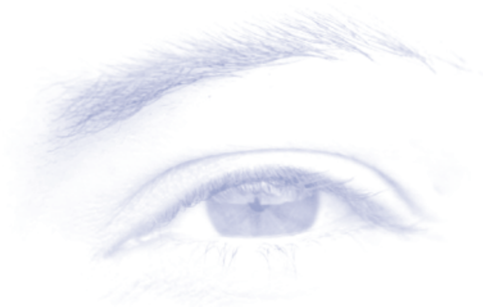
2005



NorCom Information Technology AG, Munich

Annual Report

NorCom Information Technology AG at a glance

IFRS Group indicators	Jan-Dec 2005 EUR	Jan-Dec 2004 EUR
Revenues	24,750,283	23,175,110
EBITDA	3,225,348	3,394,017
Operating profit (EBIT)	2,730,178	2,956,144
EBIT as a % of revenues	11	13
Net income/loss for the year	997,875	1,181,554
Earnings per share (basic)[1]	0.09	0.12
Average number of employees	**152**	**150**

[1] Number of shares 10.620.443

Group structure of NorCom Information Technology AG

As at 12/31/2005

NorCom Information Technology AG

Munich

NorCom Information Technology Inc., 100%
Atherton, California, USA

Value & Risk AG, 51%
Bad Homburg

MaxiMedia Technologies GmbH, 100%
Munich

Norske Systemarkitekter AS, 51%
Oslo, Norway

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Letter of the Management Board to the Shareholders

Dear NorCom shareholders and business associates,

NorCom continued on its course of success in 2005, achieving the targets which it had set itself for the fiscal year. Once again, NorCom can look back on encouraging customer growth in the year under review. What is more, the Company's stock outperformed the benchmark indices with gains of 15.9% due doubtless to our earnings-oriented corporate strategy.

Looking ahead, our corporate strategy will continue to focus on profitability by maintaining our innovation program on a steady basis and opening up new markets. In this respect, we will be primarily concentrating on gaining large projects in Europe and Russia.

Innovation Program

In order to do justice to expectations of and demands for further growth, the NorCom Group systematically continued the innovation program which it had established in fiscal 2004.

INNOVATION PROGRAM

- **Portfolio extensions**
- **Sector diversification**
- **Acquisition of major projects**
- **Focus on profitability**

This program defines four main aspects for all segments and companies:

- **Portfolio extensions:**
  Extensions to the product portfolio and to consulting services aim to heighten the appeal and future viability of our range.

- **Sector diversification:**
  Here, we are stepping up activities in growth sectors outside the financial services sector on which the Company has traditionally concentrated.

- **Acquisition of major projects:**
  Our marketing activities are focusing on large customers and projects permitting economical and more efficient project management.

- **Focus on profitability:**
  Profitability continues to have priority with all growth and expansion targets.

Extensions to portfolio and sector diversification:

2005 was the first full fiscal year after the complete takeover of MaxiMedia Technologies GmbH. In the year under review, NorCom AG completed the full integration of development and marketing activities following the completion of the legal and economic acquisition. As a result, it focused more keenly on strategic reorientation revolving around the NCPower software and its target group comprising TV and radio broadcasters.

Management initially paid primary attention to strengthening marketing activities, rendering project management more professional and securing software quality.

Personnel, organization and partnership activities formed a key component in NorCom AG's efforts to step up marketing activities in the media/broadcasting industry.

In spring 2005, NorCom appointed Wolfgang Klein, an expert with many years of experience in this sector, to the position of chief operating officer in charge of marketing and business development in order to strengthen its NCPower activities in the fast-growing broadcasting/media market. His main task was to build up our customer and partner relations in the media and broadcasting industry. Mr. Klein's former management positions with various national and international IT and media specialists together with his many years of experience as managing director of a well-known provider of asset management and editorial systems proved to be very useful in NorCom's efforts to extend its contacts with the media world.

The **marketing model** for NCPower involves the following main aspects:

NCPower: Marketing

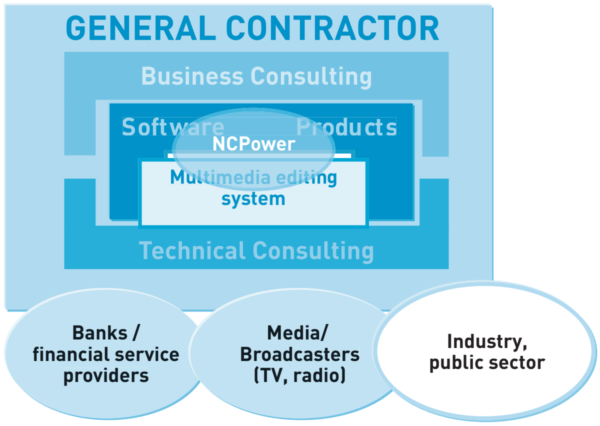
Northern/Central European:
- Marketing via NorCom and subsidiaries

Southern/Eastern Europe:
- Marketing via partners

United States - Asia (China):
- Search for suitable partners
- Acquisitions considered

In North and Central Europe, NorCom and its subsidiaries will continue to build up marketing units targeted at the broadcasting industry. In all other regions it has already started establishing a network of partners. Our focus here is primarily on entering the markets of Southern and Eastern Europe, particularly Russia. With the successful rollout of NCPower at VGTRK, the largest Russian broadcaster, NorCom has already gained a foothold in this market.

The United States and Asia, particularly China, are two further markets which will be of importance in our long-term strategy.



The focus on the NCPower multimedia integration platform was accompanied by extensions to consulting services. With the newly gained experience in the media industry, **our consulting staff were able to extend their expertise** to include matters related to NCPower. As a result, consulting activities encompass all of the NorCom Group's software products.
NorCom is able to assemble a specialist team of expert consultants for all areas. To ensure that quality work is performed, the following services are, for example, provided:

Consulting and support

- for a television broadcaster with the aim of optimizing business processes in connection with digitalization or media convergence, for selected core operative processes to be optimized in accordance with ITIL (IT Infrastructure Library),
- the design, documentation and implementation of the IT platform from the detailed design to the pilot stage for large, complex environments at a financial services company.

Acquisition of major projects

Our marketing activities are specifically targeted at large customers and projects. The advantages for us are clear:
We are able to deploy our marketing team more efficiently and build up closer ties with our customers. As far as possible, we are seeking long-term contracts with our customers to heighten the efficiency of our team and improve the basis for their planning.

Acquisition of large projects: marketing efficiency

- **Increase in large projects**
- **Gaining large customers (higher volume per customer)**
- **Larger pipeline**
- **Increased order intake**

We were again successful in implementing this strategy in 2005:
At the end of the year, NorCom had a substantially larger pipeline and a considerable increase in order backlog of some 65% (2005: € 13.4 million / 2004: € 8.1 million). Among other things, this is underpinned by a number of multi-year contracts. As a result, for example, we were able to gain major projects in Scandinavia as well as in Germany extending over several years.

Focus on profitability

Profitability can only be maintained by offering customers attractive products and services, something which we want to achieve on a long-term basis by further development of our software products and continued specialization of our consulting team to cover all aspects of the NorCom product family.
A further factor in profitable performance concerns growth and expansion. Our marketing activities will be increasingly focusing on Western and Eastern European markets. In this connection, we will be paying particular attention to Russia in view of the fact that the implementation of NCPower for VGTRK, the largest public radio and television broadcaster in Russia, marks the commencement of a rollout covering the 90 nationwide VGTRK stations in 2006. The complete rollout will take several years to complete. In addition, this customer offers us a superb reference which will help us to gain further media projects in the future.
In the long term, we also want to enter markets in the United States and Asia. At the same time, we are continuing to examine strategies for organic and non-organic expansion in all regions.

On behalf of the Management Board, I would particularly like to thank our customers for their confidence, without which our efforts and endeavors would not have been successful in the year under review.

At the same time, the strong commitment of our Company's Supervisory Board repeatedly provides important impetus for decisions.

Finally, the dedication, endurance and experience of our staff again made a crucial contribution to the NorCom Group's performance last year. In my capacity as member of the Management Board, I would particularly like to stress this and express my gratitude to all employees.

As emphasized in last year's report, NorCom wants to generate the profit which you as investors expect on a sustained basis. As long-standing shareholders, you help to ensure the stability of our stock price. It is your good right to critically examine NorCom's strategy on a repeated basis in personal contacts with our Company and this is something which we will continue to welcome. We were also very pleased with the new institutional investors gained. Looking forward, our goal will be to continue living up to your expectations and, if at all possible, exceeding them.

Munich, March 2006

Yours sincerely
Viggo Nordbakk
on behalf of the Management Board

Report of the Supervisory Board for 2005

Formal matters

Pursuant to the relevant statutory provisions and the Company's bylaws, the Management Board of NorCom Information Technology AG briefed the Supervisory Board in detail on the state of the Company and its subsidiaries, key business events and forward planning at five **ordinary meetings** of the Supervisory Board in the year under review.

Between meetings, the members of the Supervisory Board were kept informed by telephone of current developments where necessary and consulted on matters of particular importance, e.g. the market assessment.

Following the annual general meeting, the Supervisory Board, which had been elected for a new period of office, held its **constituent meeting**.

The Chairman of the Supervisory Board met regularly with NorCom Information Technology AG's CEO to exchange ideas and information and to offer advice on major business decisions.

The Management Board briefed the Supervisory Board in full and in good time on all decisions within the Company requiring the Supervisory Board's approval. Resolutions were passed on decisions or measures requiring the approval of or assigned to the Supervisory Board in accordance with statutory requirements or the Company's bylaws on the basis of proposals submitted during or outside the meetings of the Supervisory Board.

Business performance

Issues regularly dealt with in fiscal 2005 included:

- corporate strategy and market position particularly in the light of the greater orientation towards media/TV companies,
- financial, capital-spending and personnel planning,
- corporate controlling and risk management.

Throughout the entire year, discussion focused on the measures to be taken by NorCom to extend and develop its NCPower product business and the role to be played by the Scandinavian subsidiaries.

Annual financial statements

NorCom Information Technology AG's single-entity and consolidated financial statements for the year ending December 31, 2005 together with the management report for fiscal 2005 were audited by Rölfs WP Partner AG, Wirtschaftsprüfungsgesellschaft, Düsseldorf. An unqualified auditor's report was issued for the single-entity and consolidated financial statements including the management report. The Supervisory Board discussed the audited financial statements at its meeting of March 24, 2006 in the presence of the auditors and unanimously approved after examination and presentation.
NorCom Information Technology AG's annual financial statements for 2005 are thus deemed to have been duly adopted.

Personnel matters

The composition of the Supervisory Board and the Management Board of NorCom Information Technology AG changed as follows in the year under review:

Mr. **Bernd Wagner**, Chief Financial Officer at NorCom Information Technology AG since August 2000, left the Company's Management Board effective January 31, 2005 for personal reasons and in amicable agreement with the Company.

Mr. **Gebhard Tanner** stepped down from the Management Board of NorCom Information Technology AG effective December 31, 2005. His position on the Management Board, which he had held since the end of March 2005, expired on this date in accordance with terms of the service contract entered into with the Supervisory Board. Mr. Tanner will continue to advise the Company as an external consultant. As of January 1, 2006, NorCom's founder Mr. **Viggo Nordbakk** is managing the Company as the sole member of its Management Board.

On April 30, 2005, Mr. **Carl-Friedrich Meißner** stepped down from his position as Chairman of NorCom Information Technology AG's Supervisory Board for age and health-related reasons.

Dr. Lutz Schmidt joined the Supervisory Board of NorCom Information Technology AG on June 27, 2005. The court-approved appointment of Dr. Schmidt was replaced by a resolution to the same effect passed by the shareholders at the Company's annual general meeting on August 18, 2005 in Munich.

At the annual general meeting, the shareholders additionally elected **Prof. Dr. Manfred Schlottke** and **Prof. Dr. Thomas Hess** to the Supervisory Board of NorCom Information Technology AG for the new period of office.

Messrs Schmidt, Schlottke and Hess were elected to the Supervisory Board effective as of the end of the annual general meeting on August 18, 2005 for a period expiring at the end of the annual general meeting at which resolutions to approve the activities of the members of the Supervisory Board for the 2008 fiscal year are passed.

At the constituent meeting of the Supervisory Board held after the annual general meeting, Dr. Lutz Schmidt was appointed **Chairman of the Supervisory Board**.

I would like to take this opportunity to thank the parting members of the Management Board and Supervisory Board of NorCom Information Technology AG for their commitment and the harmonious relations and personally wish them all the best in their new duties.

On behalf of the entire Supervisory Board, I wish to thank the Management Board as well as all of the staff for their dedication to the Company's interests and their reliability beyond the call of duty. I look forward to continued rewarding activities in the new fiscal year.

Munich, March 24, 2006

Dr. Lutz Schmidt
Chairman of the Supervisory Board

Review of the 2005 stock market year

An investment in German stocks was more rewarding in 2005 than it had been for many years. In the course of the year, the DAX blue-chip index advanced by 27%, compared with only a good 7% in 2004. The DAX hit a high for the year of 5,400 points, reaching its loftiest level since April 2002[1].

The main reasons for the recovery in equities were to be found at the company level. Thus, after massive restructuring in earlier years, large German companies were able to report rising profits, with their exports additionally spurred by the robust global economy[2].

Against the backdrop of heightened market sentiment, trading volumes in the German stock exchanges rose substantially in 2005. A sum total of around EUR 3.8 trillion was transacted on all German stock markets, equivalent to an increase of 15% over the previous year. Of this, EUR 3.2 trillion was attributable to equities, warrants and similar paper, while fixed-income securities accounted for around EUR 615 billion[3].

The TecDAX index, which acts as the benchmark for NorCom stock, gained a total of around 14.71% in the course of 2005[4].

Stock performance

All told, NorCom AG performed well in 2005. After entering the year at EUR 2.39, it exhibited volatility in the first few weeks before climbing to over EUR 3 for the first time towards the end of February. Shortly after this, the stock hit its first spike for the year at EUR 3.50.
As the year proceeded, the stock initially oscillated around EUR 3 before stabilizing at between EUR 3.30 and 3.55 from April until October. It hit a closing high for the year of EUR 3.78 on October 3, 2005. In the final quarter, the stock shed some of the gains, seeing the year out at EUR 2.77.

For the year as a whole, NorCom gained 15.9%, thus outperforming the TecDAX, which was up 14.71% year on year.

At the end of the year, NorCom had a market capitalization of EUR 29.4 million (previous year: approx. EUR 24 million) and, hence, achieved an increase for the third year running.

The stock's performance in 2005 reflects NorCom's upbeat business, which was reflected in higher sales and an encouraging full-year bottom line.

Listing / market segment

The inclusion of NorCom stock in the General Standard segment of the regulated market involves the obligation to observe Deutsche Börse AG's transparency standards (particularly publication dates and intervals, languages).

- Financial reporting / intervals

Financial reporting comprises the annual financial statements as well as one **interim report** per economic period. For this reason, NorCom published a half-year report as of June 30, 2005 but no quarterly reports.

