

Flash report



**The account of Synergon Information Systems Plc.
in the 3-month period
between 1st January and 31st March 2008**

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Economic Environment

The changing mood of the political and economic environment of the recent months in Hungary impeded long term investment decisions involving significant commitments. The *unsteady economic and market environment was bad* for the market operators since the market expected the normalisation of the political situation, on the basis of which the sector of ventures made preparations for investments. *The companies could not realise the yields of these investments in the first quarter.*

Today's investments of Synergon Informatika Nyrt. are information developments harmonised with the support guidelines of the European Union, which are and will be necessary in the near future. Therefore even in the period of momentary economic and political changes the Company persists in the improvement of skills and knowledge, getting thereby prepared to be the first to undertake key roles in projects supported with its decisions and coming to the phase of implementation in the future.

The first quarterly performance of the Synergon Group in 2008

The first quarter was a trial for the Company in its adaptiveness. The Company proved itself as it closed the period with the regular loss of the previous years in its performance in the first quarter despite the withdrawal of the planned projects.

The Group achieved an income of 2,704 million forints in the first quarter of 2008, and the service content improved. The operational loss was 444 million forints.

The parent company and the associated Hungarian companies achieved an income of *2,1 milliard* forints *in the fourth quarter*, which below the performance of 2007 by 9%. The service content of the sales improved, and with its growth by 12% it achieved 49% in the sales volume.

The sales income of Infinity was 563 million forints, which amounts to *21% within the Group*. In the first quarter the Company faced the weakness of the sales area, and shifted over to the division method of sales to solve the problem. This step will result in the independently generated sales of the divisions due to which the divisions may be made fully accountable. Multiplication of the previous year's profit remains a realistic target also in 2008.



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Financial Account

Financial results of Synergon Informatika Nyrt. in the 3-month period between 1st January and 31st March 2008

Analysis of the results of Synergon Group in 2008

The analysis contains comparison of the three months ending on 31st March 2008 to the similar period of 2007.

Quarterly data given in the account *are not audited*. Parts of the account are based on consolidated balance sheets and profit and loss statements drawn *on the basis of IFRS's*. 2008. On 31st March 2008 the accounting currency of the group of companies was **Hungarian forint**, therefore analyses were made on the basis of forint.

In comparison to previous periods the data communication structure given in the quick report contains certain changes, which were made in order to comply with the actual IFRS rules, to provide transparency and to revoke the terminated activity. To ensure comparability basic data given in the quick report is detailed in accordance with structure applied in the subject period.

Accountancy policy applied in the accounting period is identical to principles presented and applied in the last audited annual account.

Companies belonging to the consolidation circle of the Synergon Group

Synergon Informatika Nyrt., as the parent company, included the following companies in its consolidated account from 31st March 2008. All balances and results of the companies involved

are consolidated, and the part of results assigned to the minority is separated by the Company from its results after taxation.

Name	Equity/Registered capital	Interest held
SAO-Synergon Kft.	67 760 Thousand HUF	100%
Synergon Retail Systems Kft.	40 000 Thousand HUF	100%
Fibex Kft.	60 000 Thousand HUF	100%
Infinity a.s.	49 200 Thousand CZK	98,59%

Income structure of the Synergon Group

The following table indicates the amounts, distribution and changes of sales incomes from third parties and intercompany relations of the group of companies by geographic segment. The Hungarian segment includes Synergon Informatika Nyrt, SAO-Synergon Kft., Synergon

Retail Systems Kereskedelmi és Szolgáltató Kft. and Fibex Kft.. The terminated activity involves the Croatian affiliated company.

The incomes of Infinity and of the Hungarian segment reduced. A total negative shift of 18% took place taking all areas into consideration.





Companies inside the Group of Synergon	Thousand HUF				Difference % q1*
	2008 q1*		2007 q1*		
<i>Sales revenues from externals</i>	2 704 169	100%	3 304 323	100%	(18%)
Synergon with its Hungarian subsidiaries*	2 141 033	79%	2 363 773	72%	(9%)
Infinity a.s	563 136	21%	686 144	21%	(18%)
Discontinued operation	-	-	254 406	8%	-
<i>Sales revenues from externals</i>	<i>69 691</i>		<i>118 309</i>		<i>(41%)</i>
Synergon with its Hungarian subsidiaries*	69 691		113 585		(39%)
Infinity a.s	-		-		-
Discontinued operation	-		4 724		-

* eliminated intercompany transactions

Staff of the Synergon Group

The average and closing staffs of the Synergon Group are given in the following table. In the accounting period the average staff reduced by 21 and the closing staff by 25 in the Hungarian segment, which are deviations by 6% and 7%.

Infinity has a continuously reducing staff; the staff number changed by 10% on an average, and no additional reduction of positions is expected in the future. The aim of the Company is to increase the number of highly qualified technical workers and salesmen.

Headcounts	2008 Q1 average	2007 Q1 average	Difference %	2008 Q1 closing	2007 Q1 closing	Difference %
Synergon/SAO/SRS/ Fibex	346	367	(6%)	343	368	(7%)
Infinity	111	123	(10%)	114	119	(4%)
<i>Total</i>	<i>457</i>	<i>490</i>	<i>(7%)</i>	<i>457</i>	<i>487</i>	<i>(6%)</i>

The average staff number at group level is 457 on 31st March 2008, which was 490 a year ago.





Analysis of the result of the Synergon Group as of 31st March 2008

Income Statement	Thousand HUF		
	2008 q1*	2007 q1*	Difference % q1*
Continuous operation**			
Sales revenues	2 704 169	3 049 917	(11%)
<i>from which services (%)</i>	52%	43%	9%
Cost of materials and services	(1 876 677)	(2 074 426)	(10%)
<i>in sales (%)</i>	69%	68%	1%
Gross margin	827 492	975 492	(15%)
<i>gross margin (%)</i>	31%	32%	(1%)
Operating cost	(1 271 370)	(1 313 026)	(3%)
EBITDA	(342 496)	(235 151)	(46%)
<i>EBITDA margin (%)</i>	(13%)	(8%)	(5%)
Operating profit	(443 878)	(337 534)	(32%)
<i>Operating profit margin(%)</i>	(16%)	(11%)	(5%)
Other expenses and other cost, net	(938)	(7 570)	88%
Financial gains and losses	(290 978)	(5 088)	(5 619%)
Profit before tax	(735 793)	(350 192)	(110%)
Income tax	(11 216)	(802)	1 299%
Profit after tax	(747 010)	(350 993)	(113%)
Discontinued operation***			
Sales revenues	-	259 129	(100%)
Cost of materials and services	-	(327 277)	(100%)
Financial and other gains and losses	-	32 939	(100%)
Profit (loss) from discontinued operation	-	(35 209)	100%
Minority Interest			
Equity holders of the parents	(430)	(10 294)	96%
<i>net income margin (%)</i>	(746 580)	(375 908)	(99%)
<i>net income margin (%)</i>	(28%)	(12%)	(15%)

* non audited **consolidated *** disposal of subsidiary Span d.o.o by July 5th, 2007.

Continuous activities

Sales income

The Synergon Group achieved an **income of 2,707 million forint** in the first quarter of 2008, which is a reduction by 11%.

2008. In the first months of 2008 **the service content achieved 52%, which may be considered high in the first quarter.**

Sales towards telecommunication, bank and industry **sectors** improved at the Synergon Group. The rates of the sectors in the sales of the Synergon Group were as follows in the first quarter of 2008:

- telecommunication and media sector is 16%,

- bank and finance sector is 16%,
- the sector of industry and service providers is 50%,
- the sector of health, government and public administration is 8% in the period.
- Other sales not classified into sectors amounted to 10%.

