

FLASH REPORT



**Synergon Information Systems plc.
Financial results for the 6-month period
January 1 – June 30, 2004**
Unaudited, consolidated data
collated in accordance with
International Financial Reporting Standards

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During the first six months of 2004, the Synergion Group produced balanced results according to plan. The Group achieved sales revenue in the first half of this year of HUF 9,912 million, which means a 12% increase in sales revenue compared to the base period in HUF (9% in EUR). Within the group, Fibex increased its sales revenue to the greatest extent (+57%), while Synergion showed a steady growth of 17% in Hungary. The performance of Infinity and Span stagnated compared to the base period. The group as a whole showed a profit in the first half of 2004.

The service content of Group sales increased to 39% in the first half of 2004, which continues to signify an upward tendency. Sales revenue from service activities increased by 45% on the Group level. Net contribution increased by 7% to HUF 2,241 million, the contribution ratio was as in the first six months of 2003. Profit before depreciation, Ebitda came to HUF 351 million, which is 33% higher than the base period value. Profit after tax was HUF 14 million during the period under review.

A minimal upswing can be seen and sensed on the markets where Synergion is active, the future of this upswing and its continued dynamics are uncertain.

Over the first half of 2004 Synergion plc achieved increasing sales revenue in Hungary (HUF 7,239 million) on a slowly developing market. The company's profitability was also affected by the market-expanding effect of the new member company, Synergion Atos Origin. Service content in the company's sales revenue increased to 36% in the first half of 2004, from 29% in the corresponding period of the previous year. Through reinforced commercial activities Synergion expanded its existing markets in the past six months and enhanced cooperation with its customers and partners. Synergion produced results as planned in the first half of the year. Within Synergion's commercial focus, sales revenue increased to the greatest extent in the financial sector, the company's performance in other areas was as expected.

Fibex Ltd. restructured its activities in 2003, and as a result, its sales revenue increased significantly in the first half of 2004, while its operating and net profit also improved. As strong competition on the market prevailed, the company's management continued to expand its portfolio and partner relations.

As a result of unfavorable market developments, the Synergion Group's Czech member, Infinity only reached a minimal increase (1%) in net sales revenue between January and June 2004 compared to the corresponding period of 2003. However, following the Group's strategy, the company increased its sales revenue from service activities by 27%, and as a result, they reached an increasing service proportion of 49% (1st half of 2003: 39%).

Over the first six months of 2004, the sales revenue of the Synergion Group's Croatian member, Span decreased by 3%. The proportion of services in its sales revenue was 54% in this period, which well exceeds the former average six-month period. Sales revenue from service activities increased to one and a half times its previous value. At present, the majority of the company's new projects are based on service or support-type activities.

The Synergion Group is expecting stable sales revenue and performance indicators for 2004, as stated at the end of the first quarter. The Group is expecting some change on the stagnating market, some development of its regional operating markets, but strong competition is expected to continue, as is the pressure on prices deriving from this. The effects on investments of EU accession on the market are unpredictable for the time being. The IT market, as before, is characterized by a consolidation process, so the Group is continuing to look for companies for acquisition in order to increase its influence in the region. In order to improve the efficiency of its operation, the Group will continue with the integration of member companies, and will make use of the opportunities deriving from accession to the EU with respect to member company cooperation. On member company level, the Group emphasizes the improvement of cost-efficient operation.



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

Comparing the six-month period ending June 30th 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 251.10 and HUF 257.73 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 266.30 and HUF 253.23 per 1 Euro for June 30th 2003 and June 30th 2004, respectively.

