2007

Annual Report
NorCom Information Technology AG

NorCom Information Technology AG at a glance

Group figures in EUR	Fiscal year 2007	Fiscal year 2006
Results		
Revenues	28,702,356	29,880,832
Earnings before interest, tax, depreciation and amortization (EBITDA)	728,933	2,558,678
Earnings before interest and tax (EBIT)	22,582	1,841,763
Net income for the year	942,631	2,527,720
Share figures		
Number of shares on closing date	10,151,071	10,626,176
Earnings per share	0.09	0.24
Employees		
Average headcount	151	149
Balance sheet		
Equity	22,324,126	22,318,538
Equity ratio	68.7%	63.8%
Total assets	32,511,679	34,967,767

Content

Foreword by the Management Board

Dear shareholders, ladies and gentlemen,

In 2007 we focused on broadening our software product skills and continuing the Company's evolution from a conventional IT consulting company to a software product developer. At the same time, we achieved a number of successes at the operating and strategic level.

Company's performance in detail

Consolidated sales remained steady at the previous year's level, although there was some variance within the Group.

Thanks to its very successful business activities Munich-based **NorCom AG** recorded a substantial increase in sales in its two segments – NCConsulting and NCProducts – which was almost sufficient to recoup the decline in sales sustained by subsidiary Value & Risk. The main sales driver was product business, via which the Company was able in 2007 to successfully lay the foundations for positioning itself as an international operator in the production and processing of multimedia content.
However, consulting business also grew at a rate far in excess of the market average.

Value & Risk AG, Frankfurt, (V&R) realigned its business activities in 2007 in response to the consolidation of its previous markets. In the first half of the year in particular, it sustained a decline in sales on account of efforts to build up its new business activities - financial engineering and risk management.

Based in Oslo, Norway, **Norske Systemarkitekter AS** (NSA) achieved stable performance, with sales remaining nearly at the previous year's level.

In the year under review, we also stepped up spending on business expansion. For this reason, earnings were down on earlier years. Higher development costs for new products as well as restructuring at Value & Risk and related spending on building up sales and marketing activities and expertise took their toll on earnings.

However, these measures were necessary at both NorCom AG and Value & Risk to ensure the Group's continued growth. Our performance in the first quarter of 2008 vindicated these decisions.

The new strategy: Concentrating on core markets

Looking forward, NorCom and its subsidiaries will be adopting a more uniform portfolio. Accordingly, the consulting activities at Value & Risk and NSA will be extended and supplemented with the product segment, which NorCom AG has already built up successfully. Our aim is to achieve convergence in these two core competences and to harmonize them. In doing so, NorCom will be targeting customers in the media industry, the public sector and financial services.

However, why are we placing products at the forefront and concentrating our activities on them? Above all else, the success which we have achieved shows that we are headed in the right direction and is incentive for us to continue intensifying these activities. NorCom AG's favorable performance over the past few years is primarily due to the fact that with our new software products and the steady internationalization of our business radius our market share has widened more swiftly than planned.

With NCPower Pro we have outpaced the market average and additionally strengthened our leading market position. We are determined to continue on this growth trajectory. In addition to ongoing internationalization, we will also be continuing to devote our attention to the further development of product components and, in this connection, enter new markets such as Internet television and mobile TV. Our consulting skills will supplement the software products to optimum effect.

Needless to say, NorCom has no intention of neglecting its established IT consulting business, which is very successful with banks and the public sector.

Outlook

In the past, the NorCom Group was characterized by a fairly broad and heterogeneous range of business activities aimed at achieving a certain degree of risk diversification. However, we are increasingly finding that this diversity is limiting growth and the potential for unlocking value. The capital market still views the NorCom Group as a conventional IT consulting company. This also explains why NorCom's stock is trading at a discount relative to focused companies specializing in media and consulting. In order to enhance NorCom's value, we must go new directions and communicate on the outside the clearer profile which we have already implemented on the inside. Our goal is thus for NorCom to evolve into a technology company with two strategic thrusts – consulting and software products.

We want to implement this strategy in the following way:

- We will be channeling our resources into the expansion of our two segments NCProducts and NCConsulting
- with a clear focus on an efficient sales, marketing and service strategy.
- Our subsidiaries Value & Risk and NSA will adopt and further develop this product-based idea.
- NorCom will oversee the strategic orientation of its subsidiaries and associates more intensively than before. This will include strategy development as well as the management of our subsidiaries and associates.
- NorCom will build up an integrated portfolio of software products and consulting services to harness synergistic benefits and thus boost profitability.

On this basis, we will heighten our transparency for the capital market. This will result in new opportunities for an investment in an attractive growth stock with a clear strategic orientation. Our target is to achieve sustained organic growth above the market average with our already well positioned companies. Systematic customer orientation and collaboration with partners are further keys to future innovations and profitable international growth. However, our ability to improve profitability hinges on an attractive range of products embedded in the necessary consulting services. This is precisely what we did in 2007, during which we created an optimum basis for our Company's future.

At this stage, I would like to express my sincere gratitude to our qualified, committed and motivated staff without whom it would not be possible for us to achieve our targets successfully.

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

This year we will be systematically pursuing our strategy as a basis for achieving the targets which we have set ourselves for the coming years.

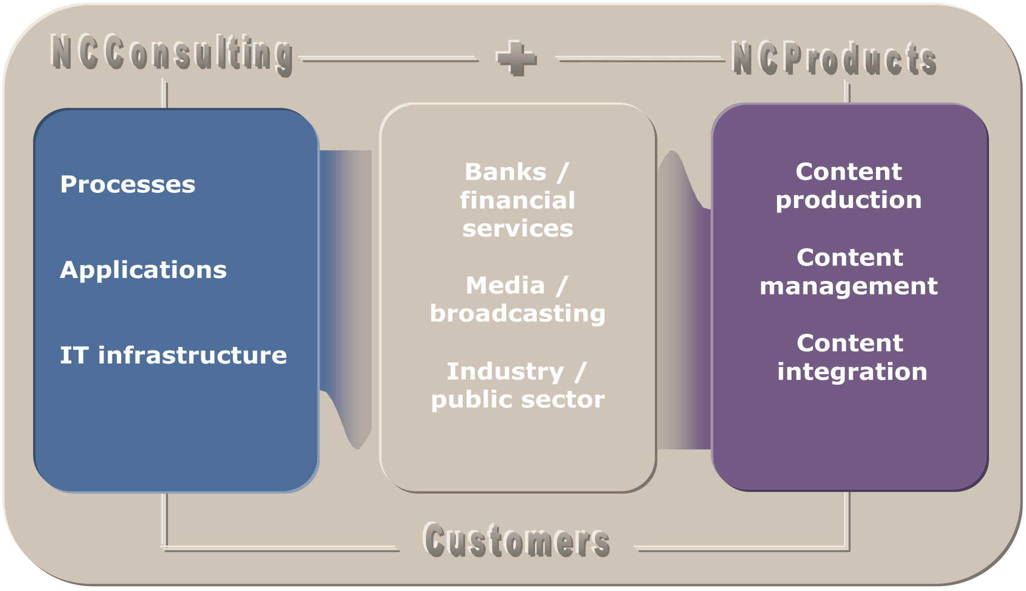
Munich, March 2008

Viggo Nordbakk	Dr. Tobias Abthoff
Chief Executive Officer	Member of the Management Board

Business performance

The NorCom Group's range of products and services

NorCom's range encompasses two segments - NCConsulting and NCProducts - both of which primarily address customers in the media industry as well as the public and financial services sectors.



Corporate structure

In addition to NorCom Information Technology AG, the NorCom Group comprises a total of six German and non-German legal entities in which NorCom Information Technology AG holds the majority of the voting rights and performs uniform management tasks. These include the wholly owned subsidiaries NorCom Systems Technology GmbH und MaxiMedia Technologies GmbH as well as the currently non-operative US subsidiary NorCom Information Technology Inc. In 2007, a wholly owned subsidiary NorCom Information Technology GmbH was established in Moscow, Russia. As well as this, NorCom holds a majority interest in Norske Systemarkitekter AS in Oslo, Norway, and in Value & Risk AG in Frankfurt.

NorCom Information Technology AG, Munich	
NorCom Systems Technology GmbH, 100% Munich	Value & Risk AG, 51% Frankfurt
MaxiMedia Technologies GmbH, 100% Munich	Norske Systemarkitekter AS, 51% Oslo, Norway
NorCom Information Technology Inc., 100% Atherton, California, USA	
NorCom Information Technology GmbH, 100% Moscow, Russia	

Activities in 2007 – details by company

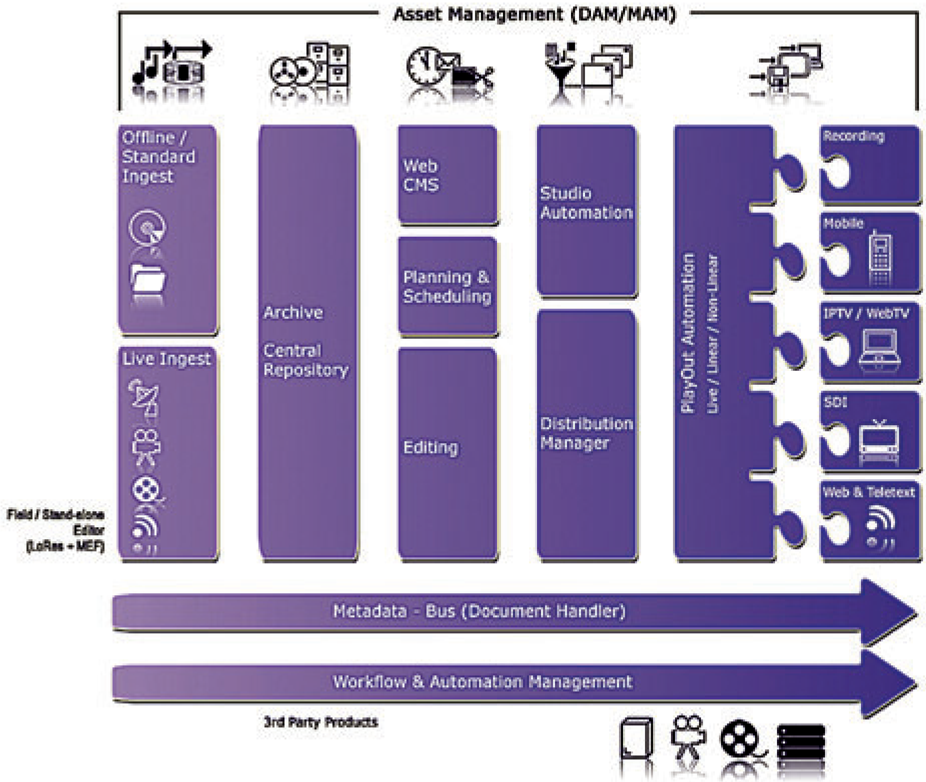
NorCom Information Technology AG, Munich

In 2007, NorCom concentrated on extending its two core business areas, software products and consulting, with both segments achieving numerous sales successes.

NCProducts – Unified Media Factory

NorCom entered the media industry in 2003 when it acquired a share in MaxiMedia. As a result, it is the innovation leader for media solutions in the production and processing of multimedia content and, with the NCPower Pro range, ensures smooth broadcasting operations for TV and media companies. This unified media factory supports the entire production workflow such as ingesting, production and planning as well as archiving and playing out the data.

The following diagram illustrates the workflow mapped by NCPower Pro:



NorCom's NCPower product range is targeted not only at major broadcasters, but also at operators of Internet television (IPTV) as well as mobile and corporate TV. The customer list reflects the flexibility of NCPower Pro, including as it does public broadcasters such as VGTRK in Russia and commercial TV stations like RTL and n-tv as well as IPTV operator Deutsches Anlegerfernsehen (DAF) and Axel Springer Digital TV's corporate TV service.

International market orientation

From the outset, NorCom has been targeting its sales and marketing efforts at an international customer base and has already positioned itself successfully in Germany as well as in other Western and Eastern European countries, Russia, Lebanon and Kuwait. Numerous contracts in particular were signed in 2007. In addition to well known broadcasters such as Yugra TV and Zvedzda TV, one of the largest public TV stations KULTURA also opted for NCPower Pro. Full end-to-end integration of the existing software architecture in NorCom's solution, multilingual capabilities (English and Russian) as well as the flexibility of the solution were just some of the many strong arguments prompting a decision in favor of NorCom.

NorCom achieved a major milestone with a contract signed with the regional broadcaster More TV in Murmansk. Given the large number of regional broadcasters in Russia, this contract marks an important strategic step forward for NorCom, as it enables it to enter this extremely attractive market at an early stage and to carve out a niche for itself. NorCom's activities in the Russian market reflect its strategic goal of building up a strong position in the large regional broadcasting market. After signing contracts with numerous supraregional broadcasters, NorCom is now directing its sales and marketing activities at regional operators in the target markets.

The Company has also been able to gain preliminary customers in the Middle East and Bulgaria, both regions offering considerable growth potential. Thus, contracts for NCPower Pro were signed with Beirut, Lebanon-based Orange TV and Nova Television in Sofia, Bulgaria, followed in July by Al Watan in Kuwait. In the wake of Al Watan's systematic diversification strategy, it was attracted to NCPower as an open and innovative product which will also accommodate further distribution channels such as IPTV or mobile TV in the future.

Sights set on new markets and customers

Growing media convergence, rapid technological progress and ongoing digitization are opening up entirely new business opportunities. At the core of these is IPTV, i.e. Internet-based television, which is becoming increasingly established in other countries such as the United States. According to market studies, the European IPTV market alone is set to expand by around 50 percent p.a. over the next few years. This will be accompanied by further developments such as corporate and mobile TV. These new markets offer interesting prospects for NorCom as NCPower Pro can support operators in nearly all phases of their business processes.

In 2007, the World Trade Center Association (WTCA) in Cologne decided to use NCPower Pro to implement its corporate TV project. Via WTCA, the world's largest private trade organization with over 300 offices in some 100 countries, NCPower has gained the prospect of other centers around the world also opting for NCPower Pro. Axel Springer Digital TV GmbH is also using NCPower Pro for its corporate TV service.

Following on from the contract signed with financial IPTV operator DAF in 2006, an NCPower Pro project was awarded by Kempten-based OUTPRO TV, which belongs to the same group of special-interest broadcasters, at the end of 2007. OUTPRO TV, which concentrates on all types of outdoor activities, was able to go live within a short space of time thanks to NCPower Pro.

Accordingly, NorCom has laid crucial foundations for achieving an optimum position in this nascent market in the future.

Sales and marketing strategy

In 2007, NorCom AG supplemented its sales force by recruiting skilled experts with many years of experience in the relevant market in order to tap business potential in the target regions as efficiently as possible and to step up the international thrust of its marketing efforts.
In addition to technical expertise, local market presence is a crucial determinant for success.
In order to serve its numerous Russian customers

more efficiently and effectively, NorCom established a wholly owned subsidiary in Moscow at the end of 2007. Local presence strengthens customer bonds and also ensures swift feedback on and implementation of customer wishes.
By contrast, NorCom is working with partners in China. Thus, it has forged a partnership with the Beijing-based Komnet Group, which specializes in the broadcasting market, and is benefiting from that company's many years of experience in media software in Asia. Komnet is therefore the ideal partner for presenting integrated solutions at trade fairs and to individual customers as well as for establishing contacts and opening up the Asian market for NorCom.
In addition, NorCom has created a network of partners in key markets familiar with local market conditions and able to assist NorCom with their expertise and many years of experience.
Looking forward, NorCom will be intensifying its sales and marketing activities in existing markets and also opening up new ones. In the short term, the target regions encompass all of Europe as well as China, while in the medium term NorCom intends to additionally focus on India, South East Asia and the United States.

