

FLASH REPORT



**Financial results of
Synergón Information Systems plc
for the 3-month period
January 1st – March 31st 2005**

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

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During the first three months of 2005, the Synergion Group operated according to plan, generating a profit. Following a moderate improvement of the market starting in 2004, there was diminishing demand, primarily in Hungary, the main market of the Synergion Group. As a result of these facts, the Group generated sales revenue of HUF 4,338 million, 14 percent lower than during the base period. Due to its steadily improving efficiency indicators, however, the net profit of the Synergion Group increased by 3 percent to HUF 81.2 million.

The conscious reorganisation of the Group's operating companies was continued in the spirit of the slogan "2005 – the year of regionalism", resulting in the recovery of the profit-generating capacity of the Hungarian companies as well as of the Croatian Span d.o.o., which achieved the most dynamic growth of all the operating companies during the period under review.

The operational environment in Hungary was essentially affected by the recession of the public administration market, which also adversely affected several other sectors. As a result, there have been fewer projects in Hungary, and the announcement and assessment of numerous tender invitations has been delayed. On the other hand, the EU aid budgets available for local governments have increased. Synergion established a separate professional organisation, the Health and Municipal Business Unit in order to cover that market. Sales continued to be restructured in order to increase the ratio of sales from consulting-type projects of a higher added value. Consulting services were integrated with the software services into a separate organisation, the Business Solutions Division. SAO Ltd., specialising in system support and operation, achieved steady, high-contribution sales. As a consequence, the service content of sales grew to 37 percent compared to the 33 percent achieved in the base period. While the level of sales decreased, Synergion generated an operating profit of HUF 146 million during the first three months of 2005, in comparison with the HUF 71 million in the base period, which represents a growth of 105 percent. The EBITDA indicator grew by 29 percent, to HUF 231 million during the period under review.

As the combined result of earlier reorganisation efforts, which had ensured a high operating efficiency, and the approx. 10-percent expansion of its markets, Fibex managed to maintain the dynamic growth rate of the previous years. It was able to increase its sales mainly with its existing major customers. As part of the Group, Fibex also started to engage in international operations. Early February, a representative office was set up with the co-operation of Span in Croatia as the first in a regional network of agencies to be established with the backing of the operating companies. For Infinity, the first three months of the year were spent by continuing the structural changes and professional development begun last year. These factors continued to influence the performance of the company, resulting in a temporary setback in its profitability. The purpose of this reorganisation was to improve efficiency and the quality of service, increasing the flexibility and the size of the organisation, cut back on costs and integrate Infinity into the Synergion Group. For this purpose, the company's technical organisation was realigned into a competency centre-based structure, while the portfolio was also trimmed back substantially. The results of the restructuring are expected to be felt from the second half of the year. As of March 1st, former Sales Manager Hanus Weisl was appointed as CEO of Infinity a.s. The positive effects of the organisational development started at Span in 2004, which had resulted in the separation of the technical and financial management functions, as well as those of the internal technical investments showed in the results of the first three months of 2005. Due to the continuing trend that the overwhelming majority of the company's new projects were based on service or support operations, each performance indicator improved substantially, making Span the most dynamically growing operating company within the Group during the first quarter.

The conscious internal development and integration of the Group and its joint appearance on third markets will continue during the rest of the year.



ANALYSIS OF THE 2005 RESULTS OF THE SYNERGON GROUP JANUARY - MARCH

Comparing the three-month period ending March 31st 2005 with the same period of 2004

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 amounts. The average exchange rates applied for the items of the profit and loss account are, respectively, HUF 246.56 and HUF 255.58 per 1 Euro for the three months of 2005 and the same period of 2004. The closing exchange rates applied for the balance sheet items are HUF 248.92 and HUF 247.18 per 1 Euro for March 31st 2004 and March 31st 2005, respectively.

Group results

Profit and loss account	3-month period ending March 31				Change, %	
	2005	2005	2004	2004	HUF basis	EUR basis
	thousand	thousand	thousand	thousand		
Net sales*	4 338 157	17 595	5 029 100	19 678	-14%	-11%
of which services (%)	37%		38%			
Of which products (%)	63%		62%			
Cost of sales	-3 307 007	-13 413	-3 879 125	-15 178	-15%	-12%
in % of sales	76%		77%			
Contribution	1 031 150	4 182	1 149 974	4 500	-10%	-7%
Contribution margin (%)	24%		23%			
Operating expenses	-997 227	-4 045	-1 091 024	-4 269	-9%	-5%
EBITDA	172 702	700	238 797	934	-28%	-25%
EBITDA margin (%)	4%		5%			
Operating profit	33 923	138	58 951	231	-42%	-40%
Operating margin (%)	1%		1%			
Net financial income	1 185	5	21 971	86	-95%	-94%
Extraordinary items	0	0	58	0	na	na
Profit before tax	35 109	142	80 979	317	-57%	-55%
Corporate tax	-5 171	-21	-9 708	-38	-47%	-45%
Minority interest	51 278	208	7 485	29	na	na
Net profit	81 217	329	78 757	308	3%	7%
Net margin (%)	2%		2%			

