SYNAXON AG

MIT DENKEN HANDELN

Quarterly Report III/2007

HIGHLIGHTS

Profit from operations	+135.1% / 2,586,000
Earnings before taxes and minority interests	+127.1% / 2,709,000
Earnings per share	+267.6% / 0.51 EUR
Number of retail partners	2,657 retail partners
Cashflow from operating Activities	+25.1% / 2,386,000

The German IT market recorded increasing PC sales figures in the third quarter 2007. According to Gartner consumer market as well as the business segment saw an increase. Gartner says that the market was driven by mobile PCs, which accounted for 58 per cent of overall PC shipments, with volumes increasing 40 per cent over the third quarter of 2006. The desktop PCs market grew only 5 per cent year-on-year.

Over nine months the IT market in Germany thereby recorded a percentaged double-digit increase. However, the positive development of PC unit sales was counteracted by the fall in average prices.

Increase in earnings with falling sales as expected
SYNAXON was able to build on the positive trend in the first half 2007 in the third quarter of 2007.
The Group result before tax and minorities increased to € 2,709,000 as of 30.9.2007 (30.6.2007: € 1,798,000) and therefore more than doubled compared to the previous year (previous year: € 1,193,000).

Mainly the following factors had a positive effect on the earnings trend of 2007:

- the strain on earnings caused by the company store DIGITAL INC was removed
- improved cost situation within the Group

The increase in the accounting period surplus of 268% to € 1,801,000 (previous year: € 490,000, 30.6.2007: € 930,000) was even more positive. The reasons for this were the lower Group tax rate due to the eradication of foreign losses, a revaluation of the Group´s deferred taxes due to the German tax reform act of 2008 and lower profit shares of minority shareholders. As of 30.9.2007 the Group tax rate was 31.6%.

The earnings per share (EPS) came to € 0.51 after nine months (previous year: € 0.14, 30.06.2007: € 0.26).

SYNAXON AG

ISIN: DE0006873805

Frank Roebers
CEO

Andreas Wenninger
COO

Mark Schröder
CFO

Revenue trend
The Group's revenue fell in the first nine months as expected from € 15,787,000 to € 12,314,000. The decline was mainly due to the closure of the DIGTAL INC. pilot store in Vienna in the preceding year and the loss of commodity sales caused by this (30.9.06: € 1,690,000) as well as the reduced percentage of centrally invoiced sales of € 286,000 (30.9.06: € 1,592,000).

Development of expenses

Cost of purchased materials / services fell from € 5,883,000 to € 2,749,000 due to the closure of the DIGTAL INC. pilot store I Vienna and reduced centrally invoiced sales.

Personnel expenses fell from € 4,588,000 to € 3,874,000. This was mainly due to the closure of the business in Austria and the further integration of AKCENT into the SYNAXON Group. In the first nine months the Group's workforce numbered 106 employees on average (previous year: 124 employees) and 8 trainees (previous year: 10 trainees). As of the closing date 30.9.2007 the number of employees stood at 110 (previous year: 111) with 5 trainees (previous year: 7 trainees).

Other operating expenses fell from € 3,644,000 to € 2,982,000. The decline was mainly due to the removal of expenses for the pilot store DIGITAL INC. in Vienna, which was closed in the financial year 2006, a reduction in legal expenses due to the company's victory in the termination proceedings against former franchisees last year, a reduction in discounts on accounts receivable as well as savings in the area of general administration costs.

Development of write downs

The depreciation of tangible and intangible assets of € 528,000 came to less than the previous year's value of € 865,000.

Segment results
Turnover in the "franchise" segment fell compared to the previous year and amounted to € 2,922,000 (previous year: € 3,101,000). Despite the decline, earnings could be increased to € 883,000 (previous year: € -53,000). The improvement in earnings was mainly due to declining cost burdens within this segment.

The turnover in the "IT cooperations" segment fell from € 9,404,000 to € 9,105,000. The decline is mainly due to a reduction in listing charges and manufacturer's fees and other revenue. Earnings could be increased to € 1,694,000 (previous year € 1,756,000).

Turnover in the Central Invoicing (CI) segment fell to € 286,000 (previous year € 1.592,000) in the first nine months 2007 due to a lower percentage of centrally invoiced commodity sales. The segment result came to € 11,000 (previous year: € 31,000).

