



F L A S H   R E P O R T



**Financial results of  
Synergon Information Systems plc.  
for the period of January 1 – June 30, 2001**

Unaudited Consolidated Financial Statements  
Prepared in accordance with  
International Accounting Standards

[www.Synergon.hu](http://www.Synergon.hu)

[www.synergon.hu](http://www.synergon.hu)  
email: [investor.relations@synergon.hu](mailto:investor.relations@synergon.hu)

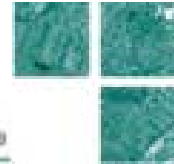


**The results for the first six months of 2001 of Synergon Information Systems plc. failed to meet the level anticipated by the management. Consolidated net sales for the six-month period grew by 65 percent, reaching HUF 9,704 million; however, the contribution increased by 23 percent only, whereas the net profit amounted to HUF –526 million, which represents a major decrease. The positive change in terms of net sales was due primarily to the consolidation of the foreign subsidiaries acquired at the beginning of the year, while poor market conditions and an increasing competition affecting the Hungarian operations of Synergon Information Systems plc. were the major factors behind the downward shift in profitability. The impact of the cost and staff rationalisation programs, introduced at the beginning of the year and felt during the second quarter, is expected to intensify during the forthcoming periods.**

Under tragic circumstances, Synergon Information Systems plc. lost its Chairman & CEO Tibor Gyurós, General Assistant CEO Levente Lakatos, Iván Völgyes and András Felkai, members of its Board of Directors, on June 15, 2001. Ferenc Czakó has since been acting as Chief Executive Officer, whereas the extraordinary General Assembly held on July 31, 2001 appointed the new members of the Board of Directors. Having resolved the extraordinary situation brought about by the accident, Synergon Information Systems plc. wishes to continue to move in the strategic direction as set by its former management, focusing chiefly on the stabilisation of the Hungarian operations and the maintenance of foreign expansion.

As the result of the further shrinkage of the information market during the period, the Company achieved a net sales revenue approximately HUF 1 billion lower than the level which could considerably safely enable a positive profitability, given the current size of the operation. Consequently, the Company was obliged to publish a profit warning as soon as the interim results became known. However, the impact of the cost-cutting program was felt during the period, indicating the increase of the contribution ratio, the reduction of general costs and the increase of the operating profit and the profit before tax, in comparison of the first and the second quarters. Remarkable facts in the second quarter operation are the decrease of the inventory by HUF 700 million, and the decline of the operating expenses by HUF 60 million.

The foreign subsidiaries of Synergon Information Systems plc. closed a better half-year than the parent company in terms of both net sales and profitability. Slightly exceeding its plans, Infinity a.s. closed the six-month period with a positive net profit, whereas the growth rate of Span d.o.o outran the expectations, due to several major contracts concluded at the beginning of the year.



## Analysis of Synergon's financial results in 2001

Comparing the six-month periods ending June 30, 2001 and 2000

*The data contained in this report are based on the unaudited consolidated balance sheet and profit and loss accounts, prepared in accordance with the IAS. For convenience of the readers, forint amounts have been converted into US dollars. The average exchange rate applied for the items of the profit and loss account are HUF 268.45 and HUF 291.09 per US\$ for the first six months of 2000 and 2001 respectively. The closing exchange rate applied for the balance sheet items are HUF 271.33 and HUF 287.39 per US\$ for June 30, 2000 and June 30, 2001, respectively.*

### Company results

In assessing the results of the Company, it is an important consideration that strong seasonal fluctuations characterize the IT industry, which also affects the operations of Synergon. In 2000, this factor resulted in Synergon generating app. one-third of both its annual sales revenue and contribution during the fourth quarter. The substantial increase of sales revenue during the first six months of 2001 was partly due to the fact that, since February 1, 2001, the foreign subsidiaries of Synergon Information Systems plc. have also been consolidated.

