Consolidated Financial Statements (IFRS)
for the Financial Year ended December 31, 2007
and Group Management Report

Synaxon AG, Bielefeld

Synaxon AG, Bielefeld

Consolidated Balance Sheet for the Financial Year ended December 31, 2007 in accordance with IFRS

Assets

	Notes No.	31 Dec. 2007 EUR	31 Dec. 2006 € 000
A. Current assets			
I. Cash in hand and bank deposits		4,437,914.60	3,127
II. Financial assets			
Other securities	II.1	20,443.26	29
III. Trade receivables	II.2	2,674,544.43	2,766
IV. Receivables from associates		1,428.00	-
V. Inventories		24,350.00	94
VI. Prepaid expenses		69,094.17	92
VII. Tax refund entitlements	II.3	614,307.15	917
VIII. Other current assets	II.4	712,954.61	1,432
IX. Assets of discontinued divisions		0.00	22
X. Non-current assets held for sale	II.5	496,541.27	-
		9,051,577.49	8,479
B. Non-current assets			
I. Property, plant and equipment	II.6		
1. Land and buildings		0.00	514
2. Other plant, operating and Office equipment		424,219.50	395
II. Property held as financial investment	II.7	189,337.27	196
III. Intangible assets	II.8		
1. Goodwill		7,648,255.89	7,648
2. Concessions, industrial proprietary rights and similar rights		3,239,478.01	3,302
3. Software development		568,681.08	441
IV. Financial assets			
1. Shareholdings		15,388.91	15
2. Investments in associates	II.9	127,911.75	132
V. Tax refund entitlements	II.3	297,750.20	317
VI. Other current assets	II.4	52,053.50	54
VII. Deferred taxes	II.10	54,900.34	68
		12,617,976.45	13,082
		21,669,553.94	21,561

Liabilities and shareholders' equity

	Notes No.	31 Dec. 2007 EUR	31. Dec. 2006 € 000
A. Current liabilities			
I. Trade payables		522,111.94	886
II. Provisions	II.11		
1. Provisions for taxes payable		272,300.00	720
2. Other provisions		1,970,762.84	1,638
III. Deferred income		80,968.85	178
IV. Other liabilities	II.12	1,016,932.93	861
V. Debts of discontinued divisions		0.00	35
		3,863,076.56	4,318
B. Non-current liabilities			
Deferred taxes	II.10	1,754,979.88	2,280
C. Shareholders' equity	II.14		
I. Subscribed capital		3,891,000.00	3,891
II. Capital reserves		4,647,609.31	4,648
III. Revenue reserves			
1. Legal reserves		42,437.23	42
2. Other revenue reserves		8,234,310.48	6,853
3. Revaluation reserve financial instruments		- 2,409.15	2
IV. Treasury shares		- 4,046,066.78	- 4,046
V. Concern profit brought forward		939,358.37	1,933
VI. Consolidated accumulated profits		2,282,473.84	1,565
		15,988,713.30	14,888
VII. Minority interest	II.13	62,784.20	75
		16,051,497.50	14,963
		21,669,553.94	21,561

Synaxon AG, Bielefeld

Consolidated Income Statement for the Financial Year January 1 to December 31, 2007 in accordance with IFRS

		Notes No.	2007 €	2006 € 000
1.	Revenues	III.1	16,553,076.25	20,936
2.	Other operating income	III.2	481,373.56	426
3.	Cost of purchased materials	III.3		
	a) Costs of goods purchased		- 3,710,611.31	- 6,742
	b) Costs of services purchased		- 193,065.70	- 386
4.	Personnel expenses	III.4		
	a) Wages and salaries		- 4,447,147.76	- 5,173
	b) Social security contributions		- 637,554.42	- 857
5.	Amortization of intangible assets And depreciation on property, plant and equipment		- 761,881.47	- 956
6.	Other operating expenses	III.5	- 3,947,830.64	- 4,877
			3,336,358.51	2,371
7.	Other interest and similar income	III.6	204,759.47	129
8.	Interest and similar expenses		- 33,830.12	- 10
9.	Income from associates		19,398.61	3
10.	Profit before taxes and minority interest		3,526,686.47	2,493
11.	Taxes on income	III.7	- 1,139,727.31	- 982
12.	Expenditure for inherent claims of minority Shareholders of limited companies		- 46,278.91	- 40
			2,340,680.25	1,471
	(thereof from discontinued business segments - loss)		(0,00)	(- 648)
13.	Share of profit attributable to minorities		- 58,206.41	94
14.	Consolidated net profit		2,282,473.84	1,565
Average number of current shares			3,538,500	3,538,500
Amount per share (undiluted/diluted)		III.8		
	Diluted			
	Overall amount		0.65	0.44
	Amount from continued operations		0.65	0.62
	Undiluted			
	Overall amount		0.65	0.44
	Amount from continued operations		0.65	0.62

Synaxon AG, Bielefeld

Consolidated Cash Flow Statement (IFRS)

	2007	2006
	€ 000	€ 000
Profit before taxes	3.527	2.493
Share of profit/loss of associates and joint ventures accounted for using the equity method	- 19	- 3
Stock option plan	8	47
Depreciation of property, plant and equipment and amortization of intangible assets and goodwill	761	762
Depreciation of intangible assets	1	194
Other expenses and income affecting income	6	-
	4,284	3,493
Profit (previous year: loss) on sale of fixed assets	- 18	220
Increase in short-term provisions	- 333	187
Decrease in inventories, trade receivables and other assets	1,243	637
Decrease in trade payables and other liabilities	- 386	- 350
Taxes	- 1,872	- 982
Net cash from operating activities	3,584	3,205
Proceeds from sale of fixed assets	38	40
Proceeds from associates and joint ventures accounted for using the equity method	24	8
Payments for acquisitions	- 1	- 1,406
Investments in fixed assets	- 853	- 823
Net cash from investing activities	- 792	- 2,181
Dividend payment	- 1,415	- 1,415
Payments to minority partners	- 70	- 411
Net cash from financing activities	- 1,485	- 1,826
Net increase (previous year: net decrease) in cash and cash equivalents	1,307	- 802
Cash and cash equivalents at beginning of period	3,131	3,933
Cash and cash equivalents at end of period (Cash in hand and bank deposits)	4,438	3,131

Synaxon AG, Bielefeld

Statement of changes in equity according to IFRS as per December 31, 2007

	Issued capital	Capital reserves	Legal reserves	Revenue reserves	Revaluation reserve*	Treasury shares	Accumulated profits	Concern net profit	Concern interest	Minority interest	Overall
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Position as per January 1, 2006	3,891	4,648	42	6,665	2	- 4,046	3,157	188	14,547	992	15,539
Result 2005	-	-	-	-	-	-	188	- 188	-	-	-
Allocation to other revenue reserves	-	-	-	141	-	-	-141	-	-	-	-
Distribution as dividend	-	-	-	-	-	-	- 1,415	-	- 1,415	-	- 1,415
Changes in holdings of other partners	-	-	-	-	-	-	-	-	-	- 917	- 917
Stock options plan	-	-	-	47	-	-	-	-	47	-	47
Consolidated net profit	-	-	-	-	-	-	-	1,565	1,565	-	1,565
Other changes	-	-	-	-	-	-	144	-	144	-	144
Position as per December 31, 2006 / January 1, 2007	3,891	4,648	42	6,853	2	- 4,046	1,933	1,565	14,888	75	14,963
Result 2006	-	-	-	-	-	-	1,565	- 1,565	-	-	-
Allocation to other revenue reserves	-	-	-	1,373	-	-	- 1,373	-	-	-	-
Distribution as dividend	-	-	-	-	-	-	- 1,415	-	- 1,415	-	- 1,415
Evaluation of securities	-	-	-	-	- 4	-	-	-	- 4	-	- 4
Changes in holdings of other partners	-	-	-	-	-	-	-	-	-	- 12	- 12
Stock option plan	-	-	-	8	-	-	-	-	8	-	8
Tax rate change	-	-	-	-	-	-	225	-	225	-	225
Consolidated net profit	-	-	-	-	-	-	-	2,283	2,283	-	2,283
Other changes	-	-	-	-	-	-	4	-	4	-	4
Position as per December 31, 2007	3,891	4,648	42	8,234	- 2	- 4,046	939	2,283	15,989	63	16,052

* including offsetting of deferred taxes not affecting net income

Synaxon AG, Bielefeld

Notes to the Consolidated Financial Statements (IFRS) for the Financial Year ended December 31, 2007 (Part A)

Consolidated Fixed Assets Schedule December 31, 2007

		Acquisition or Manufacturing Costs						Depreciation/Amortization					Carrying amounts	
		Position as per Jan. 1, 2007	Additions	Re-classification *	Repostings	Disposals	Position as per Dec. 31, 2007	Position as per Jan.1, 2007	Additions	Re-classification *	Disposals	Position as per Dec.31, 2007	31.12.2007	31.12.2006
		€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
I.	Property, plant and equipment													
1.	Land and buildings	625,658.87	0.00	- 625,658.87	0.00	0.00	0.00	111,774.60	17,343.00	- 129,117.60	0.00	0.00	0.00	514
2.	Other plant, operating and office equipment	1,050,367.76	229,559.64	0.00	0.00	178,771.64	1,101,155.76	655,551.76	179,027.15	0.00	157,642.65	676,936.26	424,219.50	395
		1,676,026.63	229,559.64	- 625,658.87	0.00	178,771.64	1,101,155.76	767,326.36	196,370.15	- 129,117.60	157,642.65	676,936.26	424,219.50	909
II.	Property held as financial investment	359,218.97	0.00	0.00	0.00	0.00	359,218.97	163,434.15	6,447.55	0.00	0.00	169,881.70	189,337.27	196
III.	Intangible assets													
1.	Goodwill	7,883,684.95	852.65	0.00	0.00	0.00	7,884,537.60	235,429.06	852.65	0.00	0.00	236,281.71	7,648,255.89	7,648
2.	Concessions, industrial proprietary rights and similar rights	4,434,374.12	55,263.14	0.00	440,619.48	33,097.21	4,897,159.53	1,132,563.11	558,211.12	0.00	33,092.71	1,657,681.52	3,239,478.01	3,302
3.	Software development	440,619.48	568,681.08	0.00	- 440,619.48	0.00	568,681.08	0.00	0.00	0.00	0.00	0.00	568,681.08	441
		12,758,678.55	624,796.87	0.00	0.00	33,097.21	13,350,378.21	1,367,992.17	559,063.77	0.00	33,092.71	1,893,963.23	11,456,414.98	11,391
IV.	Financial assets													
1.	Investments	15,388.91	0.00		0.00	0.00	15,388.91	0.00	0.00	0.00	0.00	0.00	15,388.91	15
2.	Interest in associated companies	382,529.55	0.00	0.00	0.00	4,647.18	377,882.37	249,970.62	0.00	0.00	0.00	249,970.62	127,911.75	133
		397,918.46	0.00	0.00	0.00	4,647.18	393,271.28	249,970.62	0.00	0.00	0.00	249,970.62	143,300.66	148
		15,191.842.61	854,356.51	- 625,658.87	0.00	216,516.03	15,204,024.22	2,548,723.30	761,881.47	- 129,117.60	190,735.36	2,990,751.81	12,213,272.41	12,644

* Reclassification in non-current assets held for sale

Consolidated Fixed Assets Schedule December 31, 2006

	Acquisition or Manufacturing Costs					Depreciation/Amortization				Carrying Amounts	
	Position as per Jan. 1, 2006	Additions	Repostings	Disposals	Position as per Dec. 31, 2006	Position as per Jan 1, 2006	Additions	Disposals	Position as per Dec. 31,2006	31.12.2006	31.12.2005
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
I. Property, plant and equipment											
1. Land and buildings	1,330,613.15	0.00	0.00	704,954.28	625,658.87	116,070.78	27,195.18	31,491.36	111,774.60	513,884.27	1.215
2. Other plant, operating and office equipment	1,584,905.84	169,935.51	0.00	704,473.59	1,050,367.76	619,594.34	244,715.42	208,758.00	655,551.76	394,816.00	966
	2,915,518.99	169,935.51	0.00	1,409,427.87	1,676,026.630	735,665.12	271,910.60	240,249.36	767,326.36	908,700.27	2,181
II. Property held as financial investment	359,218.97	0.00	0.00	0.00	359,218.97	156,984.15	6,450.00	0.00	163,434.15	195,784.82	202
III. Intangible assets											
1. Goodwill	6,118,360.65	1,765,324.30	0.00	0.00	7,883,684.95	235,429.06	0.00	0.00	235,429.06	7,648,255.89	5,883
2. Concessions, industrial property rights and similar rights	3,407,819.41	212,643.59	1,009,205.12	195,294.00	4,434,374.12	638,539.91	677,699.20	183,676.00	1,132,563.11	3,301,811.01	2,769
3. Software development	1,009,205.12	440,619.48	- 1,009,205.12	0.00	440,619.48	0.00	0.00	0.00	0.00	440,619.48	1,009
	10,535,385.18	2,418,587.37	0.00	195,294.00	12,758,678.55	873,968.97	677,699.20	183,676.00	1,367,992.17	11,390,686.38	9,661
IV. Financial assets											
1. Investments	15,388.91	0.00	0.00	0.00	15,388.91	0.00	0.00	0.00	0.00	15,388.91	15
2. Interest in associated companies	387,550.62	0.00	0.00	5,021.07	382,529.55	249,970.62	0.00	0.00	249,970.62	132,558.93	138
	402,939.53	0.00	0.00	5,021.07	397,918.46	249,970.62	0.00	0.00	249,970.62	147,947.84	153
	14,213,062.67	2,588,522.88	0.00	1,609,742.94	15,191,842.61	2,016,588.86	956,059.80	423,925.36	2,548,723.30	12,643,119.31	12,197

Notes to the Consolidated financial statements as of December 31, 2007 (Part B)

I. Notes on the principles and methods used in the Consolidated financial statements

Synaxon AG is entered as a German joint stock corporation in the commercial register of Bielefeld under the number HRB 36014. The company has its registered office in Bielefeld, Germany. The address is 33609 Bielefeld, Eckendorfer Str. 2-4. The Articles of Memorandum and Association dated June 23, 2006 are deemed applicable. The company is the Group umbrella company of the Synaxon Group. The Group operates in the market for information technology and communication in the following divisions: PC-SPEZIALIST Franchise, MICROTREND IT Cooperation, iTeam System House Cooperation and AKCENT. Furthermore, the Group maintains and rents its own and leased office buildings.