Direct costs of products and services sold

The costs of products and services reduced in proportion to the sales. The reduction by 10% took place in combination with the lost sales of materials.

Net coverage

Within the accounting period, in respect of the net coverage calculated from the income and direct costs of the Group of Companies during the last





three months the Company produced 827 million forints, which is less than in the previous year. This is a reduction by 15%.

The coverage ratio did not change, since products sold in the last three months provided lower coverage than the usual value, and services provided higher coverage, and the two effects nearly counterbalanced each other after weighing by volume.

Operational costs

The operational costs amounted to 1,271 million forint. Due to a *strict cost management* and *optimisation* the costs reduced, resulting in saving by 3%.

Operating income

The performance in the first quarter was not surprising, which was a loss of 444 million forints similarly to the previous years. The lost income and thereby the missing coverage could be slightly counterbalanced by savings of operational costs.

Other incomes and results of inputs

Results of the Hungarian operations

Synergon Informatika Nyrt. and its affiliated companies SAO-Synergon Kft., Synergon Retail Systems Kft. and Fibex Kft. stated in a consolidated way

The results of Synergon Informatika Nyrt., SAO-Synergon Kft. and Synergon Retail Systems Kereskedelmi és Szolgáltató Kft. are stated in a consolidated way, since their operations closely connect to the operation of the parent company. The service operations of Fibex Kft. are assigned to the parent company, thus the integrity of the company is followed also in the structure of the account.

Synergon Informatika Nyrt. is a Hungarian company of the Synergon Group, in legal terms it holds the position of the parent company as the major shareholders of the other member companies within the group. Description of the operation of Synergon Informatika Nyrt. and a more detailed presentation of the Company are

No penalties affecting the result of the base period incurred in the accounting period.

Net result of financial operations

The loss of 341 million forints in forward transactions specified the tendency of the financial result of Synergon Nyrt. The interest and the profit on the exchange reduced this amount by 50 million forints.

Liquidated operation

2007. On 5th July 2007 the Directorate of Synergon Nyrt. made a decision to sell Span d.o.o. The Company separately states its operational incomes from the liquidated operation in accordance with this decision, reserving the comparability of the account.

Result after taxation assigned to the parent company

In the first quarter of 2008 the loss of 747 million forints of the parent company may be divided into two well distinguished parts. This is partly the loss on the forward transaction as a loss not associated with the operation, i.e. 341 million forints, and partly the loss in the first quarter.

given on the Company's webpages in Hungarian and in English: www.synergon.hu, www.synergon.hu/en.

The description of the operation of *SAO-Synergon Kft.* and the detailed presentation of the Company are available on the following webpage: www.sao.hu

Synergon Retail Systems Kereskedelmi és Szolgáltató Kft. was founded in 2007, and is supplying basic operational systems to retail service providers.

Fibex Kft. engaged in the sales of Synergon optical and copper cables, net construction materials and devices is an affiliated company fully owned by the parent company. The description of its operation and the detailed





presentation of the Company are available on the

Company's webpage in Hungarian: www.fibex.hu.

<i>Synergon with its Hungarian subsidiaries*</i>	Thousand HUF		
	2008 q1*	2007 q1*	Difference % q1*
Sales revenues	2 142 916	2 367 473	(9%)
<i>from which services (%)</i>	49%	37%	12%
Cost of materials and services	(1 597 613)	(1 662 214)	(4%)
<i>in sales (%)</i>	75%	70%	5%
Gross margin	545 303	705 260	(23%)
<i>gross margin (%)</i>	25%	30%	(5%)
Operating cost	(960 840)	(1 062 976)	(10%)
Operating profit	(415 538)	(357 717)	(16%)
<i>Operating profit margin (%)</i>	(19%)	(15%)	(4%)
Other expenses and other cost, net	(1 126)	(7 542)	85%
Financial gains and losses	(287 876)	7 290	(4 049%)
Profit before tax	(704 540)	(357 969)	(97%)
Income tax	(10 756)	(802)	1 242%
Profit after tax	(715 296)	(358 770)	(99%)

* *non audited, eliminated intercompany transactions of Synergon Nyrt., SAO-Synergon Kft., Synergon Retail Systems Kft., Fibex Kft.*

The consolidated sales income of the Hungarian companies was 2,1 milliard forints in three months, which is a reduction by 9%.

Contrary to the previous accounts maintenance services are also included in the quarterly service content beyond the projects. Despite the decreasing income the sales of services were higher in 2008 than in 2007 in respect of both absolute and relative values, and the growth by 12% is due to sales focused on services.

The income volume, ratio and coverage content of sales of materials are contrary to the increasing tendency of the services in the first quarter of 2008.

The coverage content realised on services increased, and significantly exceeded the coverage content calculated in 2007.

As a characteristic feature of the sales structure the sales income from the sales of materials (resold software and devices) decreased, and the coverage content realised on them also significantly reduced. The reduction of coverage resulting from the lost sales of materials could not be compensated by the favourable upward tendency shown in the sales of services by the end of the first quarter of 2008. The negative effect of

the shift towards services and of the coverage of the sales of materials resulted in a reduction by 23% in value and by 5% relatively in the three months.

In case the rate of the service content continues increasing, due to the productivity of the coverage the missing coverage content can be counterbalanced by the company, and later even the coverage performance of the previous year will be exceeded.

Reducing tendency of the **operational costs** is due to operation having been rationalised already for 15 months. The more efficient operation resulted in a saving of 102 million forints in respect of the quarters.

The loss of coverage by 160 million forints and the saving of 102 million forints in cost control resulted in a change of the operational result by 58 million forints. The reduction of the operational result by 16% was caused by the re-arrangement of sales volumes. The decreasing material volume and coverage and the increasing service volume and coverage, as two opposite effects, did not compensate each other in the operational result.

Within the **financial result** a loss of 341 million forints was realised on equity forward transactions. The exchange rate movement of the





equity has a direct and immediate effect on the exchange rate result, thus the unfavourable capital market processes of the first quarter are reflected by the loss. The interest income was 32 million forints, and a profit of 21 million forints derived from foreign exchange rate movement.

With the positive result before taxation the SAO-Synergon Kft. and Synergon Retail Systems Kft. are now in corporate tax payment positions, thus

Results of the company in the Czech Republic

Infinity a.s.

Infinity a.s. is a member of the Synergon Group in the Czech Republic, and is a member company the majority of which is owned by Synergon. The first acquisition step of 2001 was followed by

taking also the tax effects of the previous years into consideration a profit tax of 11 million forints was booked.

The **consolidated loss after taxation is 715 million forints**, including forward transactions with 341 million forints, which was closed by the Company with 374 million forints without a loss (with a loss volume of 2007).

additional acquisition steps in small steps from 2006. After the capital increase implemented in September 2007 Synergon Nyrt. controls 99% of its affiliated company. The description of the operation of Infinity and the detailed presentation of the Company are available on the firm's webpage in Czech and in English: www.infinity.cz.