[1] Börsenrückblick 2005 - von Daxstärke bis Rohstoffhausse, Beitrag von Philipp Wolters in „KnowHow", Ein Goldman Sachs Anlegermagazin, Ausgabe 01/2006, S. 14
[2] dto.
[3] News, Beitrag in „facts & figures", monatlicher Report der Deutsche Börse Group, Ausgabe 01/2006, S. 1
[4] Zusammenstellung equinet Securities AG

>> Despite this basic requirement, management started to release a **trend report** as of the third quarter of 2005 in which it discussed the Company's performance between these compulsory reports.

NorCom will be providing investors with information on the Company's performance at the end of each quarter in fiscal 2006 on a voluntary basis. Specifically, it will be supplementing the compulsory disclosures comprising the annual and semi-annual report with the disclosure of key financials and comments on its business performance at the end of the first and third quarters.

Financial reporting / periods

According to stock market rules for the General Standard, the annual parent-company and Group financial statements must be presented to the public within a period of five months after the end of the fiscal year. The interim report must be published within 60 days. These periods were observed by NorCom in 2005.

>> In the interests of speeding up reporting activities, the NorCom Group has published these annual parent-company and group financial statements for fiscal 2005 within the more stringent period expiring on March 31, 2006.

Publication language

The General Standard calls for listed companies to release their information (adhoc bulletins, financial reports) in German.

>> NorCom goes beyond this obligation by additionally publishing all investor information in **English** as well.

Xetra trading / designated sponsor

Listed companies included in the General Standard segment do not need to have one or several listing partners for designated sponsoring of the stock.

>> In spite of this exemption, NorCom decided in autumn 2004 to name **equinet Securities AG**, Frankfurt/Main as its designated sponsor. Since then, inclusion in the Xetra via equinet has been ensuring ongoing electronic listing of NorCom stock. The resultant greater liquidity in stock trading is of significance for both private and institutional investors.

"By extending communications and creating additional transparence, NorCom is stressing its commitment to providing shareholders with comprehensive information," says Viggo Nordbakk, explaining the steps which have been taken. "Improved internal reporting is now bearing fruit and will benefit investors in the form of swifter and more frequent reporting. In disclosing financial data, we will be observing more stringent reporting requirements on a voluntary basis while remaining in the General Standard."

After consulting with key institutional investors and consultants, NorCom will not be officially switching to the Prime Standard for the time being for cost reasons.

IR activities / investor contacts

In fiscal 2005, the Company extended its investor relations activities to focus more on **institutional investors** and presented the NorCom business model relating to the core NCPower product to new investor groups both inside and outside Germany. In the course of the year, several fund companies invested in NorCom and say that they are planning to maintain medium to long-term exposures. Ever since its flotation, **private investors** have played a key role for NorCom. Direct communications with this segment primarily take the form of the Internet, telephone and e-mail mailing lists. Publications and interviews in well-known investor publications support the flow of information to private shareholders and heighten their interest.

The NorCom **corporate website** is available for all parties interested in the stock and constitutes the most important source of information - particularly for private investors. All adhoc bulletins and press releases are made available permanently via the Internet at **www.norcom.de** with minimum delay. The investor relations section of the website includes all financial reports available since the Company's IPO in 1999, information on the annual general meeting, announcements of upcoming events as well as general facts and figure relating to the stock. Members of the communications team are available at all time by phone to answer questions.

NorCom stock in 2005

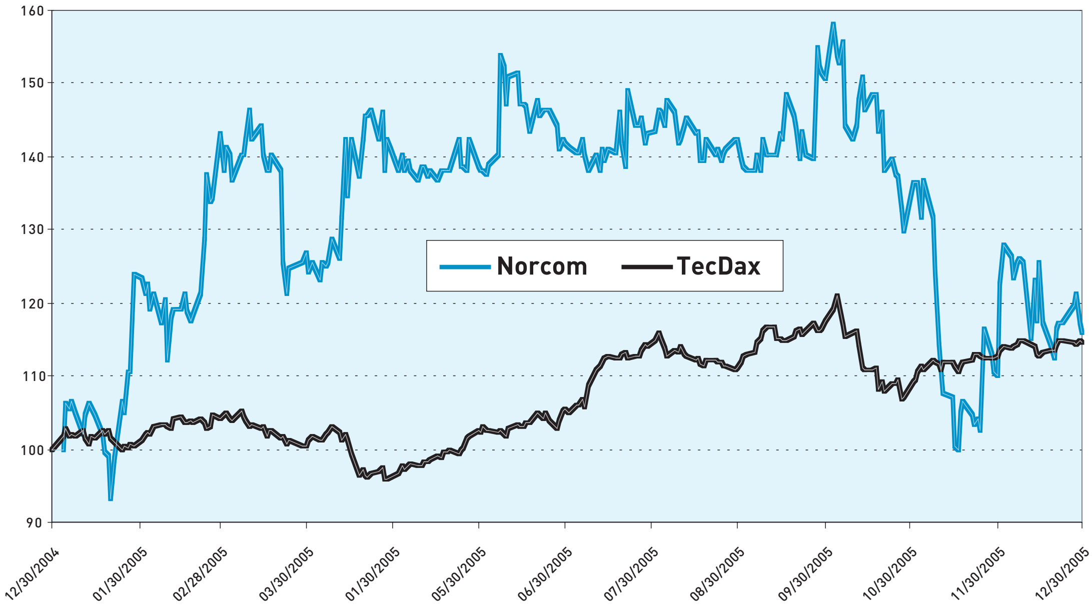
Securities code number	525030
ISIN No.:	DE0005250302
Reuters ticker	NORG
Stock market ticker	NC5
Segment / listing	Frankfurt stock exchange,
	regulated market, General Standard
Designated sponsor	equinet Securities AG
Security type	No-par-value shares
Number of shares on 1/1/2005	10,116,810
Capital measures in 2005	Non-cash equity issue of 470,706 shares to
	acquire the remaining 49% stake in
	MaxiMedia Technologies GmbH;
	32,927 new shares Technologies GmbH
	issued for option holders using the
	contingent capital.
Number of shares on 12/31/2005*	10,620,443
Market capitalization on 12/31/2005*	EUR 29.42 million
Non-free float at end of 2005*	45.5 %
High for the year in 2005 **	EUR 3.78
Low for the year in 2005 **	EUR 2.23
Earnings per share (basic)	EUR 0.09

*On the basis of shares admitted to trading ** XETRA closing

Calendar of events for 2006

Commentary on the 1st quarter of 2006	May 31, 2006
Annual general meeting	July 21, 2006 in Munich
First-half report	August 31, 2006
Commentary on the 3rd quarter of 2006	November 30, 2006

Performance of NorCom stock in 2006 relative to the Technology AllShare Index
(prices indexed)



Corporate governance report for 2005

The Supervisory Board and the Management Board of NorCom Information Technology AG have discussed the revised corporate governance standards. As the responsible bodies, they have jointly issued the declaration of conformance for 2005. Shareholders are able to find the declaration of conformance issued by NorCom's Management Board and the Supervisory Board on December 13, 2005 including details of individual recommendation which have not been followed at the Company's website at www.norcom.de (Investor Relations > Corporate Governance).

NorCom Information Technology AG conforms to the recommendations defined by the government commission on the German Corporate Governance Code (as last amended on June 2, 2005) apart from the following **exceptions**:

No **deductible** was/is included in the D&O insurance policy for the Supervisory Board and the Management Board. (3.8)	NorCom took out D&O insurance for the Supervisory Board and the Management Board at the time of its IPO in 1999. We consider the purpose of D&O insurance to be to provide full cover for any risks and will therefore continue to waive deductibles for members of the Supervisory Board and the Management Board in the future.
The **Management Board** of NorCom may comprise one or more persons in accordance with the resolution passed by the shareholders on August 18, 2005 (4.2.1)	The Supervisory Board regularly examines the composition of the Management Board and, if necessary, passes resolutions to appoint further members to it in the light of current requirements.
The **compensation** paid to the members of the Management board is disclosed on an individualized basis in the consolidated financial statements (4.2.4)	Compensation of the members of the Management Board is currently not individualized. At this stage, we are determining whether it is possible for us to adopt this recommendation in the future.

There is/was no long-term **succession planning** for positions and no age limit for members of the Management Board and the Supervisory Board. (5.1.2)	The Company was established in 1989 and converted into a public company in 1999. It is thus a relatively young company. The positions on the Management Board are held by persons whose career outlook extends far into the future. On account of these two factors, it has so far not been necessary to engage in any long-term succession planning or to specify an age limit. The Supervisory Board has entered into contracts with members of the Management Board for the maximum permitted period of five years and in some cases also for shorter periods. In addition, the Company has potential candidates for future management positions in the form of COOs (chief operating officers), who form part of the Company's extended management. No age limits have been set for members of the Supervisory Board either. The responsible bodies do not consider it advisable for experienced executives to leave the Supervisory Board solely on account of their age.
The Supervisory Board does not have any **committees**. (5.3.1, 5.3.2, 5.2)	Pursuant to the Company's bylaws, the Supervisory Board of NorCom Information Technology AG comprises three members. In view of this small size, it is not practical for committees to be formed. All the duties assigned to the Supervisory Board are currently performed and executed jointly.
The **consolidated financial statements** are not publicly accessible within 90 days after the end of the financial year. (7.1.2) *	As a result of its inclusion in the General Standard of the regulated market, NorCom Information AG has been observing the provisions contained in the German Commercial Code and the Stock Corporations Act as well as the Stock Market Code and Stock Market Admission Rules for this segment of the market in connection with the compilation and publication of its consolidated financial statements. NorCom has been publishing its consolidated financial statements within five months since 2002 (Section 290 of the German Commercial Code).
The **interim report** is not publicly accessible within 45 days after the end of the financial year. (7.1.2)	As a result of its inclusion in the General Standard of the regulated market, NorCom Information AG has been observing the provisions contained in the German Commercial Code and the Stock Corporations Act as well as the Stock Market Code and Stock Market Admission Rules for this segment of the market in connection with the compilation and publication of its interim reports. NorCom has been publishing its interim report within two months since 2003 (Section 61 of the Stock Market Admission Rules).

* As of fiscal 2006, NorCom is voluntarily complying with shorter publication periods in accordance with its announcement of January 2006.

Further corporate governance disclosures

Compensation paid to members of the Supervisory Board for fiscal 2005

Name	Fixed compensation*	Variable compensation*, **
Carl-Friedrich Meißner	EUR 6,667	=0.5% * EBIT.=.4,474. EUR (4 Mon.)
Dr. Lutz Schmidt	EUR 10,000	=0.5% * EBIT.= 7,829 EUR (6/7 Mon.)
Prof. Dr. Manfred Schlottke	EUR 10,000	=0,25% * EBIT = 6,710...EUR
Prof. Dr. Thomas Hess	EUR 10,000	=0,25% * EBIT = 6,710...EUR

* Net amounts
** Subject to final presentation of the consolidated financial statements to the shareholders; payable 10 days after the annual general meeting for 2006

Share holdings

The members of the Management Board and Supervisory Board as well as other members of management did not engage in any transactions with the Company's stock subject to disclosure requirements.

Please refer to the current list of shares held by members of the Management Board or Supervisory Board on page 61.

Stock option program

NorCom Information Technology AG offers members of its Management Board, top-level executives, the managers of its subsidiaries as well as its staff options with the aim of allowing them to take part in the Company's business performance. The staff and executives stock option programs are tied to the Company's medium and long-term performance and constitute a future-oriented incentive component.

Since going public in 1999, NorCom has established four stock option programs. Of these, one is still ongoing ("4th option program 2001 / 2006"). More details can be found in this report under "shares and options held by members of the Management Board and Supervisory Board and staff" on page 61.

The conditions and criteria for each program have been defined by the Management Board and the Supervisory Board and entail options/right of exchange, allocation of subscription rights, exercise installments, performance criteria and subscription price.

At the annual general meeting held on August 18, 2005, the shareholders passed a resolution authorizing the Company to establish new stock option programs in accordance with Article 5 No. 6, 7 of the Company's bylaws.

Combined Parent Company and Group Management Report for 2005

The Parent Company's management report has been combined with that for the Group. In the absence of any indication to the contrary, all statements made apply to both NorCom Information Technology AG and the NorCom Group.

Summary

NorCom continued on its course of success in 2005, achieving the targets which it had set itself for the fiscal year. The upswing in the IT market also provided impetus for NorCom, allowing it to broaden its customer base. At the same time, its order books rose by around 65% in value in the period under review. Not least of all, the encouraging gains posted by NorCom stock reflect the success of the Group's profitability-oriented strategy.

Economic conditions

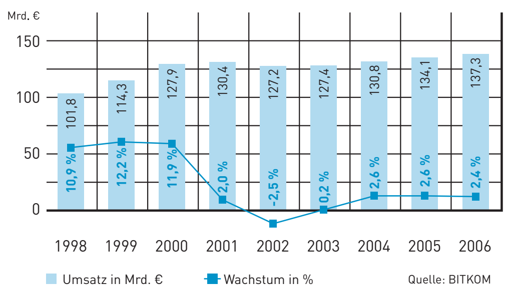
Forecasts issued by leading economic research institutes for 2005 indicated a continuation of the upswing that had tentatively emerged in 2004. This substantial recovery in economic activity at the beginning of the year appeared to justify the forecast of GDP growth of 1.6%[1]. Yet, the economy started to falter in the spring, with surging oil prices and the strong euro weighing heavily on sentiment.

By mid-year, however, domestic demand in addition to exports gained momentum, giving rise to guarded optimism. Following the reforms implemented by the "red-green" government and hopes of the new government's continued commitment to reform, Germany was able to free itself from its laggard status and return to mid field in terms of its European ranking[2]. At 0.9%, full-year growth in gross domestic product (GDP) in 2005 ultimately turned out to be modest[3].

IT industry

The IT industry managed to free itself once and for all from the crisis which had afflicted it since the beginning of the new millennium. After achieving moderate growth in 2004, the industry managed to sustain its recovery in 2005. Private and public-sector spending on ITC solutions came to around EUR 134 billion (previous year: roughly EUR 130 billion), equivalent to some 6% of gross domestic product. This was higher than the volume of EUR 128 billion achieved in the boom year of 2000[4].

German ITC market 1998 - 2006



Germany accounts for 6.6% of the global ITC market and thus continues to hold third place after the United States (29.4%) and Japan (14.8%)[5].

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[1] Annual economic report of the German Federal Ministry of Economics (BMWi) of January 2005, page 88: http://www.bmwi.de/BMWi/Navigation/Service/suche,did=57518.html

[2] Allianz Dresdner Economic Research: http://www.allianz.com/azcom/dp/cda/0,,965192-49,00.html

[3] Annual economic report of the German Federal Ministry of Economics (BMWi) of January 2006, page 93: http://www.bmwi.de/BMWi/Navigation/Service/suche,did=106886.html

[4] "IT, Telekommunikation und neue Medien in Deutschland. Lage und Perspektiven der Branche. Handlungsempfehlungen für die Politik". Bitkom, October 2005, page 8

[5] "Daten zur Informationsgesellschaft. Status quo und Perspektiven Deutschlands im internationalen Vergleich" Bitkom 2005, page 28

Impact on NorCom Information Technology AG

The upswing in the IT market also generated impetus for NorCom, allowing it to broaden its customer base.