* Including other revenues

Net sales

During the first three months of 2005, Synergon Information Systems plc, including the consolidated operating companies, achieved a sales revenue of HUF 4,338 million, which, calculated on a HUF basis, is 14 percent lower than that of the base period. Within the Group, Span achieved the highest sales increase (+53 percent), with Fibex also achieving a high growth rate of 41 percent, while the sales levels of Synergon in Hungary and of Infinity fell compared to the base period.

In the sector-by-sector breakdown of the sales of the Synergon Group, the telecommunications and the financial sectors accounted for 16 percent each, industrial companies and the public utilities and transport industries represented an overall 22 percent, whereas the public sector accounted for 20 percent during the period under review. Other, unclassified sales represented 26 percent. In comparison with the base period, there was a slight decrease in the share of the public administration sector.



During the first three months of 2005, the service content of sales dropped by 1 percent compared to the 38 percent achieved during the first three months of 2004. Service-generated sales have continued to increase steadily for Synergón's Hungarian operations. The service content of Span increased by 5 percent while that of Infinity dropped to 46 percent. Due to the fact that product sales account for the majority of the sales of Fibex, its service content ratio does not have a substantial effect on this indicator.

Cost of sales

The cost of sales consists mainly of products sold, basic materials, payments to contractors and direct labour costs. The rate of the decrease of cost of sales (15 percent) was higher than that of net sales in comparison with the first three months of 2004 (HUF 3,879 million) and 2005 (HUF 3,307 million). Cost of sales corresponded to 76 percent of sales, which is a slight decrease compared to the base period.

Contribution

During the first three months of 2005, contribution amounted to HUF 1,031 million, as compared to HUF 1,150 million during the same period of 2004, representing a 10-percent reduction.

Contribution amounted to 24 percent of the Group's net sales during the period under review; the reduction of the cost of sales resulted in the improvement of this indicator compared to the level of the first three months of 2004.

The level of contribution on a Group basis was improved by the fact that the sales structure of Synergón plc had a steadily increasing service content as well as by the outstanding rate of increase of the contribution of Span and Fibex. Due to their relatively low weight in the overall sales, however, they were unable to counterbalance the reducing contribution of Infinity.

Operating expenses

There was a substantial (9-percent) decline in the level of operating expenses. During the first three months of 2005, this cost item amounted to HUF 997 million as the result of increasing cost-efficiency. The Group managed to cut back on operating expenses in all other categories: indirect payroll costs were reduced compared to the base year, as were the expenses in the following. The

most significant items in the operating expenses included vehicle expenses (HUF 79 million), experts' fees (HUF 160 million) and marketing costs (HUF 139 million).

Operating profit

During the first three months of 2005, the Group achieved an operating profit of HUF 33.9 million. The change compared to the base year (an operating profit of HUF 58.9 million) was the result of the substantial fallback of Infinity, a fact that even the growth of Synergón plc, Fibex and Span and the HUF 94-million reduction of operating expenses were unable to counter. As an overall result, the EBITDA indicator was HUF 173 million compared to the value (HUF 239 million) achieved during the base period.

Net financial income

Net financial income amounted to HUF 1.19 million in the first three months of 2005, generating an income 95 percent lower than that of the same period of the previous year (HUF 21.9 million). This reduction was due to Synergón's net exchange loss. While net financial income increased at the operating companies, this had no considerable effect on the overall financial income compared to the same period of the previous year.

Extraordinary items

No extraordinary items were accounted for by the Group during the period under review.

Profit before tax

As a result of the improved efficiency achieved through the reduction of expenses, the Synergón Group maintained a positive, HUF 35-million profit before tax during the first three months of 2005. A profit of HUF 81 million was generated in the same period of 2004. The result was positively affected by the profitable operation of Synergón plc, Fibex and Span, while the loss made by Infinity had a negative impact.

Net profit

In the first three months of 2005, the Synergón Group achieved a net profit of HUF 81 million compared to that of the HUF 78 generated during the same period of 2004. This improvement was the result of the efficiency-increasing changes introduced across the Group.



Staff level

According to the following table, showing the average staff levels of the Synergon Group, staff levels continued to decrease during the period under review with the exception of Fibex, where both the

average and the closing headcounts grew.

