



seeing the forest AND the trees



Dear Fellow Shareholders,

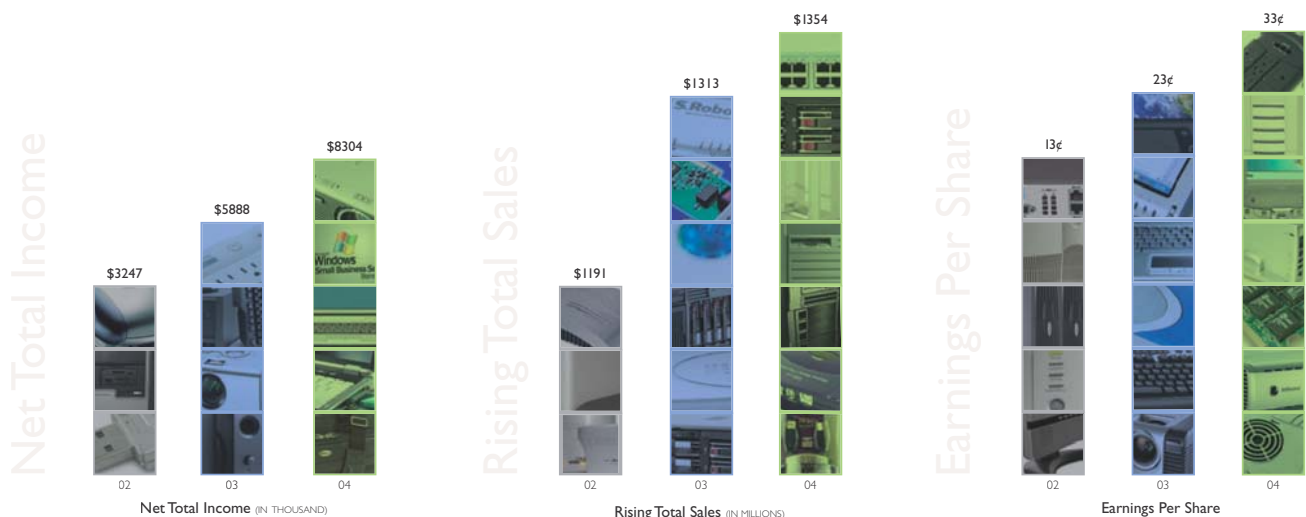
I am pleased to report that in 2004, PC Connection, Inc. made solid progress in both our strategic business initiatives and in specific programs to better serve our customers. At the “forest” level of broad business trends, we continued to assess the IT solutions market and take the necessary steps to remain successful over the long term. And among the “trees,” managing our day-to-day business, our employees continued to provide valuable product knowledge and superior customer service every day. Our focus on seeing both the forest and the trees, and not missing one for the other, have contributed to a solid record of success in the past year.

Overall, we recorded \$1.35 billion in sales during 2004, up 3.1 percent from \$1.31 billion the previous year. Net income in 2004 was \$8.3 million, or 33 cents per share, up from \$5.9 million or 23 cents per share in 2003. Throughout the year, we continued to serve the IT solutions market through three sales subsidiaries, each targeting a core business segment. PC Connection Sales Corporation serves IT needs of small- to medium-sized businesses; GovConnection, Inc. supplies government and education; and MoreDirect, Inc. serves large corporate customers. During 2004, year-over-year gross margin

rates increased, on a consolidated basis, rising to an average of 11.2 percent compared to 10.5 percent the previous year. This was a key factor in improving net income and earnings per share.

This progress was primarily the result of ongoing initiatives to increase the productivity of our sales force and improve the internal efficiency of our business. For our customers, we continued to seek out new opportunities to provide IT products and also the more profitable services that are increasingly in demand. In 2004, we continued our evolution into a complete IT solutions provider—one able to act as a resourceful partner to a wide range of customers. A key initiative in this area is ServiceConnection®, the collective name for our growing collection of programs that provide valued-added services primarily to our small business customers. Across our organization, we implemented new systems and programs to reduce the day-to-day cost of doing business while still maintaining high standards of customer service.