<i>Profit and loss statement</i>	Six-month period ending June 30				Change %	
	2001		2000		HUF basis	USD basis
	000 HUF	000 USD	000 HUF	000 USD		
Net sales*	<b>9 703 782</b>	<b>33 336</b>	<b>5 878 587</b>	<b>21 898</b>	65%	52%
Of which services(%)	27%		32%			
Of which products (%)	73%		68%			
Cost of sales	<b>-7 751 429</b>	<b>-26 629</b>	<b>-4 291 905</b>	<b>-15 988</b>	81%	67%
As % of sales	80%		73%			
Contribution margin (%)	<b>1 952 353</b>	<b>6 707</b>	<b>1 586 682</b>	<b>5 911</b>	23%	13%
Contribution	20%		27%			
Operating expenses	<b>-2 384 678</b>	<b>-8 192</b>	<b>-1 598 891</b>	<b>-5 956</b>	49%	38%
Operating profit	<b>-432 325</b>	<b>-1 485</b>	<b>-12 209</b>	<b>-45</b>	3441%	3166%
Operating margin (%)	-4%		0%			
Net financial income	22 708	78	180 881	674	-87%	-88%
Extraordinary items	-300	-1	5 513	21	-105%	-105%
Profit before tax	<b>-409 918</b>	<b>-1 408</b>	<b>174 185</b>	<b>649</b>	-335%	-317%
Minority interest	-56 331	-194	0	0		
Corporate tax	-59 659	-205	-18 775	-70	218%	193%
Net profit	<b>-525 907</b>	<b>-1 807</b>	<b>155 410</b>	<b>579</b>	-438%	-412%
Net margin (%)	-5%		3%			

\* Including other revenues.

### Sales revenue

During the first six months of 2001, Synergon Information Systems plc., including its consolidated subsidiaries, achieved a sales revenue of HUF 9,704 million, representing a 65-percent increase compared to the sales revenue of HUF 5,879 million generated during the base period. Although, in total, the consolidated sales revenue generated by the subsidiaries during the second quarter increased substantially as compared to the first quarter, the parent company, experiencing a powerful seasonal effect during the second quarter of 2001, achieved a sales revenue lower than that of the first quarter. In terms of the volume of the Group's sales, the Communications Systems and the Hardware-Software Integration Divisions as well as the subsidiary Infinity have continued to play a decisive role, whereas the remaining 23 percent of the sales revenue was generated in nearly equal proportion by the smaller operating units, the Services and the Consulting Divisions, the Fibex Ltd. (Value-Added Distribution Division) and Span, the Croatian subsidiary. Of the overall sales volume of Synergon (net of the sales of the new subsidiaries), the telecommunications and the financial sectors accounted for 38 percent and 6 percent respectively, whereas industrial companies, the public



utilities/transport industries and the public sector represented 10 percent, 12 percent and 9 percent respectively. Other, non-classified sales accounted for 25 percent of the sales total.

During the first six months of 2001, the service content of sales was 27 percent, as compared to the 32 percent achieved during the first six months of 2000. This reduction was due to the same reasons as described in the first quarter report, i.e. the increasing weight in the sales total of Divisions with a lower service content as well as the fact that the consolidation of the foreign subsidiaries, operating at a service content below Synergon's average, also began during the period.

### **Cost of sales**

The cost of sales is built up primarily of products sold, base materials, payments to contractors and direct labour costs. Increasing by 81 percent, cost of sales during the first six months of 2001 amounted to HUF 7,751 million, compared to the HUF 4,292 million of the base period. The rate of increase of the cost of sales exceeding that of the sales revenue is an indication of the tough price competition on an IT market of a low level of activity. Since direct labour costs are also included in the cost of sales, the reducing effect of seasonality affects the cost of sales to a lesser degree than the sales revenue; in addition, the idle capacities (of a higher level than during the first quarter, given the lower sales revenue) are also recognised as fixed type costs in this line. Typically, the subsidiaries consolidated since this year have also been selling at a lower service content and contribution than the parent company, resulting in higher average cost and lower average contribution on the Group level than during the previous year.

### **Contribution**

Contribution during the first six months of 2001 amounted to HUF 1,952 million, as compared to the HUF 1,587 million realised during the first six months of 2000, which represents a 23-percent increase. The lag compared to sales was primarily due to the increase of the cost of sales. Because of the different rates of the change of the sales revenue and the contribution, in 2001, the contribution margin dropped to 20 percent from the 27 percent achieved in the first six months of 2000.

