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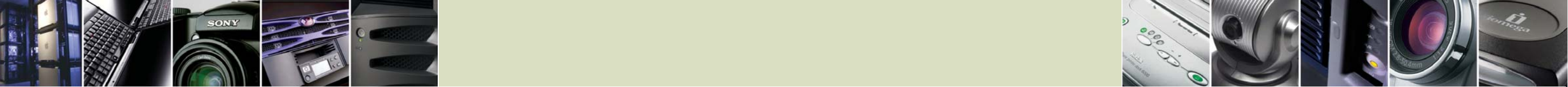
pc connection, inc. annual report

24/7

IMMEDIATE

impact

every day everywhere



DEAR FELLOW SHAREHOLDERS,

In 2003, PC Connection continued to make progress in meeting our business objectives. During the year, all of our major customer segments experienced increased activity, which led to rising sales, productivity, and profits. We believe PC Connection is a financially healthy company that is in a strong position to build business, win new customers, and improve profitability. A review of the past year's highlights shows positive results in many areas.

Financial Results

Total net sales for 2003 were \$1.31 billion compared to \$1.19 billion the previous year, an increase of 10.1 percent. Growing sales caused PC Connection to rise 24 places on the Fortune 1000 list, up to 937 in 2003 from 961 in 2002. We continued to invest in strengthening our ability to meet the needs of our customers, while at the same time our total income in 2003 rose to \$5.9 million, or \$.23 per share, compared to \$3.2 million, or \$.13 per share the previous year.

Sales to small- and medium-sized (SMB) customers, targeted by our PC Connection Sales Corporation subsidiary, were \$744 million in 2003, compared to \$704 million the previous year. Net sales for our GovConnection subsidiary, which serves government and education customers, were \$321 million in 2003, compared to \$294 million the previous year. Net sales for our MoreDirect subsidiary, which manages IT hardware procurement for large corporate customers, were \$248 million in 2003, compared to \$194 million the previous year. The results for MoreDirect reflect sales posted only since this subsidiary was acquired by PC Connection in April 2002.

From playing or listening to music to sending e-mail or IM to friends or business colleagues, from creating school projects to managing government proceedings, from routing fire and police personnel to managing the IT data for the largest corporation...we provide the products and services that have an impact on every aspect of your life—
every day, everywhere.

Selling and Marketing

Given 2003's favorable business trends, we augmented our sales team throughout the year. Overall, we increased the number of sales representatives in all divisions from 512 to 567, a rise of 11 percent. The number of sales representatives serving the SMB segment increased from 341 to 378; in the public sector, from 99 to 104; and in the large account segment, from 72 to 85.

At the same time, productivity increased to \$2.5 million per sales representative by the fourth quarter of 2003, up from \$2.2 million per sales representative in the first quarter of 2003. This improvement was partly due to increased Account Manager tenure. In the fourth quarter of 2003, average tenure rose to 25 months in our SMB segment and 37 months in the public sector segment; this is a significant improvement from a consolidated average of 21 months in the fourth quarter of 2001. During the year, we progressively enhanced the training options for our sales force, including courses in selling, leadership, and technology offered through our PC Connection University program.

In addition, our customers are very loyal. In 2003, 87 percent of our net sales were made to customers who had already purchased from us before. Also, we continue to have strong relationships with our vendors, which results in favorable product allocations and marketing assistance.

To build PC Connection's image in 2003, we continued to invest in strategic high profile marketing efforts, including sponsorships

of major league sports teams and arenas, airports, billboards, and specialized catalogs. We were a highly visible sponsor of the Boston Red Sox baseball team, and pursued a unique partnership with the Boston Bruins and Celtics teams that included promotions on the Fleet Center's interactive television network.

Operations and Technology

During 2003, PC Connection continued to focus on operational efficiency and lowering our overall cost structure. Through a variety of initiatives throughout the year, we succeeded in lowering SG&A expenses to 9.5 percent in 2003 compared to 10.2 percent the prior year, excluding restructuring costs and other special charges. Also, our cost of doing business was reduced by continued process improvements and growth in the Internet as a sales channel. In 2003, Internet or Internet-assisted sales grew to 21 percent of our total business, compared to 19 percent the prior year. Our award-winning efforts in using e-commerce technologies enabled us to grow our business, better serve customers, and improve overall operations.

Looking Ahead

Overall, we were pleased with our 2003 results. Looking ahead, we intend to remain competitive in every way, while upholding our founding principle of offering the

highest possible standards of customer service and satisfaction. To meet this goal, in 2004 we plan to:

- Expand our product and service offerings
- Improve sales productivity
- Increase product margins
- Continue to review our internal processes to gain efficiencies
- Sharpen our focus on high-growth customer segments
- Pursue strategic alliances and acquisitions

With recent trends in the technology sales market, we believe demand will continue to strengthen for the products and services that PC Connection offers. To meet this need, we will continue to serve as a trusted and reliable source of IT product information, competitive prices, and excellent customer service. We believe maintaining this focus remains the key to creating satisfied long-term customers, employees, and shareholders.



