FLASH REPORT

Financial results of Synergon Information Systems plc. for the 9-month period January 1st - September 30th 2004

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

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During the first nine months of 2004, the Synergon Group managed to achieve its planned targets and strategies. There is a significant improvement tendency visible in terms of the profit indicators of the Group compared to the same period of 2003. The Group's consolidated sales (+10%), its service content (+9%), contribution (+12%) and the value of the EBITDA indicator increased, while losses were reduced, by 62 percent in terms of operating profit whereas to one-fifth in terms of profit before tax and net profit. As the result of such improvements, net sales were HUF 13,627 million, at a service content of 42 percent and a contribution of HUF 3,121 million. Despite its net profit of HUF -85 million, the EBITDA generated by Synergon and its operating companies amounted to HUF 351 million.
Of the companies within the Group, Fibex (+82%) and Synergon Atos Origin achieved the highest growth, exceeding the plan. While the operation of Synergon plc. showed steady growth with a 15-percent increase in sales, the operation of the two foreign operating companies Infinity and Span were below both the plan and the base.

In Hungary, Synergon operated on a growing market, affected slightly by the restriction of government expenditure and the change of the government. The private sector has been characterised by a rational demand for value-added services prompted by the anticipation of a boom on the market and the minimum requirement of preventing the competitive pressure expected by EU accession. Considering the above, Synergon achieved steady growth, structuring its operations in an effective manner.
The dynamic growth of Fibex was due to the change of its business strategy and the realignment of the organisation, which has good prospects for the future. Since its traditional markets have shrunk and these products have lately been sold at significantly reduced prices, it has compensated for its lost revenue through technological innovation and the expansion of its portfolio. The performance problems of Infinity have been due to internal reasons within the company, whereas the Czech and Slovak markets provide the appropriate perspective for a business ready for dynamic growth. The structural renewal of Infinity has begun and is expected to be completed by the appointment of the permanent CEO by the beginning of the coming year. The results of the reorganisation will not be felt at the operating company before 2005. Span is currently focusing its efforts on improving its internal professional organisation, along with the corresponding gradual reorganisation of its management structure.

Major structural reorganisation has been completed for some operating companies of the Group, while at others, it is at an advanced phase. According to forecasts, their markets may start to grow, which could provide a sufficient basis for steady operation in the future. Besides internal reorganisation efforts, the operating companies have paid increased attention to improving co-operation within the Group. The building of a centre of regional competences has begun, with the purpose of integrating the operating companies' existing helpdesks (desktop and server operation, network communication services) into a virtual regional service, enabling the customers of the Group to detect errors and resolve problems using a uniform methodology and identical database accessible in the local language. On the basis of its experience, Synergon is helping Span to exploit the potentials of PHARE and CARDS projects.

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

Comparing the nine-month period ending September 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 accounts, prepared in accordance with the IFRS. For the convenience of readers, forint amounts have been converted into Euro. The average exchange rates applied for the items of the profit and loss account are HUF 245.26 and HUF 254.63 per 1 Euro for the first nine months of 2003 and 2004 respectively. The closing exchange rates applied for the balance sheet items are HUF 254.61 and HUF 247.02 per 1 Euro for September 30th 2003 and September 30th 2004, respectively.

Group results

Profit and loss account	9-month period ending September 30					
	2004		2003		Change, %	
	thousand HUF	thousand EUR	thousand HUF	thousand EUR	HUF basis	EUR basis
Net sales*	**13 627 351**	**53 519**	**12 408 211**	**50 593**	10%	6%
Of which services (%)	42%		33%			
Of which products (%)	58%		67%			
Cost of sales	**-10 506 191**	**-41 261**	**-9 632 364**	**-39 275**	9%	5%
As % of sales	77%		78%			
Contribution	**3 121 161**	**12 258**	**2 775 848**	**11 318**	12%	8%
Contribution margin (%)	23%		22%			
Operating expenses	**-3 333 268**	**-13 091**	**-3 336 192**	**-13 603**	0%	-4%
EBITDA	**351 094**	**1 379**	**26 002**	**106**	na	na
EBITDA margin (%)	3%		0%			
Operating profit	**-212 107**	**-833**	**-560 344**	**-2 285**	62%	64%
Operating margin (%)	-2%		-5%			
Net financial income	85 849	337	63 508	259	35%	30%
Extraordinary items	6 141	24	1 026	4	na	na
Profit before tax	-120 117	-472	-495 810	-2 022	na	na
Corporate tax	-13 291	-52	-9 455	-39	41%	35%
Minority interest	47 979	188	16 948	69	na	na
Net profit	**-85 429**	**-336**	**-488 317**	**-1 991**	na	na
Net margin (%)	-1%		-4%			

