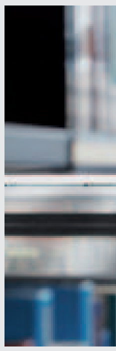
MAXDATA

Individual business hardware for every industry

Annual Report 2006

Summary of Financial Data

All figures as per IFRS in million EUR	2006	2005	2004
Turnover	524.8	657.4	660.0
Operative results (EBIT)	–42.8	–34.9	0.3
Consolidated net loss for the year attributable to MAXDATA AG shareholders	–46.5	–39.6	–1.5
Equity	80.5	127.8	167.0
Balance sheet total	214.0	277.1	285.0
Equity ratio	38 %	46 %	59 %
Cash flow	14.2	–26.2	–7.6
Employees	1,178	1,243	1,234
Earnings per share (in EUR)	–1.66	–1.41	–0.05
Share price (high/low) (in EUR)	3.33/1.02	5.35/2.52	5.75/2.71



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Individual business hardware for every industry

> The company, which was founded in 1987, is among the leading international IT manufacturers and records a turnover of EUR 525 million. Nearly 50 percent of turnover is realized outside Germany. With its Belinea monitor brand, MAXDATA is the market leader in the business client sector in Germany. MAXDATA AG, which is listed in the "Prime Standard", is ranked among the top ten for desktops and servers.
The company focuses on the corporate customer market using the Belinea and MAXDATA brands. It sells across Europe using approximately 10,000 selected specialized dealers and system resellers.

Report for the 2006 business year

>> For the last two decades, the name MAXDATA has been synonymous with excellent hardware from Germany. MAXDATA products and Belinea displays stand out by offering excellent value for the money and are used in many industry sectors across Europe. <<

MAXDATA products for
event management:
Belinea display 2025 S1W
MAXDATA PC FORTUNE 4000 I

To Our Shareholders, Employees, and Friends of the Company

Dear Ladies and Gentlemen,

The business year 2006 was once again marked by a fierce competition in the IT industry. Sales for hardware products stagnated and prices continued to fall drastically. MAXDATA quickly responded to this trend and implemented a comprehensive restructuring program in March 2006. As a result of these restructuring measures, we were able to significantly lower costs, to streamline our product portfolio, to improve purchasing conditions, and to strengthen sales.

The Belinea monitor and MAXDATA-brand server business developed positively during the last business year; however, sales for MAXDATA notebooks and personal computers declined despite increased efforts in product development and distribution. As a result, we did not meet the projected turnover of EUR 600 million and extended the company's losses.

Therefore, both the Management Board and the Supervisory Board agree that further strategic decisions must be made to reinforce the measures that were implemented in the spring of 2006. We are currently working on plans for a strategic reorientation of the entire company. It is our goal to make MAXDATA stronger and to make it profitable again in the medium-term.

These plans include creating two independently operating subsidiaries under MAXDATA AG. One company would be responsible for production, logistics and service and, in addition to handling internal transactions, would also fulfill orders placed by third parties. As a result, the utilization of our production plant in Würselen would improve significantly. The other company would be a powerful sales subsidiary for the Group and would unify the foreign subsidiaries and export activities under one roof.

In the future, MAXDATA wants to further strengthen its position as a dynamic hardware solution provider and is open to any partnerships, joint ventures, and third-party arrangements that may further this goal. MAXDATA may even expand its product portfolio, particularly for the Belinea product segment.

Our company will celebrate its 20th birthday this year. With pioneering spirit and entrepreneurial courage, MAXDATA has developed into one of the leading hardware manufacturers in Europe. Today, we own one of the most modern and flexible production plants in the heart of Europe. Transport distances are short and the build-to-order principle allows us to react faster to customer demands than our competitors. We can quickly fulfill individual customer requests while providing a high level of quality, both for individual orders as well as large ones.

The following four factors were particularly important for the dynamic growth and market success of MAXDATA over the last two decades:

- Strictly market-driven product portfolio
- Close relationship with our business customers and specialist dealers
- Maximum production flexibility
- Excellent technical service with personal support

When defining MAXDATA's future strategy, we can develop synergies based on these core strengths. The employees and Management Board of MAXDATA work hard to continue MAXDATA's success story: with a wide range of innovative and reasonably priced hardware products, with improved market and customer proximity, and particularly with long-term profitable growth.

We would like to thank our employees, business partners, customers, and shareholders for supporting us in this endeavor.

Thomas Stiegler
Spokesman of the Management Board

MAXDATA Share

>> Excellence in information management is the key to success in modern markets. More than ever, information management depends on the availability of customized technologies and solutions. MAXDATA has responded to this need with a versatile range of desktop systems, servers, notebooks, and monitors. This is complemented by expert know-how in built-to-order production, which allows for highly individualized products. <<

MAXDATA products for community institutions:
Belinea display 22W Artistline,
MAXDATA PC FORTUNE 3000 I

The MAXDATA share

MAXDATA is the only publicly-traded computer manufacturer that primarily produces the desktops, notebooks, and servers it sells in Germany. This principle is a fundamental characteristic of the company. It allows for a flexible production environment where products are custom-tailored to the customer's needs and ensures short delivery times and transport distances. The company, founded in 1987, adopted a build-to-order system in the early 90s. MAXDATA was one of the first IT companies to implement this production method and is therefore unrivaled in market expertise; however, the company's result makes it clear that in the current market environment, long-term positive results can not be achieved by only focusing on BTO production. MAXDATA responds to this situation by consistently implementing measures to reduce vertical integration for individual PC and notebook products, taking into account the results of a cost-benefit analysis.

The group's own brand of monitors, Belinea, contributes increasingly to MAXDATA's overall turnover. Belinea has been a market leader in the Western European business client sector for several years.

Nine national subsidiaries successfully distribute MAXDATA products in various European markets. Furthermore, the group strengthened sales in additional European countries during the last business year, with a focus on Sweden, Norway, Estonia, Latvia, and Turkey. MAXDATA currently supplies products to 16 countries via foreign distribution partners who act as importers and, in coordination with MAXDATA, perform sales and marketing functions.

2006 stock price performance

MAXDATA was first offered on the Frankfurt Stock Exchange on 9 June 1999, and has been listed on the Prime Standard stock market segment since 1 January 2003. Listing on the stock exchange forces higher transparency requirements consistent with international standards. The weak market environment for hardware products had a negative impact on MAXDATA's business performance and was mirrored in the stock price development for 2006. At the beginning of the year, shares were valued at EUR 3.07 per share; by 24 August 2006, the stock price had dropped to EUR 1.02 per share. In the following months, the MAXDATA stock recovered significantly and closed at EUR 1.63 per share on 29 December 2006.

Comprehensive investor information

In 2006, the PC industry experienced an overall decrease in demand, further price falls, and high-pressure competition. Based on these market conditions, it is extremely difficult to precisely predict business performance. The company therefore continued to provide current and comprehensive information on its business performance to investors. Transparent communication was ensured through ad hoc statements, quarterly reports, and analyst discussions, as well as press releases, and interviews. The MAXDATA homepage at www.maxdata.com provides investors with current and comprehensive information on the company's business performance and new products. A detailed report on the past business year and future strategy will be issued by the Management Board at the Annual Shareholders' Meeting on 18 April 2007.

The MAXDATA shareholder structure

The largest shareholder in MAXDATA AG continues to be FoMax GmbH. The company holds 47.7 percent of the stock. The indirect shareholder in FoMax GmbH is Siegfried Kaske, who also holds the position of Chairman of the MAXDATA AG Supervisory Board. Company founder Holger Lampatz holds 20.9 percent of MAXDATA stock. 28.0 percent of the stock is owned by various holders, and the remaining 3.4 percent is held by the company itself.

Solid financial foundation

MAXDATA continues to have solid financial foundation. With an equity ratio of 38 percent, the Management Board has the freedom to continue to press ahead with the restructuring program that was initiated in 2006 and to further adjust the business model to market requirements. The main goal of the restructuring program is to grow once again in a profitable manner so that the market value of the company's share will rise in the interest of its shareholders.

Share portrait 2006	
ISIN Code	DE 000 658 130 9
Stock market code number (WKN)	658 130
Earnings per share (Euro)	–1.66
Highest price (Euro)	3.33
Lowest price (Euro)	1.02
Closing price (Euro)	1.63
Number of shares	29 million

Corporate Governance Report

>> Information technology serves the purpose to make users more successful. Tailor-made to their needs, right from the start. Therefore, when it comes to purchasing, implementing, and maintaining IT systems, nothing should be left to chance. Quite the contrary, local professionals should be consulted - professionals such as the 10,000 MAXDATA dealers across Europe. Our dealers guarantee the highest quality standards and excellent results. For every industry and for every budget. <<

MAXDATA products for architects:
MAXDATA Notebook PRO 8100 IWS

Corporate Governance Report

Effective corporate governance is an essential part of MAXDATA AG's image. This legal and actual organizational framework for managing and monitoring a company assists in building comprehensive trust on the part of the investors, employees, business partners, and the public and is of great importance to MAXDATA AG.

The Management Board and Supervisory Board hereby report on corporate governance in accordance with Clause 3.10 Sentence 1 of the German Corporate Governance Code (in this context) as follows:

On 17 February 2006, the MAXDATA AG Management Board and Supervisory Board issued their annual statement of compliance with the recommendations of the government's German Corporate Governance Code Commission in accordance with Article 161 of the German Stock Corporation Act (AktG). The following statement refers in its text to the German Corporate Governance Code in the 2 June 2005 version and contains the explanation of the two deviations from the recommendations in the Code:

"The recommendations of the government's German Corporate Governance Code have been and will be followed with the following exceptions:

The chairing and membership of committees are not remunerated separately (Clause 5.4.5 Para. 1 Sentence 3). Because the essential tasks are undertaken jointly by the members of the Supervisory Board, the regulation on remunerating the chairing and membership of committees would currently not be appropriate.

The members of the Supervisory Board do not receive performance-based remuneration (Clause 5.4.5 Para. 2 Sentence 1). Each Supervisory Board member receives fixed remuneration totaling EUR 30,000. The Chairman of the Supervisory Board receives twice this amount and the Deputy Chairman receives one and one half times this amount."

On 20 September 2006, the Management Board and the Supervisory Board deliberated intensely on the Code changes enacted by the Government Commission on 12 June 2006. Following the discussion of the current version of the Code and its impact, particularly on the Annual Report and the statement of compliance to be issued in 2007, the Management Board and the Supervisory Board declared they would comply with all of the modified and newly introduced recommendations. On 27 February 2007, the statement of compliance in accordance with Article 161 of the AktG was issued on the basis of these deliberations. This was published on MAXDATA's website. MAXDATA AG will make statements on compliance to the Code that are no longer current available on its website for five years.

Management Board remuneration

Remuneration of Management Board members is comprised of two components, the "annual basic salary" and the "bonus." Goals for profit-based bonuses for the following year are set annually for the MAXDATA AG Management Board members. The assessment is carried out by the Supervisory Board's human resources committee, which takes into account quantitative and qualitative criteria. The calculation of the goal attained and the amount of the bonus is made on the basis of the corresponding annual profit or loss. Payout is made along with the normal monthly salary payment or at the time when the annual company profit or loss is determined. Clause 28 of the appendix to the consolidated financial statements contains more information on the remuneration of Management Board members.

In connection with the stock option plan from 1999, Management Board member Thomas Stiegler received 3,000 option rights. Because the price of MAXDATA shares underlying the options plan does not currently create enhancement of value, the stock options are not valued as intended in the German Corporate Governance Code (Clause 4.2.3 Para. 3, sentence 2).

Remuneration of the Supervisory Board members

The remuneration of the Supervisory Board members is governed by Article 9.5 of the articles of association and contains no variable components.

Supervisory Board	
Siegfried Kaske, Chairman	KEUR 60
Klaus Wiegandt, Deputy Chairman (as of 26 April 2006)	KEUR 40
Dr. Matthias Händle (as of 26 April 2006)	KEUR 21
Claas Kleyboldt	KEUR 30
Hans Reischl	KEUR 30
Bernhard Scholtes	KEUR 30

Share ownership and share transactions

The Management Board and the Supervisory Board own the following stock and options:

Shares held by executive bodies	Number of options	Number of shares
Management Board		
Reinhard Blunck	-	10
Thomas Stiegler	3,000	637
Supervisory Board		
Siegfried Kaske	-	13,828,800 (indirectly)
Klaus Wiegandt	-	-
Dr. Matthias Händle	-	-
Claas Kleyboldt	-	8,258
Hans Reischl	-	-
Bernhard Scholtes	-	-

In accordance with Article 15a of the Securities Trading Act, members of the MAXDATA AG Management Board and Supervisory Board must report the acquisition or sale of MAXDATA AG securities as well as those persons with whom they have a close relationship and other employees that are entrusted with management responsibilities. As of 31 December 2006, MAXDATA AG received no notifications of this type.

Group Management Report for the Business Year 2006

>> MAXDATA is a German IT company with an international reputation. Nearly half of MAXDATA's total turnover of EUR 525 million is generated abroad. The monitor brand Belinea is a market leader in the Western European business client sector, while MAXDATA desktop systems, servers, and notebooks are industry-leading hardware products. The international character of the company is undeniable: With nine foreign subsidiaries and distribution partners in 16 countries, MAXDATA AG will continue to show its colors in Europe. <<

MAXDATA products for
car dealers:
Belinea display 10 20 35 W
MAXDATA PC FAVORIT 3000 IU BTX

Group Management Report for the Business Year 2006

Economy, market, and competition

The 2006 business year was yet another extremely difficult year for MAXDATA. The boom in the global economy continued in 2006 but lost some of its momentum during the course of the year. This can mostly be attributed to the slowdown of economic dynamics in the USA, and, to some degree, in Japan as well. An accelerated economic upswing in the Euro zone and Great Britain was not enough to offset this slowdown. The newly industrialized countries, in particular China, continued to post a strong increase in production. The economic boom in Germany which broadened and gained momentum in 2006 will continue in 2007. Aside from strong export development, the boom is mostly a result of strong investment activity, particularly equipment investments, which will further expand due to successful consolidations and positive corporate earnings. However, the VAT increase at the beginning of 2007, which, in particular, negatively affects private consumption, is expected to temporarily slow down economic growth. Therefore, based on a weak initial situation and the effects of the economic slow-down in the USA, the expected economic growth of 1.4 percent will be lower than that of the previous year.

While the software and service sectors of the information and communication technology market have shown particularly strong growth in the European Union, the BITKOM industry association expects sales in the hardware sector to fall significantly. Market researchers cite business and consumer market saturation as well as a fierce price war between hardware manufacturers, which has been going on for a few years now, as the key drivers for the declining sales.