The Companys Stores segment had no bearing on performance from the point of view of earnings due to the closure of the company store DIGITAL INC. in 2006 and is merely listed here for the purpose of comparison.

Partner development

	Status 1.1.2007	Disposal	Addition	Status 30.9.2007
Franchise				
PC-SPEZIALIST				
XL-Store	4	2	0	2
C-Store	16	6	0	10
N-Store	59	10	2	51
Speciality dealer partner	0	0	3	3
Stützpunkthändler	3	1	0	2
	82	19	5	68
MOBILER PC-SPEZIALIST	10	5	0	5
	92	24	3	73
IT-Kooperation				
MICROTREND	1,410	230	260	1,440
iTeam	316	12	31	335
Base locations	10	1	0	9
AKCENT	802	78	76	800
	2,538	321	367	2,584
	2,630	345	372	2,657

The total number of partner enterprises in the Group increased to 2,657 in the reporting period. Compared to 31.12.2006 (2,630 partners) this was an increase of 27 partnership enterprises.

13 of the partner disposals in the franchise sector were franchisees who had terminated their contracts without giving statutory notice. 5 insolvencies and 1 disposal due to contract termination were also posted.

Financial result

Owing to the increase in cash and cash equivalents, the financial result rose to € 123,000 (previous year: € 93,000).

Taxes

The tax position of € 855,000 includes additional tax burdens and supplementary payments of € 118,000. Furthermore a revaluation of the Group´s deferred taxes due to the German tax reform act of 2008 had a one-time positive impact of € 339,000. As of 30.9.2007 the Group tax rate was 31.6%.

Financial and capital structure

The Group's equity increased to € 15,555,000 (31.12.2006: € 14,963,000). As of 30.9.2007 the equity ratio amounted to € 74.1% (previous year: 69.4%).

The cash flow from current business activities rose due to improved earnings in the first nine months and the changes to working capital to € 2,386,000 (previous year: € 1,907,000).

The cash flow from investment activity came to € -618,000 as of the closing date (previous year: € -1,815,000) and the cash flow from financing activity came to € -1,216,000 (€ -1,720,000).

The inventory of financial resources came to € 3,683,000 (previous year: € 2,333,000) as of the closing date. The financial resources inventory does not include the shares currently held by the company. As of 30.9.2007 the company held 352,500 shares. The official price of securities came to € 2,221,000 on the closing date.

Risk report

As already explained in the financial report for 2006, all proceedings relating to the termination by 19 franchisees without giving statutory notice were quashed and all terminations were declared null and void. After the failure of the franchisees to satisfy the company's request to pay the outstanding fees and return to non-defaulting conduct the franchise contracts were terminated by the company without giving statutory notice in February of this year unless they had already been terminated in the meantime due to the passage of time.

On the basis of the settlement talks which were subsequently conducted a settlement could be reached for six locations. No further settlements are expected at the moment and so claims for damages due to the negligent premature termination of franchise contracts by franchisees are being prepared in the remaining cases. This does not include locations where claims are excluded due to the insolvency of franchisees or their company. In this case the company's accounts receivable were registered in the insolvency table.

An integral part of the above-mentioned settlements was the obligation by the franchisees to withdraw their action brought at the end of December 2004 for information and payment with regard to purchasing benefits, refunds and commission by manufacturers and suppliers granted to the company. Thus, a total of seven franchisees have now withdrawn their action relating to this.

The Board of Management's assessment of the additional risks faced by the SYNAXON Group has not changed compared to the comments in the financial report of 2006.

Transactions with affiliated persons

Revenue of € 254,000 and expenses of € 585,000 were generated from transactions with affiliated persons in the period under review. All performance relationships with affiliated persons have been contractually agreed and conform to normal market conditions.

Events after the balance sheet date

There have been no events of particular importance after the balance sheet date.

Outlook
The economic climate in Germany developed positively in 2007. The federal government again increased its growth forecast for 2007 to now 2.4%. Government expects a slightly lower growth rate of 2.0% for 2008 due to the US credit crisis, climbing oil prices and a very strong euro. Nevertheless economic climate is seen as intact.

The government is still anticipating noticeable improvements on the labor market. In 2008 the number of unemployed people should fall below 3.5 million on average. This would be the lowest unemployment rate for more than a decade. A fall in unemployment should then also have a positive effect on consumer confidence.