The Group's closing staff levels as of March 31st 2005 and March 31st 2004 were respectively 529 and 564.

Average staff numbers	Average, 2005, Q1	Average, 2004 Q1	Change, %
Synergon plc. & SAO	330	345	-4%
Fibex	19	17	12%
Infinity	128	159	-19%
Span	50	52	-4%
Total	527	573	-8%

Analysis of the operating companies of the Synergon Group

The table below shows the breakdown of the Group's sales by operating company.

Operating companies	2005		%	3-month period ending March 31 2004		%	Change, %	
	thousand	thousand		thousand	thousand		HUF	EUR
	HUF	EUR		HUF	EUR		basis	basis
Net sales*	4 338 157	17 595	100%	5 029 100	19 678	100%	-14%	-11%
Synergon plc. & SAO	3 201 033	12 983	74%	4 065 902	15 909	81%	-21%	-18%
Fibex	306 412	1 243	7%	217 153	850	4%	41%	46%
Infinity	539 704	2 189	12%	822 822	3 219	16%	-34%	-32%
Span	460 083	1 866	11%	301 440	1 179	6%	53%	58%
Consolidation	-169 076	-686	-4%	-378 217	-1 480	-7%	-55%	-54%

* Including other revenues

The distribution of income

The sales of Synergon plc accounted for 74 percent of the sales of the Synergon Group, while the remaining part was generated by the operating companies. There is a slight change and some realignment in terms of the sales ratio of the operating companies in comparison of the various periods. Within the Group, the weight of the dynamically growing Span and Fibex had increased

steadily against the slight reduction of Synergon and Infinity.

The performance of SAO-Synergon Ltd. is shown consolidated with the profit data of Synergon, since the operation of this subsidiary is closely integrated with that of the parent company. Synergon plc relegated all of its outsourcing and operating-related functions to SAO.

Synergon plc

While Synergon plc. is the Hungarian operating company of the Synergon Group, in legal terms it is also the parent company, being the major shareholder in the other operating companies. For more information on the activities of Synergon plc. and for further details relating to the company (in Hungarian and English), please see the company's

Internet site at www.synergon.hu, www.synergon.hu/en. For more information on the activities of SAO-Synergon Ltd. and for further details relating to the company (in Hungarian), please see the company's Internet site at www.synergon.hu



Synergon plc. & SAO	3-month period ending March 31				Change, %	
	2005	2004	2004	2004	HUF basis	EUR basis
	thousand HUF	thousand EUR	thousand HUF	thousand EUR		
Net sales*	3 201 033	12 983	4 065 902	15 909	-21%	-18%
of which services (%)	37%		33%			
of which products (%)	63%		67%			
Cost of sales	-2 312 169	-9 378	-3 187 478	-12 472	-27%	-25%
in % of sales	72%		78%			
Contribution	888 863	3 605	878 424	3 437	1%	5%
Contribution margin (%)	28%		22%			
Operating expenses	-742 643	-3 012	-807 163	-3 158	-8%	-5%
EBITDA	231 188	938	178 848	700	29%	34%
EBITDA margin (%)	7%		4%			
Operating profit	146 220	593	71 261	279	105%	113%
Operating margin (%)	5%		2%			

* Including other revenues

Operational environment

The slow economic growth starting in 2004 had minimal impact on the IT industry. While there was only a slight change in the size of Synergon's markets, their structure of expenditures changed considerably during the first three months of 2005.

A substantial fallback occurred on the public administration market.

Government institutions have stopped spending according to their annual plans; their IT purchase budgets have been virtually withdrawn. Expenditures and investments are project-based, financed from grants. This makes service providers' traditional commercial methods inefficient and a great deal less calculable.

While grant monies promise growth on the market, there is still a lack of any major projects. There have been fewer projects in Hungary, and the announcement and assessment of several tender invitations has been delayed. On the other hand, the EU aid budgets available for local governments have increased. A separate business unit, the Health and Municipal Business Unit has been established to cover that market.

The insurance and financial markets continued to feature heavily in Synergon's portfolio. The quality of customer relations and Synergon's reputation continued to grow. Banks have further strengthened their position, which has had a positive effect on IT expenditures. Demand has been shifting toward

application systems, and there is an ongoing demand for development by financial institutions.

The previously dynamic rate of the development of the telecom and media markets halted, with IT spending becoming more restrained and discriminating. There were fewer major projects. While investments into maintenance and operation continued, there was a shift toward projects of increased added value. Synergon managed to adapt to the changed market environment and kept its strong positions.

In the market of businesses in the industrial and service-provision sectors, Synergon has mainly acted as an infrastructure supplier. Uncertainties in the public administration sector had a strong impact on these markets, too. While large companies have continued to spend on IT projects, they have a slow decision-making cycle. Smaller businesses, despite having realised the necessity of IT investments, are rather cost-sensitive. A demand for complex, operation-type projects also emerged during the period under review.

