ANNUAL REPORT 2006

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GROUP MANAGEMENT REPORT 2006
for caatoosee ag, Leonberg

1. Business and Market Conditions

The disclosures presented in the consolidated financial statements of caatoosee ag and its subsidiaries, in the following referred to as caatoosee or the caatoosee Group, correspond to the requirements of the International Financial Reporting Standards (IFRS).

caatoosee shares are traded on the Frankfurt Stock Exchange as well as all other German stock exchanges.

Overview of business activities

Financial year 2006 was dominated by the rigorous development of caatoosee as a service provider in the field of IT outsourcing and services. This was achieved by focussing on business units with strong earnings and separating these from business units with less strong earnings, as presented below.

TeraPort GmbH (TeraPort), as the largest subsidiary of caatoosee, developed very positively in operating business in the field of IT outsourcing and services. In the past year the company reported visible success in sales activities and has gained itself a first-class reputation on the market. TeraPort is consistently replacing previous, low margin business with new, higher margin orders. The company is continuing along this path thanks to the intensified development of sales-related resources.

caatoosee, which is primarily responsible for steering the Group's activities as well as providing support for activities and DataQuality software (DQ software) contracts with very low personnel expense, failed to meet the expectations of the previous year with no improvement in revenue or results of operations due to high legal and capital market costs, in particular for the planned further development of the Group.

With the disposal of shares (51 percent) in the Indonesian PT Sigma Cipta Caraka (Sigma) in August 2006 – in accordance with the ruling made by the arbitration court in Singapore – pending proceedings were conditionally concluded in a satisfactory manner.

In the reporting period, revenue and earnings from OuterBounds Technologies, Inc. (OuterBounds) failed to meet expectations. The Management Board believes that in future OuterBounds will also fail to achieve the required market size in order to establish itself on the market on a sustained basis. For this reason, the caatoosee Group is focusing on its strengths and leaving the North American market. The Company plans to dispose of the subsidiary.

With these measures, a basis has now been created which will allow the strategic restructuring of the caatoosee Group, already initiated, to be successfully implemented in the coming years. Further development of the strategic positioning of the Group has been one of the key tasks since the middle of 2005.

When comparing the results with the past financial year, it should be noted that the Sigma Group is not included in financial year 2006 given its disposal in August 2006, likewise the held-for-sale company, OuterBounds, is not included in the results for 2006. For the purposes of comparison with the previous year, the figures for the Sigma Group and OuterBounds were deducted from the figures for the previous year in order to achieve comparability with financial year 2006.

Consolidated revenue in the year under review amounted to EUR 19.6 million (previous year: EUR 22.3 million). Of this amount, TeraPort alone contributed EUR 19.4 million. This corresponded to a drop in revenue of 12 percent as against the previous year. EBITDA from business activities to be continued amounted to EUR 7.1 million, while earnings before interest and taxes (EBIT) from business units to be continued totalled EUR 1.1 million. The financial result was positive at EUR 0.1 million. The positive development of the caatoosee

Group is reflected in pre-tax earnings from business units to be continued of EUR 1.2 million and earnings from business units to be continued of EUR 1.2 million. Earnings from discontinued business units of EUR -9.0 million are negative due to the disposal of Sigma and the planned disposal of OuterBounds.

Earnings per share for financial year 2006 amounted to EUR -0.32 on the back of consolidated net income of EUR -7.8 million. As of December 31, 2006, the caatoosee Group (including TeraPort but excluding OuterBounds) employed 87 staff. As of December 31, 2006, OuterBounds employed 10 staff.

Following the rigorous disposal of low-margin parts of the company and business units, activities are now focused on strengthening operating units and the long-term development of the Group. With the disposal of Sigma, the necessary financial resources have been freed up for this. The objective is to acquire attractive companies operating in the fields of hardware and software data processing as well as technology and consulting. In this way, caatoosee should develop into a highly competitive company with an innovative, high-quality and service-oriented solutions portfolio, thus establishing itself as a highly attractive partner in both the customer and the capital markets.

Business activities

The objective of the caatoosee Group is to generate a significant proportion of forecastable revenue on the basis of long-term and intensive customer relationships and long-term agreements. This is based on a largely uniform Groupwide business model; its target customers are primarily small and medium-sized enterprises.

TeraPort currently represents the largest operational unit of the caatoosee Group. It provides consulting, support and operation for IT systems in customer environments and develops comprehensive solutions for digital product development and simulation.

Competitive advantages lie in its many years of experience, a comprehensive IT modular architecture for individual and efficient solutions as well as in the broad range of services that also include the operation of two in-house data centres.

Many years of trusted customer relationships and a solid workforce of highly qualified employees are at the core of the corporate philosophy. TeraPort therefore works exclusively with permanent employees. The efficiency of operating processes is continually monitored for quality, which is continually increasing. At the same time, strict cost management of operating costs is also implemented. This ensures a sustained, high level of efficiency at an optimum cost level.

In the previous financial year, TeraPort achieved groundbreaking success with the conclusion of individual, long-term agreements with the individual companies of the former M+W Zander Holding.

Sales activities were also rigorously expanded beyond these customers. Initially this means advance costs for future contracts. However, these activities are also embedded in the Company's strict cost management and accordingly set the Group strategy for the development of long-term customer relationships against cost-intensive short-term marketing offensives. Despite these particular efforts, TeraPort will also achieve attractive margins in the future.

Research and development

At the end of the financial year, 6 members of staff were employed in the field of research and development, representing an increase of 3 employees as against the previous year (not including Sigma and OuterBounds). The volume of research and development costs was almost double in financial year 2006 at EUR 0.2 million (previous year: EUR 0.1 million), corresponding to 1.29 percent of total costs (previous year: 0.67 percent) and 1.22 percent of revenue (previous year: 0.58 percent).

The primary focus of the Group's research and development activities included the new services and applications of TeraPort in the field of software and process development for engineering environments. The main focus in this area is the development of the strategically significant digital mock up toolkit (DMU toolkit) that is making a significant contribution to success in the provision of consulting and outsourcing services for the automotive and engineering industrial sectors.

2. Group Structure

Following the disposal of Sigma, activities in the caatoosee Group include the following areas:

- As the parent company, caatoosee ag formulates the corporate strategy for the Group, consolidates capital market activities and manages the support of existing customers as well as the marketing of DQ software.
- IT outsourcing and services in Germany are performed by TeraPort GmbH (100 percent equity interest of caatoosee ag)
- IT outsourcing and services in North America are performed by OuterBounds Technologies, Inc. (100 percent equity interest of caatoosee ag, however held for sale)

As of December 31, 2006, the total number of employees in the caatoosee Group decreased to 87 as a result of the disposal of Sigma, not including the ten employees at OuterBounds, which is also held for sale.

caatoosee ag

caatoosee ag's head office is in Leonberg, near Stuttgart. It focuses on the above-mentioned tasks.

Control and profit and loss transfer agreement with the subsidiary TeraPort GmbH

caatoosee ag as the parent company and TeraPort GmbH as the subsidiary company concluded a control and profit and loss transfer agreement on July 24, 2006, which with the approval of the Annual General Meeting of caatoosee and the shareholders' meeting of TeraPort GmbH determined the following:

The management of caatoosee ag is the responsibility of TeraPort GmbH starting from financial year 2006. TeraPort GmbH undertakes to transfer its entire profit to caatoosee ag under corresponding application of section 301 of the German Stock Corporation Act.

TeraPort may, with the approval of caatoosee, only transfer amounts from the consolidated net income to retained earnings insofar as this is economically justified as sound business judgement. Other retained earnings recognised over the term of the agreement are to be released on the Company's request and to be used to balance net losses, or, if legally permissible, to be transferred as profit. The same applies to the term of capital reserves recognised in accordance with section 272 (2) no. 4 of the German Commercial Code.

The Company is obliged to settle any net losses of TeraPort GmbH in accordance with section 302 of the German Stock Corporation Act.

The agreement was concluded with effect from January 1, 2006, with a term of five years. The agreement may only be terminated in advance with good cause. The agreement is extended by one year, if it is not terminated in writing subject to a term of six months prior to the end of the period of the agreement.

The Management Board of the Company and the Board of Directors of TeraPort have prepared a joint report in accordance with section 293 a of the German Stock Corporation Act, in which the conclusion of the intercompany agreement, and the agreement itself have been explained and justified in detail, in legal and economic terms.

IT outsourcing, managed services and IT engineering in Germany (TeraPort GmbH)

TeraPort represents the largest operational unit of the caatoosee Group. It focuses on consulting, support and operating IT systems in engineering environments and comprehensive solutions for the operation of complex IT environments on the basis of individual customer requirements. Its target customers are small and medium-sized enterprises. This includes the companies of the former M+W Zander Group that are now acting independently on the market, with some of which individual long-term agreements have been concluded, as well as customers from the automotive and supply industries, the services sector, the aerospace industry, and plant and mechanical engineering. Currently with 82 employees, TeraPort provides support for customers spread across more than 100 locations around the world.

In addition to its head office in Leonberg, TeraPort has offices in Munich and Nuremberg, and is represented throughout Germany with on-site employees at key offices of its customers.

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

- IT services/outsourcing: user-oriented services including individual customer IT operation on the basis of standardised modular components, a 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, construction and simulation of digital prototypes and development of 3D products on the basis of internally developed DMU software

Activities performed in North America by OuterBounds Technologies, Inc.

OuterBounds, based in Atlanta, was formed in 2000 and specialises in hosting and outsourcing IT applications. The services are based on data centre services provided in Atlanta. Due to the niche positioning of OuterBounds with a very low market share in the most developed market segment for IT services and ASP services, and a very high number of industrially organised competitors, it has been decided at Group level to look for a buyer for this part of the company. Key factors for this withdrawal are primarily attributable to developments on the American market following the recent natural disasters which have meant that contracts are increasingly awarded to large service providers with several sites.

Disposal of Sigma and impact on shareholder situation

caatoosee disposed of its share of 51 percent in the Indonesian subsidiary, Sigma. In light of the ruling made by the arbitration court appointed by the Singapore International Arbitration Centre, caatoosee was obliged to transfer its shares held in Sigma to the other two co-shareholders. The co-shareholders had terminated the joint venture under reference to the articles of incorporation, following a change of control which took place at caatoosee in the course of the Company's restructuring. M+W Zander Facility Engineering GmbH became the majority shareholder in the Company from May 4, 2005.

The disposal of discontinued business activities led to a loss of EUR 5.3 million, including the loss from the disposal of goodwill and sales expenses. In accordance with IFRS 5, the earnings and loss from the disposal of Sigma are reported in the consolidated income statement as earnings from discontinued business activities.

3. Results of Operations

Revenue development in the Group

In August 2006, caatoosee sold its 51 percent share in the Indonesian company, Sigma. The company was deconsolidated during the period under review. Accordingly, the figures for the period under review of the previous year are represented with Sigma and without the held-for-sale company, OuterBounds, in order to provide better scope for comparability.

In comparison with the previous year it should be taken into account that due to the reverse acquisition, caatoosee ag was not included for the entire year, but only from May 1, 2005.

In the financial year ended December 31, 2006, the caatoosee Group recorded total revenue of EUR 19.6 million, down EUR 2.7 million or 12 percent on the previous year (EUR 22.3 million).

In terms of the geographical allocation of shares of revenue in financial year 2006, the largest proportion was attributable to the German market with EUR 18.1 million, which was achieved by TeraPort GmbH and caatoosee ag. EUR 1.5 million was generated by TeraPort outside of Germany, part of which was also generated outside of Europe in Israel and the USA.

TeraPort accounted for EUR 19.4 million (previous year: EUR 21.9 million) or 99 percent of the total revenue of the caatoosee Group. This development reflects the corporate strategy of focussing on activities with strong earnings and in this respect lies in the planning.

Therefore third-party business was expanded as a whole.

TeraPort was commissioned by caverion GmbH (formerly M+W Zander Gebäudertechnik GmbH) to provide IT services over a period of five years. The volume of the order amounted to over EUR 25 million. The many years of trusted cooperation between caverion GmbH and TeraPort is thus being continued on a new contractual basis. The scope of services extends across the entire spectrum of TeraPort's outsourcing services. An outsourcing package, tailored to the individual requirements of caverion GmbH, has been developed based on TeraPort's IT modular architecture.

In the field of engineering, a Japanese car manufacturer has commissioned TeraPort with the supply of digital mock-up technology. Software for safeguarding vehicle construction was provided in the form of an annual licence and, in addition, existing agreements were extended.

In the field of managed services, caatoosee received a contract from Loy & Hutz Solutions GmbH, a subsidiary of Loy & Hutz AG, and therefore one of the leading providers of facility management software (FM software) in Germany. It has been commissioned with the development and operation of a highly available IT operational environment for the company's facility management solution. The term for the cooperation has initially been fixed at three years. The operational development is carried out by TeraPort GmbH.

At the balance sheet date December 31, 2006, the backlog of orders of the caatoosee Group (not including OuterBounds) amounted to EUR 25.5 million.

