

SYNAXON AG

MIT DENKEN HANDELN

Interim Report to 30 June 2008





Segment development

According to the Gartner Market Research Institute, PC sales figures in Germany rose by 22.4% in the second quarter of 2008. Growth in unit sales for the first quarter of 2008 was 17.4%. The aggressive price policy pursued by the PC manufacturers as a consequence of high stock levels is likely to have been the major factor resulting in the strong degree of sales growth. Notwithstanding this, the massive collapse in prices is squeezing turnover and margins and driving market consolidation.

In the second quarter of the year, the German economy shrank for the first time in four years. The Federal Statistical Office reported a fall in Gross Domestic Product of 0.5 percent compared to the first quarter. Such a strong fall has not been seen since the beginning of 2003.

The June inflation rate increase in Germany was 3.3% compared to the previous year. This was the highest increase recorded for 14 years and was due to the strong increase in consumer prices and the rise in energy prices in particular. This development has brought about consumer reticence on the part of private customers, leading to a 1.4% decrease in real terms in retail sales volume for the month of May and a fall of 3.9% in real terms for June.

Development of the income situation

For the first half of the year, SYNAXON AG recorded a decrease in net earnings before taxes and minority holdings to EUR 1,117,000 (previous year: EUR 1,798,000). The overall tax burden of 30.3% was lower (previous year: 46.2%), meaning that the decrease in the surplus for the period of EUR 160,000 to EUR 770,000 (previous year: EUR 930,000) was lower in percentage terms. Earnings per share at 30 June 2008 was EUR 0.22 (previous year: EUR 0.26).

Development of sales revenue

Group sales fell from EUR 7,902,000 to EUR 7,423,000 in the first half of the year. The main reason for the decrease in group sales was a decline in revenues tied to purchasing volume.

Development of expenses

Total expenses (incl. depreciation) rose by 2.9% in the the first half of the year and amounted to EUR 6,670,000.

The increase in expenses was due to a rise in other operating expenses, whereas depreciations, material expenses and personnel costs fell.



Development of depreciation

In the first half of 2008, depreciation on intangible assets and property, plant and equipment fell slightly compared to the corresponding period of the previous year to EUR 351,000 (previous year: EUR 356,000).

Partner development

	Position as of 01.01.2008	Disposal	Addition	Position as of 30.06.2008
Franchise				
PC-SPEZIALIST				
XL-Store	2	-	-	2
C-Store	10	-	-	10
N-Store	50	4	-	46
Specialist partner	5	-	1	6
Base dealer	2	-	-	2
	<u>69</u>	<u>4</u>	<u>1</u>	<u>66</u>
MOBILE PC-SPEZIALIST	3	-	-	3
	<u>72</u>	<u>4</u>	<u>1</u>	<u>69</u>
IT cooperation				
MICROTREND	1,470	148	177	1,499
iTeam	339	7	7	339
AKCENT	800	24	57	833
	<u>2,609</u>	<u>179</u>	<u>241</u>	<u>2,671</u>
	<u>2,681</u>	<u>183</u>	<u>242</u>	<u>2,740</u>

During the first half of the year, the number of partners was increased by a total of 59 dealers. Growth was posted by the MICROTREND (+29 partners) and the AKCENT (+33 partners) brands, whereas iTeam remained constant and PC-SPEZIALIST recorded a drop of three partners.

Employees

On average, the company employed 106 persons during the first half of the year (previous year: 106 persons) and 8 trainees (previous year: 9 trainees). On the reporting date of 30.06.2008, the number of persons employed was 118 (previous year: 103).

During the first half of the year, SYNAXON AG (individual company) employed an average of 88 persons (previous year: 80). This increase was mainly due to relocating jobs from the subsidiaries to the parent company and to additional staff requirements for the investment projects pursued by the company.



Segment results

Compared to the previous year Sales in the “Franchise” segment fell from EUR 1,911,000 to EUR 1,783,000. Segment earnings decreased to EUR 440,000 (previous year: EUR 512,000).