NCConsulting – ideal supplement

In addition to the fast-growing product segment with its strong potential for the future, NorCom assists its customers in adjusting their IT application systems and business processes in the light of constantly changing market requirements.
In particular, it has made a name for itself in mission-critical processes. The bespoke solutions comprise conventional management consulting, business process analyses with a view to optimizing efficiency and network integration/security. Its core competence is derived from end-to-end solutions individually engineered to meet customers' requirements. Looking forward, these activities will be extended to include the media segment, thus supplementing the NCProducts segment to optimum effect.

New major projects ensuring high capacity utilization

NorCom's consulting business is increasingly being targeted at major projects in the public sector. These ensure high capacity utilization over several years.

In 2007, NorCom prevailed in a tender for an extensive virus protection project for Deutsche Bahn. This project, which NorCom is implementing with two partners, has a term of three years and entails a license volume of 62,000 Windows systems. NorCom has previously executed successful projects for Deutsche Bahn in the past and with this new anti-virus project is able to substantially intensify its relations with this customer.

NorCom has also widened its activities for the German Federal Labor Agency (Bundesagentur für Arbeit, BA) in Nuremberg following the award of a major project for IT support services. Worth around EUR 10 million and with a term of three years, the project testifies to the great confidence which BA has in the consulting services provided by NorCom in both technical and organizational terms. NorCom's task is to provide support in the management and execution of the business tasks as a high-ranking responsible platform team.
Yet, the terms of reference also provide for NorCom to furnish advice and support in the use of the technologies and the infrastructures deployed as well as to develop and plan operation architectures. NorCom's Nuremberg-based subsidiary, which was founded in 2006, is responsible for handling the project.

Norske Systemarkitekter AS (NSA), Oslo, Norway

The business activities of NorCom's Oslo-based subsidiary center around conventional IT consulting services, particularly integration projects in the Oracle world. The Oracle-related services include the Oracle e-business suite, data warehouse, case management und content management (multimedia catalogs). NSA generates most of its revenues from IT consulting services but also distributes the NCPower Pro media software.

The main focus of its marketing activities is on Norway and the neighboring Scandinavian countries. Its customers are in the private sector, media industry and public administration. Customer contacts are generally long-term in nature.
Its relations with the public sector in Norway benefit from its specialization as an Oracle service provider with project management skills and the combination of business process expertise and IT knowledge.

Value & Risk AG (V&R), Frankfurt

Since its establishment in 1996, Value & Risk has made a name for itself as a consulting company for risk measurement and management in the financial services sector. It covers all matters relating to the measurement and management architecture of capital market transactions along the entire value chain.
Following the consolidation of its previous core markets and the departure of individual specialists, Value & Risk realigned itself in 2007. As a result, it is now targeting its software and consulting activities at the financial services sector to a greater extent and particularly concentrating on 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.

As a further crucial aspect and part of efforts to focus more clearly on service, it is establishing a V&R valuation unit as an outsourcing solution.
In this way, customers which do not have any risk measurement infrastructure of their own are able to have plain-vanilla and exotic financial products measured on a neutral and readily trackable basis. Accordingly, V&R heightens flexibility, enhances quality and lowers costs by handling the business ratio calculations for the entire measurement and management risk infrastructure. By outsourcing these complex calculations, V&R's customers are able to concentrate on their own core business.

A further element is the RIVA suite, which maps, measures, simulates and handles regulatory reporting on financial products. The associated service also permits even complex financial innovations to be implemented more swiftly. By using the RIVA suite, V&R customers are able to strengthen their existing infrastructure with a high degree of efficiency in line with their future requirements.

In 2007, Value & Risk systematically focused on realigning its business model, stepping up its sales and marketing efforts and investing in expertise. This primarily entailed reaching fresh customer groups and initiating new projects. By relocating from Bad Homburg to Frankfurt, the company is able to cooperate more closely with its customers and business partners.

Investor relations

The purpose of the NorCom AG's investor relations activities is to keep capital market participants informed comprehensively, swiftly and openly of the Company and to convey to the various target groups the information which they need to gain a deeper understanding of its performance. Ever since its stock market flotation, NorCom AG has been committed to ensuring transparent investor relations activities.

Listing / market segment

NorCom is listed in the General Standard segment of the regulated market and is thus required to comply with Deutsche Börse AG's basic transparency standards. In addition to the compulsory publication of annual and semi-annual reports, NorCom additionally releases comprehensive interim bulletins at the end of the first and the third quarter.

Corporate strategy confirmed at the annual general meeting

At NorCom's annual general meeting held on June 14, 2007 in Munich, the Management Board and Supervisory Board welcomed private and institutional investors as well as representatives of the press. The Management Board reported on the previous year in detail, describing the Company's earnings and providing an outlook for its future.

All the items on the agenda - including the proposal to carry forward the Company's unappropriated surplus - were passed with a large majority. Moreover, a resolution was passed authorizing NorCom AG to buy back its own stock. Thus, the Management Board is authorized to buy back up to 10 percent of the Company's share capital on or before December 13, 2008.

Capital market communications

The Company's website forms a key source of information for private and institutional investors and contains all relevant information on the Company's performance, press releases, ad-hoc bulletins, information on the annual general meeting and all annual and semi-annual reports. In this way, investors have access to comprehensive information with minimum delay.

Stock buyback program

On July 2, 2007, the Management Board of NorCom Information Technology AG passed a resolution to implement a stock buyback program in accordance with the authorization granted by the shareholders at the annual general meeting on June 14, 2007.
As of December 31, 2007, the Company had 475,105 treasury shares, equivalent to around 4.5 percent of its share capital.
They were bought back via the stock market in a transaction executed by HSBC Trinkaus & Burkhardt AG. The stock was bought back for the purpose specified in the resolution passed by the shareholders and will be primarily used as an acquisition currency in connection with corporate mergers and acquisitions with all transactions to be reported at NorCom AG's website on a weekly basis after completion.

NorCom stock in 2007

Securities code number	525030
ISIN number	DE0005250302
Reuters ticker	NORG
Stock market ticker	NC5
Segment / listing	Frankfurt stock exchange,
	regulated market, General Standard
Designated sponsors	HSBC Trinkaus & Burkhardt AG,
	VEM Aktienbank AG
Stock type	No-par-value shares
Number of shares on December 31, 2007*	10,626,176
Stock price on December 31, 2007**	EUR 1.60
High/low	EUR 3.05 / EUR 1.59
Earnings per share (basic)	EUR 0,09

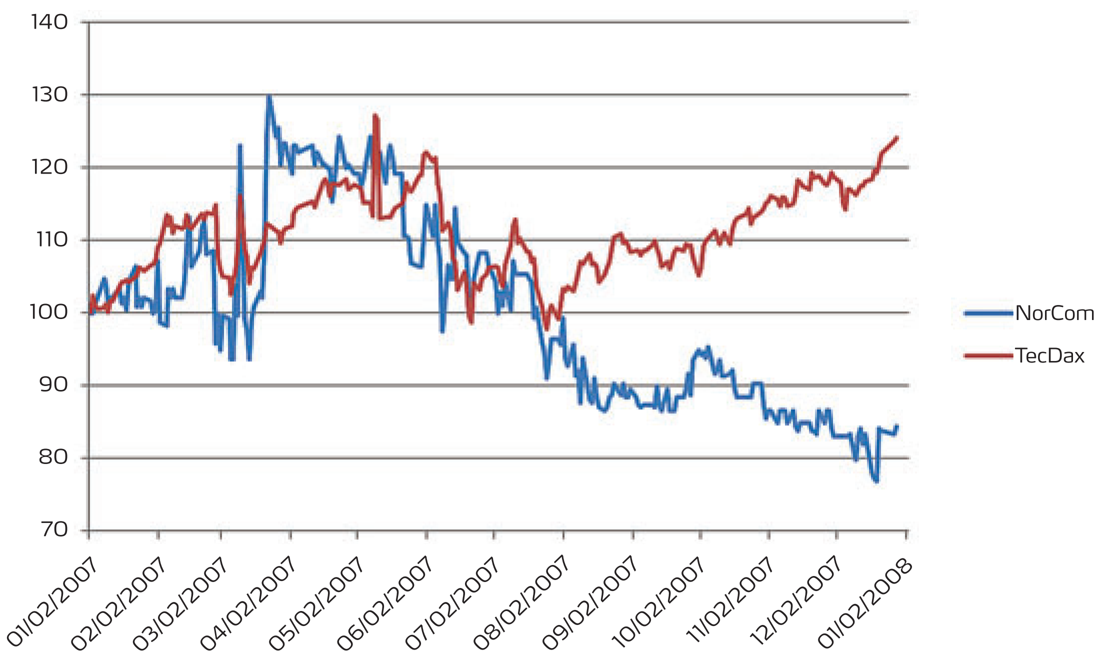
*On the basis of shares admitted to trading ** XETRA closing

Performance of stock

In the first quarter of 2007, NorCom stock climbed to a high for the year of EUR 3.05 (March 23, 2007) driven by favorable news in both the consulting and product segments. As a result, NorCom stock outperformed the benchmark index considerably at times. During the summer, a correction emerged in the international stock markets with nearly all stocks - including NorCom - unable to shrug off the effects of the negative underlying conditions. In the ensuing months, NorCom stock retreated, dropping back to EUR 1.60 by the end of the year in spite of a favorable news flow and the stock buyback program as well as a recovery in the capital market.
The TecDAX index, which acts as the benchmark for NorCom stock, gained a total of around 28 % in the course of 2007.

Performance of NorCom stock in 2007 relative to the TecDAX

(prices indexed)



Corporate governance report

Transparency, integrity and immediate corporate communications form the basis for responsible and fair corporate governance in the eyes of the Management Board and the Supervisory Board of NorCom AG.

For this reason, NorCom's Management Board and Supervisory Board welcome all initiatives and recommendations relating to the Corporate Governance Code and are committed to fair, open and transparent corporate governance. NorCom AG's goal is to respect the interests of shareholders, customers, business partners and employees and to enhance their confidence in the Group's corporate governance and control.

Shareholders' interests

Annual general meeting

NorCom AG maintains long-term shareholder relations. Thus, it keeps its shareholders informed comprehensively and with minimum delay of the Group's business performance and its current financial and earnings situation by means of press releases as well as annual and interim reports. 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. In 2007, the annual general meeting was held in Munich on June 14 and gave shareholders an opportunity of casting votes on the individual items of the agenda, such as the appropriation of the Company's unappropriated surplus, ratification of the actions of the Management Board and Supervisory Board, the election of the auditor for the financial statements and authorization for the Company to buy back its own shares. In order to assist shareholders in exercising their rights, NorCom AG has for many years been offering the possibility of utilizing proxies to vote in accordance with shareholders' instructions.

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 transactions were duly disclosed and published on NorCom AG's website.

Structure of compensation for Management Board and Supervisory Board

Close relations between the Management Board and the Supervisory Board

At NorCom AG, corporate governance is characterized by close and trusting collaboration 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 matters relating to planning, strategic business performance, the Group's situation and risk exposure. All decisions and activities on the part of the Company are preceded by systematic consultation between the Management Board and the Supervisory Board.

Management Board

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 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.
Since February 1, 2007, the Management Board has comprised two members, Viggo Nordbakk (Chief Executive Officer) and Dr. Tobias Abthoff. Prior to this, Mr. Nordbakk had represented the Company on his own as the sole member of the Management Board. Remuneration paid to the Management Board came to EUR 438,430 in the year under review.

Supervisory Board
NorCom AG's Supervisory Board monitors and oversees the Management Board in the management of Company and appoints its members.
In accordance with the recommendations of the German Corporate Governance Code, the compensation arrangements for the Supervisory Board provide for a fixed and a variable component tied to the Group's performance.

Compensation paid to members of the Supervisory Board in 2007

Name	Fixed compensation*	Variable compensation*, **
Dr. Lutz Schmidt (Chairman)	EUR 20,000	=0.5 %* x EBIT = EUR 113
Prof. Dr. Manfred Schlottke (Deputy Chairman)	EUR 10,000	=0.25 %* x EBIT = EUR 56
Prof. Dr. Thomas Hess	EUR 10,000	=0.25 %* x EBIT = EUR 56

* Net amounts
** Subject to final presentation of the consolidated financial statements to the shareholders; payable 10 days after the annual general meeting for 2008

Holdings of shares and other financial instruments

As of December 31, 2007, the members of the Management Board and the Supervisory Board of NorCom AG held the following number of shares and subscription rights:

	Shareholdings as of December 31, 2007	Stock options as of December 31, 2007
Supervisory Board		
Dr. Lutz Schmidt (Chairman)	None	None
Prof. Dr. Manfred Schlottke	None	None
Prof. Dr. Thomas Hess	None	None
Management Board		
Viggo Nordbakk	33,687	97,270
Dr. Tobias Abthoff	3,750	97,270

Declaration of conformance

At their meeting on December 14, 2007 the Management Board and Supervisory Board signed the declaration of conformance with the "Recommendations of the German Government Commission on the German Corporate Governance Code" as amended in June 2007.
The current declaration of conformance as well as the prior 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.
The Supervisory Board does not have any **committees**. (5.2, 5.3.1, 5.3.2, 5.3.3)	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 2007, the Supervisory Board of NorCom Information Technology AG acquitted itself of the duties and obligations imposed on it and monitored and oversaw the Management Board's activities in an advisory capacity. The Management Board kept the Supervisory Board regularly briefed on the strategic orientation as well as the business activities and performance of the Company and its subsidiaries.

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

In numerous oral and written reports, the Management Board informed the Supervisory Board of the situation at NorCom AG and its subsidiaries as well as the general market and competitive situation. The Supervisory Board met a total of six times in 2007. The Supervisory Board did not have any committees in the year under review.

As in earlier years, the Supervisory Board engaged in an intensive exchange of ideas and information with the Management Board. 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.

Matters receiving regular attention in 2007 particularly entailed the following:

- Growth strategy in the software products segment
- Further development of the NCPower Pro multimedia product range
- Intensification of international sales and marketing activities
- Strategic orientation as a full-service provider
- Consideration of market and development prospects for the subsidiaries and associates
- The corporate strategy and market position of NorCom AG and its subsidiaries particularly in the light of the orientation to the media market
- Corporate controlling and risk management: the Supervisory Board received regular risk reports on the Company and its subsidiaries in accordance with the statutory stipulations. These reports were discussed during the Supervisory Board meetings.

The Supervisory Board was directly involved in all decisions of fundamental importance. 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 after extensive consultation.

During the year under review, the following activities in particular were of crucial importance for the NorCom Group's continued growth:
Intensification and operative implementation of market activities in the high-growth software products segment, entry into new customer segments in the media industry as well as stronger international orientation. This is supplemented with the further development of and additions to the product components, reinforcement of the sales force and the implementation of specific marketing activities.
In the Consulting segment, the NorCom Group has additionally reinforced its position in the public sector and particularly made a name for itself in the area of mission-critical processes.
The NorCom Group has further honed its profile thanks to the steps planned in the past and implemented in 2007 and established itself as a key operator in high-margin software product business. With its consulting services, the NorCom Group is able to supplement its product activities to optimum effect and position itself as a full-service provider.