Group results

Profit and loss account	6-month period ending June 30					
	2004		2003		Change (%)	
	000 HUF	000 EUR	000 EUR	000 EUR	HUF	EUR
Net sales*	9 911 777	38 458	8 856 261	35 270	12%	9%
Of which services (%)	39%		30%			
Of which products (%)	61%		70%			
Direct cost of sales	-7 670 405	-29 761	-6 768 708	-26 956	13%	10%
As % of sales	77%		76%			
Net cover	2 241 372	8 697	2 087 553	8 314	7%	5%
Cover margin (%)	23%		24%			
Operating expenses	-2 288 011	-8 878	-2 188 205	-8 714	5%	2%
EBITDA	351 473	1 364	264 647	1 054	33%	29%
EBITDA margin (%)	4%		3%			
Operating profit	-46 639	-181	-100 652	-401	-54%	-55%
Operating margin (%)	0%		-1%			
Net profit of financial operations	51 677	201	31 363	125	65%	61%
Extraordinary items	6 277	24	513	2	na	na
Profit before tax	11 315	44	-68 776	-274	na.	na.
Corporate tax	-6 299	-24	-15 633	-62	na.	na.
Minority interest	9 075	35	-594	-2	na.	na.
Net profit	14 092	55	-85 004	-339	na.	na.
Net margin (%)	0%		-1%			

* Including other revenues.

Sales revenue

During the first half of 2004, Synergon Information Systems plc, including the consolidated operating companies, generated sales revenue of HUF 9,912 million, which, calculated on a HUF basis, exceeds the sales revenue in the base period by 12%. Within the Group, Fibex achieved the highest growth in sales revenue (+57%). In Hungary, Synergon generated a steady growth of 17% percent, while the performance of Infinity and Span stagnated compared to the base period.

In a sector-by-sector breakdown of the sales of the Synergon Group, the telecom and the financial

sectors accounted for 14% and 11% respectively, industrial companies, public utilities and transport industries represented an overall 30%, whereas the public sector accounted for 21% during the period. Other, unclassified sales amounted to 24%. In comparison with the base period, the share of industry, public utilities, transport and the telecom sector increased, in contrast with the decline of projects from the public sector.

During the first six months of 2004, the service content of sales grew to 39%, compared to the 30% achieved during the same period of 2003, which shows a consistent upward tendency. On the Group



level, sales revenue from services grew considerably, by 45%. The positive shift of indicators was due to the increasing service income and ratio generated by Infinity, Span and Synergon plc; at Fibex product sales prevail, which does not have a substantial effect on this indicator due to the small turnover of the sales revenue of this company.

Cost of sales

The cost of sales consists mainly of products sold, basic materials, payments to contractors and direct labor costs. In the comparison of the first six months of 2003 and 2004, cost of sales grew by 13% percent (HUF 6,769 million and 7,670 million respectively), accounting for 77 percent of the sales revenue.

Net contribution

Contribution amounted to HUF 2,241 million between January 1st – June 30th 2004 during the first six months of 2004, as compared to the HUF 2,088 million in the same period of 2003, representing a 7-percent increase. The increase took place despite the fact that the level of costs increased more than the sales revenue.

During the 2004 reporting period, contribution accounted for 23 percent in the Group's sales – this 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, but at the same time the level and volume of sales in services with higher contribution content improved. 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 increased by 5% during the accounting period (HUF 2,288 million), compared to the HUF 2,188 million generated during the same period of 2003. The main reason for the increase in operating expenses were the operating expenses of Synergon Atos Origin Ltd., purchased in October

2003. Other than these, the most substantial operating expenses items included vehicle expenses (HUF 155 million), experts' fees (HUF 236 million) and marketing expenses (HUF 119 million).

Operating profit

During the first six months of 2004, the Group's operating loss decreased by 54% to HUF 47 million, as compared to the HUF 101 million achieved during the same period of 2003. This decrease was the result of 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, Ebitda amounted to HUF 351 million, which is 33% higher than the base year value (HUF 265 million).

Net profit from financial operations

During the period under review, in 2004 net profit from financial operations amounted to HUF 52 million, generating an income 65% higher than that of the same period of the previous year (HUF 31 million). The increase was due to interest income from rising interest rates and to the net exchange rate gain.

