2006

Annual Report
NorCom Information Technology AG

NorCom

NorCom Information Technology AG at a glance

Group figures in EUR	Fiscal year 2006	Fiscal year 2005
Results		
Revenues	29,880,832	24,750,283
Earnings before interest, tax, depreciation and amortization (EBITDA)	2,558,678	3,225,348
Earnings before interest and tax (EBIT)	1,841,762	2,730,178
Net income for the year	2,527,720	997,875
Share figures		
Number of shares on closing date	10,626,176	10,620,443
Earnings per share	0.24	0.09
Employees		
Average headcount	149	152
Balance sheet		
Equity	22,318,538	19,861,623
Equity ratio	63.8%	63.1%
Total assets	34,967,767	31,500,349

Content

Foreword by the Chairman of the Management Board

Dear shareholders, ladies and gentlemen,

The NorCom Group continued its successful performance in 2006, achieving a substantial increase in sales over the previous year in tandem with operating profit. Not least of all, the sharp rise in consolidated net profit reflects the Company's encouraging business performance.

Re-orientation – focus on software products

In earlier years, NorCom had already begun to realign its business activities by additionally positioning itself in the high-growth software product market in addition to engaging in conventional IT consulting services. Thus, over the past few years, the core NCPower product has undergone further development, while sales and marketing activities have been stepped up. NorCom is now not only enjoying success with NCPower in Germany and Norway but has also achieved sales successes outside Europe. What is more, NorCom is engaged not only in the conventional broadcasting market but also in the attractive Internet television (IPTV) and corporate and mobile TV segments. These new areas in particular are expected to yield considerable growth potential.

In addition to NCPower, which is being used for content production, NorCom has also broadened its competence to include content management. Its NCArchive product is a comprehensive archiving system featuring technology which 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.
With this step, NorCom has been able to substantially widen its skills in the software product segment.

Consulting – the basis of success

Needless to say, NorCom has no intention of neglecting its established IT consulting business.
In addition to numerous financial service providers, NorCom's customer base also includes public-sector organizations. After the successful commencement of the project for the German federal labor agency Bundesagentur für Arbeit (BA) in Nuremberg in 2006, NorCom together with two further IT companies was awarded a contract for further IT support services. As well as this, NorCom was able to sign up four further tax authorities as new customers. Thus, the tax authorities of the German states of Schleswig-Holstein, Hamburg, Bremen and Berlin are using NorCom's NC-Integrate software, generating sales of the NC-Integrate licenses plus maintenance contracts for NorCom.
With these major long-term contracts with public-sector bodies, NorCom has particularly been able to boost order volumes, thus ensuring high capacity utilization.

Renowned customers – international market orientation

The high quality of NorCom's services is not least of all confirmed by its customer list. With its customers in the financial services industry, the public sector and the media industry, NorCom boasts a strong customer base which, in turn, provides a superb basis for future market activities. In addition to a widened customer base, extensions to international sales and marketing activities always play a crucial role in the Group's growth strategy. Efforts to widen the market radius have been intensified with NorCom's forays into the media industry. After primarily making a name for itself in Germany and Norway in the past few years, NorCom is now successfully generating business in the Russian market. However, marketing activities are also directed at Western and Eastern Europe, the Middle East and Asia.

Outlook

A resolute focus on our core competence and global sales, marketing and service strategies adjusted in the light of the prevailing market conditions to optimum effect form important and simultaneously also effective steps for successfully positioning NorCom in the international markets.

Looking forward, we will to continue to concentrate on maximizing profitability and, in doing so, widen our product portfolio, step up sector diversification and seek to gain new major reference projects in new regions. Profitability materially hinges on an attractive range of products and services, which we plan to safeguard in the long term by means of ongoing development work on our range and further specialization in our consulting services.

Our Company's activities will focus not only on continuing our dynamic growth course but in ensuring open and immediate communications with our partners and shareholders in the interests of transparent relations with the capital market. It is with this in mind that the Management Board and Supervisory Board of NorCom AG issued the declaration of conformance with the German Corporate Governance Code on November 27, 2006, via which NorCom confirms its commitment to responsible and fair corporate governance and an open and immediate dialog with our investors, shareholders and partners.

On behalf of my employees and the Company as well as quite personally in my capacity as the founder of the Company and its CEO, I wish to thank you for the confidence which you have shown in NorCom AG. In the new year, we will continue to broaden our core competence in consulting and software products and widen our international radius.

However, the success which we achieved in 2006 would have been unthinkable without our qualified, committed and motivated staff. For his reason, I would like to take this opportunity to thank all those who so energetically worked towards achieving our ambitious targets.

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

The new focus on software products and the successful performance of the past few years justify our optimism and provide us with incentive for continuing on this path in the future and for achieving the targets which we have set ourselves for the next few years.

Munich, March 2007

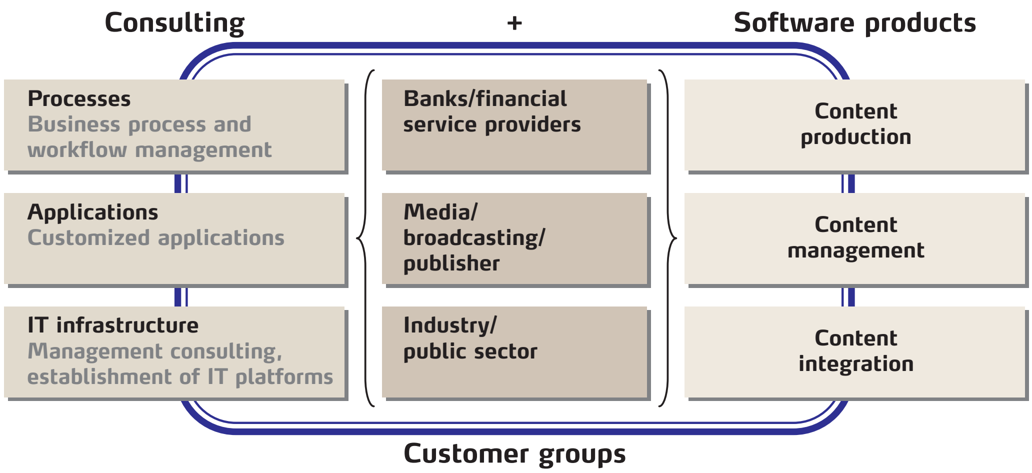
Viggo Nordbakk
Chief Executive Officer (CEO)

Business performance

The NorCom Group’s range of products and services

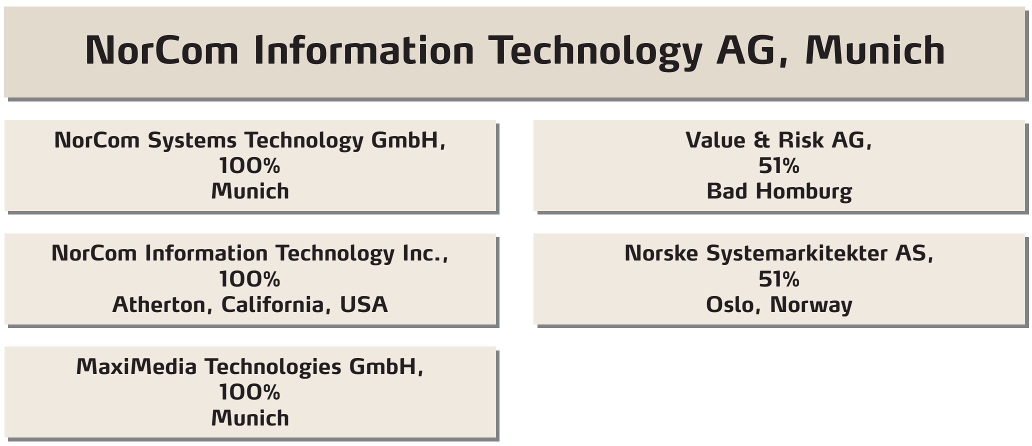
NorCom Information Technology AG’s range of products and services encompasses consulting and software products. Whereas its IT consulting services are primarily targeted at financial service providers and government bodies, software product business focuses on the media industry.

The following diagram illustrates the current structure of NorCom’s operations.



Corporate structure

At the moment, the NorCom Group comprises a total of six legal entities inside and outside Germany. Thus, Munich-based NorCom Information Technology AG has a wholly owned subsidiary NorCom Systems Technology GmbH with registered offices and holds all of the capital of MaxiMedia Technologies GmbH. In addition to this, NorCom holds a 51 percent stake in Norske Systemarkitekter AS in Oslo, Norway, as well as in Value & Risk AG in Bad Homburg. The US subsidiary NorCom Information Technology Inc. is currently non-operative.



Activities in 2006

In 2006, NorCom Information Technology AG was again able to widen its consulting and software product business and continue on its growth course.

NCPower – the multimedia production system

Since NorCom entered the software product market in 2003, it has primarily been stepping up international marketing activities, enhancing the functionality of the NCPower multimedia production system and heightening efforts to integrate further partners. NCPower is a planning, production and newsroom system for handling, digitizing and archiving all multimedia content. As well as this, it features an integrated research system for retrieving all the data required in a newsroom. Renowned reference customers such as RTL, n-tv and Deutsches Anlegerfernsehen (DAF) are using NCPower.

After achieving numerous successes with NCPower in the content production areas, NorCom extended the range by adding a content management product known as NCArchive. This is a comprehensive archiving system based on linguistic understanding and context.

Extensions to activities in the Russian market

NorCom reached a key milestone in its internationalization strategy in 2005 when Russian radio and TV broadcaster VGTRK opted for NCPower. The system was successfully implemented as early as in February 2006. With over 90 broadcasting stations across Russia, VGTRK is one of the world's largest public TV networks and thus an important reference customer for NorCom. The entry into the Russian market, which comprises around 50 large and 800 small TV stations, was thus extremely successful. The end-to-end digitization of the entire news and magazine process together with integrated editing functionality and the extensive capabilities for storing all video, audio, graphic and text files were key criteria in VGTRK's decision to go with NCPower.

In September 2006, NorCom gained its second major contract in Russia from REN TV, one of the country's largest and most successful commercial broadcasters. With its extensive program comprising news, documentation, entertainment, sport, foreign series and feature-length films, it reaches over 97 million people. Using NCPower, REN TV was able to modernize its entire workflow and implement fully tape-free news production.

Via these two broadcasters, NorCom has gained excellent references, which will aid it in future efforts to generate new business in the media industry. The marketing focus on Russia is thus a key strategic pillar of the Company's growth strategy.

Focus on the Norwegian market

The contract for the production of a new type of integrated music archive for the Norwegian Broadcasting Corporation (NRK) at the end of March 2006 marked a further milestone in the successful marketing strategy for NCPower. This archive manages all music data from the digital input phase to archiving via a single user interface. At the same time, NCPower implements a unique search technology allowing individual tracks to be found effectively and swiftly. NRK also plans to extend the system to make it available to external users as well.

Continued success in Germany as well

RTL and n-tv, which are already working successfully with NCPower, installed the latest update of the system in February 2006. The meticulously planned update procedure, which involved the installation of the latest NCPower release across the entire server infrastructure and roughly 400 PCs with over 1,000 users, was completed in the space of only three hours. The update includes entirely new functions: for example, broadcasts can now be scheduled far in advance and workflow processes can be monitored even more effectively, thus allowing even more flexibility in the production phase.

In June 2006, NorCom additionally received a contract from Deutschlandradio (DLR) for the deployment of a new distribution system. Based on NCPower, this web-based system provides a cost-efficient solution allowing staff to access all data stored in the newsroom at any time and from any location. As a result, NCPower is ideally suited for non-centralized data access by correspondents and newsroom staff regardless of whether they are sitting in the newsroom, at home or in an Internet café. This simplifies administration decisively and saves considerable costs. By integrating different legacy and future applications and data sources, NCPower demonstrates its open and flexible structure, ensuring swift adaptability for accommodating changes, new developments and specific customer requests.

New markets and customer groups

In addition to conventional transmission methods via antenna, satellite and cable, Internet television (IPTV) constitutes a fourth channel. IPTV basically entails a broadband Internet connection with the television set allowing content and services to be selected using a remote control device and permitting interaction via a backchannel. At the same time, the IPTV platform can be used not just to transmit audio and video signals but also for E-commerce applications such as T-commerce, multi-user and online games (lotto, betting). It thus gives broadcasters and consumers an entirely new dimension in television. According to market studies, the European IPTV market is expected to triple in size over the next two years.

This market is thus an interesting pursuit for NorCom. NCPower supports operators in nearly all phases of their business processes, from content production to program scheduling and production right through to transmission and archiving.

In 2006, Deutsches Anlegerfernsehen (DAF) opted for the Apple-based version of NCPower. A subsidiary of Kulmbacher Börsenmedien AG, the new Internet TV broadcaster DAF has been using the world's first fully Apple-based TV and media production solution. What is decisive is that all employees are able to access all data stored, thus substantially simplifying and facilitating workflows. This is particularly useful for IPTV operators with several locations and numerous employees as it offers a basis for producing and publishing content for a shared communications platform.

A further key step in efforts to enter this market was completed in August 2006, when Atkon AG decided to deploy NCPower. One of the leading operators in the corporate visual communications sector, Atkon specializes in producing and preparing content for internal and external corporate communications. As the general contractor, NorCom supplied all components comprising the NCPower software, hardware and services such as customizing, integration, legacy-data migration, project management and training.

Consulting business – a solid basis

Orbiting around this strong product core are NorCom's business and IT consulting services. The broad range of services includes conventional management consulting, business process analysis and efficiency enhancement as well as network integration and security. In addition, it entails the optimum integration of existing applications in compliance with the highest possible security requirements, with the main focus on implementing consistent software architecture.

Public sector - new customer segment being tapped

With the contract awarded by German federal labor agency Bundesagentur für Arbeit (BA) in Nuremberg, NorCom has made a key addition to its customer base. After working for numerous financial service providers in the past few years, NorCom has been able to gain a customer in the public sector. Thus, BA is using NorCom's IT support services for planning, producing and implementing design models as well as for ensuring the availability of 70 processes on around 200 systems. The current contract has a volume of over 200 person/ years allocated to three providers for a period of five years. With this contract, NorCom has additionally been able to open a branch in Nuremberg to serve this customer more effectively at close quarters and to additionally extend its consulting activities.

