



Synergon Group Consolidated
Presentation of the financial performance
for the year ending by 31st December 2008

Published on: March 13, 2009

Increasing sales turnover, despite the deteriorating business environment

The **quarterly figures and the 2008 yearly financial performance are non-audited data**. The parts of this report are based on the consolidated balance sheet and profit and loss statements compiled on the basis of the **IFRS**. On December 31, 2008 the Company Group prepared its reports in **Hungarian forint** (HUF), thus all analyses have been made on a HUF basis. The accounting policy applied in the reporting period is identical with the latest principles, presented and applied in the audited annual report.

The presented tables are in Thousand Hungarian Forint.

Consolidated Financial Summary

Consolidated financial performances	2008	2008	2007	Difference %	2008	2007	Difference %
	Q III.	Q IV.	Q IV.	Q IV.	year	year	year
Sales revenues	4 980 956	6 238 882	6 133 542	2%	17 858 912	16 966 950	5%
<i>from which services (%)</i>	42%	46%	78%	(32%)	45%	50%	(5%)
Contribution	1 205 590	2 440 980	1 906 694	28%	5 753 923	5 771 943	(0%)
<i>Contribution (%)</i>	24%	39%	31%	8%	32%	34%	(2%)
EBITDA	(56 637)	760 736	502 750	51%	484 552	670 020	(28%)
Operating profit	(171 993)	647 858	402 414	61%	65 207	253 206	(74%)
Financial gains and losses	(141 357)	(227 371)	(40 964)	-	(1 015 600)	24 135	-
Equity holders of the parents	(322 214)	305 585	543 151	(44%)	(1 099 890)	454 862	(342%)
Net cash flows from operating activities	-	-	-	-	246 989	352 371	(30%)

The data presentation structure included in the flash report contains changes compared to former periods, which were developed in an effort to comply with the current IFRS regulation, to ensure transparency and to derecognize the terminated activity. In order to ensure comparison, we provide the base figures of the flash reports in a breakdown corresponding to the structure applied in the actual period.

- **Consolidated sales totaled 17,859 million HUF in 2008, which exceeds the corresponding value of 2007 by 5%**, while the sales realized in the fourth quarter are 2% higher than in the previous year. The determining factor in growth was the increasing sales of Hungarian subsidiaries, which exceeded the corresponding value of the previous year by 8% in 2008. The service contents within sales totaled 45%.
- **The consolidated operating profit of the Group was 65 million HUF in 2008**, which is a decrease of 74% compared to the previous year, primarily owing to lower net contributions and the decreasing contribution contents of material type items representing a significant part of the sales. On the other hand, the operating profit for the fourth quarter exceeded the corresponding period of the previous year by 61%, which mainly reflects, in addition to the favorable impact of the high seasonal sales contribution realized at the end of the year, the adverse impacts of the temporary increase of operating costs, caused by the cost efficiency decisions made in the fourth quarter. At the end of the year the closing headcount of the Group was 18% lower than in the previous year.

- The losses on **futures transactions** deriving from financial losses decreased the profit by an **sum of 923 million HUF**.
- **The consolidated earnings of the companies in the year 2008 was an after-tax loss of 1,100 million HUF**, the adverse components of which are lower contributions, preventive measures implemented owing to the economic environment, furthermore, the allowances for the doubtful accounts receivable portfolio and non write off inventories of Fibex Kft.
- **The operating cash flow of the Group was a positive figure in 2008, i.e. 247 million HUF**, which is lower than in the previous year by 105 million HUF, owing to the cost efficiency decisions made at the end of the year, which also had a temporary adverse effect on the operating costs.

Márk Lazarovits, the CEO of the company told:

„The year 2008 was a tough one for Synergon, because similarly to other sectors of the economy, the IT sector could not avoid the adverse effects of the financial crisis. Although we managed to increase our sales, owing to lower net contributions and the decreasing contribution contents of material type items representing a significant part of the sales, we could not reach the contribution levels of the year 2007, and this is also reflected in our operating profits.

I believe that our projects awarded to us in the year 2008 - one of the most significant of which is the operation of the entire IT system of BKV Zrt. - will continue to ensure favorable level of sales for our company, while our constant arrangements aimed at reducing our operating costs enable us to increase our efficiency in the long term. The reorganization of our subsidiary in the Czech Republic and the increased support provided for the sales function have contributed to the further expansion of our operations in that country.

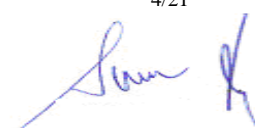
In 2008 we made fundamental strategic decisions that will ensure the maintenance of our competitive edge in the long-term. The emerging holding structure will ensure appropriate professional independence for the individual activities on the one hand, on the other hand, it enables concerted strategic management and control. The transformation results in more transparent operations and faster decision making, even in the short term. By the reorganization we create a company structure that is easily understandable and comfortably manageable for the investors.”

Analysis of the Results of Synergon Group on December 31, 2008

As a parent company, Synergon Information Plc. has involved the following companies in its consolidated report as of December 31, 2008. Synergon Rendszerintegrátor Kft., Synergon Retail Systems Kft., Fibex Kft., Infinity a.s. The involved companies have been consolidated together with their entire balance sheets and profit and loss statements, the company separates the earnings parts on minority holdings from the after-tax profit. On July 5, 2007 the Board of Directors of Synergon Information Plc. decided to sell its holdings of 68% in Span d.o.o. In line with this decision, the company will represent the operating returns deriving from the terminated activity separately, upholding the comparability of the report.