Sales in the “Cooperations” segment decreased from EUR 5,900,000 to EUR 5,640,000. Segment earnings fell to EUR 678,000 (previous year: EUR 1,211,000).

The “Company Stores” and “Central Factoring (ZF)” segments were liquidated due to the widespread discontinuation of activities in these areas. The figures disclosed under “Miscellaneous” for the purpose of enabling a comparison with the previous year to be conducted.

Financial and investment income

Financial and investment income increased by EUR 57,000 compared to the corresponding period of the previous year and as of 30 June 2008 amounted to EUR 92,000 (previous year EUR 35,000).

Interest income rose to EUR 102,000 (previous year: EUR 73,000) and income from participations to EUR -9,000 (previous year: EUR -38,000).

Taxes

The tax burden fell to EUR 339,000 in the first half of the year (previous year: EUR 830,000). This resulted in a fall in the arithmetical tax ratio to 30.3 % (previous year: 46.2%).

Assets and financial position

Group equity as of 30 June 2008 amounted to EUR 15,318,000 (31.12.2007: EUR 16,051,000). The equity ratio was 74.4% (31.12.2007: 74.1%). The consolidated balance sheet total fell to EUR 20,594,000 (31.12.2007: EUR 21,669,000).

Cash flow from ongoing business activity fell to EUR 2,320,000 (previous year 2,520,000) due to the fall in income and the changes to the working capital.

Cash flow from investment activity was EUR -1,217,000 (previous year EUR: -453,000) at the reporting date. Higher investments in fixed assets were the main cause for this.

Cash flow from financing activity was EUR -1,462,000 (previous year: EUR -70,000). The main reason for this change was payment of dividends for the business year 2007 in the amount of EUR 1,415,000. In the previous year, the dividend had not been paid until the third quarter.

As of 30 June 2008, funds available were EUR 4,079,000 (previous year EUR: 5,128,000). According to IFRS, funds do not include treasury shares held by the company. As of 30 June 2008, the number of treasury shares held by the company remained unchanged at 352,500. The price of the securities at the reporting date was EUR 1,844,000.



Risk report

There has been no change in the Management Board assessment of the risks faced by the SYNAXON Group since the comments made in the 2007 Annual Report.

Forecast

Leading economic researchers reduced their prognoses for the remainder of the year in light of the fall in GDP in the second quarter. Business experts are of the view that growth for the third quarter of 2008 and for the year as a whole will be 0.1% and 2.0% respectively. Previous expectations had been for an increase of 0.3% in the third quarter and an increase of 2.4% in GDP for the year.

The danger of recession in the USA, the high oil price, the strong euro, the increasing risk of inflation and the reticent purchasing behaviour of consumers are all considered to be risk factors for German economic growth.

The German ifo Business Climate Index has also fallen over recent months and acts as an early indicator in reflecting the increasingly sceptical expectations of German trade and industry.

The Management Board expects that the situation faced by the German IT sector will continue to be difficult over the remaining course of the year. Economic expectations are muted, and the collapse in prices is exerting pressure on the commission revenues of the Group. Notwithstanding this, opportunities for growth continue to present themselves due to the fact that the degree of cooperation in the IT trade remains low in overall terms.

Further robust development of our trading and cooperation concepts and of our company-designed software solutions EGIS and BPM will take place over the course of the next few months. We also intend to continue to invest funds earmarked for the e-commerce project snippr.de in accordance with the investment plan. The aims of this project are to secure our existing market position and tap into new areas of income potential.

At the end of the first half of the year, the SYNAXON Group is ahead of schedule in terms of the plan issued in conjunction with the 2007 Annual Report of achieving a Group result before taxes of at least EUR 2.5 million for the year 2008. As far as the whole of the year 2008 is concerned, our expectations remain that we will achieve a Group result before taxes of at least EUR 2.5 million.

