

FLASH REPORT



**Financial results of
Synergon Information Systems plc
for the 12-month period
January 1st – December 31st 2003**
Unaudited consolidated
Financial Statements prepared
in accordance with
International Financial
Reporting Standards

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Synergon Information Systems plc and its consolidated operating companies have maintained their position as leading regional IT solution suppliers in the market they operate on. In 2003, the Synergon Group conducted its operations on a regionally stagnating market. Taking the year of 2003 as a whole the Group operated in a stable manner, it consolidated its activity in line with the changes in the market. While the weakening tendency of the Czech and Hungarian markets started to show following the first quarter only, the Croatian market was affected from the beginning of the year. Very few major new projects were launched, for which there was a lot of competition. Some encouraging signs began to appear on the market in the fourth quarter.

As a consequence of the upswing in the market at the end of the year, all Group members managed to increase their sales compared to the 2002 level, in this way group-level income increased by 26 percent in the fourth quarter, which stopped the decrease, in terms of the whole year, of the Group's sales. The cash level of the Group went up by HUF 395 million as compared to the base year, the value of its liquid financial assets exceeds HUF two billion. This recovery, although its momentum is significantly lower than previous years, is the indication of a prospective positive tendency.

The Group's sales remained at a level similar to that in 2002; within the Group, Synergon plc achieved a 10-percent growth, while during the fourth quarter, it increased its sales compared to 2002 by 42 percent, i.e. over HUF 1 billion. On the Group level, service content increased at the rate of the strategic expectations. The performance of the subsidiaries substantially contributed to this achievement.

The Group's retained profit for the year remained below the results of the previous period. The Company's operations were affected by the costs and resources aspects of the consolidation efforts, the drop in income due to the stagnant market and the high general level of costs as compared to this. The majority of the loss was the result of the settlement of non-recurring extraordinary items. Such items mainly consisted of the settlement of amortisation of goodwill related to the foreign subsidiaries, the integration expenses of Atos Origin and the provisions made as provided for under the tax administration procedure.

The business-development success of 2003 was that as of October 30th, 2003 Synergon acquired ownership of Atos Origin Information Technology Ltd and renamed it Synergon Atos Origin Kft. Synergon Atos Origin represents a top professional standard in the field of IT services, so significantly increasing the Group's market share and professional competence. Apart from the acquisition, a strategic partnership agreement was also made between Atos Origin International B.V. and Synergon Information Systems plc, under which the Synergon Group will represent Atos Origin in the Central and Eastern European region.

On the basis of the market forecasts no significant improvement is expected regarding 2004. The market-expanding effect of European Union accession and the income generated by it is not expected in 2004, due to the complexity of the structure and administration of the tendering system. In spite of the above tendencies there is an increasing demand for added-value services, including infrastructure services and consulting. Taking advantage of these opportunities the operating companies and the divisions of Synergon plc will bridge over the negative market tendencies with the redefinition of service provision and business development.

With a view to making operations profitable in 2004, the management of the Group decided on the implementation of a number of efficiency-increasing measures, several of which were started during the last year. As far as the provision of added value is concerned, the operating companies have made increasing efforts with a view to reinforce customer loyalty, which could also have a positive impact on winning over new customers. Infinity and Span have moved towards the launching of business and ERP solutions. Measures adopted have also covered the optimisation of operations implemented along with the integration of Atos Origin, including moving them into the Synergon office building. With a view to increasing the efficiency of its Hungarian sales and account management and the introduction of sales processes enabling a fast and flexible service on an evolving market, the Synergon management decided on the appointment of a new Deputy CEO for Sales.



ANALYSIS OF THE 2003 RESULTS OF THE SYNERGON GROUP

Comparing the twelve-month period ending December 31st 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 Euro. The average exchange rates used for the items in the profit and loss account are HUF 239.70 and HUF 249.07 per Euro for the twelve months of 2002 and 2003 respectively. The closing exchange rates applied for the balance sheet items are HUF 235.90 and HUF 262.23 per Euro for December 31st 2002 and December 31st 2003, respectively.

