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Synaxon AG
Bielefeld

Consolidated group financial statement per 31st of December 2008
and status report for the business year 2008

Auditor's report

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Auditor's Report

We audited the compiled consolidated group financial statement of Synaxon AG, Bielefeld – consisting of balance statement, profit and loss statement, statement on the changes of capital contribution, cash-flow statement and appendix – as well as the consolidated group status report for the business year beginning on the 1st of January and ending on 31st of December, 2008. The compilation of the consolidated group financial statement and the consolidated group status report is the responsibility of the management of the company according to IFRS as it applies in the EU and supplementary principles of § 315a Sec. 1 German Commercial Code (HGB) applicable accordingly. The scope of our work is to evaluate the consolidated group financial statement and the consolidated group report on basis of our audit. We conducted our audit of the consolidated group financial report according to § 317 German Commercial Code (HGB) in observance of the ascertained German principles for proper audits of financial reports. Accordingly, the audit is to be planned and conducted so that incorrectness and violations are noted with sufficient reliability in consideration of the applicable reporting standards, to the extent that such incorrectness and violations could significantly affect the presented view and cast a picture of the asset position, financial and revenue situation in the consolidated group status report. In defining the auditing activities knowledge of the business operations and of the economic and legal context of the consolidated group as well as the expectations for possible errors are considered.

In the scope of the audit, the validity of reporting related internal controlling as well as supporting documents for information in the consolidated group financial statement and the consolidated group status report are mostly evaluated on basis of samples. The audit includes the evaluation of the annual reports of the companies included in the consolidated group report, the extent of the basis of consolidation, applied reporting and consolidation principles and essential opinions of the management as well as the appraisal of the overall presentation of the consolidated group financial statement and the consolidated group status report. We are of the opinion that our audit is sufficient foundation for our evaluation.

Our audit has not caused any objections.

In our evaluation due to the insights gained from the audit, does the consolidated group financial statement reflect a factual and accurate picture of the asset position financial and revenue situation of the consolidated group according to IFRS as it applies in the EU and supplementary principles of § 315a Sec. 1 German Commercial Code (HGB) applicable accordingly. The consolidated group status report is conform with the consolidated group financial statement and presents the possibilities and risks of future development accurately.

Bielefeld, March 26th 2009

**PricewaterhouseCoopers
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Carsten Schürmann
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Synaxon AG
Concern Status Report till 31st December 2008

Growth of Sector and Macroeconomic Situation

The financial crisis escalated to the world wide economic crisis in the course of the year 2008 has also left distinct marks in Germany and opened out into a recession. Indeed the gross domestic product (GDP) has increased in 2008 in total by 1.3%, but it thus remained clearly below the previous year (2007: +2.5%) in yearly average. While in the first quarter of 2008 a growth of 1.5% over the previous quarter could still be achieved, the GDP shrank in the following quarters. In the last quarter of the year, the economic output sank according to calculations of the Federal Statistical Department by 2.1% over the previous quarter.

The consumer price index has increased in the year 2008 in total by 2.6% over the previous year. The yearly increase resulted especially from a steep rise in the consumer prices in the first half of the year. In the last quarter, the growth reduced considering the inflation rate and was only 1.1% above the previous month of year in the December. For this, the clearly reduced energy prices due to the slackness in macro-economy were responsible.

IT-Market in Germany

Despite the weakened economy, the sales volume for PCs increased further in the year 2008 in Germany. According to specifications of the Market Research Institute Gartner, in 2008 almost 19% more computers were sold than in 2007. Thus the increase in the sales volume in Germany was even slightly above the west European average of 17.7% in the reference period. Despite the high growth in number of pieces, an increase in the Sales Revenues from PC-sales was prevented by the prevalent high pricing pressure as well as decreasing average prices. Thus, according to calculations of the Federal Statistical Department, the average prices for PCs decreased in the period from January 2008 to January 2009 by 22.1% and for Notebooks by 21.4%.

The growth in number of pieces resulted particularly from a surplus in sales volume of the Notebooks and Netbooks (+ 36.9%), while the sales volume for Desktop-computer has decreased in yearly comparison (- 1.5%). The market share of the segment Mobile-PC has increased in the course of the year continuously and could grow up to 66.5% of the total market in the fourth quarter of 2008. The market share of the Desktop-PC sank from 44.4% in the previous year quarter to 33.5% in the fourth quarter of 2008. While the

Notebook sales volume in the fourth quarter could reach similar growth rates as in the previous quarters with 35.8%, the sales volume of the Desktop-computer sank by 14.4 % in comparison to the previous year quarters.

Business model of the Synaxon concern

The Synaxon AG operates the Franchise system PC-SPEZIALIST and the IT-cooperation MICROTREND. In addition, it organizes the cooperative business of the brand iTeam – the IT partner network as well as AKCENT Computer partner over associated companies. By all brands, Synaxon unified till 31.12.2008 in total 2,788 partner operations (previous year: 2,681). Thus the Synaxon conglomerate is the largest consortium of legally autonomous IT-retailers in Europe. The total Spectrum of the IT-trade and IT-solutions sector belongs to the partners connected to Synaxon. This ranges from end-client oriented IT-retailers with retail outlets over Online-Shop operator with emphasis on IT-development, IT-specialty retailers and Value-Added-Resellers up to medium-size IT-system vendors.

According to its self-concept, the Synaxon AG perceives itself as IT-Platform operator. In this function, it binds the IT-market participants, without having them – in contrast to a cooperation central – to lead. The goal is to generate competition advantages for the affiliated enterprises and to pass down to them.

Organization of the procurement processes in the conglomerate

The partner of the conglomerate can access the Online-purchase- and Information platform EGIS exclusively. Started as pure procurement solution, to order products over the online and in real-time prices and to check the availability for IT-products, EGIS was further developed to a Full-Service-platform. Tendering, Logistics, Marketing transaction and exchange of experiences of the members are only a few of the functionalities that the system offers today. The EGIS-system has more than 4,000 users today, who have access to an available assortment of more than 250,000 deliverable articles.

Orientation of the Brands

The Synaxon concern offers its conglomerate-services under four brands today:

The strategy of the brand PC-SPEZIALIST was revised in the expired business year. Against the previous direction, the Expansion of the Franchise network does not predominantly aim to founders any more, rather mainly to IT-specialty retailers already established in the market, who wish to improve their business performance by utilizing the brand PC-SPEZIALIST. The country-wide uniform brand identity and the orientation to uniform guidelines and standards are typical for PC-SPEZIALIST.

MICROTREND addresses itself to the IT-retailers with high attention on cooperated Information- and Knowledge-Management-systems. Beside the offer of comprehensive services for the affiliated retailers, the achievement of procurement advantages remains primarily in the focus.

The AKCENT are predominantly IT-retailers and IT-solution providers affiliated with emphasized orientation to commercial clients. Beside a likewise comprehensive service spectrum for the affiliated retailers, the topic Purchase Financing/Central Settlement has a high significance particularly for the cooperation partners.

The iTeam system vendors association perceives itself as network of system vendors with emphasized orientation to medium-sized clients. The iTeam-partners collectively build a Service network with blanket coverage.

Growth of the Brands

The partner numbers of the brands have grown in 2008 as following:

| | Dated 01.01.2008 | Outward | Inward | Dated 31.12.2008 |
|------------------------|---------------------|------------|------------|---------------------|
| Segment Franchise | | | | |
| PC-SPEZIALIST | 72 | 8 | 7 | 71 |
| Segment IT-cooperation | | | | |
| MICROTREND | 1,470 | 286 | 369 | 1,553 |
| iTeam | 339 | 50 | 21 | 310 |
| AKCENT | 800 | 46 | 100 | 854 |
| | <u>2,609</u> | <u>382</u> | <u>490</u> | <u>2,717</u> |
| | <u>2,681</u> | <u>390</u> | <u>497</u> | <u>2,788</u> |

The partner number of the Synaxon concern has increased further in the business year 2008. The growth was allotted particularly to the brands AKCENT (+54) and MICROTREND (+83) while the partner number of the brands PC-SPEZIALIST (-1) and iTeam (-29) was receding.

Till 31.12.2008, in total 2,788 partner operations were affiliated to the concern (previous year: 2,681), which are divided into 2,717 cooperation partners (previous year: 2.609) and 71 Franchisees (previous year: 72).

The increased departure of partners of the iTeam over the previous years can be explained as a result of change in leadership (Retirement of the founder of the enterprise). Such an effect is characteristic for the cooperation business in the year of the change, however, usually of singular nature.

Activities Abroad

The subsidiary company SYNAXON UK Ltd. Was founded in June 2008 with office in Warrington / Great Britain and assumed its business activities in September 2008. As executive director, an industry expert and long-term president of the English industry association Professional Computer Associates (PCA) could be gained with Derek Jones. The business model presently allows for two types of partner, who distinguishes themselves from each other on basis of their performances and fees. The adapted software platform EGIS UK was rolled out in January 2009 and in the meantime offers affiliated partners the access to more than 80,000 articles. The active distribution of memberships for the association will start in the year 2009.

Profit, Finance - and Asset Status

Overview on the Profit Situation

| | 2008 | | 2007 | | Change in amount | |
|--|--------------|-------------|--------------|-------------|------------------|--------------|
| | TEUR | % | TEUR | % | TEUR | |
| Sales Revenues | 15,299 | 100,0 | 16,553 | 100,0 | - | 1,254 |
| Other operational earnings | 509 | 3,3 | 482 | 2,9 | + | 27 |
| Other capitalized services on own account | 1,268 | 8,3 | 569 | 3,4 | + | 699 |
| Material expenditure | - 3,555 | 23,2 | - 3,904 | 23,6 | + | 349 |
| personnel expenditure | - 5,615 | 36,7 | - 5,654 | 34,2 | + | 39 |
| Depreciations | - 1,414 | 9,2 | - 762 | 4,6 | - | 652 |
| Operational expenditures | - 4,393 | 28,7 | - 3,948 | 23,9 | - | 445 |
| EBIT | 2,099 | 13,7 | 3,336 | 20,2 | - | 1,237 |
| Income from financial assets and income from minority equities | 162 | 1,0 | 87 | 0,5 | + | 75 |
| Amount before Tax | 2,261 | 14,7 | 3,423 | 20,7 | - | 1,162 |
| Taxes | - 662 | 4,3 | - 1,140 | 6,9 | + | 473 |
| Revenue share of stockholders of Synaxon AG | 1,594 | 10,4 | 2,283 | 13,8 | - | 689 |

The concern-annual net income of the Synaxon concern sank in the business year 2008 by TEUR 689 to TEUR 1.594 (previous year: TEUR 2.283). The income was burdened in particular by an unscheduled depreciation in amount of TEUR 613 to immaterial asset values as a result of a reduced recoverability. The return per share amounted to EUR 0.45 (previous year: EUR 0.65).

Sales Revenues

In the expired business year the concern achieved sales revenues in amount of TEUR 15,299 (previous year: TEUR 16,553).

The decrease in the sales revenues explains itself primarily as due to a decline in the revenues bound to the purchase volume. Furthermore, the central purchase- and sales of IT-products (central invoice processing business) had already receded in 2007 in favor of the pure sales promotion. In 2008, no central invoicing revenues were achieved (previous year: TEUR 195).

Other operational earnings

The sundry operational revenues of the concern increased by TEUR 28 to TEUR 510 (previous year TEUR 482).

Capitalized services on own account

Other capitalized services on own account increased by TEUR 699 to TEUR 1,268 (previous year TEUR 569) due to increased internal developments.

Material Expenditure

The material expenditure reduced in the concern by TEUR 349 to TEUR 3,555 (previous year: TEUR 3,904) and is composed of expenditures for raw material-, auxiliary material- and operating material and for related commodities in amount of TEUR 2,197 (previous year: TEUR 3,711) and expenditures for related services in amount of TEUR 1,358 (previous year: TEUR 193).

Personnel Expenditure

The personnel expenditure in the concern was reduced by TEUR 39 to TEUR 5,615 (previous year: TEUR 5.654).

The personnel costs intensity (ratio of personnel costs to turnover) still increased due to the sunken sales revenues slightly to 36.7 % (previous year: 34.2 %).

After the relocation of the business operations of the AKCENT Computerpartner Deutschland AG from Lilienthal near Bremen to Bielefeld had occurred already in the year 2007, the iTeam Systemhauskooperation GmbH & Co. KG was relocated from Osnabruck to Bielefeld in the year 2008 in scope of the further centralization of the business operation.

Employees

| | Average Number of employees (without apprentices) | | Balance Till end of year (without apprentices) | |
|--|---|------------|--|------------|
| | 2008 | 2007 | 2008 | 2007 |
| Synaxon concern | 110 | 116 | 120 | 124 |
| Synaxon AG (controlling company) | 93 | 87 | 104 | 92 |
| Synaxon (remaining companies of the concern) | 17 | 29 | 16 | 32 |

The Synaxon concern employed on average 110 employees (previous year: 116 employees) in the business year 2008. Among them on average one employee was employed abroad (previous year: 0 employees abroad). The average number of employees of the concern-holding company Synaxon AG rose from 87 employees in 2007 to 93 employees in 2008. On the other hand, a reduction in the average number of employees from 29 employees to 17 employees took place in the subsidiary companies of the concern. Till 31.12.2008, in total 120 employees were appointed in the Synaxon concern (previous year: 124 employees).

Depreciations

The depreciations of the concern increased particularly due to an unscheduled depreciation for immaterial asset values in amount of TEUR 613 to TEUR 1,414 (previous year: 762).

The depreciation rate of the concern (depreciations based on the capital assets without Goodwill) rose to 29.6 % (previous year: 16.7 %).

The depreciations were divided into depreciations on tangible assets in amount of TEUR 193 (previous year: TEUR 151) and depreciations on immaterial asset values in amount of TEUR 1.221 (previous year: TEUR 611).

The depreciations on immaterial asset values increased particularly due to an unscheduled depreciation on partner contracts of the iTeam Systemhauskooperation GmbH & Co. KG in amount of TEUR 613. In scope of the acquisition of the company in 2004, the contracts were evaluated with affiliated partners and capitalized as immaterial asset value. The Synaxon AG tests the capitalized immaterial asset values yearly on evidence of a reduction of their recoverability. In 2008, the examination yielded a decline in value as a result of reduced inflows from the partner contracts of the iTeam Systemhauskooperation GmbH & Co. KG. The deviation can be explained as due to the change in leadership (retirement of the founder of the

enterprise) of the enterprises. Such an effect is characteristic for the cooperation business in the year of the change, however, usually of singular nature.

Furthermore, scheduled depreciations were allotted to immaterial asset values such as partner contracts in amount of 215 TEUR (previous year: TEUR 215), to self-provided software in amount of TEUR 300 (previous year: 167) as well as to other software in amount of TEUR 75 (previous year: TEUR 40) and licenses in amount of TEUR 16 (previous year: TEUR 20).

Operational expenditures

The operational expenditures rose in 2008 by TEUR 445 to TEUR 4.393 (previous year: TEUR 3.948). In particular, the agency staff costs increased to TEUR 1,147 (previous year: TEUR 885), the advertising- and travel costs increased to TEUR 688 (previous year: TEUR 592), the vehicle costs to TEUR 249 (previous year: TEUR 224) as well as other operational expense items increased to TEUR 627 (previous year: TEUR 556).

In particular, the legal and consultation costs decreased to TEUR 130 (previous year: TEUR 300), the expenditures for repairs and overhauling decreased to TEUR 274 (previous year: TEUR 312) as well as the losses from decline in values decreased to TEUR 388 (previous year: TEUR 443).

Income from financial assets- and income from minority equities

The Income from financial assets and income from minority equities rose in 2008 by TEUR 75 to TEUR 162 (previous year: TEUR 87) and is presented as following:

| | <u>2008</u> TEUR | <u>2007</u> TEUR | <u>+/-</u> TEUR |
|-------------------------------|---------------------|---------------------|--------------------|
| net interest income | 168 | 171 | - 3 |
| income from minority equities | - 6 | -84 | + 78 |
| | <u>162</u> | <u>87</u> | <u>+ 75</u> |

The net interest income of the concern was slightly reduced to TEUR 168 (previous year: TEUR 171), which resulted from a reduced inventory of liquid assets as well as a sunken general interest level.

The income from minority equities are composed of the share of losses of the minority shareholders of private companies in amount of TEUR 3 (previous year: shares of profits in amount of TEUR 46), the share of income from minority shareholders in amount of TEUR 26 (previous year: TEUR 58) as well as the

income from associated enterprises in amount of TEUR 17 (previous year: TEUR 20). The reduced disbursements to minority shareholders resulted from the further acquisition of minority shares in subsidiary companies by the concern.

Taxes

The tax expenditure of the Synaxon concern was reduced in 2008 to TEUR 667 (previous year: TEUR 1,140). The book value of tax rate (quotient of taxes on income before taxes and minorities shares) amounted to 29.2 % (previous year: 32.3 %).

Net asset position

| Assets | 2008 | | 2007 | | +/- TEUR |
|----------------------------------|----------------------|---------------------|----------------------|---------------------|---------------------|
| | TEUR | % | TEUR | % | |
| short-term asset values | | | | | |
| Liquid assets | 3,039 | 14.2 | 4,438 | 20.5 | - 1,399 |
| Securities | 7 | 0.1 | 20 | 0.1 | - 13 |
| Customer's trade receivables | 2,842 | 13.3 | 2,675 | 12.3 | 167 |
| Residual assets | 1,922 | 9.0 | 1,919 | 8.9 | 3 |
| | <u>7,810</u> | <u>36.6</u> | <u>9,052</u> | <u>41.8</u> | <u>- 1,242</u> |
| long-term asset values | | | | | |
| capital assets | 13,204 | 61.8 | 12,213 | 56.4 | 991 |
| Residual long-term assets | 310 | 1.5 | 350 | 1.6 | - 40 |
| deferred taxes | 36 | 0.2 | 55 | 0.2 | - 19 |
| | <u>13,550</u> | <u>63.4</u> | <u>12,618</u> | <u>58.2</u> | <u>933</u> |
| | <u>21,360</u> | <u>100.0</u> | <u>21,670</u> | <u>100.0</u> | <u>-310</u> |
| Liabilities | | | | | |
| short-term credit capital | | | | | |
| Suppliers' liabilities | 771 | 3.6 | 522 | 2.4 | 249 |
| Accruals | 320 | 1.5 | 360 | 1.7 | - 40 |
| Tax liabilities | 239 | 1.1 | 272 | 1.3 | - 33 |
| Residual liabilities | 2,071 | 9.7 | 2,709 | 12.5 | - 638 |
| | <u>3,401</u> | <u>15.9</u> | <u>3,863</u> | <u>17.8</u> | <u>- 462</u> |
| long-term credit capital | | | | | |
| deferred taxes | <u>1,811</u> | <u>8.5</u> | <u>1,755</u> | <u>8.1</u> | <u>56</u> |
| Equity | <u>16,148</u> | <u>75.6</u> | <u>16,052</u> | <u>74.1</u> | <u>96</u> |
| | <u>21,360</u> | <u>100.0</u> | <u>21,670</u> | <u>100.0</u> | <u>- 310</u> |

The total assets of the concern amounted to TEUR 21.360 (previous year: TEUR 21.670).

The equity of the concern increased by TEUR 96 to TEUR 16,148 (previous year: TEUR 16,052), while the equity ratio rose to 75.6% (previous year: 74.1%).

The inventory for trade receivables amounted to TEUR 2,842 (previous year: TEUR 2,675) till the end of the business year 2008. On the other hand, the trade payables amounted to TEUR 771 (previous year: TEUR 522).