Earnings development in the Group

In financial year 2006, the Group achieved gross profit of EUR 4.6 million, down from EUR 5.1 million in the previous year. The revenue margin improved slightly as against the previous year from 23.0 percent to 23.7 percent.

At EUR 0.4 million (previous year: EUR 0.3 million), selling expenses were 1.9 percent of total revenue (previous year: 1.2 percent). Administrative expenses increased to EUR 3.2 million (previous year: EUR 2.2 million), therefore corresponding to 16 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. At EUR 0.2 million, research and development costs were approximately double that of the prior-year figure of EUR 0.1 million, accounting for 1.2 percent of revenue (previous year: 0.6 percent). Other operating income totalled EUR 0.2 million (previous year: EUR 0.1 million).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) from business units to be continued amounted to EUR 7.1 million (previous year: EUR 8.9 million). An operating result (EBIT) of EUR 1.1 million (previous year: EUR 2.7 million) was achieved in business units to be continued. Of this figure, EUR 3.4 million was attributable to TeraPort. On the back of a positive financial result of EUR 0.1 million, the Group reported net income before income taxes (EBT) from business units to be continued of EUR 1.2 million as against EUR 2.7 million in the previous year. Earnings from business units to be continued amounted to EUR 1.2 million as against EUR 1.4 million in the previous year.

The deconsolidation of Sigma and OuterBounds is reported as earnings from discontinued business units, amounting to EUR -9.0 million (previous year: EUR +0.7 million). In particular, the loss resulted from amortisation of goodwill and settlement costs.

Moreover, contributions to earnings recognised in the previous course of the year were adjusted. Overall, this resulted in consolidated net income of EUR -7.8 million and earnings per share of EUR -0.32 (for an average of 24,098,988 shares at the balance sheet date December 31, 2006) as compared to EUR 1.9 million and EUR 0.09 per share in the previous year.

The published consolidated net income for 2005, in which both the Sigma Group and OuterBounds are included, amounted to EUR 1.9 million and EUR 0.09 per share.

4. Net Assets and Financial Position

Financial position

The cash flow statement for financial year 2006 does not present the balance sheet changes between December 31, 2005 and December 31, 2006 due to the deconsolidation effects. Cash flow from operating activities amounted to EUR 5.2 million as against EUR 8.8 million in the previous year. The drop of EUR 3.6 million was largely due to the reduction in EBITDA by EUR 1.8 million in the same period and therefore the operational development.

Cash flow from operating activities amounted to EUR 0.8 million in financial year 2006 (previous year: EUR 10.2 million). The drop as against the previous year resulted in particular from a slight increase in receivables of EUR 0.4 million, while in financial year 2005 incoming receivables of EUR 6.5 million were recorded.

In investing activities, the caatoosee Group had cash outflows totalling EUR 0.9 million (previous year: EUR 6.0 million). For example, cash inflows of EUR 6.1 million from the closure of a business unit and the disposal of securities as well as other cash investments are offset by cash outflows of EUR 7.0 million for the acquisition of securities, intangible assets and contributions in kind.

EUR 0.1 million was invested in the new subsidiary of TeraPort, TERAPORT (S) PTE. LTD in Singapore.

In financial year 2006, net cash used in financing activities amounted to EUR 0.9 million. Of this amount, EUR 0.6 million was used for the repayment of noncurrent liabilities and EUR 0.3 million for current financial liabilities. Including the effect of foreign exchange rate changes of EUR -0.4 million, changes in cash and cash equivalents amounted to EUR -1.3 million.

Cash and cash equivalents at the beginning of the year of EUR 11.9 million fell to EUR 7.1 million due to the cash outflows during the period under review and less the loss from the closure of Sigma of EUR 3.6 million.

Net assets

Total assets reduced from EUR 46.0 million at the end of financial year 2005 to EUR 21.8 million at the end of financial year 2006. Asset quality of the caatoosee Group improved considerably thanks to the deconsolidation of Sigma.

Current assets of EUR 16.3 million included cash and cash equivalents of EUR 7.1 million and securities of EUR 4.2 million.

Despite the loss from discontinued business activities, the equity ratio rose from 65 percent at the end of 2005 to 74 percent as of December 31, 2006. As a result of the inflow of proceeds from disposals, cash and cash equivalents less securities remained only slightly below the level at the end of 2005 (EUR 13.8 million) at EUR 11.3 million. The change in net liquidity (cash and cash equivalents and securities less financial liabilities) was even better, amounting to EUR 9.8 million as of the balance sheet date compared with EUR 11.2 million in the previous year.

The disposal of Sigma has been settled in full on the balance sheet. Possible legal costs still to be incurred are already accounted for in other provisions of EUR 1.0 million.

As in the previous year, issued capital amounted to EUR 24.1 million.

Trade receivables decreased due to the contribution of revenue and were EUR 2.2 million (previous year: EUR 3.8 million) on the balance sheet date. On the other hand, trade payables dropped significantly, amounting to EUR 1.8 million (previous year: EUR 5.1 million).

Employees and executive bodies

Although the caatoosee Group’s workforce consisted of 359 employees in the previous year as a result of the incorporations of TeraPort and OuterBounds as of December 31, 2005, the number of staff fell to 87 as of December 31, 2006 due to the disposal of Sigma and the planned disposal of OuterBounds, both of which are excluded from this figure.

The number of employees in the remaining units, caatoosee and TeraPort, barely changed at 87 (previous year: 85 employees). At year-end, the held-for-sale company, OuterBounds, employed 10 staff (previous year: 8 employees).

The number of employees in the Group as of December 31, 2006 (not including Sigma and OuterBounds) can be broken down by area of activity as follows:

Production/operations:	65 (75 percent)
Administration:	11 (12 percent)
Research and development:	6 (7 percent)
Sales:	5 (6 percent)

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

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

Remuneration of members of the Management Board consists of performance-related components and a fixed remuneration. The fixed remuneration (basic annual salary) is paid as a monthly salary. The variable remuneration of the Management board consists of the following components:

- Discretionary bonus which is fixed by the Supervisory Board for each member of the Management Board depending on areas of responsibility and is limited to a maximum of 20 percent of the annual basic salary.
- Variable remuneration which is measured according to parts of the Group’s operating result and amount to a maximum of 40 percent of the annual basic salary.
- A variable proportion which is measured on the basis of positive capital market development of the Company compared with the previous year.

As part of the share-based remuneration, members of the Management Board were granted no additional stock options.

Remuneration of the Supervisory Board is determined in accordance with section 14 of the articles of incorporation. Subsequently, each member of the Supervisory Board receives a fixed annual remuneration, attendance fees for each day of meetings and a variable remuneration which is determined by the Annual General Meeting. This remains in effect until changed by a new resolution of the Annual General Meeting.

According to the resolution of the Annual General Meeting of August 31, 2006, the fixed and variable remuneration of each member of the Supervisory Board was determined as follows:

For each full financial year that they belong to the Supervisory Board, members of the Supervisory Board receive:

a) a fixed remuneration of EUR 8,000.00, payable after the end of the financial year;

b) an attendance fee of EUR 1,200.00 per day of meetings for participation in Supervisory Board or committee meetings, payable after the end of the financial year;

c) a variable remuneration of EUR 3,000.00 for each percentage point or fraction of the value, rounded to two decimal places by which the market capitalisation (as a result of multiplying the number of shares by the stock exchange price as described below) increases per financial year in the period from January 1 to December 31. Either the average closing price of the share in XETRA trading or a comparable successor system on the first 10 trading days at the start and the last 10 trading days at the end of the respective financial year is used as a basis for the calculation. The variable remuneration is payable after the end of the financial year.

The fixed remuneration, the attendance fee per day of meetings and the variable remuneration may not exceed EUR 50,000.00 per member of the Supervisory Board for any particular financial year.

5. Report on Events after the Balance Sheet Date

No significant events occurred after the end of the financial year, i.e. after December 31, 2006.

6. Risk Report

Long-term effects of restructuring measures

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. This has already led to the decision to dispose of OuterBounds due to the difficult market environment in an ever-changing domestic market in the USA.

In addition, there is a risk that caatoosee may not be able to implement its growth strategy as quickly as planned in its new market segments. For example, it cannot be reliably predicted by when the Company will win new large and medium-sized customers for its IT outsourcing services, and hence gradually reduce its reliance on its main existing customer, M+W Zander.

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 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

As a result of the disposal of Sigma, caatoosee's customer structure has changed significantly. While previously a broad customer structure, and therefore no dependence on individual customers, existed in all business units, the M+W Zander Group now accounts for approximately 44 percent of revenue.

Although the master agreement between the M+W Zander Group and TeraPort, 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 for a short time, 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, 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 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.

Impact of the disposal of the M+W Zander Group by Jenoptik AG to Springwater Capital (SWC)

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 Beteiligungs GmbH (formerly M+W Zander Holding AG). As of May 17, 2006, the transaction between Jenoptik AG and Springwater Capital (SWC) announced in December 2005 was completed retrospectively with effect from the start of 2006.

Since this time, considerable, visible restructuring of the M+W Zander Group has taken place. The formerly operational M+W Zander Holding AG was significantly scaled down and today assumes the main administrative and management tasks of the existing corporate portfolio of M+W Zander as M+W Zander Beteiligungs GmbH. The corporate independence of operational subsidiaries was considerably increased, which in turn led to a significantly greater individual responsibility in relation to services. Thus caatoosee is now faced with the challenge of defining and negotiating new and individual services separately with each individual company of the M+W Zander Group, in place of earlier uniform customer requirements for a large customer group. In this way, it cannot be ruled out that there may be a reduction in the size of orders and resulting revenue as a result of this ongoing process.

Financing and liquidity position

caatoosee 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 itself no longer has any significant business operations that would generate sufficient cash inflows to cover the Group's financing requirements. caatoosee is therefore dependent on profit transfers, dividends and other 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 does not receive the expected cash inflows from its subsidiaries, caatoosee 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 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’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.

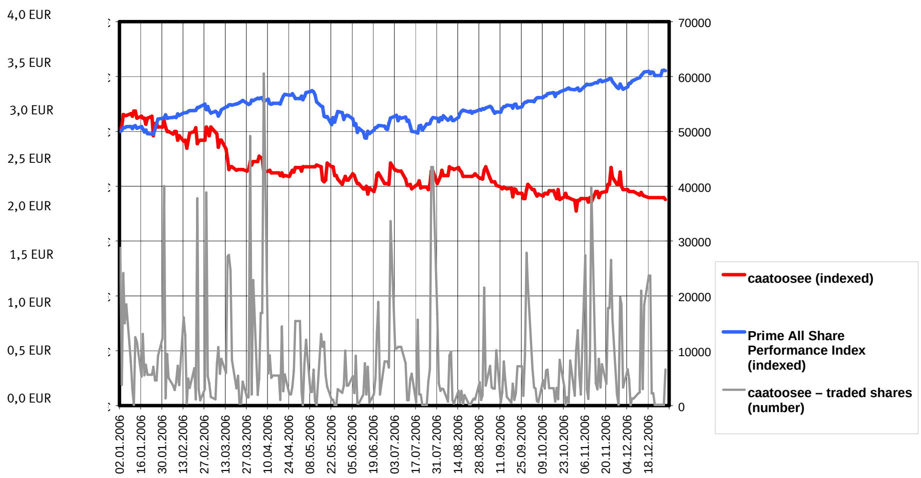
7. Share Disclosures and Disclosures in accordance with Section 315 (4) of the German Commercial Code

The caatoosee ag share

With the closing price of EUR 2.33 at the end of the fourth quarter on December 29, 2006, the share price dropped significantly below the closing price of EUR 3.14 on the first trading day of financial year 2006. The share developed noticeably more weakly than the Prime All Share Index. On the whole, this development is unsatisfactory. Thus the aim is to build up trust in the share and to make it stable. This aim is being pursued by means of a steady flow of information from the capital market about growth potentials and corporate strategy.

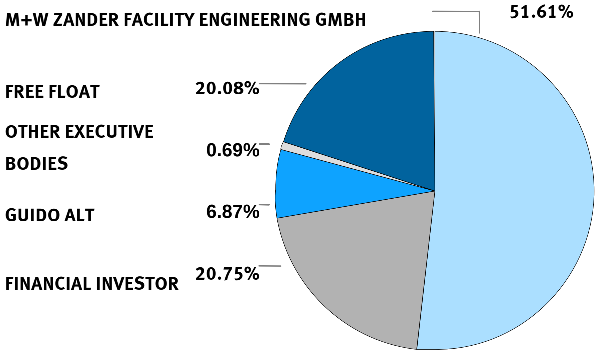
The caatoosee no-par shares are listed on the Frankfurt Stock Exchange as well as all other German stock exchanges under the German securities identification number A0EPUK on the Prime Standard. Landesbank Baden-Württemberg and Close Brothers Seydler AG are committed as designated sponsors.