Patricia Gallup
Patricia Gallup
 Chairman & Chief Executive Officer
 PC Connection, Inc.



Market Information

The Company's Common Stock commenced trading on March 3, 1998 on the Nasdaq National Market under the "PCCC" symbol. As of March 12, 2004, there were 24,997,877 shares outstanding of the Common Stock of the Company held by approximately 100 stockholders of record.

The following table shows the range of high and low sales prices for the Company's Common Stock on the Nasdaq National Market for 2002 and 2003:

2003

Quarter Ended:

	December 31	September 30	June 30	March 31
HIGH	\$11.90	\$13.47	\$10.82	\$8.33
LOW	6.50	6.54	4.94	4.69

2002

Quarter Ended:

	December 31	September 30	June 30	March 31
HIGH	\$7.49	\$6.27	\$10.90	\$15.36
LOW	3.72	3.86	3.83	8.33

The Company has never declared or paid cash dividends on its capital stock. The Company currently anticipates that it will retain all future earnings, if any, to fund the development and growth of its business and does not anticipate paying any cash dividends on its Common Stock in the foreseeable future.

Shareholder Information

PC Connection's Corporate Communications Department is responsible for shareholder communications and welcomes shareholder inquiries about PC Connection, either by telephone, or in writing. The Annual Report, filings with the U.S. Securities and Exchange Commission, and general information can be obtained upon written request to:

Corporate Communications
PC Connection, Inc.
730 Milford Road
Merrimack, NH 03054-4631
(603) 683-2163

Or by visiting the PC Connection Web site at www.pconnection.com

Annual Meeting

The annual meeting of shareholders will be held at 10 a.m. on June 8, 2004 at the Nashua Marriott, Southwood Drive, Nashua, NH.

Transfer Agent

American Stock Transfer & Trust Co.
40 Wall Street, 46th Floor,
New York, NY 10005
(800) 937-5449

This Annual Report contains a number of forward-looking statements. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "anticipate," "believe," "plan," "estimate," "expect," "may," "hope," "project," "will," "would," "intend," and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these words. There are a number of important factors that could cause actual events or the Company's actual results to differ materially from those indicated by such forward-looking statements. These factors include, without limitation, those set forth under "Factors That May Affect Future Results and Financial Condition" included under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in ITEM 7 of the Company's Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2003. The Company does not assume any obligation to update any forward-looking statements made herein.



Board of Directors

Patricia Gallup
Chairman

David Hall
Vice Chairman

David Beffa-Negrini
Vice President Corporate Communications

Bruce Barone
Audit and Compensation Committees

Peter Baxter
Audit and Compensation Committees

Joseph Baute
Audit and Compensation Committees

Executive Officers

Patricia Gallup
President and CEO

Robert Wilkins
Executive Vice President

Mark Gavin
Senior Vice President Finance and CFO

Bradley Mousseau
Vice President Human Resources

Locations

PC Connection, Inc.
Corporate Headquarters
730 Milford Road
Merrimack, NH 03054-4631

PC Connection Sales Corporation
730 Milford Road
Merrimack, NH 03054-4631

With additional offices in:
Dover, NH
Keene, NH

PC Connection Sales of Massachusetts, Inc.
293 Boston Post Road
Marlborough, MA 01752

GovConnection, Inc.
7503 Standish Place
Rockville, MD 20855

With additional offices in:
Merrimack, NH
Fairfield, CT

MoreDirect, Inc.
7300 N. Federal Hwy. Suite 200
Boca Raton, FL 33487

Merrimack Services Corporation
730 Milford Road
Merrimack, NH 03054-4631

Distribution Center:
Wilmington, OH

The breadth and variety of the PC Connection product line allows us to have an **impact** on virtually every aspect of life...regardless of time or place.

Boston Red Sox

When you manage the IT department for a professional baseball team your system not only runs the company, it also helps keep the fans coming in the gates and the balls going out of the park.



"Our business is very fluid, real time, and fan oriented. It's critical that our system stays up, is accurate and provides play-by-play information for our fans. PC Connection helped us design one of the best IT systems in the Major Leagues. We run a very lean organization and count on PC Connection for all of our information technology needs. Regardless of what we need, they have it and support it."

—Steve Conley, IT Director, Boston Red Sox



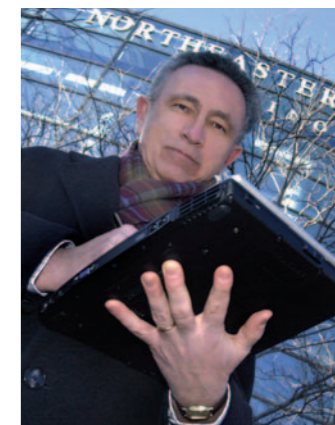
Northeastern University

Northeastern University was a pioneer in cooperative education and is now leading the way towards the use of tablet PCs in its business curriculum.