Extraordinary profit

The Group accounted for an extraordinary profit of HUF 6 thousand during the reporting period, which originates from the writing off of Span's customer and supplier liabilities.

Profit before tax

Profit from financial operations exceeded operational loss, and as the amount of extraordinary profit also increased, the group accounted for a profit of HUF 11 million before tax for the first six months of 2004, as opposed to the HUF 69 million loss in the corresponding period of 2003.

Net profit

During the period under review, net profit increased to HUF 14 million, compared to the net loss of HUF 85 million accounted for in the corresponding period of 2003.



Staff numbers

The following table shows average staff numbers in the Synergon Group. The number of staff was affected positively by staff development measures at Fibex and Span, as well as the acquisition of

Synergon Atos Origin Ltd, and negatively by the workforce rationalization at Infinity. The Group's closing staff numbers were 546 and 573 respectively as of June 30th 2003 and June 30th 2004.

Average staff	Q2 2004 average	Q2 2003 average	Change (%)
Synergon and SAO	338	315	7%
Fibex	17	14	21%
Infinity	163	167	-2%
Span	51	49	4%
Total	569	545	4%

Analysis of the operating companies of the Synergon Group

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

Operating companies	2004		6-month period ending June 30			2003		Change (%)	
	000 HUF	000 EUR	%	000 HUF	000 EUR	%	HUF	EUR	
Net sales*	9 911 777	38 458	100%	8 856 261	35 270	100%	12%	9%	
Synergon Rt.	7 238 608	28 086	73%	6 184 851	24 631	70%	17%	14%	
Fibex	469 191	1 820	5%	298 540	1 189	3%	57%	53%	
Infinity	1 952 924	7 577	20%	1 926 664	7 673	22%	1%	-1%	
Span	626 883	2 432	6%	647 020	2 577	7%	-3%	-6%	
Consolidation	-375 829	-1 458	-4%	-200 814	-800	-2%	87%	82%	

* Including other revenues.

Sales of Synergon plc accounted for 73% of the sales revenue 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. The weight of Span and Infinity within the Group is decreasing due to their stagnating results, whereas Fibex showed marked, and Synergon plc stable growth.

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 delegated all of its outsourcing and operation-related functions to SAO and so comparison is inappropriate, since the consolidation period began at the end of last year.

Synergon plc

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 on the company's website in Hungarian and English at www.synergon.hu, www.synergon.hu/en.



Synergon plc (including SAO)	6-month period ending June 30					
	2004		2003		Change (%)	
	000 HUF	000 EUR	000 HUF	000 EUR	HUF	EUR
Net sales*	7 238 608	28 086	6 184 851	24 631	17%	14%
Of which services (%)	36%		29%			
Of which products (%)	64%		71%			
Direct cost of sales	-5 578 818	-21 646	-4 674 106	-18 615	19%	16%
As % of sales	77%		76%			
Net cover	1 659 790	6 440	1 510 745	6 017	10%	7%
Cover margin (%)	23%		24%			
Operating expenses	-1 680 538	-6 521	-1 535 105	-6 114	9%	7%
EBITDA	193 664	751	151 667	604	28%	24%
EBITDA margin (%)	3%		2%			
Operating profit	-20 748	-81	-24 360	-97	15%	17%
Operating margin (%)	0%		0%			

* Including other revenues.

Synergon reached increasing sales revenue on a slowly developing market. There is a minimal amount of development perceivable on the markets where Synergon is active, and the time scope and dynamics of these developments are both uncertain. The public sector is still characterized by restrained investments, which affects the rate of IT development in the economy as a whole. There is some activity on the market due to the accession to the European Union, but this shows mostly in developments the government is obliged to make. As a result of reinforced commercial activity, Synergon expanded its existing markets over the past six months, and enhanced cooperation with its customers and partners. In the first half of the year Synergon delivered the planned results. Within Synergon's commercial focus, sales revenue increased to the greatest extent in the financial sector, in comparison with a low base period value, while the company's performance in other areas was as expected.