Financial Status

The following cash flow statement sheds light on the growth of liquidity of the company:

| | <u>2008</u> | <u>2007</u> |
|--|---------------------|---------------------|
| | TEUR | TEUR |
| Income before profits taxes and interests | 2,099 | 3,337 |
| depreciations and other invalid payments expenditures | <u>1,409</u> | <u>776</u> |
| Cash Flow | 3,508 | 4,113 |
| Changes in the Working Capital | - 580 | 1,172 |
| net interest income | 167 | 171 |
| profits taxes | - <u>667</u> | - <u>1,872</u> |
| Cash Flow from running business transactions | 2,428 | 3,584 |
| Cash Flow from investment | - <u>2,364</u> | - <u>792</u> |
| Free Cash Flow | 64 | 2,792 |
| Cash Flow from financing activity | - <u>1,463</u> | - <u>1485</u> |
| Change in the financial resource fund affecting payment | - 1,399 | 1,307 |
| financial resource fund at beginning of the business year | <u>4,438</u> | <u>3,131</u> |
| financial resource fund at end of the business year | <u>3,039</u> | <u>4,438</u> |

The cash and cash equivalents of the concern were reduced at the end of the business year to TEUR 3,039 (previous year: TEUR 4,438). The decrease resulted mainly due to a reduced annual net income, higher investment in the capital assets and the acquisition of further shares in subsidiary enterprises.

The company had carried on a dividend distribution for the business year 2007 in amount of TEUR 1,415 in the business year 2008.

Value added statement

In the economic view, the value added is the difference of production values and intermediate inputs from third parties. It forms a significant indicator for the economic performance of an enterprise and provides information on which effective surplus value has been created by the enterprise by its own performance. Moreover, it shows how this surplus value was used in the running business year.

| | 2008 | | 2007 | |
|--|---------------------|---------------------|---------------------|---------------------|
| | TEUR | % | TEUR | % |
| Accrual of the added value | | | | |
| Company performance (Transaction + revenues + services on own account) | 17,260 | 100.0 | 17,809 | 100.0 |
| ./. intermediate inputs (Material) | 3,555 | 20.6 | 3,904 | 21.9 |
| ./. intermediate inputs (other) | 4,393 | 25.5 | 3,948 | 22.2 |
| ./. depreciations | 1,414 | 8.2 | 762 | 4.3 |
| Net value added | <u>7,898</u> | <u>45.8</u> | <u>9,195</u> | <u>51.6</u> |
| Distribution of the added value | | | | |
| Employees (personnel expenses) | 5,615 | 71.1 | 5,654 | 61.5 |
| Public authority (taxes) | 667 | 8.4 | 1,140 | 12.4 |
| Lenders (interests) | 17 | 0.2 | 34 | 0.4 |
| Minorities + income from associated enterprises | 6 | 0.1 | 84 | 0.9 |
| Enterprise and shareholders (annual net income of the concern) | 1,593 | 20.2 | 2,283 | 24.8 |
| Net value creation | <u>7,898</u> | <u>100.0</u> | <u>9,195</u> | <u>100.0</u> |

The value addition ratio of the Synaxon concern amounted to 45.8% (previous year: 51.6 %) in 2008. The net-value creation amounted to TEUR 7,898 (previous year: TEUR 9,195). The share apportionable to the enterprises and the shareholders (annual net income of the concern) share in the net-value creation amounted to 20.2 % (previous year: 24.8 %). The public authority had a share of 8.4 % (previous year: 12.4 %). For the business year 2007, the concern had carried out in the year 2008 a Dividend distribution in amount of TEUR 1,415. Thus 15.4 % of the net-value creation has directly flown from the year 2007 to the shareholders.

Research and Development

Synaxon is a knowledge-based and technology-oriented enterprise. The traditional conglomerate- and cooperation model assumes that a relatively small central unit (the cooperation central) creates and markets knowledge and innovation exclusively. This model misjudges that in the affiliated partner operations a

multiple of the central innovation potential is available, which awaits an efficient active integration. Synaxon has, therefore, introduced the central knowledge platform developed on basis of the Web 2.0 technology “Wiki” and further adapted to the needs of the conglomerate in 2007. With help of the platform, the total Know-how and idea potential of more than 22,000 employees of the Synaxon- partners is made available and kept updated to the central point in scope of the innovation management today.

The Synaxon AG is hence a strongly technology-dependent and above all, software-run enterprise. The efficiency of the trade- and procurement processes is an essential competition factor in the IT-sector. Hence, the company does not focus to standard solutions in this area, but concentrates on high measures on the internal development of software solutions, which makes a difference in the competition.

Significant running software-projects of the company were the in 2008 the further development of the Online-purchase- and information platform EGIS (Enterprise Global Information System) as well as BPM (Business- partner-Management) started at the end of 2007 for efficient control of the conglomerate business and the construction of the Online-platform snippr.de, which delivers a connection between advising and E-Commerce on basis of a “Customers advise Customers” approach. Due to the importance of these developments for the current and future success of business of the company, the investments were increased further on these software projects in comparison to the previous years.

Snippr should become a social commerce and trade platform for IT products and associated services in the next three years. Snippr connects the following elements:

- Expert community that provides the clients the opportunity to be advised for free by the experts before the decision of purchase.
- Central online-shop for the own trade of products with a high price transparency for the end-clients. Thus, a clear training of central commodity marketing is attained for achieving digression effects.
- Market place with the opportunity for everyone to sell IT -products as well as services on snippr.
- Pick-up- and Service stations as stationary components.

Human Resources Development

The Synaxon AG considers the promotion and individual development of every employee as particularly important, as the targets and visions can only be achieved with well trained and motivated employees. The concern therefore promotes the human resources development and offers the employees a well-balanced mix of e-Learning, internal trainings and external seminars. The offered trainings should extend the professional-, methodical- and leadership-competence and span from IT-trainings over Six Sigma up to measures for the personality development.

At this juncture, general measures for training are complemented by individual offers. In fair dialog with the employees, the target- and development agreements are set, regular evaluations interviews are done and career planning are arranged. From the sum of these measures, the training requirement is analyzed and individual offers are made for the development of the employees.

Risk Report

Risk Management

The risk management system of the Synaxon AG is based on the individual risk catalogs, which lists potential risks. For each identified individual risk, probability of loss occurrence and probable consequences of risks are qualified and quantified regarding their amount of potential damages by the respective monitoring personnel. By ascertainment of remedial action, preventive measures and checking measures, it is consecutively worked towards the direction to remedy risks, or to at least minimize them where remedy is not entirely possible. The individual accountability of each individual within the organization to work together for risk reduction is characteristic of the risk management of the company. Organizationally, the leadership of the company is responsible for the process and risk monitoring in their area. Here, detailed risk declarations are to be provided for each quarter, whose estimates and evaluations are examined monthly. The risk checking method of the company is based on the FMEA (Analysis of Probability of Error- and Influence Analysis)-methods, which ascertains error checking numbers as output for all individual risks in enterprise area. The governing body is regularly informed on the risk situation of the company and of the concern. The Board of Directors sees no threatening risks for the company at the time of issuing the status report.

Essential Risks of the Business Model

Beside the general economic risks, which have been intensified as a result of the financial crisis, the company considers itself confronted with the usual risks in the IT-sector in Germany. Still the IT-products are affected by a heavy decline in price. Paired with the high competition intensity, this leads to an under-proportional margin of the market participants in Germany in comparison with markets in other countries. As the company is predominantly active in Germany, almost all retailers of the Synaxon AG are affected by this. An additional pressure on the stationary trade emerges from Online-trade, which registers increasing market shares. For the Synaxon AG itself in this initial situation, there are risks due to the still high

bankruptcy distribution among IT-retailers on one hand, on the other hand also opportunities, which the services of the company are serving for the promotion of the competitiveness of the affiliated enterprises.

Risks following the financial crisis

The Synaxon AG is less affected by direct refinancing risks due to its capital structure and the high equity ratio of around 76%. Nevertheless, the product credit insurers have become more cautious particularly in the low-margin E-Commerce-business. By the more restrictive allocation of product credit limits, the partners affiliated to the company are restricted in their business activities. Due to these barriers, the losses in revenues of the partners and thus even a reduction in the revenues bound to placed purchase volume of the company are possible. Furthermore, increasing number of insolvency among the partners and suppliers could also burden further flows of transactions such as membership fees, admission fees and advertising subsidies.

IT-risks

Due to low margins, an efficient cost-effective procurement in the IT-sector is only possible with extensive support by software solutions. In scope of its IT-investment strategy, the Synaxon AG has hence developed the software EGIS itself. With help of the application of EGIS, the partners of the conglomerate are networked with the contract suppliers and manufacturers. Already today, numerous partners use EGIS as the leading procurement system and control their purchase as well as other processes developed in scope of the solution such as the logistic business almost entirely over EGIS. Hence, high demands on the system availability, safety and recency of data result in particular. A long-term system failure could lead to economic losses for the company and for the users affiliated to the system. The company has taken numerous measures in order to reduce the risk of a system failure. Still, a hundred percent availability conditioned by the system can never be guaranteed.

Risks in the Legal Area

With regard to the lawsuit filed at end of December 2004 by 49 Franchisees from 24 locations about information and payment regarding purchase benefits guaranteed by the company, reimbursements and provisions by manufacturers and suppliers, seven locations have withdrawn the claim in the meantime. In

two of the remaining 17 proceedings, an interruption due to running insolvency proceedings in accordance with § 240 ZPO has been filed by the insolvency administrator.

In the still running proceeding, a hearing of evidence took place in June 2007. The witnesses nominated by the company were questioned. After accomplishing the hearing of evidence, the presiding judge declared that the company did not provide the necessary evidence.

In July 2008, the district court of Dortmund has suggested the parties the accounts of a comparison anew by resolution. The corresponding offer of the company was declined by all claimants.

Principal date was determined by the district court of Dortmund henceforth to be on 23rd April 2009.

The company Pomoschnik Rabotajet GmbH, Berlin, represented by its director Mr. Tino Hofmann, has filed an action of rescission and nullity against the following resolutions of the regular annual general meeting of the Synaxon AG on 12th June 2008 at the district court of Bielefeld:

- Agenda item 5: “Resolution on a new empowerment of the Board of Directors to increase capital from authorized capital along with amendments to articles of association”
- Agenda item included on demand of the CornerstoneCapital AG: “Resolution on the empowerment to acquire own shares”
- Agenda item included on demand of the CornerstoneCapital AG: “Empowerment to sanction an option plan 2008 under allotment of share options with subscription rights on shares of the Synaxon AG to members of the Board of Directors of the Synaxon AG”

The claimant bases on alleged formal deficiencies of the invitation to the regular annual general meeting of the Synaxon AG as well as missing reporting of the Board of Directors under the complaint forwarded on 29th August 2008. The litigation is recorded under the reference number 17 O 132/08.

After the conciliation- and trial date on 28.11.2008, an evidence order was announced on the following date on 09.01.2009. The prosecution of the oral trial as well as the questioning of witnesses takes place in February and March 2009.

Risks in the Personnel Area

Also in front of the background of the economic regression, the competition for highly qualified professionals and leadership in the IT-sector is still high. In the IT-sector, there is always an employee market with a comparatively low rate of unemployment as well as a multiple of positions that are contracted out. The Synaxon AG has hence intensified the cooperation with academia, in order to attract attention of the graduates to the enterprise at an earlier point of time and to be able to form a bond with them.

Risks due to activities abroad

The market entrance of the Synaxon AG in Great Britain by means of the subsidiary company Subsidiary company SYNAXON UK Ltd. could result in further risks. As a principle, the business model in Great Britain is subject to similar risks, as it happens in home country. The market risks are, however, as a result of the weaker situation of economy in Great Britain, to be classified to a higher rung than in home country. Furthermore, the currency fluctuations recover further risk potential.

Events after the balance sheet date

Beyond the continuing action for rescission and nullity, presented in the appendix, there were no significant events after the balance sheet date.

Other specifications in accordance with § 315 HGB

Specifications for remuneration system for the elements

The company has developed a remuneration system appropriate to the size of the company and corresponding to the respective sphere of responsibility of the elements. The remuneration of the Board of Directors can be divided into a yearly basic remuneration as well as attendance money. There are no success-oriented elements.

The remuneration of the Board of Directors is divided into a fix and a variable part coupled to the targeted net annual income of the concern. In addition, the annual general meeting in 2008 has decided a share options program for the Board of Directors, however, an action for rescission and nullity was filed against the decision resolution at district court of Bielefeld (confer: risks in the legal area).

Composition of the subscribed capital

The company has an equity capital of EUR 3,891,000, which is distributed into 3,891,000 non-par value bondholder shares.

Direct or indirect shareholding in capital greater than 10 percent

The Deutsche Balaton AG, Weberstraße 1. 69120 Heidelberg holds a proportion of voting rights of 14.83 %. Of these, the Deutsche Balaton AG is to be apportioned 9.93 % of votes in accordance with § 22 Section 1 Clause 1 No. 1 WpHG.

Herr Wilhelm Konrad Thomas Zours, Werrgasse 9. 69120 Heidelberg, the DELPHI Unternehmensberatung GmbH, Weberstraße 1. 69120 Heidelberg and the VV-Beteiligungen AG, Weberstraße 1. 69120 Heidelberg hold a voting right of 14.83 % respectively. The votes are entirely apportioned to them respectively in accordance with § 22 Section 1 Clause 1 No. 1 WpHG.

The ARF Holding GmbH, Schloß Holte, Germany holds 15.43% of the shares of the Synaxon AG (this corresponds to 600,530 votes).

The voting right share of Mr. Bruno Fortmeier, Germany of the Synaxon AG amounts to 15.43% (this corresponds to 600,530 votes). From these, 15.43% is to be apportioned to him (this corresponds to 600,530 votes) in accordance with § 22 Section 1 Clause 1 No. 1 WpHG by the ARF Holding GmbH.

Determination of the articles of association

The determination of the number as well as the subscription of the regular members of Board of Directors, the resolution of the employment contract as well as the revocation of the subscription take place by the governing body, likewise the nomination of a member of the Board of Directors as the president of the Board of Directors.

Amendments in the articles of association take place according to legal regulations. The governing body is entitled to render amendments of articles of association, which only concerns the frame.

The annual general meeting 2008 empowered the company in accordance with § 71 Section I No. 8 AktG to acquire own shares in amount of up to ten percent of the present equity capital till 11th December 2009. Furthermore the decision on a new empowerment of the Board of Directors to increase capital from authorized capital along with amendment in articles of associations was made in scope of the Annual general meeting 2008.

The decisions of the annual general meeting are effective under reserve of the adjudication regarding the action for rescission and nullity on the resolutions of the annual general meeting mentioned in the risk report.

Prognosis and Forecast

At the beginning of the year 2009 experts forecasted a progressive recession in Germany.

According to the estimates of the federal government, the German gross domestic product will be reduced by 2.25%, while the international Monetary Fund (IMF) forecasts a 2.5% reduction of the German economic activities. After a recovery of the job market in the previous years, an increase in the number of unemployed people to 3.5 million is estimated in the running year.

The Consumer Research Organization (GfK) assumes at least for the first half of the year 2009 a dilution of the economic downturn by a slight growth in consumption of up to 0.5%. This forecast is established upon a reduced inflation rate as well as decreased energy prices.

According to specifications of the Center for European Economic Research, the economic prospect index increased in February to -5.8 points, after it had reached -31.0 points in January. The slight improvement of this early indicator is based on more confident forecasts on the extensive fiscal- and monetary policy related measures to stimulate the economy. The economic trough should be reached, according to estimates by experts, around middle of the year.

While the private consumption looks still stable due to the reduced inflation rate at present, the investments in the B2B Segment are expected to be more conservative. The unsure financing situation can lead to a halt in investment in IT-products for many enterprises.

The inter-trade organization Bitkom still considers 2009 with a transaction volume in the German total market for information technology, telecommunication and digital consumer electronics in the previous year level of around 145 billion Euros. According to the opinion of the BITKOM, IT-solutions can be used for cost reduction and downsizing of business processes and thus contribute to economically difficult situations for refurbishment and restructuring of enterprises. In addition, the IT-expenses of the public authority should cast a stabilizing effect as a result of the economic package of the federal government, which for example should flow into the broadband promotion and IT-security.

Even if we assume a moderate increase in the partner numbers in the franchise and cooperation sector, we prepare ourselves for a recession in the business volumes in 2009 simultaneously due to the present economic situation. The uncertainty regarding the growth of the demand in the Business- and Consumer-

sector paired with the further expected heavily decreasing average prices for IT-products makes it difficult for a concrete forecast on growth of the hardware sales or the purchase transactions of our partner operations. According to the current forecasts of market researchers for 2009, a lateral growth may be expected at best.

Despite the crisis, we see medium-term opportunities for conglomerates such as the Synaxon AG. Conditioned by the margins, only those market participants are fit to survive in the IT-Sector for long-term who have established efficient cost structures in their businesses. With the expected consolidation among the market participants in the imminent weak phase, the pressure for those enterprise will increase, who have not yet adjusted their processes and cost structures. Here, with our IT-procurement platform EGIS that we have developed since 2003 consistently on our own initiative, we offer a solution for significant reduction in the procurement costs of the specialized trade on one hand and the sales- and distribution costs of the wholesale trade on the other hand. Simultaneously, we procure attractive price advantages for our partner operations on group basis, while we are predictable partners for the wholesale trade.

Today, the EGIS-system is one of the main grounds of entry for the cooperation. We will, therefore, contracyclically increase the investment in the EGIS-system in 2009 in order to further extend our prominence in competition. The EGIS-system particularly helps to reduce the subscription prices in the so-called Tail, i.e. for niche-, special- and accessory products significantly. With over 260,000 deliverable articles, everyone can be referred to the special articles over the system cost-effectively. This is an enormous advantage for enterprises affiliated to us. They focus principally on advising and service and not on the classic pallet business of the large shopping malls and Food-Discounter. Our consistent decentralized structure and positioning as negotiator between supply and demand facilitates us to operate small orders cost-effectively.

It is, however, problematic that the fragmentation of the purchase behavior of the Synaxon partner operations increases further due to the ever intensifying concentration of the specialized trade on these topics. Although the purchase volume increased continually quantitatively in the last years, the quantity bundling effect for individual products always diminishes. Our future objective is, hence, to strengthen also the so-called head-business again, i.e. standard-articles, which have a demand in high unit numbers, at simultaneous retention of the procurement advantages in the Tail.

We wish to achieve this in the next years mainly by the construction and extension of our social commercial trade platform for IT products “snippr”. In 2009, the significant emphasis for development rests on the

Online-Shop belonging to the supply. Parallely the first central distribution will take place, in order to strengthen the knowledge of the marketing mechanisms.

For 2009, following emphasis in activities is formed:

- Initialization of the Online-trade with IT-special offers.
- Further development of the Community- and Shop-software
- Personnel costs for project management, operation of the Shops and Management of the Community

Beside the investment in EGIS and snippr, we plan the investment to advance our Business- partner-Management (BPM) software used in internal operation in order to control the conglomerate efficiently. In addition, we will start our conglomerate proposal in England in 2009 according to the preparations in the past year. The EGIS-software was already adjusted to the demands of the English specialized trade and has gained first suppliers and specialty retailers as partner.

In total, an investment volume in amount of approx. 3.1 million EUR results in 2009. Among these, almost 1.5 million EUR were allotted to the EGIS and BPM-software, approx. 0.4 million EUR to tangible assets and around 1.2 million EUR to the construction of the business sector of snippr. Here, approx. 60-65% of the investment will be capitalizable, while approx. 35-40% will directly reduce the revenue by an amount of 1.1-1.2 million EUR in 2009 respectively.

Even if additional pressure appears on the income beside the expected burdens from the economic situation, we are convinced that the investments on the one hand are necessary in order to ensure the existing market position of the Synaxon AG; on the other hand they are also the essential prerequisite on medium-term basis to raise the value of the enterprise and the opening of new fields of transaction and revenues.

We do not want to give a concrete prognosis for the business year 2009 due to the incalculable economic situation. However, we assume that we may at least achieve a balanced income.

The future dividend policy will be consistent with the actual economic growth of the income of enterprise, the course of the investment project and the growth perspective of the company.

Bielefeld, March 2009

The Board of Directors

Frank Roebbers

(CEO and Chairman of Board of Directors) (COO)

Andreas Wenninger

Mark Schröder

(CFO)

“We ensure to the best of knowledge, that according to the accounting principles to be used for the consolidated financial statements, an illustration of the assets, finance and profit situation of the concern corresponding to the actual circumstances is arranged and presented in the concern status report of the course of business including the business income and the status of the concern in such a manner that an image is created corresponding to the actual circumstances, as well as the essential opportunities and risks of the prospective growth of the concern are described.”