In addition to BA, NorCom was also able to successfully sign up four tax authorities as customers in December 2006. Thus, it entered into contracts with the tax authorities of the four German states Schleswig-Holstein, Hamburg, Bremen and Berlin for the delivery of NC-Integrate. NC-Integrate is a middleware product, which is used as the basic component for the UNIFA dialog process implemented by the tax authorities. It is deployed at nearly all of the workplaces of the participating tax offices and provides IT support for most of the tasks performed by IT clerks. The aim is to allow the tax authorities to operate on a more efficient and customer-friendly basis and to improve the dialog with taxpayers and tax authority staff. At the same, it is generating sales of NC-Integrate licenses plus maintenance contracts.

Efficient marketing structure

In 2006, NorCom AG intensified its marketing activities and brought them into line with future requirements in order to make the most of the potential in target markets. Thus, the marketing team was reinforced and adjusted to accommodate the requirements of the individual markets.

Marketing efforts are focusing on growth markets such as Western and Eastern Europe, the Middle East and Asia. By specifically investing in markets such as Eastern Europe and Asia with their high potential in tandem with low cyclical exposure, NorCom is creating the basis for long-term international success.

However, without experienced local partners, it is almost impossible to make any marketing or technical headway in regional markets. Accordingly, local presence is crucial, something which NorCom achieves via its partners. With this in mind, it has already started to establish a network of partners familiar with local market conditions and able to assist NorCom with their expertise and many years of experience.

Accordingly, NorCom's success is derived from its ability to think globally and to act locally with a strategy aimed at offering local solutions for local markets.

Strategic positioning

In 2007, NorCom Information Technology AG will resolutely continue on its growth path. Given the upbeat state of the global economy, sector experts forecast strong growth for IT services and software in particular. Foreign business should especially generate added impetus. The rising demand for intelligent and highly complex solutions justifies the hopes being pinned to the new year.

In 2007, NorCom will continue to strengthen its core competence in software products and IT consulting and additionally extend its international market presence in product business. Thus, it was able to report further success in Russia as well as in Lebanon at the beginning of 2007.

With its focus on service-oriented product business which is low in material but high in intelligence requirements, the Company is ideally positioned. In order to meet the requirements and expectations arising from further growth, NorCom's business activities will be primarily focusing on the following aspects:

Portfolio extensions

Extensions to the portfolio of products and consulting services go hand in hand with heightened appeal on the part of the range. The focus here is on extending the product range in the media segment and engaging in further development on the product components.

With the focus on product business, consulting services will also be extended. Accordingly, the knowledge gained in the media industry can also be leveraged by consulting staff. A further key aspect entails efforts to render project management more professional and safeguard software quality.

Forays into new markets

Primary attention is being paid to stepping up marketing activities. To this extent, both the Company's own marketing team and the partner network are to be reinforced to cover future requirements. This will be backed up by specific marketing and support activities in the light of prevailing market conditions. This consistently customer-oriented strategy offers a great advantage for users as they not only receive the NCPower product but also all the relevant training and support services. In turn, NorCom can plow back the regular high-quality feedback and suggestions received from customers into its product enhancement process to implement improvements and introduce new products targeted at customers' specific requirements with minimum delay.

NorCom will continue to pursue this successful course of intensive customer-bonding in response to growing user expectations in all areas in the future.

Sector diversification

Looking forward, NorCom will be increasingly seeking to position itself in industries outside the financial services sector in which it has established itself. Thus, in addition to banking, it has its eyes set on the public sector and the media industry. Whereas the banking sector is benefiting from a return to rising IT budgets, the public sector is increasingly buying external consulting services. Turning to the media industry, the current number of over 10,000 TV broadcasters around the world offers a broad customer base, which is set to continue growing given the trend towards digitization and the growing acceptance of IPTV. By diversifying into these three areas, NorCom has already created a broad basis for future success.

All told, NorCom expects generally favorable business performance. Despite its growth and expansion targets, it is continuing to attach key importance to profitability.

Investor relations

Ever since its stock market flotation, NorCom AG has been committed to ensuring proactive and transparent investor relations. For this reason, the Company sees its duty as being to report on its performance and condition regularly, comprehensively and with minimum delay. In addition to dialogs with private and institutional investors, its investor relations activities are targeted at the business and financial press.

The aim of all investor relations activities is to provide various target groups with a deeper understanding of NorCom's business activities and to communicate its future position and outlook.

Corporate strategy confirmed at the annual general meeting

The Management Board and Supervisory Board of NorCom AG welcomed numerous private shareholders, institutional investors and representatives of the press to its annual general meeting in Munich on June 28, 2006. At the meeting, the Chairman of the Management Board, Viggo Nordbakk, presented a report describing in detail the Company's performance in 2005. Once again, the shareholders present at the annual general meeting renewed their strong confidence in NorCom's business strategy and expressed their clear support for the work performed by the Management Board and the Supervisory Board.

All motions were passed by the shareholders with large majorities. Thus, the resolution to carry forward the Company's unappropriated surplus was passed with a clear majority of 88 percent. There was also a clear majority for the amendments to the Company's bylaws required as a result of the Act on Corporate Integrity and Modernization of the Right of Avoidance (UMAG).

Moreover, a resolution was passed authorizing NorCom AG to buy back its own stock. Thus, the Management Board is able to buy back up to 10 percent of the Company's share capital on or before December 27, 2007. The right bestowed on shareholders to grant authorization to buy back stock is governed by the German Stock Corporations Act and is aimed at encouraging market trading, boosting acceptance of equities as an investment and supporting issuing activities with the purpose of heightening the appeal of the German financial market.

Investor discussions

In 2006, NorCom held numerous discussions with private and institutional investors. These primarily revolved around the business model, particularly the core product NCPower, which had already been presented to existing and new national and international investors. Most of the fund companies investing in NorCom stated that they were seeking a medium to long-term commitment.
In addition, private investors have also played a key role since the Company's flotation. They are kept regularly informed of all current events, primarily via the Internet, telephone calls and e-mail mailing lists.

Extensions to capital market communications

NorCom's website has become a key information platform particularly for private investors. By ensuring timely publication of press releases and ad-hoc reports in compliance with the rules applicable to Deutsche Börse AG's General Standard, NorCom offers interested parties comprehensive information via the Internet. In addition to all relevant corporate releases and data, the website includes an extensive press archive, information on the annual general meeting as well as all of the interim and annual reports for downloading.

Performance of stock

Despite the Company's favorable business performance and extremely upbeat market conditions, NorCom stock sustained a minor year-on-year loss in 2006, closing the year at EUR 2.35 (previous year EUR 2.77). The TecDAX index, which acts as the benchmark for NorCom stock, gained a total of around 25% in the course of 2006, rising to 745.78 points (previous year 596.47).

With the Company's new focus on scalable software products, rising earnings contributions are expected in the future following the investments in product development, sales and marketing in the last few years. The Management Board assumes that the reorientation and focus on product business as well as the promising growth potential will spur NorCom stock, allowing it to trade more in line with its fair value.

Given the excellent outlook for the Company, financial analysts see further upside for the stock and therefore gave it a "Buy" rating in 2006.

Equity issue through the exercise of stock options

Employees exercised a total of 5,733 subscription rights in September 2006 under the 2001 Stock Option Program. Consequently, the number of shares outstanding rose from 10,620,443 to 10,626,176 as a result of the utilization of contingent capital. The strike price was EUR 2.32. The new shares have already been admitted to the stock market.

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. Financial reporting comprises the annual financial statements as well as one interim report per economic period. In addition to observing this requirement, NorCom voluntarily publishes a detailed report at the end of the first and third quarters in the interests of additionally heightening transparency and the flow of information.

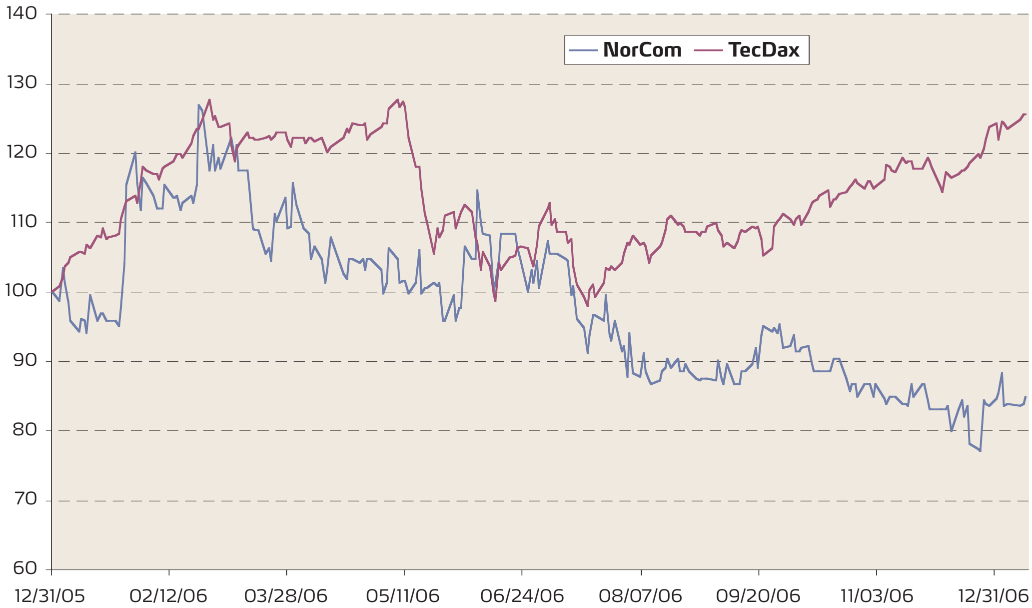
NorCom stock in 2006

Securities code number	525030
ISIN number	DE0005250302
Reuters ticker	NORG
Stock market ticker	NC5
Segment / listing	Regulated market, General Standard
Designated sponsor	VEM Aktienbank AG
Stock type	No-par-value shares
Number of shares on 12/31/2006*	10,626,176
Capital measures in 2006	Issue of 5,733 to option holders using the contingent capital
Market capitalization on 12/31/2006*	EUR 24.97 million
High for the year in 2006 **	EUR 3.51
Low for the year in 2006 **	EUR 2.13
Earnings per share	EUR 0.24

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

Performance of NorCom stock in 2006 relative to the TecDAX

(prices indexed)



Corporate Governance

NorCom AG attaches key importance to responsible and fair corporate governance based on efficient relations between the Company's Management Board and the Supervisory Board. In addition, proactive and immediate corporate communications form the basis for open and long-term corporate governance and control aimed at enhancing shareholder value.

For this reason, NorCom's Management Board welcomes all initiatives and recommendations relating to the Corporate Governance Code and is itself committed to fair, open and transparent corporate governance.
In its activities, NorCom AG respects the interests of shareholders, customers, business partners and employees and is committed to enhancing their confidence in the Group's corporate governance and control.

Thus, a large number of the recommendations and suggestions set out in the Corporate Governance Code have formed a firm part of NorCom's corporate and communication policies for many years.

Shareholders and annual general meeting

NorCom AG keeps its shareholders informed of the Company's performance and current financial condition and results of operations by means of press releases, the publication of annual and quarterly reports as well as at the annual general meeting. The annual general meeting provides the shareholders with a platform for discussion with the Management Board and the Supervisory Board and for exercising their voting rights. Each shareholder who registers within the requisite period and proves his or her eligibility to take part in voting in accordance with the provisions of the Company's bylaws is entitled to attend the annual general meeting. NorCom's annual general meeting in 2006 took place on June 28 in Munich and gave shareholders an opportunity of casting votes on the individual items of the agenda, such as the appropriation of the Company's net profit, exoneration of the Management Board and Supervisory Board and the election of the auditor for the financial statements. In addition, the shareholders passed resolutions on amendments to the bylaws and granting the Management Board authorization to buy back the Company's stock.

Close relations between the Management Board and the Supervisory Board

All decisions and activities on the part of the Company are preceded by systematic consultation between the Management Board and the Supervisory Board. The Management Board of NorCom AG briefs the Supervisory Board regularly, comprehensively and on a timely basis on all relevant matters relating to planning, business performance and risk exposure and management as well as strategic orientation. The Company's plans and targets are formulated and implemented with the greatest of care to ensure efficient corporate governance and control.

Management Board

The Management Board manages NorCom AG independently in the light of the principles of responsible and fair corporate governance.

The compensation system for the members of the Management Board comprises both fixed and variable components. The variable component is designed to act as an incentive as it is tied to the Company's business performance. There is a limit on the maximum amount of the variable compensation component in order to safeguard the Company's targets. The variable compensation is calculated on the basis of the extent to which the targets agreed upon between the Supervisory Board and the Management Board at the beginning of each year are achieved.

Supervisory Board

NorCom AG's Supervisory Board monitors and oversees the Management Board in the management of company and appoints its members. Compensation for the Supervisory Board comprises both fixed payments and a variable component tied to the Group's business performance.

Compensation paid to members of the Supervisory Board in 2006

Name	Fixed compensation*	Variable compensation*, **
Dr. Lutz Schmidt	EUR 20,000	= 0.5% x EBIT = EUR 9,209
Prof. Dr. Manfred Schlottke	EUR 10,000	= 0.25% x EBIT = EUR 4,604
Prof. Dr. Thomas Hess	EUR 10,000	= 0.25% x EBIT = EUR 4,604

* Net amounts
** Subject to final presentation of the consolidated financial statements to the shareholders; payable 10 days after the annual general meeting for 2007

Holdings of shares and other financial instruments

As of December 31, 2006, the members of the Management Board and the Supervisory Board of NorCom AG hold the following number of shares and subscription rights

	Shareholdings as of December 31, 2006	Change from December 31, 2005	Subscription rights as of December 31, 2006	Change from December 31, 2005
Supervisory Board				
Dr. Lutz Schmidt (Chairman)	None	None	None	None
Prof. Dr. Manfred Schlottke	None	None	None	None
Prof. Dr. Thomas Hess	None	None	None	None
Management Board				
Viggo Nordbakk (Chairman)	7,500	None	None	-2,500
Dr. Tobias Abthoff	3,750	None	None	-1,250

Securities transactions subject to compulsory disclosures

Section 15a of the Securities Trading Act (WpHG) stipulates that members of the Management Board and Supervisory Board as well as persons closely related to them must notify the German Federal Financial Services Supervisory Authority (BaFin) and the Company of any transactions in the Company's shares or financial instruments based on them. All reported transactions are disclosed on NorCom AG's website.
In the year under review, NorCom AG was not informed for any such transactions.