During the first six months of 2004, Synergon plc increased its sales by 17% percent (to HUF 7,239 million) compared to the same period of 2003 (HUF 6,185 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 36% during the first half of the year, as compared to the 29% 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 (45%) than overall sales. Contribution content (23%) of the sales revenue slightly declined compared to the same period of 2003. These indicators were also affected by the fact that Synergon's customers showed increasing interest in complex IT investments featuring more added-value services. Public procurement projects, however, are still characterized by projects organized in stages, consequently Synergon was involved in the supply side of several projects of high value yet lower service and contribution content.

The financial aspects of the strengthening of the commercial area are the causes of the rate of increase of the cost of sales (+19%) exceeding that of the sales revenue, as is the reduction of the contribution of hardware sales. Due to the cost of sales and the 9% increase in operating expenses, the company produced an operational loss, but this loss is smaller than that of the base period due to a 10% improvement in contribution volume. As a result of its financial operations, Synergon's net profit was positive in the first half of 2004.

Network communications play an important role within Synergon's portfolio as well as in terms of sales and contribution. The Communications 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. In



the first half of 2004, network communication activities were characterized by developments undertaken by the government, a strong banking sector following an expansion strategy, and some significant telecom investments. Through the accelerated implementation of the Közháló (public network) project, the business unit received additional revenue. IP telephone solutions, data centers and other new technologies (network security, wireless networks) now make up a significant portion of the division's H1 sales revenue.

A slight development is expected on the network integration market this year, as a result of which it will be possible to maintain contribution content over the level of increase in sales revenue. The division was therefore able to meet its objectives for the first half of the year and accounted for almost half of the company's contribution. Renewed and renegotiated service contracts are also a stable and predictable quarterly source of income for the business unit.

The activities of the Hardware Division in the first six months continued to be affected by investments in the public administration and the service sectors. Many public administration projects were cancelled or postponed from the first quarter to the second, and thus affected quarterly results. Development needs of the service market were about forming essential business infrastructure, which allowed for the implementation of several complex projects, and where projects were cancelled, the division managed to make up for the lost income through other projects. Due to the loyalty of customers, the division has a predictable, regular significant source of income. The increasing need for service and consulting activities in the whole market also had a positive effect on this division's service proportion; existing contracts guarantee a regular monthly or quarterly source of income for the area for several years in advance. The improvement of the division's efficiency had a positive effect on contribution, although market levels are still determined by the competition between manufacturers. One of the results of these six months is increasingly closer cooperation with manufacturers/partners who recognize the expertise of Synergon staff by reclassifying partnership levels.

The effects of finalized second quarter investments of the public administration sector already showed in

the second quarter, but will also continue to have an impact in the second half of the year. The Division is preparing 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 catastrophe-tolerating systems will probably generate an additional increase in sales during the remaining part of the year.

The Software Division reported on a more lively market than usual, which can also be seen in connection with the income and contribution related to this activity. In line with the market strategy introduced at the beginning of last year the division operates well, and the results of this are apparent in the increase of income and efficiency. A further result of this is the increase in projects with greater service content and the expansion of the service activity. In the second quarter many projects started in 2003 and the first quarter of 2004 were successfully completed. The new competencies and the specialists gave rise to a high degree of recognition and this generated an increasing number of projects in this field. Profitable projects were won in the fields of all new portfolio elements. The market introduction of the new version of Synergon's latest e-learning framework system is under way. In the interest of strengthening market presence and fulfilling the customers' requirements to a high standard the division has built up a range of classified partners (suppliers and subcontractors).

Satisfying the customers' demands for Microsoft-based customized solutions continues to be characteristic over all. Furthermore, the activity of the division is also determined by the strengthening of the bank sector, in which development requirements characteristically appear so ensuring the growth of Synergon's development activity. Clients operating in the telecommunications, media and state administration areas are interested in special software and security solutions.