<i>Income Statement*</i> <i>Thousand HUF</i>	2008 Q III.	2008 Q IV.	2007 Q IV.	Difference % Q IV.	2008 year	2007 year	Difference % year
Continous operation**							
Sales revenues	4 980 956	6 238 882	6 133 542	2%	17 858 912	16 966 950	5%
<i>from which services (%)</i>	<i>42%</i>	<i>46%</i>	<i>78%</i>	<i>(32%)</i>	<i>45%</i>	<i>50%</i>	<i>(5%)</i>
Cost of materials and services	(3 775 366)	(3 797 901)	(4 226 848)	(10%)	(12 104 990)	(11 195 007)	8%
<i>in sales (%)</i>	<i>76%</i>	<i>61%</i>	<i>69%</i>	<i>(8%)</i>	<i>68%</i>	<i>66%</i>	<i>2%</i>
Contribution	1 205 590	2 440 980	1 906 694	28%	5 753 923	5 771 943	(0%)
<i>Contribution (%)</i>	<i>24%</i>	<i>39%</i>	<i>31%</i>	<i>8%</i>	<i>32%</i>	<i>34%</i>	<i>(2%)</i>
Operating cost	(1 377 583)	(1 793 122)	(1 504 280)	19%	(5 688 716)	(5 518 737)	3%
EBITDA	(56 637)	760 736	502 750	51%	484 552	670 020	(28%)
<i>EBITDA margin (%)</i>	<i>(1%)</i>	<i>12%</i>	<i>8%</i>	<i>4%</i>	<i>3%</i>	<i>4%</i>	<i>(1%)</i>
Operating profit	(171 993)	647 858	402 414	61%	65 207	253 206	(74%)
<i>Operating profit margin(%)</i>	<i>(3%)</i>	<i>10%</i>	<i>7%</i>	<i>4%</i>	<i>0%</i>	<i>1%</i>	<i>(1%)</i>
Other expenses and other cost, net	(1 845)	(86 116)	19 828	(534%)	(87 029)	33 709	(358%)
Proceeds from disposal of subsidiary	-	-	168 715	(100%)	-	168 715	(100%)
Financial gains and losses	(141 357)	(227 371)	(40 964)	-	(1 015 600)	24 135	-
Profit before tax	(315 195)	334 370	549 994	(39%)	(1 037 423)	479 766	(316%)
Income tax	(6 617)	(28 742)	(6 569)	338%	(62 011)	(31 042)	100%
Discontinued operation***							
Sales revenues	-	-	-	-	-	1 001 504	-
Cost of materials and services	-	-	-	-	-	(1 027 832)	-
Financial and other gains and losses	-	-	-	-	-	36 246	-
Profit (loss) from discontinued operation	-	-	-	-	-	9 919	-
Profit after tax	(321 812)	305 628	543 425	(44%)	(1 099 434)	458 643	(340%)
Minority Interest	402	43	275	(84%)	456	3 781	(88%)
Equity holders of the parents	(322 214)	305 585	543 151	(44%)	(1 099 890)	454 862	(342%)
<i>net income margin (%)</i>	<i>(6%)</i>	<i>5%</i>	<i>9%</i>	<i>(4%)</i>	<i>(6%)</i>	<i>3%</i>	<i>(9%)</i>

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



In the fourth quarter of 2008 Synergon Group produced sales in the volume of 6,239 million HUF, which is an increase of 2% compared to the corresponding period of the previous year, and exceeds the value of the annual average quarterly sales by 1,774 million HUF. **The sales of 2008 exceed the corresponding figure of the previous year by 5%**, owing to the Hungarian subsidiaries. Within sales the dominating element was material type sales with a share of almost 54% at the end of the year, however, concerning the entire year, the value of service contents was balanced, with a share of 45%. Sales of Synergon Group according to consolidated sectors:

- the telecommunications and media sector were represented with 17%,
- the banking and financial sector with 14%,
- the industrial and service sector with 30%,
- and the health care sector, the state administration and state agencies sector were represented with 26% over the period. Other sales not assigned to sector constituted 12%.

In the fourth quarter the **volume of net contribution** calculated from the sales and direct costs of the Group constituted 2,441 million HUF, which equals a net contribution ratio of 39%. The contribution performance in the fourth quarter exceeded the annual average. The average annual contribution contents is 32%, which means a negative shift of 2% compared to 2007.

The value of 1,793 million HUF of **operating costs** for the fourth quarter includes all the impairment recorded on accounts receivable and goods in the stock, this impairment had to be recognized owing to the deteriorating business opportunities of Fibex Kft. The structural change-related costs of the measures launched in October 2008 in order to manage the crisis, mean another temporary item. These measures will result in savings in the first half of 2009 already. All these together increased operating costs by 19% in the fourth quarter of 2008, compared to the corresponding period of the previous year, while at annual level costs exceeded the level of the previous year by 3%.

In 2008 the Group realized an **EBITDA** value of 485 million HUF. Cleared of depreciation, the figure of operating profit falls short of the corresponding value in 2007 by 28%, within which the depreciation figures represent nearly identical values.

In the fourth quarter of 2008 the Group produced an operating profit of 648 million HUF, which exceeds the corresponding period of the previous year by 61%. The contribution of Hungarian companies to this result is 573 million HUF, while that of the Czech subsidiary is 73 million HUF. In 2008 the Group produced an operating profit of 65 million HUF, which represents a decrease of 74% compared to the corresponding figure of the previous year, mainly owing to the lower net contribution values.

The result of the sale of the investment reflects the sale of the holding of 68% in Span d.o.o on July 5, 2007. The revenue from the sale of Span d.o.o on July 7, 2007 was 169 million HUF.

The net earnings on financial transaction reflects the loss of Synergon Information Plc. of 923 million HUF, deriving from a futures transaction closed in the fourth quarter. A further FX loss of 92 million HUF was incurred in 2008, the reason is that the company realizes its revenues in HUF and CZK, on the other hand, the purchases are paid for in EUR and USD, at fixed prices.

The **tax liability** of the Group on companies that produced positive earnings in 2008 totaled 62 million HUF, of which deferred taxes were utilized at Infinity, thus in total the payment of the taxes meant a negative cash flow of 34 million HUF.