Accounting and auditing

NorCom AG prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). The consolidated financial statements for 2006 were prepared by the Management Board, issued with an unqualified auditor's report and examined at length by the Supervisory Board.

Declaration of conformance signed

In the year under review, the Supervisory Board and Management Board of NorCom Information Technology AG again deliberated on the latest version of the Corporate Governance Code and, as the responsible bodies, signed on November 27, 2006 the declaration of conformance with the "Recommendations of the German Government Commission on the German Corporate Governance Code" as amended in June 2006.
The current declaration of conformance as well as the preceding ones are published on NorCom AG's website.

NorCom complies with all recommendations save for 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** payable to the members of the Management Board is not individualized in the corporate governance report. (4.2.4 and 4.2.5)	The compensation paid to the Management Board is described and disclosed at the annual general meeting during the Supervisory Board's report.

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)	In accordance with 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 Corporation 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 Corporation 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 financial reports. NorCom has been publishing its interim report within two months since 2003 (Section 61 of the Stock Market Admission Rules).

Report of the Supervisory Board

In 2006, the Supervisory Board of NorCom AG performed the duties and obligations imposed on it by law and the Company's bylaws and were kept regularly briefed on the Company's performance and condition.

During the year under review, the following activities in particular were of crucial importance for the NorCom Group's continued growth: Extensions to and the intensification of market activities in the promising software products segment, the related internationalization of the Company's business activities and forays into new customer groups. The foundations laid in the past should unleash a positive effect on the Company's performance in the future. The NorCom Group has strengthened its profile thanks to the steps taken and by focusing on high-margin software business, establishing itself as a key player in this segment.

Main aspects of the Supervisory Board's monitoring and advisory activities

Numerous reports submitted by the Management Board orally, by telephone or in writing as well as discussions with the Management Board formed the basis on which the Supervisory Board monitored the Management Board's and provided advice. The Supervisory Board met a total of six times in 2006.

As in earlier years, the Supervisory Board conducted an intensive exchange of ideas and information with the Management Board. The focus of discussion was on the NorCom Group's new orientation towards the media industry, the related work on developing the NCPower multimedia production system as well as the internationalization of marketing efforts. In addition to fundamental matters relating to business policy, this also involved questions concerning corporate planning including financial, capital spending and personnel activities as well as the Company's profitability.

In cases in which decisions were made or actions taken requiring the approval of the Supervisory Board, the members of the Supervisory Board examined the corresponding submissions and required further information in writing or over the telephone.

Matters receiving regular attention in 2006 particularly entailed the following:

- The corporate strategy and market position of NorCom AG and its subsidiaries particularly in the light of the orientation to the media market: On the basis of reports submitted by the Management Board on the Company's economic condition and outlook, the Supervisory Board and Management Board of NorCom AG discussed in detail the Company's business strategy.
- Financial, capital-spending and personnel planning.
- Corporate controlling and risk management: For this purpose, the Supervisory Board received regular risk reports on the Company and its subsidiaries in accordance with the Act on Corporate Controlling and Transparency (KonTraG).

Corporate Governance Code

In November 2006, the Management Board and the Supervisory Board again deliberated on the rules and recommendations of the German Corporate Governance Code, confirming their fundamental commitment to conforming with these. The declaration of conformance with the recommendations of the Government Commission on the German Corporate Governance Code as amended in June 2006 was signed by the Management Board and Supervisory Board on November 27, 2007 and published on the Company's website.

Approval of parent-company and consolidated financial statements

The financial statements prepared by the parent company in accordance with the German Commercial Code and the consolidated financial statements prepared in accordance with IFRS as at December 31, 2006 together with the management report were audited by Wirtschaftsprüfungsgesellschaft Rölfs WP Partner AG, Düsseldorf. An unqualified auditor's report was issued for the single-entity and consolidated financial statements including the management report.

At its meeting held on March 27, 2007, which was also attended by the auditor of the financial statements, the Supervisory Board examined the financial statements and management report prepared by the Management Board in the light of the auditor's report submitted by Rölfs WP Partner AG and did not raise any objections. Accordingly, the financial statements are deemed to have been adopted. This applies equally to the consolidated financial statements prepared in accordance with IFRS and the Group management report.

Personnel matters

There were no changes to the composition of the Supervisory Board and the Management Board of NorCom Information Technology AG in the year under review. The Supervisory Board comprises the following three members:
Dr. Lutz Schmidt (Chairman)
Prof. Dr. Manfred Schlottke (Deputy Chairman)
Prof. Dr. Thomas Hess

Mr. Viggo Nordbakk, the founder of NorCom Information Technology AG, was the sole member of the Management Board as of January 1, 2006.

On February 1, 2007, NorCom AG's Supervisory Board additionally appointed Dr. Tobias Abthoff to the Management Board.

On behalf of the entire Supervisory Board, I wish to thank the Management Board and all the employees for their commitment and dedication in achieving the Company's performance in 2006.

I wish them every success for the future and in facing the challenges arising in 2007.

Munich, March 2007

Dr. Lutz Schmidt
Chairman of the Supervisory Board

Consolidated financial statements (IFRS)

Group management report

I. Basis

The consolidated financial statements of NorCom Information Technology AG have been prepared in accordance with the International Financial Reporting Standards (IFRS) as they are to be applied in the EU supplemented by the applicable provisions contained in Section 315a (1) of the German Commercial Code. For the first time, the Group management report has not been combined with the parent-company management report in the interests of heightened transparency.

II. Business and underlying conditions

General economic conditions

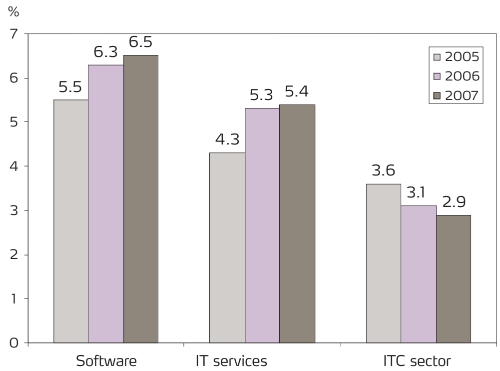
After emerging in 2005, the economic upswing gained substantial strength in 2006. Whereas gross domestic product (GDP) in the European Union had widened by 1.7 percent in 2005, growth accelerated to 2.9 percent in the year under review. In Germany as well, the economic situation improved in 2006, resulting in growth of 2.5 percent.[1]

IT and software market

With its focus on IT services and software products, NorCom is engaged in markets exhibiting decidedly strong growth well in excess of the average for the economy as a whole.

According to market analyses, the IT services market grew by 5.3 percent to EUR 132 billion in Europe and by 4.5 percent to EUR 29 billion in Germany in 2006. The software market expanded even more swiftly, growing by 6.3 percent to EUR 71 billion in Europe and by 5.5 percent to around EUR 17 billion in Germany[2]. Accordingly, both markets are driving growth in the overall information technology and telecommunications industry.

Growth in the European market for IT services and software



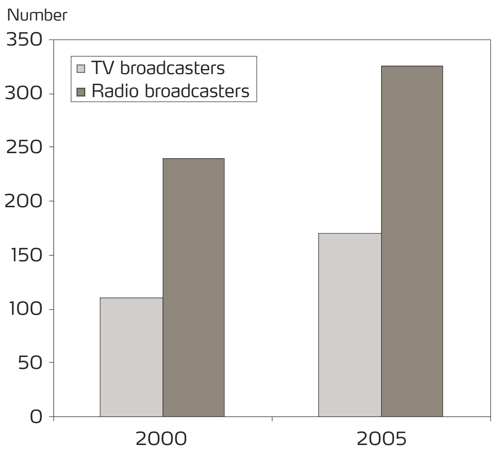
Source: EITO, Update 2006

This general view conceals the considerable differences in the rates of growth within the IT and software segments, however. With its focus on IT and software consulting, which entails the analysis of business processes with the aim of boosting efficiency as well as network integration and security, NorCom is active in very attractive high-growth segments. However, the greatest growth is forecast for the media segment, in which NorCom offers its NCPower range. The market for software products is particularly being driven by ongoing digitization, which is yielding considerable efficiency gains for TV broadcasters. In addition, digitization is fueling a massive increase in special-interest broadcasters, which are dependent on inexpensive production facilities on account of their smaller target groups.

[1] HVB Global Research
[2] Bitkom, Autumn 2006; EITO, Update 2006

A further trend is the emergence of IPTV – the transmission of TV content using the Internet protocol. The combination of lower operating costs with IPTV technology will encourage a rapid increase in new offerings such as special-interest, corporate and mobile TV. Although this trend is only just beginning to gain momentum, the number of TV and radio broadcasters based in Germany increased by 56 and 36 percent, respectively, between 2000 and 2005.

TV and radio broadcasters in Germany (2000, 2005)



Source: ZAW (Zentralverband der deutschen Werbewirtschaft)

Group strategy

In the past few years, NorCom has successfully diversified its activities as a conventional IT consulting and software provider by means of forays into the media industry, not least of all to harness the favorable trends in this market. Even though its traditionally strong position as a consulting and software company continues to form a stable and attractive base, the focus in the future will lie on the further development and distribution of software products.

Business segments

NCPower

NorCom entered the lucrative **media software** market with the acquisition of MaxiMedia Technologies GmbH in 2003. The investments of the past few years in product development and marketing are slowly pay off. Moreover, the market trends now emerging such as digitization, the establishment of new special-interest channels, growing demand for IP and corporate and mobile TV will additionally spur the favorable outlook for this segment. Further growth is to be generated via NorCom's stepped-up internationalization strategy. After primarily concentrating on the markets of Germany and Norway, NorCom has now successfully widened its activities to include Russia. However, the expansion strategy is also targeted at other Eastern and Western European countries as well as Asia.

In fiscal 2006, NorCom managed to continue its successful growth and particularly reinforce its position in the high-potential media market. Since entering the software products segment in 2003, it has primarily invested in marketing activities, improvements to the functionality of the NCPower multimedia production system and the integration of further partners. Thus, over the past few years, it has been able to gain renowned reference customers such as RTL, n-tv and Deutsches Anlegerfernsehen (DAF) for NCPower. Following the contract signed in 2005 with the Russian public television network VGTRK, NorCom was able to broaden its presence in the Russian market. Since then, it has gained its second major customer, namely REN TV, one of the largest and most successful commercial broadcasters in Russia. This orientation to the Russian market thus forms a key strategic element of the Group's growth strategy reflecting the fact that Russia is one of the world's most important TV markets in terms of broadcaster and audience numbers.

At the same time, NorCom intensified its marketing efforts in Norway. The contract awarded at the end of March 2006 for the production of a new type of integrated music archive for the Norwegian Broadcasting Corporation NRK marked a further milestone in the successful marketing strategy for NCPower.

In addition, NorCom received a contract from Deutschlandradio (DLR) in June 2006 for the rollout of a news distribution system. This NCPower-based web system is an inexpensive solution providing access to all newsroom content anywhere and at any time.

NorCom achieved further promising signings in the IPTV and corporate TV segments. Thus, for example, Deutsches Anlegerfernsehen (DAF) opted for the Apple-based NCPower system. Since then, DAF has been using the world's first end-to-end Apple-based TV and media production solution by NorCom. Atkon AG has also been using NCPower to produce TV content for German railway company Deutsche Bahn (Bahn TV).

Consulting

NorCom's established **IT consulting business**, in which government authorities and banks particularly number amongst the Company's customers, is also benefiting from rising customer budgets. Utilizing this positive trend to intensify consulting activities for existing and new customers, NorCom was able to achieve a substantial increase in order volumes particularly via long-term major projects for government authorities, thus ensuring high capacity utilization.

Following on from the project for Bundesagentur für Arbeit (BA), which was successfully launched in 2005, NorCom together with two other companies was awarded a contract for the provisions of IT support services. The most recent contract entails support for the planning, production and implementation of design models as well as activities aimed at ensuring system availability. The contract has a volume of over 200 person/years over a maximum period of 5 years.

In addition to BA, NorCom was able to generate business with four financial authorities in December 2006. Thus, the financial authorities of the German states of Schleswig-Holstein, Hamburg, Bremen and Berlin are using the NorCom software NC-Integrate which forms the base component for the UNIFA dialog process now being used by 11 out of 16 state financial authorities. For NorCom, this means the sale of 15,600 new NC-Integrate licenses worth around EUR 1 million as well as corresponding maintenance contracts.

Legal structure

In addition to its head office in Munich, NorCom maintains a branch in Frankfurt am Main as well as a wholly owned subsidiary in Munich.
In addition, it holds a 100 percent stake in software product specialist MaxiMedia GmbH, Munich, as well as majority interests in Value & Risk AG in Bad Homburg and Norske Systemarkitekter AS (NSA) in Oslo, Norway. Together with NSA, it also holds a minority share of 21.7 percent in Norwegian company CognIT AS.

MaxiMedia Technologies GmbH

The acquisition of a share in MaxiMedia in 2003 marked the beginning of the Group's forays into the software product segment. MaxiMedia has since been fully integrated in the NorCom Group and is strategically oriented to the NCPower product. Over the past few years, NorCom has been primarily investing in the development and marketing of NCPower.

NorCom Systems Technology GmbH (NST)

At the beginning of 2006, NorCom was awarded a follow-up contract from Bundesagentur für Arbeit, Nuremberg, for the provision of IT support services. The services required entail planning, production and implementation of design models as well as activities aimed at ensuring the 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 period of 5 years. In the year under review, NorCom established the Nuremberg-based subsidiary to serve this customer even more effectively and to build up local consulting activities.

Norske Systemarkitekter AS (NSA)

The business activities of the Oslo-based IT consulting company NSA cover both of NorCom AG's business segments. Although a large part of its revenues continues to be generated from the provision of conventional IT consulting services, it is increasingly also performing distribution activities in connection with NCPower. In the IT consulting segment, NSA's main area of activities involves Oracle-related integration projects.