The consolidated financial statements and consolidated management report of Synaxon AG prepared by the Board of Management on December 31, 2007 is likely to be released for forwarding to the Supervisory Board at the Board Meeting on March 17, 2008.

1. Accounting principles

These consolidated financial statements of Synaxon AG have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), including the International Accounting Standards (IAS) and the interpretations of the International Financial Interpretation Committee (IFRIC) and/or the Standing Interpretations Committee (SIC) adopted by the EU, as well as the provisions to be observed by way of supplement in accordance with Section 315 a of the German Commercial Code (HGB).

The Group's financial year is the calendar year. The reporting currency is the euro (€). If not stated otherwise, all amounts are stated in thousands of euros (€ 000). The balance sheet is divided into long-term and short-term items. The profit and loss statement has been prepared using the total cost accounting method. The composition of individual items of the balance sheet and the profit and loss statement is explained below.

All assets and debts are stated at historic acquisition or cost price, with the exception of available-for-sale securities, which are stated at the market value.

The preparation of consolidated financial statements in line with IFRS requires the use of estimates. Furthermore, the application of Group-wide accounting policies necessitates evaluation by the management. Areas with greater scope for judgment or of greater complexity, or areas in which assumptions and estimates are of critical importance to the consolidated financial statements, are included in the notes under I.3.

a) Obligatory new or amended IFRS with effect from the 2007 financial year

Synaxon AG has applied the following financial accounting standards in 2007 for the first time, where relevant:

- IFRS 7 "Financial instruments: Disclosures" (obligatory as of January 1, 2007): Disclosures in the notes to financial instruments, up to now chiefly regulated in IAS 32, will now be governed by the standard for the first time. IFRS 7 affects the type and scope of publications of information regarding financial instruments in the consolidated financial statements of Synaxon AG, but not the recognition and measurement of financial instruments.
- IAS 1 "Presentation of financial statements" (obligatory as of January 1, 2007): Amendments to IAS 1 govern disclosure requirements regarding targets, guidelines and procedures for equity management. The amended IAS 1 affects disclosures in the notes, but not recognition and measurement in the consolidated financial statements of Synaxon AG.
- IFRIC 7 "Applying the Restatement Approach under IAS 29 – Financial Reporting in Hyperinflationary Economies" (obligatory as of March 1, 2006): IFRIC 7 clarifies how comparative figures in financial statements are to be restated if the functional currency of a company becomes hyperinflationary and how deferred tax items are to be applied in the opening balance sheet. IFRIC 7 is of no relevance to the consolidated financial statements of Synaxon AG.
- IFRIC 8 "Scope of IFRS 2" (obligatory as of May 1, 2006): IFRIC 8 clarifies the question of whether IFRS 2 is to be applied to transactions for which a company cannot specifically identify some or all of the goods or services received. IFRIC 8 has no effect on the consolidated financial statements of Synaxon AG.
- IFRIC 9 "Reassessment of Embedded Derivates" (obligatory as of June 1, 2006): IFRIC 9 clarifies when an assessment should be made as to whether a contract contains an embedded derivate, which is to be separated from the host contract according to the standard and accounted for separately as a stand-alone derivate. In accordance with IFRIC 9, an assessment must only be made when the company becomes a party to the contract; subsequent reassessment is not required unless there are

changes to the terms of the contract which significantly modify the cash flows. IFRIC 9 has no effect on the consolidated financial statements of Synaxon AG.

- IFRIC 10 “Interim Financial Reporting and Impairment” (obligatory as of November 1, 2006): IFRIC 10 addresses conflict between IAS 34 and IAS 36. According to IFRIC 10, an impairment loss recognized in an interim financial statement is not to be reversed in subsequent interim or annual financial statements. IFRIC 10 has no effect on the consolidated financial statements of Synaxon AG.

b) New or amended IFRS that are not yet obligatory with effect from the 2007 financial year

Synaxon AG has not of its own account applied the following financial accounting standards in advance, which were issued for the first time in 2006 and 2007 and therefore not yet obligatory for these financial statements; adoption by the EU is still outstanding in part:

- IFRS 8 “Operating Segments”, issued in November 2006, replaces the current IAS 14 “Segment Reporting”. Under IFRS 8, segment reporting on the economic situation for segments is to occur in accordance with the management approach, according to which information which the management uses internally to assess segment performance and allocate resources is taken as a basis for the scope of segments and segment disclosures. IFRS 8 is obligatory for financial years beginning on or after January 1, 2009; earlier application is permitted. Synaxon AG has prepared its segment reporting in 2007, as in previous years, in accordance with IAS 14 and is currently looking into possible amendments to segment reporting with the application of IFRS 8.
- A revised version of IAS 1 “Presentation of financial statements” issued in September 2007, is intended to make it easier for users to analyze and compare financial statements. IAS 1 revised in 2007 is obligatory for financial years beginning on or after January 1, 2009; earlier application is permitted. Synaxon AG is currently reviewing the amendments to the presentation of financial statements through IAS 1 (as amended in 2007).
- An amended version of IAS 23 “Borrowing Costs” was issued in March 2007. This standard requires that borrowing costs which are directly attributable to the acquisition or production of a qualifying asset be capitalized. The current option of immediately recognizing borrowing costs as an expense practiced by Synaxon is removed. The amended IAS 23 is obligatory for financial years beginning on or after January 1, 2009; earlier application is permitted. Synaxon AG is currently

reviewing the effects of the future capitalization of borrowing costs in the consolidated financial statements in accordance with IAS 23 (as revised in 2007).

- IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions", issued in November 2006, addresses the question of how IFRS 2 "Share-based Payment" is to be applied to share-based payments for which the company's own equity instruments or the equity instruments of another company within the Group are granted. IFRS 11 is obligatory for financial years beginning on or after March 1, 2007; earlier application is permitted. Synaxon AG currently does not expect the application of the interpretation to have a significant effect on the presentation of the consolidated financial statements.
- IFRIC 12 "Service Concession Arrangements", issued in November 2005, addresses questions on the accounting treatment of agreements by which a government or other public body awards contracts to a private operator for the supply of public services. IFRIC 12 applies for fiscal years beginning on or after January 1, 2008. Synaxon AG currently does not expect IFRIC 12 to be of any relevance to the consolidated financial statements of Synaxon AG.
- IFRIC 13 "Customer Loyalty Programs", issued in June 2007, deals with the questions of how the free supply of goods and services is to be accounted for and how the proceeds allocated to "award credits" are to be measured. With reference to IAS 18.13, IFRIC 13 requires on the one hand the allocation of proceeds to the product sold and on the other hand the awards granted in connection with this sale. In this respect, the proceeds are to be allocated using the fair values of components. Synaxon AG is currently reviewing the future implications for the consolidated financial statements.
- IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", issued in July 2007, gives advice on how to determine the limit for a surplus which can be recognized as an asset in accordance with IAS 19 "Employee benefits". It also clarifies what effects a legal or contractual obligation to make minimum funding payments has on the measurement of the asset and provision from defined benefit plans. This ensures that a company reports a plan surplus consistently in the balance sheet as an asset. IFRS 14 is obligatory for financial years beginning on or after January 1, 2008; earlier application is permitted. Synaxon AG currently does not expect the application of the interpretation to have a significant effect on the presentation of the consolidated financial statements.

c) Previous year's figures amended under IAS 8

- The negative minority interests in EDV Vertriebsgemeinschaft Handels GmbH and Systempartner Computervertriebs GmbH, Vienna, are to be charged to group equity, since there are no obligations to make good the losses in accordance with IAS 27.35.

The previous year's disclosures have been amended in the balance sheet, cash flow statement and statement of changes in equity.

d) Change to classification

- The classification of equity has been modified for improved comparability. What has up to now been reported as balance sheet profit has been divided into consolidated profit brought forward and consolidated net profit. The transfer to balance sheet profit in the consolidated balance sheet has been dispensed with.

The previous year's disclosures and the statement of changes in equity have been amended accordingly.

2. Consolidation principles and methods

Consolidation principles

The financial statements of all domestic and foreign subsidiaries which are subject to the legal and/or constructive control of Synaxon AG, are included in the consolidated financial statements and have been prepared in accordance with IAS 27, pursuant to uniform accounting policies. The same consolidation methods as in the previous year have been applied to the same content. The balance sheet date for the consolidated companies is the same as the balance sheet date for the Group.

Consolidated companies

Company and headquarters	Participating interest	Equity under commercial law 31 Dec. 2007	Result under commercial law 31 Dec. 2007
	%	€ 000	€ 000
PC-SPEZIALIST Computervertriebsgesellschaft-Unternehmensbeteiligungs-GmbH, Bielefeld	100	26	-
PC-SPEZIALIST MICROTREND Service GmbH, Bielefeld	100	634	-
MICROTREND Dienstleistungs GmbH, Schloß Holte-Stukenbrock	100	65	1
SYNAXON Online GmbH, Bielefeld (previous year: echovibe.GmbH)	100	- 51	-
EDV Vertriebsgemeinschaft Handels GmbH, Vienna/Austria	88	- 266	- 9
Systempartner Computervertriebs GmbH, Vienna/Austria	88	- 1,809	- 5
PC-SPEZIALIST & Helpup GbR, Bielefeld	60	5	24
iTeam GmbH, Osnabrück	87,4	26	277
iTeam Consulting GmbH, Osnabrück	93,7	1,177	428
iTeam Systemhauskooperation GmbH & Co. KG, Osnabrück	84,33	1,200	474
iTeam Systemhauskooperation Beteiligungs-GmbH, Osnabrück	93,7	26	- 2
AKCENT Computerpartner Deutschland AG, Lilienthal	100	1,871	822

The 50% participating interest held by PC-SPEZIALIST Computervertriebs-Unternehmensbeteiligungs-GmbH in Talos & Helpup GbR (affiliated company) has been prepared in the balance sheet using the equity method.

In 2007, the participating interest in EDV Vertriebsgemeinschaft Handels GmbH was increased by 4% to 88% of capital stock.

Capital consolidation

Capital consolidation has occurred in accordance with IFRS 3 which came into force in 2004. Under IFRS 3, the cost of a company merger or acquisition is allocated to the assets, liabilities and contingent liabilities to be reported in the balance sheet. These are stated at fair value on the acquisition date. Goodwill is calculated as the difference between the cost of the company merger or acquisition and the share of the acquiring party in the fair values of the acquired assets, liabilities and contingent liabilities. Goodwill resulting from the capital consolidation is not to be subject to scheduled depreciation pursuant to IFRS 3, but instead is to be tested for impairment at least once a year by means of an impairment test.

Shares in the equity of the subsidiary joint stock companies which the parent company is not entitled to are reported separately as “Interests of minority partners” under equity or, in the event of a negative balance, offset against consolidated profit brought forward.

Debt consolidation

Internal Group receivables and liabilities have been set off against each other.

Consolidation of expense and income

Internal group profits and losses, revenue, expenses and income have been eliminated.

Elimination of interim profit

If calculations between Group companies give rise to capitalization measures, interim profits are eliminated.

Currency conversion

Transactions in foreign currencies are converted to the functional currency at the rate on the day of the transaction. On the balance sheet date, monetary items are converted at the closing rate, while non-monetary items are converted at the rate on the date of the transaction. Resulting exchange differences are derecognized in profit or loss.

3. Accounting policies

Cash and cash equivalents

Cash and cash equivalents include cash in hand and bank deposits.

Inventories

The commodities stated in the balance sheet as inventories pursuant to IAS 2 have been measured at cost of purchase or at the lower net realizable value. The cost of purchase is generally valuated at average prices. Individual write-downs have been applied provided that, with due regard to sales costs, the revenue likely to be realized from the sale of inventories is lower than the carrying amounts. As a general rule, borrowing costs are not capitalized.

Non-current assets held for sale

Non-current assets held for sale (and groups of assets designated for sale) have been recognized at the lower of carrying amount and fair value, less costs to sell still outstanding.

Non-current assets and groups of assets are classified as “held for sale” if their carrying amount will be realized by their sale rather than by further use. This prerequisite is deemed met only when the sale is very probable and the asset is available for immediate sale. The management must have decided to sell and the sale should be intended for within a year of its qualifying as "available-for-sale". These assets are no longer subject to scheduled depreciation. Impairments, where persistent, are recognized through profit or loss.

