

**FLASH REPORT**



**Financial results of  
Synergon Information Systems plc.  
for the 9-month period  
January 1 - September 30, 2003**  
Unaudited consolidated  
Financial Statements prepared  
in accordance with  
International Financial  
Reporting Standards

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**In the third quarter of 2003 the most important event for the Synergon Group was the agreement concluded between Atos Origin International B.V. and Synergon Information Systems plc on the acquisition of Atos Origin Information Technology Ltd. by Synergon. Through this transaction the Synergon Group acquires one of the leading professional subsidiaries in the field of IT services, significantly increasing its market share and professional competence in this area. In addition to this agreement, a strategic partnership has also been formed between the two companies, which calls for Synergon to represent Atos Origin in the Central Eastern-European region, and outside the Central Eastern-European region it is Atos Origin that provides support to Synergon customers.**

**Stability and a high level of liquid assets continue to characterise the Group's operations. The service content of group revenue in the reporting period rose by 5 percent to 33 percent as compared to the first three quarters of 2002. The change in group-level net contribution was successfully kept below the degree of decline in sales revenue, and as a result the group's average contribution margin (22%) did not change between the two reporting periods. The increased service content and net contribution achieved by Synergon in the analysed period point towards the realisation of the Group's strategic objectives in this field. In spite of the reduction in the Group's revenue (-12%) it was able to maintain the positive movement of the above economic indicators. Reasons for this drop include the still stagnating, and, in certain sectors, shrinking market, and furthermore, a decline in performance resulting from on-going reorganisation efforts at the subsidiaries of the Group.**

The drop in Synergon plc's sales revenue and the similar drop in its profit may be attributed to the events of the third quarter, which worked against the good first two quarters of this year, which showed the projected performance. This was mainly due to a weak market, including a decline in government orders and EU projects. Another major factor was the – still – diminishing demand in the telecommunications sector, which was also dragged down by the restructuring of Invitel. The energy sector's meagre performance was a result of the faltering liberalisation process.

Synergon's sales were also affected by the rising IT equipment prices resulting from the weakening of the forint, and the reduced demand for classic consulting services. Operation successes include the strong contribution content and margin (increasing in each quarter of 2003, and stagnating when quarters 1 to 3 of 2002 and 2003 are compared). Increasing service content shows a tendency for customers being open to services containing added value, and there was also an upturn in value added services related to infrastructure activities.

Similar developments can be seen on the regional markets where Synergon has interests. In the Czech Republic, Skoda, one of the most important clients for Infinity Ltd cut back on its spending, and the Czech government has also introduced money-saving measures. Diminishing opportunities on the market prompted the Infinity management to start restructuring and to adjust capacity to the level of demand on the market. Beyond the regional effect of the demand on the IT market, uncertainties of the election year had a negative impact on the Croatian company, Span Ltd. However, resources that were freed on the market have been reallocated by the Croatian subsidiary for use in an intensive business development activity.

In the case of Fibex Ltd., a possible positive development could be that although its decline seems to be spectacular compared to last year, its organization structure, which was adapted to the unfavourable market situation, has produced results, and in the first nine months of 2003 the company was profitable. The result of last year was improved by cover resulting from the sale of the Fibex office building in Vác.



## ANALYSIS OF SYNERGON GROUP RESULTS IN 2003

Comparison of the nine-month period ending September 30, 2003  
with the same period of 2002

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 euros. The average exchange rate applied for the items of the profit and loss account are HUF 243.9 and HUF 245.26 per euro for the first nine months of 2002 and 2003 respectively. The closing exchange rate applied for the balance sheet items are HUF 243.28 and HUF 254.61 per euro for September 30, 2002 and September 30, 2003, respectively.