<i>Infinity</i> *	Thousand HUF		
	2008 q1*	2007 q1*	Difference % q1*
Sales revenues	563 136	686 144	(18%)
<i>from which services (%)</i>	63%	61%	2%
Cost of materials and services	(279 064)	(412 212)	(32%)
<i>in sales (%)</i>	50%	60%	(11%)
Gross margin	284 072	273 932	4%
<i>gross margin (%)</i>	50%	40%	11%
Operating cost	(311 195)	(250 364)	24%
Operating profit	(27 122)	23 568	(215%)
<i>Operating profit margin(%)</i>	(5%)	3%	(8%)
Other expenses and other cost, net	188	(28)	767%
Financial gains and losses	(3 102)	(12 286)	75%
Profit before tax	(30 036)	11 254	(367%)
Income tax	(460)	-	-
Profit after tax	(30 496)	11 254	(371%)

* non audited, with minority interest

The **income** of Infinity a.s in the amount of 563 million forints is lower than in the previous year. With the reduction of incomes by 18%, keeping its position within the Group in 2008 its rate is **21%** in the Group's performance.

The tendency of reduction of sales of materials continues. The hardware turnover has a low coverage, therefore no decisive change was caused by it in the Company's coverage producing ability.

With the decreasing income the net **coverage increased by 4%**. The increase is a favourable result of reorganisation and restructuring worked

out in 2007 at Infinity and the marked redefining of the sales culture.

The *increase of the efficiency of the affiliated company continues* in 2008, the aim of the company is to multiply the positive result after taxation realised in the previous year in 2008. The sales structure of the first quarter of 2008 supported this aim.

Increase of the result is a target in 2008, which may be achieved by the Company by realising complex and high-standard projects.

The Company faced the weakness of the sales area in the first quarter. The Company converted to sales via divisions.





In May 2008 the stability of the Company made it possible to renew the Company's management with a new leader on the one part, and to establish a one-dimension company structure with divisions on the other part. The rearranged structure will result in the independently generated sales of the divisions due to which the divisions may be made fully accountable.

The operational costs reflect the structural changes made by the Company, during which positions were suspended, and managers were changed.

The Company's result after taxation was a loss of 30 million forints.

Analysis of the balance changes of the Synergon Group

<i>Balance Sheet**</i>	March 31st, 2008*	Difference %	March 31st, 2007*	December 31st, 2007
	Thousand HUF	%	Thousand HUF	Thousand HUF
ASSETS				
Non- current assets				
Property, plant equipment	1 768 835	4%	1 701 196	1 600 189
Intangible assets	162 267	0%	162 267	162 267
Investments	2 697	(77%)	11 546	2 697
Deferred tax asset	32 184	(24%)	42 203	29 921
Loans given	-	(100%)	14 002	23 710
Total non- current assets	1 965 983	2%	1 931 214	1 818 784
Current assets				
Inventory	692 091	(8%)	753 029	440 468
Trade accounts receivable, net	3 069 383	(3%)	3 168 376	5 883 228
Other current assets	790 584	56%	508 191	1 068 094
Income tax receivable	27 373	(94%)	463 985	273 739
Available for sale financial assets	1 730 378	66%	1 041 329	1 331 654
Cash and short term deposits	6 309 809	6%	5 934 910	8 997 183
TOTAL ASSETS	8 275 793	5%	7 866 124	10 815 967
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Issued capital	1 910 926	0%	1 910 926	1 910 926
Treasury shares	(886 346)	(17%)	(1 066 641)	(707 321)
Share premium	5 770 884	2%	5 643 179	5 770 884
Capital reserve	27 980	(2%)	28 685	27 980
Retained losses	(1 397 498)	(6%)	(1 482 521)	(663 293)
Cumulative translation adjustments	136 566	86%	73 385	96 537
Equity attributable to equity holders of the parent	5 562 511	9%	5 107 013	6 435 712
Minority interest in consolidated subsidiaries	40 431	(14%)	47 183	40 860
Total equity	5 602 942	9%	5 154 196	6 476 572
Long-term liabilities	193 683	295%	49 076	4 247
Current liabilities				
Interest-bearing loans and borrowings	-	(100%)	17 953	-
Trade accounts payable	1 332 654	(11%)	1 491 973	2 741 006
Other payables and accruals	1 050 787	(2%)	1 072 193	1 495 857
Provisions for liabilities and charges	95 727	19%	80 733	98 285
Total current liabilities	2 479 168	(7%)	2 662 852	4 335 148
TOTAL LIABILITIES AND EQUITY	8 275 793	5%	7 866 124	10 815 967

* non audited ** consolidated

The *balance sheet footing* of the Synergon Group as of 31st March 2008 (8,276 million forints) showed an increase by 5% in comparison to the closing value of the similar period of the previous year.

Assets

Tangible assets and other intangible assets





The *net value* of tangible assets and other intangible assets (1,769 million forints) **increased by 4%** in comparison to the similar period of 2007. The increase resulted from the conversion of the vehicle fleet to financial leasing. Instead of the previous operative leasing contracts the newly purchased vehicles are acquired by the Company under financial leasing contracts, thus the depreciated values of the assets are stated in its books.

Goodwill and investments

The group of assets remained unchanged on the basis of the result of test made in December 2007 in connection with the annual depreciation. No modification of the values was reasoned in the subject period.

Deferred tax

The change is a reduction by 10 million forints, which is partly due to the deferred tax claims booked to the credit of the result of 2007 *at Infinity*, in the negative amount of 28 million forints and positive amount of **18 million forints**, accompanying the disposal of the affiliated company - which will be recovered presumably.

Granted loans

This stock was cancelled, since it was reclassified among receivables due in the year.

Stocks

The stock changed by 61 million forints in the first quarter. The sold affiliated company resulted in a stock reduction by 40 million forints, and additional change was observed in the stock of Infinity a.s.

Receivables from delivery of goods and services

The reduction of the number of buyers follows the change of sales even if only at a more moderate rate. The lower rate of changes is explained by invoicing longer terms. The Company applies discount of claims with time value (interest) in cases exceeding the regular value of the payment schedule, thereby such items are stated at their real values valid at the accounting.

Other current assets

The balance of this group of assets significantly changed from the third quarter of 2007. Amount deposited by the Company as coverage for forward transactions is stated here.

Marketable financial assets

Free assets were used among other current assets.

Cash and short term deposits

The *stock of financial assets* was **1,730** million forints at the end of the accounting period, which is a **growth by 689 million forints** in comparison to the similar period of 2007.

The *change of the stock* of free financial assets at the end of the quarter **was 66% in comparison to the first quarter of 2007**. The result of the positive cash flow of the Company was realised from the return of receivables, i.e. from the reduction of the operating capital demand.

Liabilities

Changes in the equity are indicated in a separate movement table.

Long term liabilities

Liabilities exceeding one year and due to purchases of assets under newly launched financial leasing were classified among the long term liabilities of the first quarter of 2008.

Credits and bank overdrafts

After disposal of Span d.o.o. the Group of Companies does not have any credit.

Liabilities from delivery of goods and services

The *stock of short term liabilities* deriving from the delivery of goods and services (1,332 million forints) is **by 11% lower** than the closing stock of the similar period of the base year. The change was caused by the change of the sales structure and of the sales volume.

Other short-term liabilities

The closing stock other short term liabilities, relating to the accounting period was 1,051 million forints, which **is an increase by 2% in comparison to the base period**.





The change was caused by the change in the provisions for deferrals and in the stock of other liabilities existing at the date of the account.

Provisions for expected liabilities

The change of the first quarter's result by 2.5 million forints was caused by the use of the reserves made at the end of 2007. The Company's reserves amounted to 98 million forints at the end of 2007, which included the expected loss of suits, penalties, losses relating to withdrawal of memberships, losses expected on loans granted, and reserves made for guarantee repairs.

Cash-flow analysis of the Synergon Group

The Cash-flow statement drawn as of 31st March 2008 presents changes between the opening and closing accounting days of the subject period and of the base period.

