

SYNAXON AG

MIT DENKEN HANDELN

Interim Report to 30 September 2008





Segment development

Growth in unit sales in the German IT market continued into the third quarter of 2008. The market research institute Gartner recorded a growth of 24.8% compared to the corresponding quarter of the previous year. The notebook segment in particular, which grew by 35.7%, made a particular contribution to this increase. The desktop PC segment, on the other hand, showed a rise of 9.9%. Notwithstanding this, the ongoing collapse in prices is continuing to squeeze sales and margins, growth in unit sales being mainly driven by the new generation of netbooks, which are usually offered for sale at a significantly lower price than classic notebooks.

Finally, pressure was exerted on the market environment in which IT companies operate by the short-term negative view adopted by commercial loan insurers in the wake of the financial crisis. The ongoing financial crisis is also dampening the expectations of German trade and industry. The Ifo Business Climate Index is continuing its downward trend as a result of fears of recession and reached a 5-year low of 90.2 points in October having fallen from 97.4 points in June. The Federal Statistical Office reported a fall in Gross Domestic Product of 0.5 percent in the third quarter.

In contrast to this, there was a third quarter decline in the Consumer Price Index from 107.6 points in June to 107.2 points in October as a result of the falling oil price. The German Consumer Research Association reported that the Consumer Climate Indicator had stabilised at a low level over the course of recent months and had reached a figure of 1.9 points in October having experienced a fall of 1.6 points to 1.9 in August.

Development of the income situation

During the first nine months of the year, SYNAXON AG recorded a decrease in net earnings before taxes and minority holdings to EUR 2,035,000 (previous year: EUR 2,709,000). The surplus for the period was EUR 1,388,000 (previous year: EUR 1,801,000). The arithmetical tax ratio was virtually unchanged at 31.5% (previous year: 31.6%). Earnings per share were EUR 0.39 compared to EUR 0.51 in the previous year. In overall terms, results were above budgeted values for the 2008 financial year and thus in line with expectations published in the forecast of the 2007 Annual Report.

Development of sales revenue

Group sales fell by 8.5% from EUR 12,314,000 to EUR 11,271,000 during the first nine months of the year. The main reason for the decrease in group sales was a decline in revenues tied to purchasing volumes.



Partner development

	Position as of 01.01.2008	Disposal	Addition	Position as of 30.09.2008
Franchise				
PC-SPEZIALIST				
XL-Store	2	-	-	2
C-Store	10	-	-	10
N-Store	50	6	-	44
Specialist partner	5	-	1	6
Base dealer	2	-	-	2
	<u>69</u>	<u>6</u>	<u>1</u>	<u>64</u>
MOBILE PC-SPEZIALIST	3	-	-	3
	<u>72</u>	<u>6</u>	<u>1</u>	<u>67</u>
IT cooperation				
MICROTREND	1,470	217	268	1,521
iTeam	339	7	16	348
AKCENT	800	34	82	848
	<u>2,609</u>	<u>258</u>	<u>370</u>	<u>2,721</u>
	<u>2,681</u>	<u>264</u>	<u>371</u>	<u>2,788</u>

During the reporting period, the number of partners was increased by a total of 107 dealers. Growth was posted by the brands MICROTREND (+51 partners), AKCENT (+48 partners) and iTeam (+9), whereas PC-SPEZIALIST recorded a drop of five partners. An increase in the number of partners is also expected for the PC-SPEZIALIST brand over the course of the coming months by reason of the more attractive contract structure. October has already seen the establishment of three new PC-SPEZIALIST locations in Viersen, Homberg/Efze and Konstanz. Four further launches are planned for November in Altenburg, Freital, Hoyerswerda and Straubing.

Development of expenses

Total group expenses fell by 4.1% to EUR 9,714,000 during the first nine months of 2008 (previous year: EUR 10,133,000). The decrease in expenses was mainly due to a fall in material expenses and personnel costs, whereas other operating expenses rose over the nine-month period.

Employees

On average, the company employed 106 persons during the reporting period (previous year: 106 persons) and 8 trainees (previous year: 8 trainees). On the reporting date of 30.09.2008, the number of persons employed was 106 (previous year: 110 persons) and 6 trainees (previous year: 5 trainees).

During the reporting period, SYNAXON AG (individual company) employed an average of 91 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

Results of the Franchise and Cooperations segments as of 30.09.2008 were as follows:

	Franchise		Cooperations		Miscellaneous*		Total	
	9-Mon 08	9-Mon 07	9-Mon 08	9-Mon 07	9-Mon 08	9-Mon 07	9-Mon 08	9-Mon 07
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Sales revenues	2,708	2,922	8,563	9,105	0	287	11,271	12,314
Segment earnings	683	883	1,219	1,694	-1	9	1,901	2,586

*Figures for previous segments "ZF" and "Company-Stores" are reported under "Miscellaneous".