Price and revenue development of the caatoosee share



Shareholder structure

The shareholder structure as of December 31, 2006 is composed as follows:



relating to 24.1 million shares

The financial investor refers to Absolute Capital Management Holdings Limited, Grand Cayman/Cayman Islands. For further information on other investors, we refer to the information in the notes to the consolidated financial statements under no. 45.

Important information on the share

	Disclosures as of December 31, 2006
Number of shares outstanding	24,098,988
Theoretical par value per share	EUR 1.00
Rights and duties extended through the share	Rights and duties in accordance with section 54 ff. of the German Stock Corporation Act
Treasury shares held by the Company	0
Dividend payment	No proposal and no dividend payment during the period under review
Authorised capital I	Increase until September 6, 2010 on one or more occasions by up to EUR 1,049,494.00 against cash contributions and with the shareholders' statutory subscription rights
Authorised capital II	Increase until September 6, 2010 on one or more occasions by up to EUR 11,000,000.00 against cash contributions and/or contributions in kind. Exclusion of subscription rights for cash capital increases up to 10% of the share capital and for capital increases against contributions in kind possible in the course of company takeovers

Disclosure requirements in accordance with section 315 (4) of the German Commercial Code

The appointment and dismissal of members of the Management Board is regulated in sections 84 and 85 of the German Stock Corporation Act and section 5 of the articles of incorporation. In accordance with section 5 (1) of the articles of incorporation, the Management Board must consist of one or more persons, other than this the Supervisory Board determines the number of Management Board members. The change to the articles of incorporation is carried out in accordance with sections 179 and 133 of the German Stock Corporation Act and section 19 of the articles of incorporation. In accordance with section 13 of the articles of incorporation, the Supervisory Board Is authorised to change the Company's articles of incorporation as long as the change only relates to the wording of the articles of incorporation.

With regard to the composition of the issued capital and the share ownership in caatoosee ag, we refer to the paragraphs "Shareholder structure" and "Important information on the share".

In accordance with section 4 (4) of the articles of incorporation, 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 authorised, with the approval of the Supervisory Board, to exclude residual amounts from the shareholders' subscription rights. Furthermore, the Management Board is authorised, with the approval of the Supervisory Board, to determine the other details of carrying out capital increases from Authorised Capital I.

According to section 4 (5) of the articles of incorporation, the Management Board is 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). The Management Board is authorised, with the approval of the Supervisory Board, to exclude the shareholders' statutory subscription rights in the following cases:

- for residual amounts,
- if the capital increase is carried out against cash contributions and the total pro rata amount of the share capital attributable to the share, for which the subscription right is excluded, does not exceed 10% of the available share capital at the issue date of the new shares and the initial carrying amount of the new shares does not significantly fall below that of shares of the same class already listed at the date of final determining of the initial carrying amount by the Management Board,
- for capital increases against contributions in kind to ensure shares for the purpose of acquisition and/or the contribution of companies, parts of companies or interests in companies.

Furthermore, the Management Board is authorised, with the approval of the Supervisory Board, to determine the other details of carrying out capital increases from Authorised Capital II.

According to section 4 (6) of the articles of incorporation, a contingent increase in the share capital of the Company may be made 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.

By creating authorised capital, the Company should be able to react quickly and flexibly to growth opportunities. Authorisation for the appropriation of treasury shares enables the Company to issue treasury shares as a consideration for the acquisition of companies, interests in companies or in the course of business mergers.

8. Dependent Company Report

On the basis of the disclosures received in accordance with the German Securities Trading Act, the Management Board of caatoosee 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 financial year 2006.

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."

9. Report on Expected Developments

For financial years 2007 and 2008, the caatoosee Group anticipates a positive development in relation to revenue and consolidated net income from business units to be continued. However, this depends on the development of TeraPort, the subsidiary with the strongest revenue, and the success of the Group's acquisition activities in acquiring new companies.

TeraPort is on the right path thanks to gaining a large contract from caverion GmbH as well as contracts in the field of engineering. Further stable development can be expected for financial year 2007. As in the previous year, the focus of corporate management is therefore on the Company's earnings situation. The aim in terms of the EBIT margin is to remain visibly above 10 percent.

In order to grow further, additional one-off costs will arise for caatoosee in the course of further strategic development of the Group in financial year 2007. Investments are necessary in order to take the next growth steps for the future of the company.

Future growth will result from the organic further development of TeraPort and the acquisition of equity interests. Here, the focus is on both established consulting and service companies from IT industries as well as the possible takeover of IT companies as part of the long-term development of outsourcing solutions with a broad process and solution chain in the range of services offered to customers. Thus the objective is to be present in new markets with strong growth.

In addition to cash and cash equivalents from borrowed capital, the caatoosee share and authorised capital are primarily intended to be used to finance acquisitional growth. This strategy can be implemented all the more successfully, the higher the value of the caatoosee share. The Management Board is aware of this obligation towards the capital market and is working on making acquisitions that are likely to make a traceable value contribution. For example, the capital market's confidence in our corporate strategy should be steadily heightened.

Leonberg, March 30, 2007

The Management Board

Report of the Supervisory Board

REPORT OF THE SUPERVISORY BOARD OF CAATOOSEE AG FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2006

Dear shareholders,

During the year under review, the Supervisory Board performed the duties incumbent upon it pursuant to the law and the articles of incorporation accordingly. In cooperation, the Supervisory Board supported the management and the corporate strategy as part of its supervisory duties. In this regard, 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, planning, the risk situation and the Company's financial position as well as all significant business developments and events. In four 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 2006, the Supervisory Board discussed in particular the economic position and the disposal of the Indonesian subsidiary, PT Sigma Caraka within the framework of the arbitration proceedings before the Singapore International Arbitration Centre and its effects, the course of business within the Group and its equity interests, and the development of the individual business units of the Group, in particular with the strategic orientation of OuterBounds Technologies Inc. on the American market. In addition to revenue and earnings development of the Group and the individual business units, regular topics of the Supervisory Board meetings included general corporate planning and the financial position. In addition, the marketing strategy and measures aimed at enhancing competitiveness and the corporate strategy formed an integral part of discussions.

caatoosee ag appointed Stefan Ahrens as CFO on February 13, 2006.

In financial year 2006, a change of personnel took place in the Supervisory Board. Dr Johannes Beha resigned from his office as a member of the Supervisory Board. Mr Klaus Gärtner was elected as the new member of the Supervisory Board for the remaining term of office of the retired Supervisory Board member at the Annual General Meeting on August 31, 2006. Mr Klaus Gärtner resigned from this office for professional reasons on March 22, 2007.

In financial year 2006, 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 2006 were audited by Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft 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 in good time prior to the corresponding meeting and it carefully examined and discussed these in the presence of representatives of the auditors. The Supervisory Board concurred with the findings of the auditors' report. In its meeting on April 27, 2007, which was also attended by representatives of the auditors, the Supervisory Board approved the annual financial statements of caatoosee ag and the consolidated financial statements including the management reports for financial year 2006 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.

Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft 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 financial year 2006. 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,
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.

With regard to the Company's risk management system, the auditors determined that the Management Board performed the required measures pursuant to Section 91 (2) of the German Stock Corporation Act and that the Company's early risk detection system is suitable for the early detection of developments that jeopardize the continued existence of the company.

The Management Board made disclosures and explained these in the consolidated financial statements pursuant to Section 315 (4) of the German Commercial Code and in the management report of the single-entity financial statements of caatoosee ag pursuant to Section 289 (4) of the German Commercial Code. The Supervisory board explained these disclosures pursuant to Section 171 (2) sentence 2 of the German Stock Corporation Act as follows:
The disclosures relate in particular to the regulations on appointment and dismissal of members of the Management Board and changes to the provisions of the articles of incorporation, the authority of the Management Board, in particular with regard to the possibility of issuing or buying back shares, as well as the composition of the subscribed capital. The Supervisory Board examined these disclosures and explanations. In accordance with the results of our examination, the disclosures pursuant to Section 315 (4) of the German Commercial Code and Section 289 (4) of the German Commercial Code as well as the explanations of the Management Board are correct.

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 2006.

Leonberg, April 27, 2007

For the Supervisory Board

Reimund Blessing

Chairman

caatoosee ag, Leonberg

CONSOLIDATED INCOME STATEMENT IN 2006

	Note	2006 01.01.-31.12. EUR	2005 01.01.-31.12. TEUR
Business units to be continued			
Sales revenues	**1**	19,572,000	22,326
Cost of sales	**2**	-14,935,756	-17,184
Gross profit		**4,636,244**	**5,142**
Selling expenses	**3**	-383,716	-266
General and administrative expenses	**4**	-3,157,282	-2,195
Research and development costs	**5**	-239,000	-131
Other operating income and expenses, net	**6, 7**	221,145	94
Operating result		**1,077,391**	**2,644**
Net interest income	**8**	119,497	38
Net other financial income	**9**	0	0
Financial result		**119,497**	**38**
Net income before income taxes		**1,196,888**	**2,682**
Income taxes	**10**	-24,000	-1,270
Earnings from business units to be continued		**1,172,888**	**1,412**
Earnings from discontinued business units	**11**	**-8,965,933**	**739**
Consolidated net income		**-7,793,045**	**2,151**
Thereof attributable to:			
Parent company shareholders		-7,793,045	1,890
Minority interests	**12**	0	261
		-7,793,045	2,151
Earnings per share (undiluted) in EUR	**13**	-0.32	0.09
Earnings per share (fully diluted) in EUR	**13**	-0.32	0.09
Earnings per share from business units to be continued (undiluted)		0.05	0.07
Earnings per share from business units to be continued (diluted)		0.05	0.07

See also the notes to the consolidated financial statements.

caatoosee ag, Leonberg

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2006

	Note	31.12.2006 EUR	31.12.2005 TEUR
Assets			
Property, plant and equipment	**14**	3,501,936	8,357
Intangible assets	**15**	2,018,000	4,465
Goodwill	**15**	0	9,730
Deferred taxes	**10**	54,000	185
Other noncurrent assets	**17**	0	459
Noncurrent assets		**5,573,936**	**23,196**
Cash and cash equivalents	**18**	7,053,249	11,947
Financial assets/Securities	**19**	4,195,000	1,838
Trade receivables	**20**	2,243,000	3,799
Receivables from subsidiaries	**21**	1,789,000	2,047
Inventories	**20**	0	610
Other assets	**21**	640,516	2,070
Prepaid expenses	**22**	298,000	451
Assets of a business unit to be sold	**23**	47,362	0
Current assets		**16,266,127**	**22,762**
Total assets		**21,840,063**	**45,958**
Stockholders' equity			
Issued capital	**24**	24,098,988	24,099
Capital reserves	**24**	98,956	14
Retained earnings	**24**	-8,011,523	-226
Foreign currency translation reserve	**24**	-27,841	367
Stockholders' equity attributable to parent company shareholders		**16,158,580**	**24,254**
Minority interests	**25**	**0**	**5,537**
Total stockholders' equity		**16,158,580**	**29,791**
Liabilities			
Noncurrent financial liabilities	**30**	1,314,000	1,683
Deferred taxes	**10**	15,000	142
Provisions for pensions	**26**	195,000	172
Other noncurrent liabilities	**27**	0	584
Noncurrent liabilities		**1,524,000**	**2,581**
Noncurrent financial liabilities	**30**	124,000	872
Trade payables	**31**	1,792,481	5,139
Liabilities to subsidiaries	**31**	0	539
Tax provisions	**28**	191,000	355
Other provisions	**29**	1,293,000	2,346
Other current liabilities	**31**	549,072	1,035
Deferred income	**32**	139,000	2,859
Advanced payments received	**31**	0	441
Liabilities of a business unit to be sold	**23**	68,930	0
Current provisions and liabilities		**4,157,483**	**13,586**
Total liabilities		**5,681,483**	**16,167**
Total stockholders' equity and liabilities		**21,840,063**	**45,958**

See also the notes to the consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT IN 2006

	01.01. - 31.12.06 EUR	01.01. - 31.12.05 TEUR
Net cash from operating activities		
Consolidated net losses/income for the year	-7,793,045	2,151
Reconciliation of consolidated net income to net cash used in operating activities		
Depreciation of property, plant and equipment	2,744,000	2,684
Amortisation of goodwill, equity interests and intangible assets	3,241,000	4,097
Earnings from the disposal of business units	7,182,318	0
Unrealised price gains on securities held as current assets	-37,672	0
Other financial and investment income/expense	-119,497	-102
Income/expenses attributable to the stock option plan	85,000	-4
Change in deferred taxes	24,778	-71
	5,326,882	8,755
Change in operating assets and liabilities		
Trade receivables	-398,359	6,476
Inventories	-624,292	-327
Other operating assets	398,793	930
Trade payables	-2,567,799	-1,979
Reserves	-615,999	-2,438
Other operating liabilities	-638,236	-1,190
Net cash from operating activities	**880,990**	**10,227**
Net cash used in investing activities		
Payments for the acquisition of property, plant and equipment	-1,737,970	-3,421
Payments for the acquisition of intangible assets	-1,054,966	-2,321
Payments for the acquisition of securities	-4,195,000	0
Proceeds from the disposal of securities	944,579	6
Change in other cash investments	32,941	-244
Proceeds from the disposal of a business unit less the disposal of cash and cash equivalents	1,495,165	0
Net cash used in investing activities	**-4,515,251**	**-5,980**
Net cash from financing activities		
Change in current financial liabilities	-303,507	-1,969
Proceeds from/payments for noncurrent liabilities	-579,027	1,595
Proceeds from capital increases	0	5,000
Other	-10,872	-23
Net cash from (+) / Net cash used in (-) financing activities	**-893,406**	**4,603**
Effect of foreign exchange rate changes on cash and cash equivalents	-365,979	193
Change in cash and cash equivalents	-4,893,646	9,043
Cash and cash equivalents at beginning of year	11,946,895	1,147
Cash inflow from initial consolidation	0	1,757
Cash inflow from initial consolidation	**7,053,249**	**11,947**

See also the notes to the consolidated financial statements.