The main focus of its marketing activities is on Norway and the neighboring Scandinavian countries. Its reference customers include private-sector enterprises (Toyota Norge, Telia Sonera), financial services providers (DNB Nor Markets) and public-sector institutions (Norwegian tax authority, Norwegian ministry of defense). Its relations with the public sector benefit from its specialization as an Oracle service provider with project management skills and the combination of business process expertise and IT knowledge.

Reflecting its heightened activities in the software product area, NSA's customer base now also includes media companies such as the Norwegian Broadcasting Corporation NRK and Canal digital.

Value & Risk AG (V&R)

With its focus on financial service providers, consulting and software company Value & Risk, Bad Homburg, is primarily engaged in financial engineering and risk management. Its main product is a program for generating and monitoring new financial derivatives, in which it holds a leading position in Germany. Via V&R, NorCom primarily addresses customers in the financial services industry, for which it is active in the areas of financial derivatives, risk management and reporting. Specifically, V&R's activities entail the measurement of financial products, business process skills and integration expertise for mapping financial products in various applications. In this area, V&R operates with a Munich-based partner. Growth is currently being driven by demand for risk management systems as a result of the greater use of derivatives, a situation which is expected to continue in the future.

NorCom AG's Supervisory Board and Management Board

Mr. Viggo Nordbakk, the founder of NorCom Information Technology AG, was the sole member of the Management Board as of January 1, 2006.

On February 1, 2007, NorCom AG's Supervisory Board additionally appointed Dr. Tobias Abthoff to the Management Board.

Following the re-allocation of business structures, Viggo Nordbakk is responsible for the Company's strategic orientation and management of the subsidiaries and additionally oversees financial and product matters.

Dr. Tobias Abthoff is in charge of consulting business and supports the CEO in the operative management of the Company's finances as well as the planning and control of product delivery processes.

The compensation system for the members of the Management Board comprises both fixed and variable components. The variable component is designed to act as an incentive as it is tied to the Company's business performance. There is a limit on the maximum amount of the variable compensation component in order to safeguard the Company's targets. The variable compensation is calculated on the basis of the extent to which the targets agreed upon between the Supervisory Board and the Management Board at the beginning of each year are achieved.

Moreover, there are plans to issue stock options to members of the Management Board in 2007 using the stock option program approved by the shareholders at their annual general meeting on August 18, 2005.

Compensation for the Supervisory Board provides for both fixed payments and a variable component tied to the Group's business performance.

Corporate governance code

On November 27, 2006, the Management Board and Supervisory Board of NorCom Information Technology AG signed the declaration of conformance with the Corporate Governance Code as amended in June 2006. This declaration is available for inspection at the Company's website. In this way, the Management Board and the Supervisory Board have confirmed their commitment to fair and responsible corporate governance.

Disclosures on capital and bylaws

The Company's share capital is divided into 10,626,176 bearer shares each with a notional value of EUR 1, all of which are fully voting and dividend-entitled.

Of this, Nordbakk Beteiligungen Verwaltungs GmbH with registered offices in Baldham, Germany, holds 3,833,922 shares, equivalent to 36.08 percent of the Company's share capital.

In a resolution passed on June 28, 2006, the shareholders authorized the Management Board to arrange for the Company to acquire its own shares up to a proportion of 10 percent of the total voting rights on or before December 27, 2007. The Management Board is additionally authorized to increase the Company's share capital on a cash or non-cash basis by up to EUR 5,293,758 on or before August 17, 2010 subject to the Supervisory Board's approval. In addition, a contingent capital increase of up to EUR 4,000,000 is authorized for the purpose of granting shares to the bearers or creditors of option or convertible bonds. A further contingent increase in capital is permitted to honor subscription rights arising under stock option programs. The outstanding subscription rights expired in 2006; to date, no new subscription rights have been issued.

The members of the Management Board are appointed and dismissed by the Supervisory Board in accordance with the statutory stipulations as set forth in Section 84 of the German Stock Corporation Act. Notwithstanding Section 76 (2) of the German Stock Corporation Act, the Management Board may consist of a single person in accordance with Article 7 of the Company's bylaws.

Amendments to the Bylaws require a resolution passed by the shareholders with a qualified majority in accordance with the provisions set out in Sections 179 et seq. of the German Corporate Stock Act. Article 13 of the Company's bylaws authorizes the Supervisory Board to implement editorial amendments and additions to the bylaws.

III. Net assets, financial position and results of operations of the NorCom Group

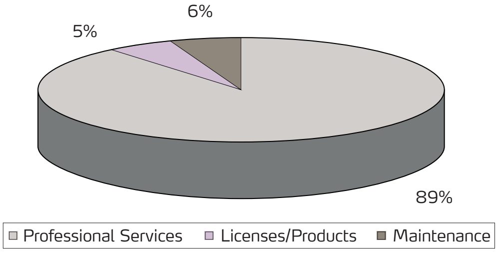
Sales and earnings

In 2006, the NorCom group was able to increase its sales again substantially, spurred by the economic upswing and more particularly by intensified marketing activities for software products and extensions to its international market presence. Thus, NorCom generated **sales** of EUR 29.9 million, an increase of 21 percent over the previous year (EUR 24.8 million). **Total revenues** also rose sharply in the year under review, climbing from EUR 25.2 million in 2005 to EUR 30.2 million in 2006, an increase of 20 percent.

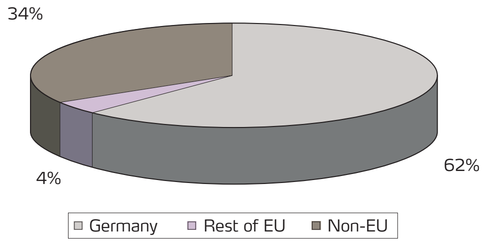
NorCom's business activities are divided into three segments: Professional Services, Licenses/Products and Maintenance. As in earlier years, **Professional Services**, which encompasses all services from top management consulting to IT consulting, generated the bulk of sales. At EUR 26.5 million, sales in this segment were up around 23 percent on the previous year (EUR 21.5 million), contributing 89 percent to Group sales.

Licenses/Products, which entails software development and the marketing of software and licenses, posted sales of EUR 1.5 million (previous year EUR 1.1 million), accounting for 5 percent of consolidated sales.

Maintenance comprises all maintenance services in connection with the consulting activities and contributes 6 percent to consolidated sales. This segment generated sales of EUR 1.9 million, an decrease of 14 percent over the previous year (EUR 2.2 million).



In 2006, the NorCom Group was able to boost its sales in Germany as well as in other EU and non-EU countries. However, the thrust of the growth strategy was to strengthen the Company's international market position. Accordingly, the greatest sales growth was achieved outside Germany, with international business accounting for a share of 38 percent (previous year 34 percent) of total sales.



The **cost of materials** rose from EUR 2.7 million in the previous year to EUR 8.3 million in 2006, due for the most part to an increase in external IT consulting services. **Other operating expenses** also climbed slightly in the year under review, coming to EUR 4.9 million (previous year EUR 4.6 million).
All in all, the NorCom Group achieved earnings before interest, tax and depreciation/amortization (**EBITDA**) of EUR 2.6 million (previous year EUR 3.2 million) and earnings before interest and tax (**EBIT**) of EUR 1.8 million (previous year EUR 2.7 million). The decline in earnings over the previous year is mostly due to NorCom's new strategic positioning and the related product spending.

Minority interests in profit came to EUR 0.5 million in the year under review (previous year EUR 1.0 million). Allowing for deferred tax assets on tax losses, **net income** after minority interests thus came to EUR 2.5 million, a sharp increase of 153 percent over the previous year (EUR 1.0 million). This translates into basic **earnings per share** of EUR 0.24 (previous year EUR 0.09).

Main performance indicators:

EUR	2006	2005
Sales	29,880,832	24,750,283
Total revenues	30,204,018	25,203,672
Gross profit	21,914,042	22,541,627
Gross margin	73%	91%
Earnings before interest, tax, depreciation / amortization (EBITDA)	2,558,678	3,225,348
EBITDA margin	9%	13%
Earnings before interest and tax (EBIT)	1,841,762	2,730,178
EBIT margin	6%	11%
Net income for the year	2,527,720	997,875

Headcount

The Group's average headcount contracted slightly from 152 in 2005 to 149 in 2006. Accordingly, **personnel expenses** dropped from EUR 14.7 million in the previous year to EUR 14.4 million in the year under review.

	2006	2005
Headcount as of balance sheet date	152	152
Average headcount	149	152

Assets

Non-current assets contracted over the end of 2005 (EUR 10.8 million) by around EUR 0.5 million to EUR 10.3 million as at December 31, 2006. As in the previous year (EUR 9.7 million), the bulk was accounted for by intangible assets (particularly goodwill) of EUR 9.3 million.

Capital spending stood at around EUR 0.3 million in 2006, down from EUR 1.3 million in the previous year, in which research and development costs in particular had been recognized.

Current assets came to EUR 22.2 million, up from EUR 19.8 million in the previous year. This increase was primarily due to higher **trade receivables**, which stood at EUR 6.7 million as at December 31, 2006 (previous year EUR 3.9 million) due in particular to business activities towards the end of 2006.

Cash and cash equivalents (including securities held as current assets) contracted in 2006 by roughly EUR 1 million to EUR 14.1 million (previous year EUR 15.1 million).

Shareholders' equity stood at EUR 22.3 million at the end of 2006 (previous year EUR 19.9 million), translating into an equity ratio of 63.8 percent (previous year 63.1 percent). Non-current assets are covered in full by equity capital, ensuring compliance with the matching maturities principle as in the previous year.

In the year under review, **liabilities** climbed from EUR 3.1 million to EUR 4.4 million. In particular, **trade payables** rose from EUR 0.6 million on December 31, 2005 to EUR 1.8 million as of the balance sheet date due primarily to heightened business activity towards the end of the year.

Provisions were valued at EUR 4.8 million, up on the previous year (EUR 4.4 million) particularly as a result of higher tax provisions.

Total assets rose to EUR 35.0 million as at December 31, 2006, up from EUR 31.5 million in the previous year.

Main balance sheet indicators:

EUR	12/31/2006	12/31/2005
Total assets	34,967,767	31,500,349
Assets		
Non-current assets	10,344,249	10,800,890
Current assets	22,211,085	19,767,115
Equity capital and liabilities		
Equity capital	22,318,538	19,861,623
Provisions	4,836,219	4,438,782
Liabilities	4,432,521	3,142,321

Financial situation

The purpose of financial management is to cover the Group's **capital requirements** using the existing cash and cash equivalents as well as net cash inflows.

Cash flow from operating activities in the year under review came to EUR 0.786 million (previous year EUR 2.154 million). This decline was primarily attributable to additional receivables including deferred tax assets despites the substantial improvement in earnings.

Net cash used in investing activities came to EUR 0.262 million (previous year EUR 1.304 million).

Net cash used in financing activities came to EUR 1.389 million (previous year EUR 1.120 million).

All in all, **cash and cash equivalents** contracted from EUR 15.054 million in 2005 to EUR 14.114 million in the year under review.

General comment on net assets, financial conditions and results of operations

The NorCom Group continued its successful performance in 2006, increasing its sales considerably over the previous year. As in earlier years, the NorCom Group generated operating earnings as well as the highest consolidated net income in its history. In addition to the economic upswing in the IT and software market, NorCom's business performance was particularly fueled by extensions to its international activities, particularly intensified market activities for software products and forays into new customer segments.

IV. Material events occurring after the balance sheet date

No further transactions subject to compulsory disclosure have occurred or come to light since December 31, 2006.

V. Risk report

Risks and opportunities management system

The business success of NorCom AG and its subsidiaries is the result of a corporate strategy oriented towards 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 comprehensive risk management system for identifying, evaluating, monitoring and managing risks via a uniform Group-wide management, reporting and monitoring system. This risk management system is constantly adapted in the light of current requirements arising from internal and external changes. Regular risk reports prepared with minimum delay are evaluated on an ongoing basis by the Supervisory Board and the Management Board as a basis for taking suitable measures for averting and minimizing risks.

The aim is to ensure a balance between profitable growth and a leading technological position on the one hand and to minimize the related risks on the other. In this way, it is possible to reliably assess the risks and opportunities arising from the formulation and implementation of NorCom's business strategy.

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

In the interests of improving NorCom's internal reporting, projections are regularly produced and reconciled with the forecasts. All forecasts are analyzed periodically with the responsible persons within the Company and any deviations from actual figures addressed swiftly by suitable means.

Individual risks

Economic and sector risks

As in the previous years, the material risks to which the NorCom Group is exposed arise from **competitive and market conditions**. Muted economic conditions, general stagnation or a downswing may have an adverse effect on the spending patterns of NorCom's customers, something which in turn may exert an influence on the business performance of NorCom and 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.

Personnel risks

As a company active in an expertise-intensive area (software development) with products requiring support and advice, the availability of qualified staff forms a crucial basis for success. There is always an inherent personnel risk if **staff holding key positions** leave the Company. A stock option scheme has been established to minimize this risk. In addition, employees participate in the Company's success in the form of variable compensation.

A risk for the Group is arising from the fact that key personnel resources are leaving Value & Risk AG at the end of the financial year. This involves the risk of employees who have left the Group soliciting business from existing customers, as a result of which business volumes may decline. All in all, higher personnel recruiting and training costs are expected. The same thing applies to sales and marketing as well as guarantee and legal advice expenses. To offset these effects, new staff is to be recruited.

Production risks

Product and project business requires an ongoing analysis of opportunities and risks. As in previous years, 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 hidden software shortcomings (product and guarantee liability), delays in schedules and possible changes to the competitive and technological situation.

With its NCPower software product, NorCom is engaged in the media industry. 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.

Moreover, there is a risk of customer clustering in the consulting segment. NorCom is taking efforts to lessen this risk by gaining new customers and signing long-term contracts. In the interests of minimizing business risks, **maintenance contracts** are entered into with key-account customers. NorCom signs three-year maintenance contracts for its NC-Integrate 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.

IT risks

IT risks entail the availability of systems. In the area of **information technology**, the focus is on improving organizational processes by making intensive use of the available integrated IT planning and control system. In this connection, heightened attention was paid to protecting the system from unauthorized access and virus attacks, with appropriate measures implemented. In 2006, system availability was again improved and the networks adjusted in the light of the Group's heightened requirements.