Market interrelations:

- As a result of the favorable economic performance in the **financial services sector** in 2005, banks stepped up their spending on consulting and development services after the restraint which they had exercised in previous year in connection with IT budgets. NorCom benefited from this recovery by selling a greater volume of consulting services to both existing and new customers.
- Further IT projects were successfully implemented for **public-sector customers**. Thus, for example, NorCom was awarded a contract worth EUR 1.7 million for an IT project for the German federal labor agency Bundesagentur für Arbeit. In addition, the work commenced by NorCom in 2004 on restructuring the central server operations of the German Federal Waterways Engineering and Research Institute (BAW) was rewarded with a follow-up order. As well as this, our DAP middleware product was rolled out at further state ministries of finance in Germany.
- In the **media sector** (TV and radio broadcasters), NorCom engaged in extensive development and marketing groundwork for product business in connection with NCPower, the suite for the cross-media production, management and archiving of data. Alongside the RTL Group and VGTRK in Russia, the most important customers now also include public broadcaster Deutsche Welle, for which NorCom successfully implemented the latest addition to its NCPower product, the NCTicker, in 2005. The NCTicker supplies the latest news for the Deutsche Welle TV ticker and is being deployed on 170 large-area screens at Frankfurt Airport.

Corporate strategy

NorCom was again able to implement innovative projects in 2005 particularly in the high-potential media and broadcasting market. Following the legal and economic amalgamation of MaxiMedia Technologies GmbH under the NorCom AG roof, the Company completed the full integration of development and marketing activities in the year under review. In this connection, management initially focused on stepping up marketing activities, professionalizing project management and ensuring software quality in activities targeted at NCPower and the target customer group comprising TV and radio broadcasters.

Over much of the year, the NCPower team was busy working on the implementation of NCPower as a newsroom system for VGTRK, the largest government radio and TV broadcasting company in Russia. Within a relatively short space of time, it was possible to replace the NewsStar system previously used by the central newsrooms and launch the rollout of NCPower for over 90 broadcasters across Russia. The contract with VGTRK doubtless marks an important milestone in NorCom's strategy of gaining a foothold in the large Russian market, which comprises 50 large and around 800 smaller TV stations. Backed by these excellent references, NorCom expects to be able to obtain new projects from other broadcasters. Preliminary pilot projects were commenced in Q4 2005. Following extensions to the NCPower range, it was possible to forge further important strategic sales and marketing partnerships via which NorCom hopes to be able to open up new markets. A number of preliminary joint projects were prepared and will be implemented at the beginning of 2006. One key aspect in this respect concerns digital archives.

Orbiting around this strong product core are NorCom's **business consulting** and **IT/technical consulting** services.

NorCom's range starts at the business process level for IT service providers. In this connection, our primary goal is to optimize IT service providers' business processes and combine different steps to create uniform processes.

The work performed by the consultants for business process management is implemented at the information technology level by IT consultants and software architects. One key aspect involved here concerns the definition and design of complex processes based on the IT infrastructure library (ITIL).

Part of a comprehensive business solution involves protecting the business processes from unauthorized access. Business process security specifically involves authentication, authorization, administration and auditing. NorCom's skills in this area cover application security as well as single sign-on and user management functions in heterogeneous environments in particular.

Group business performance

NorCom operated profitably again last year.

The sustained recovery in the economy as well as the Company's successes in the media market in particular caused **sales** to rise by 6.6% to around € 24.7 million in 2005 (previous year: € 23.2 million). Sales largely break down into Professional Services (€ 21.5 million), Maintenance (€ 2.1 million) as well as Product/Licenses (€ 1.1 million). The increase in sales was underpinned by the Professional Services segment, which accounted for roughly 87% (previous year: 84%) of consolidated sales. Total revenues came to around € 25.2 million, up from € 24.3 million in the previous year, equivalent to an increase of 3.7 %.

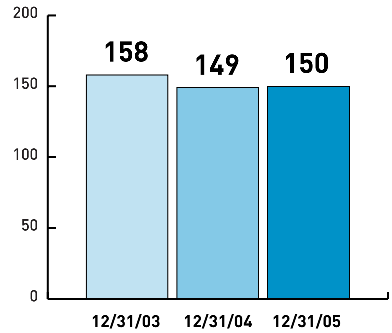
The **cost of materials** climbed by 23% from € 2.2 million in 2004 to around € 2.7 million in 2005 due for the most part to an increase in external IT consulting services.

Staff costs rose by around 4% from € 14.2 million in 2004 to approximately € 14.7 million in 2005 as a result of endeavors to step up NorCom AG's marketing activities in the media/broadcasting segment as well as additions to the consulting team at Norske Systemarkitekter AS due to projects gained in the year under review.

Other operating expenses also climbed by roughly 2% year on year as a result of the deployment of external service providers and higher travel expenses and came to around € 4.6 million in 2005, up from roughly € 4.5 million in the previous year.

The Group **headcount** rose only minimally over the previous year to 150 as of December 31, 2005 (previous year: 149). On average, 152 people were employed by the NorCom Group over the year as a whole (previous year: 150).

Staff numbers (excluding Management Board)



Consolidated earnings before interest, tax, depreciation and amortization (**EBITDA**) came to around € 3.2 million in the year under review (previous year: approx. € 3.4 million), while **EBIT** stood at roughly € 2.7 million (previous year: € 3.0 million).

In fiscal 2005, scheduled depreciation on property, plant and equipment as well as goodwill amortization came to around € 0.5 million.

Consolidated net income after tax **before minority interests** stood at roughly € 1.9 million (previous year: € 2.1 million).

Minority interests in profit came to around € 1.0 million in 2005 (previous year: € 0.9 million), resulting in **consolidated net income for the year** after minorities of around € 0.9 million (previous year: € 1.2 million). This translates into basic **earnings per share** of around € 0.09 (previous year: € 0.12).

As of December 31, 2005, Group **order books** were valued at around € 13.4 million (previous year: approx. € 8.1 million), equivalent to an enormous increase of around 65%.

Cash-Flow

Net cash inflow from operating activities stands at € 2.2 million (previous year: € 3.8 million). This difference over the previous year is primarily due to a slight decline in earnings as well as additions to receivables.

The cash flow from investing activities of € 1.3 million is for the most part related to payments made for capitalized development costs as well as payments made for financial assets.

There was a net cash outflow of € 1.1 million from financing activities. This was materially related to payments made to minority share-holders.

All told, cash and cash equivalents dropped by € 0.4 million to € 15.1 million.

Group assets and capital spending

The Group has equity capital (excluding minority interests) of around € 19.9 million (previous year: approx. € 17.9 million), equivalent to an equity ratio of around 63% (previous year: 59%). Cash/cash equivalents and securities held as current assets equal around € 15.1 million (previous year: approx. € 15.5 million). Long-term assets are covered in full by equity capital, ensuring compliance with the matching maturities principle.

Total assets rose to around € 31.5 million (previous year: € 30.4 million).

Outstanding invoices were valued at around € 3.9 million in the year under review (previous year: approx. € 3.2 million). In the same period of time, liabilities and provisions climbed by approx. € 0.2 million to € 7.6 million (previous year: € 7.4 million).

At around € 0.7 million, research and development spending in 2005 was concentrated on the NCPower product and digital archiving projects.

	2003	2004	2005
Equity in € mn	16.6	17.9	19.9
Total assets in € mn	27.6	30.4	31.5
Equity ratio (%)	59.9	59.0	63.0

Additional disclosures on the performance of the parent company

Sales and earnings performance of the parent company (German GAAP)

The **sales** of NorCom Information Technology AG rose by some 4.5% to € 7.4 million (previous year: € 7.1 million), while **total revenues** climbed by 1.3% from € 7.6 million to around € 7.7 million.

This performance reflects the success in gaining new customers in the public sector. Thus, NorCom was awarded a contract worth € 1.7 million from the German federal labor agency Bundesagentur für Arbeit. In addition, it was able to add further public-sector bodies to its list of satisfied customers. Moreover, the work commenced by NorCom in 2004 on restructuring the central server operations of the German Federal Waterways Engineering and Research Institute (BAW) was rewarded with a follow-up order. As well as this, NorCom's DAP middleware product was rolled out at further state ministries of finance in Germany.

The sector diversification strategy which the Company continued to pursue in 2005 took it out of its traditional financial services sector, with a growing customer base accumulating in the media industry (TV and radio broadcasters). Most important customers in this sector include RTL in various european countries, public broadcaster Deutsche Welle, N24 and the largest government broadcaster in Russia, VGTRK.

Highly qualified and motivated **employees** make a crucial contribution to NorCom AG's success. **Staff costs** rose only marginally by € 0.1 million to around € 4.7 million (previous year: approx. € 4.6 million). **Other operating expenses** climbed by some 22% over the previous year to € 2.1 million (previous year: approx. € 1.7 million).

Operating loss at the **EBITDA** level came in at roughly € 0.3 million (previous year: € 0.1 million). Operating loss at the **EBIT** level equaled € 0.4 million (previous year: € 0.02 million) due to a decline in other operating income and an increase in other operating expenses.

Investment income rose by 27% from € 0.78 million to € 0.99 million. NorCom Information Technology AG posted **net income** for 2005 of around € 0.7 million (previous year: € 1.0 million).

Assets, financial condition and capital spending of the parent company

Total assets:	€ 16.1 mn
(previous year:	€ 15.4 mn)
Financial assets:	€ 7.3 mn
(previous year:	€ 7.3 mn)
Liabilities:	€ 0.5 mn
(previous year:	€ 0.6 mn)
Cash and cashequivalents:	€ 5.2 mn
(previous year:	€ 5.6 mn)

Total assets rose to € 16.1 million as of December 31, 2005, up from the year-ago figure of around € 15.4 million. This was primarily due to the increase of € 0.66 million in receivables from affiliated companies. Net income for the year dropped to around € 0.7 million in the year under review (previous year: € 1.0 million).

Capital spending in 2005 came to roughly € 0.045 million (previous year: approx. € 0.029 million).

Equity capital was valued at around € 14.2 million at the end of 2005 (previous year: approx. € 12.6 million), translating into an equity ratio of 88% (previous year: 82%).

At the end of the year under review, **cash and cash equivalents** stood at € 5.2 million (previous year: € 5.6 million) and were thus down a marginal € 0.4 million (previous year: down € 0.2 million). In this connection, it should be noted that NorCom regularly reviews suitable candidates for partial or full takeovers in the media segment. In this way, it plans to extend the functional basis of NCPower and extend sales and marketing activities.

In this connection, the shareholders authorized the Management Board at the annual general meeting of August 18, 2005 to issue one or several **convertible or warrant-linked bonds** with a maximum nominal value of up to € 50 million with or without a fixed term on or before August 17, 2010. This authorization gives NorCom greater flexibility to extend and widen its NCPower activities with minimum delay.

There are no bank liabilities.

Business performance of affiliated companies

In tandem with the closer economic ties, NorCom, NSA und CognIT will also be seeking to work together more intensively in various areas.

In connection with a multi-phase equity issue by Norwegian company CognIT AS, Oslo, the NorCom Group (NorCom Information Technology AG and Norske Systemarkitekter AS (NSA)) has the option of increasing its minority holding in steps to 33.34% by the end of March 2006. The NorCom Group currently holds a 26.11% stake in knowledge management specialist CognIT.

CognIT technology forms a key component of the NorCom Group's product lineup in the broadcasting and multimedia archive area, as well as catalogs, public sector case management and sophisticated business intelligence solutions. This technology permits semantic searches based on linguistic understanding and the context, whereas other search engines rely on statistics and simplified logic. With this special method, it is possible to filter information out of extensive repositories of text and to link it for different analytical purposes.

Norske Systemarkitekter AS (NSA), Oslo, Norway, is an IT consulting company which focuses on enterprise application integration (EAI) in the Oracle environment. For this purpose, NSA successfully launched an ASP (application service providing) model on the market in 2004. The underlying application is an all-in e-business system including maintenance and service. It remains with the vendor, but is accessible by customers via the Internet on a 24/7 basis from anywhere in the world and includes (individually customizable) modules for human resources, logistics, finance etc. The software application is leased.

In 2005, NSA managed to increase its sales to € 7.3 million (previous year: approx. € 5.2 million) and reported net income for the year of around € 0.17 million (previous year: net income of around € 0.015 million). NSA, in which NorCom holds a majority stake, was able to extend its position in the media sector as well as in business with public-sector customers. This encouraging performance was underpinned by new customers as well as extensions to business with existing customers. New contracts were received from Findexa (one of the largest catalog publishers in Norway), the Norwegian tax authorities and the Norwegian ministry of defense, among others.

In the "**Software Products**" division, which essentially encompasses licenses and maintenance activities, NorCom was engaged in extensive development and marketing groundwork for product business in connection with NCPower, the suite for the cross-media production, management and archiving of data, in the year under review. However, the planned projects for TV and radio broadcasters typically involve long sales cycles on account of their size and were therefore still in the negotiation phase in 2005. For this reason, the projected sales will not show up on the books until fiscal 2006. This accrual-accounting effect means that MaxiMedia GmbH failed to meet its earnings targets for 2005. Even so, NorCom is able to report preliminary successes. One key milestone in the successful marketing activities is the contract with NRK - the Norwegian Broadcasting Corporation - which NorCom was awarded at the beginning of 2006 for the delivery of a digital music archive. Thanks to the common standards and components used, this unique product covers the whole range of activities from digital input to archiving and distribution. In addition, it allows internal and external users to search for items of music by content, to listen to them and to download them.

Value & Risk AG (V&R), Bad Homburg, specializes in consulting activities and producing software components primarily in the financial engineering and risk management area. The company had another successful year in 2005 with relatively constant sales and profits. Net income in the year under review came to around € 1.8 million (previous year: € 2.0 million) on sales of some € 10.1 million (previous year: € 10.4 million).

Management Board

In fiscal 2005, the Management Board comprised:

- **Mr. Viggo Nordbakk**,
  Chief Executive Officer, Munich
- **Mr. Bernd Wagner**,
  Chief Financial Officer, Gmund
  (until January 31, 2005)
- **Mr. Gebhard Tanner**,
  Member, Unterbrunn/Gauting
  (from March 29, 2005 until
  December 31, 2005)

At their annual general meeting on August 18, 2005, the shareholders passed a resolution amending the Company bylaws. As a result, it is now possible for the Management Board to comprise one or more persons. The number of members on the Management Board is determined by the Supervisory Board. As of January 1, 2006, Mr. Viggo Nordbakk is the sole member of NorCom AG's Management Board.

Risks and risk management

The business success of NorCom and its subsidiaries is the result of a corporate strategy oriented to making use of opportunities in tandem with appropriate risk management. NorCom's management endeavors to make optimum use of opportunities, while mitigating risks as far as possible.

NorCom has established a risk management system for identifying, evaluating, monitoring and managing risks via a uniform Group-wide management, reporting and monitoring system. The NorCom Group's risk management system is adjusted regularly in the light of changing requirements. Regular risk reports are evaluated by the Supervisory Board and the Management Board on an ongoing basis and suitable steps taken if necessary.