### **Operating expenses**

Increasing by 49 percent, operating expenses amounted to HUF 2,385 million in the first six months of 2001. Similarly to the first quarter, during the second quarter of 2001, as well as considering the total of the first six months of the year, operating expenses grew at a lower rate than the sales revenue. This was primarily the result of the introduction of certain cost rationalisation and efficiency increasing programs at the Company. Of the operating expenses, the costs increasing at the highest rate included amortisation (+103 percent), marketing (+111 percent) and labour costs (+142 percent). Within the operating expenses, significant items during the period in question included wages and salaries (HUF 818 m), amortisation (HUF 369 m) and vehicle expenses (HUF 206 m).

### **Operating profit**

The level of the operating profit was influenced primarily by the high level of the cost of sales. In the first six months of 2001, the Company generated an operating loss of HUF –432 million, compared to the HUF –12 million of the first six months of last year.

### **Net financial income**

The net financial income was HUF 23 million during the first six months of 2001, compared to the HUF 181 million achieved in the first six months of 2000. The decline was due primarily to the reduction in the value of government securities held, as a result of the payments associated with the acquisitions at the end of last year and the beginning of 2001. The reduction compared to the first quarter was the result of the making of provisions at the value of HUF 25 million following the sale of real estate.

### **Profit before tax**

Compared to the HUF 174 million of the first six months of 2000, profit before tax amounted to HUF –410 million for the same period of 2001. The decline was essentially due to the low level of the operating profit (and the factors presented under the respective paragraph), neither the net financial income, nor the extraordinary items making a significant change in the level of the operating profit.



## Net profit

Taxation of the Group for the first six months was HUF 60 million, compared to the HUF 19 million paid in the same period of 2000. Tax liability was recognised at Synergon's subsidiaries. The HUF 526 million loss after taxation is arrived at after the deduction of the HUF 56 million minority interest associated with the new subsidiaries, as compared to the positive result of HUF 155 million achieved during the first six months of 2000.

## Divisions and subsidiaries

Since February 2001, the revenue of the subsidiaries has been added to the divisional breakdown of the Company's sales revenue. The Communications Systems and the Value-Added Distribution Divisions, however, managed to retain their weight achieved during the same period of the previous year, which indicates the substantial continuing demand for network infrastructure implementation and the associated devices, providing an opportunity for higher-than average growth for these areas.

Divisions	Six-month period ending June 30							
	2001			2000			Change %	
	Th HUF	Th USD	%	Th HUF	Th USD	%	HUF	USD
<b>Net sales*</b>	<b>9 703 782</b>	<b>33 336</b>	100%	<b>5 878 587</b>	<b>21 898</b>	100%	<b>65%</b>	<b>52%</b>
Communications Systems	2 713 523	9 322	28%	2 307 638	8 596	39%	18%	8%
HW-SW Integration	1 718 455	5 904	18%	2 271 318	8 461	39%	-24%	-30%
Services	584 573	2 008	6%	534 008	1 989	9%	9%	1%
Consulting	439 097	1 508	5%	478 027	1 781	8%	-8%	-15%
Value-Added Distribution	474 948	1 632	5%	321 364	1 197	5%	48%	36%
Infinity**	3 054 350	10 493	31%	0	0	0%		
Span**	656 858	2 257	7%	0	0	0%		
Consolidation	61 977	213	1%	-33 768	-126	-1%	-284%	-269%

\* Including other revenues.

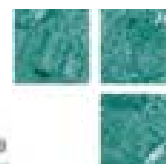
\*\* From February 2001.

## Communications Systems Division

The Communication Systems Division, specialising in the design, supply and the installation of the integrated communications infrastructure and the related services, multimedia communication and cable television networks, achieved a revenue of HUF 2,714 million during the first six months of 2001, compared to the HUF 2,308 million in the same period of the previous year, which represents a 18-percent increase.

