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CONTACT

caatoosee ag
riedwiesenstrasse 1
d-71229 leonberg

p.o. box 1952
d-71209 leonberg

ph +49 (0) 7152.355-6000
fx +49 (0) 7152.355-6650

investors@caatoosee.com

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1. Business and Market Conditions

Business activities at a glance

The annual financial statements for financial year 2005 represent a milestone in the development of the caatoosee Group. With the entry in the commercial register of the capital measures resolved by the Annual General Meeting, the caatoosee Group successfully concluded its restructuring program. TeraPort GmbH, an IT service provider which previously formed part of the M+W Zander Group, and the American IT company OuterBounds Technologies, Inc. were included in consolidation for the first time. Together with its Asian subsidiary PT Sigma Cipta Caraka, these companies form the operational basis for caatoosee's reorientation and its activities in the growth markets of IT outsourcing and services.

In the course of the capital increases against contributions in kind, M+W Zander has received 52 percent of the shares of caatoosee ag, thus further stabilising the shareholder structure. In addition, cash and cash equivalents were reinforced by way of the cash capital increase in the amount of EUR 5 million.

The positive progress in caatoosee's reorientation is reflected in its operating result and consolidated net income. Following several years of losses that were, in some cases, substantial, the Company has returned to profitability with all business units making a contribution to earnings. Consolidated revenue in the year under review amounted to EUR 35.2 million. The largest components were generated by TeraPort GmbH and Sigma, at EUR 22.0 million and EUR 11.7 million respectively. This corresponded to revenue growth of 51 percent as against the previous year. EBITDA amounted to EUR 10.3 million, while earnings before interest and taxes (EBIT) totalled EUR 3.5 million. The financial result was positive at EUR 0.2 million. Earnings per share for financial year 2005 amounted to EUR 0.09 on the back of consolidated net income of EUR 2.2 million. Including TeraPort GmbH and OuterBounds Technologies, Inc., the caatoosee Group employed 359 people as of December 31, 2005.

With regard to the presentation of the Group's results, it should be noted that the contribution of TeraPort GmbH to the caatoosee Group constitutes a reverse acquisition under the International Financial Reporting Standards (IFRS). In contrast to the legal structure of the transaction, it is assumed for accounting purposes that caatoosee ag was acquired by TeraPort GmbH. As a result of this special treatment, TeraPort GmbH is included in the consolidated financial statements for twelve months. caatoosee ag, PT Sigma Cipta Caraka and OuterBounds Technologies, Inc. are only included from May 1, 2005, and therefore only for eight months. For the purposes of comparison with the previous year, it should also be noted that the prior-period amounts contained in this report refer to TeraPort GmbH.

Following the completion of the Group's restructuring program, its activities are focused on strengthening its operating units and sustainably developing its subsidiaries in the areas of IT outsourcing and services. The Group aims to acquire the IT departments of companies, including their staff and infrastructure, in exchange for which the selling company may receive an equity interest in caatoosee ag – therefore becoming both a customer and a shareholder of caatoosee ag at the same time.

Capital measures

The past financial year ended December 31, 2005 was dominated by the implementation of the capital measures resolved by the Annual General Meeting on February 10, 2005 with a large majority (90.5 percent in favour). These included a 4:1 capital reduction, and increases in capital by way of contributions in kind and a cash capital increase.

On May 2, 2005, caatoosee ag agreed a settlement before the Stuttgart Regional Court with the shareholders of caatoosee ag who had filed an action to rescind the resolutions passed by the Annual General Meeting. The complainants withdrew their actions. Accordingly, the legal proceedings are closed.

With effect from May 4, 2005, caatoosee ag acquired 99.61 percent of the share capital of TeraPort GmbH, Stuttgart, Germany, which primarily acts as an IT partner of the M+W Zander Group. caatoosee ag also acquired 100 percent of the share capital of the IT service provider OuterBounds Technologies, Inc., Atlanta, USA, with effect from May 4, 2005. In addition to these contributions in kind, a cash capital increase in the amount of EUR 5 million was subscribed with the Absolute Return Europe Fund, an investment fund of FM Fund Management Ltd.

In accordance with the disclosures provided to the Company pursuant to the German Securities Trading Act, M+W Zander Facility Engineering GmbH holds 51.61 percent, the Absolute Return Europe Fund 20.75 percent, and long-standing shareholder Guido Alt 6.95 percent of the Company's shares.

Target markets

With the exception of its software operations, the majority of caatoosee's business activities are performed in the IT services market. All studies by leading analysts forecast growth in the IT outsourcing and services markets, albeit with some discrepancies in the predicted volumes, growth rates and submarkets due to difficulties in defining market boundaries. caatoosee's activities are focused on the area of IT management services.

According to a study by Gartner, the global IT services market had a volume of around USD 600 billion in 2004. The market for IT management services, which is a key component of IT outsourcing, accounted for a quarter of this figure and is expected to expand at a rate of more than 5 percent p.a. to around USD 200 billion by 2009. The positive developments in the application service providing (ASP) sector are increasingly being described on the market as "on demand" or "software as a service". These terms serve to illustrate the trend towards online, component-based, externally operated software that is, in turn, driving ahead the provision of automated services. The caatoosee Group is active in this segment with OuterBounds Technologies, Inc. in North America and Sigma in Asia.

North America and Western Europe are the largest markets for IT management services, although the increasing maturity of the market means that growth rates are lower than in the past. By contrast, Asia is recording the fastest level of growth. With its presence in all three of these regions, caatoosee is able to benefit from the varying developments on the respective markets and offset any cyclical fluctuations.

Business activities

Following its restructuring, the caatoosee Group's main areas of business are IT services and outsourcing. With the exception of the information management software activities at caatoosee ag, the operating activities of the Group are performed by its subsidiaries. In addition to the Sigma business unit in the South Asia region, the caatoosee Group has now strengthened its presence on the German market with TeraPort GmbH. The incorporation of OuterBounds Technologies, Inc. means that the Group is also represented in North America for the first time.

The Group's business activities are focused on software, as well as IT outsourcing and related service offerings. caatoosee applies a largely uniform Group-wide business model based on intensive, sustainable customer relationships with long-term agreements and a significant proportion of forecastable revenue. Its target customers are primarily small and medium-sized enterprises.

The Group's activities include the operation of complete or partial IT units of external companies as an outsourcing partner, a range of maintenance and consulting services, and IT application service provision that covers the supply of software applications on a rental basis. In addition, Sigma offers specialist software for the financial sector, which generates additional outsourcing business in conjunction with operator concepts for customers. Sector-specific expertise in selected markets plays a key role in strengthening the Group's competitive position, particularly through TeraPort GmbH in the engineering industry and the Sigma Group in the financial sector.

The Group's revenue sources consist of regular inflows from its IT outsourcing and operating business, project-oriented consulting and service revenue, and license and maintenance revenue from the marketing of software solutions.

Research and development

The Group's reorientation means that its research and development priorities have changed significantly. At the end of the financial year, 24 people were employed in this area, a decrease of 11 percent as against the caatoosee Group's old structure. The volume of research and development costs in the year under review was EUR 0.2 million, corresponding to 0.72 percent of total costs and 0.66 percent of revenue.

The primary focus of the Group's research and development activities included the continued development of software offerings for the financial sector and the establishment of new service offerings at the Sigma Group, which accounted for EUR 0.10 million, as well as the investment of EUR 0.13 million by TeraPort GmbH in new services and applications. TeraPort GmbH performs its own research and development in the area of software and process development for engineering environments. It focuses on the continued development of the proprietary "DMU Toolkit" product, which forms the primary basis for the provision of consulting and outsourcing services for the automotive and engineering industrial sectors. Research and development costs have remained constant over recent years, but higher development staff capacity was required from 2005 to allow the Group to meet customer requirements while continuing to be the leading niche provider for specialist applications.

In recent years, research and development costs at OuterBounds Technologies, Inc. have been negligible. The main activities in this area were performed in the past with the establishment of the technological platform for ASP business. Research and development for information management software is now of subordinate importance to caatoosee ag, and focuses on solutions for improving the data quality of enterprises.

2. Group Structure

Following the completion of the capital increases against contributions in kind in May 2005, the activities of the caatoosee Group are subdivided into the following four business units:

- As the parent company, caatoosee ag formulates the Group's corporate strategy and manages software products for information management
- IT outsourcing and services in Germany are performed by TeraPort GmbH (99.87 percent equity interest)
- IT outsourcing and services in South-East Asia are performed by the Sigma Group, serving its domestic market of Indonesia (51 percent equity interest in the Indonesian company PT Sigma Cipta Caraka)
- IT outsourcing and services in North America are performed by OuterBounds Technologies, Inc. (100 percent equity interest)

As of December 31, 2005, the total number of employees in the caatoosee Group increased to 359 as a result of the reorientation.

caatoosee ag

The Company's head office is in Leonberg, near Stuttgart. caatoosee ag manages the Group's information management software activities, as well as centralised tasks such as corporate strategy, finance and controlling, and capital market management. Due to the losses incurred in the software sector, these activities have been scaled back and the aim of covering all areas of information management has been revised. The Company now focuses on solutions for search engines and data quality. In order to optimise organisational workflows and leverage existing synergies in the cooperation between caatoosee ag and TeraPort GmbH, the latter company relocated its head office to Leonberg.

caatoosee ag is also responsible for the overriding corporate management system. It uses the typical key performance indicators from the income statement, the cash flow statement and the statement of changes in assets, and also presents information on the order situation and booked business.

Activities in Germany (TeraPort GmbH)

The caatoosee Group is represented in Germany through TeraPort GmbH. TeraPort GmbH primarily acts as an IT partner of the M+W Zander Group with a focus on consulting, support and operating IT systems in engineering environments and comprehensive solutions for digital product development and simulation. With 79 employees, TeraPort GmbH provides support for over 3,000 PCs and 250 servers spread across more than 100 locations around the world. The primary target markets are industries with an engineering focus. This includes the M+W Zander Group, the automotive and supply industries, the aerospace industry, and plant and mechanical engineering.

In June 2002, the IT department of M+W Zander Facility Engineering GmbH was incorporated into the IT consulting company TeraPort GmbH. As a result, TeraPort GmbH was integrated as a subsidiary of the M+W Zander Group. In addition to its head office in Leonberg, TeraPort GmbH has offices in Munich and Nuremberg, and is represented throughout Germany with on-site employees at key offices of its customer, M+W Zander.

The range of services offered by the company consists of three main areas:

- IT services/outsourcing: user-oriented services including service desk, application management and engineering support (CAD); consulting for ITIL-based service management; communications and Internet technologies; data centre services; IT project services
- Business process outsourcing/SAP services: services for ERP systems, particularly SAP/R3, including advisory services, implementation and roll-out; support and operation of SAP R/3 applications (e.g. SAP R/3 Finance, Controlling, Logistics, Human Resources)
- Engineering IT: engineering and IT consulting for the external market; construction and simulation of digital prototypes and development of 3D products on the basis of the internally developed “Digital Mock Up” software

TeraPort GmbH’s industry and process expertise means that it is well positioned in the engineering sector in particular. This is reflected in its activities for the M+W Zander Group. By contrast, its competitive position in external business is less pronounced. This is because, to date, TeraPort GmbH still has comparatively few records of performance and references for third-party customers in the IT outsourcing sector. In the niche segment of IT engineering consulting for digital product development, however, TeraPort GmbH has created strong foundations for future growth.

Activities in South-East Asia (Sigma Group)

The Sigma Group, which has its head office in Jakarta, Indonesia, is active on the Asian market. Sigma is one of the leading IT providers in South-East Asia and the second-largest provider of IT services in Indonesia. Following the closure of two loss-making business units, the Sigma Group's activities are focused on its core business of IT outsourcing for the financial services sector, as well as for industry and government.

Sigma's service range for Indonesian and international customers comprises:

- Data centre outsourcing. Operation of complete systems at in-house data centres
- Application service providing (ASP). Supply and operation of standardised, company-specific IT applications on a rental basis
- Financial services software with a focus on Islamic banks
- Systems integration and IT services

Sigma enjoys a leading position in its relevant market and is the second largest company on the Indonesian IT outsourcing and services market in terms of revenue. Its software for Islamic banks and related ASP offerings have a strong reputation in the financial services sector.

Activities in North America (OuterBounds Technologies, Inc.)

The third pillar of the caatoosee Group is in North America. OuterBounds Technologies, Inc., based in Atlanta, was formed five years ago and specialises in hosting and outsourcing IT applications. Its business purpose is the performance of IT services for business customers in the form of managed services or ASP. Solutions for server-based application distribution and a range of network solutions are implemented for customers on the basis of a state-of-the-art data centre operated in Atlanta, USA.

The company's key target markets include decentralised, data-intensive organisations in the insurance, banking and financial services sectors, as well as medicine and the public sector. Independent software vendors are also increasingly using the company's services. The service agreements between OuterBounds Technologies, Inc. and its customers include short-term agreements that are terminable at will and longer-term agreements with fixed terms of up to three years. In the course of its business, OuterBounds Technologies, Inc. has entered into partnerships with leading technology providers such as Microsoft and Citrix.

Due to the positive development of the ASP market in the USA, competition is tough, with market participants ranging from large corporations to small providers. As a result, OuterBounds Technologies, Inc.'s market share is minimal. OuterBounds Technologies, Inc. and its competitors are faced with the problem that their services are essentially interchangeable, meaning that it is extremely difficult to establish unique selling points on a sustainable basis.

Information management software activities

In addition to the IT outsourcing and service activities described above, caatoosee ag still owns software technology for information management. These residual activities from its previous focus on information logistics now constitute a subsegment of the Group's business.

Information management software activities are performed by caatoosee ag in Germany. This includes all applications for information management that are based on retrieval and search technology. caatoosee focuses on software products for data quality and search engines. In the area of data quality, its portfolio includes solutions for the management of company address and material data, particularly for applications in the SAP environment. caatoosee cooperates with external partners on maintenance and software development contracts.

3. Results of Operations

The Group's reorientation, together with the implementation of the capital measures, had a positive effect on business development in the past financial year. This is reflected in caatoosee's revenue and earnings figures.

Notes on accounting

The contribution of TeraPort GmbH to the caatoosee Group in the course of the capital increase against contributions in kind constitutes a reverse acquisition under the IFRS. In contrast to the legal structure of the transaction, it is assumed for accounting purposes that caatoosee ag was acquired by TeraPort GmbH. This is due to the fact that the shareholders of TeraPort GmbH received around 52 percent of the shares of caatoosee ag as a result of the contribution.

The date of initial consolidation was May 4, 2005, the date on which the capital measures were entered in the commercial register and thus came into force. For simplification, the consolidated financial statements are based on the single-entity financial statements of caatoosee ag, PT Sigma Cipta Caraka and OuterBounds Technologies, Inc. as of May 1, 2005, and these companies were consolidated with effect from May 1, 2005.

As a result, TeraPort GmbH is included in the consolidated financial statements for the past financial year for twelve months, whereas caatoosee ag, PT Sigma Cipta Caraka and OuterBounds Technologies, Inc. are only included proportionally from the start of May 2005, and therefore for eight months.

In the course of the initial consolidation of caatoosee ag and OuterBounds Technologies, Inc., the assets and liabilities of the individual companies caatoosee ag and OuterBounds Technologies, Inc. were measured at fair value. The excess of acquisition cost over the fair value of the net assets acquired is recognised as goodwill.

Under IFRS, the reverse acquisition means that the presentation of prior-period amounts must be based on the annual financial statements of TeraPort GmbH as the assumed acquirer for accounting purposes. Accordingly, the comparative figures for the previous year that are presented in the accompanying consolidated financial statements include only the amounts for TeraPort GmbH, and the prior-period comparisons contained in the following section refer exclusively to TeraPort GmbH. These changes mean that the figures in previous annual reports are not directly comparable with the prior-period amounts presented in this report.

In accordance with the accounting treatment for reverse acquisitions, capital consolidation is based on the recognition in full of TeraPort GmbH. Remaining shares not held by caatoosee are recognised as minority interests.

Revenue development in the Group

In the financial year ended December 31, 2005, the caatoosee Group recorded total revenue of EUR 35.2 million, up EUR 11.9 million or 51 percent on the previous year (EUR 23.3 million). The shares of revenue attributable to the Europe, Asia and North America regions in the period under review were 61 percent, 34 percent and 4 percent respectively. This means that the proportion of total revenue generated outside Germany in financial year 2005 was 39 percent. This change reflects the expansion of IT outsourcing and services in Germany.

Due to the special accounting treatment described above, TeraPort GmbH contributed EUR 22.0 million or 62 percent to total revenue. This figure remained stable year-on-year as projected. Third-party business was expanded successfully, while a new long-term IT engineering consulting contract was concluded with an automotive customer.

The contribution to revenue from the Sigma Group for eight months amounted to EUR 11.7 million, or 33 percent of total revenue. Revenue was down slightly on the previous year and lower than management's expectations.

At EUR 1.2 million for eight months or 3 percent of total revenue, the revenue contribution from OuterBounds Technologies, Inc. was comparatively small.

Earnings development in the Group

Earnings development in the past financial year was also driven by the Group's successful reorientation. Gross profit increased by EUR 3.9 million year-on-year to EUR 8.9 million (previous year: EUR 5 million) due to the growth in the business volume. The gross margin amounted to 25.2 percent of revenue.