Financial risks

Financial risks can arise from customer defaults or changes in interest or exchange rates.

Accounts receivable are monitored on an ongoing basis to ensure that any risk of default is identified and addressed at an early stage.

As a matter of principle, cash is invested in securities exposed to only minimum interest or currency risks.

Other risks

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. This would result in an outflow of cash for NorCom.

General risk situation

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.

VI. Outlook

NorCom's favorable performance in 2006 proves that the Group is headed in the right direction with its growth strategy entailing intensified marketing and developing activities for software products, the internationalization of its business model and diversification into new customer segments.

NorCom will be maintaining this route in 2007 and continuing its realigned focus on software business in tandem with its internationalization strategy. With the global economy remaining stable, demand is set to strengthen accompanied by greater willingness on the part of customers to spend on IT consulting and software products. Considerable impetus is expected for media software particularly from abroad.

With its NCPower multimedia production system, NorCom is engaged in a very large and fragmented market. The current number of over 10,000 TV broadcasters around the world forms a broad basis of potential customers, which is set to strengthen with the emergence of the trend towards digitization as well as IPTV, corporate TV and mobile TV. As non-tape digital production systems account for only a single-digit percentage rate of the market in both the West and the East, NorCom sees great potential for future growth.

However, demand for IT consulting services is also continuing to pick up and is being spurred by additions to IT budgets. According to the estimates of BITKOM (German Federal Association of Information Technology, Telecommunications and New Media), the market for IT services was worth around EUR 29.1 billion in 2006, with this figure set to widen by 4.6 percent in 2007. According to one survey, roughly 74 percent of all IT companies project rising revenues for 2007.

Against this backdrop, NorCom plans to continue strengthening its core skills in software products and IT consulting. Both market segments harbor above-average growth potential, in which the NorCom Group plans to participate.

The foundations laid in the past should have an increasingly favorable effect on NorCom AG. NorCom has already been successful with its focus on software products and thus built up a second business mainstay to supplement its consulting business.

Heightened internationalization is playing a crucial role in the NorCom Group's growth strategy, which is being stepped up with forays into the media industry in particular. NorCom's marketing strategy will be focusing on Western and Eastern Europe, the Middle East and China. The Group has already been able to position itself successfully in Russia and Lebanon.

Looking forward, NorCom will continue developing dynamically to benefit from the high-growth software product market. The structural modifications already implemented aimed at intensifying market activities involving scalable and high-margin software products, extending the global marketing system and successfully diversifying into new customer groups will help to generate larger sales volumes and achieve furthermore profitability in the future. Accordingly, NorCom expects to be able to report above-average revenue growth and maintain its profitability in 2007.

Munich, March 14, 2007
The Management Board

Consolidated balance sheet (IFRS)

EUR	Consolidated notes No.	12/31/2006	12/31/2005
Trade receivables	(4)	6,696,220	3,919,410
Other receivables and other assets	(5)	1,400,601	793,867
Securities held as current assets	(6)	3,721,528	5,145,739
Cash and cash equivalents	(7)	10,392,736	9,908,100
Current assets		**22,211,085**	**19,767,115**
Prepaid expenses	(8)	**115,128**	**106,236**
Intangible asset	(1)	9,296,659	9,720,088
Property, plant and equipment	(2)	337,306	370,518
Financial assets	(3)	710,284	710,284
Non-current assets		**10,344,249**	**10,800,890**
Deferred taxes	(9)	**2,297,305**	**826,108**
Assets		**34,967,767**	**31,500,349**

EUR		12/31/2006	12/31/2005
	Consolidated notes No.		
Advance payments on orders	(15)	53,340	31,640
Trade payables	(16)	1,812,930	585,102
Other liabilities	(17)	2,566,251	2,525,579
Liabilities		**4,432,521**	**3,142,321**
Deferred income		**103,970**	**120,464**
Tax provisions		1,086,428	862,413
Other provisions	(13)	3,749,791	3,576,369
Provisions		**4,836,219**	**4,438,782**
Deferred taxes		**155,350**	**112,990**
Minority interests		**3,107,870**	**3,824,169**
Capital contributions made to implement the capital increase		**13,301**	**-**
Subscribed capital	(10)	10,620,443	10,620,443
Share premium	(11)	1,840,016	1,840,016
Differences from currency translation		-147,950	-77,145
Consolidated unappropriated surplus		10,006,028	7,478,309
Equity capital		**22,318,538**	**19,861,623**
Equity capital and liabilities		**34.967.767**	**31,500,349**

Consolidated income statement

EUR		Jan - Dec 2006	Jan - Dec 2005
	Consolidated notes No.		
Revenues	(18)	29,880,832	24,750,283
Changes in inventories		-	-1,787
Other operating income	(20)	323,186	455,175
Total output		**30,204,018**	**25,203,672**
Staff costs	(21)		
a) Cost of goods bought		-346,708	-704,056
b) Cost of services bought		-7,943,268	-1,957,989
Gross profit		**21,914,042**	**22,541,627**
Staff costs	(22)		
a) Wages and salaries		-13,082,881	-13,405,214
b) Social security		-1,324,215	-1,307,838
Other operating expenses	(24)	-4,948,268	-4,603,227
Earnings before interest, tax, depreciation and amortization (EBITDA)		**2,558,678**	**3,225,348**
Depreciation and amortization	(23)	-711,554	-492,962
Depreciation on securities held as current assets		-5,361	-2,209
Earnings before interest and tax (EBIT)		**1,841,762**	**2,730,178**
Income from securities held as current assets		83,126	143,198
Interest and similar income	(25)	322,033	166,512
Interest and similar expenses	(25)	-95,047	-13,695
Earnings before tax (EBT) and minorities		**2,151,875**	**3,026,192**
Taxes on income	(26)	912,723	-1,060,875
Net income for the year before minorities		**3,064,598**	**1,965,317**
Minority interest in profit (-)		-536,878	-967,442
Net income for the year		**2,527,720**	**997,875**
Earnings per share (diluted and basic)	(12)	0.24	0.09

Statement of changes in consolidated equity 2006

EUR	Subscribed capital	Share premium	Consolidated unappropriated surplus	Differences from currency translation	Total
Amount on December 31, 2005	**10,620,443**	**1,840,016**	**7,478,309**	**-77,145**	**19,861,623**
Differences from currency translation	-	-	-	-70,805	-70,805
Consolidated net income 2006	-	-	2,527,720	-	2,527,720
Amount on December 31, 2006	**10,620,443**	**1,840,016**	**10,006,029**	**-147,950**	**22,318,538**

Statement of changes in consolidated equity 2005

EUR	Subscribed capital	Share premium	Consolidated unappropriated surplus	Differences from currency translation	Total
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 cash flow statement

EUR '000		Jan -Dec 2006	Jan -Dec 2005
	Consolidated notes No.		
Net profit for period including minorities		3,065	1,965
Depreciation and amortization of fixed assets		712	493
Depreciation and amortization of current assets		5	-
Other non-cash expenses and income		-	-
Changes in provisions		397	580
Changes in inventories		-	2
Changes in trade receivables		-2,777	-700
Changes in other receivables and other assets, not attributable to investing or financing activities		-2,087	-4
Changes in trade payables		1,228	-188
Changes in other liabilities, not attributable to investing or financing activities		243	6
Cash flows from operating activities		**786**	**2,154**
Payments made for investments in intangible assets and property, plant and equipment		-262	-974
Payments made for investments in financial assets		-	-330
Cash flows from investing activities		**-262**	**-1,304**
Payments received from equity increases		13	76
Changes in borrowings		-155	-247
Payments made to minorities		-1,247	-949
Cash flows from financing activities		**-1,389**	**-1,120**
Cash changes in cash and cash equivalents		**-865**	**-270**
Exchange-rate, consolidation and valuation-related changes to cash and cash equivalents.	(28)	-75	-145
Cash and cash equivalents at beginning of period		15,054	15,468
Cash and cash equivalents at end of period		**14,114**	**15,054**
Additional information			
Interest received during year		322	167
Interest payments during year		95	14
Tax payments during year		-526	-1,082

Group segment report

	Professional Services		Product / Licenses		Maintenance		Internal sales		Group	
EUR '000	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
Revenues	26,455	21,514	1,536	1,099	1,890	2,186	-	-50	29,881	24,750
EBIT	1,861	2,892	-89	-152	70	-4	-	-6	1,842	2,730
Book value of assets	26,163	23,478	2,851	2,201	3,652	4,994	4	-	32,670	30,673
Liabilities	6,884	5,429	810	812	412	478	76	-	8,182	6,719
Depreciation	393	280	282	196	37	17	-	-	712	493
Capital spending	240	842	9	306	13	157	-	-	262	1,304
Non-cash expenses	23	180	4	27	6	88	-	-	34	295

	Germany		Rest of EU		Non-EU		Group	
EUR '000	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
Revenues by customer location	18,500	16,341	1,134	928	10,246	7,481	29,881	24,750
Bookvalue of assets	21,246	18,875	2,851	2,201	8,574	9,597	32,670	30,673
Capital spending	79	377	9	306	174	621	262	1,304

Statement of changes in consolidated assets

	Historical cost				
EUR	Carried forward at 1/1/2006	Additions	Disposals	Currency differences	Amount on 12/31/2006
I. Intangible assets					
1. Commercial property rights and similar rights	4,565,742.77	104,581.61	7,185.85	-24,106.97	4,639,031.56
2. Development costs	3,202,341.33	-	-	-	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
	33,420,759.44	**104,581.61**	**7,185.85**	**-24,106.97**	**33,494,048.23**
II. Property, plant and equipment					
1. Land and similar rights and buildings including on leasehold land	35,202.04	-	-	-1,093.05	34,108.99
2. Andere Anlagen, Betriebs- und Geschäftsausstattung	3,256,389.53	148,922.74	147,822.18	-43,970.51	3,213,519.58
3. Assets of a minor value	-	8,890.03	8,890.03	-	-
	3,291,591.57	**157,812.77**	**156,712.21**	**-45,063.56**	**3,247,628.57**
III. Financial assets					
Equity investments	1,373,684.95	-	-	-	1,373,684.95
	1,373,684.95	**-**	**-**	**-**	**1,373,684.95**
	38,086,035.96	**262,394.38**	**163,898.06**	**-69,170.53**	**38,115,361.75**

Depreciation and amortization					Book values	
Carried forward at 1/1/2006	**Depreciation and amortization in year under review**	**Disposals**	**Currency differences**	**Amount on 12/31/2006**	**12/31/2006**	**12/31/2005**
4,327,465.61	158,038.40	7,179.85	-20,652.60	4,457,671.56	181,360.00	238,277.16
2,260,993.28	366,511.68	-	-	2,627,504.96	574,836.37	941,348.05
25,564.59	-	-	-	25,564.59	-	-
17,086,648.40	-	-	-	17,086,648.40	8,540,462.35	8,540,462.35
23,700,671.88	**524,550.08**	**7,179.85**	**-20,652.60**	**24,197,389.51**	**9,296,658.72**	**9,720,087.56**
13,027.68	6,982.80	-	-565.36	19,445.12	14,663.87	22,174.36
2,908,045.05	171,131.55	147,778.18	-40,521.43	2,890,876.99	322,642.59	348,344.48
-	8,890.03	8,890.03	-	-	-	-
2,921,072.73	**187,004.38**	**156,668.21**	**-41,086.79**	**2,910,322.11**	**337,306.46**	**370,518.84**
663,400.91	-	-	-	663,400.91	710,284.04	710,284.04
663,400.91	**-**	**-**	**-**	**663,400.91**	**710,284.04**	**710,284.04**
27,285,145.52	**711,554.46**	**163,848.06**	**-61,739.39**	**27,771,112.53**	**10,344,249.22**	**10,800,890.44**

Statement of changes in consolidated provisions

EUR	Provisions 01/01/2006	Utilization	Reversal	Additions	Provisions on 12/31/2006
Taxes on income	862,413.00	-	-	224,015.00	1,086,428.00
Other provisions					
Staff costs	2,842,690.65	2,639,158.04	31,343.83	2,126.786.03	2,298,974.81
Guarantee obligations	179,764.00	-	-	187,936.00	367,700.00
Threatened losses	104,589.80	99,639.80	4,950.00	-	-
Auditing costs	120,000.00	115,180.00	-	116,396.00	121,216.00
Others	329,324.84	272,387.84	3,366.99	908,329.74	961,899.75
Total other provisions	3,576,369.29	3,126,365.68	39,660.82	3,339,447.77	3,749,790.56
Deferred taxes	112,990.00	-	-	42,360.00	155,350.00
Total provisions	**4,551,772.29**	**3,126,365.68**	**39,660.82**	**3,605,822.77**	**4,991,568.56**

Notes to the consolidated financial statements (IFRS)

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 IAS standards binding for the year ending December 31, 2006 have been observed. The interpretations of the Standing Interpretations Committee and the International Financial Reporting Interpretations Committee have been applied. The IFRSs not yet adopted by the European Union are not expected to exert any material influence on the consolidated financial statements.

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 at Stephan-George-Ring 23, Munich, Germany.

Companies consolidated

In addition to NorCom Information Technology AG, the consolidated financial statements for the year ending December 31, 2006 include three 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 location of company	**Equity share %**	**IAS Equity capital 12/31/2006** EUR '000	**IAS Equity capital 12/31/2005** EUR '000	**IAS Net profit/loss for 2006** EUR '000	**IAS Net profit/loss for 2005** EUR '000
NorCom Information Technology AG, Munich		18,123	14,676	3,434	1,113
NorCom Information Technology Inc., Atherton/ USA	100	19	19	-	-
MaxiMedia Technologies GmbH, Munich	100	-920	-734	-164	-129
Value & Risk AG, Bad Homburg	51	3,987	5,235	696	1,809
NorCom Systems Technology GmbH, Munich	100	19	-	-6	-
Norske Systemarkitekter AS, Oslo/Norway	51	2,697	2,826	403	173

NorCom Systems Technology AG, Munich was incorporated in 2006 by means of a cash capital contribution by NorCom AG as its sole shareholder.

NorCom holds a total share of 21.7% directly and indirectly in CognIT AS, Halden, Norway. Accordingly, this investment could fundamentally be accounted for at equity.