### Group results

Profit and loss statement	9-month period ending September 30					
	2003		2002		Change %	
	000 HUF	000 EUR	000 HUF	000 EUR	HUF basis	EUR basis
<b>Net sales*</b>	<b>12 408 211</b>	<b>50 593</b>	<b>14 026 710</b>	<b>57 632</b>	-12%	-12%
<i>Of which services(%)</i>	33%		28%			
<i>Of which products (%)</i>	67%		72%			
<b>Cost of sales</b>	<b>-9 632 364</b>	<b>-39 275</b>	<b>-11 005 224</b>	<b>-45 217</b>	-12%	-13%
<i>As % of sales</i>	78%		78%			
<b>Contribution</b>	<b>2 775 848</b>	<b>11 318</b>	<b>3 021 486</b>	<b>12 414</b>	-8%	-9%
<i>Contribution margin (%)</i>	22%		22%			
<b>Operating expenses</b>	<b>-3 336 192</b>	<b>-13 603</b>	<b>-3 057 001</b>	<b>-12 560</b>	9%	8%
<b>EBITDA</b>	<b>26 002</b>	<b>106</b>	<b>541 674</b>	<b>2 226</b>	-95%	-95%
<i>EBITDA margin</i>	0%		4%			
<b>Operating profit</b>	<b>-560 344</b>	<b>-2 285</b>	<b>-35 515</b>	<b>-146</b>	1478%	1466%
<i>Operating margin (%)</i>	-5%		0%			
Net financial income	63 508	259	97 786	402	-35%	-36%
Extraordinary items	1 026	4	0	0	na.	na.
Profit before tax	-495 810	-2 022	62 270	256	-896%	-890%
Corporate tax	-9 455	-39	-77 394	-318	-88%	-88%
Minority interest	16 948	69	-45 379	-186	-137%	-137%
<b>Net profit</b>	<b>-488 317</b>	<b>-1 991</b>	<b>-60 503</b>	<b>-249</b>	707%	701%
<i>Net margin (%)</i>	-4%		0%			

\* Including other revenues.

#### Sales revenue

During the first nine months of 2003, Synergon Information Systems plc, including its consolidated subsidiaries, achieved sales revenue of HUF 12,408 million, a 12 percent decrease in forint terms from the HUF 14,017 million sales revenue of the base period. Within the Group, Synergon's sales increased by 3 percent during the first nine months of the year, while the revenues of the subsidiaries declined more significantly.

In a sector-by-sector breakdown of Synergon Group sales, during the period the telecommunications and financial sectors accounted for 12 and 14 percent respectively, industry and public utilities/transport represented 29 percent, and the public sector 22 percent. Other, unclassified sales amounted to 23 percent.

Compared to previous years, the share of the public and financial sector was substantially higher, due to the prolonged recession in the telecommunications sector and the restructuring of the customer portfolio resulting from decreasing willingness to invest. The decline of the public administration's investments is demonstrated by the fact that while this sector accounted for 40 percent of Synergon's sales revenue in quarter 1, 2003, its cumulative share during the three quarters has decreased.

During the first nine months of 2003 the service content of sales was 33 percent, compared to 28 percent during the same period in 2002. This increase was due to growing service content achieved by all member companies, of which Infinity's indicator produced an outstanding 13 percent increase (details in the respective sections).



### Cost of sales

The cost of sales consists mainly of products sold, raw materials, payments to contractors and direct labour costs. Comparing the first-nine-month periods of 2002 and 2003, the cost of sales decreased by 12 percent (HUF 11,005 million and 9,632 million respectively), at the same rate of decrease as that of sales revenue, that is, the group kept the change of these costs at the same level as that of the sales revenue, so the cost of sales still amounts to 78 percent of the sales revenue. This was the result of high-contribution products, the services provided, and the high prices commanded by outstanding expertise.

### Contribution

Contribution during the first nine months of 2003 amounted to HUF 2,776 million, as compared to HUF 3,021 million during the same period of 2002, an 8 percent decrease.

The group managed to keep the change of contribution level below the rate of decrease of sales revenue, due to an increasing proportion of services. As a result of these two factors the group managed to keep the contribution margin during the January to September period in 2003 at the same level as that in the same period of 2002, 22 percent.

### Operating expenses

Operating expenses amounted to HUF 3,336 million during the first nine months of 2003, a 9 percent increase from the HUF 3,057 million achieved during the same period of 2002. This change – the reverse of the change in sales revenue over the period – was primarily due to the growing headcount at both corporate level (excluding Fibex) and group level. The most significant constituents of the operating expenses included non-business labour costs (HUF 1097 million), depreciation (HUF 585 million) and vehicle expenses (HUF 249 million). Of the operating expenses, marketing expenses (+29 percent) and training expenses (+8 percent) and non-

business labour expenses (+27 percent) grew significantly in 2003 compared to the figures for the first nine months of last year.

### Operating profit

The operating expense margin, which increased during the first nine months of 2003, exceeded the value of the contribution margin, which means that the operations of the group generated a loss during this period. The growth rate of the operating loss was HUF 524 million, compared to that of the first nine months of 2002. The effect of this is demonstrated by the EBITDA indicator, showing the profit without depreciation, which dropped to HUF 26 million.

### Net financial income

Net financial income was HUF 63 million during the first nine months of 2003, compared to HUF 98 million during the same period of 2002. This drop was the result of a 50% decrease in the income from interest rates. The net exchange rate gain at group level is also double of that posted in the same period last year.

### Profit before tax

Since there was a decline in both operating profit and net financial income, group loss before tax was HUF 469 million in the first nine months of 2003, compared to a profit of HUF 62 million in the same period of 2003.