Compared to the previous year, sales in the "Franchise" segment fell from EUR 2,922,000 to EUR 2,708,000. Segment earnings decreased to EUR 683,000 (previous year: EUR 883,000).

Sales in the "Cooperations" segment decreased from EUR 9,105,000 to EUR 8,563,000 whereas segment earnings fell to EUR 1,219,000 (previous year: EUR 1,694,000).

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

Assets and financial position

Group equity as of 30 September 2008 amounted to EUR 15,801,000 (31.12.2007: EUR 16,051,000). The equity ratio was 75.3% (31.12.2007: 74.1%). The consolidated balance sheet total fell to EUR 20,973,000 (31.12.2007: EUR 21,669,000).

Cash flow from ongoing business activity fell to EUR 2,081,000 as a result of the fall in income and the changes to the working capital (previous year: EUR 2,650,000).

Cash flow from investment activity at the reporting date was EUR -2,065,000 (previous year: EUR -613,000). The main causes of this were higher investments in fixed assets (particularly EGIS, BPM and snippr), the acquisition of the remaining shares in iTeam pursuant to the option agreement of 2004 (put option Cemal Osmanovic), the payment of the residual purchase price to iTeam Consulting GmbH in accordance with the shareholder resolution of 03.12.2004 and the acquisition of the remaining limited partner shares in iTeam Systemhauskooperation GmbH & Co. KG.

Cash flow from financing activity was EUR -1,462,000 (previous year: EUR -1,485,000).



As of 30 September 2008, funds available were EUR 2,992,000 (previous year: EUR 3,683,000). According to IFRS, funds do not include treasury shares held by the company. As of 30 September 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 1,664,000.

Risk report

The only change in the Management Board assessment of the risks faced by the SYNAXON group compared to the comments made in the 2007 Annual Report has been in respect of the worldwide financial crisis which has now occurred. The extent to which this will impact upon demand in Germany is not currently foreseeable. A serious collapse in demand may, however, exert a significantly negative effect on company earnings.

Results after the balance sheet date

There were no reportable events after the balance sheet date.

Forecast

Business experts are of the view that general economic conditions will be bleaker over the course of the coming months. The Federal Statistical Office has already reported a fall in Gross Domestic Product in the second and third quarter of 2008. Notwithstanding this, an increase of 1.7% is expected for 2008 as a whole as a result of the strong growth in the first quarter. The Federal Government is predicting growth of 0.2% for the year 2009 whereas the annual assessment of the German Council of Economic Experts indicates that the performance of German trade and industry will stagnate.

The Management Board expects that the situation faced by the German IT sector will continue to be difficult during the fourth quarter. As far as the demand side is concerned, any reliable prognosis is virtually impossible against the background of the current economic situation. The continuing collapse in prices of IT products may, however, be viewed as a certainty. This will continue to exert pressure on company revenues tied to purchasing volumes.

Figures for the American market, the country identified as the origin of the present crisis, indicate that demand for IT products may also be affected. US growth in unit sales for the third quarter was only 4.6%, whereas unit sales for the EMEA Region (Europe, the Middle East, Africa) rose by 25.9% according to Gartner.

At the end of none months, 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 of at least EUR 2.5 million before taxes.



Further development of income for 2008 will, however, strongly depend on Christmas business. From an income point of view, the fourth quarter is traditionally of major significance both to the branch as a whole and to the company.

The company will adhere to its investment plan and continue to invest funds in EGIS, in the snippr project and in strengthening the PC-SPEZIALIST brand as budgeted.

Bielefeld, November 2008

The Management Board



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

Assets

	<u>30.09.2008</u>	<u>31.12.2007</u>
	EUR	EUR 000
A. Current assets		
I. Cash in hand bank	2,992.404.14	4,438
II. Financial assets		
Other securities	17,506.74	20
III. Trade receivables	2,026,660.42	2,675
IV. Receivables from associates	357.00	1
V. Inventories	49,437.96	24
VI. Deferred income	-	69
VII. Tax refund claims	813,336.30	614
VIII. Other assets	1.073,833.12	713
IX. Non-current assets held for sale	-	497
	<u>6,973,535.68</u>	<u>9,051</u>
B. Non-current assets		
I. Property, plants and equipment		
1. Land and buildings	-	-
2. Other plant, operating and office equipment	459,367.44	424
II. Property held as financial investment	184,501.28	189
III. Intangible assets		
1. Goodwill	8,448,270.18	7,648
2. Franchises, trademarks, patents, licences and similar rights	3,649,453.59	3,240
3. Software under development	703,159.00	569
IV. Financial assets		
1. Investments	15,388.91	15
2. Shares in affiliated companies	131,675.66	128
V. Tax refund claims	297,750.20	298
VI. Other assets	45,286.17	52
VII. Deferred taxes	64,846.59	55
	<u>13,999,699.02</u>	<u>12,618</u>
	<u>20,973,234.70</u>	<u>21,669</u>