Retail companies represent a substantial market potential, with increased demand for ongoing development and complex solutions. During the first quarter, Synergon developed its new strategy for this market, to be implemented in the second quarter.



Results

During the first three months of 2005, the sales of Synergon plc and SAO Ltd. (HUF 4,066 million) dropped by 21 percent as compared to the same period of 2004 (HUF 3,201 million).

The service content of the company grew to 37 percent compared to the 33 percent achieved in the base period. The rate of the reduction of operating expenses (27 percent) was higher than that of the sales revenue, which indicates a continuous improvement of the efficiency of operation. During the period under review, contribution grew by 1 percent, while the contribution margin also increased, to 28 percent from the 22 percent in the same period of 2004.

Due to the fact that a higher proportion of projects of increased contribution and service content was achieved, according to the strategic objectives, and costs were also held under powerful control (operating costs decreased by 8 percent), Synergon generated an operating profit of HUF 146 million during the first three months of 2005 as compared to the operating profit of HUF 71 million in the same period of 2004, which represents a growth of 105 percent. The EBITDA, the indicator best reflecting the company's actual performance, grew by 29 percent, amounting to HUF 231.

Business units

During the first three months of 2005, network communication continued to deliver a strong seasonal performance, accounting for the major part of the sales and the contribution of the Company. The sales of the Division decreased compared to the base, which was the result of increased focus on higher service-content activities under the strategic goal. At various customers (CIB, Erste, Raiffeisen), IP telephony solutions reached the implementation or operation phases, generating a smaller level of sales at higher contribution.

The former market structure remained essentially the same, while higher-value projects were generally fewer or delayed. There has been a further delay in the network-related public procurement tender invitation of the Central Directorate General for Services. The Division endeavoured to increase the sales of its service-type projects in order to make up for the sagging demand.

In the sectors important for Synergon, the Division performed well, due primarily to the mainline network services in the telecom sector and the

increased demand for IP telephony solutions in the financial sector. Its performance was weaker, however, in the public and industrial sectors, mainly due to the shrinking volume of government projects. Growth was achieved in the general business sector, where medium-sized businesses were targeted successfully.

Since the beginning of 2005, the former Software Division was renamed as the Business Solutions Division, which is an indication of the expansion of its scope of operation. As well as software, the Division's functions include consulting, too. In the first three months, the technology and consulting fields were integrated, consulting culture was developed and the growth strategy established.

A noticeable fallback occurred during the period under review. There were few projects on the public administration market, the size of the market falling far behind the expectations. In this segment, the local government-related GVOP (Operative Program for Competitive Edge) grants hold the promise of growth.

The other market segments were also sluggish; there was a clear break in the moderate growth that started at the end of last year. Market operators mainly required additional IT support operations, focusing on their core activity and neglecting IT projects.

The Division's major product developments included the preparation of the new version of the Phoenix e-learning framework system, to be introduced during the second half of the year, as well as the successful implementation of Synergon's Plumtree-based filing system.

Synergon was previously awarded the title Enterprise Project Management Partner by Microsoft, under which a number of successful implementations were completed during the period under review, contributing a great deal to the reputation of the Division in the fields of consulting and implementation.

As far as hardware devices are concerned, the market environment during the period under review was sluggish compared to both the previous years and the expectations. In the public administration sector, the cutbacks on government expenditure, and the administrative delays in the extension of public procurement framework agreements were heavily felt. During the previous year, the industrial and public utilities sectors were the most powerful areas



for the Division, where the ratio of calculable, recurring sales could be increased substantially through support and maintenance agreements. While the number of 'box moving' transactions continued to decrease, the demand structure shifted toward services of higher added value and contribution and toward projects requiring complex solutions. Service agreements prevailed in the financial sector, too (Erste Bank, MFB). The telecom sector has been primarily focusing on the optimisation of the efficiency of operation, which resulted in the considerable reduction of major development projects during the three months under review.

Despite the unfavourable market environment, there was a slight increase in the sales and a higher growth in the contribution of the Division as compared to the base, due mainly to the completion, during the first quarter, of major projects carried forward from last year. Such movement of the sales and contribution figures has justified the strategy launched earlier in order to increase service content. The about 30-percent ratio of services achieved by the Division is relatively high in terms of this type of operation.

In the future, new technologies will continue to be incorporated into the solution and product portfolio of the Division and the development and market potential of LINUX-based solutions will be investigated.