Group results

Profit and loss account	12-month period ending December 31					
	2003		2002		Change, %	
	thousand HUF	thousand EUR	thousand HUF	thousand EUR	HUF basis	EUR basis
Net sales*	19 877 332	79 808	19 960 017	83 273	0%	-4%
Of which services (%)	32%		31%			
Of which products (%)	68%		69%			
Cost of sales	-15 537 794	-62 384	-15 382 623	-64 176	1%	-3%
As % of sales	78%		77%			
Contribution	4 339 538	17 423	4 577 394	19 097	-5%	-9%
Contribution margin (%)	22%		23%			
Operating expenses	-5 244 284	-21 056	-4 478 113	-18 683	17%	13%
EBITDA	-259 456	-1 042	929 269	3 877	-128%	-127%
EBITDA margin (%)	-1%		5%			
Operating profit	-904 746	-3 633	99 281	414	-1011%	-977%
Operating margin (%)	-5%		0%			
Net financial income	98 786	397	141 156	589	-30%	-33%
Extraordinary items	-510 333	-2 049	-1 755	-7	na.	na.
Profit before tax	-1 316 294	-5 285	238 681	996	-651%	-631%
Corporate tax	-48 835	-196	-110 856	-462	-56%	-58%
Minority interest	-30 793	-124	-100 988	-421	-70%	-71%
Net profit	-1 395 921	-5 605	26 837	112	-5301%	-5106%
Net margin (%)	-7%		0%			

* Including other revenues.

Net sales

In 2003, Synergon Information Systems plc, including the consolidated operating companies, achieved a sales revenue of HUF 19,877 million, which, calculated on HUF basis, is basically the same as the net sales during the base period. Within the Group, Synergon achieved a 10-percent growth in Hungary, whereas the sales of the operating companies dropped at various rates. As an indication of a positive tendency, however, all operating companies increased their sales, as compared to 2002, during the fourth quarter. That growth was over HUF 1 billion for Synergon, which corresponds to an increase of 42 percent.

In a sector-by-sector breakdown of the sales of the Synergon Group, the telecommunications and the financial sectors accounted for 11 percent and 15

percent respectively, industrial companies and the public utilities and transport sectors represented an overall 32 percent, whereas the public sector accounted for 22 percent during the period. Other, unclassified sales represented 20 percent. The growth of the share of the public and the financial sectors compared to previous years was primarily the result of the ongoing crisis of the telecom sector and the restructuring of the customer portfolio due to the reduction in their investments. An indication to the fallback of public administration projects at the end of the year is that while such projects accounted for 40 percent of Synergon's overall sales, that ratio dropped when considering the entire year on a cumulative basis.

In 2003, the service content of sales grew to 32 percent, as compared to the 31 percent achieved



during the same period of 2002, on the group level income from services showed an increase of 5%. The positive change of these indicators was due to the increasing service income and content ratio generated by the operating companies.

Cost of sales

The cost of sales consists mainly of products sold, basic materials, payments to contractors and direct labour costs. Comparing the years 2002 and 2003, cost of sales grew by 1 percent (HUF 15,383 million and 15,538 million respectively), and thus the cost of sales corresponded to 78 percent of sales. This was the result of high-contribution products, services and outstanding expertise.

Contribution

Contribution amounted to HUF 4,340 million in 2003, as compared to the HUF 4,577 million in 2002, which represents a 5 percent decrease.

During 2003, this indicator was successfully maintained – as the result of the growing ratio of services – at approximately the 2002 level, *i.e.* 22 percent. The contribution achieved by the group as a whole was affected by the product contribution content reduced as a consequence of the prices achievable under the prevailing market situation.

Operating expenses

Operating expenses amounted to HUF 5,244 million during 2003, a 17-percent increase compared to the HUF 4,478 million achieved during the same period of 2002. The two main reasons behind the movement of operating expenses contrary to the direction of the change of sales were the increasing number of staff (except at Fibex) and the settlement of the amortisation of goodwill for the operating companies Infinity and Span, brought forward to 2003 (the overall amortisation for the Group was HUF 1,088 million during the year). Apart from that, the most significant constituents of operating expenses included marketing costs (HUF 412

million); rentals (HUF 217 million) and other experts' fees (HUF 473 million).

Operating profit

The increased operating profit ratio of 2003 exceeded the rate of the contribution ratio, which means that, on operative level, the Group operated at a loss during the period. The operating loss amounted to HUF 905 million, of which the value of goodwill amortisation accounted for HUF 507 million. Its negative effects can also be identified (in the profit reduced by the amortisation) in terms of the EBITDA, which dropped to –HUF 259 million (the EBITDA indicator is also worsened by the non-recurring provisions recorded under the extraordinary profit, as shown below).

Net financial income

Net financial income amounted to HUF 99 million in 2003, compared to the HUF 141 million achieved during 2002. This change was the result of the decreasing of the interest income during the year and a lower net exchange gain.

Extraordinary items

In the 2003 financial year, the Group recognised an extraordinary loss of HUF 510 million through the provisions made for the expected liabilities of the pending tax administration procedure.

Profit before tax

As operating profit, financial income and extraordinary profit were each reduced, the Group achieved a profit before tax of –HUF 1,316 million in 2003, compared to the HUF 239 million generated in 2002.

