



Synergon Group Consolidated financial report based
on IFRS and Synergon Information Systems Plc.'s
stand alone report based on HAS
for the first 9 months of 2010.

Published on: 16th November, 2010.

Positive Results in Transport Information Technology—the Synergon Group is Optimistic

The quarterly figures of this report 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 September 30, 2010 the Group's reporting currency is 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 data presentation structure included in the flash report contains changes compared to former periods report, which were developed in an effort to comply with the current IFRS regulation, to ensure transparency. 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.

The presented tables are in Thousand Hungarian Forint.

Synergon Information Plc. Consolidated Financial Summary

Consolidated financial performances	2010	2009	Difference %	2010	2009	Difference %
	Q3 *	Q3 *		q3 *	q3 *	
Sales revenues	11 323 974	12 249 974	(8%)	3 184 743	3 847 629	(17%)
Contribution	3 383 330	4 310 673	(22%)	860 698	1 235 516	(30%)
Operating cost	(3 727 885)	(4 076 115)	(9%)	(1 302 274)	(1 205 808)	8%
EBITDA	146 366	556 014	(74%)	(198 922)	140 330	(242%)
EBITDA margin (%)	1%	5%	(4%)	(6%)	4%	(10%)
Operating profit	(344 555)	234 559	(247%)	(441 576)	29 708	(1 586%)
Net cash flows used in operating activities	(182 628)	319 672	(157%)			

* non audited

A summary of the results dominating the quarter:

- The sales revenue, contribution and EBITDA performances of Q3 were influenced primarily by the organizational changes in the largest segment of the Group, the governmental administration and local government sector, in addition to the market impacts induced by the implemented austerity and savings measures, as a result of which a major part of the planned information technology investments in the sector have come to a halt or progressed with substantial delay.
- The total operating costs decreased by 9%, in spite of the fact that the Group—in view of the transient and temporary nature of market changes—did not execute redundancies and cost reduction measures that would have strongly influenced its professional resources.
- The 160-million-HUF depreciation recorded in connection with the planned transfer of the company seat affected the results of the Company negatively; however it did not have an impact on the cash flow.
- For the purpose of financing project investments and suppliers, the Company acquired a credit line, owing to which it became a net cash user at the end of the quarter.

Company CEO Róbert Litauszki said,

'The last quarter—as opposed to preliminary expectations—did not bring about the growth of the information technology market. The moderation of information technology developments, characteristic of the crisis years, is still perceptible in the entrepreneurial sphere; simultaneously, the public administration and the local government markets have been characterised by the transitory standstill resulting from post-election transformations and cost reduction measures.

Naturally, the management of Synergon did not—could not—avoid reacting to the unfavourable changes of the market, as the drop in operating costs, exceeding 8% on average, also shows; at the same time they did not quit elaborating and implementing the details of the strategy aimed at long-term growth.

In recent months, the focus of the business development activity fell primarily on opportunities and projects that can be realized with the support of the European Union despite budgetary restrictions. One of these fields is information technology development for community transportation, where the efforts of Synergon had met with success in several projects up to the release of the flash report. These successes will not only positively influence the results of coming months, but also lay the foundations of the leading position of Synergon in the transport information technology segment, which stands before remarkably dynamic development.

Throughout the coming months, the elaboration of the details of the corporate strategy and the development of the strategic resources and competences will continue, and these—together with the end of the brief standstill of the information technology market that is expected to arrive soon—will bring a period of dynamic and fruitful growth for the Synergon Group.'

Analysis of Synergon Group

As a parent company, Synergon Information Plc. has involved the following companies in its consolidated report as of September 30, 2010. **Synergon System Integrator Ltd., Synergon Retail Systems Ltd., Fibex Ltd., 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.

Income Statement ** Thousand HUF	2010 Q3 *	2009 Q3 *	Difference %	2010 q3 *	2009 q3 *	Difference %
Sales revenues	11 323 974	12 249 974	(8%)	3 184 743	3 847 629	(17%)
<i>from which services (%)</i>	58%	61%	(3%)	53%	34%	19%
Cost of materials and services	(7 940 644)	(7 939 300)	0%	(2 324 044)	(2 612 113)	(11%)
<i>in sales (%)</i>	70%	65%	5%	73%	68%	5%
Contribution	3 383 330	4 310 673	(22%)	860 698	1 235 516	(30%)
<i>Contribution (%)</i>	30%	35%	(5%)	27%	32%	(5%)
Operating cost	(3 727 885)	(4 076 115)	(9%)	(1 302 274)	(1 205 808)	8%
EBITDA	146 366	556 014	(74%)	(198 922)	140 330	(242%)
<i>EBITDA margin (%)</i>	1%	5%	(4%)	(6%)	4%	(10%)
Operating profit	(344 555)	234 559	(247%)	(441 576)	29 708	(1 586%)
<i>Operating profit margin(%)</i>	(3%)	2%	(5%)	(14%)	1%	(15%)
Other expenses and other cost, net	12 438	(51 049)	124%	3 945	5 809	(32%)
Financial gains and losses	(108 196)	(20 238)	(435%)	(7 687)	(3 105)	(148%)
Profit before tax	(440 313)	163 272	(370%)	(445 318)	32 411	(1 474%)
Income tax	9 858	(113 215)	(109%)	(23 854)	(25 124)	(5%)
Profit after tax	(430 455)	50 057	(960%)	(469 172)	7 288	(6 538%)
Attributable to non controllig interest	1 171	764	53%	203	(1 761)	112%
Attributable to equity holders of the parents	(431 626)	49 293	(976%)	(469 376)	9 049	(5 287%)
<i>net income margin (%)</i>	(4%)	0,4%	(4%)	(15%)	0,2%	(15%)

* non audited **consolidated

The sales revenue of the Synergon Group reached 11,324 million HUF in the first nine months of 2010. The sales revenue performance of Q3 was influenced negatively partly by the information technology investment stop imposed by the austerity and savings measures in the governmental administration sector, and partly by the loss of assignments arising from the cost-reduction of local governments and the public service providers under their authority because of the local elections in the autumn.

The consolidated total of operation costs decreased by 9%. The volume of depreciation was significantly higher in the operating costs of Q3 2010. The plans of Synergon Information Technology Plc. include the transfer of the company seat to a new office building in the second half of 2011. Consequently, the useful life of the assets linked to the building of the currently rented office of the Hungarian companies will diminish—up to the time of the expected transfer of seat. In

view of the change, the depreciation of the assets has accelerated; its value recorded for Q3 2010 was 160 million HUF.

The consolidated, 9-month total of the 2010 EBITDA value, which reached one-fourth of the total of 2009, was 146 million HUF. The negative 199 million HUF result of Q3 was caused on one hand by the lost sales revenue and contribution, and on the other hand by the less sensitive and slower-to-react, although decreasing operating costs. **In the third quarter, which closed with low results, the Company was preparing its available capacities for assignments in the application or contract stage that stand a fair chance of being implemented in the near future.**

Infinity a.s. contributed to the 2010 results of the Group with a total EBITDA value of 127 million HUF, of which 40 million HUF were realized in Q3.

The sales revenues of Synergon Group according to consolidated sectors were the following:

- the telecommunications and media sector with 14%,
- the banking and financial sector with 15%,
- the industrial and service sector with 14%,
- the health care sector, the state administration and state agencies sector were represented with 25% over the period,
- BKV and other material projects 23%, other sales not assigned to sector constituted 9%.