* Including other revenues

Net sales

During the first nine months of 2004, Synergon Information Systems plc., including the consolidated operating companies, achieved a sales revenue of HUF 13,627 million, which, calculated on HUF basis, is 10 percent higher than that of the base period. Within the Group, Fibex achieved the highest increase of its sales (+82%), while in Hungary, Synergon continued to show a steady growth of 15 percent. The performance of Infinity and Span stagnated in comparison with the base period.

In the sector-by-sector breakdown of the sales of the Synergon Group, the telecommunications and the financial sectors accounted for 14 percent and 12 percent respectively, industrial companies and the public utilities and transport industries represented an overall 29 percent, whereas the public sector accounted for 20 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 the first nine months of 2004, apart from some slight realignment due to normal market dynamics.

During the first nine months of 2004, the service content of sales increased to 42 percent compared to the 33 percent achieved during the same period of 2003, a steady growth in terms of the comparison of both the individual quarters and the overall reporting periods. There was a significant growth (42 percent) of 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, Span 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 (9 percent) was lower than that of net sales in the comparison of the first three quarters of 2003 (HUF 9,632 million) and 2004 (HUF 10,506 million). Cost of sales corresponded to 77 percent of sales, which is an even figure in terms of the previous periods.

Contribution

Contribution amounted to HUF 3,121 million during the period January 1st – September 30th 2004, as opposed to HUF 2,776 million during the same period of 2003, representing a growth of 12 percent.

Contribution amounted to 23 percent of the Group's net sales during the period under review in 2004. As a result of the increasing ratio of services, this indicator was increased compared to the 2003 level.

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

The level of operating expenses essentially remained the same in the face of increasing production. During the first nine months of 2004, they amounted to HUF 3,333 million as the result of increasing cost-efficiency. The increase of operating expenses was due to the operating expenses of Synergon Atos Origin Ltd., acquired in October 2003. Other than that, the most significant constituents of operating expenses included vehicle expenses (HUF 260 million); experts' fees (HUF 249 million) and marketing costs (HUF 204 million).

Operating profit

During the period January – September 2004, the Group's operating loss was reduced by over 62 percent, to HUF 212 million compared to the HUF 560 million of the same period of 2003. This reduction of loss was mainly the result of the more than HUF 310-million improvement of Synergon plc. the growth of Fibex by over HUF 60 million, against a slight increase of the losses of the foreign operating companies. As an overall result, the EBITDA indicator was HUF 351 million, which is incomparably better than the value achieved during the base period (HUF 26 million).

Net financial income

Net financial income amounted to HUF 86 million during the period under review in 2004, generating an income 35 percent higher than that of the same period of 2003 (HUF 63 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 period under review, 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 loss of HUF 120 million during the first three quarters of 2004, as compared to the loss of HUF 496 million during the same period of 2003.

Net profit

The net loss was reduced to HUF 85 million during the period under review as compared with the net profit of HUF –488 million of the same period of 2003.

Employees

The following table contains the average staff numbers of the Synergon Group, showing that the staff level increased during the period under review for each operating company. The acquisition of Atos Origin Ltd., subsequent to the base period was part of that trend.

The Group-level closing staff levels as of September 30th 2003 and September 30th 2004 were 548 and 564 respectively.