Net profit

The net profit of 2003 amounted to – HUF 1,396 million, compared to the 2002 net profit of HUF 27 million.

Number of staff

The following table shows the average staff numbers of the Synergion Group. Although the most substantial change in terms of staff number occurred at Fibex, due to the relatively small weight of that company and the contrary movement of average

staff numbers at Group level, the increase at Group level was determined by the increase of staffing at Infinity and Synergion. The Group-level closing number of staff as of December 31st 2003 was 598, as compared to 527 on December 31st 2002.



Average staff numbers	2003	2002	Change %
Synergon	316	290	9%
Fibex	16	25	-36%
Infinity	168	159	6%
Span	50	42	19%
Atos*	43	0	
Total	593	516	15%

* For Atos, the November-December average is shown

Analysis of the operating companies of the Synergon Group

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

Operating companies	12-month period ending December 31							
	2003			2002			Change %	
	000 HUF	000 EUR	%	000 HUF	000 EUR	%	HUF	EUR
Net sales*	19 877 332	79 808	100%	19 960 017	83 273	100%	0%	-4%
Synergon plc.	13 079 550	52 515	66%	11 912 620	49 699	60%	10%	6%
Fibex	879 330	3 531	4%	877 913	3 663	4%	0%	-4%
Infinity	5 196 922	20 866	26%	5 875 288	24 512	29%	-12%	-15%
Span	1 254 848	5 038	6%	1 773 959	7 401	9%	-29%	-32%
Consolidation	-533 318	-2 141	-3%	-479 763	-2 002	-2%	11%	7%

* Including other revenues.

The sales of Synergon plc accounted for two-thirds of the sales of the Synergon Group, and the remaining part was generated by the operating companies. There is a slight change and also some realignment in the magnitude of the sales ratio falling to the foreign operating companies during the various periods. In 2003, the performance of the operating companies was affected by the adverse changes of the market and the business development and reorganisation efforts required in order to adapt to such market changes also slowed down development.

As of October 30th 2003, Synergon Atos Origin became, with the approval of the Hungarian

Competition Authority, part of the consolidated group of the Synergon Group. Following the acquisition of Atos Origin Technology Ltd., Synergon plc rationalised the operation of Synergon Atos Origin, its new operating company.

The operating company specialises exclusively in IT outsourcing and operational services, consolidated with those units of Synergon, which had formerly specialised in these activities. Its administrative and support operations are handled by Synergon plc. Because of the brevity of the two-month consolidation period, the financial results of the operating company are shown consolidated with Synergon plc.

Synergon plc.

While Synergon plc. is the Hungarian company of the Synergon Group, in legal terms it holds the position of parent company as the major shareholder in the other operating companies. The activities of Synergon plc and other information relating to the

company are described on the company's home Internet site in Hungarian and English at www.synergon.hu, and www.synergon-international.com.



Synergon plc.	12-month period ending December 31					
	2003		2002		Change %	
	000 HUF	000 EUR	000 HUF	000 EUR	HUF	EUR
Net sales*	13 079 550	52 515	11 912 620	49 699	10%	6%
Of which services (%)	34%		36%			
Of which products (%)	66%		64%			
Cost of sales	-10 106 068	-40 576	-8 873 337	-37 019	14%	10%
As % of sales	77%		74%			
Contribution	2 973 482	11 939	3 039 283	12 680	-2%	-6%
Contribution margin (%)	23%		26%			
Operating expenses	-3 567 477	-14 323	-3 234 564	-13 494	10%	6%
EBITDA	-370 250	-1 487	632 142	2 637	-159%	-156%
EBITDA margin (%)	-3%		5%			
Operating profit	-593 995	-2 385	-195 280	-815	204%	193%
Operating margin (%)	-5%		-2%			

* Including other revenues.

Synergon managed to generate a higher sales level on a stagnating market – which only started to pick up during the fourth quarter, and even then at a substantially lower rate than during the previous years. Very few major new projects were launched, for which there was a lot of competition. A lot of public administration projects were cancelled or considerably delayed because of the cutting back of expenses, and that low-key activity was felt heavily in the IT development of other industrial sectors, too. The changing of the interest and exchange rate policies during the year caused further uncertainty, which also caused a reduction in demand in the Hungarian economy.

Between 2002 (HUF 11,913 million) and 2003 (HUF 13,080 million) Synergon plc. increased its sales by 10 percent. It is a positive development, however, that, during the fourth quarter of 2003, the company's sales were 42 percent higher than during the same period of the previous year. As far as the performance of Synergon plc is concerned, during 2003, the first two quarters took off rather slowly, the third quarter was rather extreme in terms of seasonal effects, and the year was rounded off by a more dynamic fourth quarter. The integration of the new operating company, Synergon Atos Origin, also had an influence of the profitability of the Company, this tied up resources with respect to the fourth quarter.

