



FOR IMMEDIATE RELEASE

## SYNERGEX ANNOUNCES FIRST QUARTER RESULTS

### *Efficiency improvements drive margin growth*

**Mississauga, Ontario (May 15, 2006)** – Synergex Corporation (TSX: SYX) (“Synergex”), a leading provider of diversified commercial services, today announced its results for the first quarter ended March 31, 2006.

#### **Q1 2006 Highlights**

- Sales revenue was \$28.9 million
- Gross profit was \$4.3 million or 14.7% of sales
- Net income was \$0.7 million
- Earnings per share was \$0.01 (basic and fully diluted)
- Working capital exceeds \$11 million
- Available cash exceeds \$12 million

“Despite sales in the first quarter being affected by seasonality and timing of product launches, Synergex was able to grow margins, maintain earnings per share and improve our balance sheet due to improvements in our infrastructure, supply chain technology and information systems,” said David Aiello, President and CEO of Synergex. “We continue to successfully engage new clients while expanding the breadth of services that we provide our customers.”

During the first quarter, Synergex’ core Commercial Gateway workgroup signed three significant new contracts with video game publishers to fulfill their Canadian operational requirements. Continued strong demand for digital art, printing and translation services led the Digital Media workgroup to expand capacity. Planning is underway for expanded marketing and sales of new value-added logistics services.

#### **Financial Results**

Consolidated sales for the three months ended March 31, 2006, were \$28.9 million, a decrease of 31.4% per cent or \$15 million from \$43.8 million in the same period in 2005. Sales decreased in the first quarter relative to the prior year primarily due to the launch of a significant new hardware product in the first quarter of 2005, in addition to the fact that some product releases anticipated for Q1 2006 were deferred to subsequent months. Computer entertainment software sales, Synergex’ core revenue stream, continued to grow year over year, reaching quarterly sales of \$23.1 million in Q1 2006 and year over year growth of 16.8%, compared to sales of \$19.8 million in Q1 2005.

Consolidated gross profit percentage for the first quarter ended March 31, 2006, was 14.7% of sales, an increase from 10.7% of sales for the same period last year.

Consolidated gross profit for the first quarter ended March 31, 2006 was \$4.3 million, a decrease of \$0.5 million compared to \$4.7 million in the same period last year.

The decrease in gross profit earned was due to the reduction in total sales, and the gross margin percentage increase was due primarily to the product mix sold, economies of scale achieved in transportation expenses, labour costs and a favourable trend in international currency exchange rates. Some variance in gross profit as a percentage of sales is routine, and is due to differences in the product mix sold in each period.

Operating expenses for the three months ended March 31, 2006, including general and administrative expenses, sales expense, interest expense, amortization of equipment expense, amortization of a customer list expense, employee termination costs, and business combination costs, remained flat at approximately \$3 million in the first quarter of 2005 and 2006.

Net income for the first quarter of 2006 was \$0.7 million or \$0.01 per share (basic and fully diluted) compared to a net income of \$1.0 million or \$0.01 per share (basic and fully diluted) in the same quarter a year ago.

EBITDA\* (earnings before interest, taxes, depreciation and amortization) for the first quarter was 1.3 million compared to \$1.9 million for the same period last year.

Synergex had a net cash position of approximately \$12.3 million as at March 31, 2006, compared to \$5.7 million for the same period last year. Working capital as at March 31, 2006, was approximately \$11.1 million, compared to \$7.5 million as at March 31, 2005.

During the quarter ended March 31, 2006, Synergex generated \$6.7 million in cash from operations compared to \$1.8 million in the same quarter in the prior year.

Financial statements with notes and MD&A for the first quarter and the year are available online at [www.sedar.com](http://www.sedar.com).

### **Conference Call and Webcast**

Management will host a conference call to discuss first quarter and year-end results on Monday May 15, 2006, at 11 a.m. ET. To access the call, dial **416-644-3419** or **1-866-250-4910**. A recording of the call will be available as of 2 p.m. the same day until midnight May 22, 2006. To access the recording, dial **416-640-1917** or **1-877-289-8525**, followed by passcode **21188621#**. The conference call will also be available via webcast at [www.syx.ca](http://www.syx.ca).

### **About Synergex Corporation**

Synergex Corporation is a leading provider of business solutions. Synergex applies its proven expertise in supply chain management and process automation to emerging opportunities with high growth potential. The Company has four workgroups: Synergex Commercial Gateway, Synergex Technology, Synergex Digital Media, and Synergex Business Information, which provide value added depth in the areas of video game logistics and distribution, digital signage, point of sale solutions, Radio Frequency Identification and credit reporting. Headquartered in Mississauga, Ontario, Synergex serves a broad base of customers that includes a number of

multinational enterprises. Synergex is listed on the Toronto Stock Exchange and trades under the symbol SYX. For further information, please visit [www.syx.ca](http://www.syx.ca).

### **Forward Looking Statements**

Some statements contained in this news release are forward-looking statements relating to Synergex' current expectations regarding future events. These forward-looking statements are based on our current expectations. We caution that all forward-looking information is inherently uncertain and actual results may differ materially from the assumptions, estimates or expectations reflected or contained in the forward-looking information, and that actual future performance will be affected by a number of factors, including economic conditions, technological change, regulatory change, and competitive factors, many of which are beyond our control. Therefore, future events and results may vary significantly from what we currently foresee. For more information on the Company's risks and uncertainties relating to these forward looking statements, please refer to the risk factors section of the Company's MD&A.

### **\*Non-GAAP Measures**

References in these materials to "EBITDA" are to net income before interest expense, interest income, income taxes, loss (gain) on sale of equipment, and depreciation and amortization. EBITDA is not a recognized measure under Canadian GAAP. Investors are cautioned that EBITDA should not be construed as an alternative to net earnings or cash flows from operating activities (determined in accordance with GAAP) as a performance indicator, or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. Synergex' method of calculating EBITDA may differ from other issuers and, accordingly, EBITDA may not be comparable to similar measures presented by other issuers. EBITDA performance is presented herein because management believes that, in addition to net income, EBITDA is a useful supplemental measure of Synergex' financial performance.

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