Average staff numbers	2004 Q3 average	2003 Q3 average	Change, %
Synergon and SAO	337	315	7%
Fibex	17	14	21%
Infinity	167	166	1%
Span	52	49	6%
Total	573	544	5%

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	9-month period ending September 30 2004 000 HUF	2004 000 EUR	2004 %	2003 000 HUF	2003 000 EUR	2003 %	Change, % HUF	Change, % EUR
Net sales*	**13 627 351**	**53 519**	100%	**12 408 211**	**50 593**	100%	**10%**	**6%**
Synergon plc. and SAO	**9 676 850**	**38 004**	71%	**8 449 856**	**34 453**	68%	**15%**	**10%**
Fibex	**893 778**	**3 510**	7%	**489 906**	**1 998**	4%	**82%**	**76%**
Infinity	**2 812 360**	**11 045**	21%	**2 865 867**	**11 685**	23%	**-2%**	**-5%**
Span	**819 062**	**3 217**	6%	**895 716**	**3 652**	7%	**-9%**	**-12%**
Consolidation	**-574 699**	**-2 257**	-5%	**-293 134**	**-1 195**	-2%	**96%**	**89%**

* Including other revenues.

The sales of Synergon plc. accounted for 71 percent of the sales of the Synergon Group, whereas 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 between the various periods. The weight Span and Infinity in the Group's sales decreased due to the almost stagnating level of their sales, against the powerful growth of Fibex and the steady increase (15 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. While Synergon plc. has transferred all of its outsourcing and operation-related functions to SAO, comparability is also prejudiced by the fact that the consolidation period started at the end of last year.

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

Synergon plc. (with SAO)	9-month period ending September 30					
	2004		2003		Change %	
	000 HUF	000 EUR	000 HUF	000 EUR	HUF	EUR
Net sales*	**9 676 850**	**38 004**	**8 449 856**	**34 453**	**15%**	**10%**
Of which services (%)	41%		33%			
Of which products (%)	59%		67%			
Cost of sales	**-7 270 031**	**-28 552**	**-6 480 885**	**-26 425**	**12%**	**8%**
As % of sales	75%		77%			
Contribution	**2 406 820**	**9 452**	**1 968 971**	**8 028**	**22%**	**18%**
Contribution margin (%)	25%		23%			
Operating expenses	-2 494 861	-9 798	-2 368 142	-9 656	5%	1%
EBITDA	**234 197**	**920**	**-87 450**	**-357**	**na**	**na**
EBITDA margin (%)	2%		-1%			
Operating profit	**-88 041**	**-346**	**-399 170**	**-1 628**	**-78%**	**-79%**
Operating margin (%)	-1%		-5%			

* Including other revenues.

Synergon achieved growing sales on a slow-growth market. There has been minimal growth on Synergon's markets, the duration and the future rate of that growth being uncertain. State administration continues to invest at a rather conservative level, which has affected the rate of the IT development of the entire economy. While the market-boosting effects of Hungary's accession to the European Union have begun to be felt, it primarily affects developments the government is obliged to implement. During the past six months, Synergon expanded its existing markets and broadened its co-operation with customers and partners through boosting its sales activities. Synergon met its result targets envisaged for this period of 2004. Of Synergon's sales priorities, sales generated by the financial institution sector saw growth, while the other sectors performed as previously expected.

During the first nine months of 2004, Synergon plc. increased its sales (HUF 9,677 million) by 15 percent as compared to the same period of 2003 (HUF 8,450 million). The sales of the company were further affected by the market-increasing effect of the new operating company, Synergon Atos Origin.

The service content of the company grew to 41 percent during the first three quarters of 2004 compared to the 33 percent of the same period of the previous year. It was due to the fact that service-generated sales increased by 45 percent while sales remained at the same level. As the result of the increase of sales and, more specifically, of service-generated sales and the control of the cost of sales, during the period under review, net contribution grew by 22 percent, to HUF 2,407 million, while the contribution ratio increased slightly (to 25 percent) as compared to the same period of 2003. As these indicators show, there is increasing demand from Synergon's customers for complex IT projects, with a higher share of value-added services. Public procurement projects, however, continue to be fragmented into several projects, as a result of which Synergon has been involved in the equipment supply part of several high-volume yet lower service and contribution-content projects.

As the consequence of the favourable income figures and powerful control over costs (operating costs increased by 5 percent), the operating loss of Synergon was significantly reduced in its core field of operation during the period under review in 2004,

i.e. to one-third of the level during the same period of 2003.
As the result of its net financial income, Synergon achieved a positive pre-taxation and net profit during the same period.