As far as ERP solutions are concerned, the lasting effects of the previous year were felt during the first quarter of 2005. The structure and volume of the market remained unchanged, growth is expected from the second half of the year. The market of SAP, the solution most suitable for large businesses, has become nearly saturated; operation-related agreements have provided continuity for this product, ensuring ongoing sustainable revenue for Synergón.

The public administration market was rather sluggish during the first three months of 2005, focusing on the preparation of future projects.

The Division diversified in the field of SMEs during the first quarter of 2005. This market requires a special approach, as SMEs tend to rely on GVOP grants for their investments, expecting their suppliers to assist them with the tender invitations. As far as the much-awaited reduction of the public acquisition procedure threshold value is concerned, there was but a minimum, symbolic reduction,

resulting in a slow-down rather than a growth-inducing effect.

The funds supporting the IT projects of local governments became available last year. The grants available under the GVOP program have served the purposes of the improvement of e-administration of municipal governments and the secondary utilisation of municipal property.

In January 2005, Synergón organised its relevant activities into a separate organisational unit, the Health and Municipal Business Unit. The municipal market is a new market with few operators, where Synergón managed to establish a strong presence during the first three months of the year. Synergón was the first in assuming the challenge of providing complex IT solutions to small-region governments.

The health IT market became steadier during the first months of the year. Both the demand and the supply sides were determined by the forthcoming HEFOP 4.4 tender invitation. Health operators have so far been waiting to see the outcome, whereas service providers have responded by the development of their solution packages. Synergón's Infrend product has a number of successful references on a health service market struggling with the shortage of financing. During the first quarter, this product, capable of the integrated management of medical and financial activities, was developed into a complex solution package serving hardware, software, network, operation and consulting functions, which is suitable to further strengthen Synergón's existing market positions.

System support and operation activities have ensured a steadily calculable, high-contribution source of income for SAO-Synergón Ltd. During the first three months of 2005, it had steady and calculable business, with no changes in terms of its partner and agreement base. Exceeding its plans, it managed to improve each financial indicator. The company modernised its service centre (helpdesk) infrastructure, which, operating on an IP basis, resulted in higher operational standard and quality at lower cost. This will constitute the basis for the regional helpdesk system to be rolled out by the beginning of next year.

While the previously forecast boom of the outsourcing market has failed to happen to date, even smaller businesses have now started to realise the importance and the benefits of IT outsourcing.



The market potential of SAO has continued to be determined by the globalisation efforts of businesses that desire to employ global service providers. SAO can thus safely reckon with various international agreements covering several countries, primarily through Atos Origin. During the period under review, SAO participated in a number of regional tenders invitations jointly with Atos Origin; the

results of these will be revealed during the second quarter.

The Hungarian Outsourcing Association (HOA) has been established, with SAO as a founding member.

Fibex Ltd.

Fibex Ltd., specializing in the sales of optical and copper cables, network implementation materials and tools, operates as a 100-percent Synergon subsidiary. For more information on the activities of

Fibex Ltd. and for further details relating to the company (in Hungarian), please see the company's Internet site at www.fibex.hu.

Fibex Ltd.	3-month period ending March 31					
	2005		2004		Change, %	
	thousand HUF	thousand	thousand	thousand	HUF basis	EUR basis
Net sales*	306 412	1 243	217 153	850	41%	46%
of which services (%)	0%		0%			
of which products (%)	100%		100%			
Cost of sales	-260 799	-1 058	-188 156	-736	39%	44%
in % of sales	85%		87%			
Contribution	45 613	185	28 997	113	57%	63%
Contribution margin (%)	15%		13%			
Operating expenses	-24 578	-100	-20 229	-79	21%	26%
EBITDA	23 922	97	11 720	46	104%	112%
EBITDA margin (%)	8%		5%			
Operating profit	21 035	85	8 768	34	140%	149%
Operating margin (%)	7%		4%			

* Including other revenues

During the first three months of 2005, Fibex continued to grow at last year's dynamic rate. This was the collective result of the previously restructured organisation, ensuring a high level of efficiency of the operation, the increasing of its share on existing markets and the approx. 10-percent market growth starting this year. It was able increase its sales mainly with its existing major customers.

As part of the Synergon Group, Fibex also started to engage in international operations. Early February, a representative office was set up with the cooperation of Span in Croatia in order to engage in a regional marketing activity. The aim is to establish a regional network of agencies with the backing of the operating companies.

During the first three months of 2005, sales increased by 41 percent to HUF 306 million as

compared to that of HUF 217 million during the base period, while cost of sales grew at a more moderate rate (39 percent). There was also a substantial increase in terms of contribution (57 percent) and operating profit (140 percent). While its contribution margin is below the Group average, it has a low level of service revenues, since the major part of its sales are generated by product distribution. The greater part of the sales of Fibex has continued to originate from traditional telecom businesses and IT companies.



