



FOR IMMEDIATE RELEASE

INVESTOR CONTACT:

Steven M. Goldschein

516 608-7000

**SYSTEMAX REPORTS RECORD QUARTERLY AND FULL YEAR SALES
AND SHARPLY INCREASED EARNINGS**

Fourth Quarter 2004 highlights:

- **Record quarterly sales of \$551 million, 26% increase over last year**
- **North American sales up 36%**
- **North American operating income increases from \$2.6 million to \$20.7 million**
- **Sharply increased earnings**
- **E-commerce sales increase 45% year over year**
- **Consolidation of North American computer businesses complete**

Full Year 2004 highlights:

- **Record annual sales total \$1.93 billion**
- **Earnings per diluted share of \$.35, up 250%**
- **E-commerce sales increase 34% over last year**

PORT WASHINGTON, NY, April 13, 2005 - Systemax Inc. (NYSE:SYX), a leading distributor and manufacturer of PC hardware, related computer products and industrial products in North America and Europe, today announced results for the fourth quarter and year ended December 31, 2004 and restated results for the year ended December 31, 2003.

Net sales for the fourth quarter increased \$113.3 million or 25.9% to a record \$550.8 million from \$437.5 million in the same quarter last year. Fourth quarter 2004 e-commerce sales increased \$48.4 million or 44.8% to \$156.4 million, representing 28.4% of total sales in the period. North American net sales increased 35.6% to \$359.6 million compared to \$265.1 million in the same quarter a year ago. European net sales increased 11% over last year with foreign exchange translation accounting for substantially all of the increase. North American operating income increased to \$20.7 million from \$2.6 million a year ago. This increase resulted from the combination of increased sales and the maintenance of spending on selling, general and administrative expenses at year-ago levels. Operating losses in Europe increased to \$9.4 million from \$2.5 million compared to the fourth quarter of 2003. European results were adversely affected by lower gross

margins and non-recurring restructuring costs. During the first quarter of 2005 additional steps were taken in Europe to reduce operating expenses including a workforce reduction of approximately 185 people with an expected annual savings of approximately \$8 million. First quarter results of 2005 will include severance costs of approximately \$2.5 million relating to the workforce reduction. Net income for the fourth quarter was \$8.25 million or \$.23 per diluted share compared to a loss of \$137,000 (\$.00 per diluted share) for the same period last year. Fourth quarter results include pretax restructuring and other charges of \$1.3 million (2004) and \$2.9 million (2003). Excluding the effects of the restructuring and other charges, net income for the quarter would have been \$9.2 million (\$.25 per diluted share) in 2004 compared to \$1.8 million (\$.05 per diluted share) last year.

Systemax achieved record annual net sales for 2004, as sales increased 16.3% to \$1.93 billion from \$1.66 billion in 2003. North American sales increased 20% to \$1.23 billion from last year's \$1.03 billion principally due to strong consumer sales at TigerDirect and growth in industrial product sales. European net sales increased 10.2% to \$696.2 million from \$631.5 million in 2003. With foreign exchange translation accounting for a \$70.0 million increase in 2004 net sales, those sales decreased approximately 1% when measured in local currencies. The Company's gross profit percentage fell to 15.1% in 2004 from 16.0% in the prior year due to continued pricing pressure resulting from weak market demand, competition and changes in the mix of products sold. Selling, general and administrative expenses fell to 13.5% of net sales from 15.2% a year ago. The Company's restructuring activities reduced the workforce, lowering salary and benefit costs. These savings were partially offset by increased credit card processing fees resulting from higher sales levels and higher costs in Europe due to the effects of changes in foreign exchange rates. Net income for 2004 increased to \$12.6 million or \$.35 per diluted share compared to \$3.35 million or \$.10 per diluted share in the prior year. Results for the years ending December 31, 2004 and 2003 include pretax restructuring and other charges of \$7.4 million (2004) and \$1.7 million (2003). Excluding the effects of the restructuring and other charges, net income for the year would have been \$17.6 million (\$.50 per diluted share) in 2004 compared to \$7.2 million (\$.21 per diluted share) last year.

As discussed above, during 2004 and 2003 the Company incurred certain restructuring and other charges in connection with the streamlining and reorganization of its back office and distribution facilities in both North America and Europe. A reconciliation between income from operations, as reported in accordance with generally accepted accounting principles, and pro forma net income, excluding these adjustments has been provided.

Richard Leeds, Chairman and Chief Executive Officer, stated "We are extremely pleased by our strong fourth quarter performance. Our sales growth was led by a sharp increase at TigerDirect, where approximately half of its sales are to the consumer market. Another highlight of both the fourth quarter and the full year is the continued growth of our e-commerce business which reached 28.4% of consolidated fourth quarter net sales and totaled \$514.8 million for 2004 or 26.7% of net sales. E-commerce sales help us to leverage selling, general and administrative expenses, enabling more profit to drop to the bottom line. The actions we have taken over the last two years in restructuring and reorganizing our business, both in North America and Europe, have begun to pay dividends."

