

FLASH REPORT



**Financial results of Synergon Information
Systems Plc. for the nine-month period
January 1st to September 30th 2006**

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

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The net sales of the Synergon Group amounted to almost HUF 15 billion during the first three quarters of 2006, i.e. the Company's performance exceeded that of the equivalent period of the previous year by 18 percent. The hardware orders of the telecom and the public administration sectors accounted for a substantial part of the net sales, which, however, had the negative effect that contribution was lower than during the base period. As opposed to the loss of HUF 235 million generated during the first three quarters of 2005 (eliminating the non-recurring effect of the release of previous provisions of HUF 372 million), the Group closed the period under review with a lower net loss of HUF 162 million.

The parent company played a major role in the increase of the Group's sales. The 29-percent increase of the sales of Synergon Plc. and SAO-Synergon was the combined result of several factors. Whereas the demand increasing due to the expansion of the broadband networks of the telecom sector is expected to positively affect the entire year, the Company received substantial municipal government orders drawing on EU funds (GVOP 4.4.2 and 3.3.2) during the period. In addition, there was considerable growth in the orders of industry customers. On the Group level, the effect of last year's reinforcement of sales activities is clearly perceptible, as the volume of new orders has required the expansion of resources at various areas.

As far as the operating companies are concerned, the net sales of Fibex during the first three quarters exceeded its sales achieved during the base period. While due to cabling works to be started at a later date, the profit generated during the first part of the year remained considerably below the expected level, net sales exceeded the figure of the base period by 3 percent by the end of quarter 3. Due partly to the increase of the number of staff, operating expenses rose at a fast rate during the period under review.

As a result of the discontinuance of uneconomical activities and the loss of some of its established markets, the sales of Infinity were 6 percent lower than the equivalent figure in the base period. As a result of the efficiency-improving measures carried out by the Czech operating company, operating loss was reduced by 13 percent compared to last year.

As during the previous quarters, Span continued to close the third quarter with a loss; the company has been facing increasingly tough competition at one of its major markets, i.e. Microsoft solutions applications. Strong competition has resulted in a contribution level substantially lower than before; consequently, the Croatian company closed quarter three with a loss of HUF 164 million despite the fact that its net sales increased by 22 percent.

The management of Synergon Plc. is planning to implement some extensive structural changes in order to ensure the sound financial operation of the foreign operating companies.



ANALYSIS OF THE 2006 RESULTS OF THE SYNERGON GROUP JANUARY - SEPTEMBER

Comparing the nine-month period ending September 30th 2006 with the same period of 2005

The 2006 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 in the tables showing the consolidated Group reports. The average exchange rates applied for the items of the profit and loss account are, respectively, HUF 263.11 and HUF 247.76 per 1 Euro for the first nine months of 2006 and the equivalent period of 2005. The closing exchange rates applied for the balance sheet items are HUF 273.49 and HUF 249.59 per 1 Euro for September 30th 2006 and September 30th 2005, respectively.

Certain changes have been introduced in the structure of the data contained in the flash report compared to the previous periods, due to compliance with the effective IFRS regulation and in order to further increase transparency. With a view to comparability, the base data are also shown below in the breakdown according to the new structure.

Group results

Profit and loss statement	thousand HUF					
	2006		2005		Change %	
	Q1-Q3	Q3	Q1-Q3	Q3	Q1-Q3	Q3
Net sales	14 648 182	4 668 061	12 365 261	3 927 890	18%	19%
of which services (%)	38%	46%	42%	42%	0	0
of which products (%)	62%	54%	58%	58%	0	0
Cost of sales	-10 200 815	-3 329 125	-8 434 175	-2 702 674	21%	23%
in % of sales	70%	71%	68%	69%	0	0
Contribution	4 447 368	1 338 937	3 931 086	1 225 215	13%	9%
Contribution margin (%)	30%	29%	32%	31%	0	0
Operating expenses	-4 649 944	-1 544 870	-4 328 998	-1 441 342	7%	7%
EBITDA	210 456	-81 296	46 366	-66 980	354%	-21%
EBITDA margin (%)	1%	-2%	0%	-2%	0	0
Operating profit	-202 576	-205 934	-397 912	-216 127	49%	5%
Operating margin (%)	-1%	-4%	-3%	-6%	0	0
Other income and expenses	-100 103	-21 561	459 027	36 424	-122%	-159%
Net financial income	80 959	26 562	54 417	21 986	49%	21%
Profit before taxation	-221 720	-200 933	115 532	-157 717	-292%	-27%
Corporate tax	-21 783	-10 226	-29 936	-13 551	-27%	-25%
Net profit	-243 503	-211 159	85 596	-171 268	-384%	-23%
Effect of minority interest on profit	81 513	25 470	52 230	-3 766	56%	776%
Net profit falling on the parent company	-161 989	-185 689	137 826	-175 034	-218%	-6%
Net margin (%)	-1%	-4%	1%	-4%	0	0



Profit and loss statement	thousand EUR					
	2006		2005		Change %	
	Q1-Q3	Q3	Q1-Q3	Q3	Q1-Q3	Q3
Net sales	55 673	18 341	49 908	15 700	12%	17%
<i>of which services (%)</i>	38%	46%	42%	42%		
<i>of which products (%)</i>	62%	54%	58%	58%		
Cost of sales	-38 770	-13 065	-34 042	-10 804	14%	21%
<i>in % of sales</i>	70%	71%	68%	69%		
Contribution	16 903	5 275	15 867	4 896	7%	8%
<i>Contribution margin (%)</i>	30%	29%	32%	31%		
Operating expenses	-17 673	-6 058	-17 473	-5 765	1%	5%
EBITDA	800	-291	187	-272	327%	-7%
<i>EBITDA margin (%)</i>	1%	-2%	0%	-2%		
Operating profit	-770	-782	-1 606	-869	52%	10%
<i>Operating margin (%)</i>	-1%	-4%	-3%	-6%		
Other income and expenses	-380	-87	1 853	139	-121%	-162%
Net financial income	308	104	220	88	40%	18%
Profit before taxation	-843	-765	466	-642	-281%	-19%
Corporate tax	-83	-40	-121	-54	-31%	-27%
Net profit	-925	-804	345	-696	-368%	-16%
Effect of minority interest on profit	310	100	211	-16	47%	717%
Net profit falling on the parent company	-616	-704	556	-712	-211%	1%
<i>Net margin (%)</i>	-1%	-4%	1%	-4%		

Net sales

During the first nine months of 2006, the Synergon Group achieved a sales revenue of HUF 14,648 million, which, calculated on HUF basis, represents an 18-percent increase compared to the base period. This dynamic growth achieved during the first nine months of 2006 was primarily the result of the efficient operation of Synergon Information Systems Plc. and SAO-Synergon Ltd.

Of the operating companies, Synergon/SAO achieved the highest increase of its sales (29 percent), Span generated a similarly high growth of 22 percent, the sales of Fibex grew by 3 percent, while those of Infinity dropped by 6 percent compared to the base period.

