Consolidated Financial Statements (IFRS)
for the Financial Year ended December 31, 2006
and Group Management Report
Synaxon AG, Bielefeld

Synaxon AG, Bielefeld

Consolidated Balance Sheet for the Financial Year ended December 31, 2006 in accordance with IFRS

Assets

	Notes No.	31 Dec.2006 EUR	31 Dec.2005 EUR '000
A. Current assets			
I. Cash in hand and bank deposits		3,126,681.88	3,933
II. Financial assets			
Other securities	II. 1.	29,071.16	28
III. Trade receivables	II. 2.	2,765,880.53	2,236
IV. Receivables from associates	II. 2.	0.00	9
V. Inventories		93,668.19	424
VI. Prepaid expenses		92,431.81	58
VII. Tax assets	II. 3.	916,711.15	1,037
VIII. Other current assets	II. 4.	1,431,874.49	1,870
IX. Assets of discontinued divisions	I. 5.	22,059.79	[1,209]
		8,478,379.00	9,595
B. Non-current assets			
I. Property, plant and equipment	II. 5.		
1. Land and buildings		513,884.27	1,215
2. Other plant, operating and office equipment, furniture and fixtures		394,816.00	966
II. Property held as financial investment	II. 6.	195,784.82	202
III. Intangible assets	II. 7.		
1. Goodwill		7,648,255.89	5,883
2. Concessions, industrial property rights and similar rights		3,301,811.01	2,769
3. Software development	II. 8.	440,619.48	1,009
IV. Financial assets			
1. Shareholdings		15,388.91	15
2. Investments in associates	II. 9.	132,558.93	138
V. Tax refund entitlements	II. 3.	317,415.87	-
VI. Other current assets	II. 4.	54,144.11	157
VII. Deferred taxes	II. 10.	67,816.50	604
		13,082,495.79	12,958
		21,560,874.79	22,553

Liabilities and shareholders` equity

	Notes No.	31 Dec.2006 EUR	31 Dec.2005 EUR '000
A. Current liabilities			
I. Trade payables		885,568.97	1,141
II. Provisions	II. 11.		
1. Provisions for taxes payable		719,976.62	743
2. Other provisions		1.637,510.12	1,450
III. Deferred income		177,980.31	124
IV. Other liabilities	II. 12.	861,369.92	1,311
V. Debts of dicontinued divisions	I. 5.	34,904.08	[751]
		4,317,310.02	4,769
B. Non-current liabilities			
Deferred taxes	II. 10.	2,280,019.21	2,245
C. Shareholders' equity	II. 14.		
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		6,853,035.36	6,665
3. Revaluation reserve financial instruments		2,592.71	2
IV. Treasury shares		(4,046,066.78)	(4,046)
V. Consolidated accumulated profits		3,834,648.27	3,682
		15,225,256.10	14,884
VI. Minority interest	II. 13.	(261,710.54)	655
		14,963,545.56	15,539
		21,560,874.79	22,553

Synaxon AG, Bielefeld

Consolidated Income Statement for the Financial Year ended December 31, 2006 in accordance with IFRS

		Notes No.	2006 EUR	2005 EUR ’000
1.	Revenues	III. 1.	20,936,116.17	20,911
2.	Other operating income	III. 2.	426,040.79	768
3.	Cost of purchased materials	III. 3.		
	a) Costs of goods purchased		(6,741,439.08)	(7,980)
	b) Costs of services purchased		(386,196.56)	(631)
4.	Personnel expenses	III. 4.		
	a) Wages and salaries		(5,172,562.12)	(5,048)
	b) Social security contributions		(857,343.21)	(921)
5.	Amortisation of intangible assets and depreciation of property, plant and equipment	II. 5 f.	(956,059.80)	(709)
6.	Other operating expenses	III. 5.	(4,877,405.75)	(4,643)
			2,371,150.44	1.747
7.	Other interest and similar income	III. 6.	129,158.68	188
8.	Interest and similar expenses		(10,083.84)	(8)
9.	Depreciation of interests in associated companies		0.00	(250)
10.	Income from associates		2,706.43	(26)
11.	Profit before taxes and minority interest		2,492,931.71	1,651
12.	Income tax expense	III. 7.	(981,867.69)	(1,246)
13.	Expenditure for inherent claims of minority shareholders of limited companies		(39,737.24)	(51)
15.	Annual net profit		1,471,326.78	354
	(of which resulting from discontinued business segments – loss)	I. 5.	[(647,961.40)]	[(840)]
15.	Share of the profit attributable to minorities		93,447.67	(166)
16.	Consolidated net profit		1,564,774.45	188
17.	Consolidated profit brought forward		2,411,321.84	580
18.	Withdrawal from capital reserves		0.00	2,914
19.	Allocations to capital reserves		(141,448.02)	-
20.	Consolidated accumulated profits		3,834,648.27	3,682
Average number of current shares			3,538,500	3,498,653
Amount per share (undiluted/diluted)		III. 8.		
	Diluted			
	Over-all amount		0.44	0.05
	Amount from continued operations		0.62	0.29
	Undiluted			
	Over-all amount		0.44	0.05
	Amount from continued operations		0.62	0.29

Synaxon AG, Bielefeld

Consolidated Cash Flow Statement
in accordance with IFRS

	2006	2005
	EUR ’000	EUR ’000
Profit before taxes	2,493	1,651
Share of the loss (Previous year: profit) attributable to minorities	54	(217)
Stock options plan	47	43
Depreciation of property, plant and equipment and amortisation of intangible assets and goodwill	762	709
Depreciation of intangible assets	194	-
Depreciation of real estate held as financial investments	-	57
Depreciation of intersts in associated companies	-	250
	3,550	2,493
Loss (Previous year: gain) on sale of fixed assets	224	(11)
Increase in short-term provisions	187	559
Decrease (Previous year: increase) in inventories, trade receivables and other assets	637	(390)
Decrease (Previous year: increase) in trade payables and other liabilities	(350)	137
Taxes	(982)	(1,246)
Net cash from operating activities	3,267	1,542
Proceeds from sale of fixed assets	40	95
Payments for acquistions	(1,406)	(2,718)
Investments in fixed assets	(823)	(1,114)
Net cash from investing activities	(2,189)	(3,737)
Dividend payment	(1,415)	(1,397)
Change in treasury shares	-	255
Change in minority interest	(465)	52
Net cash from financing activities	(1,880)	(1,090)
Net decrease in cash and cash equivalents	(802)	(3,285)
Cash and cash equivalents at beginning of period	3,933	7,218
Cash and cash equivalents at end of period (Cash in hand and bank deposits)	3,131	3,933

Synaxon AG, Bielefeld

Statement of changes in equity according to IFRS as per December 31, 2006

	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, 2005	3,825	4,427	42	7,902	(4,486)	44	3,554	15,308	133	15,441
Allocation to revenue reserves	-	-	-	1,634	-	-	(1,634)	-	-	-
Capital increase	66	406	-	-	-	-	-	472	-	472
Distribution as dividend	-	-	-	-	-	-	(1,397)	(1,397)	-	1,397
Change in treasury shares	-	(185)	-	-	440	-	-	255	-	255
Evaluation of securities	-	-	-	-	-	- 42	-	(42)	-	(42)
Change in interests of minorities	-	-	-	-	-	-	-	-	522	522
Stock options plan	-	-	-	43	-	-	-	43	-	43
Withdrawal from other revenue reserve	-	-	-	(2,914)	-	-	(2,914)	-	-	-
Consolidated net profit	-	-	-	-	-	-	188	188	-	188
Other changes	-	-	-	-	-	-	57	57	-	57
Position as per December 31, 2005 / January 1, 2006	3,891	4,648	42	6,665	(4,046)	2	3,682	14,884	655	15,539
Allocation to revenue reserves	-	-	-	141	-	-	(141)	-	-	-
Distribution as dividend	-	-	-	-	-	-	(1,415)	(1,415)	-	(1,415)
Evaluation of securities	-	-	-	-	-	-	-	-	-	-
Change in interests of minorities	-	-	-	-	-	-	-	-	(917)	(917)
Stock options plan	-	-	-	47	-	-	-	47	-	47
Consolidated net profit	-	-	-	-	-	-	1,565	1,565	-	1,565
Other changes	-	-	-	-	-	-	144	144	-	144
Position as per December 31, 2006	3,891	4,648	42	6,853	(4,046)	2	3,835	15,225	(262)	14,963

* including offsetting of deferred taxes not affecting net income

Synaxon AG, Bielefeld

Notes to Consolidated Financial Statements (IFRS) for the Financial Year ended December 31, 2006

Consolidated Fixed Assets Schedule December 31, 2006

	Acquisition or Manufacturing Costs					Depreciation/Amortisation				Carrying amounts	
	Position as per Jan.1, 2006	Additions	Repostings	Disposals	* Position as per Dec.31, 2006	Position as per Jan.1, 2006	Additions	Disposals	Position as per Dec.31, 2006	Dec.31, 2006	Dec.31, 2005
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR '000
I. Property, plant and equipment											
1. Land and buildings	1,330,613.15	0.00	0.00	704,954.28	625,658.87	116,070.78	27,195.18	31,491.36	111,774.60	513,884.27	1,215
2. Other plant, operating and office equipment, furniture and fixtures	1,584,905.84	169,935.51	0.00	704,473.59	1,050,367.76	619,594.34	244,715.42	208,758.00	655,551.76	394,816.00	966
	2,915,518.99	169,935.51	0.00	1,409,427.87	1,676,026.63	735,665.12	271,910.60	240,249.36	767,326.36	908,700.27	2,181
II. Property held as financial investment	359,218.97	0.00	0.00	0.00	359,218.97	156,984.15	6,450.00	0.00	163,434.15	195,784.82	202
III. Intangible assets											
1. Goodwill	6,118,360.65	1,765,324.30	0.00	0.00	7,883,684.95	235,429.06	0.00	0.00	235,429.06	7,648,255.89	5,883
2. Concessions, industrial property rights and similar rights	3,407,819.41	212,643.59	1,009,205.12	195,294.00	4,434,374.12	638,539.91	677,699.20	183,676.00	1,132,563.11	3,301,808.01	2,769
3. Software development	1,009,205.12	440,619.48	(1,009,205.12)	0.00	440,619.48	0.00	0.00	0.00	0.00	440,619.48	1,009
	10,535,385.18	2,418,587.37	0.00	195,294.00	12,758,678.55	873,968.97	677,699.20	183,676.00	1,367,992.17	11,390,683.38	9,661
IV. Financial assets											
1. Investments	15,388.91	0.00	0.00	0.00	15,388.91	0.00	0.00	0.00	0.00	15,388.91	15
2. Interest in associated companies	387,550.62	0.00	0.00	5,021.07	382,529.55	249,970.62	0.00	0.00	249,970.62	132,558.93	138
	402,939.53	0.00	0.00	5,021.07	397,918.46	249,970.62	0.00	0.00	249,970.62	147,947.84	153
	14,213,062.67	2,588,522.88	0.00	1,609,742.94	15,191,842.61	2,016,588.86	956,059.80	423,925.36	2,548,723.30	12,643,119.31	12,197

* For more information on disposal resulting from discontinued business segments, see annex 1, sheet 17