Earnings of Hungarian Companies

This includes Synergon Information Plc. and its subsidiaries presented in a consolidated manner, Synergon System Integrator Ltd., Synergon Retail Systems Kft. and Fibex Kft. **Synergon Information Systems Plc.** 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 System Integrator Ltd.** (formerly called SAO-Synergon Kft) is a company dealing with the operation and management of systems. **Synergon Retail Systems Ltd.** sells core activity systems to retail service providers. **Fibex Kft.** is a subsidiary of Synergon in 2009 it has minimized its operating activities.

Synergon together with Hungarian subsidiaries** Thousand HUF	2010 Q3 *	2009 Q3 *	Difference %	2010 q3 *	2009 q3 *	Difference %
Sales revenues	9 430 040	10 658 665	(12%)	2 605 260	3 354 093	(22%)
<i>from which services (%)</i>	60%	61%	(1%)	60%	31%	29%
Cost of materials and services	(6 845 079)	(7 192 076)	(5%)	(2 015 649)	(2 392 195)	(16%)
<i>in sales (%)</i>	73%	67%	6%	77%	71%	6%
Contribution	2 584 962	3 466 589	(25%)	589 611	961 898	(39%)
<i>Contribution (%)</i>	27%	33%	(6%)	23%	29%	(6%)
Operating cost	(3 025 503)	(3 283 978)	(8%)	(1 061 023)	(935 191)	13%
EBITDA	18 656	461 838	(96%)	(239 273)	122 623	(295%)
<i>EBITDA margin (%)</i>	0%	4%	(4%)	(9%)	4%	(13%)
Operating profit	(440 542)	182 611	(341%)	(471 412)	26 707	(1 865%)
<i>Operating profit margin(%)</i>	(5%)	2%	(7%)	(18%)	1%	(19%)
Other expenses and other cost, net	5 731	(52 642)	111%	(1 164)	4 842	(124%)
Financial gains and losses	(108 790)	(20 815)	(423%)	(8 816)	(1 407)	(527%)
Profit before tax	(543 601)	109 154	(598%)	(481 391)	30 142	(1 697%)
Income tax	30 125	(113 215)	(127%)	(2 158)	(25 124)	(91%)
Profit after tax	(513 477)	(4 061)	(12 543%)	(483 549)	5 018	(9 735%)

* non audited, eliminated intercompany transactions of Synergon Information Plc., Synergon System Integrator Plc., Synergon Retail Systems Plc., Fibex Kft.

In Hungary, the sales revenue of the companies was 9,430 million HUF in the first nine months of 2010, which is 12% lower than the result of the same period in 2009.

The net contribution—calculated by deducting the direct material cost, product cost and subcontractors cost from the sales revenue—was 2,585 million HUF in the first nine months of 2010, which is 25% lower than the same period of the preceding year. The contribution margin ratio of the nine months was 27%, which is a 6% drop compared to 2009. The earnings before interest, taxes, depreciation, and amortization (EBITDA) totalled 19 million HUF in the first nine months of 2010.

The drop of the sales revenue—and the accompanying loss of contribution and EBITDA—resulted from the circumstance that the number of assignments from the *public and governmental administration sectors* decreased substantially owing to the parliamentary election in spring 2010 and the local elections in autumn 2010. In view of the fact that Synergon earns more than 50% of

its sales revenue from these sectors and public procurement tenders, the suspension of these orders had a major negative effect on the sales revenue, contribution and EBITDA performance.

Operating costs dropped by a consolidated average of 8% during nine months. In Q3, depreciation increased owing mostly to the planned transfer of company seat.

Since as far back as 2009, the management of Synergon has been searching for a solution that could serve as a rational and cost-efficient alternative to the office building that currently serves as the seat and place of operation of the Company. By means of the planned transfer of seat that is expected to take place in Q3 2011, the Company can move to a site is in harmony with the current arrangement requirements, is of smaller floor space, flexible to transform, cost-effective to operate, and has excellent public transport connections.

The priority considerations for choosing the new seat included frugality of operation, energy efficiency and building engineering efficiency, owing to which the move would generate savings in the field of operating costs on the whole.

The Company—in harmony with the duration of its current office rent contract—had calculated its office building-related investments with a useful life until 2022 pursuant to the original plans. The Company's plan for moving means that the useful life of fixed assets will terminate with the transfer of seat. Accordingly, the useful life of assets diminishes substantially. The Company recorded the immovable assets of the office in use on book value in accordance with the diminished useful life. The 160-million-HUF growth of the depreciation allowance recorded in Q3 is a result of the accelerated depreciation—1.5 years instead of the originally planned 12—of the investment performed on the tenement.

In understanding of the decision of the Board of Directors, the costs generated so far in relation to the current seat of the Company had to be taken in consideration in the process of choosing the new seat, and the future workplace had to be chosen in a way that the financial implications would lay fewer burdens on the Company.

Further depreciation surplus was generated compared to the same period of the preceding year. The Company purchased a risk management and optimisation software in 2009, which was later developed and activated it in the worth of 258 million HUF with 3 years of useful life. The utilisation of the software has not begun by Q3 2010, while the Company recorded a prorated depreciation for the software in a value of 65 million HUF.

The total of the surplus depreciation recorded throughout the three quarters of the year was 224 million HUF. Without these additional non-cash items, the operating cost showed 15% decrease. The decrease of the operating cost is in accord with the drop of the sales revenue, and it displays the capability of the Company to react to the changing business environment.

In the financial result, open and closed futures totalled 70 million HUF. The fluctuation of exchange rates accounted for 30 million HUF of loss; cash discounts for costumers paying before schedule totalled 22 million HUF; and interests received yielded 15 million HUF profit.

The total of net cash and cash equivalents is negative, because the financing of execution costs and the equipment to be bought for long-term agreements with clients in the governmental and public administration sector is constantly increasing. Overdue accounts receivable exceeded 600 million HUF at the end of Q3. Borrowed—bank—capital had to be drawn into financing, which the Company will probably need to resort to in the future as well in connection with the 10-year support service

for BKV (transport company) and the newly acquired BKV FUTÁR project. The Company took the probable surplus expenses requiring the acquisition of borrowed capital into consideration in the profit accounts connected to the 10-year-long BKV support project. The estimated return on investment of the project is decreased by the value of the investments to be financed and the related financing costs.

The profit before tax was 544 million HUF loss. Due to the 2010 amendments of the tax legislation (the corporate tax was modified to 10%) the 2009 tax loss carryforward decreased; the positive effect on taxes was 30 million HUF.

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%.