<i>Cash Flow**</i>	March 31st, 2008* Thousand HUF	March 31st, 2007* Thousand HUF
Cash Flow relating to operating activities:		
Net income before taxation and interest	(427 160)	(394 449)
Depreciation and amortization	101 381	112 447
Fx differences	27 661	21 524
Proceeds from disposal of fixed assets	116	6 716
Changes in write - off assets	31 160	15 789
Changes in minority interest	(430)	(10 294)
Share based payment expenses	30 025	-
Interest received	32 249	11 105
Interest paid	(172)	(1 500)
Taxes (paid) received	<u>(13 479)</u>	<u>1 250</u>
	(218 649)	(237 413)
Changes in assets and liabilities		
Decreases of accounts receivable and other current assets	2 818 319	2 651 680
Decreases of inventory	(279 516)	58 432
Decreases of Payables and accruals	<u>(1 857 668)</u>	<u>(2 415 936)</u>
	681 135	294 176
Net cash flows from operating activities	462 486	56 763
Cash flow relating to investing activities		
Purchase of fixed assets	(270 687)	(77 305)
Forward contact deposit	261 402	-
Forward contact gains (losses)	(340 990)	-
Proceeds from sale of short term investments	246 366	154 219
Purchase of long term investments	-	480
Proceeds on loans and borrowings	23 710	293
Proceeds on disposal of fixed assets	1 779	13 987
Net cash flow used in investing activities	(78 420)	91 675
Cash flow relating to financing		
Increase (decrease) in loans payable	(179 025)	(28 399)
Dividends paid to minority interest	193 683	13 353
Net cash flow provided by financing activities	14 658	(15 046)
Increase in cash and cash equivalents	398 724	133 392
Cash and cash equivalents at the:		
Beginning of the year	1 331 654	907 938
End of the period	1 730 378	1 041 329

* non audited, consolidated





The financial stock of the Company *was 1,730 million forints on 31st March 2008, and was 1,332 million forints in the opening period, on 31st December 2007.* The change was an *increase of the stock by 399 million forints* in the accounting period. The major cash flow categories of the subject period showed a balance significantly deviating from the basis.

Net cash-flow from operation

The operation resulted in a positive cash-flow of 462 million forints. Funds used for the activity amounted to 219 million forints, while the positive cash flow realised from the change of the operating capital was 681 million forints.

Funds required by the activity, not involving cash flow and corrected with other items was 219 million forints, which is close to funds required last year and amounting to 237 million.

A significant amount, 681 million forints was released in the first quarter of 2008 within the elements of the operating capital, which is double of the result of the similar period of 2007. The manifold change was caused by the significant deviation of liabilities at the end of the year. The year of 2008 started with a reduced stock of liabilities, and the quarterly cash outflow was lower accordingly.

Net cash-flow used for the investment operation

The net fund used for the investment operation amounted to 78 million forints in the first quarter of 2008. The absolute amount of deviation between the performances of the two periods is the use of funds in the amount of 170 million forints.

A significant part of asset investments higher than that in the base period is constituted by investments in vehicles (198 million forints) and by investments in process and implemented for buyers (50 million forints).

The basis deposit in respect of the Company's forward transactions resulted in a negative cash flow of 79 million forints.

Short term funds were released in the amount of 246 million forints.

Net cash flow deriving from financing

The Company purchased equity in the amount of 179 million forints for the performance of share option contracts and maintenance of exchange rates.





Change of the equity of the Synergon Group

The change of the rate of equity between the opening and closing accounting days of the subject period and of the base period as of 31st March 2008 is presented by type of change.

Consolidated statement of changes in Equity (Thousand HUF)	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 January 1st 2007 (IFRS)	1 910 926	(1 038 242)	5 643 179	28 685	(1 106 613)	77 440	5 515 375	57 477	7 122 110
Transactions with the equity owners:									
Purchase of treasury shares		(28 399)					(28 399)		(28 399)
Transactions from the operations:									
Currency translation						(4 055)	(4 055)		(4 055)
Net income					(375 908)		(375 908)	(10 294)	(386 202)
Balance at March 31st 2007 (IFRS)	1 910 926	(1 066 641)	5 643 179	28 685	(1 482 521)	73 385	5 107 013	47 183	5 154 196
Balance at January 1st 2008 (IFRS)	1 910 926	(707 321)	5 770 884	27 980	(663 294)	96 537	6 435 712	40 860	6 476 572
Transactions with the equity owners:									
Purchase of treasury shares		(179 025)					(179 025)		(179 025)
Transactions from the operations:									
Currency translation						40 029	40 029		40 029
Share based payment (IFRS 2) in Income statement					30 024		30 024		30 024
Share based payment (IFRS 2) transfere to Liability					(17 649)		(17 649)		(17 649)
Net income					(746 580)		(746 580)	(430)	(747 010)
Balance at March 31st 2008 (IFRS)	1 910 926	(886 346)	5 770 884	27 980	(1 397 498)	136 566	5 562 511	40 430	5 602 941

The registered capital of the Synergon Group has been unchanged since its introduction at the stock exchange, i.e. 1,910,926,000 forints (on the basis of 9,554,630 pieces of Synergon shares each with a nominal value of 200 forints). The Company had **567,000 own shares on the closing date** of the accounting period, and the approval of additional 5,000 shares was in process.

Equity

The equity stock of the Company **increased by 132,500 pieces** in the first quarter, and was closed with **567,400 pieces** on 31st March 2008 (434,000 pieces at the end of 2007), and additional 5,000 pieces were under approval due to purchase. The average selling price of the Company's stock of own shares at the end of the first quarter of 2008 was 1,562 forints (it was 31,626 forints on 31st December 2007).

Difference from conversion

It is a difference deriving from the capital consolidation of Infinity, an affiliated company with different operational and accounting currencies, which is 40 million forints.

Allocations on the basis of shares

Based on a decision made by the owner in December 2006 and in December 2007 Synergon Nyrt. provided an option right in respect of its own shares, **during the serving period of which**





the options are accounted at their real values.

The time proportional real value is presented by the Company in the capital. Benefits relating to the expected payments are stated by the Company as liabilities, from which item of 2007 was reclassified in the capital.

Minority share

Accounting of results of the minority owners having a share of 1.41% in the periodic result of the Czech affiliated company.

Structure of ownership, company events

In its decision of 26th March 2004 the Board of Directors of Synergon Informatika Nyrt. 2008. as of 31st March 2007 is presented as follows, taking also into consideration ownership announcements required in legal rules.

Shareolders with higher than 5% ownership of Synergon Informations Plc.			Shareolders structure of Synergon Informations Plc.		
Shareholders	December 31st, 2007	March 31st, 2008	Shareholder arts	December 31st, 2007	March 31st, 2008
Cashline Befektetési Holding Zrt.	13,36%	13,36%	Domestic/Company	62,22%	60,36%
Pannonplast Műanyagipari Nyrt. with subsidiaries	11,26%	11,93%	Foreign/Company	4,44%	3,68%
AEGON Magyarország Befektetési Alapkezelő Zrt. with its related parties	5,49%	5,56%	Domestic/Private person	28,14%	25,53%
Investors below 5% ratio	65,34%	60,00%	Foreign/Private person	0,26%	0,22%
Treasury shares	4,55%	5,94%	Employee and Key management	0,21%	0,21%
			Treasury shares	4,55%	5,94%
			Other	0,17%	4,06%
Total	100%	97%	Total	100%	100%

General meeting

At its regular annual general meeting held on 25th April 2008 Synergon Informatika Nyrt. approved of the annual accounts of the Synergon Group and of Synergon Nyrt., made a decision on the carryover of the result to the profit reserve, accepted the report of the Audit Board and of the Supervisory Board for 2007 as well as the report of the responsible management, and established the fees of the Board of Directors and of the Supervisory Board for 2008. The General Meeting accepted the report of Deloitte Könyvvizsgáló és Tanácsadó Kft., and made a decision on the fee of the auditor for 2008.