Infinity a.s.

Infinity a.s. is the Czech operating company of the Synergon Group, in the majority ownership (66.67 percent) of Synergon. The major part of the sales revenue of Infinity is generated by the sales of HP and Microsoft products and the related services, as well by as the remote monitoring, support and operation services based on these products. Infinity established its Slovakian representative office in Bratislava in 2003 in order to service the needs of its

Slovakian projects and, as an addition to its ERP portfolio, in 2004 it purchased BrnoData s.r.o., now operating under the name Infinity Data. The performance of both companies has been consolidated in Infinity's profit and loss statement and balance sheet. For more information on the activities of Infinity and for further details relating to the company (in Czech and English), please see the company's Internet site at www.infinity.cz.

Infinity	3-month period ending March 31					
	2005		2004		Change, %	
	thousand HUF	thousand EUR	thousand HUF	thousand EUR	HUF basis	EUR basis
Net sales*	539 704	2 189	822 822	3 219	-34%	-32%
of which services (%)	46%		60%			
of which products (%)	54%		40%			
Cost of sales	-485 845	-1 971	-576 963	-2 258	-16%	-13%
in % of sales	90%		70%			
Contribution	53 859	218	245 859	962	-78%	-77%
Contribution margin (%)	10%		30%			
Operating expenses	-212 063	-860	-213 026	-834	0%	3%
EBITDA	-120 205	-488	71 938	281	na	na
EBITDA margin (%)	-22%		9%			
Operating profit	-158 204	-642	32 833	128	na	na
Operating margin (%)	-29%		4%			

* * Including other revenues

Figures include minority interest

For Infinity, the first three months of the year were spent by continuing the structural changes and professional development begun last year. These factors continued to influence the performance of the company, resulting in a temporary setback in its profitability. Reorganisation had the purpose of improving efficiency and the quality of service, increasing the flexibility and the size of the organisation, cutting back on costs and integrating Infinity into the Synergon Group. For this purpose, the company's technical organisation was realigned into a competency centre-based structure, while the portfolio was also trimmed back substantially. The results of the restructuring are expected to be felt from the second half of the year.

As of March 1st, former Sales Manager Hanus Weisl was appointed the CEO of Infinity a.s.

The IT market of the Czech Republic is a fast-developing, mature market, with lots of potential.

There is a high proportion of IT expenditure and further developments are expected, despite the political crisis, particularly in the government sector. Demand has been shifting steadily toward services from products and infrastructure devices. Of all the operating companies of the Group, Infinity had the highest ratio of services within its sales, despite some decrease during the period.

In the first three months of 2005, Infinity's sales dropped considerably, by 34 percent in comparison with the same period of 2004. The cost of sales diminished at a lower rate of 16 percent. This was due to the non-recurring costs associated with the reorganisation and the delay in the completion of a number of projects, which had the result that while costs accrued during the first quarter, these projects will only generate income during the second quarter of the year. During the period under review, while Infinity made a loss, operating at decreasing levels



of contribution and contribution margin (10 percent), its results were better than expected.

A substantial part of its sales continued to be generated on projects carried out for customers operating in the industrial sector, with substantial additional sales in the government, SME and financial sectors.

The Slovakian market, where the company has a representative office, is another important market to

be exploited by Infinity. Because of the fast growth of the Slovakian economy and the underdeveloped state of IT supply, this country has the potential of a major breakthrough for the company. Some of its successful projects ensured a profit-making operation for Infinity.

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 generated by the sale of Microsoft products,

Windows-based infrastructure projects, the associated support and operation services and training. For more information on the activities of Span, and further information relating to the company (in Croatian), please see the company's Internet site at www.span.hr

Span	3-month period ending March 31					
	2005		2004		Change, %	
	thousand	thousand	thousand	thousand	HUF basis	EUR basis
Net sales*	460 083	1 866	301 440	1 179	53%	58%
of which services (%)	33%		28%			
of which products (%)	67%		73%			
Cost of sales	-375 275	-1 522	-268 416	-1 050	40%	45%
in % of sales	82%		89%			
Contribution	84 808	344	33 024	129	157%	166%
Contribution margin (%)	18%		11%			
Operating expenses	-59 937	-243	-65 120	-255	-8%	-5%
EBITDA	37 797	153	-17 863	-70	na	na
EBITDA margin (%)	8%		-6%			
Operating profit	24 871	101	-32 096	-126	na	na
Operating margin (%)	5%		-11%			

Including other revenues

Figures include minority interest

The positive effects of the organisational development started in 2004, which resulted in the separation of the technical and financial management functions, as well as those of the internal technical investments, showed themselves in the results of the first three months of 2005. The integration of Span's technical and sales organisation into the Synergon Group continued during the period.