In the sector-by-sector breakdown of the sales of the Synergon Group, the telecom and the financial sectors accounted for 21 percent and 13 percent respectively, industrial companies and public utilities and transport industries represented an overall 16 percent, whereas the share of the public sector remained 17 percent during the period under review. Other, unclassified sales accounted for 33 percent of the overall figure. Compared to the base period, there has been a moderate increase in the share of the telecom sector and a

similarly positive change in terms of the percentage of sales in the public administration sector, while the share of industry and service providers dropped significantly. No significant change occurred in the other sectors in terms of their performance during the first nine months of 2006, apart from some realignment due to general market dynamics.

In the first three quarters of 2006, the service content of sales was 4 percent lower than the equivalent data for the base period, which was due mainly to substantial network device sales and the perceivable growth of the share of hardware purchases in public administration during the first half of the year. The service content achieved during the third quarter alone was 4 percent higher than that of the base year.

Cost of sales

The cost of sales consists mainly of products sold, basic materials and payments to contractors. The rate of the increase of cost of sales (21 percent) slightly exceeded that of net sales in the comparison of 2006 (HUF 10,201 million) and 2005 (HUF 8,434 million). These costs accounted for 70 percent of net sales, a figure representing a 2-percent increase in comparison with 68 percent calculated for the base period.



Contribution

During the period under review, the net volume of contribution, calculated on the basis of the net sales and the direct costs of the Group, grew by 13 percent compared to the previous period. All the operating companies with the exception of Span had a positive effect on performance.

The 30-percent contribution achieved represents a 2-percent decrease in comparison with the previous year. This shift was due to a change in the sales components, as product sales, which result in lower contribution, accounted for a higher share of the sales total than during the base period.

Operating expenses

During the first three quarters of 2006, operating expenses amounted to HUF 4,650 million. Compared to the base period, operating expenses increased by 7 percent, which is a slightly improving figure in comparison with the changes between previous quarters (8-percent growth). Of the operating expenses, the change was due to the cost of labour and fuel, experts' fees and maintenance costs.

Net financial income

During the first three quarters of 2006, net financial income amounted to HUF 81 million, which was due to the substantial fluctuation in the exchange rates of the forint compared to other currencies, and which accrued on the receivables and liabilities performed during the period under review.

Net profit

The share of the parent company of the net loss of the Synergon Group, without minority interest, amounted to HUF 162 million during the first three quarters of 2006. That result is substantially worse than that achieved during the same period of the previous year. However, taking into account the non-recurring positive effect on the Company's profit of the release, during the first nine months of 2005, of the provisions of HUF 372 million made during previous years, then, eliminating that non-recurring effect, the result of the Company during the last three quarters was better than that of the base period. The result of the Company generated during the first three quarters of 2006 was thus HUF 72 million higher compared to the adjusted profit of the equivalent period of 2005.



Staff level

The table below shows the average staff levels of the Synergon Group. The table shows a 2-percent positive change for the period under review at Synergon Information Systems Plc. and SAO-Synergon Ltd., steadily decreasing staff levels at Infinity, while growth in terms of both the average and the closing headcounts at Fibex and Span.

At Group level average staff levels were 546 and 549 respectively on September 30th 2006 and a year before.

Average staff numbers	2006 Q3 average	2005 Q3 average	Change %	2006 Q3 closing	2005 Q3 closing	Change %
Synergon/SAO	340	334	2%	357	334	7%
Fibex	23	20	14%	25	20	25%
Infinity	125	141	-11%	120	136	-12%
Span	58	54	7%	56	54	4%
Total	546	549	-1%	558	544	3%

Analysis of the operating companies of the Synergon Group

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

Operating companies	thousand HUF								Change %	
	2006				2005				Q1-Q3	Q3
	Q1-Q3	%	Q3	%	Q1-Q3	%	Q3	%	Q1-Q3	Q3
<i>Net Sales</i>	14 648 182	100%	4 668 061	100%	12 365 261	100%	3 927 890	100%	18%	19%
Synergon/SAO *	10 142 786	69%	2 986 192	64%	7 888 838	64%	2 317 652	59%	29%	29%
Fibex	1 267 473	9%	535 716	11%	1 232 009	10%	554 727	14%	3%	-3%
Infinity	2 366 713	16%	971 742	21%	2 515 831	20%	874 714	22%	-6%	11%
Span	1 424 268	10%	356 782	8%	1 167 891	9%	314 013	8%	22%	14%
Konszolidáció	-553 058	-4%	-182 371	-4%	-439 308	-4%	-133 216	-3%	26%	37%

*Prior to consolidation

Distribution of income

During the reporting period, the sales of Synergon Information Systems Plc. and SAO-Synergon Ltd. accounted for 69 percent of the sales of the Synergon Group. There is a slight change and some realignment in terms of the sales ratio of the operating companies in the comparison of the various periods. On a Group basis, the weight of Fibex and Infinity decreased by 1 and 4 percent

respectively, while that of Synergon/SAO and Span increased by 5 and 1 percent respectively.

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



Synergon Information Systems Plc.

While Synergon Information Systems 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 Information Systems Plc.

and for further details relating to the company (in Hungarian and English), please see the company's website 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, please see the following website: www.sao.hu/en.

Synergon/SAO *	thousand HUF					
	2006		2005		Change %	
	Q1-Q3	Q3	Q1-Q3	Q3	Q1-Q3	Q3
Net sales	10 142 786	2 986 192	7 888 838	2 317 652	29%	29%
of which services (%)	42%	58%	47%	53%		
of which products (%)	58%	42%	53%	47%		
Cost of sales	-6 954 979	-1 990 239	-5 389 319	-1 613 238	29%	23%
in % of sales	69%	67%	68%	70%		
Contribution	3 187 807	995 954	2 499 519	704 413	28%	41%
Contribution margin (%)	31%	33%	32%	30%		
Operating expenses	-3 154 185	-1 069 721	-2 837 336	-968 814	11%	10%
Operating profit	33 622	-73 767	-337 817	-264 401	110%	72%
Operating margin (%)	0%	-2%	-4%	-11%		
Other income and expenses	-102 479	-40 685	430 952	10 095	-124%	-503%
Net financial income	303 168	47 071	80 340	28 123	277%	67%
Profit before taxation	234 311	-67 381	173 475	-226 183	35%	70%
Corporate tax	-10 022	-5 020	-11 831	-5 553	-15%	-10%
Net profit	224 289	-72 401	161 644	-231 736	39%	69%

* Prior to consolidation

Operating environment

In the areas of the operation of Synergon Information Systems Plc., substantial differences continued to exist in terms of the prosperity of the various market sectors during the first nine months of 2006.

In terms of sales, there was substantial, 70-percent, growth on the *public administration market* compared to the equivalent period of the previous year, due primarily to orders of mainly hardware products during the pre-election period and an extensive project during quarters 2 and 3, affecting several divisions and generating sales of nearly HUF 1 billion. Because of the public deficit-related problems of the budget and the ongoing structural and personal changes in public administration, no growth compared to the base period is expected for quarter 4. An increase compared to the sales target is, however, expected in terms of the whole financial year.