As in the previous year, the main risks to which the NorCom Group is exposed arise from **competitive and market conditions**. Deterioration in overall economic conditions resulting in stagnation or a downswing may adversely affect our customers' willingness to spend on IT, something which may impair the business performance of NorCom and/or its subsidiaries.

The market for business process management, infrastructure integration and IT security is highly competitive. Given ever shorter product cycles, **market and competitive conditions** for the products and services of NorCom Information Technology AG can change swiftly.

In a highly specialized company with products requiring intensive consulting, qualified employees form a key basis for success. There is always an inherent personnel risk in connection with **staff holding key positions**. NorCom AG has recognized this risk and minimized it by means of a stock-option plan and variable compensation.

Product and project business requires an ongoing analysis of opportunities and risks. As in the previous year, it was necessary to monitor factors capable of adversely affecting the Company's financial condition and earnings position. In connection with the development of new products and enhancements to existing ones, allowance was made for risks such as invisible software shortcomings (product and guarantee liability), delays in schedules and possible changes to the competitive and technological situation.

With its NCPower product, which is targeted at projects with TV and radio broadcasters, NorCom is moving within the media sector. This market is monitored on an ongoing basis as part of risk management on account of the highly competitive nature of this business and the possibility of delays in spending on the part of final customers.

In the interests of minimizing business risks, **maintenance contracts** are entered into with large customers. NorCom signs three-year maintenance contracts for its DAP middleware integration software and makes use of customers' willingness to do so on account of the importance of the strategic platform. In addition, one-year maintenance contracts for NCPower are entered into and automatically renewed for customers continuing to use NCPower.

Moreover, the minority shareholders of NSA AS und Value & Risk AG have held **put options** exercisable against NorCom AG with respect to their shares since 2003. To date, no use has been made of these rights. However, there remains a possibility of these rights being exercised, forcing NorCom to acquire the outstanding shares.

Management uses ERP system Navision, a CRM system and an expense reporting tool for **managing the Company**. As all three systems are linked, a weekly employee utilization report is produced. At the same time, order books are reviewed and budgeted income/expenses reconciled with actual figures.

The Management Board and the entire management endeavor at all times to detect **any new risks** and to take suitable steps to avert them. On the basis of information currently available, there are no risks discernible to NorCom AG's status as a going concern.

Outlook and opportunities

General economic data point to favorable underlying conditions over the next two years. However, high energy costs and the substantial rise in interest rates in the United States are likely to place a damper on global economic growth, albeit with some delay. In the eurozone, growth is expected to gain momentum by mid 2006[6].

According to forecasts, real gross domestic product in the European Union is expected to rise by 1.9% for the year as a whole. This favorable outlook will also help to strengthen the economic upswing in Germany and place it on a broader footing in 2006. Foreign business in particular should generate added impetus[7].

[6] "Bericht db PrivatMandat Invest - Balance - für das Jahr 2005"
[7] HWWA Wirtschaftsdienst, Konjunktur Report 2006, page 29 f.
http://www.hwwa.de/Forschung/Publikationen/Report/2006/Report260.pdf

The ITC industry is facing 2006 with optimism. According to one survey, 70% of companies expect their sales to increase. Software vendors and IT service providers are particularly confident about the future. Against this bakkdrop, industry association BITKOM has confirmed its forecast for 2006 of 2.4% growth in the market to € 137.3 billion[8]. On this basis, NorCom anticipates solid growth potential.

Rising demand for intelligent and highly complex solutions justifies the hopes being pinned to the new year. Last year, NorCom AG was able to launch new projects which will stand it in good stead in 2006 as well as in 2007. In fact, we were already able to report preliminary success at the beginning of 2006. Thus, NorCom has again received a contract for the provision of support services for German labor agency Bundesagentur für Arbeit in Nuremberg. The services required entail planning, production and implementation of design models as well as activities aimed at ensuring availability of core processes in the Operations and Infrastructure segment of the Agency's IT department. The contract has a volume of over 200 person/years allocated to three providers for a maximum period of 5 years The project is due to start immediately. With this contract, NorCom has the opportunity of opening a further branch office in Nuremberg to serve its customers more effectively in the future and to further extend its consulting activities.

Strategically, NorCom is primarily focusing on two segments - consulting and products. Consulting in turn mainly entails three areas: technological infrastructure, business consulting and software development.

In the product area, NorCom will continue to resolutely focus on the growth media and broadcasting market. The focus here is on extensions to NCPower and further work on enhancing the relevant product components. NorCom is convinced that NCPower is the ideal platform for digitalizing processes and integrating all systems at TV/radio broadcasters.

Last year, NorCom heightened the market appeal of NCPower by extensive development work in an effort to open up new high-growth segments of the market such as digital archives for multimedia content. One key milestone in the successful marketing of the product is the contract with NRK - the Norwegian Broadcasting Corporation - which NorCom was awarded at the beginning of 2006 for the delivery of a digital music archive. On account of the common standards and components used, this unique product covers the whole range of activities from digital input to archiving and distribution. In addition, it allows internal and external users to search for items of music by content, to listen to them and to download them.

At the same time, NorCom's forays into the Eastern European market offer substantial opportunities and the prospect of solid growth. In this connection, NorCom plans to open a subsidiary in Moscow in 2006 in order to support VGTRK, the largest government-owned TV broadcaster in Russia, on a local basis and to work on tapping the large Russian market.

Looking forward, NorCom considers itself to be well poised to face the challenges of the market and will continue its innovation program step by step and open up new markets. Over the next two years, we will be targeting customers in the financial-services industry, the public sector as well as the media industry.

Capital requirements will be covered by the ample cash and cash equivalents as well as the planned cash inflow in 2006/07.

With its orientation to service-oriented product business which is low in material but high in intelligence requirements, the Company is ideally positioned. Management will continue to focus on profitability in 2006. The Group as a whole is expected to achieve sales growth of 10% to 15% in tandem with a double-digit EBIT.

Munich, March 31, 2006

The Management Board

[8] "The ITC industry facing 2006 with optimism." Bitkom press release December 6, 2005, page 1

Non-Consolidated Financial Statements pursuant to HGB and Consolidated Financial Statements pursuant to IFRS for fiscal 2005

NorCom Information Technology AG, Munich
Balance sheet as of December 31, 2005 (German GAAP)

	12/31/2005 EUR	12/31/2004 EUR
Intangible assets	1,475	506
Property, plant and equipment	97,842	113,711
Financial assets	7,321,224	7,257,158
Non-current assets	**7,420,540**	**7,371,375**
Inventories	23,260	64,940
Trade receivables	1,458,123	1,000,037
Receivables from related parties	1,370,375	704,209
Liabilities to associated companies	0	4,302
Other assets	599,495	666,759
Securities held as current assets	498,955	498,955
Cash and cash equivalents	4,749,992	5,125,675
Current assets	**8,700,199**	**8,064,877**
Prepaid expenses	**7,833**	**4,492**
Assets	**16,128,573**	**15,440,744**

	12/31/2005 EUR	12/31/2004 EUR
Subscribed capital	10,620,443	10,116,810
Share premium	1,840,016	1,467,059
Unappropriated surplus/deficit	1,761,003	1,036,628
Equity capital	**14,221,462**	**12,620,497**
Capital contributions made to implement the capital increase	**0**	**800,200**
Provisions for pensions and similar obligations	107,442	93,227
Other provisions	1,256,433	1,268,973
Provisions	**1,363,875**	**1,362,200**
Advance payments on orders	18,240	18,240
Trade payables	169,694	296,523
Liabilities to affiliated companies	83,874	19,181
Other liabilities	212,564	301,904
Liabilities	**484,371**	**635,847**
Deferred income	**58,864**	**22,000**
Equity capital and liabilities	**16,128,573**	**15,440,744**

NorCom Information Technology AG, Munich

Statement of equity movements for the period from January 1 until December 31, 2005 (German GAAP)

	Subscribed capital EUR	Share premium EUR	Unappropriated surplus/deficit EUR	Total EUR
Amount on December 31, 2004	**10,116,810**	**1,467,059**	**1,036,628**	**12,620,497**
Registration of capital increase				0
Dividend to shareholders				0
Capital increase	503,633			503,633
Additions to share premium		372,957		372,957
Withdrawals from share premium				0
Net income for 2005			724,375	724,375
Amount on December 31, 2005	**10,620,443**	**1,840,016**	**1,761,003**	**14,221,462**

Statement of equity movements for the period from January 1 until December 31, 2004 (German GAAP)

	Subscribed capital EUR	Share premium EUR	Unappropriated surplus/deficit EUR	Total EUR
Amount on December 31, 2003	**10,116,810**	**54,158,700**	**-52,691,641**	**11,583,869**
Registration of capital increase				0
Dividend to shareholders				0
Capital increase				0
Reclassification of unappropriated deficit as share premium		-52,691,641	52,691,641	0
Net income for 2004			1,036,628	1,036,628
Amount on December 31, 2004	**10,116,810**	**1,467,059**	**1,036,628**	**12,620,497**

NorCom Information Technology AG, Munich
Consolidated income statement for the period from January 1 until December 31, 2005 (German GAAP), Year-ago figures

	Jan-Dec 2005 EUR	Jan-Dec 2004 EUR
Revenues	7,369,486	7,056,206
Other operating income	330,598	559,150
Total output	**7,700,084**	**7,615,356**
Cost of materials	-1,279,131	-1,201,630
Gross profit	**6,420,953**	**6,413,726**
Staff cost		
a) Wages and salaries	-4,117,290	-4,066,509
b) Social security	-548,653	-572,142
Other operating expenses	-2,089,734	-1,715,110
Earnings before interest, tax, depreciation and amortization (EBITDA)	**-334,725**	**59,966**
Depreciation and amortization	-60,088	-83,943
Earnings before interest and tax (EBIT)	**-394,813**	**-23,977**
Interest and similar income	131,820	113,424
Depreciation on financial assets and securities held as current assets	0	-1
Interest and similar expenses	-6,460	-5,353
Income from investments	994,677	782,605
Earnings before tax (EBT)	**725,224**	**866,698**
Taxes on income	0	0
Other taxes	-849	169,929
Earnings after tax	**724,375**	**1,036,628**
Profit, loss carried forward from the previous year	1,036,628	-52,691,641
Withdrawals from share premium	0	52,691,641
Unappropriated surplus/deficit	**1,761,003**	**1,036,628**
Earnings per share (basic)	0.09	0.10
Average number of shares outstanding (basic)	10,620,443	10,116,810

NorCom Information Technology AG, Munich
Statement of movement in assets in fiscal 2005 (supplement to Notes) in accordance with German GAAP

	Historical cost			
	Amount on 1/1/2005 EUR	**Additions EUR**	**Disposals EUR**	**Amount on 12/31/2005 EUR**
I. Intangible assets				
1. Commercial property rights and similar rights	3,371,983.04	1,970.05	-	3,373,953.09
2. Goodwill	25,564.59	-	-	25,564.59
	3,397,547.63	**1,970.05**	**-**	**3,399,517.68**
II. Property, plant and equipment				
1. Other equipment, operating and business equipment	1,334,161.60	39,430.90	16,186.07	1,357,406.43
	1,334,161.60	**39,430.90**	**16,186.07**	**1,357,406.43**
III. Financial assets				
1. Shares in affiliated companies	17,068,609.62	-	-	17,068,609.62
2. Loans to affiliated companies	-	-	-	-
3. Equity investments	1,043,401.91	64,065.13	-	1,107,467.04
	18,112,011.53	**64,065.13**	**-**	**18,176,076.66**

Depreciation and amortization				Book values	
Amount on 01/01/2005 EUR	**Depreciation and amortization in year under review EUR**	**Disposals EUR**	**Amount on 12/31/2005 EUR**	**Amount on 12/31/2005 EUR**	**Amount on 12/31/2004 EUR**
3,371,950.17	527.87	-	3,372,478.04	1,475.05	32.87
25,091.39	473.20	-	25,564.59	-	473.20
3,397,041.56	**1,001.07**	**-**	**3,398,042.63**	**1,475.05**	**506.07**
1,220,450.49	55,300.19	16,186.07	1,259,564.61	97,841.82	113,711.11
1,220,450.49	**55,300.19**	**16,186.07**	**1,259,564.61**	**97,841.82**	**113,711.11**
10,191,452.25	-	-	10,191,452.25	6,877,157.37	6,877,157.37
-	-	-	-	-	-
663,400.91	-	-	663,400.91	444,066.13	380,001.00
10,854,853.16	**-**	**-**	**10,854,853.16**	**7,321,223.50**	**7,257,158.37**

NorCom Information Technology AG, Munich
Statement of changes in provisions as of December 31, 2005 (German GAAP)

Name	Provisions 12/31/2004 EUR	Utilization EUR	Reversal EUR	Additions EUR	Provisions 12/31/2005 EUR
Pensions	93,227.00	0.00	0.00	14,215.00	107,442.00
Taxes on income	0.00	0.00	0.00	0.00	0.00
Other provisions					
Staff costs	841,010.57	611,261.77	167,614.67	795,973.52	858,107.65
Guarantee obligations	6,127.00	0.00	6,127.00	864.00	864.00
Threatened losses	204,447.76	199,857.96	0.00	100,000.00	104,589.80
Accounting costs	65,000.00	65,000.00	0.00	75,000.00	75,000.00
Others	152,387.94	163,325.07	1,050.00	229,858.84	217,871.71
Total other provisions	1,268,973.27	1,039,444.80	174,791.67	1,201,696.36	1,256,433.16
Deferred taxes	0.00	0.00	0.00	0.00	0.00
Total provisions	**1,362,200.27**	**1,039,444.80**	**174,791.67**	**1,215,911.36**	**1,363,875.16**

NorCom Information Technology AG, Munich

Notes for fiscal 2005

General matters

The annual financial statements of NorCom Information Technology AG, Munich, as of December 31, 2005 have been compiled pursuant to Book Three of the German Commercial Code as well as the supplementary provisions of the German Stock Corporations Act.

The cost of production method was retained for the income statement.

Accounting and valuation methods

Intangible assets acquired are recognized at historical costs less scheduled straight-line amortization calculated on the basis of their services lives, i.e. 3 years in the case of software and 15 years for goodwill in accordance with the applicable legal stipulations.

Fixed assets are carried at their cost of acquisition less scheduled straight-line depreciation. Fixed assets are written down in accordance with their useful lives on a straight-line basis. Hardware is deemed to have a service live of 3 years, office equipment 5-10 years, and fixtures 10 years.

Minor-value assets are written off in full in their year of acquisition and shown as disposals in the statement of asset movements.

Shares in affiliated companies and subsidiaries are shown at historical cost or contribution value or, in the case of protracted impairment in their value, at their fair value.

Inventories are valued at their individual costs and comprise incomplete projects at the balance sheet date.

Receivables and other assets are always shown at their nominal value. A 1 % general allowance is made on trade receivables to cover the general credit risk. This assumed percentage is based on the average historical values over the past 3 years.

Securities held as current assets are carried at the lower of cost or market.

Cash in hand and at bank as well as shareholders' equity are recognized at their nominal value.

Other provisions cover all recognizable risks and contingent liabilities and are included in the balance sheet with the amount of the probable claim. Long-term provisions are discounted at 5.5 % p.a. in accordance with tax regulations. Pension provisions are calculated according to the fractional value method pursuant to Section 6a of the German Income Tax Act, applying the 2005 guideline tables.