### Net profit

The net loss during the first nine months of 2003 was HUF 488 million, compared to a net loss of HUF 60 million during the same period of 2002. As in the previous periods, net earnings were reduced by two items, but to a lesser degree. Corporate tax payment diminished owing to the net loss at group level. On the other hand, exclusion of minority interests results in a positive balance due to losses at the Czech and Croatian subsidiaries.



## Staff numbers

The table below shows the average staff numbers at the Synergon Group. The largest staff changes in proportional terms occurred at Fibex and Span, but due to their minor weight (and the counteracting effect), growth at group level was determined by

staff numbers at Infinity and Synergon. In the Group overall, the closing staff number was 544 on September 30, 2003, compared to 515 on September 30, 2002.

<i>Average staff numbers</i>	<b>2003 Q3</b>	<b>2002 Q3</b>	<b>Change %</b>
<b>Synergon</b>	315	286	10%
<b>Fibex</b>	14	28	-50%
<b>Infinity</b>	166	160	4%
<b>Span</b>	49	41	20%
<b>Total</b>	<b>544</b>	<b>515</b>	<b>6%</b>

## Analysis of Synergon Group Companies

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

<i>Group companies</i>	9-month period ending September 30							
	2003			2002			Change %	
	000 HUF	000 EUR	%	000 HUF	000 EUR	%	HUF	EUR
<b>Sales*</b>	<b>12 408 211</b>	<b>50 593</b>	100%	<b>14 026 710</b>	<b>57 632</b>	100%	<b>-12%</b>	<b>-12%</b>
Synergon Rt.	8 449 856	34 453	68%	8 681 473	35 670	62%	-3%	-3%
Fibex	489 906	1 998	4%	717 457	2 948	5%	-32%	-32%
Infinity	2 865 867	11 685	23%	3 676 597	15 106	26%	-22%	-23%
Span	895 716	3 652	7%	1 423 298	5 848	10%	-37%	-38%
Consolidation	-293 134	-1 195	-2%	-472 116	-1 940	-3%	-38%	-38%

\* Including other revenues.

The sales of Synergon plc accounted for two thirds of the total sales of the Synergon Group, while the rest of the sales were generated by the other group members. Considering its magnitude, the share of the foreign subsidiaries in the sales revenues of each

period shows only a minor change and a certain degree of restructuring. In the first nine months of 2003 under review, performance of the group members was affected by adverse developments on the market.

## Synergon plc

Synergon plc, the Hungarian member of the Synergon Group, as the majority shareholder of the other members it is the parent company of the Group in legal terms. A description of the activities of Synergon plc, and a detailed introduction to the

company are available at the company's websites [www.synergon.hu](http://www.synergon.hu) and [www.synergon-international.com](http://www.synergon-international.com).



Synergon plc	9-month period ending September 30					
	2003		2002		Change %	
	000 HUF	000 EUR	000 HUF	000 EUR	HUF	EUR
<b>Net sales*</b>	<b>8 449 856</b>	<b>34 453</b>	<b>8 681 473</b>	<b>35 670</b>	<b>-3%</b>	<b>-3%</b>
<i>Of which services (%)</i>	33%		32%			
<i>Of which products (%)</i>	67%		68%			
<b>Cost of sales</b>	<b>-6 480 885</b>	<b>-26 425</b>	<b>-6 740 262</b>	<b>-27 694</b>	<b>-4%</b>	<b>-5%</b>
<i>As % of sales</i>	77%		78%			
<b>Contribution</b>	<b>1 968 971</b>	<b>8 028</b>	<b>1 941 211</b>	<b>7 976</b>	<b>1%</b>	<b>1%</b>
<i>Contribution margin (%)</i>	23%		22%			
Operating expenses	-2 368 142	-9 656	-2 128 848	-8 747	11%	10%
<b>EBITDA</b>	<b>-87 450</b>	<b>-357</b>	<b>168 442</b>	<b>692</b>	<b>-152%</b>	<b>-152%</b>
<i>EBITDA margin (%)</i>	-1%		2%			
<b>Operating profit</b>	<b>-399 170</b>	<b>-1 628</b>	<b>-187 637</b>	<b>-771</b>	<b>113%</b>	<b>111%</b>
<i>Operating margin (%)</i>	-5%		-2%			

\* Including other revenues.

During the first nine months of 2003, despite a 3% decline in its sales revenue, Synergon plc increased the service and contribution content of its sales (33% and 23%, respectively), compared to the same period of 2002. These indicators were influenced by the fact that customers are increasingly open to value added services, and also the demand has also grown for value added services related to infrastructural activities, which fits in well with Synergon's strategic efforts.

