SYNAXON AG

MIT DENKEN HANDELN

Quarterly Report I / 2008

Segment development

Most PC manufacturers saw positive development in the first quarter of 2008. According to the market research institute Gartner, more than 71 million PCs were sold worldwide, producing market growth of 12.3% compared with the previous year's quarter. Sales increased in particular in Europe, where growth in the previous quarter was 14.9% compared to the first quarter of 2007.

By contrast, the German PC market suffered from weak demand and price pressure, and saw a more patchy quarter. Notebook sales increased sharply. According to the Gesellschaft für Konsumforschung (GfK), the German notebook market increased by 43% compared to the corresponding period last year. In contrast, the number of desktop PCs sold continued to fall. The enduring price war among the competitors in the IT-sector and the further decline in average prices for IT-hardware affected sales figures in a positive way. Simultaneously the volume of sales overall probably decreased. On the base of data published by two German listed manufacturers we assume that the decrease amounts up to 10%.

Despite the ongoing turbulence in the international financial markets, and higher food and energy prices, German consumers are once again more confident according to GfK. According to the latest forecasts, the tendency to consume increased slightly due to the more optimistic income prospects.

Development of the income situation

In the first quarter of 2008, SYNAXON AG returned a profit of € 519,000 (previous year: € 524,000) and was therefore in line with the previous year's figures. Earnings per share were unchanged at € 0.15 (previous year: € 0.15). The company benefited from a lower tax burden in the amount of 30.8% (previous year: 45.5%). Earnings before tax and minority holdings stood at € 767,000 (previous year: € 1,007,000). First quarter results are in line with 2008 fiscal planning, which forecasts income before taxes of at least € 2.5 million.

Development of sales revenue

The consolidated sales fell to € 3,795,000 (previous year: € 4,247,000), due to the elimination of centrally-invoiced goods turnover and a decline in income connected to the purchasing volume. Although sales figures in the German IT market have gone up, the industry faces a further decline in average prices. Overall, the sales development of the IT trade was mixed in the first quarter.

Development of expenses

Compared with the previous year, the Group's total expenses fell in the first quarter of 2008 and amounted to € 3,201,000 (previous year: € 3,459,000).

Above all, the drop in overall costs was attributable to the lower material expenses (€ 807,000; previous year: € 1,073,000), due to the discontinuation of central invoicing last year. Personnel expenses also fell (€ 1,203,000, previous year: € 1,348,000), above all due to cost savings from the incorporation of AKCENT AG.

Other operating expenses increased to € 1,019,000 (previous year: € 856,000), while significant increases compared with the previous year included external personnel costs, depreciation and other expenses.

Development of depreciation

Depreciation on intangible assets and property, plant and equipment fell to € 173,000 (previous year: € 182,000).

Partner development

	Position as of 01/01/2008	Disposal	Addition	Position as of 03/31/2008
Franchise				
PC-SPEZIALIST				
XL-Store	2	-	-	2
C-Store	10	-	-	10
N-Store	50	1	-	49
Specialist partner	5	-	1	6
Base dealer	2	-	-	2
	69	1	1	69
MOBILE PC-SPEZIALIST	3	-	-	3
	72	1	1	72
IT cooperation				
MICROTREND	1470	85	87	1472
iTeam	332	3	5	334
Base dealer locations	7	1	-	6
AKCENT	800	18	28	810
	2609	107	120	2622
	2681	108	121	2694

As of 03/31/2008, the number of partners had increased to 2,694 companies. While PC-SPEZIALIST stagnated, slight increases were attained with respect to cooperation. With net growth of 10 partner companies, AKCENT posted the highest growth in the first quarter.

Employees

On average, the Group employed 103 persons in the first quarter (previous year: 107) and 7 trainees (previous year: 9 trainees). On the reporting date of 03/31/2008, the Group employed 104 persons (previous year: 104), SYNAXON AG (individual company) employed on average 84 persons in the first quarter (previous year: 82).

Segment results

Compared with the previous year, sales in the "Franchise" segment increased slightly to € 955,000 (previous year: € 951,000). In contrast, earnings fell to € 250,000 (previous year: € 269,000), due to higher expenses.
Sales in the "IT Cooperations" segment fell from € 3,078,000 to € 2,840,000. Earnings came to € 480,000 (previous year: € 697,000),

The "Company Stores" and "Central Invoicing (CI)" segments were liquidated, due largely to discontinuation of activities in these areas. The figures are stated under "Miscellaneous", thus enabling comparison with the previous year.

Financial and investment income

Financial and investment income increased to € 32,000 (previous year: € 13,000) as a result of net interest income of € 38,000 (previous year: € 38,000) and the income from participations of € -6,000 (previous year: € -25,000).

