



Synergon Group Consolidated financial report based
on IFRS and Synergon Information Systems Plc.'s
stand alone report based on HAS
for the 12 months of 2010.

Published on: 7th April, 2011.

Following the post-crisis halt, Synergon has set out on the way of rise; tenders won by Synergon

The quarterly figures 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, 2010 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 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. 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 %
	Q4 *	Q4		q4 *	q4 *	
Sales revenues	15 389 190	17 722 734	(13%)	4 065 216	5 472 760	(26%)
Contribution	4 614 455	6 552 956	(30%)	1 231 125	2 242 282	(45%)
Operating cost	(5 156 133)	(6 163 479)	(16%)	(1 428 248)	(2 087 364)	(32%)
EBITDA	322 249	982 191	(67%)	175 883	426 177	(59%)
EBITDA margin (%)	2%	6%	(4%)	4%	8%	(4%)
Operating profit	(541 678)	389 477	(239%)	(197 122)	154 918	(227%)
Net cash flows generated in operating activities	415 485	759 978	(45%)			

* non audited

A summary of the results dominating the quarter:

- The sales revenue, contribution and EBITDA performances of 2010 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 16%, 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. Significant decreases characterized marketing and advertisement costs.

- The 258-million-HUF impairment recorded in connection with a software and the 236-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 used 326 million HUF credit at the end of the quarter.

Company CEO Róbert Litauszki said,

'In harmony with preliminary expectations, the last three months of the year still did not bring a breakthrough for the Hungarian information technology market and the Synergon Group. The public administration and the local government sector were still characterized by a stand-by on the whole. The moderate investment flow of the private sector did not change either, despite the fact that the developments concerning corporate and IT efficiency and IT security will be indispensable on the long run.

The business development activity set forth in the strategy bore fruits in Q3, thus the projects subsidised by the European Union that had been announced earlier were given the green light and we won the BKV Futár tender, which will begin to exert positive influence on the results from 2011. It is also considered a success story and a breakthrough that the Defense unit, which had become independent in the spring, concluded its first agreement of greater size, which will also be delivered in 2011.

Among Synergon subsidiaries, the performance of the Czech Infinity a.s. surpassed preliminary plans, and Synergon Retail Systems Ltd. also contributed positive Q4 numbers to the results of the Group.

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 replacement 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, the Company can move to a site that is in harmony with the current placement requirements, is of smaller floor space, flexible to transform, cost-effective to operate, and has excellent public transport connections. The depreciation of value has a negative influence on the Q4 results, but it has no influence on the cash flow.

The harbingers of a positive shift concerning the public sphere, which would be decisive for the Synergon Group, are still not perceptible. We still do not expect swift growth in the public market; larger projects have appeared in concentration, but they are relatively scarce in numbers.'

Analysis of Synergon Group

As a parent company, Synergon Information Plc. has involved the following companies in its consolidated report as of December 31, 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 Q4 *	2009 Q4	Difference %	2010 q4 *	2009 q4 *	Difference %
Sales revenues	15 389 190	17 722 734	(13%)	4 065 216	5 472 760	(26%)
<i>from which services (%)</i>	59%	61%	(2%)	56%	62%	(6%)
Cost of materials and services	(10 774 735)	(11 169 778)	(4%)	(2 834 091)	(3 230 478)	(12%)
<i>in sales (%)</i>	70%	63%	7%	70%	59%	11%
Contribution	4 614 455	6 552 956	(30%)	1 231 125	2 242 282	(45%)
<i>Contribution (%)</i>	30%	37%	(7%)	30%	41%	(11%)
Operating cost	(5 156 133)	(6 163 479)	(16%)	(1 428 248)	(2 087 364)	(32%)
EBITDA	322 249	982 191	(67%)	175 883	426 177	(59%)
<i>EBITDA margin (%)</i>	2%	6%	(4%)	4%	8%	(4%)
Operating profit	(541 678)	389 477	(239%)	(197 122)	154 918	(227%)
<i>Operating profit margin(%)</i>	(4%)	2%	(6%)	(5%)	3%	(8%)
Other expenses and other cost, net	(82 450)	2 544	(3 341%)	(94 888)	53 593	(277%)
Financial gains and losses	(149 746)	(14 289)	(948%)	(41 550)	5 949	(798%)
Profit before tax	(773 874)	377 732	(305%)	(333 560)	214 460	(256%)
Income tax	(26 656)	(154 287)	(83%)	(36 514)	(41 071)	(11%)
Profit after tax	(800 530)	223 445	(458%)	(370 074)	173 388	(313%)
Attributable to non controllig interest	1 831	1 407	30%	660	644	2%
Attributable to equity holders of the parents	(802 361)	222 038	(461%)	(370 734)	172 744	(315%)
<i>net income margin (%)</i>	(5%)	1,3%	(6%)	(9%)	3,2%	(12%)

* non audited **consolidated

The sales revenue of the Synergon Group reached 15,389 million HUF in 2010, which is 13% lower than the result of the same period in 2009.

The sales revenue performance of 2010 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 16%, the Q4 decreased by 32%. The volume of depreciation was significantly higher in the operating costs of 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.

The consolidated, 12-month total of the 2010 EBITDA value was 322 million HUF. The Q4 value was positive 154 million HUF. The decrease was caused on by the lost sales revenue and contribution, and by the less sensitive and slower-to-react, although decreasing operating costs.

Other income/loss records the probable penalty as foreseen by the Company.

Infinity a.s. contributed to the 2010 results of the Group with a total EBITDA value of 195 million HUF, of which 68 million HUF were realized in Q4.

The Group has merged the telecommunication and media, and the bank and financial institutions sector into the industrial and service sector in 2010 Q4.

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

- the industrial and service sector with 41%
- government and public sector with 25%
- BKV and other material projects 25%, 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	2009	Difference %	2010	2009	Difference %
	Q4 *	Q4		q 4 *	q 4 *	
Sales revenues	12 591 650	15 491 545	(19%)	3 161 610	4 832 880	(35%)
<i>from which services (%)</i>	61%	62%	(1%)	64%	64%	0%
Cost of materials and services	(9 108 021)	(10 077 764)	(10%)	(2 262 942)	(2 885 688)	(22%)
<i>in sales (%)</i>	72%	65%	7%	72%	60%	12%
Contribution	3 483 629	5 413 781	(36%)	898 668	1 947 192	(54%)
<i>Contribution (%)</i>	28%	35%	(7%)	28%	40%	(12%)
Operating cost	(4 183 071)	(5 137 622)	(19%)	(1 157 568)	(1 875 758)	(38%)
EBITDA	127 132	814 469	(84%)	108 476	352 631	(69%)
<i>EBITDA margin (%)</i>	1%	5%	(4%)	3%	7%	(4%)
Operating profit	(699 442)	276 160	(353%)	(258 900)	71 434	(462%)
<i>Operating profit margin(%)</i>	(6%)	2%	(8%)	(8%)	1%	(9%)
Other expenses and other cost, net	(89 771)	(305)	(29 376%)	(95 502)	74 452	(228%)
Financial gains and losses	(142 735)	(5 216)	(2 637%)	(33 945)	15 599	(318%)
Profit before tax	(931 948)	270 639	(444%)	(388 347)	161 485	(340%)
Income tax	1 819	(146 998)	(101%)	(28 305)	(33 783)	(16%)
Profit after tax	(930 129)	123 641	(852%)	(416 652)	127 702	(426%)