Business and general conditions

MAXDATA's main target group comprises businesses in every industry and of every size, as well as governmental agencies, associations, and institutions. The MAXDATA business model is primarily based on the following principles:

- Focus on business clientele: MAXDATA's products and services are designed to meet the requirements of commercial customers. For this market, the built-to-order production of computer systems plays an important role. After orders are received, desktop PCs, notebooks, and servers are 'custom tailored' to the customers' requirements and assembled at MAXDATA's own modern production plant in Würselen.

- Indirect sales: MAXDATA sells its products via a large network of qualified dealers and distributors. The range of services offered by these sales partners includes consulting and hardware implementation as well as improving existing IT systems and maintenance and repair services.

- Two-brand strategy: MAXDATA is represented in the market with two completely independent brands: MAXDATA for desktop computers, notebooks, and servers as well as Belinea for monitors.

Business sectors

MAXDATA classifies its strategic core business in three segments, distributed across the two brands, Belinea and MAXDATA.

Belinea monitors

Belinea brand monitors are assembled according to MAXDATA specifications by third-party manufacturers, who comply with the highest quality standards, and are then sold by MAXDATA. In Germany, 18 percent of the monitors sold in the business client sector bear the Belinea label. This makes Belinea the market leader in this sector – as it has been for 10 years. The situation is very similar in Austria with a share of 20 percent of the business market. In Spain, Poland, France, and Switzerland, Belinea has managed to achieve market shares in the business client sector of between 7 and 11 percent.

MAXDATA PC systems

The MAXDATA PC systems segment includes assembly and sales of desktop PCs and notebooks. These product groups were integrated into one segment as the business processes are similar. The business segment has maintained a 6 percent share of the business client sector in the DACH region (Germany, Austria, and Switzerland).

MAXDATA server systems

In addition to the assembly and sale of servers, the server segment is also responsible for conducting training seminars. The goal in training the dealers is to broaden the customer base. This service has also contributed to increasing MAXDATA's market share of the business client sector in the DACH region to 4 percent.

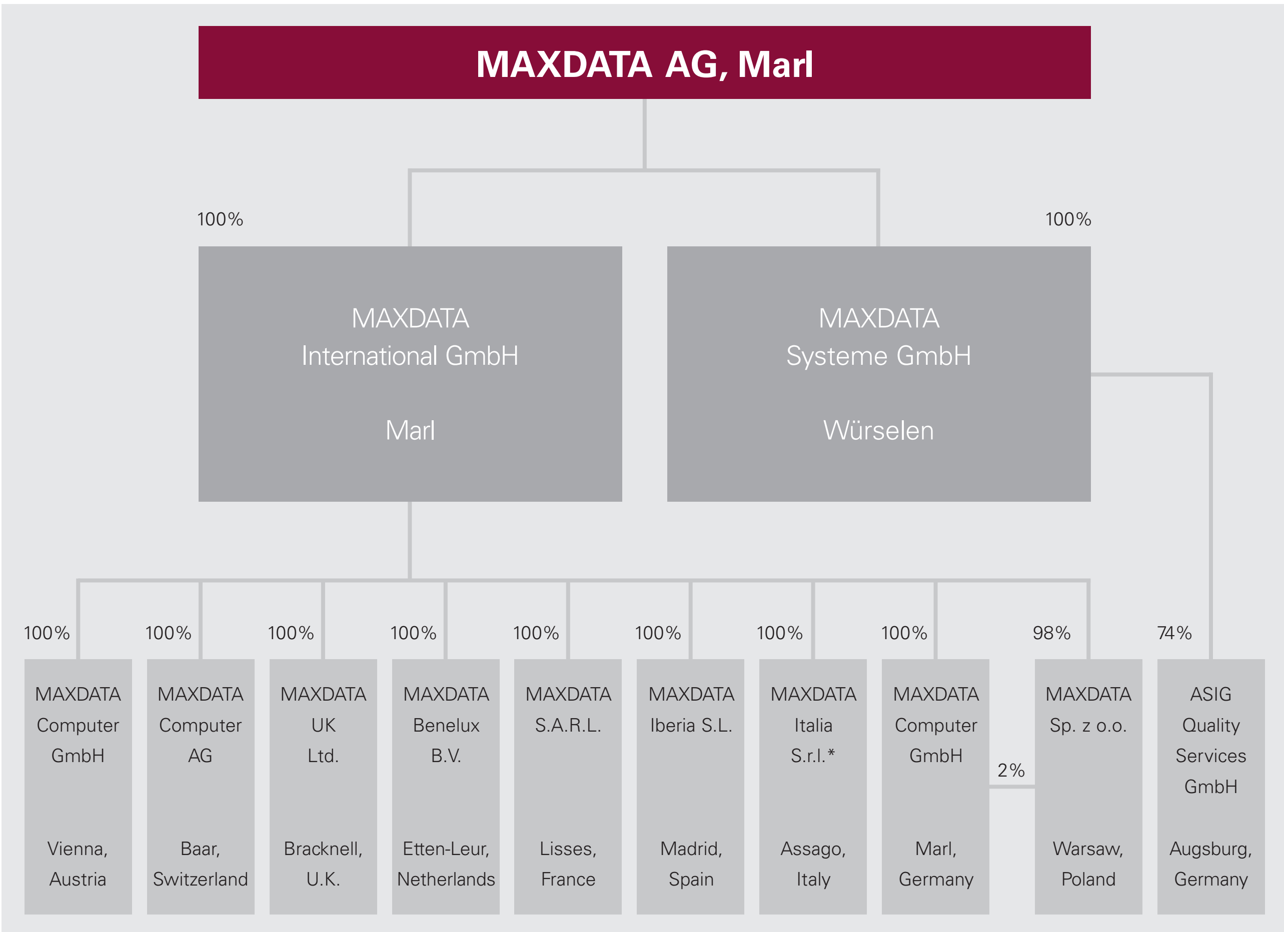
The most state-of-the-art built-to-order system in Europe

Most of MAXDATA products are produced according to the built-to-order principle. This means that after orders are received, desktop PCs, notebooks, and servers are "custom tailored" to the customers' requirements. This principle allows MAXDATA a great amount of flexibility in how it responds to client requests and also enables it to guarantee short delivery periods.

Group structure

MAXDATA has been represented directly in eight European markets outside of Germany since the 2003 business year. MAXDATA sells Belinea monitors and MAXDATA PC systems through distribution partners in 16 other European countries, focusing on Northern and Eastern Europe.

Group structure with the main companies



* Indirect interest

Key figures

In addition to the EBIT (earnings before interest and taxes) indicator, which is used to control production, service, and administrative companies, MAXDATA also uses the gross profit and OPEX (operating expenditure) indicators for the sales companies. The key figure of gross profit in particular is broken down by product group at the operating level into the sub-categories of average price and average margin.

Million EUR	2003	2004	2005	2006
Turnover	654.9	660.0	657.4	524.8
Cost of material	–556.5	–565.9	–570.4	–452.0
Gross profit	98.4	94.1	87.0	72.8
OPEX	–113.4	–93.8	–121.9	–115.6
EBIT	–15.0	0.3	–34.9	–42.8
Gross profit margin	15.0 %	14.3 %	13.2 %	13.9 %

Turnover and sales development

Compared to the previous year, MAXDATA suffered sales losses in nearly all product groups. Notebook sales decreased by 25.3 percent, desktop sales by 28.0 percent, and overall monitor sales by 3.8 percent.

In the monitor sector, a slight increase in sales of TFT flat screens, which amounted to 1.8 percent, was overshadowed by the scheduled discontinuation of CRT monitor sales. Server sales increased by 0.3 percent.

In the business-to-business sector, which is very important for MAXDATA, the corporate group retained its market position in Germany at the previous year's level for both PC systems and monitors.

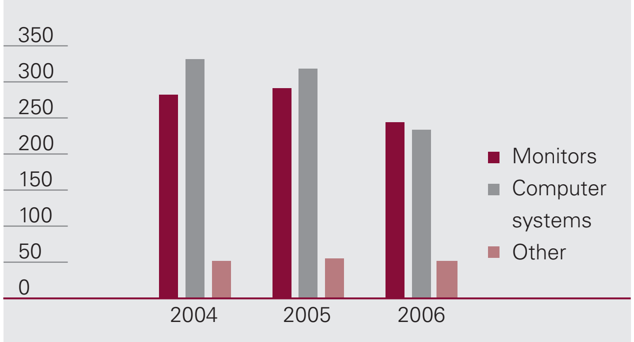
However, the tremendous price pressure, particularly in the TFT sector, resulted in a turnover of EUR 524.8 million, which is lower than in the previous year (previous year: EUR 657.4 million) despite a welcome increase in sales, and this in turn meant that the target set for turnover (EUR 600 million) was missed.

Number of units sold	2006	2005	Change
CRT monitors	3,763	83,077	–95.5 %
TFT flat screens	1,386,252	1,361,811	1.8 %
Belinea monitors	**1,390,015**	**1,444,888**	**–3.8 %**
Desktop systems	294,802	409,381	–28.0 %
Notebooks	71,637	95,960	–25.3 %
MAXDATA PC systems	**366,439**	**505,341**	**–27.5 %**
MAXDATA Server systems	**15,111**	**15,073**	**0.3 %**

Foreign turnover increased in 2006 to a 47.6 percent share of total turnover (previous year: 45.2 percent), or EUR 249.6 million (previous year: EUR 297.2 million). Domestic turnover declined accordingly to 52.4 percent (previous year: 54.8 percent) or EUR 275.2 million (previous year: EUR 360.2 million).

Of the total hardware turnover, 43.8 percent is attributed to MAXDATA computer systems (desktop PCs, notebooks, and servers), the Belinea monitor business segment contributed 46.7 percent, and other products (peripheral devices, software, and services) 9.5 percent.

Development of turnover by product groups in million euro



Profit situation

A slight increase in gross profit margin accompanied by lower turnover than in the previous year, one-off expenditure related to restructuring to reinforce sales and business processes, as well as extraordinary legal expenses resulted in an EBIT of EUR –42.8 million, following an EBIT of EUR –34.9 million in the previous year.

Due to the fact that turnover and profits were below expectations for the first two months of the business year, a comprehensive restructuring program was initiated. The purpose of this measure is to achieve positive profits and cash flows for the long-term by adjusting cost structures and optimizing procurement while, at the same time, stabilizing turnover at a lower level. In addition to optimizing procurement and distribution processes, as well as increasing cost control, the restructuring program also calls for the loss of jobs, both in Germany and abroad. A target figure of 300 job cuts was planned. This will lead to savings totaling EUR 30 million per year. The restructuring program had an adverse effect on the EBIT totaling EUR 5.9 million for the 2006 business year. A large portion of the expected yearly cost savings stemming from the newly implemented restructuring measures cannot be realized until the 2007 business year.

Furthermore, an extraordinary item totaling EUR –4.5 million, related to a legal dispute with a supplier which was unfavorably ruled for MAXDATA, is included in the EBIT for this business year.

After the gross profit margin reached 13.2 percent in 2005, it rose to 13.9 percent across all product groups in 2006. The decline of the overall gross revenue by EUR 14.2 million is mainly attributable to competitors' increasingly aggressive pricing policies and the sustained market weakness which resulted in decreased turnover. The profit forecast of EUR –25 million, which was budgeted for the 2006 business year, was therefore significantly missed. The negative EBIT consists of the following components:

EUR 4.5 million legal dispute
EUR 5.9 million restructuring costs
EUR 32.4 million operating loss

Taking into account a financial result totaling KEUR –385 compared to KEUR 559 from the previous year, and current income taxes that include a value adjustment for deferred taxes, the consolidated net loss was EUR –46.5 million, following a consolidated net loss of EUR –39.3 million in the previous year. Overall, this equates to an operating loss of EUR –1.66 per share, after a loss of EUR –1.41 per share in 2005.

Financial position

Due to its equity ratio of 37.6 percent (previous year: 46.1 percent), the group possesses a solid financial situation that provides a large degree of financial independence. The strong capital structure is also supported by the long-term portion of provisions.

The ratio of equity capital to fixed assets totaling 163.8 percent (previous year: 249.5 percent) also demonstrates a good balance sheet capital ratio.

Compared to the previous year, fixed assets fell by EUR 2.1 million to EUR 49.1 million. Based on budgets for the coming two years and the associated results anticipated, the deferred tax asset was fully adjusted by EUR 2.3 million.

Stocks were decreased as planned from EUR 86.6 million in the previous year to EUR 66.3 million based on improved inventory management.

Trade receivables as of 31 December 2006 decreased by EUR 69.1 million to EUR 30.9 million as compared to the previous year. This development can be attributed to a lower turnover level, as well as the sale of receivables within the framework of a factoring agreement. Cash flow from operating activities was EUR 17.6 million (previous year: EUR –20.8 million).

Liquid funds increased from EUR 27.1 million to EUR 41.1 million. The systematic and continuous improvement of inventory management throughout 2006, as well as the seasonal utilization of a factoring line, led to this increase.

In its operating activities and the resulting financial activities, MAXDATA is exposed to market price changes for currencies and interest rates. To limit these risks, MAXDATA uses systematic financial and risk management. In doing so, the normal market derivative instruments are used. These derivatives are contracted with financial institutions whose creditworthiness MAXDATA monitors continuously.

Investments and acquisitions

In the business year just finished, MAXDATA invested EUR 5.1 million. As in 2005, the investment focus was chiefly on replacement purchases for production and IT infrastructures. MAXDATA also acquired additional shares in ASIG Quality Services GmbH, Augsburg, during that period. The shares in the company increased correspondingly from 52 percent to 74 percent. Aside from the usual replacement acquisitions, no extensive investments are planned for 2007.

In October 2006, MAXDATA planned entry to the private customer sector. For this purpose, MAXDATA considered the acquisition of Yakumo GmbH and with that the brand of the same name. After an in-depth review, MAXDATA came to the conclusion that the acquisition of Yakumo would not lead to the expected synergy effects and that a takeover would tie up needed resources. Therefore, MAXDATA decided not to go ahead with the planned acquisition.

Human resources

The average number of employees in the MAXDATA corporate group in 2006 was 1,178 (previous year: 1,243). The number of employees outside of Germany remained almost unchanged at 228 employees (previous year: 235).

The focus for the human resources department in 2006 was the reorganization and the implementation of group-wide cost saving measures. As a result, 234 jobs were lost in Germany and abroad during the year under review. These layoffs were mostly carried out in a socially acceptable manner. This is clearly shown by the number of wrongful dismissal suits filed. Out of a total of 155 terminations, only 5.2 percent of affected employees filed wrongful dismissal suits. Furthermore, employees were very accepting of the transfer company which was agreed upon by the Works Council and the Management Board in connection with the layoffs at MAXDATA Systeme GmbH. Out of 116 affected employees, 94 decided to take advantage of the transfer offer as of 1 October 2006. These employees will continue to be employed for up to 12 months based on their respective length of employment with the company.