The developments described in the NFT (National Development Plan) II concerning the IT sector now constitute a crucial point of reference of the Company's future trading strategy. There are two priorities in the NFT II concerning the

development of various areas of public administration and the civil service. One of these is the renewal of society, including the increasing of the success rate and the efficiency of education, the improvement of access and the development of human infrastructure. The second priority with respect to the reform of government administration is the reform of public administration and the modernisation of public services. In addition to the above, the NFT II lays great emphasis on achieving the connectivity and security of government and public administration systems.

Throughout the third quarter, the *municipal* field continued to actively participate in the public procurement GVOP 4.4.2 projects. In addition to the four projects already awarded to it, the Company expects to win a few more during quarter 4. Serious implementation projects are currently in progress on the basis of each of the four agreements concluded. The product elements of the ÜgyneNet solution package have been continuously developed in order that the solution supply, based on several pillars, can be offered as an integrated service to municipal governments. The basic pillars include: the filing and document management system, the portal/collaboration



solution, e-learning and GIS. So far, sales and contribution have met the targeted levels. It is hoped that this will remain so by the end of the year, subject to the implementations.

On the *health services* market, of the public procurement processes related to the HEFOP projects for individual institutions, only the South Transdanubia Consortium tender invitation has been completed, in which Synergon was involved successfully, i.e. by being awarded the Szekszárd Hospital implementation project. In that project, the Infocend clinical software, various hardware and network devices were supplied in addition to the software solutions required. The tender invitation published by the North Plains Region Consortium entered the negotiation phase during quarter 3. In that phase, Synergon participates in the competition in the towns of Nyíregyháza and Fehérgyarmat. The public procurement process of the said Consortium is expected to be closed and the results to be published at the end of the year. The North Hungarian projects were in the proposal submission phase. Here, the negotiation phase is expected to begin at the end of the year. Results of only a few such tenders are likely to be published this year. Besides the HEFOP, the other basic goal has been the participation in the reconstruction projects of hospital network and communication systems. In that respect, the technical organisation of the Division is in the process of establishing the basis for an increasingly close cooperation with Cisco Hungary in order that further projects similar to the Nyíregyháza one can be launched in the near future.

As far as the *telecom and media markets* are concerned, the sales of Synergon increased by over HUF 900 million compared to the equivalent period of the previous year, due to the renewal of service providers' networks, primarily projects related to broadband data services.

The upgrade of the ERP (SAP) system of the National Communications Authority has been the most significant, high added-value project of the year. For Synergon, this segment represents a calculable and high service-content source of revenue also through its maintenance and operation contracts. Strategic goals for the future include the retention of the existing contracts and

obtaining new ones. The Company intends to further improve its strong positions in the area of network management systems. In order to maintain their competitiveness, preparing the implementation of 3-Play services is a top priority for CTV and Internet providers. The realignment on the Hungarian market, including the diversification of telecom companies to the IT market (e.g. the acquisition of the KFKI Group) involves risks for IT companies, with effects that are difficult to predict.

Profitability and performance management continue to be the top priorities in the *insurance and financial* sectors. This is induced by circumstances such as the continuing trend of narrowing the margin, increasing competition, market consolidation, new regulations and decreasing market differentials. Most of the portfolio elements of Synergon Plc. (hardware, networking, software infrastructure and development and the related operation and maintenance services, outsourcing, data warehouse building, etc.) are sold in this sector. Starting this year, however, an increasing number of financial institutions have begun to use online bidding for purchasing, which is instrumental in a major part of infrastructure projects becoming commodities. During the past quarter, the overall level of investments finally rose to the previously expected level, which had a positive effect during the third quarter on Synergon's sales figures compared to the base period. However, no substantial increase is expected to occur during the near future. That conservative approach is based on the pessimism of market operators due to macroeconomic uncertainties and the increasing tax burden. A slight growth can be expected in the future with the stabilisation of the macro-economy and the meeting of banks' profit expectations. Potentially prosperous areas include: data mining, reporting and report analysis tools, document management, data integration, identity management, CRM, front-end systems, risk management, receivables management, overdue payment management and leasing software.

Following a more dynamic second quarter, the *industry and services* segment fell short of the target in quarter three. The net sales generated during the first nine months are virtually identical



with those of the equivalent period of the previous year. In the future, the service provider and power plant sector could become the number one focus area. Under the aegis of the WEM application developed for MOL FRI (the nominalization and allocation of daily gas quantities throughout the country), there is a good potential for the development and supply of high added-value solutions to support business flows and create customer loyalty for public utility providers, which would enable the Company to transcend its current role of infrastructure provider. IT projects in the public utilities sector have essentially focused on complete end-to-end billing solutions, electronic bill management, network modernisation and automatic meter reading.

As a result of the organisational efficiency of Synergon, the corporate sector (including government administration and the civil service) will remain the primary target this year and beyond. While that segment has less dynamic growth potential, it remains the Company's main focus area nominally, on account of its size and the existing customer base. EU grants are among the key factors in the *medium-sized business* sector, too. In this sector, market research has revealed a basic trend toward ERP systems supporting business flows and document management solutions, and substantial EU grants are expected to arrive in the future. Synergon has gained extensive experience in the preparation of EU grants applications. During a recent roadshow, the Company has had talks on opportunities with operators on this market and leads have been generated.

However, the potentials of the sector are somewhat overshadowed by the government's austerity measures, which have also affected businesses in this segment. The commercial preparation of next year's planned small business program has begun.

Results

In the first nine months of 2006, the sales generated by Synergon Information Systems Plc. and SAO-Synergon Ltd. (HUF 10,143 million) were 29 percent higher than during the equivalent period of 2005 (HUF 7,889 million).

As a result of the hardware sales projects referred to above, the service content of the company dropped by 5 percent compared to the 47 percent achieved in the base period. Following the increase of sales, the cost of sales increased during the period under review, which had the result that contribution margin hardly changed compared to the previous period (31 percent). During the first nine months of 2006, the operating profit of Synergon and SAO-Synergon Ltd. was, collectively, HUF 34 million, against a loss of HUF 338 million generated in the equivalent period of 2005. The net profit amounts to HUF 224 million; that figure, however, includes the dividend of HUF 200 million from SAO-Synergon Ltd., which has been eliminated from the consolidated statement as a transaction between operating companies.



Business units

Network Communication continued to play a critical role in terms of sales and contribution in the Synergon portfolio, accounting for nearly half of the sales and the contribution of the Company during the third quarter of 2006. The results 45 percent and 22 percent over respectively the net sales and contribution achieved during the base period were the result of the (part) deliveries of major projects completed or commenced during the quarter. Apart from traditional network solutions, IP telephony, network security and wireless and optical networks dominated the sales portfolio.

During quarter three, the *government sector* generated considerable sales for the Division, due basically to the delivery of the IT development project of the Central ‘Honvéd’ Hospital, launched during quarter two. Substantial sales were also generated from the micro-region Internet infrastructure development projects launched and the ongoing Public Web (‘Közháló’) project, which was extended, following a winning bid, for a further eighteen months during the third quarter. These projects accounted for 50 percent of the overall sales of the Division. Prospects also look promising for the end of the year. Among other things, the KSZF (Central General Directorate for Services) network normative has been published again, which may generate further sales for the Division at the end of the year, provided that our bid is accepted.