2003 was the year of quantity and quality construction, the aim of which, via reorganization of the activities, was to supplement the portfolio with numerous new competencies (e.g. database and



decision-support solutions). At the start of 2004 structural changes were carried out, in other words the knowledge and human resources acquired became systemized and they formed organizational units combined with the appropriate management levels. These two changes were parts of the process aimed at realizing the strategy determined last 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 an 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 state 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 projects emerging as a result of 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 ERP system has been transferred to this Division's supervision. Operation agreements have been re-concluded and the regulation requirements due to EU accession have also been customized for these customers in the customs, financial and reporting areas. Some opportunities for single projects emerged during the first half of the year due to the fact that the SOX Act, put in effect in the USA, required Hungarian subsidiaries to make developments in order to provide for suitable monitoring to prevent creative accounting.

The Inforend hospital IT 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. Unless there is a breakthrough in

financing on this market, however, development can only take place using individual funds.

The reorganized Business Applications division added new solutions to its product portfolio in 2004. Synergon wishes to further strengthen its dominant position in public administration, including the area of small region development. The company is planning to introduce solutions on certain specific areas of the industrial sector market, which go beyond traditional ERP solutions. Besides the distribution and operational support of traditional ERP products, the company is expecting significant market expansion from solutions based on the ITIL methodology, which supports IT system operation, such as methodology consulting, process redesign and system implementation Help-desk, asset management and data storage solutions which fit in well with SAO operation and support activities. All this can only be achieved at customers with advanced IT cultures and systems.

The integration of Synergon Atos Origin (SAO) was finished in the first quarter of 2004, and as a result, the company has a stable resource portfolio and a well-defined scope of operational and outsourcing activities. SAO performs all the Hungarian outsourcing and operation activities of the Synergon Group; a shared service center has been in operation in Székesfehérvár since June. The improvement of efficiency, as a result of the acquisition and integration, has become apparent; SAO is operating on Synergon's economical and professional basis. There are no fluctuations or uncertainties at SAO now.

System support and operation provide a steadily calculable source of income for SAO, at a high contribution level. The accession to the EU does not directly affect the company's activities, but it does enjoy its advantages. The company participates as local implementer in several international projects undertaken on the basis of the partnership with Atos Origin and regional operations of Synergon. Although integration efforts were a setback, the company is still profitable. The restructured organization has not lost significant income from its existing customers and has concluded several new contracts. The order portfolio increased both in size and number, thus making SAO less dependent on individual customers.

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.

While the outsourcing market is expanding, like the entire IT market, it is also characterized by tough competition. It is the representatives of the financial and industrial sectors that are primarily interested in the outsourcing of IT services. As a result of the EU accession, larger Hungarian companies are

interested in regional services. SMEs and healthcare institutions are a potential new market, as outsourcing offers them a solution for lack of cash or capital.

On April 1st 2004 Synergon handed over the management of its whole outsourcing and system operation contract portfolio, as well as the management and supervision of its other service contracts to SAO. Synergon's entire support portfolio is now managed by the SAO organization, which guarantees operation services based on a uniform methodology to all customers of the Synergon Group.

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. 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.	6-month period ending June 30					
	2004		2003		Change (%)	
	000 HUF	000 EUR	000 HUF	000 EUR	HUF	EUR
Net sales *	469 191	1 820	298 540	1 189	57%	53%
Of which services (%)	0%		2%			
Of which products (%)	100%		98%			
Direct cost of sales	-398 806	-1 547	-265 901	-1 059	50%	46%
As % of sales	85%		89%			
Net cover	70 385	273	32 639	130	116%	110%
Cover margin (%)	15%		11%			
Operating expenses	-43 298	-168	-37 948	-151	14%	11%
EBITDA	33 428	130	217	1	na.	na.
EBITDA margin (%)	7%		0%			
Operating profit	27 087	105	-5 309	-21	na.	na.
Operating margin (%)	6%		-2%			

Including other revenues.