Taxes

The tax burden fell from € 457,000 in the corresponding quarter last year to € 237,000 in the first quarter of 2008. On the basis of the changed taxation regulations (company taxation reform), the arithmetical taxation ratio fell in the first quarter to 30.8% (previous year: 45.5 %).

Assets and financial position

Group equity increased to € 16,579,000 (12/31/2007: € 16,051,000). The equity ratio was 76.6% (12/31/2007: 74.1%). The consolidated balance sheet total fell to € 21,644,000 (previous year: € 21,669,000).

The cash flow from the ongoing business activity fell, due to the decline in income and the changes to the working capital to € 668,000 (previous year: € 1,660,000).

Cash flow from the investment activity was € -301,000 (previous year: € -318,000) on the reporting date.

As of 03/31/2008, the funds at the company's disposal were € 4,805,000 (previous year: € 4,480,000), According to IFRS, the funds do not include the treasury shares held by the company. As of 03/31/2007, the company held 352,500 treasury shares. The price of the securities on the reporting date increased to € 2,160,000.

Risk report

The management assessment of the risks of the SYNAXON Group has not changed compared to the comments in the 2007 Annual Report.

Results after the balance sheet date

Four PC-SPEZIALIST partners filed for bankruptcy at the start of the second quarter. One location will be continued, due to the positive continuation forecast of the insolvency administrator. At the same time, the development of the partner numbers of the brands MICROTREND and AKCENT exceeded expectations. MICROTREND passed the 1,500 partner mark, while AKCENT boasted 820 partners on the reporting date of 03/31/2008.

Forecast

According to an initial estimate by the German Federal Office for Statistics, GDP in Germany increased in the first quarter by 1.5 % compared with the previous year. Business experts now expect growth in excess of 2 % during the course of the year. The increasing oil price and strong euro, in addition to the risk of a recession in the USA continue to pose risks for German economic growth. The ifo business climate index fell further in April following improvements in the previous months, while companies' expectations have dropped in particular in the consumer goods and retail sectors. In March, the consumer price index increased by 3.1 % and in April by 2.4 %, compared with the previous year. Food and convenience goods, in particular, have become more expensive. Consumer behavior is expected to be restrained in the coming months.

According to experts, the German IT market will continue to be characterized by fierce competitive pressure and low average prices in the coming months. We therefore assume that the market environment will remain difficult for the IT sector in Germany. At the same time, it is undisputable that the overall low cooperation level in the IT sector presents growth opportunities.

As planned, we shall make the investments announced in the 2007 Annual Report, i.e. in the further development of our trading and cooperation concepts, our company-designed software solutions such as EGIS and BPM and the snippr.de e-commerce project. On the one hand this is aimed at securing our present market position, but also tapping further income potentials.

We expect to generate a Group result before taxes of at least € 2.5 million for the entire year.

Bielefeld, May 2008

The Management Board

Consolidated balance sheet for the period ending March 31, 2008 in accordance with IFRS

Assets

			03/31/2008 EUR	12/31/2007 EUR 000
A.	Current assets			
	I.	Cash in hand bank deposits	4,805,036.20	4,438
	II.	Financial assets		
		Other securities	14,652.94	20
	III.	Trade receivables	2,484,634.47	2,675
	IV.	Receivables from associates	0.00	1
	V.	Inventories	59,100.00	24
	VI.	Deferred income	29,273.65	69
	VII.	Tax refund claims	234,027.48	614
	VIII.	Other assets	769,392.30	713
	IX.	Non-current assets held for sale	492,205.52	497
			8,888,322.56	9,051
B.	Non-current assets			
	I.	Property, plant and equipment		
		1. Land and buildings	0.00	0,00
		2. Other plant, operating and office equipment	413,952.49	424
	II.	Property held as financial investment	187,725.28	189
	III.	Intangible assets		
		1. Goodwill	7,648,255.89	7,648
		2. Franchises, trademarks, patents, licenses and similar rights	3,761,425.07	3,240
		3. Software under development	193,523.39	569
	IV.	Financial assets		
		1. Investments	15,388.91	15
		2. Shares in affiliated companies	129,349.39	128
	V.	Tax refund claims	296,583.38	298
	VI.	Other assets	51,468.50	52
	VII.	Deferred tax	57,711.77	55
			12,755,384.07	12,618
			21,643,706.63	21,669

Consolidated balance sheet for the period ending March 31, 2008
in accordance with IFRS