Property, plant and equipment

Fixed assets used for company operations for longer than one year are stated at amortized cost pursuant to IAS 16. Straight-line and scheduled depreciation is applied on the basis of a general useful life of between 3 and 10 years and is recognized under the profit and loss statement item depreciation. Buildings are depreciated on a straight-line basis over a useful life of 25 years.

Real estate held as financial investments

Real estate held as financial investments comprises all real estate held for the purposes of realizing rental income (or long-term asset growth) and is used neither in production nor for administrative purposes. This real estate is measured at amortized costs. Borrowing costs are not capitalized. The useful life is generally 25 years. Depreciation is by equal sums spread over the useful life and is reported under the profit and loss statement item depreciation.

Intangible assets

Intangible assets acquired against payment, provided they are used for company operations for longer than one year, are recognized at cost of purchase and depreciated using the scheduled depreciation method. Company-manufactured intangible assets are capitalized at their cost of conversion if the criteria for capitalization under IAS 38 are met. Borrowing costs are not capitalized. Intangible assets that are identifiable pursuant to IAS 38 and whose fair values can be reliably calculated have been recognized separately as part of the purchase price allocation. The straight-line method of depreciation is used here over a useful life of 3 to 15 years and is reported under the profit and loss statement item depreciation. All intangible assets have a limited useful life.

Goodwill from the capital consolidation is not depreciated using the scheduled method since switching to IFRS, but instead is subject solely to an annual impairment test in accordance with IAS 36.

Impairments

On each balance sheet date, the Group reviews, within the meaning of IAS 36, the carrying amounts of intangible assets (inc. goodwill); property, plant and equipment; and real estate held as financial investments to determine whether any indication exists that an impairment loss could have been sustained. In such a case, the recoverable amount of the asset in question is calculated in order to determine the scope of any impairment to be applied where necessary. The recoverable amount corresponds to the fair value less costs to sell or value in use, whichever is greatest. Where it is not possible to calculate the recoverable amount for an individual asset, the recoverable amount for the smallest cash generating unit (CGU for short) that can be allocated to the asset in question is determined.

Goodwill resulting from company acquisitions is allocated to a CGU. The recoverable amount of the CGU to which goodwill is allocated is tested regularly for impairment every year and in addition if at other times any indications of a possible impairment exist. If the recoverable amount of an asset is lower than the carrying amount, an impairment of the asset is immediately recognized in profit and loss. In the event of value adjustments in connection with a CGU, the goodwill contained therein is initially reduced. If the need for impairment exceeds the carrying amount of the goodwill, the difference is, as a general rule, spread proportionally over the remaining long-term assets of the CGU.

If an impairment subsequently results in the asset or the CGU having a higher recoverable amount, the valuation is increased. The increased valuation to be recognized in profit or loss is limited to the amortized carrying amount which would have resulted without the impairment in the past. Goodwill may not be subject to increased valuation.

All impairments are recognized in profit or loss under depreciation, appreciation under other operating income.

Leasing items

Economic ownership of leasing items is allocated by lease to the respective contractual partner, who bears all the risks and rewards associated with the leasing item. With regard to all leasing contracts that apply to the Group, the lessor bears these risks and rewards. The leasing items are to be stated in the lessor's balance sheet. The leasing rates are recognized as income under other operating income in the lessee's balance sheet.

The Group utilizes leasing solely in the context of motor vehicle leasing. Pursuant to IAS 17, this is treated as operating leasing and is capitalized in the lessor's statement. The fees are incorporated as current costs in the lessee's profit and loss statement (other operating expenses).

Payments that will fall due in future from concluded leasing contracts are to be stated under "Other financial obligations".

Financial assets

Pursuant to IAS 39, financial assets are divided into four different categories for accounting purposes. Classification depends on the respective purpose for which the financial assets are acquired. The management determines how financial assets are to be classified when recognized for the first time and reviews the classification on every reporting date. Financial assets include liquid funds, loans and receivables and securities. Pursuant to IAS 39, all securities – reported as other securities under current financial assets and as shareholdings under non-current financial assets – are classified as financial assets held for sales purposes (available for sale). In the periods under review, the Group had neither held-to-maturity investments nor financial assets recognized at fair value through profit or loss.

Securities are generally measured at fair value upon addition and in subsequent years. The profits and losses resulting from valuation at fair value are recognized directly in equity (valuation reserve for financial instruments). This does not apply where it is a matter of lasting or significant impairments which are recognized in profit or loss. It is not until the disposal of the financial assets that the accumulated profits and losses from valuation at fair value recognized in equity are recognized through profit and loss in the profit and loss statement. If the fair value of equity instruments not quoted on the stock exchange cannot be determined sufficiently reliably, the shares are valuated at cost of purchase (where applicable, less impairments). The following, in particular, indicate impairments to securities:

- significant financial difficulties experienced by the issuer of the financial instrument,
- increased probability that the other party must declare itself insolvent,
- default or delay of interest or redemption payments.

Trade receivables, as well as other receivables/assets, are initially measured at fair value and subsequently at amortized costs, and where applicable less impairments. Interest-free or low-interest receivables are measured at the present value of the expected future cash flow. Impairments to receivables are made on a case-by-case basis if the following indications make the collection of the receivable unlikely:

- significant financial difficulties experienced by the other party,
- increased probability that the other party must declare itself insolvent,
- default or delay of interest or redemption payments.

An impairment generally leads to a direct reduction of the carrying amount of the financial assets in question, with the exception of trade receivables, the carrying amount of which is reduced by means of a depreciation account. If a trade receivable is estimated to be uncollectible, expenditure is against the depreciation account. Changes to the carrying amount of the depreciation account are recognized through profit and loss in the profit and loss statement (under other operating income or expenses).

Liquid funds (cash in hand and bank deposits) are recognized at cost of purchase or nominal value.

Initial recognition and de-recognition occur on the respective trade date for all financial assets.

Provisions

A provision is created pursuant to IAS 37 if a current liability to third parties has arisen from an event in the past which leads to an outflow of resources that can be reliably estimated. This is determined on a full cost basis, with due regard to all identifiable risks by way of the best possible estimate. Provisions whose residual term is longer than one year are discounted under conditions that are customary in the market. The valuation of the provision is reassessed on each balance sheet date.

Financial liabilities

Financial liabilities are categorized according to type and intended use in accordance with IAS 39.0. All financial liabilities in the Synaxon Group have been classified as other financial liabilities within the meaning of IAS 39.9 and recognized initially at their fair value less transaction costs. All liabilities are measured in subsequent years at adjusted cost of purchase, using the effective interest method.

The Group derecognizes a financial liability when the liability of the Group has been discharged, cancelled or has expired.

Deferred tax

Deferred and current taxes are calculated pursuant to IAS 12. Deferred tax is created on the basis of the liability method on balance sheet rates that differ from the tax balance sheet pursuant to IFRS; tax losses brought forward and consolidation measures are recognized in profit or loss and stated in a separate adjusting item pursuant to IAS 12.69. Whether or not deferred tax assets are to be recognized depends on the probability of actually realizing the deferred tax claims in future. The probability of this must be greater than 50% and be supported by appropriate business plans. The expected tax rates in Germany at the time of realization are taken as a basis for the calculation.

Income and expense realization

As a general rule, revenues and other operating income are not stated until the services have been rendered or the goods supplied and the relevant risks and rewards have therefore been transferred to the partner. Sales from system fees is recognized in accordance with the contractual agreements. Sales from commission revenue and advertising cost allowances is recognized in accordance with the date on which the entitlement arose. The sale is determined by the amount of the contractually-agreed value. The costs incurred through the sale can be reliably determined. Expenses are stated as such upon utilization of the service, or on the date on which they were incurred. Dividends are collected when the legal entitlement to payment arises, while interest is recognized on an accrual basis as income or expense.

Use of estimates

The preparation of consolidated financial statements requires that assumptions be made and estimates used which have an effect on the amount and allocation of assets and liabilities, income and expenses as well as contingent liabilities recorded in the balance sheet. Assumptions and estimates largely relate to assumptions, assessment of economic life, accounting policies for provisions, as well as the feasibility of future tax benefits, which form the basis for the measurement of goodwill. The actual figures may, in individual cases, differ from the assumptions and estimates made. Changes are recognized through profit and loss as soon as more detailed information is known.

4. Increasing interests

EDV Vertriebsgemeinschaft Handels GmbH, Vienna/Austria

With the notarial deed dated May 4, 2007, Synaxon AG increased its interest in EDV Vertriebsgemeinschaft Handels GmbH by 4% to 88% of capital stock. The cost of purchase including incidental costs amounts to € 1,000. Payment was effected in cash.

Since this company has already been consolidated in full in the consolidated financial statements of Synaxon AG in the previous period, the additional share acquisition constitutes solely an equity transaction between interests of minority partners and Synaxon AG. The increase has given rise to a transfer of € 84,000 between the interests of minority partners and group equity.

II. Notes to the consolidated balance sheet

1. Other securities

	Carrying amount 31 Dec. 2007	Carrying amount 31 Dec. 2006
	€ 000	€ 000
Shares/certificates	20	29

Other securities are financial instruments held for sale (IAS 39), that are measured at fair value (= stock exchange rate on the balance sheet date).

The 2007 financial year saw write-downs totaling € 9,000 (previous year: € 0,000) and appreciation to the amount of € 0,000 (previous year: € 1,000), which were recognized directly in equity with due regard to deferred tax.

The profits and losses resulting from the valuation at fair value are recognized by way of a valuation reserve for financial instruments recognized directly in equity. The deferred tax attributable to the value adjustments is recognized directly in equity separately from the valuation reserve.

2. Receivables

	31 Dec. 2007	31 Dec. 2006
	€ 000	€ 000
Trade receivables	2,675	2,766
Receivables from associates	1	-

There were no receivables with a residual term in excess of one year.

As of December 31, 2007, value adjustments for bad debts total € 834,000 (2006: € 988,000). The depreciation account has developed as follows:

	31 Dec. 2007	31 Dec. 2006
	€ 000	€ 000
Position at the beginning of the year	988	752
Allocation to individual value adjustment (additions)	294	513
Utilization of bad debt losses (expenditure)	- 269	- 210
Liquidation of individual adjustments (liquidation)	- 179	- 67
Position at the end of the year	834	988

3. Tax refund claims

	31 Dec. 2007	31 Dec. 2006
	€ 000	€ 000
Corporation tax	430	443
Corporation tax in previous years (long-term)	298	317
Business tax	174	476
VAT	10	-

The tax refund claims as per December 31, 2007 include receivables from business and corporation tax and VAT from 2006 and 2007 as well as corporation tax credit from previous years to the amount of € 298,000 (previous year: € 317,000), which was allowed to be capitalized and recognized through profit and loss for the first time on December 31, 2006. We refer to III.7 concerning the tax expense.

4. Other assets

	31 Dec. 2007	31 Dec. 2006
	€ 000	€ 000
Receivables from suppliers/manufacturers	653	810
Receivables from financial service providers	10	572
Loans to partner companies (long-term)	52	54
Miscellaneous	50	56

Other assets include purpose-tied loans in the amount of € 52,000 which were granted to partner companies in the 2004 to 2007 financial years. It also includes receivables from goods deliveries that were sold to a financial service provider as part of factoring. The existing receivables from a financial service provider are the result of receivables having been transferred through factoring and the financial service provider not yet having paid the price. It is a case of genuine factoring. The rewards and risks incidental to the trade receivables have been transferred in full to the financial service provider.

The term of the loan is greater than one year. The remaining other assets are due within the next financial year.

5. Non-current assets held for sale

The item includes land and buildings reposted from property, plant and equipment in the amount of € 497,000 which are likely to be sold in the 2008 financial year. Recognition is at amortized cost, since the fair value less costs to sell cannot be reliably calculated at the present time.

6. Property, plant and equipment

In respect of Group Assets we refer to the Group statement of asset additions and disposals. No impairments applied pursuant to IAS 36.

7. Real estate held as financial investments

The real estate in Gotha held as a financial investment pursuant to IAS 40 was measured at amortized costs. The fair value of the real estate in question totals € 189,000 (previous year: € 196,000) as at the balance sheet date. The internal calculation is based on the probable useful life, a risk-adjusted capitalization interest rate (8.6%), the existing tenancy agreements and assumptions with respect to future rental tariffs. Market data and the reports of independent assessors have not been taken into account. As a result of this assessment there was neither a need for impairment nor an increased valuation following the impairment applied in the previous year. There are no limits to the salability of real estate or the collection of income.

	31 Dec. 2007	31 Dec. 2006
	€ 000	€ 000
Rental income	32	33
Expenses	9	22
Profit	23	11

8. Intangible assets

	31 Dec. 2007	31 Dec. 2006
	€ 000	€ 000
Goodwill	7,648	7,648
Contracts	1,986	2,201
Licenses	21	41
Internally generated software (EGIS)	1,099	887
Software under development	569	441
Other software	133	173

a) Goodwill

Goodwill is broken down as follows:

	31 Dec. 2007	31 Dec. 2006
	€ 000	€ 000
iTeam Group	4,592	4,592
AKCENT	3,056	3,056

Goodwill is not subject to scheduled depreciation, but in order to test for impairment to goodwill, the value in use of the CGU is reviewed at least once every year. This is determined using the discounted cash flow method. The planned free cash flows from the three-year planning authorized by the management are used for this. As in the previous years, the impairment test carried out in this manner did not give rise to any need for an impairment of goodwill.