In the period under review, there was steady if moderate growth on the Croatian IT market, with a

perceivable increase of orders in both the government and the business sectors. Further growth is expected in the wake of the continuing negotiations on the country's EU accession. The telecom market grew due in particular to deregulation on the network and telecommunications fields. During the first three months of 2005, sales (HUF 460 million) increased by 53 percent compared to the same period of 2004 (HUF 301 million). The service content of sales was 33 percent during the period, steadily growing in comparison with the previous period and the previous years. The



overwhelming majority of new projects also continue to be based on service or support activities. The cost of sales grew at a rate (40 percent) lower than sales, while contribution also increased at an

outstanding 157-percent rate when comparing the first three months of 2005 and 2004. As a result, Span closed the period under review with a positive operating profit of HUF 24.8 million.

Analysis of the balance sheet and liquidity position as of March 31st 2005

Balance sheet	March 31, 2005		March 31, 2004		Change (%)	
	thousand	thousand	thousand	thousand	HUF basis	EUR basis
Assets						
Non-current assets	2 703 304	10 937	2 853 261	11 463	-5%	-5%
Fixed assets	2 130 374	8 619	2 147 176	8 626	-1%	0%
Intangible assets	530 069	2 144	654 012	2 627	-19%	-18%
Investments	42 861	173	52 074	209	-18%	-17%
Current assets	7 508 393	30 376	7 748 120	31 127	-3%	-2%
Inventories	1 041 592	4 214	1 011 381	4 063	3%	4%
Accounts receivable	3 635 774	14 709	4 671 339	18 766	-22%	-22%
Cash and equivalents	2 249 874	9 102	1 464 163	5 882	54%	55%
Other current assets	581 153	2 351	601 237	2 415	-3%	-3%
Total assets	10 211 697	41 313	10 601 381	42 590	-4%	-3%
Liabilities						
Shareholders' equity	6 564 359	26 557	6 478 912	26 028	1%	2%
Share capital	1 910 926	7 731	1 910 927	7 677	0%	1%
Capital reserves	5 596 814	22 643	5 776 965	23 208	-3%	-2%
Profit reserves + retained profit of the year	-943 382	-3 817	-1 208 980	-4 857	-22%	-21%
Short-term liabilities	3 501 997	14 168	3 984 058	16 005	-12%	-11%
Accounts payable	1 776 255	7 186	1 991 297	8 000	-11%	-10%
Other short-term liabilities	1 725 742	6 982	1 992 762	8 006	-13%	-13%
Long-term liabilities	18 957	77	50 591	203	-63%	-62%
Minority interest	126 384	511	87 821	353	44%	45%
Total liabilities	10 211 697	41 313	10 601 381	42 590	-4%	-3%

The Company's balance sheet total as of March 31st 2005 (HUF 10,212 million) was, on HUF basis, 4 percent lower than the closing value of the same period of the previous year and, since there was a significant change in the HUF/EUR exchange rate, on an EUR basis there was only 3 percent decrease.

Assets

Fixed assets

The net value of fixed assets (HUF 17 million) decreased at the negligible rate of 1 percent. The

reduction was the result of the infrastructure and IT investments carried out by the Group and of the difference of amortization recorded.

Intangible assets

The value of intangible assets (HUF 124 million) recorded in the Group's consolidated balance sheet decreased by 19 percent. The difference was primarily the result of last year's goodwill recognized for the subsidiaries.

**Investments**

The decrease in the value of investments (HUF 9 million) was the result of the consolidation of BrnoData, acquired by Infinity and the reduction of the value of long-term loans given.

Inventories

Inventories grew by a non-significant amount of HUF 30 million. The change was the result of well-balanced inventory management.

Accounts receivable

Eliminating transactions within the Group, the value of accounts receivable decreased for each operating company, except Fibex, at the overall rate of 22 percent (HUF 1,036 million). This was due mainly to the more even distribution of invoicing during the quarter.

Cash and equivalents

At the end of the reporting period, the value of cash and equivalents was HUF 2,250 million, the major part of which (HUF 1,800 million) was recorded in the books of the parent company. The 54-percent growth was the result of the facts that the value of new asset purchases remained under the level of amortization recognised, the invoicing was evenly distributed, customers paid up on time and the proportion of supplier financing increased.

Liquidity position

The value of cash and equivalents held by the Company as of March 31st 2005 was HUF 2,250 million. The Company had a continuously sound liquidity position during the period under review. The stability of SynergON's cash and equivalents ensured steady operation for the Group.