The propensity of companies to invest can still be described as healthy, so that a positive general climate for further growth in the IT market still exists. It is unclear to what extent the expected increase in sold items will be counteracted by the fall in average prices. For consumer sales it should be important how the higher cost of living will impact the consumer spendings.

Against the background of this development the Executive Board of SYNAXON AG raises its earnings per share forecast to now € 0.60 for the fiscal year 2007.

Bielefeld, November 2007

Board of Management

Consolidated Balance Sheet for the Financial Year ended September 30, 2007 in accordance with IFRS

Assets	30.9.2007 EUR´000	Portion %	31.12.2006 EUR´000	Portion %
Current assets				
Cash in hand and bank deposits	3,683	17.53	3,127	14.50
Short-term investments / Marketable securities	24	0.11	29	0.13
Trade receivables	2,412	11.48	2,766	12.83
Receivables from associates	0	0.00	0	0.00
Inventories	103	0.49	94	0.44
Prepaid expenses	16	0.08	92	0.43
Other current assets	1,605	7.64	2,370	10.99
	7,843	**37.34**	**8,478**	**39.32**
Non-current assets				
Property, plant and equipment	851	4.05	909	4.21
Property held as financial investment	191	0.91	196	0.91
Intangible assets	3,820	18.19	3,743	17.36
Goodwill	7,648	36.41	7,648	35.47
Financial assets	226	1.08	148	0.69
Sonstige langfristige Vermögensgegenstände	371	1.77	371	1.72
Other non-current assets	56	0.27	68	0.32
	13,163	**62.66**	**13,083**	**60.68**
Total assets	**21,006**	**100.00**	**21,561**	**100.00**

Liabilities and shareholders' equity	30.9.2007 EUR´000	Portion %	31.12.2006 EUR´000	Portion %
Current liabilities				
Trade payables	825	3.93	886	4.11
Accruals	2,079	9.90	2,358	10.94
Deferred income	50	0.24	178	0.83
Other current liabilities	748	3.56	896	4.16
	3,702	**17.62**	**4,318**	**20.03**
Non-current liabilities				
Deferred taxes	1,749	8.33	2,280	10.57
	1,749	**8.33**	**2,280**	**10.57**
Shareholders' equity				
Issued capital	3,891	18.52	3,891	18.05
Capital reserves	4,648	22.13	4,648	21.56
Legal reserves	42	0.20	42	0.19
Other revenue reserves	7,085	33.73	6,853	31.78
Revaluation reserve financial instruments	-1	0.00	2	0.01
Treasury shares	(4,046)	(19.26)	(4,046)	(18.77)
Consolidated accumulated profits	4,146	19.74	3,835	17.79
Minority interest	(210)	(1.00)	(262)	(1.22)
	15,555	**73.48**	**14,963**	**69.40**
Total liabilities and shareholders' equity	**21,006**	**100.00**	**21,561**	**100.00**

Group Income Statement (IFRS)

	Quarterly report 1.1.2007 30.9.2007 EUR´000	1.1.2006 30.9.2006 EUR´000	Change 2007 / 2006 %
Revenues	12,314	15,787	(22.0)
Other operating income	405	293	38.2
Cost of purchased materials / Cost of services purchased	(2,749)	(5,883)	(53.3)
Personnel expenses	(3,874)	(4,588)	(15.6)
Amortisation of intangible assets and depreciation of property, plant and equipment	(528)	(865)	(39.0)
Other operating expenses	(2,982)	(3,644)	(18.2)
Operating profit	**2,586**	**1,100**	**135.1**
Other interest and similar income	147	97	51,5
Interest and similar expenses	(24)	(4)	500.0
Income from associates	0	0	0.0
Profit before taxes (and minority interest)	**2,709**	**1,193**	**127.1**
Income tax expense	(850)	(759)	12
Other taxes	(5)	(6)	(16,7)
Profit before minority interest	**1,854**	**428**	**333.2**
Minority interest	(53)	62	(185.5)
Annual net profit	**1,801**	**490**	**267.6**
Earnings per share (basic / diluted)	**0.51**	**0.14**	**267.6**
Weighted average number of shares outstanding Basic / diluted	3,538,500	3,538,500	

Group Cash Flow Statement (IFRS)

