

## FLASH REPORT



### SYNERGON GROUP

**Financial results of Synergon Information  
Systems plc.  
for the 12-month period  
from January 1 to 31 December 2006**  
Unaudited, consolidated data

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In 2006 the Synergon Group' sales revenues overstrode HUF21 billion. By this result, the Company has exceeded its last year's performance by 11%. Net contribution of the Company makes HUF 6 billion showing an increase of 7 percent. The contribution ratio approximates the ratio in a year before. In the development of sales revenues, the orders for equipment by the state administration sector have played a great role as a consequence of which the contribution ratio could not surpass the same in the base period.

The new Board of Directors elected by the General Meeting held on September 12, 2006 initiated financial and organizational screenings. As a result, The Regional Office mainly carrying out administrative tasks have been wound up that would result in saving half of the currently arising yearly expenditure of HUF 442 million in the future. In the fourth quarter further personnel as well as structural changes took place in the Company. The new structure established as a consequence of the organizational screenings is able to meet the market demands more flexible and efficient, and provides basis for a more effective operation.

For the purpose of achieving that any further financial statement of the Company should be exempt of corrections necessary due to events of earlier periods, a number of non-recurrent items have been accounted in the results of 2006 of the Company.

Synergon has précised its accounting policy and introduced more conservative evaluation methods and practices enhancing transparency. As a consequence, the more cautious evaluation of unclosed project works caused a loss of HUF 111 million, the unused provisions for annual ordinary paid holidays HUF 37 million while the extraordinary depreciation of software and the extraordinary loss in value as well as sorting out of stocks caused a loss of HUF 86 million. The competition office and labour fines together with the costs of reorganization/staff reduction amounted to HUF 173 million. In the year-end evaluation of the subsidiaries, Synergon booked a loss in value of HUF 460 million out of which loss on Infinity amounts to HUF 390 million, Span goodwill HUF 21 million and further liabilities in an amount of HUF 49 million have been made in relation to its Span investments. In the profit and loss accounts of foreign subsidiaries, the amount of accruals and deferred items from previous years closed with HUF 198 million for Infinity and HUF 44 million for Span. In the aggregate, all these factors caused incurring a non-recurrent expenditure of more than 1 billion HUF in 2006.

*As a consequence of accounting the items closing the events of the past, Synergon's transparency has increased considerably. The objective of the new Board of Directors is to achieve that Synergon should work as a transparent company and the financial statements of the company should steadily give information on the performances associated with the relevant period.*



The growth of sales revenues of the Group was primarily generated by the parent company. The increase of 18 percent in sales revenues of Synergon plc. and SAO-Synergon Ltd. was caused by several factors together. On the one hand, the whole period was favourably influenced by the increased demands in connection with the extension of broadband networks of the telecommunication sector, on the other hand, the Company has also received considerable orders from local governments using EU funds (GVOP 4.4.2 and 3.3.2).

Fibex was not able to repeat the base year's result in 2006 that closed with high sales revenue. The Company could achieve a better contribution result in 2006 than in the previous period. Due to the earlier good performance, the Company was able to acquire new orders more easily as well as, owing to the openness and fastness, it widened its service product range in due time and according to the demand.

Infinity contributed to the sales revenue of the Group by 16% in 2006. Loss of a significant customer and closing of a number of small, unprofitable businesses is reflected in the decrease of 16% of sales revenues of this member company. Two different sets of measures influenced the operating costs. On the one hand, the number of employees was rationalized, on the other hand, a lot of conservative evaluation processes exercised effect on the annual result. In the field of the Company's operation, there are further well-formulated tasks in coordination of the organization and its activity for the next year.

Span's sales revenues increased by 12 percent thereby continuing its contribution to the Group's sales revenues by 10 percent. It achieved this growth in a stronger competition than earlier as a consequence of which the coverage level is much lower than before. Owing to the Navision experts newly employed in the course of the year and the non-recurrent items in a value of HUF 44 million, the operating costs exceeded the value in the base period.



## ANALYSIS OF THE 2006 RESULTS OF THE SYNERGON GROUP

### JANUARY - DECEMBER

Comparison of the 12-month period ending December 31, 2005  
with the same period of 2005

The data of 2006 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 and information of readers, the Forint amounts in the tables containing consolidated reports of the Group have been converted into Euro amounts. The average annual exchange rates applied for the profit and loss and cash flow items are HUF 264,27 per 1 Euro for 2006 and HUF 249.33 per 1 Euro for 2005. The mean exchange rates applied for the balance sheet items make HUF 252.3 per 1 Euro on December 31, 2006 and HUF 252.73 on December 31, 2005. The reporting currency of the Group is Hungarian Forint, therefore the analyses have been made on HUF basis either.

*The data communication structure in the flash report contains certain changes in comparison to the former periods whose introduction took place for the purpose of compliance with the prevailing IRF regulations and of further strengthening the transparency. For the sake of provision of comparability, the base data of the flash report are also given in break-down according to the structure applied in the period under review.*

#### Analysis of result of Synergon Group on December 31, 2006

<i>Income Statement*</i>	000 HUF					
	2006		2005		Difference %	
	q1-q4	Q4	q1-q4	Q4	q1-q4	Q4
<b>Sales revenues</b>	<b>21 676 652</b>	<b>7 028 470</b>	<b>19 458 170</b>	<b>7 092 908</b>	<b>11%</b>	<b>(1%)</b>
<i>from which services (%)</i>	35%	28%	46%	52%		
<i>from which products (%)</i>	65%	72%	54%	48%		
<b>Materials and services</b>	<b>(15 350 845)</b>	<b>(5 150 030)</b>	<b>(13 548 485)</b>	<b>(5 114 310)</b>	<b>13%</b>	<b>1%</b>
<i>in sales (%)</i>	71%	73%	70%	72%		
<b>Gross margin</b>	<b>6 325 807</b>	<b>1 878 440</b>	<b>5 909 684</b>	<b>1 978 598</b>	<b>7%</b>	<b>(5%)</b>
<i>gross margin (%)</i>	29%	27%	30%	28%		
Operating costs	(7 207 492)	(2 557 548)	(5 959 351)	(1 630 353)	21%	57%
<b>EBITDA</b>	<b>129 817</b>	<b>(80 639)</b>	<b>571 282</b>	<b>524 916</b>	<b>(77%)</b>	<b>(115%)</b>
<i>EBITDA margin (%)</i>	1%	(1%)	3%	7%		
<b>Operating profit</b>	<b>(881 685)</b>	<b>(679 109)</b>	<b>(49 666)</b>	<b>348 245</b>	<b>(1 675%)</b>	<b>(295%)</b>
<i>operating profit margin (%)</i>	(4%)	(10%)	(0%)	5%		
Other expenses and other cost, net	(63 216)	36 887	460 748	1 721	(114%)	2 043%
Financial result	96 339	15 380	75 976	21 558	27%	(29%)
<b>Income before tax</b>	<b>(848 562)</b>	<b>(626 842)</b>	<b>487 057</b>	<b>371 525</b>	<b>(274%)</b>	<b>(269%)</b>
Income tax	(18 002)	3 780	(19 494)	10 442	(8%)	(64%)
<b>Net income</b>	<b>(866 564)</b>	<b>(623 062)</b>	<b>467 563</b>	<b>381 967</b>	<b>(285%)</b>	<b>(263%)</b>
<b>Minority interest</b>	<b>77 060</b>	<b>(4 453)</b>	<b>28 572</b>	<b>(23 658)</b>	<b>170%</b>	<b>81%</b>
<b>Equity holders of the parents</b>	<b>(789 504)</b>	<b>(627 515)</b>	<b>496 135</b>	<b>358 309</b>	<b>(259%)</b>	<b>(275%)</b>
<i>net income margin (%)</i>	(4%)	(9%)	3%	5%		

\* non audited



Income Statement*	000 EUR					
	2006		2005		Difference %	
	q1-q4	Q4	q1-q4	Q4	q1-q4	Q4
<b>Sales revenues</b>	<b>82 024</b>	<b>26 351</b>	<b>78 042</b>	<b>28 134</b>	<b>5%</b>	<b>(6%)</b>
<i>from which services (%)</i>	35%	28%	46%	52%		
<i>from which products (%)</i>	65%	72%	54%	48%		
<b>Materials and services</b>	<b>(58 088)</b>	<b>(19 317)</b>	<b>(54 340)</b>	<b>(20 298)</b>	<b>7%</b>	<b>(5%)</b>
<i>in sales (%)</i>	71%	73%	70%	72%		
<b>Gross margin</b>	<b>23 937</b>	<b>7 034</b>	<b>23 702</b>	<b>7 836</b>	<b>1%</b>	<b>(10%)</b>
<i>gross margin (%)</i>	29%	27%	30%	28%		
Operating costs	(27 273)	(9 600)	(23 901)	(6 429)	14%	49%
EBITDA	491	(309)	2 291	2 104	(79%)	(115%)
<i>EBITDA margin (%)</i>	1%	(1%)	3%	7%		
<b>Operating profit</b>	<b>(3 336)</b>	<b>(2 566)</b>	<b>(199)</b>	<b>1 407</b>	<b>(1 575%)</b>	<b>(282%)</b>
<i>operating profit margin (%)</i>	(4%)	(10%)	(0%)	5%		
Other expenses and other cost, net	(239)	141	1 848	(5)	(113%)	3 065%
Financial result	365	57	305	85	20%	(33%)
<b>Income before tax</b>	<b>(3 211)</b>	<b>(2 368)</b>	<b>1 953</b>	<b>1 487</b>	<b>(264%)</b>	<b>(259%)</b>
Income tax	(68)	15	(78)	43	(13%)	(66%)
Net income	(3 279)	(2 354)	1 875	1 530	(275%)	(254%)
Minority interest	292	(18)	115	(96)	154%	81%
Equity holders of the parents	(2 987)	(2 372)	1 990	1 434	(250%)	(265%)
<i>net income margin (%)</i>	(4%)	(9%)	3%	5%		

## Sales revenue

The Synergon Group reached sales revenue in an amount of HUF 21,677 million in 2006 being equivalent to an increase of 11% in relation to the sales revenue in the base period. Growth of the Group in 2006 is mainly due to the efficient operation of Synergon Information Systems plc. and SAO-Synergon Ltd.