A further subject discussed at length between the Management Board and the Supervisory Board concerned the Frankfurt-based subsidiary Value & Risk AG, whose performance had failed to live up to expectations. The Supervisory Board closely examined the subsidiary's operations and discussed solutions and measures with the Management Board. The results of the talks formed the basis for the strategic realignment of Value & Risk AG.

Corporate governance code

In 2007, the Management Board and the Supervisory Board deliberated on the rules of the German Corporate Governance Code and confirmed their fundamental commitment to conforming to them. The declaration of conformance with the recommendations of the Government Commission on the German Corporate Governance Code as amended in June 2007 was signed by the Management Board and Supervisory Board on December 14, 2007 and published on the Company's website.

Notes on the management report

The management report contains details concerning the composition of the subscribed capital, key voting and control rights, the Management Board's powers to issue or buy back stock as well as the Company's main change-of-control agreements.

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 of December 31, 2007 together with the parent company management report and the Group management report and the Management Board's profit allocation proposal were submitted to the Supervisory Board.

In its reports, the financial statement auditor confirmed that all statutory provisions had been complied with and issued an unqualified auditor's report on the annual and consolidated financial statements including the management report.

At its meeting held on March 26, 2008, 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 auditing company Rölfs WP Partner AG and did not raise any objections. Accordingly, the financial statements are deemed to have been adopted.
The IFRS consolidated financial statements and Group management report were also approved by the Supervisory Board.

Personnel matters

There were no changes to the composition of the Supervisory 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

As of January 1, 2006, NorCom's founder Mr. Viggo Nordbakk was managing the Company as the sole member of its Management Board. On February 1, 2007, the Supervisory Board appointed Dr. Tobias Abthoff to the Management Board.

The Supervisory Board expresses its gratitude to all shareholders for their continued confidence in NorCom AG. On behalf of the entire Supervisory Board, I wish to thank the Management Board and all the employees for their commitment and dedication in 2007. I wish them every success for 2008.

Munich, March 2008

Dr. Lutz Schmidt
Chairman of the Supervisory Board

Consolidatet Financial statements (IFRS)

Group management report

I. Introduction

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.

II. Business and underlying conditions

Overall economy

The economic upswing which emerged in earlier years continued in 2007. Despite a weak spell towards the end of the year, the global economy grew for the fifth consecutive year, expanding by a real rate of over 4 percent in 2007 [1]. This growth was materially underpinned by ongoing globalization and the integration of developing and emerging markets such as China, India and Russia, in the global economic system.
The German economy also expanded again, with gross domestic economy (GDP) growing by 2.5 percent year on year[2].

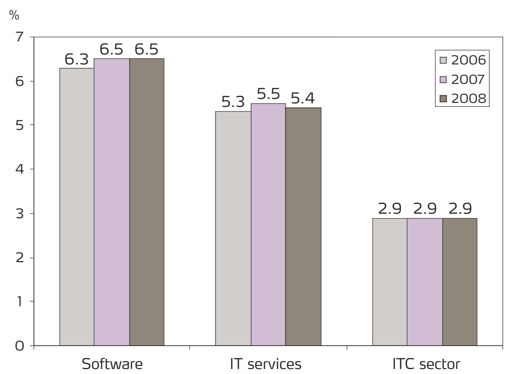
According to experts, the global economy will continue to expand, albeit at a less dynamic rate than in earlier years. In addition, it is assumed that economic momentum will vary from market to market. In the face of the subprime crisis, the weak US dollar and high oil prices, economic growth is expected to weaken in the industrialized nations. Going by recent forecasts, the EU will achieve growth of 2.4 percent p.a. in 2008 and 2009, down from 2.9 percent in 2007. The upswing in Germany is also expected to continue, although the pace will slow to some extent[3].

IT and software market

With its focus on IT consulting and software products, NorCom is engaged in promising growth markets. In the past, the entire information technology and telecommunications (ITC) market has unlocked the greatest value of any of the classic industrial segments, ahead of the mechanical engineering, automobile industry and metal industries[4].

Within the ITC industry, software and IT services, the two segments in which NorCom is active, have grown at a disproportionately strong rate over the past ten years. According to industry experts, the IT services market expanded by 5.5 percent to EUR 139.0 billion in Europe and by 4.9 percent to over EUR 30.5 billion in Germany in 2007.
Far greater growth was achieved in the software market, which expanded by 6.5 percent to EUR 75.6 billion in Europe and by 6.0 percent to around EUR 18 billion in Germany[5]. Accordingly, growth was up year on year in both segments.
As a result, they are continuing to drive the ITC market.

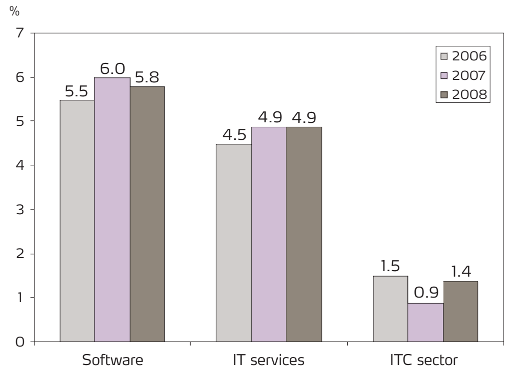
Growth in the European market for IT services and software



Source: EITO, Update 2007

[1] Kaufmann Research AG, Wirtschaft und Börse 2008/09
[2] German Federal Bureau of Statistics
[3] Kaufmann Research AG, Wirtschaft und Börse 2008/09
[4] Bitkom, ITK-Branche erzielt Rekord bei der Wertschöpfung in Deutschland, 2007
[5] Bitkom, Autumn 2006; EITO, Update 2006

Growth in the German market for IT services and software



Source: EITO, Update 2007

Changes in the media industry

Information and communication technologies are driving change in the media industry, with newspapers as well as radio and TV broadcasters in particular the using technologies to supplement their offerings and enhance relations with their audiences. However, the media companies themselves are playing an active role in shaping this process. Accordingly, digitization is changing the classic media model in which information flows solely in one direction from the media provider to the passive media consumer. Interactive and personalized elements are increasingly being implemented in the mass media[6].

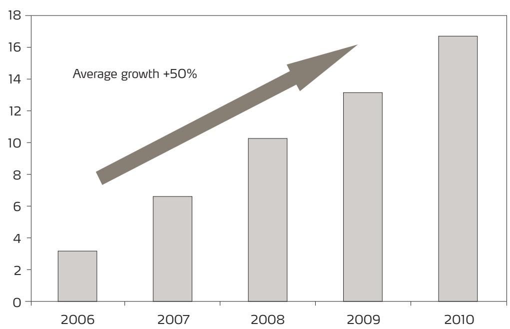
Thus, the Internet is increasingly making forays into the television industry. The key word here is “IPTV”, i.e. the use of the Internet to channel conventional TV content to the TV screen via the Internet instead of by antenna, cable or satellite. With its NCPower Pro product range, NorCom has positioned itself as an innovation leader for media solutions in the production and processing of multimedia content, ensuring smooth broadcasting operations for TV and media companies seeking to implement IPTV and mobile TV operations.

ITC causing the markets to convergence

The convergence of what were once the largely independent segments of telecommunications, information technology and media is encouraging diversity in content, media consumption, target groups and ultimately also business models. At this stage, no one can say for sure where convergence is ultimately headed. Yet, what is certain is that the revolutionary changes being triggered by digitization and the Internet will leave deep traces and determine certain future trends. Digital television as a technical offshoot of conventional TV permits the creation of new interactive services such as mobile TV and IPTV. By 2010, over 50 percent of all households in Germany will be able to access digital TV[7]. The diverse uses offered by the Internet coupled with existing broadband technology and consumers’ growing interest in interactivity form the basis for future success for the IPTV industry. In Western Europe alone, the average number of IPTV users is expected to grow by 50 percent between 2006 and 2010.

Growing audiences for Internet TV

Western European households with an IPTV subscription in millions



Source: Gartner, 2006; Deutsche Bank Research 09/12/2006

[6] Bitkom, ITK-Branche erzielt Rekord bei der Wertschöpfung in Deutschland, 2007
[7] ECIN, Online TV oder IPTV, 18.10.2007

Segments

NorCom Information Technology AG's business activity comprises two segments: NCProducts and NCConsulting.
Over the past few years, NorCom has extended its business activities substantially and steadily built up the NCProducts segment to supplement its classic IT consulting services. NCConsulting is primarily targeted at customers in the public and financial services sectors. At the same time, NorCom is actively engaged in the media industry with its range of NCPower Pro software products.

NCProducts

Since acquiring MaxiMedia Technologies GmbH in 2003, NorCom has been operating in the media industry with its proprietary software product. Over the past few years, it has been consistently extending the functionality of its NCPower Pro range and has in particular stepped up international sales and marketing efforts.
As a result, NorCom is the innovation leader for media solutions in the production and processing of multimedia content and, with the NCPower Pro range, ensures smooth broadcasting operations for TV and media companies. Known as the Unified Media Factory, the integrated solution covers all the requirements of small and large TV broadcasters, supporting the entire newsroom workflow including ingesting, production and planning, archiving and playout. As well as this, NorCom is the only market operator to have a fully Apple-based system.
Yet, NorCom's activities are not confined to the conventional broadcasting market. In addition, its solution is meeting with strong response in the nascent high-growth IPTV, mobile/portable TV and corporate TV segments.

Moreover, the market trends now emerging such as ongoing digitization, growing demand for IPTV, corporate and mobile TV and the establishment of new special-interest channels will additionally spur the favorable outlook for this segment.

Further growth will be generated by international sales and marketing activities. In fact, most of NorCom's products sales were generated outside Germany in 2007.

NCConsulting

In the Consulting segment, NorCom assists its customers in engineering IT application systems and business processes in the light of increasingly rapid changes in market requirements and has made a name for itself with mission-critical processes in particular. The bespoke solutions comprise conventional management consulting, business process analyses with a view to optimizing efficiency and network integration/security. NorCom has been able to achieve a substantial increase in order volumes particularly via long-term major projects for government authorities, thus ensuring high capacity utilization.

Its core competence is based on end-to-end solutions individually engineered to meet customers' requirements. Looking forward, these activities will be extended to include the media segment, thus supplementing the NCProducts segment to optimum effect.

Legal structure

NorCom Information Technology AG has its head office in Munich and operates a branch in Frankfurt/Main. In addition, three German and three non-German companies, in which NorCom holds the majority of the voting rights, are consolidated.
Together with Norske Systemarkitekter AS, it also holds a minority share of 21.7 percent in Norwegian company CognIT AS.

MaxiMedia Technologies GmbH, Munich

NorCom entered the media industry in 2003, when it acquired a 51 percent interest in MaxiMedia Technologies GmbH. With its proprietary software product NCPower Pro, NorCom targets TV and radio broadcasters as well as media companies. MaxiMedia holds the exploitation rights to NCPower Pro. MaxiMedia was taken over in full in 2005 and integrated in NorCom Information Technology AG.

NorCom Systems Technology GmbH (NST), Munich

Historically, NorCom has primarily performed consulting activities for the public sector, particularly the German Federal Labor Agency (Bundesagentur für Arbeit) in Nuremberg. After being awarded a major contract in 2006, NorCom decided to incorporate a wholly owned subsidiary in Nuremberg so as to serve this customer more effectively.

NorCom Information Technology GmbH, Moscow, Russia

NorCom established a wholly owned subsidiary in Moscow, Russia, at the end of 2007. As the Company has been able to substantially broaden its presence in the media market over the past few years, achieving numerous sales successes with NCPower Pro in Russia in particular, the next logical step was to incorporate a subsidiary of its own in Russia. In this way, NorCom is able to serve its Russian media customers more efficiently and respond more swiftly to changes in market conditions.

NorCom Information Technology Inc., Atherton, US

This wholly owned US subsidiary is currently not engaged in any operations.

Norske Systemarkitekter AS (NSA), Oslo, Norway

NorCom holds a 51 percent share of NSA, which is based in Oslo, Norway. This IT consulting specialist's main business focus entails integration projects in the Oracle world. NSA generates most of its revenues from IT consulting services but also distributes the NCPower Pro media software. NSA serves customers in Norway and neighboring Scandinavian countries in the private and public sectors as well as in the financial services industry.

Value & Risk AG (V&R), Frankfurt am Main

Based in Frankfurt, Value & Risk AG is a consulting company specializing in financial valuation and management activities. Following the consolidation of its previous markets and the departure of specialist staff it realigned itself in 2007. Its main business activity revolves around a program for generating and monitoring new financial derivatives, in which it commands a leading position in Germany. V&R primarily serves customers in the financial services sector dealing with financial derivatives, risk management and reporting.

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 CEO Viggo Nordbakk is responsible for the strategic orientation of the Group and its business segments, particularly the extensions to and positioning of the new product activities in the media industry. He is also in charge of the subsidiaries and Group finances.

Dr. Tobias Abthoff is responsible for the Group's consulting business, the activities of the Frankfurt office and the subsidiary NorCom Systems Technology GmbH.

The compensation for the members of the Management Board comprises a fixed component and non-cash benefits as well as a variable performance-tied component. The variable component is based on the Group's performance and success and is capped at a maximum amount to safeguard the achievement of the business targets. It 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.

In 2007, stock options were additionally awarded to the members of the Management Board. In accordance with the resolutions passed at NorCom Information Technology AG's annual general meeting on August 18, 2005, the two members of the Management Board each received 97,270 stock options.

In accordance with the recommendations of the German Corporate Governance Code, the compensation arrangements for the Supervisory Board provide for a fixed and a variable component tied to the Group's performance, with different rates paid to the chairman and the other members of the Supervisory Board.

Corporate Governance Code

On December 14, 2007, the Management Board and the Supervisory Board signed a declaration to confirm conformance with the German Corporate Governance Code in the version issued on June 14, 2007. This declaration has been published on 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 – takeover-related data

In accordance with the Act to Ratify the Takeover Directive, listed companies are required pursuant to Sections 289 and 315 of the German Commercial Code to disclose details of the breakdown of their capital, shareholder rights and restrictions to these, shareholder structure and corporate organs constituting takeover-relevant data.

NorCom Information Technology AG's capital is divided into 10,626,176 bearer shares each with a notional value of one euro, all of which are fully voting and dividend-entitled. The bearer shares are not subject to any transfer restrictions.

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

In a resolution passed on June 14, 2007, 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 13, 2008. The Management Board passed a resolution on July 2, 2007 to buy back the Company's stock. As of December 31, 2007, it had bought back a total of 475,105 shares, equivalent to 4.47 percent of the Company's share capital.

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. Outstanding subscription rights from earlier stock option programs expired in 2006. New subscription rights from the 2005 stock option plan were awarded to the members of the Management Board in 2007.

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 Corporations Act. Notwithstanding Section 76 (2) of the German Stock Corporations 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 Stock Corporations Act. Article 13 of the Company's bylaws authorizes the Supervisory Board to implement editorial amendments and additions to the bylaws.

There are no material change-of-control clauses or compensation agreements with members of the Management Board in the event of a change of control.

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

Sales and earnings

The NorCom Group's consolidated sales remained steady at the previous year's level, although the individual segments within the Group performed disparately. All told, the NorCom Group achieved sales of EUR 28.70 million (previous year: EUR 29.88 million).