There was a slight reduction in the service and contribution content of the company's sales (34 percent and 23 percent respectively) due to the

performance of several higher-value yet low-service-content projects, as compared to the same period of 2002. However, with respect to income from services the Company achieved a growth of 3.5 percent. These indicators were affected by several factors. First, in accordance with Synergon's strategic efforts, customers had become more receptive to value-added services, although that demand mainly concentrated on services related to infrastructural activity, whose impact shows more in the contribution. Second, the multi-phased tendering process for complex projects – which is typical of public purchasing projects – resulted in Synergon participating in several large volume projects, as equipment supplier, with a low service and contribution content.

Apart from the failed sales during the third quarter and the growing costs of sales during the first and the fourth quarters, the rate of increase of the operating expenses in excess of the contribution negatively affected both the operating profit and the net profit in 2003. The 10-percent increase of operating expenses was the result of the fixed costs of the expansion of professional staff due to the anticipated increase of market demand and to business development. The one-off costs associated with the Atos integration were also recognised under that line of the profit and loss account.

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



generated by product sales and for the loss of sales due to the crisis of the telecom sector by expanding the company's customer base and by consulting and services related to the products, in accordance with the orientation of the corporate strategy focusing on strengthening the service and consulting activities. Besides the prosperous classic communication solutions, there was a growing market for new technologies (IP-telephony, network security, wireless networks, data centres), generating an increasing number of projects and countering the recession.

On the Division's market, major projects were concentrated during the first and the fourth quarters. The (stronger than usual) seasonal impact affecting the performance of the second and third quarters was cushioned by orders from key customers, especially for advanced-level maintenance services. As a result of custom-designed training, consultation, support and other added-value activities, the Division managed to increase the contribution content at a rate exceeding that of the increase of sales. During the fourth quarter of 2003, the Division was awarded the contracts for various major projects that will provide continuous sales income for several years.

Hardware sales has a stable and reliable supplier and customer base. The project demand of the financial and the public administration sectors was the strongest factor influencing the operation of the Division. Synergon's hardware sales were affected during the year by the slackening of the market and the allocation, before the end of the year, of the MKGI supply budgets available to its hardware supplier partners. The expansion of the PC market can be put down to the market-promotion effects of the Sulinet Express program. This, however, does not represent a market opportunity for Synergon both for reasons of product quality and demand segment.

While sales moderately decreased due to the market conditions and potentials, the contribution level improved, which shows the existence of customer demand for added-value services. System support operated at a sales level similar to that of the base year, and the contribution remained high, which generated a reliably calculable income for Synergon. The optimisation of workflows contributed to the improvement of the efficiency of organisational unit and the quality of service. On the basis of customer demand, pro-active services increasingly came into

focus in the service portfolio during the year. The Division entered into new service agreements, covering Synergon's entire portfolio rather than the mere operation of hardware equipment. Synergon's customer loyalty program, prepared in 2003, was launched in January 2004, improving Synergon's recognition among its existing and prospective customers. Apart from the development of the loyalty program, resources were also allocated to the integration of Synergon Atos Origin, the new operating company at the end of 2003.

The Division specialising in software activities also reported on a recession-hit market, resulting in the delay or cancellation of the announcement of projects. The operation of the Division was determined by the strengthening of the banking sector and the investments in public administration. Both of these sectors require specific, targeted IT solutions. Operators on the telecom market gained a new significance, generating unexpected income and profit for the Division in 2003.

Despite the adverse market conditions, however, the Division managed to improve its performance, achieving higher sales, contribution and contribution ratio compared to the base year. The increased sales and efficiency were the result of the new organisational structure in operation since the beginning of 2003 and the continuous transfer of resources performed according to the shifts of the market. With a view to strengthening its market presence, the Division built up a group of qualified subcontractor partners in order to enable it to fulfil customer demand to a high standard.

From the beginning of 2003, several new competences, like database and decision-support solutions, were added to the portfolio as a result of the reorganisation of the operation. The supply of customer demand related to Microsoft-based customised solutions continued to be the most important activity. The organisational restructuring and portfolio expansion had a positive reception on the market, which generated an increasing number of projects in every field. Developers completed the latest version of Synergon's e-learning frame system, whose market launching has begun. At the end of 2003, as part of the rationalisation of Synergon's operation, the Division also took over business security consulting.



