

FLASH REPORT



SYNERGON Group

**Financial results of Synergon Information
Systems Plc.
for the 12-month period
from 1st January to 31st December 2007**

www.synergon.hu
e-mail: investor.relations@synergon.hu

1047 Budapest, Baross u. 91-95. Tel.: (1) 399-5500

Fax: (1) 399-5599



The Synergon Group achieved a business profit of 7% in three months

The income of the Group in 2007 amounted to 16,967 million forints. The *service content was extremely high, 78%* in the quarters of 2008, which is 50% on an annual basis.

The results of the Synergon Group became more and more positive from account to account in 2007. The *last three months* contributed to the business result of 289 million forints *of the twelve months with a positive business result of 438 million forints*. The *result after taxation was 7% in the fourth quarter*, increasing the parent company's year-end profit after taxation amounting to *491 million forint* by 410 million forints.

The positive operating and taxed incomes of the member companies

The parent company and the associated Hungarian companies achieved an income of 4.7 milliard forints in the fourth quarter, which exceeded the performance of 2006 by 3%. The service content of the sales achieved an extremely high level, 90% in the fourth quarter, following the continuously improving trend of the year. The net *coverage* of the quarter *exceeded that of 2006 by 25%, and amounted to 1.5 milliard forint*.

By the year end the sales income of *Fibex* exceeded one milliard forints after initial difficulties. The *operating income achieved a positive balance of 66 million forints* within three months, and the year was closed with 28 million forints after taxation.

The sales income of Infinity was 3,140 million forints, which amounted to *19% within the Group* in 2007. This was the first time the Company achieved a positive result after taxation since the acquisition of key control by Synergon in the Company's management in the summer of 2004. After a loss of 362 million forints accumulated in the last four years *the taxed result amounting to 35 million in 2007* can be considered a turning point.

Prosperity of the economic environment and sectors

In information technology the last quarter is typically the most intensive period, and this tendency continued also in 2007 despite the fact that the rate of IT investments was significantly lower than in the previous years.

Within NFT 1 developments *Synergon* took part as a contractor *in investments of more than 2 milliard forints*, which involved mainly health and local government areas.

The *development of customised software* representing a significant value from business aspects, and relating to several *bank core activities* was finished, and successfully handed over to our customers in the last quarter.

Synergon was the first in Hungary to introduce *IP address management technology* in the field of telecommunication and media.

Network reconstruction projects implemented at the regional network service providers were significant achievements in the sectors of *industry and service providers*.





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Financial Report

Financial results of Synergon Informatika Nyrt. in the 12-month period between 1st January and 31st December 2007

The account of 2007 is not audited, consolidated, and contains data drawn on the basis of the International Financial Reporting Standards.

Analysis of the results of Synergon Group in 2007

The analysis contains comparison of the twelve months ending on 31st December 2007 to the similar period of 2006. *Data relating to 2007 and to the quarters* provided in the report is *not audited*, and data relating to 2006 is audited. Parts of the account are based on consolidated balance sheets and profit and loss statements drawn *on the basis of IFRS's*. 2007. On 31st December 2007 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 and to further improve the transparency. To ensure comparability basic data given in the quick report is detailed in accordance with structure applied in the subject period.

Analysis of the result of the Synergon Group as of 31st December 2007

Income Statement	Thousand HUF								
	q1-q4*	2007 q4*	q1-q3*	q1-q4	2006 q4*	q1-q3*	Difference %		
							q1-q4*	q4*	q1-q3*
Continous operation**									
Sales revenues	16 966 950	6 133 542	10 833 408	19 592 113	6 324 259	13 267 854	(13%)	(3%)	(18%)
from which services (%)	50%	78%	34%	46%	68%	35%	4%	9%	(1%)
Cost of materials and services	(11 179 875)	(4 211 716)	(6 968 159)	(13 880 267)	(4 718 539)	(9 161 727)	(19%)	(11%)	(24%)
in sales (%)	66%	69%	64%	71%	75%	69%	(5%)	(6%)	(5%)
Gross margin	5 787 075	1 921 827	3 865 249	5 711 846	1 605 720	4 106 127	1%	20%	(6%)
gross margin (%)	34%	31%	36%	29%	25%	31%	5%	6%	5%
Operating cost	(5 498 468)	(1 484 011)	(4 014 457)	(6 457 102)	(2 296 281)	(4 160 821)	(15%)	(35%)	(4%)
EBITDA	705 421	538 151	167 270	197 540	(120 474)	318 014	257%	547%	(47%)
EBITDA margin (%)	4,158%	8,774%	2%	1,008%	(1,905%)	2%	3%	11%	(1%)
Operating profit	288 607	437 815	(149 208)	(745 256)	(690 561)	(54 695)	139%	163%	(173%)
Operating profit margin(%)	2%	7%	(1%)	(4%)	(11%)	(0%)	6%	18%	(1%)
Other expenses and other cost, net	33 709	19 828	13 881	(54 863)	41 990	(96 853)	161%	(53%)	114%
Proceeds from disposal of subsidiary	168 715		168 715						
Financial gains and losses	24 135	(40 964)	65 099	115 344	21 586	93 758	(79%)	(290%)	(31%)
Profit before tax	515 166	416 680	98 486	(684 774)	(626 985)	(57 789)	175%	166%	270%
Income tax	(30 467)	(5 994)	(24 473)	(39 347)	(17 565)	(21 783)	(23%)	(66%)	12%
Profit after tax	484 699	410 685	74 014	(724 121)	(644 549)	(79 572)	167%	164%	193%
Discontinued operation***									
Sales revenues	1 001 504	-	1 001 504	2 094 467	670 199	1 424 268	(52%)	-	(30%)
Cost of materials and services	(1 027 832)	-	(1 027 832)	(2 230 512)	(657 224)	(1 573 288)	(54%)	-	(35%)
Financial and other gains and losses	36 247	-	36 247	(17 469)	(2 557)	(14 912)	307%	-	343%
Income tax	0	-	0	21 345	21 345	0	-	-	-
Profit before tax	9 919	-	9 919	(132 169)	31 762	(163 931)	108%	-	106%
Minority Interest	3 781	275	3 506	(76 218)	5 295	(81 513)	105%	(95%)	104%
Equity holders of the parents	490 837	410 411	80 427	(780 072)	(618 083)	(161 990)	163%	166%	150%
net income margin (%)	3%	7%	1%	(4%)	(10%)	(1%)	7%	16%	2%

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





Continuous activities

Sales income

The income of the Group in 2007 amounted to 16,967 million forints. The sales income in the fourth quarter was 36% of the annual income. In 2007 a prominent result was achieved, as usually - in the fourth quarter. The **income of 6,134 million forints in three months exceeded the average** of the first **nine months by 70%**.

2007. The **service content was extremely high, 78%** in the quarters of 2007, which is 50% on an annual basis. The significant increase by 9% was due to developments of the Government and of public administration handed over in the last months.

The weight of the **sectors of bank and finance increased by 2%** in the fourth quarter even with the realisation of an income of 6 milliard in the quarter, which is above the average.

Sales income of the Synergon Group in other sectors, **by sector, was nearly identical** to the figures of the last three quarters. Within sales income of Synergon Group the rate of

- telecommunication and media sector is 12%
- bank and finance sector is 18%,
- the sector of industry and service providers is 35%,
- the sector of health, government and public administration is 11% in the period.
- Other sales not classified into sectors amounted to 9%.
- Segment measured separately, as a "new business" in the second and fourth quarter, which amounted 15% of the income at the end of the fourth quarter.

Direct costs of products and services sold

After **twelve months** the costs of products sold and services resold steadily provided a **saving of 5%** to the Group of Companies.

Due to the operation of the more and more **efficient** partner (**vendor**) as a **manager** reduction achieved in the first half of the year was 4%,

while a reduction **by 6-7%** could be realised in the third and in the **fourth quarter**.

Net coverage

During three months between October and December the Company achieved a **coverage amount of nearly two milliard** (1,922 million), which is **by 20% above** the result of the same period in 2006.

In respect of the net coverage volume calculated from the incomes and direct costs of the Group of Companies in the accounting period - during the last three months the Company counterbalanced its previous lag, and **closed the year with a result by 1% above the result of 2006 after achieving a surplus of 20% in the last quarter**.

Operational costs

The operational costs amounted to 5,499 million forints. Costs dropped due to the **strict cost control and optimisation**,

Deviation of the operating costs from the base period was **due to the continuous savings** of the last twelve months; the reduction by 1-4% at the beginning of the year was followed by a reduction by 8% in the third quarter, then by a **drop by 35%** in the last quarter. The total annual savings amounted to 15%, which is a **saving above 800 million forint**.

Operating income

The Company's results have become more and more positive from account to account **along a rising curve**. The **last three months** contributed to the business result of 289 million forints **of the twelve months with a positive business result of 438 million forints**.

Other incomes and results of inputs

No penalties affecting the result of the base period were charged in the accounting period, therefore the amount of other incomes and results of inputs was 34 million forints in 2007 in comparison to the loss of 54 million forints in the same period of the





previous year in this row, which is refunding from a suit won by the Company.

Net result of financial operations

The Company had *interest incomes (92 million forints)* similarly to the previous years, which was reduced by the unfavourable exchange rate fluctuations.

Liquidated operation

On 5th July 2007 the Directorate of Synergon Plc.. made a decision to sell Span d.o.o. The selling price was above the Company's net assets value, therefore the transaction resulted in profits.

Together with the sales, and beyond its result, the credits granted the parent company were repaid, therefore the parent company did not have credit claims within the Group.

An amount of 168,267 million forints was also settled against selling of a share of 68.11%.

The net assets value of the sales operation was 21,5 million forints, including an amount of 21,9 million as a minority share, and from the results of the Company in 6 months an amount of 7 million forints is assigned to the parent company, therefore the Company stated 176 million forints in its results included in the consolidation at the level of operation.

Result after taxation assigned to the parent company

The *result after taxation was 7% in the fourth quarter*, increasing the parent company's year-end profit after taxation amounting to **491 million forint** by 410 million forints.

Staff of the Synergon Group

The average staff figures of the Synergon Group are given in the following table. An average staff reduction by 8, and a reduction by 30 in the closing staff resulting in a change by 8% took place in the accounting period, in case of Synergon Informatika Nyrt., SAO-Synergon Kft. AND Synergon Retail Systems Kereskedelmi és Szolgáltató Kft. on an average.

Fibex reduced its closing staff in the last quarter again (a change by 10), thereby it had a staff by 22% less than in the previous year. The change of the staff is due to the relocation of administration, logistics, bookkeeping to the parent company and liquidation of positions relating to stock operations.