Goodwill is allocated to two cash generating units (CGU), whereby the CGU is set up on the basis of the brands of the Synaxon Group. The recoverable amount of these CGUs is generally determined by calculating the values in use using the discounted cash flow method. The planned post-tax cash flows from the three-year planning of the CGU prepared “from the bottom up” and authorized by the management of Synaxon AG are used for this. Cash flows beyond the three-year period are generally calculated as an average of the four-year period. A growth rate has not been taken into consideration for the extrapolation of the four-year average. The total rate of capital cost used for discounting is based on a risk-free interest rate of 4% as well as on risk surcharges of 6.2 or 0.5 percentage points for equity and borrowing. In addition, an assumed beta factor, a tax rate and the capital structure is taken into consideration for each individual CGU. The following post-tax discount rates have been taken as a basis for discounting the cash flows for the two CGUs.

	31 Dec. 2007	31 Dec. 2006
	%	%
iTeam Group	10.2	10.2
AKCENT	10.2	10.2

Some 60.04 % of goodwill and therefore € 4,592,000 (previous year: € 4,592,000) is attributable to the iTeam Group CGU, 39.96 % of goodwill and therefore € 3,056,000 (previous year: € 3,056,000) is attributable to the AKCENT CGU. The recoverable amount of the CGU has been calculated as value in use (see above). The value in use for the CGU is generally calculated on the basis of the estimated increase in turnover. In order to calculate this, both past data and expected market performance have been drawn on. Here the values appropriated for significant assumptions tally with external information sources (in particular external market analysis).

b) Contracts

The “Contracts” item includes cooperation agreements concluded between iTeam Systemhauskooperation GmbH & Co. KG or AKCENT Computerpartner Deutschland AG and its partner companies. These contracts satisfy the conditions for capitalization pursuant to IAS 38 and are depreciated using the scheduled method over a period of 6 years (AKCENT contracts) or 15 years (iTeam contracts). The depreciation period is specified on the basis of cautious management estimates and therefore entails a certain level of uncertainty. The main reason for impairment pursuant to IAS 36 could be a reduction in partner numbers, which is well above the empirical values recorded to date. As per December 31, 2007, there is no need for impairment as a result of this assessment.

c) Internally generated software

The EGIS software is a relational database system with a modular structure which will be available exclusively to franchise and cooperation partners once it has been completed. It will close the gap between the contractual suppliers, partners and Synaxon. The software allows logistical and commercial processes to be simplified and accelerated. The development expenses to the tune of € 1,099,000 (previous year: € 887,000) capitalized up until December 31, 2007 largely relate to the online order system and are depreciated using the scheduled method over a period of 3 to 10 years. Internally generated software capitalized in previous periods was impaired by € 97,000 pursuant to IAS 36 in 2007 due to future discontinuation.

d) Software under development

The development expenses capitalized as per December 31, 2007 for EGIS software total € 569,000 (previous year: € 441,000) and include personnel expenses for the programming of additional modules and functionalities of the EGIS system. In 2007, as in the previous year, no research and development costs were recognized as an expense.

9. Shares in affiliated companies

The disclosure relates to Talos & Helpup GbR, in which Synaxon AG has an indirect interest of 50% via PC-SPEZIALIST Computervertriebsgemeinschaft-Unternehmensbeteiligungs-GmbH. The change in the interest value is attributable to the 2007 result and withdrawals from the company’s capital account.

	31 Dec. 2007	31 Dec. 2006
	€ 000	€ 000
Assets	314	317
Liabilities	9	1
Revenue	51	36
Profit for the period	19	5

10. Deferred tax

Time differences and deferred tax have developed as follows:

	Time differences		
	31 Dec. 2006	Change	31 Dec. 2007
	€ 000	€ 000	€ 000
Software	1,327	341	1,668
Real estate	- 63	- 10	- 73
Receivables	2,065	22	2,087
Losses brought forward	- 8	8	-
Securities	4	8	12
Valuation reserve	4	- 8	- 4
Contracts	2,201	- 215	1,986
Treasury shares	2	-	2
Miscellaneous	- 2	29	27
Total	5,530	175	5,705

	Deferred tax				Recognized directly in equity		Expense (-)/ Income (+)	
	31 Dec. 2006		31 Dec. 2007					
	Assets	Liabilities	Assets	Liabilities	2007	2006	2007	2006
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Software	-	531	-	497	-	-	34	- 40
Real estate	25	-	23	-	-	- 81	- 2	5
Receivables	-	826	-	622	-	-	204	- 66
Losses brought forward	3	-	-	-	-	-	- 3	- 479
Securities	-	1	-	4	-	-	- 3	- 1
Valuation reserve	-	2	1	-	3	-1	-	-
Contracts	-	881	-	592	225	-	64	86
Treasury shares	-	1	-	1	-	-	-	-
Miscellaneous	40	38	31	39	-	-	- 10	5
Total	68	2,280	55	1,755	228	- 82	284	- 490

After obtaining the approval of the German Federal Council for the Business Tax Reform Act 2008 on July 6, 2007, the amended fiscal provisions have been in force in Germany since January 1, 2008. The Act provides, among other things, for a reduction of corporation tax from 25% to 15%, whereas the effective business tax rate will see a slight rise. Deferred tax is stated at an average tax rate of 29.8% for domestic companies (previous year: 40%) and 25% for foreign companies with due regard to business tax and the Solidarity Surcharge. Where deferred tax applies to profits and losses from the valuation of securities, it is offset against the valuation reserve for financial instruments and recognized directly in equity. Deferred tax arising from the purchase price allocation of subsidiaries is reported directly in equity. Deferred tax assets and liabilities in relation to the individual items have been grouped together for the purposes of presentation.

The tax losses brought forward and the deferred tax assets created as a result as per December 31, 2007 are broken down as follows:

	Tax losses brought forward		Deferred tax assets	
	31 Dec. 2006	31 Dec. 2007	31 Dec. 2006	31 Dec. 2007
	€ 000	€ 000	€ 000	€ 000
Synaxon AG, Bielefeld	8	-	3	-
SYNAXON Online GmbH, Bielefeld	78	165	-	-
Microtrend Dienstleistungs GmbH, Bielefeld	-	-	-	-
EDV Vertriebsgemeinschaft Handels GmbH, Vienna	644	654	-	-
Systempartner Computervertriebs GmbH, Vienna	1,839	1,844	-	-
Total	2,569	2,663	3	-

The increase in tax losses brought forward at SYNAXON Online GmbH is a result of the external tax audit conducted for the years from 2000-2003.

11. Provisions

	Situation as per 1 Jan. 2007	Utilization	Liquidation	Addition	Situation as per 31 Dec. 2007
	€ 000	€ 000	€ 000	€ 000	€ 000
Taxes	720	714	6	272	272
Liabilities to partners	564	356	36	481	653
Bonuses	309	309	-	336	336
Risk of litigation	182	2	23	210	367
Personnel costs	173	71	5	73	170
Cost of financial statements and auditing	110	72	5	97	130
Supervisory Board	108	108	-	90	90
Miscellaneous	214	45	26	82	225
	1,660	963	95	1,369	1,971
	2,380	1,677	101	1,641	2,243

Tax provisions include 2007 business tax (€ 212,000) and 2006 business tax (€ 3,000) as well as 2007 corporation tax (€ 57,000).

The provision for liabilities to partners relates to supplier and manufacturer remuneration yet to be transferred to contractual partners as well as pending repayments to suppliers due to failure to meet contractually agreed performance targets.

The provision for bonuses largely relates to claims by companies incorporated in executive bodies, the executive bodies and executive employees of Synaxon AG for the past financial year.

The provision for litigation costs and risks chiefly covers the risks arising from various damage suits, injunction and enforcement proceedings. In addition to the costs for the respectively pending instance, the provision also covers the probable compensation. The increase in the provision for litigation costs is due to the changed estimation of success for the legal proceedings held.

Personnel cost provisions mainly relate to liabilities resulting from employees' holiday entitlements still existing on the balance sheet date.

All provisions are likely to be realized within 12 months.

12. Other liabilities

Other liabilities have a residual term of up to one year and include liabilities resulting from taxes to the tune of € 471,000 (previous year: € 349,000), liabilities due to social security contributions of € 4,000 (previous year: € 2,000) as well as compensation commitments to minority partners of partnerships included in the consolidated companies to the tune of € 465,000 (previous year: € 440,000). Pursuant to IAS 32.18 (b), these are not to be stated under "Interests of minority partners", but in the item "Other liabilities".

13. Interests of minority partners

Compared with the previous year, the interests of outside partners fell from € 75,000 to € 63,000. The negative minority interests in EDV Vertriebsgemeinschaft Handels GmbH and Systempartner Computervertriebs GmbH, Vienna, are to be charged to group equity, since there is no obligation to make good the losses in accordance with IAS 27.35.

14. Equity

In respect of the statement of changes in equity, we refer to Annex 1, page 4 of this report.

Issued capital

As per December 31, 2007, the company's capital stock (3,891,000 no-par bearer shares at a calculated nominal value of € 1.00) was unchanged at € 3,891,000, while the capital reserves stood at € 4,648,000. All shares have been paid up in full. All shares grant the same rights. Shareholders are entitled to subscribe to the declared dividends and have one voting right per share at the Annual General Meeting.

Synaxon AG's balance sheet profit as per December 31, 2006 was distributed by resolution of the Annual General Meeting of August 14, 2007 in the sum of € 1,415,000. Some € 1,373,000 have been allocated to other retained earnings.

Capital reserves

Synaxon AG's capital reserves result from the share issue premium. This may only be used in compliance with stock corporation regulations. In accordance with Section 150 of AktG (German Stock Corporation Act), the statutory reserves and capital reserves together must exceed one tenth of the capital stock so that they may be used to cover losses or for a capital increase from corporate funds. Where the statutory reserves and the capital reserves together do not exceed one tenth of capital stock, they may only be used to cover losses provided the loss is not covered by profit brought forward or annual net profit and cannot be covered by the liquidation of other retained earnings.

The decision by shareholders at the Annual General Meeting of June 23, 2006 to extend the Board of Management's authorization to repurchase treasury shares amounting to 10% of the capital stock expired on December 22, 2007. In the 2007 financial year, no treasury shares were bought or sold.

Retained earnings

Retained earnings include amounts recognized in previous financial years at Synaxon AG, appropriations from the Group's annual net profit minus minority interests, the repurchase by Synaxon AG of treasury shares at acquisition price and the expense resulting from the exercise of the stock option plan. Statutory reserves are not available for distribution to shareholders.

Treasury shares

As per December 31, 2007, the company holds a total of 352,500 treasury shares at a market value of € 2,030,000 (previous year: € 1,918,000). This corresponds to a 9.06% share of the capital stock. Pursuant to IAS 32, treasury shares are reported in the balance sheet as deductions from equity.

III. Notes to the profit and loss statement

1. Revenue

The Group chiefly generates revenues through contractual relations with franchisees, cooperation partners, suppliers and manufacturers.

	2007		2006	
	€/million	%	€/million	%
Commission revenue	5,02	30.3	5,35	25.5
System fees	3,44	20.8	3,52	16.8
Advertising cost allowances	3,28	19.8	3,26	15.6
Other sales revenues	0,52	3.1	0,63	3.0
Marketing fees	0,76	4.6	0,87	4.2
Training	0,55	3.3	0,58	2.8
Admission fees	0,39	2.4	0,78	3.7
Rent	0,03	0.2	0,03	0.1
Miscellaneous	-	0.0	0,06	0.3
Sales without central goods sales	13,99	84.5	15,08	72.0
Centrally-invoiced goods sales	0,20	1.2	1,91	9.0
Goods/services sales	2,36	14.3	3,95	19.0
	16,55	100.0	20,94	100.0

The development of sales by segment is shown as part of segment reporting.

2. Other operating income

	2007	2006
	€ 000	€ 000
Liquidation of provisions	95	162
Reduction of individual value adjustment	161	67
Income from written-off accounts receivable	8	11
Profits from asset disposals	13	20
Miscellaneous	205	166

3. Cost of materials

The cost of goods purchased stood at € 3,711,000 (previous year: € 6,741,000), while the cost of services purchased totaled € 193,000 (previous year: € 386,000).

4. Personnel expenses

The reduction in personnel expenses to € 5,085,000 (previous year: € 6,030,000) is due to the lower number of employees compared with the previous year with an average of 107 employees (previous year: 121). In 2007, the cost of contributions to the statutory pension fund amounted to € 624,000 (previous year: € 840,000). Termination benefits to the tune of € 174,000 (previous year: € 62,000) are reported under personnel expenses.

5. Other operating expenses

	31 Dec. 2007	31 Dec. 2006
	€ 000	€ 000
Outside personnel	885	586
Travel and representation expenses	507	404
Cost of legal, consulting and auditing services	396	439
Space costs	308	483
Addition to individual value adjustments for receivables	294	513
Motor vehicle costs	226	284
General administration costs	214	309
Bad debt losses	166	237
Communication costs	140	191
Maintenance costs	113	108
Marketing	93	369
Supervisory Board remuneration	90	120
Factor’s commission	80	111
Cost of Annual General Meeting	70	121
Other taxes	6	10
Losses from the sale of assets	0	244
Miscellaneous	360	348

The addition to individual value adjustments for receivables was carried out following an objective assessment of the likelihood of bad debt losses.

