-224 021	-920	-5%	-9%
EBITDA	71 938	281	89 894	369	-20%	-24%
EBITDA margin (%)	9%		8%			
Operating profit	32 833	128	50 862	209	-35%	-38%
Operating margin (%)	4%		5%			

* Including other revenues.

Figures include minority interest.

One of the most important developments for Infinity during the period under review was the acquisition of the Czech company InfinityData s.r.o. (formerly BrnoData-IS spol. s.r.o.), specialising in the sale and implementation of Microsoft Business Solutions – Navision. The acquisition is completely in line with the regional expansion strategy of the Synergon

Group as well as with the business and market development efforts implemented in order to counter the current regional market recession. The acquisition price was financed out of Infinity's own resources, the provision made for this purpose from last year's profit. The subsidiary transferred into the



100-percent ownership of Infinity will be consolidated by Infinity as of July 1st 2004.

Compared to previous years, the growth rate of the Czech market declined in 2003, which is manifested in the delay or the cancellation of projects. Deferred sales income was typically associated with various major projects. Despite declining investments, there was considerable demand for services during the first quarter of 2004.

In accordance with the Group strategy, Infinity increased its income from services by 39 percent during the period under review, consequently increasing its service ratio to 60 percent, as compared to the 33 percent achieved during the first quarter of 2003. Its revenue from services was generated by software development and operation agreements. There was, however, a considerable decrease (55 percent) in its revenue from product sales, representing a 25-percent drop in terms of its overall net sales during the period, in the comparison of the period January – March 2004 and the same period of 2003.

28 percent of its sales continued to be generated in projects performed for customers operating in the

industrial sector, with substantial additional sales in the financial and the government sectors.

The diminishing of sales, due to market conditions, was accompanied by the more substantial (-30 percent) decrease of the cost of sales. This resulted in an 11-percent decline in the amount of contribution. Contribution margin grew to 30 percent during the first three months of 2004, as compared to the base level (25 percent) in 2003, owing to the increase of services. While the operating profit and Ebitda indicators continue to register profitable operation, both went down in the comparison of the periods under review despite the decline of operating expenses due to the direction of change of the profit indicators.

Because of the performance of the recent period, Infinity's management is reinforcing the sales activity and optimising the company's demand for resources. They are focusing on existing, major customers and targeting new markets and customers with solutions and products falling under the scope of its core activities. The portfolio is being broadened by software development and business solutions, through business development activities.

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 since March 31st 2002. 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 support and operation services and training. The activities of Span and further information relating to the company are described in more detail in Croatian on the company's home page at www.span.hr



Span	3-month period ending March 31					
	2004		2003		Change, %	
	000 HUF	000 EUR	000 HUF	000 EUR	HUF	EUR
Net sales*	301 440	1 179	179 303	736	68%	60%
Of which services (%)	28%		46%			
Of which products (%)	73%		54%			
Cost of sales	-268 416	-1 050	-150 018	-616	79%	71%
As % of sales	89%		84%			
Contribution	33 024	129	29 285	120	13%	7%
Contribution margin (%)	11%		16%			
Operating expenses	-65 120	-255	-59 249	-243	10%	5%
EBITDA	-17 863	-70	-18 789	-77	5%	-9%
EBITDA margin (%)	-6%		-10%			
Operating profit	-32 096	-126	-29 964	-123	-7%	2%
Operating margin (%)	-11%		-17%			

* Including other revenues.

Figures include minority interest.

During the first quarter of 2004, Span increased sales by 68 percent. The service content of sales was 28 percent during the period, which, while essentially exceeding the earlier average quarterly level, decreased in comparison with the strong base. Currently, the overwhelming majority of new projects are based on service or support activities.

In the first quarter of 2004, market operators on the Croatian market typically continued to put off their projects, as a result of the persisting effects of the 2003 election period – the government budget was 4 months late. For Span it has meant several delayed

projects, the results of which are still waiting to be announced.

While the rate of change of Span's cost of sales nearly equalled that of sales, contribution increased by a mere 13 percent in the comparison of the first quarters of 2003 and 2004. Due to market competition, the product sales structure of diminishing contribution was shifted in the direction of more profitable service and support-content activities. This required a certain staff level increase. All this resulted in a negative operating profit and an improving Ebitda indicator in the comparison of the two periods.