Within the Group, the greatest (18%) increase in sales revenues was achieved by Synergon/SAO, Span has also considerably (by 18%) increased its sales while sales revenues at Fibex decreased by 7% and Infinity realized declining sales of 6% in comparison with the base period.

In breakdown of the sales of the Synergon Group by sectors, the telecommunication sector was represented within it by 20%, the financial sector by 14%, the industry, public utility and transport sector by 19% during the period. Other sales not classified under any sector have made 24%. Modest rise can be observed in share of the industry sector compared to the base period while in the other sectors no considerable change can be experienced.

In 2006, the service content was 35%, falling behind the similar data of the base period by 11 percent. The change was caused by the

high volume of equipment sales realized in first half of the year as well as by the perceivable increase in share of equipment procurements by the state administration.

## Direct costs of products and services sold

The cost of sales consists mainly of products sold, basic materials and costs of sub-contractors' work. The costs of products and services sold increased at a rate by 2% exceeding the growth of sales revenues, i.e. by 13% in 2006 (HUF 15,351 million) as compared with 2005 (HUF 13,545). Costs of products and services sold have run to 71% of the sales revenues which which was nearly the same as the rate of 70% in the base period.

## Contribution

During the period under review, the volume of contribution, calculated on the basis of the sales revenues and the direct costs of the Group, grew by 7% compared to the previous period. In that growth the favourable changes of Synergon/SAO and Fibex were determinant while the foreign member companies of the Group influenced the Group's contribution results in opposite direction.

The realized 29% contribution ratio was by 1% lower than the performance in the previous year.



## Operating expenses

The operating expenses amounted to HUF 7,208 million in the period under review. The shift of operating expenses in relation to the base period show a growth rate of 21% being considerably lower than the rate of change measured in the third quarter (growth of 57%). In the course of the year, the items deteriorating the Company's result included the more cautious evaluation of unclosed project works in a value of HUF 111 million, the fines of HUF 125 million imposed by the Office of Economic Competition as well as the labour litigation closed with a liability of HUF 26 million.

In the fourth quarter, the effects of several non-recurrent items clearly separable from base activity appeared in the operating expenses. Within them, the unused provisions for annual ordinary paid holidays caused a loss of HUF 37 million while the extraordinary depreciation of software and the extraordinary loss in value as well as sorting out of stocks resulted in a loss of HUF 86 million. The competition office and labour fines together with the costs of reorganization/staff reduction amounted to HUF 173 million.

The operating expenses included the expenditures relating to reorganization of the Group's member companies. A result of the screenings carried out at Synergion/SAO is the significant organizational and personnel change whose one-time effect was aggregated in the fourth quarter of the period under review.

A further loss of HUF 472 million have arisen in relation to investments made in the fourth quarter of 2006 out of which the write-off of goodwill amounted to HUF 423 million and depreciation on investment to HUF 49 million.

If the profit and loss accounts of 2006 are cleaned from all these non-recurrent items, then a positive result of HUF 197 million is received against the loss of HUF 49 million in the base year. Apart from the one-time items, the EBITDA result came to HUF 629 million. When compared against the historical data of the Company, all these showed an improvement of HUF 247 million in terms of operating results and HUF 58 million in terms of EBITDA.

## Net financial result

The positive net financial result amounted to HUF 96 million in 2006. The fluctuation of exchange rates that was considerable during the year, has brought a positive effect on the financial result of the Group by the end of the year. The considerable positive result was primarily caused by the interest incomes realized on the financial instruments, the price difference made 20% of the financial result.

## After-tax profit/(loss)

The share of the parent company in after-tax loss of the Synergion Group, excluding minority interest, amounted to HUF 789 million in 2006. The result remained considerably below the last year's result.

The result of the period under review contains a number of non-recurrent items as a result of the screenings carried out in the fourth quarter of 2006. A separate, detailed evaluation of all these items is discussed when dealing with the affected companies.

The profit of the base period was determined by the single positive effect accounted for the year 2005 that was a result gained by reinvestment of the provision of HUF 416 million accrued in the years preceding it.



## Analysis of development of the number of employees

The table below shows the average number of employees at the Synergon Group. The table shows that a growth of two percent occurred both in the average and closing staff in the aggregate of Synergon Information System plc. and SAO-Synergon Ltd. In case of Span, the average increased by 8% and the closing staff by 2%. Fibex worked in an average with a higher number of employees during the year than in the previous years. Infinity worked with a continuously decreasing staff.

At Group's level, the average staff consisted of 547 members as of December 31, 2006 as compared to 557 members a year before.

<i>Headcounts</i>	2006 Q4 average	2005 Q4 average	Difference %	2006 Q4 closing	2005 Q4 closing	Difference %
<b>Synergon/SAO</b>	344	336	2%	353	345	2%
<b>Fibex</b>	23	21	9%	22	23	-4%
<b>Infinity</b>	121	144	-16%	125	140	-11%
<b>Span</b>	60	55	8%	57	56	2%
<b>Total</b>	<b>547</b>	<b>556</b>	<b>-2%</b>	<b>557</b>	<b>564</b>	<b>-1%</b>

## Analysis of the operating companies of the Synergon Group

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

Group subsidiaries	thousand HUF								change %	
	2006				2005				q1-q4	Q4
	q1-q4	%	Q4	%	q1-q4	%	Q4	%		
<i>Sales revenue</i>	21 676 652	100%	7 028 470	100%	19 458 170	100%	7 092 908	100%	11%	(1%)
Synergon/SAO *	14 781 156	68%	4 638 370	66%	12 482 708	64%	4 593 869	65%	18%	1%
Fibex	1 820 566	8%	553 093	8%	1 959 198	10%	727 189	10%	(7%)	(24%)
Infinity	3 561 703	16%	1 194 990	17%	3 775 341	19%	1 259 510	18%	(6%)	(5%)
Span	2 094 467	10%	670 199	10%	1 878 173	10%	710 283	10%	12%	(6%)
Consolidation	(581 240)	(3%)	(28 181)	(0%)	(637 251)	(3%)	(197 942)	(3%)	(9%)	(86%)

\*before consolidation

## Income structure

In the reported period 68% of sales revenues of the Synergon Group were achieved by Synergon plc. and SAO-Synergon Ltd. In respect of the individual periods, the ratio of sales revenues per member company changed slightly. Within the Group, the weight of Fibex and Infinity decreased by 2% and 3% respectively against an increase of 4% at Synergon/SAO. The sales revenue of 2006 at

Span contributed to the Group's results in the same proportion as one year earlier.

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



## Synergon Information Systems Plc.

While Synergon Information Systems plc. is the member company of the Synergon Group in Hungary, in legal terms it also operates as a parent company, being the major shareholder in the other subsidiaries. For more information on the activities of Synergon Information System plc. and for further details relating to the Company in Hungarian and English, please see the company's home pages at: [www.synergon.hu](http://www.synergon.hu), [www.synergon.hu/en](http://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 Internet site: [www.sao.hu](http://www.sao.hu)

Synergon/SAO *	000 HUF					
	2006		2005		Difference %	
	q1-q4	Q4	q1-q4	Q4	q1-q4	Q4
<b>Sales revenues</b>	<b>14 781 156</b>	<b>4 638 370</b>	<b>12 482 708</b>	<b>4 593 869</b>	<b>18%</b>	<b>1%</b>
<i>from which services (%)</i>	40%	36%	47%	47%		
<i>from which products (%)</i>	60%	64%	53%	53%		
<b>Materials and services</b>	<b>(10 278 450)</b>	<b>(3 323 470)</b>	<b>(8 656 886)</b>	<b>(3 267 567)</b>	<b>19%</b>	<b>2%</b>
<i>in sales (%)</i>	70%	72%	69%	71%		
<b>Gross margin</b>	<b>4 502 706</b>	<b>1 314 899</b>	<b>3 825 822</b>	<b>1 326 303</b>	<b>18%</b>	<b>(1%)</b>
<i>gross margin (%)</i>	30%	28%	31%	29%		
Operating costs	(5 183 202)	(2 029 017)	(3 914 324)	(1 076 988)	32%	88%
<b>Operating profit</b>	<b>(680 496)</b>	<b>(714 117)</b>	<b>(88 502)</b>	<b>249 315</b>	<b>(669%)</b>	<b>(386%)</b>
<i>operating profit margin (%)</i>	(5%)	(15%)	(1%)	5%		
Other expenses and other cost, net	(23 012)	79 467	448 797	17 845	(105%)	345%
Financial result	622 335	319 167	119 868	39 528	419%	707%
<b>Income before tax</b>	<b>(81 172)</b>	<b>(315 483)</b>	<b>480 163</b>	<b>306 688</b>	<b>(117%)</b>	<b>(203%)</b>
Income tax	(20 195)	(10 173)	(8 656)	3 175	133%	420%
<b>Net income</b>	<b>(101 367)</b>	<b>(325 656)</b>	<b>471 507</b>	<b>309 863</b>	<b>(121%)</b>	<b>(205%)</b>

\* before consolidation

\*\*consolidation eliminated 500 million HUF dividend

## Operating environment

In the IT market it was perceivable in 2006 that (apart from a few exceptions) implementation of smaller, vertically interrelated projects got priority on the customer side instead of ambitious, large-scale complex IT investments. The slow but unbroken shift towards IT services is continued in the cost structure of the IT market.

In respect of Synergon/SAO, the considerable growth of sales revenues (18%) in comparison to the base period is primarily due to the sales successes of the telecommunication as well as the state and public administration sector, including the local government sector building on the GVOP tenders.

In the *state and public administration* sector, the spending on IT in the first half of the year were influenced by the uncertainties of the election as well as the by the considerable state budget deficit. In the second half-year, after the new Government had been formed, elaboration of the stabilisation and reform measures was in the focus. The budgetary restraints continued to influence the increase of IT spending.