6. Other interest and similar income

Interest income is largely attributable to interest on bank deposits.

7. Taxes on income

Result before tax and tax distribution:

	31 Dec. 2007	31 Dec. 2006
	€ 000	€ 000
Pre-tax income	3,526	2,493
Current taxes	1,424	492
Deferred tax	- 284	490
Taxes on income	1,140	982

Transfer from the expected to the reported tax expense, whereby the expected tax expense was calculated on the basis of the parent company's tax rate:

	31 Dec. 2007	31 Dec. 2006
	€ 000	€ 000
Expected tax expense	1,400	997
Taxation difference abroad	4	117
Taxes on non-deductible expenses	20	27
Non-capitalized deferred tax on 2007 loss, Austria	4	197
Adjustment of tax rate	- 338	-
Tax not relating to the period	50	- 356
Reported tax expense	1,140	982

In 2007, the expected tax rate is 40% with due regard to German corporation tax (25 %), the Solidarity surcharge (5.5 %) and business tax (previous year: 40%).

8. Earnings per share

Pursuant to IAS 33, the basic earnings are calculated as a quotient from the Group's annual net profit attributable to the shareholders of Synaxon AG and the weighted number of bearer shares outstanding in the last financial year. The basic earnings per share correspond to the diluted earnings per share. Pursuant to IAS 33.45, when calculating the diluted earnings per share, a company is, as a general rule, to assume the exercise of the company's diluted options and option certificates. In accordance with IAS 33.46, options and option certificates are diluting if they would result in the issue of ordinary shares at a price lower than the average stock exchange rate of the ordinary shares during the period. Thus, there were no diluted earnings per share as of December 31, 2007 because the intrinsic value of the stock option plan is negative for the Board of Management.

The Group result following deduction of minority interests is the parameter used for the calculation.

	2007	2006
	€	€
Earnings per share from business divisions that are to be continued	0.65	0.62
Earnings per share from discontinued business divisions	-	- 0.18
Total earnings per share	0.65	0.44
Average number of shares outstanding	3,538,500	3,538,500

9. Cash flow statement

As in the previous year, the cash funds include solely the cash in hand and bank deposits stated in the balance sheet under Assets A. I. The cash flow from interest received totals € 205,000 (previous year: € 129,000), and that from interest paid € 33,000 (previous year: € 10,000). As in the previous year, the cash flow from interest is attributable to operating activities. The Cash Flow from taxes on income must be reported separately and identified as belonging to business activity, unless it pertains to financing or investment activity.

	2007	2006
	EUR	EUR
Cash flow from taxes on income	- 1.872	- 982
Cash flow from dividends	- 1.485	- 2.189

IV. Other disclosures

1. Executive bodies of the company

Board of Management

Mr. Frank Roebers (Management Board Chairman) with business qualification, Detmold

Mr. Andreas Wenninger, with business qualification, Steinhagen

Mr. Mark Schröder, with business qualification, Schloß Holte-Stukenbrock (as of April 1, 2007)

Remuneration

	Fixed remuneration	Performance-related share	Stock option right	Total
	€ 000	€ 000	€ 000	€ 000
Frank Roebers	186	104	6	296
Andreas Wenninger	187	104	2	293
Mark Schröder	100	56	-	156
	473	264	8	745

Supervisory Board

- Dr. Günter Lewald, Cologne, (Chairman), Managing Director of Pauli-Bach und Lewald Agentur für Marken und Kommunikation

- Prof. Dr. Antje Helpup, Edemissen, (Deputy Chair), Professor of Business Administration

- Mr. Stefan Kaczmarek, Idstein, Managing Director of Laurea Media GmbH

In the year under review, the expenses of the Supervisory Board amounted to € 90,000 (previous year: € 108,000) and relate to the five meetings of the 2007 financial year. They are divided into basic remuneration and attendance fees. In this respect, the Chairman of the Supervisory Board received twice the remuneration, while his deputy received one and a half times the remuneration. There are no performance-related components.

Remuneration

	Basic remuneration	Attendance fees	Total
	€ 000	€ 000	€ 000
Dr. Günter Lewald	20	20	40
Prof. Dr. Antje Helpup	15	15	30
Stefan Kaczmarek	10	10	20
	45	45	90

Shares held by executive bodies

The executive bodies of Synaxon AG altogether hold less than 1% of the company's capital stock.

By resolution of the Annual General Meeting on July 16, 2004, the Supervisory Board was authorized to set up a stock option plan that provides for the granting of company stock options to members of the Board of Management and transfers the acquired treasury shares to members of the Board of Management in compliance with their stock option rights.

Options were acquired pursuant to Section 3 of the option plan by way of allocation in line with the Option Plan regulations. The Supervisory Board made the first allocation offer of 191,250 stock options to the Board of Management of Synaxon AG on January 3, 2005.

The Board of Management accepted the offer on January 17, 2005. Pursuant to Section 4 (3) of the stock option program, the last respective stock exchange trading day of the deadline for allocation of 20 stock exchange trading days in the respective quarter of the financial year is considered to be the time of allocation. Allocation therefore took place on January 28, 2005.

The second allocation offer of 191,250 stock options was accepted by the Board of Management on December 31, 2006. Pursuant to Section 4 (4) of the stock option program, December 31, 2006 is deemed to be the time of allocation.

On the reporting date of December 31, 2007, none of the stock options granted in the second tranche was exercisable. It was possible to exercise the options issued from the first tranche as of January 29, 2007 for the first time. No use was made of this option until December 31, 2007. On the reporting date, the outstanding options of the first and second tranches have a maximum contractual term of 5 and 7 years.

Type of agreement	Share-based remuneration for the Board of Management (tranche 1)	Share-based remuneration for the Board of Management (tranche 2)
Date of grant	28 Jan. 2005	30 Dec. 2006
Issued stock options	191,250	maximum of 191,250
Maximum term	7 years	7 years
Options exercisable until 31 Dec. 2007	191,250	0
Exercise conditions	- Vesting period of 2 years - Option can only be exercised 3 times annually within 20 stock exchange trading days following publication of quarterly reports - Target: balance sheet profit of at least € 0.4 per share in the years up to the time when	- Vesting period of 2 years - Option can only be exercised 3 times annually within 20 stock exchange trading days following publication of quarterly reports - Target: balance sheet profit of at least € 0.4 per share in the years up to the time when

	the option is exercised - Minimum holding period of 3 years for maximum of 80% of the shares once option is exercised	the option is exercised - Minimum holding period of 3 years for maximum of 80% of the shares once option is exercised

The expected fair value for a stock option of the first tranche that has already been issued is € 0.44 if the option is subject to the minimum holding period of 3 years. In the case of stock that is not subject to the minimum holding period, the figure is € 0.60. The expected fair value for a stock option of the second tranche that has already been issued is € 0.05 if the option is subject to the minimum holding period of 3 years. In the case of stock that is not subject to the minimum holding period, the figure is € 0.08. These figures were calculated using the Black-Scholes-Merton model for option valuation. The following model parameters were used for this calculation:

Share price on valuation date	€ 9.40	€ 5.44
Maximum term on issue date	7 years	7 years
Expected term of options	4 years	4 years
Issue price on expected issue date	€ 17.63	€ 20.57
Expected dividend yield	3%	3%
Risk-free interest rate for the term	2.82%	4.06%
Expected volatility for the term	32%	30%
Financing disadvantage due to holding period	€ 2.20	€ 3.24
Expected fluctuation of option holders for the term	0%	0%

The expected term of the options is based on the expressed intent of option holders to exercise the stock options as quickly as possible. This is founded on the increasing exercise price as well as the possibility of financing the exercise price.

As a general rule, a minimum holding period of 3 years applies once the stock options have been exercised, with the exception of:

- 25% of shares at a stock exchange price of up to € 20.00,
- 30% of shares at a stock exchange price of between € 20.00 and € 25.00;
- 40 % of shares at a stock exchange price of between € 25.00 and € 30.00;
- 50% of shares at a stock exchange price in excess of € 30.00

In view of the possibility of financing the stock options (exercise prices), it is likely that an option will be exercised at a stock exchange price in excess of € 20.00 because in this case at least 30% of stock acquired during the course of exercising an option would be released from the lock-up period, and therefore at least part of the stock affected by the lock-up period could be financed by the sales revenue of the stock sold directly after the exercise of the option.

In view of this price target, an exercise of stock options is expected in 2009.

A basic exercise price of € 12.00 was specified in 2004 for the exercise both of stock options already issued and those yet to be issued. For subsequent years, the exercise price increases by 8% p.a. on the previous year's value. The issue prices are therefore as follows:

Year	Issue price
	€
2004	12.00
2005	12.96
2006	14.00
2007	15.12
2008	16.33
2009	17.63
2010	19.04
2011	20.57
2012	22.21
2013	23.99
2014	25.91
2015	27.98

It is expected that the dividend yield will be 3%. This was calculated on the basis of the expected share performance and a constant dividend distribution.

The future volatility during the expected term of the stock options was estimated on the basis of historical volatility with due regard to the share performance expected in the future. As a general rule, and with due regard to IFRS 2. B25, the annualized historical volatility is to be used over the expected term of the options. For Synaxon AG, this is 4 years (2005 - 2009). The 2001 - 2005 period would therefore be relevant for the calculation of historical volatility. Due to the extraordinary impact of the terrorist attacks of September 11, 2001 on the performance of capital markets, a shorter period was used to obtain a realistic estimate of future volatility. Volatility of 36% and 37.5% was determined on the basis of historic periods of 2 years and 3 years. By the Board of Management of Synaxon AG's estimate, based on these historic parameters, volatility of 32% (1st tranche) and 30% (2nd tranche) is to be expected for the proposed term of the stock options of 4 years.

Furthermore, option holders suffer a financing disadvantage due to the holding period of 3 years once the option has been exercised. A value of € 2.20 per option in the first tranche and € 3.24 per option in the second tranche has been calculated for this and the issue price has been increased by that amount in the model.

As per the reporting date of December 31, 2007, Synaxon AG incurred the following expense from the stock option program:

	31 Dec. 2007	31 Dec. 2006
	€	€
Total expense resulting from equity-based remuneration transactions	8,265.40	46,665.00
of which for share-based remuneration transactions with settlement by way of equity instruments	8,265.40	46,665.00
Liabilities from share-based remuneration transactions	0.00	0.00

Disclosures in accordance with Section 160 (1) No. 8 of AktG (German Stock Corporation Act)

The company Deutsche Balaton AG, Weberstraße 1, 69120 Heidelberg informed us on August 13, 2004 pursuant to Section 21 (1) of WpHG (German Securities Trading Act) that its proportion of voting rights in PC-SPEZIALIST Franchise AG (security identification no. 687 380, ISIN DE0006873805) exceeded the thresholds of 5% and 10% on October 31, 2003 and now amounts to 14.83%. Of this, 9.93% of voting rights are to be attributed to Deutsche Balaton AG pursuant to Section 22 (1) sub-section 1 no. 1 of WpHG (German Securities Trading Act).

Mr. Wilhelm Konrad Thomas Zours, Werrgasse 9, 69120 Heidelberg, the company DELPHI Unternehmensberatung GmbH, Weberstraße 1, 69120 Heidelberg and the company VV-Beteiligungen AG, Weberstraße 1, 69120 Heidelberg (hereinafter: parties required to notify) informed us of the following on August 2, 2006 via their authorized lawyers pursuant to Section 21 (1) sub-section 1 of WpHG (German Securities Trading Act):

The proportion of voting rights of the parties required to notify in our company exceeded the thresholds of 5% and 10% on October 31, 2003 and now amount to 14.83% respectively. Pursuant to 22 (1) sub-section 1 no. 1 of WpHG (German Securities Trading Act), the aforementioned voting rights are attributable in full to each of the parties required to notify.

2. Number of employees

The average employee figures are as follows:

	2007	2006
Salaried employees	107	121
Trainees	9	10
	116	131

3. German Corporate Governance Codex

The Board of Management and the Supervisory Board have issued a statement on the Corporate Governance Codex pursuant to Section 161 of AktG (German Stock Corporation Act) for the 2007 financial year. This was posted on the company website www.synaxon.de on December 28, 2007 and can be viewed there.

4. Other financial obligations

In addition to liabilities, provisions and contingencies, there are other financial obligations, in particular resulting from rental and lease obligations as well as consulting contracts. Contracts have residual terms of 1 to 3 years and some include renewal options and price adjustment clauses. No subtenancy contracts have been agreed. The nominal sum of future minimum lease payments arising from interminable tenancy agreements and operating leases is broken down by due dates as follows:

	2008	2009	Total	Previous year
	€ 000	€ 000	€ 000	€ 000
Rent	148	112	260	420
Vehicles	30	7	37	127
Consulting contracts	264	132	396	660

5. Liability situation

The company is liable for debt assumption contracts in the sum of € 28,000 (previous year: € 28,000) for payable rent. Furthermore, the company has guaranteed € 110,000 to banks (previous year: € 150,000) for current account liabilities of a system partner. The risk has been covered by way of a provision due to the high likelihood of utilization of the guarantee.

6. Transactions with affiliated persons

In the 2007 financial year, the company collaborated with Pauli-Bach und Lewald GmbH – an agency for brands and communication – in respect of brand communication and end customer marketing. The Supervisory Board Chairman Dr. Günter Lewald is the managing director of this agency. The expenses totaled € 147,000 (previous year: € 112,000) and correspond with conditions customary in the market among outside third parties.