In the fourth quarter the **after tax profit assigned to the parent company** totaled 306 million HUF, of which the earnings of Hungarian companies totaled 301 million HUF. The consolidated annual after tax earnings total a loss of 1,100 million HUF, within which Infinity a.s. produced positive earnings of 32 million HUF.

Earnings of Hungarian Companies

This includes **Synergon Information Plc.** and its subsidiaries presented in a consolidated manner, **Synergon Rendszerintegrátor Kft.**, **Synergon Retail Systems Kft.** and **Fibex Kft.** Synergon Informations Nyrt. is the Hungarian company of Synergon Group, legally it functions as the main shareholder of the rest of the member companies in the group. Synergon Rendszerintegrátor Kft. (formerly called SAO-Synergon Kft) is a company dealing with the operation and management of systems. Synergon Retail Systems Kereskedelmi és Szolgáltató Kft. sells core activity systems to retail service providers. Fibex Kft. is a subsidiary of Synergon, dealing with the sale of copper cables, network construction materials and tools.

<i>Synergon together with Hungarian subsidiaries* Thousand HUF</i>	2008 Q III.	2008 Q IV.	2007 Q IV.	Difference % Q IV.	2008 year	2007 year	Difference % year
Sales revenues	9 605 231	5 380 763	4 973 469	8%	14 985 994	13 841 655	8%
<i>from which services (%)</i>	42%	45%	87%	(43%)	43%	50%	(7%)
Cost of materials and services	(7 156 984)	(3 334 491)	(3 398 225)	(2%)	(10 491 475)	(9 290 416)	13%
<i>in sales (%)</i>	75%	62%	68%	(6%)	70%	67%	3%
Contribution	2 448 247	2 046 273	1 575 244	30%	4 494 520	4 551 239	(1%)
<i>contribution margin (%)</i>	25%	38%	32%	6%	30%	33%	(3%)
Operating cost	(3 063 530)	(1 472 855)	(1 179 109)	25%	(4 536 385)	(4 306 025)	5%
Operating profit	(615 283)	573 418	396 134	45%	(41 866)	245 213	(117%)
<i>Operating profit margin(%)</i>	(6%)	11%	8%	3%	(0%)	2%	(2%)
Other expenses and other cost, net	(1 729)	(43 469)	20 839	(309%)	(45 198)	32 942	(237%)
Financial gains and losses	(780 697)	(229 680)	(40 532)	(467%)	(1 010 377)	39 077	-
Profit before tax	(1 397 709)	300 269	376 441	(20%)	(1 097 440)	317 232	(446%)
Income tax	(32 806)	896	(20 785)	(104%)	(31 910)	(45 258)	(29%)
Profit after tax	(1 430 515)	301 165	355 656	(15%)	(1 129 350)	271 974	(515%)

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

In **Hungary the sales revenues of the companies in the fourth quarter of 2008 was 8% higher** compared to the corresponding period of the previous year, this increment totaled the same as the annual average value. Within sales the performance of Synergon Information Plc. and Synergon Rendszerintegrátor Kft. increased by 15% on average, while the sales of Fibex Kft. decreased by 65%. Sales in 2008 totaled 14,985 million HUF, which exceeds the corresponding value of 2007 by 8%.

The service contents of sales, which include projects and maintenance services, totaled 45% in the last quarter. The average annual service contents were 43%, which means a slight decrease compared to the previous period.

Net contribution totaled 2,046 million HUF in the last quarter of 2008, which is 30% higher than the corresponding period of the previous year, while the figure for 2008 was the same as in 2007. The performance of the fourth quarter was driven by the high volume of projects of Synergon Information Plc. closed at the end of the year. The net contribution ratio was 38% in the last quarter, while in 2008 the contribution ratio was 30% throughout the year.

Operating costs increased by 25% in the fourth quarter. This growth was mainly induced by the allowances for the receivables and write off goods on stock of Fibex Kft. The cost impacts of the reorganization steps implemented as part of the dismissals at the end of 2008 meant additional unplanned expenditures.

The operating profit totaled 573 million HUF in the fourth quarter, which is 45% higher than the operating profit in 2007. The earnings for the last quarter contain the summary of several effects with conflicting prefixes, while the level of contributions were higher, the impairments and dismissals in Fibex Kft. had an adverse impact. The Hungarian companies closed the year 2008 with an operating loss of 42 million HUF, which was induced by the moderate decrease of contributions on the one hand and the increase of operating costs by 5% on the other hand. However, in that letter impairment items written off as legacy from former years and dismissals that will result in savings in the future were of determining importance.

In **financial earnings**, in the fourth quarter of 2008 the losses incurred and realized by Synergon Information Plc. in a futures transaction involving its own shares totaled 129 million HUF, while in 2008 a total loss of 923 million HUF (2008 q3: 794 million HUF) was recognized. The price movements of the company's own stock have a direct and instant impact on the earnings of the company deriving from share prices. The increase of losses reflects the impact of the movements of capital market prices between the third and the fourth quarter of the year. The open futures positions offer the possibility of having the positive price movements in the future to offset this loss. Interest revenues yielded positive earnings of 101 million HUF, while the movements of third party FX rates produced an accumulated loss of 187 million HUF, mainly on the supplier side, related to the payment of accounts payable.

In 2008, based on the positive, pre-tax earnings of Synergon Rendszerintegrátor Kft. and Synergon Retail Systems Kft., a total sum of 32 million HUF was paid as **income tax**, together with the solidarity tax.

Accumulated after tax losses totaled of 1,129 million HUF in 2008. Of these, futures transactions and other earnings totaled 968 million HUF, without these items the Hungarian companies accumulated a loss of 161 million HUF in their operations.

Earnings of the subsidiary in the Czech Republic (Infinity a.s.)