Munich-based **NorCom AG** recorded a substantial increase in sales in its two segments – NCConsulting and NCProducts – which is almost sufficient to recoup the decline in sales sustained by subsidiary Value & Risk. NorCom AG's sales came to EUR 14.11 million, an increase of 43 percent over the previous year (EUR 9.86 million), underpinned in particular by product business.

Value & Risk AG (V&R), Frankfurt, realigned its business activities in 2007 in response to the consolidation of its previous markets. In the first half of the year in particular, it sustained a decline in sales on account of efforts to build up its new business activities - financial engineering and risk management. Accordingly, sales for 2007 as a whole came to EUR 6.79 million, down 38 percent on the previous year (EUR 10.93 million).

Norske Systemarkitekter AS (NSA), Oslo, Norway, was unable to repeat the previous year's sales volume (EUR 9.24 million) on account of the strong competitive pressure in Norway, closing the year with sales of EUR 7.80 million.

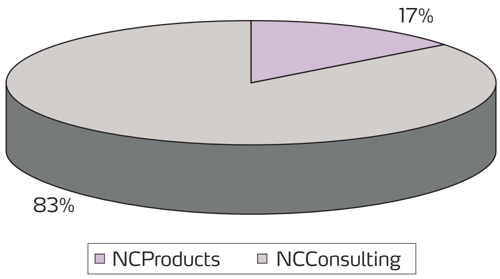
As a result, the NorCom Group failed to achieve the above-average sales growth which had been forecast in last year's management report.

Total revenues for 2007 came to EUR 31.00 million, up 3 percent on the previous year (EUR 30.20 million).

NorCom's business activities comprise two segments – NCProducts and NCConsulting. Contrary to previous reporting practices, the Maintenance segment is now no longer described separately but assigned directly to the applicable segments in the interests of heightened transparency.

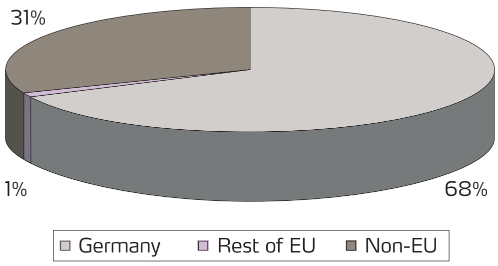
In the year under review, the **NCProducts** segment grew sharply, generating sales of EUR 4.97 million, an increase of 45 percent over the previous year (EUR 3.43 million). This favorable performance was attributable to the intensified international sales and marketing efforts as well as extensions to the range. Given the more muted performance of its subsidiaries, **NCConsulting** recorded sales of EUR 24.30 million, i.e. down on the previous year (EUR 26.46 million).

Breakdown of sales by segment (%)



Regionally, NorCom's business activities break down into Germany, the European Union and the Rest of the World. The increase in sales in Germany to EUR 19.30 million is due to the strong performance of NorCom AG's consulting business (previous year: EUR 18.50 million). Accordingly, it was possible to recoup the decline in sales sustained by Value & Risk in Germany.
EU sales declined to EUR 0.28 million (previous year: EUR 1.13 million) on account of the weaker performance at Value & Risk. Non-EU sales contracted to EUR 9.13 million (previous year: EUR 10.25 million) despite NorCom AG's strong international product business. This decline was caused by NSA in Norway.

Breakdown of sales by region (%)



All in all, the NorCom Group achieved earnings before interest, taxes and depreciation/amortization **(EBITDA)** of EUR 0.73 million (previous year: EUR 2.56 million) and earnings before interest and taxes **(EBIT)** of EUR 0.02 million (previous year: EUR 1.84 million). The decline in operating earnings compared with the previous year is due to the new strategic positioning efforts at NorCom and Value & Risk as well as the related spending requirements. Earnings also came under strain from the cost of materials, which rose to EUR 12.15 million (previous year: EUR 8.29 million) due for the most part to an increase in external IT consulting services.

Net income for the year before minorities came to EUR 0.98 million (previous year: EUR 3.06 million). **Minority interests in profit** stood at EUR 0.03 million in the year under review (previous year: EUR 0.54 million) due to the weaker performance of the subsidiaries. Allowing for deferred tax assets recognized for tax losses, **net income for the year after minorities** reached EUR 0.94 million (previous year: EUR 2.53 million). Basic **earnings per share** equal EUR 0.09 (previous year: EUR 0.24).

Accordingly, the NorCom Group lived up to the earnings forecast set out in last year's management report

Main sales and earnings indicators:

EUR	2007	2006
Sales	28,702,356	29,880,832
Total revenues	30,995,367	30,204,018
Gross profit	18,841,807	21,914,042
Gross margin	61%	73%
Earnings before interest, taxes, depreciation and amortization (EBITDA)	728,933	2.558,678
Earnings before interest and taxes (EBIT)	22,582	1,841,763
Consolidated net income	942,631	2.527,720

Headcount

The Group's average headcount rose slightly from 149 in 2006 to 151 in 2007. As of December 31, 2007, the headcount stood at 160 (previous year: 152). The reduction in personnel resources at Value & Risk was offset by additional recruiting at NorCom AG.

	2007	2006
Headcount as of balance sheet date	160	152
Average headcount	151	149

Net assets and financial condition

At EUR 11.21 million as of December 31, 2007, **non-current assets** increased over the end of 2006 (EUR 10.34 million). As in the previous year (EUR 9.30 million), the bulk was accounted for by intangible assets (particularly goodwill) of EUR 10.08 million.

Current assets came to EUR 22.19 million, down from EUR 18.29 million in the previous year. Of these, **receivables and other assets** were valued at EUR 8.51 million as of December 31, 2007 (previous year: EUR 8.10 million).

At EUR 9.78 million, **cash and cash equivalents** contracted marginally in 2007 (previous year: EUR 10.39 million)

As in the previous year, there were no liabilities to banks at the Group level. Accordingly, the liquidity situation is favorable.

Shareholders' equity stood at EUR 22.32 million at the end of 2007 (previous year: EUR 22.32 million), translating into an equity ratio of 68.6 percent (previous year: 63.8 percent). Non-current assets are thus covered in full by shareholders' equity, ensuring compliance with the matching maturities principle.

In the year under review, **liabilities** dropped from EUR 4.43 million to EUR 4.13 million at the end of 2007. Of these, **trade payables** were valued at EUR 2.35 million as of December 31, 2007 (previous year: EUR 1.81 million).

Provisions were valued at EUR 3.18 million, down on the previous year (EUR 4.84 million) particularly as a result of lower tax provisions.

As of December 31, 2007, **total assets** stood at EUR 32.51 million (previous year: EUR 34.97 million).

Main balance sheet indicators:

EUR	12/31/2007	12/31/2006
Total assets	32,511,679	34,967,767
Assets		
Non-current assets	11,214,918	10,344,249
Current assets	18,258,862	22,211,085
Equity capital and liabilities		
Equity capital	22,324,126	22,318,538
Provisions	3,176,082	4,836,219
Liabilities	4,130,455	4,432,521

Financial situation

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

Net cash flow used in operating activities in the period under review came to EUR 1.31 million (previous year: net cash inflow generated by operating activities of EUR 0.79 million).

Net cash used in investing activities came to EUR 1.57 million in 2007 (previous year: EUR 0.26 million).

Net cash used in financing activities amounted to EUR 1.36 million (previous year: EUR 1.39 million).

All in all, **cash and cash equivalents** contracted from EUR 14.11 million in 2006 to EUR 9.78 million in the year under review.

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

In its two segments, NorCom was able to extend its market position, tap new customer groups and intensify existing customer contacts. In the software products segment, it broadened its international sales and marketing activities and gained numerous new customers outside Europe for its NCPower Pro range. Despite the necessary spending on product and consulting activities, the NorCom Group posted a profit on its operating activities. Thanks to efforts to build up expertise within the Company, intensify market activities and step up international sales and marketing efforts, NorCom is poised to successfully embrace the future in 2007.

IV. Research and development

Over the past few years, NorCom's activities in the media industry have primarily entailed projects for major TV broadcasters requiring a high degree of individualization. Accordingly, the proportion of project work has been very high. In 2007, NorCom modified its strategy and is now focusing on selling and integrating a strong and broad-based product range. Known as the Unified Media Factory, the newly developed integrated solution covers all the requirements of small and large TV broadcasters, supporting the entire newsroom workflow including ingesting, production and planning, archiving and playout. Accordingly, the overall solution is being offered on the market as a single product. In 2007, NorCom capitalized research and development expenses of EUR 1.11 million not related to specific contracts.

V. Material events occurring after the balance sheet date

Since the balance sheet date, NorCom AG has bought back a further 123,223 of its own stock. As of March 11, 2008, it holds 5.63 percent of its share capital.

No further transactions subject to compulsory disclosure have occurred or come to light since December 31, 2007.

VI. Risk report

Risks and opportunities management system

The Act on Corporate Controlling and Transparency (KonTraG), which took effect on May 1, 1998, imposes on companies' management the duty to establish a risk management system. The purpose of an efficient risk management system is to "detect at an early stage any developments liable to impair the company's going-concern status" (Section 91 (2) of the German Stock Corporations Act).

In the course of its business, NorCom AG is exposed to qualitative as well as quantitative risks. The qualitative risks comprise sales, sourcing and marketing risks while the quantitative ones entail the Group's sales, earnings and liquidity situation.

Early and full detection of such risks as well as the implementation of suitable precautions to minimize risk are crucial for a company's long-term economic success. At the same time, market opportunities and competitors are analyzed.

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 AG'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, analyzing, 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. To ensure early risk detection as well as the evaluation of opportunities, regular risk reports are prepared with minimum delay and 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.

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 and budgets. Goal deviation analyses are conducted regularly by the responsible officers within the Company to ensure that appropriate steps can be taken to correct any deviations swiftly.

Individual risks

Economic and sector risks

The NorCom Group is exposed to material **market and competition risks**. Weak economic conditions as well as muted core markets may have an adverse effect on target customers' spending practices with a corresponding impact on the business performance of NorCom and its subsidiaries.

NorCom AG monitors the markets of relevance to it and its subsidiaries closely to track and evaluate key developments. Shorter product life cycles, the growing exhaustion of technological potential and the related competitive pressure are evident in all markets, albeit to differing extents. The NorCom Group is well positioned to assert itself in the market thanks to intensive marketing activities, maintenance of customer contacts and heightened development activities. In 2007, NorCom resolutely extended sales and marketing activities to include target markets, intensified marketing activities in existing markets and enhanced its range of products and services in the light of market requirements.

Personnel risks

As NorCom AG is active in an expertise-intensive area (software development and consulting) 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. To reduce this risk, staff are tied to the Company by means of variable compensation incentives. At the same time, a stock option plan has been established.

One risk for the Group entailed the loss of key personnel resources at Value & Risk AG at the end of 2006. This gave rise to a situation in which the former employees competed with Value & Risk AG for the same customers, ultimately causing a decline in business. To offset this effect, new staff were recruited and trained and new project business obtained. Moreover, heightened costs were sustained in 2007 for personnel recruitment and training, sales and marketing as well as guarantee commitments and legal consulting.

In their early phase, new major contracts require the deployment of external service providers as for cost variabilization reasons NorCom does not maintain the necessary capacity in reserve. However, sustained deployment of external staff with such contracts would exert considerable pressure on the margin. It is not least of all for this reason that NorCom AG has a certain dependence on these service providers. NorCom seeks to reduce this dependence by maintaining appropriate capacities of its own.

Production risks

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

The NCPower Pro software product range is targeted at 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.

Consulting business is characterized by large-scale contracts awarded by the public and financial services sectors, giving rise to the risk of dependence on a small number of large customers. 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 NCIntegrate middleware integration software. In addition, one-year automatically renewing maintenance contracts are signed for NCPower Pro.

IT risks

IT risks primarily 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. A further aspect is heightened protection from unauthorized access and virus attacks. In 2007, system availability was again improved and the networks adjusted in the light of the Group's heightened requirements.

Financial risks

The financial instruments held by the Company primarily comprise receivables, liabilities and cash at banks. It has an efficient accounts receivable monitoring system, ensuring that payment defaults are the exception.

Liabilities are settled within the stipulated period.

The purpose of the Company's financial and risk management is to avert financial risks of all kinds. In its financial management, NorCom pursues a conservative risk profile.

Financial risks can arise from customer payment 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 immediately 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 has strengthened its software product activities in the past, particularly in the year under review. In doing so, its main focus has been on strengthening international sales and marketing efforts as well as enhancing and extending the functionality of the NCPower Pro range. The sales growth in this segment is encouraging NorCom to systematically continue on this course.
NorCom is already active in Germany, a number of European countries, Eastern Europe, Russia as well as Lebanon and Kuwait and plans to intensify its sales and marketing activities in these markets.

In 2008, NorCom intends to broaden its market presence to include all of Europe as well as China. Expansion plans for the medium term encompass India, South East Asia and the United States. With the customer base gained in the past, NorCom holds excellent references, which will aid it in future efforts to generate new business in the media industry.

In addition, NorCom will also be concentrating on development activities and tapping new customer groups with a range of products oriented to customer requirements. In particular, the ongoing digitization of content and the related trend of marketing TV via the Internet are opening up promising potential for future growth for NorCom. In order to continue offering an attractive range in these new markets, NorCom has been steadily extending its product portfolio with specially tailored consulting services and will be stepping up these activities in the future. In addition to NCPower, which will continue to be used in integration business for existing broadcasting structures, NorCom will be extending its product range and presenting an optimum solution for web, mobile and corporate TV. Looking forward, it will continue to extend and supplement its range in an effort to cover all distribution channels to optimum effect. Thanks to extensive research and development activities, NorCom is additionally laying the foundations for playing a key role in the software product market.

Turning to consulting, NorCom will continue to extend its activities targeted at public-sector customers at its Nuremberg site and build up internal resources for core competences in order to strengthen the Company's own skills. At the Frankfurt office, NorCom will be continuing the previous successful projects such as IT service management in the public sector and also placing its sales team on a broader basis to generate new business.

In addition, the consulting activities will be focusing on providing support for the NCProducts range, thus allowing synergistic effects to be harnessed. By combining IT solutions and innovative software products, NorCom is creating a range which is unrivaled in the convergent broadcasting and IT market. In this way, it possesses an ideal basis for extending its range of products and consulting services beyond conventional TV and radio broadcasting to include the innovative markets of Internet television (IPTV) as well as corporate and mobile TV. As a result, it will be able to serve the broad media market.

With this segmentation – NCProducts and NCConsulting – and the resultant synergistic benefits, NorCom has gained a face to the market, which demonstrates its future focus. In addition, it will be retaining and guiding its present subsidiaries with the aim of achieving above-average organic growth. With this strategic alignment, NorCom AG will be able to leverage its strengths: growth in excess of the market average, a solid balance sheet structure and a solid operating base. The Company is continuing to work towards achieving its long-term goal of positioning the NorCom Group as an attractive investment in the capital market by concentrating its business activities and enhancing its technological competence.

For 2008, NorCom AG expects sales in the product segment to double, accompanied by a roughly 20 percent increase in sales in the consulting segment. The cumulative EBIT margin for both segments will be in the high single digits.

The subsidiary Value & Risk will benefit from the spending executed in 2007 on realigning the company and building up expertise. As a result, it expects sales to expand by around 20 percent. Its aim is to generate operating profit. NSA, for its part, projects a single-digit EBIT margin on sales growth of over 10 percent in 2008.