Led by Tiger Direct's Chief Executive Officer, Gilbert Fiorentino, our now completed US computer business reorganization, saw seven divisions combined into one. Mr. Fiorentino commented, "Not only are we more profitable, we are a more able competitor in the marketplace. Our plan is to replicate this model in the United Kingdom during 2005 and return Europe to profitability."

Steven M. Goldschein, Senior Vice President and Chief Financial Officer, noted that the Company's financial position remains strong. Days sales outstanding improved to 25.1 from 31.4 last year. This mirrors the growth in credit card business where the sales to cash cycle is 2 – 3 days rather than the normal 30-45 days. The Company recently extended its domestic credit facility for eighteen months under substantially the same terms and conditions. The Company expects to finalize a new worldwide credit agreement in the next two months.

Richard Leeds added "We believe we are well positioned to serve our customers in both North America and Europe under current economic conditions. The steps we have taken in restructuring our European businesses are aimed at returning us to operating profitably during 2005. I am encouraged by the progress we are making with our ProfitCenter suite of web-based software. Following our successful internal installation and use of the software, we now expect initial third party customer installations in the first half of 2005."

Restatement of Financial Statements

The Company previously announced a delay in reporting its results for the year ended December 31, 2004 pending restatement of its financial statements for the year ended December 31, 2003 and the first three quarters of 2004, to correct errors in accounting for inventory at its United Kingdom subsidiary.

Results for the first three quarters of 2004 have been restated from those previously released as follows:

(In thousands)	First Quarter 2004, as previously <u>reported</u>	First Quarter 2004, as <u>restated</u>	Second Quarter 2004, as previously <u>reported</u>	Second Quarter 2004, as <u>restated</u>	Third Quarter 2004, as previously <u>reported</u>	Third Quarter 2004, as <u>restated</u>	Fourth Quarter <u>2004</u>	Fiscal <u>2004</u>
Net Sales	\$485,736	\$485,736	\$430,990	\$430,990	\$460,271	\$460,271	\$550,838	\$1,927,835
Gross Profit	\$74,820	\$74,139	\$67,818	\$67,136	\$73,224	\$72,485	\$76,623	\$290,383
Income from operations	\$5,203	\$4,522	\$2,744	\$2,062	\$5,782	\$5,043	\$11,289	\$22,916
Income before provision for income taxes	\$4,556	\$3,875	\$2,318	\$1,636	\$5,067	\$4,328	\$10,634	\$20,473
Provision for income taxes	\$2,144	\$1,940	\$1,647	\$1,441	\$2,375	\$2,155	\$2,387	\$7,923
Net income	\$2,412	\$1,935	\$671	\$195	\$2,692	\$2,173	\$8,247	\$12,550
Net income per common share:								
Basic	\$.07	\$.06	\$.02	\$.01	\$.08	\$.06	\$.24	\$.37
Diluted	\$.07	\$.05	\$.02	\$.01	\$.08	\$.06	\$.23	\$.35

SYSTEMAX INC.

Consolidated Statements of Operations

(In thousands, except per share and share amounts)

	Three Months Ended			Year Ended		
	December 31,			December 31,		
	2004	2003	2003	2004	2003	2003
		(As restated)	(As originally reported)		(As restated)	(As originally reported)
Net sales	\$550,838	\$437,508	\$437,508	\$1,927,835	\$1,657,778	\$1,657,778
Cost of sales	474,215	373,309	372,353	1,637,452	1,392,745	1,389,509
Gross profit	76,623	64,199	65,155	290,383	265,033	268,269
Selling, general & administrative expenses	64,019	61,155	61,155	260,111	251,460	251,460
Restructuring and other charges	1,315	2,886	2,886	7,356	1,726	1,726
Goodwill Impairment					2,560	2,560
Income from operations	11,289	158	1,114	22,916	9,287	12,523
Interest and other expense, net	655	514	514	2,443	1,589	1,589
Income (loss) before income taxes	10,634	(356)	600	20,473	7,698	10,934
Provision (benefit) for income taxes	2,387	(219)	67	7,923	4,352	5,323
Net income (loss)	\$8,247	\$(137)	\$533	\$12,550	\$3,346	\$5,611
Net income (loss) per common share:						
Basic	\$.24	\$.00	\$.01	\$.37	\$.10	\$.16
Diluted	\$.23	\$.00	\$.01	\$.35	\$.10	\$.16
Weighted Average Common And Common Equivalent Shares:						
Basic	34,416,256	34,283,270	34,283,270	34,372,943	34,164,093	34,164,093
Diluted	36,233,146	35,260,031	35,260,031	35,489,283	34,879,546	34,879,546

Operations by geographic area (in millions):

	Three months ended		Year ended December 31,	
	December 31,			
	2004	2003	2004	2003
North America:				
Net sales	\$359.6	\$265.1	\$1,231.6	\$1,026.2
Income from operations	\$20.7	\$2.6	\$35.4	\$14.5
Europe:				
Net sales	\$191.2	\$172.4	\$696.2	\$631.5
Loss from operations	\$(9.4)	\$(2.5)	\$(12.5)	\$(5.2)

SYSTEMAX INC.