At EUR 0.2 million, research and development costs were up on the prior-year figure of EUR 0.07 million, accounting for 0.7 percent of revenue (previous year: 0.3 percent). Selling expenses amounted to EUR 1.5 million, or 4.2 percent of total revenue (previous year: 0.6 percent). Administrative expenses rose to EUR 3.7 million, corresponding to 10.4 percent of revenue. These expenses include capital market costs, audit costs, the cost of the annual report and the Annual General Meeting, and consulting costs. Other operating income totalled EUR 0.4 million.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to EUR 10.3 million (previous year: EUR 9.4 million). The operating result (EBIT) of EUR 3.5 million also reflected the improvement in earnings. Of this figure, EUR 3.0 million was attributable to TeraPort GmbH, while the Sigma Group and OuterBounds Technologies, Inc. contributed EUR 0.7 million and EUR 0.2 million respectively. It should be noted that the reporting periods of the companies included in consolidation are of different lengths.

On the back of a positive financial result of EUR 0.2 million due to interest income, the Group reported earnings before taxes (EBT) of EUR 3.6 million as against EUR 3.3 million in the previous year. Consolidated net income after income taxes and minority interests amounted to EUR 2.2 million (previous year: EUR 2.0 million), corresponding to earnings per share of EUR 0.09 for an average of 20,211,509 shares at the balance sheet date December 31, 2005.

4. Net Assets and Financial Position

Financial position

Cash flow operating activities amounted to EUR 10.2 million in financial year 2005 (previous year: EUR 5.7 million). The figure of EUR 10.3 million for 2005 contains proceeds from interest received (EUR 0.2 million), offset by interest paid (EUR 0.1 million) as well as taxes paid (EUR 1.6 million).

Net cash used in investing activities in the amount of EUR 6.0 million was primarily attributable to the investments in property, plant and equipment (EUR 3.4 million) and intangible assets (EUR 2.3 million) in financial year 2005.

Cash flow from financing activities includes the EUR 5.0 million cash inflow from the Absolute Return Europe Fund in conjunction with the cash capital increase, as well as outflows due to repayments of current financial liabilities, proceeds from the issuance of loans and other changes.

In addition, the Company received EUR 1.8 million from initial consolidation in the course of the reverse acquisition. This was comprised of the cash and cash equivalents of caatoosee ag and the Sigma Group as of May 1, 2005.

Net assets

As of December 31, 2005, the total assets of the caatoosee Group amounted to EUR 46.0 million. Goodwill from the acquisition of companies in the amount of EUR 9.7 million and property, plant and equipment totalling EUR 8.4 million were the largest single items of noncurrent assets. The assets and liabilities of the caatoosee Group acquired in the course of initial consolidation were measured at fair value. A comparison of the acquisition cost and the fair value of the net assets acquired resulted in an excess of EUR 3.1 million, which was recognised as goodwill.

Current assets of EUR 22.8 million included cash and cash equivalents in the amount of EUR 13.8 million.

As of December 31, 2005, total assets were offset by stockholders' equity in the amount of EUR 29.8 million. This resulted in an equity ratio of 65 percent, compared with the ratio of 69 percent recorded by TeraPort GmbH in the previous year. For purposes of comparison, the stockholders' equity of the caatoosee Group in the previous year amounted to EUR 1.2 million. A comparison with the resulting equity ratio of 5 percent illustrates the significant improvement in key balance sheet items. Financial liabilities amounted to EUR 2.6 million as of December 31, 2005. Issued capital amounted to EUR 24.1 million (previous year: EUR 0.5 million). Total liabilities and stockholders' equity increased from EUR 18.1 million in 2004 to EUR 46.0 million at the balance sheet date December 31, 2005.

Almost all balance sheet items increased as a result of the inclusion of TeraPort GmbH and OuterBounds Technologies, Inc. in the consolidated financial statements and the cash capital increase. In particular, these developments affected cash and cash equivalents, securities classified as current assets, property, plant and equipment, and noncurrent intangible assets.

All in all, the financial measures implemented by the caatoosee Group have allowed it to emerge from its critical financial phase, eliminate key risks and return to a positive earnings situation. This has created a stable basis for healthy net assets, financial position and results of operations.

Employees and executive bodies

Although the caatoosee Group's workforce had fallen steadily over recent years due to restructuring measures, the contribution of TeraPort GmbH and OuterBounds Technologies, Inc. in the year under review meant that the number of employees increased once again. At December 31, 2005, the caatoosee Group employed 359 people. The average number of employees for the year was 304.

The number of caatoosee employees in Germany (caatoosee ag and TeraPort GmbH) changed to 85 at caatoosee ag and TeraPort GmbH. The subsidiary Sigma reduced its workforce as of December 31, 2005 by 29 employees to 266 (March 31, 2005: 295 employees). OuterBounds Technologies, Inc. employed 8 people at year-end.

The number of employees in the Group as of December 31, 2005 can be broken down by area of activity as follows:

Production/operations:	249	(69 percent)
Administration:	39	(11 percent)
Research and development:	24	(7 percent)
Sales:	47	(13 percent)

The composition of caatoosee's Management Board changed as follows:

The term of office of Mr. Jan Tenné, who joined the Management Board of the Company on August 4, 2000, ended on August 3, 2005.

The term of office of Mr. Karsten Xander, who joined the Management Board of the Company on July 1, 2003, ended on September 6, 2005.

Mr. Michael Grünschloß was appointed to the Management Board of caatoosee ag in September 2005.

Mr. Stefan Ahrens was appointed to the Management Board of caatoosee ag in February 2006.

5. Report on Events After the Balance Sheet Date

The following significant events occurred after the end of the financial year, i.e. after December 31, 2005.

With effect from January 3, 2006, the Company increased its equity interest in TeraPort GmbH, Leonberg, by 0.13 percent to 100 percent.

Following the implementation of the 4:1 capital reduction on June 10, 2005 with 4,441,625 converted shares under German Securities Code Number (WKN) A0E PUK/ISIN DE000A0EPUK5, caatoosee ag submitted an application on March 1, 2006 for the admission to trading of the 19,657,363 new shares not yet eligible for trading.

Admission to continuous trading was granted on March 8, 2006. As a result, the 19,657,363 shares are admitted to trading and can be traded on the Geregelter Markt/Prime Standard of the Frankfurt Stock Exchange under German Securities Code Number (WKN) A0E PUK/ISIN DE000A0EPUK5. Initial listing of the shares from the capital increase took place on March 9, 2006.

6. Risk Report

Long-term effects of restructuring measures

Following its IPO in 2000, caatoosee initially recorded encouraging business development. From 2002 onwards, however, falling revenue in its core business area of software retrieval technology meant that the Company found itself in difficulties with regard to liquidity position and its overall asset situation. The continued existence of the Company could only be guaranteed through comprehensive restructuring measures and negotiations with key creditors, as well as capital measures that were drastic from the point of view of the existing shareholders, accompanied by an expansion of the Group's business activities.

After scaling back the loss-making software retrieval technology business unit as part of these restructuring measures, caatoosee's European operations were limited to the extent that they would not have generated sufficient cash inflows to cover the Group's financing requirements. With the contribution of TeraPort GmbH and OuterBounds Technologies, Inc. and the cash capital increase in the amount of EUR 5 million, caatoosee ag has now established a potentially economically sound business model for the future.

TeraPort GmbH primarily acts as an IT partner of the M+W Zander Group with a focus on consulting, support and operating IT systems in engineering environments and comprehensive solutions for digital product development and simulation. The business purpose of OuterBounds Technologies, Inc. is the performance of software services on an ASP basis using a data centre. Further information on the business activities of both companies can be found in the Business Purpose, Products and Services and Markets sections.

Despite the completion of the capital measures, no guarantee can be provided as to the long-term economic development of the caatoosee Group. It is clear that all of the Group companies are comparatively small compared with their respective markets, making it difficult for them to achieve leading positions and leverage market potential. For example, OuterBounds Technologies, Inc. has not yet achieved the critical mass it needs to achieve the desired market penetration in the USA. This may lead to a deterioration in the competitive position of individual business units or the Group as a whole in the medium to long term.

In addition, there is a risk that caatoosee may not be able to implement its growth strategy as planned in its new market segments. For example, the extent to which the Company will be able to win new large and medium-sized customers for its IT outsourcing services, and hence gradually reduce its reliance on its main customer, M+W Zander, cannot be reliably predicted. Similarly, the growth targets at Sigma and OuterBounds Technologies, Inc. may not be achieved, since both companies have generated little or no revenue growth in previous years.

If the Company is unable to perform the measures necessary to implement its strategy, or if these measures are unsuccessful, this could have a material adverse effect on caatoosee's net assets, financial position and results of operations.

Operational challenges

caatoosee's business activities are subject to the demands generally posed by economic activity. However, the dynamics and the international nature of the markets in which caatoosee is present are such that these demands must be considered to be more substantial and exposed to greater risk than in other industries. This is exacerbated by the rapid changes in technology and market conditions and the volatility and cyclical nature of the IT markets in the IT services and business process application segments.

Dependence on individual customers

Having scaled back its software activities, the primary focus of caatoosee's customer relationships prior to the capital increases was in Indonesia. The Group had a broad customer structure across all business areas, and was not dependent on any individual customers.

Following the incorporation of TeraPort GmbH, the M+W Zander Group, which is its main customer and which accounts for more than 59 percent of its revenue, is also responsible for more than one-third of the caatoosee Group's total revenue. Although the master agreement between the M+W Zander Group and TeraPort GmbH, which runs until the end of 2009, guarantees the acceptance of IT services by M+W Zander in principle, the agreement does not set out a minimum obligation to accept the delivery of such services, nor does it contain any price guarantees; as such, the possibility that the revenue and margins generated from business with M+W Zander will fluctuate significantly in future, or that they will be lower than expected or even occasionally absent, cannot be excluded. On the one hand, there is a risk that the caatoosee Group may not be able to immediately meet any excess demand for IT services on the part of M+W Zander. On the other hand, in the event of a reduction in demand on the part of M+W Zander, it would not be possible to immediately generate customer orders to utilise the existing capacities at TeraPort GmbH, meaning that the company would be subject to the risk not only of a reduction in revenue, but also of uncovered costs due to overcapacity.

TeraPort GmbH's high level of dependence on the M+W Zander Group means that the economic development of TeraPort GmbH and, indirectly, that of the caatoosee Group is reliant to a significant extent on the structures and the continued economic development of the M+W Zander Group, which itself is active in a market environment that is, in some cases, extremely volatile.

Sigma and OuterBounds Technologies, Inc. have mainly entered into longer-term agreements with their customers. Contractual terms generally run for a period of up to five years. Risks in this area relate in particular to the possibility that the agreements may not be extended after the end of their current terms, and that revenue may be impacted as a result.

OuterBounds Technologies, Inc., which was also incorporated as a contribution in kind, generates more than two-thirds of its revenue with two customers from the insurance industry. The current agreements with these customers expire in mid-2006 and at the end of 2006 respectively. An extension is not guaranteed. The loss of one or both of these customers at the end of the current contractual terms in 2006 would significantly impact the financial position of OuterBounds Technologies, Inc., and would have an adverse effect on caatoosee's net assets, financial position and results of operations.

Potential impact of the sale of the M+W Zander Group by Jenoptik AG

At 52 percent, M+W Zander Facility Engineering GmbH holds a slight majority of the shares of caatoosee ag. M+W Zander Facility Engineering GmbH is a subsidiary of M+W Zander Holding AG, in which Jenoptik AG, Jena, holds a 73 percent equity interest. According to a press release dated December 19/20, 2005, Jenoptik AG has sold the M+W Zander Group as a subgroup to a consortium of investors and credit institutions headed by Springwater Capital. This transaction has not yet been completed and is subject to certain conditions.

If the transaction is completed, the possibility that the new shareholders of the parent company will have different opinions on the future development of the company and its membership of the M+W Zander Group than was previously planned cannot be excluded, even if there is no concrete evidence to support this. In addition, the effect of any spin-off on caatoosee's customer and supplier relationships cannot be reliably forecast. In general, membership of a larger corporation, in this case Jenoptik AG, is advantageous in terms of relationships with business partners, as it can ensure greater confidence, an image of security and stability, and improved terms and conditions. This may also be a factor in plans to raise debt finance.

In addition, the transaction may lead to uncertainty with regard to the contractual relationship between TeraPort GmbH and M+W Zander. This relationship may also be affected to the extent that, under certain circumstances, changes in the M+W Zander Group could have an impact on purchase volumes and prices at TeraPort GmbH.

Potential impact on shareholder situation

With a 51 percent equity interest, caatoosee ag is the majority shareholder of the Indonesian company PT Sigma Cipta Caraka (hereinafter "Sigma"). In May 2005, the co-shareholders PT Sigma Cipta Harmoni and Trozenin Management Plc. terminated the shareholders' agreement which regulated the basic relationships between Sigma's shareholders.

The notice of termination is supported by a clause in the shareholders' agreement which entitles each shareholder to terminate the agreement immediately in the event of a change of control in any co-shareholder, in this case caatoosee ag. Under the definition contained in the shareholders' agreement, change of control occurs when a natural or legal person that did not hold a majority of the voting rights in a shareholder of Sigma, in this case caatoosee ag, when the agreement was concluded subsequently assumes such a majority interest. The shareholders giving notice regard the takeover of the majority of shares by M+W Zander Facility Engineering GmbH in the course of the capital increase as a change of control as defined in the shareholders' agreement.

The Company opposes the termination of the shareholders' agreement and has rejected it on formal and factual grounds. As a precautionary measure, the Company has also given notice of termination of the shareholders' agreement and exercised its right to sell the Sigma shares held by the Company to third parties.

On the basis of the shareholders' agreement, the shareholders giving notice have demanded that the Company transfer its shares to the shareholders giving notice or to the co-shareholder International Finance Corporation. The shareholders' agreement stipulates that, in this case, the purchase price must be determined on the basis of valuations by international auditors. The shareholders giving notice have commissioned two such valuations. These valuations have been rejected by the Company.

In accordance with the shareholders' agreement, the shareholders giving notice, PT Sigma Cipta Harmoni and Trozenin Management Plc., have filed a claim as complainants with the court of arbitration in Singapore. At the same time, the Company is attempting to reach a mutual agreement. In the course and as a result of the arbitration proceedings that have been instituted, the possibility that the court of arbitration will rule in favour of the complainants' legal perspective cannot be excluded. In this case, caatoosee ag would have to sell its shares in Sigma to the shareholders giving notice. This could have an adverse effect on caatoosee ag's net assets, financial position and results of operations. In particular, this would be the case if the purchase price was in the region of the valuations commissioned by the shareholders giving notice, as both are considerably lower than the carrying amount of the Company's equity interest in Sigma.

International environment and exchange rate risks

The international focus of caatoosee's business activities means that it is subject to exchange rate risks and various other uncertainties.

In particular, this includes the general economic, legal and tax situation in the individual countries, unexpected changes in regulatory requirements, and compliance with a range of foreign legislation and other provisions. In addition, there are company law risks relating to the Company's equity interests and joint ventures. In general, it should be noted that the Company's activities in Indonesia are subject to a higher degree of uncertainty as regards legislation, tax policy and local developments.

The situation in Indonesia must also be seen from a geopolitical perspective. The risk of terrorist attacks, and the potential destabilisation of political and economic systems as a result, remains high. The terrorist attacks in Bali and Jakarta have demonstrated that the South-East Asia/Pacific region, with its significant Muslim population, is also exposed to these dangers.

caatoosee executes transactions in various currencies and is therefore subject to a range of risks relating to the exchange rates of these currencies, and in particular the euro-US dollar rate. Exchange rate risks exist when the receivables or liabilities of a caatoosee Group company are denominated in a currency other than the local currency of the respective company.

Exchange rate risks also arise when a caatoosee Group company generates revenue in a currency that is different to the currency in which the related costs are denominated, meaning that it has a nominal open currency position. A large proportion of the Group's revenue is currently generated outside the euro zone – primarily by its subsidiary Sigma in Indonesia, which invoices in US dollars or the Indonesian national currency, and to a lesser extent by OuterBounds Technologies, Inc., USA, which generates revenue in US dollars. This means that a large proportion of the overall exchange rate risk affecting caatoosee's business is attributable to positions denominated in US dollars or currencies that are pegged to the US dollar.

Financing and liquidity position

caatoosee ag assumes that it will be able to finance its future business activities from its current cash and cash equivalents and future revenue and cash flows. After scaling back its activities in the course of the Company's restructuring, caatoosee ag itself no longer has any significant business operations that would generate sufficient cash inflows to cover the Group's financing requirements. caatoosee ag is therefore dependent on dividends and payments from its subsidiaries. For investments above and beyond the scope of normal business of the parent company or its subsidiaries, it may also be necessary to raise debt finance.

If the Company is unable to finance future contracts, projects and commitments in this manner due to changes in parameters, or if caatoosee ag does not receive the expected cash inflows from its subsidiaries, caatoosee ag or its subsidiaries would be forced to raise capital in the form of additional debt or equity finance, possibly via the capital markets. Whether and to what extent caatoosee ag will be able to raise the necessary finance will depend in particular on the Company's net assets, financial position and results of operations. A further key factor will be the overall market conditions affecting caatoosee ag's business units and the financial markets. No guarantee can be provided that the Company will always be able to raise the necessary finance in good time, to the extent required and/or at the desired conditions.