With regard to employee development, 112 training seminars with 323 participants were held during the past business year. Sales skills were a big focus of the training seminars (23 training days).

Main features of Management Board remuneration

Management Board compensation is comprised of the basic annual salary plus a profit-based bonus. Goals for profit-based bonuses for the following year are set annually for the Management Board. The assessment is carried out by the Supervisory Board's Human Resources Committee based on quantitative and qualitative criteria. Ascertaining whether a goal has been reached and the amount of profit sharing is done along with and based on determination of annual profit or loss. Payment is made along with the regular monthly salary payment in the month the annual financial statement is established. A bonus was not paid for the 2005 business year.

In connection with the stock option plan from 1999, Management Board spokesman Thomas Stiegler received 3,000 option rights. Because the price of MAXDATA shares underlying the option plan does not currently create enhancement of value, the stock options are not valued.

Information and comments provided in accordance with Article 315 Para. 4 of the German Commercial Code (HGB)

MAXDATA AG's capital stock is made up of 29,000,000 ordinary bearer shares with a proportional sum of the capital stock of EUR 1.00 per share. As of the balance sheet date, MAXDATA holds 1,000,000 of its own shares (previous year: 1,000,000 shares) with no voting rights. The appointment of the Management Board is governed by Articles 84 et seq. of the German Stock Corporation Act (AktG) and its withdrawal by Article 84 Para. 3 of the AktG. As required by the articles of association the MAXDATA AG Management Board consists of at least two members. Notwithstanding this, the Supervisory Board determines the number of Management Board members. Amendments to the Articles of Association are governed by Part 6 of the AktG. In accordance with the Articles of Association, the Supervisory Board is authorized to make amendments to the Articles of Association that only affect the wording thereof. The Supervisory Board is also authorized to modify the Articles of Association to reflect a change in capital stock.

At the annual general meeting of MAXDATA AG on 27 May 1999, the shareholders approved a conditional increase in the share capital of MAXDATA AG of up to KEUR 480 (contingent capital I) by issue of up to 480,000 new no-par-value bearer shares. This conditional increase in capital serves to ensure the subscription rights of employees, members of the management board of MAXDATA AG, its subsidiaries, as well as of companies affiliated with MAXDATA AG within the meaning of Article 15 et seq. of the German Stock Corporation Law (AktG) in Switzerland, Austria, the United Kingdom, and the Netherlands in accordance with the conditions set in the authorizing resolution of the annual general meeting of 27 May 1999.

The conditional increase in capital may only be undertaken to the extent that those entitled to subscription rights within the framework of the employee share option plan exercise their subscription rights. The new shares carry profit participation rights from the beginning of the business year in which they originate through the exercise of subscription rights.

Share option plan

MAXDATA issued a share option plan in 1999 when its IPO occurred. This share option plan allowed options to be granted to employees and members of the management board of MAXDATA AG and its subsidiaries for no consideration previous to 31 December 2000 entitling bearers to purchase a total of 480,000 bearer shares pursuant to the authorization passed by resolution of the annual general meeting on 27 May 1999. The exercise price for each option was fixed at EUR 31 in agreement with the price of MAXDATA shares at their first issue. The options are only exercisable under the precondition that the market price of the MAXDATA share has on the average increased by at least 1 percentage point per month as against the issue price, i.e. on average at least 12 percentage points per year as against the issue price. This means that the share price would have had to have increased by 36 percentage points as against its price at first issue by 9 June 2002 – the first possible date the first tranche (30 percent of the options) could be exercised. If the options are not exercisable within the vesting period (three years following the first trading day), as the increase in value of the share did not occur as provided, the options will become exercisable at a later stage within the life of the options (which expires on 8 June 2009), if the market price of the shares has increased on average by at least 1 percentage point per month.

If the market price of the MAXDATA share does not reach the increase required by an average of 12 percentage points per year on the first possible exercise dates, the options of the second and third tranche will become exercisable at the date on which the average market price of the MAXDATA share on the last 30 trading days has reached the market price as adjusted correspondingly.

The market price within the meaning of the foregoing is the average market price of the MAXDATA share calculated on the basis of the closing prices on the Frankfurt Stock Exchange on the last 30 trading days of each 12 month period measured on the calendar day on which the shares were first issued. If the market price increases by the required amount, the options which vest in this way will remain exercisable until the expiry of the life of the option, even if the market price were to decrease again subsequently. As of 31 December 2005, 61,384 options to purchase 61,384 shares had been granted. Owing to employee turnover, the number of options outstanding has fallen to 47,884 as of 31 December 2006. Under the accounting policy adopted by the Group no compensation expense is recognized under the share option plan.

In accordance with legal regulations, Mr. Holger Lampatz informed MAXDATA AG in April 2002 that he currently holds 20.88 percent of the voting rights in MAXDATA AG.

FoMax GmbH, Langenburg, made it known in November 2004 that it currently holds 47.67 percent of the voting rights in MAXDATA AG. At the same time, Mr. Siegfried Kaske announced that the voting rights held by FoMax GmbH are attributed to him.

Events after the balance sheet date

No significant events occurred after the balace sheet date.

Risk management

During the reporting year, the risk management system was adjusted to the changing conditions. In cooperation between the Management Board and the Supervisory Board on the basis of Corporate Governance and the Compliance Statement of 17 February 2006, risks are identified with suitable instruments, and measures to minimize and avoid these risks are decided.

This risk management system is used to determine, document, and assess risks within the individual business segments. Risks jeopardizing the viability of the company are made transparent on the one hand, but additionally the foundation is also laid for the company to be able to recognize and take advantage of the resulting opportunities in good time. An overall risk evaluation shows that the corporate group is mostly affected by market risks over which it has very limited control. These risks particularly include the following: macro-economic price and volume fluctuations and dependency on the development of important customers and industry sectors. A continual risk for MAXDATA is the ongoing decline in prices in the monitor and computer market, which can only be offset by new technological developments. If these new developments are delayed, selling prices might fall even farther than expected. Overall, the service processes are controlled well and therefore carry a lower risk.

All significant and insurable risks and dangers are covered by a broad and effective insurance policy portfolio.

Business model risks

Competitive risks

With its strategy of focusing on corporate clientele, the two-brand strategy, and on indirect sales structures, MAXDATA has deliberately set its focal points and made its priorities evident. Substantial risks affecting the IT sector are mainly excess capacities and the fact that it is extremely difficult for companies to differentiate themselves in this market, which leads to high-pressure competition. MAXDATA monitors the market situation closely and responds to changes by adjusting corporate structures and processes.

Procurement risks

The company is substantially dependent on suppliers for the procurement of components and semi-finished products. Bringing third parties into the process creates risks such as quality issues, unexpected delivery problems, or unforeseen price increases. Additionally, undesired dependencies can arise from the worldwide relationships to suppliers.

The MAXDATA group predominantly purchases in the Asian market. With the help of a supplier controlling system, MAXDATA will continue to optimize its supplier relationships. Using carefully selected suppliers, MAXDATA has a collection of long-term supplier relationships that is continuously supplemented by new relationships to ensure a balanced supplier portfolio. A thorough and experienced product management team and an international purchasing office which is in the course of formation in Taiwan preserve and protect MAXDATA's access to relevant technology. The team should balance trends found in the procurement market with the wishes and needs of corporate customers.

Quality risks

The company consistently pursues a strict demand for high quality, operates an intense quality assurance program in accordance with DIN EN ISO 9001:2000 within the scope of the existing and certified quality management system, and applies special testing methods before shipping the products out to the customer. In this way, the company achieves a high degree of customer satisfaction. In connection with the supplier portfolio, the newly imposed contractual terms must be emphasized, in particular with regard to the quality standards.

Currency risks

The currency risks that MAXDATA faces as the result of sales costs being invoiced primarily in US dollars while turnover is primarily invoiced in euros are held in check by means of a coordinated currency hedging strategy. MAXDATA is further confronted with exchange rate fluctuations in the Swiss, British, and Polish markets. MAXDATA prepares for these risks using hedge transactions adjusted to the average volumes and terms. Common market financial instruments are used, including in particular currency swaps for the purchase or sale of foreign currency.

Inventory risks

In the fast-paced IT sector, it is highly important to keep inventories low and inventory turnover ratios high. Additionally, this task is faced with an explosive challenge in the form of the constant drop in prices of semi-finished and end products. Active inventory management, continuous review of warehouse inventories, and constant observance of component supplies are essential elements of the early risk detection system in this area.

Accounts receivable risks

Rising incidents of bankruptcy in Germany and Europe have increased the importance of limiting the risk of loss through bad debt. MAXDATA is successfully managing its accounts receivable by using a continuous commercial credit system and a monitored approval and control process. This is supplemented through close and confident cooperation with credit insurers. Accounts receivable management at MAXDATA is very strict and works with a stringent internal rating system. These measures ensure a consistently low default rate. Furthermore, the default risk at MAXDATA is reduced based on the sale of receivables (real factoring).

Liquidity risks

MAXDATA monitors and controls liquidity risks with the objective of ensuring that the Group is solvent at all times without impairing the Group's operations. MAXDATA pursues a financial policy that provides extensive financial flexibility and access to short- and long-term financing sources. The daily bundling of Europe-wide liquid funds is an essential component in guaranteeing the ability to make payments at any time. Additionally, MAXDATA utilizes a factoring line in order to cover seasonal peak demands for liquid funds.

Legal risks

As a manufacturer and supplier of personal computers, MAXDATA is exposed to the risk that utilization fees for previously delivered PCs may be imposed and may have to be paid by MAXDATA. In a test case against a competitor, the Verwertungsgesellschaft Wort claims a flat-fee of EUR 30.00 per PC. This case is pending with the Federal Court of Justice, the court of last instance. Furthermore, the Zentralstelle für private Überspielungsrechte (ZPÜ) filed a complaint against approximately 20 manufacturers and dealers of personal computers, demanding the payment of an additional flat-rate copyright device levy of EUR 18.42 for every PC sold. As in the previous year, MAXDATA addressed these risks and made adequate provisions in the consolidated financial statements. If, as a result of the ongoing legal disputes, subsequently assessed copyright fees should exceed the reserved amounts, the operating profit could be impacted negatively. Please refer to the notes to the consolidated financial statements for the risk quantification.

Currently, there are no other pending court or arbitrary proceedings against MAXDATA that could significantly influence the Group result.

Information technology risks

In the last few years, the importance of the constant availability of hardware and software for processing company transactions has increased even further. Due to external and internal influences, this availability is subject to potential risks. MAXDATA takes this into account by constantly monitoring and adjusting the networks and systems to changing conditions.

Risks in the area of human resources

With the help of efficient personnel management, MAXDATA ensures that in all segments, motivated employees are promoted and employed in accordance with their strengths and abilities. While conducting job cuts during the last business year, MAXDATA was extremely careful to ensure that all business units remain fully functional and that further company growth is not impeded.

Process and communications risks

MAXDATA continuously reviews all processes for efficiency and transparency, limiting the risk of gaps in information for decision-makers. In this regard, communications that are adapted to the current situation both within and between company departments are also of great importance.

Forecast / Outlook

The World Bank forecasts growth of 4.5 percent for the global economy in 2007. According to experts, global economic growth has reached a turning point and a slow-down is anticipated. This can mostly be attributed to the economic situation in the USA. However, according to forecasts from the World Bank, the newly industrialized countries will remain the major driving forces of the global economy.

In the Euro zone, much slower growth is anticipated. Based on this assumption, economic growth of 2.2 percent is expected. The devaluation of the dollar and currencies that are linked to it will most likely lower the competitiveness of products from the Euro zone.

In Germany, the economic upturn, which is primarily driven by exports and investments, will continue in 2007. However, the speed of growth is expected to slow down significantly, at least temporarily. This can mostly be attributed to the rise in VAT and the expected excess supply due to sales that were anticipated in 2006. Overall gross domestic product will rise by 1.4 percent.

Large companies will invest less in IT in 2007 than originally expected. According to US market research analysts, companies will increasingly focus on ensuring that their IT systems support their core business and on optimizing IT-related expenses.

Market researchers expect that global IT spending will only increase by 5 percent in 2007 (3 percent less than in the previous year). This decline in spending for hardware and software can mostly be attributed to the USA. The slowdown in the biggest market for

IT products and services world-wide has a substantial effect. In the information technology and telecommunications sectors, growth of 4 percent is expected for the Western European market. An increase of 4 percent for computers, which is the relevant field for MAXDATA, is also being forecasted for 2007.

In line with the restructuring program that was initiated in 2006, the company has implemented various measures to resolve the dissatisfactory situation that was experienced in 2006. These efforts are aimed at improving profitability, optimizing product and process quality, as well as stabilizing turnover for the 2007 business year. Restructuring measures which were initiated in 2006 will lead to cost savings and an improvement in the profit situation for 2007. The main goal is to strengthen the company's position so that it can become profitable again in the medium term.

MAXDATA will systematically develop the potentials of the sales and production company. These efforts include a strategic reorientation which will allow the business units a higher degree of autonomy. The Management Board expects that this reorientation will result in a sustained improvement of the competitive position of the company.

With regard to expected sales volumes, the company is anticipating moderate growth across all segments. There is believed to be particular sales potential for notebooks and monitors.

Planned investments consist of replacement acquisitions that can be financed from cash flow from ongoing operating activities.

This management report contains statements that relate to the future development of the MAXDATA group and its companies as well as to economic developments. These statements present opinions that MAXDATA has formed on the basis of all the information available at the present time. Should these assumptions not be correct or should further risks arise, actual results may differ from the results currently anticipated. MAXDATA therefore cannot offer any guarantee for these statements.