Consolidated Fixed Assets Schedule December 31, 2005

	Acquisition or Manufacturing Costs				Depreciation/Amortisation				Carrying amounts	
	Position as per Jan.1, 2005	Additions	Disposals	Position as per Dec.31, 2005	Position as per Jan.1, 2005	Additions	Disposals	Position as per Dec.31, 2005	Dec.31, 2005	Dec.31, 2004
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR ‘000
I. Property, plant and equipment										
1. Land and buildings	627,501.61	704,954.28	1,842.74	1,330,613.15	81,666.15	34,404.63	0.00	116,070.78	1,214,543.37	546
2. Other plant, operating and office equipment, furniture and fixtures	1,210,403.18	501,900.39	127,397.73	1,584,905.84	450,910.68	253,297.11	84,613.45	619,594.34	965,311.50	759
3. Payments in advance	39,062.07	0.00	39,062.07	0.00	0.00	0.00	0.00	0.00	0.00	39
	1,876,966.86	1,206,854.67	168,302.54	2,915,518.99	532,576.83	287,701.74	84,613.45	735,665.12	2,179,854.87	1,344
II. Property held as financial investment	359,218.97	0.00	0.00	359,218.97	56,.936.15	100,048.00	0.00	156,984.15	202,233.82	302
III. Intangible assets										
1. Goodwill	3,722,363.60	2,395,997.05	0.00	6,118,360.65	235,429.06	0.00	0.00	235,429.06	5,882,931.59	3,487
2. Concessions, industrial property rights and similar rights	2,635,956.04	773,941.75	2,078.38	3,407,819.41	319,397.03	320,873.76	1,730.88	638,539.91	2,769,279.50	2,317
3. Software development	413,069.29	596,135.83	0.00	1,009,205.12	0.00	0.00	0.00	0.00	1,009,205.12	413
	6,771,388.93	3,766,074.63	2,078.38	10,535,385.18	554,826.09	320,873.76	1,730.88	873,968.97	9,661,416.21	6,217
IV. Financial assets										
1. Investments	15,288.91	100.00	0.00	15,388.91	0.00	0.00	0.00	0.00	15,388.91	15
2. Interest in associated companies	356,019.97	31,530.65	0.00	387,550.62	0.00	249,970.62	0.00	249,970.62	137,580.00	356
	371,308.88	31,630.65	0.00	402,939.53	0.00	249,970.62	0.00	249,970.62	152,968.91	371
	9,378,883.64	5,004,559.95	170,380.92	14,213,062.67	1,144,339.07	958,594.12	86,344.33	2,016,588.86	12,196,473.81	8,234

Group Notes to the Accounts of Synaxon AG

I. Notes on the principles and methods used in the consolidated financial statement

Synaxon AG is entered in the Bielefeld Register of Companies under the number HRB 36014. The company has its registered office in Bielefeld, Germany. The address is: 33609 Bielefeld, Eckendorfer Str. 2-4. The Articles of Memorandum and Association dated 23.06.2006 are deemed applicable. The company is the Group umbrella company of the Synaxon Group. The Group operates in the market for information technology and communication in the following divisions: PC-SPEZIALIST Franchise, MICROTREND IT Co-operation, iTeam System House Co-Operation and AKCENT. Furthermore, the Group maintains and rents own and leased office buildings.

The consolidated annual financial statement and consolidated management report of Synaxon AG prepared by the Board of Management shall be released for forwarding to the Supervisory Board at the Board Meeting on 22.03.2007.

1. Accounting principles

This consolidated Group financial statement of Synaxon AG was prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), including the International Accounting Standards (IAS) and the interpretations of the International Financial Interpretation Committee (IFRIC) and/or the Standing Interpretations Committee (SIC) as well as the regulations in accordance with Section 315a of HGB[1] that are also to be observed.
The Group's financial year is the calendar year. The reporting currency is the euro (€). If not stated otherwise, all amounts are stated in thousands of euros (€ 000). The balance sheet is divided into short-term and long-term items. The profit and loss statement has been prepared using the total cost type of accounting. The composition of individual items of the balance sheet and the profit and loss statement is explained below.

All assets and debts are stated at the historic acquisition or cost price, with the exception of available-for-sale securities, that are stated at the market value.

[1] German Commercial Code

a) Obligatory new or amended IFRS with effect from the 2006 financial year

The IASB has, in particular, issued new orders or amended the following IFRS, that have become obligatory for the first time with effect from the 2006 financial year, and have been applied by Synaxon AG:

- Amendment to IFRS 4 "Insurance Contracts" (amendments to financial guarantees)
- Order of IFRS 6 "Exploration and Evaluation of mineral resources"
- Amendments to IAS 1 "Illustration of the Annual Financial Statement" (amendments during the course of Amendments to IAS 19)
- Amendments to IAS 19 "Services for Employees" (amendments to retaining actuarial profits and losses and group plans)
- Amendment to IAS 21 "Effects on amendments to currency rates"
- Amendments to IAS 39 "Financial Instruments: Approach and Valuation" (amendments to cash flow hedge accounting for expected internal Group transactions; financial guarantees and fair value option)
- Order of IFRIC 4 "Determining Whether An Agreement Contains a Leasing Relationship"
- Order of IFRIC 5 "Rights to Shares in Funds for Disposal, Restoration and Environmental Reclaim"
- Order of IFRIC 6 "Liabilities that Arise from Participation In A Certain Market – Used Electrical and Electronic Equipment" (date on which it came into force: 01.12.2005)

Irrespective of the additional or amended obligations to specify details, application of the IFRS has not had any significant effects on the balance sheet or profits in respect of the Synaxon AG consolidated financial statement.

b) New or amended IFRS that are not yet obligatory with effect from the 2006 financial year

The IASB has issued the following new or amended IFRS, which are not yet obligatory and have not been applied in advance by Synaxon AG. The respective time at which these have come into force is stated in parenthesis:

- Order of IFRS 7 "Financial Instruments: Details" (01.01.2007)
- Order of IFRS 8 "Operating Segments" (01.01.2009)
- Amendment to IAS 1 "Illustrating the Annual Financial Statement" (01.01.2007, amendment to the capital details)

- Deletion of IAS 14 "Segment Reporting" (01.01.2007 by way of Order of IFRS 8)
- Deletion of IAS 30 "Details in the Annual Financial Statements of Banks and Similar Financial Institutions " (01.01.2007 by way of order of IFRS 7)
- Amendment to IAS 32 "Financial Instruments: Illustration" (01.01.2007 by way of order of IFRS 7)
- Order of IFRIC 7 "Application of the Adjustment Approach in IAS 29" (01.03.2006)
- Order of IFRIC 8 "Area of Application of IFRS 2" (01.05.2006)
- Order of IFRIC 9 "New Assessment of Incorporated Derivatives" (01.06.2006)
- Order of IFRIC 10 "Interim Financial Reporting and Impairment" (01.11.2006)
- Order of IFRIC 11 "IFRS 2 - Group and Treasury Share Transactions" (01.03.2007)
- Order of IFRIC 12 "Service Concession Arrangements" (01.01.2007)

Irrespective of the additional or amended obligations to state details, it is expected that application of the IFRS will not have any significant effects on the balance sheet or profits in respect of the Synaxon AG consolidated financial statement.

c) Previous year’s figures amended by way of IAS 8

- The accounts receivable form turnover tax stated in the previous year in the tax refund entitlements (previous year: € 11,000) shall be allocated to the Other Assets.
- The loans to partners stated in the previous year in the Short-Term Assets (€ 157,000) shall be allocated to the Long-Term Assets.
- The Other Taxes (previous year: € 11,000) shall be allocated to the Other Operating Income.
- The previous year’s figures for the average current shares have been corrected.
- The shares of the minority shareholders in a subsidiary partnership can no longer be qualified as equity capital. The compensation liability (previous year: € 732,000) shall be stated in the Short-Term Debt. The profit share attributable to these shareholders shall be calculated prior to the preparation of the annual financial statement such that the annual financial statement shall be reduced by € 51,000.

2. Consolidation principles and methods

Consolidation principles

The annual financial statements of all domestic and foreign subsidiary companies, which for legal and/or factual reasons are subject to the control of Synaxon AG, are included in the consolidated financial statement and have been prepared in accordance with IAS 27 pursuant to uniform financial reporting and valuation methods. The consolidation methods in respect of same facts have not been amended compared with the previous year. The appointed date of the annual financial statement of the incorporated companies corresponds with the Group’s appointed date for the annual financial statement.

Consolidated companies

Company and headquarters	Interest	Equity capital 31.12.2006	Commercial law result 31.12.2006
	%	€ 000	€ 000
PC-SPEZIALIST Computervertriebsgesellschaft-Unternehmensbeteiligungs-GmbH, Bielefeld	100	26	-
PC-SPEZIALIST MICROTREND Service GmbH, Bielefeld	100	25	-
MICROTREND Dienstleistungs GmbH, Schloß Holte-Stukenbrock	100	25	1
echovibe.GmbH, Bielefeld	100	26	-
EDV Vertriebsgemeinschaft Handels GmbH, Vienna , Austria	84	385	- 110
Systempartner Computervertriebs GmbH, Vienna , Austria (closed in October 2006)	84	35	- 679
PC-SPEZIALIST & Helpup GbR, Bielefeld	60	- *	12
iTeam GmbH, Osnabrück	87.4	25	407
iTeam Consulting GmbH, Osnabrück	93.7	300	577
iTeam Systemhauskooperation GmbH & Co. KG, Osnabrück	84.33	- *	-
iTeam Systemhauskooperation Beteiligungs-GmbH, Osnabrück	93.7	25	- 1
AKCENT Computerpartner Deutschland AG, Lilienthal	100	850	719

* No equity capital stated in accordance with IAS 32

The 50% interest held by PC-SPEZIALIST Computervertriebs Unternehmensbeteiligungs-GmbH in Talos & Helpup GbR (affiliated company) has been prepared in the balance sheet using the equity method.

Capital consolidation

The capital consolidation has been applied after the IFRS 3 came into force in 2004. Accordingly, the acquisition costs of a company merger or acquisition shall be distributed among the balance sheet assets, debts and contingent debts. These shall be stated at the applicable time value (Fair-Value) at the time of acquisition. The goodwill shall be determined as the difference between the acquisition costs of the company merger or acquisition and the share of the acquiring party in the Fair Value of the acquired assets, debts and contingent debts. Goodwill resulting from the capital consolidation shall not be subject to scheduled depreciation pursuant to IFRS 3. Moreover, it shall be reviewed at least once annually by way of an impairment test in respect of the sustainable value.

Debt consolidation

Internal Group accounts receivable and liabilities have been set off against each other.

Consolidation of expenses and earnings

Internal Group profits and losses, revenue, expenses and income have been eliminated.

Elimination of interim profit

If calculations between Group companies give rise to capitalization measures, interim profits shall, as a general rule, be eliminated.

Currency conversion

Transactions in foreign currencies shall be converted to the functional currency at the price on the day of the transaction. On the balance sheet date, monetary items shall be converted at the price valid on the appointed date, while non-monetary items shall be converted using the price valid on the day of the transaction. Subsequent currency differences shall be booked off with an effect on the current result.

3. Financial reporting and evaluating methods

Inventories

The commodities stated in the balance sheet as inventories pursuant to IAS 2 have been valued at acquisition cost or at the lower net sale value. Individual write-downs have been applied insofar as the probable revenue that is to be realized, with due regard to the sales costs, from the sale of the inventories is lower than the book values. As a general rule, outside capital costs have not been capitalized.

Property, plant and equipment

Fixed assets used in respect of the company operations for longer than one year shall be stated in the Ongoing Acquisition or Manufacturing Costs pursuant to IAS 16. Straight-line and scheduled depreciation applied on the basis of a general service life between three and ten years. Straight-line depreciation was used in the case of a service life of 25 years.

Real estate held as financial investments

The real estate held as financial investments comprises real estate held to create rental income (or long-term asset growth) and are neither used in the production nor for administrative purposes. Such real estate shall be valued at the Ongoing Acquisition or Manufacturing Cost. As a general rule, the service life is 25 years. Depreciation applies over the service life at equal amounts.

Intangible assets

Other intangible assets acquired against payment shall, insofar as they are used for the company operations for longer than one year, be stated at acquisition cost and shall be depreciated using the scheduled depreciation method. Own intangible assets shall be capitalized at their manufacturing costs if the criteria specified in IAS 38 are met. Intangible assets that are identifiable pursuant to IAS 38, and whose Fair Value can be reliably determined, have been stated separately as part of the purchase price allocation. The straight-line method of depreciation was used here over a service life of 3 to 15 years.

Goodwill form the capital consolidation shall not be depreciated using the scheduled method. Moreover, it shall be solely subject to an annual depreciation test pursuant to IAS 36.