In spite of the above facts, a considerable revival was experienced from the perspective of Synergon/SAO in comparison with the base period. It occurred primarily due to orders largely concentrating on equipment procurements (both hardware and software) in the quarter preceding the elections and in the fourth quarter, to the comprehensive projects affecting several professional divisions implemented in the second and third quarters, resulting in an income of nearly one billion HUF.

At the level of *local governments*, the execution of GVOP 4.2.2 projects was considerably accelerated in the final quarter of the year, as a consequence, the investments being implemented by Synergon as general contractor are included in those which are the mostly prepared among the regions to which assistance was awarded. It also shows that the completions planned for the first half of 2007 can be fulfilled. Similar public procurements were announced in the fourth quarter as well in which Synergon continues to be part and wants to be present among those to be announced in the forthcoming quarters. In addition to the network-building projects, new investments associated to implementation of the electronic local government administration have been launched, e.g. implementation of the IT system of the Municipality of Budakeszi is in progress and the and development of a document management system in Vác has also be started. The progressed investments also appear in the financial result since sales revenues in a value of nearly one billion HUF was realized at Synergon in this field in 2006 under the current preparedness.

Exploiting the professional skills at Synergon and its subsidiary, Fibex relating to equipment necessary for projects establishing a broadband internet network, Synergon was able to achieve strong positions as an equipment supplier with the other contractors to whom public procurement contract was awarded. Its sales revenues have also reached approximately 100 million HUF.

In addition, an intensive preparation has been started at the Company in relation to the planned NFT II IT investments for the purpose that Synergon become an active participant and executor in the expected public procurements.

In the *health market* the public procurement tenders of the HEFOP for establishment IT systems within an institution affecting three regions have been closed at the end of the year. In the framework of them, implementation of the IT system in two hospitals was awarded to Synergon. One of them is the hospital in Szekszárd and the other that in Edelény whose execution works have already started in 2006.

The Company continues to see serious perspectives in supply of IP solutions to the health field, with background of a project to be completed in the Jósa András hospital in the near future. For this purpose, it has agreed on a joint strategy with Cisco for cooperation in the health segment. Development of the Infrend software will be continued on the basis of the HEFOP and further demands, by making preparations for the tendering period affecting the regions appointed for future developments.

In the *telecommunication and media market* sector the market is primarily motivated by the technological changes as well as the establishment of new services along such changes.

In the landline market, the major spending is aimed at distribution of broadband accesses and extension of the accessible bandwidth both in the field of development of the service provider networks and purchase of subscriber terminals.

Investments of the mobile service providers are clearly motivated by extension of the 3G networks as well as by development and spreading of services exploiting the opportunities provided by 3G. As regards to spreading of the 3G services, we can speak of a rather slow process also in Hungary although this tendency is typical to almost all countries irrespective of the geographical location.

In the field of broadcasting, a primary task is to prepare ourselves for introduction of the digital broadcasting also in the case of radio and TV programs.

In the market of small and medium-sized enterprises, the most important investments aim at creation of 3pay services in 2006, primarily for the sake of penetration into the market of internet and telecommunication services.

Renewal of the service provider networks, mainly by investments associated to the broadband data supplies, has increased Synergon's sales revenues by 42% also in this field in relation to the same period of the previous year.

Upgrading of the ERP (SAP) system of National Communications Authority can be mentioned as a priority project of this year with high added value.

This segment means a calculable income resource with wide service content for Synergon also through its maintenance and operation contracts. Retention of these contracts and acquirement of new ones is included in the strategic objectives for the future. The company wants to further enhance its preferred positions gained in the field of network management systems.

In the *insurance and financial* sector, the profitability and performance management remain the factors enjoying high priority. This is justified by such market circumstances as steady depression of the profit margin, the increasing market competition, market consolidation, new regulations and the decreasing market differences. Synergon sells most elements of its portfolio (hardware, networking as well as software infrastructure and development, the related operative, maintenance services, outsourcing, building of a data repository, etc.) in this sector. On the

At Synergon performance of the *industry and services* segment remained behind the expectations that was mainly due to the weaker performance of the fourth quarter but still represents a considerable part when considering the distribution by sectors.

In the future, the most important focus field can be for us the service provider and power-station sector. Under the aegis of WEM application (countrywide nomination and allocation of the daily gas volumes) developed for MOL FRI, good opportunities arise for us for developing and supplying solutions with high added value, supporting their processes and creating client loyalty for them and thereby getting away from our acting as an infrastructure supplier. In the case of public utilities, the investments of IT sector are driven by complex end-to-end billing solutions, the electronic bill management, network modernisation and automatic meter reading, IT-supports for core functionalities, e.g. At

other hand, as from this year, an increasing number of financial institutions started applying the web bidding for their purchases, thereby promoting that a great proportion of infrastructural investments becomes a commodity and the contribution content eroded.

Due to the pessimistic year-beginning in the financial sector, the spending on IT were also moderate in the first half of 2006 but in the second half of the year, they showed an improving tendency in the face of the gradually improving results.

The identified perspective areas are as follows:

- Data mining
- Report making and analysing devices
- Document management
- Data integration
- Identity management
- CRM
- Front-end systems
- Risk management
- Management of outstanding accounts
- Management of payment defaults
- Leasing software

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In the future, the most important focus field can be for us the service provider and power-station sector. Under the aegis of WEM application (countrywide nomination and allocation of the daily gas volumes) developed for MOL FRI, good opportunities arise for us for developing and supplying solutions with high added value, supporting their processes and creating client loyalty for them and thereby getting away from our acting as an infrastructure supplier. In the case of public utilities, the investments of IT sector are driven by complex end-to-end billing solutions, the electronic bill management, network modernisation and automatic meter reading, IT-supports for core functionalities, e.g. production management, expansion of ERP functionalities and Business Intelligence.

As a consequence of the organizational efficiency of Synergon, the main target group is the corporate enterprise (including the state and public administration) sector in this financial year and will also be in the future. In respect of its dynamism, though this area involves a smaller growth potential but nominally, considering its size as well as our existing clientele, it remains a main focus area for us.

In the *medium-sized enterprise* sector the EU-contributions can also be deemed as key factors. According to the market researches, the representatives of this sector mainly prefer the ERP systems, document management solutions supporting their business processes and they are expected to receive considerable EU-funds also in the future. Synergon has sufficient experiences in preparation of EU applications.

The possibilities inherent in the sector are somewhat impeded by the government restraints also affecting the enterprises of this segment. Preparation of the medium-sized enterprise program planned for 2007 has been started.

Novell Hungary and Synergon Information Systems plc announced in February 2007 that they agreed on a strategic cooperation for supporting the open source code technology. The Linux, i.e. the open source code technology, will become one of the most important strategic platforms of Synergon as one of the bases for the future developments

### Results

In 2006, the consolidated sales of Synergon Information Systems plc and SAO-Synergon Ltd. (HUF 14,781 million) exceeded by 18% the performance of the same period of 2005 (HUF 12,483 million).

The service content of the Company's sales revenues dropped by 7 percentage points to 40% as compared to 47% in the base period. Due to the device sales projects, the direct material costs followed the rise of sales revenues, they grew by 19% in the period under review. Owing to the similar change of revenues and expenses, the contribution ratio

also remained at nearly the same level as earlier (30%).

The operating costs of the period under review were considerably influenced by the non-recurrent items.

In the first three-quarter of the year, the fines imposed by the Office of Economic Competition were accounted in a value of HUF 125 million and the labour litigation in an amount of HUF 26 million as well as a further HUF 111 million as a result of the strict regulation for work of progress.

In development of its operating expenses in the fourth quarter, the establishment and termination of its regional activities in 2006 is considered as non-recurrent expenditure. The costs of the group specially dealing with regional activities that was established during the year, reorganized several times meanwhile and finally dissolved in the same year, were borne fully by the parent company in an amount of HUF 442 million, the half of which can be saved in the future.

The result of the legal and organizational screenings carried out in the fourth quarter is that the Company implemented some organizational and personnel changes. Costs of the future savings of the reorganization amounted to HUF 21 million in the period under review. By the end of the year, the Company finished the review of its assets, and accounted a depreciation of HUF 86 million for its tangible assets, intangible assets and inventories.

Synergon plc. carries out a depreciation test on its investments. Based on the result of the evaluation completed by the end of December 31, 2006, a loss of HUF 460 million has been accounted for its subsidiaries' investments.

Similarly to all other operating companies, Synergon/SAO has also accounted the wage costs in a value of HUF 37 million for the unused paid holidays due in 2006.

In 2006, Synergon and SAO-Synergon Ltd. achieved together a loss of HUF 680 million as compared to the loss of HUF 89 million realized in 2005.

The after-tax result became a loss of HUF 101 million which amount includes the dividend of HUF 280 million due from SAO-Synergion Ltd. and HUF 220 million due from Fibex Ltd. These items as interrelated items of the member companies have been filtered out in the consolidated accounts.

### Business units

In Synergion's portfolio plays a determinant role the **Network Communication Division** both in terms of sales revenues and contribution. The division's performance exceeding that of the base year is due to projects awarded in relation to several significant networks. As regards to the portfolio sold, the network security, the wireless and optical networks as well as the single (data/voice/video) IP-based communication was dominant, in addition to the traditional network solutions.

In the second half of the year, the turnover implemented to Cisco grew considerably with Synergion, partly these common successes explain the high increase in sales revenues as compared to 2005.

The *financial sector* provided nearly one-third of the revenues of the division in the past three months. Within the sector, the most important work was the large network reconstruction project won at CIB, in the frame of which local network, DWDM and IP telephony solutions were delivered to this Bank. The sector remains characterized by projects with a considerable service content, which includes consultation, installation and repair service in relation to the network devices. In the fourth quarter the assistance and installation projects continued. At Raiffeisen Bank LLC establishment of and assistance to small branch and IP telephone network, for Budapest Bank, CIB Bank, Erste Bank Investment LLC., Generali-Providencia LLC, the Allianz Group, the K&H Group, the Hungarian Development Bank and Takinfó Ltd. assistance to networks already established was the case.