Infinity a.s. is a member of the Synergon Group in the Czech Republic, a member company with Synergon as its majority owner. The first acquisition step in 2001 was followed by more steps until 2007, these were minor steps intended to increase influence. After the capital increase implemented in September 2007, Synergon Information Plc. controls this subsidiary to a degree of 99%.

<i>Infinity Income Statement* ezer Forint</i>	2008 Q III.	2008 Q IV.	2007 Q IV.	Difference % Q IV.	2008 year	2007 year	Difference % year
Sales revenues	952 710	859 005	1 161 850	(26%)	2 885 349	3 140 563	(8%)
<i>from which services (%)</i>	55%	51%	39%	12%	55%	50%	5%
Cost of materials and services	(583 741)	(463 411)	(828 077)	(44%)	(1 613 761)	(1 912 403)	(16%)
<i>in sales (%)</i>	61%	54%	71%	(17%)	56%	61%	(5%)
Contribution	368 969	395 594	333 773	19%	1 271 588	1 228 160	4%
<i>contribution margin (%)</i>	39%	46%	29%	17%	44%	39%	5%
Operating cost	(338 178)	(322 406)	(325 827)	(1%)	(1 161 901)	(1 226 570)	(5%)
Operating profit	30 791	73 188	7 946	821%	109 687	1 591	-
<i>Operating profit margin(%)</i>	3%	9%	1%	8%	4%	0%	4%
Other expenses and other cost, net	855	(42 647)	(1 011)	-	(41 831)	27 458	(252%)
Financial gains and losses	(3 058)	2 076	(2 100)	199%	(5 456)	(8 543)	36%
Profit before tax	28 588	32 616	4 835	575%	62 400	20 506	204%
Income tax	(55)	(29 638)	14 216	(308%)	(30 101)	14 216	(312%)
Profit after tax	28 534	2 978	19 051	(84%)	32 298	34 722	(7%)

* non audited, with minority interest

The **sales** of Infinity a.s. totaled 859 million HUF in the fourth quarter of 2008, which falls short of the corresponding period of the previous year by 26%, on the other hand, it is a favorable phenomenon that service type sales increased in terms of composition. Over the last quarter the service contents exceeded 50%, and since these mostly derived from the company's own resources, they increased the volume of contribution. The entire sales for the year 2008 showed a decrease of 8%, but with a high service content of 55%.

The amount of 396 million HUF of the **volume of contribution** in the fourth quarter exceeded the corresponding period of the previous year by 19%. In 2008 the amount of the contribution totaled 1,272 million HUF, which exceeded the corresponding value of 2007 by 4%.

It shows the result of the operating and structural changes implemented at the company, that in 2008 the **operating costs** decreased by 5% compared to 2007, which means 65 million HUF in the improvement of the operating profit. The average decrease of year-on-year staff-related costs was 15%. The operating costs in the fourth quarter were 1% lower compared to the corresponding period of the previous year.

In the fourth quarter of 2008 the **operating profit** totaled 73 million HUF, which is over twice the operating profit for the third quarter. Looking back on the previous quarters of the year, the last quarter was the strongest, and concerning the entire year, the company showed a consistently improving positive result. Owing to the increase in contribution (44 million HUF) and the savings on operating costs (65 million HUF), the operating profit for 2008 contributed to the result of the Group by a positive amount of 110 million HUF.

The non controllable cost or gains are reserved from the operating profit of the entity. In 2007 it was 33 million HUF gain from returned tax penalty, in 2008 it was 41 million HUF loss provision for legal claims prevailing more than 5 years.

The **financial loss** of 5.4 million HUF realized in 2008 main reflects the changes in FX rates, which was caused by the weakening currencies of Central Europe.

In 2008 Infinity a.s. did not incur any **tax liabilities** owing to the deferred losses of previous years, the utilization of the balance sheet item of deferred tax started in 2007.

The losses presented in the income statements are utilized from the deferred taxes recognized in the previous years, taking into account the past years tax losses the company has not income tax liability payable.

Analysis of significant balance sheet changes in Synergon Group

<i>Balance Sheet**</i>	December 31st, 2008*	Difference %	December 31st, 2007
	Thousand HUF	%	Thousand HUF
ASSETS			
Non- current assets			
Property, plant equipment	1 599 805	-	1 600 189
Goodwill	162 267	-	162 267
Investments	2 697	-	2 697
Deferred tax asset	2 564	(91%)	29 921
Loans given	19 018	(20%)	23 710
Total non- current assets	1 786 351	(2%)	1 818 784
Current assets			
Inventory	735 118	67%	440 468
Trade accounts receivable, net	6 719 014	14%	5 883 228
Other current assets	585 044	(45%)	1 068 094
Available for sale financial assets	-	(100%)	273 739
Cash and cash equivalents	687 454	(48%)	1 331 654
Total current assets	8 726 630	(3%)	8 997 183
TOTAL ASSETS	10 512 981	(3%)	10 815 967
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital	1 910 926	-	1 910 926
Treasury shares	(1 057 784)	50%	(707 321)
Share premium	5 770 884	-	5 770 884
Capital reserve	27 980	-	27 980
Retained losses	(1 597 441)	141%	(663 294)
Cumulative translation adjustments	121 337	26%	96 537
Equity attributable to equity holders of the parent	5 175 902	(20%)	6 435 712
Minority interest in consolidated subsidiaries	41 316	1%	40 860
Total equity	5 217 218	(19%)	6 476 572
Long-term liabilities	211 371	-	4 247
Current liabilities			
Trade accounts payable	3 502 455	28%	2 741 006
Other payables and accruals	1 448 621	(3%)	1 495 857
Provisions for liabilities and charges	133 316	36%	98 285
Total current liabilities	5 084 392	17%	4 335 148
TOTAL LIABILITIES AND EQUITY	10 512 981	(3%)	10 815 967

* non audited ** consolidated

Assets

Deferred tax

The year-on-year change was 27.5 million HUF, deferred tax utilized against the positive earnings of Infinity a.s.