Due to its good results during the quarter under review, the *telecom sector* generated 18 percent of the sales of the Division. Major projects in this sector included Netcool management and premium support for the T-Group, the T-Cable optical network and Invitel IP Centrex implementations. In addition to the above, sales were also generated by the EDR (Tetra) project launched in quarter 2. Quarter 4 promises similarly good prospects in the sector.

20 percent of the Division’s sales were generated by the financial sector during the past three months. Typically, high service-content projects continue to be implemented in that sector,

including consulting, installation and maintenance services in connection with network devices. During the third quarter, projects begun earlier were mostly continued, including the continuing implementation and support of small-branch and IP telephone networks for Raiffeisen Bank Co. Ltd. and the support of existing networks for Budapest Bank, CIB Bank Co. Ltd., Erste Bank Investment Co. Ltd., Generali-Providencia Co. Ltd., the Allianz Group, the K&H Group, the MFB and Takinfó Kft. In addition to the above, high-speed connection between the central offices of Erste Bank was implemented with DWDM devices. Substantial income is expected in the sector during the final quarter of the year from the sales generated by the implementation of major network reconstruction projects awarded to the Company by CIB and the MNB during the third quarter.

The *industrial sector* is continues to be a less dynamic segment in terms of network solutions, accounting for a mere 7 percent of the Division’s sales during quarter three. During the period under review, major network customers in the sector include BAT, ELMŰ, SANYO, EGIS, Lapker, Tigáz and the Paks Nuclear Plant, generating revenue for the Division from traditional network development.

The income from sales to non-premium customers remained below the target during quarter three, accounting for 5 percent of the overall sales of the Division. The Division completed network integration projects for the EDS, the NIIF, the Pázmány Péter Catholic University and the Széchenyi István University, while the Huawei Educational Centre also generated revenues through continuous training courses.

The most important products have remained the same in the network portfolio (active network devices, management, structured cabling, light-current systems, etc.), similarly to the quasi products based on the former (Telco and corporate solutions, IPT, Network Security, Machine Room, etc.). Due to the shift of the network area toward applications development, various applications (VoiceCover, Microsoft LCS, IP Centrex, IMS, etc.) have also been launched in cooperation with the Business Solutions Division in connection



with the network solutions. While currently internal resources are being used in order to carry out these developments, financial and external resources will probably be needed in the future for the final development stage. The new solutions launched as the result of ongoing product development by the manufacturers are immediately integrated into Synergon's portfolio due to our close cooperation with manufacturers.

The activities of the **Business Solutions Division** include the traditional activities of the former Software Division and the business consulting activities of Synergon Plc. During the third quarter of 2006, the decline of market demand was smaller compared to the equivalent periods of the base and preceding years. Most of the projects implemented during the period concerned the implementation of security solutions. There was outstanding demand for PKI solutions.

As far as the *government administration sector* of the Business Solutions Division is concerned, Public Administration stagnated during the second half of the year and thus in quarter 3, due mainly to the austerity measures implemented by the Government. No major projects affecting the Division were launched and no such projects are anticipated before the end of quarter 4, even under the most optimistic scenario. No new customers have been added in the government administration sector. Projects essentially concerning infrastructure and security were successfully completed for existing customers. (VÁTI Kht., KHK.) The projects awarded under the GVOP 4.3.2 tender have been progressing to schedule during the quarter.

The development and support activities affecting the *telecom sector* were continued to plan during the quarter. There has been increasing demand in the sector for the CRM and front-office systems facilitating customer service. The Division is currently in the process of preparing a solution for these purposes.

Sales have been picking up to *service industry* since the middle of quarter 3. Major service providers have mostly been interested in systems facilitating fuel use planning and distribution.

With its special solution, successfully implemented for MOL FRI, the Division stands good chances as a supplier in the above fields. Projects focusing on security solutions to core business systems dominated the market also in this segment. The Security Division completed a successful network security system implementation for the EGIS Pharmaceutical Company. The migration of the Customer Service system has continued in connection with the SAP implementation for ELMŰ Plc. The support projects affecting the sector also met the expected targets during quarter three.

Following some growth during the second quarter, the *financial sector* stagnated during quarter 3. Following the successful completion of the IFRS reporting system developed for the Raiffeisen Bank Co. Ltd., further developments aiming at functional extensions are currently being prepared. The upgrading of the data warehouse for the MNB was continued during the quarter in cooperation with additional divisions.

On the GB market, there has been growing demand for CRM systems. The Division has been working on the preparation of a number of business deals and has launched some industry-specific solutions in this segment, too. License agreements continued to be renewed according to schedule during the quarter.

During quarter 4, the Division will begin the certification of its Document Management system developed for municipal governments. A major increase of competencies is planned by the organisation in the BI, CRM and IDM fields. The preparation of projects aiming at the development of competencies and solutions will be completed during the fourth quarter.

No significant growth is expected compared to the base years during quarter 4. The Division intends to focus on achieving its target and launching the areas to be developed.

In the **Hardware Division**, the market environment weakened during the period under review, as anticipated. Due to the loyalty of the customer base, however, the Division has a regular and calculable source of income. Additional revenues were generated by being



awarded some projects carried over from the first six months of the year.

On the government administration market, several public service projects carried over from the first six months were awarded to the Company.

Major projects carried over from the previous six-month period were completed in each of the telecom and the industry/services sectors (Invitel Sun cluster and Tigáz Co. Ltd. 300 PC and server sale respectively).

Various projects awarded to the Company in the SMB sector were completed to schedule. (HP infrastructure implementation for Fornetti Kft., and IBM Datacenter solution for Portfolió Kft.)

The Division intends to achieve its plans of expansion to new markets through modified sales methods and IT solution packages targeting specific business problems. The dynamic rate of the penetration of digital data storage has generated above-the-average growth in the data storage market, where Synergon intensified and broadened its competencies during the period under review.

During the third quarter of 2006, the major part of the sales of the **SAP Division** were generated by projects carried over from the previous six-month period. There has been no significant growth on the ERP market. As far as this product is concerned, the continuity has been ensured primarily by agreements concerning operation and supplementary activities, which has generated ongoing, sustainable sales for Synergon. Growth and development can be observed in the segment of medium-sized businesses. This market, however, requires special treatment due to its lower contribution-generating capacity. Opportunities for the financing of the projects of medium-sized businesses now include SAP Financing, launched during quarter 3. Its reception by the market can be assessed in the second half of the year. As phase 2 of the NFT will not open before 2007, project opportunities in the medium-sized business sector will be delayed until the second half of 2007.

During the second quarter of the year under review, the Division was awarded the NHH upgrade project tender, where the ongoing

implementation of the SAP upgrade will be continued during the second half of the year. Two major official tenders are expected during the second half of the year, i.e. those of the Office of the Mayor of Budapest and the Budapest University of Engineering. The SAP Division stands good chances at winning either of them.

There has been steady growth in the industry, services and trade sector. One of the most substantial projects launched at the end of last year is the upgraded system of the Paks Nuclear Plant, combined with the change of the logistics model. The second quarter of 2006 saw the launching of the TIGÁZ SAP IS-U II project (the implementation of a settlement and customer service system based on less frequent meter reading), in which the Division acted as a subcontractor.