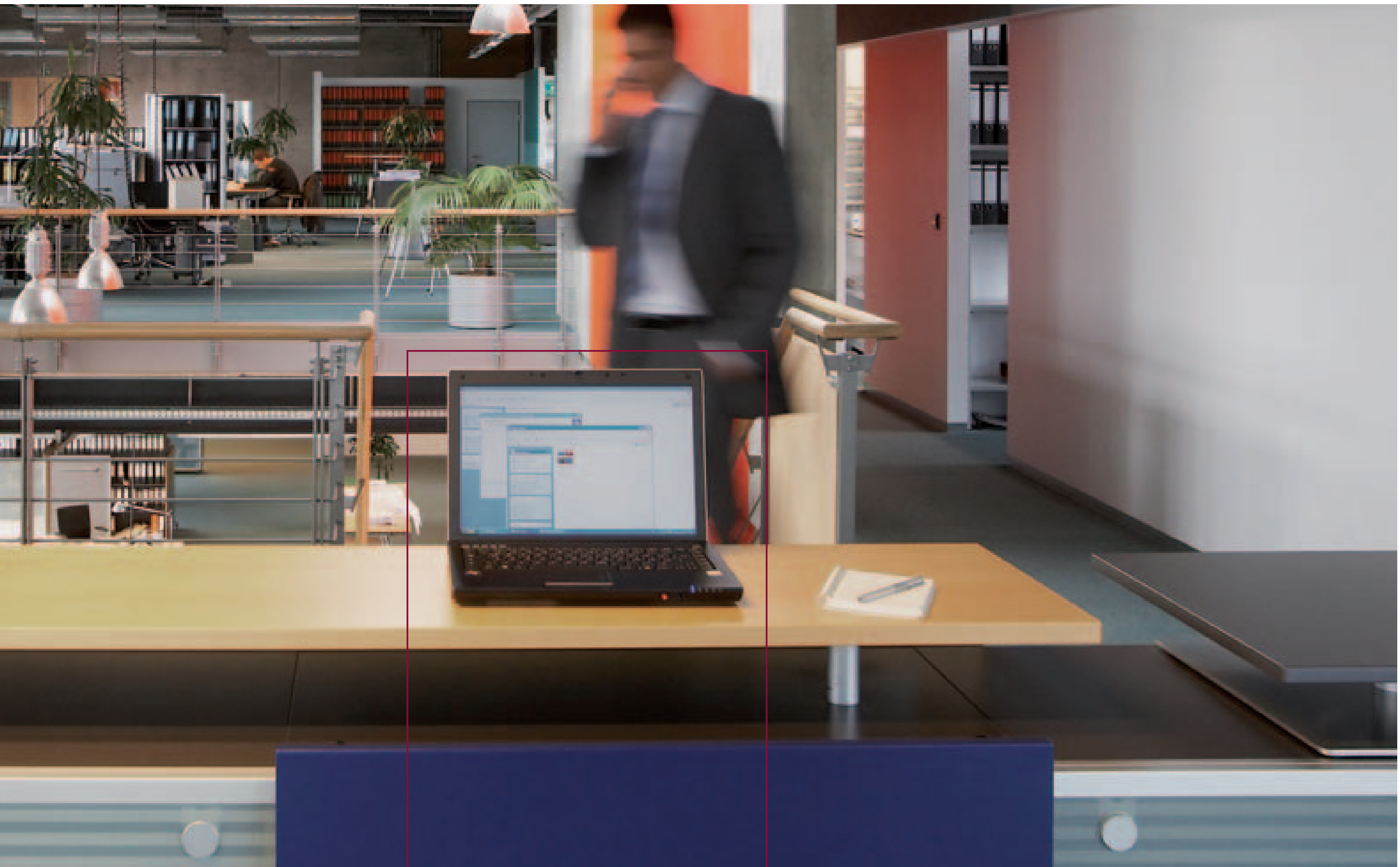
Marl, 27 February 2007

Thomas Stiegler Reinhard Blunck

Consolidated Financial Statements 2006

>> The competition in the IT sector is fierce and requires rigorous decision-making. Therefore, MAXDATA initiated an extensive restructuring program in the past business year. This program included drastic cost-saving measures, as well as a significant expansion of sales activities. Positive effects from these measures are expected to become evident in the current year. **<<**

Inhalt



MAXDATA products for planning offices: MAXDATA Notebook ECO 4700 IW

Consolidated Balance Sheet as of 31 December 2006

Assets	Notes	2006 KEUR	2005 KEUR
Long-term capital			
Intangible assets	(5)		
Trademarks, licenses and software		1,904	4,458
Goodwill		5,662	2,166
Payments on account		304	0
		7,870	**6,624**
Property, plant and equipment	(6)		
Land and buildings		35,435	37,372
Machinery and equipment		2,728	2,791
Other equipment, furniture and fixtures		2,871	4,209
Construction in progress and payments on account		41	3
		41,075	**44,375**
Investments in associates	(7)	**151**	**138**
Loans		**33**	**65**
Deferred taxes	(22)	**66**	**2,388**
		49,195	**53,590**
Short-term capital			
Inventories	(8)		
Raw materials and supplies		29,798	43,020
Work in progress		175	127
Finished goods and purchased goods		36,331	43,659
		66,304	**86,806**
Receivables and other assets			
Trade receivables – thereof due from associates KEUR 5 (2005: KEUR 2)	(9)	30,896	99,987
Other assets	(10)	24,515	7,230
Derivative financial instruments	(25)	145	535
Current tax assets		1,868	1,913
		57,424	**109,665**
Cash and cash equivalents	(11)	41,125	27,080
		164,853	**223,551**
		214,048	**277,141**

Equity and liabilities	Notes	2006 KEUR	2005 KEUR
Equity			
MAXDATA AG shareholders' interest			
Subscribed capital	(12)	29,000	29,000
Capital reserve	(13)	145,660	145,660
Accumulated other comprehensive income		–169	136
Accumulated loss	(13)	–84,745	–38,235
Own shares		–9,270	–9,270
		80,476	**127,291**
Minority interest		0	471
		80,476	**127,762**
Long-term liabilities			
Other long-term liabilities	(16)	1,749	0
Other provisions, less the current portion	(15)	29,473	7,906
Deferred income, less the current portion	(17)	2,869	3,002
		34,091	**10,908**
Short-term liabilities			
Trade accounts payable		73,236	93,046
Tax provisions	(14)	502	537
Derivative financial instruments	(25)	56	234
Other current provisions	(15)	10,902	25,612
Other current liabilities	(16)	10,130	14,847
Current portion of deferred income	(17)	4,655	4,195
		99,481	**138,471**
		214,048	**277,141**

Consolidated Income Statement

	Notes	2006 KEUR	2005 KEUR
Turnover	(18)	524,800	657,387
Increase in finished goods and work in progress		206	1,593
Other operating income	(19)	18,116	20,580
Cost of materials			
Cost of raw materials and supplies and of purchased goods		–449,197	–568,425
Cost of purchased services		–2,970	–3,528
Personnel expenses			
Wages and salaries		–49,635	–48,441
Social security contributions and other pension cost		–9,284	–9,601
Depreciation and amortization of tangible and intangible assets		–6,716	–7,143
Other operating expenses	(21)	–68,116	–77,318
Loss from ordinary operations		**–42,796**	**–34,896**
Interest earnings		1,237	1,217
Interest expenditures		–1,695	–698
Result from associates		73	40
Loss before tax		**–43,181**	**–34,337**
Income taxes	(22)	–3,329	–4,921
Consolidated net loss for the year		**–46,510**	**–39,258**
–of which minority interest		0	329
Consolidated net loss for the year attributable to MAXDATA AG shareholders		**–46,510**	**–39,587**
Basic earnings per share	(23)		
Consolidated net loss for the year attributable to MAXDATA AG shareholders (in EUR)		–46,509,648.77	–39,586,532.32
Shares (weighted average for the business year)		28,000,000	28,000,000
Loss per share (in EUR)		**–1.66**	**–1.41**
Diluted earnings per share	(23)		
Consolidated net loss for the year attributable to MAXDATA AG shareholders (in EUR)		–46,509,648.77	–39,586,532.32
Shares (weighted average for the business year)		28,000,000	28,000,000
Loss per share (in EUR)		**–1.66**	**–1.41**

Consolidated Cash Flow Statement

	2006 KEUR	2005 KEUR
Loss for the year, before deduction of loss/profit attributable to other shareholders, income taxes, interest and investment expenditure/income	–42,796	–34,896
Depreciation and amortization of tangible and intangible assets	6,716	7,143
Increase in provisions	7,165	11,875
Loss from disposal of long-term assets	89	34
Decrease/Increase in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities	72,533	–27,165
Decrease/Increase in trade payables and other liabilities that cannot be allocated to investing or financing activities	–24,387	19,723
Interest payments received	1,298	1,292
Interest paid	–1,682	–698
Income taxes payments/refunds	–1,305	1,858
Cash flow from operating activities	**17,631**	**–20,834**
Cash received from disposal of property, plant and equipment/intangible assets	326	585
Cash paid for investments in property, plant and equipment/intangible assets	–3,517	–5,746
Cash flow from investing activities	**–3,191**	**–5,161**
Distributions to minority shareholders	–288	–204
Cash flow from financing activities	**–288**	**–204**
Change in cash and cash equivalents	**14,152**	**–26,199**
Change in currency translation adjustment	–107	–14
Cash and cash equivalents at beginning of business year	27,080	53,293
Cash and cash equivalents at end of business year	**41,125**	**27,080**
Cash and cash equivalents	41,125	27,080
Cash and cash equivalents at end of business year	**41,125**	**27,080**

Consolidated Statement of Changes in Equity

	Subscribed capital KEUR	Capital reserve KEUR
Balance as of 1 January 2005	**29,000**	**145,660**
Other comprehensive income	0	0
Net loss/profit	0	0
Dividends to other shareholders	0	0
Balance as of 31 December 2005	**29,000**	**145,660**
Other Comprehensive Income	0	0
Net loss	0	0
Dividends to other shareholders	0	0
Change in minority interest	0	0
Balance as of 31 December 2006	**29,000**	**145,660**

	Accumulated Other Comprehensive Income						
	Currency translation adjustment KEUR	Fair value measurement of financial instruments KEUR	Accumulated profit/loss KEUR	Own shares KEUR	Attributable to MAXDATA AG shareholders KEUR	Minority interest KEUR	Group KEUR
	–48	**0**	**1,351**	**–9,270**	**166,693**	**346**	**167,039**
	–14	198	0	0	184	0	184
	0	0	–39,587	0	–39,587	329	–39,258
	0	0	0	0	0	–204	–204
	–62	**198**	**–38,235**	**–9,270**	**127,291**	**471**	**127,762**
	–107	–198	0	0	–305	0	–305
	0	0	–46,510	0	–46,510	0	–46,510
	0	0	0	0	0	–288	–288
	0	0	0	0	0	–183	–183
	–169	**0**	**–84,745**	**–9,270**	**80,476**	**0**	**80,476**

Notes to the Consolidated Financial Statements

(1) General

MAXDATA AG (MAXDATA) is registered in the commercial register of Gelsenkirchen under the number HRB 5552. MAXDATA is a public listed company in the "Prime Standard" segment of the regulated market in Frankfurt.

The MAXDATA Group (hereinafter – the Group) is involved in manufacturing and distributing computer systems and monitors which are assembled by the Group or selected subcontractors in accordance with the Group's own specifications and quality standards. The Group sells computers under its own trademark "MAXDATA" and monitors under its own trademark "Belinea". Other computer peripherals complete the Group's product range. The average number of employees in the Group was 1,178 in 2006 and 1,243 in 2005. The registered office address of the Group is Elbestrasse 16, Marl, Germany.

After being prepared, the consolidated financial statements were released by the management board on 27 February 2007.

(2) Adoption of standards, amendments to published standards and interpretations

In 2006, the Group adopted IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment. IFRIC 6 is mandatory for accounting periods beginning on or after 1 December 2005. IFRIC 6 does not deal with the recognition of provisions for historical waste from commercial users or new waste from private households. For these kinds of waste the German Accounting Interpretations Committee (AIC) has published AIC 2 Obligation to Dispose of Electrical and Electronic Equipment that was also adopted in 2006.

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's operations:

IAS 21 (Amendment), Net Investment in a Foreign Operation

IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions

IAS 39 (Amendment), The Fair Value Option

IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts

IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment): Exploration for and Evaluation of Mineral Resources

IFRS 6, Exploration for and Evaluation of Mineral Resources

IFRIC 4, Determining whether an Arrangement contains a Lease

IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

The following interpretations to existing standards have been published that are not mandatory for the Group's accounting period 2006 (the Group has not early adopted):

IFRS 7, Financial Instruments: Disclosures, and the complementary Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (mandatory for accounting periods beginning on or after 1 January 2007).

IFRS 7 introduces new disclosures relating to financial instruments. The IFRS requires disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk, market risk and sensivity analysis relating to special market risks. The new IFRS supersedes IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and the disclosure requirements of IAS 32, Financial Instruments: Disclosure and Presentation. IFRS 7 shall be applied by all entities using IFRS for accounting purposes. The amendment to IAS 1 requires additional disclosure of the entity's objectives, policies and processes for managing capital. For the MAXDATA Group the main additional disclosure caused by the mentioned amendments will be the sensivity analysis relating to special market risks and the disclosure relating to capital as required in the amendment of IAS 1. The first time adoption will take place in business year 2007.

(3) Summary of significant accounting policies

The principal accounting policies adopted in preparing the consolidated financial statements of the Group are as follows:

Principles

The consolidated financial statements were prepared in accordance with the standards published by the International Accounting Standards Board (IASB). The accounting standards used are in compliance with the European Union's accounting directives pertaining to consolidated financial statements. The requirements of Article 315 a of the German Commercial Code (HGB) are observed.

The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the note to other provisions.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The income statement has been prepared according to the nature of expenses method. The accompanying financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets and financial assets or liabilities at fair value through profit or loss, all of which are measured at fair value after initial recognition.

Purchases or sales of financial assets are primarily accounted for using the trade date method.

Reporting currency

The functional currency is the respective national currency of the consolidated subsidiaries and the reporting currency of the Group is Euro. The consolidated financial statements are prepared in thousands of euros (KEUR).

Principles of consolidation

The consolidated financial statements of the Group include MAXDATA AG and the subsidiaries over which the Group has the power to govern the financial and operating policies generally accompanying a share-holding of more than one half of the voting rights. The equity and net income attributable to minority interests are shown separately in the balance sheets and below the income statements, respectively.

The purchase method of accounting is used for business combinations. Companies acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition up to the date of disposal. The cost of acquisition is allocated applying the revaluation method.

Intercompany balances and transactions, including unrealized profits and losses, are eliminated in full. Consolidated financial statements are prepared using uniform accounting policies for similar transactions and other events in similar circumstances. Reference is made to note 30 with regard to consolidated entities.

Investments in associated companies (generally interest of between 20 percent and 50 percent in a company's equity) where a significant influence is exercised by MAXDATA AG or one of its subsidiaries are accounted for using the equity method.

Financial instruments

The financial instruments (financial assets and financial liabilities) carried in the balance sheet pursuant to IAS 32 and IAS 39 include certain long-term financial assets, trade and other accounts receivable and payable, investments and marketable securities, cash and cash equivalents, as well as certain other assets and payables based on contractual arrangements.