Leasing items

Economic ownership of the leasing items shall be allocated to the respective contractual partner that has concluded a leasing relationship and that is responsible for all key opportunities and risks associated with the leasing relationship. In respect of all the leasing contracts that apply to the Group, the lessor shall hold responsibility for such opportunities and risks. The leasing items are to be stated in the lessor's balance sheet. The leasing rates shall be stated as Other Operating Income and with an effect on the current result.

The Group merely utilizes leasing as part of motor vehicle leasing. Pursuant to IAS 17, this is treated as Operating Leasing, and is capitalized in the lessor's statement. The fees are incorporated as ongoing costs in the lessee's Profit and Loss Statement.

Payments that fall due in the future from concluded leasing contracts are to be stated in Other Financial Obligations.

Depreciation

On each balance sheet date the Group verifies, within the meaning of IAS 36, the book values of the intangible assets (incl. goodwill); property, plant and equipment; and real estate held as financial investments to determine whether there are any suggestions that a reduction in value could apply. In such a case, the asking amount for the respective item is determined to specify the scope of value adjustment that may be applicable. The asking amount corresponds with the applicable time value less sales costs or the utility value, whereby the greater value is deemed authoritative. Insofar as an asking price cannot be determined for an individual asset, the asking price for the lowest cash generating unit, in brief "CGU" shall be determined that can be allocated to the respective asset.

Goodwill resulting from company acquisitions shall be allocated to a CGU. The asking price of the CGU, to which goodwill can be allocated, shall be reviewed in respect of sustainable value annually and in addition if there are suggestions at other times of a possible reduction in value.
If the asking price of an asset is lower than the book value, the asset is immediately written-off with an effect on the current result. In the event of valid adjustments in connection with a CGU, the goodwill contained therein is initially reduced. If the need for depreciation exceeds the book value of the goodwill, the difference is, as a general rule, distributed proportionately over the long-term assets of the CGU.

If a write-of subsequently gives rise to a higher asking price of the asset or the CGU, the value is increased. The increase in value, which has an effect on the current result, is limited to a continued book value that would have resulted without the value reduction in the past. Goodwill may not be subject to increased valuation.

Financial assets

The financial assets include liquid funds, accounts receivable and securities. Pursuant to IAS 39, the securities shall be classified as financial assets held for sales purposes (available for sale). The value is stated at the applicable market value. The profits and losses resulting from the valuation shall be stated without an effect on the current result in the equity capital by way of a valuation reserve for financial instruments. Profits and losses resulting from the sale of financial assets shall be stated in the profit and loss statement with an effect on the current result. Accounts receivable and liquid funds shall be stated at acquisition cost or at the nominal value. Account is to be taken of identifiable default risks by way of individual value adjustments.

Reserves

A provision shall be created pursuant to IAS 37 if a minor obligation to third parties arises, which gives rise to an outflow of resources that can be reliably estimated. This is determined on a full cost basis with due regard to all identifiable risks by way of the best possible estimate. Reserves whose residual term is longer than one year shall be discounted at conditions that are customary in the market. The value of the provision shall be re-assessed on each balance sheet date.

Liabilities

Pursuant to IAS 39, liabilities shall be stated at the ongoing acquisition costs that normally correspond with the repayment amount.

Deferred tax

Deferred and ongoing taxes are calculated pursuant to IAS 12. Deferred taxes shall be created using the liability method on the balance sheet rates that vary from the tax balance sheet pursuant to IFRS; fiscal losses brought forward and consolidation methods that have an effect on the current result, and stated pursuant to IAS 12.69 in a separate adjusting item. Whether or not active deferred tax is to be stated is conditional on the probability of actually realizing the deferred tax claims in the future. In this respect the probability must be greater than 50%, and be supported by appropriate business plans.

Revenue and expense realization

As a general rule, the sales and other operating income shall only be stated if the services have been rendered or the goods have been supplied. Sales resulting from licensing fees shall be stated in accordance with the contractual agreements. Sales from supplier and manufacturer payments shall be stated in accordance with the time at which the entitlement arose. Expenses shall be stated as such upon utilization of the service or at the time at which they were incurred. Dividends shall be collected upon the occurrence of the legal entitlement to payment, while interest shall be periodically stated as expenses or income.

Application of estimates

Preparing the consolidated financial statement entails making assumptions and using estimates that have an effect on the amount and figure of the balance sheet assets and debts; revenue and expenses and the contingent liabilities. The assumptions and estimates largely refer to the assumption used as a basis to valuate the goodwill; specify economic service life; financial reporting and the valuation of provisions, and the realisability of future tax refunds. The actual figures may, in individual cases, vary from the used assumptions and estimates. Amendments shall be taken into consideration at a time at which better knowledge is available.

Discontinued divisions

The assets and debts of a discontinued division within the meaning of IFRS 5 shall be stated separately in the balance sheet. The previous year's figures are not adjusted. The profit generated from the discontinued division shall be stated separately in the profit and loss statement and explained in further detail under I. 5. The assets and debts of the discontinued division shall be valuated with the lower value resulting from the book value and the applicable market value less the sale costs.

4. Increasing interests

a) AKCENT Computerpartner Deutschland AG

By way of the contract of purchase dated 03.04.2006, Synaxon AG retroactively acquired, as per 01.01.2006, the remaining 25% of the capital stock of AKCENT Computerpartner Deutschland AG. The acquisition cost of the interest, including incidental costs, amount to € 1,014,000. As per agreement, payment was not effected in cash, but by way of an exchange of the real estate at the location Lilienthal, used by AKCENT, and part of the remaining assets of AKCENT.

The acquired assets and debts at the time of acquisition, each of which are valued at their market value, and the changes in the inflow and outflow of funds, are set out below:

	Time values	Book values
	€ 000	€ 000
Liquid funds	70	70
Inventories, accounts receivable and other short-term assets	453	453
Property, plant and equipment and intangible assets	1,507	1,304
Other liabilities	- 616	- 616
	1,414	1,211
Share of newly valued equity capital	354	303
Goodwill	660	711
Total purchase price	1,014	1,014

The net outflow of funds amounts to € 15,000, while the market value of the exchanged asset is € 999,000.

b) iTeam Consulting GmbH

By way of the contract dated 07.09.2006, Synaxon AG acquired retroactively as per 01.01.2006 an additional 12.5% of the capital stock of iTeam Consulting GmbH. The acquisition cost of the interest, including incidental costs, amounts to € 930,000. Payment was effected in cash.

The acquired assets and debts at the time of acquisition, each of which are valued at their market value, and the changes in the inflow and outflow of funds, are set out below:

	Time values	Book values
	€ 000	€ 000
Liquid funds	354	354
Inventories, accounts receivable and other short-term assets	313	313
Property, plant and equipment and intangible assets	677	677
Capital reserve	- 450	- 450
Other liabilities	- 635	- 635
	259	259
Share of newly valued equity capital	32	32
Goodwill	898	898
Total purchase price	930	930

The net outflow of funds amounts to € 930,000.

c) iTeam GmbH

Synaxon AG also acquired retroactively an additional 12.4% of the capital stock iTeam GmbH as per 17.11. 2006. The acquisition cost of the interest, including incidental costs, amounts to € 461,000. Payment was effected in cash.

The acquired assets and debts at the time of acquisition, each of which are valued at their market value, and the changes in the inflow and outflow of funds, are set out below:

	Time values	Book values
	€ 000	€ 000
Liquid funds	3	3
Inventories, accounts receivable and other short-term assets	156	156
Property, plant and equipment and intangible assets	23	23
Other liabilities	- 157	- 157
	25	25
Share of newly valued equity capital	3	3
Goodwill	458	458
Total purchase price	461	461

The net outflow of funds amounts to € 461,000.

This company has already been consolidated in full in the consolidated financial statement of Synaxon AG in the previous period. The additional share acquisition therefore merely has an effect on the Goodwill balance sheet item, which is allocated in full to the IT Co-Operations segment. The goodwill is determined by using the partial new assessment method. In this respect, the newly applicable goodwill is determined on the basis of the current market value. However, dormant reserves are only exposed up to the amount of the additional acquisition quota.

5. Discontinued division

In October 2006 the business operations of the company store DIGITAL INC. Systempartner Computervertrieb GmbH, located at Wiener Neudorf, were discontinued pursuant to a decision taken by the Board of Management and the Supervisory Board of Synaxon AG dated 01.09.2006. Although sales increased further in the 2006 financial year, the planned sales and profit targets were not achieved. In addition, the market and operating type test has now been completed and a great deal of know-how and results have already been transferred to the German franchise company, or are being incorporated in the further development of the operating system concepts. The company's headquarters was relocated from Wiener Neudorf to Vienna. The consolidated financial statement also contains further information about the financial and balance sheet effects.

The profits (following expense and revenue consolidation) from the discontinued division are as follows:

	31.12.2006	31.12.2005
	€ 000	€ 000
Sales and other operating income	1,725	2,778
Expenses	2,480	3,724
Pre-tax result	- 755	- 946
Tax expenditure	1	2
Tax expenditure from deferred tax	-	58
Profit shares of minority shareholders	- 109	- 165
Profit	- 647	- 841
Book loss from sale of asset	244	0

	31.12.2006	31.12.2005
	€ 000	€ 000
Net cash flow from:		
Operating activity	- 407	- 161
Investment activity	- 1	- 90
Financing activity	-	-

II. Notes to the consolidated balance sheet

1. Other securities

	Book value 31.12.2006	Book value 31.12.2005
	€ 000	€ 000
Shares/certificates	29	28

The Other Securities are financial instruments held for sale (IAS 39), that are valued at Fair Value (=stock exchange rate on the appointed balance sheet date).

The 2006 financial year saw write-offs of € 0 (previous year: € 8,000) and depreciation in the sum of € 1,000 (Previous year: € 1,000), which were stated without an effect on the current result but with due regard to deferred tax.

The profits and losses resulting from the valuation of the applicable market value are stated by way of a valuation provision for financial instruments without an effect on the current result. The deferred tax applicable to the value adjustments is separated from the valuation provision without an effect on the current result.

2. Accounts receivable

	31.12.2006	31.12.2005
	€ 000	€ 000
Accounts receivable from trading	2,766	2,236
Accounts receivable due from affiliated companies	-	9

Possible default risks are taken into consideration by way of individual value adjustments in the sum of € 988,000 (previous year: € 752,000). There are no receivables with a residual period in excess of one year.

3. Tax refund entitlements

	31.12.2006	31.12.2005
	€ 000	€ 000
Corporation tax	443	213
Corporation tax in previous years (long-term)	317	-
Business tax	476	824

The tax refund entitlements as per 31.12.2006 contain accounts receivable form the 2006 business and corporation tax and a corporation tax credit from the previous years in the sum of € 317,000 (previous year: € 0), which will probably be capitalized for the first time as per 31.12.2006. We refer to III.9 in respect of the tax expenditure.

4. Other assets

	31.12.2006	31.12.2005
	€ 000	€ 000
Accounts receivable from trading/manufacturers	810	1.089
Accounts due from financial service providers	572	530
Loans to partner companies (long-term)	54	157
Miscellaneous	56	251

The Other Assets contain purpose-related loans in the sum of € 54,000 that were granted to partner companies in 2004 to 2006. The term is in excess of one year. Furthermore, the item contains receivables from goods deliveries that were sold to a financial service provider as part of the factoring.

5. Property, plant and equipment

In respect of the Group assets, we refer to the Group statement of asset additions and disposals. No value reductions applied pursuant to IAS 36.

6. Real estate held as financial investments

The real estate held in Goth as a financial investment pursuant to IAS 40 was stated at the continued acquisition cost. The applicable market value of the respective real estate amounts to € 196,000 (previous year: € 202,000) on the appointed balance sheet date. Determining the figure was based on the probable service life; a risk-adjusted capitalization interest rate (8.6%); the existing tenancy agreements and assumptions in view of future rental tariffs. The result of this assessment gave rise to neither a need for an increase nor a reduction in value following the reduction in value last year.