Infinity has a continuously reducing staff; the staff number changed by 4% 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	2007 Q4 average	2006 Q4 average	Difference %	2007 Q4 closing	2006 Q4 closing	Difference %
Synergon/SAO/SRS	336	344	(2%)	323	353	(8%)
Fibex	18	23	(22%)	12	22	(45%)
Infinity	116	121	(4%)	118	125	(6%)
Total	470	488	(4%)	453	500	(9%)

The average staff number at group level is 470 on 31st December 2007, which was 488 a year ago.





Income structure of the Synergon Group

The following table indicates the distribution of the sales and other incomes of the group of companies by company.

Companies inside the Group of Synergon	Thousand HUF										Difference %				
	2007						2006						q1-q4*	q3	q1-q3*
	q1-q4*	%	q3	%	q1-q3*	%	q1-q4*	%	q3	%	q1-q3*	%			
Sales revenues	16 966 950	100%	6 133 542	100%	10 833 408	100%	19 592 113	100%	6 324 259	100%	13 267 854	100%	(13%)	(3%)	0%
Synergon/SAO/S RS	12 904 567	76%	4 661 352	76%	8 243 216	76%	14 354 534	73%	4 540 206	72%	9 814 328	74%	(10%)	3%	3%
Fibex	1 025 856	6%	331 923	5%	693 933	6%	1 820 566	9%	553 093	9%	1 267 473	10%	(44%)	(40%)	(33%)
Infinity	3 140 563	19%	1 161 850	19%	1 978 714	18%	3 561 703	18%	1 194 990	19%	2 366 713	18%	(12%)	(3%)	2%
Konzolidáció	(104 037)	(1%)	(21 582)	(0%)	(82 454)	(1%)	(144 690)	(1%)	35 971	1%	(180 661)	(1%)	(28%)	(160%)	(44%)
* eliminated intercompany transactions															
Discontinued	1 001 504		0		1 001 504		2 094 467		670 199		1 424 268				

The performances of SAO-Synergon Kft. and Synergon Retail Systems Kereskedelmi és Szolgáltató Kft. are stated in consolidation with the results of Synergon Nyrt., i.e. they are free from accumulations caused by intercompany turnover.

Member companies within the Group kept their positions in respect of their income shares in 2007.

Within the accounting period 76% of the income of the Synergon Group was achieved by Synergon Nyrt., SAO-Synergon Kft. and Synergon Retail Systems Kereskedelmi és Szolgáltató Kft. with their consolidated incomes free from accumulations. The ratio of the separately stated incomes of member companies Fibex and Infinity indicated a minor restructuring to the credit of Infinity in respect of certain periods.

Results of the Hungarian operations

Synergon Information Plc. and its affiliated companies SAO-Synergon Kft. és Synergon Retail Systems 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.

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. The description of

the operation of Synergon Informatika Nyrt. and a more detailed presentation of the Company are 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.





Synergon/SAO/SRS	Thousand HUF								
	2007			2006			Difference %		
	q1-q4*	q4*	q1-q3*	q1-q4	q4*	q1-q3*	q1-q4*	q4*	q1-q3*
Sales revenues	12 904 567	4 661 352	8 243 216	14 354 534	4 540 206	9 814 328	(10%)	3%	(16%)
from which services (%)	53%	90%	31%	52%	82%	38%	1%	8%	(6%)
Cost of materials and services	(8 582 121)	(3 205 104)	(5 377 017)	(10 146 782)	(3 371 133)	(6 775 648)	(15%)	(5%)	(21%)
in sales (%)	67%	69%	65%	71%	74%	69%	(4%)	(5%)	(4%)
Gross margin	4 322 446	1 456 248	2 866 198	4 207 752	1 169 072	3 038 680	3%	25%	(6%)
gross margin (%)	33%	31%	35%	29%	26%	31%	4%	5%	4%
Operating cost	(4 082 719)	(1 090 743)	(2 991 975)	(4 851 803)	(1 854 101)	(2 997 702)	(16%)	(41%)	(0%)
Operating profit	239 728	365 505	(125 777)	(644 051)	(685 028)	40 978	137%	153%	(407%)
Operating profit margin(%)	2%	8%	(2%)	(4%)	(15%)	0%	6%	23%	(2%)
Other expenses and other cost, net	34 441	21 119	13 322	(61 451)	41 334	(102 785)	156%	(49%)	113%
Financial gains and losses	39 625	(39 238)	78 864	342 459	239 291	103 168	(88%)	(116%)	(24%)
Profit before tax	313 794	347 386	(33 591)	(363 042)	(404 403)	41 361	186%	186%	(181%)
Income tax	(33 526)	(9 054)	(24 473)	(20 195)	(10 173)	(10 022)	66%	(11%)	144%
Profit after tax	280 268	338 332	(58 064)	(383 237)	(414 576)	31 339	173%	182%	(285%)

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

The consolidated sales income of Synergon Informatika Nyrt., SAO-Synergon Kft. and Synergon Retail Systems Kereskedelmi és Szolgáltató Kft. was 13 milliard forints in twelve months.

The **income of 4.7 milliard forints in the fourth quarter** exceeded averages measured in the previous period, and was **by 3% above the result of the same period in 2006.**

The **service content** of the Company's income increased to a level even higher than in the previous year, due to the continuously improving tendency of the year. **In respect of the service content of 90% in the fourth quarter** the Company closed a specific quarter.

The **net coverage was by 25% higher** than that in the previous year, it was **1.5 milliard forints** in the fourth quarter, which was 4.3 milliard forints by the end of the year.

The **set of measures relating to the strict rationalisation and cost savings have been confirmed by the fall of the operating costs.** It the share option launched by the Company from March 2007 the loss of 138 million forints not involving cash-flow is included in the operational costs, together with which **a saving of 764 million**

forints, by 41%, was achieved in the subject quarter in the **operating costs.**

The **positive operating income** was **366 million forints** in the fourth quarter. The **positive operating income of 8%** is an extraordinary result.

An amount of 26 million forints won on the basis of the individual account of the parent company via disposal of Span d.o.o. is stated among **other incomes** and inputs.

The Company booked a profit of 116 million forints from interest incomes within the **financial result**, which is comparable to the previous years, then the positive financial result of 40 million forints is achieved by reducing it by the amount of the loss on exchange, 76 million forints. In 2006 the dividend yield of the affiliated company Fibex represented a financial result of 220 million forints.

With their **positive tax bases** the Companies get into a tax paying position, therefore they booked a profit tax of 34 million forints taking into consideration also the tax effects of the previous years.

The **taxed result in the subject quarter was 338 million forints**, and the consolidated **profit** was 280 million forints.





Fibex Kft.

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

The description of the operation of Fibex Kft. and the detailed presentation of the Company are available on the Company's webpage in Hungarian: www.fibex.hu.

Fibex*	Thousand HUF								
	2007			2006			Difference %		
	q1-q4*	q4*	q1-q3*	q1-q4	q4*	q1-q3*	q1-q4*	q4*	q1-q3*
Sales revenues	1 025 856	331 923	693 933	1 820 566	553 093	1 267 473	(44%)	(40%)	(45%)
from which services (%)	12%	31%	2%	1%	1%	1%	11%	30%	1%
Cost of materials and services	(740 272)	(189 967)	(550 305)	(1 485 102)	(469 062)	(1 016 040)	(50%)	(60%)	(46%)
in sales (%)	72%	57%	79%	82%	85%	80%	(9%)	(28%)	(1%)
Gross margin	285 584	141 957	143 628	335 464	84 031	251 433	(15%)	69%	(43%)
gross margin (%)	28%	43%	21%	18%	15%	20%	9%	28%	1%
Operating cost	(244 698)	(75 926)	(168 772)	(234 865)	(55 088)	(179 776)	4%	38%	(6%)
Operating profit	40 886	66 030	(25 144)	100 600	28 943	71 657	(59%)	128%	(135%)
Operating profit margin(%)	4%	20%	(4%)	6%	5%	6%	(2%)	15%	(9%)
Other expenses and other cost, net	(1 500)	(281)	(1 219)	6 994	(1 455)	8 448	(121%)	81%	(114%)
Financial gains and losses	(549)	(1 294)	745	13 804	19 032	(5 228)	(104%)	(107%)	114%
Profit before tax	38 838	64 456	(25 618)	121 397	46 520	74 877	(68%)	39%	(134%)
Income tax	(11 156)	(11 156)	0	(19 067)	(7 087)	(11 980)	41%	(57%)	(100%)
Profit after tax	27 681	53 299	(25 618)	102 330	39 434	62 897	(73%)	35%	(141%)

* non audited

The shock to which Fibex was exposed at the beginning of 2007 resulted in the change of the full staff and management team, which significantly affected the Company's result. Consequently, in the second half of the year, the Company has become a fully new firm internally, where new targets were set, and the team **achieved a fine result after taxation, amounting to 53 million forints in the last quarter.**

The sales **income** of Fibex **exceeded one milliard (1,026 million forints)** again by the end of the year, which is, however, a significant lag in comparison with 2006. The Company worked on setting up of sales and the change of directions of sales in 2007.

The sales of services and design works providing higher yields were a highlighted area. The **changed direction of the sales operation** was well

circumscribed already in the second half of the year. The **coverage was 28%**, which represented an improvement by 9% during the year.

The **price of the renewal of sales** is well reflected by the **operating costs** of the Company. This annual growth by 4% was caused by a surplus resulting from organisational changes, the **recovery of which started in the last months.**

The **positive operating income of 66 million forints** achieved in three months represents a remarkable performance in the fourth quarter in comparison to both the previous year and the previous quarters of this year.

The profit of Fibex after taxation was 28 million forints, which is a quarterly performance of 53 million forints based on the value stated three months ago.





Results of the operation in 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

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.