The Group classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

The first time recognition of a financial asset or financial liability is measured at cost, which represents the fair value of the consideration given (in the case of an asset) or received (in the case of a liability) for it. Recognition generally takes place on the trade date. Measurement after initial recognition is different for the various categories of financial assets and financial liabilities. The accounting policies on subsequent measurement of these items are disclosed in the respective notes.

Financial assets are derecognized when the rights to receive cash flows from the financial asset have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized if the commitments named in the contract have been settled, revoked, or have expired.

The Group operates internationally, and is therefore subject to significant exposure to market risks from changes in foreign exchange rates. The Group uses derivative financial instruments to mitigate those risks. Derivative financial instruments are generally classified as fair value through profit and loss and valued at the attributable fair value. Valuation is performed by information received from banks using the discounted cash flow method. Options are valued using option pricing models.

Gains and losses from these instruments are recorded in the result for the period except when deferred in equity as qualifying cash flow hedge.

Disclosure of the nature of financial instruments and their significant terms and conditions that could affect the amount, timing and certainty of future cash flow is presented in the notes to the financial statements, when applicable.

Intangible assets

Intangible assets are measured initially at cost. Internally generated intangible assets are not recognized. Intangible assets are recognized if it is probable that future economic benefits attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. With exception of goodwill intangible assets are amortized on a straight-line basis over the best estimate of their useful lives. The amortization period and the amortization method are reviewed annually at each financial year-end.

(a) Trademarks and licenses

Amounts paid for trademarks and licenses are capitalized and then amortized on a straight-line basis over the expected periods of benefit. The expected useful lives of industrial rights and licenses vary from three to eight years.

(b) Software

The cost of acquisition of new software is capitalized and treated as an intangible asset if these costs are not an integral part of the related hardware. Software is amortized on a straight-line basis over three to five years.

Costs incurred in order to restore or maintain the economic benefits that an enterprise can initially expect from existing software systems are recognized as an expense when the restoration or maintenance work is carried out.

(c) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in the acquired subsidiary.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

The initial cost of property, plant and equipment comprises its purchase price including customs duties and non-refundable acquisition taxes, as well as any directly attributable costs of bringing the asset to its working condition and location for its intended use.

The manufacturing costs of property, plant, and equipment include the cost of goods and services consumed in producing the asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Estimated useful lives	
Buildings	25 years
Machinery and equipment	3 to 15 years
Other equipment, furniture and fixtures	3 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Assets under construction are allocated to property, plant and equipment and are reported at purchase cost or the respective cost of production. Assets under construction are not depreciated until such time as the relevant assets are completed and put into operational use.

Impairment of assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

With exception of goodwill, impairment losses recognized in previous years are reversed when there is an indication that the impairment losses no longer apply or have decreased in scope. The reversal is recorded in income.

Investments in associates

Investments in associates are accounted for under the equity method pursuant to IAS 28.

The valuation of investments in associates is reviewed when there is an indication that the asset has been impaired or the impairment losses recognized in previous years no longer exist.

Inventories

Inventories, including finished goods and work-in-process, are valued at the lower of cost and fair value less cost to sell, after provision for obsolete items. Fair value less cost to sell is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Inventory purchases are recognized at net prices. Inventories are thus measured net of any discounts offered. Discounts which are not availed of are recorded as interest expenses on the date they lapse. Cost is determined primarily on the basis of weighted average cost. For finished goods, cost includes an appropriate allocation of fixed and variable overheads. Inventory which cannot be sold is written off in full.

Receivables and other assets

After initial recognition at fair value, receivables and other financial assets are measured at amortized cost using the effective interest rate method, after provision for doubtful accounts. Short-term receivables and other financial assets with no fixed interest rate are measured at the amount originally invoiced or face value, provided the effect of inflation is not material. Those receivables and other financial assets that do not have a fixed maturity are measured at cost (nominal value). All receivables and other financial assets are subject to an impairment test.

Other assets not covered by IAS 39 are measured at cost. They are also subject to an impairment test.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank balances. They also comprise money market funds as well as other current, highly liquid deposits, with original terms of three months or less, that are not subject to any material fluctuations in value and can be converted quickly into specific amounts of cash.

Equity

Capital reserves result from premiums paid in connection with cash capital increases after deducting the costs incurred for raising capital (net of tax). They can be used to offset net losses or to fund capital increases.

Own shares represent shares in the parent which are held by the parent itself. The acquisition of own shares is presented in the financial statements as a change in equity. No gain or loss is recognized in the income statement on the sale, issue, or cancellation of own shares. The consideration received on such transactions is presented in the financial statements as a change in equity.

Changes in the fair value of cash flow hedges and net foreign exchange transactions arising on translation of financial statements of foreign subsidiaries are included in accumulated other comprehensive income.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Amounts recognized in equity are transferred and recognized as profit or loss when the hedged item is recognized in profit or loss.

Other provisions

A provision is recognized when, and only when an enterprise has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If the interest effect is material, the provision is discounted to the present value of the expenditures expected to settle the obligation. In cases where no reliable estimate can be made, no provision is recognized but a contingent liability disclosed.

Liabilities

After initial recognition, financial liabilities other than derivatives are measured at amortized cost in principle. Subsequent to initial recognition, derivatives are measured at fair value.

Determined contractual obligations to purchase minority interests are valued at present value of the contingent consideration.

Trade payables are recognized at net prices. This results in initial measurement of the liability net of any cash discounts offered. If cash discounts lapse they are charged to interest expenses and trade payables are increased accordingly.

Deferred income
Deferred income is recognized for consideration received before the balance sheet date representing revenues or other income for a specified period after the balance sheet date. Deferred income is initially measured at the nominal value of the consideration received. Subsequently, it is released as sales or other income over the period during which the service is performed.

Revenue recognition
Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales are recognized net of sales taxes and discounts when delivery has taken place and the significant risks and rewards of ownership have been transferred. Service revenues are recognized in principle over the period during which the service is performed.

Interest
Interest is recognized on a time proportion basis that reflects the effective yield on the asset.

Foreign currencies
Foreign currency transactions are recorded in the reporting currency by translating any amounts denominated in foreign currency using the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Exchange rate differences arising from the settlement of monetary items or valuation on closing date at rates different from those at which they were initially recorded during the periods are recognized in the income statement in the period in which they arise.

Foreign entities
The foreign consolidated subsidiaries are regarded as net investments in foreign entities since they are financially, economically, and organizationally autonomous. Their reporting currencies are the respective local currencies. Financial statements of foreign consolidated subsidiaries are translated at closing rates with respect to the balance sheet and at exchange rates at the date of transaction with respect to the income statement. All resulting translation differences are directly included in accumulated exchange rate differences in equity.

On the disposal of a foreign entity, the accumulated exchange rate differences that relate to the foreign entity are recognized as income or as expense in the same period in which the gain or loss on disposal is recognized. Consolidation of foreign subsidiaries located in the Euro zone does not result in any translation differences.

Share options
The employees and members of the management board of MAXDATA AG and its subsidiaries were granted options to purchase common shares of the Company. Share options issued are treated as pending transactions until they are exercised by the option holder. Once the options are exercised, the premium in excess of the nominal value of EUR 1 per share is transferred to the capital reserve. The valuation method was maintained after adoption of IFRS 2 due to the transitional provisions of IFRS 2.53. To date no shares have been issued under the share option program. Reference is made to Note 12.

Borrowing costs
Borrowing costs are not capitalized but recognized as an expense in the period in which they are incurred.

Suppliers' discounts offered in connection with purchases which are not availed of are recorded as interest expenses on the date they lapse.

Income taxes

The income tax charge is based on profit for the year and considers deferred taxation. Deferred taxes are calculated using the liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply in the period in which an asset is realized or a liability is settled. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that the company estimates on balance sheet date to follow from the reversal of temporary differences in future.

Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available in future against which the deferred tax assets can be utilized. At each balance sheet date, the Company reassesses unrecognized deferred tax assets and the carrying amount of deferred tax assets. The enterprise recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The company conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Contingencies

Contingent liabilities are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

(4) Changes in the Group's organization

No companies were founded, acquired or sold in the business year 2006. By Group internal restructuring with no effect on the net assets, financial position and results of operations of the Group, two companies do not longer exist. MAXDATA Verwaltungs GmbH was merged into MAXDATA AG on 1 January 2006. Due to the merger, the assets of MAXDATA Computer GmbH & Co. KG increased the assets of MAXDATA AG. Subsequently, the assets of the division "MAXDATA Computer GmbH & Co. KG ALT" were transferred to MAXDATA e-business GmbH as well as renaming MAXDATA e-business GmbH into MAXDATA Computer GmbH.

On 1 January 2006 a further 22 percent portion of shares of ASIG Quality Services GmbH, Augsburg, (ASIG) was acquired by the Group. ASIG is a consolidated entity since 2000. The purchase price of KEUR 1,944 was settled in cash. At the same time a subsidiary of MAXDATA entered into a contractual obligation to acquire the remaining 26 percent of the shares. The vendor has the right to exercise put options totally or partly within a period from 24 months to the year end, at the earliest however to 31 December 2010. IAS 32 justifies a put option, which is settled in cash or other financial net assets, to account for as financial charge measured at present value of the purchase price. As best estimate, the contractually agreed minimum purchase price was used. The contract is designed with a transfer of risks and rewards of the shares on 1 January 2006 to MAXDATA Group. The minority interest associated with the shares subject to the put options is derecognized. The difference between the purchase and/or exercise price and the minority interest is recognized as additional goodwill. From this procedure additional long-term other liabilities of KEUR 1,736, an additional goodwill of KEUR 1,557 as well as a capital reduction of KEUR 471 was recognized on 1 January 2006. In the profit and loss account, minority interests are retired and replaced by the change of the discount on the liability that is recognized as a finance charge (KEUR 13).

(5) Intangible assets

	Trademarks, licenses and software KEUR	Goodwill KEUR	Payments on account KEUR	Total KEUR
At cost				
1 January 2005	16,401	2,166	1,219	19,786
Additions	1,571	0	0	1,571
Disposals	–64	0	0	–64
Transfers	1,196	0	–1,219	–23
31 December 2005	**19,104**	**2,166**	**0**	**21,270**
Accumulated amortization and impairment losses				
1 January 2005	11,962	0	0	11,962
Amortization for the year	2,765	0	0	2,765
Disposals	–58	0	0	–58
Transfers	–23	0	0	–23
31 December 2005	**14,646**	**0**	**0**	**14,646**
At cost				
1 January 2006	19,104	2,166	0	21,270
Additions	370	3,496	304	4,170
Disposals	–706	0	0	–706
Currency translation differences	–2	0	0	–2
31 December 2006	**18,766**	**5,662**	**304**	**24,732**
Accumulated amortization and impairment losses				
1 January 2006	14,646	0	0	14,646
Amortization for the year	2,924	0	0	2,924
Disposals	–707	0	0	–707
Currency translation differences	–1	0	0	–1
31 December 2006	**16,862**	**0**	**0**	**16,862**
Net book value 2006	1,904	5,662	304	7,870
Net book value 2005	4,458	2,166	0	6,624

The goodwill is exclusively allocated to ASIG. The annual impairment test has been performed at 31 December 2006. There was no need for impairment charges. The determination of the recoverable amount was based on value-in-use calculations using the discounted cash flow method. Projections are based on sustainable cash flows of the past five years that are extrapolated for a forecasted five-year period using a growth rate of 1.8 percent per year. Cash flows beyond the five-year period were determined as average of the five-year period. A growth rate for the extrapolation of the five-year average was not considered. The discount rate of 8.21 percent, used for the calculation, considers a Beta Factor specific to the Group, a tax-rate of 39 percent as well as an individual capital structure.

	Land and buildings KEUR	Machinery and equipment KEUR	Other equipment furniture and fixtures KEUR	Construction in progress and payments on account KEUR	Total KEUR
At cost					
1 January 2005	52,572	1,995	20,301	818	75,686
Additions	14	2,329	1,546	3	3,892
Disposals	0	–7	–3,391	0	–3,398
Transfers	0	197	89	–263	23
Currency translation differences	0	0	8	0	8
31 December 2005	**52,586**	**4,514**	**18,553**	**558**	**76,211**
Accumulated depreciation and impairment losses					
1 January 2005	13,223	1,509	14,927	555	30,214
Depreciation for the year	1,991	221	2,167	0	4,379
Disposals	0	–7	–2,779	0	–2,786
Transfers	0	0	23	0	23
Currency translation differences	0	0	6	0	6
31 December 2005	**15,214**	**1,723**	**14,344**	**555**	**31,836**
At cost					
1 January 2006	52,586	4,514	18,553	558	76,211
Additions	0	242	629	44	915
Disposals	0	–3	–4,123	0	–4,126
Transfers	0	0	6	–6	0
Currency translation differences	0	0	–18	0	–18
31 December 2006	**52,586**	**4,753**	**15,047**	**596**	**72,982**
Accumulated depreciation and impairment losses					
1 January 2006	15,214	1,723	14,344	555	31,836
Depreciation for the year	1,937	305	1,550	0	3,792
Disposals	0	–3	–3,707	0	–3,710
Currency translation differences	0	0	–11	0	–11
31 December 2006	**17,151**	**2,025**	**12,176**	**555**	**31,907**
Net book value 2006	35,435	2,728	2,871	41	41,075
Net book value 2005	37,372	2,791	4,209	3	44,375

(6) Property, plant and equipment

(7) Investments in associates

Entity	Principal activities	Equity interest %
EMV Testhaus GmbH	EMC	30.0

EMV Testhaus GmbH is an associate of ASIG Quality Services GmbH. The company is accounted for by the equity method.

EMV Testhaus GmbH	2006* KEUR	2005 KEUR
Total assets	1,192	1,157
Total Liabilities	268	260
Turnover	1,633	1,585
Profit of the year	249	242

*qualified estimate

(8) Inventories

The carrying amount of inventories carried at fair value less cost to sell amounts to KEUR 1,247 (previous year: KEUR 4,844). Valuation allowances of inventories at a value of KEUR 2,524 (previous year: KEUR 1,357) are recognized in profit and loss account.

(9) Trade receivables

Trade receivables	2006 KEUR	2005 KEUR
Receivables	31,873	101,560
Less bad debt allowances	–977	–1,573
	30,896	**99,987**

The KEUR 596 reduction in valuation allowances (previous year: KEUR 423) is the combination of additional impairments of trade receivables of KEUR 170 (previous year: KEUR 260) and a reversal of impairments of KEUR 766 (previous year: KEUR 683).