Analysis of the balance sheet and liquidity position as of March 31 2004

Balance sheet	March 31, 2004		March 31, 2003		Change, %	
	000 HUF	000 EUR	000 HUF	000 EUR	HUF basis	EUR alapon
Assets						
Non-current assets	3 063 013	12 305	3 453 205	13 990	-11%	-12%
Fixed assets	2 149 956	8 637	2 369 508	9 599	-9%	-10%
Intangible assets	654 012	2 627	1 045 739	4 237	-37%	-38%
Investments	259 045	1 041	37 957	154	582%	577%
Current assets	8 114 578	32 599	8 460 963	34 277	-4%	-5%
Inventories	1 011 381	4 063	1 288 028	5 218	-21%	-22%
Accounts receivable	4 671 339	18 766	5 440 536	22 041	-14%	-15%
Cash and equivalents	1 464 563	5 884	1 269 684	5 144	15%	14%
Other current assets	967 295	3 886	462 716	1 875	109%	107%
Total assets	11 177 590	44 904	11 914 168	48 267	-6%	-7%
Liabilities and shareholders' equity						
Shareholders' equity	6 688 663	26 871	7 830 345	31 722	-15%	-15%
Share capital	1 910 927	7 677	1 910 925	7 742	0%	-1%
Capital reserves	5 983 936	24 040	5 707 783	23 123	5%	4%
Profit reserves + Retained profit for the year	-1 206 199	-4 846	211 637	857	-670%	-665%
Short-term liabilities	4 350 116	17 476	3 839 971	15 557	13%	12%
Accounts payable	1 991 297	8 000	1 555 674	6 302	28%	27%
Other short-term liabilities	2 358 819	9 476	2 284 297	9 254	3%	2%
Long-term liabilities	50 991	205	83 767	339	-39%	-40%
Minority interest	87 821	353	160 085	649	-45%	-46%
Total liabilities and shareholders' equity	11 177 590	44 904	11 914 168	48 267	-6%	-7%

The Company's balance sheet total as of March 31st 2004 (HUF 11,176 million) was, on an HUF basis, 6 percent lower than the closing value of the same period of the previous year. Since the HUF/EUR exchange rate did not change significantly, there was a similar, 7-percent decrease on a EUR basis.

Assets

Fixed assets

The net value of fixed assets (HUF 2,149 million) decreased by 9 percent. This reduction was the result of the infrastructure and IT investments carried out within the Group and of the difference of amortisation recorded.

Intangible assets

The value of intangible assets (HUF 654 million) recorded in the Group's consolidated balance sheet dropped by 37 percent. The difference was primarily

the result of the goodwill depreciation items, analysed above, for the subsidiaries Infinity and Span as well as a result of the goodwill value accrued on the acquisition by Synergon of Quality Consulting Ltd, back in 1998.

Investments

The increase of the value of investments (HUF 259 million) since the base period was the result of the new acquisitions by Synergon plc and Infinity.

Inventories

The 21-percent reduction of inventories (HUF 1,011 million) was due to Synergon plc's improving inventory management, achieved partly through the restructuring of operation (project logistics) and of purchasing (Just-in-Time). At the end of the period, the companies did not have substantial outstanding uninvoiced projects with stocks already supplied.



Accounts receivable

Eliminating internal invoicing within the Group, the 14-percent reduction of accounts receivable (HUF 4,671 million) was mainly due to the change in the accounts receivable of Synergon and Infinity, as they managed to maintain a steadier rate of invoicing.

Cash and equivalents

At the end of the reporting period, the value of cash and equivalents was HUF 1,465 million, the major part of which (HUF 1,169 million) was recorded in the books of the parent company. Apart from the increased efficiency of inventory management, the reason for the 15-percent growth was the continued positive cash-generating capacity of operation.

Liabilities and shareholders' equity

Shareholders' equity

There was no significant change in terms of reserves under shareholders' equity.

The decrease, compared to the value as of March 31st 2003, of the profit reserves plus retained profit

of the year was, apart from the recording of the loss of over HUF 1.3 billion in 2003, the result of the loss due to treasury transactions, which reduced the profit reserves.

Short-term liabilities

The value of short-term liabilities (HUF 4,350 million) exceeded the closing value of the base year by 13 percent, the increase due primarily to the items recorded in the books of Synergon plc. The change in accounts payable (HUF 1,991 million) was the result of debts to suppliers, related to the increased sales of the year end, which did not fall due during the period.

Long-term liabilities

The reduction of long-term liabilities (by 39 percent) was due to the changing of the value of loans at the subsidiaries. The reduction of minority interest was the aggregate result of the positive effect on the balance sheet line of Span and Infinity's retained profit of the year and the negative effect of the 2003 dividend prescribed to shareholders by Infinity.