Communications Systems	Six-month period ending June 30					
	2001		2000		Change %	
	HUF m	USD 000	HUF m	USD 000	HUF	USD
<b>Net sales</b>	<b>2 714</b>	<b>9 322</b>	<b>2 308</b>	<b>8 596</b>	<b>18%</b>	<b>8%</b>
Of which services (%)	17%		20%			
Of which products (%)	83%		80%			
<b>Cost of sales</b>	<b>-2 247</b>	<b>-7 718</b>	<b>-1 789</b>	<b>-6 664</b>	<b>26%</b>	<b>16%</b>
as % of sales	83%		78%			
<b>Contribution</b>	<b>467</b>	<b>1 604</b>	<b>519</b>	<b>1 933</b>	<b>-10%</b>	<b>-17%</b>
as % of sales	17%		22%			

The growth during the first six months of the year of the Networking Business Unit, being still the largest business unit of Synergon, was enabled primarily by the high sales revenue generated during the first three months, whereas during the second quarter it realised a level of sales similar to that of last year, like the Intelligent Buildings and the Cable TV Business Units. This is due to the fact that price competition has increased in the area of projects requiring lower added value, while there were just a small number of projects requiring higher levels of added value during the period. While demand seems to be on the increase for the services of the Intelligent Building Business Unit, further



improvements are called for in terms of the efficiency and the product focus of the business. Typically for the Cable TV Business Unit, obtaining a new project requires high pre-sales expenses. The service content of the sales of the Division was 17 percent for the first six months of 2001 compared to the 20 percent of last year, resulting in contribution ratios of 17 percent and 22 percent for the first six months of this year and 2000 respectively.

### Hardware–Software Integration Division

The operations of the Hardware–Software Integration Division focus on the areas associated with the basic information infrastructure, its products and services ranging from desktop computers and peripherals to the servers constituting the basis of corporate systems, as well as the related sales of software, consulting and customisation. In 2001, the Division achieved a sales revenue of HUF 1,718 million, 24 percent less than the HUF 2,271 million realised during the first six months of 2000.

<i>Hardware-Software</i>	Six-month period ending June 30					
	2001		2000		Change %	
	HUF m	USD 000	HUF m	USD 000	HUF	USD
<b>Net sales</b>	<b>1 718</b>	<b>5 904</b>	<b>2 271</b>	<b>8 461</b>	<b>-24%</b>	<b>-30%</b>
<i>Of which services (%)</i>	29%		23%			
<i>Of which products (%)</i>	71%		77%			
<b>Cost of sales</b>	<b>-1 500</b>	<b>-5 152</b>	<b>-1 819</b>	<b>-6 777</b>	<b>-18%</b>	<b>-24%</b>
<i>as % of sales</i>	87%		80%			
<b>Contribution</b>	<b>219</b>	<b>751</b>	<b>452</b>	<b>1 684</b>	<b>-52%</b>	<b>-55%</b>
<i>as % of sales</i>	13%		20%			

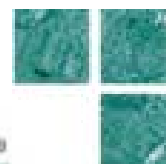
The decline of the sales revenue of the Division was due primarily to the substantial fallback of the Hardware Business Unit as compared to the six-month period during the previous year – thus following major international trends – besides the decrease of the Retail Business Unit, not being substantial in terms of the overall scale of the Division. The Division made considerable growth in the areas of both software (primarily Microsoft) sales, along with the related services, and software development, which is an indication of a quickening demand in the corporate sector for infrastructure modernisation and business applications. Increasing considerably from the 23 percent of the first six months of 2000, the service content of the Division reached 29 percent during the period in question; however, as a result of the declining contribution levels, the 20-percent contribution ratio achieved during the first six months of 2000 dropped to 13 percent in 2001.

### Services Division

The operation of the Services Division encompasses the operation, supervision and management of information systems under long-term arrangements with the customers, making use of the Call Center, the Helpdesk as well as continuous availability. Increasing by 9 percent from HUF 534 million in the first six months of 2000, the sales revenue of the Division amounted to HUF 585 million for the same period of 2001.