Munich, March 11, 2008

The Management Board

Consolidated balance sheet (IFRS)

EUR		12/31/2007	12/31/2006
	Consolidated notes No.		
Trade receivables	(4)	7,504,151	6,696,220
Other receivables and other assets	(5)	1,006,177	1,400,601
Securities held as current assets	(6)	-	3,721,528
Cash and cash equivalents	(7)	9,775,534	10,392,736
Current assets		**18,285,862**	**22,211,085**
Prepaid expenses	(8)	**105,482**	**115,128**
Intangible assets	(1)	10,076,543	9,296,659
Property, plant and equipment	(2)	428,091	337,306
Financial assets	(3)	710,284	710,284
Non-current assets		**11,214,918**	**10,344,249**
Deferred taxes	(9)	**2,905,417**	**2,297,305**
Assets		**32,511,679**	**34,967,767**

EUR	Consolidated notes No.	12/31/2007	12/31/2006
Advance payments on orders		30,607	53,340
Trade payables	(15)	2,353,200	1,812,930
Other liabilities	(16)	1,746,648	2,566,251
Liabilities		**4,130,455**	**4,432,521**
Deferred income		**98,927**	**103,970**
Tax provisions		117,421	1,086,428
Other provisions	(13)	3,058,661	3,749,791
Provisions		**3,176,082**	**4,836,219**
Deferred taxes	(9)	**14,040**	**155,350**
Minority interests		**2,768,049**	**3,107,870**
Capital contributions made to implement the capital increase		**-**	**13,301**
Subscribed capital	(10)	10,151,071	10,620,443
Share premium	(11)	1,406,265	1,840,016
Differences from currency translation		-181,869	-147,950
Consolidated unappropriated surplus		10,948,659	10,006,028
Equity capital		**22,324,126**	**22,318,538**
Equity capital and liabilities		**32,511,679**	**34.967.767**

Consolidated income statement

EUR	Consolidated notes No.	Jan - Dec 2007	Jan - Dec 2006
Revenues	(17)	28,702,356	29,880,832
Other operating income	(18)	1,181,163	323,186
Own work capitalized	(17)	1,111,848	-
Total output		**30,995,367**	**30,204,018**
Staff costs	(19)		
a) Cost of goods bought		-1,482,577	-346,708
b) Cost of services bought		-10,670,983	-7,943,268
Gross profit		**18,841,807**	**21,914,042**
Staff costs	(20)		
a) Wages and salaries		-11,995,134	-13,082,881
b) Social security		-1,265,072	-1,324,215
Other operating expenses	(22)	-4,852,667	-4,948,268
Earnings before interest, tax, depreciation and amortization (EBITDA)		**728,933**	**2,558,678**
Depreciation and amortization	(21)	-706,350	-711,554
Depreciation on securities held as current assets		-	-5,361
Earnings before interest and tax (EBIT)		**22,582**	**1,841,763**
Income from securities held as current assets		4,414	83,126
Interest and similar income	(23)	469,953	322,033
Interest and similar expenses	(23)	-51,165	-95,047
Earnings before tax (EBT) and minorities		**445,785**	**2,151,875**
Taxes on income	(24)	531,527	912,723
Net income for the year before minorities		**977,312**	**3,064,598**
Minority interest in profit (-)		-34,681	-536,878
Net income for the year		**942,631**	**2,527,720**
Earnings per share (diluted and basic)	(12)	0.09	0.24

Statement of changes in consolidated equity 2007

EUR	Subscribed capital	Share premium	Consolidated unappropriated surplus	Differences from currency translation	Total
Amount on December 31, 2006	**10,620,443**	**1,840,016**	**10,006,028**	**-147,950**	**22,318,538**
Stock buyback programm	-475,105	-468,135	-	-	-943,240
Capital surplus	5,733	7,568	-	-	13,301
Management stock option program	-	26,816	-	-	26,816
Differences from currency translation	-	-	-	-33,919	-33,919
Consolidated net income 2007	-	-	942,631	-	942,631
Amount on December 31, 2007	**10,151,071**	**1,406,265**	**10,948,659**	**-181,869**	**22,324,126**

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 for 2006	-	-	2,527,720	-	2,527,720
Amount on December 31, 2006	**10,620,443**	**1,840,016**	**10,006,028**	**-147,950**	**22,318,538**

Consolidated cash flow statement

EUR '000		Jan - Dec 2007	Jan - Dec 2006
	Consolidated notes No.		
Net profit for period including minorities		977	3,065
Depreciation and amortization of fixed assets		706	712
Depreciation and amortization of current assets		-	5
Other non-cash expenses and income		-10	-
Changes in provisions		27	-
Changes in inventories		-1,660	397
Changes in trade receivables		-808	-2,777
Changes in other receivables and other assets, not attributable to investing or financing activities		-204	-2,087
Changes in trade payables		540	1,228
Changes in other liabilities, not attributable to investing or financing activities		-877	243
Cash flows from operating activities		**-1,309**	**786**
Payments made for investments in intangible assets and property, plant and equipment		24	-
Payments made for investments in financial assets		-1,597	-262
Cash flows from investing activities		**-1,572**	**-262**
Payments received from equity increases		-	13
Stock buyback program 2007		-943	-
Changes in borrowings		-112	-155
Payments made to minorities		-303	-1,247
Cash flows from financing activities		**-1,358**	**-1,389**
Cash changes in cash and cash equivalents		**-4,239**	**-865**
Exchange-rate, consolidation and valuation-related changes to cash and cash equivalents.	(26)	-99	-75
Cash and cash equivalents at beginning of period		14,114	15,054
Cash and cash equivalents at end of period		**9,776**	**14,114**
Additional information			
Interest received during year		708	322
Interest payments during year		-130	95
Tax payments during year		-1,106	-526

Group segment report

	NCConsulting		NCProducts		Internal sales		Group	
EUR '000	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Revenues	24,296	26,455	4,968	3,426	-562	-	28,702	29,881
EBIT	92	1,861	-70	-19	-	-	23	1,842
Book value of assets	22,792	26,163	6,522	6,503	4	4	29,318	32,670
Liabilities	5,835	6,884	1,354	1,222	-	76	7,189	8,182
Depreciation	407	393	300	319	-	-	706	712
Capital spending	1,161	240	435	22	-	-	1,597	262
Non-cash expenses	111	23	56	10	-	-	167	34

	Germany		Rest of EU		Non-EU		Group	
EUR '000	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Revenues by customer location	19,293	18,500	277	1,134	9,133	10,247	28,702	29,881
Bookvalue of assets	18,597	21,246	6,522	2,851	4,199	8,574	29,318	32,670
Capital spending	927	79	435	9	234	174	1,597	262

Statement of changes in consolidated assets

	Historical cost				
EUR	**Carried forward at 1/1/2007**	**Additions**	**Disposals**	**Currency differences**	**Amount on 12/31/2007**
I. Intangible assets					
1. Commercial property rights and similar rights	4,639,031.56	136,471.18	-	28,045.88	4,803,548.62
1.1 Development costs	3,202,341.33	1,111,848.19	-	-	4,314,189.52
2. Goodwill	25,564.59	-	-	-	25,56.59
3. Goodwill from acquisition accounting	25,627,110.75	-	-	-	25,627,110.75
	33,494,048.23	**1,248,319.37**	**-**	**28,045.88**	**34,770,413.48**
II. Property, plant and equipment					
1. Land and similar rights and buildings including on leasehold land	34,108.99	-	-	1,135.47	35,244.46
2. Other equipment, operating and business equipment	3,213,519.58	348,588.26	430,159.33	48,100.15	3,180,048.66
	3,247,628.57	**348,588.26**	**430,159.33**	**49,235.62**	**3,215,293.12**
III. Financial assets					
1. Equity investments	1,373,684.95	-	-	-	1,373,684.95
	1,373,684.95	**-**	**-**	**-**	**1,373,684.95**
	38,115,361.75	**1,596,907.63**	**430,59.33**	**77,281.50**	**39,359,391.55**

Depreciation and amortization					Book values	
Carried forward at 1/1/2007	Depreciation and amortization in year under review	Disposals	Currency differences	Amount on 12/31/2007	12/31/2007	12/31/2006
4,457,671.56	106,896.65	-	23,070.87	4,587,639.08	215,909.54	181,360.00
2,627,504.96	366,513.04	-	-	2,994,018.00	1,320,171.52	574,836.37
25,564.59	-	-	-	25,564.59	-	-
17,086,648.40	-	-	-	17,086,648.40	8,540,462.35	8,540,462.35
24,197,389.51	**473,409.69**	**-**	**23,070.87**	**24,693,870.07**	**10,076,543.41**	**9,296,658.72**
19,445.12	7,010.06	-	686.60	27,141.78	8,102.68	14,663.87
2,890,876.99	225,930.58	400,263.62	43,516.46	2,760,060.41	419,988.25	322,642.59
2,910,322.11	**232,940.64**	**400,263.62**	**44,203.06**	**2,787,202.19**	**428,090.93**	**337,306.46**
663,400.91	-	-	-	663,400.91	710,284.04	710,284.04
663,400.91	**-**	**-**	**-**	**663,400.91**	**710,284.04**	**710,284.04**
27,771,112.53	**706,350.33**	**400,263.62**	**67,273.93**	**28,144,473.17**	**11,214,918.38**	**10,344,249.22**

Statement of changes in consolidated provisions

EUR	Provisions 01/01/2007	Differences from currency translation 01/01/2007	Utilization	Reversal	Additions	Provisions on 12/31/2007
Taxes on income	1,086,428.00	-	1,086,428.00	-	117,421.00	117,421.00
Other provisions						
Staff costs	2,298,974.81	-	1,462,060.01	608,842.04	1,422,442.79	1,650,515.55
Guarantee obligations	367,700.00	-	-	128,900.00	-	238,800.00
Auditing costs	121,216.00	-	120,636.00	580.00	110,200.00	110,200.00
Others	961,899.75	18,368.60	405,530.94	283,724.77	768,132.46	1,059,145.10
Total other provisions	**3,749,790.56**	**18,368.60**	**1,988,226.95**	**1,022,046.81**	**2,300,775.25**	**3,058,660.65**

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, 2007 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 investments in other companies particularly in the area of software development and consulting in connection with the development of individual software as well as to strategically manage and coordinate such companies.

NorCom Information Technology AG is domiciled in Gabelsbergerstr. 4, Munich, Germany.

Companies consolidated

In addition to NorCom Information Technology AG, the consolidated financial statements for the year ending December 31, 2007 include three domestic and three foreign companies with respect to which NorCom Information Technology AG holds a direct majority of the voting rights and exercises uniform management responsibility.

Name and domicile of company	Share %	IAS Equity capital 12/31/2007 EUR '000	IAS Equity capital 12/31/2006 EUR '000	IAS Net profit/loss 2007 EUR '000	IAS Net profit/oss 2006 EUR '000
NorCom Information Technology AG, Munich		18,744	18,123	1,538	3,434
NorCom Information Technology Inc., Atherton, USA	100	19	19	-	-
MaxiMedia Technologies GmbH, Munich	100	-1,286	-920	-366	-164
Value & Risk AG, Frankfurt	51	3,217	3,987	-30	696
NorCom Systems Technology GmbH, Munich	100	71	19	52	-6
Norske Systemarkitekter AS, Oslo, Norway	51	2,699	2,697	100	403
NorCom Information Technology GmbH, Moscow, Russia	100	26	-	-	-

NorCom holds a total share of 21.7% directly and indirectly in CognIT AS, Halden, Norway. Accordingly, it would be fundamentally possible for this investment to 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, 2006, CognIT AS had equity of EUR 1.258 million. Net loss for 2006 stood at EUR 169 million.

On November 12, 2007, NorCom Information Technology AG incorporated a Russian subsidiary, NorCom Information Technology Gesellschaft mit beschränkter Haftung, under the laws of the Russian Federation with registered offices in Moscow, Russia. NorCom holds 100% of the share capital of 900,000 rubles of this subsidiary. The subsidiary did not commence operations in 2007.

Principles of Consolidation

In accordance with IAS 22 (Business Combinations), companies acquired before January 1, 2006 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 writedowns 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 are eliminated.

Summary of significant accounting policies

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 prepared 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 translated at the end-of-year exchange rate, equity items at historical rates and expenditure and income at the average exchange rate for the year in the consolidated financial statements. Any resulting exchange differences are recognized 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 due for settlement in more than 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.

Held-for-sale securities, cash and cash equivalents

Held-for-sale securities 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 historical cost 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 it 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.

Property, plant and equipment

Property, plant and equipment are recorded 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 provision

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 taken to the income statement only if they lie outside a corridor of 10% of the present value of the entitlement. In this case they are distributed over the future average remaining working life of the employees concerned.

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

Other provisions

Other provisions include all the other uncertain liabilities and risks of the Group towards third arties 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 endowment 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 he 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 32.98% in 2007. 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% in the year under review. As a result of the corporate tax reform, the tax rate will drop to 32.98% as of 2008. This new rate was applied to the calculation of deferred taxes in the financial statements for 2007.

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 in 2007 were examined for their effects on NorCom AG's consolidated financial statements.

IAS 1 "Presentation of Financial Statements – Comprehensive Income" (revised). The revised standard provides for the separate presentation of non-share-related expenses and income and is mandatory for all financial years beginning on or after January 1, 2009. This is not expected to have any material effect on NorCom IT AG's financial reporting.

IFRS 8 "Operating Segments" replaces the segment reporting guidance contained in IAS 14 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 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 onthe financial statements.

IFRIC 13 "Customer Loyalty Programs" provides guidance on accounting for obligations towards customers under customer loyalty programs and must be applied to financial years commencing on or after January 1, 2008. As NorCom does not have any customer loyalty, this standard does not have any effect on the financial statements.

IFRIC 14 "The limit on a defined benefit asset minimum, funding requirements and their interaction" aims to supplement IAS 19 and must be applied to financial years beginning on or after January 1, 2008. It will not result in any material changes to NorCom AG's reporting.

Notes on the consolidated balance sheet

(1) Intangible assets

As in the previous year, goodwill resulting from acquisition accounting relates to Value & Risk AG, Frankfurt (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 2008 - 2010. For 2010 and later, it was assumed that net income would remain steady at 2009 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 capitalized development costs (EUR 1.112 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 changes in assets (Appendix 1 of the notes) sets analyzes movements 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) 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 adjustments for doubtful or bad debts. The writedowns on receivables are both individual and global in nature on a portfolio basis in order to allow for the immanent risks of impairment for the portfolio of receivables. This was based for the most part on a percentage of 1%. Global adjustments of EUR 0.127 million (previous year: EUR 0.117 million) and individual adjustments of EUR 0.016 million (previous year: EUR 0.020 million) were included. Trade receivables break down as follows on the balance sheet date:

EUR	12/31/2007	12/31/2006
Invoiced trade receivables	6,117,776.92	5,764,377.21
Future receivables from construction contracts (POC)	1,386,373.58	931,842.49
Total trade receivables	**7,504,150.50**	**6,696,219.70**

In accordance with percentage-of-completion accounting, advance payments of EUR 0.769 million (previous year: EUR 0.204 million) were netted.