Liabilities are carried at their redemption amount. Amounts in foreign currencies are valued at the exchange rate on the day or at the higher closing rate.

Notes on balance sheet

Movements in the individual items is shown in the Statement of Asset Movements.

Receivables from affiliated companies are held against MaxiMedia Technologies GmbH in an amount of € 1.370 million, while trade receivables are valued at € 0.437 million, loans granted at € 0.304 million and interest on loans and other netting operations at € 0.629 million. The annual interest rate for loans granted is 5 %.

All receivables have a residual term of less than one year.

Other current assets consist mainly of reimbursement claims against the tax authorities amounting to € 0.386 million and reinsurance claims (asset value) of € 0.172 million.

Share capital as at the balance sheet date amounts to € 10,620,443, divided into 10,620,443 bearer shares of € 1.00 each.

Under the terms of the bylaws, the Management Board of NorCom Information Technology AG was authorized subject to the Supervisory Board's approval to increase the Company's share capital once or several times by up to a total of EUR 5,000,000 by August 2, 2005 by issuing new shares in return for a cash or non-cash capital contribution (authorized capital). The shareholders' preemptive statutory subscription rights can be excluded up to a value of EUR 5,000,000. The Managing Board sets the conditions for the issue of new shares subject to the Supervisory Board's approval. The Supervisory Board is authorized to modify the version of the bylaws in accordance with the size of the capital increase from authorized capital. At the beginning of 2004, the unutilized authorized capital stood at EUR 4,883,190.

This authorization was utilized in 2004 to acquire the remaining 49% stake in subsidiary MaxiMedia Technologies GmbH as part of a non-cash equity issue for EUR 470,706 in return for the issue of 470,706 shares at EUR 1.00 utilizing the authorized capital. Preemptive subscriber rights were excluded.

Accordingly, the authorized capital now stands at EUR 4,412,484. The equity issue had not yet been entered in the companies register as of the date on which the annual financial statements for December 31, 2004 were prepared. Accordingly, the share capital only rose by EUR 470,706 and the share premium by EUR 329,494 in fiscal 2005.

The authorization was suspended and replaced by new authorization in a resolution passed on August 18, 2005. Under this new resolution, the Management Board of NorCom Information Technology AG is authorized subject to the Supervisory Board's approval to increase the Company's share capital once or several times by up to a total of EUR 5,293,758 by August 17, 2010 by issuing new shares of up to 5,293,758 in return for a cash or non-cash contribution.

Pursuant to the resolutions passed at the extraordinary shareholder meetings of NorCom AG on August 30, 1999 and September 29, 1999, the Management Board and, to the extent that the Management Board itself is affected, the Supervisory Board are authorized to issue options in one or more installments ("plans") for up to 767,000 and 233,000 shares, respectively, in NorCom Technology AG with a nominal value of EUR 1.00 each to members of the Management Board and employees of NorCom Information Technology AG as well as members of the management and employees of affiliated companies. The grant of options to employees of NorCom Information Technology AG, employees of affiliated companies as well as members of the management of affiliated companies by the Management Board of NorCom Information Technology AG requires the consent of the Supervisory Board. Shareholders' preemptive statutory subscription rights are excluded. This authorization was suspended and replaced by new authorization in a resolution passed on August 18, 2005. Under the new resolution, the Management Board is authorized subject to the Supervisory Board's approval to issue a total of up to 972,780 subscription rights for the acquisition of up to 972,780 shares. The group of eligible persons is unchanged. Contingent capital I was raised by € 58,751 from € 767,000 to € 825,761. Contingent capital II was unchanged at € 233,000.

The exercise of the subscription rights under the stock option plans is contingent upon certain conditions being met. Shares may only be subscribed if the adjusted performance of NorCom's stock at the beginning of an exercise phase at least matches the performance of the continued Neuer Markt index. Subscription rights may not be exercised any earlier than two years after the commencement of the vesting period.

In addition, the share capital was increased by € 4,000,000 on a contingent basis in a resolution passed at the annual general meeting of August 18, 2005. The contingent capital increase is to be used for issuing convertible bonds or warrants under warrant-linked bonds.

In fiscal 2005, subscription rights worth a total of € 32,927 were exercised, resulting in a corresponding increase in the share capital. The share premium rose by € 43,464.

Pension provisions are based on an actuary's report drawn up by Gerling Lebensversicherungs-AG.

Other provisions predominantly relate to personnel matters (€ 0.838 million) and maintenance (€ 0.100 million) as well as outstanding invoices and threatened losses.

All liabilities have a term of less than one year.

Other liabilities primarily comprises tax (€ 0.117 million) and social security (T€ 0.076 million) liabilities.

As of December 31, 2005, the Company holds a share of at least 20 % in the following companies:

	% share	Equity capital as at 12/31/05 € '000s	Net profit/loss for 2005 € '000s
Affiliated companies			
NorCom Information Technology Inc., Atherton/USA	100	19	0
Norske Systemarkitekter AS, Oslo/Norway	51	3,038	173
Value & Risk AG, Bad Homburg	51	5,088	1,936
MaxiMedia Technologies GmbH, Munich	100	-1,573	-454

Equity investments	% share
CognIT AS, Halden/Norway	17.9
Certification Europe Ltd., Dublin/Ireland	1.0

Notes on income statement

Revenues can be broken down as follows:

	€ '000s
Professional services	4,606
Product* (*including maintenance)	
Own products	2,403
Resellers	402
	7,411

Other operating income primarily comprises income from the reversal of provisions (€ 0.174 million), rental income (€ 0.023 million) and onward charging of costs (€ 0.022 million).

Other operating expenses comprise operating, administration and distribution expenses.

Movements in unappropriated surplus:

	€
Unappropriated surplus on January 1, 2005	1,036,627.54
Net income for 2005	724,375.30
Unappropriated surplus on December 31, 2005	1,761,002.84

Other financial liabilities and contingent obligations

As at December 31, 2005, there were liabilities under long-term rental and leasing contracts, primarily relating to buildings and motor vehicles.

The minimum amount of non-discounted future leasing and rental payments under operating leasing contracts was as follows as at December 31, 2005:

	€
2006	442,003
2007	407,589
2008	391,533
2009	204,522
2010	204,522
After 2010	255,655
	1,905,824

Due to the non-cash and business contribution agreements for the purchase of the remaining 49 % interest in MaxiMedia in 2004, NorCom has a variable purchase price obligation (unlimited) depending on future revenues and the development of the enterprise value of MaxMedia. In addition to this, NorCom has declared a conditional cumulative assumption of debt for loan obligations (€ 0.449 million) of MaxiMedia to the extent as these cannot be repaid from MaxiMedia's own resources.

In addition NorCom AG has issued a letter of comfort for MaxiMedia expiring on December 31, 2006.

The minority shareholders of Value & Risk AG hold put options entitling them to offer their shares for purchase by third parties. However, the shareholder wishing to sell his shares must first offer these to the other shareholders in writing. These shareholders may accept this offer within four weeks of receipt of the notification. The purchase price is determined using the discounted cash flow method.

Similarly, NorCom has assumed an obligation towards the shareholders of Norske Systemarkitekter to buy the shares which they hold in the latter company. The purchase price is the market price on the date on which the option is exercised.

Other details

As in the previous year, the average headcount in the year under review stood at 53.

The Company's Management Board comprises the following persons:

Mr. Viggo Nordbakk,
Chief Executive Officer, Munich

Mr. Bernd Wagner,
Chief Financial Officer, Gmund
(until January 31, 2005)

Mr. Gebhard Tanner,
Member of the Management Board,
Unterbrunn/Gauting (from March 29, 2005
until December 31, 2005)

The Supervisory Board comprises:

Mr. Carl-Friedrich Meißner (Chairman), Former member of the management board of Deutsche Telekom AG, Calw (until April 30, 2005)

Dr. Lutz Schmidt (Chairman), Public accountant/tax consultant, partner in Schmidt Schuran und Partner (since June 27, 2005)

Dr. Manfred Schlottke M.B.A. (Deputy Chairman), Information and communications technology consultant, Munich

Prof. Dr. Thomas Hess, Director of the Institut für Wirtschaftsinformatik und Neue Medien at the Ludwig-Maximilians-Universität in Munich

Mr. Carl-Friedrich Meißner sits on no further supervisory boards.

Dr. Lutz Schmidt sits on no further supervisory boards.

Dr. Manfred Schlottke is also a member of the supervisory board of the following companies:
- Aareon AG, Mainz
- UTIMACO Safeware AG, Oberursel

Prof. Dr. Thomas Hess sits on no further supervisory boards.

Compensation paid to the Management Board in the year under review was as follows:

	Fixed € '000s	Variable € '000s
Viggo Nordbakk	224	121
Bernd Wagner	29	50
Gebhard Tanner	0	0
	253	171

Remuneration paid to the Supervisory Board came to € 0.102 million. Pension provisions of € 0.107 million have been set aside for a former member of the Management Board. In fiscal 2005, consulting fees of € 0.059 million were paid to members of the Supervisory Board and of € 0.045 million to members of the Management Board.

Profit allocation proposal

The Management Board recommends that the shareholders pass a resolution to carry the unappropriated surplus forwards.

The Management Board and Supervisory Board of NorCom Information Technology AG comply with the duty imposed by Section 161 of the German Stock Corporations Act and issued a declaration concerning conformance to the German Corporate Governance Code. The declaration dated December 13, 2005 has been made available to shareholders on a permanent basis.

The fees for the financial statements auditors carried as expense break down as follows for fiscal 2005:

	€ '000s
Auditing	45
Other consulting services	18
	63

There are no cross shareholdings with affiliated companies or companies in which NorCom AG holds an equity interest.

NorCom AG prepares consolidated financial statements in accordance with IFRS/IAS pursuant to EU stipulations and the additional accounting provisions contained in the German Commercial Code in accordance with Section 315a of the German Commercial Code. These are published in Bundesanzeiger and lodged with the companies register of Munich under the number HRB 126903.

Munich, March 3, 2006

NorCom Information Technology AG, Munich

The Management Board

Viggo Nordbakk

NorCom Information Technology AG, Munich
Consolidated balance sheet as of December 31, 2005

	Consolidated notes No.	12/31/2005 EUR	12/31/2004 EUR
Inventories		0	1,787
Trade receivables	(4)	3,919,410	3,219,103
Receivables from associated companies	(5)	0	4,302
Other receivables and other assets	(6)	793,867	831,344
Securities held as current assets	(7)	5,145,739	6,129,804
Cash and cash equivalents	(8)	9,908,100	9,363,280
Current assets		**19,767,115**	**19,549,619**
Prepaid expenses	(9)	**106,236**	**90,369**
Intangible assets	(1) + (2)	9,720,088	9,212,207
Property, plant and equipment	(3)	370,518	385,444
Financial assets		710,284	380,001
Non-current assets		**10,800,890**	**9,977,652**
Deferred taxes	(10)	**826,108**	**796,438**
Assets		**31,500,349**	**30,414,077**

	Consolidated notes No.	12/31/2005 EUR	12/31/2004 EUR
Liabilities to banks	(15)	0	25,191
Advance payments on orders	(16)	31,640	363,704
Trade payables	(17)	585,102	772,685
Other liabilities	(19)	2,525,579	2,351,906
Liabilities		**3,142,321**	**3,513,486**
Deferred income		**120,464**	**123,979**
Tax provisions		862,413	267,059
Other provisions	(13)	3,576,369	3,592,015
Provisions		**4,438,782**	**3,859,074**
Deferred taxes	(10)	**112,990**	**192,080**
Minority interests		**3,824,169**	**3,986,901**
Capital contributions made to implement the capital increase		**0**	**800,200**
Subscribed capital		10,620,443	10,116,810
Share premium		1,840,016	1,467,059
Differences from currency translation		-77,145	-125,946
Consolidated unappropriated surplus		7,478,309	6,480,434
Equity capital	(11)	**19,861,623**	**17,938,357**
Equity capital and liabilities		**31,500,349**	**30,414,077**

NorCom Information Technology AG, Munich
Consolidated statement of equity movements for the period from January 1 until December 31, 2005

	Subscribed capital EUR	Share premium EUR	Consolidated unappropriated surplus/deficit EUR	Differences from currency translation EUR	Total EUR
Amount on December 31, 2004	**10,116,810**	**1,467,059**	**6,480,434**	**-125,946**	**17,938,357**
Capital increase	503,633				**503,633**
Additions to share premium		372,957			**372,957**
Differences from currency translation				48,801	**48,801**
Consolidated net income for 2005			997,875		**997,875**
Amount on December 31, 2005	**10,620,443**	**1,840,016**	**7,478,309**	**-77,145**	**19,861,623**

Consolidated statement of equity movements for the period from January 1 until December 31, 2004

	Subscribed capital EUR	Share premium EUR	Consolidated unappropriated surplus/deficit EUR	Differences from currency translation EUR	Total EUR
Amount on December 31, 2003	**10,116,810**	**54,205,620**	**-47,587,823**	**-164,803**	**16,569,804**
Withdrawals from share premium		-52,691,641	52,691,641		**0**
Corrections to share premium addition of MaxiMedia in 2003		-46,920			**-46,920**
Consolidation-related changes			195,062		**195,062**
Differences from currency translation				38,857	**38,857**
Consolidated net income for 2004			1,181,554		**1,181,554**
Amount on December 31, 2004	**10,116,810**	**1,467,059**	**6,480,434**	**-125,946**	**17,938,357**

NorCom Information Technology AG, Munich
Consolidated income statement for the period from January 1 until December 31, 2005

	Consolidated notes No.	Jan - Dec 2005 EUR	Jan - Dec 2004 EUR
Revenues	(20)	24,750,283	23,175,110
Changes in inventories		-1,787	-71,213
Other own work capitalized	(21)	0	217,177
Other operating income	(22)	455,175	955,052
Total output		**25,203,672**	**24,276,126**
Cost of materials	(23)		
a) Cost of goods bought		-704,056	-662,951
b) Cost of services bought		-1,957,989	-1,534,916
Gross profit		**22,541,627**	**22,078,258**
Staff costs	(24)		
a) Wages and salaries		-13,405,214	-12,900,329
b) Social security		-1,307,838	-1,295,300
Other operating expenses	(26)	-4,603,227	-4,488,612
Earnings before interest, tax, depreciation and amortization (EBITDA)		**3,225,348**	**3,394,017**
Depreciation and amortization	(25)	-492,962	-426,639
Depreciation on securities held as current assets		-2,209	-11,234
Earnings before interest and tax (EBIT)		**2,730,178**	**2,956,144**
Income from securities held as current assets		143,198	74,867
Interest and similar income	(27)	166,512	149,266
Interest and similar expenses	(27)	-13,695	-41,421
Earnings before tax (EBT) and minorities		**3,026,192**	**3,138,856**
Taxes on income	(28)	-1,060,875	-1,065,136
Net income for the year before minorities		**1,965,317**	**2,073,720**
Minority interest in profit (-)/loss		-967,442	-892,166
Net income for the year		**997,875**	**1,181,554**
Earnings per share (diluted and basic)	(12)	0.09	0.12