<i>Services</i>	Six-month period ending June 30					
	2001		2000		Change %	
	HUF m	USD 000	HUF m	USD 000	HUF	USD
<b>Net sales</b>	<b>585</b>	<b>2 008</b>	<b>534</b>	<b>1 989</b>	<b>9%</b>	<b>1%</b>
<i>Of which services (%)</i>	100%		100%			
<i>Of which products (%)</i>	0%		0%			
<b>Cost of sales</b>	<b>-278</b>	<b>-956</b>	<b>-158</b>	<b>-588</b>	<b>76%</b>	<b>63%</b>
<i>as % of sales</i>	48%		30%			
<b>Contribution</b>	<b>306</b>	<b>1 052</b>	<b>376</b>	<b>1 401</b>	<b>-19%</b>	<b>-25%</b>
<i>as % of sales</i>	52%		70%			

The continuously accruing revenues from remote-management and outsourcing contracts have provided a steady income for the Division. There is growing demand on the market for availability



services as well as for more complex, outsourcing-type services of higher added value. The revenues coming from a slowly expanding customer base are reduced by the lengthy pre-sales phase of new projects and the high associated pre-sales expenses. Although the Division operated at a service content of 100 percent in both the period under review and the base period, the sales proportionate contribution ratio dropped to 52 percent during the period in question from the 70 percent of the first six months of 2000, due to the continuing capacity-building and to pre-sales costs.

### Consulting Division

The Consulting Division, specialising in business solutions and consultancy – including ERP systems, decision-support systems and other areas of consulting – realised a revenue of HUF 439 million in the first six months of 2001, an 8-percent decline compared to the HUF 478 million generated during the first six months of 2000.

Consulting Division	Six-month period ending June 30					
	2001		2000		Change %	
	HUF m	USD 000	HUF m	USD 000	HUF	USD
<b>Net sales</b>	<b>439</b>	<b>1 508</b>	<b>478</b>	<b>1 781</b>	<b>-8%</b>	<b>-15%</b>
<i>Of which services (%)</i>	91%		85%			
<i>Of which products (%)</i>	9%		15%			
<b>Cost of sales</b>	<b>-346</b>	<b>-1 190</b>	<b>-376</b>	<b>-1 400</b>	<b>-8%</b>	<b>-15%</b>
<i>as % of sales</i>	79%		79%			
<b>Contribution</b>	<b>93</b>	<b>318</b>	<b>102</b>	<b>381</b>	<b>-9%</b>	<b>-16%</b>
<i>as % of sales</i>	21%		21%			

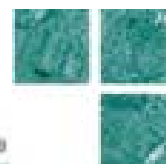
In the field of ERP systems, the Division has carried on with the projects started earlier, which represents growth in terms of the SAP Business Unit and decline in terms of the JD Edwards Business Unit, as compared to the first six months of 2000. Winning new projects, the SAP Business Unit has managed to ensure a steadily high level of capacity utilisation for the forthcoming periods. Like in the 1<sup>st</sup> quarter, the decline of the revenue of the Business Intelligence Business Unit was counterbalanced by the revenue growth from security-related consulting (especially from abroad). Although the Consulting Division increased the service content it has operated at to 91 percent (first six months of 2000: 85 percent), the contribution ratio failed to increase during the period in question as compared to the first six months of 2000, due to some idle capacities and re-organisation costs.

### Fibex Ltd. – Value-Added Distribution Division (VAD)

The Fibex Ltd., specialising in the sales of optical and copper cables, network implementation materials and tools, has operated as Synergon's 100-percent subsidiary. Compared to the base period, the sales of the VAD Division increased by 48 percent during the first six months of 2001. 23 percent of the sales of the Division went to the other divisions of Synergon, as compared to the 25 percent of the first six months of 2000. The growth of the sales of Fibex Ltd. was mainly generated by the powerful demand for optical cables of the infrastructural projects carried over from previous periods. The increase of costs was the result of the expansion of the staff and of the Budapest distribution office. The contribution ratio of the Division was 17 percent during both the period in question and the base period.

Fibex Ltd.	Six-month period ending June 30					
	2001		2000		Change %	
	HUF m	USD 000	HUF m	USD 000	HUF	USD
<b>Net sales*</b>	<b>475</b>	<b>1 632</b>	<b>321</b>	<b>1 197</b>	<b>48%</b>	<b>36%</b>
<i>Of which services (%)</i>	0%		0%			
<i>Of which products</i>	100%		100%			
<b>Cost of sales</b>	<b>-396</b>	<b>-1 361</b>	<b>-266</b>	<b>-992</b>	<b>49%</b>	<b>37%</b>
<i>as % of sales</i>	83%		83%			
<b>Contribution</b>	<b>79</b>	<b>270</b>	<b>55</b>	<b>205</b>	<b>43%</b>	<b>32%</b>
<i>as % of sales</i>	17%		17%			

\* Including other revenues.