Infinity *	Thousand HUF								
	2007			2006			Difference %		
	q1-q4*	q4*	q1-q3*	q1-q4	q4*	q1-q3*	q1-q4*	q4*	q1-q3*
Sales revenues	3 140 563	1 161 850	1 978 714	3 561 703	1 194 990	2 366 713	(12%)	(3%)	(16%)
from which services (%)	50%	39%	57%	42%	48%	39%	8%	(9%)	18%
Cost of materials and services	(1 912 403)	(828 077)	(1 084 326)	(2 361 890)	(924 109)	(1 437 780)	(19%)	(10%)	(25%)
in sales (%)	61%	71%	55%	66%	77%	61%	(5%)	(6%)	(6%)
Gross margin	1 228 160	333 773	894 388	1 199 813	270 880	928 933	2%	23%	(4%)
gross margin (%)	39%	29%	45%	34%	23%	39%	5%	6%	6%
Operating cost	(1 226 570)	(325 827)	(900 743)	(1 403 552)	(306 392)	(1 097 160)	(13%)	6%	(18%)
Operating profit	1 591	7 946	(6 355)	(203 739)	(35 512)	(168 227)	101%	122%	96%
Operating profit margin(%)	0%	1%	(0%)	(6%)	(3%)	(7%)	6%	4%	7%
Other expenses and other cost, net	27 458	(1 011)	28 469	(406)	1 212	(1 618)	6 869%	(183%)	1 860%
Financial gains and losses	(8 543)	(2 100)	(6 442)	(21 289)	(17 107)	(4 182)	60%	88%	(54%)
Profit before tax	20 506	4 835	15 671	(225 434)	(51 407)	(174 027)	109%	109%	109%
Income tax	14 216	14 216	-	(85)	(305)	220	(16 729%)	(4 757%)	(100%)
Profit after tax	34 722	19 051	15 671	(225 520)	(51 712)	(173 807)	115%	137%	109%

* non audited, with minority interest

The specific target of Infinity for 2007 *was to establish its coverage producing ability necessary for the coverage point*. During the last twelve months, on the basis of a continuously improving financial performance the Company has proved both its money making and result producing abilities. After achievement of these basic abilities the *close control of the affiliated company continues* in 2008, as well as its target to multiply its positive result achieved in the previous year in 2008.

The sales *income* of Infinity kept its position within the Group in 2007, and was **19%** of the Group's performance. The income of 3,141 million forints was in compliance with the group average income in comparison to that of the previous year.

The company improved its average lag compared to 2006 with its income of 1,162 million forints achieved in the fourth quarter. It is a good development that the *reduction* of income within the *amount of income* of Infinity is identical to

the *lost hardware sales*. 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 2%*. The increase is a favourable result of reorganisation and restructuring worked out in 2007 at Infinity and the marked redefining of the sales culture. Growth remains a target also in 2008, which may be achieved by the Company by realising complex and high-standard projects.

The *coverage rate* increased by **5%** in 2007. This increase is the result of the purposively chosen sales strategy in the last 12 months and of the project cost efficiency calculations made in the previous sales phase.

The reduction of the operating costs by 177 million forints is a *saving* due to the efficient cost management. Infinity strengthened its operational stability in the last 12 months, significant attention was paid to the training and motivation of its





workers, to the proper allocation of duties and to the quality of the working environment.

The change of direction of sales as well as the very remarkable cost efficiency significantly contributed to the positive operating result.

In 2007 by closing the Company's legal affairs a tax refund of 28 million forints was booked among other incomes.

The drastic reduction of the financial loss is specified by two factors. On the one part **credit debts** were removed, which reduced by one third (**130 million forints**) in the first quarter of 2007, then were removed via the credit amount (**360 million forints**) capitalised in the third quarter. On the other part the collection of financially unsettled items on strictest terms and the optimisation of payments also contributed to the positive change. As a result, the company became self financed.

This was the first time the **Infinity achieved a positive result** after taxation since the acquisition of key control by Synergon in the Company's management in the summer of 2004. After a loss of 362 million forints accumulated in the last four years **the taxed result amounting to 35 million in 2007 can be considered a turning point.**

As regards the result after taxation the Company **doubled** the result of the first nine months, and finished the year of 2007 **with the most successful quarter, with its 19 million forints.**

Based on this, **stabilisation** experienced already in three accounts was confirmed by the Company with an additional quarter, and thereby the **parent company** qualified **the value of its investment** in the Czech Republic **unchanged**, and did not book a value loss.





Analysis of the balance changes of the Synergon Group

<i>Balance Sheet**</i>	December 31st, 2007*	Difference %	December 31st, 2006
	Thousand HUF	%	Thousand HUF
ASSETS			
Non- current assets			
Property, plant equipment	1 600 189	(9%)	1 765 231
Intangible assets	162 267	(0%)	162 267
Investments	2 697	(77%)	11 546
Deferred tax asset	29 921	(31%)	43 301
Loans given	23 710	66%	14 295
Total non- current assets	1 818 784	(9%)	1 996 640
Current assets			
Inventory	440 468	(47%)	831 889
Trade accounts receivable, net	5 954 285	3%	5 798 480
Other current assets	1 067 255	107%	514 711
Income tax receivable	273 739	(56%)	618 204
Available for sale financial assets	1 331 654	47%	907 938
Cash and short term deposits	9 067 401	5%	8 671 222
TOTAL ASSETS	10 886 185	2%	10 667 862
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital	1 910 926	0%	1 910 926
Treasury shares	(707 321)	(32%)	(1 038 242)
Share premium	5 770 884	2%	5 643 179
Capital reserve	27 980	(2%)	28 685
Retained losses	(627 318)	43%	(1 106 613)
Cumulative translation adjustments	96 535	25%	77 440
Equity attributable to equity holders of the parent	6 471 686	17%	5 515 375
Minority interest in consolidated subsidiaries	40 860	(29%)	57 477
Total equity	6 512 546	17%	5 572 852
Long-term liabilities	4 247	(91%)	49 081
Current liabilities			
Interest-bearing loans and borrowings	0	(100%)	4 600
Trade accounts payable	2 755 312	(27%)	3 791 980
Other payables and accruals	1 511 551	29%	1 167 855
Provisions for liabilities and charges	102 529	26%	81 494
Total current liabilities	4 369 392	(13%)	5 045 929
TOTAL LIABILITIES AND EQUITY	10 886 185	2%	10 667 862

* non audited ** consolidated

The *balance sheet footing* of the Synergon Group as of 31st December 2007 (10,886 million forints) showed an increase by 2% in comparison to the closing value of the similar period of the previous year. This tendency of increase is further strengthened by the fact that during disposal of Span d.o.o. the transferred assets amounted to nearly 8% of the group of companies, which was a part of the group of companies in 2006, but is not from the end of 2007.

Assets

Tangible assets and other intangible assets

The *net value of assets* invested (1,600 million forints) decreased by 9% in comparison to the





identical period of 2006. The reduction was caused partly by the removal of the sold operation, as well as by the value loss by 417 million forints, and by the sales of assets in the value of 131 million forints. As regards growth ***new assets were purchased in a value of 404 million forints***, and not readily marketable stocks from the Czech operation ***in a value of 404 million forints*** were used for own purposes in order to save cash.

Goodwill and change of investments

The group of assets remained unchanged on the basis of the result of test made in January 2008 in connection with the annual depreciation. No cause reasoning any change of value was seen in the subject period, ***and the value of the investments is supported by the performance according to the plan.***

During the investments the value decreased due to the fusion of the sleeping affiliated companies of Infinity.

Deferred tax

The change is a reduction by 12 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 ***16 million forints***, accompanying the disposal of the affiliated company - which will be recovered presumably.

Granted loans

The increase was due to medium-term credits granted by Synergon Nyrt. and SAO to their employees to ***strengthen their loyalty.***

Inventory

A ***reduction of the closing stock by 47%*** was seen in 2007.

The ***reduction of stocks*** of the group of companies ***by 391 million forints*** significant in comparison to the base year was dominated by the decreasing closing stocks of Synergon and of the

Hungarian affiliated companies in the amount of 301 million. This tendency was further strengthened by the reduction at Infinity by 76 million forints, and by the disposal of Span d.o.o. The reducing stock is directly related to the change in the sales structure, where the ***sales of materials has significantly - by 9% in the fourth quarter - reduced to the credit of the service content, and this is also due to the very strict stock management.***

Receivables from delivery of goods and services

The change of the clientele (increase by 3%) is caused partly by the invoicing of ***licences and operational services of high value supplied*** to the Budapest University of Technology and Economics ***in the second half of the year*** on a payment term of more than one year. The ***project*** amounting to several million forints ***was handed over to and approved by the customer***, and the value of the project will be paid ***according to the contract.*** Another reliable great buyer, the Ministry of Defence also contributed to the big clientele.

Other current assets

The balance of this group of assets significantly changed from the third quarter. The Company deposited ***an amount of 352 million forints as a basic deposit*** for the coverage of a forward transaction, the transaction expires in December 2008.

The amount of the accrued and deferred assets provided by the Company was above the regular value due to the part of costs of continuous services not relating to the subject year. An amount of 228 million forints was accounted by the Company in its year-end balance.

Available for sale financial assets

Free assets were used among other current assets.





Cash and short term deposits

The year-end *increase of the stock of financial assets was 47%*. The result of the positive flow of money of the Company was due to the positive cash-flow resulting from the operational part and from the significant reduction of the stock.

The *stock of financial assets was 1,332 million forints* at the end of the accounting period, which is a *growth by 424 million forints* in comparison to the similar period of 2006.

Liabilities

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

Long term liabilities

The change of the stock of long term liabilities is caused by the withdrawal of Span d.o.o. from the books in the amount of 43 million forints, as well as by the change of the stock of financial leasing at Infinity.

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 (2,755 million forints) is *by 27% lower* than the closing stock of the similar period of the base year. The change was caused by the disposal of Span d.o.o (308

million forints), as well as by the reduction of the stocks of the Hungarian companies and of Infinity. The reduction has two causes at the operating companies. It is partly due to the fact that *with the significantly higher service content own capacity is used*, thereby the debts to suppliers dominated by stocks and purchased services remain at a low level. On the other part due to the ability to produce profits the companies can achieve results sooner, and the better performance is accompanied by more favourable possibilities of purchase, which is strengthened by the *vendor management* system launched in 2007.

Other short-term liabilities

The closing stock other short term liabilities, relating to the accounting period was 1,512 million forints, which *is an increase by 29% 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 in the subject period was caused partly by the release of the provisions made by Synergion Nyrt. for penalties chargeable by the Court of Economic Competition in 2006 - resulting partly from payment, and partly from the reduction of the amount of the penalty - and partly by the expected losses in provisions for employees' credits.



Cash-flow analysis of the Synergon Group

The Cash-flow statement drawn as of 31st December 2007 presents changes between the opening and closing accounting days of the subject period and of the basis period.