"We immediately saw the educational value of tablet PCs. Students can use them to organize, search, and reuse handwritten notes; faculty can use them to grade student assignments, or mark up their PowerPoint lecture slides with handwritten notes. PC Connection has partnered with us to provide our students and faculty with fully imaged tablets and a unique online Self-Service Account for equipment purchases and comprehensive support."

—Les Ball, Northeastern University, College of Business Administration



Medarex

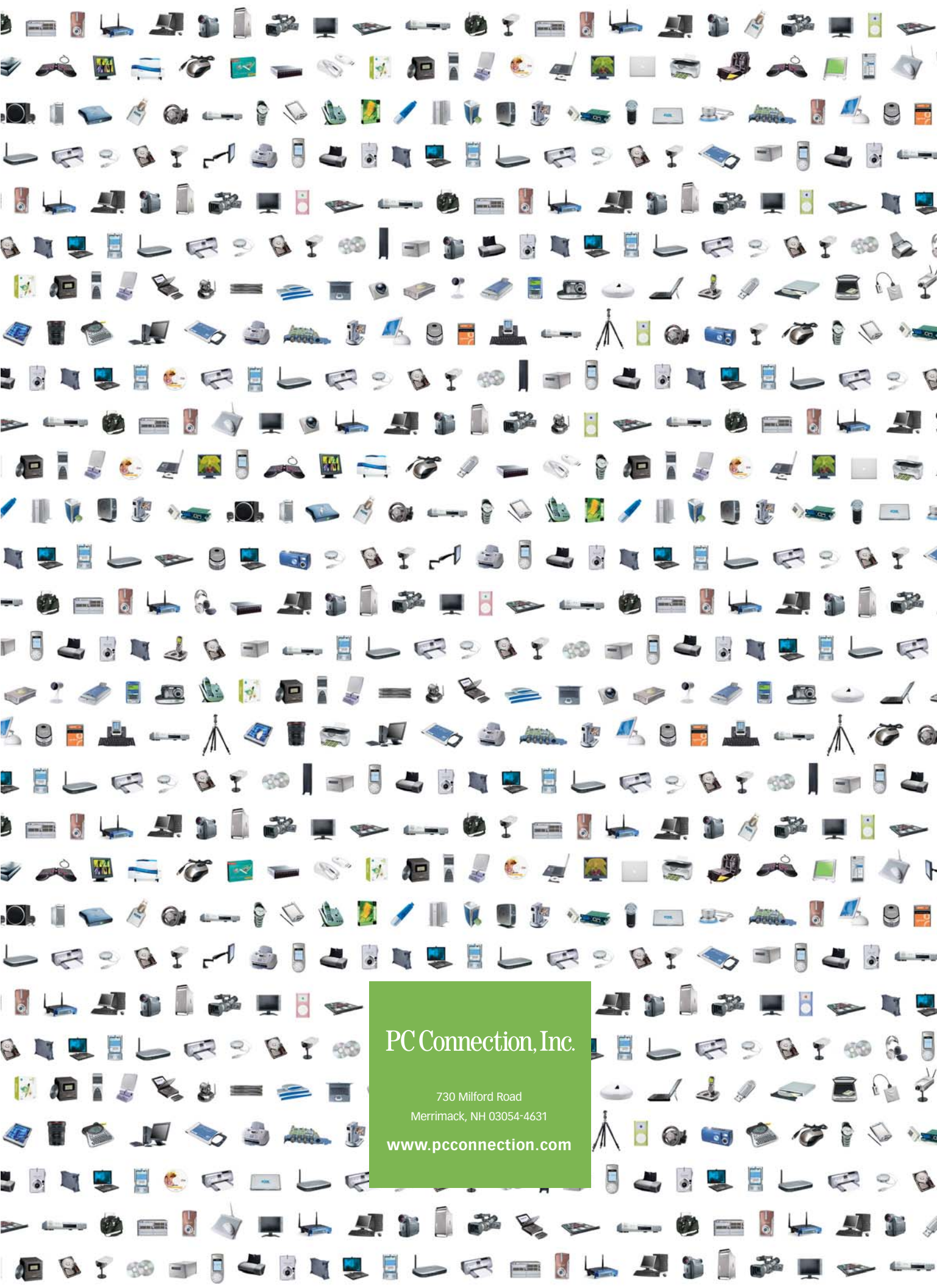
Medarex, Inc., a biotechnology company, was operating at hyper-growth, rapidly adding new employees, bringing up PC systems, and navigating the often-bumpy road of drug development.



"In order to sustain our growth, we had to have an IT system robust enough to support us in the future. We formed a small central IT group and a close working partnership with PC Connection. This allowed us to leverage their broad product range and configuration expertise to build a more reliable and secure network. They're much more than a box provider—it's more like having PC Connection on my internal staff to rely on to get things done."

—Robert McQueen, Director Information Technology, Medarex, Inc.





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www.pcconnection.com