Board of Directors

The Board of Directors made a decision on the date and agenda of the annual regular general meeting

on 20th March 2008, accepted the Company's report of the operation in 2007, the annual account of the Company and of the Synergon Group for 2007, as well as the report on the responsible company management, and proposals and recommended decisions relating to the annual regular general meeting.

2007. Fibex Kft. is managed by Dr. Fóti Gábor from 17th March 2007, and the labour relation and the management post of Kelemen Tibor were terminated.

On 13th February 2008 the Board of Directors discussed the major tasks of the business and economic activities of 2007, and approved of the text of the relating quick report, and reviewe the actual positions of Fibex Kft. and of Infinity a.s. affiliated companies.





Supervisory Board

In its decision of 26th March 2004 the Board of Directors of Synergon Informatika Nyrt. held between 1st January 2008 and 15th May 2008 the following decisions were made: The Supervisory Board discussed the results of Synergon Informatika Nyrt. 2007. relating to 2007, listened to the account of the general director, and approved of the report of the Board of Directors.

The Supervisory Board specified the work schedule of 2008.

The Supervisory Board discussed and approved the Manual of Inner Control regulating the operation of the inner control, and after a negotiation it approved of the work schedule of the Inner Controls for 2008.

The Supervisory Board approved of the results of the inner inspection closed in the meanwhile.

Personal changes

2008. Jaroslav Prochazka was appointed by Synergon Informatika Nyrt. from 1st May 2008 as the managing director of Infinity a.s.

2008. The appointment and managing director post of Vladimir Cech were withdrawn from 30th April 2008.

2008. The labour relation and the management post of Kelemen Tibor - as the managing director of Fibex Kft. - were withdrawn on 25th March 2008.

2008. Dr. Fóti Gábor was appointed by the Synergon Informatika Nyrt. as the managing director of Fibex Kft. from 17th March 2008.

Business Report

Operational environment, market and strategy in Hungary

Market environment, economic indicators

Macroeconomic processes of the first quarter of 2008 followed the tendencies of the last year. The balance of the state budget basically followed the prognosis. The budget was closed with a deficit, while social security funds and the separated state funds closed with some surplus. At the end of February the deficit of the state budget in the first two months reached 0.7% of GDP, and will be presumably around 0.9% by the end of the quarter.

The increase of inflation in the first quarter will be by 7% higher than in the previous year's first quarter.

Though the industrial production having a key role in the growth of GDP continued increasing, its rate (6.1%) is less than it was expected. Within industrial sales the export significantly increased (by 10.9%), while domestic sales stagnates.

The GKI index of business activity shows a moderate improvement, including some improvement of business expectations, however, consumer expectations remain at the previous level. The majority of branches within the business sphere became more optimistic, and the employment intention strengthened (except for the building industry).

The unemployment rate reached 8.1% in January, which exceeded the average rate of the last year.

The first quarter in the IT sector is characteristically weak. It is typically the period to close projects started in the previous year and preparing for new ones, less to starting them. This tendency did not change in the first quarter of 2008 either, but buoyancy of the market is still significantly below the expectations.





Health, state and administration sectors

Our projects involved in **NFTI** were closed by the end of the first quarter of 2008, and these projects were officially handed over largely in the **first quarter**, however, some events of handing over will take place in the second quarter. Based on this we can state that SynergON - **as a main contractor** - **has successfully implemented the information developments of local governments** and the expansions of the wideband internet infrastructure network as projects highly supported by the Union, and thus an income more than 2 milliard forints was realised.

During this we worked at nearly 60 settlements, and made available the world net almost for seventy thousand households.

Due to the expiring centralised public procurement agreements several **tenders** were called and closed by the **Central Services Directorate** in the first quarter of 2008, in which SynergON is involved. Thus **SynergON became eligible** for deliveries of Microsoft products, network devices, high performance computers and storage systems to the Central Services Directorate, and a delivery group relating to virus protection is currently being evaluated.

Unfortunately, calls for tenders of **the New Hungary Development Plan involving the state administration and local governments** became only partly effective, including the expected call for tenders involving information developments, such as TIOP programme, **out-patient centres**, development of institutions of high education and call for tenders "Intelligent School Package". With its complete system integrator's proposals relating to the above tenders SynergON has got prepared also for public procurements following the judgement of the tender.

Fortunately, programmes supporting the development of the **wideband Internet** infrastructure continue, however, the **service providing area** is the beneficiary instead of the local governments. During these implementations SynergON intends to make use of the know-how acquired during the implementation of GVOP 4.4.2 projects as a main contractor.

Bank and financial sector

The macroeconomic data, the current political situation and the significant centralisation efforts of the parent companies largely affected the investment plans of the traditionally conservative bank managers, and resulted in uncertainty among our state owned clients. A question is how risky it is for us in the implementation of our plans for this year.

Our performance in the first quarter was partly due to our contracts already signed, several projects of this year have not even started, and a number of projects were brought forward by the clients at the end of the last year. In addition, projects being able to offer the yearly result are clear now.

Another reason for the underperformance is that the turning date of one of our significant long term licence contracts changed due to the amendment of the contract, thus the second quarter will be the performance period instead of the first quarter, and therefore a higher turnover is expected in the **second quarter** than in the last year's same period.

In the first quarter a highlighted attention was paid also to the introduction of systems supporting financial operations. These areas are as follows: Document management (EMC), BI (Business Intelligence), reporting systems (BO, Cognos, Siebel Analytics) IDM (Identity Management - SUN).



Our **product development** business progresses on the preliminarily planned route, and the invested energy soon will return. The **real estate value appraisal** relating to our quick mortgage loan product is becoming more and more favourable in the financial sector, particularly after the regretful financial events of the last period, and an increasing number of banks tries to implement the **value appraisal of real estates serving as bases for mortgage loans** more carefully in order to reduce their risks.

Telecommunication and media sector

The telecommunication and media sector follows the strategy defined at the beginning of 2007, which proved to be successful in the performance of the year. However, the effects of the entry of the renewed T-Systems into the market must be taken into consideration in the first quarter and in 2008. In this sector these effects may result in the reduction of market share in certain areas of the T-Group, however, additional possibilities may be offered at other telecommunication companies. In the first quarter of the last year the Company won the support of the IP system based on Cisco technology with an advanced availability at Invitel Zrt. telecommunication service provider, which will have a positive effect on the results of 2008, and this will partly compensate lost incomes resulting from the strengthening of T-Systems.

The support appointment **relating to the combined and advanced network management at T-Group** is a significant success in 2008, which entered into the performance phase in the first quarter.

Deliveries relating to the development of optical systems continues at cable-TV service providers also in the first quarter. Changeover to DTH technology will presumably result in investments at more service providers during the year, and SynergON intends to offer bids on technologies represented by it when tenders are called.

Industry and service providers sector

The growth slowed down and inflation increased in the first quarter of 2008 to a greater extent than expected.

Its effects were shown already at the beginning of the year.

A great part of the incomes continues relating to the infrastructure, including supports.

Separate action plans have been worked out for the implementation of projects on the area of business solutions.