NorCom Information Technology AG, Munich
Consolidated cash flow statement for the period from January 1 until December 31, 2005

Consolidated notes No.		Jan-Dec 2005 EUR '000s	Jan-Dec 2004 EUR '000s
Net profit for period including minorities		1,965	2,074
Depreciation and amortization		493	427
Book gains from disposal of intangible assets and property, plant and equipment		0	-12
Other non-cash expenses and income		0	-21
Changes in provisions		580	69
Changes in inventories		2	71
Changes in trade receivables		-700	1,404
Changes in other receivables and other assets, not attributable to investing or financing activities		-4	-499
Changes in trade payables		-188	271
Changes in other liabilities, not attributable to investing or financing activities		6	90
Cash flows from operating activities		**2,154**	**3,874**
Payments received from disposals of intangible assets and property, plant and equipment		0	14
Payments made for investments in intangible assets and property, plant and equipment		-974	-663
Payments made for investments in financial assets		-330	0
Cash flows from investing activities		**-1,304**	**-649**
Payments received from equity increases		76	0
Changes in borrowings		-247	127
Payments made to minorities		-949	-764
Cash flows from financing activities		**-1,120**	**-637**
Cash changes in cash and cash equivalents		**-270**	**2,588**
Exchange-rate, consolidation and valuation-related changes to cash and cash equivalents.	(30)	-145	41
Cash and cash equivalents at beginning of period		15,468	12,839
Cash and cash equivalents at end of period		**15,054**	**15,468**
Additional information			
Interest received during year		167	149
Interest payments during year		14	41
Tax payments during year		-1,082	-1,178

NorCom Information Technology AG, Munich
IFRS segment report as of December 31, 2005

	Professional Services		Product / Licenses		Maintenance		Internal sales		Group	
	2005 EUR '000s	2004 EUR '000s	2005 EUR '000s	2004 EUR '000s	2005 EUR '000s	2004 EUR '000s	2005 EUR '000s	2004 EUR '000s	2005 EUR '000s	2004 EUR '000s
Revenues	21,514	19,639	1,099	1,241	2,186	2,295	-50		24,750	23,175
EBIT	2,892	3,195	-152	-304	-4	36	-6		2,730	2,927
Book value of assets	23,700	23,034	2,806	2,439	4,994	4,925			31,500	30,398
Liabilities	2,359	2,192	663	268	120	284			3,142	2,744
Depreciation	280	331	195	65	17	31			493	427
Capital spending	842	227	306	389	157	48			1,304	664
Main non-cash expenses	180	2,871	27	181	88	336			295	3,388

	Germany		Rest of EU		Non-EU		Group	
	2005 EUR '000s	2004 EUR '000s	2005 EUR '000s	2004 EUR '000s	2005 EUR '000s	2004 EUR '000s	2005 EUR '000s	2004 EUR '000s
Revenues by customer location	16,341	17,050	928	625	7,481	5,500	24,750	23,175
Book value of assets	18,875	29,237	2,806	748	9,819	460	31,500	30,445
Capital spending	378	540	306	16	621	107	1,304	663

NorCom Information Technology AG, Munich
Movements in consolidated non-current assets in accordance with IFRS (formerly IAS) as of December 31, 2005 (supplement to the Notes)

	Historical cost				
	Carried forward at 1/1/2005 EUR	Additions EUR	Disposals EUR	Currency differences EUR	Amount on 12/31/2005 EUR
I. Intangible assets					
1. Commercial property rights and similar rights	4,435,629.52	109,498.25	-	20,615.00	4,565,742.77
2. Development costs	2,530,315.64	672,025.69	-	-	3,202,341.33
3. Goodwill	25,564.59	-	-	-	25,564.59
4. Goodwill from acquisition accounting	25,627,110.75	-	-	-	25,627,110.75
	32,618,620.50	**781,523.94**	**-**	**20,615.00**	**33,420,759.44**
II. Property, plant and equipment					
1. Land and similar rights and buildings including on leasehold land	34,121.04	-	-	1,081.00	35,202.04
2. Other equipment, operating and business equipment	3,059,410.44	188,683.32	32,431.05	40,726.82	3,256,389.53
3. Assets of a minor value	-	3,786.90	3,786.90	-	-
	3,093,531.48	**192,470.22**	**36,217.95**	**41,807.82**	**3,291,591.57**
III. Financial assets					
1. Shares in affiliated companies	-	-	-	-	-
2. Loans to affiliated companies	-	-	-	-	-
3. Equity investments	1,043,401.91	330,283.04	-	-	1,373,684.95
	1,043,401.91	**330,283.04**	**-**	**-**	**1,373,684.95**
	36,755,553.89	**1,304,277.20**	**36,217.95**	**62,422.82**	**38,086,035.96**

Depreciation and amortization					Book values	
Carried forward at 1/1/2005 EUR	Depreciation and amortization in year under review EUR	Disposals EUR	Currency differences EUR	Amount on 12/31/2005 EUR	12/31/2005 EUR	12/31/2004 EUR
4,168,334.09	143,976.52	-	15,155.00	4,327,465.61	238,277.16	267,295.43
2,126,339.28	134,654.00	-	-	2,260,993.28	941,348.05	403,976.36
25,091.39	473.20	-	-	25,564.59	-	473.20
17,086,648.40	-		-	17,086,648.40	8,540,462.35	8,540,462.35
23,406,413.16	**279,103.72**	**-**	**15,155.00**	**23,700,671.88**	**9,720,087.56**	**9,212,207.34**
5,804.38	7,018.30	-	205.00	13,027.68	22,174.36	28,316.66
2,702,283.50	203,053.07	32,430.05	35,138.53	2,908,045.05	348,344.48	357,126.94
-	3,786.90	3,786.90	-	-	-	-
2,708,087.88	**213,858.27**	**36,216.95**	**35,343.53**	**2,921,072.73**	**370,518.84**	**385,443.60**
-	-	-	-	-	-	-
-	-	-	-	-	-	-
663,400.91	-	-	-	663,400.91	710,284.04	380,001.00
663,400.91	**-**	**-**	**-**	**663,400.91**	**710,284.04**	**380,001.00**
26,777,901.95	**492,961.99**	**36,216.95**	**50,498.53**	**27,285,145.52**	**10,800,890.44**	**9,977,651.94**

NorCom Information Technology AG, Munich
Consolidated statement of provisions as of December 31, 2005

Name	Provisions 01/01/2005 EUR	Utilization EUR	Reversal EUR	Additions EUR	Provisions on 12/31/2005 EUR
Taxes on income	267,059.00	267,059.00	0.00	862,413.00	862,413.00
Other provisions					
Staff costs	2,898,779.44	2,700,042.05	198,737.39	2,842,690.65	2,842,690.65
Guarantee obligations	159,596,00	0.00	8,127.00	28,295.00	179,764.00
Threatened losses	204,447.76	199,857.96	0.00	100,000.00	104,589.80
Auditing costs	112,660.00	112,660.00	0.00	120,000.00	120,000.00
Others	216,532.28	193,576.47	5,675.91	312,044.94	329,324.84
Total other provisions	3,592,015.48	3,206,136.48	212,540.30	3,403,030.59	3,576,369.29
Deferred taxes	192,080.00	79,090.00	0.00	0.00	112,990.00
Total provisions	**4,051,154.48**	**3,552,285.48**	**212,540.30**	**4,265,443.59**	**4,551,772.29**

Notes to the consolidated financial statements 2005

Group notes for fiscal 2005

The consolidated financial statements of NorCom Information Technology AG were compiled in accordance with the accounting principles embodied in the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board in the form required to be applied in the EU as well as the supplementary provisions contained in Section 315a (1) of the German Commercial Code. All IFRS standards binding for the year ending December 31, 2005, in the form required to be applied in the EU, have been observed. The interpretations issued by the Standing Interpretations Committee were taken into account.

Group's business purpose

The business purpose of NorCom Information Technology AG and its subsidiaries is to design, develop and distribute software and hardware products, to provide consulting services in the area of information technology, to perform training, to provide other related services, to acquire and to manage equity interests in other companies particularly in the area of software development and consulting in connection with the development of individual software as well as to strategically manage and coordinate such companies.

NorCom Information Technology AG is domiciled in Munich, Germany.

Summary of material accounting principles

The financial statements (commercial balance sheets II) of NorCom Information Technology AG and its subsidiaries included in the consolidated financial statements are uniformly compiled pursuant to IAS 27 on the basis of the following consolidation, accounting and valuation principles.

Accounting, valuation and consolidation methods diverging from German law are explained separately under the following points. In particular, there are divergences in:

Percentage of completion:
Long-term construction contracts are measured in accordance with the percentage of completion method pursuant to IAS 11.

Pension provisions:
Pension provisions are valued pursuant to IAS 19 according to the projected unit credit method. In this connection there exist different arrangements for treating actuarial gains and losses, pass service cost and pension plan assets.

Deferred taxes:
Deferred taxes are formed pursuant to IAS 12 on all temporary differences between the commercial and tax balance sheet as well as capitalized loss carryforwards and the differences resulting from the uniform valuation and consolidation within the Group.

Goodwill:
In accordance with IAS 36, goodwill is not subject to scheduled amortization but undergoes regular impairment testing.

Development costs:
In the cases provided for in IAS 38, internally generated developments are capitalized and written down on a straight-line basis over a limited useful life.

Companies consolidated

In addition to NorCom Information Technology AG, the consolidated financial statements for the year ending December 31, 2005 include two domestic and two foreign companies with respect to which NorCom Information Technology AG holds a direct majority of the voting rights and exercises uniform management responsibility.

Name and domicile of company	Share in capital %	IFRS/IAS equity 12/31/2005 EUR '000s	IFRS/IAS equity 12/31/2004 EUR '000s	IFRS/IAS net profit/loss 2005 EUR '000s	IFRS/IAS net profit/loss 2004 EUR '000s
NorCom Information Technology AG, Munich		14,676	12,686	1,113	1,151
NorCom Information Technology Inc., Atherton, USA	100	19	19	0	0
MaxiMedia Technologies GmbH, Munich	100	-734	-604	-129	-221
Value & Risk AG, Bad Homburg	51	5,235	5,369	1,809	1,981
Norske Systemarkitekter AS, Oslo, Norway	51	2,826	2,792	173	15

Consolidation principles

In accordance with IAS 22 (Business Combinations), companies acquired before January 1, 2005 are consolidated using the acquisition method as of the date of acquisition, netting the acquisition cost of the equity interests against the prorated fair value of their equity capital on the date of acquisition. Any remaining excess of the cost of acquisition was capitalized as goodwill after offsetting any undisclosed reserves or charges and written down over a scheduled period of ten years on the basis of their future economic benefit, with such write-downs taken to the income statement.

Upon the initial application of IFRS 3, scheduled goodwill amortization was discontinued as of January 1, 2004. In future, goodwill will be checked for impairment annually - or more frequently if events or changed circumstances indicate that the asset might be impaired pursuant to IAS 38 (impairment test). If the test shows that the value has been impaired, this impairment loss is taken to the income statement for the period in question.

Internal group profits and losses, revenues, expenditure and income as well as the receivables and liabilities between consolidated companies were eliminated.

Accounting and measurement methods

Currency translation:

The translation of the financial statements of the consolidated companies compiled in a foreign currency is based on the functional currency principle pursuant to IAS 21 according to the modified balance-sheet date method.

As all companies included in the consolidated financial statements conduct their business operations independently from a financial, economic and organizational point of view, the functional currency is always identical to the respective national currency of the company. For this reason, the assets and liabilities are converted at the closing rate, equity items at historical rates and expenditure and income at the average rate for the year in the consolidated financial statements. Any resulting exchange differences are shown in equity.

In the financial statements of the individual consolidated companies, foreign-currency receivables and liabilities are translated at the exchange rates prevailing on the balance-sheet date, with any gains or losses taken to the income statement.

Receivables and other assets:

Receivables and other assets refer to receivables which pursuant to IAS 39 are measured at historical cost or at the lower recoverable amount. Allowance is made for all discernible risks on the basis of an assessment of the individual risks as well as on the basis of general experience. Any resultant gains or losses are taken to the income statement. Non-interest-bearing receivables with a term of over one year are discounted.

Future receivables from construction contracts:

The "percentage-of-completion method" pursuant to IAS 11 is used to determine the value of construction contracts. In this case, the revenues from contracts are deemed to be the revenues agreed in the fixed-price contracts for the amount of the respective degree of completion. The percentage of completion is the ratio of the costs incurred as of the balance sheet date to the estimated total costs. In the case of long-term construction contracts, payments received are netted against the percentage of work completed. Receivables arising from such services as well as advance payments are carried as "trade receivables".

Securities held as current assets, cash and cash equivalents:

Securities held as assets and cash and cash equivalents are "available for sale" financial instruments pursuant to IAS 39 and are recognized at their fair value on the balance sheet date. The unrealized profits and losses resulting from such measurement are taken to the income statement. Cash and cash equivalents include cash at hand as well as short-term cash investments acquired with maturity dates of three months or less. Movements in cash and cash equivalents pursuant to IAS 7 are set out in the cash flow statement.

Goodwill and other intangible assets:

Goodwill is the difference between the purchase price of a business combination and the fair value of assets and debt acquired.

Pursuant to IFRS 3, the goodwill remaining as of December 31, 2003 is no longer down on a straight-line basis. Instead, an impairment test is conducted annually or more frequently if events or changed circumstances indicate that the value of the asset might be impaired pursuant to IAS 36.

Intangible assets acquired for good consideration are shown at costs in accordance with IAS 38 and written down on a straight-line basis over their expected useful lives.

Software acquired for good consideration is written down over three years on a straight-line basis, commencing on the date on which the software is acquired.

Research and development:

Under IAS 38, the Company capitalizes its own development costs for internally generated software provided that these development costs result in marketable products and it is possible to prove corresponding revenues for the past or the planned or expected revenues exceed the capitalized expenses. The development costs for new products are written down on a straight-line basis over a period of three years, with the year of completion being written down on a time-proportionate basis.

Spending on research and development is expensed pursuant to IAS 38.

Property, plant and equipment:

Property, plant and equipment are shown at amortized cost.

They are written down in accordance with their useful lives on a straight-line basis. Hardware is deemed to have a useful live of 3 years, other office equipment 5-13 years, and fixtures 10 years.

There are no encumbrances on assets; nor have any assets been pledged to creditors. Repairs and maintenance costs are expensed on the date on which they arise. Material changes and improvements are capitalized.

Financial assets:

Financial assets are initially recognized at cost. Subsequently, all financial assets are assigned to the "available for sale" category pursuant to IAS 39 and are therefore always measured at their market values. There are no "held for trading", "held until final maturity" and "loans and receivables" financial assets. The "available for sale" financial assets are recognized at cost less depreciation where applicable, as the market value cannot be reliably estimated.

Leases:

The Company has only operating leases. There are no finance leases, which are capitalized by the lessee in accordance with IAS 17.

Pension provisions:

Pension provisions are measured pursuant to IAS 19 using the projected-unit-credit method on the basis of an actuarial appraisal. This method considers not only the pensions known and entitlements acquired, but also the expected increase in pensions and salaries based on a conservative estimate of the relevant factors. Actuarial gains and losses are only taken to the income statement if they lie outside a corridor of 10% of the present value of the entitlement. In this case they are distributed over the future average remaining working life of the employees concerned.