Because of the long-term crisis of the telecom market, Fibex Ltd. restructured its operations in 2003. The results started to show during the second half of 2003, therefore, the comparison between the actual and the base period show substantial changes. During the first half of 2004, the company increased its sales revenue by 57%, and also achieved a significant positive operating and net profit.

Infrastructure markets, important for the operating company, are recovering, a trend demonstrated by the annual framework agreements entered into with

some 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 ensure continuous development.



Infinity a.s.

Infinity a.s. is the Czech operating company of the Synergon Group, in the 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 by as the remote management and support services based on these products. Infinity established its Slovakian representative office in Bratislava in

2003 – the performance of which is integrated into Infinity's profit and loss account – 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	6-month period ending June 30					
	2004		2003		Change (%)	
	000 HUF	000 EUR	000 HUF	000 EUR	HUF	EUR
Net sales *	1 952 924	7 577	1 926 664	7 673	1%	-1%
Of which services (%)	49%		39%			
Of which products (%)	51%		61%			
Direct cost of sales	-1 446 693	-5 613	-1 446 672	-5 761	0%	-3%
As % of sales	74%		75%			
Net cover	506 230	1 964	479 991	1 912	5%	3%
Cover margin (%)	26%		25%			
Operating expenses	-462 022	-1 793	-430 784	-1 716	7%	4%
EBITDA	143 420	556	129 708	517	11%	8%
EBITDA margin (%)	7%		7%			
Operating profit	44 208	172	49 208	196	-10%	-12%
Operating margin (%)	2%		3%			

* 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. 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 from 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 further, which is manifested in the delay or cancellation of projects. Larger projects are appearing rarely, both in the public and private sector. There are less product sales opportunities, and the existing ones are further narrowed by direct sales from manufacturers. Despite declining investments, there was considerable demand for services during the first quarter of 2004, although intense competition

reduces the rate of achievable profit and contribution content.

In accordance with the Group strategy, Infinity increased its income from services by 27% during the period under review, consequently increasing its service ratio to 49%, as compared to the 39% achieved during the first half of 2003. Its revenue from services was generated by software development and operation agreements. There was, however, a considerable decrease in its revenue from product sales. In January-June 2004 total net sales revenue increased slightly, by 1% compared to the corresponding period of 2003.

28% of its sales continued to be generated in projects performed for customers operating in the industrial sector, with substantial additional sales in the SME sector.

Stagnating sales under the given market conditions were accompanied by unchanged cost of sales and produced 5% more other operating cost. As an effect of the above factors, the contribution amount increased by 5% and contribution ratio by 26% over the first half of 2004, compared to the 2003 base



level of 25%. While the operating profit and Ebitda indicators continue to register profitable operation, the lower level of total profit caused operational profit to decrease by 10% between the two periods in question.

Because of the performance of the recent period, Infinity's management has reinforced sales activity

and is continuously handing over the management of major business areas to new specialists. 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. 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	6-month period ending June 30					
	2004		2003		Change (%)	
	000 HUF	000 EUR	000 HUF	000 EUR	HUF	EUR
Net sales *	626 883	2 432	647 020	2 577	-3%	-6%
Of which services (%)	54%		21%			
Of which products (%)	46%		79%			
Direct cost of sales	-543 244	-2 108	-564 089	-2 246	-4%	-6%
As % of sales	87%		87%			
Net cover	83 638	325	82 932	330	1%	-2%
Cover margin (%)	13%		13%			
Operating expenses	-125 386	-487	-123 193	-491	2%	-1%
EBITDA	-13 193	-51	-16 945	-67	28%	-24%
EBITDA margin (%)	-2%		-3%			
Operating profit	-41 747	-162	-40 262	-160	-4%	1%
Operating margin (%)	-7%		-6%			

* Including other revenues.