Meanwhile, the Division is in the process of launching various minor SAP All in One projects. The supporting of SAP systems whose live operation starts this year has been added to the existing support activities.

Due to the lack of special competencies, the contribution achieved during the quarter is below the targeted level. New competencies are to be developed, taking into account market requirements and the SAP products.

The **Retail** Division has been providing and monitoring the retail and filling station systems it has installed. Since, during the summer months, traffic increases at the filling stations, the staff of the Division were monitoring ESSO, JET and MÁV filling stations on a 24/7 basis.

In the IPH (Hungarian Post) project, the staff of the Retail Division installed the front-office systems of the Post Office, which enable the connection between customers and the providers of postal services.

The Division has successfully closed phase one of the full stock-take at the branch offices of K&H Bank. Phase two is to be completed in November. Under a successful general contractor project, the integration of the central ERP system of Jeans Club Kft. to the proprietary Synergon Retail System (SRS) was completed in June. In this



project, the Axapta business management system was integrated to the SRS through an MS-SQL database. Managing the project involved great responsibility, since it covers shops in the Czech Republic, Poland and Austria in addition to the Hungarian retail units. The Division has also taken the first step in the entertainment industry by installing the tills at the refreshment bars in the units of Palace Cinema Kft. In the field of electronic data transmission, the Retail Division has entered into an agreement with Auchan Hungary Kft. on the implementation of an online ordering system. Under that project, the staff of Synergon will connect the hundreds of suppliers into the WebEDI system of the Polish Comarch company on an ongoing basis. The system will enable the online exchange of data between Auchan and its suppliers (orders, stock information, order confirmation, deliveries, delivery notes, etc.). During the forthcoming months, electronic data exchange systems will be installed for other major networks including Metro, CBA, Tesco, Baumax, etc. The Division will play a substantial role in those implementations.

During the first three quarters of 2006, **SAO-Synergon Kft.**, as the operating company of the Synergon Group specialising in operation and operation support continued to operate in a financially sound and calculable manner.

SAO's customers are typically industrial and service companies and operators in the financial sector, i.e. banks and insurance companies.

While marketing researchers and market analysts are forecasting the explosive growth of IT outsourcing, on the Hungarian market, this will occur at a delay and at a slower pace.

Nevertheless, this economic model and the alternative forms of IT operation are attracting increasing interest in Hungary as well. Several large companies have investigated the opportunities in that field, including Démász Plc., which has invited bids for complete IT outsourcing.

This activity requires that each year, the service provider should improve the quality and efficiency of its services. Hungarian and foreign companies with a routine in outsourcing monitor market prices and have their suppliers compete on a regular basis. During quarter three, SAO-Synergon Ltd. thus managed to win the Hungarian desktop operation tender invitation published by British American Tobacco, which was started in August, along with the helpdesk service. The takeover process began with the transient processes project required for the takeover. Live operation was started on September 1st.

Besides large corporations, the medium-sized segment is also open to this efficient and calculable operation service. To that segment, SAO-Synergon Ltd. offers a service package to be provided through office building hubs. In addition to that, SAO-Synergon Ltd. and Atos Origin have submitted joint bids for various regional projects for local service provision. The results of these competitions are to be announced during the last months of this year or early next year.

During the third quarter, the cumulated sales of SAO-Synergon Ltd. exceeded the target. Its operating profit also exceeded the targeted level due to its efficient operation.



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 website at www.fibex.hu.

Fibex	thousand HUF					
	2006		2005		Change %	
	Q1-Q3	Q3	Q1-Q3	Q3	Q1-Q3	Q3
Net sales	1 267 473	535 716	1 232 009	554 727	3%	-3%
<i>of which services (%)</i>	1%	1%	1%	1%		
<i>of which products (%)</i>	99%	99%	99%	99%		
Cost of sales	-1 016 040	-445 740	-1 009 859	-460 954	1%	-3%
<i>in % of sales</i>	80%	83%	82%	83%		
Contribution	251 433	89 975	222 150	93 773	13%	-4%
<i>Contribution margin (%)</i>	20%	17%	18%	17%		
Operating expenses	-179 776	-60 262	-131 049	-47 394	37%	27%
Operating profit	71 657	29 714	91 101	46 379	-21%	-36%
<i>Operating margin (%)</i>	6%	6%	7%	8%		
Other income and expenses	8 448	7 175	5 031	531	68%	na
Net financial income	-5 228	-4 370	1 275	2 892	-510%	-251%
Profit before taxation	74 877	32 519	97 408	49 801	-23%	-35%
Corporate tax	-11 980	-5 203	-15 585	-7 968	-23%	-35%
Net profit	62 897	27 316	81 823	41 833	-23%	-35%

During the first nine months of 2006, the net sales of Fibex increased by 3 percent, to HUF 1,267 million compared to the HUF 1,232 million achieved in the base period. The rate of the increase of operating expenses (1 percent) was lower than that of sales. Performance in terms of net contribution increased by 13 percent. The 21-percent decrease of operating profit was the result of the increasing staff number, the increase in marketing activities and of maintenance and operation costs. Fibex achieved a net profit of HUF 63 million during the first three quarters.

The cooperation agreements made with some additional network companies have further increased Fibex's market share by widening the company's product range (power trays, hospital bed lighting).

During the third quarter of 2006, Fibex entered into substantial supplier agreements with UK, Swedish and Chinese partners, which have markedly increased the sales turnover.

In addition to the supplying of the optical fibre monitoring system devices for Magyar Telekom,

Fibex has also entered into an agreement for the maintenance and development of the system installed.

Similarly to the first half of the year, the company has continued to supply considerable quantities of optical cables and equipment for UPC and other cable TV operators.

In the industrial sector, a large quantity was sold during quarter 3 of the power socket columns launched in quarter 2. Similarly, Fibex has received substantial orders for power trays. The impact of these orders will be felt in quarter 4.

As part of the Synergon Group, Fibex has also been actively involved in cross-border activities. As last year, Fibex and the South Korean company LS Cable jointly won a HUF 150-million tender with the MVM, whose impact was still felt strongly this year, in quarter 3, LS Cable granted Fibex its Central European representation rights, enabling the operating company to increase its market share on Central European markets through very attractive prices and conditions.



Infinity a.s.

Infinity a.s. is the Czech operating company of the Synergon Group, in the majority ownership of Synergon (in April 2006, the interest of Synergon Information Systems Plc. in Infinity increased to 91.7 percent from the former 75.8 percent). 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 is consolidated in Infinity's profit and loss account and balance sheet statement. 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 website at www.infinity.cz.