As the reinsurance fulfils the requirements of IAS 19 as "plan assets", the reinsurance claims are netted against the provisions.

Other provisions:

Other provisions include all the other uncertain liabilities and risks of the Company towards third parties to the extent that an outflow of funds from these is probable and can be reliably estimated. The amounts recognized as provisions are the best possible estimate of the expenditure required to settle the present obligation at the balance sheet date. Long-term provisions are shown at their present value if the interest effect is material.

Liabilities:

Borrowings are initially shown at cost and then written down in ensuing years.

Revenues:

Revenues are always recognized upon the transfer of risk. The percentage of completion method pursuant to IAS 11 is applied to long-term construction contracts (software developments commissioned by customers); the services performed are correspondingly recorded as revenues.

Interest:

Interest is expensed on the date on which it is incurred.

Income from life insurance policies taken out to reinsure the pension commitment to a former member of the Management Board is netted against the allocations to the pension provisions pursuant to IAS 19.

Taxes on income:

Deferred taxes are calculated on temporary differences between commercial and tax balance sheets and the differences resulting from the uniform valuation and consolidation within the Group. Deferred taxes are calculated on the basis of the national tax rates, which were between 28% and 40.86% in 2005. Changes in the tax rates passed on the balance sheet date are included. The tax rate for the Group, allowing for the fact that trade tax (14.49%) and corporate tax including the solidarity charge (26.375%) are deductible, amounts to a total of 40.86%.

Tax provisions are based on presumed utilization within one year.

On the whole, the consolidated financial statements present a true and fair view of the net assets, financial condition, results of operations and cash flows of the Group.

Notes on consolidated balance sheet

(1) Other intangible assets

In fiscal 2005, development costs include development costs incurred by third parties for new software projects of EUR 0.120 million and capitalized own development costs of EUR 0.552 million (previous year: capitalized development costs for new software projects by third parties EUR 0.187 million and own development costs EUR 0.217 million).

(2) Goodwill

Goodwill resulting from acquisition accounting relates to Value & Risk AG, Bad Homburg (EUR 2.830 million), MaxiMedia Technologies GmbH, Munich (EUR 1.281 million), and NorCom Systems Technology GmbH, Munich, and NorCom Global Security GmbH, Munich, both of which were merged with the parent company in fiscal 2002 (EUR 4.428 million).

In accordance with IFRS, there was no goodwill amortization in fiscal 2005 (previous year: EUR 0). Instead, IFRS 3 requires goodwill to be submitted to an impairment test at least annually. There were no impairments as of the balance sheet date.

The value in use of the goodwill was calculated using the capitalized earnings value method on the basis of detailed forecasts for 2006 - 2008. For 2009 and later, it was assumed that net income would remain steady at 2008 levels. Discount rates are based on the yield on risk-free bonds of 3.7% plus a risk premium of 7.8%. An inflation rate of 1% was assumed for the perpetual annuity period.

(3) Property, plant and equipment

Additions to property, plant and equipment relate mainly to supplementary and replacement purchases of operating and office equipment. The statement of asset movements (attached to the Notes) sets out the development of individual asset types based on total acquisition costs.

Financial assets comprise the shares in CognIT AS, Halden, Norway (EUR 0.710 million; previous year: EUR 0.380 million) and Certification Europe Ltd., Dublin, Ireland (EUR 1).

(4) Trade receivables

Trade receivables, all of which have a residual term of less than one year, are shown at their nominal value less any charges for doubtful or bad debts. The writedowns on receivables are both individual and global in nature on a portfolio basis in order to allow for the immanent risks of impairment for the portfolio of receivables. This was based for the most part on a percentage of 1%. Global writedowns of EUR 0.049 million and individual writedowns of EUR 0 were included. Trade receivables break down as follows on the balance sheet date:

	12/31/2005 EUR	12/31/2004 EUR
Invoiced trade receivables	3,793,309.01	3,004,520.46
Future receivables from construction contracts (POC)	126,101.00	214,582.05
Total trade receivables	**3,919,410.01**	**3,219,102.51**

Advanced payments received of EUR 0.090 were netted.

(5) Receivables from associated companies

As of December 31, 2005, there were no receivables due from associated companies. The receivables recognized in the previous year were all due from CognIT AS, Halden, Norway.

(6) Other receivables and other assets

	12/31/2005 EUR	12/31/2004 EUR
Taxes	366,990.86	450,291.25
Receivables from employees	28,744.06	31,799.25
Deposits	31,028.64	34,189.41
Advance payments made	36,556.21	146,161.58
Others	330,546.85	168,902.61
	793,866.62	**831,344.10**

The other receivables and assets are shown at their nominal value and have a residual lifetime of less than one year.

(7) Securities held as current assets

The securities held as current assets are mainly shares in JPM Euro Liquidity Fund, GE Capital European Funding and short-term money-market fund units at Dresdner Bank, which are classified as "available for sale" financial instruments pursuant to IAS 39 and have a fair value of EUR 5.146 million (previous year: EUR 6.130 million). The portfolio of securities contracted by EUR 0.985 million in the year under review due to sales transactions. The securities held are mainly subject to interest rate risks.

(8) Cash and cash equivalents

	12/31/2005 EUR	12/31/2004 EUR
Cash in hand	3,271.02	2,935.88
Cash at bank	5,416,385.86	3,061,441.59
Term deposits	4,488,442.83	6,298,902.47
	9,908,099.71	**9,363,279.94**

(9) Prepaid expenses

Prepaid expenses primarily comprise maintenance expenses paid in advance.

(10) Deferred Taxes

The amounts shown under deferred tax assets and liabilities relate to the following items:

	12/31/2005 EUR '000s	12/31/2004 EUR '000s
Deferred tax assets		
Cumulative tax loss carryforwards	826	796
	826	**796**
Deferred tax liabilities		
Current assets	113	192
	113	**192**
Net deferred taxes	**713**	**604**

(11) Equity capital and capital contributions made to implement the capital increase

Subscribed capital

As of December 31, 2005, NorCom Information Technology AG had 10,620,443 outstanding bearer shares (previous year 10,116,810) at a nominal value of EUR 1.00. The share capital is fully paid up.

Under the terms of the bylaws, the Management Board of NorCom Information Technology AG is authorized subject to the Supervisory Board's approval to increase the Company's share capital once or several times by up to a total of EUR 5,000,000 by August 2005 by issuing new shares in return for a cash or non-cash contribution (authorized capital). The shareholders' statutory subscription rights can be excluded up to a value of EUR 5,000,000. The Managing Board sets the conditions for the issue of new shares subject to the Supervisory Board's approval. The Supervisory Board is authorized to modify the version of the bylaws in accordance with the size of the capital increase from authorized capital. At the beginning of 2004, the unutilized authorized capital stood at EUR 4,883,190.

This authorization was utilized in 2004 to acquire the remaining 49% stake in subsidiary MaxiMedia Technologies GmbH as part of a non-cash equity issue for EUR 470,706 in return for the issue of 470,706 shares at EUR 1.00 utilizing the authorized capital. Preemptive subscriber rights were excluded. Accordingly, the authorized capital now stands at EUR 4,412,484. The equity issue had not yet been entered in the companies register as of the date on which the annual financial statements were prepared. Accordingly, the share capital only rose by EUR 470,706 and the share premium by EUR 329,494 in fiscal 2005.

The authorization was suspended and replaced by new authorization in a resolution passed on August 18, 2005 at the annual general meeting. Under this new resolution, the Management Board of NorCom Information Technology AG is authorized subject to the Supervisory Board's approval to increase the Company's share capital once or several times by up to a total of EUR 5,293,758 by August 17, 2010 by issuing new shares of up to 5,293,758 in return for a cash or non-cash contribution.

The share capital has been increased by a contingent EUR 4,000,000. The contingent capital increase is for issuing convertible bonds or warrants under warrant-linked bonds.

In fiscal 2005, subscription rights worth a total of € 32,927 were exercised, resulting in a corresponding increase in the share capital.

Share premium

The share premium comprises the premium on the issue of shares. As a result of the stock options exercised in the year under review, the share premium increased by EUR 43,464 in 2005 subject to entry in the companies register. This amount equals the premium on the shares issued.

Differences resulting from the currency translation of foreign financial statements are recognized in equity pursuant to IAS 21.

(12) Earnings per share:

Earnings per share are calculated in accordance with IAS 33.

	2005 basic
Net consolidated profit (IAS) after minorities (in EUR)	997,875.28
Number of shares (average)	10,620,443
Earnings per share (in EUR)	0.09

Earnings per share are calculated by dividing the net income for the year by the weighted average of the number of shares outstanding.

Diluted earnings per share are identical to basic earnings per share.

(13) Other provisions

Other provisions are shown in the statement of asset movements (attached to the Notes) and cover all the expected expenses at the time of the balance sheet date.

Personnel provisions principally contain provisions for unused vacation entitlement, target agreements and overtime

Provisions for potential losses relate to rental obligations for vacant office premises.

Guarantee provisions were set aside for fixed-price projects for which there is a contractually agreed two-year guarantee period.

Of the other provisions, a sum of EUR 3.576 million (previous year: EUR 3.558 million) is expected to be used within one year. An amount of EUR 0 (previous year: EUR 0.034 million) is expected to be utilized between one and five years.

(14) Pension provisions

There is a defined-benefit pension commitment for a former member of the Management Board entailing an old age and widow's pension. The commitment under the pension plan is measured annually by independent appraisers on the basis of the projected unit credit method. The actuarial assumptions used for calculation are summarized in the following table:

Basis for calculation:	12/31/2005 %
Assumed rate of interest	4.25
Salary trend	-
Interest on plan assets	4.0
Adjustment to pension	1.0

Movements in pension provisions:	2005 EUR '000s
Value on January 1, 2005	0
Service cost	-
Income from plan assets	-7
Interest expense	8
Contributions reiceived	-
Net non-realized defined-benefit liability	-1
	0

Reconciliation with balance sheet:	12/31/2005 EUR '000s
Present value of defined-benefit obligation	162
Value of plan assets on 12/31/2005	172
Unrealized actuarial gains	11
Net non-realized defined-benefit DBL	1
	0

Net expenditure under the pension commitment came to EUR 0.001 million.

	2005 EUR '000s
Interest expenses	-8
Expected capital gains in 2005	7
	1

In the fiscal year the expenses from carrying and increasing the pension provision were netted against the income from the reinsurance cover pursuant to IAS 19.

The pension commitment meets the definition of "plan assets" pursuant to IAS 19 and is therefore not included as a separate asset.

In addition, there are pension commitments to one present and two former members of the Management Board. The benefits from the commitments financed via the reinsured provident fund correspond exactly to the insurance benefits from the reinsurance on which they are based. Under its bylaws, the provident fund is structured in such a way that the benefits are only available for the employee and the employer has no access to the assets of the fund. Grant of the benefits accrued by then is also guaranteed in the event of insolvency. The pension commitment complies with the definition of a defined contribution pursuant to IAS 19 and therefore does not have to be included in the NorCom Information Technology AG balance sheet.

(15) Liabilities to banks

Liabilities to banks are valued at EUR 0 (previous year: EUR 0.025 million).

(16) Advance payments on orders

This item of EUR 0.032 million as of December 31, 2005 comprises advance payments received from several customers. These do not attract any interest and have a term of up to one year.

(17) Trade payables

The total amount of EUR 0.585 million as of December 31, 2005 is due within one year.

(18) Liabilities to associated companies

There are no liabilities to associated companies as of December 31, 2005.

(19) Other liabilities

	12/31/2005 EUR	12/31/2004 EUR
Non-bank loans	377,581.67	753,309.64
Taxes (excl. payroll and church tax)	532,716.88	656,055.86
Social security liabilities	83,939.99	153,816.61
Payroll and church tax	239,726.90	240,799.99
Wage and salary liabilities	1,142,949.53	449,180.72
Others	148,663.71	98,742.92
	2,525,578.68	**2,351,905.74**

Apart from an amount of EUR 0.378 million (residual term of between one and five years), all other liabilities have a term of less than one year.

Notes on Consolidated Income Statement

(20) Revenues

A distinction is made between revenues from Product/License Sales and Maintenance and Professional Services. The breakdown of revenues by division and region is shown in the attached segment report.

No revenues were generated with affiliated companies in fiscal 2005.

Revenues from the percentage of completion method pursuant to IAS 11 amount to EUR 0.874 million (previous year EUR 1.062 million). These must be set against costs amounting to EUR 0.147 million (previous year: EUR 0.940 million) resulting in a gross profit of EUR 0.727 million (previous year: EUR 0.122 million).

(21) Other own work capitalized

The previous year's figure of EUR 0.217 million referred to own development costs capitalized. Of the development costs of EUR 0.672 million capitalized in 2005, EUR 0.425 million is netted against personnel expenses, EUR 0.120 million against the cost of materials and EUR 0.127 million against other operating expenses.

(22) Other operating income

Other operating income amounting to EUR 0.455 million (previous year EUR 0.955 million) mainly consists of income from the reversal of provisions amounting to EUR 0.213 million (previous year: EUR 0.500 million), off-period income of EUR 0.036 million (previous year EUR 0.231 million) and rental income of EUR 0.023 million (previous year EUR 0.064 million).

(23) Cost of materials

The cost of materials relates mainly to external services purchased and the purchase of software from external companies.

(24) Staff costs

	2005 EUR	2004 EUR
Wages and salaries	13,405,214.22	12,900,329.75
Social security, post-retirement benefits and others	1,307,837.65	1,295,300.49
	14,713,051.87	**14,195,630.24**

(25) Depreciation and amortization

	2005 EUR	2004 EUR
Intangible assets	279,103.72	164,299.74
Property, plant and equipment	213,858.27	262,339.17
	492,961.99	**426,638.91**

(26) Other operating expenses

Other operating expenses break down as follows:

	2005 EUR	2004 EUR
Distribution expenses	1,204,373.43	1,055,709.79
Administration expenses	1,166,445.66	1,318,968.14
Other operating expenses	2,106,051.42	2,102,517.96
Off-period expenses	125,507.00	10,723.13
Other taxes	849.00	692.65
	4,603,226.51	**4,488,611.67**

(27) Financial result

	2005 EUR	2004 EUR
Interest and similar income	166,511.58	149,265.98
Interest and similar expenses	-13,694.70	-41,420.61
	152,816.88	**107,845.37**

(28) Taxes on income

The expenses break down as follows:

	2005 EUR '000s	2004 EUR '000s
Current taxes	-1,171	-1,217
Deferred tax expense (-) / deferred tax income (+)	110	152
	-1,061	**-1,065**

Deferred taxes on loss carryforwards are capitalized if it is probable in future that the income to be taxed is available in a sufficient amount to be realized. As of the balance sheet date there are unused corporate tax loss carryforwards or comparable foreign tax loss carryforwards of EUR 39,730 million as well as trade tax loss carryforwards of EUR 40,152 million. Deferred tax assets of EUR 0.080 million relate solely to a tax loss carry-forward at the level of MaxiMedia Technologies GmbH, Munich.