(5) Other receivables and other assets

EUR	12/31/2007	12/31/2006
Asset value of reinsurance contract (amount exceeding pension provisions)	476,768.99	274,199.96
Tax reimbursement claims	304,002.06	520,286.49
Advance payments made	141,272.63	556,296.96
Deposits made	7,969.78	24,912.90
Amounts owing to employees	902.18	16,849.13
Others	75,261.27	8,055.57
	1,006,176.91	**1,400,601.01**

The other receivables and assets are shown at their nominal value and are due for settlement in less than one year. The asset value of the reinsurance cover has a residual term of over five years.

(6) Held-for-sale securities

As of December 31, 2007, NorCom IT AG did not have any securities on its books (previous year: EUR 3.722 million). All securities were sold in the course of the year.

(7) Cash and cash equivalents

EUR	12/31/2007	12/31/2006
Cash in hand	11,050.90	3,695.66
Cash at banks	6,256,985.42	5,913,151.38
Fixed-term accounts	3,507,497.63	4,475,889.37
	9,775,533.95	**10,392,736.41**

(8) Prepaid expenses

Prepaid expenses primarily comprise rentals paid in advance for the following year.

(9) Deferred taxes

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

EUR '000	12/31/2007	12/31/2006
Deferred tax assets		
Cumulative tax losses	2,905	2,297
	2,905	**2,297**
Deferred tax assets		
Current assets	14	155
	14	**155**
Deferred taxes, net	**2,891**	**2,142**

Previously, no deferred taxes assets were recognized for the tax losses of around EUR 18.5 million.

(10) Subscribed capital

As of December 31, 2007, NorCom Information Technology AG had 10,626,176 outstanding bearer shares 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 addition, the contingent capital for the stock option program (31) was increased. In the year under review, use of the aforementioned issue option in a value of EUR 5,733 was made. This was entered in the commercial register in 2007.

As part of its stock buyback program, the Company acquired 475,105 treasury shares in the year under review. In a resolution passed on June 14, 2007, 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 13, 2008.

(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.

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.

EUR	**2007 Basic**
Net income for the year	942,630.31
Number of shares (average)	10,274,949
Earnings per share (EUR)	0.09

Earnings per share are calculated by dividing the net income for the year by the weighted average of the number of shares outstanding. Diluted earnings per share are identical to basic earnings per share.

(13) Other provisions

Other provisions are shown in the statement of asset movements (Appendix 3 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 comprise rental obligations for the former office premises of NorCom Information Technology AG, Munich.

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:	**12/31/2007 %**
Notional interest	5.70
Salary trend	-
Interest on plan assets	4.0
Adjustment to pension	1.0

Movements in pension provisions:	**2007** EUR '000
Amount on January 1, 2007	0
Service cost	-
Income from plan assets	-7
Interest expense	7
Additions to contributions	-
Net unrecognized defined-benefit obligations	-
	0

Reconciliation with balance sheet:	**12/31/2007** EUR '000
Present value of defined-benefit obligations	178
Value of plan assets as of 12/31/2007	197
Unrecognized actuarial gains	19
Net unrecognized defined-benefit liabilities	-
	0

Net expenditure under the pension commitment came to EUR nil.

EUR '000	**2007**
Interest expenses	-7
Expected capital gains in 2007	7
	0

In the fiscal year the expenses from setting aside and increasing the pension provisions 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) Trade payables

The total amount of EUR 2.353 million (previous year: EUR 1.813 million) is due for settlement within one year.

(16) Other liabilities

EUR	12/31/2007	12/31/2006
Taxes (excluding payroll and church tax)	707,438.00	887,675.44
Wage and salary liabilities	570,064.71	1,145,554.86
Payroll and church tax	290,610.21	171,833.98
Loans from non-banks	100,401.77	222,574.67
Social security liabilities	-	2,066.70
Others	76,604.31	136,545.70
	1,745,119.00	**2,566,251.35**

All liabilities are due for settlement in less than one year.

Notes on the consolidated income statement

(17) Sales and own work capitalized

A distinction is made between revenues from NCProducts (product/license sales) and NCConsulting (professional services/IT consulting). The breakdown of revenues by division and region is shown in the attached segment report.

No revenues were generated with affiliated companies in fiscal 2007.

Revenues from the percentage of completion method pursuant to IAS 11 amount to EUR 1.329 million (previous year: EUR 0.867 million). These must be set against costs amounting to EUR 1.000 million (previous year: EUR 0.721 million) resulting in gross profit of EUR 0.329 million (previous year: EUR 0.146 million).

Own work capitalized results from the capitalization of development costs of EUR 1.112 million in 2007.

(18) Other operating income

Other operating income breaks down as follows:

EUR	2007	2006
Income from the reversal of provisions	899,725.61	159,752.48
Off-period income	128,221.44	4,493.82
Income from utilization of automobiles	73,247.87	69,435.40
Income from sale of non-current assets	11,625.78	10,000.00
Rental income	205.00	156.00
Rental from reversal of general adjustments	110.00	1,600.00
Other income	68,027.18	77,747.92
	1,181,162.88	**323,185.62**

(19) Cost of materials

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

(20) Staff costs

EUR	2007	2006
Wages and salaries	11,995,134.49	13,082,881.34
Social security, post-retirement benefits and others	1,265,072.00	1,324,214.73
	13,260,206.49	**14,407,096.07**

(21) Depreciation and amortization

EUR	2007	2006
Intangible assets	473,409.69	524,550.08
Property, plant and equipment	232,940.64	187,004.38
	706,350.33	**711,554.46**

(22) Other operating expenses

Other operating expenses break down as follows:

EUR	2007	2006
Other operating expenses	1,459,822.64	1,522,661.56
Administrative expenses	1.958,070.44	2,272,183.56
Cost of sales	1,347,372.66	1,096,395.48
Off-period expenses	85,309.50	55,503.28
Other taxes	2,092.00	1,524.00
	4,852,667.24	**4,948,267.88**

(23) Net interest result

EUR	2007	2006
Interest and similar income	469,952.72	322,032.69
Interest and similar expenses	-51,165.35	-95,046.74
	418,787.37	**226,985.95**

(24) Tax expenses / income

Tax expenses break down as follows:

EUR '000	2007	2006
Current taxes	-20	-526
Deferred tax liabilities (-) / deferred tax assets (+)	552	1,438
	532	**912**

Deferred taxes on loss carryforwards 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 1.706 million as well as trade tax losses of EUR 1.199 million.

Deferred tax assets were recognized for the tax losses sustained by MaxiMedia Technologies GmbH, Munich, NSA and NorCom Information Technology AG. Deferred tax assets total EUR 2.905 million (previous year: EUR 2.297 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	2007	2006
Earnings before income taxes	445,785	2,151,875
Group tax rate	40.86%	40.86%
Expected income tax expense	-182,148	-879,256
Differences in tax rates	18,464	117,111
Differences in tax base and tax-free income	-3,142	-121,272
Measurement differences German GAAP / IFRS	-156,511	-51,709
Utilization of non-capitalized tax losses	237,770	320,712
Deferred tax assets for tax losses	1,051,011	1,527,137
Effect of future changes in tax rates	-433,917	-
Income taxes	**531,527**	**912,723**
Tax rate %	119.23%	42.42%

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

Deferred taxes as a result of changes in applicable tax rate:

EUR	Basis	Tax rate	Deferred taxes
Group tax rate in 2007	5,494	40.86%	2,245
Group tax rate after 2007 (in accordance with 2007 corporate tax reform)		32.98%	1,812
Effect of change in tax rate			**433**

(25) 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 (Appendix 2 to Notes).

Segmentation has been changed since the previous year. To aid comparability, the figures for the previous year have been restated accordingly.

NorCom defines itself as a full-chain supplier for software products and IT consulting.

Accordingly, NCConsulting comprises all services from top-management advice to IT consulting. The principal focus is on 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).

This segment also includes services in connection with the further development of and support for the software and licenses sold by the NCProducts segment. These were reported separately as "Maintenance" in the previous year.

The NCProducts segment handles the sales and marketing activities for all of NorCom Information Technology AG's products and licenses as well as NCIntegrate, which was reported under the "Maintenance" segment in the previous year.

(26) Cash flow statement

The cash flow statement shows the consolidated cash flows of the companies contained in the consolidated financial statements and was prepared pursuant to the provisions of IAS 7. The cash flow statement shows the changes in cash and cash equivalents of the NorCom Group broken down by cash generated by or used in 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 held-for-sale securities 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.

(27) Related party disclosures

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

Liabilities include a loan of EUR 0.100 million (previous year: EUR 0.223 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, 2007 break down as follows:

Supervisory Board	Shareholdings as of 12/31/07	Option holdings as of 12/31/07
Dr. Lutz Schmidt (Chairman)	None	None
Prof. Dr. Manfred Schlottke	None	None
Prof. Dr. Thomas Hess	None	None

Management Board	Shareholdings as of 12/31/07	Option holdings as of 12/31/07
Viggo Nordbakk (CEO)	33,687	97,270
Nordbakk Beteiligungen Verwaltungs GmbH	3,833,922	None
Dr. Tobias Abthoff	3,750	97,270

(28) Contingent liabilities

As of December 31, 2007, 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 to third parties for purchase. 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 equals the market price on the date on which the option is exercised.

(29) Other financial obligations

As of December 31, 2007, there were liabilities under long-term rental agreements and leases, which consisted mainly of operating leases for buildings and company cars.

The minimum amount of the non-discounted future lease and rental payments under operating leases was as follows as at December 31, 2007:

	EUR
2008	1,153
2009	948
2010	788
2011	762
2012	564
post 2012	2,363
	6,578

Payments under lease and rental obligations taken to the income statement came to around EUR 1.521 million in the year under review.
The rental obligations for the office premises previously used by NorCom IT AG, Munich, with an amount of EUR 0,200 million are reported under other provisions and are not included in this analysis.

(30) Staff

The Group's staff as at December 31, 2007 broke down as follows:

	Employees 12/31/2007	Employees 12/31/2006
NorCom Information Technology AG, Munich	67	44
Norske Systemarkitekter AS, Oslo/Norway	55	59
Value & Risk AG, Frankfurt	33	44
NorCom Systems Technology GmbH	4	3
MaxiMedia Technologies GmbH, Munich	1	2
Total	**160**	**152**
	2007	**2006**
Annual average headcount (excluding members of the Management Board and Supervisory Board)	**151**	**149**

(31) 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 were authorized to issue options in one or more installments ("plans") for up to 767,000 and 233,000 shares, respectively, in NorCom Information 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, 2006. 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 Contingent Capital I stands at EUR 818,251.00 and Contingent Capital II at EUR 201,840.00.

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.

On March 16, 2007, the Management Board of NorCom passed a resolution to make use of this authorization. The Supervisory Board approved the Management Board's resolution on March 27, 2007.

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 period matches or is superior to 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 exercised subscription rights vesting in them under the Company's stock option program 2001/2007 in the year under review. 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 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
- Previous 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

	2007 Numbers
Non-forfeited option rights as of January 1, 2007	0
Option rights expiring in 2007	0
Option rights exercised in 2007	194,540
Non-forfeited option rights as of December 31, 2007	194,540

The fair value of the stock options as of the balance sheet date was calculated indirectly on the basis of the fair value of the equity instruments granted and came to EUR 0.204 million (EUR 1.05 per share). Expense of EUR 0.027 million is shown under personnel expenses for the year under review.
The value was measured on the basis of the Black-Scholes model, using the following parameters:

Exercise price	EUR 3.06
Duration of option	3 years
Expected dividend	EUR 0.00
Risk-free interest rate	3.50 %
Expected volatility	140.76 % (on the basis of historical volatility between January 1, 2005 and December 31, 2007)

The stock price stood at EUR 1.50 as of the balance sheet date.

(32) Legal representatives

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

Mr. Viggo Nordbakk, CEO, Munich

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

Viggo Nordbakk is chairman of the supervisory board of Value & Risk AG, Frankfurt am Main, and of Norske Systemarkitekter AS, Oslo, Norway
Dr. Tobias Abthoff does not hold any supervisory board offices.

(33) Supervisory Board

The Supervisory Board comprises:

Dr. Lutz Schmidt (Chairman),
Public accountant/tax consultant, partner in Schmidt Schuran & Partner, Dusseldorf

Prof. Dr. Manfred Schlottke M.B.A.
(deputy chairman)
Business advisor for information and communication technology, Munich,
Member of the supervisory board of Aareon AG, Mainz,
Deputy chairman of UTIMACO Safeware AG, Oberursel

Prof. Dr. Thomas Hess
Director of the Institute of Economic Information and New Media at Ludwig-Maximilian University, Munich

Dr. Lutz Schmidt sits on no further supervisory boards.

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

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

EUR	Fixed com-ponents	Variable com-ponents	Total
Viggo Nordbakk	204,522	96,408	300,930
Dr. Tobias Abthoff	137,500	-	137,500
	342,022	**96,408**	**438,430**

Remuneration paid to the Supervisory Board stood at EUR 0.040 million (previous year: EUR 0.078 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 fixed compensation 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 on which the Supervisory Board meets and he assumes the role of Deputy Chairman of the Supervisory Board.
- The members of the Supervisory Board receive 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 0.009 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 2007. The variable compensation paid was for 2006.

(35) Corporate Governance Code

The Management Board and Supervisory Board of NorCom Information Technology AG complied 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 in the version dated June 14, 2007. The declaration dated December 14, 2007 has been made available to shareholders on a permanent basis.

(36) Auditor's fee

The fees for the financial statements auditors carried as expense break down as follows for fiscal 2007:

EUR '000	2007	2006
Audit of financial statements	47	44
Other services	8	20
	55	**64**

(37) Release for publication

The Management Board of NorCom AG released the consolidated annual financial statements for submission to the Supervisory Board on March 11, 2008. The Supervisory Board is responsible for examining the consolidated financial statements and stating whether it approves them. The Supervisory Board released the consolidated financial statements for publication on March 26, 2008.

Munich, March 11, 2008

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, the income statement, statement of changes in equity, cash flow statement and the notes to the Consolidated Financial Statements, together with the Group Management`s Analysis for the business year from January 1 to December 31, 2007. The preparation of the Consolidated Financial Statements and the Group Management´s Analysis in accordance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Article 315a (1) HGB are the responsibility of the parent company's board of management. Our responsibility is to express an opinion on the Consolidated Financial Statements and on the Group Management´s Analysis based on our audit.

We conducted our audit of the Consolidated Financial Statements in accordance with Article 317 HGB and 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 Financial Statements in accordance with applicable financial reporting framework and in the Group Management´s Analysis are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to 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 Consolidated Financial Statements and the Group Management´s Analysis are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluation the overall presentation of the Consolidated Financial Statements and the Group Management´s Analysis. 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 findings of our audit, the Consolidated Financial Statements comply with IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to Article 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group Management´s Analysis is consistent with the Consolidated Financial Statements, and as a whole provides a suitable view of the Group`s position and suitably presents the opportunities and risks of future development.

Dusseldorf, March 11, 2008

Rölfs WP Partner AG
Wirtschaftsprüfungsgesellschaft

Stephan Schilling
Wirtschaftsprüfer
(German Public Auditor)

Frank Wettstein
Wirtschaftsprüfer
(German Public Auditor)

Parent company financial statements (HGB)

Management report

I. Introduction

The management report of NorCom Information Technology AG has been prepared in accordance with the accounting rules set forth in the German Commercial Code (HGB).

