ANNUAL REPORT 2007

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Contents

GROUP MANGEMENT REPORT
of caatoosee ag, Leonberg,
for the 2007 financial year

1. Business and market conditions
2. Results of operations
3. Net assets and financial position
4. Report on events after the balance sheet date
5. Risk report
6. Share disclosures and disclosures in accordance with Section 315 (4) of the German Commercial Code
7. Dependent company report
8. Report on expected developments

1. Business and market conditions

The activities of the caatoosee Group comprise the following areas:

- As the parent company, caatoosee ag formulates the corporate strategy for the Group, bundles capital market activities and manages the support of existing customers for the internally developed DQ software as well as its marketing and further development.
- IT outsourcing and services in Germany and abroad are performed by Teraport GmbH (a wholly owned subsidiary of caatoosee ag).

Range of services

We support our customers comprehensively in the operation and efficient organisation of their information technology and data maintenance. This is based on a largely uniform Group-wide business model. Target customers are still primarily 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 manufacturing and mechanical engineering, the services sector, the automotive and supply industries, the aerospace industry, and from plant and mechanical engineering.

Teraport, the Group's operating unit, concentrates on the IT services and engineering environment. Teraport supplies holistic solutions and comprehensive services for the operation of complex IT environments, digital product development and the optimisation of commercial business processes

As a broadly positioned IT service provider, the Company provides consulting, support and operation for IT systems in customer environments. With the most stringent quality demands, Teraport operates two in-house data centres and has an extensive track record of success and experience in this area. This includes high-quality project work with the aim of establishing long-standing customer relationships based on trust. In so doing, the focus is on maximising benefits for the customer. For this reason, Teraport only works with in-house specialists who provide the highest level of service. Teraport is thus well positioned as a premium provider of outsourcing services for SMEs.

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); IT service management services; ITIL-based management services; 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

Supporting complete IT environments from a single source gives Teraport a crucial competitive edge over larger providers. The extensive service range of the modular IT system enables customised IT services to be provided flexibly and transparently but nevertheless efficiently.

Group structure

caatoosee ag's head office is in Leonberg, near Stuttgart. It focuses on its functions as a holding company and on its business with our DQ software.

Teraport GmbH is under the control of caatoosee ag in accordance with the Controlling and Profit Transfer Agreement of 24 July 2006.

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

As at 31 December 2007, the staff employed by the caatoosee Group numbered 93. Of these, 87 were employed by Teraport GmbH.

Strategy

The caatoosee Group strives to generate a significant proportion of forecastable revenue on the basis of long-term and intensive customer relationships and long-term agreements.

The goal is to sustain a high level of efficiency. Together with permanent control of operating costs, the efficiency of the operating processes is continually monitored and improvement potential exploited. Teraport significantly improved margins despite a scheduled decline in revenues in the 2007 financial year.

In addition, we are examining our customer and activities portfolio on an ongoing basis and are replacing low-margin business with business offering higher yields, even where this is associated with temporary reductions in revenues.

This process has structural and sales aspects:

Disposal of parts of the Company

Further significant steps were taken in the disposal of low-margin Company units in the 2007 financial year.

Already during the 2006 financial year, caatoosee sold its 51% share in the Indonesian company, Sigma, deconsolidating the company in the 2006 financial year.

By discontinuing business operations at the North American subsidiary OuterBounds Technologies, Inc. in the second quarter of 2007, we took another determined step in concentrating resources on the essential markets in Germany and Europe and achieving our revenue and earnings goals.

This concluded the disposal of low-margin units and business areas.

To be successful in the coming years, it is an essential task to push forward the expansion and further development of the Group successfully, thus achieving a perceptible size on the market.

The main task in this regard is strengthening activities and extending the remaining high-earning operating business areas and the sustainable further development of the Group through organic growth and company acquisitions.

Marketing

Marketing activities were intensified in the 2007 financial year. Success was achieved primarily in developing existing customer business. The evidence for this was the conclusion of an IT service contract with a long-standing customer at the beginning of 2007, who deliberately selected Teraport on account of its large range of services, its flexibility and cost effectiveness. This will be treated again in the Revenue Development section. What is more, another important existing customer made several new orders in the past financial year, including an order in the area of licence management for CAD systems. This order involves a flexible and bespoke royalty statement model specially developed by Teraport. The system saves costs, whilst reducing and optimising the number of licences meaning that only costs for licences actually used throughout the company arise.

Progress was also made in gaining new customers. For example, Teraport implemented a specific IT solution for the optimisation of the sales and service processes for a manufacturer of highly precise metering pumps, process diaphragm pumps and complete metering systems.

Despite declining revenue development in the 2007 financial year, we posted a year-on-year increase in the gross margin year due to the development of business offering higher margins.

We will continue this trend in 2008 with new organisation in marketing and sales, whilst at the same time increasing revenue.

Acquisitions

The strategy of acquiring attractive companies operating in the fields of hardware and software data processing as well as of technology and consulting also remains the focus of our activities. As a highly competitive company with an innovative, high-quality and service-oriented solutions portfolio, caatoosee seeks to establish itself as a highly attractive partner in both the customer and capital markets as a result of the development of the Group.

Due to the high strategic significance of new acquisitions for the further development of the caatoosee Group and the careful examination of acquisition options associated with this, the activities involved extended across the whole of the previous financial year. The goal of acquiring established small and medium-sized consulting and service companies operating in new high-growth markets is clearly defined.

Research and development

To consolidate and develop our competitive advantage, we are continuing to invest in research and development.

The primary focus of the Group's research and development activities again included the new services and applications of Teraport in the field of software and process development for engineering environments.

The main focus remains the development of the strategically important Teraport DMU Toolkit (Digital Mockup), that is making a significant contribution to success in the provision of engineering services for the automotive sector. The new Release 3.1 of the Teraport DMU Toolkit represented an important development on the market in the 2007 financial year.

In addition to the current optimisation of the now 30 modules from the Teraport DMU Toolkit, three functions should be especially emphasised in the new release. Another calculation module has been added. Models for the digital prototype construction can thus be enlarged or encased according to an individually definable value. The extension of the processible data format also emphasises the openness of the Teraport DMU Toolkit for the user.

As an additional service, generic packages for standardised solutions have been available since

Release 3.1, which facilitates a quicker and more cost-effective introduction to the DMU Toolkit, especially for smaller companies.

A particularly important award demonstrates that our work attracts attention and recognition even beyond our customer portfolio: Teraport was awarded the ITK 2007 Prize for Innovation in the *consulting* category for its IT modular architecture. The Teraport architecture is a modular and flexible system for IT services. It enables rapid and resource-saving realisation of individual solutions for small and large companies. The main benefits are cost transparency and structured, standardised solutions.

Further proof for the Company's performance is the Microsoft Certified Partnership sought during the previous year, for which Teraport received certification as a Microsoft Certified Partner (MCP) at the beginning of the 2008 financial year. The MCP partner status is internationally recognised for Microsoft solutions by customers and suppliers. Due to its very high technical standards, the MCP status attests to a company's wide knowledge in virtually all areas of solutions based on Microsoft products. Microsoft has entered Teraport in its list of MCP partners and refers to Teraport's services on its website.

There were also new developments in the DQ technology at caatoosee ag during the 2007 financial year. The integration of caatoosee DQ address PV software solutions for postal address validation with SAP software was SAP certified. It can be used to check national and international addresses for validity and correct them, thus contributing to effective master data management.

Summary evaluation

The caatoosee Group posted excellent business development in the 2007 financial year. This refers in particular to Teraport GmbH, which as operating unit of caatoosee fulfilled the expectations made of it on schedule and with a view to excellent results.

The order backlog appeared to have reduced slightly during the course of the year, but developed according to plan. This continues to confirm the overall positive trend within the Group. In addition, the Group is benefiting from the continued robust and positive macroeconomic trend.

Economic conditions

According to the monthly report for January 2008 published by the *Bundesministerium für Wirtschaft und Technologie* (BMWi – Federal Ministry for Economics and Technology), the economic boom in Germany is intact and will continue. Although the factors stimulating this continue to have the upper hand, negative factors are also becoming apparent. As expected, GDP growth accelerated again during the third quarter of 2007 following the somewhat weaker development in the first half-year.

Adjusted for price, variations in the number of working days and for season, macroeconomic activity increased by 0.7% as against the previous quarter. The reasons for the growth were exclusively domestic. In the fourth quarter, the upswing continued somewhat less strongly, and in line with the available leading indicators. Accordingly, the rate of expansion of the German macroeconomy has also taken on a moderate pace. The corresponding effects of the somewhat less strong, but nevertheless robust, global economic growth rate, high raw material prices and the strong euro are expected to impact accordingly. The fact that the economic downside risks in the light of the US mortgage crisis and the continued turbulence on the financial markets have noticeably gained in importance must also be taken into consideration.

Revenue in Germany’s ICT industry

With a market share of 6.4%, the BMWi’s 2nd ePerformance Report 2007 claims that the German ICT market was the world’s third largest national market in 2006 according to its narrower definition and remains the largest individual market in Western Europe, with a volume of almost EUR 136 billion in 2007. The German ICT sector’s low growth rate can be explained particularly by the continued pricing pressure in many ICT segments (e.g. landline and computer). Information technology is currently driving growth in the ICT industry. In particular, the areas of software and IT services are contributing to the rise in revenue.

In the light of this, we believe we are well positioned to exploit market opportunities which present themselves and to achieve sustainable growth in earnings and revenue in 2008 an 2009.

2. Results of operations

Revenue development in the Group

As anticipated, revenue in the Group declined slightly as against the previous year. This effect is due to the expiry of low-margin orders, which were not fully replaced by new, high-margin orders at the time of expiry.

Teraport has been commissioned with an outsourcing package over a period of three years based on the IT modular architecture. The client is an implementation-oriented project development company which offers consultation, planning, construction and operation of systems and complex biomass power plants as part of its service spectrum. The long-standing, trustful collaboration will thus be continued on a new contractual basis.

The above new orders from an important existing customer also have a share in the positive revenue development. They amount to a total order volume of millions of euros.

Existing service and software development contracts in particular have been extended in the engineering area. At the same time, new customers have been acquired for application of the Teraport DMU Toolkit.

At the balance sheet date 31 December 2007, the caatoosee Group's order backlog amounted to EUR 22.5 million.

Revenue development

During the financial year ended 31 December 2007, the caatoosee Group generated revenues of EUR 18.4 million. Group revenue was therefore EUR 1.2 million, or 6.1% below the previous year's revenue of EUR 19.6 million.

Almost the caatoosee Group's entire revenue was contributed by the subsidiary Teraport. It generated revenue of EUR 18.3 million (previous year: EUR 19.4 million). The reduction by EUR 1.1 million, or 5.7%, as against the previous year is in line with planning for the 2007 financial year.

Most revenue is generated on the German market, where Teraport GmbH and caatoosee ag generated a combined EUR 16.9 million. Teraport generated a total of

EUR 1.4 million outside Germany, of which EUR 0.4 million in South East Asia and the Pacific region, EUR 0.4 million in North and Central America, EUR 0.2 million in Europe and EUR 0.4 million in other regions.

Earnings development

In financial year 2007, the caatoosee Group generated gross profit of EUR 4.4 million, down from EUR 4.6 million in the previous year. The revenue margin improved slightly as against the previous year from 23.7% to 24.1%.

The strengthened growth activities were apparent on the cost side. Sales costs rose to EUR 0.9 million (previous year: EUR 0.4 million) due to the extension of the sales team, a share of 4.9% of total revenue (previous year: 1.9%).

Administrative expenses increased to EUR 3.7 million (previous year: EUR 3.2 million), i.e. 20% of revenues, due partly to the examination of and preparation for possible acquisitions. These expenses include capital market costs, audit costs, the cost of the annual report and the Annual General Meeting as well as consulting costs.

At the end of the financial year, 6 staff were employed in Research and Development, unchanged since 2006. However, the volume of expenditure for research and development doubled in the 2007 financial year to EUR 0.5 million (previous year: EUR 0.2 million), equivalent to 2.5% of revenue (previous year: 1.2%).

Other operating income and expenses totalled EUR 0.8 million (previous year: EUR 0.2 million).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) from business units to be continued amounted to EUR 3.5 million (previous year: EUR 7.1 million). An operating result (EBIT) of EUR 0.2 million (previous year: EUR 1.1 million) was achieved in business units to be continued. Of this figure, EUR 2.8 million was attributable to Teraport. On the back of a positive financial result of EUR 0.1 million, the Group is reporting net income before income taxes (EBT) from business units to be continued of EUR 0.3 million as against EUR 1.2 million in the previous year. Earnings after tax from business units to be continued amounted to EUR 0.3 million as against

EUR 1.2 million in the previous year. The decline is essentially the result of the fact that we have invested in the development of sales and acquisition activities with a view to future revenue and earnings growth.

The deconsolidation of OuterBounds and TERAPORT (S) PTE. LTD, in Singapore will be recognised as earnings from discontinued business units amounting to EUR -0.3 million (previous year: EUR -9.0 million). This amount is partly the result of the write-down of the book value of investments and of settlement costs of business expenses.

Moreover, contributions to earnings of the former subsidiary recognised in the course of the previous year had to be adjusted. The discontinuation of the business operation of OuterBounds has been integrated in the balance sheet.

Overall, this resulted in net income for the year of EUR 0.002 million and earnings per share of EUR 0.00 (for an unchanged number of 24,098,988 shares at the balance sheet date 31 December 2007) as compared to EUR -7.8 million and EUR -0.32 per share in the previous year.

3. Net assets and financial position

Financial position

The cash flow statement for the 2007 financial year does not present the balance sheet changes between 31 December 2006 and 31 December 2007 due to deconsolidation effects. Cash flow from operating activities amounted to EUR 3.5 million as against EUR 5.2 million in the previous year. At the same time, the previous year's value was exaggerated positively since the former loss from the discontinuation of business units amounting to EUR 7.2 million was not recognised in cash flow.

As at 31 December 2007, EUR 0.03 million was recognised as goodwill impairment in the balance sheet for the discontinuation of the TERAPORT (S) PTE. LTD in Singapore.

Cash flow from operating activities amounted to EUR 3.4 million in the 2007 financial year (previous year: EUR 0.8 million). The drop as against the previous year resulted in particular from a slight decrease in receivables of EUR 1.1 million, while in the 2006 financial year an increase in receivables of EUR 0.4 million was recorded.

In investment activities, the caatoosee Group had cash outflows totalling EUR 1.6 million (previous year: EUR 0.9 million). For example, cash inflows of EUR 4.3 million from the closure of a business unit and the disposal of securities and other cash investments are offset by cash outflows of EUR 2.7 million for the acquisition of intangible assets and property, plant and equipment.