STATEMENT OF CHANGES IN CONSOLIDATED STOCKHOLDERS' EQUITY IN 2006

	Stockholders' equity attributable to parent company shareholders							
	Issued capital	**Capital reserved**	**Retained earnings**	**Foreign currency translation reserve**	**Treasury shares**	**Total**	**Stockholders' equity attributableto minority interests**	**Stockholders' equity total**
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
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		-84,000	852,363		852,363
Stockholders' equity attributable to minority interests from reverse acquisition							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			0		0
Treasury shares issued			-49,000		84,000	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**
Earnings from operating activities			1,172,888			1,172,888		1,172,888
Earnings from discontinued business activities			-8,965,933			-8,965,933		-8,965,933
Foreign currency translation adjustment				-395,676		-395,676		-395,676
Total consolidated net income	0	0	-7,793,045	-395,676	0	-8,188,721	0	-8,188,721
Remaining shares from reverse acquisition of TeraPort GmbH			-1,325			-1,325	-18,675	-20,000
Discontinued business activities						0	-5,518,054	-5,518,054
Stock options		85,000				85,000		85,000
Other changes in stockholders' equity		1	9,128	-1		9,128	0	9,128
Balance at December 31, 2006	**24,098,988**	**98,956**	**-8,011,523**	**-27,841**	**0**	**16,158,580**	**0**	**16,158,580**

See also the notes to the consolidated financial statements

Development of consolidated assets

2005	Cost Balance							Depreciation Balance							Net carrying amount	
	1.1.2005	Exchange rate differences	Changes in consolidated group	Additions	Disposals	Reclassifications	31.12.2005	1.1.2005	Exchange rate differences	Changes in consolidated group	Additions	Write-downs	Disposals	31.12.2005	31.12.2005	1.1.2005
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
I. Intangible assets																
1. Patents, trade marks, software, customer relationships	12,934	118	1,885	1,892	1,897	200	15,132	7,392	63	1,202	3,561	536	1,825	10,929	4,203	5,542
2. Advanced payments on intangible assets	217	0	0	245	0	-200	262	0	0	0	0	0	0	0	262	217
3. Goodwil	0	0	43,248	29	0	0	43,277	0	0	33,547	0	0	0	33,547	9,730	0
Total I	13,151	118	45,133	2,166	1,897	0	58,671	7,392	63	34,749	3,561	536	1,825	44,476	14,195	5,759
II. Property, plant and equipment																
1. Land and buildings	0	108	1,251	0	0	0	1,359	0	21	230	37	0	0	288	1,071	0
2. Technical equipment and machinery	0	641	8,431	897	747	252	9,474	0	431	5,953	828	0	255	6,957	2,517	0
3. Other equipment, operating and office equipment	7,499	138	3,814	3,225	2,680	0	11,996	5,018	68	3,027	1,807	0	2,658	7,262	4,734	2,481
4. Advanced payments and assets under development	0	15	257	33	18	-252	35	0	0	0	0	0	0	0	35	0
Total II	7,499	902	13,753	4,155	3,445	0	22,864	5,018	520	9,210	2,672	0	2,913	14,507	8,357	2,481
III. Financial assets																
Investments in subsidiaries	0	0	66	0	0	0	66	0	0	66	0	0	0	66	0	0
	20,650	1,020	58,952	6,321	5,342	0	81,601	12,410	583	44,025	6,233	536	4,738	59,049	22,552	8,240

2006	Cost Balance							Depreciation Balance							Net carrying amount	
	1.1.2006	Exchange rate differences	Changes in consolidated group	Additions	Disposals	Reclassifications	31.12.2006	1.1.2006	Exchange rate differences	Changes in consolidated group	Additions	Write-downs	Disposals	31.12.2006	31.12.2006	31.12.2005
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
I. Intangible assets																
1. Patents, trade marks, software, customer relationships	15,132	-101	-1,050	1,088	1,588	262	13,743	10,929	-51	-805	3,241	0	1,589	11,725	2,018	4,203
2. Advanced payments on intangible assets	262	0	0	0	0	-262	0	0	0	0	0	0	0	0	0	262
3. Goodwil	43,277	0	-40,183	0	0	0	3,094	33,547	0	-33,547	0	3,094	0	3,094	0	9,730
Total I	58,671	-101	-41,233	1,088	1,588	0	16,837	44,476	-51	-34,352	3,241	3,094	1,589	14,819	2,018	14,195
II. Property, plant and equipment																
1. Land and buildings	1,359	-77	-1,282	0	0	0	0	288	-16	-299	27	0	0	0	0	1,071
2. Technical equipment and machinery	9,474	-502	-7,510	359	1,172	0	649	6,957	-247	-5,651	761	0	1,171	649	0	2,517
3. Other equipment, operating and office equipment	11,997	-110	-1,949	1,601	2,287	29	9,281	7,262	-37	-1,091	1,956	0	2,305	5,785	3,496	4,735
4. Advanced payments and assets under development	34	0	-11	12	0	-29	6	0	0	0	0	0	0	0	6	34
Total II	22,864	-689	-10,752	1,972	3,459	0	9,936	14,507	-300	-7,041	2,744	0	3,476	6,434	3,502	8,357
III. Financial assets																
Investments in subsidiaries	66	0	0	0	16	0	50	66	0	0	0	0	16	50	0	0
	81,601	-790	-51,985	3,060	5,063	0	26,823	59,049	-351	-41,393	5,985	3,094	5,081	21,303	5,520	22,552

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for financial year 2006

PRESENTATION OF GROUP STRUCTURE

Parent company

The parent company is caatoosee ag, Riedwiesenstrasse 1, Leonberg, Germany, which in accordance with centralisation of the commercial register in Baden-Württemberg is entered in the Stuttgart commercial register under HRB 253 121.

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

The Company's activities are focused on sustainable development of the subsidiary TeraPort GmbH with a focus on IT outsourcing and IT management services as well as enhancing the operational software activities of caatoosee ag.

The services of companies of the caatoosee Group primarily cover the areas of consulting, support and operating IT systems. These services are predominantly provided to industrial companies, but also to 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.

Publication

The previous year's consolidated financial statements were published on the Deutsche Börse AG website on April 7, 2006.

The Management Board of caatoosee ag approved this year's consolidated financial statements for submission to the Supervisory Board on March 30, 2007. The Supervisory Board has the responsibility of examining the consolidated financial statements and declaring whether it approves the consolidated financial statements.

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 International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) and related interpretations, as adopted by the EU, as well as the supplementary provisions pursuant to section 315 a of the German Commercial Code applicable at the reporting date were applied. 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 Company applied IFRS 5 for the disposal of an equity interest and the closure of the business unit of another company.

The standards and interpretations that have already been published but that were not regarded as compulsory in financial year 2006 will be applied by the Company at a later date. The standards and interpretations that the Company is required to apply from financial year 2007 are not currently expected to have a material effect.

The standards and interpretations that have already been published but that were not required to be applied in financial year 2006 and that the Company will first apply from financial year 2007 are as follows:

IFRS 7 was published in August 2005 and is required to be applied for the first time for financial years beginning on or after January 1, 2007. As the Company waives an earlier application of IFRS 7, IAS 32 continues to be applied.

IFRIC interpretation 8 was published in January 2006 and is required to be applied for the first time for financial years beginning on or after May 1, 2006. This interpretation regulates the application of IFRS 2 on all agreements for which the fair value of a return service is lower than the fair value of the equity financial instrument granted by the company. As equity financial instruments in the Group are only issued to employees as part of the stock option plan, the application of this interpretation would have no effect on the Company's net assets or financial position.

IFRIC interpretation 9 was published in March 2006 and is required to be applied for the first time for financial years beginning on or after June 1, 2006. This interpretation stipulates that the evaluation of whether an embedded derivative is to be separated from the underlying agreement and recognised as a derivative, is to be made at the time when a company becomes party to an agreement for the first time and a later revaluation may only be made when a change to the terms and conditions of the agreement leads to a considerable change in the cash flow. As the Group reported no corresponding hedge transactions at balance sheet date, this interpretation is not applied.

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 are generally prepared by applying the historical cost principle. Derivative financial instruments and available-for-sale financial investments that have been carried at fair value are excluded from this. The carrying amounts of assets and liabilities included in the balance sheet that represent underlying transactions as part of hedging of fair value are adjusted on the basis of changes to the fair value that can be attributed to hedged risks.

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.

The following information is of particular importance for the consolidated financial statements:

The shares in PT Sigma Cipta Caraka, Jakarta, Indonesia, (Sigma) were disposed of during the year under review. In accordance with IFRS 5, the earnings and losses from the disposal of Sigma are reported in the consolidated income statement as earnings from discontinued business units.

The goodwill of OuterBounds Technologies, Inc. (OuterBounds) which is amortised to nil, as the company is shortly to be sold, is also reported as earnings from discontinued business units.

The consolidated financial statements of the previous year include the incorporation of TeraPort GmbH, Leonberg, into the caatoosee Group in the course of a capital increase against contributions in kind. This took place under IFRS as a reverse acquisition on May 4, 2005. TeraPort GmbH is therefore included in the consolidated financial statements of the previous year 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 2005 consolidated financial statements for eight months.

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 for caatoosee ag and the subsidiaries included in the consolidated financial statements is the calendar year.

Consolidated group/principles of consolidation

The consolidated financial statements include the financial statements of caatoosee ag and its subsidiaries, which are included in consolidation as of the respective acquisition date.

Teraport (S) Pte. Ltd., Singapore, Singapore, a company founded by TeraPort GmbH for entry into the Asian market, was included in the consolidated financial statements for the first time in financial year 2006.

The subgroup PT Sigma Cipta Caraka, Jakarta, Indonesia is no longer included the consolidated financial statements as of financial year 2006. In the year under review, caatoosee ag disposed of its share of 51% of the share of capital in the Indonesian subsidiary PT Sigma Cipta Caraka.

Following the acquisition of the remaining minority interests in the capital of TeraPort GmbH of 0.13% and the deconsolidation of PT Sigma Cipta Caraka, as at the balance sheet date there are no longer any minority interests in companies included in the caatoosee Group.

Intercompany transactions are eliminated.

Disclosures concerning subsidiaries are presented separately in a list of the participations accompanying these notes to the consolidated financial statements as Annex 2.

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 (IAS 36 – impairment only approach).

With the acceptance of the offer to conclude an agreement on the sale and transfer of shares to caatoosee ag by the original shareholders on January 3, 2006, the remaining 0.13% of the share of capital in TeraPort GmbH, Leonberg, was acquired from an outside shareholder at a purchase price of EUR thousand 20. caatoosee ag now holds 100% of the shares of capital in TeraPort GmbH.

In the year under review, caatoosee ag disposed of its share of 51% of the shares of capital in the Indonesian subsidiary PT Sigma Cipta Caraka. In light of the ruling made by the arbitration court appointed by the Singapore International Arbitration Centre, caatoosee ag was obliged to transfer its shares held in PT Sigma Cipta Caraka to the co-shareholders at a price of EUR thousand 5,098. The co-shareholders had terminated the joint venture under reference to the change of co-shareholders, after which caatoosee ag became the majority shareholder as part of the restructuring of M+W Zander Facility Engineering GmbH. The deconsolidation of shares in PT Sigma Cipta Caraka resulted in a loss of EUR thousand 4,088 that is reported as earnings from discontinued business units.

Currency translation

The financial statements of the German Group companies 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 non-EMU currencies developed as follows:

	Currency	Middle rate on		Average exchange rate for the year	
		Dec. 31, 2006	Dec. 31, 2005	Jan. 1. to Dec. 31, 2006	Jan. 1. to Dec. 31, 2005
		1 EUR =	1 EUR =	1 EUR =	1 EUR =
USA	USD	1.32030	1.18440	1.25622	1.21475
Singapore	SGD	2.02600	-	2.01178	-

The initial consolidation of Teraport (S) Pte. Ltd. took place on September 20, 2006 with the current middle rate of SGD 2.01560. The stated average exchange rate for the year for the SGD therefore relates to the period from September 20 to December 31, 2006.