Network communication represents an important role both within Synergon's portfolio and in terms of sales and contribution. The Division managed to compensate for the decreasing contribution from product sales by expanding the company's customer base and by consulting and services offered with its products, which is in line with the direction of the corporate strategy that aims at strengthening the service and consulting activities.
During the period January-September 2004, network communication operations were affected most significantly by the growing banking market, conducting an expansion strategy as well as by some major telecommunications projects. During the period under review and, more specifically, the third quarter, there were considerably more lower-value projects with higher-than-average service content and contribution. Typically, a major portfolio element of these projects consisted of service management solutions. While IP telephone solutions were also in high demand, Synergon primarily satisfied system upgrade requirements during the third quarter. The implementation of the Public Web project and the availability services generated high-service-content income for the business unit. In addition, the division launched, under close co-operation with SAO, several complete network outsourcing projects during the third quarter.
The intelligent buildings operations performed outstandingly during the entire period under review. There was steady demand for the elements of its portfolio in connection with the implementation of data centres and computer rooms. There were several greenfield infrastructure projects where customer requirements included the application of passive devices of the highest standard.
A slight growth is expected this year on the network integration market, resulting in the growth of contribution at a rate exceeding sales growth, the Division thus generating nearly half of the company's overall contribution, through which it achieved its planned target for the period under review. The renewed and the newly concluded service agreements represent another steady and regular quarterly income source for the business division.

While during the 1st quarter of 2004, the software division reported a rather brisk market, it was very quiet during the 3rd quarter. The intensity of the market performance of the division was affected by the resource requirements of the internal projects started in the interest of the organisational efforts carried over to the current year. In addition, no projects were completed during the final third of the period under review, these will mainly close during the fourth quarter. Consequently, the performance during the first six months determined the sales and contribution indicators for the nine-month period. The Division has operated in an organised manner along the market strategy introduced at the beginning of last year, the results of which are shown in the increase of sales and efficiency. Further results of the period included the increase of the number of higher service content projects and the expansion of service operations.
The new competencies and professional staff had a very positive market reception, which generated a growing number of projects in the field. Profitable projects were obtained for each new portfolio element. The market launch of latest version of Synergon's e-learning frame system has begun. The Division has built up a network of qualified partners (suppliers and subcontractors) in order to reinforce its market presence, enabling it to fulfil customer requirements at a high standard. In addition, Synergon has complied with the ISO certification requirements for software consulting operations.
As far as the general demand is concerned, supplying customer requirements for Microsoft-based customised solutions remained the most significant activity for the Division. Apart from that, the growth of the banking sector had considerable effect on the operation of the Division, being primarily development requirements, which ensure the growth of Synergon's development activities.
State administration customers are essentially interested in special software and security solutions.

The sales of hardware solutions were influenced during the period under review by projects from the state administration, the service industry and financial institutions, their intensity varying from quarter to quarter. A great number of administrative projects were cancelled or carried over from the first to the second quarter, while there were none during the third quarter. The development requirements of the service market focused on the implementation of business-critical infrastructure, which enabled the implementation of several complex projects. The seasonality effect, which greatly influences the performance of the Division, was eliminated by the completion of various substantial projects during the third quarter, thus positively affecting the amount of contribution. The growing demand for service and consulting activities, typical all over the market, had a positive effect on the increase of the ratio of services also in this Division. In addition, the existing agreements represent a guaranteed regular monthly/quarterly source of income for the Division for several years ahead. There are a growing number of projects with high added value, according to the strategy, yet not necessarily of a high volume. The improvement of the efficiency of the organisation had a positive effect on the contribution, even though the level attainable on the market is still determined by the competition between manufacturers.

Results of the first three quarters included the gradually strengthening co-operation with manufacturers/partners. The high professional expertise of Synergon's staff has been acknowledged through several partnership level reclassifications.

There was little change on the ERP market in comparison with last year, with a growing demand for competitive products besides SAP. As far as the SAP and the MFG Pro management systems are concerned, their operation agreements have primarily provided ongoing and recurring income for Synergon. Because of the EU accession, ERP systems have been customised in order to accommodate to the regulatory requirements. During the period under review, the fact that the traceability of accounts had also to be ensured at Hungarian subsidiaries in the wake of the SOX Reform Act being passed into US federal law provided an opportunity for individual projects.