In the 2007 financial year, net cash used in financing activities amounted to EUR 0.1 million. Of this amount, EUR 0.1 million was used for the repayment of non-current liabilities and EUR 0.02 million for current financial liabilities.

Overall, the changes in cash and cash equivalents amounted to a net inflow of EUR 4.9 million. Cash and cash equivalents at the beginning of the year of EUR 7.1 million altered to EUR 11.8 million due to the cash inflows during the period under review and less the loss from the closure of OuterBounds of EUR 0.1 million.

Net assets

As at 31 December 2007, cash and cash equivalents amounted to 56.8% of the balance sheet total of EUR 20.8 million. In the previous year, cash and cash equivalents and securities had a combined share of 51.5% of the balance sheet total.

The balance sheet declined slightly as at the end of the 2006 financial year from EUR 21.8 million to EUR 20.8 million as at the end of the 2007 financial year.

Intangible assets declined by EUR 0.6 million to a current EUR 1.4 million due to the changes to the consolidated group.

Current assets of EUR 15.8 million include trade receivables amounting to EUR 2.1 million (previous year: EUR 2.2 million). The reduction corresponds to the slightly lower business volume. The significant reduction in receivables from associated companies of 55.9% to EUR 0.8 million is essentially due to the deconsolidation of OuterBounds.

As in the 2006 financial year, issued capital amounted to EUR 24.1 million.

Due to the reduction in the balance sheet and the allocation of EUR 0.08 million into the capital reserves for the possible exercise of stock options, the equity ratio rose from 74% at the end of 2006 to 78% as at 31 December 2007.

On the other hand, trade payables again dropped significantly, amounting to EUR 1.4 million (previous year: EUR 1.8 million). In addition to the reversal of provisions, this effect is responsible for the reduction in current liabilities.

Financial liabilities were reduced by EUR 0.1 million. Net liquidity (cash and cash equivalents less financial liabilities) amounted to EUR 10.5 million as at the 2007 balance sheet date as against EUR 9.8 million in the previous year.

Employees and executive bodies

As at 31 December 2007, the caatoosee Group's workforce numbered 93 employees. The number of staff therefore increased over the previous year (87 employees as at 31 December 2006) by 6 employees.

In caatoosee ag, the number of employees remained unchanged, while the number of employees at Teraport GmbH moved up by 6 to a total of 87 employees (previous year: 81 employees).

As at 31 December 2007, the employees were distributed at the functional levels within the Group as follows:

Production/operations:	72 (77%)
Administration:	9 (9%)
Research and development:	6 (7%)
Marketing:	6 (7%)

Remuneration of the Management Board

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% of the annual basic salary;

- variable remuneration which is measured according to parts of the Group’s operating result and can amount to a maximum of 40% of the annual basic salary;
- a variable share 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.

A detailed listing of individual Management Board members’ remuneration and their ownership of shares and subscription rights can be found in the Notes to the Consolidated Financial Statements under Item 40.

Remuneration of the Supervisory Board

Remuneration of the Supervisory Board is determined in accordance with Section 14 of the Articles of Incorporation. It provides that each member of the Supervisory Board receive 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 31 August 2006, the fixed and variable remuneration of each member of the Supervisory Board was determined as follows until further notice:

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 thereof, rounded to two decimal places by which the market capitalisation increases (by multiplying the number of shares by the stock exchange price as described below) per financial year during the period from 1 January to 31 December. 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.

4. Report on events after the balance sheet date

The following significant events occurred after the end of the financial year, i.e. after 31 December 2007.
Jürgen Gießmann, member of the Supervisory Board, resigned his post as of 28 January 2008.
Rolf Huber, 8305 Dietlikon, Switzerland, was appointed as a member of the Supervisory Board on 29 January 2008 by court order.
Jan Tenné, 70178 Stuttgart, Germany, was appointed as a member of the Supervisory Board on 28 February 2008 by court order.

5. Risk report

Long-term effects of restructuring measures

No guarantee can be provided as to the long-term economic development of the caatoosee Group. It is clear that our Group companies do not yet have the critical mass for them to achieve leading positions and leverage market potential.

In addition, there is also a risk in the 2008 financial year 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 when the Company will succeed in winning new large and medium-sized customers, in addition to contracts already concluded, for its IT outsourcing services, and hence gradually reduce its reliance on its main existing customer, the M+W Zander group of companies.

If the Company is unable to undertake 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

MWZ Beteiligungs GmbH and the associated companies from the group of companies contribute approximately 38% to revenue.

Although the master agreement between MWZ Beteiligungs GmbH and Teraport, which runs until the end of 2009, guarantees the acceptance of IT services by MWZ Beteiligungs GmbH 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 from MWZ Beteiligungs GmbH; as such, the possibility that the revenue and margins generated from business with MWZ Beteiligungs GmbH 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 MWZ Beteiligungs GmbH or associated companies. On the other hand, in the event of a reduction in demand on the part of MWZ Beteiligungs GmbH, it would not be possible to generate customer orders immediately 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 essential customers means that the economic development of Teraport and also that of the total caatoosee Group is reliant to a significant extent on the structures and the continued economic development of these individual customers, which are themselves active in a market environment that is, in some cases, extremely volatile.

Consequences of the sale of MWZ Beteiligungs GmbH (formerly the M+W Zander Group) by Springwater Capital (SWC) to Colton Petfood Handel und EDV-Beratung GmbH and subsequent reselling to Salveo Beteiligungs GmbH (formerly Salveo Immobilienbesitz GmbH)

At almost 52%, M+W Zander Facility Engineering GmbH just holds a majority of the shares of caatoosee ag. M+W Zander Facility Engineering GmbH is a subsidiary of MWZ Beteiligungs GmbH, which was sold on 18 April 2007 by Springwater Capital (SWC) to Colton Petfood Handel und EDV-Beratung GmbH in a fiduciary capacity. Du 28 November 2007 all shares in MWZ Beteiligungs GmbH were sold by Colton Petfood Handel und EDV-Beratung GmbH to Salveo Beteiligungs GmbH (formerly Salveo Immobilienbesitz GmbH).

Restructuring of MWZ Beteiligungs GmbH has been taking place since then. MWZ Beteiligungs GmbH primarily assumes responsibilities within the scope of administration and management of the existing company portfolio. The corporate independence of operational subsidiaries was again considerably increased, leading to significantly greater individual responsibility in relation to services.

Thus in the 2008 financial year caatoosee remains faced with the challenge of defining and negotiating new and individual services separately with each individual company of MWZ Beteiligungs GmbH, in place of earlier uniform customer requirements for a large customer group. In the process, 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 subsidiary Teraport GmbH, caatoosee or its subsidiary Teraport GmbH 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 transfer of 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 offsetting profits and loss carryforwards, meaning that the Company's income may be taxable despite the existence of loss carryforwards.

In accordance with the new regulation for loss utilisation in the Corporation Tax Reform Act, the continuation or discontinuation of loss carryforwards after 31 December 2007 also conforms to the new Section 8 c of the German Corporation Tax Act, which was introduced with the Corporation Tax Reform Act. If a direct or indirect transfer of the majority of shares to caatoosee takes place after 31 December 2007, the loss carryforward ceases wholly without additional preconditions.

Aims and methods of risk management

Opportunities and risks within the scope of the business process are recognised, evaluated with the help of the risk management, and appropriate measures are introduced. In this regard, the assurance of the Company's future success and the sustainable increase the company value are the focus. In so doing, risk management audits are implemented which serve risk identification, risk quantification, risk minimisation as well as ongoing risk monitoring. There is nevertheless the possibility that risks are not recognised promptly, leading to hazards for the success of the Company.

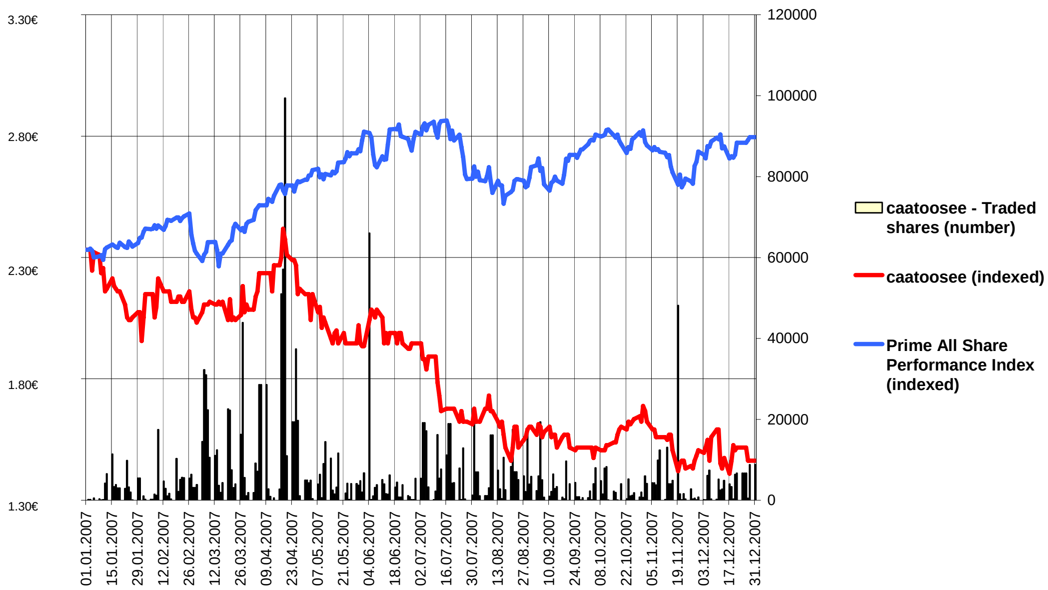
6. Share disclosures and disclosures in accordance with Section 315 (4) of the German Commercial Code

caatoosee ag's shares

The caatoosee ag no-par shares are traded on XETRA, on the Frankfurt Stock Exchange, and all other German stock exchanges under the German securities identification number A0EPUK (ISIN: DE000A0EPUK5) on the Prime Standard. Landesbank Baden-Württemberg and Close Brothers Seydler AG are committed as designated sponsors.

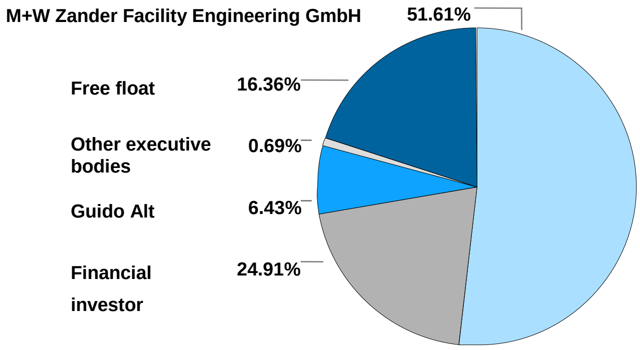
With the closing price of EUR 1.55 at the end of the fourth quarter on 31 December 2007, the share price dropped significantly below the closing price of EUR 2.36 on the first trading day of the 2007 financial year. The share developed noticeably more weakly than the Prime All Share Index. This development is unsatisfactory. A steady flow of information from the capital market about growth potential and corporate strategy should continue to engender trust to achieve long-term stability.

Price and trading volume of caatoosee's shares



Shareholder structure

The shareholder structure as at 31 December 2007 was composed as follows:



Based on 24.1 million shares as at 31 December 2007

The financial investor is Absolute Management Holdings Limited, Grand Cayman, Cayman Islands

Disclosures in accordance with Section 315 (4) of the German Commercial Code

a. Issued capital amounts to EUR 24,098,988, which is divided into 24,098,988 no-par shares.

Information as at 31 December 2007

Number of shares outstanding	24,098,988
Nominal value per share	EUR 1.00
Share of issued capital	100%
Rights and duties mediated by the shares	Rights and duties in line with Section 54 et seq. German Stock Corporation Act
Treasury shares held by the Company	0
Dividend distribution	No proposal and no distribution of a dividend in the period under review
Authorised capital I	May be increased on one or more occasions up until 6 September 2010 by a total of up to EUR 1,049,494.00 against cash contributions and with shareholders' statutory subscription rights
Authorised capital II	May be increased on one or more occasions up until 6 September 2010 by a total of up to EUR 11,000,000.00 against cash and/or non-cash contributions. Subscription rights may be disapplied for cash capital increases of up to 10% of the share capital and for non-cash capital increases in connection with company acquisitions

Shares can be securitised as global shares. The shareholders have no entitlement to securitisation of their shares if no securitisation is required according to the regulations applicable at an exchange where the Company shares are admitted.

There are no other classes of shares apart from those presented.

b. The Management Board is not aware of any other special limitations, apart from the legal limitations, which concern voting rights or the transfer of caatoosee shares.

c. As direct investment in its investment companies Absolute Activiste Value Fund Limited, Absolute Octane

Master Fund Limited, Absolute Capital Management Holdings Limited, Grand Cayman/ Cayman Islands holds 9.939% and 14.966% of caatoosee shares respectively.

The indirect investments in the capital of caatoosee ag are allocated to the Company in line with the disclosure of 4 December 2007:

1. Salveo Beteiligungs GmbH (formerly: Salveo Immobilienbesitz GmbH), Franz Josefs Kai 41, 1010 Vienna, Austria,

2. Gorosa Beteiligungsverwaltungs GmbH, Franz Josefs Kai 47, 1010 Vienna, Austria,

3. VICTORY Industriebeteiligungs AG, Franz Josefs Kai 47, 1010 Vienna, Austria,

4. Millenium Privatstiftung, Praterstr. 62-64, 1020 Vienna, Austria,

5. RPR Privatstiftung, Seilerstätte 18-20, 1010 Vienna, Austria.

The voting rights share to be allocated of the companies mentioned under Items 1 to 5 amounts to 51.61% or 12,436,550 voting rights on the share capital of caatoosee ag and is allocated to the companies mentioned in line with Section 22 (1) Clause 1 No. 1, Clause 3 of the German Securities Act.

The allocation takes place as follows: 51.16% of the voting rights in caatoosee ag are held by M+W Zander Facility Engineering GmbH, whose sole shareholder is MWZ Beteiligungs GmbH, which in turn is wholly owned by the company listed under 1 above. The shares of the company listed below 1, above, are held by the company listed below 2, above, (100%) and the shares of the company listed below 2, above, are held by the company listed below 3, above, (100%). The company listed below 3 is held by the foundations listed below 4 and 5, both to 50%.

d. No shares in caatoosee ag have special rights.

e. If employees have invested in the capital, they directly exercise their rights of control.

f. 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 changes only relate 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 6 September 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 6 September 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 determination 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 30 August 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.

g. There are no agreements either with the subsidiary or with the majority shareholder which include a Change of Control clause for the case of a takeover bid.

h. In the case of a takeover bid, no compensation agreements have been made with members of the Management Board or employees.