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

In Hungary, the sales revenue of the companies was 12,592 million HUF, which is 19% 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 3,484 million HUF in 2010, which is 36% lower than the same period of the preceding year. The contribution margin ratio of 2010 was 28%, which is a 7% drop compared to 2009. The earnings before interest, taxes, depreciation, and amortization (EBITDA) totalled 127 million HUF in 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 governmental 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 19% during 2010. In 2010, depreciation increased owing mostly to the planned transfer of company seat (236 million HUF). Further depreciation surplus (258 million HUF) was generated compared to the same period of the preceding year. The total of the surplus depreciation recorded throughout the three quarters of the year was 494 million HUF. Significant decreases characterized marketing and advertisement costs.

Other income/loss records the probable penalty as foreseen by the Company.

In the financial result, open and closed futures totalled 99.7 million HUF. The fluctuation of exchange rates accounted for 43 million HUF of loss.

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. 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 932 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 2 million HUF.

Contingencies

On July 17, 2009 the company concluded an agreement with the Fire Department of Budapest in the subject of "The modernization and upgrade of the Resource Management and Alert Information System". The Fire Department of Budapest issued a notice of cancellation on 17 February 2011 with reference to responsibility and breach of contract.

Further negotiations are in progress between the Fire Department of Budapest and the company, which—in view of the degree of completion—the company expects to yield an agreement regarding the completion of the project by the company.

If the cancellation is upheld, the company's obligation to repay might be maximum 137 500 000 HUF, payable to the Fire Department to Budapest, while the arising loss might be maximum 110 000 000 HUF; these amounts might be decreased by the reimbursement of the subcontractors' fee, applicable compensation, and indemnity that are enforceable against the subcontractor that caused the late delivery, and furthermore by the income arising from the utilization of the returned devices.

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	Q4 *	Q4	% Q4 *	q4 *	q4 *	% q4 *
Sales revenues	2 806 334	2 231 189	26%	908 699	639 880	42%
<i>from which services (%)</i>	49%	61%	(12%)	45%	54%	(9%)
Cost of materials and services	(1 668 532)	(1 092 015)	53%	(572 966)	(344 790)	66%
<i>in sales (%)</i>	59%	49%	10%	63%	54%	9%
Contribution	1 137 802	1 139 174	0%	335 733	295 090	14%
<i>Contribution (%)</i>	41%	51%	(10%)	37%	46%	(9%)
Operating cost	(979 794)	(1 025 857)	(4%)	(273 711)	(255 835)	7%
EBITDA	195 361	167 721	16%	67 651	73 545	(8%)
<i>EBITDA margin (%)</i>	7%	8%	(1%)	7%	11%	(4%)
Operating profit	158 008	113 317	39%	62 021	39 255	58%
<i>Operating profit margin(%)</i>	6%	5%	1%	7%	6%	1%
Other expenses and other cost, net	7 321	2 848	157%	614	23 370	(97%)
Financial gains and losses	(7 011)	(9 072)	23%	(7 605)	(9 651)	21%
Profit before tax	158 317	107 093	48%	55 030	52 974	4%
Income tax	(28 476)	(7 289)	291%	(28 476)	(7 289)	291%
Profit after tax	129 841	99 804	30%	26 554	45 685	(42%)

* non audited, **with non controlling interest

The sales revenue of Infinity a.s. was 2,806 million HUF in 2010. Like in Q3, Q4 also surpassed the sales revenue of the corresponding period of 2009. The Q4 sales revenue was 42% and the twelve-month sales revenue was 26% 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 1,138 million HUF in 2010. The interim arrears of the contribution margin were continuously improving by the end of the year. In Q4 2010, the Company realized a major, 14% improvement in the total contribution margin. Despite increasing sales, the contribution margin ratio is behind that of the earlier period. The more moderate contribution margin ratio will persist because of the strong price and competition that resulted from the crisis.

Operating costs decreased by 4%. 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.

The operating income was 158 million HUF in 2010, which is 39% higher than the result of the same period in 2009. The operating income was 62 million HUF in the Q4 of 2010, which is 58% higher than the result of the same period in 2009.

The operating profit margin was 6%, which is 1% higher than in 2009. The earnings before taxes totalled 158 million HUF at the end of 2010, which is 48% higher than 2009. The tax liabilities of the company are estimates calculated on the basis of the legislation in effect. The profit after tax was 130 million HUF.

Changes in the Consolidated Balance Sheet

The consolidated balance sheet total of the Group was 8,991 m HUF on December 31, 2010, which means a decrease of 11% compared to December 31, 2009.

Consolidated Statement of financial position	December 31st, 2010*	December 31st, 2009*	Difference %
	Thousand HUF	Thousand HUF	
ASSETS			
Non- current assets			
Property, plant equipment	984 512	1 093 705	(10%)
Other intangible assets	144 890	401 866	(64%)
Leased assets	271 771	355 042	(23%)
Goodwill	202 413	186 396	9%
Investments	2 697	2 697	-
Deferred tax asset	12 353	12 831	(4%)
Long term receivables from lease interest	414 723	157 437	163%
Long term trade receivables	90 612	337 252	(73%)
Total non- current assets	2 123 971	2 547 226	(17%)
Current assets			
Inventory	880 469	592 406	49%
Trade accounts receivable	4 830 097	5 950 824	(19%)
Other current assets	660 410	570 699	16%
Short term receivables from lease interest	113 818	53 480	113%
Short term receivables from employees	6 800	2 400	183%
Short term financial investments	43 635	-	-
Cash and cash equivalents	331 846	400 513	(17%)
Total current assets	6 867 075	7 570 322	(9%)
TOTAL ASSETS	8 991 046	10 117 548	(11%)
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%
Treasury shares	(1 484 299)	(1 195 841)	24%
Share premium	3 087 126	3 087 126	0%
Retained earnings	466 736	1 269 097	(63%)
Cumulative currency translation adjustments	233 524	158 965	47%
Equity attributable to equity holders of the parent	4 164 034	5 180 294	(20%)
Non controlling interest in consolidated subsidiaries	44 869	43 261	4%
Total equity	4 208 903	5 223 555	(19%)
Long-term liabilities			
Share based option liability (IFRS 2)	10 550	10 550	0%
Deferred tax liability	19 288	37 741	(49%)
Liabilities from finance lease	113 573	247 497	(54%)
Total long-term liabilities	143 411	295 788	(52%)
Current liabilities			
Liabilities from finance lease	234 104	82 681	183%
Trade accounts payable	2 748 975	3 187 182	(14%)
Other payables and accruals	1 288 626	1 180 865	9%
Provisions	17 664	95 256	(81%)
Interest-bearing loans and borrowings	326 313	-	-
Income tax payable	23 050	52 221	(56%)
Total current liabilities	4 638 732	4 598 205	1%
TOTAL LIABILITIES AND EQUITY	8 991 046	10 117 548	(11%)

* 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 236-million-HUF depreciation.