The *government sector* brought a considerable income for the division in the fourth quarter, the optical (WDM) and network security project of the National Bank of Hungary as

well as the broadband network building at several municipalities are worth mentioning in addition to several deferred projects. Synergion submitted application at the KSZF network normative at the end of 2006, the announcement of results took place in January 2007 where Synergion was appointed as a winner, consequently, Synergion can already book orders for Cisco and APC devices as well as for building up passive networks in the first quarter of 2007.

The *telecommunication sector* produced a good result in the reported period representing nearly 15% of the division's income and at contribution level, it achieved greater significance even. In the sector, the most important projects were the Netcol management and advanced support, building of a T-Kábel optical network for the T-Group as well as the National Communications Authority's network development projects.

The *industry sector* still does not belong to the leading sectors in using the network solutions, it produced barely 9% of the divisions' sales revenues in the reported period. However, it can be stated that it shows an increasing trend. Major clients of the sector included Démász, the Budapesti Erőmű Zrt, EGIS and Richter in the period under review in the case of which the division's income originated from traditional network development and support.

In the fourth quarter Synergion's revenues deriving from sales to non-priority clients represented nearly 13% in the total of revenues of the division and provided almost one-third of contribution of the division. The division implemented considerable project at Fibernet and EDS, for this latter the IBC division sold its engine-room building product (extension of engine-room, construction extension, fire-fighting system extension and Systimax cabling), As from the fourth quarter, Synergion also supports the NIIF network system and the Company held a number of courses for its clients in the Huawei Education Center in the last three months of the year.

Development of the network-related area towards application developments continued (VoiceCover, Microsoft LCS, IP Centrex, IMS, etc.). IPTV appeared in the portfolio as a

new, strong element for which Synergon has already started negotiations with several telecommunication service providers and participated in tenders. In addition, new solutions developed by the producers have become active part of the portfolio as a result of the close cooperation.

The **Business Solutions Division (BSD)** embraces the traditional areas of the former Software Division and the activity of Synergon plc. dealing with business consultation. In the fourth quarter of 2006, a mild increase in the market demand could be experienced against the same seasons of the base year and the preceding years which was largely attributed to the bouncing sales of software licences. In 2006, expansion of the licence and infrastructure divisions contributed the most significantly to development of the BSD as compared to the base period. The period was basically dominated by launching and preparing introduction of the Identity Management (IDM) and projects aimed at introduction of Microsoft' new portal supporting team work (MOSS 2007) from which areas the Division expects considerable results also in 2007.

As regards to the *state administration sector* of the Business Solutions Division, the second half-year and simultaneously also the fourth quarter can be characterized by stagnation of the area, in the background of which are the tightening actions of the Government. Launching of major projects affecting the division has not taken place, it can be expected in the first half of 2007 at earliest. The projects awarded in the frame of GVOP 4.3.2 progress according to the time-schedule also in this quarter. Certification of The Municipality Filing System product of the Business Solution Division has been implemented by the date as scheduled. The Division expects considerable revenues from sale of the product also in 2007.

The development and supporting activities affecting the *telecommunication sector* properly continued in the fourth quarter as well. An increasing demand emerges in the sector for CRM and front-office systems assisting service for the clients in respect of which the Division works on preparation of an own solution.

Revival of the *service sector* could already been observed as from the middle of third quarter. The major service providers show an interest in systems promoting planning and allocation of use of energy sources. The Division has the chance to participate in tenders invited by MOL FRI as a potential supplier by its unique, implemented solution in this field. In core business systems the market was characterized by projects aimed at security solutions also in this sector. The migration of a Customer Service System associated to SAP introduction has been completed at ELMÜ Nyrt. The projects affecting the sector have met the expectations in the fourth quarter, too.

Following a revival started in the first half-year, the *financial sector* stagnated in the second half of the year. The development successfully completed the IFRS reporting system made for Raiffeisen Bank and launched a project supporting the functional extension of the system. Extension of the Data Repository being in progress at the National Bank of Hungary was continued in the quarter as well, with involvement of new areas. In the financial sector, a wave of demand for a second generation data repository started emerging in the BI market during the fourth quarter, the Division expects significant revenues from this solution package in 2007.

In the GB market a basic demand boom can be experienced in the field of CRM systems. The Division is working on preparation of a number of businesses and introduced various sector-specific solutions in the market. Renewal of license agreements developed as scheduled also in the fourth quarter.

The unit plans significant competence extensions in the areas BI, CRM and IDM. The investments aimed at development of competences and solutions have progressed as planned in the course of fourth quarter.

In the field of **hardware equipment**, the period under review was not featured by a strengthening market environment as against to the preliminary expectations. Resulting from the loyalty of the clientele, the Division has, however, a regular, plannable revenue base. In

the final quarter only medium and smaller-scale project have been awarded to the Division.

In the state administration market, several projects was deferred to 2007 from among the public administration investments In the *Telecommunication and the industry/service sector*, the Division managed to close a few larger work deferred from the previous half-year (Invitel Sun cluster, Tigáz Zrt Storage extension and rescue consolidation).

In the *SMB* sector, they succeeded in gaining some orders but a number of projects anticipated for 2006 has been deferred to 2007. (Nike rescue, Fornetti Pannon Kft. PCs, IMS Health Kft. server)

For expansion towards new markets, the Division is making preparations with modified trading methods, i.e. with IT solution packages formulated for solving business problems. The speedy spreading of the digital data storage has given an impulse to a development of the data storage market above the market average in which Synergion deepens and widens its competencies in the relevant period.

The fourth quarter revenues of the **SAP Division** were generated by revenues arising from the closing of projects started in the course of the year and from the support activity. These closed projects will involve introduction of further SAP modules as well as matching tasks to external systems. The Division has paid special attention to the small and medium-sized enterprise (SME) sector. According to forecasts, the results experienced in the previous period may be repeated and presumably may even be increased in the future. Considering the supporting cycles of SAP, invitation to tender for several upgrade projects is expectable the winning of which the Division has a good chance based on this year's experiences. The Decision has concluded a contract with SAP for distribution of the "SAP Package" solution. This solution aims at faster and more cost-effective introduction of SAP All-In-One that may explore new areas in the sale.

In the state administration sector, the National Communications Authority (NCA) upgrade

project was implemented as scheduled. In the future, professional systems need to be matched to the system delivered. The Division submitted a bid upon invitation by the Mayor's Office for introduction of the ERP system.

The permanent development continues in the fields of industry and services. In the SME sector, after completion of the implementation projects, we have concluded supporting agreements which generate continuous tasks and revenues for the Division. These successful achievements have arisen interest by several companies of similar size with whom serious negotiations were started that should result in contracts presumably in the first quarter of 2007. In the TIGÁZ SAP IS-U II project the Division continues to participate as a sub-contractor. Last year, a self-developed car-registration and way-bill management system was introduced at Fõgáz Zrt. Due to organizational changes, a new project was launched at Fõgáz in the final quarter of the year that affected this module as well. The upgrade of the module was delivered by the end of the quarter according to the schedule in which further companies have shown an interest. The MVM (Hungarian Power Companies Ltd.) project is going on, the agreement made on it was extended by the Division.

The **Retail** Division continued its activities with similarly competitive products and services in the period under review, too. Continuance of the competitiveness depends on several factors that can partly be ensured by better utilization of the domestic market opportunities, by generation and smooth implementation of projects. An efficient activity and further expansion can only be achieved in the domestic market by a strategy based on stable and quality-providing suppliers as well as by proper combination of own software products matching to these products and services.

Besides, the Division lays emphasize on providing high-standard services to the existing customers in the scope of which the 24 hours system supervision and the related servicing activity was continued on the basis of existing supporting agreements.

In the period under review, the following larger projects were implemented by the Division:

- It is present at Auchan Magyarország Kft. in several issues and tries to get a bigger share in the IT portfolio of this company by submitting applications in further tenders. New petrol-station was put into operation in the hypermarkets in Kecskemét and Alberfalva by which number of the petrol-stations installed and supervised by the Division has grown to 6. Connecting suppliers using the EDI system into the ECOD system was continued, as a consequence, the number of users acceded to the system has approximated the hundred by the end of the year and all these just happened within the AUCHAN EDI project.

- In case of Jeans Club, the Division is the service provider of the IT system of an international chain consisting of more than 40 stores today on which basis, also the service content is considerable. While fine-tuning the opportunities provided by the business processes and the IT system, a great number of new client demands emerge which are sold by the Division in development projects. By the end of the year, the Division succeeded in having several updating program packages accepted by the customer.

- Also the MÁV project is running for a longer time now and a considerable progress was done in this period, too. Matching of the KutInfo system to the central system of MÁV (Hungarian State Railways) (GIR system) was solved. However, the project has not been closed by this part performance, the Division is expecting to get further orders for updating the system.

- In the McDonald's settlement series started in 2001 we were also able to deliver three further fast food restaurants. The first fast food restaurant managed by the Division for the Burger King chain being in the second place in this retail sector has also been successfully installed.

- The colleagues of the Division were also to implement several projects in the shopping centre Árkád Győr opened in the fourth quarter since a shop of each of Jeans Club and Promod

was put into operation and therefore the Division had to provide availability duty at the opening in 3 shop units even and they successfully fulfilled this task.

- At Magyar Post Zrt. the mass installation project of ATM terminals have started. For the purpose of performing the tasks according to the installation schedule, the Division activates 10 sub-contractors in the projects. By the end of 2006, 1280 ATM terminals have been installed and for the first quarter of 2007, complete management of further 3500 terminals is assigned to the Division.

- In the frameworks of implementation of a special cinema IT system for Palace Cinema that is accounted for a new commercial segment for the Division, more than 30 cash registers were installed while the orders of the second most considerable market operator, IT Cinema (installation of more than 95 cash registers and acquiring permission of the Tax Authority for them) would bring revenues in 2007 already.

After the balance-sheet availability day, on January 24, 2007 the Board of Directors of Synergon plc. made a resolution that it would establish a subsidiary with 100% ownership under name *Synergon Retail Systems Kereskedelmi és Szolgáltató Kft.* (Synergon Retail Systems Trading and Service Ltd.) into which it wanted to transfer the Retail Division.

**SAO-Synergon Kft.** is the subsidiary of the Group providing operating service, operating support and an overall outsourcing service.