7. Dependent company report

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

Accordingly, the Management Board has prepared a dependent company report on all the Company's relationships in accordance with Section 312 of the German Stock Corporation Act for the 2007 financial year.

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

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

8. Report on expected developments

Future growth of the caatoosee Group will result from the organic further development of the Company and the acquisition of equity interests. Third-party business should again be extended in the 2008 financial year. This requires strengthening in sales and marketing, but can draw on further growing markets.

The market research company, Gartner Group, forecasts growth in 2008 of 8.1% for the global outsourcing market.

The market had already grown significantly in 2007, primarily with a number of individual, smaller orders. Users prefer to commit to a number of providers, instead of one general company. The market researchers expect that in 2008 companies will begin to move away from their multi-sourcing strategy and reduce the number of their providers to save on integration costs.

In September 2007, the industry association BITKOM announced growth of 1.4% for the German market as a whole for 2008, following 0.9% growth in 2007. The strongest growth segment is the sub-market for operations management, i.e. the area in which our

Company operates. According to these statements, it will grow by 7% in 2008.

Organic growth through strengthened marketing and sales activities

In the light of this, the Management Board and Management of the caatoosee Group evaluated the continued business outlooks with regard to sales aspects and decided on a new marketing and sales orientation.

In view of our operating strengths,

- strong solution orientation
- high customer satisfaction and active reference customers and
- profitable business with good liquidity

we envisage exceptional growth opportunities due to the continuing strong growth potential for IT outsourcing in SMEs, for which we are optimally sized as a mid-sized provider.

We will therefore strengthen our sales activities to position ourselves in the short term as a leading IT service provider and established IT outsourcing partner for SMEs among the top 100 in our industry. We regard 2008 as a year of re-alignment and investment.

As a result of the expansion of the existing and new customer business in 2007, we are now well on the way to further stabilising and developing revenue in the area of IT outsourcing and services in 2008. More growth in engineering is also expected. Overall therefore, constant further development is expected for 2008.

Our strategy is two-pronged:

- on the one hand, we are currently investing in further professionalisation of the sales structure, primarily expanding greatly in outsourcing for SMEs. This is a market which is fairly tailored to the competence and experience available at Teraport;
- on the other hand, we are also involved in opening up the attractive, developing market of online software provision.

These involves programs which are no longer acquired and operated by customers themselves, but are paid for only on the basis of defined usage parameters (comparable with a rental model) and accessed from a provider's data centre via the Internet. Providers of *Software as a Service* are not limited to their own software programs, but can also offer products of other software manufacturers in collaboration with them as part of a flexible usage model.

This enables us to also round off our service package in areas which we do not immediately cover with direct outsourcing.

The implementation of this strategy requires investment primarily in staff, qualifications, service range, marketing and sales. We are therefore expecting a temporary decline in margins in 2008 of around 5% due to planned investments.

Overall, the caatoosee Group therefore expects organic, positive development in revenues and income for the coming 2008 and 2009 financial years. In the medium term, we want to increase revenue at Teraport in this way significantly and are seeking a sustainable EBIT return. Additional growth depends upon the success of our acquisition strategy.

Company acquisitions in preparation

We will also be actively pursuing the implementation of strategic company acquisitions of IT companies in the consulting and services sector during the 2008 financial year.

In so doing, the focus will be on the Company's earnings situation. To continue growing, additional one-off costs will also arise for caatoosee in the course of further strategic development of the Group in the 2008 financial year. The investments are necessary in order to achieve a tangible market size and to take the next growth steps for the future of the Company.

In order to drive forward the expansion of the Group, several companies are currently being examined as potential candidates for acquisition; they include established consulting and services companies driven by the small to medium-sized market – possibly in the SAP environment – via SaaS-driven software houses to companies which already have a notable customer portfolio and to whom we can offer our outsourcing services. We want to move forwards in fast-growing markets and give ourselves the opportunity of opening up new, wider customer profiles than ever before.

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. Overall, the Management Board is aware of its obligation towards the shareholders and the capital market and is working on making acquisitions that are likely to make an appreciable value contribution. We will continue to work intensively on allowing our Group's prospects to be more strongly reflected in the share value.

Leonberg (Germany), 29 February 2008

The Management Board

Report of the Supervisory Board

REPORT OF THE SUPERVISORY BOARD OF CAATOOSEE AG FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2007

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 five meetings, the Supervisory Board intensively discussed the course of business on the basis of the reports provided by the Management Board, and monitored management activities accordingly. All measures requiring approval by the Supervisory Board were discussed in detail at the meetings of the Supervisory Board. Furthermore, the Supervisory Board, and in particular the Chairman of the Supervisory Board, remained in close communication with the Management Board and ensured that it was provided with comprehensive information on current business developments.

In financial year 2007, the Supervisory Board discussed in particular the economic position and the development of the individual business units of the Group, in particular the discontinuation of operating activities at the North American subsidiary OuterBounds Technologies Inc. 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. Furthermore, the marketing strategy and measures aimed at enhancing competitiveness and the corporate strategy formed an integral part of discussions. In particular the Supervisory Board discussed the expansion of the remaining operating units and further Group development on the basis of organic growth and company acquisitions.

In the current financial year, a change of personnel took place in the Supervisory Board. Mr Jürgen Gießmann resigned from his office as a member of the Supervisory Board for personal reasons as of January 28, 2008. On January 29, 2008, Mr Rolf Huber was appointed by court resolution as member of the Supervisory Board and on February 28, 2008, Mr Jan Tenné was appointed by court resolution as member of the Supervisory Board.

In financial year 2007, 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 2007 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 9, 2008, 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 2007 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 2007. 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.

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 2007.

Leonberg, April 9, 2008

For the Supervisory Board

Reimund Blessing

Chairman

caatoosee ag, Leonberg

CONSOLIDATED INCOME STATEMENT IN 2007

	Note	2007 01.01.-31.12. EUR	2006 01.01.-31.12. TEUR
Sales revenues	**1**	18,372,670	19,572
Cost of sales	**2**	-13,938,426	-14,936
Gross profit		**4,434,244**	**4,636**
Selling expenses	**3**	-898,522	-384
General and administrative expenses	**4**	-3,664,943	-3,153
Research and development costs	**5**	-453,480	-239
Other operating income and expenses, net	**6, 7**	775,227	221
Operating result		**192,526**	**1,081**
Net interest income	**8**	117,010	119
Financial result		**117,010**	**119**
Net income before income taxes		**309,536**	**1,201**
Income taxes	**9**	-37,795	-24
Earnings from business units to be continued		**271,741**	**1,177**
Earnings from discontinued business units	**10**	**-269,452**	**-8,970**
Consolidated net income		**2,289**	**-7,793**
Thereof attributable to:			
Parent company shareholders		2,289	-7,793
thereof discontinued business units		-269,452	-8,970
Earnings per share (undiluted) in EUR	**12**	0.00	-0.32
Earnings per share (fully diluted) in EUR	**12**	0.00	-0.32

See also the notes to the consolidated financial statements.

caatoosee ag, Leonberg

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2007

Assets	**Note**	**31.12.2007 EUR**	**31.12.2006 TEUR**
Property, plant and equipment	**14**	3,561,688	3,502
Intangible assets	**13**	1,387,779	2,018
Deferred taxes	**9**	17,000	54
Noncurrent assets		**4,966,467**	**5,574**
Cash and cash equivalents	**21**	11,827,820	7,053
Financial assets/Securities	**21**	0	4,195
Trade receivables less cumulative value adjustments less 2007: EUR 136.000; 2006: TEUR 2	**18**	2,095,057	2,243
Receivables from subsidiaries	**18**	841,720	1,789
Inventories	**17**	52,219	0
Other assets	**18**	729,184	641
Prepaid expenses	**19**	247,435	298
Assets of a business unit to be sold	**20**	70.588	47
Current assets		**15,864,023**	**16,266**
Total assets		**20,830,490**	**21,840**

Stockholders' equity			
Issued capital	**22**	24,098,988	24,099
Capital reserves	**22**	173,956	99
Retained earnings	**22**	-8,009,235	-8,011
Foreign currency translation reserve	**22**	0	-28
Total stockholders' equity		**16,263,709**	**16,159**

Liabilities			
Noncurrent financial liabilities	**27**	1,218,682	1,314
Deferred taxes	**9**	0	15
Provisions for pensions	**24**	218,866	195
Noncurrent liabilities		**1,437,548**	**1,524**
Noncurrent financial liabilities	**27**	93,000	124
Trade payables	**28**	1,326,494	1,792
Liabilities to subsidiaries	**28**	977	0
Other provisions	**26**	773,506	1,293
Other current liabilities	**28**	629,291	549
Income tax liabilities	**25**	0	191
Advanced payments received	**29**	305,965	139
Liabilities of a business unit to be sold	**20**	0	69
Current provisions and liabilities		**3,129,233**	**4,157**
Total liabilities		**4,566,781**	**5,681**
Total stockholders' equity and liabilities		**20,830,490**	**21,840**

See also the notes to the consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT IN 2007

	01.01. - 31.12.07 EUR	01.01. - 31.12.06 TEUR
Net cash from operating activities		
Consolidated net losses/income for the year	2,289	-7,793
Reconciliation of consolidated net income to net cash used in operating activities		
Depreciation of property, plant and equipment	1,610,960	2,744
Amortisation of goodwill, equity interests and intangible assets	1,661,098	3,241
Earnings from the disposal of business units	269,452	7,182
Unrealised price gains on securities held as current assets	0	-38
Other financial and investment income/expense	-117,010	-119
Income/expenses attributable to the stock option plan	75,000	85
Change in deferred taxes	22,000	25
Other	-23,439	0
	3,500,350	5,327
Change in operating assets and liabilities		
Trade receivables	1,089,444	-398
Inventories	-52,219	-624
Other operating assets	-274,132	398
Trade payables	-464,944	-2,568
Reserves	-682,404	-616
Other operating liabilities	238,183	-638
Net cash from operating activities	**3,354,278**	**881**
Net cash used in investing activities		
Payments for the acquisition of property, plant and equipment	-1,670,712	-1,738
Payments for the acquisition of intangible assets	-1,030,877	-1,055
Proceeds from the diposal of property, plant and equipment	23,439	0
Payments for the acquisition of securities	0	-4,195
Proceeds from the disposal of securities	4,312,010	945
Change in other cash investments	0	33
Proceeds from the disposal of a business unit	0	5,098
Net cash used in investing activities	**1,633,860**	**-912**
Net cash from financing activities		
Change in current financial liabilities	-22,000	-303
Proceeds from/payments for noncurrent liabilities	-95,318	-579
Other	0	-11
Net cash from (+) / Net cash used in (-) financing activities	**-117,318**	**-893**
Effect of foreign exchange rate changes on cash and cash equivalents	0	-366
Change in cash and cash equivalents	4,870,820	-1,290
Cash and cash equivalents at beginning of year	7,053,249	11,946
Cash inflow from initial consolidation	-96,249	-3,603
Cash inflow from initial consolidation	**11,827,820**	**7,053**

See also the notes to the consolidated financial statements.

STATEMENT OF CHANGES IN CONSOLIDATED STOCKHOLDERS' EQUITY IN 2007

	Stockholders' equity attributable to parent company shareholders						
	Issued capital	**Capital reserved**	**Retained earnings**	**Foreign currency translation reserve**	**Total**	**Stockholders' equity attributableto minority interests**	**Stockholders' equity total**
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balance at December 31, 2005	**24,098,988**	**13,955**	**-226,281**	**367,836**	**24,254,498**	**5,536,729**	**29,791,227**
Earnings from operating activities			1,176,888		1,176,888		1,176,888
Earnings from discontinued business activities			-8,969,933		-8,969,933		-8,969,933
Foreign currency translation adjustment				-395,676	-395,676		-395,676
Total consolidated net income	0	0	-7,793,045	-395,676	-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**	**16,158,580**	**0**	**16,158,580**
Earnings from operating activities			271,741		271,741		271,741
Earnings from discontinued business activities			-269,452		-269,452		-269,452
Foreign currency translation adjustment				27,841	27,841		27,841
Total consolidated net income	0	0	2,289	27,841	30,130	0	30,130
Stock Options		75,000			75,000		75,000
Other changes in stockholders' equity			-1		-1	0	-1
Balance at December 31, 2007	**24,098,988**	**173,956**	**-8,009,235**	**0**	**16,263,709**	**0**	**16,263,709**

See also the notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the 2007 financial year

PRESENTATION OF GROUP STRUCTURE

Parent company

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

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

The Company's activities focus on the sustainable development of its subsidiary, Teraport GmbH, which specialises in IT outsourcing and IT management services, as well as the reinforcement of the operational software activities of caatoosee ag.

The companies in the caatoosee Group are primarily active in the areas of consulting, support and IT system operation. 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 continues to distribute and maintain its internally developed software, particularly on the German market.

The consolidated financial statements for the financial year were submitted to the electronic commercial register dated 30 April 2007.

The consolidated financial statements for the 2007 financial year were approved by resolution of the Management Board for submission to the Supervisory Board on 29 February 2008. 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 315a 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 used IFRS 5 for the discontinuation of the business unit of a company.

The accounting methods applied correspond to those applied in the previous year with the following exceptions:

The Group applied the following new and revised IFRS standards and interpretations during the financial year. The application of these revised standards and interpretations had no effect upon the Group's assets, liabilities, financial position and profit or loss. However, they led to additional disclosures.

Since 1 January 2007 it has been mandatory to apply the standards of IFRS 7: *Financial Instruments: Disclosures*, IAS 1: *Presentation of Financial Statements* (revised), IFRIC 8: *Scope of IFRS 2*, IFRIC 9: *Reassessment of Embedded Derivatives* and IFRIC 10: *Interim Financial Reporting and Impairment*.

IFRS 7: Financial Instruments: Disclosures

IFRS 7 stipulates the obligation to disclose financial instruments both by industrial companies as well as by banks and similar financial institutions. IFRS 7 replaces IAS 30: *Disclosures in Financial Statements of Banks and Similar Financial Institutions* and the disclosure obligations contained in IAS 32: *Financial Instruments: Presentation* and demands disclosures which enable the users of the financial statements to judge what the financial instruments mean for the financial situation and the profitability of the Group and the type and extent of the risks arising from these financial instruments. IFRS 7 has no effect on the items in the balance sheet and income statement of the caatoosee Group, but leads to a significant extension of the disclosures in the notes to the consolidated financial statements.