	1.1. – 30.9.2007 EUR´000	1.1. – 30.9.2006 EUR´000
Profit before taxes (and minority interest)	2,709	1,193
Result of minorities	(53)	62
Depreciation of fixed assets	528	865
Depreciation of financial investment	0	0
Stock options plan	7	35
Cash Flow	**3,191**	**2,155**
Profit of asset disposals	(1)	(33)
Changes in assets and liabilities		
Accruals	(279)	(220)
Inventories, accounts receivables and other assets	1,198	(83)
Current liabilities and other liabilities	(868)	853
Taxes	(855)	(765)
Net cash from operating activities	**2,386**	**1.907**
Net cash from investing activities	**(618)**	**(1,815)**
Net cash from financing activities	**(1,216)**	**(1,720)**
Decrease / Increase in cash & cash equivalents	552	(1,628)
Cash & cash equivalents at beginning of period	3,131	3,961
Cash & cash equivalents at end of period	**3,683**	**2,333**

Statement of changes in equity according to IFRS as per September 30, 2007

	Issued capital	Capital-reserves	Legal reserves	Revenue reserves	Treasury shares	Revaluation reserve	Accumulated profits	Concern interest	Minority interest	Overall
	EUR´000	EUR´000	EUR´000	EUR´000	EUR´000	EUR´000	EUR´000	EUR´000	EUR´000	EUR´000
Position as per January 1, 2007	3,891	4,648	42	6,853	(4,046)	2	3,835	15,225	(262)	14,963
Allocation to revenue reserves	0	0	0	0	0	0	0	0	0	0
Distribution as dividend	0	0	0	0	0	0	(1,415)	(1,415)	0	(1,415)
Change treasury shares	0	0	0	0	0	0	0	0	0	0
Change revaluation reserve	0	0	0	0	0	(3)	0	(3)	0	(3)
Change in interests of minorities	0	0	0	0	0	0	0	0	52	52
Change withdrawal from revenue reserves	0	0	0	225	0	0	0	225	0	225
Change stock options plan to revenue reserves	0	0	0	7	0	0	0	7	0	7
Other changes	0	0	0	0	0	0	(75)	(75)	0	(75)
Capital increase	0	0	0	0	0	0	0	0	0	0
Net profit	0	0	0	0	0	0	1,801	1,801	0	1,801
Position as per September 30, 2007	**3,891**	**4,648**	**42**	**7,085**	**(4,046)**	**(1)**	**4,146**	**15,765**	**(210)**	**15,555**

	Issued capital	Capital-reserves	Legal reserves	Revenue Reserves	Treasury shares	Revaluation Reserve	Accumulated Profits	Concern Interest	Minority interest	Overall
	EUR´000	EUR´000	EUR´000	EUR´000	EUR´000	EUR´000	EUR´000	EUR´000	EUR´000	EUR´000
Position as per January 1, 2006	3,891	4,648	42	6,665	(4,046)	2	3,682	14,884	1,324	16,208
Allocation to revenue reserves	0	0	0	0	0	0	0	0	0	0
Distribution as dividend	0	0	0	0	0	0	(1,415)	(1,415)	0	(1,415)
Change treasury shares	0	0	0	0	0	0	0	0	0	0
Change revaluation reserve	0	0	0	0	0	3	0	3	0	3
Change in interests of minorities	0	0	0	0	0	0	0	0	(905)	(905)
Change withdrawal from revenue reserves	0	0	0	0	0	0	0	0	0	0
Change stock options plan to revenue reserves	0	0	0	35	0	0	0	35	0	35
Other changes	0	0	0	0	0	0	138	138	0	138
Capital increase	0	0	0	0	0	0	0	0	0	0
Net profit	0	0	0	0	0	0	490	490	0	490
Position as per September 30, 2006	**3,891**	**4,648**	**42**	**6,700**	**(4,046)**	**5**	**2,895**	**14,135**	**419**	**14,554**

Segment reporting

	Franchise		IT cooperation		CB		Company Stores		Total	
	30.9.2007	30.9.2006	30.9.2007	30.9.2006	30.9.2007	30.9.2006	30.9.2007	30.9.2006	30.9.2007	30.9.2006
	EUR´000	EUR´000	EUR´000	EUR´000	EUR´000	EUR´000	EUR´000	EUR´000	EUR´000	EUR´000
Revenues	2,922	3,101	9,105	9,404	286	1,592	1	1,690	12,314	15,787
Segment result	883	(53)	1,694	1,756	11	31	(2)	(634)	2,586	1,100