## Infinity

Infinity a.s. is a Czech subsidiary in the majority ownership (50 percent + 1 share) of Synergon, consolidated as of February 1, 2001. The major part of the sales revenue of Infinity is generated by the sales of Compaq and Microsoft products and the associated services as well as the remote management and support services based on these products. During the post-acquisition period of the first six months of 2001, Infinity operated at a service content level of 13 percent and a contribution ratio of 16 percent. Although weaker in February and May, Infinity had a steady monthly performance, thus slightly exceeding the budget during the period in terms of its results.

<i>Infinity</i> **	Five-month period ending June 30				Change %	
	2001		2000		HUF	USD
	HUF m	USD 000	HUF m	USD 000		
<b>Net sales*</b>	<b>3 054</b>	<b>10 493</b>	<b>0</b>	<b>0</b>		
<i>Of which services (%)</i>	0%					
<i>Of which products (%)</i>	100%					
<b>Cost of sales</b>	<b>-2 579</b>	<b>-8 861</b>	<b>0</b>	<b>0</b>		
<i>as % of sales</i>	84%					
<b>Contribution</b>	<b>475</b>	<b>1 632</b>	<b>0</b>	<b>0</b>		
<i>as % of sales</i>	16%					

\* Including other revenues.

\*\* Including minority interest.

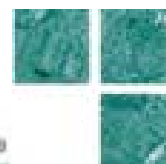
## Span

Span d.o.o. is a Croatian subsidiary in the majority ownership (51 percent) of Synergon, consolidated as of February 1, 2001. The major part of the sales revenue of Span is currently generated by the sales of Microsoft products and the associated services. During the post-acquisition period of the first six months of 2001, Span operated at a service content level of 14 percent and a contribution ratio of 18 percent. May being the month of its weakest performance, the six-month results of Span however are considerably better than the budget and expectations.

<i>Span</i> **	Five-month period ending June 30				Change %	
	2001		2000		HUF	USD
	HUF m	USD 000	HUF m	USD 000		
<b>Net sales*</b>	<b>657</b>	<b>2 257</b>	<b>0</b>	<b>0</b>		
<i>Of which services (%)</i>	14%					
<i>Of which products (%)</i>	86%					
<b>Cost of sales</b>	<b>-542</b>	<b>-1 860</b>	<b>0</b>	<b>0</b>		
<i>as % of sales</i>	82%					
<b>Contribution</b>	<b>115</b>	<b>396</b>	<b>0</b>	<b>0</b>		
<i>as % of sales</i>	18%					

\* Including other revenues.

\*\* Including minority interest.



## Analysis of the balance sheet and liquidity position as of June 30, 2001

<i>Balance sheet</i>	June 30, 2001		June 30, 2000		Change %	
	HUF 000	USD 000	HUF 000	USD 000	HUF	USD basis
<b>Assets</b>						
<b>Non-current assets</b>	3 129 633	10 890	2 500 267	9 215	25%	18%
Fixed assets	2 252 626	7 838	2 202 408	8 117	2%	-3%
Intangible assets	840 902	2 926	293 503	1 082	187%	170%
Investments	36 105	126	4 356	16	729%	683%
<b>Current assets</b>	8 249 171	28 704	8 063 142	29 717	2%	-3%
Inventories	1 661 600	5 782	1 637 809	6 036	1%	-4%
Accounts receivable	4 131 969	14 378	2 785 048	10 264	48%	40%
Cash and equivalents	1 594 240	5 547	114 762	423	1289%	1212%
Other current assets	861 362	2 997	3 525 524	12 993	-76%	-77%
<b>Total assets</b>	<b>11 378 804</b>	<b>39 594</b>	<b>10 563 410</b>	<b>38 932</b>	<b>8%</b>	<b>2%</b>
<b>Liabilities and shareholder's equity</b>						
<b>Shareholders' equity</b>	7 834 319	27 260	9 342 855	34 434	-16%	-21%
Share capital	1 910 926	6 649	1 910 926	7 043	0%	-6%
Capital reserves	5 648 738	19 655	5 597 345	20 629	1%	-5%
Profit reserves + Balance sheet profit	274 655	956	1 834 584	6 761	-85%	-86%
<b>Short-term liabilities</b>	3 192 669	11 109	1 214 756	4 477	163%	148%
Accounts payable	1 837 678	6 394	827 270	3 049	122%	110%
Other short-term liabilities	1 354 991	4 715	387 486	1 428	250%	230%
<b>Long-term liabilities</b>	80 330	280	5 799	21	1285%	1208%
<b>Minority interest</b>	271 486	945	0	0		
<b>Total liabilities and shareholders' equity</b>	<b>11 378 804</b>	<b>39 594</b>	<b>10 563 410</b>	<b>38 932</b>	<b>8%</b>	<b>2%</b>