The Board of Directors

Frank Roebbers

(CEO and President of Board of Directors)

Andreas Wenninger

(COO)

Mark Schröder

(CFO)

SYNTAXON AG, Bielefeld

Consolidated balance of accounts as per IFRS as of 31 December 2008

| Assets | | | | Liabilities | | | |
|-----------------------------|----------|----------------------|---------------|----------------------------------|--------|----------------------|---------------|
| | Appendix | 31.12.2008 | 31.12.2007 | | Anhang | 31.12.2008 | 31.12.2007 |
| | | EUR | TEUR | | | EUR | TEUR |
| A. Short-term assets | | | | A. Short-term liabilities | | | |
| I. | II.1 | 3,039,266.12 | 4,438 | I. | | | |
| II. | II.2 | 7,000.00 | 21 | | II.13 | 770,840.06 | 522 |
| III. | II.3 | 2,842,102.66 | 2,675 | II. | II.14 | 320,000.00 | 367 |
| IV. | II.3 | 16,461.22 | 1 | III. | II.15 | 239,097.00 | 272 |
| V. | II.4 | 53,750.00 | 24 | IV. | II.16 | 2,071,527.25 | 2,702 |
| VI. | II.5 | 1,007,398.54 | 604 | | | <u>3,401,464.31</u> | <u>3,863</u> |
| VII. | II.6 | 844,342.07 | 792 | B. Long-term liabilities | | | |
| VIII. | II.7 | - | 497 | | II.12 | <u>1,811,031.25</u> | <u>1,755</u> |
| | | <u>7,810,320.61</u> | <u>9,052</u> | C. Equity capital | | | |
| B. Long-term assets | | | | | II.17 | | |
| I. | II.8 | 437,585.50 | 424 | I. | | 3,891,000.00 | 3,891 |
| II. | II.9 | 182,889.27 | 189 | II. | - | 4,046,066.78 | - 4,046 |
| III. | II.10 | 12,345,509.17 | 11,457 | III. | | 4,647,609.31 | 4,648 |
| IV. | II.11 | | | IV. | | 8,720,833.00 | 8,274 |
| 1. | | 15,388.91 | 15 | V. | | 1,321,257.18 | 939 |
| 2. | | 222,706.65 | 128 | VI. | | <u>1,593,637.49</u> | <u>2,283</u> |
| V. | II.5 | 275,426.18 | 298 | | | 16,128,270.20 | 15,989 |
| VI. | II.6 | 34,688.66 | 52 | VII. | II.18 | 19,462.70 | 63 |
| VII. | II.12 | 35,713.51 | 55 | | | <u>16,147,732.90</u> | <u>16,052</u> |
| | | <u>13,549,907.85</u> | <u>12,618</u> | | | <u>21,360,228.46</u> | <u>21,670</u> |
| | | <u>21,360,228.46</u> | <u>21,670</u> | | | | |

SYNAXON AG, Bielefeld

**Consolidated profit & loss account as per IFRS
for the fiscal year from 01 January to 31 December 2008**

| | <u>Appendix</u> | <u>2008</u> <u>EUR</u> | <u>2007</u> <u>TEUR</u> |
|--|-----------------|----------------------------|----------------------------|
| 1. Sales revenues | III.1 | 15,298,795.78 | 16,553 |
| 2. Miscellaneous operating earnings | III.2 | 509,829.66 | 482 |
| 3. Other internally produced and capitalised assets | III.3 | <u>1,267,832.23</u> | <u>569</u> |
| | | 17,076,457.67 | 17,604 |
| 4. Cost of materials | III.4 | | |
| a) Expenditure on purchased goods | | - 2,196,847.60 | - 3,711 |
| b) Expenditure on purchased services | | - 1,358,205.17 | - 193 |
| 5. Personnel expenditure | III.5 | | |
| a) Wages and salaries | | - 4,845,428.93 | - 4,932 |
| b) Social security contributions | | - 769,652.35 | - 722 |
| 6. Depreciation on intangible assets and tangible assets | III.6 | - 1,413,858.23 | - 762 |
| 7. Miscellaneous operating expenses | III.7 | <u>- 4,393,282.21</u> | <u>- 3,948</u> |
| | | 2,099,183.18 | 3,336 |
| 8. Miscellaneous interest and similar earnings | III.8 | 184,406.05 | 205 |
| 9. Interest and similar expenses | III.8 | - 16,620.79 | - 34 |
| 10. Revenue from associated companies | III.9 | <u>16,838.17</u> | <u>20</u> |
| 11. Revenue before taxes and minority shareholdings | | <u>2,283,806.61</u> | <u>3,527</u> |
| 12. Tax on income and revenue | III.10 | - 667,372.23 | - 1,140 |
| 13. Revenue from claims on returns by minority shareholders of partnerships | III.11 | <u>3,472.12</u> | <u>- 46</u> |
| 14. Consolidated annual balance of accounts | | <u>1,619,906.50</u> | <u>2,341</u> |
| 15. Revenue share of minority shareholders | III.11 | - 26,269.01 | - 58 |
| 16. Revenue share of stockholders of SYNAXON AG | | 1,593,637.49 | 2,283 |
| Number of circulating shares on average | | 3,538,500 | 3,538,500 |
| Returns per share (undiluted/diluted) | III.12 | | |
| Diluted | | | |
| Total returns | | 0.45 | 0.65 |
| Returns from continued activities | | 0.45 | 0.65 |
| Undiluted | | | |
| Total returns | | 0.45 | 0.65 |
| Returns from continued activities | | 0.45 | 0.65 |

Synaxon AG, Bielefeld

Eigenkapitalveränderungsrechnung nach IFRS zum 31. Dezember 2008

| | Subscribed capital | Treasury stock | Capital reserve | Statutory reserve | Surplus reserves | Valuation reserve | Reserves from forex conversion | Consolidated profits carried forward | Consolidated stock | Stocks held by other shareholders | Total |
|---|--------------------|----------------|-----------------|-------------------|------------------|-------------------|--------------------------------|--------------------------------------|--------------------|-----------------------------------|---------------|
| | TEUR | TEUR | TEUR | TEUR | TEUR | TEUR | TEUR | | TEUR | TEUR | TEUR |
| Status 1.1.2007 | 3,891 | -4,046 | 4,648 | 42 | 6,853 | 2 | - | 3,498 | 14,888 | 75 | 14,963 |
| Allocation to other profit reserves | - | - | - | - | 1,373 | - | - | -1,373 | - | - | - |
| Distribution of dividends | - | - | - | - | - | - | - | -1,415 | -1,415 | - | -1,415 |
| Valuation of securities | - | - | - | - | - | -4 | - | - | -4 | - | -4 |
| Change of stocks held by other shareholders | - | - | - | - | - | - | - | - | - | -70 | -70 |
| Stock option scheme | - | - | - | - | 8 | - | - | - | 8 | - | 8 |
| Change in tax rates | - | - | - | - | - | - | - | 225 | 225 | - | 225 |
| Consolidated annual surplus | - | - | - | - | - | - | - | 2,283 | 2,283 | 58 | 2,341 |
| Miscellaneous | - | - | - | - | - | - | - | 4 | 4 | - | 4 |
| Status 31.12.2007 / 1.1.2008 | 3,891 | -4,046 | 4,648 | 42 | 8,234 | -2 | - | 3,222 | 15,989 | 63 | 16,052 |
| Allocation to other profit reserves | - | - | - | - | 485 | - | - | -485 | - | - | - |
| Distribution of dividends | - | - | - | - | - | - | - | -1,415 | -1,415 | - | -1,415 |
| Valuation of securities | - | - | - | - | - | -5 | - | - | -5 | - | -5 |
| Change of stocks held by other shareholders | - | - | - | - | - | - | - | - | - | -70 | -70 |
| Stock option scheme | - | - | - | - | -5 | - | - | - | -5 | - | -5 |
| Withdrawals from other profit reserves | - | - | - | - | - | - | - | - | - | - | - |
| Consolidated annual surplus | - | - | - | - | - | - | - | 1,593 | 1,593 | 26 | 1,619 |
| Miscellaneous | - | - | - | - | -20 | - | -8 | - | -28 | - | -28 |
| Status 31.12.2008 | 3,891 | -4,046 | 4,648 | 42 | 8,694 | -7 | -8 | 2,915 | 16,129 | 19 | 16,148 |

SYNAXON AG, Bielefeld

Consolidated capital flow account as per IFRS

Appendix III.13

| | 2008 | 2007 |
|--|--------------|--------------|
| | TEUR | TEUR |
| Revenue before profit tax and interest | 2,099 | 3,337 |
| Stock option scheme | - | 5 |
| Depreciation on intangible and tangible assets | 801 | 761 |
| Depreciation of value of intangible assets | 613 | 1 |
| Miscellaneous expenses on invalid payments | - | 6 |
| | 3,508 | 4,113 |
| Profit from outward investments | - | 20 |
| Decrease (previous year increase) of short-term accruals | - | 47 |
| Increase (previous year decrease) of reserves, receivables from deliveries and services including other assets | - | 112 |
| Decrease of liabilities arising from deliveries and services including other liabilities | - | 402 |
| Interest received | 184 | - |
| Interest paid | - | 17 |
| Tax on profits | - | 667 |
| Cash Flow from current businesses | 2,427 | 3,584 |
| Incoming payments from outward investments | 166 | 38 |
| Incoming payments from at Equity balanced companies | 22 | 24 |
| Outgoing payments for tangible assets | - | 341 |
| Outgoing payments for intangible assets | - | 2,110 |
| Outgoing payments for financial investments | - | 100 |
| Cash Flow from investments | 2,363 | 792 |
| Payment of dividends | - | 1,415 |
| Dividend distribution to minority shareholders | - | 48 |
| Cash Flow from financing business | 1,463 | 1,485 |
| Net decrease (previous year: Net increase) in instruments of payment and equivalents | - | 1,399 |
| Instruments of payment and equivalents at the beginning of the period | 4,438 | 3,131 |
| Instruments of payment and equivalents at the end of the period (cash on hand and balance with credit institutions) | 3,039 | 4,438 |

Appendix to consolidated financial statement on 31st December 2008

I. Elaboration on basics and methods of the consolidated financial statement

The Synaxon AG is registered as public limited company in the trades register in Bielefeld under the number HRB 36014. The office of the company is in Bielefeld, Germany. The address is 33609 Bielefeld, Eckendorfer Str. 2-4. The articles of association exist in the issue of 12.6.2008. The company is concern holding company of the Synaxon-concern. The concern is active in the market for information technology and communication in the business sectors PC-SPEZIALIST Franchise, MICROTREND IT-cooperation, iTeam Systemhauskooperation and AKCENT. Furthermore, the concern maintains and leases own and rented business edifices.

The consolidated financial statement on 31.12.2008 prepared by the Board of Directors and concern status report of the Synaxon AG was issued in the Board of Directors meeting on 13.03.2009 to circulate to the governing body.

1. Basis of the financial statement

The present consolidated financial statement of the Synaxon AG was prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), including the International Accounting Standards (IAS) and the designs of the International Financial Interpretation Committee (IFRIC) or Standing Interpretations Committee (SIC), as they are to be applied these in the EU, as well as in accordance with the § 315 a HGB complementary to the regulations to be followed.

The business year of the concern corresponds to the calendar year. The currency in this report is in Euro (EUR). All amounts will be specified – as long as not presented otherwise - in Thousand Euro (TEUR). The balance is divided into short-term and long-term items. The profit- and loss statement is prepared according to the total expenditure format. The composition of individual items of the balance and the profit- and loss statement is elaborated in following.

All asset values and liabilities are arranged on basis of the historical acquisition- or production costs, with exception for the Available-for-Sale-bonds, which are arranged in the current value.

The preparation of the consolidated financial statements consistent with the IFRS requires estimates. Furthermore, the application of the enterprise-wide account balancing and valuation methods necessitates the assessment of the management. Sectors with higher scopes for judgment evaluation or higher complexity, or areas, for which assumptions and estimates are of decisive significance for the consolidated financial statement, are contained in the elaborations under I.3.

a) New or modified IFRS, obligatorily applicable from the business year 2008

Following financial statement regulations is applied by the Synaxon AG in 2008 – as long as it is relevant - for the first time:

- IAS 39 / IFRS 7 – reclassification of financial asset values
The change of the standards has published by the IASB following the financial crisis in October 2008 and was retroactively effective on 01.07.2008. By the change, it should be facilitated to accomplish a reclassification of financial asset values under seldom occurring circumstances.
- IFRIC 11 / IFRS 2 – business with own shares and shares of concern-enterprises
The interpretation was issued in November 2006 and it deals with the question, how IFRS 2 “share-based remuneration” is to be applied for share-based remunerations, for which own equity instruments of the company or equity instruments of another company are guaranteed within the concern. IFRIC 11 is to be applied compulsorily for business years that begin on or after 1.3.2007.

The first-time application of the standards, interpretations and amendments had no effect on the consolidated financial statement of the Synaxon AG.

b) New or modified IFRS, not yet obligatorily applicable from the business year 2008

The Synaxon AG has not voluntarily applied following financial statement regulations issued anew in 2007 and 2008 that are, however, not yet **obligatorily applicable**, in the present statement ahead of time; to some extent, the EU-acquisition still stands:

- IAS 1 – presentation of the statement
A revised version of the IAS 1 “Presentation of the statement”, issued in September 2007 should facilitate the analysis and the comparison of statements the users. The IAS 1 revised in 2007 is to be

used compulsorily for business years that begin on or after 1.1.2009, an earlier application is approved.

- IAS 23 - credit capital costs

IAS 23 “credit capital costs” was issued in March 2007 in a changed version. Afterwards, the credit capital costs that can be allocated directly to the acquisition or the production of a qualified asset value are to be capitalized. The changed IAS 23 is to be used compulsorily for business years that begin on or after 1.1.2009, an earlier application is approved.

- IAS 27 - concern- and separate individual statements in accordance with IFRS

Significant amendments of the IAS 27 (2008) affect the account balancing of transactions, for which an enterprise further contains the possession, as well as transactions, for which the possession ceases to exist. Transactions that do not lead to a possession loss, are to be recorded as not affecting net income as equity transaction. Remaining shares are to be evaluated on time of the possession loss with current value to be attributed. For minority shares, the information of negative balances is approved, which means, losses are apportioned unlimitedly proportional to shareholding in the future. The revised standard is to be used compulsorily for business years that begin on or after 1st July 2009. The first-time application of the standards can lead to a change in the accounts balancing- and presentation methods in the concern – in execution of corresponding transactions – for shares in subsidiary company from the business year 2009.

- IAS 32 - finance instruments: presentation (Puttable Instruments)

The amendments essentially affect the classification of certain types of finance instruments such as equity- or credit capital. Furthermore, additional annex specifications are requested for the finance instruments affected by the control. The amendments are to be applied compulsorily for business years that begin on or after 1st January 2009; an earlier application is approved. The concern does not assume at present that the application of the revised issues, provided that they are endorsed by the EU in this form, will have a significant influence on the presentation of the statements.

- IAS 39 - finance instruments: approach and evaluation (Eligible Hedged Items)

In July 2008 the IASB has published an amendment to IAS 39 “finance instruments: approach and evaluation (Eligible Hedged Items)”. The amendment clarifies how the rationales of the Hedge Accounting are to be applied in two special situations – the designation of inflation risks as underlying transaction and the designation of a unilateral risk in an underlying transaction. The amendment is compulsorily to be applied retroactively for business years that begin on or after 1st July 2009; an earlier application is approved. The concern does not assume at present that the

application of the revised issues, provided that they are endorsed by the EU in this form, will have a significant influence on the presentation of the statements.

- IFRS 1 / IAS 27 - cost of the investment in a subsidiary company, a collectively controlled or an associated enterprise

The IASB has published amendments to the standards IFRS 1 / IAS 27 “cost of the investment in a subsidiary company, a collectively controlled or an associated enterprise” in May 2008. The amendments serve for the goal of the simplification in the evaluation of shareholdings for the financial statement to be prepared for the first-time in accordance with IFRS. The Synaxon AG does not expect any impact on the consolidated financial statement from the obligatory application from the business year 2009.

- IFRS 1 - First-time application of the International Financial Reporting Standards

The IASB has published a change in the IFRS 1 “First-time application of the International Financial Reporting Standards” on 27th November 2008. This change produces a restructuring of the standards. The change of the IFRS 1 is to be applied compulsorily for business years that begin on or after 01.07.2009. The enterprise expects no impacts on the consolidated financial statement from the first-time application from the business year 2010.

- IFRS 2 - share-based remuneration (Vesting Conditions and Cancellation)

By the change, it is clarified that conditions to exercise are only Service Conditions and Performance Conditions. Besides it is stated more precisely that the account balancing regulations for premature termination of plan are valid, not depending on whether the plan is terminated by the enterprise itself or another party. The changed standard is to be applied compulsorily for business years that begin on or after 01. January 2009; an earlier application is approved. The concern does not assume at present that the application of the revised issues, provided that they are endorsed by the EU in this form, will have a significant influence on the presentation of the statements.

- IFRS 3 - Mergers

In IFRS 3 “mergers”, the application of the acquisition method for mergers is regulated anew. Significant alterations affect the evaluation of minority shares, the entry of successive enterprise acquisitions and the treatment of provisory elements of purchase price and secondary costs of acquisition. According to the new regulation, the evaluation of minority shares can occur either with current value to be attributed (Full-Goodwill-methods) or with current value of the proportionate identifiable net asset to be attributed. For successive enterprise acquisitions, a new evaluation affecting net income with current value of shares held at the time of the transfer of possession is intended. An adjustment of provisory elements of purchase price, which are accounted as liability at

the time of acquisition, is to be recorded as affecting net income in future. Secondary costs of acquisition are entered as expenses at the time of their origination. The revised standard is to be applied compulsorily for business years that begin on or after 1st January 2009. The Synaxon AG does not expect any impact on the account balancing methods in the concern from the obligatory application.

- Collective standard “Improvements to IFRSs”

In May 2008, the IASB has published the first collective standard “Improvements to IFRSs” to carry out smaller amendments to the existing IFRS-standards. This standard contains the amendments of 20 IFRS-standards in two sections. The first section contains amendments, which can have impacts on the presentation, the approach or the evaluation. The second section contains changes in formulation or editorial amendments. Provided that it is not otherwise regulated in the respective standard, the amendments are to be applied compulsorily for business years that begin on or after 1st January 2009; an earlier application is approved. The concern does not assume at present that the application of the revised issues, provided that they are endorsed by the EU in this form, will have a significant influence on the presentation of the statements.

- IFRS 8 – Operating Segments

IFRS 8 “Operating Segments”, issued in November 2006, replaces the hitherto valid IAS 14 “Segment reporting”. According to IFRS 8, the reporting on the economic situation of the segments has to occur according to the so-called Management Approach, according to which, those information form the basis for the demarcation of the segments and the specifications for the segments, which the Management uses internally for the evaluation of the segment performance and the resource allocation. IFRS 8 is to be applied compulsorily for business years that begin on or after 1.1.2009, an earlier application is approved. The Synaxon AG has prepared the segment reporting in 2008 as in the previous years in accordance with IAS 14 and at present audits for possible amendments in the segment reporting for application of the IFRS 8.

- IFRIC 12 - Services for concession agreements

The interpretation was issued in November 2005 and deals with questions on balance sheet related treatments of agreements, by which a government or another public institution assigns contracts to private operators, in order to initialize public services. IFRIC 12 still was not accepted in the EU-Right. The obligatory application begins presumably from 01.01.2010. The Synaxon AG does not expect any impact on the account balancing methods in the concern from the obligatory application.

- IFRIC 13 – Customer Retention Program

The IFRIC published the interpretation IFRIC 13 on 28th June 2007. This interpretation regulates

the account balancing of enterprise, the premium credits, such as bonus points or air miles, to assign to clients in case of purchase of other goods or services. Particularly, it is dealt with the question, how enterprises have to balance the obligation for the future cost-free or cut-price preparation of goods or services. According to the interpretation, a part of the sales revenues from the sales transaction is to be apportioned to premium credits. This part of the transactions may only be collected as revenue, if the obligation is fulfilled. The obligation can be fulfilled, in which the enterprise honors the premium itself or by a third party in the contract of the enterprises. IFRIC 13 to be applied compulsorily for business years that begin on or after 1st July 2008. The Synaxon AG does not expect any impact on the account balancing methods in the concern from the obligatory application from the business year 2009.