While the first six months of 2003 were characterised by a slow going market, there was a decline in the third quarter, and no major new projects were launched in any areas. Diminishing sales revenue during the first nine months of 2003 was caused by the third quarter performance, and the reasons include the stagnation of the market, which resulted partly from the cancellation and postponing of investments in the public sector aimed at cutting back on costs. Stagnation in this field had an impact on the IT-related development of other industrial sectors.

In addition to decreasing sales revenue, the magnitude of change of operating expenses exceeding that of contributions also had a negative impact on the operating and net profit of the company. The 11% rise in operating expenses was generated by the continuous costs of an organisation expanded because of the Synergon's business development and expected increasing market demands – which, however, did not increase only decrease.

Network communication activities remain a major area in Synergon's portfolio and performed exceptionally well in terms of both sales revenue and contribution, the latter exceeding three times the growth of the sales revenue. Stronger than usual seasonal impact on the division's performance in the third quarter was counterbalanced by the outstanding performance of the first six months, and orders from key customers, including advanced maintenance services, but major projects were still scarce. New technologies introduced this year (network security solutions, IP telephony) prospered through the entire nine-month period, and compensated for the recession. To counterbalance the competition on the structured cabling market the division shifted towards offering data centres with high added value. The higher than average contribution content and margin can be attributed to an upturn in customised training, consulting, support and other value added activities.

Hardware sales have built up stable and reliable supplier and customer bases. Despite declining sales revenue indicators in the first nine months of 2003, contribution improved, showing an increasing demand by customers for value added services. By the third quarter major storage and RISC system projects that had been launched during the first six months were completed. There is a balance among suppliers in the portfolio, ensuring independency on the technological limits. The investments originating from the financial sector had the strongest impact on the operation of the division due to a change in the structure of the market. System support activities earned sales revenue comparable to last year's



levels, and with consistently high contributions, which provides Synergon with a stable and predictable source of income. Optimising workflow increased the efficiency of this part of the organisation and improved the quality of service. During the period under review, the focus of the services portfolio shifted towards proactive services, this being the type of service for which there is most customer demand. Looking ahead, it is expected that due to the acquisition of the Atos Origin subsidiary there will be an increase in the sales revenue and contribution content, and efficiency indicators of operations will also improve.

The efficiency of the team formed in the software division at end 2002 was demonstrated even during the first nine months of 2003, although their performance dropped in the third quarter on account of stagnation on the market, and completion of a number of projects was pushed back until the fourth quarter. Reorganising its activity led to adding a number of new competencies (e.g. database and decision support solutions) to its portfolio. Activity remains strongest in meeting customer demands for Microsoft-based customised solutions. The new competencies and new staff met with a high degree of acceptance, and satisfactory completion of orders in the field generated further projects. Developers completed the latest version of Synergon's e-learning framework system, and the market launch is already under way. In order to extend presence on the market the division is forming a group of qualified partners (suppliers and subcontractors) to provide high level services to its customers.

#### **Fibex Ltd.**

Fibex Ltd, specialising in the sale of optical and copper cables, network building materials and tools, operates as a 100 percent Synergon subsidiary. For a

description of the activities of Fibex Ltd., and a detailed introduction to the company please visit the company's website [www.fibex.hu](http://www.fibex.hu).

Of the key consulting areas, e-learning and InfoRend (a hospital IT system) developed significantly, but these areas are in their introductory stage on their life cycle curve so consequently their effect on the profitability of this area is minor, that is, only expenses are observable so far. Each of the consulting businesses (SAP, business and security consulting) closed a weaker period at the end of the first nine months of 2003. Seasonality affects the performance of the ERP division strongly in a quarter-by-quarter comparison. A typical aspect of the cyclical character of projects that recurred this year is that they end in the first six months, and no new projects are launched in the third quarter, which is closely related to the summer holiday season, and public cost cutting measures that are typical of this year. The last quarters is expected to come with a minimal trend-like upturn due to supplementary investments, completion of the unfinished parts of investments and support contracts.

Performance by the business consulting division was determined by the fact that the market came to a standstill during the first half of the year, and there were no orders carried forward from the previous periods, and the recovering market in the third quarter was not able to compensate for this. On the security market a necessity-driven restructuring can be observed regarding access and content security, and the combination of both, and especially IT security solutions emerging with the spreading of teleworking in Hungary.