The Inforend hospital information solution has found some steady markets, the efficiency of which is attested by the growing number of projects. The IT requirements of hospitals and healthcare institutions have increased, while the integrated approach to medical/professional and financial issues is becoming an increasingly important factor when they opt for a particular solution. As systems are being upgraded, there has been growing interest in Synergon's system integration and operation services.

Its system support and operation services have provided a steadily calculable source of income of a high contribution for Synergon Atos Origin (SAO), eliminating the seasonality effect. During the period under review, SAO increased its customer base and the number of its purchase orders, which in turn reduced its dependence on existing customers and helped achieve the profitability of its operation. Due to the increasing number of projects and the nature of its operation, a flexible organisation has been developed, its number of staff being optimised accordingly with a view to efficiency and profitability. While most of SAO's customers come from the financial and industrial sectors, there has been growing interest from state administration institutions as well. As a result of the partnership with Atos Origin and the regional operation of Synergon, it has been the local implementing party in several international projects.

The integration of SAO was completed during the first half of 2004. SAO now performs all outsourcing and operation functions of Synergon, thus ensuring operation services based on integrated methodologies for the Group's customers. It has introduced a new operation methodology and remote monitoring in order to improve its competitiveness and to provide higher-standard services to customers, and will soon implement an IP-based call centre with a view to modernising its operational infrastructure. This will also serve as the basis for the regional helpdesk system. By providing training services, it helps reduce the risk of outsourcing by customers.

Apart from its growth rate in excess of that of the outsourcing IT market, SAO's market potential is partly determined by the globalisation efforts of various corporations, as a result of which projects tend to encompass more than one country or alternatively, SAO may be involved as the local implementer or, if there is already another service-provider, it may lose out on a customer despite its advantage in terms of its competences.

Fibex Kft.

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 Kft.	9-month period ending September 30					
	2004		2003		Change (%)	
	000 HUF	000 EUR	000 HUF	000 EUR	HUF	EUR
Net sales *	**893 778**	**3 510**	**489 906**	**1 998**	**82%**	**76%**
Of which services (%)	3%		4%			
Of which products (%)	97%		96%			
Cost of sales	**-752 011**	**-2 953**	**-429 086**	**-1 750**	**75%**	**69%**
As % of sales	84%		88%			
Contribution	**141 768**	**557**	**60 820**	**248**	**133%**	**125%**
Contribution margin (%)	16%		12%			
Operating expenses	-73 452	-288	-54 731	-223	34%	29%
EBITDA	**77 888**	**306**	**14 012**	**57**	**na**	**na**
EBIDTA margin (%)	9%		3%			
Operating profit	**68 316**	**268**	**6 089**	**25**	**na**	**na**
Operating margin (%)	8%		1%			

* Including other revenue

Because of the long-term crisis of the telecom market, Fibex Ltd. restructured its operations in 2003. The new organizational structure works more efficiently and uses a new business approach, and as a result, sales revenue and net profit increased over the first nine months of 2004 – seasonality eliminated – compared to the other quarters. The significant positive change between the current and the base period can also be attributed to this. In addition to improved efficiency, the company's portfolio expansion had a positive effect on increasing market share in existing markets, through the introduction of new products, and entering new markets (power electronics) successfully, as the figures show.

Over the first three quarters of 2004, the company increased its sales revenue by 82% and also achieved a significant operating and net profit. The market prices of the company's main products have been decreasing over the past couple of years, and a significant proportion of its sales revenue comes from the lower-cover distribution activity, which both had an impact on the cover margin and its proportion within sales revenue. 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.