The company launched the development of a new software in 2009. The company reviewed the market opportunities of the software in view of the actual and future economic opportunities. As a result of the review, the management arrived to the conclusion that the software's return on investment is low, thus the Company reported the entire book-value of the software, i.e. 258 million HUF in the losses.

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 202 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 19% tax. The deferred tax asset is recorded in the accounts of Infinity a.s , 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 interest, 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 yeat- account for items of lower value.

The long-term account receivables originating from sales are customer liabilities invoiced 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 liability is recorded by Synergon Sysmtem Ingengrator Ltd. and Synergon Retail Systems Ltd. based on the balance data of 2010. As opposed to the earlier, higher 20% tax rate, a 10% value was used in the second half of the year and 19% in the first half of the year for 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 326 million HUF from the bank overdraft at the disposal of the Group at the end of 2010. 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 December 31, 2010, the cash and cash equivalents portfolio of the Company totalled net debt 6 million HUF. In the reporting period the change was 395 mHUF, a decrease in cash and cash equivalents.

Cash Flow**	December 31st, 2010* Thousand HUF	December 31st, 2009 Thousand HUF
Cash Flow relating to operating activities:		
Net income before taxation	(773 874)	377 732
Non-cash items recognized in profit before taxes:		
Depreciation and amortization	583 729	425 751
Provisions (decrease) increase	(77 592)	(41 246)
Impairment (reversal) of property plant and equipment	280 198	166 963
Impairment (reversal) of trade receivables	65 467	15 794
Impairment of inventories	292 403	94 623
Share based payment expenses	-	103 931
Net financial interest (gains) expenses	<u>(6 255)</u>	<u>(26 676)</u>
	364 076	1 116 872
Proceeds from disposal of fixed assets	(6 348)	12 011
Changes in non controlling interest	1 831	1 407
Treasury shares futures contact (gains) losses	99 750	(122 100)
Changes in working capital:		
Changes of accounts receivable and other current assets	926 120	243 068
Changes of inventory	(580 466)	48 089
Changes of Payables and accruals	<u>(321 931)</u>	<u>(491 453)</u>
	23 723	(200 296)
Interest received	45 590	65 190
Interest paid	(39 335)	(38 514)
Income taxes (paid) received	<u>(73 802)</u>	<u>(74 592)</u>
	(67 547)	(47 916)
Net cash flows generated in operating activities	415 485	759 978
Cash flow relating to investing activities		
Acquisition of intangible assets, property, plant and equipment	(396 794)	(762 693)
Proceeds from sale of fixed assets	6 348	33 006
Gains (Losses) from future deals	(99 750)	122 100
Increase (decrease) in the short term deposits	(48 035)	-
Increase (decrease) in finance lease liability	17 499	(80 127)
Net cash flow used in investing activities	(520 732)	(687 714)
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	(394 980)	(286 941)
Cash and cash equivalents at the:		
Cash and cash equivalents at 1 January	400 513	687 454
Cash and cash equivalents at the end of the period	5 533	400 513

* non audited

** consolidated

The net cash flow for operating activities was 416 million HUF. According to the earnings before taxes calculated with the adjustment of non-cash items, the company recorded a positive cash-flow of 365 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 leased immovable property and the depreciation of a software property. The items of the working capital resulted in the receiving of 24 million HUF of cash.

The loss of the investment cash-flow was 521 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 96 million HUF. The futures contracts of Synergon System Integrator Ltd. with a maturity date in June 2011 generated 3.6 million HUF of spending as of the settlement day on 31 December 2010. The short-term fixed assets are discount treasury certificates. 42 million HUF of the investment was deposited as indemnity for the forward contracts.

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	-	-	-	-	(802 361)	74 559	(727 801)	2 883	(724 918)
Balance at September, 30th 2010 (IFRS)	1 860 947	(1 484 299)	3 087 126	-	466 736	233 524	4 164 035	44 869	4 210 179

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	-	-	-	-	222 038	37 628	259 666	1 945	261 611
Share based payment (IFRS 2)	-	-	-	-	103 931	-	103 931	-	103 931
Total comprehensive income for the period	-	-	-	-	325 969	37 628	363 597	1 945	365 542
Balance at September, 30th 2009 (IFRS)	1 860 947	(1 195 841)	3 087 126	-	1 269 097	158 965	5 180 294	43 261	5 223 555

Shareholders Equity value representing voting rights at December 31st, 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 Q4 *	2009 Q4
Net (loss) income attributable to ordinary shareholders for basic and diluted Earnings per share	(802 361)	222 038
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)	(86)	24
basic, profit (loss) for the year attributable to ordinary equity holders of the parent (HUF per share)	(101)	26

* non audited

Synergon Information Systems Plc. (mother company) stand alone financial statements for the period of 1st January to 31st December 2010 prepared according to the Hungarian accounting principles

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	December 31st, 2010	December 31st, 2009
1st part		
Fixed assets	2 309 385	2 841 715
I. INTANGIBLE ASSETS	15 063	538 011
Capitalised value of foundation and restructuring costs	0	0
Capitalised value of research and development costs	0	0
Concessions and similar rights and assets	2 186	66 222
Intellectual property	12 877	471 789
Goodwill	0	0
Advance payments on intangible assets	0	0
Revaluation of intangible assets	0	0
II. TANGIBLE ASSETS	332 091	714 473
Land and buildings and related concessions and similar rights	251 717	535 932
Technical equipment, machinery and vehicles	0	0
Other equipment, fittings and vehicles	80 374	177 987
Breeding stock	0	0
Capital expenditure, renovations	0	554
Advance payments on Capital expenditure	0	0
Revaluation of tangible assets	0	0
III. FINANCIAL INVESTMENTS	1 962 231	1 589 231
Long term investments in related companies	1 959 537	1 586 537
Long term loans given to related companies	0	0
Other long term investments	2 694	2 694
Long term loans given to other investees	0	0
Other long term loans given	0	0
Securities representing long term loans	0	0
Revaluation of financial investments	0	0