On 31 December 2006 certain group companies had sold receivables at a value of KEUR 41,080 (previous year: KEUR 0) in connection with a factoring contract. Substantially all risks and opportunities were transferred to the factor.

An expense of KEUR 1,005 (previous year: KEUR 1,017) for non-collectable receivables is included in other operating expenses. This comprises beside the additional impairments of trade receivables a write off on receivables in the amount of KEUR 835 (previous year: KEUR 757) which is partially covered by credit insurance payments in the amount of KEUR 497 (previous year: KEUR 526).

On the one hand, the bad debt allowance was calculated on the basis of objective indicators of the risk of non-collection and, on the other hand, past experience of default of specific receivables.

(10) Other assets

Other assets	2006 KEUR	2005 KEUR
Blocked account factoring*	8,460	0
Prepayments to suppliers	6,352	0
Recourse claims against business partners	4,047	1,925
Outstanding sales tax reimbursements	2,210	1,239
Prepaid expenses	967	1,582
Creditors with debit balances	656	561
Receivables for bonuses and advertising subsidies	548	521
Receivables from insurance claims	189	190
Other	1,086	1,212
	24,515	**7,230**

*The blocked account factoring amounts to 20 percent of the purchase price of the purchased receivables and is due with collection of the receivables, at the latest in case of delcredere.

(11) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank balances of KEUR 37,709 (previous year: KEUR 23,798) and money market funds of KEUR 3,416 (previous year: KEUR 3,282).

Cash and cash equivalents with an amount of KEUR 8,416 are reduced in availability. Thereof KEUR 3,416 are pledged as collaterals for letters of credit.

(12) Subscribed capital

The share capital of the Group's parent, MAXDATA, is divided into 29,000,000 no-par-value bearer shares each representing EUR 1 of share capital. Contributions to capital have been paid up in full.

As of balance sheet date MAXDATA holds 1,000,000 of its own shares (previous year: 1,000,000).

	Shares issued (number)	Own shares (number)	Outstanding shares (number)
31.12.2005	29,000,000	–1,000,000	28,000,000
31.12.2006	**29,000,000**	**–1,000,000**	**28,000,000**

At the annual general meeting of MAXDATA AG on 27 May 1999, the shareholders approved a conditional increase in the share capital of MAXDATA AG of up to KEUR 480 (contingent capital I) by issue of up to 480,000 new no-par-value bearer shares. This conditional increase in capital serves to ensure the subscription rights of employees, members of the management board of MAXDATA AG, its subsidiaries, as well as of companies affiliated with MAXDATA AG within the meaning of Article 15 et seq. of the German Stock Corporation Law (AktG) in Switzerland, Austria, the United Kingdom, and the Netherlands in accordance with the conditions set in the authorizing resolution of the annual general meeting of 27 May 1999.

The conditional increase in capital may only be undertaken to the extent that those entitled to subscription rights within the framework of the employee share option plan exercise their subscription rights. The new shares carry profit participation rights from the beginning of the business year in which they originate through the exercise of subscription rights.

Share option plan

MAXDATA issued a share option plan in 1999 when its IPO occurred. This share option plan allowed options to be granted to employees and members of the management board of MAXDATA AG and its subsidiaries for no consideration previous to 31 December 2000 entitling bearers to purchase a total of 480,000 bearer shares pursuant to the authorization passed by resolution of the annual general meeting on 27 May 1999. The exercise price for each option was fixed at EUR

31 in agreement with the price of MAXDATA shares at their first issue. The options are only exercisable under the precondition that the market price of the MAXDATA share has on the average increased by at least 1 percentage point per month as against the issue price, i.e. on average at least 12 percentage points per year as against the issue price. This means that the share price would have had to have increased by 36 percentage points as against its price at first issue by 9 June 2002 – the first possible date the first tranche (30 percent of the options) could be exercised. If the options are not exercisable within the vesting period (three years following the first trading day), as the increase in value of the share did not occur as provided, the options will become exercisable at a later stage within the life of the options (which expires on 8 June 2009), if the market price of the shares has increased on average by at least 1 percentage point per month. If the market price of the MAXDATA share does not reach the increase required by an average of 12 percentage points per year on the first possible exercise dates, the options of the second and third tranche will become exercisable at the date on which the average market price of the MAXDATA share on the last 30 trading days has reached the market price as adjusted correspondingly.

The market price within the meaning of the foregoing is the average market price of the MAXDATA share calculated on the basis of the closing prices on the Frankfurt Stock Exchange on the last 30 trading days of each 12 month period measured on the calendar day on which the shares were first issued. If the market price increases by the required amount, the options which vest in this way will remain exercisable until the expiry of the life of the option, even if the market price were to decrease again subsequently. As of 31 December 2005, 61,384 options to purchase 61,384 shares had been granted. Owing to employee turnover, the number of options outstanding has fallen to 47,884 as of 31 December 2006. Under the accounting policy adopted by the Group no compensation expense is recognized under the share option plan.

(13) Capital reserve and accumulated profit/loss

Capital reserves consist mainly of the premiums received in the course of MAXDATA going public in 1999.

No dividend was paid for 2005. The management board of MAXDATA AG has proposed that no dividend be paid for 2006.

(14) Tax provisions

Tax provisions are recognized for the expected amount of additional tax payments.

(15) Other provisions

Other provisions	**Warranties KEUR**	**Miscellaneous KEUR**	**Total KEUR**
1 January 2006	15,972	17,546	33,518
Additions in business year	9,618	7,938	17,556
Utilizations in business year	–8,158	–2,471	–10,629
Reversals in business year	–10	–71	–81
Currency translation differences in business year	8	3	11
31 December 2006	**17,430**	**22,945**	**40,375**
Current portion	6,887	4,015	10,902
Non-current portion	10,543	18,930	29,473

Warranty

The Group generally offers three-year warranties for its computers and monitors. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. Factors that could impact the estimated claim information include the success of the Group's productivity and quality initiatives, as well as parts and labor costs. The warranty provisions consider repair and/or process costs, failure rates and recourse claims from the warranty agreements with suppliers.

As of 31 December 2006 and 2005 the Group has provided KEUR 17,430 and KEUR 15,972 respectively for expected warranty claims on computers and monitors sold during the last 36 months before the respective balance sheet date. The current portion of these warranty costs are expected to be incurred in the next business year, the remaining costs are expected to be incurred within the two following years.

Miscellaneous other provisions

Miscellaneous other provisions mainly contain the provision for copyright device levies with an amount of KEUR 16,670 (previous year: KEUR 14,972). A competitor of MAXDATA was sued by Verwertungsgesellschaft (VG) Wort for payment of a copyright device levy of EUR 30 for every PC sold since 1 January 2001. In a judgment of 23 December 2004, the Munich Regional Court specified a levy of EUR 12 for every PC sold since 1 January 2001. The decision was confirmed by the Munich Higher Regional Court on 15 December 2005. From this, copyright device levies at a value of EUR 12 per PC must be paid to the VG Wort retroactively starting from 2001. The Munich Higher Regional Court rejected the appeal of this court decision on 15 December 2005 but has allowed appealing the Federal High Court. The Group has accounted for provisions on basis of the actual court decision. The time of cash outflow depends on the duration of the final legal proceedings. The cash outflow is expected as non-current.

Beyond that bonus obligations at a value of KEUR 2,210 are included in miscellaneous other provisions (previous year: KEUR 1,800), which are expected to be incurred in business year 2007.

(16) Other liabilities

Subject of the other non-current liabilities is the financial liability in connection with the put option concerning the ASIG shares. The liability is recognized at present value of the purchase price (see description in text 4).

Other current liabilities	2006 KEUR	2005 KEUR
Liabilities to employees	3,961	3,833
Value added tax	3,794	6,562
Payroll and church taxes	676	687
Liabilities related to social security	329	1,394
Debtors with credit balances	165	423
Miscellaneous	1,205	1,948
	10,130	**14,847**

(17) Deferred income

Deferred income relates to receipts from "guarantee certificates" in connection with granting extended guarantee services. The payments received are recognized at the time the guarantee certificates were issued; they will be released on a straight-line basis over the term of the guarantees. Income from the release of deferred income is offset by current expenses related to the extended guarantee services rendered in association with the guarantee certificates.

(18) Turnover by geographical areas and product lines

Turnover by geographical areas	2006 KEUR	%	2005 KEUR	%
Domestic	275,225	52	360,224	55
Foreign	249,575	48	297,163	45
	524,800	**100**	**657,387**	**100**

Turnover by product line	2006 KEUR	%	2005 KEUR	%
Monitors	245,051	47	289,307	44
Computers	229,578	44	314,873	48
Other	50,171	9	53,207	8
	524,800	**100**	**657,387**	**100**

(19) Other operating income

Other operating income	2006 KEUR	2005 KEUR
Exchange rate gains	9,837	10,514
Income from fixed service fees	3,052	3,602
Advertising subsidies from suppliers	2,894	4,070
Insurance indemnifications	824	840
Other	1,509	1,554
	18,116	**20,580**

(20) Personnel expenses

Due to the current restructuring plan compensations and cost for a transfer company at a value of KEUR 3,717 are included in the personnel expenses.

(21) Other operating expenses

Other operating expenses	2006 KEUR	2005 KEUR
Advertising expenses	9,266	12,968
Exchange rate losses	8,882	11,505
Transport costs (delivery of goods)	8,877	10,891
Rent incidentals/repairs	7,185	6,495
Fees	6,214	4,063
Settlement for a lawsuit with a supplier	4,500	0
Warranties	3,983	5,437
Other staff costs	2,412	3,318
Insurance	1,802	1,973
Communication	1,772	1,783
Rent and lease expenses	1,508	1,571
Bad debts/impairment of trade receivables	1,005	1,017
Copyright device levies	0	8,792
Other	10,710	7,505
	68,116	**77,318**

In previous year the recognition of an additional provision of EUR 8.8 millions for copyright device levies on PCs was necessary due to a judgment of the Munich Higher Regional Court. The current expenses for copyright device levies on PCs are charged to costs of materials.

The first time disclosure of other staff costs led to an adjustment of the previous year numbers „Other" of KEUR 3,318 down to KEUR 7,505.

(22) Income taxes

The main components of the income tax expenses reported in the income statement are as follows:

Income taxes	2006 KEUR	2005 KEUR
Current income tax expense	–1,007	–861
Deferred tax expense/income from the occurrence/reversal of temporary differences	–1,398	4,486
Decrease in deferred tax assets from tax claims due to loss carry-forwards	–924	–8,546
	–3,329	**–4,921**

Unchanged from previous year a tax rate of 39 percent compounded from corporate income tax and trade tax has been used to calculate deferred taxes.

A reconciliation of the expected tax expense to the tax expense reported in the income statement is as follows:

	2006 KEUR	%	2005 KEUR	%
Result before income taxes	**–43,181**	**100.0**	**–34,337**	**100.0**
Taxes at domestic tax rate	16,841	–39.0	13,391	–39.0
Tax effects from divergent foreign tax rates and foreign losses without capitalization of deferred taxes	–4,144	9.6	–1,423	4.1
Change in deferred tax assets	–2,322	5.4	–4,060	11.8
Tax effects from domestic losses without capitalization of deferred taxes	–13,176	30.5	–12,759	37.2
Effects from taxes for previous years	–528	1.2	–70	0.2
Tax expense	**–3,329**	**7.7**	**–4,921**	**14.3**

Components of deferred tax assets/liabilities are as follows:

	2006 KEUR	2005 KEUR
Deferred tax assets		
Tax loss carry-forwards (domestic)	1,320	2,244
Differences from the valuation of assets and liabilities	66	388
Total	**1,386**	**2,632**
Deferred tax liabilities		
Differences from the valuation of assets and liabilities and from consolidation	–1,320	–244
Total	**–1,320**	**–244**
Deferred tax assets (net)	**66**	**2,388**

Deferred tax assets have been offset against deferred tax liabilities pursuant to IAS 12. Deferred tax assets and liabilities have been calculated on the basis of the planning projections for the two following years. It is expected that deferred taxes will be recovered after more than 12 months.

As of balance sheet date the Group records CIT loss carry-forwards in Germany of about EUR 326.5 million (previous year: EUR 277.1 million) and loss carry-forwards for trade tax purposes of about EUR 113.0 million (previous year: EUR 87.0 million) on which no deferred tax assets have been capitalized. The subsidiaries outside Germany have loss carry-forwards of EUR 44.1 million (previous year: EUR 32.6 million), on which no deferred tax assets have been capitalized at balance sheet date. The Group did not recognize deferred income tax assets of EUR 113.2 million (previous year: EUR 93.4 million).

(23) Earnings per share

The basic earnings per share are determined by dividing the net result for the period allocable to the ordinary shareholders by the average weighted number of outstanding ordinary shares during the period.

To calculate the diluted earnings per share, the net profit attributable to shareholders and the weighted average number of shares outstanding are adjusted for the effects of all potential ordinary shares from the exercise of share options. The number of ordinary shares would be the weighted average number of ordinary shares plus the weighted average number of ordinary shares which would be issued on the conversion of all potential ordinary shares. Share options are deemed to have been converted into ordinary shares at the beginning of the period, or, if later, on the date when the options were granted.

Since the price of MAXDATA shares was lower than the exercise price defined in the share option plan in the current and previous year, there is no dilutive effect for the current and previous year.

	Consolidated net loss for the year attributable to MAXDATA AG shareholders KEUR	Weighted average number of shares	Earnings per share EUR
Basic/diluted earnings per share for the business year 2006	–46,510	28,000,000	–1.66
Basic/diluted earnings per share for the business year 2005	–39,587	28,000,000	–1.41

(24) Segment information

Segment information by geographical region	Germany 2006 KEUR	Germany 2005 KEUR	International 2006 KEUR	International 2005 KEUR	Consolidation 2006 KEUR	Consolidation 2005 KEUR	Total 2006 KEUR	Total 2005 KEUR
External sales	275,225	360,224	249,575	297,163	0	0	524,800	657,387
Intrasegment sales	197,845	253,617	0	0	–197,845	–253,617	0	0
Income	473,070	613,841	249,575	297,163	–197,845	–253,617	524,800	657,387
Segment result	–28,776	–21,175	–14,020	–13,721	0	0	–42,796	–34,896
plus financial result							–385	559
less income taxes							–3,329	–4,921
less minority interest							0	–329
Group result							**–46,510**	**–39,587**
Segment assets	180,717	253,439	81,785	93,013	–50,572	–73,815	211,930	272,637
plus investments in associates							151	138
plus loans							33	65
plus deferred taxes and tax refund claims							1,934	4,301
Total assets							**214,048**	**277,141**
Segment liabilities	95,474	126,181	88,168	96,476	–50,572	–73,815	133,070	148,842
plus deferred taxes and tax provisions							502	537
plus minority interest							0	471
Total liabilities							**133,572**	**149,850**
Capital expenditure	4,885	5,104	201	358	0	0	5,086	5,462
Amortization and depreciation	–6,091	–6,545	–625	–598	0	0	–6,716	–7,143
Non-cash expenses, excluding depreciation	94	–2,180	–199	–201	0	0	–105	–2,381
Pro rata result from associated companies	73	40	0	0	0	0	73	40
Shares in associated companies	151	138	0	0	0	0	151	138

The geographical division into domestic and foreign segments is performed on the basis of the registered office of the respective companies; as the parent company of the foreign subsidiaries, MAXDATA International GmbH has been allocated to the foreign segment. Transactions between segments are mainly charged at cost plus a small margin to cover additional costs of the segment providing the service.