Figures include minority interest.

In January-June 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.

During the first half of 2004, Span's sales revenue was 3% less than in the previous year. The service content of sales was 54% during the period, which essentially exceeds the earlier average six-month level, and sales revenue from services increased to one and a half times its previous value. Currently,

the overwhelming majority of new projects are based on service or support activities.

While the rate of change of Span's cost of sales nearly equaled that of sales, contribution increased by a mere 1% in the comparison of the months January-June 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, and all this resulted in a negative operating profit. The Ebitda indicator increased in the comparison of the two periods, the company, however, is still generating a deficit.



Analysis of the balance sheet and liquidity position as of June 30 2004

Balance sheet	June 30, 2004		June 30, 2003		Change, %	
	000 HUF	000 EUR	000 HUF	000 EUR	HUF	EUR
Assets						
Non-current assets	2 859 112	11 291	3 524 999	13 237	-19%	-15%
Fixed assets	2 200 581	8 690	2 399 717	9 011	-8%	-4%
Intangible assets	604 268	2 386	1 083 101	4 067	-44%	-41%
Investments	54 263	214	42 181	158	29%	35%
Current assets	7 828 299	30 914	7 933 362	29 791	-1%	4%
Inventories	1 000 345	3 950	1 071 678	4 024	-7%	-2%
Accounts receivable	4 810 243	18 996	4 360 210	16 373	10%	16%
Cash and equivalents	1 345 429	5 313	1 990 072	7 473	-32%	-29%
Other current assets	672 281	2 655	511 402	1 920	31%	38%
Total assets	10 687 411	42 204	11 458 361	43 028	-7%	-2%
Liabilities						
Shareholders' equity	6 442 705	25 442	7 773 244	29 190	-17%	-13%
Share capital	1 910 927	7 546	1 910 925	7 176	0%	5%
Capital reserves	5 805 423	22 925	5 772 581	21 677	1%	6%
Profit reserves + Retained profit for the year	-1 273 645	-5 030	89 738	337	na	na
Short-term liabilities	4 115 090	16 250	3 526 979	13 244	17%	23%
Accounts payable	2 218 293	8 760	1 585 528	5 954	40%	47%
Other short-term liabilities	1 896 797	7 490	1 941 451	7 290	-2%	3%
Long-term liabilities	43 384	171	78 568	295	-45%	-42%
Minority interest	86 231	341	79 569	299	8%	14%
Total liabilities and shareholders' equity	10 687 411	42 204	11 458 361	43 028	-7%	-2%

The Company's balance sheet total as of June 30th 2004 (HUF 10,687 million) was, on an HUF basis, 7% lower than the closing value of the same period of the previous year. Since the HUF/EUR exchange rate changed significantly, the decrease in EUR was only 2%.

Assets

Fixed assets

The net value of fixed assets (HUF 2,201 million) decreased by 8%. This reduction was the result of the infrastructure and IT investments carried out within the Group and of the difference of amortization recorded.

Intangible assets

The value of intangible assets (HUF 604 million) recorded in the Group's consolidated balance sheet decreased by 44%. The difference was primarily the result of the goodwill depreciation items accounted for the subsidiaries Infinity and Span.

Investments

The increase of the value of investments (HUF 54 million) since the base period was the result of the acquisition of Atos Origin Kft. by Synergon plc and that of BrnoData by Infinity.

Inventories

The 7-percent reduction of inventories (HUF 1,000 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 10-percent increase of accounts receivable (HUF 4,810 million) was mainly due to the change in the accounts receivable of Synergon, due to the significant amount of invoicing at the end of the second quarter.



Cash and equivalents

At the end of the reporting period, the value of cash and equivalents was HUF 1,345 million, the major part of which (HUF 1,232 million) was recorded in the books of the parent company. The reason for the 32-percent decrease was payments following the acquisitions that took place since the base period, as well as the increase in outstanding debts.