IAS 1: Presentation of Financial Statements (revised)

IAS 1 presents the general framework and the obligations for the presentation of financial statements, guidelines for their structure and minimum requirements for the content of financial statements. Standards for the recognition, measurement and disclosure of certain transactions can be found in other standards and Interpretations. New disclosures result from this change, which enable the user of the financial statements to assess the aims, methods and processes of the caatoosee Group.

IFRIC 8: Scope of IFRS 2

IFRIC 8 clarifies that IFRS 2: *Share-based payment* is to be applied in agreements where a company is granting share-based payment obviously without, or with insufficient, consideration. An application of this interpretation has no effect on the consolidated financial statements of the caatoosee Group.

IFRIC 9: Reassessment of Embedded Derivatives

According to IFRIC 9, the assessment as to whether an embedded derivative is to be accounted for separately from the basis amount must be carried out at the time of conclusion of the contract. A reassessment during the term of the contract is then only permissible if the underlying contractual conditions and the associated cash flows change significantly.

This should be based on what extent the payments from the embedded derivative and/or basis contract have changed in comparison with the original cash flows. IFRIC 9 has no effect on the consolidated financial statements of caatoosee Group as at 31 December 2007.

IFRIC 10: Interim Financial Reporting and Impairment standards

IFRIC 10 stipulates that a company may not reverse an impairment loss in the case of goodwill and a financial asset held at amortised cost recognised in the previous interim period. IFRIC 10 has no effect on the consolidated financial statements of caatoosee Group as at 31 December 2007.

The standards and interpretations already published but which were not regarded as compulsory for the 2007 financial year will be applied by the Company at a later date. The standards and interpretations that the Company is required to apply from financial year 2008 are not currently expected to have a material effect.

The standards and interpretations already published but which were not required to be applied in the 2007 financial year and which the Company will first apply from financial year 2008 are as follows:

IFRS 8: *Operating Segments* requires that companies report on financial and descriptive information relating to its reportable segments. IFRS 8 replaces IAS 14: *Segment Reporting* and requires that segments be formed according to the management approach and is to be used for the first time for financial years which begin on or after 1 January 2009. IFRS 8 will not affect the consolidated financial statements of the caatoosee Group.

IRIC 11 IFRS 2: *Group and Treasury Share Transactions* was published in November 2006 and is to be applied for the first time for financial years which begin on or after 1 March 2007. This interpretation specifies the application of IFRS 2 for share-based payment where treasury shares are used for fulfilment or for rights to equity financial instruments which are granted to employees of a subsidiary by the parent company or for rights to equity financial instruments of the parent company which are granted to the employees of a subsidiary via the subsidiary. Early application is recommended. IFRIC 11 has no effect on the consolidated financial statements of caatoosee Group as at 31 December 2007.

The following standards have not yet come into force; assumption by the EU is still pending

IAS 1: *Presentation of Financial Statements* is to be applied for the first time for financial years which begin on or after 1 January 2009 and updates the basic regulations stipulating how IFRS financial statements are to be presented. Liabilities are classified as current if a company has no unlimited right to postpone settlement in cash or with another asset by at least 12 months after the balance sheet date.

IAS 23: *Borrowing Costs* is to be applied for the first time for financial years which begin on or after 1 January 2009. IAS 23 specifies the treatment of borrowing costs within the scope of determining the procurement or manufacturing costs.

The correct application of IAS 23 relates to the treatment in the balance sheet of borrowing costs associated with the acquisition, manufacture or production of qualified assets and the corresponding disclosures. This has no impact on the caatoosee Group.

IFRS 12 was published in November, 2006 and is required to be applied for the first time for financial years beginning on or after 1 January 2007. This interpretation specifies service concession arrangements and how they are reported. IFRS 12 is not expected to affect the consolidated financial statements of the caatoosee Group.

IFRS 13 was published in June 2007 and is required to be applied for the first time for financial years beginning on or after 1 July 2008. This interpretation covers customer loyalty programmes and specifies the reporting in preparation and granting of cost-free or reduced goods or services (premiums). IFRS 13 is not expected to affect the consolidated financial statements of the caatoosee Group.

IFRS 14 was published in July 2007 and is required to be applied for the first time for financial years beginning on or after 1 July 2008. This interpretation covers the interaction between the minimum funding requirements as part of pension plans or other plans for payments to employees and the measurement ceiling imposed by IAS 19 for payment-oriented assets or liabilities. IFRS 14 is not expected to affect the consolidated financial statements of the caatoosee Group.

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 meet the requirements of section 315 a of the HGB (German Commercial Code).

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 circumstances are of particular significance for the consolidated financial statements.

The carrying amount of investments of Teraport (S) Singapur Pte. Ltd, a subsidiary of Teraport GmbH, of EUR 71 thousand has been reported as an available-for-sale asset.

The share in PT Sigma Cipta Caraka, Jakarta, Indonesia (Sigma) was sold in the 2006 financial year. In accordance with IFRS 5, the earnings and losses from the disposal of Sigma were reported in the consolidated income statement as earnings from discontinued business units.

The amortised goodwill of OuterBounds Technologies, Inc. (OuterBounds) is also reported as earnings from discontinued business units. The company’s business operations were discontinued during the reporting year.

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 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.

Significant judgements, assumptions and estimates

The preparation of the consolidated financial statements in accordance with IFRS requires that assumptions and estimates are made which influence the reported assets and liabilities, the disclosure of contingent liabilities and other financial liabilities on the balance sheet date and the reporting of expenses and income during the reporting period. The assumptions and estimates essentially relate to determinations uniform across the Group of useful life, the balance sheet and measurement principles of capitalised development costs, inventories, receivables and reserves as well as the recoverability of future tax relief from deferred tax assets. The actual amounts arising in future periods can deviate from the estimates. Changes will be taken into account in income when more is known.

Obligations under operating leases - Group as lessor

The Group has concluded leasing agreements for the commercial letting of its hardware held as operating and office equipment. In the process, it was determined on the basis of an analysis of the contractual conditions that all relevant risks and rewards in the Group associated with the ownership of the operating and office equipment let within the scope of operating leasing agreements remain and the Group recognises these contracts accordingly as operating leases.

Impairment of non-financial assets

On each balance sheet date, the Group determines as to whether there is any indication of impairment of non-financial assets. Goodwill and other intangible assets with indefinite life are subject to impairment testing at least once annually or if any reason to do so arises. Other non-financial assets are tested for impairment if there is any indication that the carrying amount exceeds the recoverable amount.

To estimate the value in use, the management must estimate the likely future cash flows of the asset or the cash generating unit and select an appropriate discount rate to determine the present value of this cash flow. Please refer to the Notes Disclosure 13 for more details.

Impairment of available-for-sale financial investments

The Group classifies certain assets as available for sale and reports changes to their fair value in equity. If the fair value declines, assumptions are made by management on the decrease in value to determine as to whether it involves an impairment which must be reported in net income. As at 31 December 2007, no impairment loss was reported for available-for-sale financial investments (2006: EUR 3,094 thousand). The carrying amount of the available-for-sale financial investments amounted to EUR 71 thousands (2006: EUR 0 thousand).

Share-based payment

The costs arising from issuing equity financial instruments to employees are measured at the time of their issue with the fair value of these equity financial instruments. An appropriate measurement procedure must be determined for the issue of equity financial instruments for estimating the fair value; this is dependent upon the conditions of the issue. Furthermore the determination of appropriate data flowing into this measurement procedure, in particular including the likely option term, volatility and dividend return, as well as suitable assumptions, is necessary. The assumptions and the procedure applied are reported in the Notes Disclosure 34.

Deferred tax assets

For all tax loss carryforwards not used, deferred tax assets are reported to the extent that it is likely that taxable income will be available for this, so that the loss carryforwards actually can be used.

In determining the amount of deferred tax assets, the Company management’s judgement is required on the expected time of occurrence and amount of the taxable income as well as the future tax planning strategy. As at 31 December 2007, the carrying amount of the tax losses taken into account amounted to EUR 0 thousand (2006: EUR 0 thousand) and the tax losses not accounted for amounted to EUR 60,042 thousand (2006: EUR 60,159 thousand). More detail is shown in Notes Disclosure 9.

Pensions and other post-employment services

The expense arising from service-oriented planning and other medical services following the end of the employment contract is determined using actuarial calculations. The actuarial measurement takes place on the basis of assumptions on discount rates, future wage and salary increases, mortality and future pension growth. In accordance with the long-term orientation of these plans, such estimates are subject to substantial uncertainty. As at 31 December 2007, the provisions for pensions and similar obligations amounted to EUR 219 thousand (2006: EUR 195 thousand). More detail on this in Notes Disclosure 24.

Development costs

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 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.

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.

The business operations of OuterBounds Technologies Inc., Atlanta/US were discontinued in the 2007 financial year and the company was deconsolidated. The company was deleted from the relevant US commercial register as at 2 November 2007.

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 the 2006 financial year. However, the Group's expectations with regard to penetration of the Asian market were not met. Teraport (S) Pte. Ltd was deconsolidated as at 31 December 2007.

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.

In the event of business combinations according to the purchase method (complete revaluation), all assets and liabilities acquired are reported at fair value. The share of the purchase price which exceeds the fair price of the assets and liabilities acquired is recognised as goodwill and is not amortised in subsequent periods but tested annually for impairment (IAS 36 impairment only approach).

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 positive difference is recognised as goodwill, which is not amortised in subsequent periods but tested annually for impairment.

Currency translation

The financial statements of the German Group companies are prepared using the euro as the functional currency. Under the functional 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 non-current 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 non-current assets of foreign Group companies results in exchange differences affecting changes in non-current assets; these are presented in a separate column in the statement of changes in non-current assets.

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

		Middle rate on		Average exchange rate for the year	
		31 December 2007	31 December 2006	1 January – 31 December 2007	1 January – 31 December 2006
		EUR 1 =	EUR 1 =	EUR 1 =	EUR 1 =
US	USD	1.47285	1.32030	1.37074	1.25622
Singapore	SGD	2.13077	2.02600	2.06436	2.01178

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 re-measured 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 useful life of between 3 and 10 years. The Group tests intangible assets with a determinable useful life for impairment (cf. section 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 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.

The following additional criteria are also to be taken into account for certain assets:

Goodwill

On each balance sheet date, the Group determines as to whether there is any reason for impairment of goodwill. Goodwill is tested for impairment at least once a year. There is also a check if events or circumstances indicate that the value could be impaired.

The impairment is determined via the determination of the recoverable amount of the cash-generating unit to which the goodwill was allocated. If the recoverable amount of the cash-generating unit is less than the carrying value of this unit, an impairment loss is reported. An impairment loss reported for the goodwill may not be reversed in the following reporting periods. The Group carries out the annual test of impairment on goodwill on 31 December.

Intangible assets

The test for impairment of intangible assets with an indefinite life is carried out at least once a year on 31 December. Depending on the individual case the test is made out for the individual asset or at the level of the cash-generating unit.

Leases

Determining as to whether an agreement contains a lease is performed on the basis of the commercial content of the agreement at its conclusion date 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 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 investments and other financial assets

Depending upon individual case, financial assets within the meaning of IAS 39 are classified either as financial assets which are measured at fair value in income, as loans and receivables, as financial investments held until maturity or as available-for-sale financial assets. The financial assets are measured at fair value on initial recognition. In the case of other financial investments which are measured at fair value in income, transaction costs are also accounted for, which must be allocated directly to the acquisition of the asset.

The designation of the financial asset to the measurement category takes place subsequent to initial recognition. Reclassifications are made at the end of each financial year if they are permissible and appear necessary.

All purchases and sales of financial assets usual on the market are reported in the balance sheet on the trading day, i.e. the day on which the Company has entered into the obligation to purchase the asset. Purchases and sales usual on the market are purchases and sales of financial assets which specify the delivery of the asset within a period set out by market regulations or conventions.

Financial assets measured in income at fair value

The group of financial assets measured at fair value in income includes the financial assets held for trading purposes and financial assets which are classified as financial assets to be measured at fair value when first reported.

Financial assets are classified as held for trading purposes if they have been acquired for the purposes of sale in the near future. Derivatives, including separately reported embedded derivatives are also classified as held for trading, with the exception of derivatives used as a financial guarantee or which have been designated as a hedging instrument and are effective as such. Gains or losses from financial assets held for trading purposes are reported in income.

At the point in time at which the Group becomes a contractual partner for the first time, it determines as to whether embedded derivatives must be reported separately from the basis contract. A reassessment takes place only in the case of a significant change in the contractual conditions if this results in a significant change in the cash flows, which would otherwise have arisen from the contract.

Financial investments held until maturity

Non-derivative, financial assets with fixed or determinable cash amounts and fixed maturity dates are classified as financial investments held until maturity if the Group intends, and is in a position, to hold these until maturity. Following their initial recognition, financial investments held until maturity are measured at amortised cost using the effective interest method. Gains and losses are reported in the net income for the period if the financial investments are derecognised or impaired, or within the scope of amortisations.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or certain payments which are not listed in an active market. Following initial recognition, the loans and receivables are measured at amortised cost using the effective interest method less value adjustment for impairment. Gains and losses are reported in the net income for the period if the loans and receivables are derecognised or impaired, or within the scope of amortisations.

Available-for-sale financial investments

Available-for-sale financial assets are non-derivative financial assets which are classified as available for sale and are not classified in one of the three abovementioned categories. Following initial recognition, the available-for-sale financial assets are measured at fair value. Gains or losses not realised are reported directly in equity.

If such a financial asset is derecognised or impaired, the cumulative gain or loss previously taken directly to equity is recognised in income.

Fair value

The fair value of financial investments traded on organised markets is determined by the market price (bid price) quoted on the balance sheet day. The fair value of financial investments for which there is no active market is determined using measurement methods. Measurement methods include the application of the most recent business transactions between knowledgeable, willing and independent contractual parties, the comparison with the current fair value of another, essentially identical financial instruments, the analysis of discounted cash flows and the application of other measurement methods.

Amortised cost

Financial investments held until maturity and loans and receivables are measured at amortised cost. These are determined using the effective interest method less any value adjustments and taking into account discounts and premiums at acquisition and include transaction costs and fees, which are an integral part of the effective interest rate.

Impairment of financial assets

On each balance sheet day, the Group determines whether there is impairment of a financial asset or a group of financial assets.

Assets reported at amortised cost

If there is objective evidence that impairment has occurred in the case of loans and receivables recognised at amortised cost, the amount of loss is calculated as the difference between the carrying amount of the asset and the present value of the expected future cash flow (with the exception of expected future, not yet occurred loan defaults), discounted at the original effective interest rate of the financial asset (i.e. with the first-time recognition of effective interest rate determined). The carrying amount of the asset is reduced using a value adjustment account. The impairment loss is recognised in income.