2nd part

	2 589 097	3 851 827
B. Current assets		
I. INVENTORIES	79 459	155 324
Raw materials and consumables	0	0
Work in progress and semi-finished products	0	(0)
Animals	0	0
Finished goods	0	0
Goods	79 459	155 324
Advance payments on inventories	0	0
II. RECEIVABLES	1 773 930	2 993 715
Trade accounts receivable	276 971	1 709 258
Receivables from related companies	1 315 982	1 095 793
Receivables from other investees	0	0
Bills of exchange receivable	0	0
Other receivables	180 977	188 664
III. MARKETABLE SECURITIES	701 983	652 709
Investments in related companies	0	0
Other investments	0	0
Own shares, own quotas	700 428	636 654
Securities representing loans held for sale	1 555	16 055
IV. LIQUID ASSETS	33 725	50 079
Cash in hand, cheques	1 384	1 416
Bank deposits	32 341	48 663
C. Prepaid expenses and accrued income	103 333	425 799
Accrued income	31 948	7 288
Prepaid expenses	71 385	418 512
Deferred expenses	0	0
	0	0
TOTAL ASSETS	5 001 815	7 119 341

3rd part

D. SHAREHOLDERS' EQUITY	4 689 816	5 761 479
I. ISSUED CAPITAL	1 860 947	1 860 947
Treasury shares	282 430	0
II. ISSUED BUT NOT PAID CAPITAL (-)	0	0
III. CAPITAL RESERVES	3 497 832	3 497 832
IV. RETAINED EARNINGS FROM PREVIOUS YEARS	(211 289)	(523 458)
V. NON-DISTRIBUTABLE RESERVES	700 428	636 654
VI. REVALUATION RESERVE	0	0
VII. PROFIT PER BALANCE SHEET	(1 158 102)	289 505
E. Provisions	5 725	58 388
1. Provisions for expected liabilities	5 725	58 388
2. Provisions for future expenses	0	0
3. Other provision	0	0
F. Liabilities	214 032	1 006 783
I. SUBORDINATED LIABILITIES	0	0
1. Subordinated liabilities to related companies	0	0
2. Subordinated liabilities to other investees	0	0
3. Subordinated liabilities to other enterprises	0	0
I. LONG TERM LIABILITIES	5 744	75 391
Long term credits	0	0
Convertible bonds	0	0
Debts on the issue of bonds	0	0
Investment and development loans	0	0
Other long term loans	0	0
Long term liabilities to related companies	0	0
Long term liabilities to other investees	0	0
Long term financial lease liabilities	5 744	75 391
Other long term liabilities	0	0

4th part

III. Short term liabilities	208 288	931 392
Short term credits	0	0
from which convertible bounds	0	0
Short term loans	17 284	0
Advance payments received from customers	0	0
Trade accounts payable	109 552	726 065
Bills of exchange payable	0	0
Short term liabilities to related companies	18 750	64 887
Short term liabilities to other investees	0	0
Other short term liabilities	62 702	140 441
G. Accrued expenses and deferred income	92 242	292 691
1. Deferred revenues	80 665	267 765
2. Accrued expenses and expenditure	11 577	19 309
3. Deferred income	0	5 617
TOTAL LIABILITIES AND SHEREHOLDERS' EQUITY	5 001 815	7 119 341

5th Part

Net domestic sales revenues	1 924 024	6 765 233
Net export sales revenues	173	18 457
Net sales revenues	1 924 197	6 783 690
Change in self-manufactured inventories	0	(13 425)
Capitalised value of self-manufactured assets	0	139 900
Capitalised value of self-manufactured assets	0	126 475
Other revenues	368 713	553 222
of which: reversal of impairment loss provision	0	114 184
Cost of raw materials	58 284	70 540
Value of services used	956 202	3 490 804
Value of other services	30 517	43 171
Cost of goods sold	560 213	2 082 018
Value of recharged services	41 293	244 153
Material type expenditure	1 646 509	5 930 686
Wages	291 473	428 619
Other payments to personnel	51 052	85 970
Personnel related contributions	90 584	155 070
Payments to personnel	433 109	669 659
Depreciation charge	352 687	200 824
Other expenditure	525 292	427 987
-from which depretiation	258 931	0
Operating result	(664 687)	234 231

Synergon Information Systems Plc. Financial report according to the hungarian accounting standards	December 31st, 2010	December 31st, 2009
6ht part		
Dividend received	107 553	0
of which: received from related companies	107 553	0
Gain on sale of investment	0	0
of which: received from related companies	0	0
Interest received and gain on financial investments	0	0
of which: received from related companies	0	0
Other interest received	72 231	27 791
of which: received from related companies	69 212	0
Other revenues from financial transactions	129 580	398 280
Revenues from financial transactions	309 364	426 071
Loss on financial investments	0	0
of which: given to related companies	0	0
Interest paid	7 809	10 781
of which: given to related companies	0	0
Impairment loss of financial investment, securities and bank deposit	323 607	24 958
Other expenditures of financial transactions	132 354	321 180
Financial expenses	463 770	356 919
FINANCIAL PROFIT	(154 406)	69 152
PROFIT ON ORDINARY BUSINESS	(819 093)	303 383
Extraordinary revenues	0	0
Extraordinary expenditures	339 009	13 879
Profit on extraordinary events	(339 009)	(13 879)
Net profit before taxation	(1 158 102)	289 505
Tax	0	0
AFTER TAX PROFIT	(1 158 102)	289 505
Dividends paid out of retained earnings	0	0
Dividends paid (approved) out of current year profits	0	0
NET PROFIT PER BALANCE SHEET	(1 158 102)	289 505

Business Report on the business activity of companies and the determining economic influences and risks

Governmental and Public Administration Sector; Defense Sector

Year 2010 brought a significant contraction of the market in the governmental and public administration sector. The reduced market opportunities resulted from the structural changes of the organization of public administration in connection with the change of government. At the beginning of the year, the stand-by preceding the elections prevented the launch of projects, and after the political changes investments including information technology projects were not subsidised. Following the elections, information technology screenings were conducted in the Ministries and their background institutions, and many of these did not reach conclusion by the end of the year, while developments could only have been based on the results of these screenings.

The above successive changes bore major business risks with regard to the business results of Synergon in 2010. Throughout the year, the company constantly registered the risks and managed them with due diligence, however in the second half year the depletion of open centralised procurement frame agreements and the lack of new procedures made it increasingly difficult to meet the business objectives.

Successful participation in tenders subsidised by the EU enabled the company to launch projects of sufficient size in the governmental and public administration sector. The constant growth of competitors was another highly important factor for business and it eroded contribution.

Synergon System Integrator Ltd. concluded an agreement with the National Directorate General for Disaster Management on 11 August 2010 for the implementation of electronic public administration and an electronic records management system, which was performed and delivered in December 2010.

The new system facilitates the daily work of 1200 users by transforming administration and records management into electronic processes. The unified electronic system thus created makes it possible to track 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 belonging to the individual records.

Synergon System Integrator Ltd. completed several GOP 3.1.1 projects in 2010. These projects subsidised by the EU provide broadband internet connection for several subregions, where no internet service provider would have constructed and developed a similar network as a business enterprise due to the economic irrationality of the project.