Loans granted

Here the financial leasing of Infinity a.s. is presented, the subject and collateral of which is the set of delivered IT assets.

Inventories

The volume of the inventories of Synergon Information Plc. shows a significant additional volume, which was purchased for projects, due for delivery and handover in the first quarter of 2009.

Trade accounts payable

The change in the portfolio of trade debtors was caused by the strong seasonal impact of the fourth quarter, at the same time, the company uses the discounting of the accounts receivable by time value (i.e. interest) in cases exceeding the usual value, thus items of this type are represented at real value as of the date of the report.

Other current assets

The change in other current assets was caused by the termination of the base deposit of the futures transaction. Together with the closing and re-opening of the futures transaction, the measure and value of the transaction deposit have changed together.

Financial assets available for sale

The Company utilized its financial assets available for any purpose in its futures transaction concluded in 2008.

Cash and short-term bank deposits

At the end of the reporting period the cash portfolio of the company totaled 687 million HUF, the components of this change are represented in the cash flow statement.

Liabilities

We present the changes in shareholder's equity in the table on capital movements.

Non-current liabilities

In the category of non-current liabilities the first items that were added were the liabilities exceeding one year, recognized from the first quarter of 2008 owing to the procurement of vehicles in the newly launched financial leasing scheme. In the last month of 2008 the financial leasing of Infinity a.s is presented, which includes IT equipment. These IT appliances mean equipment delivered to the customers and leased under a financial lease scheme there, too.

Liabilities from the sale of goods and the provision of services

In the change we see the result of the seasonal impact at the end of the year, it is the source of the changes seen in inventories on the one hand and the already delivered sub-contractor's performance on the other hand.

Provisions to cover expected liabilities and costs

The consolidated change of provisions is an increase of 35 million HUF. The most significant item is a sum of 4.1 million CZK, formed owing to the matter of Infinity a.s., disputed in 2003 and to be closed in 2009.

Cash Flow Analysis of Synergon Group

As of December 31, 2008, the cash and cash equivalents portfolio of the Company totaled 687 million HUF, while in the initial period, on December 31, 2007 it totaled 1,332 million HUF. In the reporting period the change was a utilization of 644 million HUF.

Cash Flow**	December 31st, 2008* Thousand HUF	December 31st, 2007 Thousand HUF
Cash Flow relating to operating activities:		
Net income before taxation and interest	(211 839)	393 806
Depreciation and amortization	419 345	416 814
Fx differences	10 762	84 327
Proceeds from disposal of fixed assets	(164)	(20 891)
Provisions changes	35 567	16 793
Changes in write - off assets	178 734	205 567
Changes in minority interest	456	5 344
Sale of subsidiary (gain) losses	-	(168 714)
Share based payment expenses	165 742	127 021
Interest received	106 766	89 797
Interest paid	(2 841)	(2 276)
Taxes (paid) received	<u>(34 654)</u>	<u>(62 421)</u>
	667 874	1 085 167
Changes in assets and liabilities		
Changes of accounts receivable and other current assets	(769 161)	(921 051)
Changes of inventory	(358 233)	248 936
Changes of Payables and accruals	<u>706 509</u>	<u>(60 681)</u>
	(420 885)	(732 796)
Net cash flows from operating activities	246 989	352 371
Cash flow relating to investing activities		
Purchase of fixed assets	(283 346)	(381 884)
Forward contract deposit	351 802	(351 802)
Forward contract gains (losses)	(922 625)	-
Proceeds from sale of short term investments	273 739	344 465
Proceeds on loans and borrowings	4 692	(9 415)
Acquisition or disposal of subsidiary, net of cash	-	1 894
Proceeds on disposal of fixed assets	35 012	151 767
Net cash flow used in investing activities	(540 726)	(244 975)
Cash flow relating to financing		
Disposal of treasury shares	-	1 227 090
Purchase of treasury shares	(350 463)	(906 171)
Increase (decrease) in loans payable	-	(4 600)
Net cash flow used in financing activities	(350 463)	316 319
Increase in cash and cash equivalents	(644 200)	423 715
Cash and cash equivalents at the:		
Beginning of the year	1 331 654	907 938
End of the period	687 454	1 331 654

* non audited

** consolidated



Net cash-flow from operations

In 2008 operative activities yielded a positive cash flow of 247 million HUF. Of that the volume of cash and cash equivalents accumulated by the core activities was 665 million HUF, on the other hand, a sum of 418 million HUF was used to finance operating capital.

In both years the operating cash flow of the company was a positive figure, and the ratio of cash and cash equivalents accumulated from the operating profit and utilized for operating capital show almost the same ratio year by year compared to each other, a ratio of about 62-65%.

The cause of the negative gap year-on-year is a difference occurring in operations, which is also the cause of EBITDA and EBIT, we have presented the components of these when the earnings of the group were discussed.

Net cash-flow used in investment activities

The net cash and cash equivalents used in investment activities consist of two major items. On the one hand, fixed assets (vehicles) were purchased, which involved the sale of the former assets, on the other hand, the loss related to the closing of a futures transaction was paid out in the amount of 923 million HUF.

Net cash-flow used in financing activities

During 2008 the Company purchased its own stocks in a total value of 350 million HUF, in order to maintain the share prices.

Changes in the shareholder's Equity of Synergon Group

We present the changes in shareholder's equity between the initial and closing cut-off dates of the base period and the reporting period, as presented on December 31, 2008, according to change type.