II. Business and underlying conditions

Overall economy

The economic upswing which emerged in earlier years continued in 2007. Despite a weak spell towards the end of the year, the global economy grew for the fifth consecutive year, expanding by a real rate of over 4 percent in 2007[1]. The German economy also expanded, with gross domestic economy (GDP) growing by 2.5 percent year on year[2]. According to experts, the global economy will continue to expand, albeit at a less dynamic rate than in earlier years. In the face of the subprime crisis, the weak US dollar and high oil prices, economic growth is expected to weaken in the industrialized nations. Going by recent forecasts, the EU will achieve growth of 2.4 percent p.a. in 2008 and 2009, down from 2.9 percent in 2007. The upswing in Germany is also expected to continue, although the pace will slow to some extent[3].

IT and software market

Within the ITC industry, software and IT services, the two segments in which NorCom is active, have grown at a disproportionately strong rate over the past ten years. According to industry experts, the IT services market expanded by 5.5 percent to EUR 139.0 billion in Europe and by 4.9 percent to over EUR 30.5 billion in Germany in 2007. Far greater growth was achieved in the software market, which expanded by 6.5 percent to EUR 75.6 billion in Europe and by 6.0 percent to around EUR 18 billion in Germany[4]. Accordingly, growth was up year on year in both segments. As a result, they are continuing to drive the ITC market[5].

Segments

NorCom Information Technology AG's business activity comprises two segments: NCProducts and NCConsulting.

NCProducts

NorCom has been active in the media industry since acquiring MaxiMedia Technologies GmbH in 2003. It has been consistently extending the functionality of its NCPower Pro range and has in particular stepped up international sales and marketing efforts. As a result, NorCom is the innovation leader for media solutions in the production and processing of multimedia content and, with the NCPower Pro range, ensures smooth broadcasting operations for TV and media companies. Known as the Unified Media Factory, the integrated solution covers all the requirements of small and large TV broadcasters, supporting the entire newsroom workflow including ingesting, production and planning, archiving and playout. As well as this, NorCom is the only market operator to have a fully Apple-based system.

Yet, NorCom's activities are not confined to the conventional broadcasting market. In addition, its solution is meeting with strong response in the nascent high-growth IPTV, mobile/portable TV and corporate TV segments.

[1] Kaufmann Research AG, Wirtschaft und Börse 2008/09
[2] German Federal Bureáu of Statistics
[3] Kaufmann Research AG, Wirtschaft und Börse 2008/09
[4] Bitkom, Autumn 2006; EITO, Update 2006
[5] Bitkom, ITK-Branche erzielt Rekord bei der Wertschöpfung in Deutschland, 2007

NCConsulting

In the Consulting segment, NorCom assists its customers in engineering IT application systems and business processes in the light of increasingly rapid changes in market requirements and has made a name for itself with mission-critical processes in particular. The bespoke solutions comprise conventional management consulting, business process analyses with a view to optimizing efficiency and network integration/security. NorCom has been able to achieve a substantial increase in order volumes particularly via long-term major projects for government authorities, thus ensuring high capacity utilization.

Locations and investments

NorCom Information Technology AG currently operates a branch in Frankfurt am Main in addition to its head office in Munich. In addition, it holds majority interests in the following companies:

MaxiMedia Technologies GmbH, Munich

NorCom entered the media industry when it acquired a 51 percent interest in MaxiMedia Technologies GmbH in 2003. MaxiMedia was taken over in full in 2005 and integrated in NorCom AG. MaxiMedia holds the exploitation rights to NCPower Pro. The company sustained a net loss for the year of EUR 0.144 million (previous year: net loss of EUR 0.191 million).

NorCom Systems Technology GmbH (NST), Munich

Historically, NorCom has primarily performed consulting activities for the public sector, particularly the German Federal Labor Agency (Bundesagentur für Arbeit) in Nuremberg. In order to serve this customer even more efficiently, it established a wholly owned subsidiary NorCom Systems Technology GmbH in Nuremberg in 2006. In 2007, this subsidiary's business widened substantially, generating net income for the year of EUR 0.056 million (previous year: net loss of EUR 0.010 million).

NorCom Information Technology GmbH, Moscow, Russia

NorCom established a wholly owned subsidiary in Moscow, Russia, at the end of 2007. As NorCom has been able to gain numerous customers in Russia in the past, the next logical step was to incorporate a subsidiary there to heighten its presence in the local market. As this subsidiary was not yet active in 2007, it did not make any contribution to earnings.

Norske Systemarkitekter AS (NSA), Oslo, Norway

NorCom holds a 51 percent share of NSA, which is based in Oslo, Norway. This IT consulting company specializes in enterprise application integration in the Oracle world. NSA generates most of its revenues from IT consulting services but also distributes the NCPower Pro media software. The company recorded net income for the year of EUR 0.100 million (previous year: net income of EUR 0.400 million).

Value & Risk AG (V&R), Frankfurt am Main

Based in Frankfurt and a provider of consulting services to banks, Value & Risk AG underwent realignment in 2007 following the consolidation of its previous markets. V&R primarily concentrates on financial derivatives, risk management and reporting. Capital spending on marketing and expertise required as a result of its forays into the high-growth financial engineering and risk management markets caused net income for the year to shrink to EUR 0.301 million (previous year: 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 for the members of the Management Board comprises a fixed component and non-cash benefits as well as a variable performance-tied component. The variable component is based on the Group's performance and success and is capped at a maximum amount to safeguard the achievement of the business targets. It 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.

In 2007, stock options were additionally awarded to the members of the Management Board. In accordance with the resolutions passed at NorCom Information Technology AG's annual general meeting on August 18, 2005, the two members of the Management Board each received 97,270 stock options.

In accordance with the recommendations of the German Corporate Governance Code, the compensation arrangements for the Supervisory Board provide for a fixed and a variable component tied to the Group's performance, with different rates paid to the chairman and the other members of the Supervisory Board.

Corporate Governance Code

On December 14, 2007, the Management Board and the Supervisory Board signed a declaration to confirm conformance with the German Corporate Governance Code in the version issued in June 2007. This declaration has been published on 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 – takeover-related data

NorCom Information Technology AG's capital is divided into 10,626,176 bearer shares each with a notional value of one euro, all of which are fully voting and dividend-entitled. The bearer shares are not subject to any transfer restrictions.

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

In a resolution passed on June 14, 2007, 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 13, 2008. The Management Board passed a resolution on July 2, 2007 to buy back the Company's stock. As of December 31, 2007, it had bought back a total of 475,105 shares, equivalent to 4.47 percent of the Company's share capital.

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. Outstanding subscription rights from earlier stock option programs expired in 2006. New subscription rights from the 2005 stock option plan were awarded to the two members of the Management Board in 2007.

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 Corporations Act. Notwithstanding Section 76 (2) of the German Stock Corporations 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 Stock Corporations Act. Article 13 of the Company's bylaws authorizes the Supervisory Board to implement editorial amendments and additions to the bylaws.

There are no material change-of-control clauses or compensation agreements with members of the Management Board in the event of a change of control.

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

Sales and earnings in accordance with German GAAP

In 2007, NorCom Information Technology AG's **sales** rose again sharply coming to EUR 12.91 million, equivalent to an increase of around 43 percent over the previous year (EUR 9.02 million). As a result, it managed to achieve the target of above-average sales growth for 2007 specified in the previous year's management report. At EUR 13.91 million, **total revenues** were also up sharply, growing by 44 percent over the previous year (EUR 9.64 million).

Gross profit shrank slightly from EUR 6.42 million in the previous year to EUR 6.12 million due to the increase in the cost of materials and services purchased.

At the **EBITDA** level (earnings before interest, taxes and amortization/depreciation), a loss of EUR 0.86 million (previous year: EUR 0.28 million) was sustained. Similarly, a loss of EUR 0.95 million arose at the **EBIT** level (earnings before interest and tax) after the previous year's earnings of EUR 0.23 million. This loss is due partially to heightened personnel expenditure as NorCom recruited additional specialists in both segments in 2007. The Products segment in particular was extended with a view to meeting future requirements. Other operating expenses were also higher due to increased rental expenditure, thus exerting pressure on the bottom line.

The share of profits of associates came to EUR 0.32 million in 2007 (previous year: EUR 1.30 million). This decline is primarily due to the weaker performance at V&R in 2007.

NorCom AG sustained a **net loss** of EUR 0.53 million for 2007, compared with net income of EUR 1.83 million in the previous year.

As a result of these exceptionals, the Company was unable to achieve the target of increased profitability for 2007 formulated in the previous year.

Headcount

In connection with the extensions to the activities of its two segments - Consulting and Products - NorCom recruited additional staff in 2007. As of the balance sheet date (December 31, 2007), NorCom Information Technology AG had a total of 67 employees (previous year: 44). The average headcount also increased from 48 in 2006 to 58 in 2007. The recruitment of qualified staff caused personnel expenses to rise from EUR 4.20 million in the previous year to EUR 4.77 million in 2007.

	2007	2006
Headcount as of balance sheet date	67	44
Average headcount	58	48

Net assets and financial condition

As of December 31, 2007, **non-current assets** were valued at EUR 7.59 million, i.e. slightly higher than in the previous year (EUR 7.46 million).
As in the previous year, the bulk was constituted by financial assets of EUR 7.37 million (previous year: EUR 7.35 million).

With respect to **current assets**, inventories and trade receivables were particularly up. At EUR 1.65 million, inventories rose by EUR 1 million over the previous year (EUR 0.65 million) particularly as a result of higher order backlogs in the product segment. **Trade receivables** climbed from EUR 2.44 million in the previous year to EUR 3.12 million at the end of 2007.

Cash and cash equivalents contracted in 2007 by around EUR 1.16 million, coming to EUR 4.15 million as of December 31, 2007 (previous year: EUR 5.31 million).

As in the previous year, there were no bank liabilities, meaning that NorCom has a solid liquidity situation.

Shareholders' equity stood at EUR 15.53 million at the end of the year (previous year: EUR 16.05 million). The equity ratio contracted from 87 percent in the previous year to 80 percent. Non-current assets are covered in full by equity capital, ensuring compliance with the matching maturities principle as in the previous year.

Liabilities rose to EUR 2.10 million, up from EUR 1.05 million in the previous year, this being primarily due to higher **trade payables** and **other liabilities** (advance payments received on orders and tax liabilities).

Provisions increased to EUR 1.85 million as of the end of the year under review (previous year: EUR 1.30 million) due in particular to allocations of EUR 0.2 million to other provisions to cover threatened losses from the failure to find new tenants for the formerly leased premises.

Total assets thus rose to EUR 19.52 million as at December 31, 2007, up from EUR 18.46 million in the previous year.

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

NorCom's sales remained on the previous year's successful trajectory in 2007. In its two segments, NorCom was able to extend its market position, tap new customer groups and intensify existing customer contacts. In the software products segment, it broadened its international sales and marketing activities and gained numerous new customers outside Europe for its NCPower Pro range.

However, operating earnings failed to live up to the previous year's favorable performance. Spending in the Product and Consulting segments was necessary to position NorCom for the future. Thanks to efforts to build up expertise within the Company, intensify market activities and step up international sales and marketing efforts, NorCom is poised to successfully embrace the future in 2007.

IV. Research and development

Over the past few years, NorCom's activities in the media industry have primarily entailed projects for major TV broadcasters requiring a high degree of individualization. Accordingly, the proportion of project work has been very high. In 2007, NorCom modified its strategy and is now focusing on selling and integrating a strong and broad-based product range. Known as the Unified Media Factory, the newly developed integrated solution covers all the requirements of small and large TV broadcasters, supporting the entire newsroom workflow including ingesting, production and planning, archiving and playout. Accordingly, the overall solution is being offered on the market as a single product. In 2007, NorCom spent EUR 1.11 million on research and development not related to specific contracts.

V. Material events occurring after the balance sheet date

Since the balance sheet date, NorCom AG has bought back a further 123,223 of its own stock. As of March 11, 2008, it holds 5.63 percent of its share capital.

No further transactions subject to compulsory disclosure have occurred or come to light since December 31, 2007.

VI. Risk report

Risks and opportunities management system

In the course of its business, NorCom AG is exposed to qualitative as well as quantitative risks.
The qualitative risks comprise sales, sourcing and marketing risks while the quantitative ones entail the Group's sales, earnings and liquidity situation.

Early and full detection of such risks as well as the implementation of suitable precautions to minimize risk are crucial for a company's long-term economic success. At the same time, market opportunities and competitors are analyzed.

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 AG'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, analyzing, 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. To ensure early risk detection as well as the evaluation of opportunities, regular risk reports are prepared with minimum delay and 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.

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 and budgets. Goal deviation analyses are conducted regularly by the responsible officers within the Company to ensure that appropriate steps can be taken to correct any deviations swiftly.

Individual risks

Economic and sector risks

The NorCom Group is exposed to material **market and competition risks**. Weak economic conditions as well as muted core markets may have an adverse effect on target customers' spending practices with a corresponding impact on the business performance of NorCom and its subsidiaries.

NorCom AG monitors the markets of relevance to it and its subsidiaries closely to track and evaluate key developments. Shorter product life cycles, the growing exhaustion of technological potential and the related competitive pressure are evident in all markets, albeit to differing extents. The NorCom Group is well positioned to assert itself in the market thanks to intensive marketing activities, maintenance of customer contacts and heightened development activities. In 2007, NorCom resolutely extended sales and marketing activities to include target markets, intensified marketing activities in existing markets and enhanced its range of products and services in the light of market requirements.

Personnel risks

As NorCom AG is active in an expertise-intensive area (software development and consulting) 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. To reduce this risk, staff are tied to the Company by means of variable compensation incentives. At the same time, a stock option plan has been established.

In their early phase, new major contracts require the deployment of external service providers as for cost variabilization reasons NorCom does not maintain the necessary capacity in reserve. However, sustained deployment of external staff with such contracts would exert considerable pressure on the margin. It is not least of all for this reason that NorCom AG has a certain dependence on these service providers. NorCom seeks to reduce this dependence by maintaining appropriate capacities of its own.

Production risks

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

The NCPower Pro software product range is targeted at 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.

Consulting business is characterized by large-scale contracts awarded by the public and financial services sectors, giving rise to the risk of dependence on a small number of large customers. 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 NCIntegrate middleware integration software. In addition, one-year automatically renewing maintenance contracts are signed for NCPower Pro.

IT risks

IT risks primarily 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. A further aspect is heightened protection from unauthorized access and virus attacks. In 2007, system availability was again improved and the networks adjusted in the light of the Group's heightened requirements.

Financial risks

The financial instruments held by the Company primarily comprise receivables, liabilities and cash at banks. It has an efficient accounts receivable monitoring system, ensuring that payment defaults are the exception.

Liabilities are settled within the stipulated period.

The purpose of the Company's financial and risk management is to avert financial risks of all kinds. In its financial management, NorCom pursues a conservative risk profile.

Financial risks can arise from customer payment 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 arose from the fact that key personnel resources left Value & Risk AG at the end of the fiscal year. This could impact the business activities and competitive situation at Value & Risk in the future. For NorCom there is still 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.

VII. Outlook

NorCom has strengthened its software product activities and achieved numerous sales successes in the past, particularly in the year under review. These activities focused on the internationalization of its business activities and the further development of the NCPower Pro range. The sales growth is encouraging NorCom to systematically continue on this course.

This year, NorCom intends to broaden its market presence to include all of Europe as well as China. Expansion plans for the medium term encompass India, South East Asia and the United States.

In addition, NorCom will be concentrating on development activities and targeting new customer groups with a broader product range. In this connection, it is focusin on the high-growth IPTV, mobile and corporate TV markets.