Tax consequences of the contributions in kind

Due to the high net losses recorded in financial years 2002/2003 and 2003/2004 in particular, the Company has high corporate income tax and trade tax carryforwards. The extensive reorientation and restructuring measures mean there is a risk that these tax loss carryforwards within the meaning of Section 8 (4) of the German Corporate Income Tax Act may no longer be used. In addition, it should be noted that German legislation now restricts the offsetting of profits and loss carryforwards, meaning that the Company's income may be taxable despite the existence of loss carryforwards.

7. Dependent Company Report

On the basis of the disclosures received in accordance with the German Securities Trading Act, the Management Board of caatoosee ag assumes that the Company has been a dependent company of M+W Zander Facility Engineering GmbH since May 4, 2005.

Accordingly, the Management Board has prepared a dependent company report on all the Company's relationships in accordance with Section 312 of the German Stock Corporation Act for the short financial year 2005.

At the end of this report, the Management Board declared:

"Our Company has received adequate compensation for all legal transactions and measures listed in this dependent company report on the basis of circumstances known to the Management Board at the time that the transactions or measures were or were not performed, and has not been placed at a disadvantage by measures being taken or not taken."

8. Report on Expected Developments

Following the successful completion of the capital measures, the Group's focus has returned to its operating business, with its two main pillars of IT outsourcing and service activities at TeraPort GmbH and PT Sigma Cipta Caraka and the two additional business units of OuterBounds Technologies, Inc. and information management software.

The Company is pursuing the strategic goal of reinforcing its position in its individual markets and pressing ahead with the expansion of its IT outsourcing and service activities. A number of growth opportunities will be leveraged in order to further caatoosee's development into a leading IT outsourcing and service provider. This will be achieved through organic growth, as well as the acquisition or incorporation of companies.

As part of the further development of the Group's operating activities, TeraPort GmbH is focusing not only on providing services for its main customer, M+W Zander, but also on systematically expanding its business with external customers. The contracts recently concluded with customers from the automotive industry show that the company is making good progress. Sales activities are being significantly intensified and systematically focused on the market outside the M+W Zander Group. With new solutions and services for medium-sized customers, TeraPort GmbH offers a clearly structured solutions package that allows its customers to meet their requirements for a modern, timely and economically operated IT environment.

The Sigma subgroup is expanding its revenue base by increasing its service range for the financial sector. It aims to offer new services in response to the restructuring of the sector. Sigma's primary objective remains the expansion of its leading position on its domestic market, Indonesia; this expansion can then be broadened to include selected other markets.

The activities of the North American company OuterBounds Technologies, Inc. require a significantly broader market penetration and a stable size on the large US market. Having further improved its cost positions and operating processes, the company's productivity reserves have now been exhausted. It is now focusing on business development and expanding its customer base. The Sarbanes-Oxley certification received by the company may be an advantage, as many American companies already see this as a minimum requirement when selecting suppliers.

Software activities at caatoosee ag are currently focusing only on support for existing customers and on covering the Company's chosen business areas. To improve flexibility, maintenance has been outsourced to a partner.

Alongside the organic market development strategy outlined above, the acquisition and incorporation of companies or parts of companies is a method of growth that also comes into consideration. The Group aims to acquire the IT departments of companies, including their staff and infrastructure, in exchange for which the selling company may receive an equity interest in caatoosee ag – therefore becoming both a customer and a shareholder of caatoosee ag at the same time.

All in all, the caatoosee Group is on the right path to press ahead with the progress it has made to date. Extraordinary positive or negative developments in the relevant markets and conditions are not expected in the near future. However, the factors listed in the risk report provide for a degree of uncertainty in terms of economic development.

Leonberg, March 24, 2006

The Management Board

Report of the Supervisory Board

REPORT OF THE SUPERVISORY BOARD OF CAATOOSEE AG
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2005

Dear shareholders,

In the year under review, the Management Board provided the Supervisory Board with detailed information on a regular basis, both verbally and in writing, on the course of business and corporate planning, the Company's financial position and all significant business developments and events. In five meetings, the Supervisory Board intensively discussed the course of business on the basis of the reports provided by the Management Board, and monitored management activities accordingly. All measures requiring approval by the Supervisory Board were discussed in detail at the meetings of the Supervisory Board. Furthermore, the Supervisory Board, and in particular the Chairman of the Supervisory Board, remained in close communication with the Management Board and ensured that it was provided with comprehensive information on current business developments.

In financial year 2005, the Supervisory Board discussed in particular the economic position and strategic orientation of the Company, the capital measures that were implemented in May 2005 and their effects, the course of business within the Group and its equity interests, and the development of the individual business units of the Group. In addition, current business performance and measures aimed at enhancing competitiveness and corporate development formed an integral part of discussions.

In financial year 2005, the Company complied with the recommendations of the Government Commission on the German Corporate Governance Code with some exceptions. The Management Board and Supervisory Board submitted the declaration of compliance in accordance with Section 161 of the German Stock Corporation Act and have made this declaration permanently available to shareholders on caatoosee's website.

The accounting records, annual financial statements and management report of caatoosee ag and the Group for financial year 2005 were audited by Dr. Ebner, Dr. Stolz und Partner GmbH Wirtschaftsprüfungsgesellschaft and issued with an unqualified audit opinion. The Supervisory Board was provided with the annual financial statements and the management report, the consolidated financial statements together with the Group management report, and the audit reports for the purposes of examination. The Supervisory Board concurred with the findings of the auditors' report. In its meeting on March 30, 2006, which was also attended by representatives of the auditors, the Supervisory Board approved the annual financial statements of caatoosee ag for financial year 2005 as prepared by the Management Board after being provided with the auditors' report on the material results of the audit; the annual financial statements are thereby adopted. The consolidated financial statements prepared by the Management Board were also approved.

Dr. Ebner, Dr. Stolz und Partner GmbH Wirtschaftsprüfungsgesellschaft also audited the Management Board's report on related parties prepared in accordance with Section 312 of the German Stock Corporation Act ("dependent company report") for the short financial year 2005. The auditors issued the following unqualified audit opinion on the dependent company report:

"On completion of our audit in accordance with professional standards, we confirm that

1. the factual statements made in the report are correct,
2. the Company's compensation with respect to the transactions listed in the report was not inappropriately high on the basis of circumstances known at the time that the transactions were performed, and
3. there are no circumstances which would justify, in relation to the measures specified in the report, a materially different opinion than that held by the Management Board."

In its own examination of the dependent company report, the Supervisory Board did not find any grounds for objection and concurred in full with the results of the audit by the auditors. Based on the final results of its examination, the Supervisory Board did not raise any objections to the final declaration by the Management Board in the dependent company report.

The Supervisory Board would like to express its thanks to all of the Group's employees and the Management Board for their commitment, and to the shareholders for their confidence in financial year 2005.

Leonberg, March 30, 2006

For the Supervisory Board

Jürgen Gießmann

Chairman

CONSOLIDATED INCOME STATEMENT

	Note	2005 Jan. 1 – Dec. 31, 2005 EUR	2004 Jan. 1 – Dec. 31, 2004 TEUR
Revenue	1	35,215,300	23,347
Cost of sales	2	-26,329,222	-18,379
Gross profit		**8,886,078**	**4,968**
Selling expenses	4	-1,486,243	-142
General and administrative expenses	5	-3,653,400	-1,785
Research and development costs	3	-232,292	-69
Other operating income and expenses, net	6 and 7	-30,722	330
Operating result		**3,483,421**	**3,302**
Net interest income	8	65,814	-24
Net other financial income	8	89,497	0
Financial result		**155,311**	**-24**
Net income before income taxes		**3,638,732**	**3,278**
Income taxes	9	-1,487,504	-1,297
Consolidated net income for the period		**2,151,228**	**1,981**
Thereof attributable to:			
Parent company shareholders		1,889,637	1,981
Minority interests	10	261,591	0
Earnings per share (undiluted) in EUR	11	0.09	0.16
Earnings per share (fully diluted) in EUR	11	0.09	0.16

See also the notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

Assets	Note	Dec. 31, 2005 EUR	Dec. 31, 2004 TEUR
Property, plant and equipment	13 and 14	8,356,909	2,481
Intangible assets	12	4,465,040	5,759
Goodwill	12	9,730,124	0
Deferred taxes	9	184,934	199
Other noncurrent assets	16	458,920	0
Noncurrent assets		**23,195,927**	**8,439**
Cash and cash equivalents	20	11,946,895	1,147
Securities	15	1,838,270	0
Trade receivables less valuation adjustments (2005: EUR 166,764; 2004: EUR 0)	18	3,799,350	1,477
Receivables from subsidiaries	18	2,047,000	6,333
Inventories	17	609,520	142
Other current assets	18	2,070,338	291
Prepaid expenses	19	450,856	295
Current assets		**22,762,229**	**9,685**
Total assets		**45,958,156**	**18,124**

Stockholders' equity	Note	Dec. 31, 2005 EUR	Dec. 31, 2004 TEUR
Issued capital	21	24,098,988	500
Capital reserves	21	13,955	16,692
Retained earnings	21	-226,281	-4,727
Foreign currency translation reserve	21	367,836	0
Stockholders' equity attributable to parent company shareholders		**24,254,498**	**12,465**
Stockholders' equity attributable to minority interests	22	**5,536,729**	**0**
Total stockholders' equity		**29,791,227**	**12,465**

Liabilities	Note	Dec. 31, 2005 EUR	Dec. 31, 2004 TEUR
Noncurrent financial liabilities	25	1,682,362	115
Deferred taxes	9	142,048	197
Other noncurrent liabilities	23, 24, 26	756,217	153
Noncurrent liabilities		**2,580,627**	**465**
Current financial liabilities	25	872,535	326
Trade payables	27	5,139,093	2,575
Liabilities to subsidiaries	27	538,866	221
Provisions for taxes	9	699,662	647
Other provisions	24	2,001,273	495
Other current liabilities	27	1,034,437	861
Deferred income	28	2,859,329	39
Advanced payments received	27	441,107	30
Noncurrent liabilities		**13,586,302**	**5,194**
Total liabilities		**16,166,929**	**5,659**
Total stockholders' equity and liabilities		**45,958,156**	**18,124**

See also the notes to the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	Jan. 1 – Dec. 31, 2005 EUR	Jan. 1 – Dec. 31, 2004 TEUR
Net cash from operating activities		
Consolidated net income	2,151,228	1,981
Reconciliation of consolidated net income to net cash from operating activities		
Depreciation of property, plant and equipment	2,683,835	1,933
Amortisation of goodwill, equity interests and intangible assets	4,097,294	4,565
Other financial and investment income/expense	-102,001	0
Income/expenses attributable to the stock option plan	-4,019	0
Change in deferred taxes	-71,365	612
Other	0	-206
	8,754,972	8,885
Change in operating assets and liabilities		
Trade receivables	6,475,546	-5,451
Inventories	-327,165	-69
Other operating assets	930,070	-194
Trade payables	-1,979,083	1,801
Reserves	-2,438,112	786
Other operating liabilities	-1,189,504	-101
Net cash from operating activities	**10,226,724**	**5,657**
Net cash used in investing activities		
Payments for the acquisition of property, plant and equipment	-3,421,363	-1,648
Payments for the acquisition of intangible assets	-2,320,844	-3,789
Proceeds from the disposal of assets	0	484
Proceeds from the disposal of securities	6,122	0
Change in other cash investments	-243,672	0
Net cash used in investing activities	**-5,979,757**	**-4,953**
Net cash from financing activities		
Change in current financial liabilities	-1,969,143	0
Proceeds from/payments for noncurrent liabilities	1,595,278	0
Proceeds from capital increases	5,000,000	0
Other	-22,500	0
Net cash from financing activities	**4,603,635**	**0**
Effect of foreign exchange rate changes on cash and cash equivalents	192,702	
Change in cash and cash equivalents	9,043,304	704
Cash and cash equivalents at beginning of year	1,147,000	443
Cash inflow from initial consolidation	1,756,591	0
Cash and cash equivalents at end of year	**11,946,895**	**1,147**

See also the notes to the consolidated financial statements.

STATEMENT OF CHANGES IN CONSOLIDATED STOCKHOLDERS' EQUITY

	Stockholders' equity attributable to parent company shareholders						Stockholders' equity attributable to minority interests	Total
	Issued capital	**Capital reserves**	**Retained earnings**	**Foreign currency translation reserve**	**Treasury shares**	**Total**		
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balance at December 31, 2003	**500,000**	**16,692,000**	**-6,708,000**	**0**	**0**	**10,484,000**	**0**	**10,484,000**
Consolidated net income			1,981,000			1,981,000		1,981,000
Balance at December 31, 2004	**500,000**	**16,692,000**	**-4,727,000**	**0**	**0**	**12,465,000**	**0**	**12,465,000**
Reclassification of TeraPort GmbH	11,936,550	-11,936,550						
Balance at December 31, 2004 after reclassification	**12,436,550**	**4,755,450**	**-4,727,000**	**0**	**0**	**12,465,000**	**0**	**12,465,000**
Consolidated net income			1,889,637			1,889,637	261,591	2,151,228
Foreign currency translation adjustment				367,836		367,836		367,836
Total consolidated net income	0	0	1,889,637	367,836	0	2,257,473	261,591	2,519,064
Reverse acquisition of caatoosee Group	4,441,625	-3,505,265	3		-84000	852,363		852,363
Stockholders' equity from acquisition attributable to minority interests							5,275,138	5,275,138
Capital increase against contribution in kind of OuterBounds	2,220,813	1,510,153				3,730,966		3,730,966
Cash capital increase	5,000,000					5,000,000		5,000,000
Transfer from capital reserves		-2,814,218	2,814,218					
Treasury shares issued			-49,000		84000	35,000		35,000
Stock options		13,956	-17,975			-4,019		-4,019
Other changes in stockholders' equity		53,879	-136,164			-82,285		-82,285
Balance at December 31, 2005	**24,098,988**	**13,955**	**-226,281**	**367,836**	**0**	**24,254,498**	**5,536,729**	**29,791,227**

See also the notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for financial year 2005

PRESENTATION OF GROUP STRUCTURE

Parent company

The parent company is caatoosee ag, Riedwiesenstrasse 1, Leonberg, which is entered in the commercial register of the Leonberg Local Court under HRB 3121.

caatoosee ag (ISIN DE000A0EPUK5) is listed on the Frankfurt Stock Exchange and is traded in the Prime Standard/Geregelter Markt.

Following the completion of the Company's restructuring program, its activities are focused on sustainably developing its subsidiaries in the areas of IT outsourcing and services and strengthening its software operations. With its subsidiaries, caatoosee ag is represented in the main growth markets for IT management services, North America, Western Europe and Asia.

The Group companies' services primarily cover the areas of consulting and support for IT systems and their operation. These services are provided to industrial companies and customers from the financial services sector, such as banks and insurance companies.

caatoosee ag still markets and maintains the software that it has developed, primarily on the domestic German market.

Accounting principles

The consolidated financial statements were prepared in accordance with the accounting principles issued by the International Accounting Standards Board (International Financial Reporting Standards – "IFRS") and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The IFRSs/IASs and related interpretations applicable at the reporting date were applied retrospectively. In addition, the Company applied IFRS 1 retrospectively with effect from January 1, 2004. The business combinations and impairment tests in the reporting period were accounted for in accordance with IFRS 3 and IAS 36/IAS 38 respectively. The standards and interpretations that have already been published but that were not required to be applied in financial year 2005 will be applied at a later date. The standards and interpretations that the Company is required to apply from financial year 2006 are not currently expected to have a material effect.

The Company maintains its financial records in accordance with German law, which is represented by the generally accepted accounting principles in Germany (“German GAAP”). German GAAP and IFRS differ in certain respects. Accordingly, the Company has made certain adjustments to ensure that these consolidated financial statements comply with IFRS.

The consolidated financial statements comply with section 315a of the German Commercial Code (HGB).

The consolidated financial statements were prepared in euros. Unless otherwise stated, all amounts are presented in thousands of euros (EUR thousand). The income statement was prepared using the cost of sales method.

Under IFRS, the incorporation into the caatoosee Group of TeraPort GmbH, Leonberg, in the course of the capital increase against contributions in kind constitutes a reverse acquisition for accounting purposes. This special treatment means that the following structure is reflected in the consolidated financial statements:

- In the course of initial consolidation, assets and liabilities were measured at fair value.
- The excess of acquisition cost over the fair value of the net assets acquired was recognised as goodwill.
- TeraPort GmbH is included in the consolidated financial statements in full, i.e. for twelve months. Caatoosee ag, PT Sigma Cipta Caraka, Jakarta, Indonesia, and OuterBounds Technologies, Inc., Atlanta, USA, are only included from May 4, 2005 or, for simplification, from May 1, 2005. This means that these companies are only included in the consolidated financial statements for eight months.
- The prior-period amounts essentially relate to TeraPort GmbH and are only comparable to a limited extent with the figures at the balance sheet date.