Seasonality heavily affected the performance of the Business Consulting Division, which is also shown by a quarter-by-quarter comparison during the year. Due to the cyclic nature of projects, they are typically completed in the first six months or by the end of the fourth quarter, and no new projects are launched during the third quarter. That trend continued to characterise this operation: the performance of first six months was slightly lower than during previous years, due to the recession of the market, which was followed by a traditionally

low-profit third quarter. The performance of the fourth quarter was also influenced by reorganisation and the involvement in the Atos integration. Internal reorganisation was justified by the Atos integration and the need to consolidate several business lines into a single Division within Synergion.

The Infrend hospital information solution moved on from the market launch phase during the period. The start of new projects seems to demonstrate its success.

Fibex Ltd.

Fibex Ltd., specialising in the sales of optical and copper cables, network implementation materials and tools, operates as a 100-percent Synergion

subsidiary. The activities of Fibex Ltd. and further information relating to the company are described on the company's Internet site at www.fibex.hu.

Fibex Ltd.	12-month period ending December 31					
	2003		2002		Change %	
	000 HUF	000 EUR	000 HUF	000 EUR	HUF	EUR
Net sales*	879 330	3 531	877 913	3 663	0%	-4%
Of which services (%)	3%		0%			
Of which products (%)	97%		100%			
Cost of sales	-757 577	-3 042	-689 323	-2 876	10%	6%
As % of sales	86%		79%			
Contribution	121 753	489	188 590	787	-35%	-38%
Contribution margin (%)	14%		21%			
Operating expenses	-90 838	-365	-182 512	-761	-50%	-52%
EBITDA	40 901	164	28 128	117	45%	40%
EBITDA margin (%)	5%		3%			
Operating profit	30 915	124	6 078	25	409%	390%
Operating margin (%)	4%		1%			

* Including other revenues.

Because of the long-term crisis of the telecom market, Fibex restructured its operation in 2003, whose elements included substantial layoffs, the strengthening of the sales activity and portfolio expansion. As a result, its sales were higher and its operational profit five times the amount during the base year, achieved by a staff cut back to two-thirds of the original number. In terms of the real efficiency of the company, this result becomes even more powerful if one considers the income item recorded as the result of a non-recurring transaction in 2002 (other revenues) – whose profit effect was HUF 65 million on the level of operational profit – generated by the sale, out of cost-efficiency considerations, of the company's premises in Vác.

Cost-efficient financial management and the efficient reorganisation efforts proved successful in 2003. By managing to bridge seasonal impacts in 2003, the operating company achieved higher sales and contribution in terms of quarter-by-quarter comparison as well.

The improved efficiency, securing a profitable financial year in 2003, is clearly demonstrated by the HUF 41 million EBITDA indicator and the HUF 31 million operating profit indicator.

Because of the continued intense market competition, the management has carried on with the expansion of the portfolio and of the number



partnerships. For the coming year, it has managed to enter into substantial contracts on the telecom

market, which will probably help maintain the rate of the company's dynamic development.

Infinity a.s.

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

During the first half of 2003, Infinity established its Slovakian representative office in Bratislava, in order to service its projects in Slovakia. The activities of Infinity and further information relating to the company are described in more detail in Czech and English on the company's Internet site at www.infinity.cz.

Infinity	12-month period ending December 31					
	2003		2002		Change %	
	000 HUF	000 EUR	000 HUF	000 EUR	HUF	EUR
Net sales*	5 196 922	20 866	5 875 288	24 512	-12%	-15%
Of which services (%)	32%		26%			
Of which products (%)	68%		74%			
Cost of sales	-4 116 220	-16 527	-4 711 366	-19 656	-13%	-16%
As % of sales	79%		80%			
Contribution	1 080 702	4 339	1 163 922	4 856	-7%	-11%
Contribution margin (%)	21%		20%			
Operating expenses	-943 595	-3 789	-785 052	-3 275	20%	16%
EBITDA	293 597	1 179	501 643	2 093	-41%	-44%
EBITDA margin (%)	6%		9%			
Operating profit	137 107	550	378 870	1 581	-64%	-65%
Operating margin (%)	3%		6%			

* Including other revenues.

Figures include minority interest.

In 2003, the growth rate of the Czech market dropped in comparison with the previous years, which showed in the deferral or the cancellation of some projects. Those projects where sales were deferred were generally linked to higher-value projects. Despite the diminishing spirit for investment, the demand for services continued in 2003.

In accordance with the Group's strategy, Infinity increased its income from service activities by 8 percent, as a consequence of which it achieved a 32 percent service proportion in 2003, compared to the 26 percent of 2002. The company continued to generate nearly 40 percent of its sales from projects performed for customers operating in the industrial sector, with substantial additional sales to the financial and the government sectors.