In addition, we want to strengthen our market share also in building industry, logistics, gas and electricity industry, and pharmaceutical industry.

The operation of the Hungarian divisions and businesses

Sales Support Directorate

In the field of marketing the year started with some programmes and with the preparation of the activities of the second quarter. The National Information Infrastructure Development Office arranged the Networkshop conference in March 2008, where SynergON took part as a silver-grade promoter with 4 special lectures:

- on the new BGP developments,
- the novelties of Cisco Unified Communications Manager,
- Cisco MARS product family



- and Identity Management systems.

The decision making IT specialists of all significant institutes of high and secondary education as well as research institutes took part in the conference.

On 28th March 2008 the area officially handed over the wideband network investment project amounting to 248 million forints within the frame of GVOP 4.4.2 European Union competition in Szarvas town.

The above preparatory works started in the following significant themes:

- HOUG conference in April, which is supported by Synergon as a bronze-grade promoter, and where accounts will be given on successfully introduces business intelligence projects.
- Due to the close cooperation of marketing and partner connections Netcool e-DM and TM campaign jointly planned with Avnet Kft. will take place in April in the frame of IBM co-marketing, the target groups of which are electricity and utility service providers, manufacturing and industrial companies, large sales store chains, banks and insurance companies. In addition, a series of special programmes and meetings with clients to be organised for highlighted sectors are being prepared, in which even our significant vendors are highly interested.
- A SOA seminar jointly with Oracle is expected in May, as well as online banner campaign server and storage themes with HP.
- Our participation in the Conference of the Hungarian Association of Hospitals is being organised in the theme of medical information public utility.

The financial product concept and the product focus were finalised within the product development activity in the field of strategy.

The brand concept was finalised and tasks necessary for its development were fulfilled in this year.

The product development activity started in respect of the whole product portfolio of the product development pilot project.

The Strategy, Marketing and Business Development division of the Communications Directorate undertake to edit the quarterly magazine of Synergon, and to implement the renewal project of webpage www.synergon.hu. Subsequently, the development of an English version of the homepage will be an advance in the interactive appearance.

The sales support division introduced a new reporting system in the first quarter of 2008 in a close cooperation with controlling division. The developed report structure gives a more clear picture to both the company management and the account sales on contracts in process, as well as on business possibilities, promoting a closer cooperation with major partners, the better exploitation of cross sales possibilities and search for new business possibilities.

Our CRM systems has been advanced, and a central template gallery has been created.

As a consequence, the volume of administration work reduced, and we are able to give uniformly high-standard customised offers adapted to the buyer's demands to the maximum extent.

Participation in information related large projects above one milliard forints - as a main contractor - is a new tendency in the **sales of Synergon Informatika Nyrt.** For this purpose the Bid Management Team of the Sales Support division was increased by one person in February.

Synergon Informatika Nyrt. proved to be eligible in the participation phase of the tender called by the **Hungarian Television** for the delivery of **HD** studio systems, then started discussions with the other selected bidders on the solution in the negotiation phase. The negotiation phase will be closed in June 2008 according to the plans.



In the first quarter the renewal of the periodically expiring frame agreements with the state continued under the coordination of the **Central Contracting Directorate**. HP devices and solutions as well as Microsoft software and solutions were delivered in the category of corporate computer systems in the first quarter.

In the first quarter of 2008 Synergon Informatika Nyrt. **was recognised by several vendors** in respect of its high performance in the last year. SAP Magyarország granted an award to our Company for the highest indirect software income in Hungary, and in March **Cisco Systems** recognised Synergon's work in the last year, and two of the 9 prizes were granted to Synergon.

Synergon Informatika Nyrt. became the "Unified Communications Technology Partner of the Year", which created a pilot IP telephony system connected with image transmission at one of the leading commercial banks of Hungary in addition to a number of successful projects. Synergon received also prize "The Partner of the Year in the Public Sphere" for a joint work in which a novelty strategy and a model repeatable by others were worked out for the sector in cooperation with Cisco.

The management of our vendors was also improved in the field of administration. Our colleagues are informed of events, training, conferences as well as medium and long term unified strategic plans by means of mail lists and a central database.

Infrastructure division

Typically the first quarter is the weakest period for the division in the given financial year. Negative effects characteristic of the period were further strengthened by the withdrawal of orders from the state sector due to political uncertainties, and by a general uncertainty resulting from the crisis of the capital market.

Sales of value added services as well as the increase of long term support contracts offering sure incomes are still held important by the division.

Project Management

The operation of the Project Management Business of Infrastructure Division in the first quarter of 2008 was characterised by the balanced implementation of construction and support projects. Projects targeted for the quarter were successfully closed by the business keeping the planned coverage levels. The IP Address Management system first installed in Hungary for Magyar Telekom is highlighted among the construction projects. The sphere of the already existing contracts relating to support projects has been expanded with the network support of Invitel, which is being implemented from January 2008. As a target for 2008 we intend to expand information, information technology, communication and presentation knowledge of the colleagues of the business, in addition to special skills relating to project management.

System integration business

Negative seasonal effects already regular on the information market - characteristic of the beginning of the year - are reflected also in the System integration business in the first quarter of 2008. A major part of the first quarter was spent on post works on projects completed at the end of the last year, and the preparation phases of several projects to be launched this year started, the financial effect of which will be reflected in the next quarters.





The business was expanded with two new workers in the first quarter, due to whom our stability in the highlighted special fields was improved. Due to project closures at the end of 2007 less time was spent on special training of the workers, therefore this was a highlighted task in the first quarter of 2008. During the training not only our existing skills were improved, but we got acquainted also with new products and technologies.

The importance and significance of more thorough knowledge are confirmed by the fact that the increasing market competition is a challenge in the field of information services, and projects implemented with a low margin are frequent. Therefore it is a highlighted target for the System Integration Business to be recognised by the customers as a leading team professionally and technologically, distinguishing thereby ourselves from our competitors.

Networking business

In the first quarter Synergon started the network support of Invitel, and completed a large part of the IP address management project in T-Mobile. Network management solutions continue representing a significant share in the business's portfolio, and Synergon has doubled its resources of the previous year to meet these demands.

IBC business

The **wideband internet network of the Small region of Körösszög** built in the frame of the Operative Programme of the European Union Economic Competitiveness was the greatest completed work of the quarter. A multifunction coax coverage network (suitable for Internet, cable TV as well as IP phone services) has been established during the project at the settlements, and the settlements were connected to the optical main line.

In respect of **structured cabling** the majority of tasks was constituted by network expansions made for ELMŰ and ÉMÁSZ consumer offices and other premises.

With the increase of **security demands** modern datacentres, Lampertz rooms are more and more favoured, which is indicated by the increasing number of projects in design or tender phases. In this quarter we were appointed to build a modern datacentre at the **new seat of EGIS**. Synergon is engaged in this level of physical data protection, offering an efficient solution for the high power supply, cooling and data protection demands of high performance servers, storages and network devices requiring high availability.

Security Solutions business

Several successful projects were implemented in the quarter in the fields of both network security and complex security. The projects were characterised by **the implementation of the improvement and upgrading of tasks previously completed**. Consultancy and advising are also offered by us, increasing thereby the level of the application of the systems.

During this period the role of support tasks increased according to the plans, which will remain highlighted.