The preparation of the consolidated financial statements in accordance with IFRS requires that, for some items, assumptions be made that affect the amounts recognised in the consolidated balance sheet and the consolidated income statement, as well as the disclosure of contingent assets and liabilities. At the preparation date of the consolidated financial statements, the assumptions applied were not subject to any material risks, meaning that the carrying amounts of the assets and liabilities reported on the face of the balance sheet are not currently expected to have to be significantly adjusted in the next financial year.

The financial year of caatoosee ag and the subsidiaries included in the consolidated financial statements is the calendar year, with the exception of PT Sigma Cipta Caraka. This company, whose reporting date is March 31, prepares corresponding interim financial statements as of December 31 for consolidation purposes.

Consolidated group/Principles of consolidation

The consolidated financial statements include the financial statements of the Company and its significant subsidiaries, which are included in consolidation as of the respective acquisition date. In financial year 2005, TeraPort GmbH, Leonberg, and OuterBounds Technologies Inc., Atlanta, USA, were included in the consolidated financial statements for the first time. All equity interests are carried at cost.

Nine companies are not included in consolidation, as their business operations have been fully discontinued and their impact on the Group's net assets, financial position and results of operations is negligible.

Minority interests in the Company's majority shareholdings are reported in "stockholders' equity attributable to minority interests".

For business combinations accounted for using the purchase method of accounting (full revaluation), all assets and liabilities acquired are carried at fair value. The excess of acquisition cost over the fair value of the net assets acquired is recognised as goodwill, which is not amortised in subsequent periods but tested annually for impairment (IAS 36 – "impairment-only approach").

Intercompany transactions are eliminated.

caatoosee ag's equity interests are as follows:

	Share of capital %	Stockholders' equity in € 1)	Net profit in € 2) 6)
1. Subsidiaries included in consolidation			
Germany			
TeraPort GmbH, Leonberg	99.87	14,292,810	1,901,000
Outside Germany			
OuterBounds Technologies, Inc., Atlanta, USA	100.00	942,664	213,497
Sigma subgroup (parent company)			
PT Sigma Cipta Caraka, Jakarta, Indonesia	51.00	7,961,160	522,994
Subsidiaries			
PT Sigma Karya Sempurna, Tangerang, Indonesia	99.91	275,005	65,796
PT Signet Pratama, Jakarta, Indonesia	80.00	634,688	83,698
PT Sigma Solusi Integrasi, Jakarta, Indonesia	70.00	467,577	152,823
PT AIT Sigma Indonesia, Jakarta, Indonesia	99.84	215,900	-16,481
Sigma AIT Sdn., Bhd., Kuala Lumpur, Malaysia	51.00	86,645	-121,383

1) Amounts in foreign currencies are translated at the middle rate on the reporting date
2) Amounts in foreign currencies are translated at the average rate
3) Figures relate to the previous year's financial statements
4) This company's operations were fully discontinued in previous periods
5) In liquidation
6) For TeraPort, net profit from January to December 2005; for all other companies, net profit from May to December 2005

	Share of capital %	Stockholders' equity in € 1)	Net profit in € 2) 6)
2. Subsidiaries not included in consolidation			
Germany			
Stratobyte AG, Stuttgart 4)	100.00	8,408	-609
contara AG, Stuttgart 3) 4)	100.00	532	-
DMS Digitale Medien Systeme GmbH, Ettlingen 3) 4)	100.00	7,601	-13,229
Outside Germany			
PT Sigma Mitra Selaras, Jakarta, Indonesia 4)	51.00	-	-
caatoosee s.r.l., Milan, Italy 3) 4) 5)	100.00	-41,175	28,842
caatoosee Ltd., London, United Kingdom 3) 4)	100.00	-88	303,001
caatoosee s.a.s., Paris, France 3) 4) 5)	100.00	17,387	114,559
caatoosee Inc., Washington, USA 3) 4)	100.00	27,237	-
DMS Digital Media Systems Inc., New Jersey, USA 3) 4)	100.00	-	-

Company acquisitions and disposals

Company acquisitions are accounted for using the purchase method. During purchase price allocation, all assets and liabilities and certain contingent liabilities acquired are recognised at fair value. Identifiable intangible assets are also recognised. The remaining excess is recognised as goodwill, which is not amortised in subsequent periods but tested annually for impairment.

The capital measures resolved by the Annual General Meeting on February 10, 2005 were entered in the commercial register of the Leonberg Local Court with effect from May 4, 2005. As a result, the acquisition of 99.61% of the shares of TeraPort GmbH, Leonberg (formerly

1) Amounts in foreign currencies are translated at the middle rate on the reporting date
2) Amounts in foreign currencies are translated at the average rate
3) Figures relate to the previous year's financial statements
4) This company's operations were fully discontinued in previous periods
5) In liquidation
6) For TeraPort, net profit from January to December 2005; for all other companies, net profit from May to December 2005

Stuttgart) was successfully completed. The remaining 0.26% of the shares, which were in free float, were acquired on December 31, 2005. In addition, OuterBounds Technologies, Inc., Atlanta, USA, was fully incorporated into caatoosee ag.

New shares were issued for the acquisition of the subsidiaries. 12,436,550 of these new shares were issued to M+W Zander Facility Engineering GmbH, Stuttgart, which is entered in the commercial register of the Stuttgart Local Court under HRB 20348. In exchange, this company transferred an equity interest with a notional value of EUR 498,050.00 to TeraPort GmbH as a contribution in kind. 2,220,813 of the new shares were issued to a number of shareholders in exchange for the contribution of shares in OuterBounds Technologies, Inc., Atlanta, USA.

The fair value of the shares issued for the companies was determined on December 17, 2004, and amounted to EUR 1.68 per share. The fair value was calculated as the average of the share prices on the 10 banking days before and after the measurement date of the capital increase.

The following assets and liabilities were acquired during the acquisition of subsidiaries:

EUR thousand	OuterBounds Technologies, Inc.	PT Sigma	caatoosee ag	Total
Noncurrent assets	**860**	**4,757**	**34,626**	**40,243**
of which - property, plant and equipment	514	4,209	2	4,725
- intangible assets	307	471	0	778
- investments in subsidiaries	0	0	34,624	34,624
Current assets	**469**	**9,036**	**6,159**	**15,664**
of which - cash and cash equivalents	253	1,662	5,134	7,049
Noncurrent liabilities	**486**	**703**	**0**	**1,189**
of which - financial liabilities	486	185	0	671
Current liabilities	**336**	**6,079**	**8,987**	**15,402**
of which - trade payables	289	3,697	1,364	5,350
- other provisions	11	0	3,330	3,341
- financial liabilities	0	0	2,126	2,126
Revenue Jan. 1, 2005 to Dec. 31, 2005	**1,755**	**18,213**	**409**	**20,377**

Currency translation

The financial statements of the Company's German operations are prepared using the euro as the functional currency. Under the foreign currency concept, the balance sheet items of foreign subsidiaries whose functional currency is not the euro are translated to euros using the middle rate on the reporting date, while income statement items are translated using the average rates for the year. Translation differences affecting asset and liability items as a result of changes in exchange rates as against the previous year or the date of initial consolidation are taken directly to equity.

Transactions denominated in foreign currencies are translated into the respective local currency at the exchange rate on the transaction date. Receivables and liabilities denominated in foreign currencies are translated at the closing rate at the balance sheet date.

The opening balances of historical cost and accumulated depreciation and amortisation of noncurrent assets are translated at the closing rate at the last balance sheet date, depreciation and amortisation in the year under review are translated at the weighted average rate for the year, and all other items are translated at the closing rate at the balance sheet date (middle rate of bid and ask price). The translation of the noncurrent assets of foreign Group companies results in exchange differences affecting changes in noncurrent assets; these are presented in a separate column in the statement of changes in noncurrent assets.

The exchange rates used in foreign currency translation for significant non-EMU currencies developed as follows:

		Middle rate on		Average exchange rate for the year	
		Dec. 31, 2005	Dec. 31, 2004	Jan. 1 – Dec. 31, 2005	Jan. 1 – Dec. 31, 2004
		EUR 1 =	EUR 1 =	EUR 1 =	EUR 1 =
USA	USD	1.1844	1.36440	1.21475	1.24386

ACCOUNTING POLICIES

Goodwill

In accordance with IFRS 3, goodwill is the excess of the cost of a business combination over the acquirer's share of the remeasured assets, liabilities and contingent liabilities acquired following purchase price allocation and the identification of intangible assets. In order of size, the identified assets and liabilities are recognised in the course of purchase price allocation not at their previous carrying amount, but at fair value.

Goodwill is capitalised and tested for impairment at least once a year at a specified date. Any impairment loss is recognised as an expense immediately and may not be reversed in subsequent periods.

In accordance with IFRS 3, negative goodwill from capital consolidation must be recognised in income immediately. These reversals are reported in other operating income.

Intangible assets

Purchased intangible assets, which relate primarily to software, patents and licences, are carried at cost. Intangible assets with a determinable useful life are amortised on a straight-line basis over their economic life of between 3 and 10 years. The Group tests intangible assets with a determinable useful life for impairment (cf. "Impairment of property, plant and equipment and intangible assets").

Intangible assets with an indefinite useful life are tested for impairment at least once a year.

Development costs are capitalised if a newly developed product or process can be clearly defined, is technically feasible, and the Company's intention is either to use the product or process itself or to market it. It must also be reasonably certain that the development costs will be covered by future cash flows. Capitalised development costs are amortised on a straight-line basis over the expected economic life of the respective product; the useful life of a product may be between 2 and 6 years. IAS 38 requires research costs to be expensed as incurred. Cost includes all directly attributable costs and an appropriate portion of development-related overheads. If the conditions for capitalisation are not met, the corresponding costs are recognised as expenses in the period in which they are incurred. Financing costs are not capitalised.

Property, plant and equipment

Property, plant and equipment is carried at cost less depreciation. Write-downs are charged on cost less accumulated depreciation as required. Production cost is calculated as the directly attributable cost of production plus an appropriate portion of directly attributable material and construction overheads and depreciation.

The option to revalue property, plant and equipment as provided by IAS 16 “Property, Plant and Equipment” was not exercised.

In accordance with IAS 23 “Borrowing Costs”, borrowing costs are expensed in the period in which they are incurred.

Costs for the repair of property, plant and equipment are expensed. Subsequent expenditure may be capitalised for components of property, plant and equipment that are renewed regularly and that meet the recognition criteria set out in IAS 16.

The following useful lives are generally applied for the depreciation of property, plant and equipment:

Buildings		20 years
Hardware and other equipment	2 to	10 years
Vehicles	2 to	8 years
Operating and office equipment	3 to	13 years

When property, plant and equipment is retired, sold or abandoned, the difference between the sales proceeds and the residual value is reported in other operating income or expenses.

Impairment of property, plant and equipment and intangible assets

The caatoosee Group tests property, plant and equipment and intangible assets with a determinable useful life at every balance sheet date in order to determine whether there are any indications of impairment as set out in IAS 36 “Impairment of Assets”.

If there are indications of impairment, the recoverable amount of the respective asset is calculated in order to determine the corresponding impairment loss.

The recoverable amount is the higher of the fair value of the asset less costs of disposal (net selling price) and its value in use.

Net selling price is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties.

Value in use is determined on the basis of expected discounted future cash flows, applying a pre-tax market interest rate that reflects the risks incident to the asset that are not yet included in the estimates of future cash flows.

If the recoverable amount of an asset is lower than its carrying amount, the carrying amount is written down to the recoverable amount and the corresponding impairment loss is recognised as an expense immediately.

If an impairment loss is reversed in a subsequent period, the carrying amount of the asset is adjusted to reflect the recoverable amount determined. Any reversal is limited to the amount of cost less accumulated depreciation that would have been attributable to the asset if no impairment losses had been recognised in prior periods. Reversals of impairment losses are recognised in income immediately.

Leases

The conditions for the recognition of leased property, plant and equipment as finance leases in accordance with IAS 17 “Leases” are deemed to have been met when all of the significant risks and rewards of ownership have been transferred to the respective Group company. All other leases are classified as operating leases.

Finance leases

In the case of finance leases, the respective leased assets are recognised at the inception of the lease at the fair value of the assets or, if lower, the present value of the minimum lease payments. If it is unlikely that a leased asset will be acquired at the end of the lease term, the asset is depreciated on a straight-line basis over the shorter of its economic life or the lease term. The payment obligations resulting from future lease instalments are recognised as expenses on a discounted basis.

Operating leases

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

Lease payments under operating leases are recognised as expenses on a straight-line basis over the lease term. Concessions granted and received as an incentive to enter into a lease are also allocated on a straight-line basis over the lease term.

Financial instruments

Financial instruments are contracts that give rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. In accordance with IAS 32, this includes primary financial instruments, such as trade receivables and payables or financial receivables and liabilities, as well as derivative financial instruments that are used to hedge against exchange rate and interest rate risk.

Financial assets and financial liabilities are included in the consolidated balance sheet from the date on which the Group becomes a party to the respective financial instrument. Financial assets are recognised from the settlement date.

Existing financial instruments classified as loans and receivables are carried at amortised cost, while existing financial instruments classified as held for trading are carried at fair value.

The amortised cost of a financial asset or liability is defined as the amount at which

- the financial asset or liability was recognised on initial recognition,
- less any repayments, and
- less any impairment losses or allowances for uncollectability.

For current receivables and liabilities, amortised cost is generally the same as the respective nominal or principal amount.

The fair value of a financial instrument is generally its market price. If no active market exists, fair value is calculated using actuarial methods, e.g. by discounting the estimated future cash flows using the market interest rate or by applying recognised option pricing models, and is then reviewed by way of confirmation by the banks settling the transactions.

Originated financial instruments

Investments in companies – Initial measurement at cost, including transaction costs.

Investments in unlisted subsidiaries and affiliates are classified as available-for-sale financial assets. However, they are generally carried at cost, as no active market exists for the respective companies and their fair value cannot be determined reliably and reasonably. If there is evidence to support a lower fair value, the investments are carried at that fair value.

Securities – Securities are classified as financial assets held for trading and are carried at their fair value. Gains and losses are recognised in income. Initial measurement of securities takes place on the settlement date at cost.

Trade receivables – Due to their short-term nature, trade receivables are non-interest-bearing and are recognised at their nominal amount less write-downs for default risk.

Other assets and liabilities – Other assets and liabilities are recognised at cost less accumulated depreciation or amortisation. Write-downs are charged for identifiable default risk.

Cash and cash equivalents – Cash and cash equivalents are composed of cash in hand, cheques and available bank balances with an original term of up to three months, and are carried at their nominal amount.

Cash and cash equivalents with restrictions on title – Cash and cash equivalents with restrictions on title are disclosed separately.

Liabilities to banks – Interest-bearing bank loans and overdrafts are carried at the amount received less the directly attributable costs of issue. Financing costs, including premiums due on repayment, are recognised on an accrual basis and increase the carrying amount of the respective instrument if not settled when incurred.

Liabilities – Liabilities that are not the underlyings in accounting hedges are carried at cost. Any differences between the historical cost of liabilities and the amount repayable are recognised using the effective interest method.

Finance lease liabilities are measured at the present value of the minimum lease payments.

Inventories – Inventories are carried at the lower of cost and net realisable value.

Cost is defined as full production cost calculated on the basis of normal capacity utilisation. This includes direct costs and an appropriate portion of the necessary material and construction overheads as well as production-related depreciation that can be directly attributed to the production process. Administrative expenses attributable to production are included in cost. In accordance with IAS 23, borrowing costs are not included in the cost of inventories. Inventories are measured at fair value if this is lower than cost on the reporting date due to a fall in prices on the market for the products. Like items of inventories are generally measured using weighted average cost formulas.

The net realisable value is defined as the estimated proceeds of disposal less the estimated cost of production and the costs expected to be incurred until disposal.

Advanced payments received – Advanced payments received from customers are recognised as liabilities provided that they are not related to construction contracts (percentage of completion method).

Construction contracts – In accordance with IAS 11, revenue from and gains on construction contracts are recognised using the percentage of completion method. Construction contracts are those which will not be completed until after the balance sheet date. The percentage of completion is calculated as the ratio of the contract costs incurred as of the end of the financial year and the estimated total contract costs at the end of the financial year ("cost-to-cost method"). Losses on construction contracts are recognised immediately in the financial year in which the losses are identified, irrespective of the percentage of completion.

Construction contracts measured using the percentage of completion method are reported in receivables or liabilities from construction contracts in the amount of the advanced payments received. They are carried at cost plus a share of gains on the construction contract corresponding to the percentage of completion. If the cumulative value of the work performed (contract revenue and costs) exceeds the advanced payments received, the respective contract is reported in receivables from construction contracts. If there is a negative balance after deduction of the advanced payments received, this is reported as an obligation under liabilities from construction contracts. Expected losses on construction contracts are covered in full by write-downs or provisions, taking into account all identifiable risks.

Deferred taxes – In accordance with IAS 12, deferred taxes are recognised using the liability method for all temporary differences between the tax base and the consolidated balance sheet. The amounts reported in the tax accounts of the companies included in consolidation are calculated, taking consolidation entries into account.

Deferred taxes from tax loss carryforwards are recognised if it is probable that the carryforwards can be utilised. Deferred taxes are recognised in the amount of the expected tax benefit or burden in subsequent financial years on the basis of the tax rate applicable at the date on which the carryforwards are utilised. The tax consequences of profit distributions are only included when the respective resolution on the appropriation of net profit is passed.