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 June 30th 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 4,115 million) exceeded the closing value of the base period by 17%, the increase due primarily to the items recorded in the books of Synergon plc. The change in accounts payable (HUF 2,218 million) was the result of debts to suppliers, related to the increased sales of this six months, which did not fall due during the period.

Long-term liabilities

The reduction of long-term liabilities (by 45%) was due to the changing of the value of loans at the subsidiaries. The increase 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 paid to shareholders by Infinity.

Cash-flow	6-month period ending June 30			
	2004		2003	
	000 HUF	000 EUR	000 HUF	000 EUR
Operating profit after taxation	-37 585	-146	-116 366	-463
Depreciation and amortization	398 112	1 545	365 299	1 455
Change in payables	-3 506 240	-13 604	-1 563 767	-6 228
Change in accruals	-678	-3	-3 212	-13
Change in inventories	71 603	278	177 395	706
Change in receivables, other assets	2 690 865	10 441	1 771 352	7 054
Change in provisions	-107 535	-417	583	2
Cash flow from operations	-491 458	-1 907	631 284	2 514
Net financial result	51 677	201	31 363	125
Cash flow from financing activities	-439 781	-1 706	662 647	2 639
Change in assets	-246 087	-955	-280 920	-1 119
Change in investments	38 357	149	-8 564	-34
Cash flow from investing	-207 729	-806	-289 484	-1 153
Net change in loans	11 086	43	78 842	314
Change in share capital	-1	0	0	0
Eliminating minority interest	-28 946	-112	-78 407	-312
Cash flow from financing	-17 861	-69	435	2
Net change in cash	-665 370	-2 582	373 598	1 488
Opening cash position	2 010 800	7 802	1 616 473	6 438
Closing cash position	1 345 429	5 220	1 990 072	7 925
Change in cash	-665 370	-2 582	373 598	1 488



Liquidity position

The value of cash and equivalents held by the Company as of June 30th 2004 was HUF 1,345 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 491 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.

Net operating cash flow

The net operating cash flow closing value at the end of the period with a positive financial result was HUF -440 million.

Investment cash flow

The value of the Group's investments (HUF 208 million) was generated by the purchase of non-current assets by the parent company and the subsidiaries as well as the sale of unutilized assets.

Net cash flow from financial operations

The value of the Net cash flow from financial operations (HUF -18 million) was determined by the settlement of minority interest. As a result, liquid cash assets decreased by HUF 665 million in the first half of 2004.

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 June 30th 2004.

Shareholding structure of Synergon plc		
Shareholder's name	June 30 th 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%

Synergon plc's ordinary General Assembly on April 30th 2004 approved the report submitted by the Board of Directors, as well as Synergon's annual report. A decision was made concerning the amendment of the Articles of Association, and members of the Board of Directors and Supervisory Board were voted for. Ernst & Young Auditing Ltd was selected to be the company's auditor.

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 June 30th 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 Board of



Directors drew up a declaration on SynergON plc's responsible company management practices, with the signatures of 3 of its members, to Budapest Stock Exchange Ltd. On May 19th 2004 the Board elected Ferenc Czako as chairman for the remaining term of the Board's mandate.

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 June 30th 2004: 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. On May 5th 2004 the Supervisory

Board elected Dr Miklós Jeszenszky as chairman of the Supervisory Board.

With a view to enhancing the performance and the efficiency of the sales activity of SynergON plc, Pál Polgár is the Company's Deputy CEO for sales and marketing as of February 2nd 2004.

The following changes took place in the organizational structure of SynergON Information Systems plc between the end of the period under review and the date of the report:

Jiri Fanta decided to resign as CEO of Infinity a.s. as of 31st July 2004 because the ownership and management functions are separating. Until a final CEO will be appointed, the position will be held by Balázs Cseh as acting CEO.

Further information:

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