Business Solutions division

Professional and economic tendency

The first quarter of 2008 was defined by projects founded last year or being in process (carried over from 2007). **In 2008 further strengthening of SOA and BI areas is expected**, therefore a higher emphasis will be laid on these competencies within the special strategy. They offer the best professional possibilities. In addition to the professional tendency the **widening of the sphere of activities of the main contractor is** future economic strategy, as a result of which actual projects may be implemented. The connections with the major partners of BSD (Microsoft, HP, IBM, Oracle, SAP) have strengthened, and our good connections with higher managements resulted in a strategic partnership, which is reflected by cooperation in joint projects.

External world affecting the possibilities of BSD

Due to external effects experienced in the recent months and the ambiguous circumstances of the domestic politics, and to the **hindered and hesitating outflow of** EU supports (see the support amounting to 1700 milliard forints not granted in case of the Traffic Operative Programme) the ventures are not in a position to increase the rate of their investments, and choose the policy of drift. **In this environment the strategy must be changed**, and the new products must be sold to **the already existing customers** even if with significant allowances. In respect of the old clients we are well aware of the possibilities and types of version changeovers, as well as completely new implementations, or other tools taking expansion into consideration.

Recognising these market movements BSD joined this externally dictated flow, and well performed in different situations, on the following areas:

State administration, public administration and health sectors

The unfavourable market effect of the government's **restrictive** measures **affected** the state administration, public administration and health sectors, which resulted in **set back** sales activities in accordance with these tendencies. Despite the cancellation of calls for tenders the tenders won last year and at the beginning of this year offer sufficient activities for the Division in this sector.

The current situation must improve, and stable strengthening is expected in the sector already by the third quarter, but by the end of the year in all cases due to the acceleration of EU funding and calls for tenders and their evaluation.

Industrial sector

Product development started in cooperation with the project members and the users entered a **live phase** at one of the largest supplier of the sector, on which a evaluating feedback showing overall satisfaction is expected. The introduction of one of the largest SAP Waste and Recycling projects of the country started at the beginning of the year for Hulladékgazdálkodási és Környezetvédelmi Zrt., in connection with which the approval of the concept plan is in process in these days. The project will be finished for the Zrt. by the beginning of the financial year starting in October.

Additional great volumes of licences were sold to one of the key industrial ventures, where SAP licences of great volumes were sold last year.





In addition to sales of licences we continue introducing the already started SAP PP and QM modules, and modules of SAP manufacture and quality assurance, which will be finished during the year. System maintenance "support" activity following the introduction lasting for several years continues at a manufacturing company of the industrial sector.

Financial sector

The development of the financial and insurance sector stagnated in the first quarter, however, yielded the regular income deriving from maintenance and other activities.

The continuous support of SAP system introduced in a close cooperation with SAP Hungary Kft. is made in the frame of a maintenance contract in the field of the Bank sector.

The support activity lasting for several years continues in SAP system introduced by Synergon also **for a key advertising agency**.

Acquisition and implementation of follow-up projects were specified as basic targets by the division within the sector. **Developments of Oracle BI systems and data storages** continue accordingly also in case of several great banks.

Telecommunication sector

Our multi project management supporting tool has been operating on this area for several years at one of the key participants of the domestic telecommunication market. Last year we started expanding its organisation, as a result of which **an application with the largest number of users and managing the most projects** has been created. Development according to the already started concept continues in order to make a successful product.

Synergon Informatika Nyrt. has been present in the Telco sector for several years, from the introduction of the system to its system maintenance. E-learning solutions, the introduction of Infopak or the application of ARIS Tools technique, as well as the implementation of the barcode inventory technique have been highlighted during cooperation with one of the greatest operators of this sector. Works relating to the commissioning of the authorisation system are in process, and the drawing of the concept plan of the Correct Information System of Penalties has started by the end of this half of the year.

Activity of BSD Businesses

Development Business

Our specific application development activity significantly strengthened in the second half of 2007, and is to be additionally expanded.

As a result of the expansion of the market share during the last year the development of the staff of the business in two directions continued. Partly by training the staff and partly by changing the development methodologies.

The increase of the leading development/architecture capacity is characteristic of the new methodology and of the large projects. Accurate and complete compliance with the buyers' demands is expected from the appearance and application of the agile development methodology (on the basis of direct project experiences).



In addition to the two decisive elements (Microsoft, JAVA) Oracle developments are still significant income sources in respect of development platforms, and incomes from upgrading of the standard systems are also a remarkable factor.

Project Management Business

In this quarter no change has occurred in the staff of the Project Management business created in 2007. The PM team **strengthened at the methodological training**, in the last quarter, as the integration management of the Division. The aim of the educations and training is to increase the efficiency of the implementation of projects, and **to strengthen the project host approach**.

With the current staff **higher utilisation of the capacity of the staff** is expected from the strengthening of the special competencies.

SAP Business

A professional achievement of the SAP Business is that is a strategic partner in the sales of the new SAP product, the **Business Object** from now. The whole business took part in training to get familiar with possibilities offered by the new trend of SAP, Netweaver.

For the successful sale of the licence in the last year **the prize founded by SAP and to be granted for the greatest number of sales was won by us**, which will be a recognition on a long term during the sales of additional licences beyond the allowances.

Opening towards additional areas belongs to the sphere of next tasks, which requires financing, however, its economic usefulness are is more and more apparent both in the world and in Hungary. This area is fully clear, and perhaps appearance on this market may be expected from a system integrator. This is the so-called **information outsourcing**, which offers enormous possibilities, and should not be neglected. We make efforts to include this area among the possibilities of Synergon Informatika Nyrt. SAP systems are excellent for its implementation. Only solutions are sought in this quarter, however, we believe that the process will end with a positive result.

Consultation Business

In accordance with the guidelines of the last year the strengthening and expansion of the staff of the business continues.

The presence of the Consultation Business has become decisive - due to the expansion of special competencies - particularly in respect of the business intelligence (BI) systems and data storages. As regards the strategic portfolio elements we may state that the continuous training and project implementation experiences will guarantee a safe ground for our clients also in the future.

The application of SOA solutions, and consequently the relating consultation became new elements of the portfolio in this quarter. In accordance with the market tendencies the expansion of this area is expected in 2008.

The introduction of Project management systems , delivery of portal solutions and implementation of document and filing systems are continued within our "traditional" sphere of activities. We plant to expand our product range by introducing Project Portfolio Management tools.



Operation services (SAO-Synergon Kft.)

SAO-Synergon Kft. (SAO) is an affiliated company of the Synergon Information Group, offering operation services, operation support as well as compete outsourcing solutions.

The clientele of SAO includes financial institutions (banks and insurance companies) as well as industrial companies.

The company had a steady business in the first three months of 2008 - due to its operation contracts. The circles of orders and of major clients have only slightly changed, a small scale IT operation contract expired and was not renewed. Our operation contract with Renault Truck Magyarország has been renewed, and the Office of the National Jurisdiction Council is a new client where (after the transition processes) SAO is responsible for the operation and monitoring of central service providers - on the basis of the contract signed with Synergon.

SAO still has expectations for 2008, has signed the existing major operation contracts for years, and those soon expiring are likely to be renewed.

The first quarter in IT - in general - is not the period of great investments, which is due to the fact, among others, that the company implemented small scale projects during the recent months at the contracted clients - in addition to continuous operation services.

From financial aspects SAO produced slightly increasing results in respect of Coverage_1 and Coverage_2 in the first quarter of 2008 - due to the slightly decreasing incomes - in comparison to the similar period of the last base year.

Retail systems and client points (Synergon Retail Systems Kft.)

Synergon Retail Systems Kft. closed the first quarter of 2008 in accordance with the plans.