	31.12.2006	31.12.2005
	€ 000	€ 000
Rental income	33	32
Expenses	22	64
Profit	11	-32

7. Intangible assets

	31.12.2006	31.12.2005
	€ 000	€ 000
Goodwill	7,648	5,883
Contracts	2,201	2,417
Licenses	41	52
Own software (EGIS)	887	217
Other software	173	83

a) Goodwill

The goodwill is as follows:

	31.12.2006	31.12.2005
	€ 000	€ 000
iTeam Group	4,592	3,487
AKCENT	3,056	2,396

The increase of € 1,765,000 in the goodwill is attributable to the acquisition of further interests in the iTeam Group and in AKCENT Computerpartner Deutschland AG. The goodwill is determined as the difference between the acquisition costs of the company merger or acquisition and the share of the acquiring party in the Fair Value of the acquired assets, debts and contingent debts. Goodwill is not subject to scheduled depreciation. Moreover, it is reviewed at least once annually on the basis of the utility value of the CGU, which is determined using the discounted cash-flow method. In this respect, the planned free cash flows from the three-year planning authorized by the management are used. As in the previous years, the impairment test carried out in this manner did not give rise to any need for a reduction in the goodwill value.

b) Contracts

The item “Contracts” contains co-operation contracts concluded between iTeam Systemhauskooperation GmbH & Co. KG or AKCENT Computerpartner Deutschland AG and its partner companies. These contracts satisfy the prerequisite capitalization conditions pursuant to IAS 38 and are depreciated using the scheduled method over a period of 6 years (AKZENT contracts) or 15 years (iTeam contracts). The depreciation period is specified on the basis of cautious management estimates, and therefore contain a certain amount of uncertainty. The main reason for a reduction in value pursuant to IAS 36 could be a reduction in the partner numbers, which is far above the empirical values recorded to date. As per 31.12.2006, there is no need for a reduction in value in view of this valuation.

c) Own software

The EGIS software is a modular-structured, relational, database system, which shall be available exclusively to the franchise and co-operation partners once it has been completed. It will fill the gap between the contractual suppliers, partners and Synaxon. Logistical and commercial processes can be simplified and accelerated as a result. The development expenses in the sum of € 1,009,000 capitalized up until 31.12.2005 largely apply to the online order system, and shall be depreciated using the scheduled method over a period of 3 to 10 years. As per 31.12.2006 the book value amounts to € 887,000.

The ALF software is a software solution for partner companies with the help of which AKCENT partners can access, online and in real time, the prices and delivery opportunities for the IT products of the affiliated companies, and process the procurement of goods. It is envisaged that in the future all franchise and co-operation partners use the EGIS software. ALF operations will therefore probably be discontinued in 2007. The book value as per 31.12.2006 in the sum of € 194,000 was written off in full by way of a value reduction. The value reduction is stated in the item Depreciation on Intangible Assets and Property, Plant and Equipment.

8. Software under development

The development expenses for the EGIS software capitalized as per 31.12. 2006 amount to € 440,000 (previous year: € 1,009,000), and contain personnel expenses for the programming of additional modules and functionalities of the EGIS system. In the 2006 period under review, some € 440,000 were attributable to development expenses.

9. Shares in affiliated companies

The statement applies to Talos & Helpup GbR, in which Synaxon AG has a direct holding of 50% via PC-SPEZIALIST Computervertriebsgemeinschaft-Unternehmensbeteiligungs-GmbH. The change in the interest value is attributable to the 2006 result and withdrawals from the company's capital account.

	31.12.2006	31.12.2005
	€ 000	€ 000
Assets	317	303
Debts	1	11
Revenue	36	26
Profit for a period	5	-52

10. Deferred tax

Development of deferred tax as per 31.12.2006:

	Time differences			Deferred tax				No effect on operating result	Expenses/ profit
				31.12.2005		31.12.2006			
	31.12.2005	Change	31.12.2006	Assets	Liabilities	Assets	Liabilities	2006	2006
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Software	1,227	100	1,327	-	491	-	531	-	- 40
Real estate	- 253	190	- 63	101	-	25	-	- 81	5
Accounts receivable	1,901	164	2,065	-	760	-	826	-	- 66
Losses brought forward	- 1,206	1,198	- 8	482	-	3	-	-	- 479
Securities	5	- 1	4	-	2	-	1	1	-
Valuation reserve	3	1	4	-	1	-	2	- 1	-
Contracts	2,417	- 216	2,201	-	967	-	881	-	86
Own interests	2	-	2	-	1	-	1	-	-
Miscellaneous	6	-8	- 2	21	23	40	38	-	4
Total	4,102	1,428	5,530	604	2,245	68	2,280	- 81	- 490

The deferred tax is stated at a tax rate of 40% for domestic companies and 25% for foreign companies with due regard to the business tax and the Solidarity Surcharge. Insofar as the deferred tax applies to profits and losses from the valuation of securities, it shall be set off against the valuation reserve for financial instruments without an effect on the current result. Deferred tax that arises from the purchase price allocation of subsidiary companies shall be stated in the Equity Capital without an effect on the current result. Active and passive deferred tax in relation to the individual items has been grouped together as part of the presentation.

The fiscal losses brought forward and the active deferred tax created as a result are as follows:

	Tax Losses brought forward		Active deferred tax	
	31.12.2005	31.12.2006	31.12.2005	31.12.2006
	€ 000	€ 000	€ 000	€ 000
Synaxon AG, Bielefeld	1.206	8	482	3
echovibe.GmbH, Bielefeld	78	78	-	-
Microtrend Dienstleistungs GmbH, Bielefeld	2	-	-	-
EDV Vertriebsgemeinschaft Handels GmbH, Vienna	534	644	-	-
Systempartner Computervertriebs GmbH, Vienna	1,160	1,839	-	-
Total	2,980	2,569	482	3

11. Reserves

	Status 01.01.2006	Utilization	Liquidation	Addition	Status 31.12.2006
	€ 000	€ 000	€ 000	€ 000	€ 000
Taxes	743	312	2	291	720
Liabilities to partner companies	301	247	-	510	564
Bonuses	203	198	5	309	309
Risk of legal action	297	32	101	18	182
Personnel costs	205	199	6	173	173
Cost of financial statements and auditing	122	105	17	110	110
Supervisory Board	108	108	-	108	108
Miscellaneous	214	33	33	66	214
	1,450	922	162	1,294	1,660
	2,193	1,234	164	1,585	2,380

The tax reserves contain the 2006 business tax (€ 100,000), 2005 business tax (€ 80,000) and the 2004 business tax and previous years (€ 13,000), 2006 corporation tax (€ 189,000), 2005 corporation tax (€ 216,000) and 2004 corporation tax and previous years (€ 122,000).

The reserve for the obligations to partners applies to supplier commission and manufacturer remuneration that is yet to be paid to contractual partners, and pending repayments to suppliers resulting from the lack of performance figures as per agreement.

The reserve for bonuses largely applies to claims by companies incorporated in executive bodies, the executive bodies and executive employees of Synaxon AG for the past financial year.

The reserve for the cost and risk of legal action largely contains the risks resulting from various court cases involving claims for damages; forbearance court cases and enforcement proceedings. In addition to the cost of the respective pending instance, the reserve covers the probable compensatory damages. Above all, the drop is attributable to the conclusion of a legal dispute involving a supplier by way of entering into a settlement agreement.

The Personnel Reserves largely apply to liabilities resulting from the employees' holiday entitlements that applied on the appointed balance sheet date.

The Other Reserves shall be realized within 12 months.

12. Other liabilities

The Other Liabilities have a residual term of up to one year and contain liabilities resulting from taxes in the sum of € 349,000 (previous year: € 342,000); liabilities as part of social security contributions in the sum of € 2,000 (previous year: € 144,000) and compensation commitments to minority partners of partnerships included in the consolidated companies in the sum of € 440,000 (previous year: € 732,000). Pursuant to IAS 32.18 (b), these are not to be stated in the shares of the minority partners, but within the item Other Liabilities.

13. Interests of minority partners

Compared with the previous year, the shares of outside partners fell from € 655,000 to € -262,000. In addition to the distribution of € 465,000 this drop is largely attributable to the Group's acquisition of additional interests in AKCENT Computerpartner Deutschland AG; iTeam Consulting GmbH and iTeam GmbH (€ 359,000).

14. Equity capital

In respect of the equity capital change statement, we refer to Annex 1, page 4, of this report.

Capital subscribed

As per 31.12.2006, the company's capital stock (3,891,000 bearer individual share certificates at a nominal value of € 1.00) was unchanged at € 3,891,000 while the capital reserve was € 4,648,000.
The balance sheet profit as per 31.12.2005 in the sum of € 1,557,000 of Synaxon AG was distributed in accordance with a resolution adopted at the Annual General Meeting dated 23.06.2006 in the sum of € 1,415,000. € 141,000 were allocated to the other retained income.

Capital reserve

Synaxon AG's capital reserve results from the surcharge in respect of the share issue. This may only be used in concert with the securities law regulations. In accordance with Section 150 of AktG, the statutory reserve and the capital reserve together must exceed one tenth of the capital stock so that they can be used to cover losses or so that company funds can be used for a capital increase. As long as the statutory reserve and the capital reserve together do not exceed one tenth of the capital stock, they may not be used to cover losses insofar as the loss is not covered by a profit brought forward or net income, and cannot be covered by way of the liquidation of other retained income.
At the Annual General Meeting dated 23.06.2006, the shareholders of Synaxon AG decided to extend the Board of Management's authorization to repurchase own shares in the sum of 10% of the capital stock up until 21.12.2007. No own shares were purchased or sold in 2006.

Retained income

The retained income contains amounts created in previous years at Synaxon AG; allocations to the Group's annual financial statement less other partners' shares in the profits; the repurchase by Synaxon AG of own shares at acquisition price, and the expenses in relation to exercising the share option program.

Own shares

In total the company held 352,500 own shares as per 31.12.2006 at a value of € 1,918,000 (previous year: € 2,891,000). This amounts to a 9.06% share of the capital stock. Pursuant to IAS 32, own shares are stated in the balance sheet as deductions from the equity capital.

III. Notes to the profit and loss statement

1. Sales

The Group largely generates sales by way of the contractual relations with franchisees, co-operation partners, suppliers and manufacturers.

	2006		2005	
	€/million	%	€/million	%
Commission revenue	5.35	25.5	4.77	22.8
System fees	3.52	16.8	3.53	16.9
Advertising cost allowances	3.26	15.6	3.23	15.4
Other sales revenue	0.63	3.0	0.73	3.5
Marketing fees	0.87	4.2	0.79	3.8
Training	0.58	2.8	0.64	3.1
Admission fees	0.78	3.7	0.35	1.7
Rent	0.03	0.1	0.03	0.1
Miscellaneous	0.06	0.3	0.03	0.1
Sales without central goods sales	15.08	72.0	14.1	67.4
Centrally invoices goods sales	1.91	9.0	1.84	8.8
Goods/service sales	3.95	19.0	4.97	23.8
	20.94	100.0	20.91	100.0

The development of sales according to segments is illustrated as part of the segment reporting.

2. Other operating income

	2006	2005
	€ 000	€ 000
Liquidation of reserves	162	392
Reduction in individual value adjustment	67	66
Revenue from written-off accounts receivable	11	9
Profits from asset disposals	20	11
Miscellaneous	166	290

3. Cost of materials

The cost of materials for the central goods sales amounted to € 3,418,000 (previous year: € 3,409,000). The inventories stated as expenses fell to € 6,741,000 (previous year: € 7,980,000).

4. Personnel expenses

The increase in personnel expenses to € 6,030,000 (previous year: € 5,969,000) is attributable to the increase in average salaries that occurred last year; success-related remuneration and compensation payments. In 2006 the cost of contributions to the statutory pension fund amounted to € 840,000 (previous year: € 889,000).

5. Other operating expenses

	31.12.2006	31.12.2005
	€ 000	€ 000
Outside personnel	586	156
Addition to individual value adjustment	513	627
Space costs	483	544
Cost of legal, consulting and auditing services	439	767
Traveling and representation expenses	404	566
Marketing	369	328
General administration costs	309	324
Motor vehicle costs	284	281
Losses from the sale of assets	244	2
Bad debt losses	237	166
Communication costs	191	193
Cost of Annual General Meeting	121	170
Supervisory Board remuneration	120	122
Invoicing fees	111	19
Maintenance costs	108	107
Other taxes	10	11
Utilization of guarantees	-	113
Others	348	147

The allocation of receivables to the individual value adjustments applied following an objective assessment of the likelihood of bad debt losses.