Infinity *	thousand HUF					
	2006		2005		Change%	
	Q1-Q3	Q3	Q1-Q3	Q3	Q1-Q3	Q3
Net sales	2 366 713	971 742	2 515 831	874 714	-6%	11%
of which services (%)	39%	28%	62%	115%		
of which products (%)	61%	72%	38%	-15%		
Cost of sales	-1 437 780	-726 775	-1 632 711	-541 437	-12%	34%
in % of sales	61%	75%	65%	62%		
Contribution	928 933	244 967	883 120	333 278	5%	-26%
Contribution margin (%)	39%	25%	35%	38%		
Operating expenses	-1 097 160	-344 609	-1 076 929	-347 803	2%	-1%
Operating profit	-168 227	-99 641	-193 808	-14 526	13%	na
Operating margin (%)	-7%	-10%	-8%	-2%		
Other income and expenses	-1 618	-885	54 219	56 086	-103%	-102%
Net financial income	-4 182	-13 011	-25 825	-6 708	84%	-94%
Profit before taxation	-174 027	-113 538	-165 414	34 852	-5%	na
Corporate tax	220	-3	-2 520	-31	109%	-89%
Net profit	-173 807	-113 541	-167 933	34 822	-3%	-426%

*Including minority interest

The Czech IT market is one of the most advanced ones in Central Europe. The proportion of IT investment is high and further developments are expected. Unfortunately, government orders, the growth-inducing industry of the IT market, were scarce due to the uncertain political situation, with no improvements expected for next year in that respect. Demand has been shifting steadily from products and infrastructure devices toward services as a result of the vendors' approach. As a number of large companies enter into agreements directly with the vendors, their partners are only able to provide services as subcontractors.

During the first nine months of the year, the performance of the operating company was similar to that of the equivalent period of the previous year. The net sales and the direct costs of the Czech operating company were respectively 6 and 12 percent lower than during the equivalent period of last year, whereas the amount of contribution was 5 percent higher than the equivalent figure.

Of the operating companies of the Synergon Group, Infinity currently has the second highest share of services (39 percent). During the period under review, Infinity generated loss, while its net profit was 3 percent lower compared to the equivalent period of 2005.

The main goals of the company, whose loss was similar to last year's level, include achieving the long-term profitability of its operation, which is to be attained through increasing the weight of commercial activities, cutting back on operation expenses and creating new competencies. To that end, substantial developments were started during the third quarter concerning the sales organisation. The company has focused on establishing cooperation with market-leading companies (Microsoft, Cisco and HP), following their market strategies.

Up to the third quarter of 2006, the major part of the sales of the company were generated by orders delivered on the public administration market



(National Land Office, Ministry of the Interior – PC sales and support) and by projects carried out for customers operating in the industry, services and trade sectors (Skoda Auto, Foxconn, Celestica – hardware and network device supply). In addition, essential revenues were generated on a continuous basis on the retail market (Kaufland, Ahold, Tesco). The service revenues of the operating company were generated by software development, operation contracts and the sale and implementation of Navision licences.

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 Information Systems Plc. Apart from various networking and infrastructure-management projects, the major part of the sales revenue of Span is generated by

Vladimir Čech was appointed General Manager of the company during the period. On the basis of the plans presented by the new management, a moderate profit will probably be achieved by Infinity for the whole year; due to the Parliamentary elections held during the first half of the year, however, it still seems that the orders related to public administration projects will not actually be placed before the final months of the year.

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 website at www.span.hr

Span*	thousand HUF					
	2006		2005		Change%	
	Q1-Q3	Q3	Q1-Q3	Q3	Q1-Q3	Q3
Net sales	1 424 268	356 782	1 167 891	314 013	22%	14%
<i>of which services (%)</i>	27%	35%	58%	49%		
<i>of which products (%)</i>	73%	65%	42%	51%		
Cost of sales	-1 044 301	-242 990	-740 978	-195 944	41%	24%
<i>in % of sales</i>	73%	68%	63%	62%		
Contribution	379 967	113 792	426 912	118 069	-11%	-4%
<i>Contribution margin (%)</i>	27%	32%	37%	38%		
Operating expenses	-528 986	-161 339	-413 053	-130 400	28%	24%
Operating profit	-149 020	-47 547	13 860	-12 332	na	na
<i>Operating margin (%)</i>	-10%	-13%	1%	-4%		
Other income and expenses	-2 112	389	-2 423	-1 535	13%	125%
Net financial income	-12 799	-3 129	-1 373	-2 320	na	na
Profit before taxation	-163 931	-50 286	10 063	-16 187	na	na
Corporate tax	0	0	0	0	na	na
Net profit	-163 931	-50 286	10 063	-16 187	na	na

* Including minority interest

In the period under review, the Croatian IT market was steadily if moderately growing, with a noticeable increase in the orders of both the government and the business sectors, while large multinational suppliers have obtained an increasing influence at the former field to the expense of Croatian companies. The growth of the telecom market continued to be determined by deregulation in the network and telecommunication fields.

Span has streamlined its portfolio, increasingly focusing on Navision implementations and the

winning of technical support and infrastructure projects. The company acquired the ISO 9001:2000 quality management system certification, which, being less common in the country, is still able to provide a competitive edge on the Croatian market.

Compared to the base period, there was an app. 22-percent increase in the sales of Span during the first nine months of 2006.

The 11-percent reduction of the amount of contribution was due to lower contribution-margin



contracts and the unfavourable exchange rate of the US dollar, the currency employed in licensing agreements.

Operating expenses increased due to investments into human resources in order to lay the foundations for future operation. In consequence, the company recorded a net loss of HUF 164 million during the first nine months of 2006.

The results achieved by Span during the first nine months of 2006 were due to the fact that, in a heavily competitive business environment, the Croatian company had been forced to undertake low-contribution projects out of strategic reasons in order to increase its market share.

App. one-fifth of the company's sales was generated by Croatian government orders (Croatian Electricity Company, Ministry of Defence, Ministry of Foreign Affairs, Croatian Motorway Authority). At the end of March, Span

was awarded the ICT restructuring contract of the Rijeka harbour, where it carried out the full Microsoft Tetra infrastructure implementation, installation and all service management activities throughout quarter three. Further major parts of the sales of Span were generated during the first nine months of 2006 on projects delivered for customers in the telecom and media sectors (T-Mobile/Iskom, VIPnet, Croatian Radio and Television, Europa Press Holding). Major new projects during the period included the T-Com order for the implementation of the DSL network, obtained in cooperation with Huawei and the hosted exchange implementation and future maintenance commissioned by VIPnet, the second largest mobile operator on the market. During the period, Span carried out the largest-ever Navision implementation in Croatia for the Thermocommerce company as well as concluded further contracts concerning the implementation of Navision business solutions (PIP, Iskon, Amcham).