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 Premium	Capital Reserve	Retained Earnings	Cumulative Translation Adjustment			
Balance at January 1st 2008 (IFRS)	1 910 926	(707 321)	5 770 884	27 980	(663 294)	96 537	6 435 712	40 860	6 476 572
Transactions with the equity owners:									
Sale of treasury shares		-					-		-
Purchase of treasury shares		(350 463)					(350 463)		(350 463)
Transactions from the operations:									
Net income					(1 099 890)		(1 099 890)	456	(1 099 434)
Currency translation adjustment						24 800	24 800		24 800
Share based payment (IFRS 2) in Income statement					165 742		165 742		165 742
Total comprehensive income for the period	-	-	-	-	(934 147)	24 800	(909 347)	456	(908 891)
Balance at December 31st 2008 (IFRS)	1 910 926	(1 057 784)	5 770 884	27 980	(1 597 441)	121 337	5 175 902	41 316	5 217 218
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
Transactions with the equity owners:									
Sale of treasury shares		1 237 092			(10 000)		1 227 092		1 227 092
Purchase of treasury shares		(906 171)					(906 171)		(906 171)
Transactions with the equity owners:		330 921			(10 000)		320 921		320 921
Transactions from the operations:									
Net income					454 862		454 862	3 781	458 643
Currency translation adjustment						17 511	17 511		17 511
Merge and redesign of capital			127 705	(705)	(128 564)	1 586	22	1 564	1 586
Share based payment (IFRS 2)					127 021		127 021		127 021
Disposal of controlled subsidiary							0	(21 962)	(21 962)
Total comprehensive income for the period	-	-	127 705	(705)	453 319	19 097	599 416	(16 617)	582 799
Balance at December 31st 2007 (IFRS)	1 910 926	(707 321)	5 770 884	27 980	(663 294)	96 537	6 435 712	40 860	6 476 572

Subscribed capital

Since Synergon Group obtained a stock market listing in 1999, its subscribed capital has been unchanged, i.e. 1,910,926,000 HUF, consisting of 9,554,630 Synergon common shares, each with a face value of 200 HUF.

Own shares

The portfolio of the company's own shares increased by 31,000 shares in the fourth quarter, and on December 31, 2008 it closed the year with 759,300 shares on (at the end of 2007 there were 434,900 such shares). The average historical cost of shares held by the Company at the end of the fourth quarter of 2008 was 1,424 HUF (on December 31, 2007 it was 1,626 HUF).

FX conversion gains and losses

This means the outstanding balance deriving from the capital consolidation of Infinity a.s., which is a subsidiary operating with a different operating and reporting currency within the group. The change of 25 million HUF for the year 2008 was determined by the FX rate movements of the Czech koruna and the Hungarian forint.

Share-based benefits

Pursuant to shareholder's meeting resolutions passed in December 2006 and December 2007, Synergon Information Plc. granted option rights for its own shares, during the time these are earned the fair market value of the options is recognized. The Company represents the prorated fair market value in the capital.

Minority shareholding Of the earnings of the Czech subsidiary during the period, a profit part assigned to the minority owners, constituting 1.41%, is recognized.

Business Report

Health care, governmental and state administration sector

In the fourth quarter, in the scope of broadband infrastructure development, included as highlighted objective under the New Hungary Development Plan, the business unit was awarded four significant contracts. Accordingly, during 2009 we will provision the background and cover networks providing Internet access in four disadvantaged micro-regions. The bringing into service of the IP-based communication system in the Hospital of Borsod-Abaúj-Zemplén County was completed successfully; the system ensures the efficient use of state-of-the-art, complex services for the hospital. We have developed the IT concepts of those public procurement invitations for bids published under the framework of TIOP and ÁROP, for which we intended to apply, based on our professional skills and experiences. These invitations will be published in the first quarter of 2009. Of 17 companies, Synergon became the winner of the invitation for bids of BKV Zrt. on the subject of „Provision of IT services.” This contract for 10 years specifies a service fee of 320 m HUF per month.

Banking and financial sector

As a result of the global financial crisis, in the fourth quarter the players of this sector reduced their expenditures significantly, which modified the revenue of a quarter that has been traditionally the best performing period in terms of revenues, although not significantly. Despite the impacts of the crisis, in the year 2008 revenues were about the same as in the previous year. We continued the expansion of the sale of business solutions, to replace the infrastructure orders lost owing to the intensifying competition, and we managed to contract with more customers as a supplier, including Citibank and Signal Insurer.

The fourth quarter brought new orders for us, the most significant of which is winning the tender issued for the provision of network support to CIB Bank, which will also have a favorable impact on the year 2009. We delivered on our contract concluded with MFB in the third quarter, for the upgrade of the SAP system. At the same bank we managed to conclude a contract in the last quarter on a document security project.

We managed to win an MS-based software infrastructure project from Aegon insurer, and we could largely finish it. Further accomplishments in the same quarter: we concluded three annual MS EA contracts with Unicredit Bank, while in Erste Bank we obtained an order for the further development of the IDM system.

As a new customer, the Trade Operations of the Hungarian subsidiary of Citibank commissioned the Business Solutions Division of Synergon to replace the registry of bank products applied in international transactions. In addition to keeping record of bank guarantees, letters of credit and checks, the completed system also supports the related bank processes and communicates with other bank systems.

Telecommunications and media sector

In the fourth quarter of 2008 we concluded contracts for several significant projects in the telecommunications and media sector. Among others, we were awarded a contract for the establishment of the entire active and passive network infrastructure for Invitel Zrt., which is the biggest capital investment of Invitel for the year 2009. Related to the IP network of Invitel, we also implemented several significant investment orders during the quarter.

In addition, it is of determining importance that we were awarded the contract for the supply and bringing into service of the network infrastructure to be established in the new office

building of the Hungarian Television, which will materialize in 2009. As a result of this project, our company will acquire a new key customer.

In 2008 Synergon concluded a contract with Vodafone Zrt. on the support of an IP network based on Cisco technology, with enhanced level of availability and the supply of equipment related to the expansion of the network, furthermore, for the performance of the related cabling works, to be performed with Systimax products. During the last quarter we fulfilled several high value orders.

