

Ad hoc Announcement

PC-WARE H.I 2008/09: Continued Growth – Slight Decline in Earnings

Leipzig, November 10, 2008 – PC-WARE AG experienced a moderate first half: given the more pronounced recessionary trends and subdued sales generally associated with trading during the summer months, the management is satisfied with the Group's revenue growth of 21.7% to EUR 396.0 million and can look to the future with continued optimism.

As was the case in the first three months of the financial year, the forward momentum seen over the course of the second quarter was driven by both business segments. Recording growth of 43.7%, the company took a more sizeable step forward in the Value Business segment, which includes the entire revenue contributions (EUR 44.8 million) of Comparex. Propelled forward by activities in the field of software licensing, the Volume Business segment (software and hardware reselling) also performed well in the period under review, generating organic growth of 17.2%, which is all the more impressive when one considers the challenges facing the hardware market.

As regards the performance of the regional units within the Group, management is encouraged by the impressive growth rates also achieved beyond the company's domestic market of Germany. Alongside the solid performance displayed by most of the Comparex enterprises, business development in the Czech Republic (+129%), Sweden (+67%) and Italy (+39%) was particularly noteworthy.

Gross profit (+23.1%) rose marginally faster than revenue (+21.7%) to EUR 62.7 million in the first half of the financial year, which translated into a slight increase in the gross profit margin from 15.6% to 15.8%. Growth within this area was attributable to the higher proportion of Value Business as well as an increase in the overall volume of direct Enterprise Agreements (+33.3% to EUR 124.9 million) within the Microsoft category. This trend became even more pronounced in the second quarter, as a result of which the gross profit margin edged up by 1.2 percentage points to 17.5%.

When analysing gross profit in relation to business volume, however, the result is a decline in the corresponding margin from 12.4% to 12.2% in the first half.

Higher staff costs (+29.1% to EUR 43.5 million) and an increase in other operating expenses (+13.0% to EUR 16.2 million) had an adverse effect on earnings before interest, taxes, depreciation and amortisation (EBITDA) in the first half. Ultimately, the Group's second-quarter performance eroded the solid achievements seen in the first three months of the financial year, as a result of which EBITDA declined by 15.9% to EUR 4.6 million in the first half. In the second quarter, EBITDA fell by 75.7% to EUR 650 thousand. The overall increase in costs unmatched by corresponding growth in gross profit was attributable to the contributions made by the Comparex entities, which were included fully in the consolidated group in the second quarter, as well as general recruitment efforts in the case of staff costs.¹

¹ In the second quarter of 2007, the Comparex entities had only been included in the consolidated group for the months of August and September.

Earnings before interest and taxes (EBIT) contracted by 40.0% year on year to EUR 2.0 million in the first half of the 2008 financial year, primarily as a result of the disproportionately large increase in depreciation and amortisation expense in relation to growth in gross profit. This was also in evidence during the second quarter, compounded by the full inclusion of the Comparex entities within the consolidated group, as amortisation of intangible assets attributable to the acquisition now had to be recognised for the entire period. The increase in expense items, however, was not accompanied by corresponding growth in gross profit, and as a result the second quarter produced a loss before interest and taxes of EUR 693 thousand.

Pre-tax profit, too, fell short of the figure posted for the same period a year ago; at EUR 1.6 million, it was 49.9% down on the first half of 2007/08. This was attributable to higher cash requirements in the second quarter, resulting from the payment of an earn-out component to the original shareholders of Comparex as well as the outflow of cash in connection with dividend distributions. As a consequence, the second quarter produced a loss of EUR 978 thousand before taxes.

Net profit for the first half of 2008/09 (after minority interests) stood at EUR 1.14 million, down 48.3% on last year's first-half net profit of EUR 2.21 million. The second quarter produced a net loss of EUR 640 thousand (Q.II 2007/08: net profit of EUR 757 thousand). At the end of the first half, the Group tax rate was approx. 33%.

On the back of a first half during which PC-WARE succeeded in strengthening growth and capturing additional market share while having to contend with a slight fall in earnings, the Management Board expects to generate growth over the course of what is traditionally considered a more buoyant third quarter, regardless of the recessionary climate. Within this context, the increasingly dynamic IT market towards the end of the year as well as an invigorated capital base as a result of the strategic investment by the Raiffeisen banking group will provide additional impetus. PC-WARE will continue to do everything in its power to pursue the medium- and short-term goals it had defined for itself, and the Group has its sights firmly focused on the targets set for the 2008/09 financial year. Given the current uncertainties facing the world economy, however, management believes that issuing a specific forecast would be contrary to sound judgement.

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