The following reconciliation statement for the Group summarizes the individual reconciliation statements for the individual companies at the applicable national tax rate allowing for consolidation measures. For this purpose, expected tax expense is reconciled with actual tax expense.

	1/1/2005 - 12/31/2005 EUR	1/1/2004 - 12/31/2004 EUR
Net profit before tax	3,026,192	3,138,856
Group tax rate	40.86%	40.86%
Expected tax on income	-1,236,502	-1,282,537
Differences in tax rates	133,713	115,610
Differences in tax base and tax-free income	-30,944	-21,123
Group depriciation	0	1
Valuation differences German GAAP / IFRS	140,725	46,925
Utilization of non-capitalized tax losses	-67,867	86,338
Non-capitalized tax losses	0	0
Other tax additions and deductions	0	-10,350
Taxes on income	**-1,060,875**	**-1,065,136**
Tax rate in %	-35.06%	-33.93%

The differences in the tax base are due to non-deductible expenses and corrections to the tax base.

(29) Segment reporting

The breakdown of asset and income figures and other key figures by area of operation and/or region corresponding to IAS 14 is shown in the segment report (attached to Notes).

NorCom regards itself as a full-chain supplier of secure e-business and therefore combines all services, from top-management consulting to IT consulting, in the Professional Services division. The principal focuses are consulting services in the fields of Business Process Management, Business Process Automation (Enterprise Application Integration, Middleware, Workflow etc.) and Business Process Security (Access Management, Single Sign-On).

In the Licenses/Products segment, NorCom engages in software development and the sale of software and licenses. For this purpose, it buys software products from other producers which are required as components for solutions for customers.

In the Maintenance segment, NorCom develops the software and licenses sold in the Licenses/Products segment and provides support for these.

(30) Cash flow statement

The cash flow statement shows the consolidated cash flows of the companies contained in the consolidated financial statements and was compiled pursuant to the provisions of IAS 7. The cash flow statement shows the changes in cash and cash equivalents of the NorCom Group in the form of inflowing and outflowing funds, broken down into the operating, investing and financing activities.

The change in cash flow from operating activities has been adjusted for effects from currency translation, changes in the portfolio of consolidated companies and changes in value. The cash and cash equivalents shown in the cash flow statement comprise cash in hand and at banks and securities carried as current assets that can be sold at short notice and are subject to minor fluctuations in value. Furthermore, the cash and cash equivalents contains short-term overdrafts.

The tax payments shown in the capital flow statement refer to taxes on income.

(31) Related party disclosures

There are relations with members of the Management Board and the Supervisory Board.

Other receivables and other assets include receivables of EUR 0.010 million from members of the Management Board and Supervisory Board.

Liabilities include a loan of EUR 0.506 million (previous year EUR 0.753 million) granted by a former shareholder of MaxiMedia Technologies GmbH.

The shareholdings and stock options of current and former members of the Management Board and the Supervisory Board as of December 31, 2004 break down as follows:

Supervisory Board

	Shareholdings as of 12/31/2005	Option holdings as of 12/31/2005
Carl-Friedrich Meißner (Chairman of the Supervisory Board until April 30, 2005)	None	None
Dr. Lutz Schmidt (Chairman of the Supervisory Board since June 27, 2005)	None	None
Dr. Manfred Schlottke	None	None
Prof. Dr. Thomas Hess	None	None

Management Board

	Shareholdings as of 12/31/2005	Optionholdings as of 12/31/2005
Viggo Nordbakk (CEO)	7,500	2,500 stock options
Bernd Wagner (until March 31, 2005)	None	None
Gebhard Tanner (March 29 – December 31, 2005)	429,524	None
Nordbakk Beteiligungen Verwaltungs GmbH	3,933,922	None

(32) Contingent liabilities

As of December 31, 2005, there were contingent liabilities under a non-cash capital and business contribution agreement for the acquisition of the remaining 49% stake in MaxiMedia Technologies GmbH. The contingent liability takes the form of a variable purchase price payable to two former shareholders of the subsidiary for the fiscal years from 2004 to 2008.

The minority shareholders of Value & Risk AG hold put options entitling them to offer their shares for purchase by third parties. However, the shareholder wishing to sell his shares must first offer these to the other shareholders in writing. These shareholders may accept this offer within four weeks of receipt of the notification. The purchase price is determined using the discounted cash flow method.

Similarly, NorCom has assumed an obligation towards the minority shareholders of Norske Systemarkitekter AS to buy the shares which they hold in the latter company. The purchase price is the market price on the date on which the option is exercised.

(33) Other financial obligations

As of December 31, 2005, there were liabilities under long-term rental and leasing agreements, which consisted mainly of operating leases for buildings and company cars.

The minimum amount of non-discounted future leasing and rental payments under operating leases was as follows as at December 31, 2005:

	EUR
2006	917,579
2007	831,543
2008	693,857
2009	331,361
2010	204,522
after 2010	255,655
	3,234,517

Payments under leasing and rental obligations taken to the income statement came to around EUR 1.089 million in the year under review.

(34) Staff

The Group's staff as at December 31, 2005 broke down as follows:

	Employees 12/31/2005	Employees 12/31/2004
NorCom Information Technology AG, Munich	53	52
Norske Systemarkitekter AS, Oslo, Norway	55	48
Value & Risk AG, Bad Homburg	43	44
MaxiMedia Technologies GmbH, Munich	1	5
Total	**152**	**149**
	2005	**2004**
Average annual number of employees (excluding members of the Management Board and Supervisory Board)	**152**	**150**

(35) Stock-option program

Pursuant to the resolutions passed at the extraordinary shareholder meetings of NorCom AG on August 30, 1999 and September 29, 1999, the Management Board and, to the extent that the Management Board itself is affected, the Supervisory Board are authorized to issue options in one or more installments ("plans") for up to 767,000 and 233,000 shares in NorCom Technology AG with a nominal value of EUR 1 each to members of the Management Board and employees of NorCom Information Technology AG as well as members of the management and employees of affiliated companies. The grant of options to employees of NorCom Information Technology AG, employees of affiliated companies as well as members of the management of affiliated companies by the Management Board of NorCom Information Technology AG requires the consent of the Supervisory Board. The shareholders' statutory subscription rights are excluded. At their extraordinary meeting on August 30, 1999, the shareholders resolved to increase the Company's share capital by up to a nominal amount of EUR 767,000. At their extraordinary meeting on September 29, 1999, they resolved to increase the contingent capital by a further EUR 233,000. In both cases, this was to ensure compliance with option obligations.

The fourth option plan was established in fiscal 2001. With the Supervisory Board's approval, the Management Board granted options for 195,629 NorCom Information Technology AG shares at a price of EUR 2.32 per share. This brought the total number of stock options issued to 632,107.

The fifth option plan was established in fiscal 2005. Under the new resolution, the Management Board is authorized subject to the Supervisory Board's approval to issue a total of up to 972,780 subscription rights for the acquisition of up to 972,780 shares.

The exercise of the subscription rights under the stock option plans is contingent upon certain conditions being met. Shares may only be subscribed if the adjusted performance of NorCom's stock at the beginning of an exercise phase at least matches the performance of the continued Neuer Markt index. Subscription rights may not be exercised any earlier than two years after the commencement of the vesting period.

Staff and members of the Management Board at NorCom Information Technology AG have exercised subscription rights vesting in them under the Company's stock option program 2001/2006. Consequently, the Company's shares capital has increased by EUR 32,927 as a result of the utilization of contingent capital. The new shares have already been admitted to the stock market.

Main elements of option exercise:

- Total number of options exercised:
  32,927
- Number of shares issued:
  32,927
- Issuing amount (striking price):
  EUR 2.32
- Old share capital:
  10,587,516 shares
- New share capital:
  10,620,443 shares
- First year of dividend eligibility for new shares:
  Fiscal 2005

	2005 units	Exercise price EUR
Non-expired option rights as of January 1, 2005	86,381	
Option rights expiring in 2005	-22,399	
Option rights exercised in 2005	-32,927	
Non-expired option rights as of December 31, 2005	31,055	
Of which from 1999 (Program 2)	5,985	32.35
Of which from 2000 (Program 3)	5,416	19.74
Of which from 2001 (Program 4)	19,654	2.32

(36) Statutory representatives

Management Board

The Company's Management Board comprises the following persons:

Mr. Viggo Nordbakk, CEO, Baldham

Mr. Gebhard Tanner, Unterbrunn/Gauting (March 29 - December 31, 2005)

Mr. Bernd Wagner, CFO, Gmund (until January 31, 2005)

Supervisory Board

The Supervisory Board comprises:

Mr. Carl-Friedrich Meißner (Chairman), Former member of the management board of Deutsche Telekom AG, Calw (until April 30, 2005)

Dr. Lutz Schmidt (Chairman), Public accountant/tax consultant, partner in Schmidt Schuran und Partner (since June 27, 2005)

Dr. Manfred Schlottke M.B.A. (Deputy Chairman), Information and communications technology consultant, Munich

Prof. Dr. Thomas Hess, Director of the Institut für Wirtschaftsinformatik und Neue Medien at the Ludwig-Maximilians-Universität in Munich

Mr. Carl-Friedrich Meißner sits on no further supervisory boards.

Dr. Lutz Schmidt sits on no further supervisory boards.

Dr. Manfred Schlottke is also a member of the supervisory board of the following companies:

- Aareon AG, Mainz
- UTIMACO Safeware AG, Oberursel

Prof. Dr. Thomas Hess sits on no further supervisory boards.

Remuneration paid to the Management Board came to EUR 0.424 million in the year under review. Remuneration paid to the Supervisory Board came to EUR 0.102 million.
Remuneration paid to the Supervisory Board pursuant to the resolution passed by the annual general meeting of June 13, 2003 and the resulting change in the Bylaws breaks down as follows:

- Each member of the Supervisory Board receives a fixed salary of EUR 10,000 per fiscal year. The Chairman receives twice this amount, and the Deputy Chairman receives an additional EUR 1,000 for every day when the Supervisory Board meets and he assumes the role of Deputy Chairman of the Supervisory Board.

- The members of the Supervisory Board receive an additional variable remuneration, payable 10 days after the annual general meeting. The variable remuneration is based on the annual EBIT of the NorCom Group. The Chairman of the Supervisory Board receives an additional 0.5%, the Deputy Chairman and other members of the Supervisory Board each receive an additional 0.25% of the EBIT of the NorCom Group, at most up to the amount of the respective fixed remuneration.

- There are consulting contracts in force with Schmidt Schuran & Partner, Mr. Hess and Mr. Tanner. The remuneration paid under these contracts came to EUR 0.104 million in the year under review.

The remuneration of the Management Board comprises a fixed-salary component, a variable target-related fee and other salary components (e.g. company car). The fixed salary components (incl. statutory social benefits, provident fund and direct insurance) amount to approx. 94.5% of the Management Board remuneration paid out. In the past fiscal year none of the agreed variable remuneration was paid to members of the Management Board.

The fees for the financial statements auditors carried as expense break down as follows for fiscal 2005:

	EUR '000s
Financial statement audit	45
Other consulting services	18
	63

The Management Board and Supervisory Board of NorCom Information Technology AG comply with the duty imposed by Section 161 of the German Stock Corporations Act and issued a declaration concerning conformance to the German Corporate Governance Code. The declaration dated December 13, 2005 has been made available to shareholders on a permanent basis.

Munich, March 3, 2006

The Management Board

Viggo Nordbakk

Auditor's Report

We have audited the consolidated financial statements prepared by NorCom Information Technology AG, Munich, comprising the balance sheet, income statement, statement of changes in equity, cash flow statement and notes - as well as the combined management report for NorCom Information Technology AG and the NorCom Group for the fiscal year from January 1, 2005 until December 31, 2005. The preparation of the consolidated financial statements and the Group management report in accordance with the International Financial Reporting Standards (IFRS), as they are to be applied in the EU, and the additional accounting provisions in accordance with Section 315a (1) HGB is the responsibility of the Company's Management Board. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the Group financial statements in accordance with Section 317 HGB [Handelsgesetzbuch - German Commercial Code] and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the Consolidated annual financial statements in accordance with the applicable principles of proper accounting and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the Group annual financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes an assessment of the financial statements of the companies included in the Group, the definition of the consolidation perimeter, the accounting and consolidation principles applied and the significant estimates made by the statutory representatives as well as an appraisal of the overall situation presented by the consolidated annual financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the results of our audit, the consolidated annual financial statements comply with IFRS as they are to be applied in the EU, the supplementary provisions of German commercial law in accordance with Section 315a (1) HGB and in the light of these provisions give a true and fair view of the net assets, financial position and results of operations of the Group. The Group management report is consistent with the consolidated financial statements and on the whole provides a suitable understanding of the Group's position and suitably presents the opportunities and risks to future development.

Düsseldorf, March 3, 2006

Rölfs WP Partner AG
Wirtschaftsprüfungsgesellschaft

Stephan Schilling Wirtschaftsprüfer (German Public Auditor)	Georg van Hall Wirtschaftsprüfer (German Public Auditor)

Corporate governance bodies at NorCom

Supervisory Board

Carl-Friedrich Meißner
Former member of the Management Board of Deutsche Telekom AG
Chairman of Supervisory Board at NorCom Information Technology AG
(retiring on April 30, 2005)

Prof. Dr. Manfred Schlottke
Information and communications technology consultant
Deputy Chairman of Supervisory Board at NorCom Information Technology AG

Dr. Lutz Schmidt
Chartered accountant
Chairman of Supervisory Board at NorCom Information Technology AG
(since June 27, 2005)

Prof. Dr. Thomas Hess
Director of Institute for information systems and new media at Ludwig-Maximilian-University in Munich

Management Board

Viggo Nordbakk (founder)
(CEO)

Bernd Wagner
(CFO)
(retired on January 31, 2005)

Gebhard Tanner
(From March 29, 2005
until December 31, 2005)

Shares and options held by the members of the Supervisory Board and the Management Board and options held by employees as of December 31, 2005

Supervisory Board	changes in 2nd half of 2005	Shares as of 12/31/2005	Options as of 12/31/2005
Carl-Friedrich Meißner (Chairman until 04/30/2005)	None	None	None
Dr. Lutz Schmidt (Chairman since 06/27/2005)	None	None	None
Prof. Dr. Manfred Schlottke	None	None	None
Prof. Dr. Thomas Hess	None	None	None

Management Board	changes in 2nd half of 2005	Shares as of 12/31/2005	Options as of 12/31/2005
Viggo Nordbakk (CEO)	Acquisition of 7,500 shares through exercise of option	7,500 shares	2,500 stock options
Bernd Wagner (until 01/31/2005)	None	None	None
Gebhard Tanner (March 29 - Dec. 31, 2005)	Acquisition of 1,040 shares on the floor	429,524 shares	None
Nordbakk Beteiligungen Verwaltungs GmbH	None	3,833,922 shares	None

Employees	Vested options as of 12/31/2005	Exercised options as of 12/31/2005	Unexercised options as at 12/31/2005
	238,712	25,427	30,954

NorCom Information Technology AG
Stefan-George-Ring 23
D-81929 Munich
Phone +49 (0) 89 / 939 48-0
Fax +49 (0) 89 / 939 48-123

aktie@norcom.de
www.norcom.de