Its product portfolio is sector-neutral but it operates its clients' IT systems by a staff of professionals knowing and being able to apply the different business technicalities of the individual sectors.

SAO's clients are mostly financial service providers (banks and insurance companies), industrial companies and public utility providers. These are the sectors which were the first in recognizing the business advantages deriving from the outsourced information services.



Similarly to the previous three quarters, the Company pursued a stable course of business in 2006 as well. They could manage to renew the contracts expiring in the course of the year or to replace them by a service agreement valid for an unlimited period.

The most important milestone of the final quarter is that SAO successfully renewed its service contract with the insurance company Aegon, simultaneously extending its services to all Hungarian Aegon subsidiaries.

Based on its operational experiences, the technological development and the expectation of the clients for a permanent cost-effectiveness, SAO has elaborated a so-call

FMO - Future Mode Of Operation remote monitoring method by which it is able to meet the changing requirements of the outsourcing market and to provide services with an increased cost-effectiveness in the future.

The excellent performance in the fourth quarter is attributed to completion of the complementary tasks, change management IMAC and T&M activities and projects associated to the operation in the final quarter that is a necessary requisite of any service contract.



## Fibex Ltd.

Fibex Ltd. specialized in the sale of optical and copper cable, network implementation materials and devices works 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](http://www.fibex.hu).

Fibex	000 HUF					
	2006		2005		Difference %	
	q1-q4	Q4	q1-q4	Q4	q1-q4	Q4
<b>Sales revenues</b>	<b>1 820 566</b>	<b>553 093</b>	<b>1 959 198</b>	<b>727 189</b>	<b>(7%)</b>	<b>(24%)</b>
<i>from which services (%)</i>	1%	1%	1%	0%		
<i>from which products (%)</i>	99%	99%	99%	100%		
<b>Materials and services</b>	<b>(1 485 102)</b>	<b>(469 062)</b>	<b>(1 635 757)</b>	<b>(625 899)</b>	<b>(9%)</b>	<b>(25%)</b>
<i>in sales (%)</i>	82%	85%	83%	86%		
<b>Gross margin</b>	<b>335 464</b>	<b>84 031</b>	<b>323 440</b>	<b>101 290</b>	<b>4%</b>	<b>(17%)</b>
<i>gross margin (%)</i>	18%	15%	17%	14%		
Operating costs	(234 865)	(55 088)	(206 220)	(75 171)	14%	(27%)
<b>Operating profit</b>	<b>100 600</b>	<b>28 943</b>	<b>117 221</b>	<b>26 119</b>	<b>(14%)</b>	<b>11%</b>
<i>operating profit margin (%)</i>	6%	5%	6%	4%		
Other expenses and other cost, net	6 994	(1 455)	294	(4 738)	2 282%	69%
Financial result	13 804	19 032	(6 798)	(8 074)	303%	336%
<b>Income before tax</b>	<b>121 397</b>	<b>46 520</b>	<b>110 716</b>	<b>13 308</b>	<b>10%</b>	<b>250%</b>
Income tax	(19 067)	(7 087)	(15 674)	(89)	22%	7 888%
<b>Net income</b>	<b>102 330</b>	<b>39 434</b>	<b>95 042</b>	<b>13 219</b>	<b>8%</b>	<b>198%</b>

## Results

In 2006, Fibex's sales revenues amounted to HUF 1,821 million, by 7% lower than the amount of HUF 1,959 million gained in the base period. The direct sales expenses decreased at a higher rate than sales revenues, they declined by 9 percent in the period under review. In addition to the decrease in sales revenues, the Company closed the year by a growth of 4% at contribution level.

In the base period (fourth quarter of 2005), the one-time delivery of a great quantity of active assets (ADSL modem) to Magyar Telekom as well as the sale of personalized "ADSL do-it-yourself" packages raised the revenues at a special high rate. This is the reason why the sales revenues decreased by 24% in 2006 as compared to the base period.

trays is associated to the Bridgestone factory. In the field of market share of this product range, new opportunities can be anticipated in 2007.

At the telecom and cable television companies, the sales of optical cables and fittings has increased further, at the same time, the company succeeded to strengthen its presence with UPC with a new element of the portfolio.

The 14% drop in operating profits is due to the higher number of employees retained in the course of the year, the widening of marketing activities and the rise of maintenance expenses. The after-tax profit of Fibex is by 8 percent higher than the same in 2005. It had a favourable effect that the financial operations brought a positive result as against the negative result of the previous year and thereby, the after-tax profit reached HUF 102 million in an aggregate.

## Operating environment

In line with the expectations, the effect of adding new product groups and supplier relations to the range for the purpose of a more comprehensive service in the third quarter of 2006 could be felt in the fourth quarter. The outstanding result achieved in the sale of cable Fibex supplied CWDM equipment to extension of UPC's network capacity.

As a result of widening the international supplier relations, Fibex has contributed to the results of the Synergon Group achieved in the GVOP project. For building of small regional networks, the Company delivered a higher volume of cables with a favourable price-to-value ratio.



In the fourth quarter of 2006, the sale of optical cables and accessories delivered to the information network building of the Ferihegy Airport, opening new possibilities to the Company. The effect of continuation of the deliveries will be perceivable in the first half of 2007, as well.

In the industrial sector, the Company has intensified its performance both in the field of cable trays and the energy columns. In addition, the Company has successfully participated in delivery of modern, Cat7 structured cabling materials to the Bosch factory.

In the health institution sector, the fourth quarter was also closed with an excellent result. Fibex has delivered top quality, modern

cabling materials in a large volume for the development of the hospital in Nyíregyháza as well as hospital bed-band systems for the Honvéd Hospital.

The Company keeps the environment protection important, supports the sustainable development and contributes to translation of the environment protection into the practice, therefore, Fibex introduced an environment management system in the fourth quarter of 2006 and maintains and steadily develops it in conformity with the MSZ EN ISO 14001:2005. The MSZ EN ISO 9001:2001 quality assurance system was renewed in the same quarter.



## Infinity a.s.

Infinity a.s. is a member company of the Synergon Group in the Czech Republic, with majority ownership of Synergon (share of Synergon Information Systems plc. in Infinity rose in April 2006 from 75.8 percent to 91.7 percent). The sales revenues of Infinity are primarily composed sales of HP and Microsoft products, the related services as well as remote monitoring, supporting and operating services. In order to serve the Slovakian projects, Infinity established its representative office in Bratislava, in Slovakia in 2003 as well as, for the purpose of extending its portfolio, acquired the BrnoData s.r.o. which is operational under the name Infinity Data now. The performance of both companies has been consolidated in Infinity's financial and balance-sheet statement. For more information on the activities of Infinity and for further details relating to the Company, please see the company's website in Czech and English at: [www.infinity.cz](http://www.infinity.cz).

Infinity *	000 HUF					
	2006		2005		Difference %	
	q1-q4	Q4	q1-q4	Q4	q1-q4	Q4
<b>Sales revenues</b>	<b>3 561 703</b>	<b>1 194 990</b>	<b>3 775 341</b>	<b>1 259 510</b>	<b>(6%)</b>	<b>(5%)</b>
<i>from which services (%)</i>	42%	47%	51%	30%		
<i>from which products (%)</i>	58%	53%	49%	70%		
<b>Materials and services</b>	<b>(2 325 872)</b>	<b>(888 091)</b>	<b>(2 435 156)</b>	<b>(802 445)</b>	<b>(4%)</b>	<b>11%</b>
<i>in sales (%)</i>	65%	74%	65%	64%		
<b>Gross margin</b>	<b>1 235 831</b>	<b>306 898</b>	<b>1 340 185</b>	<b>457 065</b>	<b>(8%)</b>	<b>(33%)</b>
<i>gross margin (%)</i>	35%	26%	35%	36%		
Operating costs	(1 401 763)	(304 603)	(1 436 919)	(359 990)	(2%)	(15%)
<b>Operating profit</b>	<b>(165 932)</b>	<b>2 295</b>	<b>(96 733)</b>	<b>97 075</b>	<b>(72%)</b>	<b>(98%)</b>
<i>operating profit margin (%)</i>	(5%)	0%	(3%)	8%		
Other expenses and other cost, net	(46 218)	(44 601)	40 983	(13 236)	(213%)	(237%)
Financial result	(23 436)	(19 254)	(32 081)	(6 256)	27%	(208%)
<b>Income before tax</b>	<b>(235 586)</b>	<b>(61 559)</b>	<b>(87 831)</b>	<b>77 583</b>	<b>(168%)</b>	<b>(179%)</b>
Income tax	(85)	(305)	(3 692)	(1 172)	(98%)	(74%)
<b>Net income</b>	<b>(235 671)</b>	<b>(61 864)</b>	<b>(91 523)</b>	<b>76 411</b>	<b>(158%)</b>	<b>(181%)</b>

\* with the minority interest

## Results

In 2006, Infinity's sales revenues amounted to HUF 3,562 million, by 6% lower than the amount of HUF 3,775 million gained in the base period. The decrease of sales revenues is the result of the fact that the Company lost its leading position at one of its most important customer, Skoda Autó in 2005.

The direct sales expenses decreased at a lower rate than sales revenues, they declined by 4 percent in the period under review. At contribution level, the Company closed the year with a decrease of 8%.

In the line Operational expenses efficiency of a number of factors is summed up. By the end of the year under review, the Company gauged all of its tangible and intangible assets that will not serve the activity of the enterprise in the future. In addition, the receivables and liabilities accrued from the earlier years and

stated due to disputed performance towards customers and suppliers have also be settled. It is the result of these processes that the Company applied a conservative evaluation procedure for all items the output as well as evaluation of which is disputable.

In the case of tangible assets and stocks, the Company pursues a more conservative evaluation policy, for this reason the Company booked depreciation in a value of HUF 47 million. The Company wrote off disputed receivables accrued since 2004 in an amount of HUF 55 million. A further non-recurrent cost of HUF 17 million was represented by the cost of severance pay as well as recruitment of man-power. The internal developments whose income-producing capacity, usability can not be measured reliably, has not been activated according to the principle of conservatism, they are indicated with an amount of HUF 56 million in the profit and loss accounts of the

year under review. In the year under review, the Company created provisions for the annual ordinary paid holiday not used up, that deteriorated the result by HUF 23 million.