Analysis of the balance sheet and liquidity position of the Synergon Group as of September 30th 2006

<i>Balance sheet</i>	September 30, 2006		September 30, 2005		Change %	
	thousand HUF	thousand EUR	thousand HUF	thousand EUR	HUF basis	EUR basis
Assets						
Fixed assets	2 541 041	9 291	2 695 585	10 800	-6%	-14%
Tangible assets	1 901 392	6 952	2 093 322	8 387	-9%	-17%
Goodwill	578 130	2 114	551 127	2 208	5%	-4%
Investments	11 546	42	10 962	44	5%	-4%
Deferred tax	24 466	89	13 116	53	87%	70%
Long-term loans given	25 507	93	27 058	108	-6%	-14%
Current assets	8 408 811	30 746	7 641 258	30 615	10%	0%
Inventories	961 432	3 515	1 135 238	4 548	-15%	-23%
Accounts receivable	4 219 313	15 428	3 931 910	15 753	7%	-2%
Liquid assets	1 716 187	6 275	1 546 020	6 194	11%	1%
Securities	986 776	3 608	201 196	806	390%	348%
Other current assets	525 104	1 920	826 894	3 313	-36%	-42%
Total assets	10 949 852	40 037	10 336 844	41 415	6%	-3%
Liabilities and shareholders` equity	0	0	0	0	0%	0
Registered capital	1 910 926	6 987	1 910 926	7 656	0%	-9%
Reserves	5 621 207	20 554	5 599 637	22 435	0%	-8%
Retained earnings and reserves	-674 029	-2 465	-886 773	-3 553	-24%	-31%
Owner`s equity (parent company)	6 858 105	25 076	6 623 791	26 539	4%	-6%
Minority interest	52 181	191	110 031	441	-53%	-57%
Total owners` equity	6 910 286	25 267	6 733 823	26 980	3%	-6%
Short-term liabilities	4 035 411	14 755	3 593 959	14 399	12%	2%
Accounts payable	2 629 499	9 615	2 286 855	9 162	15%	5%
Loans and bank overdrafts	44 275	162	250 687	1 004	-82%	-84%
Other short-term liabilities	1 361 638	4 979	1 056 416	4 233	29%	18%
Long-term liabilities	4 155	15	9 063	36	-54%	-58%
Total liabilities and shareholders` equity	10 949 852	40 037	10 336 844	41 415	6%	-3%

The balance sheet total of the Synergon Group as of September 20th 2006 (HUF 10,950 million) changed by 6 percent on a HUF basis compared to the closing value of the equivalent period of the previous year.

Assets

Tangible assets

The net value of fixed assets decreased by 9 percent (HUF 1,901 million). The reduction was the result of the infrastructure and IT investments carried out by the Group and of the difference of amortization recorded. During the period under review, the volume of projects was minimal, below both that of the base period and the target level.

Goodwill

The value of goodwill recorded in the Group's consolidated balance sheet increased by 5 percent. The change was due to the goodwill value recognised on the increase of the investments of the operating companies of the Synergon Group between the two periods.

Deferred tax

The change in tax reserves was increased by the deferred tax reserve accrued by Span d.o.o. at the end of 2005.

Long-term loans given

As the collective result of contractual repayments of earlier loans, of new agreements and of exchange rate fluctuations, there was a 6-percent decrease in the HUF 26-million amount of loans given.

**Inventories**

The Group's largest company, Synergon Information Systems Plc. accounted for the HUF 174-million decrease compared to the base year.

Accounts receivable

Eliminating settlements within the Group, the value of accounts receivable increased by 7 percent (HUF 287 million). That change was the combined effect of the different results of the operating companies. Of the operating companies, there was a substantial decrease at Synergon Plc. and lesser decreases at Fibex and SAO-Synergon Ltd. Between them, the decrease amounted to a total of HUF 93 million. While Infinity failed to achieve any substantial results in the collection of accounts receivable, the increase of Span's accounts receivable followed the increase of sales, which together have added HUF 380 million to the total amount.

Liquid assets

At the end of the reporting period, the value of cash and equivalents was HUF 1,716 million, which includes a substantial increase of HUF 170-million. The positive change and the high amount of liquid assets were due essentially to the prudential and regular efforts by Synergon Plc., which greatly improved the success rate of the collection of outstanding receivables.

Securities

The HUF 987-million balance of liquid assets kept in securities maturing within less than 12 months, with a short-term investment goal, increased by HUF 786-million surplus compared to the base period. The purchasing of securities was enabled by the high collection rate. As far as securities purchased with an investment goal are concerned, Synergon Plc. has switched to different types of securities, which is described in more detail under the relevant items of the investment cash flow statement.

Other current assets

Accrued costs and expenses constitute the most substantial component of this asset group, which were recorded by the Group in accordance with the situation in the balance sheet period and which therefore include the costs and expenses affecting the period following the balance sheet date but accrued prior to that date.

Liabilities**Minority interest**

The decrease of minority interest was the result of the negative value of the retained earnings of Infinity and Span.

Short-term trade creditors

The value of short-term trade creditors was 15 percent (HUF 343 million) higher than the closing value of the base period, due mainly to the increase at Synergon Plc. and, to a lesser extent, at Span, Infinity and Fibex Ltd. The value of trade creditors increased in proportion with the increase of net sales.

Credits and bank overdrafts

The changes in credits and bank overdrafts are described in detail in the cash flow analysis.

Other short-term creditors

The closing value of other short-term creditors during the period under review amounted to HUF 1,362 million, which represents a HUF 305-million increase compared to the base period. The change was the result of the increase of the amount of accruals and provisions.

Long-term creditors

The reduction of long-term creditors was the result of the elimination of the financial lease solution of asset financing.



The **cash flow statement** as of September 30th 2006 shows the changes between December 31st 2005 and September 30th 2006 and equivalent trends during the base period.

<i>Cash-Flow</i>	September 30, 2006		September 30, 2005	
	thousand HUF	thousand EUR	thousand HUF	thousand EUR
Cash flow from operation				
Profit before taxation and interest payment	-193 560	-708	87 128	349
Amortization and depreciation	413 032	1 570	444 278	1 793
Depreciation settlement	49 562	186	100 000	401
Exchange rate difference	-60 294	-220	20 428	82
Income from the sale of tangible assets	2 405	9	-25 817	-103
Income from the sale of treasury shares	-16 430	-60	-31 270	-125
Minority interest	-81 513	-298	-52 230	-209
Receivables and other current assets	3 006 254	10 992	2 188 336	8 768
Inventories	19 567	72	-386 276	-1 548
Liabilities and accruals and deferred income	-1 529 108	-5 591	-2 250 819	-9 018
Interest received	57 748	211	99 210	397
Interest paid	-7 273	-27	-18 576	-74
Tax settlement	34 967	128	1 537	6
Net cash flow from operation	1 695 357	6 264	175 929	718
Cash flow from investment				
Tangible assets purchased	-171 542	-627	-354 181	-1 419
Sale and purchase of short-term investments	-928 819	-3 396	98 880	396
Purchase of other long-term investments	0	0	-4 599	-18
Acquisitions	-13 712	-50	-21 055	-84
Income from the sale of assets	8 925	33	35 175	141
Net cash flow used for investment	-1 105 148	-4 041	-245 780	-985
Net cash flow used for financial transactions				
Income on the sale of treasury shares	159 000	581	142 570	571
Acquisition of treasury shares	-159 000	-581	-142 570	-571
Change in loan repayment liabilities	-1 747	-6	-232 263	-931
Dividend paid on minority interest	-18 595	-68	0	0
Net cash flow from financing	-20 343	-74	-232 263	-931
Net change in cash and equivalents	569 867	2 084	-302 114	-1 210
Cash and equivalents				
Opening value	1 146 320	4 191	1 848 135	7 405
Closing value	1 716 187	6 275	1 546 020	6 194

Liquidity position

The value of cash and equivalents held by the Company as of September 30th 2006 was HUF 1,716 million, a HUF 570-million increase during the period under review.