Beyond the balance sheet, in 2004 PC Connection continued efforts to be a responsible employer and member of the community. Even in a highly competitive business environment, we support programs and activities that improve the quality of





A familiar saying reminds us how easy it is to miss the forest for the trees. At PC Connection, Inc., it's a good metaphor to remind us about what we must do as a business to succeed in the competitive IT solutions market.

We must see the forest—the broad trends that shape our industry and provide future opportunities for our company. But we must also keep our eyes on the trees, which are the many ways that PC Connection and its 1,390 employees find success every day, one customer at a time. You cannot focus on one and forget the other. Our growth and prosperity depend on having the vision and resources to achieve success at both levels.

One example of this ability is the emergence of ServiceConnection as a key initiative during 2004. ServiceConnection is the collective

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name for PC Connection's growing valued-added services aimed at our small business customers. It's an example of focusing on overall business trends while using our customer service and fulfillment skills to take advantage of emerging opportunities.

life in the communities in which our employees live. Initiatives in the past year ranged from aiding educational efforts of the New Hampshire Lakes Association to underwriting a children's concert by the New Hampshire Philharmonic Orchestra. Such activities are good corporate stewardship and also good business.

Overall, a continuing commitment to quality in everything we do remains the mission of everyone at PC Connection, from senior management to the latest new sales recruits in our "boot camp" training program. This commitment is not a new thing at PC Connection—it dates from the day we opened our doors. It has always inspired us to find value in thrift, adaptability, and a willingness to do whatever it takes to satisfy our customers. Today, this spirit thrives as our employees fill thousands of orders each day for overnight delivery of crucial technology components to customers in all parts of the nation.

In terms of overall corporate direction, our success is also the result of keeping both the forest and the trees within our vision. If we continue to maintain this dual focus, I'm confident that PC Connection will continue to build on 2004's solid record of success and progress—one that is rooted in our past principles and which we believe has put us in a strong position for future growth.



Patricia Gallup

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

for Future Growth

Every day small- and medium-sized businesses push technology forward. Whether they're adopting emerging technology or changing the way their customers experience the world, more businesses rely on PC Connection.



Cubist Pharmaceuticals

When this biopharmaceutical company's early adoption of tablet PC technology required an earlier upgrade than anticipated, PC Connection helped Cubist recover some of the tablets' initial expense and minimize upgrade costs.

"Our decision to go cutting-edge turned out to be a bit premature. PC Connection helped us leverage an asset disposal service that recovered hundreds of dollars for each tablet we got rid of. We were able to apply that credit toward the purchase of new tablets, and it offset a huge chunk of the cost. Without the asset disposal service, some people in our IT organization would probably be looking for new jobs."

—Anthony Murabito, Vice President of Information Technology, Cubist Pharmaceuticals, Inc.

WorldMedia

Changing the way the world buys and shares digital media requires a leading-edge technology partner. That's exactly what WorldMedia found in PC Connection.

"Building the infrastructure to support a new kind of peer-to-peer music-sharing service was a major undertaking. PC Connection worked with us every step of the way, helping us design and implement the massive storage architecture necessary to bring the world its music and pave the way for future growth."

—Joe Hatch, Executive VP of Business Development, WorldMedia



The Intec Group

Looking to lower long-distance charges by adopting Voice-over-IP Internet telephony, but reluctant to invest heavily in first-generation technology, The Intec Group found the perfect fit with IP Connection™, a low-cost VoIP solution from PC Connection.

"As a mid-sized business, we often can't be an early adopter of new technology because it's cost prohibitive. IP Connection phones and service from PC Connection enabled us to try Internet calling without overstretching our budget. As a result, we are seeing significant savings on monthly phone expenses, and enjoying this chance to be on the cutting edge."

—John Martin, Materials and IT Director, The Intec Group, Inc.



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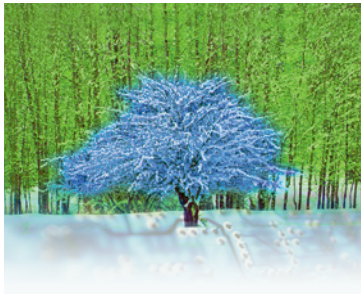
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