Infinity Income Statement**	2010	2009	Difference %	2010	2009	Difference %
Thousand HUF	Q3 *	Q3 *	Q3 *	q3 *	q3 *	q3 *
Sales revenues	1 897 635	1 591 309	19%	583 184	493 536	18%
<i>from which services (%)</i>	51%	65%	(14%)	57%	69%	(12%)
Cost of materials and services	(1 095 566)	(747 224)	47%	(308 396)	(219 919)	40%
<i>in sales (%)</i>	58%	47%	11%	53%	45%	8%
Contribution	802 069	844 084	(5%)	274 788	273 618	0%
<i>Contribution (%)</i>	42%	53%	(11%)	47%	55%	(8%)
Operating cost	(706 083)	(792 137)	(11%)	(244 954)	(270 617)	(9%)
EBITDA	127 710	94 176	36%	40 350	17 708	128%
<i>EBITDA margin (%)</i>	7%	6%	1%	7%	4%	3%
Operating profit	95 986	51 948	85%	29 835	3 001	894%
<i>Operating profit margin(%)</i>	5%	3%	2%	5%	1%	4%
Other expenses and other cost, net	6 707	1 593	321%	5 108	966	429%
Financial gains and losses	594	579	3%	1 130	(1 697)	167%
Profit before tax	103 287	54 119	91%	36 073	2 270	1 489%
Income tax	(20 267)	-	-	(20 267)	-	-
Profit after tax	83 020	54 119	53%	15 806	2 270	596%

* non audited, **with non controlling interest

The sales revenue of Infinity a.s. was 1,898 million HUF in the first nine months of 2010. Like Q2, Q3 also surpassed the sales revenue of the corresponding period of 2009. The Q3 sales revenue was 18% and the nine-month sales revenue was 19% higher than the corresponding levels of 2009. The background of the growth of the sales revenue is the favourable shift of the business environment, which, after bottoming out in 2009, generates a rise in demand. The rise is fuelled by hardware and licence procurements that were halted earlier.

The net total contribution—calculated by deducting the direct material cost, product cost and subcontractors cost from the sales revenue—was 802 million HUF in the first nine months of 2010. The total contribution of Q3 was on the same level as that of 2009; the loss of cumulative depreciation improved by 3% and reached a cumulated 5%. The contribution margin ration was determined by the structure of sales. The demand that has been rising for two quarters already is fuelled by hardware and license sales. These segments of sales generate lower contribution.

Operating costs decreased by 11%.

Staff costs occupy the top position among the constituents of the decrease. In Q4 2009, the variable pay system was introduced with the transformation of the benefit schemes, with 10% proportion, linked directly to the performance of the company. The benefit scheme seems to be producing the desired effect. The various divisions followed precise contribution and cost management, heeded the changes of contribution, sustained the profitability of the company and contributed to the growth of shareholder value and the return on invested capital.

Infinity holds Microsoft and HP certifications and lays special emphasis on regularly renewing and upgrading these. In numerous instances, Infinity has won and executed projects in close cooperation with its suppliers. To facilitate the launch of more projects, it is a priority for the company to gather direct, first-hand information about the information technology planning and the changes in the circle of potential clients through correspondence with decision-makers. Of operating costs, marketing and promotion costs increased. During 2010, Infinity a.s. has been addressing potential clients directly and more intensively than before, on several levels, in the frame of events. In favour of promoting participation in fresh projects, the Company has been cultivating its relationship with premium partners—such as Microsoft and HP—intensively.

As of November 2010, Infinity a.s. will start the utilisation of its training budget of 35 million HUF, which was applied for and successfully won in the frame of an EU subsidy. Having regard to the budget opening in Q4, the Q3 trainings that had been earlier self-financed are planned to be realised on the expense of the opening budget. The training offers comprehensive opportunity to acquire knowledge of information technology, management and general economics, with the objective of increasing the corporate efficiency of Infinity a.s.

The operating income was 96 million HUF in the first nine months of 2010. The balanced, evenly realised result of Q3 confirms the feasibility of the plans. The result of the company confirms the sustainability of the investment value of the parent company.

The company distributed 107 million HUF as dividends in June 2010, continuing to finance them from the equity of the company, and there was no need to resort to borrowed capital afterwards either.

The earnings before taxes totalled 103 million HUF at the end of the first nine months of 2010. The tax liabilities of the company are estimates calculated on the basis of the legislation in effect. The profit after tax was 83 million HUF.

Changes in the Consolidated Balance Sheet

The consolidated balance sheet total of the Group was 8,405 m HUF on September 30, 2010, which means a decrease of 2% compared to September 30, 2009.

Consolidated Statement of financial position	September 30th, 2010*	September 30th, 2009*	Difference %	December 31st 2009	Difference %
	Thousand HUF	Thousand HUF		Thousand HUF	
ASSETS					
Non- current assets					
Property, plant equipment and intangible	1 411 315	1 616 201	(13%)	1 551 524	(9%)
Leased assets	283 689	296 099	(4%)	299 089	(5%)
Goodwill	204 599	195 315	5%	186 396	10%
Investments	2 697	2 697	-	2 697	-
Deferred tax asset	12 213	11 577	5%	12 831	(5%)
Long term receivables from lease interest	302 609	23 627	1 181%	157 437	92%
Long term trade receivables	105 488	368 457	(71%)	337 252	(69%)
Total non- current assets	2 322 610	2 513 973	(8%)	2 547 226	(9%)
Current assets					
Inventory	673 046	636 451	6%	592 406	14%
Trade accounts receivable	4 436 070	4 212 863	5%	5 950 824	(25%)
Other current assets	620 416	863 136	(28%)	570 699	9%
Short term receivables from lease interest	137 852	23 627	483%	53 480	158%
Short term receivables from employees	9 200	-	-	2 400	283%
Short term financial investments	9 218	-	-	-	-
Cash and cash equivalents	196 138	309 311	(37%)	400 513	(51%)
Total current assets	6 081 940	6 045 388	1%	7 570 322	(20%)
TOTAL ASSETS	8 404 550	8 559 361	(2%)	10 117 548	(17%)
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Issued capital (200 HUF/share par value each)	1 860 947	1 860 947	0%	1 860 947	0%
Treasury shares	(1 484 299)	(1 195 841)	24%	(1 195 841)	24%
Share premium	3 087 126	3 087 126	0%	3 087 126	0%
Retained earnings	837 471	1 059 890	(21%)	1 269 097	(34%)
Cumulative currency translation adjustments	221 979	208 118	7%	158 965	40%
Equity attributable to equity holders of the parent	4 523 224	5 020 240	(10%)	5 180 294	(13%)
Non controlling interest in consolidated subsidiaries	44 368	42 080	5%	43 261	3%
Total equity	4 567 592	5 062 320	(10%)	5 223 555	(13%)
Long-term liabilities					
Share based option liability (IFRS 2)	10 550	10 550	0%	10 550	0%
Deferred tax liability	6 085	-	-	37 741	(84%)
Liabilities from finance lease	137 397	277 809	(51%)	247 497	(44%)
Total long-term liabilities	154 032	288 359	(47%)	295 788	(48%)
Current liabilities					
Liabilities from finance lease	219 706	73 540	199%	82 681	166%
Trade accounts payable	1 686 322	1 856 600	(9%)	3 187 182	(47%)
Other payables and accruals	1 090 925	1 089 417	0%	1 180 865	(8%)
Provisions	17 726	73 450	(76%)	95 256	(81%)
Interest-bearing loans and borrowings	647 980	-	-	-	-
Income tax payable	20 267	115 675	-	52 221	-
Total current liabilities	3 682 926	3 208 682	15%	4 598 205	(20%)
TOTAL LIABILITIES AND EQUITY	8 404 550	8 559 361	(2%)	10 117 548	(17%)

* non audited ** consolidated

The change of the useful life of the—active—investment value that is constituted of the transformation and reconstruction works performed 10 years ago on the—rented—office building in the use of the Company resulted in a substantial drop in the depreciation of tangible assets. With the diminishing of the useful life, the non-cash loss recorded in the current quarter accounts for a 160-million-HUF depreciation.

Among the leased assets, we recorded the vehicles financed by the company in the frame of a finance lease. No new, significant amount was procured in 2010.

