

SYNAXON AG

MIT DENKEN HANDELN

Interim Financial Report for the period ending

March 31, 2011





Key Figures of Synaxon AG (group)

in k€	Q1 / 2011	Q1 / 2010	+/- in %
Sales	5,951	4,273	39.3
EBIT ¹	339	17	1,894.1
EBITDA ²	608	258	135.7
EBIT margin (in %)	5.7	0.4	1,324.1
Income after taxes	219	15	1,360.0
Cash flow from operating activities	1,072	843	27.2
Number of employees (average)	129	125	3.2
Number of employees (on reporting date)	126	127	-0.8

in k€	03-31-2011	03-31-2010	+/- in %	2010-12-31
Liquid Funds	3,189	3,433	-7.1	2,272
Equity Ratio (in %)	76.6	77.5	-1.2	71.9

¹ EBIT defined as operating results before interest, taxes and minority interests

² EBITDA defined as operating results before depreciation, interest, taxes and minority interests



General Economic Situation and Development of the Sector

According to the assessments of market researchers, the German economy is continuing to experience a stable upswing. The Deutsche Institut für Wirtschaftsforschung e.V. (German Institute for Economic Research, DIW) has calculated rise of 0.9% in the price and seasonally adjusted gross domestic product in the first quarter of 2011. For the second quarter, the DIW expects growth of 0.6%.

The ifo business climate index continues to paint a positive picture of the German economy, which, after a rise in the first two months of 2011, has however been somewhat sluggish recently. After having risen to 111.3 points, the index decreased to 111.1 points in March and fell to 110.4 points in April. The fall is in line with expectations, however. While the surveyed companies continue to judge their current situation better than in the previous months, they have recently held a less optimistic view of the further business development.

According to the calculations of the Federal Office of Statistics, in the first quarter of 2011 consumer prices rose by more than 2% in relation to the same period of last year.

According to the data of the IT-sector association BITKOM, the business climate in the high-tech industry reached an all-time high in the first quarter of 2011. According to BITKOM data, the companies profited in particular from the generally positive economic situation as well as from the introduction and establishment of new products and solutions such as tablet PCs, smart phones and cloud computing.

By contrast, the trend of falling prices for personal computers and notebooks in particular will continue, following stabilization in the second half of 2010, according to the calculations of the Federal Office of Statistics. Thus, compared to the same month in the previous year, the consumer price index for personal computers fell by 5.2% in March 2011, while the consumer price index for notebooks in March 2011 decreased by 13.7% compared to the same month in the previous year. Based on our own analysis, however, in the first quarter we calculated a further rise in average prices above our product range of just under 5%. Here the demand in B2B/computer retailer business developed positively, while the demand of private consumers fell slightly.

The analyst Gartner calculated a fall in the sales figures in Germany for PCs, Notebooks and Netbooks in the first quarter of 2011 of at large 16.5%. Gartner also refers to the weakness in the private customer segment as a reason for the decline.



Business Model of Synaxon AG

Synaxon AG operates the PC-SPEZIALIST franchise system and the IT cooperation MICROTREND. Via subsidiaries, it additionally organizes the cooperation business of the iTeam brands - das IT Partnernetzwerk - as well as AKCENT Computerpartner Deutschland. As of 2010-03-31, SYNAXON AG united a total of 2,669 partner businesses among all of the brands in Germany. At the end of 2008, the company had completed its entry into market in England and was able to gain 649 partners there by the end of the first quarter 2011.

With this, the SYNAX company group is the largest amalgamation of legally independent IT-retailers in Europe. The partners connected to SYNAXON cover the complete spectrum of the IT-trade and IT-solutions area. This extends from final-customer-oriented IT-retailers with shops, to online store operators with a specialized IT-orientation, IT-specialist retailers and value-added resellers, to small and medium sized IT-computer retailers.

SYNAXON operates a decentralized acquisition system that is unique in the sector. The partners of the confederation of retailers can exclusively access the online shopping and information platform EGIS developed by us and make discounted purchases at reduced rates from over 70 contractual suppliers of the confederation of retailers. Started as a pure acquisitions solution through which prices and the availability of IT-products can be requested and products purchased online and in real time, EGIS has developed into a full service platform for IT-retailers. Quotations, logistics, the handling of marketing and the exchange of experiences of the members are only some of the functions that the system offers today. With around 4,000 users and over 400,000 deliverable articles, EGIS is one of the leading acquisitions solutions for the independent IT-specialized trade and computer retailer area today.

Since the end of 2009, SYNAXON has extended the system of decentralized acquisition with a complementary central component. SYNAXON partner businesses have also been able to obtain products directly from the company since this time. SYNAXON is able to offer additional price advantages through fixed order volumes at manufacturers and distributors that would not be attainable to this extent through decentralized acquisition.

The retailers connected to the federation of retailers are now able to trade goods among themselves on the B2B marketplace **www.synmarket.de** started at the end of 2010 and thus, for example, to bring inventory surpluses or their own products to the market by this means.



Development of the Profit Situation

in k€	Q1/11	Q1/10	+/- in %
Sales	5,951	4,273	39.3
Other operating earnings	176	130	35.4
Capitalized Own Performance	208	295	-29.5
Total Performance	6,335	4,698	34.8
Cost of Materials	3,024	1,925	57.1
Personnel Expenses	1,747	1,682	3.9
Depreciation	269	241	11.6
Other operating Expenses	956	833	14.8
Operating Results	339	17	1,894.1

Compared to the previous year, the sales of the SYNAXON group in the first quarter of 2011 rose by 39.3% k€5,951 (previous year: k€4,273). Both the earnings from the IT-franchise and cooperation company and the central product business contributed to the rise. Compared to the strong fourth quarter of 2010 (sales k€8,569), however, the group sales fell for seasonal reasons.

The business result was k€339 in the first quarter (previous year: k€17), and was thus above the previous year (k€17). Subsequent earnings for the 2010 financial year, which were just under k€95 higher than the estimates entered in the 2010 annual financial statement, had a positive extraordinary effect on the result.

Development of Sales

Development of Group Sales

Compared to the previous year, the group sales increased by k€1,678 to k€5,951 in the first quarter, primarily because of a rise in the sales of products (k€1,258) and the sales linked to the procured purchase volumes (k€+468).



By contrast, the miscellaneous earnings fell by k€78 to k€707. This was arose through a decline in the EGIS Logistics Business (procurement of parcel shipment volumes), which was due to the cancellation of partners with high parcel shipment volumes.

Development of Partners

Germany

	As of 01-01-2011	Outflow	Inflow	As of 03-31-2011
Franchise				
PC-SPEZIALIST	100	1	-	99
IT-Cooperation				
MICROTREND	1,447	52	61	1,456
AKCENT	872	21	21	872
iTeam	255	23	10	242
	2,574	96	92	2,570
	2,674	97	92	2,669

The number of partners of the SYNAXON group in Germany fell slightly to 2,669 partners compared to 2010-12-31-2010. The number of PC-SPEZIALIST partners fell by one partner and thus was 99 partners as of 2011-03-31. In April a new PC-SPEZIALIST location was opened; a further 16 new openings are planned for the rest of the year.

While the number of MICROTREND partners as of 2011-03-31 increased in the first quarter by nine partners, the number of AKCENT partners remained at 872, the same level as at the start of the year.

The number of iTeam partners fell by 13 partners and totaled 242 partners at the end of the first quarter of 2011. The reduction in the number of the iTeam partners was the result of the withdrawal of 19 computer retailers that were non-contributing members of the iTeam computer-retailer cooperation through a cooperation agreement.