Bielefeld, August 2008

The Management Board



Consolidated balance sheet for the period ending 30 June 2008 in accordance with IFRS

Assets

	<u>30.06.2008</u>	<u>31.12.2007</u>
	EUR	EUR 000
A Current assets		
I. Cash in hand bank	4,078,533.55	4,438
II. Financial assets		
Other securities	15,722.83	20
III. Trade receivables	1,702,424.70	2,675
IV. Receivables from associates	-	1
V. Inventories	52,422.04	24
VI. Deferred income	-	69
VII. Tax refund claims	485,043.33	614
VIII. Other assets	744,649.96	713
IX. Non-current assets held for sale	-	497
	<u>7,078,796.41</u>	<u>9,051</u>
B Non-current assets		
I. Property, plant and equipment		
1. Land and buildings	-	-
2. Other plant, operating and office equipment	491,206.52	424
II. Property held as financial investment	186,113.28	189
III. Intangible assets		
1. Goodwill	8,054,214.51	7,648
2. Franchises, trademarks, patents, licenses and similar rights	3,755,294.52	3,240
3. Software under development	411,706.51	569
IV. Financial assets		
1. Investments	15,388.91	15
2. Shares in affiliated companies	130,801.07	128
V. Tax refund claims	297,750.20	298
VI. Other assets	45,879.42	52
VII. Deferred taxes	126,525.82	55
	<u>13,514,880.76</u>	<u>12,618</u>
	<u>20,593,677.17</u>	<u>21,669</u>



Consolidated balance sheet for the period ending 30 June 2008 in accordance with IFRS

Liabilities

	<u>30.06.2008</u>	<u>31.12.2007</u>
	EUR	EUR 000
A. Current liabilities		
I. Trade accounts payable	547,965.25	522
II. Provisions		
1. Provisions for taxes payable	234,551.00	272
2. Other provisions	1,450,121.34	1,971
III. Deferred charges	55,649.78	81
IV. Other liabilities	1,108,636.10	1,017
	<u>3,396,923.47</u>	<u>3,863</u>
B. Non-current liabilities		
Deferred taxes	<u>1,878,888.80</u>	<u>1,755</u>
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	8,701,128.15	8,234
3. Revaluation reserve financial instruments	- 5,722.89	- 2
IV. Treasury shares	- 4,046,066.78	- 4,046
V. Group profit brought forward	1,317,516.50	939
VI. Consolidated net profit	769,963.38	2,282
	<u>15,317,864.90</u>	<u>15,988</u>
VII. Minority interests	-	63
	<u>15,317,864.90</u>	<u>16,051</u>
	<u>20,593,677.17</u>	<u>21,669</u>



Group income statement to 30 June 2008 in accordance with IFRS

	01.01. 2008 - 30.06.2008	01.01.2007 - 30.06.2007
	EUR	EUR 000
1. Revenues	7,423,259.26	7,902
2. Other operating income	261,875.68	303
3. Cost of purchased materials		
a) Cost of goods purchased	- 1,535,764.96	- 1,682
b) Cost of received services	- 173,928.19	- 104
4. Personnel expenses		
a) Wages and salaries	- 2,183,113.59	- 2,266
b) Social security contributions	- 331,375.72	- 322
5. Amortisation of intangible assets and depreciation of property, plant and equipment	- 351,487.85	- 356
6. Other operating expenses	- 2,094,628.97	- 1,750
	1,014,835.66	1,725
7. Other interest and similar income	114,168.28	86
8. Interest and similar expenses	- 11,764.54	- 13
9. Income from associates	-	-
10. Result before taxes and minority interests	1,117,239.40	1,798
11. Income tax and tax on earnings	- 338,661.55	- 830
12. Expenditure for inherent claims of minority shareholders of limited companies	- 8,614.47	- 30
	769,963.38	938
13. Share in profits of minority shareholders	-	8
14. Net income for the period	769,963.38	930
Average number of current shares	3,538,500	3,538,500
Earnings per share (diluted / undiluted)		
Diluted		
Overall amount	0.22	0.26
Undiluted		
Overall amount	0.22	0.26