The total of goodwill related to the investments of Infinity a.s. is 205 million HUF, which is a HUF amount calculated by a constant revaluation of the total in Czech Koruna. The changes in the total due to the fluctuation of the exchange rate are recorded as exchange differences in the equity.

The deferred tax asset was calculated with the 10% tax rate that is predicted to be imposed on Hungarian companies from 2011. The deferred tax asset is recorded in the accounts of Synergon Retail Systems Ltd., as the expected results of the company make the return on investments probable.

The long- and short-term receivables arising from lease interests record the assets delivered to BKV since 2009 in the form of finance lease. In understanding of the IFRS's, the assets delivered in the frame of the 10-year BKV service agreement fall into the scope of finance lease owing to their complete or substantial amortization and the contracted right of disposal of the customer. The lease duration of the assets is identical with their estimated useful life. Among the lease interests, the HP devices financed and sold in the frame of leasing agreements--which were concluded by Infinity a.s. in 2008-2009 and have not expired yet--account for items of lower value.

The long-term account receivables originating from sales are customer liabilities with a payment due date over a year.

The Company does not accumulate stocks without customer orders; stock procurements that generate a growth of the inventory satisfy concrete contracts only. The stocks include slowly moving items, such as substitute appliances pertaining to the contracted levels of service and items received for purposes of presentation and review, in an average total value of 60-100 million HUF.

The changes of liquid assets and equity are illustrated by the separate cash-flow and capital movement sheets.

The deferred tax asset is recorded by Synergon Retail Systems Ltd. based on the balance data of Q3 2010. As opposed to the earlier, higher 20% tax rate, a 10% value was used in the calculations, consequently, the deferred tax liability of the company decreased, producing a positive tax balance.

Short- and long-term lease liabilities record items of information technology equipment and vehicle lease agreements.

The provisions accumulated in the past years for the settlement of contentious, open affairs were used up completely, in harmony with their objective.

The Hungarian companies drew 648 million HUF from the bank overdraft at the disposal of the Group at the end of Q3. The companies utilised the credit line for financing professional work and equipment necessary for the execution of the outstanding projects.

Consolidated Cash-Flow Statement

As of September 30, 2010, the cash and cash equivalents portfolio of the Company totalled net debt 452 mHUF. In the reporting period the change was 852 mHUF, a decrease in cash and cash equivalents.

Cash Flow**	September 30th, 2010* Thousand HUF	September 30th, 2009* Thousand HUF
Cash Flow relating to operating activities:		
Net income before taxation	(440 313)	163 272
Non-cash items recognized in profit before taxes:		
Depreciation and amortization	490 921	321 455
Provisions (decrease) increase	(77 530)	(59 866)
Impairment (reversal) of property plant and equipment	20 818	(5 926)
Impairment (reversal) of trade receivables	49 294	(12 356)
Impairment of inventories	77 039	47 161
Share based payment expenses	-	67 469
Net financial interest (gains) expenses	<u>(17 173)</u>	<u>(37 523)</u>
	103 057	483 687
Proceeds from disposal of fixed assets	(4 797)	11 975
Changes in non controlling interest	1 171	764
Treasury shares futures contract (gains) losses	70 300	(150 900)
Changes in working capital:		
Changes of accounts receivable and other current assets	1 647 507	1 867 178
Changes of inventory	(157 679)	51 506
Changes in lease interest	(229 544)	(24 324)
Changes of Payables and accruals	<u>(1 576 163)</u>	<u>(1 951 183)</u>
	(315 880)	(56 824)
Interest received	42 274	52 099
Interest paid	(25 102)	(14 576)
Income taxes (paid) received	(53 651)	(6 553)
	(36 478)	30 970
Net cash flows used in operating activities	(182 628)	319 672
Cash flow relating to investing activities		
Acquisition of intangible assets, property, plant and equipment	(370 356)	(638 264)
Proceeds from sale of fixed assets	36 155	96 579
Gains (Losses) from future deals	(70 300)	150 900
Increase (decrease) in the short term deposits	(2 418)	(2 525)
Increase (decrease) in finance lease liability	26 925	68 531
Received (paid) from forward contract deposit	-	(13 831)
Net cash flow used in investing activities	(379 994)	(338 610)
Cash flow relating to financing		
Asset refund to shareholders	(1 275)	(94 551)
Proceeds from sale of treasury shares	-	61 676
Acquisition of treasury shares	(288 458)	(326 330)
Net cash flow used in financing activities	(289 733)	(359 205)
Increase in cash and cash equivalents	(852 355)	(378 143)
Cash and cash equivalents at 1 January	400 513	687 454
Cash and cash equivalents at the end of the period	(451 842)	309 311

* non audited

** consolidated

The net cash flow for operating activities was 183 million HUF. According to the earnings before taxes calculated with the adjustment of non-cash items, the company recorded a positive cash-flow

of 103 million HUF in the past nine months. Non-cash items were significantly affected by the change of depreciation. The increase in 2010 resulted from the adjustment of the useful life of the investment by Synergon on a rented immovable property. In relation to the significant decrease of the useful life, depreciation increased by 160 million HUF.

The items of the working capital resulted in the spending of 316 million HUF of cash. The timely settlement of the liabilities towards suppliers was possible from the bank overdraft of Hungarian companies.

The loss of the investment cash-flow was 380 million HUF. Fixed assets include procurements of high value that will be delivered to BKV in the remaining part of the year in accordance with contracted terms. During the year, the company has begun the modernisation of the information technology devices in its own use, upgraded a server room, set up another one, and refreshed the ERP system. The acquisition of information technology devices in connection to these improvements was necessary and actual.

The closed futures contracts of Synergon generated an outflow of 58.8 million HUF. The futures contracts of Synergon System Integrator Ltd. with a maturity date in December 2010 generated 11.5 million HUF of spending as of the settlement day on 30 September 2010.

The financing cash-flow totalled 290 million HUF of spending. This constituted of the dividend pay of Infinity a.s. to the non controlling interest shareholder, in addition to the purchase of Synergon shares in a total of 288 million HUF.

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.

Consolidated statement of changes in equity (Thousand HUF)	Attributable to equity holders of the parent						Total	Non controlling interest	Total equity
	Share Capital	Treasury Shares	Share	Capital Reserve	Retained Earnings	Cumulative Translation Adjustment			
Balance at January 1st 2010 (IFRS)	1 860 947	(1 195 841)	3 087 126	-	1 269 097	158 965	5 180 294	43 261	5 223 555

Transactions with the equity owners:									
Purchase of treasury shares	-	(288 458)	-	-	-	-	(288 458)	-	(288 458)
Dividend paid	-	-	-	-	-	-	-	(1 275)	(1 275)
Transactions with the equity owners:	-	(288 458)	-	-	-	-	(288 458)	(1 275)	(288 458)

Comprehensive income:									
Total comprehensive income for the period	-	-	-	-	(431 626)	63 014	(368 612)	2 382	(366 230)
Balance at September, 30th 2010 (IFRS)	1 860 947	(1 484 299)	3 087 126	-	837 471	221 979	4 523 224	44 368	4 568 867