<i>Cash Flow**</i>	December 31st, 2007* Thousand HUF	December 31st, 2006 Thousand HUF
Cash Flow relating to operating activities:		
Net income before taxation and interest	429 207	(843 436)
Depreciation and amortization	416 814	542 169
Impairment of investments and goodwill	0	472 769
Fx differences	99 148	4 302
Proceeds from disposal of fixed assets	(20 891)	9 743
Changes in write - off assets	161 303	446 063
Changes in minority interest	5 344	(76 218)
Share based payment expenses	127 021	0
Interest received	89 797	107 636
Interest paid	(2 276)	(16 384)
Taxes (paid) received	(61 846)	(141)
	1 243 623	646 503
Changes in assets and liabilities		
Decreases of accounts receivable and other current assets	(897 751)	1 267 674
Decreases of inventory	195 684	63 445
Decreases of Payables and accruals	<u>(36 437)</u>	<u>(599 136)</u>
	(738 504)	731 983
Net cash flows from operating activities	505 118	1 378 486
Cash flow relating to investing activities		
Purchase of fixed assets	(404 345)	(297 269)
Forward contract deposit	(351 802)	0
Proceeds from sale of short term investments	344 465	(560 247)
Purchase of long term investments	629	0
Proceeds on loans and borrowings	(9 415)	(14 295)
Acquisition of subsidiary, net of cash acquired	138 627	(21 075)
Proceeds on share option plans	(127 021)	
Proceeds on disposal of fixed assets	151 767	34 881
Net cash flow used in investing activities	(257 095)	(858 004)
Cash flow relating to financing		
Sale of treasury shares	1 227 090	344 500
Acquisition of treasury shares	(906 171)	(1 061 942)
Increase (decrease) in loans payable	(145 225)	(41 422)
Net cash flow provided by financing activities	175 694	(758 864)
Increase in cash and cash equivalents	423 716	(238 382)
Cash and cash equivalents at the:		
Beginning of the year	907 938	1 146 320
End of the period	1 331 654	907 938

* non audited, consolidated





The stock of financial assets of the Company *was 1,332 million forints on 31st December 2007*, which is an *increase of the closing stock by 424 million forints* in comparison to the opening day of the accounting period. All the three major flows of money taking place in the subject period expressed *characteristic changes* in comparison to the base.

Net cash-flow from operation

The operation resulted in a positive cash-flow of 505 million forints. The positive image is further expressed by the fact that this is a surplus *amounting to 1,244 milliard forints deriving from operation*, which was reduced by an item used from the operating capital in the amount of 739 million forints.

The *money yield of the operation* not involving flow of money and corrected with other items was *1,243 million forints*, which is significantly higher, almost *double of the yield in 2006*.

The difference between the two periods is constituted by three parts. *The operation yielded a positive result of 429 million forints*, which comprised an *amortisation in the amount of 417 million forints* and the losses of the share option programme accounted at the *real value*, in the amount of *127 million forints*, which was not accompanied by the flow of money.

The elements of the operating capitals accounted for significant savings in 2006, which did not appear in 2007. On the whole, *an increase of financing by 738 million forints* was accounted in 2007.

It is a highlighted result of 2007 that the operation resulted in a positive *increase of the cash stock by 7% on the basis of the income*, which was *used* in the operation for the purpose of additional *growth*. Additional financial assets were invested by the Company in areas with returns on a long run.

Net cash-flow used for the investment operation

The investment cash-flow was accompanied by a negative flow of cash in the amount of 257 million forints in 2007 and of 858 million forints in 2006. The change derives mainly from four partial operations. purchase of assets, deposits, liquidated operations and sales of assets.

The Company's higher *investments in tangible assets* (404 million forints) compared to the base period connect to services provided to the *customers*.

The Company met its *depositing liability* in a forward transaction, in the amount of 352 million forints, which was covered by the disposal of short term investment securities in the value of 344 million forints.

A positive cash flow amounting to 139 million forints derived from the *sales of Span d.o.o.* and from repayment of credits simultaneously with the disposal (reducing by the cash stock of Span d.o.o.).

A positive cash flow of 152 million forints derived from *the sold tangible assets*.

Net cash flow deriving from financing

The *acquisition of own shares* continued in the subject quarter, the amount of which was 906 million forints at an annual level. Own shares of 1227 million forints were sold due to possibilities provided by the share option contracts and for exchanger rate purposes.

Before the disposal of Span d.o.o. the credit granted by the parent company to Span d.o.o was replaced with a bank credit, which had a negative effect. Subsequently the credit was repaid to the parent company.



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 December 2007 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 2006 (IFRS)	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						24 474	24 474		24 474
Net income					(780 072)		(780 072)	(76 218)	(856 290)
Balance at December 31th 2006 (IFRS)	1 910 926	(1 038 242)	5 643 179	28 685	(1 106 613)	77 440	5 515 375	57 477	5 572 852
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	5 572 852
Sale of treasury shares		1 237 092			(10 002)		1 227 090		1 227 090
Purchase of treasury shares		(906 171)					(906 171)		(906 171)
Currency translation adjustment						17 508	17 509		17 509
Merge and redesign of capital			127 705	(705)	(127 000)		-		0
Share based payment (IFRS 2)					127 021		127 021		127 021
Disposal of controlled subsidiary					(1 562)	1 586	24	(20 398)	(20 373)
Net income					490 837		490 837	3 781	494 618
Balance at December 31th 2007 (IFRS)	1 910 926	(707 321)	5 770 884	27 980	(627 318)	96 535	6 471 686	40 860	6 512 546

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 **434,900 pieces of own shares on the closing day** of the accounting period.

Treasury shares

The stock of own shares of the Company increased **by 92 thousand pieces** in the last quarter, and closed with **434,900 pieces at the end**

of 2007 (it was 832,900 pieces in 2006). The average selling price of the Company's stock of own shares at the end of 2007 was 1,626 forints (it was 1,246 forints in 2006).





Cumulative transition adjustments

The affiliated company, Infinity a.s., having different operational and accounting currencies within the Group accounted a difference during its consolidation steps.

Conversion of the capital structure and merging

Infinity a.s. merged with its sleeping affiliated companies in 2007, and thereby it had the chance to logically rearrange its capital structure, in connection with which the consolidated capital's structure has changed. The change affects only the composition.

Structure of ownership, company events

The structure of ownership of Synergon Informatika Nyrt. as of 31st December 2007 is presented as follows, taking also into consideration ownership announcements required in legal rules.

Shareolders of Synergon Informations Plc.			Shareolders structure of Synergon Informations Plc.		
Shareholders	December 31st, 2007	December 31st, 2006	Shareholder arts	December 31st, 2007	December 31st, 2006
Cashline Befektetési Holding Zrt.	13,36%	17,90%	Domestic/Company	62,22%	57,77%
Pannonplast Műanyagipari Nyrt.	11,26%	13,32%	Foreign/Company	4,44%	9,10%
AEGON Magyarország Befektetési Alapkezelő Zrt. with its related parties	5,49%	-	Domestic/Private person	28,14%	23,99%
Investors below 5% ratio	65,34%	60,00%	Foreign/Private person	0,26%	0,41%
Treasury shares	4,55%	8,72%	Employee and Key management	0,21%	0,01%
			Treasury shares	4,55%	8,72%
			Other	0,17%	0,00%
Total	100%	100%	Total	100%	100%

General meeting

The extraordinary General Meeting of Synergon Informatika Nyrt. **held on 17th December 2007** modified the Management Share Option Programme accepted on 18th December 2006 and modified on 10th April 2007 in respect of the terms of call, and accepted Management Share Option Programme II, and authorised the Board of Directors to purchase the own shares of the Company.

At its regular annual general meeting held on 10th April 2007 Synergon Informatika Nyrt.

Allocations on the basis of shares

Based on a decision made by the owner in December 2006 and in December 2007 Synergon Nyrt. 2006. 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.

Minority share

With the disposal of **Span d.o.o.** its results in the subject year and its shares stated among the minority results in the previous years were reversed.

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 responsible management's report, established the fees of the Board of Directors and of the Supervisory Board for 2007, and modified the management share option programme. The General Meeting accepted the report of Deloitte Könyvvizsgáló és Tanácsadó Kft., and made a decision on the fee of the auditor for 2007.

Board of Directors





The membership of Kő Róbert and Juhász Attila in the Board of Directors was cancelled.

The Board of Directors of Synergon listened to the account of Lazarovits Márk general director about the Company's strategy.

Synergon Informatika Nyrt. sold its share providing a control of 68.11% in SPAN d.o.o., its Croatian affiliated company on 5th July 2007.

The Board of Directors of Synergon Informatika Nyrt. made a decision on 31st May to initiate the increase of the registered capital of the affiliated company of Synergon Informatika Nyrt., Infinity a.s. in the Czech Republic, at its general meeting by CZK amount equallint to 1,920,000 USD, which will be spent by the Company on repayment of credits granted by the parent company.

The Board of Directors of the Company made a decision on the acceptance of the annual account of 2006, and on its presentation to the General Meeting, and also recommended to the General Meeting to modify the Management Share Option Programme.

The Board of Directors of Synergon made a decision in the first quarter of 2007 on development of a new organisational structure, i.e. on the foundation of a new affiliated company under the name Systems Kft. In a mutual agreement on 14th March 2007 the Board of Directors terminated the contract with Ákos György general director, and appointed Lazarovits Márk as the head of the Company. In January 2007 the membership of Gyimóthy Dénes and Fenyves Ádám, and in April the membership of Ákos György in the board were cancelled.

Supervisory Board

At the two meetings of the Supervisory Board of Synergon Informatika Nyrt. held between 1st October 2007 and 31st December 2007 the following decisions were made: The Supervisory Board discussed the results of Synergon Informatika Nyrt. in the third quarter, and listened to the account of the general director on figures expected in 2007.

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

At the meetings of the Supervisory Board of Synergon Informatika Nyrt. held between 1st July 2007 and 30th September 2007 the following decisions were made: the Supervisory Board accepted the results of the inner inspection closed in the meanwhile, and listened to the managers of certain areas in connection with the individual inspections.

The Supervisory Board asked the President of the Board of Directors for information on the consequences of the inner inspection held at the request of the Board of Directors of Synergon, and received it.

Personal changes

On 22nd December 2007 Juhász Attila member of the board of directors resigned from his membership in the board of directors.

On 17th December 2007 Kő Róbert member of the board of directors resigned from his membership in the board of directors.

From 2nd May 2007 Kelemen Tibor became the managing director of Fibex Kft.

The Board of Directors appointed Lazarovits Márk holding the position of the deputy general director from 1st January 2007 as the general manager from 14th March 2007.

Ákos György left the Company in a mutual agreement on 14th March 2007.

Kovács Attila, the managing director of SAO-Synergon Kft. resigned on 15th March 2007, and his position is held now by Endrődi Béla certified electric engineer.