<i>Fibex Ltd.</i>	9-month period ending September 30					
	2003		2002		Change %	
	000 HUF	000 EUR	000 HUF	000 EUR	HUF	EUR
<b>Net sales*</b>	<b>489 906</b>	<b>1 998</b>	<b>717 457</b>	<b>2 948</b>	<b>-32%</b>	<b>-32%</b>
<i>Of which services (%)</i>	4%		0%			
<i>Of which products (%)</i>	96%		100%			
<b>Cost of sales</b>	<b>-429 086</b>	<b>-1 750</b>	<b>-536 546</b>	<b>-2 205</b>	<b>-20%</b>	<b>-21%</b>
<i>As % of sales</i>	88%		75%			
<b>Contribution</b>	<b>60 820</b>	<b>248</b>	<b>180 911</b>	<b>743</b>	<b>-66%</b>	<b>-67%</b>
<i>Contribution margin (%)</i>	12%		25%			
Operating expenses	-54 731	-223	-123 271	-506	-56%	-56%
<b>EBITDA</b>	<b>14 012</b>	<b>57</b>	<b>67 252</b>	<b>276</b>	<b>-79%</b>	<b>-79%</b>
<i>EBITDA margin (%)</i>	3%		9%			
<b>Operating profit</b>	<b>6 089</b>	<b>25</b>	<b>57 640</b>	<b>237</b>	<b>-89%</b>	<b>-90%</b>
<i>Operating margin (%)</i>	1%		8%			

\* Including other revenues.

Compared to the first nine months of last year, the sales revenue and contribution margin of Fibex Ltd. decreased (-32% and -66%, respectively). This was mainly due to the continuing crises in the telecommunication sector – which is the primary market of the optical cable – and because of this postponed projects. The stagnation in the CableTV market is caused by the crises as well.

A one-off transaction in the base period when Fibex sold off its site in Vác. Revenue from this transaction (other revenue) was more than HUF 120 million, and raised the operating profit by HUF 50 million in 2002. If the present year is compared to the base period without the effect of the above sale, the following can be established: the fall in the sales revenue is still 19 percent, but the net contribution did not change due to a proportional reduction in the headcount. Contribution margin improved by 2 percent, while EBITDA and operating profit

correspond to the adjusted figures of the previous year.

In 2003 the company had two profitable quarters, and thus, the first nine months were also profitable due to a staff reduction, and the operating and net profit figures. Improving the dynamics of the company's performance was still adversely affected by the lack of new major projects, which were, at best, in the pre-decision phase during this period. Due to the slackness of the market the company management continued the substantial layoffs and cost-cutting measures initiated at the beginning of the year. The initial results of overall profitable operation resulting from the financial and operational restrictions introduced can be seen, but their rise is expected only in the long run. The management of the company decided to extend its portfolio and concentrate its partnership because of the narrowing market.

### **Infinity a.s.**

Infinity a.s. is the Czech member of the Synergon Group and is in majority ownership (66.67 percent since June 30, 2002). The dominant part of Infinity's sales revenue is generated by the sales of HP and Microsoft products and related services, as well as remote management and support services based on

these products. During the first six months of 2003, Infinity established a representative office in Bratislava to support projects in Slovakia. For a description of the activities of Infinity, and a detailed introduction to the company please visit the company's website at [www.infinity.cz](http://www.infinity.cz).



Infinity	9-month period ending September 30					
	2003		2002		Change %	
	000 HUF	000 EUR	000 HUF	000 EUR	Ft	EUR
<b>Net sales*</b>	<b>2 865 867</b>	<b>11 685</b>	<b>3 676 597</b>	<b>15 106</b>	<b>-22%</b>	<b>-23%</b>
<i>Of which services (%)</i>	39%		26%			
<i>Of which products (%)</i>	61%		74%			
<b>Cost of sales</b>	<b>-2 217 578</b>	<b>-9 042</b>	<b>-2 963 475</b>	<b>-12 176</b>	<b>-25%</b>	<b>-26%</b>
<i>As % of sales</i>	77%		81%			
<b>Contribution</b>	<b>648 289</b>	<b>2 643</b>	<b>713 122</b>	<b>2 930</b>	<b>-9%</b>	<b>-10%</b>
<i>Contribution margin (%)</i>	23%		19%			
Operating expenses	-658 396	-2 685	-592 644	-2 435	11%	10%
<b>EBITDA</b>	<b>111 007</b>	<b>453</b>	<b>241 050</b>	<b>990</b>	<b>-54%</b>	<b>-54%</b>
<i>EBITDA margin (%)</i>	4%		7%			
<b>Operating profit</b>	<b>-10 107</b>	<b>-41</b>	<b>120 478</b>	<b>495</b>	<b>-108%</b>	<b>-108%</b>
<i>Operating margin (%)</i>	0%		3%			

\* Including other revenues.

Every figure of this table includes minority interest.