The balance sheet total of the Company (HUF 11,379 m), as of June 30, increased by 8 percent compared to the closing value of the same period of the previous year, due primarily to the acquisition of the majority interests in the Croatian Span d.o.o. (51%) and the Czech Infinity a.s. (50%+1) subsidiaries.

The consolidated balance sheet of the Group shows a substantial change (HUF 841 m) of the intangible assets. The change in the goodwill items associated with the acquisition of the subsidiaries is behind the 187-percent growth.

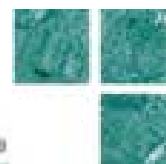
The net value of fixed assets (HUF 2,253 m) grew by 2 percent. This growth is completely regional expansion-related, while these items excluded, there was an 18-percent decline, the result of new purchases and depreciation accounted for.

The 48-percent increase of the accounts receivable (HUF 4,132 m) relates to Infinity and Span. The subsidiaries excluded, there was an 18-percent drop.

The amount of cash was HUF 1,594 m at the end of the period, HUF 1,269 m of which is shown in the books of the parent company.

The closing value of the other current assets was HUF 861 m, as opposed to the HUF 3.525 m of 2000, constituted mainly by the government securities held by the Company. The 76-percent drop was primarily the result of the financial transactions associated with the acquisition of the two subsidiaries.

The 163-percent growth of the closing value of short-term liabilities (HUF 3,193 m) was the result of the 250-percent increase of other short-term liabilities (HUF 1,355 m) and the 122-percent growth of accounts payable (HUF 1,838 m). The growth of both items was the result of the consolidation of the two subsidiaries. The collective value of the accounts payable and the other short-term liabilities of the two new companies amounted to HUF 1,288 m and HUF 977 m respectively.



## Liquidity position

The value of the cash and securities held by the Company as of June 30, 2001 was HUF 1,594 m.

The overall liquidity position was balanced. Cash flow from operations amounted to HUF 448 million, due to the changes, as described above, of the accounts payable, accounts receivable and the inventories, as of June 30, 2001, as well as to the negative operational result of the quarter. The value of investments was HUF 1,381 million, including the acquisition of the subsidiaries. The HUF 484 million change in credit is the sum of the short-term and long-term credits in Infinity's accounts.

The effect of the change in the value of capital includes the consolidation effect of the minority interest as well as the accumulated profit as of January 31 of the two new subsidiaries. Consequently, liquid funds decreased by HUF 155 million compared to December 31, 2000.