The appointment and labour relation of Polgár Pál as the sales director of Synergon Informatika Nyrt. was terminated from 28th February 2007 in a mutual agreement.

The appointment of Pintér Zoltán as the managing director of Fibex Kft. was terminated from 12th January 2007, and his position was occupied by Lazarovits Márk on 15h January.

The general director of Synergon Informatika Nyrt. was Tóth Zsolt from 18th April 2006 to 15th January 2007.

Fenyves Ádám and Gyimóthy Dénes members of the board of directors resigned on 10th January 2007 and on 24th January 2007.





Ákos György was a member of the Board of Directors from 1st January 2007 until his resignation on 9th April 2007. From 15th January

2007 Lazarovits Márk is a member of the board of directors.

Business Report

Operating environment, market and strategy in Hungary

Market environment and economic indicators

In the last quarter of 2007 the development of macro-economic processes reflected, similarly to the tendencies prevailing during the year, the **effects of the convergence program**. In general it can be said that owing to the budget austerity program, the balance of the state budget shows a somewhat more favorable picture than forecasted at the beginning of the year. The deficit of government finances reached 5% of the GDP, as opposed to the targeted value of 5.3%. At the same time, the negative effects of the convergence program were also more manifest than expected, thus the pace of economic growth falls short of the forecasts, while the value of inflation exceeds the same.

The drive behind the growth of GDP was the increase in industrial output, the added value of agriculture and construction industry decreased every quarter. It is anticipated that the growth of gross industrial output will fall short of the corresponding figure of 2006 by 0.5-1%. In the industrial sector the determining factor was the increase in the output of branches serving export needs, which not only had a favorable impact on the increase of production, but also contributed to the improvement of the foreign trade balance.

The rate of unemployment decreased slowly, but steadily.

Typically, the last quarter is the most powerful period **in the IT sector**, and this tendency continued to apply in 2007, even though the volume of IT investments fell short of the level of former years noticeably.

Health care, governmental and state administration sector

Since the final settlement period of projects affected by NFTI is typically the first quarter of 2008, most of the projects are completed in this period, since they will be used by the supported institutes to prepare their financial reports.

Of the developments in NFTI, **Synergon participated in investment projects worth more than 2 billion HUF** as a contractor, which mainly affected the health and local government sectors. As part of this effort, in November we completed two broadband development projects in the Gönc and Abaújszántó micro-regions, the value of these exceeds five hundred million HUF. Naturally, the hospital of Edelény belongs here, which was a successful applicant for HEFOP, and where Synergon was the general contractor of the IT development of the hospital. The hospital of Szekszárd, which received a grant in the same round, is already using our systems.

Fortunately, at the end of the year some IT developments became visible in NFTII, regarding which Synergon may be a serious participant in the IT investments of ÚMFT. The published **GOP grants** and specifically, that part of the grants that apply to broadband Internet infrastructure development, now drives the company for **serious preparations** after the completed projects. We expect that several developments connected to this subject will be launched in 2008, for which our company has already prepared its own concept, based on the experiences of the GVOP 4.4.2 project. In the same way, several **TIOP programs became visible**, which are aimed to improve the IT facilities of educational institutes in





both secondary and higher education. It is expected that the winners of these grants will order implementation works from IT suppliers in the first half of 2008. In order to be able to act as a meaningful participant in these public procurement projects, *Synergon developed a concept in the last quarter already*, regarding the solutions appearing here.

One of the determining elements of the IT developments of the *health sector* in 2008 is the appearance of *outpatient centers*, and in the recent period this grant opportunity has also opened up. The IT side of this is a typical job for the system integrator, since it includes a comprehensive range of solutions, starting from base infrastructure through health care software solutions all the way to special professional systems. Based on that, *Synergon* has developed its own IT concept regarding the outpatient centers, which it *intends to offer as a complete package* to the future beneficiaries.

In the field of state administration, during December several KSZF invitation for bids were published in which *Synergon* has been a participant, and intends to remain one, therefore we consider it important that Synergon should participate successfully together with Freesoft in the tender for the *accredited filing system now published for the first time*, and in the application part on network tools it should remain one of the key suppliers. These asset supplies will remain important for Synergon. This is also supported by the fact that *Synergon won the cash machine tender issued by the Hungarian Post, and thus in the upcoming period the company will supply several thousand cash machines to units of the Post*.

Banking and financial sector

Looking back to 2007, we can say that – similarly to earlier years – the banking and financial sector *produced an outstanding performance in the last quarter of the year*, thanks to the well-prepared projects and the almost traditionally strong customer demands in the fourth quarter of the year. Carrying on the strategy started earlier, in addition to infrastructure sales, we have gained a more and more significant role in the field of business solutions as well in the life of this sector. Within this period, preserving the business solutions belonging to our portfolio, such as document management, IDM solutions, data warehouse and reporting solutions, BI, etc. we have *completed and successfully delivered several individual software developments that may be assigned to core banking activities and represent significant business value*.

In this quarter it was also significant that consolidation projects continued in the sector – primarily the merger of CIB Bank and IEB – in which *Synergon was able to supply significant infrastructure elements*.

However, with other customers we could increase our volume not only by hardware supplies. In this quarter we launched and completed a *security project*, which further reinforced our position, on the one hand with the customer, on the other hand in the *bank security market*.

Recently it could be observed that *banks fought fiercely primarily in the residential* market for the clients, although the pace of the set-up of new branch offices has slowed down, it continues to play a determining role in the strategy of banks. In addition to the merger, several new banks have been established over the recent years, which has *increased demands for banking account management systems*. Naturally, this does not only mean demands for expertise in direct account-managing systems, but also demands for other IT systems that have important functions around the account-managing system.

Sales representatives capable of selling a wide range of bank portfolio products have been getting an increasingly significant role in the operation of financial institutes. The *incentives to the sales representatives*, which is in close connection with the calculation of their commissions, is perhaps one of the biggest challenges in the life of *banks operating a network of sales representatives*. In view of that, we are working on the development of several business solutions that can offer effective and cost-



efficient solutions to the changed market needs. We expanded our portfolio to meet the new challenges, *new products and services have been added to the scope of business offer..*

The fourth quarter of 2007 brought outstanding results for Synergon in the *banking and financial field*. *Cisco* asset supply in the value of 100 mHUF, *the new MS EA contract* in a value exceeding 150 mHUF, *Hungária Biztosító* IDM project, *Raiffeisen* supply of network assets in a value of almost 50 mHUF, *Erste Cognos* introduction, Erste Cisco asset supply in a value exceeding 100 mHUF, MFB MS EA contract.

Telecommunications and media sector

Following the strategy formulated at the beginning of the year, the telecommunications and media sector closed the fourth quarter with very good results. The quarterly revenue exceeded 600 mHUF, which is over 30% of the entire annual sales. On contribution level the quarter net income exceeds 40%. These results compensate the less favorable indicators of the previous quarters and in total, on a quarterly level, they ensure the good performance of the sector.

The fact that the quarter was closed with very good results is, to a large extent, due the successful delivery of the *network management projects* operated for the T-Group, such as development of the centralized Netcool network management environment and completion of the implementation of the Voyance configuration management solution. During the quarter Synergon started on the roll-out of Corporate Project Management and *group work supporting solution* developed and implemented by T-Mobile in 2004 to the rest of the units of the Group, which will *continue in 2008 as well*, what is more, we hope that it will result in further orders based on Microsoft technology.

The deliveries related to the development of optical systems for cable TV continued during the quarter as well.

During the quarter Synergon completed several projects successfully, which were primarily *network security investments* and the sale of other Cisco-based technologies and contributed to the good results significantly.

At *Invitel Zrt.* the minor Sun and other infrastructure supply projects continued through the quarter, but in addition, the Company also received the order for the support of the Cisco technology-based IP network of the telecommunications operator with *enhanced availability*, which will have an impact on the results of the year 2008.

Similarly, order for the implementation of *IP address management* within T-Group, can be considered another very significant accomplishment. In the first year Synergon provides enhanced support to the customer. *This kind of technology has never been introduced in Hungary yet*, therefore the order of Synergon is a pioneer in this field, what is more, in 2008 further roll-out is expected.

The *consolidated network management support order awarded by the T-Group* is another major success for 2008.

New Business sector (under merger with the industry and service providers sectors)

In the fourth quarter of the year 2007 the Industrial Service providers sector and the New Business sector got merged. Nevertheless, in the last quarter of the year we still assessed the activities of New Business separately. Accordingly, in addition to the revenue of almost half a million, we generated a contribution of 30%.





Industry and service providers sector

In the fourth quarter of 2007, surpassing the preliminary expectations, the results of the Industry and Service Providers sector can be considered very successful. We closed the fourth quarter with a revenue of one billion HUF and a contribution of almost 50%. In terms of contribution this means a very significant surplus compared to the performance target.

This outstanding performance derives, among others, from the network reconstruction project performed at **DÉMÁSZ Nyrt**, which generated a revenue of over 120 mHUF. Furthermore, we established successful cooperation with **YGOMI Europe Kft.**, through which we participated in the delivery of servers, PCs, notebooks and licenses.

In the framework of centralized public procurement we supplied blade servers and Oracle licenses to VPOP (National Customs and Excise Guard Command) in the value of almost 80 mHUF.

In the fourth quarter of the year 2007 the Industrial Service providers sector and the New Business sector got merged. In order to accomplish these objectives, we exploit the benefits deriving from the merger of the two sectors, our market experiences, furthermore, we see additional opportunities for the implementation of projects of developing – sector-specific – areas, such as the IT projects of the construction industry.

In the year 2008, in an effort to focus on the utilization of core areas and competencies, our primary objective is the implementation of outstandingly high investment projects, those that the customers also consider as major investments.

Operation of Hungarian divisions and branches

Sales Support Directorate

In order to ensure efficient operations, Synergon has recently ***separated commercial tasks from the support of commerce.*** Strategic Marketing and Business Development, Partner Relations and Bid Management, the units providing commercial background support, have been organized into the Sales Support Directorate.

Within product development activity, the area of Strategy, Marketing and Business Development continued the development of the application started in Q3, aimed at ***accelerating bank office management***, in which the fine-tuning of the product concept and the finalization of the business case were already performed with the involvement of the potential customers interested in the solution. This phase was concluded in the first quarter of 2008. ***Another*** product development project was launched, which also offers a long-awaited solution for the ***financial sector.*** The detailed assessment of the product concept began, which is expected to bring results by the ***first half of 2008.***

The „***product sales pilot project***” was concluded, as a result, ***some of the new product descriptions have been completed***, which will provide support for training, sales and business processes. Based on all the above, at the beginning of 2008 we will work out the further task plan and schedule for product sales ***for the entire portfolio of the company.***

The ***brand building process*** began, which focuses one of the fundamental competencies of Synergon, that can be presented in business communication as a marked distinguishing element.