Fixed assets are transferred at residual carrying amounts.

Segment Information	Monitors		Computers		Other areas/ not allocated		Total	
	2006 KEUR	2005 KEUR	2006 KEUR	2005 KEUR	2006 KEUR	2005 KEUR	2006 KEUR	2005 KEUR
External sales	245,051	289,307	229,578	314,873	50,171	53,207	524,800	657,387
Segment assets	75,695	96,870	88,388	95,546	49,965	80,221	214,048	272,637
Capital expenditures	0	0	0	0	5,086	5,462	5,086	5,462

The "Monitors" business segment consists of CRT and TFT monitors, while the "Computers" segment comprises desktop PCs, notebooks, and servers.

Segment assets and capital expenditures are only allocated to the individual business segments if they are clearly allocable; otherwise the assets are allocated to the segment "other".

(25) Financial instruments

Exchange rate risks

A large part of the Group's purchases of raw materials, components and goods for resale are denominated in US dollars whereas sales are predominantly denominated in currencies other than US dollars. The Group enters into various types of foreign exchange contracts in managing its foreign exchange risk resulting from cash flows from (anticipated) business activities denominated in foreign currencies.

Among other things, the Group hedges foreign exchange risk by acquiring US dollars in spot transactions. Prior to use, these US dollars are partially exchanged for euros by means of currency swaps. In addition, foreign currency is sold in spot transactions and bought back again before the proceeds were received by means of currency swaps. Foreign currency is also bought and sold in forward exchange transactions.

Liquidity risks

Liquidity risk arises from the possibility that customers may not be able to settle obligations to the Group upon maturity. To manage this risk the Group regularly assesses the financial viability of its customers.

Liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit or factoring facilities. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

Credit risks

Credit risks, or the risk of counterparties defaulting, are controlled by the application of credit approvals, limits and monitoring procedures. In addition, the Group uses credit insurance to cover its credit risk.

The extent of the Group's credit exposure is represented by the aggregate balance of amounts receivable. The maximum credit risk, without taking account of credit insurance, is approximately equal to the balance of financial assets as disclosed in the balance sheet. The Group has no significant concentration of credit risk with any single counterparty or groups of counterparties.

Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sales. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. The carrying amount is the value at which the financial instrument is disclosed in the balance sheet.

The derivative financial instruments recognized in the balance sheet are used as hedging instruments for foreign currency liabilities and receivables without exception.

In 2006, a loss of KEUR 2,493 (previous year: gain of KEUR 421) was realized on derivatives used to hedge foreign currency liabilities/receivables. The effects were counterbalanced by the settlement of foreign currency liabilities/receivables.

Derivative financial instruments cover currency swaps and forward exchange transactions.

At balance sheet date the nominal values of open currency swaps entered into to buy/sell foreign currency amounted to KEUR 46,295 (previous year: KEUR 55,350) with fair value of KEUR 18 (previous year: KEUR 233). Moreover at balance sheet date, there were forward exchange transactions to buy/sell foreign currency totalling nominal values of KEUR 17,737 (previous year: KEUR 24,134), with fair values of KEUR 71 (previous year: KEUR 68). At balance sheet date, the residual term of these swaps and forward exchange transactions was less than three months.

Cash and cash equivalents

Due to the relatively short-term maturity of these financial instruments, the carrying amount of cash, cash equivalents and other current assets approximates fair value.

Short-term loans and other short-term liabilities as well as the short-term portion of long-term liabilities

The carrying amount approximates fair value because of the short period to maturity of these financial instruments.

(26) Other financial commitments

The future aggregate minimum lease payments under operating leases are as follows:

Operating Lease	up to 1 year KEUR	1 to 5 years KEUR	more than 5 years KEUR
31.12.2006	2,156	2,172	82
31.12.2005	2,467	4,475	1,823

Operating leases stem primarily from long-term rent agreements for business premises as well as from lease agreements for motor vehicles.

Other financial obligations mainly contain obligations from service and insurance contracts.

Other financial obligations	KEUR
31.12.2006	1,552
31.12.2005	3,855

(27) Contingent liabilities

As of the balance sheet date, there are several cases in which the Group has receivables and liabilities due from and to its suppliers that are either disputed or contestable. In determining the total volume of the open items of the Group, all recognized and unrecognized claims of the parties were compared and, if a reliable estimate appeared possible, a provision was recognized for the probable exposure from the Group's point of view. The maximum exposure that cannot be completely ruled out in excess of the provisions already recorded amounts to EUR 1.1 million.

In January 2006 the Zentralstelle für private Überspielungsrechte (ZPÜ) called the board of arbitration of the German Patent and Trade Mark Office in Munich against a subsidiary of MAXDATA and further approximately 20 manufacturers and dealers of personnel computers (PC). The ZPÜ as a representative of the authors of film and music claims a copyright device levy of EUR 18.42 for each PC sold or delivered in the Federal Republic of Germany since 1 January 2002. The ZPU justifies the demand with the fact that a PC is a recording device. The PC industry and BITKOM (German Association for Information Technology, Telecommunications, and New Media) neither agree the reason nor the amount of the claim. In consultation with BITKOM an agreement that the arbitrative process will be conducted representational for the PC industry in the context of a class action is expected in the near future. With consideration of the already existing copyright device levies on other elements of the PC, the estimated theoretical possible burden is about EUR 9 million.

(28) Related party transactions

Transactions with associates

The Group has entered into transactions with its associates. The respective Group companies enter into transactions in the normal course of business on an arm's-length basis.

The balance sheet and income statement include the following amounts resulting from transactions with associates.

Transactions with associates	**2006 KEUR**	**2005 KEUR**
Trade receivables	5	2
Trade payables and other liabilities	84	109
Turnover	10	14
Cost of materials	876	860

MAXDATA had loan receivables against Adam Riesig GmbH, Braunschweig, including accumulated interest by 22 December 2006 at a value of EUR 3,588,601.69. MAXDATA transferred the loan to DIVACO Beteiligungs AG & Co. KG, Saarbruecken. The complete payment of the aforementioned amount took place on 22 December 2006. Both the Adam Riesig GmbH and the DIVACO Beteiligungs AG & Co. KG are related parties of Mr. Siegfried Kaske.

Remuneration of the Management Board and Supervisory Board

In the business year 2006, total remuneration of the group Management Board totalled KEUR 914 (previous year: KEUR 895). The Spokesman of the Board, Thomas Stiegler, received in 2006 a total remuneration of KEUR 322 (previous year: KEUR 320) comprising fixed components only. Reinhard Blunck, member of the management board received payment for his work on the board in 2006 of KEUR 257 (previous year: KEUR 256), which comprised exclusively fixed components. In agreement with the Supervisory Board Juergen Renz resigned from his mandate on 8 March 2006. His total remuneration amounted to KEUR 335 (previous year: KEUR 319) including a compensation payment of KEUR 225.

In the business year 2006, the Group Management Board held 3,000 share options (previous year: 3,000 share options).

The members of the Supervisory Board received a fixed total remuneration of KEUR 211 for 2006 (previous year: KEUR 225). Siegfried Kaske, chairman of the Supervisory Board, received KEUR 60 (previous year: KEUR 60). In the business year, the deputy chairman, Klaus Wiegandt, received compensation of KEUR 40 (previous year: KEUR 30). The Supervisory Board members Claas Kleyboldt, Hans Reischl and Bernhard Scholtes each received KEUR 30 (previous year: KEUR 30). Dr. Matthias Händle, who was elected to the Supervisory Board on 26 April 2006, received KEUR 21.

Shares of the Management and Supervisory Board, 31 December 2006	Number of shares
Management Board	647
Supervisory Board	13,837,058

The Chairman of the Supervisory Board, Siegfried Kaske, continues to hold indirectly a total of 13,828,800 shares of MAXDATA AG.

(29) Events after the balance sheet date

No signicant events occurred after the balance sheet date.

(30) List of consolidated subsidiaries

Company	% share in company	Principal business activity
MAXDATA International GmbH, Marl	100	Holding company for international sales companies
MAXDATA Computer GmbH, Marl	100[1)]	Sale and distribution of monitors and computers
MAXDATA Computer GmbH, Vienna, Austria	100[1)]	Sale and distribution of monitors and computers
MAXDATA Computer AG, Baar, Switzerland	100[1)]	Sale and distribution of monitors and computers
MAXDATA UK Ltd., Bracknell, UK	100[1)]	Sale and distribution of monitors and computers
MAXDATA Benelux B.V., Etten-Leur, Netherlands	100[1)]	Sale and distribution of monitors and computers
MAXDATA S.A.R.L., Lisses, France	100[1)]	Sale and distribution of monitors and computers
MAXDATA Iberia S.L., Madrid, Spain	100[1)]	Sale and distribution of monitors and computers
MAXDATA Sp. z o.o., Warsaw, Poland	100[1)]	Sale and distribution of monitors and computers
MAXDATA Italia S.r.l., Assago, Italy	100[1)]	Sale and distribution of monitors and computers
MAXDATA Systeme GmbH, Würselen	100	Assembly of computers and repair of computers and monitors
MAXDATA Immobilien Marl GmbH, Marl	100	Management of the MAXDATA buildings in Marl
MAXDATA Immobilien Würselen GmbH, Marl	100	Holding company of MAXDATA Grundstücksvermietungs-gesellschaft mbH & Co. OHG, Marll
MAXDATA Grundstücksvermietungs-gesellschaft mbH & Co. OHG, Marl	100[1)]	Management of buildings of MAXDATA in Würselen
Triple Trian Beteiligungs-Verwaltungs GmbH, Marl	100[1)]	General partner of Triple Trian Beteiligungs-GmbH & Co. KG,Marl
Triple Trian Beteiligungs-GmbH & Co. KG, Marl	100[1)]	Owner of an unmarketed monitor patent
ASIG Quality Services GmbH, Augsburg	74[1)]	Quality and source inspection

[1)] indirect holding of MAXDATA AG

(31) Auditor's fee

The audit fees of KEUR 316 (previous year: KEUR 294) include mainly fees for the year-end audit of the consolidated financial statements, the auditors' review of the interim consolidated financial statements and the statutory audit of MAXDATA AG and the subsidiaries included in the consolidated financial statements. The audit-related fees of KEUR 419 (previous year: KEUR 11) essentially comprise fees for appraisal statements and auditing of the internal control system. The tax fees of KEUR 112 (previous year: KEUR 58) include in particular fees for the preparation of tax returns. The fees for other services of KEUR 105 (previous year: KEUR 0) are mainly fees for project related consulting services.

(32) Notes pursuant to Article 264 Para. 3 HGB

MAXDATA Systeme GmbH is fully consolidated in the financial statements of the MAXDATA Group. Effective 1 January 2001, a profit and loss transfer agreement was entered into between MAXDATA Systeme GmbH and MAXDATA AG which was entered into the commercial register of the Gelsenkirchen District Court on 31 May 2002. In accordance with Article 264 Para. 3 HGB, MAXDATA Systeme GmbH is exempted from preparation, audit and disclosure of statutory financial statements in compliance with the supplementary rulings for corporations.

MAXDATA International GmbH is fully consolidated in the financial statements of the MAXDATA Group. Effective 1 January 2002, a profit and loss transfer agreement was entered into between MAXDATA International GmbH and MAXDATA AG which was entered into the commercial register of the Gelsenkirchen District Court on 6 June 2002. In accordance with Article 264 Para. 3 HGB MAXDATA International GmbH is exempted from preparation, audit and disclosure of statutory financial statements in respect of the supplementary standards in place for corporations.

MAXDATA Computer GmbH is fully consolidated in the financial statements of the MAXDATA Group. Effective 1 January 2001, a profit and loss transfer agreement was entered into between MAXDATA International GmbH (previous name MAXDATA e-business GmbH) and MAXDATA AG which was entered into the commercial register of the Gelsenkirchen District Court on 10 July 2001. In accordance with Article 264 Para. 3 HGB MAXDATA Computer GmbH is exempted from preparation, audit and disclosure of statutory financial statements in respect of the supplementary standards in place for corporations.

(33) Note in respect of Article 285 No 16 HGB

The declaration of compliance required by the Commission for the German Corporate Governance Code pursuant to Article 161 was issued by the Management Board and the Supervisory Board on 17 February 2006 and made permanently accessible to the shareholders on the website of MAXDATA AG at http://www.maxdata.de/unternehmen/investor_relations/corporate_governance/index.html

Marl, 27 February 2007

MAXDATA AG

Thomas Stiegler Reinhard Blunck

Auditor's Report

We have audited the consolidated financial statements prepared by the MAXDATA AG, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from 1 January to 31 December 2006. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB („Handelsgesetzbuch": German Commercial Code) and supplementary provisions of the articles of incorporation are the responsibility of the parent Company's Management Board. 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 the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company´s Management Board, 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 the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and supplementary provisions of the articles of incorporation 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.

Essen, 27 February 2007

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(M. Theben)	(ppa. D. Fouquet)
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

Bodies

>> The corporate culture of MAXDATA is characterized by its focus on the essential. This means that our customers' efficiency is not only significantly increased by every product and service offered by MAXDATA, but that our employees in all of their functions contribute as well. As a result, flat hierarchies and ongoing personnel development are a hallmark of our IT company. <<

MAXDATA products for
hotel management:
Belinea display 10 20 35 W
MAXDATA PC FAVORIT 100 XS

The Management Board

Thomas Stiegler

Thomas Stiegler, born 1957, is the Spokesman of the Management Board and is responsible for sales and marketing, finance/accounting, information services, controlling, risk management, human resources, legal, investor relations and internal audit. The graduate economist joined the top management of the MAXDATA group in 1999 and has been a member of the MAXDATA AG Management Board since early 2001.