Net cash flow from operation

There was a positive cash flow from operations in the value of HUF 1,695 million, i.e. nearly ten times the positive operative cash flow achieved during the base period. The substantial improvement in the comparison of the two periods was essentially determined by the change in operating capital, which resulted in a negative cash flow of HUF 449 million in 2005 and a positive cash flow of HUF 1,497 million in 2006. During the nine months of the period under review, Synergon Plc. achieved a strong control of its receivables by implementing the appropriate receivables management procedure. The positive cash flow achieved as the result of the efficient

collection of receivables was further improved by the conscious stock monitoring measures taken by the Company. The positive cash-flow effect of interest gain and tax settlements during the three quarters of 2006 (HUF 85 million) was higher than during the equivalent period of the base year (HUF 82 million).

Net cash flow invested

Allocation for investment purposes was considerably higher during the period under review than during the base period. The changes in investment procedures carried out during the period under review have enabled the Company to achieve higher returns through securities for investment purposes. In quarter 3 of 2006, Synergon Plc. took that opportunity by investing its liquid assets in this method of investment.



Net cash flow from financing

During the period under review, cash flow was generated under this heading due to the payment of dividends falling on the minority interest

during the previous years. During the base period, the major part of earlier bank loans to Infinity and Span d.o.o. was redeemed by loans given by the parent company.

The **Changes in shareholders' equity** as of September 30th 2006 shows the changes between December 31st 2005 and September 30th 2006 and equivalent trends during the base period.

	Thousand HUF falling on the owners of the parent company						Total	Minority interest	Total owner's equity
	Registered capital	Treasury shares	Margin	Capital reserve	Reserves from retained	Exchange reserve			
Balance as of December 31, 2004	1 910 926	-87 600	5 643 179	28 685	-1 055 876	40 076	6 479 390	177 668	6 657 058
Treasury shares sold		111 300			31 270		142 570		142 570
Treasury shares acquired		- 142 570					- 142 570		- 142 570
Exchange difference				- 23	8	6 591	6 576	6	6 570
Dividend payment and adjustment									
Minority interest acquired								- 15 401	- 15 401
Retained earnings					137 826		137 826	- 52 230	85 596
Balance as of September 30, 2005	1 910 926	-118 870	5 643 179	28 662	-886 773	46 667	6 623 791	110 031	6 733 823
Balance as of December 31, 2005	1 910 926	-118 870	5 643 179	28 685	-528 470	52 966	6 988 416	133 695	7 122 111
Treasury shares sold		142 570			16 430		159 000		159 000
Treasury shares acquired		- 159 000					- 159 000		- 159 000
Exchange difference	0		0		0	31 678	31 678	0	31 678
Minority interest acquired									
Retained earnings					- 161 989		- 161 989	- 81 513	- 243 503
Balance as of September 30, 2006	1 910 926	-135 300	5 643 179	28 685	-674 029	84 644	6 858 105	52 181	6 910 286

	Thousand HUF falling on the owners of the parent company						Total	Minority interest	Total owner's equity
	Registered capital	Treasury shares	Margin	Capital reserve	Reserves from retained	Exchange reserve			
2004. december 31-i egyenleg	7 656	-351	22 610	115	-4 230	161	25 960	712	26 672
Treasury shares sold		446			125		571		571
Treasury shares acquired		- 571					- 571		- 571
Exchange difference				- 0	0	26	26	1	27
Dividend payment and adjustment									
Minority interest acquired								- 62	- 62
Retained earnings					552		552	- 209	343
Balance as of September 30, 2005	7 656	-476	22 610	115	-3 553	187	26 539	442	26 980
2005. december 31-i egyenleg	6 987	-435	20 634	105	-1 932	194	25 553	489	26 042
Treasury shares sold		521			60		581		581
Treasury shares acquired		- 581					- 581		- 581
Exchange difference						116	116		116
Minority interest acquired									
Retained earnings					- 592		- 592	- 298	- 890
Balance as of September 30, 2006	6 987	-495	20 634	105	-2 465	309	25 076	191	25 267



Since the Company's initial public offering in 1999, the Synergon Group has maintained its original share capital of HUF 1,910,926,000 (on the basis of the 9,554,630 Synergon equity shares of a nominal value of HUF 200 each).



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 September 30th 2006.

The shareholder structure of Synergon Information Systems Plc.

Shareholder	September 30, 2006	September 30, 2006
RCX Kft.	0,00%	9,37%
Curdie Trust	0,00%	10,00%
Cashline Befektetési Holding Zrt.	24,07%	0,00%
Pannonplast Nyrt.	13,53%	0,00%
Benji Invest Kft.	3,01%	0,00%
Lazarus Vagyonkezelő Zrt.	1,83%	0,00%
Financial investors, below a share of 5 percent each	54,78%	77,86%
Treasury shares	2,77%	2,77%
Total	100%	100%

General Meeting – On May 29th 2006, the ordinary annual General Meeting of Synergon Information Systems Plc. approved Synergon's amended Annual Report. The suspended general meeting was continued on June 16th 2006, where the shareholders elected a four-member Supervisory Board and appointed Deloitte Könyvvizsgáló Kft. as the official auditor of the Company. The mandate of the members of the former Board of Directors and Supervisory Board as well as the appointment of the former auditor Ernst & Young Könyvvizsgáló Kft. expired as from April 30th 2006.

At the extraordinary general meeting held on September 12th 2006, shareholders elected the members of the new Board of Directors and Supervisory Board and amended the statutes of Synergon Information Systems Plc. The general meeting authorized the Board of Directors to purchase treasury shares and requested it to draw up a management share option program.

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

April 30th 2006: The Board took decisions on the transformation of the management of the Group and of the operating organisation of the Company and established the Group CEO function. It adopted a decision on the convening of Synergon's ordinary annual General Meeting and approved the report of the Board and the annual reports of Synergon Information Systems Plc. and the Group. The Board passed a decision on the appointment of dr. Zsolt Tóth into the position of CEO of Synergon Information Systems Plc. as from April 18th 2006 while at the same time it initiated the termination, with mutual agreement, of the contract of the former CEO, Mr. Loránt Száray.

The Board acknowledged the de-listing of the GDR securities of the Company from the London electronic stock exchange (SEAQ).

Between May 1st 2006 and September 12th 2006, the Company had no elected Board of Directors. The new Board, set up on September 12th, amended its own rules of procedure and initiated a financial/legal due diligence procedure at the Company.



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 September 30th 2006: The Supervisory Board approved the convening of Synergon's ordinary annual general meeting and later of the extraordinary meeting, the proposals to be submitted to the meetings and the annual working plan and controlling program.

Changes in the management – As of March 3rd 2006, Zoltán Radnóty was appointed CEO of the Synergon Group.

The appointment of Hanus Weisl as the General Manager of Infinity expired on March 31st 2006; as from April 1st, he was replaced by Vladimír Čech.

As of April 18th 2006, dr. Zsolt Tóth was appointed CEO of Synergon Information Systems Plc.

Members of the new Board of Directors: Dr. Zoltán Jeszenszky, Chairman, Balázs Bokorovics, Ferenc Czakó, Ádám Fenyves, Dénes Gyimóthy, Attila Juhász, Róbert Kő and Csaba Major.

Members of the new Supervisory Board: Gábor Németh, President, Klára Deák, member, Mária Kemecey and László Szalma, employee delegates.

For further information please contact

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