The staff representing our strategic function participated in the assessment of CRM market of 5 countries within the Village project, implemented in the framework of ***eTEN program of the European Union***, as ***task owners.*** The preparation of the uniform study structure of the survey, the conduct of the





survey of the domestic market and the summarizing of the studies received from the participating countries were all managed from internal resources.

The mapping of the needs and *decision-making mechanisms of the banking and financial sector*, primarily for those institutes with whom the relationship is less intensive, were performed in the form of individual research. A new round of *research* supporting customer acquisition strategy was also launched, which focuses on the special needs, the parties generating those needs, the *investment propensity* and the processes.

In the last quarter we mainly participated in the specialized professional conferences, as presenters and exhibitors. One of the outstanding event was *Cisco Expo*, where we held various presentations and also exhibited the concept of the *intelligent office building*, we were the exclusive sponsors of the party that concluded the event, furthermore, *e-Hungary, e-government conference and exhibition*, where we presented our *proprietary* filing system, a system that meets the document management needs of large institutes and is also suitable for the management of *classified documents*, in consideration of the relevant regulations.

The marketing function closed the year by organization and management of internal year-end social functions and the sponsoring of two outstanding and special events, which gave Synergon a significant opportunity for public appearance. *The Riding World Cup, which has attracted tens of thousand of spectators for several years* in West Europe and involves competitors of three different riding events all in one place, has been held in Hungary for the first time: dressage, hurdling and coach-driving, plus various riding programs, attractions and shows. Another very *exclusive* event organized by the Company was the concert of *Woody Allen and his jazz band*, followed by the VIP event, *sponsored exclusively by our Company*. Not only the name and play of the actor was exclusive, but also the *interests* in him in Hungary – attendance has almost doubled compared to the *former concert tours*.

Partnerships supported the Company by additional positive results in the last quarter. Synergon continued to perform outstandingly in the network market with Cisco solutions and also accomplished excellent results in the sale of Microsoft licenses and related solutions. Synergon could book *three-digit growth* with several vendors, which has a positive impact on the fiscal year of 2008 and lays the foundation for a focused and long-term, strong relationship with the vendors.

The negotiated *public procurement process* issued by the Traffic Development Coordination Center for the implementation and operation of the *electronic toll payment system* (ED) was one of the determining projects of the fourth quarter of Bid Management. The requestor qualified the proposal of the consortium between Synergon and SANEF of France as eligible, thus the Company was added to the short list of companies requested to submit a bid. Although according to the resolution of Parliament – owing to a significant change in the subject of the public procurement – the requestor declared the procedure void in the bidding stage, it is expected that *in the first quarter of 2008* the ED application will be issued *once again*, in which the *Synergon-SANEF consortium* can be expected to be accepted as an eligible bidder once again, based on the success of the earlier pre-qualification procedure.

It is another important fact that in the fourth quarter of 2007 the Central Service Chief Directorate started the *public procurement procedures for the centralized public procurement system*. In the public procurement system *Synergon* is one of those companies that have a very wide portfolio and through that, offers *the widest range of products and services*. The Company intends to preserve this position in the year 2008 as well, while expansion is envisaged to new areas (printers, document management software) in addition to the traditional ones (Microsoft, Oracle, servers, network tools). The wide product portfolio enables Synergon to deliver to the *institutes of the centralized public procurement system complex IT systems that may affect several contracts*.





Infrastructure division

The fourth quarter of the year 2007 meant the most significant revenue accomplishment for the division, which is 40% of the annual performance. This extremely high delivery performance also demonstrates that in the fourth quarter the division had to focus on completing its jobs in time and in the expected quality. A significant number of projects were delivered accordingly, and it is very important for the appropriate planning of the capacities for next year that only a few projects will have to be completed in the first quarter of the fiscal year of 2008. Based on the experiences of the year 2007, the division has surveyed what is the required competency in terms of quantity and quality and accordingly, it remedied the quantified lack of resources by the addition of new resources.

Branch performance of the infrastructure division

Project Management Branch

Traditionally, for Synergon the fourth quarter means the ***well-organized processing of a high number of projects***. In the last quarter the focus area was the completion of the projects in a way that ensures customer satisfaction. In total it can be stated that we managed to complete this high number of projects successfully.

Looking back to the entire year of 2007, it can be stated that the operation of the branch became stable and balanced. The integration of Service Managers in the fourth quarter had a clearly positive effect, work became more efficient and communication has improved considerably. As a result of ***project delivery regulation*** implemented earlier, it should certainly be mentioned that now the organization has a ***clear and defined way to manage the life cycle of projects***, from the submission of bids all the way to delivery. This highly improves the transparency of the projects.

In 2008 it is a highlighted objective to keep project delivery and efficiency at a high level. In addition, we intend to focus heavily on expanding the ***international project management skills***, experiences and methodologies, for that purpose, among others, we will participate in the ***11th Telecommunications and IT Project Management Forum***, scheduled to be held in the spring. In order to insure the international acknowledgment of our professionals, this year we plan to renew the International Project Management Association (***IPMA***) international qualification for the senior staff of the branch (Certified Project Manager – IPMA B Level) During the year we also maintain close relations with Hungarian project management organizations, regarding this it is worth mentioning that we are ***gold level sponsors of Project Management Association***.

In addition to the professional skills available for the staff of the branch in the field of project management, we also want to deepen their computing, information technology, communication and presentation skills. Accordingly, the staff of the project management branch will participate in professional trainings about these areas, where the overview level study of existing and new technologies will ensure that the project management staff will be able to form efficient teams in the projects under their management, with the engineer, adviser and other professional staff of the project team.

Security Solutions Branch

During the quarter we closed several projects successfully and continued the existing ones in the form of additional system support contracts, in the field of network security and IDM. When giving continuous support, we monitor the emerging problems and resolve them, while doing so we also perform consulting and advisory tasks, thereby increasing the quality of the application of the system. As a result





of this careful work performed separately for each customer, over the recent years **the importance of support tasks has appreciated**, in the year 2008 we intend to continue treating these as highlighted tasks. We operate our availability and support service according to this formulated requirement.

We intend to enhance our partnerships during the year 2008, we plan to provide services at a quality level fully compliant with our *earned recognitions (SUN „Software Partner of the Year” (2006) thanks to our activities performed in the field of Identity Management).*

During the year the branch portfolio got specified in detail, which increased our operating efficiency. In the upcoming years we plan opening up to new technologies, by which we can ensure efficient addressing of further needs of our customers.

System Integration Branch

By the successful development of the new structure of this branch, engineering tasks with high service contents are even more in focus than before. The stability of this team consisting of enthusiastic professionals is *enhanced by new professional impulses contributed by the new recruits*. In our new branch structure *pure hardware sales* have been significantly replaced by sales coupled with services, as a result of that, we could book significant expansion both in the sales of *hardware tools and the related services last year*.

The branch has expanded its contract portfolio by new *support contracts*, nevertheless it has to be highlighted that the branch has preserved its excellent professional cooperation of several years with many formerly acquired support customers. In the last quarter of 2007 the project aimed at detaching the IT system of the *State Health Center* from the system of the Ministry of Defense was completed.

As a key hardware vendor to Synergon, HP performed an audit in the last quarter, which we passed successfully.

Our branch intends to acquire a determining role in introducing the Hungarian market to the newly developed or enhanced Microsoft products and implement these. In 2008 *virtualization technology* appears as a highlighted element in the life of the branch, which is opening up more and more new business opportunities for us. In accordance with the requirements imposed by the increasingly sophisticated corporate IT systems, we consider it a highlighted task to expand the system management competences of the branch. Being pioneers of industrial tendencies, we also continuously assess the market opportunities generated by the slim client technology.

Network Communication Branch

In the fourth quarter of 2007, as in the preceding nine months, the Network Communication Branch could continuously realize a high contribution content. This shift is a conscious effort of the branch, the quantifiable results of which are efficiency measures increasing the contribution contents. Over the recent months three persons have been added to the network team, their responsibilities include the design and implementation of the increasing number of network management projects.

One of the highlighted projects of the last quarter is *Centralized Netcool environment*, implemented in T-Com, in the framework on which the first stage of the *system that manages and correlates* the alarms of the various platforms in a uniform manner has been completed

It was in the fourth quarter that Synergon won an order from *T-Mobile for an IP address administration project to be implemented in 2008*, by which companies using several IP addresses – primarily service providers – are able to manage their administrative tasks related to IP addresses.

Support contracts, which generate recurring revenues and assume stable customer relations, are still very significant in this branch. After a break of two years, at the end of 2007 Synergon managed to regain the





network support contract of *Invitel*, the *second largest service provider of the Hungarian telecommunications market*, furthermore the company managed to extend several of its contracts with other service providers for 2008.

Implemented at ELMÜ, the *SDH system* is a new technology not supplied by Synergon earlier, which is an *element of the fundamental base infrastructure currently used by telecommunication service providers*. In addition, there are several WiFi (wireless communication) and videoconferencing projects that prove that these technologies have been added to the portfolio of Synergon with more and more emphasis.

The largest works of the year were the *4.4.2 GVOP projects*, most of which were completed and settled at the end of the year. The micro-regional networks implemented for the purpose of *Internet provision* (Hybrid Fiber Coax) and those based on the microwave technology can later be made suitable – owing to the state-of-the-art technology – for VOIP, analog or digital cable television service and the implementation of other security technology services as well.

These days structured cabling *is a fundamental requirement in every office building*, thus our existing customers were running new projects continuously, and naturally, we also took care of the expansion and minor or major remodeling of the existing ones. The best cases in point are the network expansion projects in the Employment Office or in the offices of ELMÜ, while the Category 7 cabling of *Jósa András Hospital* is an example of a real future proof and high speed system.

Our experiences show that the *older the network*, the more typical is the situation where the lack of daily updated network administration causes a problem, for which the Systimax iPatch system offers a unique solution. Using the supervision program it is possible to query the *network connections* at any time, even for the cabling of remote sites. It was on the basis of this state-of-the-art technology that a project applying to the *new office building of Microsoft* was completed, where a Category6 network of *1100 terminal points* was implemented.