Market potentials resulted in the reduction of sales (-12 percent) and contribution content (-7 percent) in comparison with the same period of the previous year. The contribution margin grew to 21 percent in 2003 compared to 2002 (20 percent), as the result of the fact that the contribution decreased at a lower rate than sales and that the sales revenue from services increased. The growth of operating expenses and the diminution of contribution resulted in the substantial reduction of both the operating profit and the EBITDA in the comparison of the periods under review.

Considering the performance of the past period, Infinity's management is in the process of strengthening its sales activity and optimising its requirements for resources. The company is focusing on existing major customers as well as targeting new markets and customers with the solutions and



products constituting its core business. It is developing its business by adding software

development and business solutions to its portfolio.

Span d.o.o.

Span d.o.o. is the Croatian operating company of the Synergon Group, in the majority ownership (68.1 percent) of Synergon plc. Apart from various networking and infrastructure-management projects, the major part of the sales revenue of Span is currently generated by the sales of Microsoft

products, Windows-based infrastructure projects, the associated 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 Internet site at www.span.hr.

Span	12-month period ending December 31					
	2003		2002		Change %	
	000 HUF	000 EUR	000 HUF	000 EUR	HUF	EUR
Net sales*	1 254 848	5 038	1 773 959	7 401	-29%	-32%
Of which services (%)	22%		17%			
Of which products (%)	78%		83%			
Cost of sales	-1 044 240	-4 193	-1 524 711	-6 361	-32%	-34%
As % of sales	83%		86%			
Contribution	210 609	846	249 247	1 040	-16%	-19%
Contribution margin (%)	17%		14%			
Operating expenses	-257 469	-1 034	-235 672	-983	9%	5%
EBITDA	48 478	195	64 109	267	-24%	-27%
EBITDA margin (%)	4%		4%			
Operating profit	-46 861	-188	13 576	57	-445%	-432%
Operating margin (%)	-4%		1%			

* Including other revenues.

Figures include minority interest.

In accordance with the Group's strategy, Span also managed to increase the service content of its sales in 2003, to 22 percent from the 17 percent during the base year. The overwhelming majority of the company's new projects are currently based on service or support operations.

The following characteristic features can be seen on the Croatian market in 2003: the delaying of purchasing decisions by market operators, the fact that it was an election year, the relative strength of the national currency against the US\$ as well as the increasing competition among the companies active on the IT market. In the interest of the consolidation and the efficiency of the operating company it moved to new premises, through this measure the training site is at the same location. However, the extended relocation process due to delays by the constructors used up significant resources, so

damaging the performance of the company in the second and third quarters.

Since the operating company was unable to repeat its markedly powerful 2002 performance – due to the above reasons – its sales decreased by 29 percent. The election year was a restraining factor on the spirit of investment on the market as a whole, which is clearly shown in the comparison of the various quarters of 2003. The sales and contribution figures of only the fourth quarter show some improvement. The sales-influencing impact of the changes of the exchange rate is mainly the consequence of long-term support agreements, based on a fixed US\$ exchange rate, and they are currently being renegotiated by the operating company. The amount of sales was also affected, with respect to some major customers, by the delayed invoicing due to the completion of pending projects.



While Span's cost of sales changed at a rate nearly identical with its sales, the rate of the reduction of its contribution decreased as the result of its outstanding contribution performance during the fourth quarter of 2003. The product sales structure of decreasing contribution due to the market competition was moved in the direction of more profitable service and support content activities. This

involved a certain staff level increase and was unable to compensate for the loss of sales revenue and contribution due to the stagnation of the market. In consequence, the operating profit became negative, and the company's EBITDA indicator shows a decreasing tendency in the comparison of the two periods.