In line with the group strategy, Infinity succeeded in achieving a higher-than-average service content in the first two quarters, but they were unable to keep up the rate of growth in the third quarter; nevertheless this indicator remains strong, at 39%, for the first nine months of 2003, compared to 26% in the same period of 2002. Over 40 percent of Infinity's sales revenue was still generated by projects for industrial customers.

Growth on the Czech market slowed down in the second and third quarter, and many projects were postponed or cancelled, causing the sales revenue and contribution figures of the subsidiary (-22% and -9%, respectively) to drop below those of the same period in the previous year. This was due to a decline in product sales, and the decrease of the

related contribution content. Projects resulting in deferred sales revenues are usually related to certain high-value investment projects. Despite the slowdown in investments, the demand for services remained strong in the first nine months of 2003.

The company minimised the decrease in net contribution by increasing the contribution of services and reducing the cost of sales faster than the decline of the sales revenue. The rise in other operating expenses and the fall in contribution led to a marked decrease of both operating profit and EBITDA between the periods under review.

Because of the previous performance of the company, the management of Infinity is improving sales activity and optimizing resource requirements.

### Span d.o.o.

Span d.o.o. is the Croatian member of the Synergion Group and is in majority ownership (68.1%) of Synergion 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, and associated support services and training. For further details on the activities of Span and an introduction to the company itself, please visit the company's website: [www.span.hr](http://www.span.hr).



Span	9-month ending September 30					
	2003		2002		Change %	
	000 HUF	000 EUR	000 HUF	000 EUR	Ft	EUR
<b>Net sales*</b>	<b>895 716</b>	<b>3 652</b>	<b>1 423 298</b>	<b>5 848</b>	<b>-37%</b>	<b>-38%</b>
<i>Of which services (%)</i>	22%		16%			
<i>Of which products (%)</i>	78%		84%			
<b>Cost of sales</b>	<b>-771 651</b>	<b>-3 146</b>	<b>-1 212 040</b>	<b>-4 980</b>	<b>-36%</b>	<b>-37%</b>
<i>As % of sales</i>	86%		85%			
<b>Contribution</b>	<b>124 064</b>	<b>506</b>	<b>211 258</b>	<b>868</b>	<b>-41%</b>	<b>-42%</b>
<i>Contribution margin (%)</i>	14%		15%			
Operating expenses	-167 079	-681	-173 460	-713	-4%	-4%
<b>EBITDA</b>	<b>-7 379</b>	<b>-30</b>	<b>64 930</b>	<b>267</b>	<b>-111%</b>	<b>-111%</b>
<i>EBITDA margin (%)</i>	-1%		5%			
<b>Operating profit</b>	<b>-43 015</b>	<b>-175</b>	<b>37 798</b>	<b>155</b>	<b>-214%</b>	<b>-213%</b>
<i>Operating margin (%)</i>	-5%		3%			

\* Including other revenues.

Every figure of this table includes minority interest.

In line with the group strategy, Span has also managed to increase the share of services in its sales revenue from 16 percent in the first half of the previous year to 22 percent during the first nine months of 2003. Now most of the new projects launched by the company are based on service or support activities.

The subsidiary was unable to repeat its markedly strong performance during the third quarter of last year, and its sales revenue declined by 32 percent. The main reasons behind this include the go-slow attitude of the market players with regard to investments, the election year, and the relative strength of the Croatian national currency against the US dollar. Exchange rate changes mainly affect sales revenue via long-term support agreements

involving fixed USD exchange rates. These agreements are now being renegotiated by the subsidiary.

While at Span the cost of sales changed at almost the same rate as sales revenue, net contribution decreased faster. The cause of this is the company's shift away from product sales, whose contribution is being forced down by competition toward more profitable service and support activities. This has entailed a certain increase in the headcount, and because the new activities are still in the market entry phase, they were unable to compensate for the drop in sales revenue and contribution as product sales diminished. As a result, both the operating profit and the company's EBITDA index decreased between the two periods.