Parallel with the *increase of demands for security*, state-of-the-art data centers are getting more and more in focus, which is indicated by the increasing number of projects in the design or application stage. Synergon also deals with this level of *physical data protection*, providing an efficient solution for the *power supply, cooling and data protection* needs of high performance *servers, storage and network* devices.

In the field of security technology solutions connected to buildings or video surveillance systems we can also see that IP-based systems are gaining in popularity, which is also evidenced by the fact that we are receiving orders for surveillance systems based on *IP camera*, from customers with *smaller sites as well*, exploiting the *cost-saving opportunities* provided by their existing structured cable networks. The IP camera network of *DÉMÁSZ* continues its expansion, so far this has been our largest *reference with several sites*.

In places where *is difficult to implement*, we can construct projects quickly and cost-efficiently using the solution of CISCO applying the new wireless transmission, since in this case only the power feeding has to be installed and *radio planning* has to be done.

New Business Solutions Division

The fourth quarter of the division took place characterized by efforts to continue the processes already started. *Relying on powerful marketing and commercial support*, we continued bringing the cleaned portfolio elements to the market. The results of this effort manifested in two directions. From one side, we managed to generate additional follow-up projects with our existing customers, on the other hand, we





managed to put the plans for 2008 on a secure basis. It is characteristic of our successful commercial activities, that in the case of follow-up and new customers our business acquisitions covered **all the commercial segments**.

In line with the strategic direction of the division, in our business acquisition activities we **reinforced our role as a general contractor**, and simultaneously with the implementation of the standard elements of the existing portfolio, we continue **to focus on the development of individual applications**.

All in all, in line with the general market trends, the fourth quarter was characterized by the implementation of projects already won. The **successful project completion efforts** indicate that the organizational changes that were implemented or launched in the previous quarters delivered on the expectations, **our project implementation capabilities and efficiency improved to a significant extent**.

Here is a list of some interesting projects from the orders won at the end of the year, which were earned as a result of the changes made this year and mentioned above:

- Related to the individual branches, **in the industrial sector SAP won two new and full project implementation orders**, each in a value exceeding 100 million HUF.
- **A line of follow-up type of projects was generated** with implementation dates scheduled at the end of the year and for the first quarter of 2008, primarily in the Telco and financial sectors.
- **The presence of the consulting and development branches in the industrial and financial sector**, which has always been strong, now became even stronger.
- New projects were launched in the field of MFG Pro, **BI (Business Intelligence)**, document management, group work support and project management. With this latter, we will start **working with a new project in the state administration sector as well** in 2008.

Based on the experiences of the implemented and completed works, it is safe to say that the current status of our projects of several years fully complies with the schedule, furthermore, so far we have delivered the **high priority key projects** within deadline, to the full satisfaction of the customers. This latter scope includes such high-value projects with **short implementation times**, typically for **leading industrial corporations and banks**, which support the core activities of the customers, therefore they are of key importance for the **customer**. By the successful completion of projects won in the third quarter of 2007, the division realized the revenues deriving from these projects planned for the fourth quarter of the year.

It can be considered a further accomplishment that, owing to the level of customer satisfaction, during the year 2008 additional project opportunities will become available at these customers. This is in line with the strategic aim of the division, i.e. that the generation of follow-up deals with the existing customers is a task of primary importance, and the best tool to generate new businesses is the delivery of these projects within deadline and in good quality.

The fourth quarter also proved to be successful in the field of individual product developments. In the field of filing and document management, **the qualified filing system of Synergon was completed**, which is compliant with the legal requirements and regulations. The system was assessed by SGS, which certified **that it is compliant with the provisions contained in BM-IHM-NKÖM decree no. 24/2006 (IV.29.) on document management software**. We hold a full certificate.

The consolidated performance and target assessment of the Business Solutions Division for the year 2007

Considering the entire year of 2007, the Business Solutions Division progressed according to new targets, under which the division is designed to be such a „**livable**” **workplace** in which the staff are able to supply the business solutions to the customers in a **professional manner**. Fundamentally, the solutions consist of high volume **general contractor’s projects**, projects belonging to the **uniform**





portfolio of the branch, and products based on special *niche market* solutions. The *basis* of operation is the professional and industrial *skills, innovation capabilities*, uniform *project culture* based on methodologies and high-level *cooperation* with partners and vendors. As a result, relying on our professional reputation, we make an effort to accomplish permanent business presence with our customers.

The *portfolio cleaning* has increased the efficiency of our commercial activity. It is quite obvious that more project opportunities and *specific business opportunities are now under development in the focus areas*. The designated focus areas (ERP, BI, individual applications, group work support, document-management, e-learning solutions) delivered on the expectations in 2007 already, accordingly, they will remain in focus and 2008 as well, what is more, we would like to reinforce our positions in these areas.

As a result of the *commercial activity of the division* and the project delivery activities of the individual branches, it is safe to say that we have not only started on the designated road, but we are performing our activities in accordance with the content underlying the targets, and the results of these efforts are already manifest.

We have fully established the *organizational set-up* that can ensure the safe accomplishment of the objectives *in the long term*, it can give an efficient answer to the challenges generated by the market and deliver solutions capable of fully meeting customer demands. The recruitment of staff appropriate for this organizational setup was basically completed, we only plan on some fine tuning in 2008. As a result, the division developed *levels of management supporting one another, trusted by the top management of the company* in terms of management and professional operations, they are capable of not only operating the existing processes, but also managing the implementation of additional strategic objectives. The *professional competence* of the staff working in the professional groups is of high quality, their *project implementation capabilities* have clearly increased.

In the framework of internal projects we expect the implementation of systems that can further support the areas mentioned above. We pay special attention to the areas of testing procedures, management of fault repair and project controlling.

Our *partnerships* have been renewed and fully utilized. We have managed to develop good relations with every major vendor (*Microsoft, HP, IBM, SAP, Oracle, EMC*) at a high level. These relations apply not only to product sales, but also to common project implementation. With regard to our sales and the utilization of the products of the individual vendors for implementation efforts, we hold high level *commercial partner certificates* for every single vendor.

Assessment of the branches of the Business Solutions Division

The *SAP branch* closed the year 2007 in a better organizational, professional and commercial position. The changed professional team and management put the ERP consulting-related activities of Synergon on a *course of growth once again*. As a new portfolio element, the ERP product of Oracle was also brought to market. Active marketing operations and presence are also reflected in new, large projects. The two full project implementation orders won for the year 2008 elevated the branch *once again among the large SAP implementation contractors of the market*, especially when we consider the new, green field SAP investments going to the market.

Our consulting branch further intensified its business presence in such areas, expected to enjoy high priority in the future, as the uniform *Project management* systems and *Business Intelligence* (BI) systems and data warehouses. Some of these can be defined as a *new portfolio element* in the activities of the branch, accordingly, we had to restructure and expand the professional competencies of the branch, which was completed by the end of 2007.



The **Software Development Branch** also closed a successful year. It was in this area that the community of **employees** underwent the biggest **quality change**. Owing to that, the delivery capability of individually developed systems requiring high professional qualities has increased significantly. The increase of the complexity of our projects and the number of customers prompted us to especially enhance the scope of system architect and leading developer professionals. By virtue of our role as a general contractor, the issue of developing a **scope of sub-contractors representing a high quality level** had to be resolved, which provides a secure basis to even out the capacity waves of the projects.

The area which provides project management **services** to the three branches (**Project Management**) also had to face great challenges. By the improvement of communication, making the projects transparent and increasing **project controlling**, by the end of the year we could accomplish visible results. This activity has to be further intensified, in such a manner that activities that already bring tangible improvements internally have to be extended to the **customers** as well. Internal **service levels** have to be **increased** both in terms of administration and controlling.

Assessment of the results accomplished in the Business Solutions Division sectors

From the aspect of the division the individual market sectors show a **balanced** picture. The division is present in every sector, with some kind of activity from every branch. The **BI activity** should be highlighted, because this portfolio element is present in every sector, even though it can be considered a **new portfolio element**. Still, we can call 2007 the year of the **industrial and financial sector**, which is expected to exercise a significant impact in the year 2008 as well. It was in these two areas that we acquired the most new customers and our outstanding projects also appeared in these areas.

In line with the market trends, the **state administration, governmental and health care** sectors were somewhat restricted from the aspect of the division. The lack of invitations for bids and the austerity measures of the government did not fail to make an impact on commercial activity, and this especially applies to business solutions. Despite that, we managed to win and launch projects of such magnitude in 2007 that will, in consideration of their size and professional contents, ensure **references of highlighted importance** for Synergon and thus for the entire division. It indicates the improving tendency that the first project won in the year 2008 also belongs to this sector.

From the aspect of the division, the **strategic direction** under which **follow-up projects should be used to gain new business from existing customers** and market presence should be enhanced, was applied in the telecommunications sector the most significantly. With numerous players of determining importance in the sector, we managed to accomplish this objective by several portfolio elements. This scope includes **project management** systems, **e-learning** solutions and **SAP**.

The traditionally strong presence in the industrial sector became even stronger and now applies to several portfolio elements of the division. Our MFG-Pro activity supplied **systems** in a magnitude exceeding **several million HUF** to various industrial enterprises, we implemented several BI and project management systems in this sector. One of the **largest individual application development** projects of the year 2007 was accomplished in this sector, in a value of 300 mHUF, and it was also in this sector that the **SAP Branch** won projects, each of which exceeded the magnitude of 100 mHUF.

In the life of the division it was the **financial and insurance sector** that showed the most dynamic development. We increased the number of existing **customers** by new acquisitions, thus the number of customers of the banking services of the division is now in the **tens**. We managed to sell a series of our portfolio elements to various customers. The role of **BI** in individual development can be considered strong, but the ratio of document management and **Project Management** systems and projects is not negligible, either.





Operating services (SAO- Synergon Kft.)

SAO-Synergon Kft. (SAO), is a member company of Synergon Group, which provides IT operating services, operating support and full **IT outsourcing** solutions. Its product portfolio is vendor and sector independent. However, they operate the IT systems of their customers with a staff that are knowledgeable in different business processes and features, and know how to apply them. Institutes performing financial activities (**banks and insurers**) and **industrial enterprises** are significant in the customer base of SAO. These are the sectors that first **recognized the business benefits deriving from outsourced** IT services – often by following the initiatives of their parent companies.

During the quarter those internal organizational changes will continue that the company performs regularly, on the one hand owing to its service model, on the other hand based on the development of **technology** and the continuous cost **efficiency expectations** of the **customers**, in response to market competition.