Group cash flow statement (IFRS) as of 30 June 2008

	01.01. 2008 - 30.06.2008	01.01.2007. - 30.06.2007
	EUR 000	EUR 000
Earnings before taxes	1,117	1,798
Results from companies whose equity is stated in balance sheet	- 9	- 9
Stock option plan	2	6
Depreciation on intangible assets and property plants and equipment	352	356
Impairment of intangible assets	-	-
Other non-cash expenses and income	-	-
	<u>1,462</u>	<u>2,151</u>
Profit on sale of fixed assets	- 4	- 1
Decrease in short-term provisions	- 558	- 429
Decrease in inventories, trade receivables and other assets	1,543	2,070
Increase (previous year: reduction) in trade payables and other liabilities	216	- 441
Taxes	- 339	- 830
Cash flow from operating activities	<u>2,320</u>	<u>2,520</u>
Payments from investment disposals	58	23
Payment from companies whose equity is stated in balance sheet	6	9
Payments for acquisitions	- 469	-
Investments in non-current assets	- 812	- 485
Cash flow from investments	<u>- 1,217</u>	<u>- 453</u>
Dividend payment	- 1,415	-
Dividend paid to minority shareholders	- 47	- 70
Cash flow from financing activities	<u>- 1,462</u>	<u>- 70</u>
Net reduction (previous year: increase) in cash and cash equivalents	- 359	1,997
Cash and cash equivalents at the start of the period	4,438	3,131
Cash and cash equivalents at the end of the period (cash in hand and bank deposits)	4,079	5,128



Statement of changes in equity according to IFRS as per 30 June 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 1 January 2007	3,891	4,648	42	6,853	2	- 4,046	1,933	1,565	14,888	-	262	14,963
Result 2006	-	-	-	-	-	-	-	-	-	-	-	-
Allocation to other revenue reserves	-	-	-	-	-	-	-	-	-	-	-	-
Distribution as dividend	-	-	-	-	-	-	-	-	-	-	-	-
Evaluation of securities	-	-	-	-	-	-	-	-	-	-	-	-
Change in interests of minorities	-	-	-	-	-	-	-	-	-	-	47	47
Stock option plan	-	-	-	6	-	-	-	-	-	-	-	6
Tax rate change	-	-	-	-	-	-	-	-	-	-	-	-
Consolidated accumulated profits	-	-	-	-	-	-	-	930	930	-	-	930
Other changes	-	-	-	-	-	-	- 75	-	- 75	-	-	- 75
Position as of 30 June 2007 / 1 July 2007	3,891	4,648	42	6,859	2	- 4,046	1,858	2,495	15,743	-	215	15,871
Position as per 1 January 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	-	-	-	485	-	-	-	485	-	-	-	-
Distribution as dividend	-	-	-	-	-	-	-	1,415	- 1,415	-	-	1,415
Evaluation of securities	-	-	-	-	-	4	-	-	-	4	-	4
Change in interests of minorities	-	-	-	-	-	-	-	-	-	-	63	63
Stock option plan	-	-	-	2	-	-	-	-	2	-	-	2
Withdrawal from other revenue reserves	-	-	-	20	-	-	-	-	-	20	-	20
Tax rate change	-	-	-	-	-	-	-	-	-	-	-	-
Consolidated accumulated profits	-	-	-	-	-	-	-	770	770	-	-	770
Other changes	-	-	-	-	-	-	-	4	-	4	-	4
Position as of 30 June 2008	3,891	4,648	42	8,701	-	6	- 4,046	1,318	770	15,318	-	15,318



Business segments of the SYNAXON Group 2008

	Divisions to be continued				Discontinued division		Group	
	Franchise		IT cooperations		Miscellaneous*			
	30.06. 2008	30.06. 2007	30.06. 2008	30.06. 2007	30.06. 2008	30.06. 2007	30.06. 2008	30.06. 2007
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Total revenues	1,783	1,911	5,640	5,900	0	91	7,423	7,902
Segment result	440	512	678	1,211	-1	2	1,117	1,725

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATION, ACCOUNTING AND VALUATION METHODS

This Consolidated Interim Report of SYNAXON AG as of June 30 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 June 30 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 June 30 2008.