## Analysis of the balance sheet and liquidity position as of September 30, 2003

<i>Balance sheet</i>	Sept 30, 2003		Sept 30, 2002		Change %	
	000 HUF	000 EUR	000 HUF	000 EUR	HUF	EUR
<b>Assets</b>						
<b>Non-current assets</b>	<b>3 305 977</b>	<b>12 984</b>	<b>3 564 991</b>	<b>14 654</b>	-7%	-11%
Fixed assets	2 237 368	8 787	2 389 286	9 821	-6%	-11%
Intangible assets	1 024 711	4 025	1 128 610	4 639	-9%	-13%
Investments	43 897	172	47 095	194	-7%	-11%
<b>Current assets</b>	<b>7 416 819</b>	<b>29 130</b>	<b>8 063 103</b>	<b>33 143</b>	-8%	-12%
Inventories	1 161 950	4 564	1 751 842	7 201	-34%	-37%
Accounts receivable	3 755 071	14 748	4 420 505	18 170	-15%	-19%
Cash and equivalents	1 548 874	6 083	1 386 550	5 699	12%	7%
Other current assets	950 924	3 735	504 207	2 073	89%	80%
<b>Total assets</b>	<b>10 722 796</b>	<b>42 115</b>	<b>11 628 094</b>	<b>47 797</b>	<b>-8%</b>	<b>-12%</b>
<b>Liabilities and shareholder's equity</b>						
<b>Shareholders' equity</b>	<b>7 331 185</b>	<b>28 794</b>	<b>7 735 509</b>	<b>31 797</b>	-5%	-9%
Share capital	1 910 925	7 505	1 910 926	7 855	0%	-4%
Capital reserves	5 733 835	22 520	5 656 943	23 253	1%	-3%
Profit reserves + Balance sheet profit	-313 575	-1 232	167 640	689	-287%	-279%
<b>Short-term liabilities</b>	<b>3 265 609</b>	<b>12 826</b>	<b>3 683 339</b>	<b>15 140</b>	-11%	-15%
Accounts payable	1 872 720	7 355	2 300 681	9 457	-19%	-22%
Other short-term liabilities	1 392 889	5 471	1 382 658	5 683	1%	-4%
<b>Long-term liabilities</b>	<b>63 975</b>	<b>251</b>	<b>92 767</b>	<b>381</b>	-31%	-34%
<b>Minority interest</b>	<b>62 027</b>	<b>244</b>	<b>116 478</b>	<b>479</b>	-47%	-49%
<b>Total liabilities and shareholders' equity</b>	<b>10 722 796</b>	<b>42 115</b>	<b>11 628 094</b>	<b>47 797</b>	<b>-8%</b>	<b>-12%</b>

The Company's **balance sheet total** of September 30, 2003 (HUF 10,723 million) shows an 8 percent decrease in HUF terms compared to the closing figure for the same period of the previous year. In EUR terms, there was a 12 percent drop due to unfavourable changes in the exchange rate.

### Assets

Of the non current assets recorded in the consolidated Group balance sheet, the net value of **fixed assets** (HUF 2,237 million) decreased by 6 percent. During this period members of the Group typically curbed their purchases of non current assets, and thus the amount of accounted depreciation reduced the value of this balance sheet line.

**Intangible assets** (HUF 1,025 million) decreased by 9 percent, which is attributable to the accounting of a temporary devaluation of goodwill resulting from the purchase of the subsidiaries.

The 34 percent reduction of **inventories** (HUF 1,162 million) was the result of the substantial drop of inventory levels at Synergon and Infinity, which is attributable also to a shift between operations and investments. At the end of the period the companies did not have any considerable carried forward – stocked but not invoiced – projects.

The 15 percent decrease of **accounts receivable** (HUF 3,755 million) due to filtering out invoiced items between group members is a tendency which is typical of all members of the group, and is also related to the reduced sales revenue.

The amount of **cash and equivalents** was HUF 1,549 million, the major part of which (HUF 1,327 million) was stated in the parent company's books. The 12 percent increase was the result of, apart from the continued positive operational cash flow, there being no further share purchases or acquisitions this year (until 09-30-2003), in contrast to 2002.



### Liabilities and shareholders' equity

The following factors had a significant impact on the **capital reserves** line under shareholders' equity: a HUF 79 million change of the value of treasury shares constituting part of the shareholders' equity under IFRS; a HUF 3 million decrease resulting from the exchange rate changes applying to balance sheet items produced in foreign currencies and stated in the forint equivalent on the annual balance sheet date.

The lower **profit reserve + balance sheet profit** line than on September 30, 2002 resulted from the loss incurred during 2002 and the first three quarters of 2003 and the profit-reserve-reducing effect of loss stated for the treasury share transaction.

The closing value of **short-term liabilities** (HUF 3,266 million) corresponds more or less to the closing value in the same period of the previous year. More specifically, however, **accounts payable** declined by 19 percent, mainly due to the high base value of Infinity and Synergon UK. The value of the **other short-term liabilities** line (HUF 1,393 million) was at the same level as that in the previous year.

The reduction in **long-term liabilities** (31 percent) was due to the change in subsidiary loans. The reduction of **minority interest** is a result of Span's and Infinity's negative balance sheet profit.