Infrastructure markets, important for the operating company, are stagnating, but 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 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 in order to service the needs of its Slovakian projects, and purchased BrnoData s.r.o for reasons of ERP portfolio expansion, which continues to operate under the name of Infinity Data. The performance of both companies is consolidated in the Infinity balance sheet and profit statement. 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	9-month period ending September 30					
	2004		2003		Change %	
	000 HUF	000 EUR	000 HUF	000 EUR	HUF	EUR
Net sales *	**2 812 360**	**11 045**	**2 865 867**	**11 685**	**-2%**	**-5%**
Of which services (%)	47%		39%			
Of which products (%)	53%		61%			
Cost of sales	**-2 201 134**	**-8 645**	**-2 217 578**	**-9 042**	**-1%**	**-4%**
As % of sales	78%		77%			
Contribution	**611 226**	**2 400**	**648 289**	**2 643**	**-6%**	**-9%**
Contribution margin (%)	22%		23%			
Operating expenses	-633 563	-2 488	-658 396	-2 685	-4%	-7%
EBITDA	**93 013**	**365**	**111 007**	**453**	**-16%**	**-19%**
EBITDA margin (%)	3%		4%			
Operating profit	**-22 337**	**-88**	**-10 107**	**-41**	**-121%**	**-113%**
Operating margin (%)	-1%		0%			

* Including other revenue
Figures include minority interest

This has been a year of structural change and professional expansion for Infinity. These were the two main factors that influenced its performance, and caused a temporary setback in efficiency. In order to facilitate future market expansion and take into account the size of the business, the ownership and management activities have been separated. In the second half of 2004 Balázs Cseh has been acting as temporary general manager, but next year a Czech manager will be appointed, who has yet to be found. Senior management has also changed this year: new commercial and financial directors have been appointed. One of the most important portfolio developments was the acquisition of the Czech company BrnoData 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 Czech market has recently faced temporary demand fluctuations, as well as a government crisis in the summer, but generally it is a mature and steadily growing market with numerous opportunities, which is also demonstrated by the fact that Internet acceptance is relatively high both in the business and private sector. It is true, nevertheless, that the IT market is characterized by fierce competition and high representation of multinational companies. Polish companies are very active, but there are also more local companies than on the Hungarian market. As far as demand is concerned, there are less product sales opportunities, and the existing ones are further narrowed by direct sales from manufacturers. Demand for services remained high in the first nine months of 2004, but intense competition reduced the rate of achievable cover content.

Total net sales revenue of Infinity decreased by 2% over January-September 2004 compared to the corresponding period of 2003, while revenue from product sales also decreased. In accordance with the Group strategy, Infinity increased its income from services by 19% during the period under review, this, however, could not make up for lower product sales. The proportion of services in turnover increased to 47% from 39% in the first three quarters of 2003. The company's service sales revenue has come from software development, support contracts and the sale of portfolio elements from acquisition. Infinity generated a loss over the period under review.

33% of sales continued to be generated in 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 public administration contracts. Stagnating sales under the given market conditions were accompanied by a virtually unchanged cost of sales and produced 4% less other operating costs. As an effect of the above factors, the cover amount increased by 6% and cover ratio to 22% over the first half of 2004, compared to the 2003 base level of 23%. While the Ebitda indicator continues to register profitable operation, the lower level of total profit caused operational loss to increase further between the two periods in question. Infinity made provision for the price of BrnoData from last year's profit. The hundred-percent subsidiary has been included in the consolidated reports of Infinity since June 14th 2004

The Slovakian market, where the company has a representative office, is another important market to be exploited by Infinity. This is an area with great potential, but the company only holds a minor 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 organization and its commercial activities. The new management has launched a program aiming at reducing costs and improving efficiency. In the course of its activities the company is focusing on its existing major customers and aiming at using its core solutions and products to acquire more market share and new customers. The company is continuously developing software and business solutions to expand its portfolio. The impact of 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 currently generated by the sale 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	9-month period ending September 30					
	2004		2003		Change (%)	
	000 HUF	000 EUR	000 HUF	000 EUR	HUF	EUR
Net sales *	**819 062**	**3 217**	**895 716**	**3 652**	**-9%**	**-12%**
Of which services (%)	51%		22%			
Of which products (%)	49%		78%			
Cost of sales	**-733 910**	**-2 882**	**-771 651**	**-3 146**	**-5%**	**-8%**
As % of sales	90%		86%			
Contribution	**85 152**	**334**	**124 064**	**506**	**-31%**	**-34%**
Contribution margin (%)	10%		14%			
Operating expenses	-174 963	-687	-167 079	-681	5%	1%
EBITDA	**-48 159**	**-189**	**-7 379**	**-30**	**na**	**na**
EBITDA margin (%)	-6%		-1%			
Operating profit	**-89 811**	**-353**	**-43 015**	**-175**	**-109%**	**-101%**
Operating margin (%)	-11%		-5%			

* Including other revenue
Figures include minority interest

In January-September 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 nine months of 2004, Span's sales revenue was 9% less than in the previous year. The service content of sales was 51% during the period, which essentially exceeds the earlier average level for the reporting period, and sales revenue from services doubled. Currently, the overwhelming majority of new projects are based on service or support activities.