Cash-flow	3-month period ending March 31			
	2004		2003	
	000 HUF	000 EUR	000 HUF	000 EUR
Operating profit after taxation	56 786	222	25 288	104
Depreciation and amortization	179 846	704	221 542	909
Change in payables	-3 724 736	-14 574	-1 144 696	-4 699
Change in accruals	761	3	-747	-3
Change in inventories	60 568	237	-38 955	-160
Change in receivables, other assets	2 899 374	11 345	737 248	3 026
Change in provisions	-298	-1	152	1
Cash flow from operations	-527 698	-2 065	-200 167	-822
Net financial result	21 971	86	11 606	48
Cash flow from financing activities	-505 728	-1 979	-188 562	-774
Change in assets	3 737	15	-159 123	-653
Change in investments	-15 807	-62	20 393	84
Cash flow from investing	-12 071	-47	-138 731	-569
Net change in loans	-1 480	-6	-21 607	-89
Change in share capital	0	0	0	0
Eliminating minority interest	-27 357	-107	2 109	9
Cash flow from financing	-28 838	-113	-19 498	-80
Net change in cash	-546 636	-2 139	-346 790	-1 423
Opening cash position	2 010 800	7 868	1 616 473	6 635
Closing cash position	1 464 163	5 729	1 269 684	5 212
Change in cash	-546 636	-2 139	-346 790	-1 423



Liquidity position

The value of cash and equivalents held by the Company as of March 31st 2004 was HUF 1,464 million. The Company's liquidity position during the period under review was steadily balanced. The stability of Synergon's cash and equivalents ensured steady operation for the Group.

Cash flow from operations

Operations generated a negative cash flow of HUF 528 million, primarily due to the collectively adverse change of accounts payable, accounts receivable and inventories, as described under the analysis of the balance sheet, and due to the balance of the operating profit, adjusted for depreciation and tax.

Cash flow from financing activities

The closing value at the end of the period of Cash flow from financing activities was HUF 505 million, including a positive financial result.

Cash flow from investing

The value of the Group's investments (HUF 12 million) was generated by the purchases of non-current assets by the parent company and the subsidiaries as well as the sale of unutilised assets.

Cash flow from financing

The value of the Cash flow from financing line (– HUF 27 million) was determined by the settlement of minority interest. As a result, liquid cash decreased by HUF 547 million as compared to December 31st 2003.



Shareholder structure and company events

Taking into account notifications by shareholders on the basis of their mandatory information provision obligations, the following table shows the

shareholding structure of Synergon Information Systems plc as of March 31st 2004.

The shareholding structure of Synergon plc.		
Shareholder's name	March 31 st 2004	December 31 st 2003
Deutsche Bank (depository)	0,99%	1,00%
Davon Kft.	5,03%	6,02%
RCX Kft.	10,00%	10,00%
Curdie Trust Corp.	9,94%	9,94%
Berenberg Global Opportunity-Magyar Budapest Fund	5,31%	5,31%
Financial investors, each below 5 percent of shares	65,96%	64,96%
Treasury shares	2,77%	2,77%
Total	100,0%	100,0%

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 March 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 the Group.

The following major decisions were brought about at the meetings of the Supervisory Board of Synergon Information Systems plc during the period January 1st and March 31st 2004: At the March 25th meeting, the Supervisory Board approved the convening of Synergon's ordinary annual General Assembly and the proposals for the Assembly. It also suggested to the Board of Directors that a declaration on responsible management be submitted to Budapest Stock Exchange Ltd.

With a view to enhancing the performance and the efficiency of the sales activity of Synergon plc, Pál Polgár replaced Péter Baján as the Company's assistant manager for sales as of February 2nd 2004.

The following changes have been made, during the end of the analysed period and the date of the report, in the organisational structure of Synergon Information Systems plc:

The ordinary annual General Assembly of Synergon plc, held on April 30th 2004, approved the report of the Board of Directors and the annual report of Synergon. It decided on the amendment of the Articles of Association, and voted on the members of the Board of Directors and the Supervisory Board. Ernst & Young Kft. was elected to be the Company's auditor.

The members of the Board of Directors as of May 1st 2004: Árpád Barta, Ferenc Czakó, Ákos Kozák, László Oláh, Zoltán Radnóty and Dr Sándor Szalay.

The members of the Supervisory Board as of May 1st 2004: József Kuller, Dr Miklós Jeszenszky (chairman), Zoltán Bajor, László Szalma (employee delegate) and Gábor Korompay (employee delegate).

Further information:

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