If the amount of the value adjustment declines in one of the following reporting periods and this reduction can objectively be attributed to a circumstance occurring after recognition of the impairment, the value adjustment made earlier is reversed. The reversal amount is limited to the amortised cost at the time of the reversal. The reversal is recognised in income.

If there is objective evidence in the case of trade receivables (e.g. the probability of an insolvency or significant financial difficulties on the part of the debtor) that not all due amounts in accordance with originally agreed invoicing conditions will be received, the impairment will be carried out using a value adjustment account. Impairment amounts are reversed if they are classified as unrecoverable.

Available-for-sale financial investments

If there is impairment of an available-for-sale asset, an amount equivalent to the difference between cost (less any repayments or amortisations) and the current fair value (less any value adjustments already recognised in income) is transferred from equity into the income statement. Reversals of impairment losses in the case of equity financial instruments which are classified as available for sale are not recognised in the income statement. Reversals of impairment in the case of debt instruments which are classified as available for sale are recognised in income if the increase in the fair value of the instrument is the result of an event which objectively occurred after the impairment was recognised in income.

Reversals of impairment in the case of debt instruments which are classified as available for sale are recognised in income if the increase in the fair value of the instrument is the result of an event which objectively occurred after the impairment was recognised in income.

Inventories

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

Costs incurred bringing inventories to their current location and to their current state are recognised as follows:

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.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling costs.

Cash and cash equivalents

Cash and short-term deposits on the balance sheet comprise cash on hand, bank accounts and short-term deposits with a residual term, calculated from the time of acquisition, of less than 3 months.

The funds in the consolidated cash flow statement are limited according to the above definition.

Financial assets / securities

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

Financial liabilities

Interest-bearing loans
Loans are measured upon initial recognition at the fair value of the consideration received less the transaction costs associated with the borrowing.

Following first-time recognition, the interest-bearing loans are measured using the effective interest method at amortised cost.

Gains and losses are recognised in income if the debts are reversed as part of amortisations.

Financial liabilities measured in income at fair value

Financial liabilities measured at fair value in income comprise the financial liabilities held for trading and other financial liabilities which are classified as financial liabilities measured at fair value in income upon first-time recognition.

Financial liabilities are classified as held for trading if they were acquired with the intention of selling them in the near future. Derivatives, including separately reported embedded derivatives are also classified as held for trading, with the exception of derivatives which have been designated as hedging instruments and are effective as such. Gains or losses from financial liabilities held for trading purposes are reported in income.

If a contract contains one or more embedded derivatives, the entire structured contract may be classified as a financial liability measured at fair value in income, unless the embedded derivative(s) change(s) the otherwise occurring cash flows from the contract only insignificantly or a separation of the embedded derivative is permissible.

Financial liabilities may be designated as financial liabilities measured at fair value in income upon first-time recognition if the following criteria are met: (i) the classification removes or significantly reduces mismatching which would arise from the measurement of liabilities which must otherwise be carried out or the recognition of gains and losses at different measurement methods, or (ii) the liabilities are a component part of a group of financial liabilities which is managed according to a documented risk management strategy and their performance is judged on the basis of the fair value, or (iii) the financial liability includes an embedded derivative to be recognised separately. As was the case in the previous year, no financial liabilities were designated as measured at fair value in income as at 31 December 2007.

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or part of a financial asset or part of a group of similar financial assets) is derecognised if one of the following preconditions is fulfilled:

- The contractual rights to cash flows from a financial asset have expired.
- The Group retains the rights to cash flows from financial assets but assumes a contractual obligation to pay the cash flow to a third party immediately within the scope of an agreement which fulfils the conditions of IAS 39.19 (pass-though arrangement).
- The Group has transferred its contractual rights to the cash flow from a financial asset and therefore either (a) transferred essentially all rewards and risks associated with the ownership of the financial asset or (b) neither transferred nor retained essentially all rewards and risks associated with the ownership of a financial asset, though it has transferred control of the asset.

If the Group transfers its contractual rights to cash flows from an asset, and neither transfers nor retains essentially all rewards and risks associated with the ownership of this asset, thereby also retaining control of the transferred asset, the Group continues to recognise the transferred asset within the scope of its continuing involvement. If the continuing involvement is in the form of a guarantee for the transferred asset, the scope of the continuing involvement corresponds to the lowest amount from the original carrying amount of the asset and the highest amount of the consideration received which the Group would possibly have to pay back.

If the continuing involvement is in the form of a described and/or an acquired option (including an option fulfilled by cash payment similar) on the transferred asset, the scope of the continuing involvement of the Group corresponds to the amount of the transferred asset which the Company can buy back. In the case of a put option (including an option fulfilled by cash payment or similar) on an asset which is measured at fair value, the scope of the continuing involvement of the Group is however limited to the lowest amount of the fair value of the transferred assets and exercise price of the option.

Financial liabilities

A financial liability is reversed if the obligation underlying this liability has been fulfilled or cancelled or has expired.

If an existing financial liability is exchanged for another financial liability of the same lender with substantially different contractual conditions or if the conditions of an existing liability are significantly altered, such an exchange or such an alteration is treated as a reversal of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognised in income.

Reserves

General information

A reserve is recognised if the Group owns a present (legal or constructive) obligation due to a past event, the outflow of resources of economic use for the fulfilment of the obligation is likely and a reliable estimate of the amount of the obligation is possible. If the Group expects repayment for a reserve carried as a liability at least in part (e.g. in the case of an insurance contract), the repayment is recognised as a separate asset if the inflow of the repayment is virtually certain. The expense of forming the reserve is reported in the income statement less the repayment. If the interest effect arising from the discounting is significant, reserves are discounted at an interest rate before tax which, if necessary, reflects the specific risks associated with the debt. In the case of discounting, the increase in the reserves necessary over time is recognised as financial expenses.

Provisions for pensions and similar obligations

Pensions and similar obligations are composed of the Group's obligations under defined benefit and defined contribution pension plans. In the case of defined benefit plans, pension obligations are calculated using the projected unit credit method in accordance with IAS 19: *Employee Benefits*. Annual actuarial reports are commissioned for this purpose. Calculations are based on expected salary growth of 2.25% (previous year: 2.25%) plus 0.50% (previous year: 0.50%) 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 5.60% (previous year: 4.50%). Mortality rates in the year under review were based on the applicable mortality tables published by Prof. Dr. Klaus Heubeck (2005).

Actuarial gains and losses exceeding 10% of the present value of obligations according to the corridor method and the fair value of plan assets must be 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.

The employees of the caatoosee Group in Germany belong to a state pension plan which is administrated by the government. The caatoosee Group must pay a certain percentage rate of the staff expenses into the pension plan to fund the benefits. The Group's only obligation regarding pension provision is the payment of the contributions determined in this way. Expenses for these contribution-based pension plan of EUR 514 thousand (previous year: EUR 461 thousand) are recognised in the consolidated income statement.

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 of sales 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 in accordance with IAS 8. This means that reversals of provisions are generally credited to the same functional cost items that were used for the corresponding additions to provisions.

Offsetting of income and expense items is evident from the fact that significant amounts are stated separately. Offsets have occurred only in regard to the reversal of provisions. Reversals of provisions are recognised in the expense items in which they were formed during the previous year.

Other taxes are allocated to other operating expenses.

Dividend income is recognised when it arises.

In accordance with IFRS 5: *Non-current 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.*

Share-based payment

As reward for work done, employees of caatoosee ag and the subsidiary Teraport GmbH, including the management, receive a share-based payment in the form of equity financial instruments (transactions with payment by equity financial instruments).

Costs from granting equity financial instruments occurring after August 2000 are measured at the fair value of these equity financial instruments at the time they were granted. The fair value is determined using a suitable option price model (for details see Notes Disclosure 34).

The diluted effect of the outstanding share options is taken into account in the calculation of the earnings per share as additional dilution.

Taxes

Current tax assets and liabilities

The actual tax assets and liabilities for the current and for previous periods are measured with the amount equivalent to that expected in repayment from the tax authorities or a payment expected to the tax authorities. The calculation of the amount is based on the tax rate and tax laws applicable on the balance sheet date.

Actual tax which relates to items directly recognised in equity is not recognised in the income statement, but in equity.

Deferred taxes

Deferred taxes are formed using the liability method on the temporary differences existing on the balance sheet date between the carrying amount of an asset or a liability in the balance sheet and the tax carrying amount.
Deferred tax liabilities are recognised for all taxable temporary differences with the exception of:

- deferred tax liability from the first-time recognition of goodwill or of an asset or a liability in the case of a business transaction which is not a business combination and at the time of the transaction influences neither the net income under commercial law nor the taxable profit.
- deferred tax liability from taxable temporary differences associated with participations in subsidiaries, associates and interests in joint ventures, if the timing of the reversal of the temporary differences can be managed and it is likely that the temporary differences are not reversed in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, not yet used tax loss carryforwards and not yet used tax credits to the extent likely that taxable income will be available against which the deductible temporary differences and the not yet used tax loss carryforwards and tax credits can be used, with the exception of:

- deferred tax assets from deductible temporary differences arising from the first-time recognition of an asset or a liability in the case of a business transaction which is not a business combination and at the time of the transaction influences neither the net income under commercial law nor the taxable profit.
- deferred tax assets from taxable temporary differences associated with participations in subsidiaries, associates and interests in joint ventures, if it is likely that the temporary differences are not reversed in the foreseeable future and no sufficient taxable profit will be available against which the temporary differences can be used.

The carrying amount of the deferred tax assets is examined on every balance sheet date and reduced to the extent to which it is no longer likely that a sufficient taxable profit will be available against which the deferred tax assets can at least partly be used. Non-recognised deferred tax assets are checked on every balance sheet date and recognised in the scope in which it is likely that a future taxable profit facilitates the realisation of the deferred tax asset.

Deferred tax assets and liabilities are measured using the tax rates which are expected to be applicable during the period in which an asset is realised or a liability is fulfilled. The calculation of the amount is based on the tax rate and tax laws applicable on the balance sheet date.

Deferred tax which relates to items directly recognised in equity is not recognised in the income statement, but in equity.

Deferred tax assets and deferred tax liabilities are set off against one another if the Group has a legally enforceable right to offset the actual tax assets against the actual tax liabilities and these relate to income tax of the same tax object levied by the same tax authority.

Sales tax

Revenues, expenses and assets are recognised after deduction of sales tax, with the exception of the following cases:

- If the sales tax arising when purchasing assets or services are not receivable by the tax authorities, the sales tax is recognised as part of the cost of the asset or as part of the expenses.
- Receivables and liabilities are recognised with the sales tax amount included.

The sales tax amount which is repaid by the tax authorities or paid to the same is recognised in consolidated balance sheet under *Other current assets* or *Other current liabilities*.

Earnings from discontinued business units

In accordance with IFRS 5: *Non-current 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 internal organisational and management structure and on its system of internal financial reporting to the Management Board and the Supervisory Board (management approach), and is oriented to rewards 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, 2007 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 offers solutions in the business fields consulting, support and operating IT systems in engineering environments and the development of comprehensive solutions for digital product development and simulation.

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 2006 financial year.

The Outerbounds Inc., Atlanta segment in the US was deconsolidated 31 March 2007 financial year due to discontinuation of business activities and the result presented accordingly as result from discontinued business units.

At Teraport GmbH, the Teraport (S) Pte. Ltd, Singapore, business unit is deconsolidated at the end of the 2007 financial year and the result presented accordingly as result from discontinued business units.

The segment information for financial years 2007 and 2006 is as follows:

in EUR(k)	caatoosee ag		Teraport GmbH		OuterBounds, Inc.		Group reconciliation		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Revenues	356	246	18,299	19,431	0	1,168	-282	-1,273	18,373	19,572
of which Germany	343	242	16,868	17,904	0	0	-282	-105	16,929	18,041
EU	1	0	242	249	0	0	0	0	243	249
Rest of Europe	12	4	31	22	0	0	0	0	43	26
NAFTA	0	0	365	412	0	1,168	0	-1,168	365	412
South-East Asia/Pacific/Asia	0	0	423	440	0	0	0	0	423	440
Other	0	0	370	404	0	0	0	0	370	404
EBIT	-2,572	-2,320	2,757	3,398	0	-176	-8	184	193	1,081
Earnings from discontinued business units	0	-10,032	-25	-4	-245	-197	0	1,263	-269	-8,970
Consolidated net income	276	-6,871	-43	-35	0	-197	-231	-689	2	-7,793
Segment assets	27,142	31,251	17,523	16,358	0	725	-23,834	-26,494	20,830	21,840
Segment liabilities	2,229	2,929	5,165	3,862	0	69	-2,827	-1,179	4,567	5,681
Investment in Intangible assets	0	0	1,031	1,088	0	1	0	-1	1,031	1,088
Property, Plant, Equipment	0	1	1,763	1,972	0	26	0	-26	1,763	1,972
Depreciation and amortisation	1	1	3,272	4,698	0	174	1	1,112	3,272	5,985
Employees average for the year	6	6	90	85	0	10	0	0	96	101

INCOME STATEMENT DISCLOSURES

Revenue for financial year 2007 only includes revenue from caatoosee ag and TeraPort GmbH. Due to the discontinuation of business activities and the subsequent deconsolidation carried out 31 March 2007, the revenues of OuterBounds Technologies Inc. are included in the result from discontinued business units. This also applies to all other income statement items.

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 OuterBounds Technologies Inc. were deducted from the income statement items of the previous year and recognised accordingly as earnings from discontinued business units. Furthermore, the values of the PT-Sigma Group deconsolidated in the pervious year are include in the result from discontinued business units.

Teraport (S) Pte. Ltd, established in the 2006 financial year, will be deconsolidated as of 31 December 2007. Only general administrative expenses and interest income have been accrued to an insignificant extent during the financial year. A retrospective treatment in agreement with IFRS 5 of the income statement items in the result from discontinued business units has been carried out for the 2006 financial year.

1. Revenues

Revenue decreased in comparison to 2006 by EUR 1,199 thousand or 6.1% from EUR 19,572 thousand to EUR 18,373 thousand.

The revenues of OuterBounds Inc. of EUR 92 thousand (previous year: EUR 1,168 thousand) are included in the items for result from discontinued business units.

2. Cost of sales

Cost of sales decreased in comparison to 2006 by EUR 998 thousand or 6.7% from EUR 14,936 thousand to EUR 13,938 thousand.

The cost of sales of OuterBounds Inc. of EUR 148 thousand (previous year: EUR 689 thousand) are also included in the items for result from discontinued business units.

The decrease in the cost of sales is directly related to the sales decrease posted. The gross margin (revenues less cost of sales divided by revenues) changed only slightly against the previous year from 23.7% to 24.1%.