- IFRIC 14 / IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

The interpretation was issued in July 2007 and provides instructions on how the limitation is to be defined in accordance with IAS 19 “Services to employees” for a surplus, which can be arranged as asset value. In addition, it is clarified, which impacts result on the evaluation of asset value and accrual from performance oriented plans due to a legal or contractual obligation to a payment of minimum charges. Thus it is ensured that an enterprise balances a surplus as asset value consistently. IFRIC 14 was accepted in the EU-Right in December 2008 and is to be applied compulsorily for business years that begin on or after 1.1.2009.

- IFRIC 15 - agreements on construction of immovable properties (Real Estate)

The IFRIC has published the interpretation IFRIC 15 on 3rd July 2008. This interpretation standardizes the practice of account balancing in all legal systems regarding the entry of revenues from the sales of units such as, for instance, apartments or individual houses “from plan” (also before the erection is finished) on the side of the erector company and provides guidelines, how to determine whether an agreement falls in the application area of IAS 11 “Work Orders” over the erection of immovable properties or in the application area of IAS 18 “revenues”. Hence, it emerges, when the revenues from the erection should be entered. The Synaxon AG does not expect any impact on the account balancing methods in the concern from the obligatory application from the business year 2009.

- IFRIC 16 - hedging of a net investment in a business operation abroad

The IFRIC has published the interpretation IFRIC 16 “hedging of a net investment in a business operation abroad” on 3rd July 2008. This interpretation answers questions in case of doubt in connection with the hedging of a foreign business operation, which results in scope of both the

standards IAS 21 “Impacts of amendments of the exchange rates” and IAS 39 “finance instruments: approach and evaluation”. The interpretation clarifies, what is to be considered as risk in the hedging of a net investment in a business operation abroad and where the hedging instrument to alleviate this risk may be held within the group of enterprises. The Synaxon AG does not expect any impact on the account balancing methods in the concern from the obligatory application from the business year 2009.

- **IFRIC 17 - Distributions of Non-Cash Assets to Owners**

The International Financial Reporting Interpretations Committee (IFRIC) has published the interpretation IFRIC 17 “Distributions of Non-Cash Assets to Owners” for account balancing of property dividends on 27th November 2008. The interpretation is to be applied compulsorily for business years that begin on or after 01.07.2009. The enterprise expects no impacts on the consolidated financial statement from the first-time application from the business year 2010.

- **IFRIC 18 - transfers of asset values by clients**

IFRIC 18 should be applied in future in those cases, in which an enterprise receives a tangible asset property (or the financial resources for the production or acquisition of a tangible asset property) from its clients, in order to arrange the access to a network or permanent access to services or the supply of goods (such as the supply of electricity, gas or water) for the clients. It receives regulations for account balancing of such transfers of asset values by the clients for recipient enterprise, where it must not always be mandatory about the enterprise, which subsequently renders the supply or service.

- IFRIC 18 is to be applied for the first time prospectively on transfers of asset values, which the enterprise receives on or after 1st July 2009. An earlier application is allowed, provided that the required values and information for this are available. The enterprise expects no impacts on the consolidated financial statement from the first-time application from the business year 2010.

c) Change in information for the previous year figures

- The output for self-created intangible asset values are accounted in the concern profit- and loss statement as sundry capitalized services on own account. The previous year figure (personnel expenditure amounting to TEUR 569) was adjusted accordingly.

d) Change in layout

- The sales tax claims mentioned in the previous year under the asset tax claims were reclassified in the balance sheet item miscellaneous asset values.
- The positions accrued and deferred items were reclassified on the asset side of the balance in the item miscellaneous assets and on the liability side of the balance in the item miscellaneous liabilities.
- The accruals mentioned in the previous year as commitments - especially from the personnel department – to the amount of TEUR 1.604 were reclassified to the balance sheet item miscellaneous liabilities due to their character. Tax accruals were reclassified in the item liabilities relating to tax on earnings.
- The specifications of previous years were accordingly modified.

2. Basis and methods of consolidation

Basis of consolidation

The statements of all domestic and foreign subsidiary companies, which are under the legal and/or factual control of the Synaxon AG, are incorporated into the consolidated financial statement and are prepared in accordance with IAS 27 according to uniform account balancing and evaluation methods. The consolidation methods are applied for the same facts over the previous year without change. The balance sheet date of the incorporated enterprise corresponds to the balance sheet date of the concern.

Basis of Consolidation

| <u>Company and Office</u> | <u>shareholding</u> | equity in terms of commercial law 31.12.2008 <u>TEUR</u> | revenue in terms of commercial law 31.12.2008 <u>TEUR</u> |
|--|---------------------|---|--|
| | % | | |
| PC-SPEZIALIST Computervertriebsgesellschaft- Unternehmensbeteiligungs-GmbH, Bielefeld | 100 | 26 | - |
| PC-SPEZIALIST MICROTREND Service GmbH, Bielefeld | 100 | 634 | - |
| MICROTREND services GmbH, Schloß Holte-Stukenbrock | 100 | 66 | 1 |
| SYNAXON Online GmbH, Bielefeld | 100 | - 51 | - |
| EDV Vertriebsgemeinschaft Handels GmbH, Vienna/Austria | 88 | - 275 | - 7 |
| Systempartner Computervertriebs GmbH, Vienna/Austria | 88 | - 1,805 | 4 |
| PC-SPEZIALIST & Helpup GbR, Bielefeld | 60 | 247 | 18 |
| iTeam GmbH, Bielefeld | 100 | 675 | 649 |
| iTeam Consulting GmbH, Bielefeld | 100 | 630 | 330 |
| iTeam Systemhauskooperation GmbH & Co. KG, Bielefeld | 100 | 1,200 | 428 |
| iTeam Systemhauskooperation Beteiligungs-GmbH, Bielefeld | 100 | 27 | 1 |
| AKCENT Computerpartner Deutschland AG, Bielefeld | 100 | 2,202 | 1.153 |
| SYNAXON UK Ltd., Warrington/Great Britain | 75 | 103 | -34 |

The 50% shareholding of the PC-SPEZIALIST Computervertriebs-Unternehmensbeteiligungs-GmbH in the Talos & Helpup GbR (associated enterprise) with office in Bielefeld as well as the 50% shareholding of the Synaxon AG in the Haltergemeinschaft C303 GbR (associated enterprise) is balanced according to the Equity-methods.

In 2008 the shareholdings in the companies of iTeam GmbH, iTeam Systemhauskooperation GmbH & Co. KG were raised to 100%. The office of the companies was relocated on 01.07.2008 from Osnabrück to Bielefeld. The office of the subsidiary company AKCENT Computerpartner Deutschland AG was relocated with effect on 01.01.2008 from Lilienthal to Bielefeld.

The SYNAXON UK Ltd. was established on 23.06.2008 with office in Warrington/Great Britain. The Synaxon AG holds 75% of the shares in the company.

Capital consolidation

The capital consolidation occurs in accordance with IFRS 3 taking effect in the year 2004. Hereafter, the acquisition costs of a merger or acquisition are divided into the asset values, debts and contingent liabilities to be balanced. These are arranged with the current value (“Fair-Value”) at the time of acquisition to be attributed. The company value (“Goodwill”) is determined as difference between the acquisition costs of the merger or -acquisition and the share of the acquirer in the Fair-Values of the acquired asset values, debts and contingent liabilities. A Goodwill resulting from the capital consolidation will not to be depreciated regularly in accordance with IFRS 3, rather to be examined at least once a year by an Impairment-Test for recoverability.

The shares in equity of the subsidiary joint stock company not entitled to the holding company are accounted as “Shares of the minority shareholders” separately in the equity or charged to the profit carried forward for negative value.

Expenses-, Income- and Debts consolidation

Intercompany accounts payable and receivable were balanced with one another.

Intercompany profits and losses, sales revenues, expenditures and revenues were eliminated.

Elimination of intercompany profit from inventory

If calculations are made between concern enterprises for capitalization, intercompany profits are then eliminated.

Equity-methods

The shares in associated enterprise evaluated according to the equity methods are arranged in the time of contribution with their acquisition costs. In amount of the positive debit difference between the acquisition costs of the shareholding and the proportionate newly evaluated net assets of the associated enterprises, there is a business- or company value.

The acquisition costs are carried forward w annually by the changes in equity corresponding to the Synaxon-capital share. The modifications of the proportionate equities affecting net income are considered in the “Income from associated enterprises” in the profit- and loss statement.

As far as the shares are defined to be classified as for realization in associated enterprise, the shares are not evaluated according to the equity methods any more, rather with the lower amount from last book value and with current value to be attributed deducting realization costs. In the balance, the shares are accounted in the items “long-term asset values held for realization and realization groups”.

Currency conversion

Transactions in foreign currency are converted into the functional currency according to the exchange rate on the day of the transaction. On the balance sheet date, monetary items are converted according to the period-end exchange rate; non-monetary items are furthermore converted according to the exchange rate on the day of transaction. Resulting conversion differences are cancelled from the books affecting the net income.

The conversion of the annual statements issued in foreign currency to Euro occurs in accordance with IAS 21 according to the concept of the functional currency. The functional currency is the currency, in which a foreign company predominantly earns its resources. The subsidiary company SYNAXON UK Ltd. with office in Great Britain has assumed the business activity on 01.09.2008 and balances its transactions in GBP. The annual balance of accounts of SYNAXON UK has been converted into Euros at the rate prevailing on the cut-off date.

3. Account balancing and evaluation methods

Payment instrument and equivalents of payment instrument

Payment instrument and equivalents of payment instrument comprise the cash balance as well as cash accounts and short-term funds with a maturity up to three months for credit institutes and are evaluated with the continued acquisition costs.

Inventories

The commodities balanced as inventories are in accordance with IAS 2 evaluated with the acquisition costs, or the smaller net salvage value. The acquisition costs are usually determined according to the method of averages. Provided that the estimated revenues to be realized, considering the sales costs, from the sales of the inventories fall lower than the book value, corresponding discounts in evaluation were carried out. Credit capital costs are not capitalized as a principle.

Long-term asset values held for sale

Assets held for sale were arranged according to the lower value from book value and the current value deduction still outstanding realization costs.

Long-term asset values and aggregates are classified as “standing for realization”, if their book value is to be achieved rather by the realization than by the other utilization. This prerequisite is only considered fulfilled, if the realization is very probable and the asset value if prepared for immediate realization. The assets were sold during the fiscal year 2008.

Tangible fixed assets

Operationally utilized asset values of the tangible fixed assets, which serve for the business operation longer than a year, are arranged in accordance with IAS 16 with the continued acquisition- or production costs. The depreciations occur linear and scheduled under assumption as basis of economic service lives between 3 and 10 years and are recorded under the profit- and loss statement-item depreciations. Buildings are linearly depreciated with a service life of 25 years.

Immovable properties held as financial investments

The immovable properties held as financial investments comprise all immovable properties that are held for achieving rental income (or long-term capital growth) and used neither in the production nor for administrative purpose. These immovable properties are evaluated with continued acquisition- or production costs. Credit capital costs are not capitalized. The service life is basically 25 years. The depreciation occurs

in constant amounts, distributed over the service life and is recorded under the position depreciations in profit- and loss statement.

Intangible asset values

Miscellaneous intangible assets acquired against payment are, provided they serve the business operation longer than a year, arranged with the acquisition costs, reduced by scheduled depreciations. Self-created intangible asset values are capitalized with their production costs, if the criteria for capitalization are fulfilled in accordance with IAS 38.

Expenditures for self-created software are capitalized in accordance with the prerequisites of IAS 38, if the technical realizability as well as the commercialization of the newly developed software solutions is assured and an economic benefit is provided to the concern. The self-created information- and trade platform EGIS is an essential element of the service offer of the Synaxon AG to the affiliated partners, for whose membership in the cooperation association the concern receives payments. Credit capital costs are not capitalized.

The depreciations occur linearly with a service life of 3 to 15 years and are recorded under the item depreciations in profit- and loss statement. All intangible asset values have a limited service life. Business- or company values from the capital consolidation are not regularly depreciated, rather are exclusively subject to an annual checking for depreciation in values in accordance with IAS 36.

Depreciations in value

On each balance sheet date, the concern examines the book values of the intangible asset values (incl. business- or company values), tangible assets and immovable properties held as financial investment in accordance with the IAS 36 to that effect, whether indications are present that a depreciation in value could incur. In this case, the achievable amount of the affected asset values is determined, in order to define the amount of depreciation in value to be carried out. The achievable amount corresponds to the current value to be attributed deducting realization costs or the value of benefit, where the higher value is authoritative. Provided that no achievable amount for an individual asset value can be determined, the achievable amount is defined for the smallest unit generating payment instruments (Cash Generating Unit, abbreviated "CGU"), to which the concerning asset value can be allocated.

Business- or company values resulting from acquisitions of companies are allocated to a CGU. The achievable amount of the CGU, to which business- or company values are allocated, is examined regularly annually and in addition, if suggestions for a possible depreciation in value were present, for recoverability. If the achievable amount of an asset value is lower than the book value, an immediate depreciation in value of the asset values affecting net income occurs. In case of accumulated depreciations in conjunction with a CGU, the contained business- or company values are reduced. If the need for depreciation in values exceeds the book value of the business- or company values, the difference is basically distributed proportionally into the remaining long-term asset values of the CGU.

If a higher achievable amount of the asset value or the CGU results after a carried out depreciation in value on a later point of time, an upward revaluation occurs. The upward revaluation to be recorded as affecting net income is limited to the continued book value, which would have resulted without the depreciation in value in the past. Business- or company values may not be upward-revaluated.

All depreciations in value are entered in the depreciations affecting net income; increases in value are entered in the other operational revenues.

Lease objects

The economic ownership in lease objects is apportioned to the contract partner in a lease relation, who bears all essential opportunities and risks that are connected with the lease object. In all leasing contracts in the concern, the lessor bears these opportunities and risks. The lease objects are to be balanced for lessor. The leasing rates are recorded for lessee as miscellaneous operational expenses affecting net income.

The concern utilizes leasing only in scope of the motor vehicle leasing. The motor vehicle leasing is dealt as Operating Leasing. The fees incur as running cost in the profit- and loss statement (other operational expenditures) of the lessee.

Future payments to be made for completed leasing contracts are mentioned under the point “miscellaneous financial obligations”.

Financial asset values

The financial asset values are classified for the account balancing and evaluation in accordance with IAS 39 into four categories. The classification depends respectively on the purpose, for which the financial asset values were acquired. The classification of the financial asset values takes place for the first-time approach and on each due date. Among these financial asset values are liquid resources, accounts receivable (“loans and receivables”) and bonds. All bonds – accounted as miscellaneous bonds under the short-term financial assets and as shareholdings under the long-term financial assets – are classified in accordance with IAS 39 as financial asset values held for purposes of realization (“Available for Sale”). The concern possesses in the report year neither financial investments to be held up to the final maturity (“held to maturity investments”) nor financial asset values evaluated with current value to be attributed as affecting net income (“financial assets at fair value through profit or loss”).

The bonds are evaluated in case of addition and in the subsequent years basically with the current value to be attributed. The subsequent profits and losses resulting from the evaluation with the current value to be attributed are not recorded in the equity (evaluation reserve for financial instruments) affecting net income. This does not apply, if it is about permanent or essential depreciations in value, which are recorded as affecting net income. Only with the disposal of the financial asset values, the cumulated profits and losses from the evaluation with current value to be attributed recorded in the equity as affecting net income in the profit- and loss statement are recorded. If the current value to be attributed cannot be defined reliably enough for equity instruments not listed on the stock exchange, the shares are evaluated with the acquisition costs (if necessary, deducting depreciations in value). Instruction on depreciations in value of bonds is presented by the following points:

- substantial financial difficulties of the issuers of the financial instruments,
- increased probability that the counter-party must report for insolvency,
- Shortfall or default of interest- or redemption payments.

Trade receivables as well as other accounts receivable/asset values are initially evaluated according to current value to be attributed and as a result with the continued acquisition costs or deducting depreciations in value. Non-interest bearing or little interest bearing accounts receivable are evaluated with the cash value of the expected future Cash Flow. Depreciations in value of accounts receivable are carried out on individual basis, if following instructions make the collectability of the account receivable improbable:

- substantial financial difficulties of the counter-party,
- increased probability that the counter-party must report for insolvency,
- Shortfall or default of interest- or redemption payments.

Depreciation in value basically leads to a direct reduction of the book value of the affected financial asset values.

Liquid resources (cash balance and bank deposits) are arranged with the acquisition costs or the nominal value.

First inclusion and cancellation from accounts occur for all financial asset values on respective day of transaction.

Accruals

An accrual is formed in accordance with IAS 37, if a present obligation has arisen towards third parties due to an event in the past, which leads to an authentically assessable outward flow of resources. The determination occurs on basis of total costs under consideration of all recognizable risks on the basis of the best possible assessment. Accruals, whose maturity is longer than a year, are reduced according to usual market conditions. The valuation of the accrual is examined anew for on balance sheet date.

Financial debts

The financial debts are categorized according to the type and intent of use in accordance with IAS 39.9. All financial debts in the Synaxon-concern were classified as miscellaneous financial debts in the sense of IAS 39.9 and arranged for their first-time inclusion with the current value to be attributed deducting the transactions costs. All debts are evaluated in the subsequent years with the acquisition costs carried forward under application of the effective interest method.

The concern then deletes a financial debt from the accounts, if the debt of the concern is equalized, nullified or expired.

Profits taxes and deferred taxes

Deferred taxes are presented according to the Liability-methods on the balance sheet approaches deviating from the tax balance in accordance with IFRS, tax losses carried forward and consolidation measures affecting net income and recorded in separate deferred charges in accordance with IAS 12.69. Whether active deferred taxes are to be arranged, depends on the probability, with which the deferred tax claims are actually realizable in future. The probability for this must be more than 50 % and highlighted by corresponding business plans. The calculations are based on the tax rates expected on the time of realization.

Realization of earnings- and expenses

The recording of sales revenues and miscellaneous operational revenues occurs basically only then, if the services are rendered or the products are delivered and thus the authoritative risks and opportunities are auf transferred to the partner. Transactions from system fees are recorded according to the contractual agreements. Transactions from provision revenues and advertisement subsidiaries are recorded according to the temporal accrual of the claim. The transaction is defined by the amount of the contractually agreed upon value. The costs accrued with the transaction can be defined reliably. Expenditures are recorded as expenses with availment of the service or at time of their causation. Dividends are collected with accrual of the entitlement of payment; interests are recorded as expenses or as revenue on accrual basis.

Use of estimates

The preparation of the consolidated financial statements requires that assumptions are made and estimates are used, which affects the amount and identification of the balanced asset values and debts, the revenues and expenditures as well as the contingent liabilities. The assumptions and estimates mainly apply the basic assumptions for evaluation of Goodwill, definition of economic service lives, the account balancing and evaluation of accruals as well as to the realizability of future tax reliefs. Furthermore the concern uses estimates for bonus payments by third parties, which still cannot be determined exactly on balance sheet date.

The actual values can deviate from the affected assumptions and estimates in individual cases. Amendments are considered as affecting net income at time of better acknowledgement.

4. Acquisition of shares in subsidiary company

iTeam GmbH

According to the agreed upon Put-option on the acquisition of shares of the iTeam on 03.12.2004 in the purchase contract, the company has acquired, with declaration of acceptance on 05.05.2008 effective from 01.01.2008, the remaining 12.6% of the equity capitals of the iTeam GmbH with a total purchase price (including secondary costs) in amount of 469 TEUR. In the original purchase contract on the acquisition of the shares in the iTeam Group, it was agreed upon in addition that in case of the retirement of the former founder of the company up to the expiry of the year 2008 another payment of TEUR 450 has to occur to them. Due to the entry of this condition the acquisition costs of the shareholding increase subsequently by TEUR 450. The payments occurred in cash.

iTeam Systemhauskooperation GmbH & Co. KG

The Synaxon AG has acquired with payment on 04.07.2008 retroactively effective on 01.01.2008 the remaining 10% of the kommandit shares of the iTeam Systemhauskooperation GmbH & Co. KG with a total purchase price in amount of 310 TEUR. The payment occurred in cash.