Some of Synaxon AG' subsidiaries maintain business relations with affiliated persons within the meaning of IAS 24. These are business transactions with companies in which the Managing Directors of iTeam hold major responsibility.

The Group received performance in the form of goods deliveries from affiliated persons in the sum of € 151,000 (previous year: €45,000) and services in the sum of € 155,000 (previous year: € 120,000). At the same time, the Group rendered services on the part of affiliated persons in the form of goods performance in the sum of € 5,000 (previous year: € 205,000) and services in the sum of € 329,000 (previous year: € 220,000). The charges for goods deliveries and services correspond to the conditions that are customary in the market among outside third parties.

On the basis of Group transactions as per December 31, 2007, accounts receivable from trading are due from affiliated companies in the sum of € 47,000 (previous year: 34,000) and trade accounts payable to affiliated companies and managing directors of subsidiary companies in the sum of € 3,000 (previous year: € 3,000).

Furthermore, the company concluded a contract in 2006 with PROVOTO GmbH & Co. KG. The Supervisory Board member of AKCENT Computerpartner AG, Mr. Frank Garrelts, is the managing director of that company. PROVOTO assumes, in the capacity of general representative for the International and Association Matters Division and as a free member, among other things, the tasks of analyzing the European IT market in respect of suitable expansion opportunities, and drawing up an internationalization strategy for the Cooperation Division etc. In the period under review, the expenses were € 276,000 (previous year: € 137,000).

7. Financial instruments

a) Financial assets and debts

Concerning the evaluation of financial assets and debts, the management classifies these in the following categories on receipt irrespective of the type and intended use:

- due loans and receivables,
- financial investments held until final maturity,
- original and derivative financial assets held for trading purposes,
- financial assets available for sale,
- financial liabilities evaluated using the attributable fair value affecting the operating result,
- other financial liabilities.

As a general rule, the Group does not make use of the fair-value option. Furthermore, in 2007, as in 2006, the Group did not have either financial assets held for trading purposes or financial assets held until final maturity at its disposal. Derivatives and hedging transactions were not concluded either.

There were no new classifications, neither in 2006 nor in 2007.

The evaluation of the financial assets and debts of the Synaxon Group is already illustrated above in the Notes to the General Auditing and Valuation Principles.

The carrying amounts and market values of the financial assets and debts of the Synaxon Group are stated separately for the categories and evaluation classes as follows:

	31 Dec. 2007		
	Carry amounts	Ongoing acquisition costs	Attributable market value not affecting operating result
	€ 000	€ 000	€ 000
Assets			
Shares in associates (evaluated at equity)	128	128	
Cash / cash equivalents	4,438	4,438	
Trade receivables	2,675	2,675	
Receivables from associates	1	1	
Other short-term assets	782	782	
Other securities	20		20
Other long-term assets	52	52	
Liabilities			
Trade accounts payable	522	522	
Other debt s	546	546	

	31 Dec. 2006		
	Carrying amount	Ongoing acquisition costs	Attributable market value not affecting operating result
	€ 000	€ 000	€ 000
Assets			
Shares in associates (evaluated at equity)	132	132	
Cash / cash equivalents	3,127	3,127	
Trade receivables	2,766	2,766	
Other short-term assets	1,546	1,546	
Other securities	29		29
Other long-term assets	54	54	
Liabilities			
Trade accounts payable	886	886	
Other debts	618	618	

The following expenses and revenue are stated in the profit and loss statement or directly in shareholders' equity in conjunction with the financial assets and debts:

	2007	2006	Profit and Loss/Earnings Situation
	€ 000	€ 000	%
Net profits/losses			
- from loans and receivables	- 291	- 672	Other operating expenses/ other operating income
- from securities	- 9	1	Evaluation provision

b) Capital risk management

The Group controls its capital (shareholders equity plus debts less liquid funds) with a view to achieving its growth targets by way of financial flexibility and simultaneous optimization of the financing expenses. The overall strategy in this respect is unchanged compared with the previous year.

The management reviews the capital structure at least every six months. The capital expenses, the given securities and outstanding borrowing limits and opportunities are reviewed.

To retain or optimize the capital structure, it is incumbent upon the Group to adjust the amount of dividend payments, repay capital to the shareholders, issue new shares or sell assets to reduce debts.

In the two years under review, the capital structure changed as follows:

	31 Dec. 2007	31 Dec. 2006	Change
	€ 000	€ 000	%
Shareholders' equity in €	16,051	14,963	7.28
in % of total capital	74	69	
Debts in €	5,618	6,598	14.68
in % of total capital	26	31	
Short-term debts in €	3,863	4,318	10.54
in % of total capital	18	20	
Long-term debts in €	1,755	2,280	23.03
in % of total capital	8	11	
Net debt level*	7	23	

*) calculated as debt less liquid funds proportionate to shareholders' equity

c) Financial risk management

Regarding the risk management system submitted to the Synaxon Group, we refer to the presentation in the Group management report.

As a general rule, the Synaxon Group is subject to various financial risks, in particular default, liquidity and market risks, due to the use of financial instruments. These risks are effectively managed through workable regulations, the distribution of tasks and systems. The company has therefore implemented a clearly functional organization of the risk-spreading system.

The Synaxon Group is subject to the following financial risks that are controlled in detail as follows:

Liquidity risk

As a general rule, the liquidity risk applies in that the company does not have at its disposal adequate funds to honor its payment obligations. The payment obligations arise from the repayment of interest and capital on existing liabilities, and from continuous obligations and new transactions.

The central finance department of the Synaxon Group regularly receives a liquidity plan from the individual companies each month. All financial assets and financial debts are incorporated in the plan with due regard to the expected payment flows from planned transactions. It is envisaged that liquidity plans be used to forecast bottlenecks in good time so that financial resources can be obtained at conditions that are customary in the market.

The following table shows the carrying amounts and the value of the gross outflows classified according to due dates of the financial debts stated in the balance sheet:

	Carrying amount	< 1 Month	1 – 3 Months	3 Months up to 1 year	> 1 year	Total outflow
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Financial debts 2007						
Non interest bearing	3,863	603	1,017	2,243	-	3,863
Financial debts 2006						
Non interest bearing	4,318	1,064	896	2,358	-	4,318

The management expects that the Group will be able to honor its other financial obligations in the future too from operative cash flows and from the inflow of due financial assets.

Credit risk

The carrying amount of the financial assets stated in the Consolidated Financial Statements less depreciation constitutes the maximum default risk. It therefore totals € 8,465,000 (previous year: €7,522,000), of this from receivables € 2,675,000 (previous year: € 2,766,000) and from other financial assets € 5,790,000 (previous year: € 4,756,000). The company did not receive securities, and reservations of title do not exist.

The Group guidelines specify that business transactions may only be concluded with contracting parties with good credit ratings, if applicable by way of obtaining securities to minimize the default risk. To evaluate the creditworthiness of the partner companies, and other customers, use is made of available financial information and own trading records. The credit risks are controlled via limits for each contracting partner, and are reviewed and authorized annually.

The Group is not subject to any significant default risks of a contracting party or group of contracting parties with similar features. The Group defined contracting parties as those with similar features if these are affiliated companies known to the Synaxon Group. At no time this year did the default risks exceed 5% of the monetary gross assets. Trade accounts receivable apply from large number of customers. Ongoing creditworthiness assessments are carried out in respect of the financial condition of the receivables. If appropriate, default insurance policies are taken out, or receivables are sold by way of real factoring.

Setting a payment period between 8 and 30 days is customary. No interest is charged for the first eight days starting from the invoice date. Thereafter, statutory interest on arrears pursuant to Section 288 of the German Civil Code (BGB) is charged on the outstanding amount. In the case of overdue receivables, the Group reviews the chances of recovering individual receivables, and adjusts the value of the part which, on the basis of experience, cannot be realized.

On the balance sheet date, financial assets in the sum of € 7,044,000 (previous year: € 6,823,000) were neither overdue nor value adjusted. These do not contain any financial assets for which the conditions were subsequently renegotiated. In the case of receivables in the sum of € 1,421,000 (previous year: € 699,000), which were overdue on the balance sheet date, no provisions were created because no significant change was identified in the contracting partner’s creditworthiness, and payment of the outstanding amounts was expected. The Group does not have at its disposal any securities for these outstanding items.

	31 Dec. 2007	31 Dec. 2006
0 up to 30 days	658	231
30 up to 60 days	39	118
60 up to 90 days	351	50
More than 90 days	373	300
	1,421	699

Market risks

Market risks may arise from changes in exchange rates (exchange rate risk) or interest rates (interest risk). Due to the low relevance of these risks for the Group, they have not been hedged to date by way of derivative financial instruments. They are controlled by way of ongoing monitoring by the financial department and the monthly reporting to the management.

Exchange rate risks are largely avoided because the Group largely invoices in euros. On the balance sheet date, the foreign currency assets were € 50,000 (previous year: € 83,000), while the foreign currency liabilities were € 0 (previous year: € 10,000).

A sensitivity analysis is not stated at this point due to the insignificance of the foreign currency assets.

The Group is subject to interest risks due to obtaining and granting funds at fixed and variable conditions. The risk is controlled in the Group by way of an appropriate ratio between fixed and variable interest agreements. The hedging was not based on derivatives (e.g. interest swaps or interest rate futures transactions).

Below is an overview of the fixed and variable interest financial assets and debts:

	Interest rate	< 1 Month	1 – 3 Months	3 Months up to 1 year	1 - 5 years	> 5 years	Total outflow
	%	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Financial assets 2007							
Non interest bearing		4,418	713	497	128	-	5,756
Variable interest	2 – 5 %	-	2,785	-	-	-	2,785
Fixed interest	6 – 9 %	-	-	-	3	49	52
Total		4,418	3,498	497	131	49	8,593
Financial assets 2006							
Non interest bearing		4,382	1,432	-	132	-	5,946
Variable interest	2 – 5 %	-	1,654	-	-	-	1,654
Fixed interest	6 – 9 %	-	-	-	4	50	54
Total		4,382	3,086	-	136	50	7,654

No sensitivity analysis is stated at this point due to the insignificance of the fixed and variable interest assets and debts.

8. Expenses for auditor

The auditing company and tax consultancy Dr. Stückmann und Partner Wirtschaftsprüfungsgesellschaft und Steuerberatungsgesellschaft was appointed as final auditor at the Annual General Meeting on August 14, 2007. The final auditor’s costs in 2007 are as follows:

	2007	2006
	€ 000	€ 000
Final audit	54	51
Other services	3	20
	57	71

The Other Services largely consist of the cost of providing accounting software used by Synaxon.

9. Events after the balance sheet date

There were no significant events after the balance sheet date.

V. Segment information

The segment reporting was prepared with due regard to IAS 14. The segmenting is in line with the Group's internal controlling and reporting operations. As a general rule, internal Group transactions are concluded as is the case among outside third parties, i.e. at billing prices that are customary in the market. The Group runs successful operations in the following segments:

Franchise

Following the acquisition of a franchising license, a franchisee may open an IT store under the name PCSPEZIALIST. The business is run in accordance with PC-SPEZIALIST's guidelines and standards. Among other things, the license grants the franchisee the right to participate in the joint marketing and purchasing operations, and take part in the managerial consulting provided by the franchise headquarters. The real estate held and financial investments are stated in the Franchise segment.

IT cooperations

This segment comprises the IT association group organization, which independent IT specialist dealers and system houses can join. The Group negotiates competitive purchasing prices with suppliers and manufacturers on a daily basis, and makes these available to its partner irrespective of the ordered quantities.

Furthermore, projects and service volumes are marketed jointly and actively. Multiple shops in the form of small and medium-sized German businesses with centrally controlled processes can be supported in the efficient use of their IT systems by way of the Germany-wide presence, and the established network of experts.

Central invoicing

The Group's central invoicing operations are stated in this segment.

The central invoicing is largely operated by the Group as a project business. The Group bundles the purchasing volumes of its partner companies as part of sales campaigns, and then acts as the buyer of the goods in dealings with the supplier. These are then resold to the partner companies. Goods are always delivered on a decentralized basis between suppliers and partner companies. In the central invoicing business, the risk on receivables is fully secured by way of a financial services provider.

Company stores

The business activity of this segment was discontinued in 2006.

Business segments of the Synaxon Group 2007

	Divisions to be continued						Discontinued divisions			
	Franchise		IT cooperations		Central Invoicing		Company Stores		Group	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Total revenue	4,021	4,209	12,336	13,173	195	1,904	1	1,679	16,553	20,965
thereof sales via external customers	4,021	4,154	12,336	13,173	195	1,904	1	1,705	16,553	20,936
thereof sales via other segments	-	55	-	-	-	-	-	- 26	-	29
Segment result (operating result)	1,098	- 106	2,232	3,081	9	39	-3	- 643	3,336	2,371
Profit from affiliated companies	19	3	-	-	-	-	-	-	19	3
Depreciation	159	183	441	523	9	-	56	56	665	762
Value adjustments	24	194	73	-	-	-	-	-	97	194
Total assets	2,242	2,184	13,879	13,828	54	976	-	16	16,175	17,004
thereof fixed assets	1,141	1,261	3,424	3,734	-	-	-	-	4,565	4,995
thereof goodwill	-	-	7,648	7,648	-	-	-	-	7,648	7,648
Segment debt	756	499	2,728	2,439	26	446	-	35	3,510	3,419
Investments	128	384	726	2,204	-	-	-	1	854	2,589

Proposal for approving the annual financial statements and for appropriation of the profits of Synaxon AG

It is proposed that this version of the annual financial statement be approved, and that the balance sheet profit in the sum of € 1,899,928.15 (Synaxon AG) be used for the 2007 financial year as follows:

- Payment of a dividend of € 0.40 per individual share certificate (3,538,500 certificates = € 1,415,400.00).
- Allocation of the remaining balance sheet profit to the other revenue reserves, including the dividends that are attributable to the own shares held by the company at the time at which the Annual General Meeting is held.