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 would be included 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 economic 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

Property, plant and equipment and intangible assets with a determinable useful life are tested 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

Determining whether an agreement contains a lease is performed on the basis of the economic content of the agreement at the conclusion date of the agreement and requires an evaluation of whether implementing the contractual agreement is dependent on the use of a particular asset or particular assets and whether the agreement allows a right to use of the asset. A reassessment of whether an agreement includes a lease after the start of the lease is only to be made if one of the following conditions is fulfilled:

a. A change has been made to the terms and conditions of the agreement, providing that the change does not relate to a renewal or extension of the agreement.
b. An option for renewal is exercised or an extension granted, unless the terms of the renewal or extension have already been taken into account in the original term of the lease.
c. A change has been made to the determination of whether the fulfilment depends on a specific asset, or
d. A significant change has been made to the asset.

If a revaluation is made, reporting of the lease in the balance sheet either has to start or end:

- In the case of letters a), c) or d), from the date when the change of circumstances occurred that caused the revaluation to be made.
- In the case of letter b), from the start of the period of renewal or extension.

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 risks.

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 using the effective interest method, while existing financial instruments classified as available-for-sale 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.

Primary financial instruments

Financial assets are measured at fair value on initial recognition.

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 using the effective interest method. Financing costs, including premiums due on repayment, are recognised in accordance with the effective interest method.

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).

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, 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 such as in the previous year of 2.25% plus 0.05% for qualifying persons up to 50 years old, expected pension growth of 1.75% (previous year: 1.75%), an average fluctuation rate of 4.50% (previous year: 4.50%) and a discount rate of 4.50% (previous year: 4.25%). Mortality rates in the year under review were based on the current mortality tables published by Prof. Dr. 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.

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.

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.

Other taxes are allocated to other operating expenses.

Dividend income is recognised when it legally arises.

In accordance with IFRS 5 "Noncurrent assets held for sale and business units to be discontinued”, earnings from discontinued business units as well as gains and losses from their disposal are recognised in the income statement for all periods represented after tax as separate lines after earnings from business units to be continued. A Group business unit is deemed to be discontinued when a significant line of business or a geographical area has been abandoned and classified as “held for sale”.

SEGMENT REPORTING

Segments were defined on the basis of the enterprise's internal organisational and management structure and its system of internal financial reporting to the Management Board and the Supervisory Board (management approach) and is directed towards opportunities and risks. 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, 2006 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

TeraPort GmbH acts as an IT partner of the M+W Zander Group, focussing on consulting, support and operating IT systems in engineering environments and the development of comprehensive solutions for digital product development and simulation.

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.

caatoosee ag intends to dispose of this company and therefore the segment in the short-term.

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

PT Sigma Cipta Caraka in Indonesia was sold during the year under review.

The segment information for financial years 2006 and 2005 is as follows:

EUR thousand	caatoosee ag		TeraPort GmbH		PT Sigma		OuterBounds, Inc.		Reconciliation to Group figures		Group	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Revenue	246	339	19,431	21,987	0	11,697	1,168	1,193	-1,273	-12,890	19,572	22,326
of which Germany	242	130	17,904	20,906	0	0	0	0	-105	0	18,041	21,036
EU	0	0	249	409	0	0	0	0	0	0	249	409
rest of Europe	4	0	22	2	0	0	0	0	0	0	26	2
NAFTA	0	0	412	208	0	0	1,168	1,193	-1,168	-1,193	412	208
South-East Asia/Pacific/Asia	0	0	440	432	0	11,697	0	0	0	-11,697	440	432
other	0	209	404	30	0	0	0	0	0	0	404	239
EBIT	-2,320	-345	3,398	3,029	0	659	-176	181	+180	-880	1,077	2,644
Earnings from discontinued business activities	-10,032	0	0	0	0	525	-197	214	+1,263	-261	-8,966	478
Consolidated net income	-6,871	-447	-35	1,901	0	525	-197	213	-689	-41	-7,793	1,890
Segment assets	27,491	68,934	16,358	19,530	0	14,632	725	1,320	-22,734	-58,458	21,840	45,958
Segment liabilities	2,929	5,134	3,862	5,164	0	6,775	69	377	-1,179	-1,283	5,681	16,167
Investments in intangible assets	0	0	1,071	2,137	16	0	1	0	0	0	1,088	2,137
property, plant and equipment	1	0	1,437	3,030	509	1,132	26	46	-1	-53	1,972	4,155
Depreciation and amortisation	1	0	4,698	5,546	0	1,103	174	132	1,112	-10	5,985	6,771
Average number of employees for the year	8	9	87	81	0	212	10	6	0	0	105	308

INCOME STATEMENT DISCLOSURES

Revenue for financial year 2006 only includes revenue from caatoosee ag and TeraPort GmbH. Revenue from the PT Sigma Cipta Caraka Group (also referred to in the following as the PT Sigma Group for short) is not included due to the deconsolidation which took place on June 30, 2006. Revenue from OuterBounds Technologies Inc. is included in the earnings from discontinued business units. This also applies to all other income statement items.

In addition to the individual components of the results of OuterBounds Technologies Inc., earnings from the disposed PT Sigma Group and losses from its disposal are recognised separately under earnings from discontinued business units.

In accordance with the regulations of IFRS 5, the results of the segments from previous years contained in the earnings from discontinued business units are to be recognised accordingly. In this respect, the respective shares in the PT Sigma Group and OuterBounds Technologies Inc. were deducted from the income statement items of the previous year and recognised accordingly as earnings from discontinued business units.

Teraport (S) Pte. Ltd., which was founded during the year under review, is still under development and has not yet generated any revenue. Only administrative expenses and interest income have been accrued to an insignificant extent.

In the previous year, revenue included the revenue from TeraPort GmbH for the months January to December 2005 and the revenue from caatoosee ag for the months May to December 2005 due to the reverse acquisition.

In this respect, a comparison with the previous year is limited. This also applies to all other income statement items.

1. Revenue

Revenue decreased in comparison to 2005 by EUR thousand 2,754 or 12.3% from EUR thousand 22,326 to EUR thousand 19,572.

Revenue from PT Sigma Cipta Caraka of EUR thousand 11,697 in the previous year as well as revenue from OuterBounds Inc. of EUR thousand 1,168 (previous year: EUR thousand 1,193) are included as earnings from discontinued business units.

2. Cost of sales

Cost of sales decreased in comparison to 2005 by EUR thousand 2,248 or 13.1% from EUR thousand 17,184 to EUR thousand 14,936.

The cost of sales for PT Sigma Cipta Caraka of EUR thousand 8,453 in the previous year as well as the cost of sales for OuterBounds Inc. of EUR thousand 689 (previous year: EUR thousand 692) are also included as earnings from discontinued business units.

The reduction in cost of sales is disproportionate to the drop in revenue. An improved gross yield margin compared to the previous year was achieved in the year under review as a result of the measures that were instituted and implemented.

This item contains the costs incurred in generating the revenue disclosed, as well as expenses relating to the recognition of provisions for revenue items.
If reserves are released in a later reporting period, the release is also included in the cost of sales, provided that the original creation of reserves was carried out via this item.

3. Selling expenses

Selling expenses primarily relate to costs for marketing, sales commission, public relations and advertising.

Selling expenses increased in comparison to 2005 by EUR thousand 118 or 44.4 % from EUR thousand 266 to EUR thousand 384.

Significant reasons for this rise are the measures implemented at caatoosee ag for attracting new prospective customers for the Group companies.

Selling expenses for the PT Sigma Group of EUR thousand 1,220 in the previous year as well as selling expenses for OuterBounds Inc. of EUR thousand 198 (previous year: EUR thousand 0) are included as earnings from discontinued business units.

4. 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.

General and administrative costs increased in comparison to 2005 by EUR thousand 962 or 43.8 % from EUR thousand 2,195 to EUR thousand 3,157.

One-off effects at caatoosee ag due to significantly higher capital market costs and associated consulting costs are behind the considerable rise.

General and administrative expenses for the PT Sigma Group of EUR thousand 1,139 in 2005 as well as general and administrative expenses for OuterBounds Inc. of EUR thousand 453 in financial year 2006 (previous year: EUR thousand 320) are included as earnings from discontinued business units.

Of this figure, EUR thousand 226 (previous year: EUR thousand 578) was attributable to income from the reversal of provisions.

5. 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 108 as against the previous year from EUR thousand 131 to EUR thousand 239.

Consequently, the costs for further development of products and services was almost double in 2006 in comparison to the previous year.

6. Other operating income

EUR thousand	2006	2005
Income from the sale of materials	8	14
Income from the disposal of property, plant and equipment	81	82
Income from the disposal of intangible assets	0	165
Rental income	76	0
Income from compensation claims	7	2
Other income	176	162
	348	425

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

EUR thousand	2006	2005
Foreign exchange losses	16	9
Write-downs/bad debt allowances	10	0
Losses on the disposal of intangible assets	0	11
Losses on the disposal of noncurrent assets	21	6
Other taxes	3	3
Other expenses	77	302
	127	331

8. Net interest income

Net interest income is composed as follows:

EUR thousand	2006	2005
Other interest and similar income	41	51
Other interest from subsidiaries	197	98
Interest and similar expenses	-103	-89
Interest element of financial lease installments	-5	-15
Interest element of addition to pension provisions	-11	-7
	119	38

9. Net other financial income

In the year under review and in the previous year, no net other financial income was generated in excess of the net interest income following the disposal of PT Sigma Cipta Caraka and the associated closure of this business unit.

10. 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.

Deferred 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. As in the previous year, for companies in Germany deferred taxes as of December 31, 2006 were calculated on the basis of a corporate income tax rate of 25% plus the solidarity surcharge of 5.5% on the corporate income tax paid, and an effective trade tax rate of 12.5%.

As in the previous year, 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%.

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 as 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:

EUR thousand	**2006**	**2005**
Income taxes		
caatoosee ag	0	0
TeraPort	20	1,275
OuterBounds	0	0
PT Sigma Cipta Caraka	0	0
	20	1,275
Deferred taxes		
from temporary differences	161	-5
from loss carryforwards	-157	0
	4	-5
	24	1,270

No prior-period taxes are contained in the income taxes (previous year: EUR thousand 9). As in the previous year, no prior-period components are contained in the deferred taxes.

The considerable decline in income taxes is predominantly due to the control and profit and loss transfer agreement concluded during the year under review between caatoosee ag and TeraPort GmbH.

caatoosee ag as the parent company and TeraPort GmbH as the subsidiary company concluded a control and profit and loss transfer agreement on July 24, 2006, which the Annual General Meeting of caatoosee ag approved on August 31, 2006. The subsidiary company was entered in the commercial register on October 19, 2006, meaning that the control and profit and loss transfer agreement came into effect for the first time in 2006.

As a result of the profit and loss transfer from TeraPort GmbH due to the negative consolidated net income of caatoosee ag and the existing loss carryforward, caatoosee did not accrue any income taxes.

At the balance sheet date, the caatoosee Group had unutilised tax loss carryforwards of EUR thousand 60,159 (previous year: 62,689) to be offset against future profits. The change in loss carryforwards resulted in particular from the assessments carried out for 2005. Within the scope of the Group's planning, these carryforwards are expected to be utilised in the amount of EUR thousand 0 (previous year: EUR thousand 449). Deferred tax assets were recognised for utilisable losses in the amount of EUR thousand 0 (previous year: EUR thousand 157). No deferred tax assets were recognised for the remaining loss carryforwards in the amount of EUR thousand 60,159 (previous year: EUR thousand 61,608). The tax losses may be carried forward for an indefinite period.

As in the previous year, changes in tax rates did not result in any deferred tax income or expenses.

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:

	Deferred tax assets		Deferred tax liabilities	
EUR thousand	**Dec. 31, 2006**	**Dec. 31, 2005**	**Dec. 31, 2006**	**Dec. 31, 2005**
Intangible assets	0	61	25	40
Property, plant and equipment	0	0	11	411
Financial assets	0	4	0	0
Receivables and other assets	34	183	0	0
Provisions	43	44	0	0
Liabilities	12	45	14	0
Gross amount	89	337	50	451
Offsetting items	-35	-309	-35	-309
Tax loss carryforwards	0	347	0	0
Write-downs	0	-190	0	0
Carrying amount	54	185	15	142

The following table shows the tax reconciliation between the expected income tax expense (income) in the respective financial year and the actual income tax expense (income) recognised. As in the previous year, the expected tax expense (income) is calculated by multiplying the effective consolidated tax rate of 38.9% by the net income before taxes.