The Synaxon AG thus holds 100% of the shares in the iTeam-group. Acquisition of residual shares resulted in increase of intangible assets or of goodwill in the affiliated group.

Acquisition of residual participatory shares resulted in changes in the affiliated group as follows:

| | <u>TEUR</u> |
|--|-------------|
| Buying price for iTeam GmbH | 919 |
| Buying price for iTeam Systemhauskooperation GmbH & Co. KG | 310 |
| Less | |
| Minority shares | -31 |
| Obligation of gratuity for minority shareholders | -424 |
| Goodwill | 774 |

II. Specifications for consolidated balance

1. Cash balance and credit account in credit institutes

| | book value on 31.12.2008 <u>TEUR</u> | book value on 31.12.2007 <u>TEUR</u> |
|----------------------------------|---|---|
| Demand deposits / fixed deposits | 3.038 | 4.437 |
| Cash balance | 1 | 1 |

A fixed term deposit in amount of 110 TEUR serves as security for a suretyship of same amount in favor of a system partner (see IV.5)

2. Bonds

| | book value on 31.12.2008 <u>TEUR</u> | book value on 31.12.2007 <u>TEUR</u> |
|---------------------|---|---|
| shares/certificates | 7 | 21 |

For the other bonds, it is about the finance instruments held for realization (IAS 39), which are evaluated with Fair-Value (stock exchange price on balance sheet date).

In the business year 2008, bonds were sold at exchange rate value of TEUR 1 (previous year: TEUR 0). Furthermore, devaluations resulted in amount of TEUR 12 (previous year: TEUR 9), which were recorded under consideration of deferred taxes not affecting net income.

The recording of the profits and losses from the evaluation with current value to be attributed occurs by means of an evaluation reserve for finance instruments in the equity not affecting net income. The deferred taxes apportionable to the changes in values are deducted from the evaluation reserve not affecting net income.

3. Accounts receivable

| | <u>31.12.2008</u> | <u>31.12.2007</u> |
|---|-------------------|-------------------|
| | TEUR | TEUR |
| Trade receivables | 2,842 | 2,675 |
| Accounts receivable against associated enterprise | 16 | 1 |

Accounts receivable with a maturity of more than one year were not present.

Accumulated depreciations in doubtful accounts receivable of in total TEUR 685 (2007: TEUR 834) exist on 31.12.2008. The accumulated depreciations are expanded as following:

| | <u>31.12.2008</u> | <u>31.12.2007</u> |
|-------------------------------------|-------------------|-------------------|
| | TEUR | TEUR |
| Status at the beginning of the year | 834 | 988 |
| Supplies | 157 | 294 |
| Consumption | -192 | - 269 |
| Dissolution | -114 | - 179 |
| Status at the end of the year | <u>685</u> | <u>834</u> |

4. Inventories

The inventories of the Synaxon AG in amount of TEUR 54 (previous year: TEUR 24) consist predominantly of marketing articles, which are realized to affiliated partners or serves for own marketing purposes.

The inventories are neither restricted in disposal, nor they serve as security.

5. Refund claims on tax on earnings

| | <u>31.12.2008</u> | <u>31.12.2007</u> |
|--|-------------------|-------------------|
| | TEUR | TEUR |
| corporate tax | 614 | 430 |
| corporate tax in previous year (long-term) | 275 | 298 |
| trade tax | 393 | 174 |

The tax refund claims on 31.12.2008 contain accounts receivable from trade- and corporate tax from 2006 to 2008 as well as a corporate tax credits from previous years in amount of TEUR 275 (previous year: TEUR 298), which may be capitalized for the first time on 31.12.2006 affecting net income. Regarding the tax expenditures, we refer to III.10.

6. Miscellaneous asset values

| | <u>31.12.2008</u> | <u>31.12.2007</u> |
|--|-------------------|-------------------|
| | TEUR | TEUR |
| Accounts receivable against suppliers/manufacturers | 721 | 653 |
| Accounts receivable against financial service provider | - | 10 |
| Loan to partner operations (long-term) | 35 | 52 |
| Miscellaneous | 123 | 129 |

Earmarked loans are contained in the miscellaneous asset values in amount of TEUR 35, which were given to partner operations in the business years 2004 to 2007. Furthermore, a loan handed out in 2008 to a company in amount of TEUR 29 is contained in the miscellaneous asset values.

The interest yield of the loan occurs on usual market conditions. The period of the loan is over one year. The rest of the miscellaneous asset values are payable within the next business year.

The accounts receivable against the financial service provider resulted from the fact that accounts receivable were transferred from commodity services in the way of the invoicing and the financial service provider has not paid the price yet. It is about a real invoicing transaction, in which the opportunities and risks from the trade receivables were entirely transferred to the financial service provider. The cooperation with the financial service provider was finished in 2008.

7. Long-term asset values held for realization

With purchase contract on 02.04.2008, the immovable property held for realization in Schloß Holte-Stukenbrock was realized for a total purchase price of TEUR 516. Against the book value of TEUR 497 a profit in amount of TEUR 19 was thus achieved, which was charged as affecting net income.

8. Tangible assets

Regarding the concern fixed assets, we refer to the concern asset status. No depreciations in value resulted in accordance with IAS 36. The positions in the tangible fixed assets are neither restricted in disposal, nor serve as security.

9. Immovable properties held as financial investment

The real estate in Gotha held as financial investment was evaluated with the continued acquisition costs in accordance with IAS 40. The current value to be attributed of the concerning real estate amounts to TEUR 183 (previous year: TEUR 189) on balance sheet date. Basis for the internal determination is the expected service life, a risk-adjusted capitalization interest (8.59 %), as well as the existing rental contracts and assumptions regarding future rents to be achieved. As result of this evaluation, there was neither any depreciation in values nor a need for upward revaluation according to the depreciation in value carried out in the year 2006. There are no limitations regarding the realizability of the real estate or the receipt of revenues.

| | <u>31.12.2008</u> | <u>31.12.2007</u> |
|---------------|-------------------|-------------------|
| | TEUR | TEUR |
| rental income | 34 | 32 |
| expenditures | <u>16</u> | <u>9</u> |
| Income | <u><u>18</u></u> | <u><u>23</u></u> |

10. Intangible asset values

The intangible asset values of the concern are neither restricted in disposal, nor serve as security.

| | Goodwill | contracts | licenses | Self- created software (EGIS) | software under development | miscellaneous software | Total |
|---|--------------|--------------|-----------|--|----------------------------------|---------------------------|---------------|
| | EUR | EUR | EUR | EUR | EUR | EUR | EUR |
| Dated: 01.01.2007 | | | | | | | |
| acquisition-/ | | | | | | | |
| production costs | 7,648 | 2,603 | 127 | 1,009 | 441 | 551 | 12,379 |
| cumulated depreciations & depreciations in value | - | - 402 | - 86 | - 122 | - | - 378 | - 988 |
| book value on 01.01.2007 | 7,648 | 2,201 | 41 | 887 | 441 | 173 | 11,391 |
| Reclassification | - | - | - | 441 | - 441 | - | - |
| company internal development | - | - | - | - | 569 | - | 569 |
| scheduled depreciations | - | - 215 | - 20 | - 167 | - | - 40 | - 442 |
| depreciation in value | - | - | - | - 62 | - | - | - 62 |
| book value on 31.12.2007 | 7,648 | 1,986 | 21 | 1,099 | 569 | 133 | 11,456 |
| Dated: 01.01.2008 | | | | | | | |
| acquisition-/ | | | | | | | |
| production costs | 7,648 | 2,603 | 117 | 1,319 | 569 | 576 | 12,832 |
| cumulated depreciations & depreciations in value | - | - 617 | - 96 | - 220 | - | - 443 | - 1,376 |
| book value on 01.01.2008 | 7,648 | 1,986 | 21 | 1,099 | 569 | 133 | 11,456 |
| additions from external acquisition | 774 | - | 54 | - | - | 14 | 868 |
| reclassification | - | - | - | 569 | - 569 | - | - |
| company internal development | - | - | - | 1,268 | - | - | 1,268 |
| scheduled depreciations | - | - 215 | - 16 | - 300 | - | - 75 | - 607 |
| depreciation in value | - | - 613 | - | - | - | - | - 613 |
| book value on 31.12.2008 | 8,422 | 1,158 | 59 | 2,635 | - | 72 | 12,346 |

a) Goodwill

The Goodwill is composed following:

| | <u>31.12.2008</u> | <u>31.12.2007</u> | <u>+/-</u> |
|-------------|-------------------|-------------------|------------|
| | TEUR | TEUR | TEUR |
| iTeam Group | 5,366 | 4,592 | 774 |
| AKCENT | 3,056 | 3,056 | 0 |

The increase of the Goodwill resulted from the further acquisition of shares in the iTeam Group.

The Goodwill is not depreciated according to schedule; rather the value of benefit of the CGU is examined to check the recoverability of the business- or company value at least annually, which is determined with help of the Discounted-Cash-Flow-methods. Here, the planned Free-Cash-Flows from the three-years-plan approved by the management are used. The Impairment-Test carried out in this manner yielded as in the previous year no need for depreciation in values for the Goodwill.

Two Cash-Generating-Units (CGU) are allocated to the Goodwill, where the CGU is presented on basis of the brands of the Synaxon-Group. The determination of the achievable amounts of these CGU basically occurs by determination of the use values with Help of the Discounted-Cash-Flow-methods. Here, the planned Cash-Flows from the from the three-years-plan created bottom-up and approved by the management of the Synaxon AG of the CGU are used. The Cash-Flows beyond the three years period are basically determined as average of the planning period. A growth rate for extrapolation of the average is not considered. The used total weighted average cost of capital for discounting based on a risk-free interest rate in amount of 2.95% as well as on risk premium for equity and credit capital of 5.64 or 1.55 %-points and a (sector-) beta factor of 1.2. For discounting of the Cash-Flows, following discounting interest rates were assumed as basis for the two CGU:

| | <u>31.12.2008</u> | <u>31.12.2007</u> |
|-------------|-------------------|-------------------|
| | % | % |
| iTeam-Group | 8.59 | 10.2 |
| AKCENT | 8.59 | 10.2 |

63.8% of the Goodwill and thus TEUR 5,391 (previous year: TEUR 4,592) are apportionable to the CGU iTeam-Group, 36.2% of the Goodwill and thus TEUR 3,056 (previous year: 3,056) are apportionable to the CGU AKCENT. The achievable amount of the CGU was determined as use value (see above). The determination of the use values for the CGU generally occurs on basis of the assessed growth rate in sales rate. For its determination, past data as well as the expected market performance were taken into account.

b) Contracts

Under the position “contracts”, cooperation contracts are shown, which were signed between iTeam Systemhauskooperation GmbH & Co. KG or the AKCENT Computerpartner Deutschland AG and their partner companies. These contracts fulfill the prerequisites for capitalization in accordance with IAS 38 and are depreciated according to schedule over a period of 6 years (AKCENT- contracts) or 15 years (iTeam- contracts). The ascertainment of the depreciation period occurs on basis of prudent estimates of the management and thus contains a certain uncertainty. The remaining depreciation period amounts to 3 years (AKCENT- contracts) or 11 years (iTeam- contracts).

The Synaxon AG checks the partner contracts capitalized as intangible asset values annually for indication of a possibly reduced recoverability. Principal grounds for a depreciation in value in accordance with IAS 36 could be a recession in the number of partners, which remains far over the hitherto existing empirical values as well as reduced revenues from the partner contracts. As result of this evaluation, there is no need for depreciation in values for the partner contracts of the AKCENT AG till 31.12.2008. Due to decreased revenues from the partner contracts of the iTeam, an Impairment Test was carried out. The framework parameter elaborated under point a) of Goodwill was taken as basis for this Impairment Test. Here, a need for depreciation in values in amount of TEUR 613 was determined, which was considered in form of an extraordinary depreciation in same amount. The reduction of the revenues from partner contracts mainly resulted from smaller average monthly member contributions of the iTeam partners as well as from a continued higher fluctuation in partners than expected over the acquisition time.

c) Licenses

Under the position licenses, mainly the licenses for the utilization of database systems and office software are accounted.

d) Self-created software

The self-developed Online-purchase- and information platform EGIS was further developed in 2008 and connected with the BPM (Business-partner Management) started in 2007. The software EGIS are exclusively available for the Franchise- and cooperation partners and has grown in the meantime from pure purchase system to a portal with Social Community Functions, which facilitates the horizontal exchange of

partners among themselves as well as the vertical communication between members of association and suppliers.

Furthermore expenditures that arose for the growth of the Social Commerce Trades platform snippr were capitalized. Snippr offers an experts-Community beside a central Online-Shop, which offers the clients the option to be advised before the decision of purchase.

The capitalized development expenditures up to 31.12.2008 for the self-created software solutions in amount of TEUR 2,635(previous year: TEUR 1,099) are depreciated over a period of 5 to 10 years according to schedule. The remaining depreciation periods reaches 4 to 9 years.

d) Software under development

The capitalized development expenditures in 2007 for the EGIS-software in amount of TEUR 569 were reclassified in 2008 entirely into the position of self-created software, as the necessary marketability of the capitalized modules was attained.

In 2008, like in the previous year, no Research and Development costs were recorded as affecting expenditures.

e) Miscellaneous software

The item miscellaneous software contains capitalized expenditures, which results from the acquisition and arises from the adjustment of general software products.

11. Financial assets

The information mainly concerns the Talos & Helpup GbR, in which the Synaxon AG has indirect holding through the PC-SPEZIALIST Computervertriebsgemeinschaft-Unternehmensbeteiligungs-GmbH of 50 % as well as the 50% shareholding of the Synaxon AG in the Haltergemeinschaft C303 GbR. The modification of the shareholding values results from the income of the Talos & Helpup GbR for 2008 as well as from the addition of the Haltergemeinschaft C303 GbR in 2008.

| | <u>31.12.2008</u> | <u>31.12.2007</u> |
|--|-------------------|-------------------|
| | TEUR | TEUR |
| Asset values | 390 | 314 |
| Liabilities | 7 | 9 |
| Revenues | 52 | 51 |
| Share of the period result of associated enterprises allocated to the concern without minorities | 17 | 19 |

12. Deferred taxes

The temporal differences and the deferred taxes are as following:

| | <u>Temporal differences</u> | | |
|------------------------|-----------------------------|---------------------|-------------------|
| | <u>31.12.2008</u> | <u>modification</u> | <u>31.12.2007</u> |
| | TEUR | TEUR | TEUR |
| Software | 2.635 | 967 | 1.668 |
| Immovable properties | - 7 | 66 | - 73 |
| Accounts receivable | 2.090 | 3 | 2.087 |
| Bonds | 19 | 7 | 12 |
| Evaluation reserve | - 11 | - 7 | - 4 |
| Contracts | 1. 158 | - 828 | 1.986 |
| Own shares | 2 | - | 2 |
| Shares options program | - 93 | - 5 | - 98 |
| Miscellaneous | 164 | 39 | 125 |
| Sum | <u>5.957</u> | <u>252</u> | <u>5.705</u> |

| | deferred tax | | | | Not affecting net income | | expenses (+)/ revenues (-) | |
|------------------------|--------------|----------|------------|----------|--------------------------|------|----------------------------|------|
| | 31.12.2008 | | 31.12.2007 | | 2008 | 2007 | 2008 | 2007 |
| | accrued | deferred | accrued | deferred | | | | |
| | TEUR | TEUR | TEUR | TEUR | TEUR | TEUR | TEUR | TEUR |
| software | - | 786 | - | 497 | - | - | 289 | 34 |
| immovable properties | 2 | - | 23 | - | - 21 | - | - | - 2 |
| accounts receivable | - | 623 | - | 622 | - | - | 1 | 204 |
| losses carried forward | - | - | - | - | - | - | - | - 3 |
| bonds | - | 6 | - | 4 | - | - | 2 | - 3 |
| evaluation reserve | 6 | - | 1 | - | 7 | 3 | - 2 | - |
| contracts | - | 345 | - | 592 | - | 225 | - 247 | 64 |
| Own shares | - | 1 | - | 1 | - | - | - | - |
| share options program | 28 | - | 29 | - | - | - | - 1 | - |
| miscellaneous | - | 50 | - | 39 | - | - | 13 | - 10 |
| Sum | 36 | 1.811 | 55 | 1.755 | - 14 | 228 | 57 | 284 |

The deferred taxes - under consideration of the trade tax as well as the solidarity tax – are evaluated for companies in home country with an average tax rate of 29.8 % (previous year: 29.8 %) and for companies abroad with 25 % (Austria) or 30 % (Great Britain). Provided that the deferred taxes fall into profits- or losses from the evaluation of the bonds, these are passed to the accounts of evaluation reserve for finance instruments not affecting net income. Deferred taxes that arise from the purchase price allocation of subsidiary companies are shown in the equity not affecting net income.

The tax losses carried forward presented on 31.12.2008 are presented individually as following:

| | Tax related losses carried forward | | accrued deferred tax | |
|---|------------------------------------|------------|----------------------|------------|
| | 31.12.2008 | 31.12.2007 | 31.12.2008 | 31.12.2007 |
| | TEUR | TEUR | TEUR | TEUR |
| Synaxon AG, Bielefeld | - | - | - | - |
| SYNAXON Online GmbH, Bielefeld | 169 | 165 | - | - |
| Microtrend services GmbH, Bielefeld | - | - | - | - |
| EDV Vertriebsgemeinschaft Handels GmbH, Vienna | 660 | 654 | - | - |
| Systempartner Computervertriebs GmbH, Vienna | 1.840 | 1.844 | - | - |
| Sum | 2.669 | 2.663 | - | - |

The existing losses carried forward mainly refer to the inactive companies based in Austria. Any utilization of tax-related losses carried forward does not appear to be feasible in the near future.

13. Trade payables

The trade payables have a maturity of up to one year.

14. Accruals

The item accruals consists of litigation costs reserves following the yet to be concluded legal disputes on balance sheet date. The accrual for litigation costs and -risks mainly contains the risks from various indemnities actions, from actions on omissions and from measures of execution. The accrual comprises also the probable payments for compensations beside the cost for the respectively pending instances.

| | <u>Dated 1.1.2008</u> | <u>Availment</u> | <u>dissolution</u> | <u>Allocation</u> | <u>Dated 31.12.2008</u> |
|---------------|---------------------------|------------------|--------------------|-------------------|-----------------------------|
| | TEUR | TEUR | TEUR | TEUR | TEUR |
| Process risks | 367 | 40 | 7 | - | 320 |

All accruals are prospectively realized within 12 months.

15. Income tax liabilities

Liabilities from 2008 in amount of TEUR 61 and liabilities from previous years in amount of TEUR 178 are included in the tax liabilities.

16. Miscellaneous debts

The miscellaneous debts have a maturity of up to one year and are composed as following:

| | <u>31.12.2008</u> | <u>31.12.2007</u> |
|--|-------------------|-------------------|
| | TEUR | TEUR |
| obligations for partners | 302 | 653 |
| Profit sharing | 292 | 336 |
| personnel costs | 210 | 170 |
| Statement and audit costs | 106 | 130 |
| governing body | 108 | 90 |
| Obligations for severance pay to minority shareholders | 39 | 465 |
| liabilities from wages-, transaction- and other taxes | 443 | 482 |
| liabilities for employees | 7 | 4 |
| Miscellaneous | 565 | 372 |

The obligations for partners of concern for supplier provisions and manufacturer commissions yet to be forwarded to contract partners.

The liabilities for profit sharing mainly concern the claims of elements of incorporated enterprises and the elements and managerial personnel of the Synaxon AG for the expired business year.

The liabilities for personnel mainly concern liabilities from the still existing vacation entitlements of employees on balance sheet date.

The obligations for compensation for minority shareholders of the private companies incorporated into the consolidation circuit are not to be shown in the shares of the minority shareholders in accordance with IAS 32.18 (b), rather within the miscellaneous debts.