Bielefeld, March 2008

Synaxon AG

Board of Management

Signed Frank Roebers
Signed Andreas Wenninger
Signed Mark Schröder

Synaxon AG
Consolidated Annual Report as per December 31, 2007

Sectoral development and overall economic situation

In 2007 the German economy continued in line with the previous year's growth. According to the German Federal Statistical Office, the gross domestic product increased in 2007, as in the previous year, by 2.5%. However, the growth leveled off during the course of the year. While the GDP increased in the first quarter by 3.4% compared with the previous year, it had already dropped to a mere 1.6% in the fourth quarter of 2007.

The significant slow-down at the end of the year was largely attributable to the decline in consumer spending. This was one of the consequences of the increase in the cost of living in Germany, which reached the highest level in 13 years above all because of the value added tax increase and the sharp increase in energy prices. Prices increased by 2.2% in 2007 on average, according to the German Federal Statistical Office.

IT market in Germany

PC sales in Germany saw a further increase in 2007. However, growth in Germany was again lower than the figures in a worldwide comparison. According to the market research company Gartner, the German market started with growth of 5.9% on the basis of the quantities in the first quarter. In the traditionally strong fourth quarter, growth was 7.2%, while sales worldwide increased on average by 13%. This development was principally supported by the business customer segment, while German private consumers were more reserved.

The German IT market was characterized by a fall in average PC prices in 2007 as well, and it made no gains in terms of volume. According to experts, the German market is witnessing the highest price pressure, which in a worldwide comparison gives rise to disproportionately low profit margins.

Synaxon AG business model

The Synaxon association is now Europe's largest association of legally independent IT dealers and system houses. As per December 31, 2007, the association counted 2,681 partners (previous year: 2,630) covering the entire spectrum of the IT trade and IT solutions – end customer-oriented IT dealers with retail outlets, online shop operators focusing on IT operations, IT specialists and value added resellers as well as medium-sized IT system houses. Synaxon AG sees itself as a platform operator for IT companies. In this capacity it establishes a link between the IT market participants without aiming to merge them – compared with a cooperation headquarters. The goal consists of creating competitive advantages for the affiliated partner companies, and passing on such advantages to them.

Procurement process organization in the association

The association partners have exclusive access to the EGIS online purchasing and information platform. Initially created as a procurement solution only, through which prices and availability for IT products could be called up, and products could be ordered, online and in real time, EGIS has been further developed into a full service platform. Offer preparation, logistics, marketing processing and the exchange of experience among members are just some of the functions that the system now offers. It now counts more than 3,000 users who have access to a wide range of more than 120,000 products.

Brand alignment

The SYNAXON Group now offers its association services under four brands:

The PC-SPEZIALIST brand is above all geared towards business founders wishing to operate independently through targeting end customers in the IT trade. With effect from 2006, the brand has also been accessible to existing IT specialist dealers operating retail outlets, and has seen positive development. PC-SPEZIALIST is characterized by uniform brand appearance throughout Germany and a focus on uniform guidelines and standards.

MICROTREND is geared towards IT dealers who attach great importance to co-operated information and knowledge management systems. The offer of comprehensive services for the affiliated dealers is supplemented, above all by a focus on creating procurement advantages.

AKCENT is largely affiliated with IT dealers and IT solution providers who focus on commercial customers. In addition to a similarly comprehensive range of services for affiliated dealers, the co-operation partners attach great importance to purchasing financing/central regulation.

The iTeam system house association is to be understood as a network of system houses with a focus on medium-sized customers. The iTeam customers jointly form an area-wide service and support network.

Brand development

Partner number development in relation to the brands in 2007:

	Position as per Jan. 1, 2007	Disposal	Addition	Position as per Dec. 31, 2007
Franchise				
PC-SPEZIALIST				
XL-Store	4	2	-	2
C-Store	16	6	-	10
N-Store	59	11	2	50
Specialist partner	0	-	5	5
Base dealer	3	1	-	2
	82	20	7	69
MOBILE PC-SPEZIALIST	10	7	-	3
	92	27	7	72
IT cooperation				
MICROTREND	1,410	304	364	1,470
iTeam	316	28	44	332
Base dealer locations	10	3	-	7
AKCENT	802	85	83	800
	2,538	420	491	2,609
	2,630	447	498	2,681

The number of partner companies in the Synaxon Group increased in the 2007 financial year as well. Growth was attributable to the cooperation business, while the number of partner companies in the PD-SPEZIALIST franchise system dropped. The MICROTREND and iTeam brands saw growth principally in cooperation business, while AKCENT's number of partner companies was almost without change.

As of December 31, 2007, the number of Group partner companies totaled 2,681 (previous year: 2,630), divided into 2,609 cooperation partners (previous year: 2,538) and 72 franchisees (previous year: 92).

Overview of the earnings situation

	2007		2006		+/-
	€ 000	%	€ 000	%	€ 000
Sales	16,553	100.0	20,936	100.0	- 4,383
Other operating income	482	2.9	426	2.0	56
Cost of materials	- 3,904	23.6	- 7,128	34.0	- 3,224
Personnel expenses	- 5,085	30.7	- 6,030	28.8	- 945
Depreciation	- 762	4.6	- 956	4.6	- 194
Operating expenses	- 3,948	23.8	- 4,877	23.3	- 929
EBIT	**3,336**	20.2	**2,371**	11.4	**965**
Financial and investment income	87	1.0	176	0.8	- 89
Pre-tax income	**3,423**	20.7	**2,547**	12.2	**876**
Taxes	- 1,140	6.9	- 982	4.7	158
Net income	**2,283**	13.8	**1,565**	7.5	**718**

The net income of the Synaxon Group increased in the 2007 financial year by € 717,000 to € 2,283,000 (previous year: € 1,565,000). The increase in profits isaattributable above all to an improved cost structure within the Group and the cessation of detrimental effects on the results due to the closure in the previous year of DIGITAL INC. store in Vienna. The income per share as per December 31, 2007 was € 0.65 (previous year: € 0.44). The income per share from ongoing activities, which does not contain the detrimental effects of the store closure, was € 0.62 in the 2006 financial year.

Revenue

In the 2007 business year, the Group generated sales of € 16,553,000 (previous year: € 20,936,000). Revenue in 2007 did not include the commercial operations of the Vienna pilot store DIGITAL INC., which was closed in 2006 (previous year: € 1,705,000). Furthermore, the Group reduced central purchasing and sales of IT goods (central invoicing business) in favor of brokering sales only. As a result, the central invoicing revenue dropped to € 195,000 (previous year: € 1,094,000).

In addition, the items registration fees and commission revenue dropped considerably.

The Other Operating Income increased by € 56,000 to € 482,000 (previous year: € 426,000).

Cost of materials

The cost of materials in the Group dropped by € 3,224,000 to € 3,904,000 (previous year: € 7,128,000).

The drop is largely attributable to the discontinuation of the Vienna DIGITAL INC. store division in 2006, and the resulting loss of utilization of goods for the store (previous year: € 1,454,00) and a lower utilization of goods in the central invoicing business of € 185,000 (previous year: € 1,865,000).

Personnel expenses

The Group personnel expenses dropped by € 945,000 to € 5,085,000 (previous year: € 6,030,000).

The personnel cost ratio was therefore 30.7% (previous year: 28.8%). Savings were made, above all, in the closure of the commercial enterprise in Austria. Furthermore, restructuring measures saw the relocation of the AKCENT Computerpartner Deutschland AG business enterprise from Lilienthal near Bremen to Bielefeld.

Employees

	Average number of employees		Status at end of year	
	2007	2006	2007	2006
Synaxon Group	**116**	**121**	**124**	**119**
Synaxon AG (parent company)	87	79	92	81
Synaxon (subsidiary company)	29	42	32	38

In the 2007 financial year, the Synaxon Group had an average of 116 employees (previous year: 121 employees). All employees were engaged at home (previous year: 10 employees abroad). The average number of employees in the Group parent company Synaxon AG increased form 79 in 2006 to 87 in 2007. By contrast, the Group subsidiaries saw a drop in the average number of employees from 42 to 29. As per December 31, 2007, the Synaxon Group had 124 employees (previous year: 119 employees).

Depreciation

The Group depreciation dropped in 2007 by € 194,000 to € 762,000 (previous year: € 956,000). The Group depreciation ratio (depreciation in relation to the assets without goodwill) was 16.7% (previous year: 19.2%).

Depreciation was divided into depreciation of property, plant and equipment in the sum of € 151,000 (previous year: € 218,000) and depreciation of intangible assets in the sum of € 611,000 (previous year: € 738,000). Of the deprecation of intangible assets, € 70,000 (previous year: € 98,000) was attributable to scheduled depreciation for AKCENT, € 185,000 (previous year: € 185,000) to iTeam, € 228,000 (previous year: € 122,000) for the capitalized own software EGIS and € 128,000 (previous year: € 139,000) for other intangible assets.

Operating expenses

In 2007, the operating expenses dropped by € 929,000 to € 3,948,000 (previous year: € 4,877,000). The drop was, above all, attributable to the cessation of the one-off closure expenses incurred for DIGITAL-INC of € 273,000, the lower office space costs also due to the closure of € 308,000 (previous year: € 483,000), lower provisions created for receivables of € 294,000 (previous year: € 513,000); lower bad debt losses of € 166,000 (previous year: €237,000), lower expenses for own marketing of Synaxon AG and its brands of € 168,000 (previous year: € 369,000) and savings in additional operating expenses items.

Above all, the cost of outside personnel increased to € 885,000 (previous year: € 586,000).

Financial and investment income

The financial and investment income dropped in 2007 to € 68,000 (previous year: €176,000) and was as follows:

	2007	2006	+/-
	€ 000	€ 000	€ 000
Net interest income	171	119	52
Investment income	-84	57	-141
	87	**176**	**-89**

The Group saw an increase in net income of € 171,000 (previous year: € 119,000) due to higher liquid funds and the general increase in interest rates. The investment income is divided into profit shared attributable to minority interest of € 104,000 (previous year: € -54,000) and the profits from associates of € 19,000 (previous year: € 3,000).

Taxes

In 2007, the Synaxon Group stated a tax burden of € 1,140,000 (previous year: € 982,000). The arithmetical tax ratio (share of taxes in income before taxes and minority interest) was 32.3% (previous year: 39.4%).

Financial situation

	2007		2006		+/-
Assets	€ 000	%	€ 000	%	€ 000
Current assets					
Liquid funds	4,438	20.5	3,131	14.5	1,307
Securities	20	0.1	29	0.1	- 9
Customer accounts receivable from trading	2,675	12.3	2,766	12.8	- 91
Other assets	1,919	8.9	2,553	11.8	- 634
	9,052	41.8	8,479	39.2	573
Long-term assets					
Fixed assets	12,213	56.4	12,643	58.7	- 430
Other long-term assets	350	1.6	371	1.8	- 21
Deferred taxes	55	0.2	68	0.3	- 13
	12,618	58.2	13,082	60.8	- 464
	21,670	**100.0**	**21,561**	**100.0**	**109**
Liabilities					
Short-term outside capital					
Provisions	2,243	10.4	2,380	11.1	- 137
Trade accounts payable	522	2.4	892	4.1	- 370
Other liabilities	1,098	5.1	1,046	4.8	52
	3,863	17.8	4,318	20.0	- 453
Long-term outside capital					
Deferred taxes	1,755	8.1	2,280	10.6	- 525
Shareholders' equity	16,052	74.1	14,963	69.4	1.089
	21,670	**100.0**	**21,561**	**100.0**	**109**

The Group's balance sheet total was € 21,670,000 (previous year: € 21,561,000).

The Group's shareholders' equity increased by € 1,088,000 to € 16,051,000 (previous year: € 14,963,000). The equity ratio increased to 74.1% (previous year: 69.4%). As per December 31, 207, the accounts receivable from trading were € 2,675,000 (previous year: € 2,766,000). By contrast, the trade accounts payable were € 522,000 (previous year: € 892,000).

Financial situation

The following cash flow statement provides an overview of the company's liquidity development:

	2007	2006
	€ 000	€ 000
Result before taxes and minority interests	3,527	2,493
Share of profit/loss of associates and joint ventures accounted for using the equity method	- 19	- 3
Depreciation and other expenses that do not affect payments	776	1,003
Cash flow	**4,284**	**3,493**
Changes in working capital	748	702
Taxes	- 1,424	- 982
Cash flow from ongoing business activity	**3,608**	**3,213**
Cash flow from investments	**- 816**	**- 2,189**
Free cash flow	**2,792**	**1,024**
Cash flow from financing activities	**- 1,485**	**- 1,826**
Change in funds with effects on payments	1,307	- 802
Funds at the start of the financial year	3,131	3,933
Funds at the end of the financial year	**4,438**	**3,131**

The funds increased, above all, due to the increase in the net income, positive changes to the company's working capital and compared with 2006 lower investments in assets to € 4,438,000 (previous year: € 3,131,000). In the 2007 business year, the company proposed a dividend distribution of € 1,415,000 for the 2006 financial year.