Write-downs are charged on deferred tax assets that are not expected to be realised within a reasonable period of time. Deferred taxes are calculated on the basis of the respective national income tax rates.

The tax rates applied when calculating deferred taxes are presented in the “Income taxes” section.

In accordance with IAS 12, deferred tax assets and liabilities may not be discounted. Deferred tax assets may only be offset against deferred tax liabilities to the extent that they relate to income taxes levied by the same taxation authority and the maturities are matched. In accordance with IAS 1, which must be applied to financial years beginning on or after January 1, 2005, deferred taxes are generally classified as noncurrent.

Provisions for pensions and similar obligations – Pensions and similar obligations are composed of the Group’s obligations under defined benefit and defined contribution pension plans. In the case of defined benefit plans, pension obligations are calculated using the projected unit credit method in accordance with IAS 19 “Employee Benefits”. Annual actuarial reports are commissioned for this purpose. Calculations are based on expected salary growth of 2.75% (previous year: 2.75%), expected pension growth of 1.75% (previous year: 1.75%) and a discount rate of 4.25% (previous year: 5.00%). Mortality rates in the year under review were based on the current mortality tables published by Prof. Klaus Heubeck (2005).

Actuarial gains and losses exceeding the greater of 10% of the present value of obligations and the fair value of plan assets are spread over the average remaining length of service. In accordance with the option provided by IFRS 1, all actuarial gains and losses were recognised in full from the date of initial IFRS application (January 1, 2004).

Service cost is reported in staff costs, while the interest element of the addition to provisions is reported in the financial result.

For defined contribution plans (e.g. direct insurance plans), the required contributions are recognised as expenses immediately. No provisions are recognised for pension obligations.

Tax provisions – Tax provisions contain provisions for current income tax obligations.

Deferred taxes are reported in separate balance sheet items.

Other provisions – In accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, a provision is recognised if an enterprise has a present obligation to a third party as a result of a past event, it is probable that a future outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. This means that the probability must be over 50%. Other provisions are only recognised for legal or constructive obligations to third parties.

For provisions that do not lead to an outflow of resources in the following period, the settlement amount is discounted to the balance sheet date where the effect of the time value of money is material. Pre-tax discount rates that reflect current market assessments of the time value of money and those risks specific to the liability are applied. The settlement amount also includes expected cost increases.

Provisions are not offset against recourse claims.

Contingent liabilities – A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the control of the caatoosee Group. In addition, present obligations may constitute contingent liabilities if the probability that an outflow of resources will be required to settle the obligation is not sufficient for the recognition of a provision and/or a sufficiently reliable estimate of the amount of the obligation cannot be made. The carrying amounts of contingent liabilities correspond to the amount that would have to be paid to settle the obligations at the balance sheet date.

Income statement – Cost includes the costs incurred in generating revenue. This item also includes the cost of allocations to provisions for guarantees.

Selling expenses include staff and material costs, sales-related depreciation and amortisation, advertising and market research costs, and costs relating to unsuccessful offers. Administrative expenses include staff and material costs and administration-related depreciation and amortisation.

In accordance with IAS 8, income from the reversal of provisions is offset against the expense items for which the provisions were originally recognised. This means that reversals of provisions are generally credited to the same functional cost items that were used for the corresponding additions to provisions.

To ensure the clear presentation of the offsetting of income and expense items, material amounts are disclosed separately.

Grants relating to assets are deducted from the cost of the respective assets.

Other taxes are allocated to other operating expenses. Dividend income is recognised when it legally arises.

SEGMENT REPORTING

Segments are defined on the basis of risks and rewards, an enterprise's internal organisational and management structure and its system of internal financial reporting to the Management Board and the Supervisory Board. Accordingly, the primary reporting format for the caatoosee Group is the individual Group companies. The secondary reporting format is based on geographical segments. Transactions between the companies in the caatoosee Group's segments are conducted at arm's length conditions.

The internal organisational structure of the caatoosee Group as of December 31, 2005 was as follows:

caatoosee ag, Germany

caatoosee ag, Germany, is responsible for sales and maintenance of caatoosee software. In addition to these operating activities, caatoosee ag performs centralised tasks such as planning the corporate strategy of the caatoosee Group, finance and controlling, capital market management and the coordination of the Group's activities.

TeraPort GmbH, Germany

The company primarily acts as an IT partner of the M+W Zander Group with a focus on consulting, support and operating IT systems in engineering environments and the development of comprehensive solutions for digital product development and simulation.

PT Sigma Cipta Caraka, Indonesia

The core competencies of the Indonesian Sigma Group are data centre outsourcing and the development and marketing of software for the financial services sector, industry and the public sector.

OuterBounds Technologies Inc., USA

The company's business activities focus on the performance of IT services such as hosting and outsourcing IT applications for business customers.

The Group measures the success of its segments on the basis of the operating results of the individual companies before extraordinary items.

The segment information for financial years 2005 and 2004 is as follows:

EUR thousand	caatoosee ag		TeraPort GmbH		PT Sigma		OuterBounds, Inc.		Reconciliation to Group figures		Group	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Revenue	339	0	21,986	23,347	11,697	0	1,193	0	0	0	35,215	23,347
of which												
Germany	130	0	20,906	21,947	0	0	0	0	0	0	21,036	21,947
EU	0	0	409	854	0	0	0	0	0	0	409	854
rest of Europe	0	0	2	0	0	0	0	0	0	0	2	0
NAFTA	0	0	208	178	0	0	1,193	0	0	0	1,401	178
South-East Asia/ Pacific/Asia	0	0	431	360	11,697	0	0	0	0	0	12,128	360
other	209	0	30	8	0	0	0	0	0	0	239	8
intersegment revenue	0	0	0	0	0	0	0	0	0	0	0	0
EBIT	-345	0	3,029	3,302	659	0	181	0	-41	0	3,483	3,302
Net income for the period	-447	0	1,901	1,981	525	0	213	0	-41	0	2,151	1,981
Segment assets	68,934	0	19,530	18,124	14,632	0	1,320	0	-58,458	0	45,958	18,124
Segment liabilities	5,134	0	5,164	5,659	6,775	0	377	0	-1,283	0	16,167	5,659
Investments in intangible assets	0	0	2,137	3,789	0	0	0	0	0	0	2,137	3,789
property, plant and equipment	0	0	3,030	1,648	1,132	0	46	0	-53	0	4,155	1,648
Depreciation and amortisation	0	0	5,546	6,498	1,103	0	132	0	-10	0	6,771	6,498
Average number of employees for the year	5	0	81	78	212	0	6	0	0	0	304	78

INCOME STATEMENT DISCLOSURES

Due to the reverse acquisition, consolidated revenue includes the revenue of TeraPort GmbH for the period January to December 2005 and the revenue of caatoosee ag, PT Sigma and OuterBounds Technologies, Inc. for the period May to December 2005. A direct comparison with the previous year is not possible, as the prior-period amounts relate exclusively to TeraPort GmbH. This also applies to the other income statement items.

1. Revenue

Revenue increased by a total of EUR thousand 11.9 or 50.8% as against the previous year to EUR thousand 35.2.

2. Cost of sales

The cost of sales rose by a total of EUR thousand 7.9 or 43.3% year-on-year to EUR thousand 26.3.

This item contains the costs incurred in generating the revenue disclosed, as well as expenses relating to the recognition of provisions for revenue items.

3. Research and development costs

Research and development costs contain all expenses attributable to the Group's research and development activities. This item increased by EUR thousand 163 or 236.2% as against the previous year, totalling EUR thousand 232.

4. Selling expenses

Selling expenses primarily relate to costs for marketing, sales commission, public relations and advertising. Overall, selling expenses rose by EUR thousand 1,344 or 946.5% year-on-year to EUR thousand 1,486.

5. General and administrative expenses

General and administrative expenses include all staff and material costs, depreciation and amortisation expenses and capital market costs attributable to general and administrative activities.

Overall, general and administrative expenses increased by EUR thousand 1,868 or 104.6% as against the previous year to total EUR thousand 3,653.

Of this figure, EUR thousand 578 was attributable to income from the reversal of provisions.

6. Other operating income

EUR thousand	2005	2004
Income from the sale of materials	14	0
Income from the disposal of property, plant and equipment	82	201
Income from the disposal of noncurrent financial assets	0	5
Income from the disposal of intangible assets	165	0
Income from compensation claims	2	12
Miscellaneous	186	223
	449	441

EUR thousand 247 (previous year: EUR thousand 201) of other operating income was attributable to income from the disposal of intangible assets and property, plant and equipment. Income from the reversal of provisions was allocated to the expense items for which the provisions were recognised in the previous year.

7. Other operating expenses

TEUR	2005	2004
Foreign exchange losses	86	0
Write-downs/bad debt allowances	54	0
Losses on the disposal of intangible assets	11	5
Losses on the disposal of noncurrent assets	23	19
Other taxes	3	2
Miscellaneous	303	85
	480	111

Other operating expenses primarily include foreign exchange losses, write-downs on receivables, and construction and renovation costs.

8. Net interest income

EUR thousand	2005	2004
Income from noncurrent financial instruments and long-term loans	89	0
Net other financial income	89	0
Other interest and similar income	106	4
Other interest from subsidiaries:	98	15
Interest and similar expenses	116	1
Interest element of finance lease instalments	15	35
Interest element of addition to pension provisions	7	7
Net interest income/expense	66	-24
	155	-24

9. Income taxes

Income taxes are composed of the current income taxes (paid or owed) in the individual countries and deferred taxes. The current income tax expense of the caatoosee Group is calculated on the basis of the tax rates that have been enacted or substantively enacted by the balance sheet date.

Income taxes are accounted for in accordance with IAS 12. Deferred taxes are calculated using the liability method. Deferred tax assets and deferred tax liabilities are reported as separate items on the face of the balance sheet in order to present the future tax effect of temporary differences between the balance sheet carrying amounts of assets and liabilities and the tax base.

Deferred tax assets are recognised for tax loss carryforwards to the extent that they are expected to be utilised in the near future. Deferred tax assets and liabilities are recognised in the amount of the expected tax benefit or burden in subsequent financial years on the basis of the tax rate applicable at the date on which the carryforwards are utilised.

Write-downs are charged on deferred tax assets that are not expected to be realised within a reasonable period of time.

Deferred taxes are calculated on the basis of the respective national income tax rates. For companies in Germany, deferred taxes as of December 31, 2005 were calculated on the basis of a corporate income tax rate of 25% (previous year: 25%) plus the solidarity surcharge of 5.5% on the corporate income tax paid, and an effective trade tax rate of 12.5% (previous year: 12.5%).

Including the solidarity surcharge and trade tax, this results in an effective aggregate tax rate for the deferred taxes of companies in Germany of 38.9% (previous year: 38.9%).

For companies outside Germany, deferred taxes are calculated on the basis of the national income tax rates in the respective countries.

Deferred taxes are reported in the income statement in tax income/expense unless they relate to items recognised directly in equity. In this case, the corresponding deferred taxes are also taken directly to equity.

The source of the Group's income taxes is as follows:

Income taxes in EUR thousand	2005	2004
caatoosee ag	0	0
TeraPort	1,275	685
OuterBounds Techn. Inc.	24	0
PT Sigma	258	0
Total	1,557	685
(of which prior-period)	(9)	(0)

Deferred taxes in EUR thousand	2005	2004
from temporary differences	-159	50
(of which prior-period)	(0)	(0)
from tax loss carryforwards	90	562
Total	-69	612

Income taxes	1,488	1,297

At the balance sheet date, the caatoosee Group had unutilised tax loss carryforwards of EUR thousand 62,689 (previous year: 0) to be offset against future profits. Within the scope of the Group's planning, these carryforwards are expected to be utilised in the amount of EUR thousand 449 (previous year: 0). Deferred tax assets were recognised for utilisable losses in the amount of EUR thousand 157 (previous year: 0). No deferred tax assets were recognised for the remaining loss carryforwards in the amount of EUR thousand 61,608 (previous year: 0). The tax losses may be carried forward for an indefinite period.

Changes in tax rates did not result in any deferred tax income or expenses (previous year: deferred tax expenses of EUR thousand 1).

The following deferred tax assets and liabilities are attributable to differences in the recognition and measurement of individual balance sheet items and to tax loss carryforwards:

EUR thousand	Deferred tax assets		Deferred tax liabilities	
	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004
Intangible assets	61	0	40	33
Property, plant and equipment	0	0	411	164
Financial assets	4	0	0	0
Receivables and other assets	183	0	0	0
Provisions	44	27	0	0
Liabilities	45	172	0	0
Gross amount	337	199	451	197
Offsetting items	-309	0	-309	0
Tax loss carryforwards	347	0	0	0
Write-downs	-190	0	0	0
Carrying amount	185	199	142	197

The following table shows the tax reconciliation between the expected tax expense (income) in the respective financial year and the actual tax expense (income) recognised. The expected tax expense (income) is calculated by multiplying the effective consolidated tax rate for financial year 2005 of 38.9% (previous year: 38.9%) by the operating result.

TEUR	2005	2004
Net income before income taxes	3,639	3,278
Expected tax expense/income	1,416	1,275
Changes in expected tax expense:		
Non-deductible expenses and tax-exempt income	42	449
Changes in write-downs of deferred taxes	72	0
Permanent differences	0	-446
Effect of differences in tax rates	-41	26
Effect of changes in tax rates	0	-1
Prior-period taxes	9	0
Other tax effects	-10	-6
Actual tax expense	1,488	1,297

10. Minority interests

Minority interests amounted to EUR thousand 262 (previous year: 0).

11. Earnings per share

In accordance with IAS 33, earnings per share are calculated as the consolidated net income for the period divided by the weighted average number of ordinary shares outstanding in the period under review. Earnings per share in the past financial year amounted to EUR 0.09 (previous year: EUR 0.16). The calculation of diluted earnings per share includes the dilution effect that would result from the exercise of all potential options under the stock option plan. Diluted earnings per ordinary share amounted to EUR 0.09 in the year under review (previous year: EUR 0.16).

	Dec. 31, 2005	Dec. 31, 2004
Earnings attributable to shareholders in EUR thousand	1,890	1,981
Weighted average number of shares outstanding	20,212	12,437
Earnings per share in EUR	0.09	0.16
Dilution effect	374	0
Weighted average number of shares outstanding (diluted)	20,586	12,437
Earnings per share (diluted) in EUR	0.09	0.16

BALANCE SHEET DISCLOSURES

Assets

12. Intangible assets

With the exception of goodwill, the Group has no intangible assets with an indefinite useful life.

EUR thousand	Patents, trade marks, software, customer relationships	Advanced payments on intangible assets	Goodwill	Total
Cost Balance at Jan. 1, 2005	12,934	217	0	13,151
Exchange rate differences	118	0	0	118
Changes in consolidated group	1,885	0	43,248	45,133
Additions	1,892	245	29	2,166
Disposals	1,897	0	0	1,897
Reclassifications (+/-)	+200	-200	0	0
Balance at Dec. 31, 2005	15,132	262	43,277	58,672
Amortisation Balance at Jan. 1, 2005	7,392	0	0	7,392
Exchange rate differences	63	0	0	63
Changes in consolidated group	1,202	0	33,547	34,749
Additions	3,561	0	0	3,561
Write-downs	537	0	0	537
Disposals	1,825	0	0	1,825
Balance at Dec. 31, 2005	10,930	0	33,547	44,477
Net carrying amount at Dec. 31, 2005	4,203	262	9,730	14,195
Net carrying amount at Dec. 31, 2004	5,542	217	0	5,759

Goodwill in the amount of EUR thousand 9,730 is attributable to PT Sigma (EUR thousand 6,636) and OuterBounds Technologies Inc. (EUR thousand 3,094). The addition relates to the subsequent recognition of incidental costs of acquisition for OuterBounds Technologies Inc. in the amount of EUR thousand 29.

There are no intangible assets with restrictions on title. The Group has no obligations to purchase intangible assets. Goodwill and all intangible assets are tested for impairment. In the year under review, this resulted in the recognition of a write-down on software of EUR thousand 537 (previous year: 0). TeraPort GmbH has a claim for compensation against M+W Zander Holding AG in the amount of the write-down. This amount is reported in the income statement in the cost of sales.

13. Property, plant and equipment

EUR thousand	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Advanced payments and assets under development	Total
Cost Balance at Jan. 1, 2005	0	0	7,499	0	7,499
Exchange rate differences	108	641	138	15	903
Changes in consolidated group	1,251	8,431	3,814	257	13,753
Additions	0	897	3,225	33	4,155
Disposals	0	748	2,680	18	3,446
Reclassifications (+/-)	0	+252	0	-252	0
Balance at Dec. 31, 2005	1,359	9,474	11,996	35	22,864
Depreciation Balance at Jan. 1, 2005	0	0	5,018	0	5,018
Exchange rate differences	21	431	68	0	520
Changes in consolidated group	230	5,953	3,027	0	9210
Additions	37	828	1,807	0	2,673
Disposals	0	257	2,658	0	2,914
Balance at Dec. 31, 2005	288	6,957	7,262	0	14,507
Net carrying amount at Dec. 31, 2005	1,071	2,517	4,735	34	8,357
Net carrying amount at Dec. 31, 2004	0	0	2,481	0	2,481

There is no property, plant and equipment with restrictions on title. The Group has no obligations to purchase property, plant and equipment.