Summarized it can be stated that the transparency of the Company increased by carrying out the conservative evaluations. The conservative evaluations appear in the result of 2006 of the Company with a surplus expenditure of HUF 198 million.

In 2006, rationalizing steps adjusting the costs to the sizes of the Company took place. Despite these measures, the operating costs did not decrease considerably in 2006. The expenses of the period under review include a number of items in an amount of HUF 198 million that had been accounted for reason of unclosed cases of the former years. Infinity's costs showed together with these items a decrease of 2% and without them a drop of 16%. The operational profit (loss) was closed with a positive result of HUF 33 million without corrections.

Owing to Infinity's improving results, also the available funds increased at the Company in the fourth quarter of the year. From its liabilities against the parent company, the Company was able to repay HUF 89 million. The coverage of the following redemption is definitely visible already now. Banking replacement of the loans to be repaid in this way is not necessary, thus, the Company is able to further reduce its financing expenditures.

With regard to the improvements achieved in the result and money-producing ability, the occurrences of the final quarter of year 2006 can be deemed for trend-changing events by which the Company seems to reverse the negative tendencies experienced in the previous years.

In the Czech Republic consolidation was experienced in the IT market. In the course of 2006 two larger acquisitions were even made in the market: S&T bought the company Grall (both are competitors to Infinity) and

Servodata acquired the company Akabus Distribution mainly dealing in licence sale.

In the smaller markets like the Czech Republic it is important for the Company to maintain good relationships with the determinant market operators such as HP (as hardware supplier), Microsoft (software business solutions and licence of other products) and Cisco (network products). These relationships date back to a long past and maintenance of the good relation is one of the main goals of the Company.

As for the future, the main priority is for the Company to reorganize the sales organization. Infinity disposes of excellent technical experts, however, sale of the existing skills is not appropriate yet. Development of the new sales strategy, elaboration of the processes and searching new employees necessary for implementation of this task is running now at the Company.

However, no change occurred in the course of 2006 in the circle of clients, the Czech land registration office, the ĚSOB Bank (KBC Group), the Penal Institutions and Microsoft (in VIS project as a sub-contractor) remained the major partners of the Company. Besides, Infinity could manage to strengthen its positions at Scania and the Meinel Inगतlan.

### **Organizational changes**

In the course of year 2006, too considerable changes occurred in the management. In the first half of the year, Hanus Weisl Managing Director and Pavel Král Commercial Director left the Company. As of March 20, 2006, the position of managing director is held by Vladimir Ćzech.

Important changes occurred in the organization as well: the professional division consisting of 8 centres have be transformed into 4 units: the Business Solutions Division, Networking, System Solutions and Helpdesk Services divisions.



## Span d.o.o.

Span d.o.o. is the Croatian subsidiary of the Synergon Group in majority ownership (68.1%) of Synergon Information Systems plc. Apart from various networking and infrastructure-management projects, the major part of the sales revenue of Span is currently 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 for further details relating to the Company, please see the company's website in Croatian at: [www.span.hr](http://www.span.hr)

Span*	000 HUF					
	2006		2005		Difference %	
	q1-q4	Q4	q1-q4	Q4	q1-q4	Q4
<b>Sales revenues</b>	<b>2 094 467</b>	<b>670 199</b>	<b>1 878 173</b>	<b>710 283</b>	<b>12%</b>	<b>(6%)</b>
<i>from which services (%)</i>	25%	21%	57%	56%		
<i>from which products (%)</i>	75%	79%	43%	44%		
<b>Materials and services</b>	<b>(1 511 810)</b>	<b>(467 509)</b>	<b>(1 250 462)</b>	<b>(509 484)</b>	<b>21%</b>	<b>(8%)</b>
<i>in sales (%)</i>	72%	70%	67%	72%		
<b>Gross margin</b>	<b>582 657</b>	<b>202 690</b>	<b>627 711</b>	<b>200 799</b>	<b>(7%)</b>	<b>1%</b>
<i>gross margin (%)</i>	28%	30%	33%	28%		
Operating costs	(718 702)	(189 715)	(605 458)	(192 405)	19%	(1%)
<b>Operating profit</b>	<b>(136 045)</b>	<b>12 975</b>	<b>22 253</b>	<b>8 394</b>	<b>(711%)</b>	<b>55%</b>
<i>operating profit margin (%)</i>	(6%)	2%	1%	1%		
Other expenses and other cost, net	(918)	1 194	2 043	4 466	(145%)	(73%)
Financial result	(16 551)	(3 751)	(5 017)	(3 643)	(230%)	(3%)
<b>Income before tax</b>	<b>(153 514)</b>	<b>10 417</b>	<b>19 280</b>	<b>9 217</b>	<b>(896%)</b>	<b>13%</b>
Income tax	21 345	21 345	8 528	8 528	150%	150%
<b>Net income</b>	<b>(132 169)</b>	<b>31 762</b>	<b>27 807</b>	<b>17 744</b>	<b>(575%)</b>	<b>79%</b>

\* with the minority interest

## Results

Sales revenues of the Company have risen by 12 percent as compared to the base period.

The 7 percent drop in contribution was caused by the contracts concluded with a lower contribution ratio as well as the unfavourable level of the exchange rate of USD applied for the licence agreements. Span's low contribution result is attributed to the fact that the Croatian company has assumed projects generating lower contribution level even in the hard competition for market acquiring reasons.

The surplus in operating costs was caused, on the one hand, by the higher number of employees and on the other hand, it could be established also in the case of Span that several non-recurrent items deriving from the pas have worsened the result.

The company booked a value loss of HUF 21 million on trade debtors and HUF 11 million on tangible assets. Goodwill in a value of HUF 12 million at Span Rijeka, the 100% subsidiary of the Company has also been depreciated.

In 2006, the Company closed with an after-tax loss of HUF 132 million.

## Operating environment

The Croatian information market has also grown at a moderate rate in the period under review. A strong consolidation begun in the market that was characterized by M&A transactions as well as strategic partnerships. The competition among the leading local and multinational IT companies has been further strained for the purpose of building up the market positions.

While the IT market is becoming more and more consolidated, the ERP segment remained fragmented, a lot of smaller actors compete in the market.

In 2006, Span concentrated on increasing its market share. The Company has cleaned its portfolio and wants to focus on sale of Microsoft licences and solutions in the future more intensely than in the past, at the same time, the traditional networking as well as



SME sector was abolished. It is an outstanding result that Span has acquired the Microsoft MS LAR certificate, promising higher profitability in this segment in the future. Due to its lower prevalence in the Croatian market, the ISO 9001:2000 quality management system certification of the Company is still able to provide competitive advantage.

In the course of year 2006, Span tried to compensate the gaps arisen in the sales revenues due to projects terminated and run out, however, because of removing the Company' operational focus as well as termination of divisions, it was able to implement it only to detriment of the contribution and efficiency level.

Further considerable sales revenues derive for the Company from the Croatian public orders (Croatian Electricity Works, Ministry of Defence, Ministry of Foreign Affairs, Croatian Motorway Supervision Authority, the Regional Local Government of Istria). At the end of March, Span won the tender invited by the harbour of Rijeka for ICT restructuring where the complete building up, installation and all service management tasks relating to the

Microsoft Tetra infrastructure was implemented by the Company.

Span realized a further dominant part of its sales revenues in 2006 from projects implemented for clients operating in the telecommunication and media sector (T-Mobile/Iskom, VIPnet; the Croatian Radio and Television, Europa Press Holding). The largest ever Navision introduction in Croatia was carried out by Span in the course of 2006 at the company Thermocommerce, and contracts were signed for introduction of further Navisin business solutions as well (PIP, Iskon, Amcham).

The Microsoft and SAP projects implemented at INA, the various support and licence services provided to McDonalds, Pliva, Osram és Elektrokontakt suggest strengthening of the industrial sector.

Major clients in the banking sector are Splitska banka as well as Hypo banka.

The Company intends to develop its traditionally dominant areas in the future that include execution of Microsoft solutions and sale of licences to large companies.