Statement of net value added

From an economic point of view, added value is the difference between gross output and third-party preliminary work. It is a key indicator of a company's efficiency and provides information on the effective added value created by the company by way of its own performance. In addition it illustrates how such added value has been used in the ongoing financial year.

	2007		2006	
	€ 000	%	€ 000	%
Creation of added value				
Company results (sales + income)	17,239	100.0	21,491	100.0
- Advances (material)	3,904	22.7	7,128	33.2
- Advances (others)	3,947	22.9	4,877	22.6
- Depreciation	762	4.4	956	4.5
Net added value	**8,626**	**50.0**	**8,530**	**39.7**
Distribution of added value				
Employees (personnel expenses)	5,085	58.9	6,030	70.7
Public sector (taxes)	1,140	13.2	982	11.5
Creditors (interest)	34	0.4	10	0.1
Minorities + results from affiliated companies	84	1.0	- 57	0.6
Companies and shareholders (net income)	2,283	26.5	1,565	18.3
Net added value	8,626	100.0	8,530	100.0

In 2007, the value added ratio of the Synaxon Group was 50.0% (previous year: 39.7%). The net added value was € 8,626,000 (previous year: € 8,530,000). The share of the net added value attributable to the company and shareholders (net income) was 26.5% (previous year: 18.3%). The share attributable to the public sector was 13.2% (previous year: 11.5%). In 2007, the company implemented a dividend payment for the 2006 financial year of € 1,415,000. Therefore, 16.4% of the net added value was transferred directly to the shareholders in 2006.

Research and development

Synaxon is a knowledge-based company. The long-established group and co-operation model is predicated on the fact that a relatively small, central, unit (the co-operation center) creates and markets exclusive knowledge and innovations. This model does not account for the fact that the affiliated companies have at their disposal several times the central innovative potential that is waiting to be efficiently and actively incorporated. In 2007, Synaxon has introduced a central knowledge platform on the basis of the “Wiki” web 2.0 technology, and adjusted it in line with the association’s requirements. The entire know-how and potential for ideas of the employees of the Synaxon partners in excess of 22,000 employees can be made available, and updated, via this platform as part of the innovative management via a single source.

Synaxon sees itself as a platform operator for IT companies. In this capacity it establishes a link between the IT market participants without intending to merge them – compared with a cooperation headquarters. The goal consists of creating competitive advantages for the affiliated partner companies and forwarding these advantages to such companies. In the IT sector, the efficiency of the commercial and procurement processes is a crucial competitive factor. In this area the company therefore is not focusing on standard solutions. Moreover, it is focusing extensively on the own development of software solutions that make a difference in competition.

The company's key ongoing software projects include the online purchasing and information platform EGIS (Enterprise Global Information System), the BPM (Business Partner Management), which began at the end of 2007, for the efficient control of the association business, and the online platform snippr.de, which promotes a link between consulting and e-commerce on the basis of a "customers advise customers" approach.

Risk management

The risk management at Synaxon AG is based on individual division and company risk catalogues listing potential dangers. In this respect, the respective persons responsible for monitoring qualify the probability of occurrence and the probable risk consequences of each identifiable individual risk, and quantify these in respect of their potential extent of damage. Measures aimed at warding off, preventing and reviewing risks are specified to ward off risks, or at least minimize them where such action cannot be taken in full. The company's management is characterized by the individual responsibility of each employee within the organization in collaborating to reduce risks. The executive employees of each company hold organizational responsibility for monitoring the processes and risks in their division. In this respect, detailed risk reports, the estimates and valuations of which are reviewed monthly, are to be filed on a quarterly basis. The risk review procedure is based on the failure mode and effect analysis (FMEA) method, which specifies individual risk assessment items as an outcome for all Group divisions. The Supervisory Board is regularly informed of the Group's risk situation. At the time at which the Management Report was prepared, the Board of Management saw no risks that were capable of jeopardizing the company's existence.

Key business model risks

In addition to the general cyclical risks, the company sees itself confronted, above all, with the customary risks of the IT sector in Germany. The sharp drop in the price of IT products is continuing. Coupled with the high competitive intensity, this gives rise to a disproportionate margin of the market participants in Germany compared with the markets in other countries. The company now predominantly operates in Germany. Almost all of Synaxon AG's dealers are therefore affected. Additional pressure on stationary trade is caused by online trading, characterized by increasing market shares. In this starting position, Synaxon is subject to risks because of the persistently high insolvency ratio among IT dealers. There are also opportunities for the company – the company's service providers promote competitiveness among the affiliated companies.

IT risks

Due to the sector-related lower margins, efficient and cost-effective procurement can only be achieved through far-reaching support from IT solutions. As part of its IT investment strategy, the Synaxon Group has therefore designed its own EGIS software. EGIS links the partners of the Group with the contractual suppliers and manufacturers. Numerous partners already use EGIS as the leading procurement system, and control their purchasing and other processes illustrated in the solution almost entirely via the system. Particularly strong demands are therefore placed on the system availability, security and the latest data. A long-term system failure could result in economic damage for the Group and users linked to the system. The company has therefore taken numerous precautions to ensure that the demands are secured. Nevertheless, one hundred percent system availability can never be guaranteed.

Legal risks

With regard to the action brought at the end of December 2004 by 49 franchisees at 24 locations concerning the disclosure of information and payment regarding purchasing advantages granted to the company, reimbursements and commission by manufacturers and suppliers, the action has in the meantime been withdrawn at seven locations. In two of the remaining 17 cases, an application for suspension has been filed by the respective insolvency administrator regarding ongoing insolvency proceedings pursuant to Section 240 ZPO.

Evidence was heard in the ongoing proceedings in June 2007. The witnesses called by the company were heard. To date, the court has not issued an originating process following the hearing of evidence.

Personnel risks

The competition for highly-qualified technical and executive personnel in the IT industry remains high. This is aggravated by an employment market in a phase of low unemployment and a variety of vacant positions, in particular in the IT sector. Synaxon AG has therefore intensified the cooperation with high schools to draw attention to high school leavers in good time, and establish ties with the company. Furthermore, an extensive advertising campaign was launched with the aim of facilitating the acquisition of specialists.

Results after the balance sheet date

There were no results of significance after the balance sheet date.

Other details pursuant to Section 289 HGB

Branch details

The company operates branches at Schloß Holte-Stukenbrock, Osnabrück and Lilienthal.

Details on the remuneration system for the executive bodies

The company has set up a remuneration system in line with the size of the company and the respective area of responsibility of the executive bodies. The Supervisory Board remuneration is divided into an annual basic remuneration and attendance fees. There are no success-related elements.

The Board of Management remuneration is divided into a fixed share and one coupled with the generated Group net income. In addition, there is share option program for the Board of Management (see Annex).

Summary of the subscribed capital

The company’s capital stock is € 3,891,000, which is divided into 3,891,000 non-par, bearer, individual share certificates.

Direct or indirect capital interests in excess of 10 percent

Deutsche Balaton AG, Weberstraße 1, 69120 Heidelberg, holds 14.83% as voting right share. Of this, 9.93% of the voting rights are attributable to Deutsche Balaton AG 9.93% in accordance with Section 22, sub-section 1, sentence 1, no. 1 of WpHG[1].

Mr. Wilhelm Konrad Thomas Zours, Werrgasse 9, 69120 Heidelberg, DELPHI Unternehmensberatung GmbH, Weberstraße 1, 69120 Heidelberg, and VV-Beteiligungen AG, Weberstraße 1, 69120 Heidelberg, each hold a voting right share of 14.83%. The voting rights are attributable to each of them in full in accordance with Section 22 sub-section 1, sentence 1, no. 1 of WpHG.

Provisions of the articles of association and memorandum

The Supervisory Board determines the number and appointment of ordinary members of the Board of Management, the conclusion of employment contracts and the revocation of such appointments. Likewise, it appoints a member of the Board of Management as the Chairman of the Board of Management.

The Articles of Memorandum and Association are amended in accordance with the statutory provisions. The Supervisory Board is entitled to amend the Articles of Memorandum and Association only in respect to the wording.

The company's authorization to acquire own shares of up to ten percent of the current capital stock in accordance with Section 71, sub-section I, Nr. 8, AktG expired on 12/22/2007.

Forecast and prospects

On the basis of the estimates by the Center for European Economic Research (CEER), economic expectations for Germany have dropped further. The risk of a recession in the USA is seen as the greatest risk for the economy.

Above all, market researchers attach great importance to the development of private consumption in respect of the economy. Although the recovery in the labor market is ongoing, consumers still have a somewhat pessimistic basic approach. This is not least due to sharp increase in energy prices and everyday goods.

[1] German Securities Trading Act

On the basis of its 2008 spring survey, the German Chamber of Industry and Commerce expects to see an increase in investments by German companies. Compared with 2007, this is set to lose its dynamic effect. Overall, the companies' business expectations are slightly dampened.

The German federal government forecasts see economic growth in Germany at 1.7%.

According to market experts, Germany's IT market will also be characterized by strong competitive pressure in 2008. The sharp drop in the price of IT products is set to continue. Even if the market volume therefore hardly increases, we see growth opportunities for Synaxon AG. As in the previous years, these will occur, above all, on the basis of expanding our market share. According to our estimates, this situation will remain the same in the long-term.

On the basis of current estimates by market experts, it remains the case that only 15% of independent IT specialist dealers/system houses in Germany are involved in co-operation. The absolute degree of co-operation in the IT specialist trade has consequently been stagnating for years. It is therefore unclear to what extent the potential of the non-cooperating IT trade can be developed overall through IT co-operation agreements. Since the market share of Synaxon AG among co-operating IT dealers and system houses is now close to 90%, we are assuming a rather restrained growth in the number of partner companies in our planning premises for 2008.

To secure the existing market position and develop additional earning potential for the company, we intend to further strengthen our investment activities in the current year. This applies in particular to investments in our independently-developed software solutions EGIS, BPM and the e-commerce project snippr.de. To accelerate the speed of development, we will also rely on cooperation with external partners, given the shortage of IT specialists. Apart from cooperation with independent software developers, we will also single-mindedly develop our cooperation with universities. Overall, the development volume planned for 2008 is € 1,700,000. Furthermore, we have included an amount of € 700,000 for the extension and further development of our trade and cooperation concepts in planning.

Assuming complete exhaustion of the investment framework, we nevertheless expect a consolidated profit before taxes of at least € 2,500,000. Even if this would mean a slight decline in profits at the lower end compared to 2007, we firmly believe that in the medium term the investments will constitute the major precondition for increasing the company value of Synaxon AG and developing new sales and earning fields. We see risks above all in the form of the factors listed under "Risk management."

The future dividend policy will be in line with the company's actual economic development, investment plans and the growth perspectives.

Bielefeld, March 2008

Management Board

Frank Roebers	Andreas Wenninger	Mark Schröder
(Management Board Chairman)		

"To the best of our knowledge we assure that business development, including the business result and the Group's situation, presented in the Group Management Report give a true and fair view of the actual situation, and that the key opportunities and risks of the Group's probable development have been described."

The Management Board

Frank Roebers	Andreas Wenninger	Mark Schröder
(CEO and Management Board Chairman)	(COO)	(CFO)

Auditors' report

We audited the consolidated financial statements of SYNAXON AG, Bielefeld, - comprising balance sheet, income statement, statement of changes in equity, cash flow statement and notes - and the Group management report for the financial year from 1 January to 31 December 2007. The preparation of the consolidated financial statements and the Group management report in accordance with the IFRSs, as they are to be applied within the EU, the application commercial regulations prescribed in Article 315 a Paragraph 1 of the German Commercial Code (HGB) and the Articles of Association is the responsibility of the statutory agents of the company. Based on our audit, it is our responsibility to express an opinion on said consolidated financial statements and the Group management report.

We conducted our audit of the consolidated financial statements pursuant to Article 317 HGB in accordance with the generally accepted standards for the audit of financial statements established by the German Institut der Wirtschaftsprüfer (IDW). These standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are correct and comply with the applicable accounting regulations and that the Group management report provides a fair representation of the financial position, financial performance and cash flows. Knowledge of the business activities and the economic and legal environment of the Group and expectations are examined for any errors during the audit. The effectiveness of the accounting related control system and the evidence supporting information in the consolidated financial statements and the Group management report are examined on a test basis within the framework of the audit. The audit also includes the assessment of the financial statements of companies included in the consolidated financial statements, the scope of consolidation, the accounting principles use, significant estimates made by the management and the evaluation of the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give rise to any objections.

In our opinion, based on the results of our audit, the consolidated financial statements comply with the IFRS as they are to be applied within the EU, with the applicable commercial regulations in accordance with Article 315 a Paragraph 1 HGB, the Articles of Association and the IFRS as a whole and give a true and fair view of the financial position, financial performance and cash flows of the Group.. The Group management report corresponds to the consolidated financial statements and provides a true and fair view of the situation of the Group and the opportunities and risks of future development..

Bielefeld, 13 March 2008

Dr. Stückmann und Partner
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

(Schmidt)	(Gäbel)
Wirtschaftsprüferin	Wirtschaftsprüfer
(Certified Public Accountant)	(Certified Public Accountant)

This report is also available in German. The German version of this report is legally binding.