Consolidated statement of changes in equity (Thousand HUF)	Attributable to equity holders of the parent						Total	Non controlling interest	Total equity
	Share Capital	Treasury Shares	Share	Capital Reserve	Retained Earnings	Cumulative Translation Adjustment			
Balance at January 1st 2009 (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
Reclassification of opening balances	-	(23 700)	23 700	(27 980)	27 980	-	-	-	-
Restated opening 1st January 2009	1 910 926	(1 081 484)	5 794 584	-	(1 569 461)	121 337	5 175 902	41 316	5 217 218
Transfer due to demerger transaction	-	-	(2 545 161)	-	2 545 161	-	-	-	-
Decrease of equity by the reason of foundation subsidiary	(10 000)	84 575	(32 473)	-	(42 102)	-	-	-	-
Decrease of equity by the reason of asset refund to shareholders	(39 979)	-	(129 824)	-	75 252	-	(94 551)	-	(94 551)
Sale of treasury shares (revenues) cost	-	127 398	-	-	(65 722)	-	61 676	-	61 676
Purchase of treasury shares	-	(326 330)	-	-	-	-	(326 330)	-	(326 330)
Total shareholder's transactions	(49 979)	(114 357)	(2 707 458)	-	2 512 589	-	(359 205)	-	(359 205)
Net income	-	-	-	-	49 293	86 781	136 074	764	136 838
Share based payment (IFRS 2)	-	-	-	-	67 469	-	67 469	-	67 469
Total comprehensive income for the period	-	-	-	-	116 762	86 781	203 543	764	204 307
Balance at September, 30th 2009 (IFRS)	1 860 947	(1 195 841)	3 087 126	-	1 059 890	208 118	5 020 240	42 080	5 062 320

Shareholders Equity value representing voting rights at September 30th, 2010.

Equity representing voting rights	HUF	ps.
Issued capital (200 HUF/share par value each)	1 860 946 600	9 304 733
Treasury shares	(304 430 000)	(1 522 150)
Shares with voting rights	1 556 516 600	7 782 583

Earnings per share

(Loss) Earning per share	2010 Q3 *	2009 Q3 *
Net (loss) income attributable to ordinary shareholders for basic and diluted Earnings per share	(431 626)	49 293
Number of shares		
Weighted average number of ordinary shares in issue outstanding during the year for basic earnings per share	8 040 885	8 454 194
Weighter average number of treasury shares	1 263 848	850 539
Weighted average number of ordinary shares in issue outstanding during the year for diluted earnings per share	9 304 733	9 304 733
Earnings per share		
diluted, profit (loss) for the year attributable to ordinary equity holders of the parent (HUF per share)	(46)	5
basic, profit (loss) for the year attributable to ordinary equity holders of the parent (HUF per share)	(54)	6

* non audited

Synergon Information Systems Plc. (mother company) stand alone financial statements for the period of 1st January to 30th September 2010 prepared according to the Hungarian accounting principles

The interim report has not been audited by independent auditor, the accounting principles were the same for all reported periods, data published in thousand Huf.

Synergon Information Systems Plc. Financial report according to the hungarian accounting standards	September 30th, 2010*	September 30th, 2009*	December 31st 2009
1st part			
Fixed assets	2 301 287	2 841 715	2 669 473
I. INTANGIBLE ASSETS	17 347	538 011	114 337
Capitalised value of foundation and restructuring costs	0	0	0
Capitalised value of research and development costs	0	0	0
Concessions and similar rights and assets	3 022	66 222	41 375
Intellectual property	14 325	471 789	72 962
Goodwill	0	0	0
Advance payments on intangible assets	0	0	0
Revaluation of intangible assets	0	0	0
II. TANGIBLE ASSETS	422 303	714 473	693 498
Land and buildings and related concessions and similar rights	334 905	535 932	524 557
Technical equipment, machinery and vehicles	0	0	0
Other equipment, fittings and vehicles	87 200	177 987	168 138
Breeding stock	0	0	0
Capital expenditure, renovations	198	554	803
Advance payments on Capital expenditure	0	0	0
Revaluation of tangible assets	0	0	0
III. FINANCIAL INVESTMENTS	1 861 637	1 589 231	1 861 637
Long term investments in related companies	1 858 943	1 586 537	1 858 943
Long term loans given to related companies	0	0	0
Other long term investments	2 694	2 694	2 694
Long term loans given to other investees	0	0	0
Other long term loans given	0	0	0
Securities representing long term loans	0	0	0
Revaluation of financial investments	0	0	0

2nd part

	3 799 212	3 851 827	4 524 573
B. Current assets			
I. INVENTORIES	77 145	155 324	221 149
Raw materials and consumables	0	0	0
Work in progress and semi-finished products	0	(0)	(0)
Animals	0	0	0
Finished goods	0	0	0
Goods	77 145	155 324	221 149
Advance payments on inventories	0	0	0
II. RECEIVABLES	2 664 025	2 993 715	3 458 160
Trade accounts receivable	267 607	1 709 258	1 843 199
Receivables from related companies	2 290 130	1 095 793	1 475 119
Receivables from other investees	0	0	0
Bills of exchange receivable	0	0	0
Other receivables	106 288	188 664	139 842
III. MARKETABLE SECURITIES	1 028 755	652 709	825 133
Investments in related companies	0	0	0
Other investments	0	0	0
Own shares, own quotas	1 027 131	636 654	825 133
Securities representing loans held for sale	1 624	16 055	0
IV. LIQUID ASSETS	29 287	50 079	20 130
Cash in hand, cheques	537	1 416	3 036
Bank deposits	28 750	48 663	17 094
C. Prepaid expenses and accrued income	157 783	425 799	396 013
Accrued income	47 757	7 288	149 547
Prepaid expenses	110 026	418 512	246 467
Deferred expenses	0	0	0
	0	0	0
TOTAL ASSETS	6 258 282	7 119 341	7 590 059

	September 30th, 2010*	September 30th, 2009*	December 31st 2009
D. SHAREHOLDERS' EQUITY	5 658 180	5 761 479	5 847 917
I. ISSUED CAPITAL	1 860 947	1 860 947	1 860 947
II. ISSUED BUT NOT PAID CAPITAL (-)	0	0	0
III. CAPITAL RESERVES	3 497 832	3 497 832	3 497 832
IV. RETAINED EARNINGS FROM PREVIOUS YEARS	(537 993)	(523 458)	(711 937)
V. NON-DISTRIBUTABLE RESERVES	1 027 131	636 654	825 133
VI. REVALUATION RESERVE	0	0	0
VII. PROFIT PER BALANCE SHEET	(189 737)	289 505	375 943
E. Provisions	6 821	58 388	76 969
1. Provisions for expected liabilities	6 821	58 388	76 969
2. Provisions for future expenses	0	0	0
3. Other provision	0	0	0
F. Liabilities	479 063	1 006 783	1 384 007
I. SUBORDINATED LIABILITIES	0	0	0
1. Subordinated liabilities to related companies	0	0	0
2. Subordinated liabilities to other investees	0	0	0
3. Subordinated liabilities to other enterprises	0	0	0
I. LONG TERM LIABILITIES	6 353	75 391	72 118
Long term credits	0	0	0
Convertible bonds	0	0	0
Debts on the issue of bonds	0	0	0
Investment and development loans	0	0	0
Other long term loans	0	0	0
Long term liabilities to related companies	0	0	0
Long term liabilities to other investees	0	0	0
Long term financial lease liabilities	6 353	75 391	72 118
Other long term liabilities	0	0	0