Condensed Consolidated Balance Sheets

(in thousands)

	December 31, <u>2004</u>	December 31, <u>2003</u>	December 31, <u>2003</u>
		(As restated)	(As previously reported)
CURRENT ASSETS:			
Cash and cash equivalents	\$36,257	\$38,702	\$38,702
Accounts receivable, net	153,724	152,435	152,435
Inventories	176,227	133,905	133,905
Prepaid expenses and other current assets	33,700	36,981	36,981
Total Current Assets	399,908	362,023	362,023
Property, plant and equipment, net	65,563	68,647	68,647
Other assets	18,829	16,049	14,982
TOTAL	\$484,300	\$446,719	\$445,652
 LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Current portions of long-term debt and notes payable to banks	\$16,560	\$20,814	\$20,814
Accounts payable, accrued expenses and other current liabilities	222,620	195,699	192,143
Total Current Liabilities	239,180	216,513	212,957
Long-term debt	17,099	18,353	18,353
Other liabilities	1,505	1,768	1,768
Shareholders' equity	226,516	210,085	212,574
TOTAL	\$484,300	\$446,719	\$445,652

Systemax Inc.

Reconciliation of GAAP income to earnings excluding certain charges

(In thousands, except per share data)

(Unaudited)

	Year ended December 31,		Three months ended December 31,	
	<u>2004</u>	<u>2003</u> (As restated)	<u>2004</u>	<u>2003</u> (As restated)
Income from operations	\$22,916	\$9,287	\$11,289	\$158
Adjustments:				
Restructuring and other charges (1)	7,356	1,726	1,315	2,886
Goodwill Impairment (2)	<u> </u>	<u>2,560</u>	<u> </u>	<u> </u>
Earnings excluding certain charges before interest and other expense, net and income taxes	30,272	13,573	12,604	3,044
Interest and other expense, net	<u>2,443</u>	<u>1,589</u>	<u>655</u>	<u>514</u>
Earnings excluding certain charges before income taxes	27,829	11,984	11,949	2,530
Provision for income taxes	<u>10,244</u>	<u>4,823</u>	<u>2,731</u>	<u>701</u>
Earnings excluding certain charges	<u>\$17,585</u>	<u>\$7,161</u>	<u>\$9,218</u>	<u>\$1,829</u>
Earnings excluding certain charges per diluted share	<u>\$.50</u>	<u>\$.21</u>	<u>\$.25</u>	<u>\$.05</u>
Diluted weighted average shares outstanding	<u>35,489</u>	<u>34,880</u>	<u>36,233</u>	<u>35,260</u>

(1) The \$1.3 million restructuring charge in the fourth quarter of 2004 represents costs incurred in reorganizing our European business. The restructuring charges for the year ended December 31, 2004 includes \$3.7 million of costs incurred in streamlining the US computer business and \$3 million of costs for streamlining our European operations. The \$2.9 million restructuring charge in the fourth quarter of 2003 is comprised of excess facilities costs in the United States and the United Kingdom. The restructuring and other charges for the year ended December 31, 2003 includes the reversal of a \$1.3 million liability no longer needed as a result of a litigation settlement.

(2) The \$2.6 million goodwill impairment charge occurred during the second quarter of 2003. The Company purchased the minority shares in its Netherlands subsidiary pursuant to the terms of the original purchase agreement. The entire purchase price was attributable to goodwill and as a result of an impairment analysis, was written off.

NOTE - The above reconciliation is intended to present Systemax's operating results, excluding certain charges and providing income taxes (benefits) at local effective tax rates. This reconciliation is not in accordance with, or an alternative method for, generally accepted accounting principles in the United States, and may be different from similar measures presented by other companies. The presentation of this financial measure facilitates meaningful comparison with prior periods.

Forward-Looking Statements

This press release contains forward-looking statements about the Company's performance. These statements are based on management's estimates, assumptions and projections and are not guarantees of future performance. The Company assumes no obligation to update these statements. Actual results may differ materially from results expressed or implied in these statements as the result of risks, uncertainties and other factors including, but not limited to: (a) unanticipated variations in sales volume, (b) economic conditions and exchange rates, (c) actions by competitors, (d) the continuation of key vendor relationships, (e) the ability to maintain satisfactory loan agreements with lenders, (f) risks associated with the delivery of merchandise to customers utilizing common carriers, (g) the operation of the Company's management information systems, and (h) unanticipated legal and administrative proceedings. Please refer to the Forward Looking Statements section contained in Item 7 of the Company's Form 10-K for a more detailed explanation of the inherent limitations in such forward-looking statements.

-- End --