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

Liabilities

	30.09.2008	31.12.2007
	EUR	EUR 000
A. Current liabilities		
I. Trade accounts payable	757,546.33	522
II. Provisions		
1. Provisions for taxes payable	259,381.00	272
2. Other provisions	1,452,882.84	1,971
III. Deferred charges	44,089.43	81
IV. Other liabilities	715,290.85	1,017
	<u>3,229,190.45</u>	<u>3,863</u>
B. Non-current liabilities		
Deferred taxes	1,942,627.11	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	8,702,920.16	8,234
3. Revaluation reserve financial instruments	- 4,422.60	- 2
IV. Treasury shares	- 4,046,066.78	- 4,046
V. Group profit brought forward	1,179,682.76	939
VI. Consolidated net profit	1,388,257.06	2,282
	<u>15,801,417.14</u>	<u>15,988</u>
VII. Minority interests	-	63
	<u>15,801,417.14</u>	<u>16,051</u>
	<u>20,973,234.70</u>	<u>21,669</u>



Group income statement to 30 September 2008 in accordance with IFRS

	01.01. 2008 - 30.09.2008	01.01.2007 - 30.09.2007
	EUR	EUR 000
1. Revenues	11,270,600.62	12,314
2. Other operating income	343,861.59	405
3. Cost of purchased materials		
a) Cost of goods purchased	- 1,564,825.92	- 2,637
b) Cost of received services	- 1,018,923,13	- 112
4. Personnel expenses		
a) Wages and salaries	- 3,162,581.10	- 3,406
b) Social security contributions	- 435,157.78	- 468
5. Amortisation of intangible assets and depreciation of property, plant and equipment	- 526,270.61	- 528
6. Other operating expenses	- 3,005,619.19	- 2,982
	<u>1,901,084.48</u>	<u>2,586</u>
7. Other interest and similar income	146,775.22	147
8. Interest and similar expenses	- 12,405.26	- 24
9. Income from associates	-	-
10. Result before taxes and minority interests	<u>2,035,454.44</u>	<u>2,709</u>
11. Income tax and tax on earnings	- 641,200.48	- 855
12. Expenditure for inherent claims of minority shareholders of limited companies	- 5,996.90	- 40
	<u>1,388,257.06</u>	<u>1,814</u>
13. Shares in profits of minority shareholders	-	- 13
14. Net income for the period	<u><u>1,388,257.06</u></u>	<u><u>1,801</u></u>
 Average number of current shares	 3,538,500	 3,538,500
 Earnings per share (undiluted/diluted)		
Diluted		
Overall amount	0.39	0.51
Result from continued activities	0.39	0.51
Undiluted		
Overall amount	0.39	0.51
Result from continued activities	0.39	0.51



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

	01.01. 2008 - 30.09.2008	01.01.2007. - 30.09.2007
	EUR 000	EUR 000
Earnings before taxes	2,035	2,709
Results from companies whose equity is stated in balance sheet	- 13	- 14
Stock option plan	4	7
Depreciation on intangible assets and property, plants and equipment	526	527
Impairment of intangible assets	-	1
Other non-cash expenses and income	-	225
	<u>2,552</u>	<u>3,455</u>
Profit (corresponding quarter of previous year: profit) on sale of fixed assets	- 10	- 1
Decrease (corresponding quarter of previous year: decrease) in short-term provisions	- 531	- 279
Decrease (corresponding quarter of previous year: decrease) in inventories, trade receivable sand other assets	626	1,198
Increase (corresponding quarter of previous year decrease) in trade payables and other liabilities	85	- 868
Taxes	- 641	- 855
Cash flow from operating activities	<u>2,081</u>	<u>2,650</u>
Payments from investment disposals	74	20
Payments from companies whose equity is stated in balance sheet	9	5
Payments for acquisitions	- 1,051	-
Investments in non-current assets	- 1,097	- 638
Cash flow from investments	<u>- 2,065</u>	<u>- 613</u>
Dividend payment	- 1,415	- 1,415
Dividend paid to minority shareholders	- 47	- 70
Cash flow from financing activities	<u>- 1,462</u>	<u>- 1,485</u>
Net reduction (previous year: net increase) in cash and cash equivalents	- 1,446	552
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)	2,992	3,683