Synergon Information Systems Plc. Financial report according to the hungarian accounting standards 4th part	September 30th, 2010*	September 30th, 2009*	December 31st 2009
III. Short term liabilities	472 710	931 392	1 311 889
Short term credits	0	0	0
from which convertible bounds	0	0	0
Short term loans	0	0	0
Advance payments received from customers	0	0	0
Trade accounts payable	96 157	726 065	394 768
Bills of exchange payable	0	0	0
Short term liabilities to related companies	5 698	64 887	752 613
Short term liabilities to other investees	0	0	0
Other short term liabilities	370 855	140 441	164 508
G. Accrued expenses and deferred income	114 220	292 691	281 166
1. Deferred revenues	87 035	267 765	260 254
2. Accrued expenses and expenditure	27 185	19 309	20 912
3. Deferred income	0	5 617	0
TOTAL LIABILITIES AND SHEREHOLDERS' EQUITY	6 258 284	7 119 341	7 590 059

5th Part

Net domestic sales revenues	1 638 959	6 765 233	8 249 146
Net export sales revenues	173	18 457	18 698
Net sales revenues	1 639 132	6 783 690	8 267 844
Change in self-manufactured inventories	0	(13 425)	(13 425)
Capitalised value of self-manufactured assets	0	139 900	992
Capitalised value of self-manufactured assets	0	126 475	(12 433)
Other revenues	304 950	553 222	1 209 690
of which: reversal of impairment loss provision	0	114 184	0
Cost of raw materials	43 931	70 540	82 972
Value of services used	742 432	3 490 804	3 974 370
Value of other services	23 869	43 171	58 306
Cost of goods sold	460 237	2 082 018	2 826 475
Value of recharged services	30 471	244 153	403 735
Material type expenditure	1 300 940	5 930 686	7 345 858
Wages	227 564	428 619	533 582
Other payments to personnel	36 669	85 970	104 584
Personnel related contributions	70 473	155 070	190 083
Payments to personnel	334 706	669 659	828 248
Depreciation charge	260 134	200 824	259 573
Other expenditure	249 384	427 987	1 203 397
-from which depretiation	0	0	11 711
Operating result	(201 082)	234 231	(171 975)

Synergon Information Systems Plc. Financial report according to the hungarian accounting standards	September 30th, 2010*	September 30th, 2009*	December 31st 2009
6ht part			
Dividend received	107 553	0	0
of which: received from related companies	0	0	0
Gain on sale of investment	0	0	0
of which: received from related companies	0	0	0
Interest received and gain on financial investments	0	0	0
of which: received from related companies	0	0	0
Other interest received	49 562	27 791	42 924
of which: received from related companies	0	0	0
Other revenues from financial transactions	35 630	398 280	342 470
Revenues from financial transactions	192 745	426 071	385 933
Loss on financial investments	20 460	0	0
of which: given to related companies	0	0	0
Interest paid	5 732	10 781	12 748
of which: given to related companies	0	0	0
Impairment loss of financial investment, securities and bank deposit	0	24 958	(179 609)
Other expenditures of financial transactions	108 385	321 180	298 320
Financial expenses	134 577	356 919	131 458
FINANCIAL PROFIT	58 168	69 152	253 935
PROFIT ON ORDINARY BUSINESS	(142 914)	303 383	81 960
Extraordinary revenues	0	0	364 165
Extraordinary expenditures	46 823	13 879	53 782
Profit on extraordinary events	(46 823)	(13 879)	310 383
Net profit before taxation	(189 737)	289 505	392 343
Tax	0	0	16 400
AFTER TAX PROFIT	(189 737)	289 505	375 943
Dividends paid out of retained earnings	0	0	0
Dividends paid (approved) out of current year profits	0	0	0
NET PROFIT PER BALANCE SHEET	(189 737)	289 505	375 943

Business analysis of the consolidated companies highlighting the exterminating business effects and risks

Governmental and Public Administration Sector; Defense Sector

In Q3, the sector focused chiefly on priority projects financed by the EU. Many of these projects were obtained through successful tenders and reached conclusion of contract.

The reform of public administration is an important element of the Electronic Public Administration Operational Program, which has set the goal of creating suitable circumstances for efficient work in the whole of public administration through different measures, including the introduction of electronic public administration. The project implemented at the National Directorate General for Disaster Management (OKF) also pursues the same goal. As a result of the development, the related users, corporate and private clients of OKF will have the possibility of using electronic administration, through which official authorization procedures can become faster, more efficient, simple and transparent. Synergon System Integrator Ltd. delivered the system, after having won the public procurement procedure, based on which the agreement was concluded on 11 August 2010. The OKF branches concerned will be able to use the new system from the beginning of January 2011. Following the training sessions, the electronic administration and records management will assist 1200 users in their daily work. The unified electronic system created thus will make it possible to follow the progress of records, to monitor the efficiency of administration, and to support and accelerate records management, while constantly ensuring the availability of the pieces of information related to the individual records.

Synergon System Integrator Ltd. was announced preferred tenderer for Part 2 of the procurement contract „The Transformation of the Public Bus Transport of Győr City with County Rights“ which had been announced by the local government of Győr City with County Rights and Kisalföld Volán Plc (transport company). The agreement was signed by the Parties on 13 August. In the frame of the project, Synergon delivers, installs and puts into operation systems related to fleet management and passenger information. In Sopron, Synergon System Integrator Ltd. won the public procurement tender for the delivery and installation of ticket and travel card vending machines. The vending machines, which will be installed in bus stops and serving passengers 24-hour-a-day, will accept both cash and bank/credit card, consequently, people intending to buy a ticket or a travel card will not have to look for larger intersections to find a ticket counter. In addition to selling tickets for community transportation, the system and the machines installed in bus stops are also suitable for selling tickets for different events. Further advantages of the vending machines are their swift operability and that in addition to the Hungarian information they offer the choice of English and German language menus for assisting the ticket purchase of foreign speaking passengers. The machines are in harmony with the European standards promoting equal chance; the developers have taken into consideration the needs of people with disabilities as well.

Traffic information technology represents a major strategic direction in the long-term plans of Synergon; the company has been studying the field and developing appropriate competences for one and a half years now. Consequently, winning the above tenders and concluding the related contracts qualify as important milestones. The passenger information system tenders of several Volán subsidiaries are still in the application stage; should Synergon prevail in the tender, it would be entrusted with a significant amount of tasks.

The defense sector, which separated from the governmental and public administration sector and became independent at the beginning of 2010, was still focusing on preparation and groundwork during the last quarter. The business and political environment kept the sector from announcing larger projects and calls for tenders, apart from a few orders for minor infrastructural constructions. Based on the familiarity with the different branches of the sector, it is clear that there is demand for the solutions specified earlier—e.g. specific applications, individual developments, information security, data loss prevention and security solutions—, however larger information technology developments will probably only be launched parallel to the projects in the other fields of governmental administration.

Financial institutions, telecommunications and media sector

The sector closed an exceedingly successful quarter, with the help of which the Q3 result surpassed expectations on the whole.

At Vodafone Zrt, the high availability IP network support is continuous, in addition to which major device supplies and implementation tasks related to network expansion and upgrade were executed in Q3 as well. In the course of the most significant development, the bandwidth of the international web connection was expanded to 10GigabitEthernet, and the network devices for the aggregation of web traffic were replaced with routers of higher capacity, for which task the Company chose the new ASR 9006 routers by Cisco Systems.