14. Leases

Finance leases

Group as lessee

The property, plant and equipment reported in the balance sheet includes assets held under finance leases in the amount of EUR thousand 109 (previous year: EUR thousand 421), the cost of which amounted to EUR thousand 246 at the balance sheet date (previous year: EUR thousand 1,256). Write-downs on the gross amount totalled EUR thousand 327 (previous year: EUR thousand 391).

The Group largely has the right to purchase the assets held under finance leases, and intends to do so. The interest rate underlying the leases is 6.0%. The future lease payments and their present values are shown in the following table:

EUR thousand	2006	2007 - 2010	Total
Lease payments	90	30	120
Interest elements	4	1	5
Present value	86	29	115

The lease agreements relate primarily to IT equipment. The expense attributable to finance leases in the year under review was EUR thousand 342 (previous year: EUR thousand 426), of which interest expense accounted for EUR thousand 15 (previous year: EUR thousand 35).

Operating leases

Group as lessee

At the balance sheet date, the Group had obligations under non-cancellable operating leases as follows:

EUR thousand	2006	2007 - 2010	2011 and after	Total
Minimum lease payments under operating leases	2,100	3,456	89	5,645

Payments under operating leases relate primarily to leases of buildings and motor vehicles, as well as IT hardware.

The corresponding expenses in the year under review amounted to EUR thousand 2,036 (previous year: EUR thousand 1,307).

15. Financial assets

EUR thousand	Investments in subsidiaries	Securities	Total
Cost			
Balance at Jan. 1, 2005	0	0	0
Exchange rate differences	0	-52	-52
Changes in consolidated group	66	1,895	1,961
Additions	0	813	813
Disposals	0	908	908
Balance at Dec. 31, 2005	66	1,748	1,814
Write-downs			
Balance at Jan. 1, 2005	0	0	0
Changes in consolidated group	66	0	66
Changes in market prices	0	-90	-90
Additions	0	0	0
Disposals	0	0	0
Balance at Dec. 31, 2005	66	-90	-24
Net carrying amount at Dec. 31, 2005	0	1,838	1,838
Net carrying amount at Dec. 31, 2004	0	0	0

All of the Group's securities, which totalled EUR thousand 1,838 (previous year: 0), are classified as held for trading in accordance with IAS 39 "Financial Instruments: Recognition and Measurement". Losses due to changes in market prices were recognised in income in the amount of EUR thousand 90 (previous year: 0) and reported in income from securities under other operating income.

16. Other noncurrent assets

Other noncurrent assets in the amount of EUR thousand 459 (previous year: 0) are primarily composed of collateral and security deposits for leased buildings and operating and office equipment, as well as cash collateral.

17. Inventories

Inventories are composed as follows:

EUR thousand	Dec. 31, 2005	Dec. 31, 2004
Raw materials and consumables	0	0
Work in progress	203	22
Finished goods and goods for resale	407	0
Advanced payments on inventories	0	120
	610	142

The fair values of inventories are the same as their carrying amounts. No write-downs were necessary.

18. Current receivables and other assets

EUR thousand	Dec. 31, 2005	Dec. 31, 2004
Trade receivables	3,799	1,477
Receivables from subsidiaries	2,047	6,333
Other assets	2,070	291
	7,916	8,101

The fair values of trade receivables are the same as their carrying amounts. Write-downs were recognised in the amount of EUR thousand 167.

Restrictions on ownership or title apply to EUR thousand 512 of the other assets reported, as the corresponding receivables were pledged to a credit institution as security for a liability.

Valuation allowances are recognised for default risk.

Other noncurrent receivables are largely non-interest-bearing.

Other assets consist of:

EUR thousand	Dec. 31, 2005	Dec. 31, 2004
VAT refund	23	2
Receivables from tax authorities	1,236	1
Third-party loans	0	250
Receivables from employees	34	36
Creditors with debit balances	1	1
Miscellaneous other noncurrent assets	776	1
	2,070	291

19. Prepaid expenses

Prepaid expenses in the amount of EUR thousand 451 (previous year: EUR thousand 295) contain prepayments for various service agreements, insurance policies and rental agreements.

20. Cash and cash equivalents

The Group has bank balances at various banks and in various currencies totalling EUR thousand 11,946 (previous year: EUR thousand 1,147). Restrictions on title apply to EUR thousand 400 of this figure, as the corresponding bank balances are pledged as security to a credit institution.

EUR thousand	Dec. 31, 2005	Dec. 31, 2004
Deutsche Bank	1,107	0
Dresdner Bank	7,317	159
Raiffeisenbank	208	973
Other banks	3,291	12
Cash in hand	24	3
Total available cash and cash equivalents	11,947	1,147
Cash and cash equivalents with restrictions on title	400	0

Stockholders’ equity and liabilities

21. Stockholders’ equity

The development of caatoosee ag’s stockholders’ equity is presented in the statement of changes in stockholders’ equity (Annex 4).

The **issued capital** of caatoosee ag is divided into 24,098,988 no-par value shares each with a notional value of EUR 1.00.

As a restructuring measure, the Ordinary General Meeting of the Company on February 10, 2005 resolved to reduce the issued capital to EUR 17,766,500 by retiring three no-par value bearer shares and to implement a 4:1 reduction in this simplified capital, resulting in 4,441,625 no-par value bearer shares. The amount generated from the capital reduction (EUR 13,324,875) was used to compensate net accumulated losses.

A capital increase was also resolved. A total of 19,657,363 no-par value bearer shares with a notional interest in the share capital of EUR 1.00 per share were issued against cash contributions and contributions in kind, thus increasing the Company's issued capital to EUR 24,098,988.

Shareholders' statutory subscription rights were excluded.

Authorised capital

The Management Board is authorised, with the approval of the Supervisory Board, to increase the share capital of the Company against cash contributions by up to a total of EUR 1,049,494.00 by issuing new no-par value bearer shares on one or more occasions up to and including September 6, 2010 (Authorised Capital I). The Management Board is also authorised, with the approval of the Supervisory Board, to increase the share capital of the Company against cash contributions and/or contributions in kind by up to a total of EUR 11,000,000.00 by issuing new no-par value bearer shares on one or more occasions up to and including September 6, 2010 (Authorised Capital II).

Contingent capital

The Annual General Meeting on August 30, 2000 resolved a contingent increase in the share capital of the Company by up to a nominal amount of EUR 1,000,000 through the issue of new no-par value bearer shares (contingent capital). The contingent capital serves exclusively to ensure that subscription rights can be fulfilled for members of the Management Board of the Company, senior executives of dependent companies and employees of the Company and dependent companies under the Company's stock option plan. Any contingent capital increase will only be implemented to the extent that subscription rights are exercised in accordance with the resolution passed by the Annual General Meeting on August 30, 2000 and the terms of the 2000 stock option plan. The new shares will entitle the holders to dividends from the start of the financial year in which they are issued. Shares issued after the end of a financial year but before the Annual General Meeting resolving on the appropriation of net profit for the past financial year entitle the holders to dividends from the start of the past financial year.

Reserves

Capital reserves relate to stock options in the amount of EUR thousand 14. There are no restrictions on the distribution of capital reserves to shareholders in accordance with section 272 (2) no. 4 of the German Commercial Code (HGB); however, restrictions apply to the consolidated financial statements to the extent that distributions are based on the amounts disclosed in the respective single-entity financial statements prepared in accordance with the German Commercial Code. These are not the same as the amounts disclosed in the consolidated financial statements, and thus do not provide any information on the distribution volume.

Retained earnings amounted to EUR thousand -226.

A **foreign currency translation reserve** in the amount of EUR thousand 368 was recognised in equity for the amount arising from the translation of assets and liabilities denominated in foreign currencies.

Treasury shares

In the course of the retransfer of Pandora GmbH to the original shareholders, 70,000 treasury shares with a notional value of EUR thousand 70 (corresponding to roughly 0.39% of the share capital) were acquired at a price of EUR 1.20 per share with effect from May 24, 2002. The purpose of the acquisition was to offer these shares to persons currently or previously employed by the Company or a subsidiary in accordance with section 71 (1) no. 2 of the German Stock Corporation Act (Aktiengesetz). A 4:1 capital reduction was implemented on May 4, 2005, with the result that caatoosee ag retained 17,500 treasury shares at a price of EUR 2.00 per share.

As of December 31, 2005, the shares were sold to employees of the Company at a price of EUR 1.00 per share for services rendered. The loss on the disposal of the treasury shares in the amount of EUR thousand 17.5 is reported in the income statement in other operating expenses. The corresponding reserve was released.

22. Minority interests

Of the minority interests reported in the consolidated financial statements, EUR thousand 5,537 (previous year: 0) was attributable to minority interests in the stockholders' equity of the following companies:

49.00%	PT Sigma Cipta Caraka, Jakarta, Indonesia
0.13%	TeraPort GmbH, Leonberg

23. Provisions for pensions

Provisions for pension obligations are recognised on the basis of employee benefit plans for retirement, invalidity and surviving dependants' pensions. The Group's pension obligations vary according to the legal, tax and economic circumstances in the individual countries and generally depend on the respective employee's length of service and salary. Occupational pension provision in the Group takes the form of defined contribution and defined benefit plans. In the case of defined contribution plans, the Company pays contributions to statutory or private pension insurance institutions on the basis of legal or contractual provisions, or voluntarily.

After paying the contributions, the Company has no further benefit obligations. The amount expensed for defined contribution plans in the year under review was EUR thousand 20 (previous year: EUR thousand 18).

Current contributions (excluding contributions to statutory pension insurance) are recognised in pension expense in the year in which they are paid; in 2005, the figure for the Group as a whole was EUR thousand 11 (previous year: EUR thousand 9). The Group's retirement benefit plans are primarily defined benefit plans, with a distinction being drawn between internally and externally funded plans.

In accordance with IAS 19 "Employee Benefits", the pension provisions for the benefit obligations are calculated using the internationally accepted projected unit credit method. Future obligations are measured on the basis of the benefit entitlements received as of the balance sheet date. Trends are applied for the relevant parameters affecting the amount of the benefit obligations. Actuarial computations are required for all types of employee benefit plan.

Provisions for pensions:

EUR thousand	Dec. 31, 2005	Dec. 31, 2004
Present value of unfunded obligation	215	164
Unrecognised actuarial gains/losses	-43	-11
Net liability recognised in the balance sheet	172	153

The net liability recognised in the balance sheet developed as follows:

EUR thousand	Dec. 31, 2005	Dec. 31, 2004
Net liability on January 1	153	169
Expense recognised in the income statement	19	-16
Net liability on December 31	172	153

The expense recognised in the income statement is calculated as follows:

EUR thousand	Dec. 31, 2005	Dec. 31, 2004
Current service cost	11	-9
Interest cost	8	-7
Total expense	19	-16

The above amounts are generally included in staff costs in the respective functions; the interest cost on the obligation is reported in net interest income.

Actuarial assumptions:

	Dec. 31, 2005	Dec. 31, 2004
Discount rate as of December 31	4.25%	5%
Future salary growth	2.25% plus 0.5% up to age 50	2.25% plus 0.5% up to age 50
Future pension growth	1.75%	1.75%

Actuarial gains or losses result from inventory changes and differences between assumed and actual trends (e.g. salary and pension growth). In accordance with IAS 19, this amount is recognised in the balance sheet and the income statement over the average remaining working life of the employees participating in the plan if the unrecognised actuarial gains or losses at the start of the financial year exceed the greater of 10% of the present value of the pension obligation and the fair value of plan assets at the start of the year.

24. Other provisions

Detailed information on tax provisions can be found under note 9 of the income statement disclosures.

Summary and development of other provisions:

EUR thousand	Staff	Contingent losses	Legal and litigation costs	Guarantee	Other	Total
Balance at December 31, 2004	396	0	0	39	60	495
Exchange rate differences	-7	0	2	0	-2	-7
Changes in consolidated group	687	0	421	0	2,979	4,087
Interest element	1	0	0	0	0	1
Utilisation	931	0	415	39	2,241	3,626
Reversal	48	0	8	0	530	586
Addition	1,041	50	437	157	427	2,112
Balance at December 31, 2005	1,139	50	437	157	693	2,476

Staff provisions include provisions for bonuses not yet paid, amounts for anniversaries, compensatory tax for the non-employment of severely disabled persons, transitional payments and insolvency insurance.

Provisions for legal and litigation costs cover the estimated liabilities resulting from legal disputes.

Other provisions refer to various identifiable individual risks and uncertain liabilities, which are recognised according to the probability of their occurrence.

The anticipated cash outflows from other provisions as of December 31, 2005 are as follows:

EUR thousand	Dec. 31, 2005	Up to 1 year	2 - 5 years	More than 5 years
Staff provisions	1,139	665	14	460
Contingent losses from uncompleted transactions	50	50	0	0
Legal and litigation costs	437	437	0	0
Guarantee provisions	157	157	0	0
Other provisions	693	692	1	0
	2,476	2,001 *	**15** **	**460** **

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* Current liabilities
** Noncurrent liabilities

25. Financial liabilities

The following table gives details of current and noncurrent financial liabilities:

EUR thousand	Up to 1 year	2 - 5 years	More than 5 years	Carrying amount at Dec. 31, 2005
Liabilities to banks	763	1,653	0	2,416
(previous year)	(0)	(0)	(0)	(0)
Liabilities from bills	24	0	0	24
(previous year)	(0)	(0)	(0)	(0)
Finance lease liabilities	85	30	0	115
(previous year)	(326)	(115)	(0)	(441)
Total	872	1,683	0	2,555
(previous year)	(326)	(115)	(0)	(441)

A total of EUR thousand 1,481 of the liabilities to banks is secured by the assignment of a receivable in the amount of EUR thousand 512 and the pledging as security of a investment in the amount of EUR thousand 400.

The carrying amounts of the liabilities to banks correspond to their fair values. The interest rates range from 6% to 6.5%. One bank loan from PT Sigma bears interest at 17.25%.

Standard market interest rates are agreed for liabilities to subsidiaries and associated companies at 1M EURIBOR + 1%.

26. Other noncurrent liabilities

The noncurrent liability of EUR thousand 110 (previous year: EUR 0) is a liability for taxes payable to PT Sigma, which falls due in 2008.

27. Other current liabilities

This item includes:

EUR thousand	Dec. 31, 2005	Dec. 31, 2004
Advanced payments received	441	30
Trade payables	5,139	2,575
Liabilities to subsidiaries	539	221
Other current liabilities	1,034	861
	7,153	3,687

Other current liabilities include:

EUR thousand	Dec. 31, 2005	Dec. 31, 2004
Other tax liabilities	234	382
Staff liabilities (holiday, flexitime etc.)	465	413
Miscellaneous other current liabilities	335	66
	1,034	861

Tax liabilities refer to taxes owed by Group companies. The fair values are not significantly different to the carrying amounts recognised.

28. Deferred income

Deferred income of EUR thousand 2,859 (previous year: EUR thousand 39) includes payments already received for software and hardware service agreements, software licences and the implementation of new programme versions.

29. Notes on the consolidated cash flow statement

Amounts reported in the cash flow statement are comprised exclusively of the cash and cash equivalents recognised as assets in the balance sheet.

Cash flows are presented in the cash flow statement, subdivided into net cash from or used in business activities, investing activities and financing activities.

Cash flow from operating activities is indirectly derived from pre-tax net income. Net income before income taxes is adjusted for non-cash expenses (primarily depreciation and amortisation) and revenue. The recognition of changes in working capital produces the cash flow from operating activities.

Changes to the balance sheet items that are used in preparing the cash flow statement are indirectly derived from the balance sheet, as currency translations do not affect cash flows and are added or deducted accordingly.

The extremely positive net cash from operating activities of EUR thousand 10,227 in 2005 includes interest received (EUR thousand 241), interest paid (EUR thousand 139) and taxes paid (EUR thousand 1,557).

Net cash used in investing activities in the amount of EUR thousand 5,980 is primarily attributable to the investments in property, plant and equipment (EUR thousand 3,421) and intangible assets (EUR thousand 2,321) in financial year 2005.

Net cash from financing activities includes the EUR thousand 5,000 cash inflow from the Absolute Return Europe Fund in conjunction with the cash capital increase, as well as outflows due to repayments of current financial liabilities, proceeds from the issuance of loans and other changes.

The Company also received EUR thousand 1,757 from initial consolidation in the course of the reverse acquisition. This was comprised of the cash and cash equivalents of caatoosee ag and the Sigma Group as of May 1, 2005.

Additional disclosures

30. Contingencies and contingent liabilities

There are no special obligations resulting from contingencies and contingent liabilities. (See notes 16, 18, 20, 25 for details of restrictions on title, collateral provided and assets pledged).

31. Stock option plan

In August 2000, the Company adopted the 2000 stock option plan. It provides for the granting of non-transferable options to acquire ordinary shares over a future period. Under the terms of the plan, the Company may grant options over a five-year period to members of the Management Board for up to 60,000 ordinary shares, to the members of management of the Company's subsidiaries for up to 260,000 ordinary shares, and to other eligible employees for up to 680,000 ordinary shares. To ensure that subscription rights can be fulfilled, the Extraordinary General Meeting on August 30, 2000 resolved a contingent capital increase of up to EUR 1,000,000; this resolution was entered in the commercial register on September 7, 2000. The stock options may be exercised for the first time two years after the date on which they are granted ("lock-in period" or "vesting period").