Cost of sales includes the costs incurred in generating revenue. 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 have more than doubled since 2006 by EUR 515 thousand from EUR 384 thousand to EUR 899 thousand.

A significant reason for the increase is the strategic reorientation of sales. The existing markets have been processed to a wider extent and more aggressively and additional market potential exploited to gain new customer potential for the group companies.

The selling expenses of OuterBounds Inc. of EUR 56 thousand (previous year: EUR 198 thousand) are included in the items for result 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 2006 by EUR 512 thousand or 16.2% from EUR 3,153 thousand to EUR 3,665 thousand.

The reason for the continued high administrative costs is consulting costs, which have occurred following a strategic company acquisition.

The general administrative costs of OuterBounds Inc. of EUR 91 thousand in the 2007 financial year (previous year: EUR 453 thousand) are included in the items for result from discontinued business units.

At EUR 4 thousand, the general administrative costs of Teraport Singapore for the previous year are also included in the items for result from discontinued business units.

The general administrative costs include EUR 128 thousand (previous year: EUR 226 thousand) 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 214 thousand as against the previous year from EUR 239 thousand to EUR 453 thousand.

Expenses for the development of products and services increased again as against the previous year. The reason was the new development of a data quality component and further developments of the DMU-Toolkits.

6. Other operating income

	2007 EUR (k)	2006 EUR (k)
Income from releases of provision	258	0
Capital gains	259	0
Rental income	78	76
Income from the disposal of property, plant and equipment	30	81
Income from compensation claims	18	7
Income from the sale of materials	9	8
Income from currency gains	2	0
Other income	316	176
	970	348

The remaining other income amounting to EUR 316 thousand (previous year: EUR 176 thousand) primarily relates to income from writing off lapsed liabilities totalling EUR 120 thousand (previous year: EUR 0 thousand). Income from the reversal of provisions relates to provisions for income tax as part of the IPO in 2000 (EUR 258 thousand). Other income from the reversal of provisions was allocated to the expense items for which the provisions were created in previous years.

7. Other operating expenses

	2007 EUR (k)	2006 EUR (k)
Write-downs/bad debt allowances	133	10
Foreign exchange losses	20	16
Other taxes	5	3
Losses on the disposal of property, plant and equipment	1	21
Losses on the disposal of intangible assets	0	0
Other expenses	36	77
	195	127

8. Financial result

The financial income is composed as follows:

	2007 EUR (k)	2006 EUR (k)
Other interest and similar income	214	41
Other interest from subsidiaries	0	197
Interest and similar expenses	-87	-103
Interest element of financial lease instalments	0	-5
Interest element of addition to pension provisions	-10	-11
Financial result (on the basis of historical cost)	117	119
of which: from financial instruments of the measurement categories in line with IFRS 39		
loans and receivables	8	-74
assets held for trading	0	0
designated financial assets	0	-66
Financial liabilities measured at amortised cost	83	-34

9. Income taxes

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

Income taxes are accounted for in accordance with IAS 12 concerning 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.

Deferred taxes are calculated on the basis of the respective national income tax rates. For companies in Germany, deferred taxes as of 31 December 2007 were calculated on the basis of a corporate income tax rate of 15.0% (previous year: 25.0%) plus the solidarity surcharge of 5.5% on the corporate income tax paid, and an effective trade tax rate of 14.7% (previous year: 12.5%).

Including the solidarity surcharge and trade tax, this results in an effective aggregate tax rate for the deferred taxes of companies in Germany of 30.53% (previous year: 38.9%).

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

Deferred taxes are reported in the income statement 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:

	2007 EUR (k)	**2006 EUR (k)**
Income taxes		
caatoosee ag	0	0
TeraPort	16	20
OuterBounds	0	0
	16	20
Deferred taxes		
from temporary differences	22	161
from loss carryforwards	0	157
	22	4
	38	24

Income taxes include prior-period components of EUR 2 thousand (pervious year: EUR 0 thousand). As in the previous year, no prior-period components are contained in the deferred taxes.

A control and profit and loss transfer agreement was concluded between caatoosee ag and Teraport GmbH in July 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 60,042 thousand (previous year: EUR 60,159 thousand) to be offset against future profits. Utilisation of the tax loss carryforwards is not expected within the scope of the planning. No deferred tax assets were taken into account. A future utilisation of the loss carryforwards no longer appear secure at present in particular considering the change in ownership at the highest Group level.

Deferred tax expenses of EUR 5 thousand (previous year: EUR 0 thousand) resulted from tax rate changes.

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	
	31 Dec 2007 EUR (k)	**31 Dec 2006 EUR (k)**	**31 Dec 2007 EUR (k)**	**31 Dec 2006 EUR (k)**
Intangible assets	0	0	5	25
Property, plant, equipment	0	0	0	11
Financial assets	0	0	0	0
Receivables and other assets	5	34	4	0
Reserves	26	43	0	0
Liabilities	0	12	5	14
Gross amount	31	89	14	50
Offsetting items	-14	-35	-14	-35
Tax loss carryforwards	0	0	0	0
Write-downs	0	0	0	0
Carrying amount	17	54	0	15

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. The expected tax expense (income) is calculated by multiplying the effective consolidated tax rate of 38.9% (unchanged since the previous year) by the net income of ordinary activities.

	2007 EUR (k)	2006 EUR (k)
Net income before income taxes from business units to be continued	309	1,201
Loss before taxes from discontinued business units	-269	-8,970
Net income before income taxes	40	-7,769
Expected tax expense	16	-3,023
Changes in expected tax expense		
Non-deductible expenses and tax-exempt income	16	53
Tax-exempt net income from investments	105	2,623
Changes in write-downs of deferred taxes	-115	0
Prior-period taxes	-2	-42
Other tax effects	18	411
Income tax expense at the effective income tax rate	38	22
Income tax expense recognised in the income statement	38	24
Income tax attributable to discontinued business units	0	2

10. Earnings from discontinued business units

The result from discontinued business units contains the following components:

	2007 EUR (k)	2006 EUR (k)
Costs of disposal of the PT Sigma Group	0	-1,360
Deconsolidation of the PT Sigma Group	0	-4,088
Pro rata net income for the year for the PT Sigma Group	0	188
Write-down on goodwill for OuterBounds Technologies Inc.	0	-3,094
Net income for the year for OuterBounds Technologies Inc.	-204	-174
Write-down on noncurrent assets of OuterBounds Technologies In	0	-438
Deconsolidation of OuterBounds Technologies Inc.	-41	0
Net income of Teraport Singapore	-13	-4
Deconsolidation of Teraport Singapore	-11	0
	-269	-8,970

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, the business operations of OuterBounds Technologies Inc. were discontinued and the company deconsolidated as of 31 March 2007. The company was deleted from the relevant US commercial register as at 2 November 2007.

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 2007 and the previous year break down as follows:

	2007	**2006**
	EUR (k)	**EUR (k)**
Revenues	92	1,168
Cost of revenues	-148	-689
Selling expenses	-56	-198
Administrative expenses	-91	-453
Other operating expenses	-3	-4
Net Interest Income	2	0
Result from discontinued business operations before tax	-204	-176
Income taxes	0	2
Minority interests	0	0
	-204	-174

11. Minority interests

There were no minority interests in the Group in the 2007 financial year.

12. 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 0.00 (previous year: EUR -0.32). 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 0.00 in the year under review (previous year: EUR -0.32).

	31 Dec 2007	31 Dec 2006
Earnings attributable to shareholders in EUR thousand	2	-7,793
Weighted average number of shares issued in thousand	24,099	24,099
Earnings per share (EUR)	0.00	-0.32
Dilution effect in thousand	330	345
Weighted average number of shares issued diluted in thousand	24,429	24,444
Earnings per share (diluted) in EUR	0.00	-0.32

Earnings from continuing business units adjusted for earnings from discontinued business units amounted to EUR 272 thousand (previous year: EUR 1,177 thousand). Of this amount, earnings per share would have been EUR +0.01 (previous year: EUR +0.05). The same earnings per share arise taking the dilution effect into consideration.

	2007	2006
Earnings attributable to shareholders in EUR (k)	2	-7,793
Earnings from discontinued business activities in EUR (k)	-269	-8,970
Earnings from operating activities EUR (k)	271	1,177
Weighted average number of shares issued in thousand	24,099	24,099
Earnings per Share (in EUR)	0.01	0.05
Dilution effect in thousand	330	345
Weighted average number of shares issued diluted in thousand	24,429	24,444
Earnings per share (diluted) in EUR	0.01	0.05

Earnings per share from discontinued business operations amounted to EUR -0.01 (previous year: EUR -0.37). The same earnings per share arise taking the dilution effect into consideration.

caatoosee ag's consolidated net income totalling EUR 369 thousand was offset with tax loss carryforwards. Accordingly, no proposal for appropriation of earnings can be made for the financial year.

BALANCE SHEET DISCLOSURES

Assets

13. Intangible assets

With regard to the development of the carrying amounts of intangible assets, we refer to the statement of changes in non-current assets, which is attached to these Notes to the consolidated financial statements as Annex 1.

Goodwill resulting from the deconsolidation of OuterBounds Technologies Inc. of EUR 3,094 thousand has already been amortised in full as at 31 December 2006.

There are no intangible assets with restrictions on title. Obligations for the acquisition of intangible assets exist for software licenses amounting to EUR 775 thousand (of which EUR 775 thousand is due in 2008).

Intangible assets were tested for impairment. No correction was necessary.

14. Property, plant, equipment

With regard to the development of the carrying amounts of property, plant and equipment, we refer to the statement of changes in non-current assets, which is attached to 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.

Property, plant and equipment were tested for impairment. No correction was necessary.

15. 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 0 thousand (previous year: EUR 27 thousand). At the balance sheet date, cost amounted to EUR 246 thousand (previous year: EUR 246 thousand). Write-downs on the gross amount totalled EUR 0 thousand (previous year: EUR 81 thousand).

The lease agreements related primarily to IT equipment. The expense attributable to finance leases in the year under review was EUR 28 thousand (previous year: EUR 86 thousand), of which interest expense accounted for EUR 0 thousand (previous year: EUR 5 thousand). The Group's finance leases expired during the 2007 financial year. There are no lease obligations from finance leases due in the future.

Operating leases

Group as lessee

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

	2008 EUR (k)	2009 - 2012 EUR (k)	from 2013 EUR (k)	Total EUR (k)
Minimum payments from leases	751	2,369	36	3,156

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 1,028 thousand (previous year: EUR 906 thousand).

16. Financial assets

With regard to the development of the carrying amounts of financial assets, we refer to the statement of changes in non-current assets, which is attached to these Notes to the consolidated financial statements as Annex 1.

17. Inventories

Inventories (services in progress) are reported in the amount of EUR 52 thousand (previous year: 0).

	31 Dec 2007 EUR (k)	31 Dec 2006 EUR (k)
Work and services in progress	52	0
	52	0

18. Current receivables and other assets

	EUR (k)	EUR (k)
Trade receivables	2,095	2,243
Receivables from subsidiaries	842	1,789
Other current assets	729	641
	3,666	4,673

For more information on receivables from related parties and persons, please refer to the Notes Disclosure 36.

Current trade receivables do not bear interest and usually have a maturity of 30 to 90 days. The fair values of trade receivables are the same as their carrying amounts. Write-downs were recognised in the amount of EUR 136 thousand (previous year: EUR 2 thousand).

Valuation allowances are recognised for default risk.

Other current assets are largely non-interest-bearing.

As at 31 December 2007, trade receivables were adjusted for value to the nominal value of EUR 136 thousand (previous year: EUR 2 thousand). The development of the value adjustment account is as follows:

	Specific value adjustment **EUR (k)**	Value adjustment basis basis **EUR (k)**	Total **EUR (k)**
As at 1 January 2006	2	0	2
Additions charged as expense	105	0	105
Deconsolidation of OuterBounds	-105	0	-105
As at 1 January 2007	2	0	2
Additions charged as expense	134	0	134
As at 31 December	136	0	136

As at 31 December, the terms structure of trade receivables was as follows:

		neither overdue,	overdue, but not impaired				
	Total EUR (k)	due, nor impaired EUR (k)	<30 days EUR (k)	30-60 days EUR (k)	60-90 days EUR (k)	90-120 days EUR (k)	>120 days EUR (k)
2007	2,095	1,323	725	47	0	0	0
2006	2,243	1,272	829	8	0	0	134

Other assets consist of:

	31 Dec 2007 EUR (k)	**31 Dec 2006 EUR (k)**
Receivables from disposal of assets	485	512
Receivables from tax authorities	208	55
Receivables from employees	19	23
Creditors with debit balances	5	5
Sales tax repayments	0	3
Miscellaneous other current assets	12	43
	729	641

Other current assets essentially include a receivable from the disposal of shares in a former subsidiary of caatoosee ag.

19. Prepaid expenses

Prepaid expenses in the amount of EUR 247 thousand (previous year: EUR 298 thousand) contain prepayments for various service agreements, insurance policies and rental agreements.

20. Assets / liabilities of a business unit for sale

The assets of a business unit for sale comprise the cash of Teraport Singapore.

	31 Dec 2007 EUR (k)	31 Dec 2006 EUR (k)
Cash and cash equivalents	71	47
	71	47

This involved the assets of OuterBounds Technologies, Inc. in the 2006 financial year. The company was wound down in the 2007 financial year.

The liabilities of a business unit for sale reported in the 2006 financial year related in full to OuterBounds Technologies, Inc.

21. Cash and cash equivalents

The Group has bank balances at various banks and in various currencies totalling EUR 11,828 thousand (previous year: EUR 7,053 thousand).

	31 Dec 2007 EUR (k)	31 Dec 2006 EUR (k)
Deutsche Bank	15	565
Dresdner Bank	9,221	6,338
Landesbank Baden-Württemberg	262	0
Other banks	2,323	144
Cash in hand	7	6
Total available cash and cash equivalents	11,828	7,053
of which: cash and cash equivalents with restrictions on title	-	-

Bank balances bear interest for credit callable at a day's notice at variable interest rates. There are short-term deposits for various periods of between 1 day and 3 months depending upon the Group's respective cash requirement. These bear interest at the applicable interest rate for short-term deposits. The fair value of the cash and short-term deposits amounts to EUR 11,828 thousand (previous year: EUR 7,053 thousand). No notable fair value change is anticipated due to the short interest periods of established interest rates.

As in the previous year, the Group had a credit line not drawn on as at 31 December 2007 for which all conditions for utilisation were already fulfilled.

As at 31 December 2007, cash and cash equivalents comprise:

	2007 EUR (k)	2006 EUR (k)
Cash on hand and on bank accounts	11,828	7,053
Bank balances and short-term deposits of the discontinued business unit	0	47
	11,828	7,100
Securities - held for sale	0	4,195
	11,828	11,295

Liabilities

22. Total stockholders' equity

The development of stockholders' equity of caatoosee ag is presented in the statement of changes in stockholders' equity (Annex 4) of these Notes to the consolidated financial statements.