Appendix

Consolidation, accounting and valuation principles

This Consolidated Interim Report of SYNAXON AG as of 30.9.2007 was prepared, as was the case for the consolidated annual financial statements as of 31.12.2006, in compliance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and their interpretations. The preparation of the interim report as of 30.9.2007 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 measurement methods were used as in the 2006 consolidated financial statement. A detailed description of these methods was published in the notes to the consolidated financial statements of our 2006 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 owns more than 50 percent of the shares or voting rights were included in the consolidated financial statements as of 30.9.2007.

Dividend payment

On August 14, 2007, the General Meeting of Shareholders decided on the appropriation of unappropriated surplus ("Bilanzgewinn") in the amount of € 2,788,000 and agreed to a € 0.40 dividend payment per share for the 2006 financial year. In total, 3,538,500 shares were entitled to a dividend; the dividend payment amounted to € 1,415,000. The dividend payment was effected on 15 August 2007. Dividends attributable to treasury shares held by the Company, in the amount of € 141,000, were allocated to revenue reserves.

Treasury shares

By resolution of the shareholders' meeting of SYNAXON AG of 23.6.2006 the company was authorized to purchase its own shares by 22.12.2007. In the course of this authorization the purchase of its own shares is restricted to a quota of 389,100 shares. As of 30.9.2007 the company held a total of 352,500 shares. Repurchased stock was listed in the balance sheet as a deduction from equity pursuant to IAS 32.33.

Share option program

By resolution of the shareholders' meeting of SYNAXON AG of 16.7.2004 the Supervisory Board was authorized to introduce a stock option plan that envisages the granting of options on company shares to members of the Board of Management and transfers the acquired repurchased stock to members of the Board of Management in fulfillment of their share 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 3.1.2005. The Board of Management accepted the offer on 17.1.2005. Allocation took place on 28.1.2005.

The second allocation offer of 191,250 share options was accepted by the Board of Management of SYNAXON AG on 31.12.2006. According to section 4 (4) of the share option program, the date of allocation is 31.12.2006.

On the closing date of 30.9.2007 none of the granted share options in the second tranche could be exercised. The issued options in the first tranche could be exercised for the first time from 29.1.2007. This option had not been utilized by 30.9.2007. The outstanding options of the first and second tranche 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 share option program as of the closing date 30.9.2007:

	31.12.2006	30.9.2007
Total expense from equity-based remuneration transactions	€ 46,665.00	€ 7,084.37
of which for share-based remuneration transactions with settlement through equity instruments	€ 46,665.00	€ 7,084.37
Liabilities from share-based remuneration transactions	€ 0.00	€ 0.00

Intangible assets
The development expenses accrued in the reporting period 2007 for the modular-based relational databank system EGIS of € 422,000 were capitalized. The carrying amount of the already capitalized EGIS modules came to € 1,202,000 as of 30.9.2007 and will be depreciated on a scheduled basis over a period of 3 to 10 years. Depreciation amounting to € 125,000 resulted from the facts and circumstances described by 30.9.2007.

Change in the Board of Management
The Supervisory Board of SYNAXON AG unanimously agreed to appoint Mark Schröder as an additional member of the company's Board of Management at its meeting on 15.11.2006. The appointment became effective as of 1.4.2007. Mark Schröder is responsible for the area of finance in the Board of Management.

The Supervisory Board also agreed to appoint Frank Roebers as the chairman of the Board of Management at its meeting on 14.6.2007. The appointment became effective as of 30.6.2007.

Events of special importance after the closing date
Following the approval of the Upper House of the German Federal Parliament to the Corporate Tax Reform Law 2008 on 6.7.2007, the amended tax regulations will enter into force in Germany from 1.1.2008. The act provides, among others, for a reduction in the rate of corporate tax from 25% to 15%, whereas the effective trade tax will rise slightly. The revaluation of domestic deferred taxes resulted in an one-time positive earnings impact of € 339,000 for 2007.

In subsequent financial years a reduction in the effective income tax burden for domestic profit is expected, which primarily will be due a reduction in corporate tax.

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

Andreas Wenninger
COO

Mark Schröder
CFO