Information technology fields related to e-justice and environment protection continue to represent special directions in the long-term plans of Synergon, thus the development of competences in these fields continued to progress.

Defense

Defense was one of the strategic directions adopted and announced at the beginning of 2010. In order to meet the targets, the defense industry, which had been treated as a part of the governmental and public administration sector before, was transformed into an individual sector.

Due to the political and economic environment and processes, major defense industry investments and tenders were sparse in the greater part of the year. Thus, the newly created sector focused primarily on preparations; it specified future development opportunities and marked which required competences were available and which needed development. As a result, sector-specific applications, custom developments, and information- and data protection/security solutions were defined as the business potentials in the field of defense.

Before the end of the year, the company concluded its first large-scale supply agreement since the separation of the sector, which will be delivered in 2011.

Following the groundwork, the sector has favourable perspectives for 2011; the Company expects additional infrastructure and license supplies already at the beginning of the year, while operation and service assignments are expected to be obtained on the long run.

Transport

Since 2010, transport information technology solutions have represented a priority direction, in which field one-and-half year of preparatory work was followed by the successful conclusion of several agreements in the second half of the year. In the summer of 2010, the company was appointed to deliver an integrated fleet management and passenger information system for Kisalföld Volán Plc. (transport company) and Győr City with County Rights, and also ticket and travel card vending machines for Kisalföld Volán Plc. and the city of Sopron.

On 28 October 2010, Synergon System Integrator Ltd. and BKV Plc. (transport company) concluded an agreement for the implementation of an information and communication technology project (the FUTAR-project) aiming at the development of community transportation. The net total value of the agreement is 6,976 million HUF.

The primary goal of the project, which is financed from EU subsidies, is to upgrade and modernize fleet management and passenger information systems. In understanding of the agreement, Synergon undertook to set up an integrated dispatch and fleet control centre, to equip 2295 pieces of vehicle with on-board control consoles and passenger information devices, to install 257 passenger information devices in public places and traffic priority solutions in 30 traffic light junctions. The agreement includes the introduction of web- and SMS-based passenger information and the provision of the background and communication systems for all of these tasks. The project will be implemented and delivered in 2012.

Because of the specific nature, complexity and size of transport information technology investments, a major expansion of resources has become necessary in addition to earlier competence developments and upgrades. For the sake of the successful implementation of the community transportation projects, a team of business analysts, engineers and project managers specialised in the field was assembled, which has acted as an independent organisation within Synergon System Integrator Ltd. under the name Transport Solutions Unit. Apart from the implementation of the projects, the Unit is also responsible for preparing professional offers in its field of expertise, mapping up new business territories (e.g. electronic ticketing), researching forward-looking technologies, setting up long-term partnerships, developing vertical competences, gathering international experiences and integrating useful technologies. The objective of the unit is to supply

the currently emerging, thus constantly changing market with highly professional, forward-looking solutions that fulfil Hungarian demands.

The passenger information system tenders of several Volán subsidiaries are still in the application stage; winning the tenders would convey major long-term assignments for the company.

Large Enterprise Sector

As of October 1, 2010 the Large Enterprise Sector was created by the fusion of the Telecommunications and Media sector, the Banks and Financial Institutions sector, and the Industry and Service Providers sector, in the frame of Trade. The transformation serves the purpose of a better capitalization on sales opportunities through the flexible combination of client groups and the reduction of operating costs.

The analysis of the consolidated results of the three sectors suggests that the revenues on the whole slightly behind expectations, which was a result of a relative underachievement in the Industry and Service Providers and the Banks and Financial Institutions segments, while the field of Telecommunications and Media performed beyond expectations.

The entire sector reflected the impact of the crisis, which is still perceptible, in addition to the stop or delay of the planned investments of clients linked to the national budget.

On the whole, Q4 lagged behind expectations. On account of the crisis and the stop or delay of the planned investments of clients linked to the national budget, the end-year investment flow typical of the IT sector was quite moderate.

Throughout the year, the most important projects influencing the result progressed as follows.

Telecommunications and Media

At Vodafone Zrt, the delivery of the high availability IP network support and the execution of the device supply and implementation tasks related to network expansion and upgrade have been continuous. In the course of the year, Synergion performed several assignments of similar nature. In connection with the most significant development project, the bandwidth of the international internet connections was expanded to 10 Gigabit Ethernet, and the network devices that aggregate web traffic were replaced with routers of higher capacity, for which purpose the Company chose the new ASR 9006 routers by Cisco Systems.

Synergion successfully completed the assignment related to rolling out data security solutions, and finished the project of engineering the internal premium accounting system of Vodafone. Following the latter project, contracting parties concluded a high availability system support agreement.

It is considered a major achievement that the Company was assigned to the development and operation support tasks related to the Data Warehouse in the frame of a multiyear agreement. The conclusion of the agreement means that in addition to the field of IT security, cooperation has also begun in the field of application development, which is going to have a noteworthy influence on the results of 2011.

In the course of the year, Synergion concluded an agreement for the delivery of end-point devices connected to the IP network of Invitel Plc. and for the system support of the Sun (Oracle) server park of the same client. The IP network support was performed without interruption. The expansion of the network brought a continuous series of projects throughout 2010 and it will hopefully influence 2011 as well.

The most significant assignment 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. In the course of the year, 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 agreement for the comprehensive premium network management support at the T Group was renewed and performed according to plans.

The Company completed several minor development projects as well in this field, thus the deliveries related to the construction of optical networks for cable TV service providers continued.

In the frame of a public procurement procedure, the Company concluded an agreement with the National Media and Infocommunications Authority (NMHH) for the system support of its SAP-based Economic and Financial System. In addition to this, Synergon also completed the final milestones of the development-related project of 2009 by the deadline. Also in the frame of a public procurement procedure, Synergon concluded an agreement for the support for the network management of NMHH which assignments exerted significant influence over the revenue totals 2010.

Banks and Financial Institutions

During the year, an agreement for supplying a major Hungarian bank with network devices and related services was concluded and fulfilled. The Company reviewed the archiving system at a significant Hungarian bank, in addition to supplying different software infrastructure licenses and providing related services. An agreement was concluded with one of the major Hungarian insurance companies for the system support of optical devices, and the agreement with a major Hungarian bank for the delivery different software infrastructure licenses and related services was successfully extended.

At several financial institution clients, the company introduced target applications that enhance security and operational reliability, the management of which might open future business opportunities for Synergon in the coming years. Great emphasis was laid on the creation of the telework and agent work environment for clients, in addition to the protection of these and the partial or complete introduction of data loss prevention solutions.

In the field of business solutions, the ongoing development projects at Hungarian banks were performed as planned. Follow-up projects are also in sight for 2011.

Delivery was also uninterrupted in a few important information technology operational projects in 2010.

Synergon preserved and extended its IT operation agreements at two financial institutions, and expanded its activity with e.g. the consulting and auditing of ITIL methodology and other technologies, which are emerging fields of service in the life of the Company. The above agreements will have positive influence on the revenue totals of 2011 as well.