However, no material influence is exercised as NorCom AG is not represented in the management and is not able to control CognIT's business policy. Nor are there any other personnel or non-personnel links. As at December 31, 2005, CognIT AS had equity of EUR 1.419 million. Net income for 2005 stood at EUR 0.

Principles of Consolidation

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. Accordingly, goodwill is tested 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 valuation methods

Balance sheet date

The balance sheet date of the incorporated companies is identical to that of the parent company.

Uniform measurement methods

The assets and liabilities of the consolidated companies included in the consolidated financial statements are recognized and measured in accordance with the following principles.

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. The revenues from services provided and advance payments received are reported as "Trade receivables" or "advance payments received" when the amounts received exceed the value of the services performed.

Securities held as current assets, cash and cash equivalents

Securities held as current 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 give rise to 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.

Tangible assets

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. For the purposes of subsequent measurement, all financial assets are assigned to the "financial assets at fair value through profit or loss" category pursuant to IAS 39 and are therefore always measured at their fair values. Investments in equity instruments for which there is no quoted price in an active market and whose fair value cannot be reliably measured are shown at historical cost less any adjustments, if necessary.

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 f 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 Group 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.

Revenue recognition

Revenues are always recognized upon the transfer of risk. The percentage of completion method in accordance with 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 the balance sheet and the tax base as well as the differences resulting from the uniform valuation and consolidation within the Group as well as on tax losses. The tax deferrals equal the expected tax expense of income in the following years. Deferred tax assets are only included if there is sufficient probability of the tax loss being utilized. Deferred taxes are calculated on the basis of the national tax rates, which were between 28% and 40.86% in 2006. 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.

IFRS and IFRIC standards and interpretations not applied

The IFRS standards and IFRIC interpretations not yet applied or adopted by the EU were examined for their effects on NorCom AG's consolidated financial statements.

IFRS 7 "Financial Instruments: Disclosures" results in extended disclosure obligations with respect to financial instruments and must be applied to financial years beginning on or after January 1, 2007. This is not expected to have any material effect on NorCom AG's financial reporting.

IFRS 8 "Operating Segments" replaces the segment reporting guidance contained in IAS 24 and must be applied to financial years beginning on or after January 1, 2009. It will not result in any material changes to NorCom AG's segment reporting.

IFRIC 7 "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies" provides guidance on specific questions relating to the application of IAS 29 to accounting in hyperinflationary economies and must be applied to financial years beginning on or after March 1, 2006. IFRIC 7 does not have any impact on NorCom AG's reporting.

IFRIC 8 "Scope of IFRS 2" supplements IFRS 2 on share based payments and must be applied to financial years beginning on or after May 1, 2006. It does not have any impact on NorCom's reporting as no compensation to which IFRS 2 applies has been granted.

IFRIC 9 "Reassessment of Embedded Derivates" must be applied to financial years beginning on or after June 1, 2006. IFRIC 9 does not have any impact on NorCom AG's reporting.

IFRIC 10 "Interim Financial Reporting and Impairment" must be applied to financial years beginning on or after January 1, 2009. It does not have any effect on NorCom's financial statements. IFRIC 11 "IFRS 2 Group and Treasury Share Transactions" provides guidance on how IFRS 2 is to be applied to share based compensation involving treasury stock or the stock of other group members and must be applied to financial years beginning on or after March 1, 2007. It does not have any effect on NorCom's financial statements.

IFRS 12 "Service Concession Arrangements" must be applied to financial years beginning on or after January 1, 2008. As NorCom does not have any service concession arrangements, this standard does not have any effect on the financial statements.

Comments on the consolidated balance sheet

(1) Intangible assets

As in the previous year, 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 3, goodwill was not systematically written down in the year under review. Instead, IFRS 3 requires goodwill to be submitted to an impairment test at least annually. No impairment was identified in the year under review.

The value in use of the goodwill was calculated using the capitalized earnings value method on the basis of detailed forecasts for 2007 - 2009. For 2009 and later, it was assumed that net income would remain steady at 2008 levels and grow at a rate of between 5 and 10 %. Discount rates are based on the yield on risk-free bonds of 4.0% plus a risk premium of 6.6 %. An inflation rate of 1% was assumed for the perpetual annuity period.

Other intangible assets primarily comprise the development costs capitalized in the previous year and written down in the course of the year under review (EUR 0.575 million).

(2) 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.

(3) Financial assets

As in the previous year, financial assets continue to 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 write downs 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 adjustments of EUR 0.117 million (previous year EUR 0.049 million) and individual adjustments of EUR 0.020 million (previous year EUR nil) were included. Trade receivables break down as follows on the balance sheet date:

EUR	12/31/2006	12/31/2005
Invoiced trade receivables	5,764,377.21	3,793,309.01
Future receivables from construction contracts (POC)	931,842.49	126,101.00
Trade receivables total	**6,696,219.70**	**3,919,410.01**

As part of percentage-of-completion accounting, advance payments of EUR 0.204 million (previous year EUR 0.090 million) were netted.

(5) Other receivables and other assets

EUR	12/31/2006	12/31/2005
Tax	520,286.49	366,990.86
Receivables due from employees	16,849.13	28,744.06
Surety deposits	24,912.90	31,028.64
Advance payments made	556,296.96	36,556.21
Asset value of reinsurance (amount exceeding pension provisions)	274,199.96	246,710.73
Miscellaneous	8,055.57	83,836.12
	1,400,601.01	**793,866.62**

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

(6) 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 “financial assets at fair value through profit or loss” in accordance with IAS 39, and have a fair value of EUR 3.722 million (previous year: EUR 5.146 million). Securities contracted in the year under review by EUR 1.424 million as a result of sales transactions. The securities held are mainly subject to interest rate risks.

(7) Cash and cash equivalents

EUR	12/31/2006	12/31/2005
Cash	3,695.66	3,271.02
Current account bank balances	5,913,151.38	5,416,385.86
Term deposits	4,475,889.37	4,488,442.83
	10,392,736.41	**9,908,099.71**

(8) Prepaid expenses

Prepaid expenses primarily comprise maintenance expenses paid in advance.

(9) Deferred taxes

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

EUR ‘000	12/31/2006	12/31/2005
Deferred tax assets		
Accrued tax losses	2,297	826
	2,297	**826**
Deferred tax liabilities		
Current assets	155	113
	155	**113**
Deferred taxes, net	**2,142**	**713**

(10) Subscribed capital

As of December 31, 2006, NorCom Information Technology AG had 10,626,176 outstanding bearer shares (previous year 10,620,443) at a nominal value of EUR 1. The share capital is fully paid up.

In accordance with the Company’s 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 5,293,758 on or before August 17, 2010 by issuing up to 5,293,758 new shares on a cash or non-cash basis.

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 the year under review, use of the issue option in a value of EUR 5,733 was made. As this has not yet been entered in the companies register, it is reported as "capital contributions made to implement the capital increase".

(11) 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 will increase by EUR 7,568 in 2007 pending entry in the companies register. This amount equals the premium on the shares issued. As this has not yet been entered in the companies register, it is reported as "capital contributions made to implement the capital increase".

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.

	2006
Consolidated IAS net income after minority interests (EUR)	2,527,719.85
Number of shares (average)	10,620,443.00
Earnings per share (EUR, basic)	0.24

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

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

Other provisions are expected to be utilized within one year.

(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:	12/31/2006 %
Notional interest	4.25
Salary trend	-
Interest on plan assets	4.0
Adjustment to pension	1.0

Movements in pension provisions:	2006 EUR '000
As of January 1, 2006	0
Service cost	-
Income from plan assets	-7
Interest expense	7
Additions to contributions	-
Net unrecognized defined-benefit obligations	-
	0

Reconciliation with balance sheet:	12/31/2006 EUR '000
Present value of defined-benefit obligations	170
Value of plan assets as at 12/31/2006	180
Unrecognized actuarial gains	10
Net unrecognized defined-benefit obligations	-
	0

Net expenditure under the pension commitment came to EUR nil.

EUR '000	2006
Interest expenses	-7
Expected capital gains in 2006	7
	0

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) Advance payments on orders

This figure of EUR 0.053 million (previous year EUR 0.032 million) relates to advance payments received from a customer for which no services have been performed yet. These do not attract any interest and have a term of up to one year.

(16) Trade payables

The total amount of EUR 1.813 million (previous year EUR 0.585 million) is due within one year.

(17) Other liabilities

Apart from an amount of EUR 0.223 million (residual term of between one and five years), all other liabilities have a term of less than one year.

EUR	12/31/2006	12/31/2005
Loans from non-banks	222,574.67	377,581.67
Tax (exclude payroll and church tax)	887,675.44	532,716.88
Social security liabilities	2,066.70	83,939.99
Payroll and church tax	171,833.98	239,726.90
Wage and salary liabilities	1,145,554.86	1,142,949.53
Miscellaneous	136,545.70	148,663.71
	2,566,251.35	**2,525,578.68**

Notes on Consolidated Income Statement

(18) Sales

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 2006.

Revenues from the percentage of completion method pursuant to IAS 11 amount to EUR 0.867 million (previous year EUR 0.874 million).
These must be set against costs amounting to EUR 0.721 million (previous year: EUR 0.147 million) resulting in a gross profit of EUR 0.146 million (previous year: EUR 0.727 million).

(19) Other own work capitalized

There were no internally generated developments subject to capitalization in accordance with IAS 38 in the year under review. Developments generated internally in the previous year (EUR 0.651 million) are capitalized net of the corresponding cost of materials (EUR 0.120 million), personnel costs (EUR 0.425 million) and other operating expense (EUR 0.127 million).

(20) Other operating income

Other operating income breaks down as follows:

EUR	2006	2005
Income from the reversal of provisions	159,752.48	230,794.17
Income from the reversal of general adjustments	1,600.00	680.00
Income from the disposal of non-current assets	10,000.00	-
Income from utilization of cars	69,435.40	73,426.30
Income relating to a different accounting period	4,493.82	35,823.07
Rental income	156.00	22,738.65
Other income	77,747.92	91,713.12
	323,185.62	**455,175.31**

(21) Cost of materials

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

(22) Staff costs

EUR	2006	2005
Wages and salaries	13,082,881.34	13,405,214.22
Social security, pension expenses and miscellaneous	1,324,214.73	1,307,837.65
	14,407,096.07	**14,713,051.87**

(23) Depreciation and amortization

EUR	2006	2005
Intangible assets	524,550.08	279,103.72
Property, plant and equipment	187,004.38	213,858.27
	711,554.46	**492,961.99**

(24) Other operating expenses

Other operating expenses break down as follows:

EUR	2006	2005
Cost of sales	1,096,395.48	1,204,373.43
Administrative expenses	2,272,183.56	1,166,445.66
Other operating expenses	1,522,661.56	2,106,051.42
Expenses relating to a different account period	55,503.28	125,507.00
Other taxes	1,524.00	849.00
	4,948,267.88	**4,603,226.51**

As in the previous year, no research and development costs were incurred in the year under review.

(25) Net interest result

EUR	2006	2005
Interest and similar income	322,032.69	166,511.58
Interest and similar expenses	-95,046.74	-13,694.70
	226,985.95	**152,816.88**

(26) Income tax

Tax expenses break down as follows:

EUR '000	2006	2005
Current taxes	-526	-1,171
Deferred tax charges (-) / deferred tax income (+)	1,438	110
	912	**-1,061**

Deferred taxes on loss carry forwards are capitalized if it is probable in the 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 losses or comparable foreign tax losses of EUR 26.283 million as well as trade tax losses of EUR 26.691 million.

Deferred tax assets have been recognized for the losses of MaxiMedia Technologies GmbH, Munich, NorCom Systems Technologies GmbH and NorCom Information Technology AG. Deferred tax assets total EUR 2.297 million (previous year EUR 0.826 million).

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.

EUR	**2006**	**2005**
Earnings before tax	2,151,875	3,026,192
Group tax rate	40.86%	40.86%
Expected income tax expense	-879,256	-1,236,502
Differences in tax rates	117,111	133,713
Differences in tax bases and tax-free income	-121,272	-30,944
Measurement differences German GAAP / IFRS	-51,709	140,725
Utilization of non-capitalized tax losses	320,712	-67,867
Tax deferrals for tax losses	1,527,137	-
Taxes on income	**912,723**	**-1,060,875**
Tax rate (%)	42.42%	-35.06%

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

(27) 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.

(28) 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 out flowing 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.

(29) 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 0.223 million (previous year EUR 0.378 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, 2006 break down as follows:

Supervisory Board

	Shareholdings as of 12/31/06	Option holdings as of 12/31/06
Dr. Lutz Schmidt (Chairman of the Supervisory Board since June 27, 2005)	None	None
Prof. Dr. Manfred Schlottke	None	None
Prof. Dr. Thomas Hess	None	None

Management Board

	Shareholdings as of 12/31/06	Option holdings as of 12/31/06
Viggo Nordbakk (CEO)	7,500	None
Nordbakk Beteiligungen Verwaltungs GmbH	3,833,922	None
Dr. Tobias Abthoff	3,750	None

30) Contingent liabilities

As of December 31, 2006, 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.

(31) Other financial obligations

As of December 31, 2006, 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, 2006:

	EUR
2007	920,954
2008	694,200
2009	473,746
2010	212,696
2011	206,226
after 2011	203,432
	2,711,254

Payments under leasing and rental obligations taken to the income statement came to around EUR 0.975 million in the year under review.

(32) Staff

The Group's staff as at December 31, 2006 broke down as follows:

	Staff 12/31/2006	Staff 12/31/2005
NorCom Information Technology AG, Munich	44	53
Norske Systemarkitekter AS, Oslo, Norway	59	55
Value & Risk AG, Bad Homburg	44	43
NorCom Systems Technology GmbH, Munich	3	-
MaxiMedia Technologies GmbH, Munich	2	1
Total	**152**	**152**
	2006	**2005**
Average annual headcount (excluding members of the Management Board and Supervisory Board)	**149**	**152**

(33) 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, 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. The shareholders' 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. In accordance with the bylaws as amended on June 28, 2006, Contingent Capital I stands at EUR 818,251.00 and Contingent Capital II EUR 207,573.00.

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. No subscription rights have been issued yet under this stock option program.

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 5,733 as a result of the utilization of contingent capital. The new shares have already been admitted to the stock market.