Liabilities

			03/31/2008 EUR	12/31/2007 EUR 000
A.	Current liabilities			
	I.	Trade payables	564,774.53	522
	II.	Provisions		
		1. Provisions for taxes payable	237,623.50	272
		2. Other provisions	1,454,747.61	1,971
	III.	Deferred income	66,780.26	81
	IV.	Other liabilities	932,348.95	1,017
			3,256,274.85	3,863
B.	Non-current liabilities			
		Deferred taxes	1,808,364.80	1,755
C.	Shareholders' equity			
	I.	Issued 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	8,235,475.49	8,234
		3. Revaluation reserve financial instruments	- 6,473.96	- 2
	IV.	Treasury shares	- 4,046,066.78	- 4,046
	V.	Group profit brought forward	3,230,076.23	939
	VI.	Consolidated net profit	519,398.64	2,282
			16,513,456.16	15,988
	VII.	Minority interests	65,610.82	63
			16,579,066.98	16,051
			21,643,706,63	21,669

Group income statement per IFRS

			01/01/2008 - 03/31/2008		01/01/2007 - 03/31/2007
			EUR		EUR 000
1.	Revenues		3,795,000.29		4,247
2.	Other operating income		130,579.98		181
3.	Cost of purchased materials				
	a) Costs of goods purchased	-	800,773.17	-	985
	b) Cost of received services	-	5,770.24	-	88
4.	Personnel expenses				
	a) Wages and salaries	-	1,038,407.67	-	1,182
	b) Social security contributions	-	164,522.52	-	166
5.	Amortization of intangible assets and depreciation of property, plant and equipment	-	172,500.51	-	182
6.	Other operating expenses	-	1,019,374.79	-	856
			724,231.37		969
7.	Other interest and similar income		38,026.98		39
8.	Interest and similar expenses	-	181.01	-	1
9.	Income from associates		4,447.12		0
10.	Result before taxes and minority interests		766,524.46		1,007
11.	Income taxes	-	236,653.03	-	458
12.	Expenditure for inherent claims of minority shareholders of limited companies	-	7,649.18	-	18
			522,222.25		531
13.	Share in profits of minority shareholders	-	2,823.61	-	7
14,	Net income for the period		519,398.64		524
Average number of current shares			3,538,500		3,538,500
Earnings per share (undiluted/diluted)					
	Diluted				
	Overall amount		0.15		0.15
	Amount from continued operations		0.15		0.15
	Undiluted				
	Overall amount		0.15		0.15
	Amount from continued operations		0.15		0.15

Group cash flow statement (IFRS) as of March 31, 2008

	01/01/2008 - 03/31/2008 EUR 000	01/01/2007 - 03/31/2007 EUR 000
Earnings before taxes	767	1,007
Result from companies whose equity is stated in balance sheet	- 4	- 25
Stock option plan	1	5
Depreciation on intangible assets and property, plant and equipment	173	182
Impairment of intangible assets	-	-
Other non-cash expenses and income	-	-
	937	1,169
Loss (corresponding quarter last year: profit) on sale of fixed assets	3	- 1
Decrease (corresponding quarter last year: increase) in short-term provisions	- 551	275
Decrease in inventories, trade receivables and other assets	519	980
Reduction in trade payables and other liabilities	- 3	- 306
Taxes	- 237	- 457
Cash flow from operating activities	668	1,660
Payments from investment disposals	4	19
Payments form companies whose equity is stated in the balance sheet	4	-
Payments for acquisitions	0	-
Investments in non-current assets	- 309	- 337
Cash flow from investments	- 301	- 318
Dividend payment	0	-
Dividend paid to minority shareholders	0	7
Cash flow from financing activities	0	7
Net increase (previous year: net reduction) in cash and cash equivalents	367	1,349
Cash and cash equivalents at the start of the period	4,438	3,131
Cash and cash equivalents at end of period (Cash in hand and bank deposits)	4,805	4,480

Statement of changes in equity according to IFRS as per December 31, 2008

	Issued capital	Capital reserves	Legal reserves	Revenue reserves	Revaluation reserve	Treasury shares	Group profit brought forward	Consolidated net profit	Group interest	Minority interests	Overall
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Position as per 01/01/2007	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
Change in interests of minorities	-	-	-	-	-	-	-	-	-	- 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 of 12/31/2007 -01/01/2008	3,891	4,648	42	8,234	-2	- 4,046	939	2,283	15,989	63	16,052
Result 2007	-	-	-	-	-	-	2,283	- 2,283	-	-	-
Allocation to other revenue reserves	-	-	-	-	-	-	-	-	-	-	-
Distribution as dividend	-	-	-	-	-	-	-	-	-	-	-
Evaluation of securities	-	-	-	-	- 4	-	-	-	- 4	-	- 4
Change in interests of minorities	-	-	-	-	-	-	-	-	-	3	3
Stock option plan	-	-	-	1	-	-	-	-	1	-	1
Tax rate change	-	-	-	-	-	-	-	-	-	-	-
Consolidated accumulated profits	-	-	-	-	-	-	-	519	519	-	519
Other changes	-	-	-	-	-	-	8	-	8	-	8
Position as of 03/31/ 2008	3,891	4,648	42	8,235	- 6	- 4,046	3,230	519	16,513	66	16,579