17. Equity

Regarding the modifications in the equity, we refer to the statement of changes in the shareholders' equity as annex to this report.

Subscribed capital

The equity capital (3,891,000 shares in the name of the holder with a calculated face value of EUR 1.00) of the company amounts to TEUR 3,891 on 31.12.2008 unchanged. The capital reserve amounts to TEUR 4,648. All shares are entirely paid. All shares reserve the same rights. The shareholders are entitled on basis of the decided dividends and possess one voting right per share in the annual general meeting.

The net profit of the Synaxon AG was disbursed in accordance with resolution of the annual general meeting of 12.06.2008 in amount of TEUR 1,415 on 31.12.2007. TEUR 485 was adjusted in miscellaneous surplus reserves.

Own shares

In total, the company holds 352,500 own shares with an exchange rate value in amount of TEUR 1,414 (previous year: TEUR 2.030) on 31.12.2008; this corresponds to a share of 9.06% of the equity capital. Own shares are shown in accordance with IAS 32 in the balance as deduction from equity.

Capital reserve

The capital reserve of the Synaxon AG results from the premium of the share issue; this may only be used in consistence with the share related legal regulations. According to § 150 AktG, the statutory reserve and the capital reserve together exceed the tenth part of the equity capital, thus these may be used to balance the losses or for an increase in capital from company resources. As long as the statutory reserve and the capital reserve together do not exceed the tenth part of the equity capital, these may only be used to balance the losses, as far as the loss is not covered by a profit carried forward or annual net income and cannot be balanced by dissolution of other surplus reserves.

With resolution of the annual general meeting on 12.06.2008, the Board of Directors of the Synaxon AG was empowered for acquisition of own shares of 10% of the equity capitals up to the 11.12.2009. In year 2008, no shares were purchased or sold.

Surplus reserve

The surplus reserves contain amounts formed in earlier business years in Synaxon AG, adjustments from the annual net income of the concern deduction the shares of other companies in income, the redemption of own shares at acquisition price by the Synaxon AG as well as the expenses from the exercise of the share options programs. The statutory reserve is not available for disbursement to the shareholders.

18. Shares of the minority shareholders

The shares of external companies sank in comparison to the previous year from TEUR 63 to TEUR 19. The negative minority shares of the EDV Vertriebs Gemeinschaft Handels GmbH and the System Partner Computervertriebs GmbH, Vienna, are to be charged to the own capital of the concern due to a missing obligation to equalize the losses in accordance with IAS 27.35.

III. Specification for profit- and loss statement

1. Sales revenues

The concern mainly achieves sales revenues from the contractual relations with Franchisees, cooperation partners, suppliers and manufacturers.

| | 2008 | | 2007 | |
|--|--------------|--------------|--------------|--------------|
| | EUR/Mio | % | EUR/Mio | % |
| Provisions revenue | 4.48 | 29.3 | 5.02 | 30.3 |
| System fees | 3.41 | 22.3 | 3.44 | 20.8 |
| Advertising subsidiaries | 3.09 | 20.2 | 3.28 | 19.8 |
| Miscellaneous | 4.31 | 28.2 | 4.81 | 29.1 |
| Transaction without central goods turnover | <u>15.29</u> | <u>100.0</u> | <u>16.55</u> | <u>100.0</u> |

The growth of the transactions according to segments is presented in scope of the segment reporting.

2. Other operational earnings

| | 2008 | 2007 |
|---|------|------|
| | TEUR | TEUR |
| Reduction in specific provision | 91 | 161 |
| revenues from depreciated accounts receivable | 24 | 8 |
| profits from asset disposals | 32 | 13 |
| Remainder | 363 | 300 |

3. Other capitalized services on own account

Among the capitalized services on own account, services of the concern for self-created software, which are accounted the in the intangible asset values, are presented.

4. Material expenditure

The expenses for related products amounted to TEUR 2,197 (previous year: TEUR 3,711), the expenses for related services amounted to TEUR 1,358 (previous year: TEUR 193).

5. Personnel expenditure

The average number of employees (without apprentices) has increased in the concern to 110 employees (previous year: 107). Despite this increase, the personnel expenditure is reduced negligibly to TEUR 5,615 (previous year: TEUR 5,654). in 2008. In the personnel expenditure, payments on occasion of termination of

job relations is recorded in amount of TEUR 23 (previous year: TEUR 174) and expenses of payroll deductions amount to TEUR 770 (previous year: TEUR 722). In Germany there is a legal basic supply for employee which pays the retirement pension in reference to the revenue and deposits paid. After paying these contributions to the Pensions Regulatory Authority and pension funds under private law there are no further contractual obligations for the company. The current contributions are recorded as expenditures during the period.

6. Depreciations in intangible assets of the capital assets and tangible assets

Depreciations were carried out in intangible assets of the capital assets in amount of TEUR 1.221 and in tangible assets in amount of TEUR 193.

7. Miscellaneous operational expenditures

| | <u>31.12.2008</u> | <u>31.12.2007</u> |
|---|-------------------|-------------------|
| | TEUR | TEUR |
| Agency staff | 1.147 | 885 |
| Travel- and Representations expenditure | 460 | 507 |
| Legal-, consultation- and audit costs | 232 | 396 |
| Occupancy costs | 305 | 308 |
| allocation of specific provision | 164 | 294 |
| motor vehicle costs | 249 | 226 |
| General administration costs | 71 | 214 |
| Depreciation of receivables | 224 | 166 |
| communications costs | 129 | 140 |
| overhauling costs | 274 | 113 |
| Marketing | 228 | 93 |
| Remuneration of governing body | 108 | 90 |
| Invoicing fees | 77 | 80 |
| Cost of annual general meeting | 76 | 70 |
| miscellaneous taxes | 13 | 6 |
| Remainders | 636 | 360 |

The allocation in the specific provisions to accounts receivable was carried out according to objective estimate of the probability of failure of the accounts receivable.

8. Miscellaneous interests and similar revenues / interests and similar expenditures

The interest earnings and interests paid mainly result from interests of credit institutes as well as from tax refund claims or taxes after payments.

| | <u>31.12.2008</u> | <u>31.12.2007</u> |
|---------------------|-------------------|-------------------|
| | TEUR | TEUR |
| interest earnings | 184 | 205 |
| interests paid | <u>- 17</u> | <u>- 34</u> |
| net interest income | <u>167</u> | <u>171</u> |

9. Income from associated enterprises

The income from associated enterprises results from earnings linked to the involvements in Talos & Helpup GbR and the Haltergemeinschaft C303 GbR.

10. Taxes on income

Income before taxes and tax distribution:

| | <u>31.12.2008</u> | <u>31.12.2007</u> |
|---------------------|-------------------|-------------------|
| | TEUR | TEUR |
| Income before taxes | <u>2.284</u> | <u>3.526</u> |
| Running taxes | 611 | 1.424 |
| Deferred taxes | 57 | - 284 |
| Taxes on income | <u>668</u> | <u>1.140</u> |

Transition of expected tax expenditure to be shown, where the expected tax expenditure was calculated on basis of the tax rates of the holding company:

| | <u>31.12.2008</u> | <u>31.12.2007</u> |
|---|-------------------|-------------------|
| | TEUR | TEUR |
| expected tax expenditure | 681 | 1.400 |
| Taxation difference in abroad | 4 | 4 |
| Taxes on non-deductible expenditures | 35 | 20 |
| Non-capitalized deferred taxes on loss 2007 Austria | 1 | 4 |
| Dissolution of deferred taxes | - | - |
| Adjustment of tax rate | - | - 338 |
| Taxes in other accounting periods | <u>- 53</u> | <u>50</u> |
| Shown tax expenditure | <u>668</u> | <u>1.140</u> |

The expected tax rate in 2008 results taking the German corporate tax (25 %), the solidarity surcharge (5.5 %) and the trade tax 29.8 % (previous year: 40 %) as basis.

11. Minority shareholders

The revenue from the income claim of the minority shareholders of private companies results from the settlement of profit- and loss share of minority shareholders in subsidiary companies in the legal form of private companies.

The determined annual net income of the concern contains minority shares in amount of TEUR 26.

12. Income per share

The determination of the undiluted income is determined in accordance with IAS 33 as quotient of the concern annual net income entitled to the shareholders of the Synaxon AG and the weighted number of the circulating holders' shares in the expired business year. The undiluted income per share corresponds to the diluted income per share. According to IAS 33.45, an enterprise has to assume as a principle the exercise of options to be diluted and warrants of the enterprises in the calculation of the diluted income per share.

According to IAS 33.46, options and warrants are to be diluted, if they would lead to a less than average stock exchange price of the respective shares during the period for issue of original capital shares.

According to this, on 31.12.2008 no diluted income per share was present, because the average share-price didn't exceed the preferential price during the period.

Reference value for the determination is the Revenue share of stockholders of Synaxon AG.

| | <u>2008</u> EUR | <u>2007</u> EUR |
|---|--------------------|--------------------|
| Revenue share of the shareholders of the Synaxon AG | 1.593.637,49 | 2.282.473.84 |
| average circulating shares | 3.538.500 | 3.538.500 |
| Income per share from business sectors to be continued | 0.45 | 0.65 |
| Total income per share | 0.45 | 0.65 |

13. Cash flow statement

The payment instrument fund exclusively contains how the cash balance specified in the balance under assets A. I. in the previous year and the credit balance in credit institutes. The Cash-Flow from received interests amounts to TEUR 184 (previous year: TEUR 205); that from paid interests amounts to TEUR 17 (previous year: TEUR 34). The Cash-Flow from interests is apportionable as in the previous year to operational activities. The Cash Flow from profit taxes is to be specified separately and to be described as appurtenant to the operational activity, unless it belongs to financing- or investment activity.

| | <u>2008</u> | <u>2007</u> |
|------------------------------|-------------|-------------|
| | EUR | EUR |
| Cash Flow from profits taxes | - 665 | - 1.872 |
| Cash Flow from dividends | - 1.463 | - 1.485 |

IV. Miscellaneous Specifications

1. Elements of the company

Board of Directors

Mr. Frank Roebbers (President of Board of Directors), Businessman, Detmold

Mr. Andreas Wenninger, Businessman, Steinhagen

Mr. Mark Schröder, Businessman, Schloß Holte-Stukenbrock

Remuneration

| | Fixed remuneration | | Remunerations in kind | | Success-based share | | share options right | | Sum | |
|-------------------|--------------------|------------|-----------------------|-----------|---------------------|------------|---------------------|----------|------------|------------|
| | TEUR | | TEUR | | TEUR | | TEUR | | TEUR | |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Frank Roebbers | 191 | 163 | 24 | 23 | 54 | 104 | - | 6 | 269 | 296 |
| Andreas Wenninger | 165 | 165 | 22 | 22 | 54 | 104 | - | 2 | 241 | 293 |
| Mark Schröder | 125 | 90 | 18 | 10 | 54 | 56 | - | - | 197 | 156 |
| | <u>481</u> | <u>418</u> | <u>64</u> | <u>55</u> | <u>162</u> | <u>264</u> | <u>-</u> | <u>8</u> | <u>707</u> | <u>745</u> |

With resolution in the annual general meeting on 12.06.2008, the governing body was empowered to sanction a share options plan 2008. The Board of Directors accepted the offer of the governing bodies on 30.12.2008. The share options plan 2008 redeems the share options plan from the year 2004. An exercise of option rights from the share options plan 2008 is connected with the renunciation of share options that are plotted in scope of the earlier share options plans.

Governing body

- Mr. Dr. Günter Lewald, Köln, (President), Director of Pauli-Bach and Lewald agency for brands and communication
- Prof. Dr. Antje Helpup, Edemissen, (Vice President), Professor of Business Management (till 12.06.2008)
- Mr. Stefan Kaczmarek, (Vice President from 12.06.2008), Idstein, Director of Laurea Media GmbH
- Mr. Frank Bender, Wilnsdorf, County Director of the county Siegen-Wittgenstein (from 12.06.2008)

With ending of the regular annual general meeting on 12th June 2008, the hitherto responsible member of the governing body Prof. Dr. Antje Helpup was prematurely relieved from the governing body. Mr. Frank Bender was selected in the governing body in her place.

The expenditures for the governing body amounted to TEUR 108 (previous year: TEUR 90) in the report year and concern seven sessions of the business year 2008 (previous year: five sessions). It is divided into a basic remuneration and attendance fees. At this juncture, the president of the governing body received the double and his deputy received the one and a half times the remuneration. There are no success-oriented components.

Remuneration

| | Basic remuneration | | Attendance fee | | Sum | |
|------------------------|--------------------|-----------|----------------|-----------|------------|-----------|
| | TEUR | | TEUR | | TEUR | |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Dr. Günter Lewald | 20 | 20 | 28 | 20 | 48 | 40 |
| Prof. Dr. Antje Helpup | 7 | 15 | 12 | 15 | 19 | 30 |
| Stefan Kaczmarek | 13 | 10 | 17 | 10 | 30 | 20 |
| Frank Bender | 5 | - | 6 | - | 11 | - |
| | <u>45</u> | <u>45</u> | <u>63</u> | <u>45</u> | <u>108</u> | <u>90</u> |

Share possession by the elements

The elements of the Synaxon AG hold together less than 1 % of the equity capitals of the company.

By resolution of the annual general meeting on 16.7.2004, the governing body was empowered to introduce a Stock-option Plan, which envisages the provision of options on shares of the company to the members of the Board of Directors and transfers the acquired own shares to two members of the Board of Directors in fulfillment of their share option rights.

The acquisition of the options occurred according to § 3 of the options plans by allotment according to measure of the regulations of the options plans. The first allotment offer in amount of 191,250 share options was submitted to the Board of Directors of the Synaxon AG by the governing body on 3.1.2005.

The acceptance of the offer by Board of Directors occurred on 17.1.2005. According to § 4 (3) of the share options programs, the respective last stock exchange trading day of the allotment deadline of 20 stock exchange trading days in the respective quarter of the business year is valid as time of the allotment. The allotment thus occurred on 28.1.2005.

The second allotment offer in amount of 191,250 share options was accepted by the Board of Directors of the SYNAXON AG on 31.12.2006. As time of the allotment, 31.12.2006 is valid according to § 4 (4) of the share options programs.

On due date 31.12.2008, none of the granted share options of the second tranche was exercisable. The issued options of the first tranche could be exercised from 29.1.2007 for the first time. This opportunity had not been utilized up to 31.12.2008. The outstanding options of the first and second tranche features on due date a maximum contractual maturity of 5 and 7 years.

| Type of the agreement | share-based remuneration for the Board of Directors (Tranche 1) | share-based remuneration for the Board of Directors (Tranche 2) |
|-----------------------------------|---|---|
| Day of provision | 28.1.2005 | 30.12.2006 |
| Issued share options | 191.250 | maximal 191.250 |
| Maximum maturity | 7 years | 7 years |
| Exercisable options on 31.12.2007 | 191.250 | 0 |
| Conditions of exercise | <ul style="list-style-type: none"> - Vesting Period of 2 years - exercise possible only 3 x annually within 20 stock exchange trading days according to the publication of the quarterly report - Profit target: net profit amounts to at least EUR 0.4 pro shares in this year up to the exercise - Minimum holding period of 3 years for maximum 80 % of the shares after option exercise | <ul style="list-style-type: none"> - Vesting Period of 2 years - exercise possible only 3 x annually within 20 stock exchange trading days according to the publication of the quarterly report - Profit target: net profit amounts to at least EUR 0.4 pro shares in this year up to the exercise - Minimum holding period of 3 years for maximum 80 % of the shares after option exercise |

The expected value to be attributed for a share option of the already issued first tranche amounts to EUR 0.44 if the option is subject to the minimum holding period of 3 years; for shares that are not subject to the minimum holding period, it amounts to EUR 0.60. The expected value to be attributed for a share option of the already issued second tranche amounts to EUR 0.05 if the option is subject to the minimum holding period of 3 years; for shares that are not subject to the minimum holding period, it amounts to EUR 0.08. These values were calculated under application of the Black-Scholes-Merton models for evaluation of options. For this calculation, the following model parameters were used:

| | | |
|--|-----------|-----------|
| Share exchange rate on due date of evaluation | EUR 9.40 | EUR 5.44 |
| Maximum maturity on due date of issue | 7 years | 7 years |
| expected maturity of the options | 4 years | 4 years |
| strike price at expected time of exercise | EUR 17.63 | EUR 20.57 |
| expected dividend returns | 3 % | 3% |
| Risk-free interest rate for the maturity | 2.82 % | 4.06% |
| Expected volatility for the maturity | 32 % | 30% |
| Disadvantage of financing by holding period | EUR 2.20 | EUR 3.24 |
| expected fluctuation of the option holder for the maturity | 0 % | 0% |

The expected maturity of the options based on the expressed intention of the option owners to exercise the share options as fast as possible. This substantiates itself with the increasing strike price as well as the financeability of the exercised prices.

Basically a minimum holding time of 3 years exists after exercise of the share options, with exception of:

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

Regarding the financeability of the share options (exercise prices), an option exercise at a stock exchange price over EUR 20.00 is probable, as for this case at least 30 % of the shares acquired in the course of an option exercise would be exempted from the Lock-Up deadline and thus at least a part of the shares affected by the Lock-Up deadline could be financed by the sales proceeds of the shares realized immediately after option exercise.

For the exercise of the share options already issued as well as the share options ready for issue, a basic exercises price of EUR 12.00 from the year 2004 was ascertained. For the following years, the strike price increases by 8 % p.a. on the previous year value. Thus the following exercise prices result:

| <u>year</u> | <u>strike price</u> |
|-------------|---------------------|
| | EUR |
| 2004 | 12.00 |
| 2005 | 12.96 |
| 2006 | 14.00 |
| 2007 | 15.12 |
| 2008 | 16.33 |
| 2009 | 17.63 |
| 2010 | 19.04 |
| 2011 | 20.57 |
| 2012 | 22.21 |
| 2013 | 23.99 |
| 2014 | 25.91 |
| 2015 | 27.98 |

As dividend returns, 3 % is expected, which was determined on basis of the expected growth of exchange rates as well as a constant dividend distribution.

The future volatility during the expected maturity of the share options was assessed on basis of historical volatilities under consideration of the future growth of expected exchange rates. Basically, under consideration of IFRS 2, B25, the annualized historical volatility over the expected maturity of the options is to be used. This amounts to 4 years (2005 - 2009) for the Synaxon AG. For the calculation of historical volatilities, the period 2001 - 2005 would be relevant. Due to the extraordinary influences of the terrorist attacks on 11.9.2001 on the situation in the capital markets, a shorter period was used in order to attain a realistic estimate of the future volatility. On basis of the historic periods of 2 years and 3 years, Volatilities of 36 % or 37.5 % were determined. According to the estimate of the Board of Directors of the Synaxon AG based on these historical parameters for the expected maturity of the share options of 4 years, a volatility of 32 % (1st tranche) and 30 % (2nd tranche) is to be expected.

Furthermore, a financing disadvantage arises for the option holders by the holding period of 3 years after exercise. For this reason, a value of EUR 2.20 per option of the first tranche and EUR 3.24 per option of the second tranche was determined, by which the strike price increases in the model.

For the share options program, following expenses arise for the Synaxon AG on due date 31.12.2008:

| | <u>31.12.2008</u> | <u>31.12.2007</u> |
|---|-------------------|-------------------|
| | EUR | EUR |
| Total expenditure from equity capital-based remunerations transactions | 4.685.64 | 8.265.40 |
| Thereof, for share-based remuneration transactions with balance by equity instruments | 4.685.64 | 8.265.40 |

The annual general meeting empowered the governing body to sanction a new a share option plan on 12.06.2008. The governing body has submitted an offer to the Board of Directors for acquisition of shares of the Synaxon AG by means of share option rights with a maturity of up to seven years on 29.12.2008. With acceptance of the offer by the Board of Directors on 30.12.2008, in total 389,100 share options with subscription rights on shares of the Synaxon AG were allocated to the three members of the Board of Directors. The strike price amounts to 8.00 EUR at first and increases annually by 4% respectively. With the exercise of the option rights from the current share options program, the renunciation of rights from earlier share options plans is declared. Furthermore, it is prerequisite for the exercise of the share options that the company shows a net profit per share (net profit in ratio of the number of shares on the balance sheet date)

of at least EUR 0.40 on annual statements following the resolution on this share options plan in the annual general meeting and the net profit can be used respectively for distribution of a dividend to the shareholders. The members of the Board of Directors, who have exercised the option rights, may further realize the shares acquired in exercise of the option right 24 Months after exercise of the option at earliest.