In addition to the two-year lock-in period, the options of the members of the Management Board and senior executives of caatoosee ag, as well as the management members of entities over which the Company has control and senior employees of caatoosee ag and the entities over which it has control whose remuneration agreements have been in place for a period of more than three years, are only exercisable if certain exercise conditions have been met. All stock options that have not been exercised lapse upon termination of employment or three years after the grant date. In the course of the capital measures, the stock options granted were adjusted to reflect the 4:1 capital reduction.

The weighted average fair value was calculated using the Black-Scholes option pricing model based on the following data:

	2005
Expected dividend	0%
Expected volatility	95%
Risk-free interest rate	3%
Expected exercise period (in years)	3
Weighted average of the fair value per stock option granted (in EUR)	**1.22**

The following table shows a summary of the development of the plan for the financial year ended December 31, 2005:

	Dec. 31, 2005	
(Exercise prices in EUR)	Number of options	Average exercise price
Balance at beginning of year	0	-
Addition to consolidation	28,500	1.26
Granted	360,499	3.46
Exercised	0	-
Expired	15,000	1.31
Balance at end of year	**373,999**	**3.38**

Stock options outstanding as of December 31, 2005:

	Exercise price in EUR	Number of options outstanding as of Dec. 31, 2005	Average contractual life remaining in months
	1.20	13,500	13.6
	2.92	24,000	35.2
	3.50	336,499	35.2
Balance at end of year		**373,999**	
Exercisable at end of year		**0**	

32. Other financial liabilities

EUR thousand	Up to 1 year	1-5 years	More than 5 years
Long-term rental agreements and leases	2,100	3,456	89

With the agreement dated January 1, 2005, caatoosee ag entered into a rental agreement with M+W Zander Holding AG for the office space used at Riedwiesenstrasse 1, Leonberg. The agreement has a duration of 5 years and the annual net rent until December 31, 2007 is EUR thousand 114. Net rent excluding bills will increase to EUR thousand 118 from 2008.

Other financial obligations relate to building leases for the other companies, the leasing of computer hardware, vehicle leasing and copier rental. These costs will total EUR thousand 1,891 in 2006, EUR thousand 1,428 in 2007 and EUR thousand 1,051 in 2008.

An agreement with Quimron GmbH, which performs software maintenance for caatoosee ag, results in a liability of EUR thousand 95 for 2006.

Litigation

The Group is involved in various legal proceedings in connection with its ongoing business activities. The management is of the opinion that the anticipated risks have been taken into account in the financial statements to a sufficient extent, and does not expect any further material adverse effects on the Company’s financial position or its overall earnings development.

Sigma arbitration proceedings

Proceedings are pending between caatoosee ag and its joint partner PT Sigma Cipta Caraka, specifically PT Sigma Citra Harmoni and Trozenin Management Plc., at a court of arbitration in Singapore. This concerns the legality of the termination of the “Shareholders' Agreement” by the co-shareholders.

Claim for payment

Caatoosee ag asserted a claim for payment amounting to SFR 746,312.70 plus 5% interest with effect from March 25, 2004 by instituting proceedings against a former board member of a former Swiss subsidiary of caatoosee ag on May 21, 2004. The outcome of the proceedings will largely depend on witness statements. The outcome of the proceedings is thus unknown.

33. Related party disclosures in accordance with IAS 24

Companies or persons that control or are controlled by the caatoosee Group are classified as related parties within the meaning of IAS 24, provided that they have not already been included as consolidated companies in the consolidated financial statements. In accordance with section 290 of the German Commercial Code (HGB), caatoosee ag is included in the subgroup financial statements of the parent company M+W Zander Holding AG, Stuttgart prepared in accordance with the IFRSs as of December 31, 2005. The parent company is included in the consolidated financial statements of Jenoptik AG, which is registered in the commercial register of the Gera Local Court under HRB 146.

M+W Zander Holding AG holds a majority interest of 51.61% in the share capital of caatoosee ag and has delegated Mr. Jürgen Gießmann (Chairman of the Board of Directors) and Mr. Reimund Blessing (Member of the Board of Directors) to the Supervisory Board of the latter. As of December 31, 2005, trade receivables from M+W Zander Holding AG amounted to EUR thousand 1,160 and trade payables amounted to EUR thousand 132. Administrative expenses include EUR thousand 178 for services received, while manufacturing costs include EUR thousand 9 for services rendered. TeraPort GmbH has a partnership agreement with the M+W Zander Group for the entire range of IT services, as it was formed from the IT department of M+W Zander Facility Engineering GmbH. This agreement resulted in revenue of EUR thousand 12,993 in the year under review (previous year: EUR thousand 21,919).

All business with unconsolidated subsidiaries and associated companies is conducted at arm's length conditions.

A member of the Management Board was issued a loan of EUR thousand 30 by a subsidiary in the previous year. This loan has a maximum term of 10 years, an interest rate of 5% and is to be repaid in monthly instalments of EUR 250.00. EUR thousand 3 was repaid during the year under review.

Quimron GmbH assumed responsibility for performing maintenance work for caatoosee ag customers in the financial year. Mr. Jan Tenné, a member of the Management Board of caatoosee ag (until August 3, 2005), is a founder of Quimron GmbH. The performance of maintenance resulted in costs of EUR thousand 99 (previous year: EUR 0).

A service agreement was concluded with Mr. Karsten Xander, running from October 1, 2005 to February 28, 2006 and covering a total of 41 days. Mr. Karsten Xander is providing consultancy services for the company at a remuneration of EUR 1,740.00 per day, focusing on the creation of a brochure on the capital increase, the creation of marketing documents, mergers and acquisitions, company valuations and operating activities in the area of information management software.

Consultancy and procurement services provided by Dirk Alt, who is a member of the Supervisory Board, resulted in expenses of EUR thousand 5. Dr. Johannes Beha, who is also a member of the Supervisory Board, received remuneration of EUR thousand 30 for consultancy and procurement services.

Trade receivables from PT Bank Ekonomi Rahardja amount to EUR thousand 6. A close relation of a key management employee of PT Sigma is a key management employee of PT Bank Ekonomi Rahardja.

In the course of the incorporation of OuterBounds Technologies, Inc. into caatoosee ag, the waiver of a loan amounting to EUR thousand 466 was declared by a former shareholder of the company. The effect of this waiver is included in the interim financial statements in other operating income. In the allocation of the acquisition costs of the business combination to assets and liabilities acquired, this amount was recognised directly in equity with a corresponding reduction in goodwill as of December 31, 2005.

34. Number of employees

The average number of employees is as follows:

	2005	2004
Salaried employees	304	78

35. Material and staff costs

EUR thousand	2005	2004
Material costs		
Cost of raw materials, consumables supplies and goods purchased and held for resale	2,356	5
Cost of purchased services	10,307	6,593
Total	12,663	6,598
Staff costs		
Salaries	8,771	5,096
Social security contributions and expenses for pensions and other benefits	1,025	798
Total	9,796	5,894

36. Audit costs

EUR thousand 51 was recognised as expenses for the fees expected to be paid to the auditor of the annual financial statements. No other expenses were incurred.

37. Members of the Management and Supervisory Boards

Management Board

Membership of other management boards and supervisory bodies

Guido Alt
CEO and Chairman of the Management Board

- Board of Directors OuterBounds Technologies, Inc., Atlanta, USA (until October 2005)
- Member of the Supervisory Board ofPT Sigma Cipta Caraka, Jakarta, Indonesia
- Member of the Advisory Board of TeraPort GmbH, Leonberg, Germany (until September 2005)
- Member of the Supervisory Board of Contara AG, Stuttgart, Germany

Jan Tenné
Deputy Chairman of the Management Board, Business Development and Mergers & Acquisition (until August 3, 2005)

- None

Karsten Xander Member of the Management Board responsible for Software (until September 6, 2005)	• None
Michael Grünschloß Member of the Management Board responsible for Business Operations (from September 1, 2005)	• Chairman of the Board of Directors of TeraPort GmbH, Leonberg, Germany • Board of Directors OuterBounds Technologies, Inc., Atlanta, USA (from June 7, 2005)
Stefan Ahrens CFO (from February 13, 2006)	• Member of the Board of Directors TeraPort GmbH, Leonberg, Germany (from January 17, 2006) • Board of Directors OuterBounds Technologies, Inc., Atlanta, USA (from June 7, 2005) • Member of the Supervisory Board of Stratobyte AG, Stuttgart, Germany • Member of the Supervisory Board of Contara AG, Stuttgart, Germany

On December 31, 2005, Mr. Guido Alt, Chairman of the Management Board, held 1,716,429 shares and Mr. Michael Grünschloß, Member of the Management Board responsible for Business Operations, held 49,000 subscription rights each entitling the holder to subscribe for one share.

Remuneration of the Management Board in accordance with Article 314 of the German Commercial Code (HGB)

In financial year 2005, the total remuneration of the Management Board in accordance with Article 314 of the HGB amounted to EUR thousand 645 of which EUR thousand 308 was fixed and EUR thousand 144 variable. In addition, expenses for defined contribution pension plans, which related to one member of the Management Board, amounted to EUR thousand 7 in the year under review. Provisions for bonuses amounting to EUR thousand 180 were also recognised for members of the Management Board. EUR thousand 2 of pension provisions related to a member of the Management Board. The remuneration of the Management Board (in EUR thousands) is broken down as follows:

EUR thousand Name	Fixed remuneration	Variable remuneration	Remuneration in kind	Total
Guido Alt (9 months)	138	0	0	138
Jan Tenné (5 months)	38	0	0	38
Karsten Xander (6 months)	72	144	3	219
Michael Grünschloß (4 months)	60	0	3	63

The variable remuneration for Mr. Karsten Xander includes expenses of EUR thousand 144 on termination of the employment relationship.

Remuneration of the Management Board in accordance with IAS 14

In financial year 2005, the total remuneration of the Management Board in accordance with IAS 14 amounted to EUR thousand 718. This amount comprises fixed remuneration of EUR thousand 375 and variable remuneration of EUR thousand 144. In addition, expenses for defined contribution pension plans, which related to one member of the Management Board, amounted to EUR thousand 7. A provision was also recognised for bonuses, EUR thousand 180 of which relates to members of the Management Board. EUR thousand 2 of pension provisions related to a member of the Management Board. The remuneration of the Management Board (in EUR thousand) is broken down as follows:

EUR thousand Name	Fixed remuneration	Variable remuneration	Remuneration in kind	Total
Guido Alt (8 months)	123	0	0	123
Jan Tenné (4 months)	30	0	0	30
Karsten Xander (5 months)	60	144	3	207
Michael Grünschloß (12 months)	162	0	9	171

The variable remuneration for Mr. Karsten Xander includes expenses of EUR thousand 144 on termination of the employment relationship.

Supervisory Board

The members of the Supervisory Board are Mr. Jürgen Gießmann (Chairman of the Supervisory Board), Leonberg, Germany; Mr. Reimund Blessing, Vaihingen/Enz, Germany; Mr. Ulrich Dörr, Leinfelden-Echterdingen, Germany; Dr. Johannes Beha, Tiburon, CA, USA (member until January 20, 2006); Mr. Günther Paul Löw, Neuisenburg, Germany; and Mr. Dirk Alt, Stuttgart, Germany. The current members of the Supervisory Board and their administrative, management and supervisory positions at comparable companies in Germany and abroad are listed in the following overview. Unless stated otherwise, they continue to hold these positions.

	Membership of other management boards and supervisory bodies
Jürgen Gießmann Chairman of the Board of Directors of M+W Zander Holding AG Chairman	• Deputy Chairman of the Management Board of Jenoptik AG, Jena, Germany (until December 2005) • Chairman of the Supervisory Board, Loy & Hutz AG, Freiburg, Germany • Member of Board of Directors, M+W Zander U.S. Inc., USA (until July 2005) • Member of (until April 2002) and Chairman of (until September 2005) the Advisory Board, TeraPort GmbH, Leonberg, Germany • Chairman of the Supervisory Board M+W Zander Gebäudetechnik GmbH, Stuttgart, Germany (until February 2006) • Chairman of the Supervisory Board, M+W Zander D.I.B. Facility Management GmbH, Stuttgart, Germany • Member of the Advisory Board, LSMW GmbH, Stuttgart, Germany • Chairman, M+W Pearce Ltd., Bristol, England • Board of Directors, M+W Zander US Operations Inc., Plano, USA • Chairman of the Board of Directors, M+W Zander Facility Engineering PTE Ltd., Singapore, Singapore • Chairman Board of Commissioners, PT Sigma Cipta Caraka, Jakarta, Indonesia
Dirk Alt Dialogue Marketing Specialist Member	• None

Dr. Johannes Beha Advisory Board Delegate of GB CyberTech Invest AG (until June 2005) Deputy Chairman, Member until January 20, 2006	• Member of the Board of GB Global Capital Inc., San Francisco, USA
Reimund Blessing CFO of M+W Zander Holding AG Member	• Member of the Supervisory Board, Dr. Födisch Umweltmesstechnik AG, Markranstädt, Germany • Member of the Supervisory Board, M+W Zander DIB Facility Management GmbH, Nuremberg, Germany • Member of the Supervisory Board, M+W Zander U.S. Inc., USA (until July 2005)
Ulrich Dörr Auditor and tax advisor Member	• None
Günther Paul Löw Member of the Management Board of Impera Total Return AG Member	• Member of the Supervisory Board, klick Tel AG, Dorsten, Germany • Member of the Supervisory Board, Bioconnect AG, Frankfurt/Main, Germany • Member of the Supervisory Board, CDV Software Entertainment AG, Frankfurt/Main, Germany • Managing Director, PI Private Equity Consulting GmbH, Frankfurt/Main, Germany

In financial year 2005, the total remuneration of the Supervisory Board amounted to EUR thousand 58. As of December 31, 2005, 148,769 shares were held by the members of the Supervisory Board. These shareholdings can be broken down as follows:

Name	No-par value shares	% of shares issued	Subscription rights to one share
Jürgen Gießmann	375	0%	0
Reimund Blessing	23,000	0.1%	0
Ulrich Dörr	125,269	0.5%	0
Günther Paul Löw	0	0%	0
Dirk Alt	125	0%	0
Total	**148,769**	**0.6%**	**0**

38. Notification of transactions by persons in management positions in accordance with section 15a of the German Securities Trading Act (WpHG)

Date	Type	Number	Price/EUR	Amount/EUR	Name	Position
May 18, 2005	Transfer	2,950,000	0.00	0.00	Guido Alt	Management Board
May 18, 2005	Purchase	50,000	0.75	37,500.00	R. Blessing	Supervisory Board
May 21, 2005	Transfer	100,000	0.46	46,000.00	Guido Alt	Management Board
May 23, 2005	Transfer	3	0.00	0.00	Guido Alt	Management Board
May 23, 2005	Sale	41,000	0.69	28,290.00	Guido Alt	Management Board
May 23, 2005	Sale	10,000	0.68	6,800.00	Guido Alt	Management Board
May 24, 2005	Sale	15,000	0.69	10,350.00	Guido Alt	Management Board
May 25, 2005	Sale	24,000	0.66	15.840,00	Guido Alt	Management Board
May 25, 2005	Sale	9,700	0.67	6,499.00	Guido Alt	Management Board
May 25, 2005	Donation	10,000	0.00	0.00	Guido Alt	Management Board
May 25, 2005	Donation	50,000	0.00	0.00	Guido Alt	Management Board
May 25, 2005	Donation	50,000	0.00	0.00	Guido Alt	Management Board
May 25, 2005	Donation	50,000	0.00	0.00	Guido Alt	Management Board
June 21, 2005	Sale	3,000	2.47	7,410.00	Guido Alt	Management Board
June 21, 2005	Sale	1,000	2.47	2,470.00	Guido Alt	Management Board
June 22, 2005	Sale	7,000	2.45	17,150.00	Guido Alt	Management Board
June 23, 2005	Sale	100	2.45	245.00	Guido Alt	Management Board
July 28, 2005	Sale	30,447	1.00	30,447.00	Guido Alt	Management Board
July 28, 2005	Sale	1,127	1.00	1,127.00	Guido Alt	Management Board
July 28, 2005	Sale	5,637	1.00	5,637.00	Guido Alt	Management Board
July 28, 2005	Sale	564	1.00	564.00	Guido Alt	Management Board
July 28, 2005	Sale	22,554	1.00	22,554.00	Guido Alt	Management Board

Date	Type	Number	Price/EUR	Amount/EUR	Name	Position
July 28, 2005	Sale	6,995	1.00	6,995.00	Guido Alt	Management Board
July 28, 2005	Sale	1,127	1.00	1,127.00	Guido Alt	Management Board
July 28, 2005	Sale	1,127	1.00	1,127.00	Guido Alt	Management Board
July 28, 2005	Sale	74,635	1.00	74,635	Guido Alt	Management Board
July 28, 2005	Sale	283	1.00	283.00	Guido Alt	Management Board
July 28, 2005	Sale	6,766	1.00	6,788.00	Guido Alt	Management Board
July 28, 2005	Sale	11,052	1.00	11,052.00	Guido Alt	Management Board
July 28, 2005	Sale	12,066	1.00	12,066.00	Guido Alt	Management Board
July 28, 2005	Sale	9,022	1.00	9,022.00	Guido Alt	Management Board
August 1, 2005	Transfer	35,000	0.00	0.00	Guido Alt	Management Board
September 13, 2005	Purchase	3,000	2.08	6,240.00	R. Blessing	Supervisory Board
September 13, 2005	Purchase	2,000	2.08	4,160.00	R. Blessing	Supervisory Board
September 13, 2005	Purchase	5,500	2.09	11,495.00	R. Blessing	Supervisory Board
November 10, 2005	Sale	600	2.80	1,680.00	Guido Alt	Management Board
1November 10, 2005	Purchase	5,000	2.80	14,000	Guido Alt	Management Board
December 2, 2005	Donation	37,000	0.00	0.00	Guido Alt	Management Board
December 9, 2005	Transfer	27,200	0.00	0.00	Guido Alt	Management Board
December 23, 2005	Sale	585	2.85	1,667.25	Guido Alt	Management Board
December 23, 2005	Sale	4,000	2.85	11,400.00	Guido Alt	Management Board

Date	Type	Number	Price/EUR	Amount/EUR	Name	Position
December 23, 2005	Sale	1,415	2.85	4,032.75	Guido Alt	Management Board
December 23, 2005	Sale	2,000	3.10	6,200.00	Guido Alt	Management Board
December 23, 2005	Sale	1,000	3.05	3,050	Guido Alt	Management Board
December 23, 2005	Sale	2,000	2.85	5,700.00	Guido Alt	Management Board
December 23, 2005	Sale	1,450	3.20	4,640.00	Guido Alt	Management Board
December 23, 2005	Sale	50	3.19	159.50	Guido Alt	Management Board
December 23, 2005	Sale	500	3.10	1,550.00	Guido Alt	Management Board
December 23, 2005	Sale	1,000	3.10	3,100.00	Guido Alt	Management Board
December 23, 2005	Sale	1,000	3.15	3,150.00	Guido Alt	Management Board
December 23, 2005	Donation	12,500	0.00	0.00	Guido Alt	Management Board

39. Notification of exceeding or falling below reporting thresholds in accordance with Article 25 of the German Securities Trading Act (WpHG)

The following disclosures were published in the 2005 financial year:

1. Caatoosee ag hereby announces in accordance with section 25 (1) of the WpHG that it received a notification in accordance with section 21 (1) of the WpHG on February 3, 2005.