6. Other taxes and similar income

The interest income is largely attributable to the credit interest of the banks.

7. Taxes on income

Pre-tax result and tax distribution:

	31.12.2006	31.12.2005
	€ 000	€ 000
Pre-tax result	2,493	1,651
Ongoing taxes	492	1,278
Deferred tax	490	- 32
Taxes on income	982	1,246

Key elements of the tax and revenue expenses:

	31.12.2006	31.12.2005
	€ 000	€ 000
Expected tax expenditure	997	665
Taxation difference abroad	117	150
Taxes on non-deductible expenses	7	25
Taxes on non-deductible depreciation on affiliated companies	-	100
Deferred tax in relation to share option plan	- 19	- 17
Non-capitalized deferred tax on 2006 loss, Austria	197	250
Value adjustment for active deferred taxes, Austria	-	77
Tax proceeds due to corporation tax moratorium	- 317	-
Miscellaneous	-	- 4
Stated tax expenditure	982	1,246

In 2006 the expected tax rate is 40% with due regard to the German corporation tax (25%), the Solidarity Surcharge (5.5%) and the business tax (previous year: 40%). The extraordinarily low tax expenditure in the year under review is, among other things, attributable to a corporation tax credit from the previous years, which will probably be capitalized for the first time as per 31.12.2006. Payment in 2008 to 2017 will, in each case, occur by way of one tenth. The credit must therefore be discounted at its cash value. The discount value corresponds with the interest rate for risk-free bonds in the sum of 3.85%. The interest share in the sum of € 71,000 is allocated to the credit on an installment basis in the period 2008 to 2017.

8. Profit per share

Pursuant to IAS 33, the undiluted result is determined as a quotient from the Group net income to which the shareholders of Synaxon AG are entitled and the weighted number of bearer individual share certificates that were valid in the past year. The undiluted result per share corresponds with the diluted result per share. Pursuant to IAS 33.45, when calculating the diluted result per share, companies are, as a general rule, to use the company's undiluted options and option certificates if they would result in an issue of ordinary shares at a price lower than the average stock-exchange price of the ordinary shares during the period. Accordingly, there was no diluted profit per share because the intrinsic value of the share option plan is negative for the Board of Management. Furthermore, the first time at which the option was exercised occurred after the appointed balance sheet date.

The Group result following deduction of the profit share of other partners is the parameter used for the calculation.

	2006	2005
	€	€
Profit per share from business divisions that are to be continued	0.62	0.29
Profit per share from discontinued divisions	- 0.18	-0.24
Overall profit per share	0.44	0.05
Average number of current shares	3,538,500	3,498,653

9. Funds statement

As in the previous year, the funds contain the cash in hand and credit at banks stated in the balance sheet in Assets A. I. The cash flow from received interest amounts to € 129,000 (previous year: € 188,000), and that from paid interest amounts to € 10,000 (previous year: € 8,000). As in the previous year, the cash flow from interest is applicable to the operating activities.

IV. Other details

1. Executive bodies of company

Board of Management

Mr. Frank Roebers (Board Spokesperson) Kaufmann, Detmold

Mr. Andreas Wenninger, Kaufmann, Steinhagen

Remuneration

	Fixed Remuneration	Success-related share	Share option right	Total
	€ 000	€ 000	€ 000	€ 000
Frank Roebers	183	62	35	245
Andreas Wenninger	182	55	12	237
	365	117	47	482

Shares held by the executive bodies

By way of a resolution adopted at the Annual General Meeting dated 16.07.2004, the Supervisory Board was authorized to institute a stock option plan that provides for the granting of options to company shares to members of the Board of Management, and the acquired own shares to the members of the Board of Management in compliance with their share option rights.

Shares were acquired pursuant to Section 3 of the Option Plan by way of distribution in line with the Option Plan regulations. The Supervisory Board made the first distribution offer in the sum of 191,250 share options to the Board of Management of Synaxon AG on 03.01.2005.
The Board of Management accepted the offer on 17.01.2005. At the time of distribution, Section 4(3) of the Share Option Program specified that the respective last stock exchange trading day was the distribution deadline of 20 stock exchange trading days in the respective quarter of the financial year. The distribution therefore took place on 28.01.2005.

Type of agreement	Share-based remuneration for den Board of Management (tranche 1)	Share-based Remuneration for the Board of Management (tranche 2)
Day on which payment is granted	28.01.2005	30.12.2006
Issued share options	191,250	maximum of 191,250
Maximum term	7 years	7 years
Options that may be exercised up until 31.12.2005	0	0
Conditions for exercising options	- Vesting period of 2 years - Option can only be exercised 3 times annually within 20 stock exchange trading days following publication of quarterly report - Target: balance sheet profit of at least € 0.4 per share in the years up to time when option exercised - Minimum holding period of 3 years for maximum of 80% of the shares once option is exercised	- Vesting period of 2 years - Option can only be exercised 3 times annually within 20 stock exchange trading days following publication of quarterly report - Target: balance sheet profit of at least € 0.4 per share in the years up to time when option exercised - Minimum holding period of 3 years for maximum of 80% of the shares once option is exercised

The expected applicable value for a share option of the first tranche that has already been issued amounts to € 0.44 if the option falls below the minimum period of retention of 3 years. In the case of shares that are not held for the minimum period, the figure is € 0.60. These figures were calculating using the Balck-Scholes-Merton model for option valuation. The following model parameters are used for such a calculation:

Share price on appointed valuation date	€ 9.40
Maximum term on appointed issue date	7 years
Expected term of options	4 years
Issue price at expected issue date	€ 17.63
Expected dividend yield	3 %
Risk-free interest rate for the term	2.82 %
Expected volatility for the term	32 %
Financing disadvantage due to holding limit	€ 2.20
Expected fluctuation of option holders for the term	0 %

The expected term of the options is based on the expressed intent of the option owner of exercising the share option as quickly as possible. This is based on the increasing issue price and the possibility of financing the prices at which the options are exercised.

As a general rule, a minimum holding period of 3 years applies once the share options have been exercised, with the exception of:

- 25 % of the shares at a stock exchange price of up to € 20.00,
- 30 % of the shares at a stock exchange price between € 20.00 and € 25.00,
- 40 % of the shares at a stock exchange price between € 25.00 and € 30.00,
- 50 % of the shares at a stock exchange price of more than € 30.00.

In view of the financing possibilities of the share options (prices at which the options are exercised), it is likely that the option will be exercised at a price in excess of € 20.00 because at least 30% of the shares acquired during the course of exercising an option would be released from the lock-up period, and therefore at least part of the shares affected by the lock-up period could be financed by the sales revenue of the shares sold directly once the option is exercised.

In view of this price goal, it is expected that the share options be exercised in 2009.

A basic issue price of € 12.00 was specified in 2004 in respect of the share options that have already been exercised and for those that have yet to be issued. For the following years, the issue price increased by 8% up to the previous year's figure. The issue prices are therefore as follows:

Year	Issue price
	€
2004	12.00
2005	12.96
2006	14.00
2007	15.12
2008	16.33
2009	17.63
2010	19.04
2011	20.57

Year	Issue price
	€
2012	22.21
2013	23.99
2014	25.91
2015	27.98

It is expected that the dividend yield will be 3%. This was determined on the basis of the expected price development and a constant dividend distribution.

The future volatility during the expected term of the share options was estimated on the basis of historic volatility with due regard to the price development expected in the future. As a general rule, and with due regard to IFRS 2. B25, the annualized historic volatility is to be used via the expected term of the options. For Synaxon AG this is 4 years (2005 to 2009). The period 2001 to 2005 would therefore be relevant in respect of calculating historic volatility. Due to the extraordinary influence exerted by the terror attacks of 11.09.2001 on capital market development, a shorter time was used to obtain a realistic estimate of the future volatility. Volatility of 36% and 37.5% was determined on the basis of historical periods of 2 years and 3 years respectively. According to the estimate of the Board of Management of Synaxon AG, and in line with these historic parameters, volatility of 32% is to be expected for the proposed term of the share options of 4 years.

Furthermore, option holders suffer a financing disadvantage due to the holding period of 3 years once the option has been exercised. A value of € 2.20 has been determined in this respect, and the price at which the option is exercised has been increased by that amount in the model.

On the appointed date of 31.12.2006, none of the granted share options could be exercised. On the appointed date, the outstanding options have a maximum contractual term of 6.83 years.

As per the appointed date of 31.12.2006, Synaxon AG incurred the following expenses resulting from the share option program:

	31.12.2006	31.12.2005
	€	€
Total expenses of equity capital related remuneration transactions	46,665.00	43,085.22
thereof for share related remuneration transactions with settlement by way of own capital instruments	46,665.00	43,085.22
Liabilities from share-related remuneration transactions	0.00	0.00

Supervisory Board

- Dr. Günter Lewald, Cologne, (Chairman), Managing Director von Pauli-Bach und Lewald Agentur für Marken und Kommunikation

- Prof. Dr. Antje Helpup. Edemissen, (Deputy Chairman), Professor of Business Administration

- Mr Stefan Kaczmarek, Idstein, Managing Director of Laurea Media GmbH

In the year under review, the expenses for the Supervisory Board amounted to € 108,000 (previous year: € 117,000). In addition to seven meetings in the 2006 financial year, these figures include expenses for a meeting of the previous year, and are divided into basic remuneration and attendance fees. In this respect, the Chairman of the Supervisory Board received twice the remuneration, while his deputy received one and a half times the remuneration. There are no success-oriented elements.

Remuneration

	Basic remuneration	Attendance fee	Total
	€ 000	€ 000	€ 000
Dr. Günter Lewald	20	28	48
Professor Dr. Antje Helpup	15	21	36
Stefan Kaczmarek	10	14	24
	45	63	108

Details in accordance with Section 160, sub-section 1, no. 8, of AktG[2]

The company Baden-Württembergische Kapitalanlagegesellschaft mbH, Tübinger Straße 28, 70178 Stuttgart, informed us on 11.10.2006 pursuant to Sections 21, sub-section 1, and 22, sub-section 1, sentence 1, no. 6, of WpHG that its interest in Synaxon AG (security identification no. 687 380. ISIN DE0006873805), beyond all special assets, fell below the threshold of 5% of the voting rights on 02.10.2006 and now amounts to 4.75%. Of this, 3.98% of the voting rights is to be attributed to that company pursuant to Section 22, sub-section 1, sentence 1, no. 6 of WpHG.

[2] German Company Law

Mr Wilhelm Konrad Thomas Zours, Werrgasse 9, 69120 Heidelberg, the company DELPHI Unternehmensberatung GmbH, Weberstraße 1, 69120 Heidelberg and the company VV-Beteiligungen AG, Weberstraße 1, 69120 Heidelberg (hereinafter: parties required to notify) informed us of the following on 02.08.2006 via their authorized lawyers pursuant to Section 21, sub-section 1, sentence 1, of WpHG:
Each of the voting right shares of the parties required to notify exceeded the threshold of 5%, 10% and 14.83% respectively on 31 October 2003. Pursuant to Section 22, sub-section 1, sentence 1, no. 1 of WpHG, the aforementioned voting rights are attributable in full to the parties required to notify.

The companies Apollos GmbH and Midas GmbH and Mr Pieter van Halem and Mr Stephan Helmstädter (hereinafter: parties required to notify), all of Westendstraße 41, 60325 Frankfurt am Main informed us of the following on 31.01.2006 via authorized lawyers pursuant to Section 21, sub-section 1, sentence 1, of WpHG:

1. Voting rights status 31.10.2003
On 31.10.2003, the parties required to notify exceeded the threshold of 5% of the voting rights in our company and now each hold a voting right share of 9.93%. Pursuant to Section 22, sub-section 1, sentence 1, no 1 of WpHG the aforementioned voting rights are attributable to each of the parties required to notify.