Parameters of the option exercise:

- Total number of options exercised: 5,733
- Number of shares issued: 5,733
- Issuing amount (striking price): EUR 2.32
- Old share capital: 10,620,443 shares
- New share capital: 10,626,176 shares (following entry in commercial register)
- First year of dividend eligibility for new shares: Financial year 2007

	2006 Number
Non-expired option rights as of January 1, 2006	31,055
Options rights expiring in 2006	-25,322
Options rights exercised in 2006	-5,733
Non-expired option rights as of December 31, 2006	-

(34) Legal representatives

The members of the Company's Management Board are as follows:

Mr. Viggo Nordbakk, CEO, Baldham

Dr. Tobias Abthoff, Neufahrn
(as of February 1, 2007)

(35) Supervisory Board

The Supervisory Board comprises:

Dr. Lutz Schmidt (Chairman),
Accountant, Partner in Schmidt Schuran und Partner

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

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

Dr. Lutz Schmidt sits on no further supervisory boards.

Prof. 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.

(36) Compensation paid to members of the Management Board and the Supervisory Board

Remuneration paid to the Management Board came to EUR 0.337 million in the year under review (previous year EUR 0.345 million). Remuneration paid to the Supervisory Board stood at EUR 0.078 million (previous year 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 were consulting contracts in effect with Schmidt Schuran & Partner. The remuneration paid under these contracts came to EUR 0.010 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. 65.6 % of the Management Board remuneration paid out. In the year under review, none of the agreed variable remuneration was paid to members of the Management Board for 2006. The compensation paid was for 2005.

(37) Corporate Governance Code

The Management Board and Supervisory Board of NorCom Information Technology AG comply with the duty imposed by Section 161 of the German Stock Corporation Act and issued a declaration concerning conformance to the German Corporate Governance Code. The declaration dated November 17, 2006 has been made available to shareholders on a permanent basis.

(38) Auditor's fee

The fees for the financial statements auditors carried as expense break down as follows for fiscal 2006:

EUR '000	**2006**	**2005**
Auditing of financial statements	44	45
Other consulting services	20	18
	64	**63**

Munich, March 14, 2007

The Management Board

Viggo Nordbakk Dr. Tobias Abthoff

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 equity movements, cash flow statement, and notes and the Group management report for the business year from January 1 to December 31, 2006. 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 consolidated financial statements in accordance with Article 317 HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany - 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 14, 2007

Rölfs WP Partner AG
Wirtschaftsprüfungsgesellschaft

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

Parent company financial statements (HGB)

Parent company management report

I. Introduction

The financial statements of NorCom Information Technology AG have been prepared in accordance with the accounting rules set forth in the German Commercial Code (HGB). For the first time, the Group management report has not been combined with the parent-company management report in the interests of heightened transparency.

II. Business and underlying conditions

General economic conditions

The economic upswing emerging in 2005 continued in 2006. Whereas gross domestic product (GDP) in the European Union had widened by 1.7 percent in 2005, growth accelerated to 2.9 percent in the year under review. In Germany as well, the economic situation improved in 2006, resulting in growth of 2.5 percent.[1]

IT and software market

With its focus on IT services and software products, NorCom is engaged in markets exhibiting considerable growth potential well in excess of the average for the economy as a whole.

According to market analyses, the IT services market grew by 5.3 percent to EUR 132 billion in Europe and by 4.5 percent to EUR 29 billion in Germany in 2006. The software market expanded even more swiftly, growing by 6.3 percent to EUR 71 billion in Europe and by 5.5 percent to around EUR 17 billion in Germany[2]. Accordingly, both markets are driving growth in the overall information technology and telecommunications industry.

[1] HVB Global Research
[2] Bitkom, Autumn 2006; EITO, Update 2006

Strategy

In earlier years, NorCom had already started extending its business activities, successfully positioning itself in the media industry in addition to its established IT consulting and software service activities. Even though its traditionally strong position as a consulting and software company continues to form a stable and attractive base, the focus in the future will lie on the further development and distribution of software products, not least of all to benefit from the trends in that market.

Business segments

NCPower

NorCom entered the promising **media software** market with the acquisition of MaxiMedia Technologies GmbH in 2003. The investments of the past few years in product development and marketing are slowly pay off. Moreover, the market trends now emerging such as digitization, the establishment of new special-interest channels, growing demand for IP, corporate and mobile TV will additionally spur the favorable outlook for this segment. Further growth is to be generated via NorCom's stepped-up internationalization strategy.

Consulting

Established **IT consulting business**, in which government authorities and banks particularly number amongst NorCom's customers, is also benefiting from rising customer budgets. Utilizing this positive trend to intensify consulting activities for existing and new customers, NorCom was able to achieve a substantial increase in order volumes particularly via long-term major projects for government authorities, thus ensuring high capacity utilization.

Following on from the project for Bundesagentur für Arbeit (BA), which was successfully launched in 2005, NorCom together with two other companies was awarded a contract for the provisions of IT support services. The contract has a volume of over 200 person/years over a maximum period of 5 years. In addition to BA, NorCom was able to generate business with four financial authorities in December 2006.

Locations and investments

NorCom AG currently operates a branch in Frankfurt am Main in addition to its head office in Munich.

MaxiMedia Technologies GmbH

The acquisition of a share in MaxiMedia in 2003 marked the beginning of the Group's forays into the software product segment. MaxiMedia holds the rights of utilization to NCPower. In 2006, the Company sustained a net loss of EUR 0.191 million.

NorCom Systems Technology GmbH (NST)

At the beginning of 2006, NorCom was awarded a follow-up contract from Bundesagentur für Arbeit, Nuremberg, for the provision of IT support services. In the year under review, NorCom established the Nuremberg-based subsidiary to serve this customer even more effectively and to build up local consulting activities. In 2006, the Company sustained a net loss of EUR 0.010 million as a result of start-up costs.

Norske Systemarkitekter AS (NSA)

The business activities of the Oslo-based IT consulting company NSA cover both of NorCom AG's business segments. Although a large part of its revenues continues to be generated from the provision of conventional IT consulting services, it is increasingly also performing distribution activities in connection with NCPower. In 2006, the Company earned net profit of EUR 0.400 million.

Value & Risk AG (V&R)

With its focus on financial service providers, consulting and software company Value & Risk, Bad Homburg, is primarily engaged in financial engineering and risk management. In 2006, the Company earned net profit of EUR 0.621 million.

NorCom AG's Supervisory Board and Management Board

Mr. Viggo Nordbakk, the founder of NorCom Information Technology AG, was the sole member of the Management Board as of January 1, 2006.

On February 1, 2007, NorCom AG's Supervisory Board additionally appointed Dr. Tobias Abthoff to the Management Board.

The compensation system for the members of the Management Board comprises both fixed and variable components. The variable component is designed to act as an incentive as it is tied to the Company's business performance. There is a limit on the maximum amount of the variable compensation component in order to safeguard the Company's targets. The variable compensation is calculated on the basis of the extent to which the targets agreed upon between the Supervisory Board and the Management Board at the beginning of each year are achieved.

Moreover, there are plans to issue stock options to members of the Management Board in 2007 using the stock option program approved by the shareholders at their annual general meeting on August 18, 2005.

Compensation for the Supervisory Board provides for both fixed payments and a variable component tied to the Group's business performance.

Corporate governance code

On November 27, 2006, the Management Board and Supervisory Board of NorCom Information Technology AG signed the declaration of conformance with the Corporate Governance Code as amended in June 2006. This declaration is available for inspection at the Company's website. In this way, the Management Board and the Supervisory Board have confirmed their commitment to fair and responsible corporate governance.

Disclosures on capital and bylaws

The Company's capital is divided into 10,626,176 bearer shares each with a notional value of EUR 1, all of which are fully voting and dividend-entitled.

Of this, Nordbakk Beteiligungen Verwaltungs GmbH with registered offices in Baldham, Germany, holds 3,833,922 shares, equivalent to 36.08 percent of the Company's share capital.

In a resolution passed on June 28, 2006, the shareholders authorized the Management Board to arrange for the Company to acquire its own shares up to a proportion of 10 percent of the total voting rights on or before December 27, 2007. The Management is additionally authorized to increase the Company's share capital on a cash or non-cash basis by up to EUR 5,293,758 on or before August 17, 2010 subject to the Supervisory Board's approval. In addition, a contingent capital increase of up to EUR 4,000,000 is authorized for the purpose of granting shares to the bearers or creditors of option or convertible bonds. A further contingent increase in capital is permitted to honor subscription rights arising under stock option programs. The outstanding subscription rights expired in 2006; to date, no new subscription rights have been issued.

The members of the Management Board are appointed and dismissed by the Supervisory Board in accordance with the statutory stipulations as set forth in Section 84 of the German Stock Corporation Act. Notwithstanding Section 76 (2) of the German Stock Corporation Act, the Management Board may consist of a single person in accordance with Article 7 of the Company's bylaws.

Amendments to the Bylaws require a resolution passed by the shareholders with a qualified majority in accordance with the provisions set out in Sections 179 et seq. of the German Corporate Stock Act. Article 13 of the Company's bylaws authorizes the Supervisory Board to implement editorial amendments and additions to the bylaws.

III. Net assets, financial position and results of operations of NorCom AG

Sales and earnings in accordance with German GAAP

NorCom Information Technology AG grew again sharply in 2006, generating **sales** of EUR 9.0 million, an increase of around 22 percent over the previous year (EUR 7.4 million). At EUR 9.9 million, **total revenues** were also up sharply, growing by 29 percent over the previous year (EUR 7.7 million).

Earnings before interest, tax, depreciation and amortization (**EBITDA**) came to EUR 0.3 million, reversing the previous year's loss of EUR 0.3 million. Similarly, earnings before interest and tax (**EBIT**) reached EUR 0.3 million after the previous year's loss of EUR 0.4 million.

The **share of profits of associates** rose from around EUR 1.0 million in the previous year to EUR 1.3 million in 2006 and break down as follows: Value & Risk EUR 1.0 million (previous year: EUR 1.0 million) and NSA EUR 0.3 million (previous year EUR 0).

NorCom AG achieved **net income** for the year of EUR 1.8 million for 2006, an increase of around 153 percent over the previous year (EUR 0.7 million).

Headcount

Headcount as of the balance sheet date dropped from 53 in the previous year to 47 as at December 31, 2006. The average headcount at NorCom Information Technology also stood at 47 (previous year 53). Reflecting this, personnel expenses dropped by EUR 0.5 million in the previous year to EUR 4.2 million in 2006.

	2006	2005
Headcount as of balance sheet date	47	53
Average headcount	47	53

Assets

As of the end of the year, **non-current assets** were valued at EUR 7.5 million, i.e. only materially more than in the previous year (EUR 7.4 million). At EUR 7.3 million, financial investments accounted for the bulk of assets. **Capital spending** in 2006 came to around EUR 0.094 million, with a large portion of this used for hardware (previous year EUR 0.041 million).

With respect to **current assets**, inventories and trade receivables were particularly up. Whereas **inventories** increased to around EUR 0.7 million on account of the sharp rise in order receipts, **trade receivables** as at December 31, 2006 were valued at EUR 2.4 million (previous year EUR 1.5 million) due in particular to business activities towards the end of 2006.

Cash and cash equivalents (including securities held as current assets) widened again from EUR 5.2 million at the end of 2005 to EUR 5.8 million as of December 31, 2006.

Equity capital stood at EUR 16.1 million at the end of 2006 (previous year EUR 14.2 million), translating into an equity ratio of 87 percent (previous year 88 percent). Non-current assets are covered in full by equity capital, ensuring compliance with the matching maturities principle.

Trade payables increased from EUR 0.2 million in the previous year to EUR 0.6 million as of December 31, 2006. **Provisions** contracted to EUR 1.3 million as of the end of the year under review (previous year EUR 1.4 million).

Total assets rose to EUR 18.5 million as at December 31, 2006, up from EUR 16.1 million in the previous year.

Financial situation

The purpose of financial management is to cover the Group’s **capital requirements** using the existing cash and cash equivalents as well as net cash inflows.

Net cash generated by operating activities came to EUR 0.637 million, reversing the previous year's net outflow of EUR 0.343.

Net cash used in investing activities changed only marginally compared with the previous year (EUR 0.109), standing at EUR 0.094 million.

Net cash used in financing activities came to EUR 0.013 million (previous year EUR 0.076 million).

All in all, cash and cash equivalents in the period under review widened from EUR 5.249 million to EUR 5.805 million.

General comment on net assets, financial conditions and results of operations

With a further increase in sales and the achievement of operating profit, 2006 was extremely favorable for NorCom Information Technology AG thanks to extensions to its international market position together with upbeat economic conditions. However, two main factors made a considerable contribution to the Company’s performance in 2006: For one thing, it was able to successfully establish itself in the lucrative market for software products and, for another, it tapped new customer segments for IT consulting.

With these results, the Management Board is able to look back on a very successful business year, which also provides incentive to step up the pace of the Company’s dynamic growth. In particular, the structural modifications already implemented aimed at intensifying market activities involving scalable and high-margin software products, extending the global marketing system and successfully diversifying into new customer groups fueled the Company’s performance in 2006. As a result, NorCom was able to generate increased sales, improve its operating profit substantially and achieve substantially larger net income for the year.

IV. Material events occurring after the balance sheet date

No further transactions subject to compulsory disclosure have occurred or come to light since December 31, 2006.

V. Risk report

Risks and opportunities management system

The business success of NorCom AG 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 comprehensive risk management system for identifying, evaluating, monitoring and managing risks via a uniform Group-wide management, reporting and monitoring system. This risk management system is constantly adapted in the light of current requirements arising from internal and external changes. Regular risk reports prepared with minimum delay are evaluated on an ongoing basis by the Supervisory Board and the Management Board as a basis for taking suitable measures for averting and minimizing risks.

The aim is to ensure a balance between profitable growth and a leading technological position on the one hand and to minimize the related risks on the other. In this way, it is possible to reliably assess the risks and opportunities arising from the formulation and implementation of NorCom's business strategy.

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

In the interests of improving NorCom's internal reporting, projections are regularly produced and reconciled with the forecasts. All forecasts are analyzed periodically with the responsible persons within the Company and any deviations from actual figures addressed swiftly by suitable means.