EUR thousand	**2006**	**2005**
Net income before income taxes from business units to be continued	1,197	2,682
Loss before taxes from discontinued business units	-8,966	957
Net income before income taxes	-7,769	3,639
Expected tax expense	-3,023	1,416
Changes in expected tax expense		
Non-deductible expenses and tax-exempt income	87	42
Tax-exempt net income from investments	2,958	0
Changes in write-downs of deferred taxes	0	72
Effect of differences in tax rates	0	-41
Prior-period taxes	-42	9
Other tax effects/loss set off	42	-10
Income tax expense at the effective income tax rate	22	1,488
Income tax expense reported in the consolidated income statement	24	1,270
Income tax attributable to discontinued business units	2	-218

11. Earnings from discontinued business units

Earnings from discontinued business units include the following components:

EUR thousand	**2006**	**2005**
Costs of disposal of the PT Sigma Group	-1,360	0
Deconsolidation of the PT Sigma Group	-4,088	0
Pro rata net income for the year for the PT Sigma Group	188	525
Write-down on goodwill for OuterBounds Technologies Inc.	-3,094	0
Net income for the year for OuterBounds Technologies Inc.	-174	214
Write-down on noncurrent assets of OuterBounds Technologies Inc.	-438	0
	-8,966	739

Due to the sustained weak earnings situation of OuterBounds Technologies Inc. and the expected problematic economic development of the company over the next few financial years, goodwill resulting from the initial consolidation of EUR thousand 3,094 was amortised in full. Due to the comparatively low backlog of orders, the disposal of the business unit is not likely to be at a significant selling price.

Net income for the year from OuterBounds Technologies Inc. (previous year also the income from the PT Sigma Group) is accounted for in the consolidated net income as earnings from discontinued business units in accordance with IFRS 5. Earnings for financial year 2006 and the previous year break down as follows:

EUR thousand	**2006**	**2005**
Revenue	1,168	12,890
Cost of sales	-689	-9,145
Selling expenses	-198	-1,220
Administrative expenses	-453	-1,459
Research and development costs	0	-101
Other operating income	0	24
Other operating expenses	-4	-149
Net interest income	0	28
Net other financial income	0	89
Income taxes	2	-218
Minority interests	0	-262
	-174	477

As according to the first indications, there is a high probability that only a very low purchase price will be realised, it is assumed that the carrying amounts of assets attributable to OuterBounds Technologies Inc. at the time of sale will not be covered by the purchase price. In accordance with IFRS 5, assets were written down by a total of EUR thousand 438. The write-down relates in particular to the following assets:

Property, plant and equipment	184
Intangible assets	96
Trade receivables	104
Other assets	45
Prepaid expenses	9
	438

The carrying amount of the disposed assets and liabilities of PT Sigma results from the following:

EUR thousand	
Cash and cash equivalents	3,603
+ Trade receivables	2,213
+ Property, plant and equipment	3,711
+ Other assets	459
+ Inventories	610
- Trade payables	-1,398
- Noncurrent liabilitites	-863
- Other liabilities	-3,500
+ Goodwill	6,636
+ Intangible assets	245
- Currency adjustment items	-396
= Carrying amount of net assets	11,320
- Minority interests	-3,518
- Loss from the disposal transaction	-4,088
+ Taxes	24
+ Costs incurred in conjunction with the transaction	1,360
= Overall selling price	5,098
- Cash and cash equivalents of the disposed company	-3,603
= Net cash inflow from the company disposal less the disposed cash and cash equivalents	1,495

12. Minority interests

Following the disposal of the shares of capital in PT Sigma Cipta Caraka and the acquisition of the remaining minority interests of 0.13% of the capital in TeraPort GmbH, no (previous year: EUR thousand 262) minority interests exist in the Group.

13. 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 -0.32 (previous year: EUR +0.09). 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 -0.32 in the year under review (previous year: EUR +0.09).

	Dec. 31, 2006	**Dec. 31, 2005**
Earnings attributable to sharesholders in EUR thousand	-7,793	1,890
Weighted average number of shares issued in thousand	24,099	20,212
Earnings per share in EUR	-0.32	0.09
Dilution effect in thousand	345	374
Weighted average number of shares issued diluted in thousand	24,444	20,586
Earnings per share - diluted in EUR	-0.32	0.09

Earnings from current business units adjusted for earnings from discontinued business units amounted to EUR thousand 1,173 (previous year: EUR thousand 1,412). Of this amount, earnings per share would have been EUR +0.05 (previous year: EUR +0.07). The same earnings per share arise taking the dilution effect into consideration.

	2006	**2005**
Earnings attributable to shareholders in EUR thousand	-7,793	1,890
Earnings from discontinued business activities in EUR thousand	-8,966	478
Earnings from operating activities in EUR thousand	1,173	1,412
Weighted average number of shares issued in thousand	24,099	20,212
Earnings per share in EUR	0.05	0.07
Dilution effect in thousand	345	375
Weighted average number of shares issued diluted in thousand	24,444	20,587
Earnings per share - diluted in EUR	0.05	0.07

Earnings per share from discontinued business units amounted to EUR -0.37 (previous year: EUR +0.02). The same earnings per share arise taking the dilution effect into consideration.

BALANCE SHEET DISCLOSURES

Assets

14. Property, plant and equipment

With regard to the development of the carrying amounts of property, plant and equipment, we refer to the statement of changes in noncurrent assets accompanying these notes to the consolidated financial statements as Annex 1.

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

15. Intangible assets

With regard to the development of the carrying amounts of intangible assets, we refer to the statement of changes in noncurrent assets accompanying these notes to the consolidated financial statements as Annex 1.

Through the disposal of PT Sigma Cipta Caraka due to the aforementioned court ruling, goodwill attributable to this company in the year under review of EUR thousand 6,636 was deducted as part of the company’s deconsolidation.

Due to the sustained weak earnings situation of OuterBounds Technologies Inc. and the emerging problematic economic development of the company over the next few financial years, goodwill resulting from the initial consolidation of EUR thousand 3,094 was amortised in full. Due to the comparatively low backlog of orders, the disposal of the OuterBounds Technologies is not likely to be at a significant selling price. As this concerns the disposal of a business unit in North America that is important for the caatoosee Group, the amortisation of goodwill is recognised as earnings from discontinued business units.

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

There are no intangible assets with restrictions on title. The Group has no obligations to purchase intangible assets.

Intangible assets were tested for impairment. This did not result in any further requirement for correction other than the impairment for the goodwill of OuterBounds Technologies Inc. already mentioned. In the previous year a write-down on software of EUR thousand 537 was recognised that was reported in the income statement under cost of sales.

16. Leases

Finance leases

Group as lessee

Assets that are utilised in the course of finance leases are contained in the property, plant and equipment shown in the balance sheet with EUR thousand 27 (previous year: EUR thousand 109). At the balance sheet date, cost amounted to EUR thousand 246 (previous year: EUR thousand 421). Write-downs on the gross amount totalled EUR thousand 81 (previous year: EUR thousand 327).

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	2007	2008 - 2011	Total
Lease payments	30	-	30
Interest elements	0	-	0
Present value	30	-	30

The lease agreements relate primarily to IT equipment. The expense attributable to finance leases in the year under review was EUR thousand 86 (previous year: EUR thousand 342), of which interest expense accounted for EUR thousand 5 (previous year: EUR thousand 15).

Operating leases

Group as lessee

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

EUR thousand	2007	2008 - 2011	from 2012	Total
Minimum payments under operating leases	901	1,432	-	2,333

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

The corresponding expenses in the year under review amounted to EUR thousand 906 (previous year: EUR thousand 2,036).

17. Other noncurrent assets

Other noncurrent assets were recognised in the previous year (EUR thousand 459) exclusively for PT Sigma Cipta Caraka. At the balance sheet date, no other noncurrent assets exist for other Group companies.

18. Cash and cash equivalents

The Group has bank balances at various banks and in various currencies totalling EUR thousand 7,053 (previous year: EUR thousand 11,947).

EUR thousand	Dec. 31, 2006	Dec. 31, 2005
Deutsche Bank	565	1,107
Dresdner Bank	6,338	7,317
Raiffeisenbank	0	208
Other banks	144	3,291
Cash in hand	6	24
Total available cash and cash equivalents	7,053	11,947
Of which: cash and cash equivalents with restrictions on title	-	400

19. Financial assets/securities

With regard to the development of the carrying amounts of financial assets, we refer to the statement of changes in noncurrent assets accompanying these notes to the consolidated financial statements as Annex 1.

All of the Group's securities, which totalled EUR thousand 4,195 (previous year: EUR thousand 1,838), are classified as held for trading in accordance with IAS 39 "Financial Instruments: Recognition and Measurement". Gains due to changes in market prices were recognised in income in the amount of EUR thousand 38 (previous year: losses of EUR thousand -90) and reported under other operating income.

The rate of return on securities correlates to the current market rates of interest.

20. Inventories

Inventories (IT services in progress) were recognised in the previous year (EUR thousand 610) exclusively for PT Sigma Cipta Caraka. At the balance sheet date, no inventories exist for other Group companies.

21. Current receivables and other assets

EUR thousand	Dec. 31, 2006	Dec. 31, 2005
Trade receivables	2,243	3,799
Receivables from subsidiaries	1,789	2,047
Other assets	641	2,070
	4,673	7,916

The fair values of trade receivables are the same as their carrying amounts. Write-downs were recognised in the amount of EUR thousand 3 (previous year: EUR thousand 167).

Valuation allowances are recognised for default risk.

Other current assets are largely non-interest-bearing.

Other assets consist of:

EUR thousand	Dec. 31, 2006	Dec. 31, 2005
Receivables from tax authorities	58	1,259
Receivables from employees	23	34
Creditors with debit balances	5	1
Miscellaneous other current assets	555	776
	641	2,070

22. Prepaid expenses

Prepaid expenses in the amount of EUR thousand 298 (previous year: EUR thousand 451) contain prepayments for various service agreements, insurance policies and rental agreements.

23. Assets/liabilities of a business unit for sale

This concerns the assets of OuterBounds Technologies Inc. The shares in this company are intended to be sold shortly.

EUR thousand	Dec. 31, 2006	Dec. 31, 2005
Trade receivables	0	0
Prepaid expenses	0	0
Other assets	0	0
Cash and cash equivalents	47	0
	47	0

The assets attributable to the business unit to be sold were written down in full with the exception of cash and cash equivalents, as a significant selling price is not expected from the disposal. We refer to our information under note 11.

The liabilities of a business unit to be sold concern the liabilities of OuterBounds Technologies Inc. The shares in this company are intended to be sold shortly. These liabilities are composed as follows:

EUR thousand	Dec. 31, 2006	Dec. 31, 2005
Trade payables	39	0
Deferred income	15	0
Other current liabilities	15	0
	69	0

The cash flow balance of OuterBounds Technologies Inc. from operating activities is composed as follows:

EUR thousand	Dec. 31, 2006	Dec. 31, 2005
	-107	86

Liabilities

24. Stockholders' equity

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

As in the previous year, the **issued capital** (share capital) of caatoosee ag is divided into 24,098,988 no-par value ordinary bearer shares, each with a current pro rata interest in the share capital of EUR 1.00.

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 which decides 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 99 (previous year: 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 -8,011 (previous year: EUR thousand -226). The change in comparison to the previous year is almost exclusively a result of the negative consolidated net income from financial year 2006.

A **foreign currency translation reserve** in the amount of EUR thousand -28 (previous year: EUR thousand 368) was recognised in equity for the amount arising from the translation of assets and liabilities denominated in foreign currencies. The change as against the previous year resulted from the disposal of shares in PT Sigma Cipta Caraka. The value shown in the balance sheet as at December 31, 2006 was almost exclusively attributable to OuterBounds Technologies Inc.

25. Minority interests

At the balance date, minority interests are not recognised (previous year: EUR thousand 5,537), as the remaining shares in TeraPort GmbH have been acquired by the company and the interest in PT Sigma Cipta Caraka was disposed of in the financial year just ended.

26. 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 23 (previous year: EUR thousand 20).

Current contributions are recognised in pension expense in the year in which they are paid. In 2006, the figure for the Group as a whole was EUR thousand 48 (previous year: EUR thousand 44). 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, 2006	Dec. 31, 2005
Present value of unfunded obligation	226	215
Unrecognised actuarial gains/losses	-31	-43
Net liability recognised in the balance sheet	195	172

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

EUR thousand	Dec. 31, 2006	Dec. 31, 2005
Net liability recognised in the balance sheet on January 1	172	153
Expense recognised in the income statement	23	19
Net liability recognised in the balance sheet on December 31	195	172

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

EUR thousand	Dec. 31, 2006	Dec. 31, 2005
Current service cost	12	11
Interest cost	9	8
Actuarial earnings reported	2	0
	23	19

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, 2006	Dec. 31, 2005
Discount rate as of December 31	4.50%	4.25%
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.

Contributions for the current and four previous reporting periods are as follows:

EUR thousand	2006	2005	2004	2003	2002
Defined benefit obligation	-226	-215	-164	-139	-121
Plan assets	0	0	0	0	0
Deficit	-226	-215	-164	-139	-121
Experience adjustments to plan liabilities	-10	-19	-15	0	0
Experience adjustments to plan assets	0	0	0	0	0

27. Other noncurrent liabilities

As of December 31, 2006, the Group has no other noncurrent liabilities. The statement as at December 31, 2005 was the result of liabilities of the PT Sigma Group which were disposed of in the year under review.