Cash flow from operations

Operations generated a positive cash flow of HUF 152 million, due primarily to the changes in accounts payable, accounts receivable and inventories, as described under the analysis of the balance sheet, and due to the favourable change of the operating profit, adjusted for depreciation and tax.

Liabilities and shareholders' equity**Shareholders' equity**

There was no significant change in terms of reserves under shareholders' equity. The profit reserve decreased mainly due to dividends paid, while the retained profit of the year and the elimination of the badwill of SAO Ltd. increased the profit reserve as compared to the base year.

Short-term liabilities

The value of short-term liabilities (HUF 3,502 million) was 12 percent lower than the closing value of the base period, due primarily to the reduction of the accounts payable recorded in the books of SynergON plc and Span. On a Group basis, it represents a reduction of HUF 215 million (11 percent) for the balance sheet item in question.

Long-term liabilities

The change of the value of loans at the subsidiaries continued to reduce the long-term liabilities (63 percent).

Minority interest

The growth of minority interest was the result of the negative value of Infinity's retained profit of the year.

Net operating cash flow

In the lack of a considerable positive financial result, the closing value of net operating cash flow at the end of the period was HUF 154 million.

Cash flow from investments

The change in the value of the Group's investments during the period amounted to HUF -224 million, *i.e.* investments grew at a lower rate than the depreciation recognised for the period.

Net cash flow from financial operations

The value of the Net cash flow from financial operations (HUF 127 million) was chiefly affected by the recording of minority interest, the elimination of the badwill of SAO Ltd. and the payment of dividend. As a result, liquid cash assets increased by HUF 57 million as compared to March 31st 2004.



Cash flow	3-month period ending March 31			
	2005	2004		
	thousand HUF	thousand EUR	thousand HUF	thousand EUR
Operating profit after taxation	80 031	325	56 786	222
Depreciation and amortization	138 779	563	179 846	704
Change in payables	-2 625 209	-10 648	-3 724 736	-14 574
Change in accruals	-49 627	-201	761	3
Change in inventories	-192 630	-781	60 568	237
Change in receivables	2 816 699	11 424	2 899 374	11 345
Change in provisions	-15 681	-64	-298	-1
Cash flow from operations	152 363	618	-527 698	-2 065
Net financial result	1 185	5	21 971	86
Cash flow from financing activities	153 548	623	-505 728	-1 979
Change in assets	-89 470	-363	3 737	15
Change in investments	-134 180	-544	-15 807	-62
Cash flow from investing	-223 650	-907	-12 071	-47
Net change in loans	40 582	165	-1 480	-6
Change in share capital	137 694	558	0	0
Eliminating minority interest	-51 284	-208	-27 357	-107
Cash flow from financing	126 992	515	-28 838	-113
Net change in cash	56 890	231	-546 636	-2 139
Opening cash position	2 192 984	8 895	2 010 800	7 868
Closing cash position	2 249 874	9 125	1 464 163	5 729
Change in cash	56 890	231	-546 636	-2 139



Shareholder structure and company events

Taking into account notifications by shareholders on the basis of their mandatory disclosure obligation, the following table shows the shareholding structure

of Synergon Information Systems plc as of March 31st 2005.

Shareholding structure of Synergon plc		
Shareholder's name	March 31, 2005	December 31, 2004
Deutsche Bank (depository)	0.49%	0.55%
Treasury shares	2.77%	2.77%
Davon Kft.	4.81%	5.03%
Berenberg Global Opportunity-Magyar Budapest Fund	5.31%	5.31%
Curdie Trust Corp.	9.94%	9.94%
RCX Kft.	10.00%	10.00%
Financial investors, below 5 percent of shares each	66.68%	66.04%
Total	100%	100,0%

General Assembly – On April 29th 2005, the ordinary annual General Assembly of Synergon plc approved the report of the Board of Directors and Synergon's Annual Report. Members of the Board of Directors and the Supervisory Board were elected by voting. Ernst & Young Könyvvizsgáló Kft. was appointed Auditor of the Company.

Board of Directors – The following major decisions were made at the meetings of the Board of Directors of Synergon Information Systems plc during the period January 1st and March 31st 2005: The Board amended its rules of procedure, adopted the rules of procedure of the Regional Management Board, also appointing the members of the latter. It adopted a

decision on the convening of Synergon's ordinary annual General Assembly and approved the report of the Board and the annual reports of Synergon plc and of the Group.

Supervisory Board – The following major decisions were made at the meetings of the Supervisory Board of Synergon Information Systems plc during the period January 1st and March 31st 2005: The Supervisory Board approved the convening of Synergon's ordinary annual General Assembly and the proposals to be submitted to the Assembly.

Changes in the management – As of March 1st 2005, Hanus Weisl was appointed CEO of Infinity.

For further information please contact

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