2. Voting rights status 20.08.2004
On 20.08.2004, the parties required to notify fell below the threshold of 10% of the voting rights in our company and now each hold a voting right share of 10.10%. Pursuant to Section 22, sub-section 1, sentence 1, no 1 of WpHG the aforementioned voting rights are attributable to each of the parties required to notify.

3. Voting rights status 22.06.2005
On 22.06.2005, the parties required to notify exceeded the threshold of 10% of the voting rights in our company and now each hold a voting right share of 9.95%. Pursuant to Section 22, sub-section 1, sentence 1, no 1 of WpHG the aforementioned voting rights are attributable to each of the parties required to notify.

2. Number of employees

The average employee figures are as follows:

	2006	2005
Salaried employees	121	138
Trainees	10	5
	131	143

3. Corporate governance codex

The Board of Management and Supervisory Board have issued a statement on the Corporate Governance Codex pursuant to Section 161 of AktG for the 2006 financial year. This was posted on the company website www.synaxon.de on 08.12.2006 and can be viewed there.

4. Other financial obligations

	2007	2008	2009	Total	Previous year
	€ 000	€ 000	€ 000	€ 000	€ 000
Rent in Germany	160	148	112	420	159
Rent in Vienna	0	0	0	0	160
Vehicles	90	30	7	127	100
Consulting contracts	264	264	132	660	0

5. Liability situation

On the basis of debt assumption contracts, the company is liable for € 28,000 (previous year: € 28,000) for payable rental tariffs. Furthermore, the company has provided a credit institution with a guarantee in the sum of € 150,000 (previous year: € 150,000) for current account liabilities of a system partner and € 65,000 (previous year: € 65,000) for payable rental tariffs.

6. Transactions with affiliated persons

In 2006, the company collaborated with the agency Pauli-Bach and Lewald GmbH – agency for brands and communication – in respect of brand communication and end customer marketing. The Supervisory Board

Chairman, Dr. Günter Lewald, is the Managing Director of that agency. The expenses totaled € 112,000 (previous year: € 111,000) and correspond with conditions customary in the market among outside third parties.

Some subsidiary companies of Synaxon AG maintain business relations with affiliated persons within the meaning of IAS 24. These amount to business transactions with companies in which the Managing Directors of iTeam hold major responsibility.

The Group received performance in the form of goods deliveries form affiliated persons in the sum of € 45,000 (previous year: € 169,000) and services in the sum of € 120,000 (previous year: € 457,000). At the same time, the Group rendered services on behalf of affiliated persons in the form of goods performance in the sum of € 205,000 (previous year: € 5,000) and services in the sum of € 220,000 (previous year: € 160,000). The charges for goods deliveries and services correspond with the conditions that are customary in the market among outside third parties.

On the basis of Group transactions as per 31.12.2006, accounts receivable from trading are due from affiliated companies in the sum of € 34,000 (previous year: € 5,000) and trade accounts payable to affiliated companies and managing directors of subsidiary companies in the sum of € 3,000 (previous year: € 2,000).

Furthermore, the company concluded a contract with PROVOTO GmbH & Co. KG in 2006. The Supervisory Board member of AKCENT Computerpartner AG, Mr Frank Garrelts, is the Managing Director of that company. PROVOTO assumes, in the capacity of general representative for the International and Association Matters Division and as a free member, among other things, the tasks of analyzing the European IT market in respect of suitable expansion opportunities, and drawing up an internationalization strategy for the Co-Operation Division etc. In the period under review, the expenses amounted to € 137,000 (previous year: € 0).

7. Expenses for auditor

The auditing company and tax consultancy Dr. Stückmann und Partner Wirtschaftsprüfungsgesellschaft und Steuerberatungsgesellschaft was appointed as final auditor at the Annual General Meeting on 23.6.2006. The cost of the final auditor in 2006 are as follows: previous year

	2006	2005
	€ 000	€ 000
Final audit	51	51
Other services	20	24
	71	75

The Other Services largely consist of the cost of providing accounting software used by Synaxon.

8. Results after the balance sheet date

With effect of 01.02.2007 the service range of each individual co-operation was made accessible to all member companies, irrespective of their brand affiliation. The individual strengths of each co-operation have now been made available on a central basis. Merely some franchise-specific services will be exclusive to PC-SPEZIALIST partners in the future too. This step is aimed at increasing the efficiency and the brand-wide collaboration within the Synaxon partner landscape, and further expanding the range of services. At the same time it is envisaged that the structures within the Group be ideally aligned by way of resource allocation points.
During the course of the new service and organizational structure, the EGIS purchasing and procurement system, which to date was only available to PC-SPEZIALIST and MICROTREND partners, was also rolled out for the AKCENT partner companies It is envisaged that the interested iTeam system house partners also be incorporated during the course of the year.
In addition, with effect from 01.01.2007 and up until the Annex was prepared, no events have occurred that could be of importance for the estimation of the future company development.

V. Segment information

The segment reporting was prepared with due regard to IAS 14. The segmenting is in line with the Group's internal controlling and reporting operations. The Group runs successful operations in the following segments:

Franchise

Following the acquisition of a franchising license, a franchisee may open an IT store under the name PC-SPEZIALIST. The business is run in accordance with PC-SPEZIALIST's guidelines and standards. Among other things, the license grants the franchisee the right to participate in the joint marketing and purchasing operations, and take part in the managerial consulting provided by the franchise headquarters. The real estate held and financial investments are stated in the Franchise segment.

IT co-operations

This segment comprises the IT association group organization, which independent IT specialist dealers and system houses can join. The Group negotiates competitive purchasing prices with suppliers and manufactures on a daily basis, and makes these available to its partner irrespective of the ordered quantities.

Furthermore, projects and service volumes are marketed jointly and actively. Multiple shops in the form of small and medium-sized German businesses with centrally controlled processes can be supported in the efficient use of their IT systems by way of the Germany-wide presence, and the established network of experts.

Central invoicing

The Group's central invoicing operations are stated in this segment.

The central invoicing is largely operated by the Group as a project business. The Group bundles the purchasing volumes of its partner companies as part of sales campaigns, and then acts as the buyer of the goods in dealings with the supplier. These are then resold to the partner companies. Goods are always delivered on a decentralized basis between suppliers and partner companies. In the central invoicing business, the risk on receivables is fully secured by way of a financial services provider.

Company stores

This segment comprises the company store "DIGITAL INC.". Vienna, Austria. The store's business operations were discontinued in October 2006. It is a discontinued division within the meaning of IFRS 5. For details we refer to I.5.

Business segments of the Synaxon Group in 2006

	Divisions to be continued						Discontinued divisions			
	Franchise		IT co-operations		ZF		Company stores		Group	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Total revenue	4,209	4,207	13,173	12,129	1,904	1,922	1,679	2,773	20,965	21,031
thereof sales via external customers	4,154	4,174	13,173	12,129	1,904	1,835	1,705	2,773	20,936	20,911
thereof sales via other segments	55	33	-	-	-	87	- 26	-	29	120
Segment result (operating result)	-106	- 383	3,081	3,042	39	34	- 643	- 946	2,371	1,747
Profit from Affiliated companies	3	- 26	-	-	-	-	-	-	3	- 26
Depreciation	183	87	523	466	-	-	56	66	762	619
non-scheduled depreciation	194	90	-	-	-	-	-	-	194	90
Depreciation on affiliated companies	-	250	-	-	-	-	-	-	-	250
Total assets	2,184	1,997	13,828	13,414	976	578	16	904	17,004	16,893
thereof fixed assets	1,261	1,063	3,734	4,829	-	-	-	422	4,995	6,314
thereof goodwill	-	-	7,648	5,883	-	-	-	-	7,648	5,883
Segment debt	499	474	2,439	1,953	446	56	35	749	3,419	3,232
Investments	384	478	2,204	4,437	-	-	1	90	2,589	5,005

Geographical segments of the Synaxon Group in 2006

Pursuant to IAS 14.13, geographical segments are geared towards locations in which services are rendered.

	Domestic		Abroad		Group	
	2006	2005	2006	2005	2006	2005
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Sales from discontinued divisions	-	-	1,705	2,773	1,705	2,773
Sales from continued divisions	19,107	18,137	124	1	19,231	18,138
Segment result from discontinued divisions						
Segment result (operating result)	3,186	2,724	- 815	- 977	2,371	1,747
Result from affiliated companies	3	- 26	-	-	3	- 26
Depreciation	705	553	56	66	761	619
Non-scheduled depreciation	194	90	-	-	194	90
Depreciation on affiliated companies	-	250	-	-	-	250
Total assets	16,988	15,989	16	904	17,004	16,893
thereof fixed assets	4,995	5,892	0	422	4,995	6,313
thereof goodwill	7,648	5,883	0	0	7,648	5,883
Segment debt	3,383	2,445	36	787	3,419	3,232
Investments	2,587	4,915	2	90	2,589	5,005

Proposal for approving the annual financial statement and for the appropriation of the profits of Synaxon AG

It is proposed that this version of the annual financial statement be approved, and that the balance sheet profit in the sum of € 2,788,409.71 (Synaxon AG) be used for the 2006 financial year as follows:

- Payment of a dividend of € 0.40 per individual share certificate (3,508,500 certificates = € 1,403,400.00).
- Allocation of the remaining balance sheet profit to the other retained income, including the dividends that are attributable to the own shares held by the company at the time at which the Annual General Meeting is staged.

Bielefeld, dated 2 March 2007

Synaxon AG

Board of Management

Signed Frank Roebers
Signed Andreas Wenninger

Synaxon AG
Consolidated Annual Report as per 31 December 2006

Sectoral development and overall economic situation

The German economy witnessed something of a recovery in 2006. According to the German Federal Statistical Office, gross domestic product increased by 2.5%, following 0.9% in 2005. However, at 0.6%, private consumption merely saw a slight increase. Overall, growth was supported by strong export activity and an increase in domestic demand. No exhaustive assessment can be made on the extent to which the increase in domestic demand was fuelled by bringing forward long-term consumer goods acquisitions due to the increase in value added tax, which came into force on 01.01.2007.

IT market in Germany

German PC market sales figures increased in 2006 too. Market researchers at IDC calculated 10% unit growth in the sale of PCs and notebooks, while the figure in the fourth quarter was 8.7%. Market research institute Gartner cites growth of 7.6%. However, the market volume slipped once again due to the further significant fall in average prices. At the end of the third quarter in 2006, market researchers forecast a fall of approx. 2.5% for the entire year.

Overall, the distribution of computers in Germany has, in the meantime, reached a high level compared with the rest of Europe. For example, three of four households now have a computer (EU average 62%, source: Eurostat).

Synaxon AG business model

Synaxon operates the PC-SPEZIALIST franchise system and the MICROTREND, iTeam and AKCENT co-operations. As per 31.12.2006, Synaxon acted as the umbrella company for a total of 2,630 partner companies representing these brands (previous year: 2.555). The Synaxon Group is therefore Europe’s largest merger of legally independent IT dealers.

The partners affiliated with Synaxon span the entire range of the IT trade and IT solutions, from end customer-oriented IT dealers with retail outlets, online shop operators focusing on IT, IT specialist dealers and value added resellers to medium-sized IT system houses.

The Synaxon Group's activities are primarily geared towards Germany. Nevertheless, some partner companies operate internationally. The association's gross external sales (sales of all partner companies at end consumer prices) are thought to be approx. € 3 billion.

Brand alignment

Above all, the PC-SPEZIALIST brand is geared towards business founders wishing to operate independently by way of targeting end customers in the IT trade. With effect from 2006, the brand has also been accessible to existing IT specialist dealers operating retail outlets, and has seen positive development. PC-SPEZIALIST is characterized by the uniform brand appearance throughout Germany, and a focus on uniform guidelines and standards.

MICROTREND is geared towards IT dealers who attach great importance to co-operated information and knowledge management systems. The offer of comprehensive services for the affiliated dealers is supplemented, above all, by a focus on creating procurement advantages.