Industry and Service Providers

At the Budapest Electric Company (ELMŰ) and ÉMÁSZ, the company performed SDH system expansion, beside maintenance and development tasks that affected the entire network. The delivery of structured cabling was also continuous.

The optical network at the Paks Nuclear Power Plant Plc. was upgraded and handed over.

The system of maintenance system of the Paks Nuclear Power Plant was successfully complemented with a project management system, as ordered by MVM Informatics Ltd.

At FŐGÁZ, the functional expansion of the IP telephone system, which had been installed by Synsergon during the preceding year, was completed.

At Tigáz, major completed projects included the upgrade of the uninterruptible power supply, the reconstruction of the sites of the company, and the obtaining and implementation of the Cisco device delivery tender. The reconstruction project aimed at the heavy current protection of IT rack cabinets at the sites of the company was completed. The Microsoft NAP (Network Access Protection) was also handed over to Tigáz, which carries outstanding reference value for Synsergon.

At EDF-DÉMÁSZ, network reconstruction works were prepared and executed during the year, in which major emphasis was laid on the engineering and implementation of network security, in the frame of which Cisco MARS, CSM and ASA solutions were introduced. The Company was appointed to perform the Cisco Call Manager upgrade tasks as well. Synsergon won and delivered the tender for setting up the entire WIFI network.

One of the determining gas supply companies of Hungary ordered the supplementation and support of the IDM solution that had been introduced earlier. The project was completed during the quarter. The Company and one of the Hungarian gas supply companies extended their system support agreement by further two years.

In Q3, Synsergon concluded a 3-year supply contract with Budapest Power Plant Private Ltd. for the extension of the warranty of Cisco devices.

High-value orders on IBM software licences and Cisco network devices were delivered to OVIT and MAVIR.

Synsergon was appointed to perform WAN reconstruction tasks for EGIS Plc. The same company also launched the introduction of the DR Site, and Synsergon won the tender for the first phase of the project. However, the execution of the project will only take place in 2011.

Synsergon Retail Systems Ltd. participated in the switchover and information technology adjustments related to the introduction of fuel type E85 at AGIP petrol stations.

A network optimisation project was carried out at several Hungarian sites of the Continental Group.

The network support agreement with Grundfos Hungary was extended by one year.

The Company successfully completed the VPOP (customs authority) data warehouse project in the first half of 2010.

The year at British American Tobacco Hungary Ltd. was characterised by the succession of smaller but important projects. The IT operation agreement was fulfilled without interruption, and it was renewed with expanded service contents in December.

Jeans Club and its subsidiaries opened new stores in the Czech Republic, Slovakia, Poland and Croatia during Q4. The information technology support of the stores was performed by Synsergon Retail Systems Ltd.

Synsergon won the tender for the introduction of the Enterprise Call Center of MÁV, however the execution is only due in 2011. The project has significant reference value.

Synergon System Integrator Ltd.

At the beginning of the year, Synergon System Integrator Ltd. marked out priority directions of technological focus. The Company expanded and developed competences along the lines of these— on one hand towards fields of priority, on the other hand towards partnership developments based on market prognoses.

In 2010, the company completed its state-of-the-art server room, which deploys high quality technical solutions that are unmatched in Hungary. The objective of setting up the server room goes beyond providing the devices of the company with an environment that satisfies all demands: it is at the disposal of current and future clients who do not possess appropriate infrastructure for meeting the statutory requirements of secure data storage (data recoverable in case of a disaster).

In 2010, the Datacenter and Cabling Systems unit of the company met all requirements and expectations to acquire the Cisco Video Surveillance ATP Partner distinction. The new competence is extraordinary because Cisco has only two Hungarian partners and the company expects significant business opportunities in the field of video surveillance solutions.

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 workplace security offered by this solution is increasingly important in the banking and financial sector as well.

In 2010, the upgrade of SAP system versions shifted to the foreground of attention as SAP only provides maintenance for older versions for a limited period of time, thus the extended support of versions 4.6c and 5.0 also expired. Consequently, upgrade projects were launched during the preceding year, and the version upgrades (ECC 6.0) are expected to continue in 2011 as well.

During 2010, the Communication/Networks unit has entered into closer cooperation with Hungarian and foreign partners that are not direct competitors and this might provide Synergon with additional sales resources and competences on the mid-run. The adopted technological objective is to amass an improved knowledge of cable television technology, which is indispensable for the premium execution of the projects due in the near future. One of the leading manufacturers of the cable television market, Harmonic also expanded its internal competences, which might be of the advantage of Synergon. In harmony with the market environment, the priority management of the upgrades of the installed basis received great emphasis: this endeavour will be pursued toward completion throughout 2011; its effect is expected to be perceptible in the second half of the year. In 2010, two more colleagues earned the highest engineering degree of Cisco, CCIE, which qualification is indispensable for participation in tenders.

The Outsource unit made decisive steps towards the quality improvement of service in 2010. The Unit succeeded in synchronizing the monitoring systems, which settings enabled the premium quality control on the client-level. The refinement of the systems makes proactive intervention possible to prevent the occurrence of errors.

The unit laid special emphasis on the development of its competences: greater knowledge, understanding and transparency of clients and their operation. For the flexibility and scalability of the unit, more colleagues needed to gain detailed and thorough knowledge of the clients. This objective was also supported by the introduction of the shared homepage of the unit, which is a support surface for daily tasks, a shared centre of knowledge. The ITIL v3 EXPERT qualification is also a new competence that was acquired in 2010. It is on one hand a guarantee of the quality of services, on the other hand an often indispensable criterion of tenders for operation. In Q4 2010,

the Outsource unit was entrusted with the internal operation of the Hungarian companies of the Synergion Group, which soon resulted in an improved quality of service, in addition to the renewal of the ISO 20000 IT Service Management qualification of the company.

In 2010, the System Integration unit laid great emphasis on expanding the circle of colleagues proficient in virtualization technologies (VMware, Hyper-V) and the improvement of their expertise. A process of selection between hardware solutions and manufacturers has also begun, as a result of which the company wishes to expand the range of hardware products known to and represented by the unit.

In Q4 2010, the System Integration unit received an invitation to the Cisco Data Center Unified Computing ATP Program. Should the unit fulfil the requirement system of Cisco, it will be entitled to the independent, unconditioned sale of Cisco-based hardware devices. The unit has begun to participate in the trainings and exams required for the new Microsoft qualification system, in order to warrant the highest possible Microsoft qualification for the execution of projects in 2011 as well.

Year 2010 in the Service Center unit passed under the aegis of operational and technological developments. As a part of the renewal of the workflow management and task distribution activities that provide the backbone of service, professional supervisors were assigned to each individual field and circle of clients and their tasks were set down. During the year, an individual performance assessment and measurement system was also created, the main components of which are: reception and management of phone calls, availability, quality of communication. Experiences suggest that the new model is capable of generating the results for which it was designed; the operation of the Service Center has become more transparent and efficient.