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 6 September 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 6 September 2010 (Authorised Capital II).

Contingent capital

The Annual General Meeting on 30 August 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 30 August 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 174 thousand (previous year: EUR 99 thousand). 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 -8,009 thousand (previous year: EUR -8,011 thousand). The slight change in comparison to the previous year is exclusively a result of the results from the 2007 financial year of EUR 2 thousand.

A **foreign currency translation reserve** in the amount of EUR 0 thousand (previous year: EUR -28 thousand) was recognised in equity for the amount arising from the translation of assets and liabilities denominated in foreign currencies. The value accounted for in the 2006 financial year concerned virtually exclusively OuterBounds Technologies Inc. Since the company was deconsolidated in the 2007 financial year, no new reserves were formed and the existing reserve was reversed.

23. Minority interests

Minority interests are not recognised at the balance sheet date.

24. 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 24 thousand (previous year: EUR 23 thousand).

The employer contribution to annuity insurance amounted to EUR 514 thousand (previous year: EUR 416 thousand).

Current contributions (excluding contributions to the pension scheme) are recognised in pension expense in the year in which they are paid. In 2007, the figure for the Group as a whole was EUR 14 thousand (previous year: EUR 12 thousand).

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:

	31 Dec 2007 EUR (k)	**31 Dec 2006 EUR (k)**
Present value of unfunded obligation	186	226
Unrecognised actuarial gains/losses	33	-31
Net liability recognised in the balance sheet	219	195

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

	31 Dec 2007 EUR (k)	**31 Dec 2006 EUR (k)**
Net liability 1 January	195	172
Expense recognised in the consolidated income statement	24	23
Net liability on 31 December	219	195

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

	31 Dec 2007	31 Dec 2006
	EUR (k)	EUR (k)
Current service cost	14	12
Interest expense	10	9
Actuarial earnings reported	0	2
	24	23

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:

	31 Dec 2007 EUR (k)	31 Dec 2006 EUR (k)
Discount rate as of December 31	5.6%	4.5%
Future salary growth	2.25% plus 0.5% up to age 50	2.25% plus 0.5% up to age 50
Future pension growth	1.75%	1.75%

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

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

	2007 EUR (k)	2006 EUR (k)	2005 EUR (k)	2004 EUR (k)	2003 EUR (k)
Defined benefit obligation	-219	-195	-172	-153	-139
Plan assets	0	0	0	0	0
Deficit	-219	-195	-172	-153	-139
Experience adjustments to plan liabilities	33	-31	0	0	0
Experience adjustment to plan assets	0	0	0	0	0

25. Tax provisions

Summary and development of tax provisions:

	Income tax EUR (k)
As at 31 Dec 2006	191
Utilisation	188
Reversal	3
As at 31 Dec 2007	0

26. Other provisions

Summary and development of other provisions:

	Staff provisions EUR (k)	Contingent losses EUR (k)	Legal and litigation costs EUR (k)	Guarantee provisions EUR (k)	Other taxes EUR (k)	Other EUR (k)	Total EUR (k)
As at 31 Dec 2006	429	31	9	395	258	171	1,293
Utilisation	373	19	9	303	0	122	826
Reversal	13	12	0	85	258	13	381
Addition	438	0	101	0	8	140	687
As at 31 Dec 2007	481	0	101	7	8	176	773

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 advice.

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

As was the case in the previous year, other provisions recognised in the balance sheet as at 31 December 2007 are exclusively concerned with current liabilities, as the cash outflows are anticipated within one year.

27. Financial liabilities

The following overview gives details of current and non-current financial liabilities:

	upto 1 year EUR (k)	2 to 5 years EUR (k)	over 5 years EUR (k)	carrying amount EUR (k)
Liabilities to banks	93	1,219	0	1,312
(previous year)	(85)	(1,314)	(0)	(1,399)
Liabilities from bills	0	0	0	0
(previous year)	(9)	(0)	(0)	(9)
Finance lease liabilities	0	0	0	0
(previous year)	(30)	(0)	(0)	(30)
31 December 2007	93	1,219	0	1,312
(previous year)	(124)	(1,314)	(0)	(1,438)

The carrying amounts of the liabilities to banks correspond to their fair values. The interest rate is 6.0%.

As at 31 December 2007, liabilities to subsidiaries amount to EUR 1 thousand (previous year: EUR 0 thousand).

	Interest rate %	Maturity	2007 EUR (k)	2006 EUR (k)
Current				
Current share of loan bearing up to 6.00% interest over EUR 1,540,057.95	6,00	1 October 2007	93	85
Overdrafts	7,50	after calling	0	0
			93	85

The interest rate risks of long-term loans can be seen from the following table:

	interest rate %	maturity	2007 EUR (k)	2006 EUR (k)
Non-current loans				
bearing interest at 6.00%		1 Oct 2008		
over EUR 1,540,057.95	6,00	2009	1,219	1,314
			1,219	1,314

Overdraft

The existing overdraft credit of EUR 1,000 thousand is unsecured and bears interest at a variable interest rate (7.50% at the end of the financial year). Overdrafts bear an annual interest rate of 10.50%. It was not made use of during the past financial year.

Loans for EUR 1,540 thousand

This loan is not secured and must be repaid on 1 October 2009 with the remaining amount of EUR 1,146 thousand to be paid in one amount. The interest rate is fixed at 6% over the whole term.

28. Other current liabilities

These items include:

	31 Dec 2007 EUR (k)	**31 Dec 2006 EUR (k)**
Trade payables	1,326	1,792
Liabilities to subsidiaries	1	0
Other current liabilities	629	549
	1,956	2,341

Conditions of the above-listed current liabilities:

- Trade payables do not bear interest and usually have a maturity of up to 30 days.
- Liabilities to subsidiaries usually have a maturity of 30 days and are repaid at maturity.
- Other current liabilities do not bear interest and have an average maturity of 6 months.
- For conditions of liabilities related parties and persons, please refer to the Notes, no. 36.

Other current liabilities include:

	31 Dec 2007 EUR (k)	31 Dec 2006 EUR (k)
Other tax liabilities	254	166
Staff liabilities	133	154
Miscellaneous other current liabilities	242	229
	629	549

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

29. Deferred income

Deferred income of EUR 306 thousand (previous year: EUR 139 thousand) includes payments already received for software and hardware service agreements, software licences and the implementation of new programme versions.

30. Purpose and methods of financial risk management

Risk management is the responsibility of the central financial department. Significant financial instruments used by the Group include bank loans, overdrafts 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 has decided 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 non-current financial liabilities are subject to fixed interest rates and no interest rate adjustments are contractually agreed prior to maturity.

Liquidity risk

The Group continually monitors the risk of a liquidity bottleneck using a liquidity report. For this purpose, the duration of the financial investment and the financial assets (e.g. receivables and other financial assets) and expected cash flows from business activity are taken into account.

The Group aims to create a balance between permanent coverage of the need for funds and ensuring flexibility by using overdrafts and loans.

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.

Since the Group concludes transactions exclusively with recognised, credit-worthy third parties, no security is necessary.

Capital management

The primary objective of the Group's capital management is to ensure that high credit rating and good equity ratio are maintained in support of its business activities and to maximise shareholder value.

The Group manages its capital structure and makes adjustments, taking into account the change in the general economic conditions. The Group can issue new shares to maintain or adjust the capital structure. As at 31 December 2007 and as at 31 December 2006, no changes were made to the aims, guidelines and procedures.

The Group monitors its capital using the gearing, which corresponds to the ratio of debt capital and equity.

Risk concentration

As part of its financial risk management, the Group continuously monitors the risk of interdependencies of individual risks consisting of interest-rate induced risks and from liquidity, currency and credit risks. The company management has decided upon procedures for managing such risk concentrations.

According the company management's assessment, the Group is not exposed to significant risk concentrations.

The gearing is as follows:

	31 Dec 2007 EUR (k)	31 Dec 2006 EUR (k)
Issued capital	24,099	24,099
Capital reserves	174	99
Retained earnings	-8,009	-8,011
Foreign currency translation reserve	0	-28
Equity	16,264	16,159
Non-current financial liabilities	1,312	1,438
Trade payables	1,328	1,792
Reserves	992	1,679
Deferred taxes	0	15
Other liabilities	629	618
Deferred income	306	139
Debt capital	4,567	5,681
Gearing	28%	35%

31. Financial instruments

The following table shows carrying amount and fair values of all financial instruments recognised in the consolidated financial statements, including those financial instruments allocated to discontinued business units.

	Carrying amount		Fair value	
	2007 EUR (k)	2006 EUR (k)	2007 EUR (k)	2006 EUR (k)
Financial assets				
Cash	11,828	7,053	11,828	7,053
Securities	0	4,195	0	4,195
Available-for-sale financial instruments	71	0	71	0
Loans to members of the company management (Notes, section 36)	19	22	19	22
Financial liabilities				
Interest-bearing loans	1,540	1,540	1,540	1,540
Liabilities from finance leases and hire purchase contracts	0	27	0	27
Other financial liabilities	629	549	629	549

32. Notes on the consolidated cash flow statement

Amounts reported in the cash flow statement comprise exclusively 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 consolidated net income. Net income before income taxes is adjusted for non-cash expenses (primarily depreciation and amortisation) and revenue. The recognition of changes in working capital produces the 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 3,354 thousand in 2007 (previous year: EUR 796 thousand) includes payments for interest of EUR 117 thousand (previous year: EUR 119 thousand). Net cash used totalling EUR 188 thousand (previous year: EUR 77 thousand) results from income taxes.

The cash inflow from investing activities of EUR 1,634 thousand (cash outflow of EUR 912 thousand in the previous year) results primarily from sales of securities made in the 2007 financial year (EUR 4,312 thousand; previous year: investments in securities of EUR 4,195 thousand), investments in property, plant and equipment (EUR 1,671 thousand; previous year: EUR 1,738 thousand) and intangible assets (EUR 1,031 thousand; previous year: EUR 1,055 thousand).

A net cash outflow of EUR 117 thousand (previous year: net cash outflow of EUR 808 thousand) resulted from financing activities and is predominantly due to the repayment of non-current financial liabilities (EUR 95 thousand, previous year: EUR 579 thousand) as well as the repayment of current financial liabilities (EUR 22 thousand, previous year: EUR 303 thousand).

Other disclosures

33. 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 13, 14, 18, 20, 24, and 26).

34. 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 options for 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 30 August 2000 resolved a contingent capital increase of up to EUR 1,000,000; this resolution was entered in the commercial register on 7 September 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 the 2007 financial year, no stock options were granted. In the year under review, expenses for stock options of EUR 75 thousand were recognised and accordingly transferred from stockholders' equity to capital reserves.

Development of the stock option plan for the financial year from 1 January 2007 to 31 December, 2007 was as follows:

	Number of options	Average exercise price EUR
Balance at beginning of year	345,499	3.46
Granted	0	-
Exercised	0	-
Expired	15,000	-
Balance at end of year	330,499	3.46

Stock options outstanding as of 31 December 2007:

	Exercise price (in EUR)	Number of outstanding options	Average remaning contractual term in months
	3.46	330,499	11.2
Balance at end of year		330,499	
Exercisable at end of year		0	

No stock options were exercised at the end of the year. The options must be exercised within a fixed exercise period. Exercise periods are 20 banking days after the day of the Company's Annual General Meeting 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 6 December 2005.

35. Other financial liabilities

EUR thousand	up to 1 year	1 - 5 years	over 5 years
Long-term rental agreements and leases	751	2,369	36

With the agreement dated 1 January 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 31 December 2007 is EUR 114 thousand. Net rent will increase to EUR 118 thousand 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 751 thousand in 2008 and EUR 719 thousand in 2009.

Litigation

The Group is involved in 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.

Claims for payment

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 910 thousand against the purchaser of the shares as well as a board member of the former subsidiary.

The claim was won by the Company in the first instance. The the opposing party has lodged an appeal at the Stuttgart Higher Regional Court.

36. Related party disclosures in line 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 IFRS as of 31 December 2007 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.

The highest parent company is MWZ Beteiligungs GmbH.

MWZ Beteiligungs GmbH (formerly M+W Zander Holding AG) indirectly holds a majority interest of 51.61% in the share capital of caatoosee ag. As at 31 December 2007, trade receivables from MWZ Beteiligungs GmbH amounted to EUR 340 thousand (previous year: EUR 521 thousand). As at the balance sheet date there were no trade payables (previous year: EUR 0 thousand). Administrative expenses include EUR 243 thousand for services received, the *production cost* item includes EUR 8 thousand in selling expenses and EUR 0 thousand in research and development costs for services rendered. Teraport GmbH provides the entire spectrum of IT services to MWZ Beteiligungs GmbH. This agreement resulted in revenue of EUR 1,545 thousand in the year under review (previous year: EUR 4,143 thousand). Overall, revenue of EUR 7,054 thousand (pervious year: EUR 9,567 thousand) was generated with companies of the MW Zander Group.

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

A loan in the amount of EUR 30 thousand was extended to a member of the Management Board by a Group company in 2004. This loan has a maximum term of 10 years and an interest rate of 5% and is repayable in monthly instalments of EUR 250.00. EUR 3 thousand were repaid during the year under review.

2 family members of a member of the Management Board received EUR 57 thousand from employment contracts during the 2007 financial year.

The subsidiary Teraport GmbH generated revenues of EUR 11 thousand in the past financial year to date from IT services rendered to Trends-Consulting Jürgen Giessmann. Jürgen Giessmann, member of the Supervisory Board of caatoosee ag and Chairman of the Supervisory Board until 7 February 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. The consulting services rendered resulted in costs of EUR 100 thousand. Günther Paul Löw, member of the Supervisory Board of caatoosee ag, is a member of the Management Board of IMPERA Total Return AG.

37. Number of employees

The average number of employees in the 2007 financial year was 96 (previous year: 101). Only salaried staff are employed.

38. Material and staff costs

	2007 EUR (k)	2006 EUR (k)
Material costs		
Cost of raw materials, consumables supplies and goods purchased and held for resale	4	5
Cost of purchased services	4,963	771
Total	4,967	776
Staff costs		
Salaries	6,795	5,980
Social security contributions and expenses for pensions and other benefits	977	946
Total	7,772	6,926

39. Audit costs

EUR 77 thousand (previous year: EUR 80 thousand) was recognised as expenses for the fees expected to be paid to the auditor of the annual financial statements. EUR 42 thousand were recognised (previous year: EUR 56 thousand for tax consulting services) for consulting services, including those within the scope of due diligence. No other expenses were incurred.