While sales costs at Span decreased by 5% when comparing the periods of January 1st – September 30th in 2003 and 2004, net cover also decreased by 31%, as a result of the low cover content in the prices of several service activities: an impact of market competition.

As a result of these unfavorable market conditions, the performance of Span is on the decline. The company is trying to compensate for this by making professional developments and turning to marginal markets. As the company has grown in size, a financial director was appointed in addition to the general manager, in order to provide for the separation of professional and financial aspects.

Analysis of the balance sheet and liquidity position as of September 30, 2004

Balance sheet	September 30, 2004 000 HUF	September 30, 2004 000 EUR	September 30, 2003 000 HUF	September 30, 2003 000 EUR	Change, % HUF	Change, % EUR
Assets						
Non-current assets	**2 767 312**	**11 203**	**3 305 977**	**12 984**	-16%	-14%
Fixed assets	2 130 434	8 625	2 237 368	8 787	-5%	-2%
Intangible assets	579 242	2 345	1 024 711	4 025	-43%	-42%
Investments	57 636	233	43 897	172	31%	35%
Current assets	**7 041 691**	**28 507**	**7 416 819**	**29 130**	-5%	-2%
Inventories	1 223 475	4 953	1 161 950	4 564	5%	9%
Accounts receivable	4 211 866	17 051	3 755 071	14 748	12%	16%
Cash and equivalents	1 091 203	4 417	1 548 874	6 083	-30%	-27%
Other current assets	515 147	2 085	950 924	3 735	-46%	-44%
Total assets	**9 809 002**	**39 709**	**10 722 796**	**42 115**	**-9%**	**-6%**
Liabilities						
Shareholders' equity	**6 312 578**	**25 555**	**7 331 185**	**28 794**	-14%	-11%
Share capital	1 910 925	7 736	1 910 925	7 505	0%	3%
Capital reserves	5 774 819	23 378	5 733 835	22 520	1%	4%
Profit reserves + Retained profit for the year	-1 373 166	-5 559	-313 575	-1 232	na	na
Short-term liabilities	**3 416 089**	**13 829**	**3 265 609**	**12 826**	5%	8%
Accounts payable	1 695 609	6 864	1 872 720	7 355	-9%	-7%
Other short-term liabilities	1 720 480	6 965	1 392 889	5 471	24%	27%
Long-term liabilities	**33 008**	**134**	**63 975**	**251**	-48%	-47%
Minority interest	**47 327**	**192**	**62 027**	**244**	-24%	-21%
Total liabilities	**9 809 002**	**39 709**	**10 722 796**	**42 115**	**-9%**	**-6%**

The Company's balance sheet total as of September 30th 2004 (HUF 9,809 million) was, on an HUF basis, 9% lower than the closing value of the same period of the previous year. Since the HUF/EUR exchange rate changed significantly, the decrease on a EUR basis was only 6%.

Assets

Fixed assets
The net value of fixed assets (HUF 2,130 million) decreased by 5%. 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 579 million) recorded in the Group's consolidated balance sheet decreased by 43%. The difference was primarily the result of the extra goodwill depreciation items accounted for by the subsidiaries Infinity and Span.

Investments
The increase (31%) of the value of investments (HUF 58 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 5-percent reduction of inventories (HUF 1,223 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 substantial outstanding uninvoiced projects with stocks already supplied.

Accounts receivable
Eliminating internal invoicing within the Group, the 12-percent increase of accounts receivable (HUF 4,211 million) was mainly due to the change in the accounts receivable of Synergon.