APPROPRIATION OF NET INCOME

On 12 June 2008, the Shareholders' Meeting resolved net income for the 2007 financial year in the amount of EUR 1,900,000 be distributed in the form of a EUR 0.40 dividend payment per eligible share. A total of 3,538,500 shares were eligible for payment of dividends. The total sum distributed in



dividends was EUR 1,415,000. Dividend payment took place on 13 June 2008. Dividends payable on treasury shares in the amount of EUR 141,000 were transferred to other reserves.

TREASURY SHARES

By resolution of the Shareholders' Meeting of SYNAXON AG of 12 June 2008, the company was authorised to purchase treasury shares until 11 December 2009. In the course of this authorisation, the purchase of treasury shares is restricted to a quota of 389,100 shares. As of 30 June 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 16 July 2004, the Supervisory Board was authorised 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 3 January 2005. The Board of Management accepted the offer on 17 January 2005. The allocation took place on 28 January 2005.

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

On the closing date of 30 June 2008, 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 29 January 2007. This option had not been used by 30 June 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 June 30 2008:

	31.12.2007	30.06.2008
Total expenses from equity based remuneration transactions	54,930.40 EUR	2,330.00 EUR
of which for share-based remuneration transactions with settlement through equity instruments	54,930.40 EUR	2,330.00 EUR
Liabilities from share-based remuneration transactions	0.00 EUR	0.00 EUR

INTANGIBLE ASSETS

The development expenses accrued in the reporting period 2008 for the modular-based relational database system EGIS of EUR 412,000 were capitalised. The carrying amount of the already capitalised EGIS modules was EUR 1,753,000 as of June 30 2008, and will be depreciated on a scheduled basis over a period of 10 years. Depreciation amounting to EUR 104,000 resulted from the facts and circumstances described by 30 June 2008.

INCREASE IN INVESTMENTS

The company has acquired the remaining 12.6% of the share capital of iTeam GmbH for a total acquisition price (including ancillary costs) of EUR 469,000 pursuant to the put option agreed in the purchase contract in respect of the acquisition of shares concluded on 3 December 2004 and pursuant to the declaration of acceptance dated 5 May 2008 and retrospective to 1 January 2008. Payment was made in cash.

NON-CURRENT ASSETS HELD FOR SALE

Disposal of the property held for sale in Schloß Holte-Stukenbrock took place pursuant to the purchase contract dated 2 April 2008 and at an overall purchase price in the amount of EUR 516,000.

STATEMENT IN RESPECT OF BUSINESS RELATIONS WITH RELATED PARTIES (COMPANIES AND PERSONS)

All business relations with related parties (companies and persons) are the subject of contractual agreement and are provided at the same prices as is the case with non-related third party companies and persons. Revenues in the amount of EUR 123,000 and expenses in the amount of EUR 332,000 occurred during the reporting period.



SUBSEQUENT EVENTS

SYNAXON AG has also acquired the limited partner shares in iTeam Systemhauskooperation GmbH & Co. KG retrospective to 1 January 2008 at a total purchase price of EUR 310,000 paid on 4 July 2008. Payment was made in cash. SYNAXON AG thus holds 100% of shares in iTeam.

ASSURANCE OF LEGAL REPRESENTATIVES OF THE COMPANY

“We guarantee to the best of our knowledge that according to the applicable accounting principles for interim reporting the consolidated interim report provides an accurate picture of the current position of the Group with regard to its net worth and financial position and earnings and that the business trend, including the operating results and the situation of the Group, are presented in the consolidated interim report in such a way that an accurate picture is provided and the essential chances and risks of the expected development of the Group in the rest of the financial year are described.”

Frank Roebbers (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.