The remote monitoring operation developed by **SAO FMO** (Future Mode of Operation) **has proven its value in practice**. Based on experiences gained with several customers, it is safe to say that operation performed with reduced on-site presence (or even without on-site presence in some cases) may be just as efficient when the activity is performed by the on-site staff.

The „Complaint Management Processes” that underwent some fine-tuning during the year basically delivered on the expectations, the relevant feedback of the customers was positive. In accordance with the (continuously reviewed) internal process, we store the **feedback received from the web-based customer satisfaction measuring tool** in a database, in which certain values will automatically trigger a complaint handling process aimed at determining the cause of dissatisfaction.

Similarly to the previous periods, in the fourth quarter of 2007 services were provided in the form of **continuous and stable** business processes. The order portfolio and the community of key customers have not changed fundamentally compared to the previous periods. During the last quarter – similarly to the practice of recent years – in addition to continuous operating services several (minor or medium) projects were implemented for the existing customers, the ones that may be highlighted here are those projects that were implemented at **APM of Győr and Aegon Group**. On the one hand, an IT operating contract of minor magnitude was concluded with the **Zoo of Budapest**, under which SAO will operate the **entire IT infrastructure of the institute**.

For several years SAO has viewed the new year with the usual trust, since most of the contracts applying to its major operating commissions have been concluded. As an early sign of growth, we see several major outsourcing type invitations for bids appearing in the market, we are getting ready to deliver on these successfully.

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

Synergon Group has outsourced the retail networks with customer points and its activity of supply of inventory and billing management systems into its subsidiary established in 2007. The subsidiary performs continuous services and individual installations both in Hungary and beyond the borders. The company performs its core activity itself, its business administration is part of the economic system of the parent company.

In 2007, as part of our continuously performed service activities, we serve the existing customers, namely **Exxon Mobil, MÁV, Conoco Philips, Auchan 0-24 hours**, in the entire area of the country. In addition, the business activities of the branch also include provision of service to customers operating in other retail systems, with highly customized availability and service conditions, for customers like **Jeans Club, RMC, Promod, Magma, Consule**.





In 2007 we accomplished new successes in the implementation of **EDI system**, as vendors of Tesco, Metro, Baumax, SPAR and Praktiker. We are also conducting negotiations to involve the vendors of OBI and Media Markt into the EDI system. In several cases the negotiations were concluded successfully and contracts were concluded, with partners like Friesland, Gardena, Fiskars, Freudenberg (manufacturer of Vileda products) and Naszájtej. Synergon Retail Systems Kft. pursues a common strategy with Comarch in approaching the retail companies and their vendors in the Hungarian market. The connection of vendors using the EDI systems to the ECOD system continues at Auchan Magyarország Kft. as well.

Synergon Retail Systems Kft. is responsible for the entire scope of service activities of **Hungarian Post Intelligent Post Office** (IPH). The Company has performed additional installation and service tasks under the contract concluded at the beginning of the year already, for the **bank card terminals of the Post**.

Magma child ware and clothing stores (in Duna Pláza, Airport Center of Vecsés and Savoya Park), and the retail store of **Consule** (opened in Downtown Budapest), representing the globally known brand of Calvin Klein, use the **retail systems** supplied by Synergon to serve the customers.

Auchan tank teller project was completed successfully, under which Synergon Retail Systems Kft. performed successful installation and implementation in four points in various parts of Hungary.

In the merger of **Agip and ESSO** filling stations the Company supported the seamless harmonization of the retail systems and the performance of the necessary migrations.

New movie theaters are being added to our customer base continuously. Synergon performs continuous support and asset supply tasks in stores of **Palace movie** network, furthermore, it has concluded a two-year contract with **IT Cinema**, the other most important movie chain.

Optical fibers and design (Fibex Kft.)

The organizational transformation of Fibex Kft. started at the beginning of the year, when it was reorganized and the administrative activities were re-assigned to the parent company. This was followed by the assessment of its logistic capacities and the assignment of the activity to the parent company. After all these, the core of company management became the **commercial, product portfolio, service level** and customer service.

The training of newly employed commercial staff had been completed by the end of the year, since the last quarter they have been working on their own, but under close supervision.

Relying on the proven flexibility of the Company, in order to meet the demands of the customers, they are approaching several vendors whose products are **new to the market yet**. They are constantly searching for partners for the establishment of the commercial network.

The profit target of the company for the year 2007 was to compensate the losses accumulated during the first half of the year, which was accomplished, even with the pool of beginner commercial staff, and the last quarter was closed with an after-tax profit of 50 mHUF. In the net income of the second half of the year 2007 the lost sales were successfully compensated by the increase of the structured and the high voltage market. According to the plans for 2008, the level of sales will continue increasing, which will have a straight proportional effect on the profit, since the company plans next year with unchanged contribution and operating expenses.





The operating environment of the Czech IT market

In terms of size, the Czech IT market is the second biggest in the Eastern-Central European region next to Poland. In countries with an economic structure similar to that of Hungary – such as the Czech Republic, Slovenia, Slovakia, Poland – the growth of the IT market moves between 8 and 16 per cent. In terms of market structure, the Czech Republic, Hungary and Slovakia stand out from the crowd, as markets in which expenditure on hardware products constitutes less than 50% of the entire market. The Czech Republic can be characterized by a relatively higher software and IT service segment, it should be considered a more developed market. In terms of per capita IT expenditure the Czech Republic and Hungary are the vanguard. At the same time, compared to the IT expenditure of the Austrian market, the backlog of the countries of the region is conspicuous, both in terms of composition and per capita amounts.

It is another characteristic feature of the Czech PC market that sales are shifting from desktop hardware to notebooks.

The software market continued to rise and is still considered the most dynamically developing segment. The engine of growth is the higher expenditure level of medium enterprises and dynamically developing small enterprises, which employ more and more sophisticated IT solutions to maintain their competitive advantage. Still, the Czech industrial sector spends the highest amounts on ERP (Enterprise Resource Planning) upgrade, operating and manufacturing applications and SCM solutions.

Operation of the Czech divisions (Infinity a.s)

System Solutions Division

In the fourth quarter of the year the System Solutions division worked on the successful completion of several projects. The most interesting projects were the wide scope of services provided to **Skoda Auto**, **GTS MEL**.

The division started implementing its „System Center Operations Manager 2007” application at Skoda Auto. Being a member of Volkswagen Group and the largest corporation of the Czech automobile market, **Skoda Auto** is a client that expects the best quality services from its vendors. The fact that Skoda Auto chose Infinity for the implementation of such a complex and progressive product as MS SCOM 2007, is proof that a team of qualified experts work in Infinity. We believe that this project *may serve as an important reference* for similar projects to be conducted in the future.

In the fourth quarter of 2007 Infinity obtained an **HP Blade server certificate**. HP Blade server is a technology that can be expected *to produce significant growth in the Czech market*, which is also proven by the supply of GTS. In the near future Infinity will focus on the sales of such technologies, offering *higher added value* to the customers and *more profit* to the vendors.

The advantages and opportunities of the wide product range is cross sales. **Meinl European Group** (MEL) is a case in point. At first we proposed ERP solutions, Microsoft NAV products to them. However, in the more advanced stages of the project more and more new and different needs appeared, which opened up additional opportunities in Infinity for other divisions as well.

By 2008 we start out a new **sales support** team, who will help our sales representatives with finding new opportunities in product sales and consulting. The new scope of responsibilities is of key importance for product knowledge. Comprehensive and also deep product knowledge and essential motivation are qualities we can find in Jakub Venczel, the young and talented professional who had managed the Support Center earlier. The creation of this position was dictated by market needs, thus the division is proud that a senior professional could be trained and appointed for this task from among its members.





Business Solutions Division

The Business Solutions Division supplies integrated business solutions. It sells integrated financial, service and customer management systems to the customers. The following solutions are offered: Microsoft Dynamics NAV, Microsoft Dynamics CRM and CAS Genesis World products.

We generated the sales in the fourth quarter of 2007 from *long-term projects*, such as Microsoft Dynamics NAV implementation for VIS (*Czech Republic Prison Supervision and Operation*) and Microsoft Dynamics NAV implementation for *Meinl European Land Group* (Projects in Russia, Hungary, Poland and Cyprus). One of the outstanding orders was the implementation of Microsoft Dynamics NAV for *POGRR a.s., Kubik a.s. and MKM-STRED* (agriculture). A significant move was made in the banking sector, where the Company received a highly complex task treated as a priority by the customer. The task was the full unification of the cross-border Central European Enterprise Resource Management System of *Citibank* (Citimaster & EWD).

Networking Division

In the field of networking the fourth quarter was *very complex, but at the same time very successful*. Looking back to the year 2007 we can say that we closed a successful year, our objectives were met, we produced a profit and obtained Cisco premier certification status, we also managed to obtain a Cisco increased security specialization certificate and renewed the Nortel partnership.

The manufacturer called Minerva Boskovice (now a member of Dürkopp Adler Group), producing industrial sewing machines, footwear and leather articles, decided to replace its old telephone system for *Cisco IP Telephony*, and ordered the supply and commissioning of the technology from Infinity. In addition, we successfully replaced the classic PBX with the new, progressive technology.

The order for the *modernization of the LAN infrastructure* in Zelezarny Veseli welded steel pipe manufacturer was also awarded to Infinity. We started the project in December and expect to complete it by the end of January 2008. In addition to this major project, in accordance with the existing SLA (service level agreement for maintenance and operation), with the active support of our clients we also performed several minor bringing into service projects.

We plan the expansion of the *security and uniform communication area* for 2008. We plan to obtain the WiFi certificate and focus our business initiatives in this direction. The cabling system provides an opportunity to start cooperation with customers who do not yet have their own infrastructure, it is also a good solution for customers investing in the development of their existing IT infrastructure. Therefore in 2008 we will focus on this area.

Statement of responsibility

Synergon Information Systems Public Liability Company prepared this flash report, presenting the business operations of the Company for the period from January 1, 2007 to January 31, 2007, pursuant to Act CXX of 2001 on the Capital Market and the Rules of Stock Exchange Initial Offering and Floating in Budapest Stock Exchange Private Limited Liability Company. This flash report contains true, non-audited data and statements, it does not hide any fact that would be relevant in the assessment of the position of the Company. As the issuer, the Company will be held liable for any losses caused by the lack of regular and extraordinary information updates or misleading contents.

Further information: Anita Lénárt (lenart.anita@synergon.hu), Investor Relations
Synergon Information Systems Plc., 1047 Budapest, Baross u. 91-95. Telephone: (1) 399-5500 Fax: (1) 399-5599
investor.relations@synergon.hu www.synergon.hu