40. 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	• Chairman of the Supervisory Board of contara AG, Stuttgart, Germany • Deputy Chairman of the Supervisory Board of stratobyte AG, Stuttgart, Germany (from 29 March 2007)
Stefan Ahrens CFO	• Member of the Board of Directors of Teraport GmbH, Leonberg, Germany • Board of Directors of OuterBounds Technologies, Inc., Atlanta, USA (until 2 November 2007). • Member of the Supervisory Board of stratobyte AG, Stuttgart, Germany (until 14 March 2007) • Management Board of stratobyte AG, Stuttgart, Germany (from 29 March 2007) • Member of the Supervisory Board of contara AG, Stuttgart, Germany
Michael Grünschloß COO	• Chairman of the Board of Directors of Teraport GmbH, Leonberg, Germany • Board of Directors of OuterBounds Technologies, Inc., Atlanta, USA (until 2 November 2007). • Chairman of the Supervisory Board of stratobyte AG, Stuttgart, Germany (from 29 March 2007) • Member of the Supervisory Board of contara AG, Stuttgart, Germany (from 24 April 2007)

As of 31 December 2007, 1,570,022 shares and 78,708 subscription rights were held by the members of the Management Board, which can be broken down as follows:

Shares	Date 01.01.2007	Additions	Disposals	Date 31 Dec 2007
Guido Alt	1,655,000	0	105,000	1,550,000
Stefan Ahrens	18,522	0	0	18,522
Michael Grünschloß	1500	0	0	1,500
	1,675,022	0	105,000	1,570,022
Subscription rights to one 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 2007, the total remuneration of the Management Board in accordance with IAS 14 amounted to EUR 830 thousand (previous year: EUR 668 thousand). This amount comprises fixed remuneration of EUR 539 thousand (previous year: EUR 516 thousand) and variable remuneration of EUR 255 thousand (previous year: EUR 100 thousand). The variable remuneration of EUR 255 thousand was granted for the most part for services rendered in the 2005 financial year as in previous years. The variable remuneration for Mr. Guido Alt includes EUR 150 thousand bonus for the financial years before 2005 for special services in the reconstruction phase. In addition, expenses for defined contribution pension plans amounted to EUR 20 thousand in the year under review (previous year: EUR 20 thousand). Reserves of EUR 105 thousand for bonus payments were formed in the past financial year. EUR 3 thousand (previous year: EUR 3 thousand) of pension provisions related to a member of the Management Board. The remuneration of the Management Board is broken down as follows:

	Fixed remuneration **EUR (k)**	Variable remuneration **EUR (k)**	Remuneration in kind **EUR (k)**	Total remuneration **EUR (k)**
Guido Alt	184	185	12	381
Stefan Ahrens	175	35	11	221
Michael Grünschloß	180	35	13	228
Management Board remuneration	539	255	36	830

The CEO’s Management Board employment contract is scheduled to last until July 2010. Pursuant to an agreement dated 29 January 2008, the term of the CEO’s appointment to the Management Board was changed to the date of the next Annual General Meeting, without the regulation of the term contained in the employment contract being adjusted to cover departure. This may result in a financial obligation amounting to EUR 900.00 thousand for caatoosee ag resulting from the CEO’s contractual right to terminate his employment relationship prematurely while maintaining the entitlements contained in his contract of employment.

Supervisory Board

Members of the Supervisory Board are

- Reimund Blessing, (Chairman since 8 February 2007), Vaihingen/Enz, Germany
- Ulrich Dörr (Deputy Chairman), Leinfelden-Echterdingen, Germany
- Dirk Alt, Stuttgart, Germany
- Klaus Gärtner, Singapore, Singapore (until 22 March 2007)
- Jürgen Gießmann (Chairman until 7 February 2007, Supervisory Board member until 28 January 2008), Leonberg, Germany
- Günther Paul Löw, Neuisenburg, Germany
- Rolf Huber, Dietlikon, Switzerland (since 29 January 2008)
- Jan Tenné, Stuttgart, Germany (since 28 February 2008)

The current members of the Supervisory Board appointed in the 2007 financial year 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, Industrial Businessman Chairman (since 8 February 2007)	- Supervisory Board member, Dr. Födisch Umweltmesstechnik AG, Markranstädt, Germany
Ulrich Dörr Auditor and tax advisor Deputy Chairman	- none
Dirk Alt Managing Director Fusion Publishing GmbH Dialogue marketing Specialist Member	- none
Klaus Gärtner Graduate engineer Member (until 22 March 2007)	- none
Jürgen Gießmann Graduate in business studies Chairman (until 7 February 2007) Supervisory Board Member (until 28 January 2008)	- Supervisory Board Chairman, Loy & Hutz AG, Freiburg, Germany - Supervisory Board chairman, M+W Zander D.I.B. Facility Management GmbH, Stuttgart, Germany - Member Board of Directors, M+W Zander Facility Engineering PTE Ltd, Singapur, Singarpur - Member of the Advisory Council, Scholze Ingenieur Gesellschaft, Stuttgart, Germany
Günther Paul Löw Member of the Management Board Impera Total Return AG	- Supervisory Board Chairman, Bioconnect AG, Frankfurt/Main, Germany - Managing Director, PI Private Equity Consultants GmbH, Frankfurt/Main, Germany - Member of the Supervisory Board, Die Skonto AG, Iserlohn, Germany - Member of the Supervisory Board, CFP& Founers Investments GmbH & Co. KGaA Frankfurt/Main, Germany

In financial year, the total remuneration of the Supervisory Board amounted to EUR 65 thousand.

As of 31 December 2007, 148,769 (previous year: 148,769) shares were held by the members of the Supervisory Board, which can be broken down as follows:

	Date 31 Dec 2007	in % of the shares issued
Reimund Blessing	23,000	0.10%
Ulrich Dörr	125,269	0.52%
Dirk Alt	125	0.00%
Klaus Gärtner (until 22 March 2007)	0	0.00%
Jürgen Gießmann (until 28 January 2008)	375	0.00%
Günter 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.

41. 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	Volume EUR	Name	Position
4 May 2007	Donation	10,000	0.00	0.00	Guido Alt	CEO
20 June 2007	Donation	60,000	0.00	0.00	Guido Alt	CEO
7 September 2007	Donation	35,000	0.00	0.00	Guido Alt	CEO

42. Notifications in line with Article 26 Section 1 WpHG

The following notifications in accordance with Article 26 (1) of the German Securities Trading Act (WpHG) were published in the 2007 financial year:

A. Absolute Return Europe Fund Limited, George Town, Grand Cayman, Cayman Islands, announced in accordance with Article 21 (1) WpHG that it had fallen below the thresholds of 20%, 15%, 10%, 5% and 3% of the voting rights in caatoosee ag, Riedwiesenstrasse 1, DE-71229 Leonberg, WKN A0EPUK, on 30 October 2006 and that it now holds 0% (number of shares: 0; share capital comprising 24,098,988 shares) of the voting rights.

Absolute Activist Value Fund Limited, George Town, Grand Cayman, Cayman Islands, announced in accordance with Article 21 (1) WpHG that it had exceeded the thresholds of 3% and 5% of the voting rights in caatoosee ag, Riedwiesenstrasse 1, DE-71229 Leonberg, WKN A0EPUK, on 30 October 2006 and that it now holds 5.809% (number of shares: 1,400,000; capital shares comprising 24,098,988 shares) of the voting rights.

Absolute Octane Fund Limited, George Town, Grand Cayman, Cayman Islands, announced in accordance with Article 21 (1) WpHG that it had exceeded the thresholds of 3%, 5% and 10% of the voting rights in caatoosee ag, Riedwiesenstrasse 1, DE-71229 Leonberg, WKN

A0EPUK, on 30 October 2006 and that it now holds 10.639% (number of shares: 2,563,778; share capital comprising 24,098,988 shares) of the voting rights.

B. CSI Asset Management Establishment, Vaduz, Liechtenstein announced in accordance with Article 21 (1) WpHG that it had fallen below the threshold of 20%, 15%, 10%, 5% and 3% of the voting rights in caatoosee ag, Riedwiesenstrasse 1, DE-71229 Leonberg, WKN A0EPUK, on 7 February 2007 and that it now holds 0%.

C. Absolute Activist Value Master Fund Limited, George Town, Grand Cayman, Cayman Islands, announced in accordance with Article 21 (1) WpHG that it had exceeded the thresholds of 3% and 5% of the voting rights in caatoosee ag, Riedwiesenstrasse 1, DE-71229 Leonberg, WKN A0EPUK, on 16 February 2007 and that it now holds 9.939% (number of shares: 2,395,200; share capital comprising 24,098,988 shares) of the voting rights.

Absolute Octane Master Fund Limited, George Town, Grand Cayman, Cayman Islands, announced in accordance with Article 21 (1) WpHG that it had exceeded the thresholds of 3%, 5% and 10% of the voting rights in caatoosee ag, Riedwiesenstrasse 1, DE-71229 Leonberg, WKN A0EPUK, on 16 February 2007 and that it now holds 14.966% (number of shares: 3,606,753; share capital comprising 24,098,988 shares) of the voting rights.

D. Latham & Watkins LPP on behalf of and on the authority of

1. **COLTON Petfood Handel und EDV-Beratung GmbH**, Vienna, Austria,

2. **Tempora Verwaltungs AG**, Zurich, Switzerland, and

3. **Marc Alexander Grünwald**, Austria

announced in line with Article 21 (1) WpHG that companies named under 1 and 2 and the person named under 3 had reached and exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% of voting rights in caatoosee ag, Riedwiesenstrasse 1, 71229 Leonberg, Germany on 18 April 2007.
Their interest in the voting rights in caatoosee ag now amounted to 51.61% (12,436,550 voting rights). All of these voting rights were allocated to the companies listed under 1 and 2 and person listed above under 3 in accordance with Article 22 (1) sentence 1 no. 1 sentence 3 of the WpHG.

The allocation takes place as follows: 51.16% of the voting rights in caatoosee ag are held by M+W Zander Facility Engineering GmbH, whose sole shareholder is MWZ Beteiligungs GmbH, which in turn is wholly owned by the company listed under 1 above. The shares of the company listed under 1 above are held by the company listed under 2 above (51%) and the person listed under 3 above (49%). The person listed under 3 above is also the sole shareholder of the company listed under 2 above.

By way of correction, E. Latham & Watkins LPP, on behalf of and on the authority of the shareholders

1. **COLTON Petfood Handel und EDV-Beratung GmbH**, Vienna, Austria,

2. **Tempora Verwaltungs AG**, Zurich, Switzerland, and

3. **Marc Alexander Grünwald**, Austria

announced in line with Article 21 (1) WpHG that companies named under 1 and 2 and the person named under 3 had reached and exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% of voting rights in caatoosee ag, Riedwiesenstrasse 1, 71229 Leonberg, Germany on 18 April 2007.
Their interest in the voting rights in caatoosee ag now amounts to 51.61% (12,436,550 voting rights). All of these voting rights were allocated to the companies listed under 1 and 2 and the person listed above under 3 in accordance with Article 22 (1) clause 1 no. 1 clause 3 of the WpHG.

The allocation takes place as follows: 51.**61**% of the voting rights in caatoosee ag are held by M+W Zander Facility Engineering GmbH, whose sole shareholder is MWZ Beteiligungs GmbH, which in turn is wholly owned by the company listed under 1 above. The shares of the company listed under 1 above are held by the company listed under 2 above (51%) and the person listed under 3 above (49%). The person listed under 3 above is also the sole shareholder of the company listed under 2 above.

F. with a duty to notify,

1. Salveo Beteiligungs GmbH (formerly: Salveo Immobilienbesitz GmbH), Franz Josefs Kai 47, 1010 Vienna, Austria,

2. Gorosa Beteiligungsverwaltungs GmbH, Franz Josefs Kai 47, 1010 Vienna, Austria,

3. VICTORY Industriebeteiligungs AG, Franz Josefs Kai 47, 1010 Vienna, Austria,

4. Millenium Privatstiftung, Praterstr. 62-64, 1020 Vienna, Austria, and

5. RPR Privatstiftung, Seilerstätte 18-20, 1010 Vienna, Austria

have announced in line with Article 21 (1) WpHG that companies named under 1 to 5 had exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% of voting rights in caatoosee ag, Riedwiesenstrasse 1, 71229 Leonberg, Germany on 28 November 2007. Their interest in the voting rights in caatoosee ag now amounted to 51.61% (12,436,550 voting rights). All of these voting rights were allocated to the companies listed under 1 to 5 in accordance with Article 22 (1) clause 1 no. 1 clause 3 of the WpHG.

The allocation takes place as follows: 51.61% of the voting rights in caatoosee ag are held by M+W Zander Facility Engineering GmbH, whose sole shareholder is MWZ Beteiligungs GmbH, which in turn is wholly owned by the company listed under 1 above. The shares of the company listed under 1 are held by the company listed below 2 (100%), and the shares of the company listed under 2 are held by the company listed under 3 (100%).

The company listed under 3 is held by the foundations listed under 4 and 5, both to 50%.

43. Events after the end of the reporting period

Jürgen Gießmann, member of the Supervisory Board, resigned his post as at 28 January 2008.

Rolf Huber, 8305 Dietlikon, Switzerland, was appointed as a member of the Supervisory Board on 29 January 2008 by court order.

Jan Tenné, 70178 Stuttgart, Germany, was appointed as a member of the Supervisory Board on 28 February 2008 by court order.

44. German Corporate Governance Code/declaration in accordance with Article 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 Article 161 AktG in December 2007 and made this declaration available to shareholders and the public via the caatoosee ag website.

Leonberg, 29 February 2008

Guido Alt　　Stefan Ahrens　　Michael Grünschloß

caatoosee ag, Leonberg
List of the participations as of December 31, 2007

			Domiciled	Share of capital %	Amount of stockholders' equity as at 31.12.2007 EUR	Consolidated net income 2007 EUR
A.	**caatoosee ag's equity interests are as follows:**					
I.	**Germany**					
1.	Teraport GmbH		Leonberg	100,00	12,362,623	2,934,285 1)
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.	Teraport (S) Pty. Ltd.		Singapore/Singapore	100,00	77,735 3)	-3,838 4)
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

Responsibility Statement

in accordance with Section 297 (2), 4 and Section 315 (1), 6 of the HGB (German Commercial Law)

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Leonberg, February 29, 2007

The Management Board

Guido Alt	Stefan Ahrens	Michael Grünschloß

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, 2007 to December 31, 2007. 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, März 7, 2008

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Monsees
Wirtschaftsprüfer
[German Public Auditor]

Dr. Weller
Wirtschaftsprüfer
[German Public Auditor]