Individual risks

Economic and sector risks

As in the previous years, the material risks to which NorCom is exposed arise from **competitive and market conditions.** Muted economic conditions, general stagnation or a downswing may have an adverse effect on NorCom's customers' spending patterns, something which in turn may exert an influence on NorCom's business performance.

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.

Personnel risks

As a company active in an expertise-intensive area (software development) with products requiring support and advice, the availability of qualified staff forms a crucial basis for success. There is always an inherent personnel risk if **staff holding key positions** leave the Company. A stock option scheme has been established to minimize this risk. In addition, employees participate in the Company's success in the form of variable compensation.

Production risks

Product and project business requires an ongoing analysis of opportunities and risks. As in previous years, 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 hidden software shortcomings (product and guarantee liability), delays in schedules and possible changes to the competitive and technological situation.

With its NCPower software product, NorCom is engaged in the media industry. 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.

Moreover, there is a risk of customer clustering in the consulting segment. NorCom is taking efforts to lessen this risk by gaining new customers and signing long-term contracts. In the interests of minimizing business risks, **maintenance contracts** are entered into with key-account customers. NorCom signs three-year maintenance contracts for its NC-Integrate 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.

IT risks

IT risks entail the availability of systems. In the area of **information technology**, the focus is on improving organizational processes by making intensive use of the available integrated IT planning and control system. In this connection, heightened attention was paid to protecting the system from unauthorized access and virus attacks, with appropriate measures implemented. In 2006, system availability was again improved and the networks adjusted in the light of the Group's heightened requirements.

Financial risks

Financial risks can arise from customer defaults or changes in interest or exchange rates.

Accounts receivable are monitored on an ongoing basis to ensure that any risk of default is identified and addressed at an early stage.

As a matter of principle, cash is invested in securities exposed to only minimum interest or currency risks.

Risks arising from NorCom AG's investments

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. This would result in an outflow of cash for NorCom.

A risk with respect to NorCom AG's investments is arising from the fact that key personnel resources are leaving Value & Risk AG at the end of the fiscal year. This could impact the business activities and competitive situation at Value & Risk. For NorCom there is a risk of the share of profits generated by Value & Risk decline or disappear, resulting in an impairment of the carrying value of the investment. This will not have any effect on NorCom's operating business.

With respect to MaxiMedia GmbH, NorCom is exposed to earnings and also liquidity risks in the event that recourse is taken to the letter of comfort which it has issued in favor of this subsidiary. In addition, an impairment of the carrying value of the investment in MaxiMedia as well as the receivables due from this company may arise if NCPower does not meet with the market acceptance expected in the future.

General risk situation

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.

VI. Outlook

NorCom's favorable performance in 2006 proves that NorCom is headed in the right direction with its growth strategy entailing greater attention to software products, the internationalization of its business model and diversification into new customer segments.

With the global economy remaining stable, demand is set to strengthen accompanied by greater willingness on the part of customers to spend on IT consulting and software products. Considerable impetus is expected for media software particularly from abroad.

With its NCPower multimedia production system, NorCom is engaged in a very large and fragmented market. The current number of over 10,000 TV broadcasters around the world forms a broad basis of potential customers, which is set to strengthen with the emergence of the trend towards digitization as well as IPTV, corporate TV and mobile TV. As non-tape digital production systems account for only a single-digit percentage rate of the market in both the West and the East, NorCom sees great potential for future growth.

However, demand for IT consulting services is also continuing to pick up and is being spurred by additions to IT budgets. According to the estimates of BITKOM (German Federal Association of Information Technology, Telecommunications and New Media), the market for IT services was worth around EUR 29.1 billion in 2006, with this figure set to widen by 4.6 percent in 2007. According to one survey, roughly 74 percent of all IT companies project rising revenues for 2007.

Against this backdrop, NorCom plans to continue strengthening its core skills in software products and IT consulting. Both market segments harbor above-average growth potential, in which NorCom plans to participate. The foundations laid in the past should have an increasingly favorable effect on NorCom AG. NorCom has already been successful with its focus on software products and thus built up a second business mainstay to supplement its consulting business.

The structural modifications already implemented aimed at intensifying market activities involving scalable and high-margin software products, extending the global marketing system and successfully diversifying into new customer groups will help to generate larger sales volumes and achieve greater profitability in the future. Accordingly, NorCom expects to be able to report above-average revenue growth and boost its profitability in 2007.

Munich, March 2007
The Management Board

Balance sheet

EUR	12/31/2006	12/31/2005
Intangible assets	1,827	1,475
Property, plant and equipment	115,684	97,842
Financial assets	7,346,223	7,321,223
Non-current assets	**7,463,734**	**7,420,540**
Inventories	651,131	23,260
Trade receivables	2,438,458	1,458,123
Receivables from related parties	1,372,417	1,370,375
Liabilities to associated companies	-	-
Other assets	724,275	599,495
Securities held as current assets	498,955	498,955
Cash and cash equivalents	5,305,831	4,749,992
Current assets	**10,991,067**	**8,700,200**
Prepaid expenses	**1,588**	**7,833**
Assets	**18,456,389**	**16,128,573**

EUR	12/31/2006	12/31/2005
Subscribed capital	10,620,443	10,620,443
Share premium	1,840,016	1,840,016
Unappropriated surplus	3,592,917	1,761,003
Equity capital	**16,053,376**	**14,221,462**
Capital contributions made to implement the capital increase	**13,301**	**-**
Provisions for pensions and similar obligations	115,022	107,442
Other provisions	1,184,745	1,256,433
Provisions	**1,299,767**	**1,363,875**
Advance payments on orders	7,020	18,240
Trade payables	622,012	169,694
Liabilities to affiliated companies	15,457	83,874
Other liabilities	401,486	212,564
Liabilities	**1,045,975**	**484,372**
Deferred income	**43,970**	**58,864**
Equity cash	**18,456,389**	**16,128,573**

Statement of changes in assets

	Historical cost			
EUR	**Amount on 1/1/2006**	**Additions**	**Disposals**	**Amount on 12/31/2006**
I. Intangible assets				
1. Commercial property rights and similar rights	3,373,953.09	1,502.07	-	3,375,455.16
2. Goodwill	25,564.59	-	-	25,564.59
	3,399,517.68	**1,502.07**	**-**	**3,401,019.75**
II. Property, plant and equipment				
1. Other equipment, operating and business equipment	1,357,406.43	67,696.83	-	1,425,103.26
	1,357,406.43	**67,696.83**	**-**	**1,425,103.26**
III. Financial assets				
1. Shares in affiliated companies	17,068,609.62	25,000.00	-	17,093,609.62
2. Loans to affiliated companies	-	-	-	-
3. Equity investments	1,107,467.04	-	-	1,107,467.04
	18,176,076.66	**25,000.00**	**-**	**18,201,076.66**

Depreciation and amortization				Book values	
Amount on 01/01/2006	Depreciation and amortization in year under review	Disposals	Amount on 12/31/2006	12/31/2006	12/31/2005
3,372,478.04	1,150.00	-	3,373,628.04	1,827.12	1,475.05
25,564.59	-	-	25,564.59	-	-
3,398,042.63	**1,150.00**	**-**	**3,399,192.63**	**1,827.12**	**1,475.05**
1,259,564.61	49,854.84	-	1,309,419.45	115,683.81	97,841.82
1,259,564.61	**49,854.84**	**-**	**1,309,419.45**	**115,683.81**	**97,841.82**
10,191,452.25	-	-	10,191,452,25	6,902,157.37	6,877,157.37
-	-	-	-	-	-
663,400.91	-	-	663,400.91	444,066.13	444,066.13
10,854,853.16	**-**	**-**	**10,854,853.16**	**7,346,223.50**	**7,321,223.50**

Income statement

EUR	Jan - Dec 2006	Jan - Dec 2005
Revenues	9,015,651	7,411,166
Increase or decrease in finished goods, inventories and work in progress	627,871	-41,680
Other operating income	207,742	330,598
Total output	**9,851,264**	**7,700,084**
Cost of materials	-3,223,530	-1,279,131
Gross profit	**6,627,734**	**6,420,953**
Staff cost		
a) Wages and salaries	-3,689,087	-4,117,290
b) Social security	-509,032	-548,653
Other operating expenses	-2,144,666	-2,089,735
Earnings before interest, tax, depreciation and amortization (EBITDA)	**284,949**	**-334,725**
Depreciation and amortization	-51,005	-60,088
Earnings before interest and tax (EBIT)	**233,944**	**-394,813**
Interest and similar income	275,530	131,820
Depreciation on financial assets and securities held as current assets	-	-
Interest and similar expenses	-27,338	-6,460
Income from investments	1,298,082	994,677
Earnings before tax (EBT)	**1,780,218**	**725,224**
Taxes on income	-6,933	-
Other taxes	58,629	-849
Earnings after tax (EAT)	**1,831,914**	**724,375**
Profit, loss carried forward from the previous year	1,761,003	1,036,628
Withdrawals from share premium	-	-
Unappropriated surplus	**3,592,917**	**1,761,003**
Earnings per share (basic)	0.17	0.07
Average number of shares outstanding (basic)	10,620,443	10,620,443

Notes to the parent company financial statements

General

The financial statements of NorCom Information Technology AG, Munich, as of December 31, 2006 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 cost 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 in the case of goodwill.

Fixed assets are carried at their cost of acquisition less scheduled straight-line depreciation. They 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 plus reasonable overheads 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. Non-current 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 2005G guideline tables using an interest rate of 6 %.

Liabilities are shown at their redemption value. 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 are shown in the Statement of Asset Movements.

Receivables from affiliated companies comprise trade receivables of EUR 1.315 million from MaxiMedia Technologies GmbH. The receivables are subject to interest at an annual rate of 5 %. Further receivables of EUR 0.057 million are due from NorCom Systems Technology GmbH.

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

Other current assets consist mainly of tax refund claims of EUR 0.423 million and reinsurance claims (asset value) of EUR 0.180 million.

Share capital as at the balance sheet date amounts to EUR 10,626,176.00, divided into 10,626,176 bearer shares of EUR 1.00 each. As the issue has not yet been entered in the companies register, an amount of EUR 10,620,443.00 is reported under subscribed capital and EUR 5,733.00 under "capital contributions made to implement the capital increase". This item additionally includes the premium of EUR 7,567.56.

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 on or before August 17, 2010 by issuing up to 5,293,758 new shares on a cash and/or non-cash basis.

The Management Board is authorized subject to the Supervisory Board's approval to issue up to 972,780 subscription rights for the acquisition of up to 972,780 shares once or several times 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 shareholders' statutory subscription rights are excluded. In accordance with the bylaws as amended on June 28, 2006, Contingent Capital I stands at EUR 818,251.00 and Contingent Capital II at EUR 207,573.00.

The subscription rights issued prior to the balance sheet date had expired as of that date except where they had been exercised. As of the balance sheet date, no subscription rights had been issued under the 2005 stock option plan.

The share capital has been increased by a contingent EUR 4,000,000.00. The contingent capital increase is for issuing convertible bonds or warrants under warrant-linked bonds. In the year under review, use of the issue option in a value of EUR 5,733 was made.

Pension provisions are based on an actuarial report drawn up by HDI-Gerling Lebensversicherung AG.

Other provisions primarily comprise personnel expenses (EUR 0.847 million) and outstanding invoices (EUR 0.191 million).

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

Other liabilities primarily comprise tax liabilities (EUR 0.334 million).

As of December 31, 2006, the Company holds a share of at least 20 % in the following companies:

EUR '000	% share	Equity capital as at 12/31/06	Net profit/loss for 2006
Affiliated companies			
NorCom Information Technology Inc., Atherton, US	100	19	-
Norske Systemarkitekter AS, Oslo, Norway	51	2,776	403
Value & Risk AG, Bad Homburg	51	3,766	621
NorCom Systems Technology GmbH, Munich	100	15	-10
MaxiMedia Technologies GmbH, Munich	100	-1,786	-191

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

Including the indirect share held via NSA, the share in CognIT AS stands at 21.7 %. As at December 31, 2005, CognIT AS has equity of EUR 1.419 million and net income for 2005 of EUR 0 million.

Notes on the income statement

Sales break down as follows:

	EUR
Professional Services	5,784,952.18
Product	197,325.22
Maintenance	3,033,373.11
	9,015,650.51

Other operating income of EUR 0.208 million primarily comprises income from the reversal of provisions (EUR 0.126 million).

Other operating expenses comprise operating, administration and distribution expenses.

Other financial liabilities and contingent obligations

As at December 31, 2006, 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, 2006:

	EUR
2007	386,651.28
2008	341,828.66
2009	332,393.46
2010	326,601.46
2011	320,131.38
after 2011	317,337.30
	2,024,943.54

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 (EUR 0.223 million) of MaxiMedia to the extent as these cannot be repaid from MaxiMedia's own resources.

In addition, NorCom AG issued a letter of comfort for MaxiMedia on February 14, 2007 which will be expiring on December 31, 2007.

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 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.

Other disclosures

In 2006, the Company had an average headcount of 48 (previous year 53).

The Management Board comprises

Mr. Viggo Nordbakk, Baldham
Chairman

Dr. Tobias Abthoff, Neufahrn
(from February 1, 2007)

The Supervisory Board comprises:

Dr. Lutz Schmidt (Chairman),
Accountant, Partner in Schmidt Schuran & Partner Partnergesellschaft, Dusseldorf

Prof. 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-Universitat in Munich

Dr. Lutz Schmidt sits on no further supervisory boards.

Prof. 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:

EUR '000	Fixed	Variable
Viggo Nordbakk	221	116

Remuneration paid to the Supervisory Board came to EUR 0.105 million. Pension provisions of EUR 0.115 million have been set aside for a former member of the Management Board.

Consulting fees of EUR 0.010 million were paid to Schmidt Schuran & Partner in 2006.

The Management Board and Supervisory Board of NorCom Information Technology AG comply with the duty imposed by Section 161 of the German Stock Corporation Act and issued a declaration concerning conformance to the German Corporate Governance Code. The declaration dated December 13, 2006 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 2006:

	EUR '000
Auditing of financial statements	44
Other consulting services	20
	64

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, which are published in Bundesanzeiger and lodged with the companies' register of Munich under the number HRB 126903.

Munich, March 14, 2007

NorCom Information Technology AG, Munich
The Management Board

Viggo Nordbakk Dr. Tobias Abthoff

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