Business segments of the SYNAXON Group 2008

	Divisions to be continued				Discontinued division			
	Franchise		IT cooperations		Miscellaneous *		Group	
	03/31/2008	03/31/2007	03/31/2008	03/31/2007	03/31/2008	03/31/2007	03/31/2008	03/31/2007
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Total revenues	955	951	2,840	3,078	0	218	3,795	4,247
Segment result (Operating result)	250	269	480	697	-1	3	729	969

* The Miscellaneous item contains the figures of the former "CI" and "Company Stores" segments

NOTES TO THE CONSOLIDTAED FINANCIAL STATEMENTS

CONSOLIDATION, ACCOUNTING AND VALUATION METHODS

This Consolidated Interim Report of SYNAXON AG as of March 31, 2008 was prepared, as was Consolidated Annual Report as of December 31, 2007, in compliance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and their interpretations. The Interim Report as of March 31, 2008 was prepared in compliance with the regulations of IAS 34 "Interim Financial Reporting".

In producing this Interim Financial Statement, the same consolidation principles and accounting and evaluation methods were used as in the 2007 Consolidated Financial Statement. A detailed description of these methods is published in the Notes to the Consolidated Financial Statements of the 2007 annual report.

CONSOLIDATED COMPANIES

In addition to SYNAXON AG as the parent company, all domestic and foreign subsidiaries in which SYNAXON AG directly or indirectly own more than 50% of the shares or voting rights are were included in the Consolidated Financial Statement as of March 31, 2008.

APPROPRIATION OF NET INCOME

The company's proposal concerning the appropriation of net income again provides for € 0.40 dividend payment per eligible share for the 2007 financial year. This proposal will be voted on at the shareholders' meeting on 06/12/ 2008,

TREASURY SHARES

By resolution of the shareholders' meeting of SYNAXON AG of June 23, 2006, the company was authorized to purchase treasury shares until December 22, 2007. In the course of this authorization, the purchase of treasury shares is restricted to a quota of 389,100 shares. As of March 31, 2008, the company held a total of 352,500 treasury shares. Treasury shares are stated in the balance sheet as deductions from equity pursuant to IAS 32.33.

STOCK OPTION PLAN

By resolution of the shareholders' meeting of SYNAXON of July 16, 2004, the Supervisory Board was authorized to introduce a stock option plan that envisages the granting of options on company stock to members of the Board of Management and transfers the acquired treasury shares to members of the Board of Management in fulfillment of their stock option rights.

The acquisition of options will take place according to Section 3 of the option plan through allocation according to the rules of the option plan.

The first allocation offer of 191,250 share options was submitted to the Board of Management of SYNAXON AG by the Supervisory Board on January 3, 2005. The Board of Management accepted the offer on January 17, 2005. The allocation took place on January 28, 2005.

The second allocation offer of 191,250 share options was accepted by the Board of Management of SYNAXON AG on December 31, 2006. According to Section 4 (4) of the stock option plan, the date of allocation is December 31, 2006.

On the closing date of December 31, 2007, none of the granted share options granted in the second tranche could be exercised. The issued options from the first tranche could be exercised for the first time from January 29, 2007. This option had not been used by March 31, 2008. The outstanding options of the first and second tranches had a maximum contractual term of 5 and 7 years as of the closing date.

The following expenses and liabilities were accrued by SYNAXON AG from the stock option plan as of the reporting date of March 31, 2008:

	12/31/2007	03/31/2008
Total expenses from equity based remuneration transactions	54,930.40 €	1,165.00 €
of which for share-based remuneration transactions with settlement through equity instruments	54,930.40 €	1,165.00 €
Liabilities from share-based remuneration transactions	0.00 €	0.00 €

INTANGIBLE ASSETS

The development expenses accrued in the reporting period 2008 for the modular-based relational database system EGIS of € 194,000 were capitalized. The carrying amount of the already capitalized EGIS modules was € 1,692,000 as of March 31, 2008, and will be depreciated on a scheduled basis over a period of 10 years. Depreciation amounting to € 49,000 resulted from the facts and circumstances described by March 31, 2008.

SUBSEQUENT EVENTS

There were no significant events following the quarterly cut-off date.

Frank Roebers (CEO and Chairman of the Board of Management)

Andreas Wenninger (COO)

Mark Schröder (CFO)

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