Synergion continued to perform its other assignments related to rolling out data security solutions, and it successfully completed the project of engineering the internal premium accounting system of Vodafone. Following the latter project, contracting parties concluded a high availability system support agreement in Q3. It is considered a major achievement that the Company was assigned to the development and operation support tasks linked to the Data Warehouse in the frame of a multiyear agreement.

Throughout the quarter, Synergion performed its system support tasks related to the IP network and Oracle server park of Invitel Private Ltd. (telecommunications company) without interruption. Several minor investments were also implemented in the frame of the agreement. The most significant of these was the expansion of the Cisco Nexus-based active device park of the Invitel Data Centre and the extension of its premium system support service. During the quarter, the Company received a major assignment for the delivery of Cisco network end-points as well.

The Company successfully completed the project aimed at the modernisation of the network management solution of Invitel as well.

The fulfilment of the comprehensive premium network management support agreement at the T Group is continuous and it progressed according to plans in Q3 as well. The Company has also been performing several minor development projects in this field.

The deliveries related to the construction of optical networks at cable TV service providers continued in this quarter as well.

For the National Media and Infocommunications Authority, established through the consolidation of the National Communications Authority (NHH) and the National Radio and Television Commission (ORTT), Synergion is performing the system support of the SAP-based Economic and Financial System, tasks arising from the consolidation, and the network operation support, which assignments exert significant influence over the revenue totals of Q3 and year 2010 on the whole.

In the field of business solutions, the ongoing development projects at Hungarian banks are progressing as planned and follow-up projects are also in sight for 2011. Delivery is also uninterrupted in the various information technology operation projects performed for different banks. During the quarter, the Company concluded an agreement with one of the leaders of the Hungarian insurance sector for the further extension of their operational contract.

The Company was entrusted with the assignment to provide support for the network solution switchover at one of the leading banks of Hungary.

In addition to the above projects, Synergon also concluded several other minor projects, which are accompanied by follow-up activities.

The Company is making efforts towards winning several projects that would hopefully contribute to the performance of the sector as soon as the last quarter of 2010.

Industry and material projects sector

The end of year is closing in on the clients of the sector: an increasing number of operators are launching projects for solving their IT problems and challenges. The number of projects has reached the pre-crisis level, while their operating margin is generally lower owing to a more fierce competition.

Q3 of British American Tobacco Hungary Ltd. was characterised by a series of smaller but important projects, which were not hindered by the change of leadership at the client. They will not launch major new projects for the time being.

At the ELMŰ-ÉMÁSZ Group (power provider), the continuous expansion of the SDH system is in progress, we are currently delivering network devices of high value. The upgrade of the optical network in Paks was completed, and the rolling out of a Microsoft application has begun in cooperation with MVM Informatics Ltd.

One of the most prosperous clothing retail chains of Hungary has begun opening new stores in Poland, Slovakia, Croatia and the Czech Republic, with Synergon delivering complete information technology support. Store openings will continue until the end of the year.

The reconstruction works at Tigáz (gas provider) sites continued. Our company modernised further 15 sites and also completed the second major milestone of the NAP (Network Access Protection), which carries outstanding reference value. A network optimisation project was carried out at several Hungarian sites of the Continental Group (tyre manufacturer). Our company delivered Microsoft licenses in the framework of the Central Services Main Directorate (KSZF) to the MÁV Group (railway company).

In Q3, Synergon concluded a 3-year supply contract with Budapest Power Plant Private Ltd. for the extension of the warranty conditions of Cisco devices in harmony with the tender the company had won.

EDF Démász Private Ltd. entrusted Synergon System Integrator Ltd. with the execution of Call Manager upgrade tasks, in understanding of the preliminary commercial and professional groundwork.

According to the current perspectives of the sector, numerous projects will be launched in Q4, of which a significant number could be completed this year already.

Synergon System Integrator Ltd.

Synergon System Integrator Ltd. specified technology focus priorities at the beginning of the year. In Q3, it expanded and improved competences in harmony with these priorities, on one hand in the direction of fields of priority, on the other hand in the directions of the developments of partners on the basis of market prognoses.

One of the priorities is the field of security solutions, in connection to which the Company renewed its Cisco Advanced Security certification and colleagues took exams necessary for acquiring the Check Point Gold partner status. It is a fine proof of the innovativeness of Synergon that it is the first company in Hungary to have expanded its product range with the software Check Point Abra thus enhancing its expertise with a solution that was distinguished with 'The Best International Innovation' award at the 2010 Information Security Day (ITBN) conference in Hungary.

Synergon System Integrator continued to reinforce its expertise in data loss prevention technologies and expanded its endpoint protection services. On account of the rise in demand, an extension of resources took place in the field of Identity and Access Management. In course of the projects, the sector expanded its practical experiences linked to products by Balabit Ltd., in the fields of firewalls, log management and monitoring solutions as well.

The Company participated at Hacktivity 2010 as a sponsor in order to emphasise the importance of security solutions.

As of 26 August 2010, Synergon System Integrator has become a certified Cisco Video Surveillance ATP Partner, which means that being one of just two Hungarian partners, the company is entitled to resell the product. This family of advanced security products boosts the portfolio of the DCS (Datacenter and Cabling Systems) Business Unit, which also includes other building-related basic infrastructure solutions, such as structured cabling or data centre construction and operation.

The diffusion of video surveillance solutions in Hungary is still behind the West European average; consequently a rise in business demand is expected in this field. An increase in the intensity of the use of the technology is expected primarily in the retail and the transportation sector, but the operational reliability and security offered by this solution is increasingly important in the banking and financial sector as well.

In September, Synergon System Integrator successfully qualified for participation in the Cisco partner program yet again; this certification has to be renewed annually. Synergon has been sustaining the highest designation of Cisco, Gold Certified Partner, since 1997. The certification of both the company and the experts is often a prerequisite for different tenders, and it is also necessary for participation in the programs offered by Cisco to improve profitability.

Another branch of priority, the Outsource Business Unit laid great emphasis on improving its competences in Q3 also, thus further eight colleagues passed Windows 7 exams. Thanks to technological developments, by the end of summer the unit polished its control services—e.g. the monitoring of computer room networks and server infrastructures—further in order to decrease error detection and error elimination time.

Under the aegis of competence development, colleagues of the System Integration Business Unit passed examinations linked to Microsoft, VMware and Symantec Enterprise Vault products in preparation for future projects, such as Microsoft-based migration (address book, e-mails), or virtualization.

For the past period, the Business Applications Unit focused on the strategic areas that had been specified at the beginning of the year. Its individually developed Sirius file management system successfully passed yet another audit, as a result of which it received the highest level, extended certificate. In the frame of the Business Innovation subsidy tender of the Operational Programme 'Central Hungary', the file management system will be expanded with functions that support digital signature schemes and digital signing devices.

Competence development in the field of e-justice continued, drawing on the experiences gained in the development of the records management software. Developments that belong to this field play a part in the realization of e-administration, efficient workflow support, file management, and communication with the Central Electronic Service Provisioning System (KR).

The expansion of the competences required for rolling out and operating the business intelligence (BI) systems, which support operational and strategic corporate management, has begun. There was a major increase in number of senior staff, in support of the objective of making the Unit one of the protagonists of the BI market in Hungary.

The competence development in the field of community transportation continued with participation at vertical events and the expansion of the internal staff. In order to widely promote our competences on the market, the marketing activity intensified in the form of articles published in the Hungarian specialized press.