During that quarter we completed the roll-out of the Company Project Management and group work supporting solution implemented in T-Mobile in 2004 to the rest of the areas of the group. In addition, we prepared additional orders based on Microsoft technology. The enhanced level network management support order won from the T-Group was fulfilled as per the plans.

The supplies related to the establishment of optical systems continued at the cable television providers. At T-Kábel we finished implementation of the DVB-S technological platform based on the solution of Harmonic, in the fourth quarter we worked on the opportunity of expanding the system.

We concluded contracts with the National Communication Authority on several network development investments during the quarter, which had a significant impact on the profitability of the sector concerning the quarter and also the entire year. In December, as part of a public procurement procedure, our Company signed a contract on the further development of the SAP-based economic and financial system used by NHH, the fulfillment of these contracts is expected during 2009 and 2010.

Industry and service providers sector

In 2008 we sold a significant volume of software to the chemical industry, the automotive industry and to public utility service providers. We successfully implemented our proprietary gas trading system at several market players. In addition, this sector finished a successful year in terms of equipment sales as well. In 2008 we continued enhancing our presence in the field of infrastructure. We finished network reconstruction with several customers, furthermore, we made progress in improving the quality of network security as well.

In the last quarter we managed to conclude several contracts. One of the future-proof solutions was the establishment of the decision support system of a domestic natural gas provider, which is an individual optimization development. In the last stage of the network reconstruction of DÉMÁSz Zrt. a significant volume of Cisco equipment was ordered, including the pertinent service and installation, furthermore, we launched our network security project. In the last quarter we finished the development of the natural gas trading system for 2008. At the National Health Insurance Fund we renewed the entire structure cabling, using state-of-the-art technologies, the new system will fulfill the internal communication needs of OEP for the long term. At Gas Works of Budapest Zrt. we finished the establishment of the IP-based telephone system and the replacement of the active tools of the entire communication network. In addition to the fundamental telephone system, a charge counter, a message recording system and a solution integrated with GSM telephone were also implemented.

In the field of business solutions we participated in the development of the enterprise resource management and company control system of AVE Hungary, on SAP bases. This implementation has been the first in Hungary regarding the „waste and recycling” module, which provides appropriate reference for us for continued selling.

Operating services (Synergon System Integrator Ltd.)

SAO-Synergon Kft. (SAO), is a member company of Synergon Group, which provides operating services, support and full-fledged IT outsourcing solutions.

In the last quarter of the year, in addition to continuous operating services and minor projects completed at contract customers, as an order of larger volume, we performed the version update of the Exchange system of Aegon Insurer. In addition, we prepared a ten-year outsourcing contract with BKV, effective from January 2009, which will significantly contribute to the sales of Synergon Nyrt. in the upcoming years.

Concerning the SAP implementation of BAT Tobacco Factory of Pécs, we received an order for the establishment of training facilities in Budaörs and in Pécs, the provision of technical support for the training and the creation of the documents related to operation. The contribution of the company decreased compared to the previous year, however, its operating profit increased significantly, as a result of cost-efficient operation.

As part of the effort of converting Synergon Group into an enterprise with holding structure, the infrastructure division operating within the framework of Synergon Nyrt. and the service activities performed by SAO-Synergon Kft. were merged, in such a manner that in terms of organization the infrastructure division was transferred to SAO-Synergon Kft. This organizational unit, whose scope of activities were expanded after the reorganization, has been called Synergon Rendszerintegrátor Kft. since December.

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

Synergon Retail Systems Kft. continuously performed the 0-24 hours service support activity to its customers, including Agip Magyarország Kft., MÁV Zrt., LukOil Magyarország Kft., and Auchan Magyarország Kft., in the entire territory of Hungary. The limited company performed the installation works of the new stores of ALDI Magyarország Bt. and the service activities.

Synergon Retail Systems Kft. performs the entire scope of service activities of Hungarian Post Intelligent Post Office (IPH). In the framework of a contract concluded at the beginning of the year, the Company installed the bank card terminals of the Post and also performed service activities. In addition, they supplied several hundred small cash registers to the Hungarian Post, also providing the related services.

Four automated engine filling stations have been commissioned at the Hungarian State Railways Ltd. SRS Petrol fuel settlement system, which is the first Hungarian reference, has been installed successfully. The system of the filling station is based on state-of-the-art technologies.

The connection of vendors using the EDI systems to the ECOD system continues at Auchan Magyarország Kft. as well. The Ltd. accomplished more successes in the field of EDI systems at several Hungarian retail and supplier companies, by the implementation of the e_order, e_invoice and e_archiv services.

Fibex Kft.

At Fibex Kft. the more intensive activity of the fourth quarter could be felt in both construction industry and the field of telecommunications. In the last month Fibex Kft. doubled its average monthly revenues and contracted services. In terms of products, suppliers and customers no significant changes took place in the last three months of the year. The only exception to that were cable television network provisioning materials, which contributes positively to the revenues of the Ltd. in 2009 as well. Based on the contracted services and market information, the first half of 2009 will rather be dominated by the tools of structured network provisioning, while the second half will be focused more on the material needs of telecommunications providers. The continued fall of the FX rate of the HUF will result in increasing investment prices and worse return on investment ratios, which may result in a drop of demands. This is one of the most important risk factors of the year 2009 for Fibex Kft.

Infinity a.s (Subsidiary in the Czech Republic)

The financial crisis that launched the economic crisis caused much less turbulence in the Czech Republic than in the neighboring countries. At the same time, it is a fact that owing to the strong export orientation of the country, in 2009 the global crisis may cause a major economic setback.