In the consulting segment, NorCom will be extending its activities for the public sector, particularly at its Nuremberg office, and building up internal expertise. At the Frankfurt office, NorCom will be continuing the previous successful projects such as IT service management in the public sector and also placing its sales team on a broader basis to generate new business.

In addition, the consulting activities will be focusing on providing support for the NCProducts range, thus allowing synergistic effects to be harnessed. By combining IT solutions and innovative software products, NorCom is creating a range which is unrivaled in the convergent broadcasting and IT market.

With this segmentation – NCProducts and NCConsulting – and the resultant synergistic benefits, NorCom has gained a face to the market, which demonstrates its future focus. In addition, it will be retaining and guiding its present subsidiaries with the aim of achieving above-average organic growth. With this strategic alignment, NorCom AG will be able to leverage its strengths: growth in excess of the market average, a solid balance sheet structure and a solid operating base.

For 2008, NorCom expects sales in the product segment to double, accompanied by a roughly 20 percent increase in sales in the consulting segment. The cumulative EBIT margin for both segments will be in the high single digits.

Munich, March 11, 2008

The Management Board

Balance sheet

EUR	12/31/2007	12/31/2006
Intangible assets	1,638	1,827
Property, plant and equipment	216,958	115,684
Financial assets	7,372,321	7,346,223
Non-current assets	**7,590,918**	**7,463,734**
Inventories	1,651,096	651,131
Trade receivables	3,124,254	2,438,458
Receivables from related parties	1,677,142	1,372,417
Other assets	504,238	724,275
Securities held as current assets	760,125	498,955
Cash and cash equivalents	4,146,623	5,305,831
Current assets	**11,863,478**	**10,991,067**
Prepaid expenses	**68,036**	**1,588**
Assets	**19,522,431**	**18,456,389**

EUR	12/31/2007	12/31/2006
Subscribed capital	10,626,176	10,620,443
Share premium	1,847,584	1,840,016
Provisions for treasury stock	760,125	
Unappropriated surplus	2,300,688	3,592,917
Equity capital	**15,534,573**	**16,053,376**
Capital contributions made to implement the capital increase	**-**	**13,301**
Provisions for pensions and similar obligations	123,213	115,022
Other provisions	1,726,486	1,184,745
Provisions	**1,849,699**	**1,299,767**
Advance payments on orders	799,448	7,020
Trade payables	845,414	622,012
Liabilities to affiliated companies	236,817	15,457
Other liabilities	213,454	401,486
Liabilities	**2,095,133**	**1,045,975**
Deferred income	**43,027**	**43,970**
Equity cash	**19,522,431**	**18,456,389**

Statement of changes in assets

	Historical cost			
EUR	**Amount on 01/01/2007**	**Additions**	**Disposals**	**Amount on 12/31/2007**
I. Intangible assets				
1. Commercial property rights and similar rights	3,375,455.16	1,326.94	-	3,376,782.10
2. Goodwill	25,564.59	-	-	25,564.59
	3,401,019.75	**1,326.94**	**-**	**3,402,346.69**
II. Property, plant and equipment				
1. Other equipment, operating and business equipment	1,425,103.26	186,922.91	322,198.99	1,289,827.18
	1,425,103.26	**186,922.91**	**322,198.99**	**1,289,827.18**
III. Financial assets				
1. Shares in affiliated companies	17,093,609.62	26,097.62	-	17,119,707.24
2. Loans to affiliated companies	-	-	-	-
3. Equity investments	1,107,467.04	-	-	1,107,467.04
	18,201,076.66	**26,097.62**	**-**	**18,227,174.28**

Depreciation and amortization				Book values	
Amount on 01/01/2007	Depreciation and amortization in year under review	Disposals	Amount on 12/31/2006	12/31/2007	12/31/2006
3,373,628.04	1,516.00	-	3,375,144.04	1,638.06	1,827.12
25,564.59	-	-	25,564.59	-	-
3,399,192.63	**1,516.00**	**-**	**3,400,708.63**	**1,638.06**	**1,827.12**
1,309,419.45	85,648.34	322,198.99	1,072,868.80	216,958.38	115,683.81
1,309,419.45	**85,648.34**	**322,198.99**	**1,072,868.80**	**216,958.38**	**115,683.81**
10,191,452.25	-	-	10,191,452.25	6,928,254.99	6,902,157.37
-	-	-	-	-	-
663,400.91	-	-	663,400.91	444,066.13	444,066.13
10,854,853.16	**-**	**-**	**10,854,853.16**	**7,372,321.12**	**7,346,223.50**

Income statement

EUR	Jan - Dec 2007	Jan - Dec 2006
Revenues	12,914,399	9,015,651
Increase or decrease in finished goods, inventories and work in progress	999,965	627,871
Total output	**13,914,364**	**9,851,264**
Cost of materials	-7,790,225	-3,223,530
Gross profit	**6,124,139**	**6,627,734**
Staff cost		
a) Wages and salaries	-4,224,016	-3,689,087
b) Social security	-545,038	-509,032
Operating expenses / income	-2,218,198	-1.936.924
Earnings before interest, tax, depreciation and amortization (EBITDA)	**-863,112**	**284,949**
Depreciation and amortization	-87,164	-51,005
Earnings before interest and tax (EBIT)	**-950,276**	**233,944**
Interest and similar income	308,764	275,530
Depreciation on securities held as current assets	-183,115	-
Interest and similar expenses	-23,188	-27,338
Income from investments	317,803	1,298,082
Earnings before tax (EBT)	**-530,012**	**1,780,218**
Extraordinary expenses	-	-
Taxes on income	-	-6,933
Other taxes	-2,092	58,629
Earnings after tax (EAT)	**-532,104**	**1,831,914**
Profit, loss carried forward from the previous year	3,592,917	1,761,003
Withdrawals from share premium	-	-
Adjustments in retained earnings	-760,125	-
Unappropriated surplus	**2,300,688**	**3,592,917**
Earnings / loss per share (basic)	-0.05	0.17
Average number of shares outstanding (basic)	10,274,949	10,620,443

Notes to the financial statements

General

The financial statements of NorCom Information Technology AG, Munich, as of December 31, 2007 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 cost less systematic straight-light depreciation over their expected useful lives, which in the case of software is assumed to be three years.

Fixed assets are recognized at cost less scheduled straight-line depreciation. They are written down in accordance with their useful lives on a straight-line basis. Hardware is assumed 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 their contribution value or, in the case of protracted impairment in their value, at their fair value.

Inventories are measured at their acquisition and production costs and comprise incomplete projects at the balance sheet date. The acquisition and production costs comprehend the individual costs plus reasonable overheads.

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.

Prepaid expenses comprise expenses arising prior to the balance sheet date for items arising after this date.

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

Provisions cover all recognizable risks and contingent liabilities and are included in the balance sheet with the amount of the probable claim. Pension provisions are calculated according to the fractional value method pursuant to Section 6a of the German Income Tax Act, applying the 2005 G guideline tables of Klaus Heubeck using an interest rate of 6 %.

Liabilities are shown at their settlement amount. Amounts in foreign currencies are recognized at the exchange rate applicable on the date on which they arise or the end-of-year exchange rate, whichever is the higher.

Deferred income comprises income received prior to the balance sheet date for items arising after this date.

Notes on the balance sheet

Movements in the individual items are shown in the statement of asset movements.

Receivables from affiliated companies comprise trade receivables of EUR 1.539 million from MaxiMedia Technologies GmbH. The receivables are subject to interest at an annual rate of 5 %. Further receivables of EUR 0.138 million are due from NorCom Systems Technology GmbH.

Other current assets consist mainly of tax refund claims of EUR 0.302 million and reinsurance claims (asset value) of EUR 0.189 million.

All receivables and other assets are due for settlement in less than one year.

As of the balance sheet date, NorCom AG had acquired 475,105 (4.5%) of its own shares in 2007. The total price paid for these shares stands at EUR 0.943 million. On the basis of the stock price as of the balance sheet date, the Company's treasury stock was valued at EUR 0.760 million. The shares were acquired to honor obligations under the current stock option program.

The Company 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. The equity issue executed in the previous year was entered in the commercial register in April 2007. Accordingly, the Company's subscribed capital increased by EUR 5,733.00 in 2007. At the same time, an amount of EUR 7,567.56 was allocated to the share premium.

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 Contingent Capital I stands at EUR 818,251.00 and Contingent Capital II at EUR 201,840.00.

In the year under review, 97,270 stock options were awarded to each of the two members of the Management Board for a vesting period of three years. The options may only be exercised if the average price of NorCom stock (average closing price in Xetra trading on the ten trading days prior to the exercise of the option rights relative to the option price) has risen by at least 45% ignoring the premium of 10%.

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. The issue rights were not utilized in the year under review.

Provisions for treasury stock of EUR 0.760 million were set aside in 2007 for the stock buyback program.

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

Other provisions primarily relate to personnel expenses of EUR 0.976 million, outstanding invoices of EUR 0.349 million as well as threatened losses from rental obligations for the previous premises up until March 2012 (EUR 0.200 million).

All liabilities are due for settlement in less than one year.

As of December 31, 2007, liabilities to affiliated companies comprise trade payables of TEUR 0.237 million.

As of December 31, 2007, the Company holds a share of at least 20 % in the following companies:

EUR '000	% share	Equity capital as at 12/31/07	Net profit/loss for 2007
Affiliated companies			
NorCom Information Technology Inc., Atherton, US	100	19	-
Norske Systemarkitekter AS, Oslo, Norway	51	2,912	100
Value & Risk AG, Frankfurt am Main	51	3,346	201
NorCom Systems Technology GmbH	100	71	56
MaxiMedia Technologies GmbH, Munich	100	-1,931	-144
NorCom Information Technology GmbH, Moscow, Russia	100	26	-

Associates	% share
CognIT AS, Halden, Norway	17.9
Certification Europe Ltd., Dublin, Ireland	1.0

On November 12, 2007, NorCom Information Technology AG incorporated a Russian subsidiary, NorCom Information Technology Gesellschaft mit beschränkter Haftung, under the law of the Russian Federation with registered offices in Moscow, Russia. NorCom holds 100 % of the share capital of 900,000 rubles of this subsidiary. The subsidiary did not commence operations in 2007.

Including the indirect share held via NSA, the share in CognIT AS stands at 21.7 %.

Notes on the income statement

Sales break down by segment as follows:

EUR	2007	2006
NCProducts	4,256,151.38	3,230,698.33
NCConsulting	8,658,247.80	5,784,952.18
	12,914,399.18	**9,015,650.51**

In 2007, sales were segmented by product group for the first time. The figures for the previous year were restated accordingly.

Other operating income of EUR 0.278 million primarily comprises income from the reversal of provisions (EUR 0.116 million).

Other operating expenses comprise operating, administration and distribution expenses.

The adjustment to the held-for-sale securities (EUR 0.183 million) concern a bond issued by the Company.

Other financial liabilities and contingent obligations

As at December 31, 2007, 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 of December 31, 2007:

	EUR
2008	545,945.23
2009	536,342.69
2010	519,792.70
2011	497,742.44
2012	497,742.44
post 2012	2,363,301.59
	4,960,867.09

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 MaxiMedia. 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 that these cannot be repaid from MaxiMedia's own resources.

In addition, NorCom AG issued a letter of comfort for MaxiMedia on January 15, 2008 which will be expiring on December 31, 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 shareholders of Norske Systemarkitekter AS to buy the shares which they hold in the latter company. The purchase price equals the market price on the date on which the option is exercised.

Other disclosures

In 2007, the Company had an average headcount of 58 (previous year 48).

The Management Board comprises:

Mr. Viggo Nordbakk, Munich
CEO

Mr. Herr Dr. Tobias Abthoff, Neufahrn
(since February 1, 2007)

Viggo Nordbakk is chairman of the supervisory board of Value & Risk AG, Frankfurt am Main, and of NSA Norske Systemarkitekter AS, Oslo, Norway. Dr. Tobias Abthoff does not hold any supervisory board offices.

The Supervisory Board comprises:

Dr. Lutz Schmidt (chairman),
Public accountant/tax consultant, partner in Schmidt Schuran & Partner, Dusseldorf

Prof. Dr. Manfred Schlottke M.B.A.
(deputy chairman)
Business advisor for information and communication technology, Munich,
Member of the supervisory board of Aareon AG, Mainz,
Deputy chairman of UTIMACO Safeware AG, Oberursel

Prof. Dr. Thomas Hess,
Director of the Institute of Economic Information and New Media at Ludwig-Maximilian University, Munich

Dr. Lutz Schmidt sits on no further supervisory boards.

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

The total compensation paid to the members of the Management Board in 2007 breaks down as follows:

EUR	Fixed components	Variable components	Total
Viggo Nordbakk	204,522	96,408	300,930
Dr. Tobias Abthoff	137,500	-	137,500
	342,022	**96,408**	**438,430**

In the year under review, 97,270 stock options were granted. As of the balance sheet date, the options had a fair value of EUR 0.204 million.

The remuneration paid to the Supervisory Board came to EUR 0.040 million. Pension provisions of EUR 0.123 million have been set aside for a former member of the Management Board.

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 14, 2007 has been made available to shareholders on a permanent basis.

Consulting fees of EUR 0.009 million (previous year: EUR 0.010 million) were paid to members of the Supervisory Board in 2007.

The fees for the financial statements auditors carried as expense break down as follows for fiscal 2007:

EUR '000	**2007**	**2006**
Audit of financial statements	49	44
Other advisory services	8	20
	57	**64**

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

In 2007, NorCom AG received the following notifications concerning voting rights:

- On April 19, 2007, Union Investment Privatfonds GmbH, Frankfurt am Main, stated that it had exceeded the voting right threshold of 3 %
- On May 3, 2007, Union Investment Privatfonds GmbH, Frankfurt am Main, stated that it had exceeded the voting right threshold of 5 %
- On May 8, 2007, DWS Investment S.A., 2 Boulevard Konrad Adenauer, Luxembourg, stated that it had dropped below the voting right threshold of 3 %
- On October 15, 2007, UBS Global Asset Management (Deutschland) GmbH, Frankfurt, stated that it had dropped below the voting right threshold of 3 %
- On November 14, 2007, NorCom Information Technology AG stated its treasury stock exceeded voting right threshold of 3 %.

NorCom AG prepares consolidated financial statements in accordance with IFRS, which are published in Bundesanzeiger and lodged with the commercial register of Munich under the number HRB 126903.

Munich, March 11, 2008

NorCom Information Technology AG, Munich
The Management Board

Viggo Nordbakk Chief Executive Officer	Dr. Tobias Abthoff Member of the Management Board

Responsibility statement

Declaration by the statutory representatives in accordance with Section 297 (2) Sentence 4 and Section 315 (1) Sentence 6 of the German Commercial Code

„To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements of NorCom AG as of December 31, 2007 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report for the year then ended includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Munich, March 11, 2008

Viggo Nordbakk
Chief Executive Officer

Dr. Tobias Abthoff
Member of the Management Board

Declaration by the statutory representatives in accordance with Section 264 (2) Sentence 3 and Section 289 (1) Sentence 5 of the German Commercial Code

„To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements of NorCom AG as of December 31, 2007 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the management report for the year then ended includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Company."

Munich, March 11, 2008

Viggo Nordbakk
Chief Executive Officer

Dr. Tobias Abthoff
Member of the Management Board

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