The allocated share options can't be executed due to a net profit per share 2008 missing the requirements of the share option program.

Against the resolution of the annual general meeting 2008, however, an action of rescission and nullity is filed at the district court of Bielefeld (confer status report, risks in the legal area).

Specifications about shares, assumed by shareholders

The Deutsche Balaton AG, Weberstraße 1. 69120 Heidelberg informed us on 13.08.2004 according to § 21 Section 1 WpHG, that its voting rights share in the PC-SPEZIALIST Franchise AG (WKN 687 380. ISIN DE0006873805) on 31.10.2003 has exceeded the thresholds of 5% and 10% and amounts to 14.83%.

Thereof, the Deutschen Balaton AG is to be apportioned 9.93 % of votes in accordance with § 22 Section 1 Clause 1 No. 1 WpHG.

Herr Wilhelm Konrad Thomas Zours, Werrgasse 9. 69120 Heidelberg, the DELPHI Unternehmensberatung GmbH, Weberstraße 1. 69120 Heidelberg and the VV-Beteiligungen AG, Weberstraße 1. 69120 Heidelberg (successively subject to report) informed us on 2.8.2006 over authorized lawyers in accordance with § 21 Section 1 S. 1 WpHG the following:

The voting rights share of the parties subject to report in our company has exceeded on 31.10.2003 respectively the thresholds of 5% and 10% and amounts to 14.83% respectively. The aforementioned votes are entirely apportioned to the parties subject to report respectively in accordance with § 22 Section 1 Clause 1 No. 1 WpHG.

The Axxion S.A., 1B, Parc d'Activité Syrdall, L-5365 Luxemburg-Munsbach, informed us on 30.12.2005 in accordance with § 21 Section 1 WpHG, that its voting rights share in the Synaxon AG (WKN 687 380. ISIN DE0006873805) has fallen under the threshold of 10% on 23.12.2005 and now amounts to 9.7024%.

On 22.01.2008 the following was informed to us according to § 21 Section 1 WpHG:

The voting rights share of the ARF Holding GmbH, Schloß Holte, Germany in the Synaxon AG has exceeded on 21.01.2008 the threshold of 5% and amounts to 5.04% on this day (this corresponds to 196,189 voting rights).

The voting rights share of the Mr. Bruno Fortmeier, Germany, in the Synaxon AG has exceeded on 21.01.2008 the threshold of 5% and amounts to 5.04% on this day (this corresponds to 196,189 voting rights). Thereof, 5.04% is to be apportioned to him (this corresponds to 196,189 votes) in accordance with § 22 Section 1 Clause 1 No. 1 WpHG by the ARF Holding GmbH.

The following was informed to us on 25.04.2008 according to § 21 Section 1 WpHG:

The voting rights share of the ARF Holding GmbH, Schloß Holte, Germany in the Synaxon AG has exceeded on 25.04.2008 the threshold of 10% and amounts to 10.01% on this day (this corresponds to 389,405 voting rights).

The voting rights share of the Mr. Bruno Fortmeier, Germany, in the Synaxon AG has exceeded on 25.04.2008 the threshold of 10% and amounts to 10.01% on this day (this corresponds to 389,405 voting rights). Thereof, 10.01% is to be apportioned to him (this corresponds to 389,405 votes) in accordance with § 22 Section 1 Clause 1 No. 1 WpHG by the ARF Holding GmbH.

On 05.12.2008 the following was informed to us according to § 21 Section 1 WpHG:

The voting rights share of the ARF Holding GmbH, Schloß Holte, Germany in the Synaxon AG has exceeded on 04.12.2008 the threshold of 15% and amounts to 15.43% on this day (this corresponds to 600,530 voting rights).

The voting rights share of the Mr. Bruno Fortmeier, Germany, in the Synaxon AG has exceeded on 04.12.2008 the threshold of 15% and amounts to 15.43% on this day (this corresponds to 600,530 voting rights). Thereof, 15.43% is to be apportioned to him (this corresponds to 600,530 votes) in accordance with § 22 Section 1 Clause 1 No. 1 WpHG by the ARF Holding GmbH.

2. Number of employees

The average number of employees:

| | <u>2008</u> | <u>2007</u> |
|-------------|-------------|-------------|
| Assigned | 110 | 107 |
| Apprentices | <u>7</u> | <u>9</u> |
| | <u>117</u> | <u>116</u> |

3. Corporate Governance Codex

The Board of Directors and the governing body have given a declaration on Corporate Governance Codex in accordance with § 161 AktG for the business year 2008. This is placed on the website of the company www.synaxon.de since 15.01.2009 and ready to be retrieved.

4. Miscellaneous financial obligations

Beside liabilities, accruals and contingent liabilities, there are other financial obligations, especially from rental- and leasing obligations as well as from consultancy contracts. The contracts have remaining maturities of 1 up to 4 years and contain in parts extension options as well as price adjustment clauses. The nominal sum of the future payments from irredeemable rental contracts and operating-leasing commitments are composed as following after maturity:

| | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>Total</u> | <u>previous year</u> |
|---------------|-------------|-------------|-------------|-------------|--------------|--------------------------|
| | TEUR | TEUR | TEUR | TEUR | TEUR | TEUR |
| Rents | 146 | 3 | 3 | 3 | 155 | 260 |
| vehicles | 70 | 58 | 11 | 5 | 144 | 37 |
| miscellaneous | 132 | - | - | - | 132 | 396 |

5. Contingent liabilities

The Synaxon AG is liable as debtor of guarantee for a rental guarantee due to the leasing of offices in Schloß Holte in amount of TEUR 9. From contracts of assumption of debts, the company is liable with TEUR 0 (previous year: TEUR 28) for rents to be paid.

Furthermore, the company guarantees with TEUR 110 (previous year: TEUR 110) for current account liabilities of a system partner towards credit institutes. Due to the high probability of the availment from the suretyship, the risk was taken into consideration. The Synaxon AG is liable for liabilities of associated enterprises in the legal form of a GbR as joint debtor. The liabilities are lower importance for the concern.

6. Transactions with close personnel and enterprises

The following specifications refer to business relations between the Synaxon AG as parent company or subsidiary companies and close persons. As “related parties”, in accordance with IAS 24, the governing body, shareholdings as well as the shareholders are considered as a principle beside the Board of Directors.

Transactions with members of the management or elements

In business year 2008, the company has worked together in the area of the brand communication and the end-client marketing with the Agency Pauli-Bach and Lewald GmbH, - agency for brands and communication. The president of the governing body, Dr. Günter Lewald is director of this agency. The expenditures amounted to TEUR 200 (previous year: TEUR 147) in total and correspond to the usual market conditions among external third parties.

Furthermore, the company has signed a contract in year 2006 with the PROVOTO GmbH & Co. KG. The member of the governing body of the AKCENT Computerpartner AG, Mr. Frank Garrelts, is director of this company. PROVOTO assumes as general authorized party the analysis of the European IT-markets for appropriate opportunities of expansion, processing of an internationalization strategy for the cooperation area etc for the area of international and questions in associations in open workforce. The expenditures amounted to TEUR 268 (previous year: TEUR 276) in the report period. The contract ends on 15.06.2009. The concern has received payments from close personnel from product deliveries in amount of TEUR 8 (previous year: TEUR 151) and services in amount of TEUR 130 (previous year: TEUR 155).

Simultaneously, the concern has rendered payments to close personnel from product delivery in amount of TEUR 0 (previous year: TEUR 5) and services in amount of TEUR 111 (previous year: TEUR 329). The settlements of the product deliveries and services correspond to the usual market conditions among external third parties.

A few subsidiary companies of the Synaxon AG maintain commercial relations with close personnel in the sense of the IAS 24. It is about the commercial transactions with enterprises, in which the directors of the iTeam are an authoritative shareholder.

Transactions with subsidiary company

For the concern transactions, there are trade receivables against close companies in amount of TEUR 1 (previous year: TEUR 47) and trade payables against close companies and director of subsidiary companies in amount of TEUR 1 (previous year: TEUR 3) on 31.12.2008.

7. Financial instruments

a) Financial asset values and liabilities

For the evaluation of the financial asset values and liabilities, the management classifies these in case of addition depending on the type and intent of use into one of the following categories:

- (1) Credits and accounts receivable,
- (2) financial investments held up to the final maturity,
- (3) financial assets at fair value through profit or loss,
- (4) financial asset values available for sale,
- (5) financial liabilities affecting net income evaluated with the current value to be attributed,
- (6) other financial liabilities.

Following expenditures and revenues were recorded in correlation with financial asset values and liabilities in the profit- and loss statement or directly in the equity:

| | <u>2008</u> | <u>2007</u> | <u>profit- and loss statement/EK-position</u> |
|--|-------------|-------------|---|
| | TEUR | TEUR | |
| Net profits/-losses according to categories | | | |
| - from credits and accounts receivable (1) | - 194 | - 291 | miscellaneous operational expenditures/ Other operational earnings |
| - from financial asset values available for realization (4) | - 12 | - 9 | evaluation reserve |

The interest earnings from financial asset values amount to TEUR 184 (previous year: TEUR 205), on the other side there are interests paid from financial liabilities in amount of TEUR 17 (previous year: TEUR 34).

b) Capital risk management

The concern controls its capital (equity plus debts deducting liquid resources) with the goal, to achieve its growth targets with simultaneous optimization of the financing costs by financial flexibility. The total strategy concerning this matter is unchanged in comparison to previous year.

The management examines the capital structure at least semi-annually. The capital costs, the provided securities as well as the open credit lines and –opportunities are examined.

In order to maintain or optimize the capital structure, it is incumbent upon the concern, to adjust the amount of the dividend payments, to execute the capital redemptions to the shareholders, to circulate new shares or to realize asset values for the purpose of the debt reduction.

The capital structure has changed in both the report years as following:

| | <u>31.12.2008</u> | <u>31.12.2007</u> | <u>change</u> |
|---------------------------|-------------------|-------------------|---------------|
| | TEUR | TEUR | % |
| equity in € | 16,148 | 16,052 | 0.6 |
| in % of the total capital | 75.6 | 74.1 | |
| debts in € | 5,223 | 5,618 | - 7.2 |
| in % of the total capital | 24.4 | 25.9 | |
| short-term debts in € | 3,401 | 3,863 | - 12.0 |
| in % of the total capital | 15.9 | 17.8 | |
| long-term debts in € | 1,811 | 1,755 | 3.2 |
| in % of the total capital | 8.5 | 8.1 | |
| net debt-to-equity ratio* | 13.5 | 7.4 | |

*) calculated as debts deducting liquid resources in the ratio to equity

c) **Financial risk management**

Regarding the risk management system developed in the Synaxon concern, we refer to the presentation in the concern status report.

The Synaxon-concern is exposed as a principle to the various financial risks, especially shortfall-, Liquidity- and market risks due to the deployment of financial instruments. By functioning regulation, assignment of tasks and systems, these risks are managed effectively. Thus the enterprise has carried out a clearly functional organization of the risk control systems.

The Synaxon-concern is subject to the following financial risks, which are controlled individually as following:

Liquidity Risk

The liquidity risk exists as a principle due to the fact that the enterprise does not possess enough resources for financing, in order to comply with its obligations for payments. The obligations for payments result from payment of interests and amortizations of existing liabilities, but also from continuing obligations and possible new businesses.

The central finance department of the Synaxon-concern regularly receives information from the individual enterprises, in order to create a liquidity plan on monthly basis. All financial asset values, financial debts are incorporated under consideration of the expected flow of payments from planned transactions. On basis of the liquidity plans, possible bottlenecks should be forecasted precociously, so that the sources of financing can be procured for this under usual market conditions.

The following table shows the book values and the value of the gross flow-outs differentiated after maturities of the balanced financial debts:

| | <u>book value</u> | <u>< 1 Month</u> | <u>1 – 3 Months</u> | <u>3 Months to</u> | <u>> 1 year</u> | <u>Total-</u> |
|----------------------|-------------------|---------------------|---------------------|--------------------|--------------------|---------------|
| | TEUR | TEUR | TEUR | 1 year | TEUR | Flow-out |
| | | | | TEUR | | TEUR |
| financial debts 2008 | | | | | | |
| non-interest bearing | 3,402 | 809 | 843 | 1,750 | - | 3,402 |
| financial debts 2007 | | | | | | |
| non-interest bearing | 3,863 | 603 | 1,017 | 2,243 | - | 3,863 |

The management expects that the concern can fulfill its miscellaneous financial obligations also in future from operative Cash Flows and from the influx of the financial asset values becoming due.

Credit risk

The book value of the financial asset values recorded in the consolidated financial statement deducting depreciations in value presents the maximum risk of shortfall. It thus amounts to in total TEUR 6,784 (previous year: TEUR 8,465), thereof from accounts receivable TEUR 2,842 (previous year: TEUR 2,675) and from miscellaneous financial asset values TEUR 3,942 (previous year: TEUR 5,790). Securities has not been received by the enterprise, there are no reservation-of-title clauses.

However, the concern guidelines envisage that business connections are committed only with creditworthy contractual parties, if necessary against obtaining of securities to reduce the shortfall risks. For the

evaluation of the creditworthiness of the partner operations and other clients, available financial information as well as own trade records are taken into consideration. The credit risks are controlled by limits of each contractual partner, which are annually examined and approved.

The concern is not exposed to any significant risks of shortfall of a contractual party or group of contractual parties with similar characteristics. The concern defines contractual parties as those with similar characteristics, if it is about close enterprises, as far as known to the Synaxon-concern. There are trade receivables against a large number of clients. Constant credit ratings are executed regarding the financial status of the accounts receivable. If adequate, the contingency insurances are contracted.

Usually a payment target between 8 and 30 days is guaranteed. For the first days beginning with the invoice date, no interests are calculated, subsequently the legal default interest is levied according to § 288 BGB on the outstanding amount as a rule. In case of delinquent accounts receivable, the concern examines the collectability of the individual account and carries out accumulated depreciations for the non-realized part based on empirical values.

Financial asset values in amount of TEUR 6,001 (previous year: TEUR 7,044) were neither delinquent nor rectified on balance sheet date. No financial asset values were contained in this, whose conditions were renegotiated. For accounts receivable in amount of TEUR 783 (previous year: TEUR 1.421), which were delinquent on balance sheet date, no accumulated depreciations were presented, as no significant modifications in the creditworthiness of the contractual partner was defined and charged with a payment of the outstanding amounts. The concern holds no securities for these open items.

| | <u>31.12.2008</u> | <u>31.12.2007</u> |
|-------------------|-------------------|-------------------|
| 0 to 30 days | 263 | 658 |
| 30 to 60 days | 148 | 39 |
| 60 to 90 days | 27 | 351 |
| More than 90 days | 345 | 373 |
| | <u>783</u> | <u>1,421</u> |

Market risks

Market risks can result from amendments of exchange rates (exchange rate risk) or interest rates (interest risk). Due to the low relevance of these risks for the concern, these were not hitherto hedged by derivative finance instruments. The control occurs by a continuous monitoring by the finance department and a monthly reporting to the management.

Exchange rate risks are avoided to a large extent due to the fact that the concern mainly invoices in Euro. The subsidiary company SYNAXON UK Ltd. has assumed its operative business activity in September 2008 and has not achieved any significant income contributions in the expired business year for the concern. The foreign currency accounts amounted to TEUR 54 (previous year: TEUR 50) on balance sheet date. On balance sheet date, there were no foreign currency liabilities as in the previous year.

Due to the low volume of the foreign currency accounts, no sensitivity analysis takes place for this position.

The concern is exposed to interest risks by the acceptance and circulation of financial resources at fixed and variable interest rates. The risk is controlled in the concern by an appropriate ratio between fixed and variable interest agreements. The hedging by derivatives (e.g. interest swaps or forward rate agreements) does not occur.

An overview on the fixed and variable interest bearing financial asset values and debts is presented in following:

| | interest rate | < 1 Month | 1 – 3 Months | 3 Months to 1 year | 1 - 5 years | > 5 years | Total flow-out |
|------------------------------------|---------------|--------------|--------------|--------------------|-------------|-----------|----------------|
| | % | TEUR | TEUR | TEUR | TEUR | TEUR | TEUR |
| financial asset values 2008 | | | | | | | |
| non-interest | | 5,337 | 797 | - | - | - | 6,134 |
| Variably interest | 2 – 5 % | - | 615 | - | - | - | 615 |
| Fixed interest | 6 – 9 % | - | - | - | 25 | 10 | 35 |
| Sum | | <u>5,337</u> | <u>1,412</u> | <u>-</u> | <u>25</u> | <u>10</u> | <u>6,784</u> |
| financial asset values 2007 | | | | | | | |
| non-interest | | 4,418 | 713 | 497 | 128 | - | 5,756 |
| Variably interest | 2 – 5 % | - | 2,785 | - | - | - | 2,785 |
| Fixed interest | 6 – 9 % | - | - | - | 3 | 49 | 52 |
| Sum | | <u>4,418</u> | <u>3,498</u> | <u>497</u> | <u>131</u> | <u>49</u> | <u>8,593</u> |

By reference to the low volume of the fixed- and variable interest bearing asset values and debts, no sensitivity analysis occurs for this position.

8. Expenses for auditor of annual accounts

The PricewaterhouseCoopers AG was assigned on 12.06.2008 in the annual general meeting as auditor of annual accounts. The costs for the auditor of annual accounts in the year 2008 are composed as following:

| | <u>2008</u> | <u>2007</u> |
|------------------------|-------------|-------------|
| | TEUR | TEUR |
| annual audit | 52 | 54 |
| miscellaneous services | <u>23</u> | <u>3</u> |
| | <u>75</u> | <u>57</u> |

9. Events after the balance sheet date

The following event after the balance sheet date is worth reporting:

The company Pomoschnik Rabotajet GmbH, Berlin, represented by its director Mr. Tino Hofmann, has filed an action for rescission and nullity against the following resolutions of the regular annual general meeting of the Synaxon AG on 12th June 2008 at the district court of Bielefeld:

- Agenda item 5: “Resolution on a new empowerment of the Board of Directors to increase capital from authorized capital along with amendments to articles of association”
- Agenda item included on demand of the CornerstoneCapital AG: “Resolution on the empowerment to acquire own shares”
- Agenda item included on demand of the CornerstoneCapital AG: “Empowerment to sanction an option plan 2008 under allotment of share options with subscription rights on shares of the Synaxon AG to members of the Board of Directors of the Synaxon AG”

The claimant bases on alleged formal deficiencies of the invitation to the regular annual general meeting of the Synaxon AG as well as missing reporting of the Board of Directors under the complaint forwarded on 29th August 2008. The litigation is recorded under the reference number 17 O 132/08.

After the conciliation- and trial date on 28.11.2008, an evidence order was announced on the following date on 09.01.2009. The questioning of witnesses takes place in February and March 2009.

V. Segment information

The segment reporting was prepared considering the IAS 14. The segmentation follows the internal control and reporting of the concern. Intercompany transactions are basically executed as under external third parties, i.e. at usual market settlements prices.

The Synaxon AG is predominantly active in the home country. The subsidiary companies in Austria maintained no operative business in 2008. The subsidiary company in Great Britain was being constituted in the expired business year and hence, had no significant influence on the sales revenues of the concern.

Hence, a geographical segmentation is renounced.

The concern achieves its success in the segments:

Franchise

After acquisition of a Franchise license, a Franchisee may open an IT-Store under the name PC-SPEZIALIST. The business is run in accordance with the guidelines and standards of PC-SPEZIALIST. The license also contains the right of the Franchisee in collaborative marketing and purchase, as well as to participate in the business management related advising by the Franchise-central. The immovable properties held as financial investment is shown in the segment Franchise.