AKCENT is largely affiliated with IT dealers and IT solution providers who focus on commercial customers. In addition to a likewise comprehensive range of services for affiliated dealers, the co-operation partners attach great importance to purchasing financing/central regulation.

The iTeam system house association is to be understood as a network of system houses with a focus on medium-sized customers. The iTeam customers jointly form an area-wide service and support network.

Procurement process control within the association

Synaxon has made available to its partners the EGIS online platform to simplify accelerating the business and decision-making processes in the partner companies. EGIS is a B2B platform aimed at providing price and availability data for IT products, and an opportunity to place orders online. At present, a total of 111 Synaxon authorized suppliers are technically linked to EGIS. The product range made available via the platform boasts more than 60,000 products. Up to 256 features are posted for the respective products, while the item master allows for product searches and comparisons. The system provides real-time price and availability data.

Brand development

Partner number development in relation to the brands:

	Status 01.01.2006	Disposal	Addition	Status 31.12.2006
Franchise				
PC-SPEZIALIST				
XL-Store	4	-	-	4
C-Store	21	5	-	16
N-Store	58	12	13	59
AT	1	1	-	0
Base dealer	4	1	-	3
	88	19	13	82
MOBILE PC-SPEZIALIST	17	7	-	10
	105	26	13	92
IT co-operation				
MICROTREND	1,362	333	381	1,410
iTeam	297	26	45	316
Base locations	11	1	-	10
AKCENT	780	86	108	802
	2,450	446	534	2,538
	2,555	472	547	2,630

The Synaxon Group increased the number of partner companies in 2006 too. Above all, growth in partner numbers was attributable to the positive development in co-operation activities, while franchise operations saw a fall in the number of partners. Overall, some 2,630 partner companies were affiliated to the Group as per 31.12. 2006 (previous year: 2,555).

Overview of the earnings situation

	2006		2005		+/-
	€ 000	%	€ 000	%	€ 000
Sales	20,936	100.0	20,911	100.0	25
Other operating income	426	2.0	768	3.7	- 342
Cost of materials	- 7,128	34.0	- 8,611	41.2	1,483
Personnel expenses	- 6,030	28.8	- 5,969	28.5	- 61
Depreciation	- 956	4.6	- 709	3.4	- 247
Operating expenses	- 4,877	23.3	- 4,643	22.1	- 237
EBIT	**2,371**	11.4	**1,747**	8.4	**624**
Financial and investment income	176	0.8	- 313	1.5	489
Pre-tax income	**2,547**	12.2	**1,434**	6.9	**1,113**
Taxes	- 982	4.7	- 1,246	6.0	264
Net income	**1,565**	7.5	**188**	0.9	**1,377**

In the 2006 financial year, the Synaxon Group generated net income of € 1,565,000 (previous year: € 188,000). The result per share is € 0.44 (previous year: € 0.05).

In 2006 the Group benefited, in particular, from a strong fourth quarter. The share of fourth-quarter profits in the sum of € 1,075,000 accounts for 68.7% of the net income of € 1,565,000. The increase is primarily attributable to bundling a higher acquisition volume and the subsequent increase in manufacturer and supplier monies, and a lower loss from the Austrian business due to the closure of the Austrian store DIGITAL INC.

Revenue

At € 20,936,000, the Group's revenue equaled that of the previous year (previous year: € 20,911,000). If the revenue is adjusted to account for the trading business of the pilot store DITITAL INC., the Group saw an increase in sales to € 19,206,000 (previous year: € 18,139,000). The Austrian pilot store DIGITAL INC. was shut down in October 2006. As a result, the store's revenue dropped to € 1,730,000 (€ 2,772,000).

The Group's other operating income amounted to € 426,000 (previous year: € 768,000). In this respect, € 162,000 (previous year: € 392,000) were attributable to the liquidation of provisions, and € 66,000 (previous year: € 66,000) from the liquidation of individual adjustments.

Cost of materials

The cost of materials dropped to € 7,128,000 (previous year: € 8,611,000). The drop was largely attributable to the closure of the pilot store in Vienna and the subsequent decline in the store's sales input to € 1,454,000 (previous year: € 2,743,000).

Personnel expenses

The Group's personnel expenses amounted to € 6,030,000 (previous year: € 5,969,000). Personnel costs therefore amount to 28.8% (previous year: 28.5%).

Employees

	Average number of employees		Status at end of year	
	2006	2005	2006	2005
Synaxon Group	**121**	**138**	**119**	**129**
Synaxon AG (parent company)	79	87	81	82
Synaxon (subsidiary company)	42	51	38	47
Geographic details				
Domestic	111	117	119	116
Abroad	10	21	0	13

In the 2006 financial year, the Group had an average of 121 employees (previous year: 138 employees), of whom 111 persons on average were engaged at home (previous year: 117 employees). The number of trainees in the Group doubled from 5 in the previous year to an average of 10 in 2006.

The drop in the number of permanent employees in 2006 was largely attributable to the closure of the store in Vienna in October 2006.

At the end of the year, the average employee age was 35, while 32% of the employees were female.

Depreciation

The Group's depreciation increased to € 956,000 (previous year: € 709,000). The depreciation rate (depreciation in relation to the assets without goodwill) was 19.2% (previous year: 15.2%). Depreciation was divided into depreciation on property, plant and equipment of € 218,000 (previous year: € 388,000) and depreciation on intangible assets of € 738,000 (previous year: € 321,000). Of the depreciation on intangible assets, € 98,000 were attributable to scheduled depreciation for AKCENT, € 185,000 for iTeam, € 122,000 for the capitalized own software EGIS and € 139,000 for other intangible assets. The IT procurement software "AKCENT Supplier Finder (ALF)" purchased as part of the acquisition of AKCENT computerpartner Deutschland AG was depreciated in full in 2006 at € 194,000, because it is envisaged that in the future all the Group's procurement processes be processed via the EGIS IT platform.

Operating expenses

The operating expenses amounted to € 4,877,000 (previous year: € 4,643,000). One-off closure costs in the sum of € 273,000 were incurred due to the closure of the Austrian pilot store DIGITAL INC. Additions to individual value adjustments amounted to € 513,000 (previous year: € 627,000). Up until the end of the year, Synaxon AG had been involved in a legal dispute with various franchisees, and ultimately won the case outright. Valuation reserves totaling € 200,000 were created in relation to the claims by these franchisees following a review of their creditworthiness. In addition, bad debt losses in the sum of € 47,000 were stated.

In 2006, the legal, consulting and auditing costs totaled € 439,000 (previous year: € 767,000).

Financial and investment income

The financial and investment income increased by € 489,000 to € 176,000 (previous year: € - 313,000). The breakdown is as follows:

	2006	2005	+/-
	€ 000	€ 000	€ 000
Net interest income	119	180	- 61
Investment income	57	- 493	550
	176	**- 313**	**489**

The investment income is divided into depreciation on interests in affiliated companies in the sum of € 0 (previous year € 250,000), profits from affiliated companies in the sum of € 3,000 (previous year: € -26,000) and losses (previous year: profits) of minority partners in the sum of € 54,000 (previous year: € -217,000).

Taxes

The Group stated a tax burden of € 982,000 (€ 1,246,000).

Financial situation

Contrary to the statement in the balance sheet, no separate figures were stated for the assets and debts of the closed division.

	2006		2005			+/-
Assets	€ 000	%	€ 000	%		€ 000
Current assets						
Liquid funds	3,131	14.5	3,933	17.4	-	802
Securities	29	0.1	28	0.1		1
Customer accounts receivable from trading	2,766	12.8	2,236	9.9		530
Other assets	2,553	11.8	3,398	15.1	-	845
	8,479	39.2	9,595	42.5	-	1,116
Long-term assets						
Fixed assets	12,643	58.7	12,197	54.1		446
Other long-term assets	371	1.8	157	0.7		214
Deferred tax	68	0.3	604	2.7	-	536
	13,082	60.8	12,958	56.8	-	124
	21,561	**100.0**	**22,553**	**100.0**	**-**	**992**
Liabilities						
Short-term liabilities						
Provisions	2,380	11.1	2,193	9.7		187
Trade accounts payable	892	4.1	1,141	5.1	-	249
Other assets	1,045	4.8	1,435	6.4	-	390
	4,317	20.0	4,769	21.2	-	452
Long-term liabilities						
Deferred tax	2,280	10.6	2,245	9.9		35
Equity capital	14,964	69.4	15,539	68.9	-	575
	21,561	**100.0**	**22,553**	**100.0**	**-**	**992**

The Group's balance sheet total fell by € 992,000 to € 21,561,000 (previous year: € 22,553,000).

The Group's other assets fell to € 2,553,000 (previous year: € 3,398,000) above all due to the closure of the Austrian pilot store DIGITAL INC., and the goods warehouse that was subsequently reduced to € 9,000 (previous year: € 392,000).

The Synaxon Group consistently continued its investment policy in 2006. This included an increase in the interest in AKCENT Computerpartner Deutschland AG from 75% to 100% of the shares, and iTeam Consulting GmbH and iTeam GmbH from 75% to direct and indirect holdings of 93.7% and 84.33% respectively. Furthermore, 2006 saw a push in the own development of the EGIS software.

The Group's fixed assets increased to € 12,643,000 (previous year: € 12,197,000), of which € 3,302,000 were attributable to franchises, trademarks, patents, licenses and similar rights (previous year: € 2,769,000); € 7,648,000 to goodwill (previous year: € 5,883,000) and € 441,000 (previous year: € 1,009,000) to the EGIS software currently under development. The development expenses for EGIS in the sum of € 1,009,000 that were capitalized up until 31.12.2005 are already being depreciated over a period of 3 to 10 years. In 2006, € 122,000 (previous year: € 0) were attributable to scheduled depreciation.

The Group's equity capital dropped by € 575,000 to € 14,964,000 (previous year: 15,539,000). The equity ratio changed by 0.5% to 69.4% (previous year: 68.9%). As per 31.12.2006, the Group stated accounts receivable from trading of € 2,766,000 (previous year: € 2,236,000) compared with trade accounts payable of € 892,000 (previous year: € 1,141,000).

Financial situation

The following cash flow statement provides an overview of the Group's liquidity situation:

	2006	2005
	€ 000	€ 000
Pre-tax result	2,493	1,651
Share in profits of minority shareholders	54	- 217
Depreciation and other expenses that do not affect payments	1,003	809
Depreciation on interests in affiliated companies	-	250
Cash Flow	**3,550**	**2,493**
Changes in working capital	698	295
Taxes	- 982	- 1,246
Cash flow from ongoing business activity	**3,267**	**1,542**
Cash flow from investments	**- 2,189**	**- 3,737**
Free cash flow	**1,078**	**- 2,195**
Cash flow from financing activity	**- 1,880**	**- 1,090**
Change in funds with effects on payments	- 802	- 3,285
Funds at the start of the financial year	3,933	7,218
Funds at the end of the financial year	**3,131**	**3,933**

The funds fell to € 3,131,000 (previous year: € 3,933,000), above all, due to the outflow of funds as part of the increase in the interests in iTeam GmbH, iTeam Consulting GmbH and AKCENT Computerpartner Deutschland AG in the sum of € 1,406,000 and distributing a dividend to the shareholders in the sum of € 1,415,000 for the 2005 financial year. The cash flow from the ongoing business activity increased to € 3,267,000 (previous year: €1,542,000) due to the improved business development and positive changes to the working capital with an effect on liquidity. The company's free cash flow amounted to € 1,078,000 (previous year: € -2,195,000).

Statement of net value added

From an economical point of view, added value is the difference between gross output and third-party preliminary work. It is a key indicator of a company's efficiency and provides information on the effective added value created by the company by way of its own performance. In addition it illustrates how such added value has been used in the ongoing financial year.