During the continuously implemented service operation the existing clients such as Agip Hungary Kft, MÁV Zrt., LukOil, Auchan **are supported on the whole area of the country.**

The service operation of the **Intelligent Post Office of the Hungarian Post** is implemented by Synergon Retail Systems Kft. Additional installations and service tasks have been performed by the company on the Post's cash register and bank card terminal.

In the frame of its contract Synergon Retail Systems Kft. delivered and commissioned the devices of the retail system for **IT Magyar Cinema Kft.** cinema operator in the newly opened **Arena Centre**, where the largest cinema of Hungary opened in due time with our assistance.

Synergon Retail Systems Kft. **appeared on a new area**, when it took part in the introduction and construction of **parking ticketers** as well as of the relating cash systems.

Connection of suppliers using **EDI system** into ECOD system continues also at **Auchan Magyarország Kft.**

Consultation relating to tax licences and special assistance are provided for **ALDI Magyarország**, as a result of which we obtained the taxation licence.

In addition, we started the IT implementation of the Hungarian shop system of ALDI.



Optical cables and planning (Fibex Kft.)

Organisational restructuring of Fibex Kft. started already at the beginning of the year, where the administration tasks were reorganised and were relocated to the parent company. This was followed by the transillumination of the logistic capacity and the assignment of this activity to the parent company. The central issue of the company's management involves **sales, product portfolio, service level** and service provision for the buyers.

Training of the newly employed salesmen finished by the end of the year, and they have been working independently from the last quarter, however, under close supervision.

Making use of the flexibility already demonstrated the Company established connections with several suppliers of products **still new for the market** in order to meet the new demands of buyers. Partners are continuously sought for the setting out of the sales representation network.

The final target of the Company for 2007 was to counterbalance losses accumulated in the first half of the year, which was successfully solved with the beginning salesmen, and a result after taxation amounting to 50 million forints was achieved in the last quarter. Due to the increase of the structured and heavy current market the loss of turnover could be counterbalanced in the second half of 2007. According to the plans for 2008 the level of the income will continue increasing, which will directly affect the result, as the Company makes plans for the next year with unchanged coverage contents and operational costs.

The operational environment of the Czech IT market

Czech market grew up very strongly. Its increase is caused mainly by deals from international companies, realized by local subsidiaries of international IT service providers, as a result of market consolidation seen in recent years. Also big local providers could benefit by this growth, but smaller companies lost. Market growth is almost 12 % expressed in CZK, less than year 2006 (14,6%). The top Czech service providers are: HP, IBM, Logica, Telefonica O2, Sap. Very interesting and very quickly accumulated business are in public health sector.

Top 10 of czech IT intergators: Adastrá, AutoCont CZ, Deltax Systems, E.ON IS Czech Republic, Hewlett – Packard, ICZ, IDS Scheer ČR, Logica CMG, Siemens IT Solutions and Services and Telefonica O2 Czech Republic.

Infinity achieved to keep its market position among respectable IT services providers, and has maintained its clientele.

In future there will stay importance of The public sector, the health sector and e-government in particular, are expected to rise. The most important trade outlet for IT services remains: financial institutions, public sector, telecommunications and automotive field. Web applications concern the market since its lower price and simplicity compared to traditional IT based solutions.

It is a sign of the maturity of the market among those using IT equipment in the Czech Republic that big distributors (such as HP in the case of Infinity) start to provide its goods and services to the customers directly, with limited use of third parties. To remain in business, Infinity strongly emphasized its partnership with key market drivers such as HP (as a hardware supplier), Microsoft (licenses for software business solutions and other products), Cisco and Nortel (network products).

Concerning the sales of hardware-based services, a key issue every year is meeting partner requirements, which demands maximum expert capacity in terms of both numbers and quality in order to obtain, and maintain, partner status.

Limiting factor is lack of the experts on the market.

There are some express general drifts: influence of international providers and all international commissions, that are prearrange in abroad head office.





Operation of the Czech divisions (Infinity a.s)

System Solutions division

The development of the infrastructure of **Sazka** share company has been considered as a major project of the systems solutions division in the first quarter. 300 branches of Cseh Szerencsejáték Rt. will be provided with Thin Clients. We plan to equip all branches of Cseh Szerencsejáték Rt. in the near future, so the development of additional 1000 branches is prospected.

The long term project continued at the Prison Service (**Prison Surveillance and Operation of the Czech Republic**). The migration and re-installation of the infrastructure servers (Active Directory, Exchange and SQL) are in still in process.

The continuous migration of the externally located **Kaufland** servers of the **Czech Republic** is a great project of the division (at 37 sites), as well as changeover from Windows 2002 to Windows 2003.

The first phase of the introduction of the Helpdesk Support was started with **FAB Company** (a member of Assa Abloy). This contract will yield an income of CZk 550,000 according to the plans. HP onsite programme was started from 1st April, providing immediate assistance for HP buyers. All incidents introduced into the HP service desk are solved by our specialists.

In cooperation with PNO Consultants s.r.o. (a recommendation of Microsoft) a bid has been submitted for EU frame amount relating to educational-professional training. The programme was focused on employees in Prague. The bid was accepted in September, and a support amounting to CZk 5 million has been won for 2008 and 2009.

Business Solutions division

The Business Solutions division supplies integrated business solutions, The customers are provided with financial integrated, service and client management systems. Offered solutions: Microsoft Dynamics NAV, Microsoft Dynamics CRM and CAS Genesis World products as well as Microsoft products (Microsoft BizTalk Server, Microsoft Windows Server, Microsoft SQL Server, Microsoft SharePoint Portal Server, Microsoft .NET Framework, Microsoft Business Network (MBN), Microsoft Exchange Server).

The turnover of the first quarter of 2008 was generated from *long term projects*, such as the implementation of Microsoft Dynamics NAV for VIS (**Prison Surveillance and Operation of the Czech Republic**) and the implementation of Microsoft Dynamics NAV for **Meinl European Land Group** as well as other projects started in 2007. The implementation of Microsoft Dynamics NAV for **POGRR a.s.**, **Kubik a.s.** as well as **MKM-STRED** (agriculture) is remarkable.

The Business Solutions division launched two new projects in the first quarter of 2008: the implementation of Microsoft Dynamics NAV (telecommunications) and the implementation of Microsoft Dynamics NAV at **IDS Olomuc** (building industry).

Networking division

the expansion of the *security and unified communication fields* are planned for 2008. The acquisition of WiFi certification and changeover of the business to this tendency have been started. WiFi network has been created for **Schott Solar** where a networking infrastructure has been created in recently. We





plan to replace the traditional networking service with WiFi at Minerva Boskovice, where this technology is applied also in the production in addition to IP telephony.

Wifi network system has a priority not only at Cisco, but also in Nortel technology. Wifi services have been provided to Continental Teves, and a new pilot project was launched also at **Tatra a.s.** **Tatra** is strengthening on the market, the growth of our buyer is supported by working out a new infrastructure project.

Foxconn is another important client, where we shall set out the cabling system in their new plant.

Our aim is to acquire further operation contracts in 2008, and we will concentrate on this area.

Declaration of commitment

Synergon Informatikai Rendszereket Tervező és Kivitelező Nyilvánosan Működő share company has drawn its quick report presenting its operation *of 3 months from 1st January to 31st March of 2008* in accordance with the Rules of Introduction and Maintenance of Budapesti Értéktőzsde Zrt. This quick report contains not audited data and statements complying with the reality, and no facts are concealed which would significantly affect the assessment of the company's situation. The Company as the issuer is responsible for any damages caused by failing to supply regular and extraordinary information or by its misleading contents.

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