The impact of the crisis on the Czech IT market resembles the impact of the crisis on any other industry in many ways – the drop in demands resulted in severe cost reductions, the postponement of investments, dismissals and similar measures. However, the general pattern cannot be matched to the IT market entirely. This can be explained by the different nature of the IT cost structure of companies.

It is an established fact that in the long term, practically over 70% of the IT-related budget of every company is related to the maintenance of the already existing IT system, so less than one-third remains for innovative investments. In these turbulent times, the companies may, as opposed to former times, more or less simply postpone or cancel this one-third.

We have seen more and more initiatives aimed at the outsourcing of areas with significant internal resource needs, the underlying factor for these considerations is streamlining on several sides, i.e. skilled staff are recruited with less fixed costs incurred by the customers, while possibly the service requirement itself also changes, thus services provided under an outsourcing scheme can follow the developments of the company much better. The implication for our Company is that theoretically, we can sell our capacities to a wider scope of customers, but the specific solutions still have many variables, at the same time, they certainly offer opportunities to us for the sale of services.

In addition to the factors mentioned above, the capacities of IT enterprises largely depend on what kind of product or customer portfolios they have. Those that strongly focus on hardware or the sale of integrated systems, suffer a lot more from the general drop in demands than those companies who generate most of their revenues from maintenance, support and services. As to the services mentioned as the last item, the more long-term contracts a company has underlying its services, the more significant is the role that services play on the sales side. In the current sales structure of the Company, long-time and new customers are included in a ratio of 40% to 60%, furthermore, the long-term contracts already provide a secure coverage for the significantly reduced operating costs. Our most stable customers are commercial chains, state administration agencies, and the operation and maintenance of networks is a fundamental need for these. There is a high probability that the management of any surplus capacities will pose no problem for Infinity a.s. On the other hand, we are prepared for the onset of a long-term negative environment, the stable favorable results and events experienced recently are already reflections on the steps we have taken.

Staff changes in the Synergon Group

<i>Headcounts</i>	2008 Q4 average	2007 Q4 average	<i>Difference %</i>	2008 Q4 closing	2007 Q4 closing	<i>Difference %</i>
Synergon an Hungarian controlled entities	316	354	(11%)	269	335	(20%)
Infinity	109	116	(6%)	104	118	(12%)
Total	425	470	(10%)	373	453	(18%)

Companies belonging to the consolidated range of the Synergon Group

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

Ownership structure, company events

Shareolders with higher than 5% owership of Synergon Informations Plc.			Shareolders structure of Synergon Informations Plc.		
Shareholders	December 31st, 2007	December 31st, 2008	Shareholder arts	December 31st, 2007	December 31st, 2008
Cashline Befektetési Holding Zrt.	13,36%	14,74%	Domestic/Company	62,22%	55,93%
Pannergy Műanyagipari Nyrt. with subsidiaries	11,26%	12,20%	Foreign/Company	4,44%	5,61%
AEGON Magyarország Befektetési Alapkezelő Zrt. with its related parties	5,49%	-	Domestic/Private person	28,14%	23,85%
			Foreign/Private person	0,26%	0,48%
			Employee and Key management	0,21%	0,21%
ERSTE GROUP BANK AG		6,82%	Treasury shares	4,55%	7,95%
Investors below 5% ratio	65,34%	58,29%	Governmental and public interest	0,00%	0,00%
Treasury shares	4,55%	7,95%	Other	0,17%	5,98%
Total	100%	100%	Total	100%	100%

General Assembly

The General Assembly has decided on its session of 15th December 2008 and has approved the demerger of the company. Further details can be read under the agenda, and regulations of the General Assembly (http://www.synergon.hu/bef_info/kozgyules).

Board of Directors

In its meeting held on 12nd December, 2008, the Board of Directors decided to invite the General Assembly with the proposed agenda of acceptance of demerge documentation.

In its meeting held on 13th November, 2008, the Board of Directors decided to invite the General Assembly with the proposed agenda of proposing structural changes forming holding structure.

Changes in the key personnel

Linkage to the economical environmental changes in late 2008 there has been made decision of some positions. These has resulted the following personnel changes:

- With effect of 31st November, 2008 the mandate and post of CEO of Béla ENDRODI – CEO of SAO-Synergon Kft. – have been terminated.
- As from November 17th, 2008. the CEO of Synergon Rendszerintegrátor Kft. is Szabolcs VIDA
- With effect of 31st December, 2008 the mandate and post of marketing director of Beata TOROSNE FELES have been terminated.
- With effect of 3rd February, 2009 the mandate for division manager of István ZELEI dr, has been terminated
- As from 1st January, 2009 the division manager of business solutions is Zsolt TERA VÁGIMOV
- As from 1st January, 2009 sales division manager of the public sector is János STARK
- As from 1st January, 2009 operative sales director Tamás SOMOGYI

Acceptance of Liability Declaration

The progress report of Synergon Information Systems Plc. shareholders' company (Synergon Information Systems Design and Building Plc) elaborated its present progress report presenting its business activities for the **12-month period from January 1, to December 31, 2008** in compliance with Act CXX of 2001 on the capital markets and the regulation of the Budapest Stock Exchange Plc. on Introduction and Quotation Rules.

These statements have been elaborated according to our best knowledge **in conformity with International Financial and Reporting Standards**, they contain non-audited data and statements, and they do not ignore any such facts that are material from the aspect of evaluating the situation of the Company. This report gives a true and reliable description of the assets, liabilities, financial situation of the consolidated company, and also on its profit and loss figures, and it give a reliable description of the situation, development, performance of the presented consolidated company, explaining the major risks and uncertainty factors.

The Company, as issuer is liable for compensating any damages that may occur due to a failure to give regular and extraordinary information, and/or due to a misleading content of such information.

Budapest, March 13, 2009.



Imre Zsuzsanna
Chief Financial Officer

Lazarovits Márk
Chief Executive Director

Synergon Information Systems Plc.

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