	2006		2005	
	€ 000	%	€ 000	%
Creation of added value				
Company results (sales + income)	21,491	100.0	21,867	100.0
- Advances (material)	7,128	33.2	8,611	39.4
- Advances (others)	4,877	22.6	4,669	21.3
- Depreciation	956	4.5	959	4.4
Net added value	**8,530**	**39.7**	**7,628**	**34.9**
Distribution of added value				
Employees (personnel expenses)	6,030	70.7	5,969	78.3
Public sector (taxes)	982	11.5	1,246	16.3
Creditors (interest)	10	0.1	8	0.0
Minorities + results from affiliated companies	- 57	0.6	217	2.9
Companies and shareholders (net income)	1,565	18.3	188	2.5
Net added value	8,530	100.0	7,628	100.0

In 2006, the Synaxon Group's value added ratio was 39.7% (previous year: € 34.9%). The net added value amounted to € 8,530,000 (previous year: € 7,628,000), and therefore increased by € 902,000. The share of the company and that of the shareholders (net income) in the net added value increased, and in the 2006 financial year amounted to 18.3% (previous year: 2.5%). The public sector share amounted to 11.5% (previous year: 16.3%). In 2006 the company distributed a dividend in the sum of € 1,415,000 for the 2005 financial year. Therefore, 18.6% of the net added value from 2005 passed directly to the shareholders.

Research and development

Synaxon is a knowledge-based company. The long-established group and co-operation model is predicated on the fact that a relatively small, central, unit (the co-operation center) creates and markets exclusive knowledge and innovations. This model does not account for the fact that the affiliated companies have at their disposal several times the central innovative potential that is waiting to be efficiently and actively incorporated. In the meantime, technology has progressed such that this potential can now be incorporated without any problems in real time. To document the knowledge and further development of the Group, Synaxon has introduced a solution on the basis of the "Wiki" web 2.0 technology. The Group's Wiki platform is used to make available from a single course the entire knowledge of the partner companies and the Group headquarters. The platform thrives on the collaboration of several parties. For example, any user can process each product without any problems, and in the process knowledge can be shared with others and qualified and improved on an ongoing basis. The entire know-how and potential for ideas of the employees of the Synaxon partners in excess of 22,000 employees can be made available, and updated, as part of the innovative management via a single source.

The development of the EGIS IT platform continued as planned in 2006. This meant additional application opportunities and improving the operating comfort. The launch of version 3.0 saw the successful completion of the development steps, and an additional quality improvement for users.

Risk management

Risk management within the Synaxon Group is based on individual division and company risk catalogues listing potential dangers. In this respect, the respective persons responsible for monitoring qualify the probability of occurrence and the probable risk consequences of each identifiable individual risk, and quantify these in respect of their potential extent of damage. Measures aimed at warding off, preventing and reviewing risks are specified to ward off risks, or at least minimize them where such action cannot be taken in full. The Group's management is characterized by the individual responsibility of each employee within the organization in collaborating to reduce risks. The executive employees of each company hold organizational responsibility for monitoring the processes and risks in their division. In this respect, detailed risk reports, which are regularly reviewed, are to be filed on a quarterly basis. The risk review procedure is based on the failure mode and effect analysis (FMEA) method, which specifies individual risk assessment items as an outcome for all Group divisions. The Supervisory Board is regularly informed of the Group's risk situation. At the time at which the Management Report was prepared, the Board of Management saw no risks that were capable of jeopardizing the company's existence.

Key business model risks

Alongside the general cyclical risks and the typical IT sector risks such as a significant fall in average prices for IT products; high competitive intensity and an ongoing high insolvency quota among the IT specialist dealers, it has become evident, above all, that online trading is accounting for a growing share of sales. This development presents both chances and opportunities for the stationary trade. On the one hand, at present merely one fifth of dealers sell their products online, presenting huge growth potential. On the other, the IT specialist trade is very slowly adapting to the trend of online business such that larger suppliers have an advantage in this respect. In the medium-term we believe the convergence of online and stationary trading will give rise to the greatest growth potential.

IT risks

Due to the sector-related lower margins, efficient and cost-effective procurement can only be achieved by way of far-reaching support from IT solutions. As part of its IT investment strategy, the Synaxon Group has therefore designed its own EGIS software. EGIS links the partners of the Group with the contractual suppliers and manufacturers. Numerous partners already use EGIS as the leading procurement system, and control their purchasing and other processes illustrated in the solution almost entirely via the system. Particularly strong demands are therefore placed on the system availability, security and the latest data. A long-term system failure could result in economic damage for the Group and users linked to the system. The Group has therefore taken numerous precautions to ensure that the demands are secured. Nevertheless, one hundred percent system availability can never be guaranteed.

Legal risks

There are fewer legal risks compared with the previous year. All procedures in relation to the extraordinary termination of 19 franchisees have now been completed. According to the estimate stated by the company in the 2005 Management Report, the action was wholly successful and all terminations have been deemed invalid. In the financial statement, consideration was given to possible default risks by way of estimating the creditworthiness of debtors in the form of individual value adjustments.

In view of the action brought by the same franchisees at the end of December 2004 and five additional franchisees requesting information and payment regarding the purchasing benefits granted by the company, reimbursement and commissions by manufacturers and suppliers, one franchisee has, in the meantime, withdrawn the action in respect of his location. An out-of-court settlement reached on 08.02.2007 regarding four additional locations saw the franchisees undertake, among other things, to withdraw the action. The settlement will now be recorded in court. Negotiations are currently underway in respect of two other locations. It is likely that an agreement will be reached here too.

Results after the balance sheet date

With effect of 01.02.2007 the service range of each individual co-operation was made accessible to all member companies, irrespective of their brand affiliation. The individual strengths of each co-operation have now been made available on a central basis. Merely some franchise-specific services will be exclusive to PC-SPEZIALIST partners in the future too. This step is aimed at increasing the efficiency and the brand-wide collaboration within the Synaxon partner landscape, and further expanding the range of services. At the same time it is envisaged that the structures within the Group be ideally aligned by way of resource allocation points.

During the course of the new service and organizational structure, the EGIS purchasing and procurement system, which to date was only available to PC-SPEZIALIST and MICROTREND partners, was also rolled out for the AKCENT partner companies. It is envisaged that the interested iTeam system house partners also be incorporated during the course of the year.

Other details

Branch details

The company maintains a branch at 33758 Schloß Holte-Stukenbrock.

Details on the remuneration system for the executive bodies

The company has set up a remuneration system in line with the size of the company and the respective area of responsibility of the executive bodies. The Supervisory Board remuneration is divided into an annual basic remuneration and attendance fees. There are no success-related elements.

The Board of Management remuneration is divided into a fixed share and one coupled with the generated Group net income. In addition, there is share option program for the Board of Management (see Annex).

Summary of the subscribed capital

The company has at its disposal capital stock of € 3,891,000, which is divided into 3,891,000 non-par, bearer, individual share certificates.

Direct or direct capital interests in excess of 10 percent

Deutsche Balaton AG, Weberstraße 1, 69120 Heidelberg, holds 14.83% as voting right share. Of this, 9.93% of the voting rights are attributable to Deutsche Balaton AG 9.93% in accordance with Section 22, sub-section 1, sentence 1, no. 1 of WpHG[1].

[1] German Securities Trading Act

Mr. Wilhelm Konrad Thomas Zours, Werrgasse 9, 69120 Heidelberg, DELPHI Unternehmensberatung GmbH, Weberstraße 1, 69120 Heidelberg, and VV-Beteiligungen AG, Weberstraße 1, 69120 Heidelberg, each hold a voting right share of 14.83%. The voting rights are attributable to each of them in full in accordance with Section 22 sub-section 1, sentence 1, no. 1 of WpHG.

Provisions of the articles of memorandum and association

The Supervisory Board determines the number and appointment of ordinary members of the Board of Management, the conclusion of employment contracts and the revocation of such appointments. Likewise, it appoints a member of the Board of Management as the Chairman of the Board of Management.

The Articles of Memorandum and Association are amended in accordance with the statutory provisions. The Supervisory Board is entitled to amend the Articles of Memorandum and Association only in respect of the wording.

In accordance with Section 71, sub-section I, Nr. 8, of AktG[2], the company is entitled to acquire own shares of up to ten percent of the current capital stock.

Forecast and prospects

According to a survey published in the specialist magazine “Computer Reseller News” in February 2007, German IT dealers are optimistic about the expected business development in 2007. More than 60% of respondents expect their companies to see positive development irrespective of the increase in value added tax. The growth forecast for the German economy in 2007 compiled by the economic institutes is also positive, and on average amounts approx. 2%. Prospects for the employment market remain gratifying – it is expected that the number of unemployed will, on average, fall to almost 4.1 million. Whether this will also give rise to a psychological effect in the form of more trust that will increase private customers’ willingness to acquire consumer goods, and increase commercial customers’ willingness to invest, remains to be seen.

We assume that 2007 will see a continuation in the drop in prices for IT goods. It is unclear whether the volume growth forecast by the market research institutions can compensate the price effect. Our planning premise is therefore based on a German IT market with stagnating sales. At best the market will see a little

[2] Gemran Company Law

growth in 2007. In the short to medium-term we believe sales growth in the IT market will merely be possible via an expansion of the own market share. Competitive pressure in the IT trade will therefore remain at a high level. In view of this, and the fact that still just a small part of the German IT specialist trade is subject to co-operation, we see solid growth opportunities for the Synaxon Group. By way of our co-operation brands, we currently address the entire breadth of the IT trade and use our services to support the competitiveness of independent specialist traders.

We have put in place plans to further increase the partner numbers and the Group's purchasing volume in 2007, and aim to further improve our operative performance. We shall further continue investments in the EGIS software platform to secure the future growth. EGIS simplifies the procurement for affiliated partners, improves processes within the Group and increases transparency of the trade turnover brokered by Synaxon.

We assume that at least a profit of € 0.40 per share will be generated in the 2007 financial year. It is envisaged that all key Group companies play a positive role in achieving this goal. In 2008 we intend to further expand our company's earning capacity. We have identified risks, above all, in the factors listed in "Risk Management". The future dividend policy will be in line with the company's actual economic development, investment plans and growth perspectives. To be able to make highly attractive investments, aimed at increasing the value as a going concern, we do not wish to make any binding comments at present on the dividend for 2007.

Bielefeld, March 2007

Synaxon AG
Board of Management
Signed Frank Roebers
Signed Andreas Wenninger

Auditors' report

We audited the consolidated financial statements of SYNAXON AG, Bielefeld, - comprising balance sheet, income statement, statement of changes in equity, cash flow statement and notes - and the Group management report for the financial year from 1 January to 31 December 2006. The preparation of the consolidated financial statements and the Group management report in accordance with the IFRSs, as they are to be applied within the EU, the application commercial regulations prescribed in Article 315 a Paragraph 1 of the German Commercial Code (HGB) and the Articles of Association is the responsibility of the statutory agents of the company. Based on our audit, it is our responsibility to express an opinion on said consolidated financial statements and the Group management report.

We conducted our audit of the consolidated financial statements pursuant to Article 317 HGB in accordance with the generally accepted standards for the audit of financial statements established by the German Institut der Wirtschaftsprüfer (IDW). These standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are correct and comply with the applicable accounting regulations and that the Group management report provides a fair representation of the financial position, financial performance and cash flows. Knowledge of the business activities and the economic and legal environment of the Group and expectations are examined for any errors during the audit. The effectiveness of the accounting related control system and the evidence supporting information in the consolidated financial statements and the Group management report are examined on a test basis within the framework of the audit. The audit also includes the assessment of the financial statements of companies included in the consolidated financial statements, the scope of consolidation, the accounting principles use, significant estimates made by the management and the evaluation of the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give rise to any objections.

In our opinion based on the results of our audit, the consolidated financial statements comply with the IFRSs, as they are to be applied within the EU, with the applicable commercial regulations in accordance with Article 315 a Paragraph 1 HGB, the Articles of Association and the IFRS as a whole and give a true and fair view of the financial position, financial performance and cash flows of the Group.

The Group management report corresponds to the consolidated financial statements and provides a true and fair view of the situation of the Group and the opportunities and risks of future development.

Bielefeld, 2 March 2007

Dr. Stückmann und Partner
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

(Schmidt)	(Gäbel)
Wirtschaftsprüferin	Wirtschaftsprüfer
(Certified Public Accountant)	(Certified Public Accountant)