IT-cooperation

This segment comprises the organization of IT-conglomerates, to which the independent IT-specialty retailers and system vendors can be affiliated. The concern daily negotiates competitive purchase prices with suppliers and manufacturers and makes these available to its partners, independent of purchase quantities.

Furthermore, projects and service volumes are actively marketed collectively. By the country-wide comprehensive presence and the established network of experts, chains from the German medium-sized businesses can be supported by centrally controlled processes can in efficient application of their IT-assets.

Central invoicing

The central invoicing transaction of the concern was reduced in 2007 and 2008 in favor of the pure sales promotion. The central invoicing was run by the concern predominantly as project business. In scope of sales deals, the concern tied the purchase volume of its partner operations and then acted as the buyer of the products from suppliers, in order to further realize these subsequently to the partner operations. The product delivery always occurred in a decentralized manner between suppliers and partner operations.

Company Stores

The business activity of this segment was adjusted in October 2006 and serves here only for purposes of comparison.

Business segments of the Synaxon-concern 2008

| | continuative business sectors | | | | | | capitulated business sectors | | | |
|---|----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------------------|---------------------|---------------------|---------------------|
| | Franchise | | IT-cooperation | | CI | | Company Stores | | concern | |
| | <u>2008</u> TEUR | <u>2007</u> TEUR | <u>2008</u> TEUR | <u>2007</u> TEUR | <u>2008</u> TEUR | <u>2007</u> TEUR | <u>2008</u> TEUR | <u>2007</u> TEUR | <u>2008</u> TEUR | <u>2007</u> TEUR |
| total sales revenues | 3,683 | 4,021 | 11,616 | 12,336 | 0 | 195 | 0 | 1 | 15,299 | 16,553 |
| sales revenues with external clients | 3,683 | 4,021 | 11,616 | 12,336 | 0 | 195 | 0 | 1 | 15,299 | 16,553 |
| sales revenues with other segments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| segment income ¹ (EBIT) | 865 | 1,098 | 1,234 | 2,232 | 0 | 9 | 0 | -3 | 2,099 | 3,336 |
| Income from associated Enterprises | 17 | 19 | 0 | 0 | 0 | 0 | 0 | 0 | 17 | 19 |
| depreciations | 216 | 159 | 585 | 441 | 0 | 9 | 0 | 56 | 801 | 665 |
| impairments | 0 | 24 | 613 | 73 | 0 | 0 | 0 | 0 | 613 | 97 |
| segment assets ² | 2,193 | 2,242 | 14,581 | 13,879 | 173 | 54 | 0 | 0 | 16,948 | 16,175 |
| capital assets | 1,291 | 1,141 | 3,491 | 3,424 | 0 | 0 | 0 | 0 | 4,782 | 4,565 |
| Goodwill | 0 | 0 | 8,422 | 7,648 | 0 | 0 | 0 | 0 | 8,422 | 7,648 |
| segment liabilities | 613 | 756 | 2,511 | 2,728 | 38 | 26 | 0 | 0 | 3,162 | 3,510 |
| investments ³ | 1,117 | 128 | 1,903 | 726 | 0 | 0 | 0 | 0 | 3,020 | 854 |

¹ The segment income is the the result before taxes, before the result of associated enterprises and before the result share of minorities

² The segment assets are the sum of the following assets: goodwill (TEUR 8,422), long term intangible assets (TEUR 3,294), receivables from deliveries and services (TEUR 2,842), tangible assets (TEUR 438), financial investments (TEUR 238), immovables held as financial investments (TEUR 183), reserves (TEUR 54) and certain miscellaneous assets (excluding cash on hand and balance with credit institutions and tax receivables)

³ The investments include intangible assets (TEUR 2,679) and tangible assets (TEUR 341) without shareholdings.

Use of the net profits of the Synaxon AG

The parent company of the concern, the Synaxon AG, suggests to use the net profit to pay a dividend of EUR 0.20 per share (pieces 3.538.500 = EUR 707,700.00).

Bielefeld, March 13, 2009

Synaxon AG

The Board of Directors

signed Frank Roebbers

signed Andreas Wenninger

signed Mark Schröder

Synaxon AG, Bielefeld

Appendix to consolidated financial statement in accordance with IFRS till 31st December 2008

Summary of Fixed Assets, 31st December 2008

| | Acquisition and Production Costs | | | | Depreciations | | | | Book Values | | |
|--|----------------------------------|----------------------------|--------------------|--------------------------|-----------------------------|----------------------------|----------------------------|-------------------------|----------------------------|-----------------------------|----------------------|
| | Dated 1.1.2008 | Additions | Transfer | Disposals | Dated 31.12.2008 | Dated 1.1.2008 | Additions | Disposals | Dated 31.12.2008 | 31.12.2008 | 31.12.2007 |
| | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | TEUR |
| I. Tangible Assets | | | | | | | | | | | |
| Other Assets, Fixtures and Furnishings | 1,101,155.76 | 341,289.80 | 0.00 | 221,263.46 | 1,221,182.10 | 676,936.26 | 186,369.80 | 79,709.46 | 783,596.60 | 437,585.50 | 424 |
| II. Immovable properties held as financial investment | 359,218.97 | 0.00 | 0.00 | 0.00 | 359,218.97 | 169,881.70 | 6,448.00 | 0.00 | 176,329.70 | 182,889.27 | 189 |
| III. Immaterial Asset Values | | | | | | | | | | | |
| 1. Goodwill | 7,884,537.60 | 773,745.28 | 0.00 | 0.00 | 8,658,282.88 | 236,281.71 | 0.00 | 0.00 | 236,281.71 | 8,422,001.17 | 7,648 |
| 2. Concessions; commercial proprietary rights and similar rights | 4,897,159.53 | 1,336,389.34 | 568,681.08 | 0.00 | 6,802,229.96 | 1,657,681.52 | 1,221,040.43 | 0.00 | 2,878,721.95 | 3,923,508.00 | 3,240 |
| 3. Software under development | 568,681.08 | 0.00 | - 568,681.08 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 569 |
| | <u>13,350,378.21</u> | <u>2,110,134.62</u> | <u>0.00</u> | <u>0.00</u> | <u>15,460,512.84</u> | <u>1,893,963.23</u> | <u>1,221,040.43</u> | <u>0.00</u> | <u>3,115,003.66</u> | <u>12,345,509.17</u> | <u>11,457</u> |
| IV. Financial Assets | | | | | | | | | | | |
| 1. Shareholding | 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. Shares in associated enterprises | 377,882.37 | 116,838.17 | 0.00 | 22,043.27 | 472,677.27 | 249,970.62 | 0.00 | 0.00 | 249,970.62 | 222,706.65 | 128 |
| | <u>393,271.28</u> | <u>116,838.17</u> | <u>0.00</u> | <u>22,043.27</u> | <u>488,066.18</u> | <u>249,970.62</u> | <u>0.00</u> | <u>0.00</u> | <u>249,970.62</u> | <u>238,095.56</u> | <u>143</u> |
| | <u><u>15,204,024.22</u></u> | <u><u>2,568,262.59</u></u> | <u><u>0.00</u></u> | <u><u>243,306.73</u></u> | <u><u>17,528,980.09</u></u> | <u><u>2,990,751.81</u></u> | <u><u>1,413,858.23</u></u> | <u><u>79,709.46</u></u> | <u><u>4,324,900.58</u></u> | <u><u>13,204,079.50</u></u> | <u><u>12,213</u></u> |

Summary of Fixed Assets; 31st December 2007

| | Acquisition and Production Costs | | | | | | Depreciations | | | | | Book Values | |
|--|----------------------------------|-------------------|---------------------|---------------------|-------------------|----------------------|---------------------|-------------------|---------------------|-------------------|---------------------|----------------------|---------------|
| | Dated 1.1.2007 | Additions | Reclassification * | Transfer | Disposals | Dated 31.12.2007 | Dated 1.1.2007 | Additions | Reclassification * | Disposals | Dated 31.12.2007 | 31.12.2007 | 31.12.2006 |
| | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | TEUR |
| I. Tangible Assets | | | | | | | | | | | | | |
| 1. Land and Buildings | 625,658.87 | 0.00 | - 625,658.87 | 0.00 | 0.00 | 0.00 | 111,774.60 | 17,343.00 | - 129,117.60 | 0.00 | 0.00 | 0.00 | 514 |
| 2. Other Assets; Fixtures and Furnishings | 1,050,367.76 | 229,559.64 | 0.00 | 0.00 | 178,771.64 | 1,101,155.76 | 655,551.76 | 179,027.15 | 0.00 | 157,642.65 | 676,936.26 | 424,219.50 | 395 |
| | <u>1,676,026.63</u> | <u>229,559.64</u> | <u>- 625,658.87</u> | <u>0.00</u> | <u>178,771.64</u> | <u>1,101,155.76</u> | <u>767,326.36</u> | <u>196,370.15</u> | <u>- 129,117.60</u> | <u>157,642.65</u> | <u>676,936.26</u> | <u>424,219.50</u> | <u>909</u> |
| II. Immovable properties held as financial investment | 359,218.97 | 0.00 | 0.00 | 0.00 | 0.00 | 359,218.97 | 163,434.15 | 6,447.55 | 0.00 | 0.00 | 169,881.70 | 189,337.27 | 196 |
| III. Immaterial Asset Values | | | | | | | | | | | | | |
| 1. Goodwill | 7,883,684.95 | 852.65 | 0.00 | 0.00 | 0.00 | 7,884,537.60 | 235,429.06 | 852.65 | 0.00 | 0.00 | 236,281.71 | 7,648,255.89 | 7,648 |
| 2. Concessions; commercial proprietary rights and similar rights | | | | | | | | | | | | | |
| 3. Software under development | 4,434,374.12 | 55,263.14 | 0.00 | 440,619.48 | 33,097.21 | 4,897,159.53 | 1,132,563.11 | 558,211.12 | 0.00 | 33,092.71 | 1,657,681.52 | 3,239,478.01 | 3,302 |
| | <u>440,619.48</u> | <u>568,681.08</u> | <u>0.00</u> | <u>- 440,619.48</u> | <u>0.00</u> | <u>568,681.08</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>568,681.08</u> | <u>441</u> |
| | <u>12,758,678.55</u> | <u>624,796.87</u> | <u>0.00</u> | <u>0.00</u> | <u>33,097.21</u> | <u>13,350,378.21</u> | <u>1,367,992.17</u> | <u>559,063.77</u> | <u>0.00</u> | <u>33,092.71</u> | <u>1,893,963.23</u> | <u>11,456,414.98</u> | <u>11,391</u> |
| IV. Financial Assets | | | | | | | | | | | | | |
| 1. Shareholding | 15,388.91 | 0.00 | 0.00 | 0.00 | 0.00 | 15,388.91 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 15,388.91 | 15 |
| 2. Shares in associated enterprises | 382,529.55 | 0.00 | 0.00 | 0.00 | 4,647.18 | 377,882.37 | 249,970.62 | 0.00 | 0.00 | 0.00 | 249,970.62 | 127,911.75 | 133 |
| | <u>397,918.46</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>4,647.18</u> | <u>393,271.28</u> | <u>249,970.62</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>249,970.62</u> | <u>143,300.66</u> | <u>148</u> |
| | <u>15,191,842.61</u> | <u>854,356.51</u> | <u>- 625,658.87</u> | <u>0.00</u> | <u>216,516.03</u> | <u>15,204,024.22</u> | <u>2,548,723.30</u> | <u>761,881.47</u> | <u>- 129,117.60</u> | <u>190,735.36</u> | <u>2,990,751.81</u> | <u>12,213,272.41</u> | <u>12,644</u> |

* Reclassification in long-term asset values held for realization

Auditor's Report

We audited the compiled consolidated group financial statement of Synaxon AG, Bielefeld – consisting of balance statement, profit and loss statement, statement on the changes of capital contribution, cash-flow statement and appendix – as well as the consolidated group status report for the business year beginning on the 1st of January and ending on 31st of December, 2008. The compilation of the consolidated group financial statement and the consolidated group status report is the responsibility of the management of the company according to IFRS as it applies in the EU and supplementary principles of § 315a Sec. 1 German Commercial Code (HGB) applicable accordingly. The scope of our work is to evaluate the consolidated group financial statement and the consolidated group report on basis of our audit. We conducted our audit of the consolidated group financial report according to § 317 German Commercial Code (HGB) in observance of the ascertained German principles for proper audits of financial reports. Accordingly, the audit is to be planned and conducted so that incorrectness and violations are noted with sufficient reliability in consideration of the applicable reporting standards, to the extent that such incorrectness and violations could significantly affect the presented view and cast a picture of the asset position, financial and revenue situation in the consolidated group status report. In defining the auditing activities knowledge of the business operations and of the economic and legal context of the consolidated group as well as the expectations for possible errors are considered.

In the scope of the audit, the validity of reporting related internal controlling as well as supporting documents for information in the consolidated group financial statement and the consolidated group status report are mostly evaluated on basis of samples. The audit includes the evaluation of the annual reports of the companies included in the consolidated group report, the extent of the basis of consolidation, applied reporting and consolidation principles and essential opinions of the management as well as the appraisal of the overall presentation of the consolidated group financial statement and the consolidated group status report. We are of the opinion that our audit is sufficient foundation for our evaluation.

Our audit has not caused any objections.

In our evaluation due to the insights gained from the audit, does the consolidated group financial statement reflect a factual and accurate picture of the asset position financial and revenue situation of the consolidated group according to IFRS as it is applies in the EU and supplementary principles of § 315a Sec. 1 German Commercial Code (HGB) applicable accordingly. The consolidated group status report is conform with the consolidated group financial statement and presents the possibilities and risks of future development accurately.

Bielefeld, March 26th 2009

**PricewaterhouseCoopers
Aktiengesellschaft
Auditing Firm**

Carsten Schürmann
Auditor

ppa. Dr. H. T. Petermann
Auditor

General Engagement Terms

for
Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften
[German Public Auditors and Public Audit Firms]
as of January 1, 2002

This is an English translation of the German text, which is the sole authoritative version

1. Scope

(1) These engagement terms are applicable to contracts between Wirtschaftsprüfer [German Public Auditors] or Wirtschaftsprüfungsgesellschaften [German Public Audit Firms] (hereinafter collectively referred to as the "Wirtschaftsprüfer") and their clients for audits, consulting and other engagements to the extent that something else has not been expressly agreed to in writing or is not compulsory due to legal requirements.

(2) If, in an individual case, as an exception contractual relations have also been established between the Wirtschaftsprüfer and persons other than the client, the provisions of No. 9 below also apply to such third parties.

2. Scope and performance of the engagement

(1) Subject of the Wirtschaftsprüfer's engagement is the performance of agreed services – not a particular economic result. The engagement is performed in accordance with the Grundsätze ordnungsmäßiger Berufsausübung [Standards of Proper Professional Conduct]. The Wirtschaftsprüfer is entitled to use qualified persons to conduct the engagement.

(2) The application of foreign law requires – except for financial attestation engagements – an express written agreement.

(3) The engagement does not extend – to the extent it is not directed thereto – to an examination of the issue of whether the requirements of tax law or special regulations, such as, for example, laws on price controls, laws limiting competition and Bewirtschaftungsrecht [laws controlling certain aspects of specific business operations] were observed; the same applies to the determination as to whether subsidies, allowances or other benefits may be claimed. The performance of an engagement encompasses auditing procedures aimed at the detection of the defalcation of books and records and other irregularities only if during the conduct of audits grounds therefor arise or if this has been expressly agreed to in writing.

(4) If the legal position changes subsequent to the issuance of the final professional statement, the Wirtschaftsprüfer is not obliged to inform the client of changes or any consequences resulting therefrom.

3. The client's duty to inform

(1) The client must ensure that the Wirtschaftsprüfer – even without his special request – is provided, on a timely basis, with all supporting documents and records required for and is informed of all events and circumstances which may be significant to the performance of the engagement. This also applies to those supporting documents and records, events and circumstances which first become known during the Wirtschaftsprüfer's work.

(2) Upon the Wirtschaftsprüfer's request, the client must confirm in a written statement drafted by the Wirtschaftsprüfer that the supporting documents and records and the information and explanations provided are complete.

4. Ensuring independence

The client guarantees to refrain from everything which may endanger the independence of the Wirtschaftsprüfer's staff. This particularly applies to offers of employment and offers to undertake engagements on one's own account.

5. Reporting and verbal information

If the Wirtschaftsprüfer is required to present the results of his work in writing, only that written presentation is authoritative. For audit engagements the long-form report should be submitted in writing to the extent that nothing else has been agreed to. Verbal statements and information provided by the Wirtschaftsprüfer's staff beyond the engagement agreed to are never binding.

6. Protection of the Wirtschaftsprüfer's intellectual property

The client guarantees that expert opinions, organizational charts, drafts, sketches, schedules and calculations – especially quantity and cost computations – prepared by the Wirtschaftsprüfer within the scope of the engagement will be used only for his own purposes.

7. Transmission of the Wirtschaftsprüfer's professional statement

(1) The transmission of a Wirtschaftsprüfer's professional statements (long-form reports, expert opinions and the like) to a third party requires the Wirtschaftsprüfer's written consent to the extent that the permission to transmit to a certain third party does not result from the engagement terms.

The Wirtschaftsprüfer is liable (within the limits of No. 9) towards third parties only if the prerequisites of the first sentence are given.

(2) The use of the Wirtschaftsprüfer's professional statements for promotional purposes is not permitted; an infringement entitles the Wirtschaftsprüfer to immediately cancel all engagements not yet conducted for the client.

8. Correction of deficiencies

(1) Where there are deficiencies, the client is entitled to subsequent fulfillment [of the contract]. The client may demand a reduction in fees or the cancellation of the contract only for the failure to subsequently fulfill [the contract]; if the engagement was awarded by a person carrying on a commercial business as part of that commercial business, a government-owned legal person under public law or a special government-owned fund under public law, the client may demand the cancellation of the contract only if the services rendered are of no interest to him due to the failure to subsequently fulfill [the contract]. No. 9 applies to the extent that claims for damages exist beyond this.

(2) The client must assert his claim for the correction of deficiencies in writing without delay. Claims pursuant to the first paragraph not arising from an intentional tort cease to be enforceable one year after the commencement of the statutory time limit for enforcement.

(3) Obvious deficiencies, such as typing and arithmetical errors and formelle Mängel [deficiencies associated with technicalities] contained in a Wirtschaftsprüfer's professional statements (long-form reports, expert opinions and the like) may be corrected – and also be applicable versus third parties – by the Wirtschaftsprüfer at any time. Errors which may call into question the conclusions contained in the Wirtschaftsprüfer's professional statements entitle the Wirtschaftsprüfer to withdraw – also versus third parties – such statements. In the cases noted the Wirtschaftsprüfer should first hear the client, if possible.

9. Liability

(1) *The liability limitation of § ["Article"] 323 (2) ["paragraph 2"] HGB ["Handelsgesetzbuch": German Commercial Code] applies to statutory audits required by law.*

(2) *Liability for negligence; An individual case of damages*

If neither No. 1 is applicable nor a regulation exists in an individual case, pursuant to § 54a (1) no. 2 WPO ["Wirtschaftsprüferordnung": Law regulating the Profession of Wirtschaftsprüfer] the liability of the Wirtschaftsprüfer for claims of compensatory damages of any kind – except for damages resulting from injury to life, body or health – for an individual case of damages resulting from negligence is limited to € 4 million; this also applies if liability to a person other than the client should be established. An individual case of damages also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty without taking into account whether the damages occurred in one year or in a number of successive years. In this case multiple acts or omissions of acts based on a similar source of error or on a source of error of an equivalent nature are deemed to be a uniform breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the Wirtschaftsprüfer is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(3) *Preclusive deadlines*

A compensatory damages claim may only be lodged within a preclusive deadline of one year of the rightful claimant having become aware of the damage and of the event giving rise to the claim – at the very latest, however, within 5 years subsequent to the event giving rise to the claim. The claim expires if legal action is not taken within a six month deadline subsequent to the written refusal of acceptance of the indemnity and the client was informed of this consequence.

The right to assert the bar of the preclusive deadline remains unaffected. Sentences 1 to 3 also apply to legally required audits with statutory liability limits.