## Analysis of the balance-sheet and liquidity position of Synergon Group as of December 31, 2006

<i>Balance Sheet*</i>	December 31, 2006		December 31, 2005		Difference %	
	000 HUF	000 EUR	000 HUF	000 EUR	in HUF	in EUR
<b>ASSETS</b>						
<b>Non- current assets</b>						
Property, plant equipment	1 423 165	5 641	1 700 171	6 727	(16%)	(16%)
Intangible assets	498 729	1 977	985 339	3 899	(49%)	(49%)
Investments	12 026	48	11 546	46	4%	4%
Deferred tax asset	43 301	172	22 308	88	94%	94%
<b>Total non- current assets</b>	<b>1 977 221</b>	<b>7 837</b>	<b>2 719 364</b>	<b>10 760</b>	<b>(27%)</b>	<b>(27%)</b>
<b>Current assets</b>						
Inventory	831 889	3 297	1 038 074	4 107	(20%)	(20%)
Trade accounts receivable, net	5 796 092	22 973	6 853 210	27 117	(15%)	(15%)
Other current assets	527 573	2 091	891 425	3 527	(41%)	(41%)
Income tax receivable	860	3	22 594	89	(96%)	(96%)
Available for sale financial assets	618 204	2 450	57 957	229	967%	968%
Cash and short term deposits	907 938	3 599	1 146 320	4 536	(21%)	(21%)
<b>Total current assets</b>	<b>8 682 556</b>	<b>34 414</b>	<b>10 009 580</b>	<b>39 606</b>	<b>(13%)</b>	<b>(13%)</b>
<b>TOTAL ASSETS</b>	<b>10 659 778</b>	<b>42 250</b>	<b>12 728 944</b>	<b>50 366</b>	<b>(16%)</b>	<b>(16%)</b>
<b>EQUITY AND LIABILITIES</b>						
<b>Equity attributable to equity holders of the parent</b>						
Issued capital	1 910 926	7 574	1 910 926	7 561	0%	0%
Treasury shares	(1 038 242)	(4 115)	(118 870)	(470)	773%	775%
Share premium	5 643 179	22 367	5 643 179	22 329	0%	0%
Capital reserve	28 685	114	28 685	114	(0%)	0%
Retained losses	(1 116 045)	(4 423)	(528 471)	(2 091)	111%	112%
Cumulative translation adjustments	78 074	309	52 966	210	47%	48%
<b>Equity attributable to equity holders of the parent</b>	<b>5 506 578</b>	<b>21 826</b>	<b>6 988 415</b>	<b>27 652</b>	<b>(21%)</b>	<b>(21%)</b>
Minority interest in consolidated subsidiaries	56 635	224	133 695	529	(58%)	(58%)
<b>Total equity</b>	<b>5 563 212</b>	<b>22 050</b>	<b>7 122 110</b>	<b>28 181</b>	<b>(22%)</b>	<b>(22%)</b>
<b>Long-term liabilities</b>	<b>50 461</b>	<b>200</b>	<b>3 020</b>	<b>12</b>	<b>1 571%</b>	<b>1 574%</b>
<b>Current liabilities</b>						
Interest-bearing loans and borrowings	4 600	18	46 022	182	(90%)	(90%)
Trade accounts payable	3 792 106	15 030	3 944 998	15 610	(4%)	(4%)
Other payables and accruals	1 166 068	4 622	1 593 497	6 305	(27%)	(27%)
Provisions for liabilities and charges	83 330	330	19 297	76	332%	333%
<b>Total current liabilities</b>	<b>5 046 104</b>	<b>20 000</b>	<b>5 603 814</b>	<b>22 173</b>	<b>(10%)</b>	<b>(10%)</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>10 659 778</b>	<b>42 250</b>	<b>12 728 944</b>	<b>50 366</b>	<b>(16%)</b>	<b>(16%)</b>

\* non audited

The balance sheet total of the Synergon Group as of December 31, 2006 (HUF 10,660 million) shows a change of 1 percent on a HUF basis compared to the closing value of the same period of the previous year.

### Assets

#### Tangible assets

Net value of the tangible assets (HUF 1,423 million) decreased by 16%. The decrease was mainly caused by the fact that only marginal investments, even less than in the base period,

were implemented, as well as that, owing to the drop in purchase prices of IT devices, the newly purchased assets were booked at lower gross book values.

The value of purchases in the year under review amounted to HUF 325 million while depreciation in an amount of HUF 539 million was accounted, so this alone resulted in a stock decrease of over HUF 200 million. On the other hand, a comprehensive review of the assets was accomplished in respect of their utilisation possibilities in the business activity whereby the assets were depreciated in a value over HUF 150 million that can not be utilized any more.

#### **Intangible assets**

In this group of assets, purchased and self-produced software is included in a value of HUF 336 million. Their value change represented a decrease of HUF 84 million between the two reporting periods. The loss in value derived from the planned depreciation of the assets as well as from the drops in value established and accounted by comparison to the market possibilities.

The value of goodwill declined in the consolidated balance-sheet of the Group by 71%. The value of the closing stock of HUF 162 million is by HUF 402 million lower than the closing stock at the end of 2005.

Reason for the change is an increase in value, on the one hand, and a loss in value accounted as a result of the annual review of goodwill value implemented between the two reporting periods when raising the member companies' investment of the Synergon Group.

In 2006, the goodwill value increased by HUF 21 million. The increase is composed of the amount paid on the positive result for the activity of Infinity Data in the period under review by which the goodwill value rose to HUF 45 million in association with the investment.

The Group accounted a loss in value of goodwill of 390 million in the case of Infinity, HUF 21 million in the case of Span and HUF and HUF 12 million in the case of Span Rijeka investment. As a result of all these, the

goodwill of the Company on Infinity investments runs to HUF 118 million, while on Span and Span Rijeka investments, the Company has no registered goodwill.

#### **Deferred tax**

The amount of deferred taxes increased by HUF 21 million between the two periods. The change of tax reserves was increased at Span, based on its result of 2006, by its deferred tax reserve.

#### **Inventories**

With exception of Fibex, all other companies in the Group has contributed to the decrease of HUF 206 million to the base period. In the case of Fibex, the outstanding change in stocks was caused by the large volumes of optical cables ordered in the last month of the year and delivered to the customer in January 2007.

#### **Trade accounts receivable**

The change in trade accounts receivable showed a decrease of 15% after filtering out the settlements made within the Group. The decrease of HUF 1,057 million was the result of movements in different values and directions at the individual member states. From among the members of the consolidation circle, Synergon plc. decreased its stock considerably, by HUF 500 million, Fibex, Span and Infinity by HUF 160 million, 227 million and HUF 107 million, respectively. There was a slight increase (HUF 15 million) only in the case of SAO-Synergon Ltd.

#### **Other current assets**

A dominant element of this asset group is the deferred and accrued costs and expenditures that were accounted by the members of the Group according to the balancing period, therefore, it contains the costs and expenditures charged on the period following the balance date but to be settled prior to the balance date, as well as the revenues realized in the period under review but invoiced after the balancing date.

**Financial assets for sale**

The financial assets kept in short-term (within a year) investment securities closed with a balance of HUF 618 million as a result of a considerable surplus of HUF 560 million as compared to the base period. The possibility of purchase of securities was enabled by the accounts receivables successfully collected in a large amount during the year under review. The Company paid special attention to the use of available funds. Optimisation of yields of quick and high-yielding short-term investment securities was continuous during the year.

**Cash and short deposits**

The stock of funds amounted to HUF 908 million at the end of the period under review, its change represented a decrease of HUF 238 million. The Company changed the practice for utilization of the available funds and moved to more profitable investment securities.

The separately shown stock of financial assets for sale and cash increased in an aggregate by HUF 322 million adding that the Company bought shareholders' equity in a value of HUF 717 million in the course of the year.



## Liabilities

### Shareholders' equity

Stock of shareholders' equity of the Company increased from 265 thousand shares to 832,900 pieces. The profit realized on the opening stock amounted to HUF 202 million, the amount spent on purchase of further shareholders' equity run to HUF 717 million.

### Minority Interest

The decrease in the minority interest is the consequence of negative balance-sheet result of Infinity and Span.

### Credits and overdraft credits

The development of credits and overdraft credits was discussed in the cash-flow analysis.

### Trade accounts payable

The stock of short-term liabilities arising from creditors is by 4% (HUF 3,792 million) lower than the closing stock of the base year. The change was determined by considerable decrease of supplier debts of Infinity (HUF 467 million) as well as of Fibex and SAO Synergon (together by HUF 155 million). Synergon plc. and Span increased their supplier debts (together by HUF 340 million).

The rise of trade accounts payable in these two companies is associated with the increase of sales of the companies.

### Other short-term liabilities

Closing stock of other short-term liabilities in the reported period amounts to HUF 1,166 million representing a decrease of HUF 427 million in comparison to the base period.

The movement was caused by change in the stock of other liabilities existing at the date of accounting statement.

### Provisions for contingent liabilities and commitments

The change in the period under review resulted from the provision created in a value of HUF 60 million for the competition office fine and HUF 21 million for colleagues left as well as from the discharged guarantee provision in an amount of HUF 8 million together.

### Long-term liabilities

The increase of long-term liabilities in an amount of HUF 47 million was booked for accounting of the loss in value on Span investment.



The **Cash-flow statement** made by 31 December 2006 shows the changes between opening and closing balance dates of the period under review and the base period

<b>Cash Flow*</b>	December 31, 2006		December 31, 2005	
	000 HUF	000 EUR	000 HUF	000 EUR
<b>Cash Flow relating to operating activities:</b>				
<b>Net income before taxation and interest</b>	<b>(852 123)</b>	<b>(3 224)</b>	<b>417 583</b>	<b>1 675</b>
Depreciation and amortization	538 734	2 039	620 948	2 490
Impairment of investments and goodwill	472 769	1 789	0	0
Write-off of fixed assets	153 057	579	51 926	208
Write-off of inventories	143 581	543	129 857	521
Write-off of receivables	109 936	416	14 899	60
Exchange gain on translation	21 141	80	(13 550)	(54)
Loss (gain) on sale of fixed assets	(34 881)	(132)	(44 512)	(179)
Minority interest	(77 060)	(292)	(43 973)	(176)
Interest received	104 568	396	120 794	484
Interest paid	(13 862)	(52)	(21 701)	(87)
Income tax paid	(141)	(1)	128 430	515
<b>Changes in assets and liabilities</b>				
Accounts receivable and other current assets	1 313 524	4 970	(930 133)	(3 731)
Inventory	62 603	237	(318 969)	(1 279)
Payables and accruals	(516 914)	(1 956)	(29 430)	(118)
<b>Net cash flows from operating activities</b>	<b>1 424 932</b>	<b>5 392</b>	<b>82 169</b>	<b>330</b>
<b>Cash flow relating to investing activities</b>				
Purchase of fixed assets	(325 119)	(1 230)	(625 166)	(2 507)
Proceeds from sale of short term investments	(560 247)	(2 120)	242 119	971
Purchase of long term investments	(14 295)	(54)	0	0
Purchase of other long term assets	0	0	(4 015)	(16)
Acquisition of subsidiary, net of cash acquired	(21 075)	(80)	(38 348)	(154)
Proceeds on disposal of fixed assets	34 881	132	81 651	327
<b>Net cash flow used in investing activities</b>	<b>(885 856)</b>	<b>(3 352)</b>	<b>(343 759)</b>	<b>(1 379)</b>
<b>Cash flow relating to financing</b>				
Acquisition of treasury shares	(717 442)	(2 715)	0	0
Increase (decrease) in loans payable	(41 422)	(157)	(440 225)	(1 766)
Dividends paid to minority interest	(18 595)	(70)	0	0
<b>Net cash flow provided by financing activities</b>	<b>(777 459)</b>	<b>(2 942)</b>	<b>(440 225)</b>	<b>(1 766)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(238 382)</b>	<b>(902)</b>	<b>(701 815)</b>	<b>(2 815)</b>
<b>Cash and cash equivalents at the:</b>				
Beginning of the year	1 146 320	4 338	1 848 135	7 412
End of the period	907 938	3 436	1 146 320	4 598

\*non audited

**Liquidity position**

The cash funds of the Company amounted to HUF 908 million on December 31, 2006 that represents a decrease of HUF 238 million as compared to the stock at opening date of the period under review. In the base period, the Company has used up a considerably, almost three times higher amount of funds than in 2006, i.e. HUF 702 million.