Analysis of the balance sheet and liquidity position as of December 31st 2003

Balance sheet	31 December, 2003		31 December, 2002		Change %	
	000 HUF	000 EUR	000 HUF	000 EUR	HUF basis	EUR
Assets						
Non-current assets	3 104 129	11 837	3 513 083	14 892	-12%	-21%
Fixed assets	2 252 120	8 588	2 376 611	10 075	-5%	-15%
Intangible assets	785 238	2 994	1 099 792	4 662	-29%	-36%
Investments	66 771	255	36 680	155	82%	64%
Current assets	11 114 020	42 383	9 505 300	40 294	17%	5%
Inventories	948 099	3 616	1 249 072	5 295	-24%	-32%
Accounts receivable	7 028 428	26 803	5 683 496	24 093	24%	11%
Cash and equivalents	2 011 393	7 670	1 616 473	6 852	24%	12%
Other current assets	1 126 100	4 294	956 259	4 054	18%	6%
Total assets	14 218 149	54 220	13 018 383	55 186	9%	-2%
Liabilities and shareholders' equity						
Shareholders' equity	6 437 834	24 550	7 770 518	32 940	-17%	-25%
Share capital	1 910 925	7 287	1 910 925	8 101	0%	-10%
Capital reserves	5 748 089	21 920	5 605 615	23 763	3%	-8%
Profit reserves + Retained profit for the year	-1 221 181	-4 657	253 978	1 077	-581%	-533%
Short-term liabilities	7 613 396	29 033	5 002 147	21 205	52%	37%
Account payable	4 210 958	16 058	2 753 586	11 673	53%	38%
Other short-term liabilities	3 402 438	12 975	2 248 561	9 532	51%	36%
Long-term liabilities	57 151	218	87 742	372	-35%	-41%
Minority interest	109 767	419	157 977	670	-31%	-37%
Total liabilities and shareholders' equity	14 218 149	54 220	13 018 383	55 186	9%	-2%

While the Company's **balance sheet total** as of December 31st (HUF 14,218 million) is 9 percent higher than the closing value of the same period of the previous year, the changing of the HUF/EUR exchange rate modified that growth to a decrease of 2 percent.

Assets

Fixed Assets

The net value of fixed assets (HUF 2,252 million) dropped by 5 percent. That reduction was the result

of the infrastructure and IT investment implemented within the Group and of the difference of the amortisation recorded.

Intangible Assets

The value of intangible assets (HUF 785 million) recorded in the Group's consolidated balance sheet dropped by 29 percent. The difference was primarily the result of the goodwill amortisation items recognised for the subsidiaries Infinity and Span, as analysed above, and of the goodwill accrued on the



acquisition by Synergón, back in 1998, of Quality Consulting Ltd.

Investments

The increase of the value of investments (HUF 67 million) was the result of the changes in investment during the year under review.

Inventories

The 24-percent reduction of inventories (HUF 948 million) was due to Synergón's improving inventory management achieved partly through the restructuring of operation (project logistics) and of purchasing (Just-in-Time). At the end of the period, there were no substantial outstanding uninvoiced projects with stocks already supplied.

Accounts Receivable

The 24-percent growth of accounts receivable (HUF 7,028 million) was primarily due to the growth of outstanding amounts from customers in connection with the invoices of a very high total value during the fourth quarter of Synergón and Fibex (disregarding internal invoicing within the Group).

Cash and Equivalents

At the end of the reporting period, the value of cash and equivalents was HUF 2,011 million, the major part of which (HUF 1,716 million) recorded in the books of the parent company. Apart from the increased efficiency of inventory management, the reason for the 24-percent growth was the continued positive cash-generating capacity of operation.

Liabilities and Shareholders' Equity

Shareholders' Equity

The factors significantly affecting the capital reserves under shareholders' equity were the

following: the changing of the value of the company's treasury shares, constituting, under the IFRS, part of the shareholders' equity, resulted in an increase of HUF 79 million; the exchange rate difference of the balance sheet items recorded in foreign currencies and translated to forint at the rate of the end-of-the-year closing day represented an increase of HUF 63 million.

The decrease, compared to the value as of December 31st 2002, of the profit reserves plus retained profit of the year was, apart from the recording of the profit generated in 2002 and 2003, the result of the loss recognised due to treasury transactions, which reduced the profit reserves.

Short-term Liabilities

The value of short-term liabilities (HUF 7,613 million) exceeded the closing value of the base year by 52 percent, with a similar change in accounts payable and other short-term liabilities. The increase in the value of both lines was primarily due to items recorded in the books of Synergón plc. The changing of the accounts payable was the result of debts to suppliers related to the increased sales of the year end, which did not fall due during the period. The other short-term liabilities were heavily affected by the provisions made for the expected liabilities arising from the tax administration procedure.

Long-term Liabilities

The reduction of long-term liabilities (35 percent) was due to the changing of the value of loans at the subsidiaries. The reduction of minority interest was the aggregate result of the positive effect on the balance sheet line of the retained profit of the year of Span and Infinity, and of the negative effect of the 2003 dividend paid to shareholders by Infinity.