Cash and equivalents
At the end of the reporting period, the value of cash and equivalents was HUF 1,091 million, the major part of which (HUF 637 million) was recorded in the books of the parent company. The reason for the 30-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 September 30th 2003, of the profit reserves plus retained profit of the year was, apart from 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 3,416 million) exceeded the closing value of the base period by 5%, the increase due primarily to the items recorded in the books of Synergon plc (the reclassification of items recorded as provisions in 2003). The change in accounts payable (HUF 1,696 million) was the result of debts to suppliers, related to the increased sales of this quarter, which did not fall due during the period.

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

Minority shareholding
Minority shareholdings decreased as a result of the negative balance sheet total of Span and Infinity and the dividends payable for 2003 to Infinity shareholders.

Cash-flow	9-month period ending September 30			
	2004		2003	
	000 HUF	000 EUR	000 HUF	000 EUR
Operating profit after taxation	**-171 279**	**-673**	**-551 826**	**-2 250**
Depreciation and amortization	563 201	2 212	585 320	2 387
Change in payables	-4 323 884	-16 981	-1 639 843	-6 686
Change in accruals	-432	-2	-1 869	-8
Change in inventories	-151 527	-595	87 122	355
Change in receivables	3 446 130	13 534	1 935 629	7 892
Change in provisions	-107 620	-423	310	1
Cash flow from operations	**-745 409**	**-2 927**	**414 843**	**1 691**
Net financial result	85 849	337	63 508	259
Cash flow from financing activities	**-659 560**	**-2 590**	**478 351**	**1 950**
Change in assets	-321 788	-1 264	-286 094	-1 167
Change in investments	10 163	40	-43 135	-176
Cash flow from investing	**-311 624**	**-1 224**	**-329 229**	**-1 342**
Net change in loans	119 438	469	-120 772	-492
Change in share capital	-1	0	0	0
Eliminating minority interest	-67 850	-266	-95 949	-391
Cash flow from financing	**51 587**	**203**	**-216 721**	**-884**
Net change in cash	-919 597	-3 612	-67 599	-276
Opening cash position	2 010 800	7 897	1 616 473	6 591
Closing cash position	1 091 203	4 286	1 548 874	6 315
Change in cash	**-919 597**	**-3 612**	**-67 599**	**-276**

Liquidity position

The value of cash and equivalents held by the Company as of September 30th 2004 was HUF 1,091 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 745 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 –660 million.

Investment cash flow
The value of the Group's investments (HUF 312 million) in the period 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 52 million) was determined by the settlement of minority interest. As a result, liquid cash assets decreased by HUF 919 million as compared to December 31 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 September 30th 2004

Shareholding structure of Synergon plc		
Shareholder's name	**September 30, 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, each below 5 percent of shares	64.40%	64.96%
Total	**100.0%**	**100.0%**

Synergon plc's ordinary General Meeting 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 Statutes, 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 September 30th 2004:

The Board made a decision on the convening of Synergon's ordinary annual General Meeting and approved the report of the Board and the annual reports of Synergon plc and the Group. The Board of Directors made a declaration on Synergon plc's corporate governance practices, with the signatures of 3 of its members, to the Budapest Stock Exchange. On May 19th 2004 the Board elected Ferenc Czakó as chairman for the remaining term of the Board's mandate. On July 23rd 2004 the Board decided to supplement the Corporate Governance guidelines with Risk Management Principles before 1st May 2005. At the same meeting, the Board made a preliminary decision, in accord with the company's Supervisory Board, to transform the subsidiary Span d.o.o. into a private corporation through a capital increase from capital reserve.

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 September 30th 2004: The Supervisory Board approved the convening of Synergon's ordinary annual General Meeting and the proposals for the Meeting. It also suggested to the Board of Directors that a declaration on corporate governance be submitted to the Budapest Stock Exchange. On May 5th 2004 the Supervisory Board elected Dr Miklós Jeszenszky as chairman of the Supervisory Board. Recommendations were made concerning the deadline for creating a workgroup responsible for the preparation of the Risk Management Principles.

With a view to enhancing the performance and the efficiency of the sales activity of Synergon plc, Pál Polgár has been appointed the Company's Deputy CEO for Sales and Marketing as of February 2nd 2004.
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 decision is made regarding the appointment of the new CEO the position will be temporarily held by Balázs Cseh.

Further information:

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