With the aim of emphasising its expertise in SAP, Synergon System Integrator appeared as Gold Sponsor at the SAP World Tour and gave a presentation about one of the freshest SAP Netweaver technologies, the LSO solution in a virtual environment.

Retail and special systems (Synergon Retail Systems Ltd.)

Synergon Retail Systems Ltd. operates in the retail and wholesale sector. The company installs and operates sector specific systems, has a countrywide repair network, and offers electronic solutions as a premium EDI service provider in Hungary.

The Company closed Q3 2010 according to expectations. It performed its non-stop, 24/7 repair service and system support assignments countrywide according to its actual agreements.

During Q3, the Company assisted its partners in the opening of several clothing stores both in Hungary and abroad, expanding the regional network. It successfully concluded agreements for the installation and repair service of points-of-sale, which will be completed during Q4.

The proficiency of the Ltd. is also apparent from the fact that it managed to conclude agreements for the installation of point-of-sale systems with international companies that had not been present on the Hungarian market.

Following the successful licensing, the product portfolio has been expanded with a new point-of-sale system, which received the name SRS Ticketing in the traditional christening procedure of the company's own brands.

By following the trends of the sector, one can perceive the emergence of the demand for self-service systems. The Company expanded its portfolio accordingly by developing a new competence: it added IBM's self-checkout system to its portfolio, while the Company's experts successfully completed related exams.

Our ECOD – EDI service is used by several multinational FMCG companies. Auchan Hungary Ltd., one of the leaders in this field, also relies on the services of Synergion. In Q3, an outstanding number of suppliers converted to electronic invoicing in the frame of the ECOD service.

Solutions that had been authorised in Slovakia resulted in additional successful projects at KIK Slovakia and Lukoil Slovakia.

Infinity a.s (subsidiary, Czech Republic)

Projects concerning business solutions that require long and complex negotiations were still in the preparatory phase in Q3, which is perceived as a consequence of the crisis. The results of these will probably emerge in the last quarter and afterwards.

As the first recovery from the crisis, Infinity chiefly performed infrastructural deliveries in Q3. These license sales were realized on a lower level of contribution than earlier sales. The Company received an order of significant volume placed by SAZKA a.s. (Czech national gambling company). The above client has a long record in the portfolio of Infinity; in the last quarter, the Networking and SAS (Servers and Systems) Units replaced the whole ticketing system of the gambling company in cooperation with IDS Scheer. In the frame of the sever consolidation, a new Blade system was installed at SAZKA, in result of which hardware sales boosted the performance of the SAS Unit. In the frame of another modernization project, the Company delivered 1000 pieces of LCD panels for presentation purposes in cooperation with a subsidiary of GTECH. The new iPlayer presentation software for SAZKA was one of the high-priority projects of the Application Development Unit. The software will be part of the presentation technology deployed at the SAZKA sales terminals—the so-called SAZKAPoints.

In the banking and finance sector, the Penzijní fond České pojišťovny (Czech insurance and pension fund) ordered the delivery and installation of Blade servers from the Networking and SAS Units.

The order of the Dopravní podnik města Brna (Transport Company of Brno) was delivered by the Networking Unit. The client placed a network modernization order, which included the installation of new switches, monitoring services, and Cisco Smart Care.

The implementation of the complete information technology infrastructure (incl. servers, backup, switches, WiFi, PCs and printers) for the brand new showroom of Ford Auto Motol BENI (Ford retail trader) and the sale of the related licenses was completed.

The SAS Unit performed server consolidation projects for Formplast Purkert s.r.o. (car industry supplier) and Atento Czech Republic (telemarketing company). The client expects a significant reduction of costs from the installation of VMware, which ensures availability in case of high traffic.

Scania is a major, permanent client of the Networking Unit. In the frame of its last project, the Unit completed the construction of Motorola networks in Czech, Slovak and Hungarian regions.

The Networking Unit installed new IP phones along with the Cisco Call Centrum Express solution at the call centre of Český inkasní servis (claims management company).

The KBC Group confirmed its long-term satisfaction by signing a new, two-year SLA (Support Level Agreement) with Infinity. SLAs provide the SAS and Hardware Units with constant engagements.

Minor sales with future potential for growth are: the Jupiter switch supply contract with the hospital of Pardubice; the WiFi network construction for Pepsi Cola; the Cisco L2 switch development for

GEMO Olomouc; and the implementation of the virtual and consolidation environments, including the technological audit, for EGIS Praha (pharmaceutical company).

Headcount figures for Synergon Group

Headcounts	2010 Q3 average	2009 Q3 average	Difference %	2010 Q3 closing	2009 Q3 closing	Difference %
Synergon and Hungarian controlled entities	245	280	(13%)	227	270	(16%)
Infinity	105	106	(1%)	106	108	(2%)
Total	350	386	(9%)	333	378	(12%)

The closing headcount of September 30, 2010 is 333 persons, of whom 64 persons are employed by the parent company. The change in the closing headcount is a decrease of 12% compared to the closing value of the corresponding period of 2009.

Companies belonging to the consolidated range of The Synergon Group

Name	Equity/Registered capital	Interest held
Synergon System Integrator Plc.	67 760 Thousand HUF	100%
Synergon Retail Systems Kft.	40 000 Thousand HUF	100%
Fibex Kft.	5 000 Thousand HUF	100%
Infinity a.s.	49 200 Thousand CZK	98,59%

Corporate events

Board of Directors

In Q3 2010, the Board of Directors decided about contracting material projects, increasing credit line limit for the mother and subsidiary companies, prolongation of the CEO's of Synergon System Integrator Ltd. Mark Lazarovits and Szabolcs Vida, appointment of the new CEO for Fibex Kft.

Personal Changes

In accordance with the personal and corporate decision of the Board of Directors, since September 2010 Róbert Litauszki is the CEO of Synergon Information Systems Plc, Verhóczkiné Polányi Zsuzsanna is the CEO of Fibex Kft. as of 13th September 2010. 11. 16.

Ownership structure

Shareolders with higher than 5% owership of Synergon Informations Plc.			Shareolders structure of Synergon Informations Plc.		
Shareholders	September 30th, 2010	December 31st, 2009	Shareholder arts	September 30th, 2010	December 31st, 2009
Cashline Befektetési Holding Zrt.	15,42%	15,42%	Domestic Company	51,98%	52,27%
Pannergy Műanyagipari Nyrt. with subsidiaries	12,52%	12,52%	Foreign Company	2,67%	4,48%
Treasury shares	16,36%	11,97%	Domestic Private person	27,90%	24,98%
Investors below 5% ratio	55,70%	60,09%	Foreign Private person	0,50%	0,16%
			Employee and Key management	0,05%	0,21%
			Treasury shares	16,36%	11,97%
			Governmental and public interest	0,00%	0,00%
			Other	0,53%	5,92%
Total	100%	100%	Total	100%	100%

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 9-month **period from January 1, to September 30, 2010** 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 stand alone financial reports of the mother company Synergon Information Systems Plc. has been prepared according to the Hungarian Accounting Standard and contains not audited data and statements complying with the reality and no facts are concealed which would significantly affect the assessment of the company's situation. This report shows a real, creditable picture of the Company's devices, liability, financial situation, gains and losses, and gives a reliable picture of the presented, consolidated Company's situation, development, performance, revealing the main ventures and elements of uncertainty.

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, 16th November 2010



Robert LITAUSZKI
CEO

Zsuzsanna IMRE
CFO

Synergon Information Systems Plc.

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