   Impera Total Return AG, domiciled in Frankfurt am Main, Germany, informed us in accordance with section 21 (1) of the WpHG that it had exceed the thresholds of 5% and 10% of the voting rights in caatoosee ag, Leonberg. It now holds around 16.89% of the voting rights.

2. Caatoosee ag, Riedwiesenstrasse 1, 71229 Leonberg, Germany, hereby announces in accordance with section 25 (1) of the WpHG that it received the following notifications in accordance with section 21 (1) of the WpHG on May 12, 2005:

   M+W Zander Facility Engineering GmbH, Stuttgart, Germany, announced in accordance with section 21 (1) of the WpHG that it had exceeded the thresholds of 5%, 10%, 25% and 50% of the voting rights in caatoosee ag, Leonberg, on May 4, 2005. It now holds 51.61% of the voting rights, corresponding to 12,436,550 votes.

M+W Zander Holding AG, Stuttgart, Germany, announced in accordance with section 21 (1) of the WpHG that it exceeded the thresholds of 5%. 10%, 25% and 50% of the voting rights in caatoosee ag, Leonberg, through its wholly-owned subsidiary M+W Zander Facility Engineering GmbH, Stuttgart, on May 4, 2005 and that it now holds 51.61% of the voting rights, corresponding to 12,436,550 votes.

The 51.61% share in voting rights is allocated to M+W Zander Holding AG in accordance with section 22 (1) sentence 1 no. 1, page 3, paragraph 3 of the WpHG.

JENOPTIK AG, Jena, Germany, reached and exceeded the thresholds of 5%, 10%, 25% and 50% of the voting rights in caatoosee ag on May 4, 2005. The share of voting rights held since this date is 51.61%, corresponding to 12,436,550 votes.

These voting rights are allocated to JENOPTIK AG in full in accordance with section 22 (1) sentence 1 no. 1, sentence 3 in conjunction with section 3 of the WpHG. JENOPTIK AG holds an indirect interest in caatoosee ag through its subsidiary M+W ZANDER Holding AG, which in turn holds an interest in caatoosee ag through its subsidiary M+W Zander Facility Engineering GmbH.

Mr. Guido Alt, Gerlingen, Germany, announced in accordance with section 21 (1) of the WpHG that he had fallen below the thresholds of 25% and 10% of the voting rights in caatoosee ag, Leonberg, on May 4, 2005 and that he now holds 8.75% of the voting rights, corresponding to 2,108,232 votes.

Caatoosee ag, Riedwiesenstrasse 1, 71229 Leonberg, Germany, announces in accordance with section 25 (1) of the WpHG that it received the following notification in accordance with section 21 (1) of the WpHG on May 17, 2005:
Absolut Return Europe Fund Iron Shore Corporate Services Ltd., George Town, Grand Cayman, Cayman Islands, announced in accordance with section 21 (1) of the WpHG that it had exceeded the thresholds of 5% and 10% of the voting rights in caatoosee ag, Leonberg, on May 4, 2005 and that it now holds 20.75% of the voting rights, corresponding to 5,000,000 votes.

Caatoosee ag, Riedwiesenstrasse 1, 71229 Leonberg, Germany, announces in accordance with section 25 (1) of the WpHG that it received the following notification in accordance with section 21 (1) of the WpHG on May 18, 2005:

Impera Total Return AG, Frankfurt, Germany, announces in accordance with section 21 (1) of the WpHG that it fell below the thresholds of 10% and 5% of the voting rights in caatoosee ag, Leonberg, on May 18, 2005 and that it now holds 0% of the voting rights, corresponding to 0 votes.

3. Absolut Return Europe Fund, George Town, Grand Cayman, Cayman Islands, announced in accordance with section 21 (1) of the WpHG that it had exceeded the thresholds of 5% and 10% of the voting rights in caatoosee ag on May 16, 2005 and that it now holds 20.75% of the voting rights. (Correction of our publication on May 20, 2005).

   FM Fund Management Limited, George Town, Grand Cayman, Cayman Islands, announced in accordance with section 21 (1) of the WpHG in conjunction with section 22

(1) nos. 1 and 6 of the WpHG that it had exceeded the thresholds of 5% and 10% of the voting rights in caatoosee ag on May 16, 2005 and that it now holds 20.75% of the voting rights. 20.75% of the voting rights are thus allocated to FM in accordance with section 22 (1) nos. 1 and 6 of the WpHG.
CSI Asset Management Establishment, Vaduz, Liechtenstein, announced in accordance with section 21 (1) of the WpHG that its share of voting rights in caatoosee ag had exceeded the thresholds of 5% and 10% on May 16, 2005 and that it now holds 20.75% of the voting rights. 20.75% of the voting rights are thus allocated to CSI Asset Management Establishment in accordance with section 22 (1) nos. 1 and 6 in conjunction with sentence 2 of the WpHG.

4. Absolute Capital Management Holdings Limited, Grand Cayman, Cayman Islands, announced in accordance with section 21 (1) of the WpHG in conjunction with section 22 (1) nos. 1 and 6 of the WpHG that its share of voting rights in caatoosee ag had exceeded the thresholds of 5% and 10% on May 16, 2005 and that it now amounts to 20.75%. 20.75% of the voting rights are thus allocated to Absolute Capital Management Holdings Limited in accordance with section 22 (1) nos. 1 and 6.

40. German Corporate Governance Code/declaration in accordance with section 161 of the German Stock Corporation Act (AktG)

The Management and Supervisory Boards submitted the December 2005 declaration of conformity with the German Corporate Governance Code as prescribed by Article 161 of the AktG in December 2005 and made this declaration available to the shareholders and via the caatoosee ag website.

41. Notes on the effects of conversion from HGB to IFRS

The following section presents the effects of conversion from HGB to IFRS at the date of conversion on December 31, 2004 and for the previous period in accordance with IFRS 1. Due to the inclusion of TeraPort GmbH in the form of a reverse acquisition, this company forms the basis of the balance sheet disclosures. The transition from HGB to IFRS is presented in the following tables and notes.

Reconciliation of income statement 2004

EUR thousand	Note	HGB	Effect of conversion to IFRS	IFRS
Revenue		23,347	0	23,347
Cost of sales	**42**	18,501	-122	18,379
Gross profit		**4,846**	**122**	**4,968**
Research and development costs		69	0	69
Selling expenses		142	0	142
General and administrative expenses	**43**	1,655	130	1,785
Other operating income	**44**	1,011	-570	441
Other operating expenses	**45**	686	-575	111
Operating result		**3,305**	**-3**	**3,302**
Net income from investments		0	0	0
Net interest income	**46**	11	-35	-24
Financial result		**11**	**-35**	**-24**
Net income before taxes		**3,316**	**-38**	**3,278**
Income taxes		685	0	685
Deferred taxes	**47**	0	612	612
Other taxes*		2	-2	0
Net income after taxes		**2,629**	**-648**	**1,981**

42. Cost of sales

Changes to the cost of sales are primarily due to the reclassification of a lease recognised in the HGB balance sheet, which must be recognised as a finance lease asset and amortised in accordance with the IFRSs (EUR thousand -38). The capitalisation of internally generated software, which is not permitted under HGB, leads to a EUR thousand 84 reduction in selling expenses.

* Recognised under other operating expenses in accordance with the IFRSs.

43. General and administrative expenses

General and administrative expenses increased in accordance with the IFRSs due to expenses for unused rented space, for which a provision of EUR thousand 123 was recognised in previous years in accordance with HGB and utilised in the period under review. However, according to the IFRSs, these expenses were recognised as income.

In addition, differences in the measurement of pensions and similar staff provisions under HGB and IFRS result in differences of EUR thousand 7.

44. Other operating income

A restructuring provision in the amount of EUR thousand 570 that was recognised in accordance with HGB in the previous year was reversed, and was not recognised in accordance with IFRS.

45. Other operating expenses

In accordance with HGB, a financial asset was sold in 2004 and written off accordingly (EUR thousand 575). The subsidiary in question had already written off the asset in the previous year in accordance with IFRS.

46. Net interest income

Net interest income fell by EUR thousand 35 under IFRS due to the recognition of interest expenses from finance leases.

47. Deferred tax assets and liabilities

In accordance with IAS 12, deferred tax assets of EUR thousand 638 and deferred tax liabilities of EUR thousand 26 are recognised for all temporary differences between the tax bases of assets or liabilities and their carrying amount in the IFRS balance sheet. If the identity of the tax creditor is known and the maturities match, deferred tax assets and deferred tax liabilities have been offset.

Deferred tax assets on the IFRS balance sheet contain deferred taxes from loss carryforwards in the amount of EUR thousand 562.

Reconciliation of balance sheet items as of December 31, 2004

Assets		**HGB**		**IFRS**	**HGB**		**IFRS**
EUR thousand	Note	Dec. 31, 2003	Effect of conversion	Dec. 31, 2003	Dec. 31, 2004	Effect of conversion	Dec. 31, 2004
Noncurrent assets		**9,593**	**828**	**10,421**	**7,736**	**703**	**8,439**
Intangible assets	**48**	6,774	0	6,774	5,475	67	5,542
Advanced payments made	**48**	0	0	0	200	17	217
Property, plant and equipment	**49**	2,239	566	2,805	2,061	420	2,481
Financial assets	**45**	575	-575	0	0	0	0
Other noncurrent assets		5	0	5	0	0	0
Deferred taxes	**47**	0	837	837	0	-638	199
Current assets		**3,262**	**0**	**3,262**	**9,685**	**0**	**9,685**
Inventories		73	0	73	142	0	142
Receivables and other assets		2,746	0	2,746	8,396	0	8,396
Cash and cash equivalents		443	0	443	1,147	0	1,147
Total assets		**12,855**	**828**	**13,683**	**17,421**	**703**	**18,124**

Liabilities		**HGB**		**IFRS**	**HGB**		**IFRS**
EUR thousand	Notes No.	Dec. 31, 2003	Effects of the transition	Dec. 31, 2003	Dec. 31, 2004	Effects of the transition	Dec. 31, 2004
Stockholders' equity		**9,732**	**752**	**10,484**	**12,363**	**102**	**12,465**
Issued capital		500	0	500	500	0	500
Capital reserves		14,677		14,677	14,677	0	14,677
Retained earnings		-9,450		-9,450	-5,445	752	-4,693
Net income for the year		4,005	752	4,757	2,631	-650	1,981
Noncurrent liabilities		**100**	**506**	**606**	**108**	**357**	**465**
Pension obligations	**50**	100	37	137	108	45	153
Noncurrent finance lease liabilities	**51**	0	246	246	0	115	115
Deferred taxes	**47**	0	223	223	0	197	197
Current liabilities		**3,023**	**-430**	**2,593**	**4,950**	**244**	**5,194**
Tax provisions		0	0	0	647	0	647
Other current provisions	**52**	1,145	-773	372	577	-82	495
Advanced payments received		0	0	0	30	0	30
Trade payables		863	0	863	2,575	0	2,575
Liabilities to subsidiaries		304	0	304	221	0	221
Current finance lease liabilities	**51**	0	343	343	0	326	326
Other current liabilities		711	0	711	900	0	900
Liabilities		**12,855**	**828**	**13,683**	**17,421**	**703**	**18,124**

48. Intangible assets

As of December 31, 2004, intangible assets were EUR thousand 84 higher under IFRS than HGB. In accordance with the IFRSs, internally generated software was capitalised in the amount of EUR thousand 67 as of December 31, 2004, and an advanced payment of EUR thousand 17 for capitalised internally generated software was recognised; this is not permitted under the HGB.

49. Property, plant and equipment

Property, plant and equipment amounted to EUR thousand 2,481 in accordance with IFRS as of December 31, 2004, and is thus EUR thousand 420 higher than in accordance with HGB.

This is exclusively due to the capitalisation of a finance lease.

50. Pension obligations

In accordance with HGB, pension obligations totalled EUR thousand 108 as of December 31, 2004. The figure under IFRS was EUR thousand 45 higher, amounting to EUR thousand 153. This difference is due to the different methods of measurement used under HGB and IFRS. Whilst the HGB uses the net present value method, IFRS uses the projected unit credit method, which stipulates that salary and pension growth be taken into account in discounting and that a standard market interest rate be applied.

51. Noncurrent and current finance lease liabilities

As of December 31, 2004, noncurrent finance lease liabilities amounted to EUR thousand 115 and current finance lease liabilities to EUR thousand 326 in accordance with IFRS. Under HGB, these lease items are not recognised on the balance sheet as liabilities.

52. Other current provisions

Other current provisions totalled EUR thousand 495 on the initial IFRS balance sheet, and were thus EUR thousand 82 lower than on the HGB balance sheet. This was essentially due to the recognition of a provision for onerous contracts in accordance with HGB that is not recognised under IFRS.

The factors primarily affecting changes in stockholders' equity in accordance with IFRS are presented in the following table:

EUR thousand	Jan. 1, 2004	Dec. 31, 2004
Stockholders' equity in accordance with HGB	**9,732**	**12,363**
Prior-period earnings	0	752
Capitalisation of internally generated software	0	84
Write-off of Inpuncto investment	-575	0
Disposal of Inpuncto investment	0	575
Reversal of provision for onerous contracts	195	0
Expenses from provision for onerous contracts not recognised	0	-123
Reversal of restructuring provision	570	0
Reversal of restructuring provision on HGB balance sheet	0	-570
Effect of finance lease	-23	3
Measurement of pension and similar obligations	-29	-7
Effect of deferred taxes	614	-612
Stockholders' equity in accordance with IFRS	**10,484**	**12,465**

53. Reconciliation of cash flow

The following table presents the effects of the conversion on the cash flow statement for 2004. The main factors are the reversal of provisions, the reclassification of a lease and write-downs of financial assets, all of which are required in accordance with IFRS.

EUR thousand	HGB	Effects of conversion to IFRS	IFRS
Net cash from operating activities	5,351	306	5,657
Net cash used in investing activities	-4,647	-306	-4,953
Net cash from financing activities	0	0	0
Changes in cash and cash equivalents	704	0	704
Cash and cash equivalents at the start of the period	443	0	443
Cash and cash equivalents at the end of the period	1,147	0	1,147

Leonberg, March 24, 2006

The Management Board

Independent auditors' report

We have audited the consolidated financial statements prepared by **caatoosee ag, Leonberg,** 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 report for the business year from January 1 to December 31, 2005. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. [paragraph] 1 HGB and supplementary provisions of the shareholder agreement/ articles of incorporation are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit. In addition we have been instructed to express an opinion as to whether the consolidated financial statements comply with full IFRS.

We conducted our audit of the consolidated financial statements in accordance with § 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 the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and 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 report 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 evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and supplementary provisions of the shareholder agreement/ articles of incorporation and full IFRS 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 report 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.

Stuttgart, March 24, 2006

Dr. Ebner, Dr. Stolz und Partner GmbH
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Dr. Wolfgang Russ	Uwe Harr
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]