28. Tax provisions

Summary and development of tax provisions:

EUR thousand	Income taxes
Balance at December 31, 2005	355
Exchange rate differences	-9
Changes in consolidated group	-234
Utilisation	77
Reversal	12
Addition	168
Balance at December 31, 2006	191

Income tax provisions recognised in the balance sheet as at December 31, 2006 are exclusively concerned with current liabilities, as the cash outflows are anticipated within one year.

29. Other provisions

Summary and development of other provisions:

EUR thousand	Staff provisions	Contingent losses	Legal and litigation costs	Guarantee provisions	Other taxes	Other	Total
Balance at December 31, 20(	1,139	50	437	157	345	693	2,821
Exchange rate differences	4	0	-8	0	-12	-3	-19
Changes in consolidated group	-685	0	-92	0	0	-74	-851
Interest element	0	0	0	0	0	0	0
Utilisation	709	19	359	36	75	613	1,811
Reversal	174	0	68	0	0	51	293
Addition	854	0	99	274	0	219	1,446
Balance at December 31, 20(	429	31	9	395	258	171	1,293

Staff provisions include provisions 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.

Other provisions recognised in the balance sheet as at December 31, 2006 are exclusively concerned with current liabilities, as the cash outflows are anticipated within one year. In the previous year, EUR thousand 15 had a term of one to five years and EUR thousand 460 had a term of more than five years.

30. Financial liabilities

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

EUR thousand	Up to 1 year	1 - 5 years	More than 5 years	Book value at December
Liabilities to banks	85	1.314	0	1.399
(previous year)	(763)	(1.653)	(0)	(2.416)
Liabilities from bills	9	0	0	9
(previous year)	(24)	(0)	(0)	(24)
Finance lease liabilities	30	0	0	30
(previous year)	(85)	(30)	(0)	(115)
December 31, 2006	124	1.314	0	1.438
(previous year)	(872)	(1.683)	(0)	(2.555)

The carrying amounts of the liabilities to banks correspond to their fair values. The interest rates range from 6,00 % to 6.50%. Interest rate adjustment deadlines for liabilities to banks primarily correspond to the maturity date of October 1, 2009.

As at December 31, 2006, the Group has no liabilities to subsidiaries (previous year: EUR thousand 539).

31. Other current liabilities

Other current liabilities are composed as follows:

EUR thousand	Dec. 31, 2006	Dec. 31, 2005
Trade payables	1,792	5,139
Liabilities to subsidiaries	0	539
Other current liabilities	549	1,035
Advanced payments received	0	441
	2,341	7,154

Other current liabilities include:

EUR thousand	Dec. 31, 2006	Dec. 31, 2005
Other tax liabilities	166	234
Staff liabilities	154	465
Miscellaneous other current liabilities	229	336
	549	1,035

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

32. Deferred income

Deferred income of EUR thousand 139 (previous year: EUR thousand 2,859) includes payments already received for software and hardware service agreements, software licences and the implementation of new programme versions.

33. Purpose and methods of financial risk management

Significant financial instruments used by the Group include bank loans and overdrafts, finance leases and trade payables. The primary purpose of these financial instruments is to finance the Group's business activities. The Group has various financial assets such as trade receivables, cash and cash equivalents and current capital contributions that result directly from its business activities.

Significant risks to the Group resulting from financial instruments include interest contingent cash flow risks as well as liquidity, exchange rate and credit risks. The company management decides on strategies and procedures for controlling individual risk types that are presented in the following.

Interest rate change risk

The Group is not exposed to the risk of fluctuations in market interest rates as noncurrent financial liabilities are subject to fixed interest rates and no interest rate adjustments are contractually agreed prior to maturity.

Credit risk

The Group only concludes transactions with credit-worthy third parties. All customers that would like to conclude transactions with the Group on a credit basis undergo a credit assessment. Furthermore, the inventory of receivables is continuously monitored to ensure that the Group is not subject to any significant default risks.

For the Group's other financial assets such as cash and cash equivalents and available-for-sale financial investments, the maximum credit risk in the case of default of the counterparties corresponds to the carrying amount of these instruments.

34. 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 net income after taxes. Net income before income taxes is adjusted for non-cash expenses (primarily depreciation and amortisation and write-downs) and revenue. The recognition of changes in working capital produces the net cash 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 positive net cash from operating activities of EUR thousand 881 in 2006 (previous year: EUR thousand 10,227) includes interest received of EUR thousand 238 (previous year: EUR thousand 241), interest paid of EUR thousand 119 (previous year: EUR thousand 139) and taxes paid of EUR thousand 20 (previous year: EUR thousand 1,557).

Net cash used in investing activities of EUR thousand 912 (EUR thousand 5,980) was primarily attributable to the cash investments in securities (EUR thousand 4,195; previous year: EUR thousand 0), investments in property, plant and equipment (EUR thousand 1,738; previous year: EUR thousand 3,421) and intangible assets (EUR thousand 1,055; previous year: 2,321) in financial year 2006.

This net cash used was compensated to some extent by the net cash from the disposal of shares in the PT Sigma Group of EUR thousand 5,098 and proceeds from the disposal of securities of EUR thousand 945 (previous year: EUR thousand 6).

A net cash outflow of EUR thousand 893 (previous year: net cash inflow of EUR thousand 4,603) resulted from financing activities and is predominantly due to the repayment of noncurrent financial liabilities (EUR thousand 579, previous year net cash inflow of EUR thousand 1,595) as well as the repayment of current financial liabilities (EUR thousand 304, previous year: EUR thousand 1,969).

In addition, cash and cash equivalents of EUR thousand 3,603 flowed off from the Group due to the disposal and the associated deconsolidation of the PT Sigma Group.

Additional disclosures

35. Contingencies and contingent liabilities

The Group has no particular obligations under contingencies and contingent liabilities. (For restrictions on title, collateral deposits and pledges of assets see notes 14, 15, 20, 23, 26 and 30).

36. Stock option plan

In August 2000, caatoosee ag 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 up to 60,000 ordinary shares over a five-year period to members of the Management Board, up to 260,000 ordinary shares to members of management of the Company's subsidiaries, and up to 680,000 ordinary shares to other eligible employees. 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.

The fair value of the granted stock options is determined at the grant date by applying the Black-Scholes option pricing model and taking into account the terms under which the options were granted.

In financial year 2006, no stock options were granted. In the year under review, expenses for stock options of EUR thousand 85 were recognised and accordingly transferred from stockholders' equity to capital reserves.

Development of the stock option plan for the financial year from January 1 to December 31, 2006 was as follows:

EUR	Number of options	Average exercise price
Balance at beginning of year	373,999	3.38
Granted	0	-
Exercised	0	-
Expired	28,500	2.41
Balance at end of year	345,499	3.46

Stock options outstanding as of December 31, 2006:

	Exercise price in EUR	Number of options still outstanding	Average contractual life remaining in months
	2.92	24,000	23.2
	3.50	321,499	23.2
Balance at end of year		345,499	
Exercisable at end of year		0	

At year-end, no stock options were exercisable as exercise must take place within fixed exercise periods. Exercise periods are 20 banking days after the day of the Annual General Meeting of caatoosee ag and after publication of the Company's second or third quarterly report for a financial year respectively.

The outstanding stock options were all issued on December 6, 2005.

37. Other financial liabilities

EUR thousand	Up to 1 year	1 - 5 years	More than 5 years
Long-term rental agreements and leases	1,015	1,261	0

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 will increase to EUR thousand 118 from 2008.

Other financial obligations relate to building leases for the other Group companies, the leasing of computer hardware, vehicle leasing and copier rental. The costs will total EUR thousand 901 in 2007 and EUR thousand 789 in 2008.

An agreement with Quimron GmbH, which performs software maintenance for caatoosee ag, results in a liability of EUR thousand 104 for 2007. The agreement may be terminated at any time with a period of three months to the end of the quarter. Another agreement with Quimrom GmbH, which includes services for software development, results in a liability of EUR thousand 296 for 2007.

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.

<u>Claims for payment</u>

caatoosee ag asserted a claim for payment amounting to CHF thousand 746 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. As in the previous year, the outcome of the proceedings is thus unknown.

caatoosee ag asserted a joint and several claim for payment of the acquisition price for the share of capital in a former subsidiary amounting to CHF thousand 910 against the purchaser of the shares as well as a board member of the former subsidiary. The claim must still be served in Switzerland.

In addition, caatoosee ag asserted a claim for payment amounting to CHF thousand 710 from a distribution agreement against a foreign cooperation partner. The Stuttgart Regional Court passed judgement by default in accordance with the claimant. Enforcement in Switzerland is being initiated.

<u>Sigma arbitration proceedings</u>

Arbitration proceedings are pending between caatoosee ag and its joint partner PT Sigma Cipta Caraka (Sigma), specifically PT Sigma Citra Harmoni and Trozenin Management Plc., in Singapore. This concerns the legality of the termination of the "Shareholders' Agreement" by the co-shareholders. In light of the ruling made by the arbitration court appointed by the Singapore International Arbitration Centre, caatoosee ag was obliged to sell its shares in PT Sigma Cipta Caraka amounting to 51% to the other two co-shareholders. Transfer of the shares took place on August 25, 2006.

38. 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, caatoosee ag is included in the subgroup financial statements prepared in accordance with the IFRSs as of December 31, 2006 of the parent company MWZ Beteiligungs GmbH, Stuttgart (formerly M+W Zander Holding AG, Stuttgart), which is registered in the commercial register of the Stuttgart Local Court under HRB 720716.

MWZ Beteiligungs GmbH (formerly M+W Zander Holding AG) indirectly holds a majority interest of 51.61% in the share capital of caatoosee ag and has delegated Mr. Reimund Blessing (member of the Board of Directors) to the Supervisory Board of the latter. As at December 31, 2006, trade receivables from MWZ Beteiligungs GmbH amounted to EUR thousand 521 (previous year: EUR thousand 1,160). As at the balance sheet date there were no trade payables (previous year: EUR thousand 132). Administrative expenses include EUR thousand 495 for services received, while cost of sales, selling expenses and research and development costs include EUR thousand 116, 4 and 1 respectively 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 4,143 in the year under review (previous year: EUR thousand 12,993).

All business with unconsolidated subsidiaries and associated companies of the M+W Zander Group is conducted at arm's length conditions.

A member of the Management Board was issued a loan of EUR thousand 30 by a Group company in 2004. 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 were repaid during the year under review.

The subsidiary TeraPort GmbH generated revenues amounting to EUR thousand 4 in the current financial year from IT services rendered to Trends-Consulting Jürgen Giessmann. Mr. Jürgen Giessmann, Chairman of the Supervisory Board of caatoosee ag until February 7, 2007, is the owner of Trends-Consulting.

A mandate agreement exists with IMPERA Total Return AG on consulting with regard to identifying and choosing borrowed capital financing with banks or other financing partners. Consulting services resulted in costs of EUR thousand 100. As of the end of financial year 2006, EUR thousand 29 of this amount was still payable. Mr. Günther Paul Löw, member of the Supervisory Board of caatoosee ag, is a member of the Management Board of IMPERA Total Return AG.

39. Number of employees

The average number of employees in financial year 2006 was 250 (previous year: 304). Only salaried staff are employed.

The considerable drop in the number of employees was attributable to the sale of the PT Sigma Cipta Caraka Group, which employed an average number of 284 staff in 2005 and 269 staff as at December 31, 2005.

40. Material and staff costs

EUR thousand	2006	2005
Material costs		
Cost of raw materials, consumables supplies and goods purchased and held for resale	5	2,356
Cost of purchased services	771	10,307
Total	776	12,663
Staff costs		
Salaries	5,980	8,771
Social security contributions and expenses for pensions and other benefits	946	1,025
Total	6,926	9,796

41. Audit costs

EUR thousand 80 was recognised as expenses for the fees expected to be paid to the auditor of the annual financial statements. EUR thousand 56 was recognised for tax consulting services. No other expenses to the auditor were incurred.

For the previous auditor, in addition to the audit fees (EUR thousand 70) recognised in 2005, EUR thousand 29 for additional expenses, EUR thousand 66 for other auditing and evaluation services and EUR thousand 2 for tax consulting services were recognised as expense for the 2005 audit in 2006.