Cash flow	12-month period ending December 31			
	2003		2002	
	000 HUF	000 EUR	000 HUF	000 EUR
Operating profit after taxation	-1 494 707	-6 001	-114 319	-477
Depreciation and amortisation	1 087 630	4 367	791 576	3 302
Change in payables	2 417 233	9 705	-986 677	-4 116
Change in accruals	-1 698	-7	-357	-1
Change in inventories	300 973	1 208	431 004	1 798
Change in receivables, other assets	-1 513 075	-6 075	473 834	1 977
Change in provisions	505 389	2 029	-25 134	-105
Cash flow from operations	1 301 744	5 227	569 927	2 378
Net financial result	98 786	397	141 156	589
Cash flow from financing activities	1 400 530	5 623	711 083	2 967
Change in assets	-455 795	-1 830	-949 468	-3 961
Change in investments	-159 643	-641	-423 624	-1 767
Cash flow from investing	-615 438	-2 471	-1 373 092	-5 728
Net change in loans	-341 963	-1 373	113 104	472
Change in share capital	-48 209	-194	-198 316	-827
Cash flow from financing	-390 172	-1 567	-86 214	-360
Net change in cash	394 920	1 586	-748 222	-3 122
Opening cash position	1 616 473	6 490	2 364 694	9 865
Closing cash position	2 011 393	8 076	1 616 473	6 744
Change in cash	394 920	1 586	-748 222	-3 122

Liquidity position

The value of cash and equivalents held by the Company as of December 31st 2003 was HUF 2,011 million. The overall liquidity position of the Company during the period under review was continuously balanced. The stability of Synergon's cash and equivalents ensured the steady operation of the Group.

Cash Flow from Operations

Operations generated a positive cash flow of HUF 1,302 million, which was the sum of the joint favourable change of accounts payable, accounts receivable and inventories, as described in the analysis of the balance sheet, and of the balance of the operating profit, adjusted for the depreciation, tax and extraordinary profit.

Net cash flow from operation

The closing value at the end of the period of Net cash flow from operation, including a positive financial result, was HUF 1,401 million.

Cash Flow from Investments

The amount of the Group's investments (HUF 615 million) was the result of the purchases of non-current assets by the parent company and the subsidiaries.

Cash Flow from Financing

The value of the 'Cash flow from financing' line (-HUF 390 million) was determined by Infinity's repayment of its short-term loans and the recording of minority interest. These resulted in the increase of liquid cash by HUF 395 million compared to December 31st 2002.

Shareholder structure and company events

Taking into account the shareholders' register of Synergon Information Systems plc. and the owners' mandatory information provision obligations, the

following table shows the shareholding structure of Synergon Information Systems plc. as of December 31st, 2003.



The shareholding structure of Synergon plc.		
Shareholder's name	December 31 st 2003	December 31 st 2002
Deutsche Bank (depository)	1.00%	9.6%
Davon Kft.	6.02%	7.8%
RCX Kft.	10.00%	10.2%
Curdie Trust Corp.	9.94%	9.9%
Berenberg Global Opportunity-Magyar Budapest Fund	5.31%	0.0%
Financial investors, each below 5 percent of shares	64.96%	59.7%
Treasury shares	2.77%	2.8%
Total	100.0%	100.0%

The Board of Directors of Synergon Information Systems plc made the following important decisions during the period January 1st and December 31st 2003: at its March 21st meeting, the Board of Directors made decisions on the convening of Synergon's ordinary annual general assembly and the dematerialization of the securities held by the Company, and approved the report of the Board and the annual report of Synergon. At the August 27th meeting, the decision was made on the purchasing of a 100-percent interest in Atos Origin Information Technology Ltd.

At the meetings of the Supervisory Board of Synergon Information Systems plc held during the period between January 1st and December 31st 2003 the following important decisions were made: at its March 24 meeting, the Supervisory Board approved the convening of Synergon's ordinary annual general assembly and the proposals for the assembly.

At its ordinary annual general assembly held on April 30th 2003, Synergon plc made decisions on the dematerialization of the securities held by the company, approved the report of the Board of Directors and Synergon's Annual Report.

On October 30th 2003, the company received the unconditional approval issued by the Hungarian

Competition Authority concerning the agreement between Atos Origin International B.V. and Synergon Information Systems plc on the sale and purchase of business interest, under which Synergon acquired Atos Origin Information Technology Ltd. On the same day, October 30th, Synergon became the 100-percent legal owner of Atos Origin Information Technology Ltd. The company was renamed Synergon Atos Origin Ltd.

The printed shares issued by the company remained tradable at the Budapest Stock Exchange under the general rules of trade until November 11th 2003. Since November 12th 2003, trading has been restricted to dematerialised shares. The Company's Board of Directors announced the invalidity of the Printed Shares as from November 17th 2003.

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

On January 14th 2004, Synergon Information Systems plc sold the dematerialised securities replacing the printed shares that had not been submitted to the Company.

As of February 2nd 2004, Pál Polgár replaces Péter Baján in the position of Deputy CEO for Sales of Synergon Information Systems plc.

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