<b>Cash flow</b>	Six-month period ending June 30			
	2001		2000	
	HUF 000	USD 000	HUF 000	USD 000
<b>Net income before taxation and minority interest</b>	<b>-548 615</b>	<b>-1 885</b>	<b>-25 471</b>	<b>-95</b>
Depreciation and amortization	369 179	1 268	293 861	1 095
Change in payables	479 894	1 649	-1 100 489	-4 099
Change in accruals	-22 901	-79	34 112	127
Change in inventories	124 664	428	-842 233	-3 137
Change in receivables, other assets	19 896	68	1 445 098	5 383
Change in provisions	25 685	88	0	0
<b>Cash flow from operations</b>	<b>447 802</b>	<b>1 538</b>	<b>-195 122</b>	<b>-727</b>
Net financial result	22 708	78	180 881	674
<b>Cash flow from financing activities</b>	<b>470 510</b>	<b>1 616</b>	<b>-14 241</b>	<b>-53</b>
Change in assets	-459 474	-1 578	-318 077	-1 185
Change in investments	-921 854	-3 167	216 036	805
<b>Cash flow from investing</b>	<b>-1 381 328</b>	<b>-4 745</b>	<b>-102 041</b>	<b>-380</b>
Net change in loans	484 301	1 664	5 799	22
Change in share capital	271 486	933	1 245	5
<b>Cash flow from financing</b>	<b>755 787</b>	<b>2 596</b>	<b>7 044</b>	<b>26</b>
Net change in Cash	-155 031	-533	-109 238	-407
Opening cash position	1 749 272	6 009	224 000	834
Closing cash position	1 594 240	5 477	114 762	427
<b>Change in cash</b>	<b>-155 031</b>	<b>-533</b>	<b>-109 238</b>	<b>-407</b>

## Number of staff

The table below shows the average numbers of the employees of the Synergon Group. The change between the two periods is mainly due to the reducing effect of the cost- and staff rationalisation programs started at Synergon at the end of 2000 as well as to the positive effect of the integration of the new subsidiaries. This is indicated by the decline of the number of staff at each Division of Synergon (except Services) and at the company support units during the period under survey. The closing overall number of staff for the Group was 521 and 567 in the first six months of 2000 and 2001 respectively.

<b>Average number of employees</b>	First six months of 2001	First six months of 2000	Change %
Communications Systems D.	58	67	-15%
Hardware-Software Integr. D.	42	76	-45%
Services	70	46	53%
Consulting	68	102	-34%
Fibex	29	28	4%
Infinity	128	-	
Span	22	-	
Strategic Sales & Marketing + Company support units	140	222	-37%
<b>Total</b>	<b>557</b>	<b>542</b>	<b>3%</b>



## Shareholder structure and company events

According to Synergon's shareholders' register, no significant change occurred to affect the major shareholders in terms of the ownership structure during the past six months. One single new shareholder holding shares over 5% has been registered in the book during the period under review. In March 2001, the Company sold its treasury shares to its employees under an employee participation program; however, pursuant to the decision adopted by the annual ordinary General Assembly, new treasury shares were purchased in May. The shareholders' register shows the following ownership structure as of June 30, 2001:

Synergon's ownership structure		
Shareholder's name	June 30, 2001	Jan 1, 2001
Bankers Trust (depository)	40.7%	40.7%
Avonhouse	15.2%	15.2%
Davon Kft.	12.1%	12.1%
RCX Kft.	11.2%	11.2%
Curdie Trust Corp.	9,9%	0%
Tibor Gyurós	0%	4.7%
Financial investors, below 5 percent of shares each	8,1%	15.0%
Treasury shares	2.8%	1.1%
<b>Total</b>	<b>100%</b>	<b>100%</b>

During the period March 31 – June 30, 2001, the Board of Directors of Synergon Information Systems plc. held two meetings. At the meeting of 24 April, the Board of Directors approved the agenda of the ordinary annual General Assembly, the annual reports of the Fibex Ltd. and Syninvest Ltd, as well as appointed the members of the Supervisory Board of Syninvest Ltd.

During the period March 31 – June 30, 2001, the Supervisory Board of Synergon Information Systems plc. held one meeting. At the meeting of June 22, the Board decided to convene an extraordinary General Assembly in order to elect new members into the Board of Directors.

During the period March 31 – June 30, 2001, Synergon Information Systems plc. held one General Assembly. The decisions passed by this ordinary General Assembly were published by the Company on May 2, 2001 in its journals of publication.

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### For further information please contact:

Tamás Garamszegi

T: 399 5500

F: 399 5599

[tamas.garamszegi@Synergon.hu](mailto:tamas.garamszegi@Synergon.hu)

Tamás Kozák

T: 399 5500

F: 399 5599

[tamas.kozak@Synergon.hu](mailto:tamas.kozak@Synergon.hu)

**Synergon Information Systems plc., 1047, Budapest, Baross u. 91-95**

[www.synergon.hu](http://www.synergon.hu)

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