Cash-flow	9-month period ending September 30			
	2003		2002	
	000 HUF	000 EUR	000 HUF	000 EUR
<b>Operating profit after taxation</b>	<b>-551 826</b>	<b>-2 250</b>	<b>-158 288</b>	<b>-650</b>
Depreciation and amortization	585 320	2 387	577 193	2 372
Change in payables	-1 639 843	-6 686	-2 419 470	-9 941
Change in accruals	-1 869	-8	-999	-4
Change in inventories	87 122	355	-71 766	-295
Change in receivables, other assets	1 935 629	7 892	2 189 519	8 996
Change in provisions	310	1	213	1
<b>Cash flow from operations</b>	<b>414 843</b>	<b>1 691</b>	<b>116 402</b>	<b>478</b>
Net financial result	63 508	259	97 786	402
<b>Cash flow from financing activities</b>	<b>478 351</b>	<b>1 950</b>	<b>214 187</b>	<b>880</b>
Change in assets	-286 094	-1 167	-605 605	-2 488
Change in investments	-43 135	-176	-553 682	-2 275
<b>Cash flow from investing</b>	<b>-329 229</b>	<b>-1 342</b>	<b>-1 159 287</b>	<b>-4 763</b>
Net change in loans	-120 772	-492	206 768	850
Elimination of minority interests	-95 949	-391	-239 811	-985
<b>Cash flow from financing</b>	<b>-216 721</b>	<b>-884</b>	<b>-33 043</b>	<b>-136</b>
Net change in cash	-67 599	-276	-978 143	-4 019
Opening cash position	1 616 473	6 591	2 364 694	9 716
Closing cash position	1 548 874	6 315	1 386 550	5 697
<b>Change in cash</b>	<b>-67 599</b>	<b>-276</b>	<b>-978 144</b>	<b>-4 019</b>

### Liquidity position

The value of cash and securities held by the Company was HUF 1,549 million on September 30, 2003. The overall liquidity position of the Company during the period under review was balanced. The Synergon' stable liquidity position ensures the balanced operation of the group.

**Operations** generated a positive cash flow of HUF 415 million, due partly to changes, with an overall favourable effect, to cash flow in accounts payable, accounts receivable and inventories, which were discussed in the results analysis section, and partly to the HUF 33 million positive balance of the taxed operating profit adjusted for depreciation.



The *investments* of the Group (HUF 329 million) consist mainly of the sum of the fixed asset purchases made by the parent company and the subsidiaries.

The value of the *Cash flow from financing* line was determined by the change of Infinity's short-term loans and the recognition of the minority interest. As a result, liquid funds increased by HUF 68 million compared to December 31, 2002.

### Shareholder structure and company events

Taking into account the shareholders' mandatory reporting obligations, the following table shows the

shareholding structure of Synergon Information Systems plc. as of September 30, 2003.

Synergon's ownership structure		
Shareholder's name	Sept 30, 2003	Dec 31, 2002
Deutsche Bank (depository)	1.0%	9.6%
Davon Kft.	6.6%	7.8%
RCX Kft.	10.2%	10.2%
Curdie Trust Corp.	9.9%	9.9%
Financial investors, below 5 percent of shares each	69.5%	59.7%
Treasury shares	2.8%	2.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

During the period January 1 — September 30, 2003, the Board of Directors of Synergon Information Systems Plc held three meetings. At the March 21 meeting the Board of Directors brought decisions on convening the annual general assembly of Synergon, the dematerialization of securities held by the company, it approved the report of the Board of Directors, and the annual report of Synergon Plc and the group. At the August 27 meeting a decision was made on acquiring a 100% shareholding in Atos Origin Technology Ltd.

During the period January 1 – September 30, 2003 the Supervisory Board of Synergon Information Systems Plc held four meetings. At the March 24 meeting the Supervisory Board approved the convening of the annual general assembly, and the proposals for the assembly. At the ordinary annual general assembly held on April 30, 2003, Synergon Plc brought decision on the dematerialization of the securities held by the company, approved the report of the Directors and the annual report of Synergon.

The following changes have been effected to the organisation of Synergon Information Systems plc

during the period between September 30 and November 13, 2003.

On October 6, 2003, the Berenberg Global Opportunity – Magyar Budapest Fund acquired a 5.3055% shareholding in the Company.

Synergon Information Systems Plc would like to take this opportunity to inform its shareholders that on 30th October 2003 the Company received the unconditional approval of the Hungarian Competition Authority for the business share sale agreement concluded between Atos Origin International B.V. and Synergon Information Systems Plc, according to which Synergon obtains ownership of Atos Origin Information Technology Kft. On 30th October, the Company became the 100% owner of Atos Origin Information Technology Ltd.

The printed shares issued by the company are available for trading at the Budapest Stock Exchange in accordance with the general rules until November 11, 2003; from November 12, 2003 only dematerialised shares are available for trading.



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**Further information:**

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