The developments of the technologies underlying the activity of the unit took place in Q4 in the frame of the complete IT infrastructure development of SSI. The objective of the development of both the given pieces of infrastructure in Budapest (customer relationship management devices and technologies) and that of the device park in Székesfehérvár (redundant leased line and internet connections virtualized server park) was to enable the Service Center to deliver services of appropriate quality with the help of a robust and fault tolerant system of high availability.

In the last quarter of 2010, several examination were retaken in the field of network security, in order to maintain high professional quality. The IT Security Solutions unit reinforced its Check Point Support Partner status. The knowledge behind the content filtering competence was enhanced both through exams and projects of complex nature. In fields of outstanding importance, such as data loss protection (DLP), network access management (NAC), and identity management systems (IDM), our experts continued to gain further experience, and this continued to reinforce the vertical position of the company according to the feedback received from clients and manufacturers.

On the whole, 2010 continued to improve the positive recognition of the unit on the market. The unit owes its advantageous recognition on the market to projects delivered in good quality and the improved relationship with manufacturers. Synergion progressed successfully in the innovative, key fields of state-of-the-art IT security, thus it has become one of the leading companies representing high market quality. The unit has been in continuous and tight cooperation with the manufacturers. Synergion has tested several new solutions before introducing them to the market. Manufacturers and clients also utilised these test results, thus the known client-side demands could be served with more insight in the course of such cooperations.

In addition to the traditional fields of priority, which represent the backbone of the security portfolio of Synergion (i.e. Cisco security solutions, Check Point security solutions, DLP, and IDM), new competences were developed and reinforced. One of these fields is that of the wide range of end-point security solutions, in which the company gained high level professional experiences.

The Support Service portfolio was expanded with new clients. In harmony with the expansion of the circle of clients, the number and constitution of support colleagues also changed.

The Business Solutions unit completed further successful projects in the field of the business project management system competence. In addition to the growth of the experience of the project team, the number of colleagues proficient in the competence also increased; the number of contracts in this field also shows constant growth. The expansion of the circle of clients implies that project-based operation is of increasing importance both in the private and the governmental and public administration spheres.

As a result of the implementation of projects obtained through tenders in the higher education and telecommunication sectors, the full complement of the professional team proficient in executing data warehouse and business intelligence projects increased significantly. Synergon System Integrator has set the objective of doubling the sales revenue from Hungarian data warehouse and business intelligence projects in 2011 and that of becoming a determining professional participant of the market, for which both the necessary number of projects and the internal competences are at its disposal.

The market of portal and workflow support devices also shows an increasing tendency. During 2010, projects were obtained and executed successfully in this field as well, but the objective for 2011 will be the improvement of supply competences.

In the field of hospital management information technology, the upgrade of the Inforend HIS brand software was in the focus. In 2010, in addition to compliance upgrades, the software was integrated with several hospital diagnostic devices, thus it should fully meet the freshest demands. The Company hopes that the resource allocation difficulties of hospitals and health care institutions that are open towards hospital management information technology solutions will constantly improve, and the demand for information technology systems that enable transparency and efficiency will gradually increase in a widening circle of clients. The preparatory work and the upgrades are expected to yield results already in 2011.

In the fourth quarter of 2010, in the frame of a major project, the Business Applications unit upgraded the Sirius records management system (which had earned an extended certificate) to a solution capable of serving several sites and over 1000 users. The success of the rolling out was also due to the agile project management methodology that was developed throughout the year. The project included the expansion of the records management consulting competence as well. In year 2011, the Sirius system will remain one of the key products of the unit, while for the sake of preserving the premium product category, the records management application will undergo major development and integration processes.

Last year, a software package supporting the spread of digital archive signature was developed in the frame of the Operational Programme 'Central Hungary' (KMOP 1.1.4) subsidised by the EU. The stages of engineering and development were completed. The final product of the process is the certified digital signature and document archiving software supported by a secure signing device. The software might become a valuable and useful complementary solution for system integration and custom development projects in both the private and the governmental and public administration spheres, and thus enable the spread of digital signage.

Customarily, Synergon System Integrator participated at the major annual event of Cisco, the Business and Technology Expo as a Platinum Sponsor in 2010 as well. At the 2-day event, the company managed to enhance business relations with the help of its superior stand and other appearances. Apart from this event, the company and the manufacturer also organised several, minor, specialized technological events for the interested professionals of the circle of clients.

Synergon System Integrator Ltd. considers the importance and the growth of the awareness of IT security to be of extraordinary significance, thus it decided to support the Hacktivity conference for the very first time in 2010. The representatives of the company actively participated in a professional roundtable talk.

Synergon Retail Systems Ltd. (Retail and special systems)

Synergon Retail Systems Ltd. (SRS 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 Q4 2010 according to expectations. It performed its non-stop, 24/7 repair service and system support assignments countrywide according to its actual agreements in the field of Repairs.

By the end of Q4, the company completed the development of the SRS Base POS ticketing system—SRS Ticketing—, for which the primary sale target groups are transport companies. At the same time, the company completed the authorization of the SRS BASE 3.0 retail system, which offers faster and simpler use beside regulatory compliance.

In the course of Q4, the Company assisted its partners in the opening of several clothing stores both in Hungary and abroad, expanding the regional network to Croatia, thus the SRS system is operated in Hungary, Slovakia, the Czech Republic, Poland, Romania and Croatia as well.

The proficiency of Synergon Retail Systems 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. The Ltd. successfully concluded POS installation and repair service agreements in Hungary, which will be decisive for 2011.

It is a major success for the Company that it won the assignment for the information technology support of the countryside stores of the brand new Centrum Divatáru Ltd.

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: the IBM's self-checkout system was added to the portfolio and the Company's experts passed related exams successfully.

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 Synergon. In Q4, an outstanding number of suppliers converted to electronic invoicing in the frame of the ECOD service. Beside the EDI service, the Company has started preparations for PKI-based invoicing, with the help of which several new suppliers can join the ECOD system in 2011.

On the whole, 2010 was not a year of outstanding turnover, the statistic indicators in the sector of activity of the Company displayed a drop, still, with the help of its partners SRS Ltd. attempted to reach the objectives that had been set at the beginning of the year and fulfil the demands of its existing clients to the fullest possible extent.

Infinity as.

Virtualization Solutions

Thanks to its multi-year experience in the field of virtualization solutions, Infinity obtained a leading role in the implementation of virtualization solutions—i.e. the virtualization of data centres and servers—for large enterprises and state companies. Nowadays, virtualization solutions are not only characteristic of large enterprises, but small- and mid-sized enterprises are also turning to this cost-efficient solution. According to analysts, around 70% of small- and mid-sized enterprises plan to switch to complete virtualization in the next 4 years.