**Net cash-flow from operation**

The operational activity resulted in a positive cash-flow of HUF 1,426 million which performance manifold exceeds the positive operating cash-flow achieved in the base period. The dynamic positive values experienced between the two period quarter by quarter was basically determined by movement of the operating capital. The inventories, receivables and short-term liabilities resulted in a drain of money in an amount of HUF 1,278 in 2005 and a positive drain of money of HUF 859 million in 2006. Through the specifically elaborated and executed debt management procedure, a strong control was implemented in debt management of Synergon plc. and its member companies. The positive cash-flow deriving from successful collection of debts was further improved by the consequent inventory control procedure of the Company.

**Net cash-flow used for investment activity**

In the course of investment activity, the using up in the period under review grew to its two and half times when compared to the base period. The consequence of the investment practice changed in the period under review is the fact that the Company can gain a higher yield by investment securities which opportunity could be utilized by Synergon plc. in the fourth quarter as well and it reinvested its available funds to this investment form, thus fixing cash funds in an amount of HUF 560 million.

**Net cash-flow used for financing activity**

In the fourth quarter, shareholder's equity was purchased by which the Company wants to achieve that it should serve as coverage for the stock option program in the forthcoming three years.

The credit portfolio of Span d.o.o outstanding at third parties was replaced by a parent loan, although in a lower amount than in the base period.

A negative cash-flow developed owing to payment of dividends falling on minority interest accrued from the past years.



The **Movements in Shareholders' equity** made by 31 December 2006 shows the changes between opening and closing balance dates of the period under review and the base period.

	Attributable to equity holders of the parent						Total	Minority Interest	Total equity
	Share Capital	Treasury Shares	Share	Capital Reserve	Retained Earnings	Cumulative Translation Adjustment			
Balance at 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
Sale of treasury shares		111 300			31 270		142 570		142 570
Purchase of treasury shares		(142 570)					(142 570)		(142 570)
Currency translation adjustment						12 890	12 890		12 890
Purchase of minority interest							0	(15 401)	(15 401)
Net income					496 135		496 135	(28 572)	467 563
Balance at December 31, 2005	1 910 926	(118 870)	5 643 179	28 685	(528 471)	52 966	6 988 415	133 695	7 122 110
Balance at December 31, 2005	1 910 926	(118 870)	5 643 179	28 685	(528 471)	52 966	6 988 415	133 695	7 122 110
Sale of treasury shares		142 570			201 930		344 500		344 500
Purchase of treasury shares		(1 061 942)					(1 061 942)		(1 061 942)
Currency translation adjustment						25 108	25 109		25 109
Purchase of minority interest									0
Net income					(789 504)		(789 504)	(77 060)	(866 564)
Balance at December 31, 2006	1 910 926	(1 038 242)	5 643 179	28 685	(1 116 045)	78 074	5 506 578	56 635	5 563 212

  

	Attributable to equity holders of the parent						Total	Minority Interest	Total equity
	Share Capital	Treasury Shares	Share	Capital Reserve	Retained Earnings	Cumulative Translation Adjustment			
Balance at December 31, 2004	7 561	(347)	22 329	114	(4 178)	159	25 638	703	26 341
Sale of treasury shares		440			124		564		564
Purchase of treasury shares		(564)					(564)		(564)
Currency translation adjustment						51	51		51
Purchase of minority interest							0	(61)	(61)
Purchase of minority interest					1 963		1 963	(113)	1 850
Net income	7 561	(470)	22 329	114	(2 091)	210	27 652	529	28 181
	7 574	(471)	22 367	114	(2 095)	210	27 699	530	28 229
Balance at December 31, 2005		565			800		1 365		1 365
Sale of treasury shares		(4 209)					(4 209)		(4 209)
Purchase of treasury shares						100	100		100
Currency translation adjustment							0		0
Purchase of minority interest					(3 129)	0	(3 129)	(305)	(3 435)
Net income	7 574	(4 115)	22 367	114	(4 423)	309	21 826	224	22 050

The Synergon Group's issued capital is HUF 1,910,926,000 (composed of 9,554,630 Synergon equity shares each with a nominal value of HUF 200), unchanged since its stock exchange introduction in 1999. The Company disposed of 832,900 own shares at closing date of the reported period.



## Shareholder structure and company events

The shareholder structure of Synergon Information Systems plc. as of December 31, 2006 is shown below, also taking the shareholders' notifications arising from their statutory obligation into consideration.

Shareholders of Synergon Informations Plc.			Shareholders structure of Synergon Informations Plc.		
Shareholders	December 31, 2006	December 31, 2005	Shareholder arts	December 31, 2006	December 31, 2005
RCX Kft.	-	9,37%	Domestic/Company	57,77%	12,63%
Curdie Trust	-	10,00%	Foreign/Company	9,10%	15,74%
Davon Kft.	-	3,36%	Domestic/Private person	23,99%	68,81%
Cashline Befektetési Holding Zrt.	17,90%	-	Foreign/Private person	0,41%	0,00%
Pannonplast Nyrt.	13,32%	-	Employee and Key management	0,01%	0,05%
Investors below 5% ratio	60,06%	77,86%	Treasury shares	8,72%	2,77%
Treasury shares	8,72%	2,77%			
<b>total</b>	<b>100%</b>	<b>100%</b>	<b>total</b>	<b>100%</b>	<b>100%</b>

**General Meeting** – At the ordinary annual General Meeting of Synergon Information Systems plc. held on May 29, 2006, the Synergon Group modified its annual report. The suspended General Meeting continued its work on June 16, 2006 where the shareholders elected a four-member Supervisory Board and by vote they appointed the Deloitte Könyvvizsgáló Kft. as Auditor of the Company. The mandate of members of the former Board of Directors and Supervisory Board lapsed on April 30, 2005 and the mandate of the former auditor, Ernst & Young Könyvvizsgáló Kft. also expired on this day.

At the extraordinary General Meeting held on September 12, the shareholders elected the new Board of Directors and Supervisory Board and modified the Articles of Corporation of Synergon Information Systems plc. The General Meeting authorized the Board of Directors to buy own shares and requested them to elaborate a stock option program.

The extraordinary General Meeting held on December 18, 2006 approved the Management Stock Option Program and elected new members to the Board of Directors and a member to the Supervisory Board.

**Board of Directors** – The following major decisions were made at the meeting of the Board of Directors of Synergon Information System plc. held in the period between January

1 and April 30, 2006: The Board of Directors made a decision on transformation of the Group's management and the working structure of the Company, and created the position Group CEO. Furthermore, it adopted a decision on the convening of Synergon's ordinary annual General Meeting and approved the report of the Board of Directors on the annual reports of Synergon Information Systems plc. and the Group. The Board of Directors adopted a decision on appointment of dr. Zsolt Tóth to CEO of Synergon Information Systems plc. as from April 18, 2006 and simultaneously, it initiated termination of the contract with the former CEO, Lóránt Száray with mutual consent.

The Board of Directors took notice the delisting the Company's GDR securities from the London electronic stock exchange (SEAQ).

Between May 1, 2006 and September 12, 2006, the Company has not have any elected Board of Directors. The Board of Directors established on September 12 amended its own Rules of Procedure and initiated business-legal screenings in the Company. As a result of these screenings, the Board implemented personnel and structural changes in the Company. In the course of fourth quarter, the Regional Office mainly performing administrative tasks ceased to exist.

**Supervisory Board** – The following major decisions were made at the meeting of the Supervisory Board of Synergon Information System plc. held in the period between January 1 and April 30, 2006: The Supervisory Board approved the convening of Synergon's ordinary annual General Meeting and afterwards an extraordinary General Meeting as well as the proposals to be submitted to the Assembly, and adopted the annual work plan and auditing program.

The Supervisory Board elaborated its new Rules of Procedure harmonizing with the changed legislation environment which was approved by Synergon's extraordinary General Meeting held on December 18, 2006.

After an independent member joined to the Company's Supervisory at the General Meeting of December 18, 2006, the Audit Committee was also set up with participation of the three independent members of the Supervisory Board according to the rules of law.

**Personnel changes** – The position of CEO of Synergon Group has been performed by Zoltán Radnóty from March 31 to October 31, 2006.

The CEO of Synergon Information Systems plc. has been Zsolt Tóth from April 18, 2006 to January 15, 2007.

As from January 1, 2007, György Ákos was appointed to CEO and Lazarovits Márk to COO of the Company by the Board of Directors.

Hans Weisl's appointment as CEO of Infinity was terminated on March 31, 2006 and Vladimir Czech took his position as from April 1.

On January 12, 2007, the appointment of Zoltán Pintér as Managing Director of Fibex Ltd. was terminated, its position was taken by Márk Lazarovits as from January 15.

The General Meeting of September 12, 2006 elected the following persons to members of the Company's Board of Directors: Dr. Zoltán Jeszenszky Chairman, Balázs Bokorovics, Ferenc Czakó, Ádám Fenyves, Dénes Gyimóthy, Attila Juhász, Róbert Kő and Csaba Major.

The following members of the Board resigned from their positions: Ferenc Czakó on October 12, 2006, Ádám Fenyves on January 10, 2007 and Dénes Gyimóthy on January 24, 2007.

The extraordinary General Meeting of December 18, 2006 elected Mr. György Ákos and Márk Lazarovits to members of the Board of Directors.

The new members of the Supervisory Board elected at the General Meeting of September 12, 2006: Gábor Németh Chairman, Klára Deák member, Mária Kemecey and László Szalma employees' delegates. The General Meeting of December 18, 2006 elected Mr. János Hein to member of the Supervisory Board.

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**Further information:**

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