Statement of changes in equity according to IFRS as per 30 September 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 of 01.01.07	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	-	-	-	-	-	-	-	-	-	-	-
Distribution as dividend	-	-	-	-	-	-	-	- 1,415	- 1,415	-	- 1,415
Evaluation of securities	-	-	-	-	-	-	-	-	-	-	-
Change in interests of minorities	-	-	-	-	-	-	-	-	-	52	52
Stock option plan	-	-	-	7	-	-	-	-	7	-	7
Tax rate change	-	-	-	-	-	-	225	-	225	-	225
Consolidated accumulated profit	-	-	-	-	-	-	-	1,801	1,801	-	1,801
Other changes	-	-	-	-	3	-	- 75	-	- 78	-	- 78
Position as of 30.09.2007 / 1.10.2007	3,891	4,648	42	6,860	- 1	- 4,046	3,648	386	15,428	127	15,555
Position as of 01.01.08	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	-	-	-	-	-	-	-	-	-	-	-
Change in interests of minorities	-	-	-	-	-	-	-	-	-	- 63	- 63
Stock option plan	-	-	-	4	-	-	-	-	4	-	4
Withdrawal from other revenue reserves	-	-	-	- 20	-	-	-	-	- 20	-	- 20
Consolidated accumulated profit	-	-	-	-	-	-	-	1,388	1,388	-	1,388
Other changes	-	-	-	-	2	-	- 142	-	- 144	-	- 144
Position as of 30.09.08	3,891	4,648	42	8,703	- 4	- 4,046	1,180	1,388	15,802	-	15,802



Notes to the Consolidated Financial Statements

Consolidation, accounting and valuation methods

This Consolidated Interim Report of SYNAXON AG as of 30 September 2008 was prepared, as was Consolidated Annual Report as of 31 December 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 30 September 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 30 September 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 September 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 fulfilment 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 September 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 September 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 September 30 2008:

	31.12.2007	30.09.2008
Total expenses from equity based remuneration transactions	€54,930.40	€3,507.83
of which for share-based remuneration transactions with settlement through equity instruments	€54,930.40	€3,507.83
Liabilities from share-based remuneration transactions	€0.00	€0.00

Intangible assets

Alongside the development expenses incurred in the reporting period 2008 in respect of the modular-based relational database system EGIS in the amount of EUR 521,000, development expenses in respect of the online platform in the amount of EUR 182,000 were also capitalised for the first time. The carrying amount of EGIS modules already capitalised was EUR 1,722,000 as of 30 September and will be depreciated on a scheduled basis over a period of 10 years. Depreciation amounting to EUR 157,000 resulted from the facts and circumstances described by 30 September 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. The company has also rendered the residual purchase price in the amount of EUR 450,000 to iTeam Consulting GmbH by means of a payment made on 22 July 2008. SYNAXON AG has further acquired the limited partner shares in iTeam Systemhauskooperation GmbH & Co. KG for a total purchase price in the amount of EUR 310,000 by means of a payment made on 4 July 2008. This acquisition is also retrospective to 1 January 2008. SYNAXON AG thus holds 100% of the shares in iTeam.

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.

Other disclosures

The company Pomoschnik Rabotajet GmbH, Berlin, represented in the person of its Managing Director, has submitted an action of opposition and nullity to Bielefeld District Court in respect of the following resolutions adopted by the AGM of SYNAXON AG on 12 June 2008:

- Agenda item 5: “Resolution for a new authorisation of the Management Board to raise capital from approved capital and amend the articles of association”
- The agenda item adopted at the instigation of CornerstoneCapital AG: “Resolution for authorisation of the purchase of treasury shares”
- The agenda item adopted at the instigation of CornerstoneCapital AG: Authorisation for the instigation of an option plan 2008 involving allocation of stock options with subscription rights to shares in SYNAXON AG to members of the Management Board of SYNAXON AG

The basis of the action being pursued by the plaintiff is the claim submitted on 29 August 2008 in respect of alleged formal deficiencies in the invitation to the AGM and the absence of a Management Report.

The case number of this legal dispute is 17 O 132/08. The date for conciliatory proceedings and for the hearing of the case has been rescheduled for 28 November 2008.



Subsequent events

There were no reportable events after the balance sheet date.

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.