The motto of the so-called Cloud computing—the technological evolution of the virtualization solutions—is “Everything as a Service”. This means that clients are not going to buy programs in the future, but pay for services they use. According to the predictions, all the locally run applications will be available as services in this “cloud” in the future. Certain surveys suggest that around 25% of the companies will have no information technology department in 2012 already.

In the Czech Republic, the construction of new data centres have come to a significant boom recently and this also justifies the preparation of information technology companies for the “cloud” era, of which Infinity is no exception. The company is following the trends and gradually increases the capacity of its data centre in Pardubice.

Business Results

The last quarter of 2010 confirmed the preliminary expectations that had suggested that the business solution projects would require longer and more complex preparations on the part of clients, and also longer decision-making processes. As a result of this, the projects designed for the earlier quarters of the year were only launched in the last quarter. Q4 of 2010 signalled the launch of new projects for both the business solutions and the infrastructure developments divisions.

The outstanding projects of the Business Solutions Division in Q4 2010 were the following:

At EKKL a.s (sports facility construction company), Infinity begun the implementation of a new and comprehensive information technology system in October. The project will make it possible to optimize the processes of client relationship management, internal records management, and workflow-, planning-, and contract management. The main platforms of the project are Microsoft Dynamics NAV 2009, Microsoft Dynamics CRM 4.0 and Microsoft SharePoint Foundation 2010; according to the plans the system will be put into operation entirely in May 2011.

At EKOBAL, spol. s.r.o (packaging machinery manufacturer) the 2nd stage of the Microsoft Dynamics AX 2009 upgrade of the Microsoft Dynamics AX 4.0 was delivered in the middle of November. The delivery of this stage was preceded by a 6-week test period. The tests were conducted in the live operation environment with all the users actively using the system. The Company is approaching the completion of the other major EKOBAL project. EKOBAL switches from Microsoft Dynamics NAV 3.7 to Microsoft Dynamics AX 2009. The switch requires the replacement of the complete manufacturing system; the projects are planned to be completed at the end of February 2011.

At RETIA, a.s. (special electronics development company), Infinity performed a Microsoft Dynamics AX 2009 upgrade in October 2010. The development did not only mean instant cost-reduction for RETIA, but it also laid down the foundations for the enhancement of the efficiency of the complete information system, especially that of portal solutions. By the end of November, the AX 2009 version of AX 4.0 was successfully delivered, and in spite of the fact that the financial year of the company will only end in March 2011, the complete rolling out of the system took place at the end of 2010.

The outstanding projects of the Infrastructure Division in Q4 2010 were the following:

At ACCACE s.r.o. (accountant and consulting service company), Infinity performs the operation of the complete information technology infrastructure of the new office. Parallel to the opening of the new office, the client switched to the use of the MS Office 2007 platform smoothly, assisted by Infinity as. yet again.

Infinity launched system and application hosting for CP Praha in October 2010. Parallel to this, the administration of local environments has also begun, which practically implies a complete information technology outsourcing for the client. The entire system is running on a Microsoft platform, with the help of the Microsoft SPLA licensing program.

At Český inkasní servis s.r.o. (claims management company), Infinity took over the management of the entire network. With the help of the experts of the client, Infinity developed a part of the Cisco IP telephony, and systematized and standardized the configurations of individual LAN switches and WAN connections, and the firewall settings. (Such networks are called Cisco Borderless Network.) As an additional development, at this client, Infinity installed a Cisco Soitron Contact Center in cooperation with Soitron.

The continuous replacement and development of the computer park at the Czech Dopravní podnik města Brna (Transport Company of Brno) was a major supply project. Infinity delivered several backbone network and access switches (Cisco Catalyst 3750G and Catalyst 3750X). The delivery, configuration and installation of the devices happened in the frame of the Cisco Smart Care program. Infinity provided this solution as one of the rare certified Cisco partners in the Czech Republic.

For Formplast Purkert s.r.o. (car industry supply company), Infinity supplied and installed a complete virtualization solution financed by the European Union. In addition to the HP server and data storage technologies, the project included the Microsoft Small Business Server 2003 – 2008 migration, while the physical servers were transferred to a VMware vSphere virtual environment. The engineering and implementation of a two-stage backup system (D2D2T) were also integral parts of the project.

In cooperation with HP, Infinity implemented a development and manufacturing environment of huge significance for IDS Scheer ČR (software development company). The delivery included servers, storage devices, and HP and Cisco network infrastructure devices. The newly installed technology is suitable for development and testing and it will also serve as the basis of a new manufacturing environment.

At KOSTAL CR, s.r.o. (car industry supply company), Infinity and Cisco together won the availability (SLA) agreement for nearly 100 devices.

Penzijní fond České pojišťovny a.s., (Czech insurance and pension fund) appointed Infinity for the replacement of network switches. In view of regulations and the demands of the client, Cisco Catalyst 3560-X switches were installed. Following their installation, the devices were added to the list of devices monitored by Infinity as. in understanding of the SLA agreement.

From the part of the Czech, Slovakian and Hungarian subsidiaries of Scania, a demand arose last year for solutions that support inventory control and mobility. Following a comprehensive analysis of the client, the participating sites were chosen. Infinity continued thorough research before

determining the optimal position of access points and performing the structured cabling tasks. Motorola WiFi devices were used in the construction of infrastructure.

Headcount figures for Synergon Group

Headcounts	2010 Q4 average	2009 Q4 average	Difference %	2010 Q4 closing	2009 Q4 closing	Difference %
Synergon and Hungarian controlled entities	243	249	(2%)	243	245	(1%)
Infinity	102	106	(4%)	105	105	0%
Total	345	355	(3%)	348	350	(1%)

The closing headcount of December 31, 2010 is 348 persons, of whom 64 persons are employed by the parent company. The change in the closing headcount is a decrease of 1% 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

On 29th March 2011 the Board of Directors decided about convocation of the Annual Regular General Assembly on 29 April 2011. On 7th April 2011 the Board of Directors decided about the proposals of the General Assembly on 29th April 2011, and adopted the individual and consolidated report of the mother company.

Ownership structure

Shareolders with higher than 5% owership of Synergon Informations Plc.			Shareolders structure of Synergon Informations Plc.		
Shareholders	December 31st, 2010	December 31st, 2009	Shareholder arts	December 31st, 2010	December 31st, 2009
Cashline Befektetési Holding Zrt.	15,42%	15,42%	Domestic Company	49,90%	52,27%
Pannergy Műanyagipari Nyrt. with subsidiaries	11,56%	12,52%	Foreign Company	2,49%	4,48%
Treasury shares	16,36%	11,97%	Domestic Private person	24,70%	24,98%
Investors below 5% ratio	56,66%	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	5,99%	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 **12-month period from January 1, to December 31, 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, 7th April 2011



Robert LITAUSZKI
CEO

Zsuzsanna IMRE
CFO

Synergon Information Systems Plc.

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