42. 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 Commissioners of PT Sigma Cipta Caraka, Jakarta, Indonesia (until June 15, 2006) • Member of the Supervisory Board of Contara AG, Stuttgart, Germany
Stefan Ahrens CFO (from February 13, 2006)	• Member of the Board of Directors of TeraPort GmbH, Leonberg, Germany • Board of Directors of OuterBounds Technologies, Inc., Atlanta, USA • Member of the Supervisory Board of Stratobyte AG, Stuttgart, Germany • Member of the Supervisory Board of Contara AG, Stuttgart, Germany • Board of Directors of PT Sigma Cipta Caraka, Jakarta, Indonesia (from June 15, 2006 to August 25, 2006)
Michael Grünschloß Member of the Management Board responsible for Business Operations	• Chairman of the Board of Directors of TeraPort GmbH, Leonberg, Germany • Board of Directors of OuterBounds Technologies, Inc., Atlanta, USA • Board of Commissioners of PT Sigma Cipta Caraka, Jakarta, Indonesia (from June 15, 2006 to August 25, 2006)

As of December 31, 2006, 1,675,022 shares and 78,708 subscription rights were held by the members of the Management Board, which can be broken down as follows:

Shares	Balance at Jan. 1, 2006	Additions	Disposals	Balance at Dec. 31, 200
Guido Alt	1,716,429	0	61,429	1,655,000
Stefan Ahrens	18,522	0	0	18,522
Michael Grünschloß	0	1,500	0	1,500
	1,734,951	1,500	61,429	1,675,022
Subscription rights per share				
Guido Alt	0	0	0	0
Stefan Ahrens	29,708	0	0	29,708
Michael Grünschloß	49,000	0	0	49,000
	78,708	0	0	78,708

Remuneration of the Management Board

In financial year 2006, the total remuneration of the Management Board in accordance with IAS 24 amounted to EUR thousand 668 (previous year: EUR thousand 718). This amount comprises fixed remuneration of EUR thousand 516 (previous year: EUR thousand 375) and variable remuneration of EUR thousand 100 (previous year: EUR thousand 144). The variable remuneration of EUR thousand 100 relates to financial year 2005, for which a provision of EUR thousand 180 was recognised in the previous year. The variable remuneration relating to the previous year was paid in financial year 2006. In addition, expenses for defined contribution pension plans amounted to EUR thousand 7 in the year under review (previous year: EUR thousand 7). No provision for bonus payments was recognised in the financial year just ended (previous year: EUR thousand 180). EUR thousand 3 (previous year: EUR thousand 2) of pension provisions related to a member of the Management Board. The remuneration of the Management Board is broken down as follows:

EUR thousand	Fixed remuneration	Variable remuneration *)	Remuneration in kind	Total remuneration
Guido Alt	184	50	33	267
Stefan Ahrens (from Feb. 13, 2006)	152	0	9	161
Michael Grünschloß	180	50	10	240
	516	100	52	668

*) Remuneration for the previous year, see above

Supervisory Board

Members of the Supervisory Board are

- Mr. Reimund Blessing, (Chairman since February 8, 2007), Vaihingen/Enz, Germany
- Mr. Ulrich Dörr (Deputy Chairman), Leinfelden-Echterdingen, Germany
- Mr. Dirk Alt, Stuttgart, Germany
- Dr. Johannes Beha, Tiburon, California, USA (until January 20, 2006)
- Mr. Klaus Gärtner, Singapore, Singapore (from August 31, 2006 to March 22, 2007)
- Mr. Jürgen Gießmann (Chairman until February 7, 2007), Leonberg, Germany
- Mr. Günther Paul Löw, Neu-Isenburg, 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
Reimund Blessing Managing Director of MWZ Beteiligungs GmbH, formerly M+W Zander Holding AG Chairman (since February 8, 2007)	• 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
Ulrich Dörr Auditor and tax advisor Deputy Chairman	• None
Dirk Alt Managing Director of Fusion Publishing GmbH Dialogue Marketing Specialist Member	• None
Klaus Gärtner Graduate in engineering Member (from August 31, 2006 to March 22, 2007)	• None
Jürgen Gießmann Graduate in business studies Chairman (until February 7, 2007)	• Chairman of the Supervisory Board, Loy & Hutz AG, Freiburg, Germany • Chairman of the Supervisory Board, M+W Zander Gebäudetechnik GmbH, Stuttgart, Germany • 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 of the Board of Commissioners, PT Sigma Cipta Caraka, Jakarta, Indonesia (until August 25, 2006)
Günther Paul Löw Member of the Management Board of Impera Total Return AG	• Member of the Supervisory Board, Bioconnect AG, Frankfurt/Main, Germany • Managing Director, PI Private Equity Consulting GmbH, Frankfurt/Main, Germany • Member of the Supervisory Board, Die Skonto AG, Iserlohn, Germany

In financial year 2006, the total remuneration of the Supervisory Board amounted to EUR thousand 63.

As of December 31, 2006, 148,769 shares were held by the members of the Supervisory Board. These shareholdings can be broken down as follows:

	Balance at Dec. 31, 2006	in % of shares issued
Reimund Blessing	23,000	0.10%
Ulrich Dörr	125,269	0.52%
Dirk Alt	125	0.00%
Klaus Gärtner	0	0.00%
Jürgen Gießmann	375	0.00%
Günther Paul Löw	0	0.00%
	148,769	0.62%

No subscription rights to shares that still exist as of the balance sheet date were issued to members of the Supervisory Board.

43. 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
Jan. 5, 2006	Sale	16,429	3.14	51,587.06	Guido Alt	Managem
Jan. 20, 2006	Sale	10,000	3.24	32,400.00	Guido Alt	Managem
Jan. 20, 2006	Sale	2,000	3.25	6,500.00	Guido Alt	Managem
Jan. 20, 2006	Sale	2,000	3.20	6,400.00	Guido Alt	Managem
Jan. 20, 2006	Sale	6,000	3.22	19,320.00	Guido Alt	Managem
Jan. 20, 2006	Donation	5,000	0.00	0.00	Guido Alt	Managem
Apr. 11, 2006	Purchase	1,500	2.66	3,990.00	Michael Grünschloß	Managem
Apr. 20, 2006	Donation	15,000	0.00	0.00	Guido Alt	Managem
Apr. 20, 2006	Donation	5,000	0.00	0.00	Guido Alt	Managem

44. Notification in accordance with section 20 (6) of the German Stock Corporation Act on exceeding or falling below reporting thresholds in accordance with section 20 (1, 5) of the German Stock Corporation Act

The following disclosures were published in financial year 2006 in accordance with section 20 (6) of the German Stock Corporation Act:

M+W Zander Facility Engineering GmbH, Stuttgart, notified caatoosee ag in accordance with section 20 (1) of the German Stock Corporation Act that it holds an interest of more than a quarter of the Company’s share capital.

45. Notification in accordance with section 25 of the German Securities Trading Act on exceeding or falling below reporting thresholds in accordance with section 21 (1) of the German Securities Trading Act (WpHG)

The following disclosures were published in financial year 2006 in accordance with section 25 of the German Securities Trading Act:

1. FM Fund Management Limited, George Town, Grand Cayman, Cayman Islands, announced in accordance with section 21 (1) WpHG that it had fallen below the thresholds of 5% and 10% of the voting rights in caatoosee ag on December 9, 2005 and that it now holds 0 % of the voting rights.

2. JENOPTIK AG, Jena, Germany, announced in accordance with section 21 (1) WpHG that it had reached and fallen below the thresholds of 50%, 25%, 10% and 5% of the voting rights in caatoosee ag on May 16, 2006 with the sale of shares in M+W ZANDER Holding AG. The share of voting rights held since this date is 0%.

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

3. On May 23, 2006, the following persons announced in accordance with section 21 (1) WpHG that their share of voting rights in caatoosee ag, Leonberg, exceeded the threshold of 5% on May 16, 2006 and now amounts to 51.61%:

   - Martin Gruschka, 34 Chemin de Grange Canal, CH-1224 Chêne Bougeries
   - Fenlex Enterprises Ltd., 85 St. John Street, Valetta VLT 09, Malta
   - Fenlex Holdings & Services Ltd., 85 St. John Street, Valetta VLT 09, Malta
   - Fontaine Investment Holdings Ltd., 85 St. John Street, Valetta VLT 09, Malta
   - Springwater Investment Holdings S.à.r.l., 7 Val Sainte Croix, 1371 Luxembourg, Luxembourg
   - Springwater MWZ Holdings S.à.r.l., 7 Val Sainte Croix, 1371 Luxembourg, Luxembourg
   - MW Zander Luxembourg Holding S.A., 7 Val Sainte Croix, 1371 Luxembourg, Luxembourg
   - MWZ Beteiligungs GmbH, Lotterbergstraße 30, 70499 Stuttgart, Germany

   These voting rights are allocated to the aforementioned persons in full in accordance with section 22 (1) sentence 1 no. 1 WpHG.

   51.61% of the shares in caatoosee ag are held by M+W Zander Facility Engineering GmbH, whose sole shareholder M+W Zander Holding AG holds a 100% interest in MWZ Beteiligungs GmbH. The sole shareholder of MWZ Beteiligungs GmbH is MW Zander Luxembourg Holding S.A., which holds an interest of 72.89% in Springwater MWZ Holdings S.à.r.l., whose sole shareholder is Springwater Investment Holdings S.à.r.l. The sole shareholder of Springwater Investment Holdings S.à.r.l. is Fontaine Investment Holdings Ltd., whose sole shareholder is Fenlex Holdings & Services Ltd., which in turn holds a 99.95% interest in Fenlex Holdings & Services Ltd. Fenlex Holdings & Services Ltd. holds shares in Fontaine Investment Holdings Ltd. as the economic beneficiary for Mr. Martin Gruschka.

4. Absolute Return Europe Fund Limited, George Town, Grand Cayman, Cayman Islands, announced in accordance with section 21 (1) WpHG that it had fallen below the thresholds of 20%, 15%, 10%, 5% and 3% of the voting rights in caatoosee ag on October 30, 2006 and that it now holds 0% of the voting rights.

   Absolute Activist Value Fund Limited, George Town, Grand Cayman, Cayman Islands, announced in accordance with section 21 (1) WpHG that it had exceeded the thresholds of 3% and 5% of the voting rights in caatoosee ag on October 20, 2006 and that it now holds 5.809% of the voting rights.

   Absolute Octane Fund Limited, George Town, Grand Cayman, Cayman Islands, announced in accordance with section 21 (1) WpHG that it had exceeded the thresholds of 3%, 5% and 10% of the voting rights in caatoosee ag on October 30, 2006 and that it now holds 10.639% of the voting rights.

5. Absolute Activist Value Master Fund Limited, George Town, Grand Cayman, Cayman Islands, announced in accordance with section 21 (1) WpHG that it had exceeded the thresholds of 3% and 5% of the voting rights in caatoosee ag on February 16, 2007 and that it now holds 9.939% of the voting rights.

   Absolute Octane Master Fund Limited, George Town, Grand Cayman, Cayman Islands, announced in accordance with section 21 (1) WpHG that it had exceeded the thresholds of 3%, 5% and 10% of the voting rights in caatoosee ag on February 16, 2007 and that it now holds 14.966 % of the voting rights.

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

The Management and Supervisory Boards submitted the declaration of conformity with the German Corporate Governance Code as prescribed by section 161 AktG in December 2006 and made this declaration available to shareholders and the public via the caatoosee ag website.

Leonberg, March 30, 2007

The Management Board

caatoosee ag, Leonberg
List of the participations as of December 31, 2006

			Domiciled	Share of capital	Amount of :ockholders' equity as at 31.12.2006		Consolidated net income 2006	
				%	EUR		EUR	
A. caatoosee ag's equity interests are as follows:								
I.	**Germany**							
1.	TeraPort GmbH		Leonberg	100.00	12,362,624		0	1)
II.	**Outside Germany**							
1.	OuterBounds Technologies Inc.		Atlanta/USA	100.00	655,834	3)	-196,878	4)
2.	Teraport (S) Pty. Ltd.		Singapur/Singapur	100.00	94,768	3)	-3,977	4)
B. Subsidiaries not included in the consolidated financial statements:								
I.	**Germany**							
1.	Stratobyte AG	2)	Stuttgart	100.00	-	5)	-	5)
2.	contara AG	2)	Stuttgart	100.00	-	5)	-	5)
3.	DMS Digitale Medien Systeme GmbH	2)	Esslingen	100.00	-	5)	-	5)
II.	**Outside Germany**							
1.	caatoose s.a.s.	2)	Nanterre/France	100.00	-	5)	-	5)
2.	caatoosee s.r.l.	2)	Milan/Italy	100.00	-	5)	-	5)
3.	caatoosee Inc.	2)	Washington/USA	100.00	-	5)	-	5)
4.	DMS Digital Media Systems Inc.	2)	New Jersey/USA	100.00	-	5)	-	5)

Disclosures:

1) A profit transfer agreement exists with caatoosee ag
2) This company's operations were fully discontinued in previous periods and it is now in liquidation
3) Amounts in foreign currencies are translated at the middle rate on the reporting date
4) Amounts in foreign currencies are translated at the average rate
5) No current data is available

INDEPENDENT AUDITORS' REPORT

We have audited the consolidated financial statements prepared by caatoosee ag, Leonberg, comprising the balance sheet, the income statement, cash flow statement, statement of changes in consolidated stockholders' equity and the notes to the consolidated financial statements, together with the group management report for the business year from January 1, 2006 to December 31, 2006. 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 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.

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 and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management 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.

Bremen/Stuttgart, April 12, 2007

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Monsees	Dr. Weller
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]