Reinhard Blunck

Reinhard Blunck, born 1951, was nominated as a member of the Management Board in April 2004. His areas of responsibility include purchasing, production, logistics and service. Prior to becoming a member of the Management Board he was general manager of MAXDATA Systeme GmbH since May 2003, at the Marl and Würselen location.

The Supervisory Board

Siegfried Kaske
Chairman of the Supervisory Board of MAXDATA AG
Management Board of DIVACO Beteiligungs AG

Klaus Wiegandt
Deputy Chairman of the Supervisory Board
of MAXDATA AG (as of 26.04.2006)

Dr. Matthias Händle
Chairman of the Management
of Hamm-Reno Group GmbH & Co. KG
(as of 26.04.2006)

Claas Kleyboldt
Chairman of the Supervisory Board
of AXA Konzern AG

Hans Reischl
Former Chairman of the Management Board
of REWE Zentral AG

Bernhard Scholtes
Managing Director of MHS Consult GmbH

Report of the Supervisory Board

Dear shareholders,

During business year 2006 the Supervisory Board regularly monitored and advised the Management Board. The Management Board submitted to the Supervisory Board comprehensive written and oral reports. Furthermore, the Management Board also provided detailed information on important projects, plans, and events to the Chairman of the Supervisory Board between meetings by means of written and telephone reports as well as in personal conversations, maintaining the constant flow of information and exchange of opinions between the Supervisory Board and the Management Board. Regular meetings were held and resolutions were made based on detailed and comprehensive reports issued by the Management Board and by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Essen, the appointed auditing firm.

During these meetings, the Supervisory Board dealt in detail with matters such as the financial situation, business performance, employment trends, annual accounts, consolidated financial statements, and the strategic orientation of the company. For resolutions agreed and measures initiated by management which require approval based on legal regulations, articles of association, or bylaws, the members of the Supervisory Board reviewed the corresponding information during the meetings or passed the resolutions based on written information (also by means of circulating voting forms).

All in all, four ordinary meetings and four extraordinary meetings were held. Nearly all Supervisory Board members were present at these meetings. The Supervisory Board met once with each one of its two committees – the personnel committee and audit committee.

Since MAXDATA's business performance was already lower than expected at the beginning of business year 2006, the Supervisory Board's main focus of control for the year was on the restructuring program which was approved at an extraordinary meeting held on 8 March 2006.

The restructuring program was initiated to improve the company's bottom line. The program includes initiatives to stabilize turnover through sales-related measures and to optimize margins. It also focuses on adjusting cost structures, optimizing time-to-market management, reducing the number of components used for MAXDATA's product range, and simplifying organizational structures. As of the balance sheet date, 234 jobs were lost throughout the group.

Additional topics of the Supervisory Board meetings held in 2006

The Supervisory Board held an extraordinary meeting on 1 February 2006. During this meeting, the Supervisory Board mostly discussed the margins that were achieved in the previous business year with the Management Board. Various production models for the production facilities in Würselen were also discussed. Projects to improve the Group's result, such as growth initiatives and measures to improve margins and optimize costs were also subject to discussion.

In business year 2006, restructuring measures were implemented to optimize the tax position of the MAXDATA Group. These measures were approved by the Supervisory Board and, for the most part, affected MAXDATA Computer GmbH & Co. KG. For this purpose, MAXDATA Verwaltungs-GmbH merged with MAXDATA AG. As a result of this merger, the assets and liabilities of MAXDATA Computer GmbH & Co. KG were transferred to MAXDATA AG. Subsequently, the transferring company "MAXDATA Computer GmbH & Co. KG" was spun off to MAXDATA e-business GmbH. MAXDATA e-business GmbH was then renamed MAXDATA Computer GmbH. Finally, all shares in MAXDATA Computer GmbH were transferred from MAXDATA AG to MAXDATA International GmbH.

At the meeting on 17 February 2006, the annual accounts and the consolidated financial statements for the year ending 31 December 2005, as well as the Dependency Report including the corresponding audit reports as issued by the auditor, were presented and discussed by the Management Board with the auditor present. In particular, the deterioration of the result for

2005 compared to the preceding business year was analyzed. The deterioration was partially attributed to the high level of surplus inventories which resulted in an increase of existing inventory which in turn led to depreciation. To counteract this development, the Management Board here focused on generally reducing surplus materials by minimizing inventories and decreasing the present product variety. The measures were directly put into action.

Additionally, the further establishment of the installed early risk detection system, which is used to identify developments that could pose a threat to the existence of the Group, was discussed. In this regard,the auditor, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft of Essen, incidentally confirmed that MAXDATA's early risk detection system adequately identifies risks that may pose a threat to the existence of the Group at an early stage.

In addition to the early risk detection system, the audit by PricewaterCooper Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Essen, also focused on the functionality of the computerized book-entry system, the revenue recognition process, as well as accounts receivable management, inventory management, coverage management, provisions, and deferred taxes.

For MAXDATA, the Management Board and Supervisory Board reported on corporate governance in accordance with Clause 3.10 Sentence 1 of the German Corporate Governance Code in the Annual Report in the "Corporate Governance Report" section. The Management Board and the Supervisory Board issued the statement of compliance in accordance with Article 161 of the German Stock Corporation Act (AktG) and made it permanently accessible on the company's website.

Group-wide turnover and gross profit development, as well as sales and average prices for the first quarter of 2006, were the subject of the meeting on 26 April 2006. Additionally, the Management Board also reported the newly implemented restructuring program. In this regard, the Management Board once again stressed the necessity of streamlining the product mix and reducing the number of components used in products sold by MAXDATA.

At a further extraordinary meeting held on 21 June 2006 the Management Board reported on current business development. The session focused on detailed information on measures that were approved in connection with the restructuring program, and, in particular, on the implemented staff adjustments. Additionally, the Management Board discussed setting up a subsidiary in the form of an International Procurement Office in Taipei, Taiwan, which would allow MAXDATA to be in a more direct contact with its Asian suppliers.

At the meeting on 20 September 2006, the Management Board issued a report on the first six months of 2006. The report focused on sales development and average prices for the company's products. The continuous reports on the measures implemented in connection with the restructuring program also came to the fore. Additionally, the Management Board introduced the key aspects of the amendments to the German Corporate Governance Code, which came into force on 12 June 2006. In this regard, conformance with the Law on the Compensation of Management Board members (VostOG) and regulations pertaining to shareholders' meetings were discussed. The Management Board and the Supervisory Board fully complied with the specified amendments to the Code.

The extraordinary meeting held on 10 October 2006 focused on the possibility of taking over Yakumo GmbH. The Management Board discussed the strategic value of such a take-over for the MAXDATA Group, such as the creation of a retail channel and synergy effects, particularly in the procurement area.

At the Supervisory Board meeting held on 5 December 2006, the Management Board issued a report on the third quarter of 2006 and presented a forecast for the entire business year 2006. The situation in the currently relevant market was outlined based on a market research analysis. This analysis highlighted the difficult environment of the business area in which MAXDATA is active. Another focus was planning for business year 2007. In particular, various optimization approaches for improving turnover and margin development were discussed.

The Management Board also talked in this session about the status of negotiations for the planned takeover of Yakumo GmbH. After an in-depth review, the Management Board ultimately decided not to acquire Yakumo GmbH. It came to the conclusion that the acquisition of Yakumo essentially would not lead to the expected synergy effects and that a take-over would tie up needed resources.

Audit of the 2006 accounts

All annual accounting documents, the report on relationships with affiliated companies, as well as the audit reports that were issued by the auditor were submitted to the Supervisory Board prior to the financial statement meeting. PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Essen, the appointed auditor, confirmed that an unqualified audit opinion was issued on the individual financial statements, as well as the consolidated financial statements. The auditor also confirmed that the content of the management report and group management report is accurate and that the financial statements address all relevant areas. The audit of the Dependency Report did not lead to any objections. Furthermore, the auditor confirmed that the financial statements and the consolidated financial statements give a true and fair view of the net assets, financial position, and profitability in accordance with the principles of proper accounting.

The Supervisory Board reviewed the annual financial statements, the consolidated financial statements, MAXDATA AG's management report, and the group management report prepared by the Management Board. The Supervisory Board adopts the statements of the Management Board issued in its group management report regarding Article 315 Para. 4 HGB. as well as the statements issued in its management report regarding Article 289 Para. 4 HGB.

After submitting the final results of its review no objections were made. The Supervisory Board endorsed the annual financial statements for the year ending 31 December 2006 including MAXDATA AG's management report; this constitutes the official confirmation of the annual financial statements. The Supervisory Board also endorsed the consolidated financial statements including the group management report.

Furthermore, in accordance with Article 312 of the AktG, the Management Board prepared a report on relationships with affiliated companies for business year 2006 and submitted this report in good time for the Supervisory Board's financial statement meeting. The auditor also reviewed this report, reported in writing on the results of the audit, and issued the following opinion:

"As per our dutiful audit and assessment, we hereby confirm that

1. the factual information in this report is correct,

2. for the legal transactions listed in the report, the company performance was not unreasonably high or drawbacks were balanced,

3. with regard to the measures listed in the report, no circumstances favor a significantly different evaluation from the one issued by the Management Board."

Following the final results of its review, the Supervisory Board did not state any objections to the statement made by the Management Board in its report in accordance with Article 312 of the AktG or against issuing the audit opinion.

Changes to the Supervisory Board

At the shareholders' meeting on 26 April 2006, Dr. Matthias Händle was newly elected to the Supervisory Board. On the same day, a new Deputy Chairman for the Supervisory Board was elected to address Dr. Böhmer's resignation from his seat on the Supervisory Board with effect from 31 December 2005. Mr. Klaus Wiegandt was appointed new Deputy Chairman.

Changes to the Management Board

With effect from 8 March 2006 and in agreement with the Supervisory Board, Mr. Jürgen Renz resigned his position as a member and spokesman of the MAXDATA AG Management Board. Thomas Stiegler, who has been a member of the Management Board and CFO since 2001, took over the sales and marketing functions as well as the post of spokesman from Jürgen Renz.

The Supervisory Board would like to thank the Management Board and the employees of the MAXDATA Group for their support and hard work.

Marl, 27 February 2007

The Supervisory Board

Siegfried Kaske, Chairman of the Supervisory Board

Financial Calendar

Annual general meeting Best Western Park Hotel & Kongresszentrum, Westfalenhallen, Goldsaal, Dortmund	**18 April 2007**
3 months' report 2007	**11 May 2007**
6 months' report 2007	**10 August 2007**
9 months' report 2007	**12 November 2007**

MAXDATA AG

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The Annual Report and the latest information on MAXDATA are also available on the Internet: www.maxdata.com

The information in this Annual Report has been translated (although it is not a literal translation) from the German Annual Report.

Under these circumstances the German version and interpretation shall govern and prevail.

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MAXDATA

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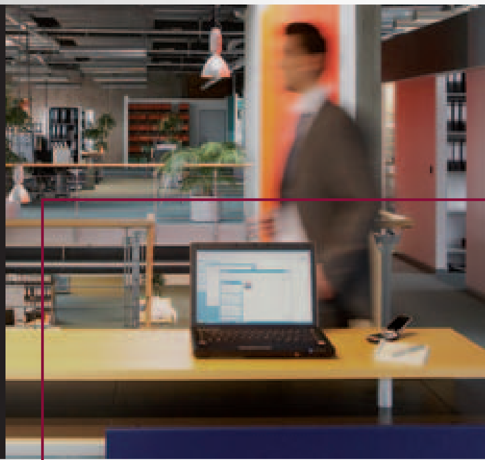
www.maxdata.com

MAXDATA



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Annual Report and Accounts 2006

MAXDATA AG

Annual Report and Accounts 2006 of MAXDATA AG

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Contents

Management Report

MAXDATA AG (hereinafter also called "the Company") is registered in the Commercial Register of the Local Court of Gelsenkirchen under HRB 5552. The Company's registered offices are in Marl.

The Company's business purposes include holding and administering shares in other companies, and in managing them and optimizing the further development of their organizational, management, and subsidiary structures, as well as establishing, acquiring, and disposing of such companies.

The annual accounts of MAXDATA AG for the 2006 business year have been drawn up in accordance with the regulations of the HGB (Handelsgesetzbuch = German Commercial Code), taking into consideration the supplementary regulations of the AktG (Aktiengesetz = German Stock Companies Act). They will be published in their entirety in the electronic Bundesanzeiger (German Federal Gazette).

Furthermore, the Management Board has drawn up a Dependency Report for the 2006 business year, in accordance with Article 312, Para. 1 of AktG. In this report the Board comes to the following conclusion: "In all legal transactions with the affiliated companies, the Company has always received an appropriate consideration in light of the circumstances at the time when the legal transaction was undertaken. It has thus not been put at a disadvantage by any such transaction."

Information and comments provided in accordance with Article 289 Para. 4 of the German Commercial Code (HGB)

MAXDATA AG's capital stock is made up of 29,000,000 ordinary bearer shares with a proportional sum of the capital stock of EUR 1.00 per share. As of the balance sheet date, MAXDATA holds 1,000,000 of its own shares (previous year: 1,000,000 shares) with no voting rights. The appointment of the Management Board is governed by Articles 84 et seq. of the German Stock Corporation Act (AktG) and its withdrawal by Article 84 Para. 3 of the AktG. As required by the articles of association the MAXDATA AG Management Board consists of at least two members. Notwithstanding this, the Supervisory Board determines the number of Management Board members. Amendments to the Articles of Association are governed by Part 6 of the AktG. In accordance with the Articles of Association, the Supervisory Board is authorized to make amendments to the Articles of Association that only affect the wording thereof. The Supervisory Board is also authorized to modify the Articles of Association to reflect a change in capital stock.

At the annual general meeting of MAXDATA AG on 27 May 1999, the shareholders approved a conditional increase in the share capital of MAXDATA AG of up to KEUR 480 (contingent capital I) by issue of up to 480,000 new no-par-value bearer shares. This conditional increase in capital serves to ensure the subscription rights of employees, members of the management board of MAXDATA AG, its subsidiaries, as well as of companies affiliated with MAXDATA AG within the meaning of Article 15 et seq. of the German Stock Corporation Law (AktG) in Switzerland, Austria, the United Kingdom, and the Netherlands in accordance with the conditions set in the authorizing resolution of the annual general meeting of 27 May 1999.

The conditional increase in capital may only be undertaken to the extent that those entitled to subscription rights within the framework of the employee share option plan exercise their subscription rights. The new shares carry profit participation rights from the beginning of the business year in which they originate through the exercise of subscription rights.

Share option plan

MAXDATA issued a share option plan in 1999 when its IPO occurred. This share option plan allowed options to be granted to employees and members of the management board of MAXDATA AG and its subsidiaries for no consideration previous to 31 December 2000 entitling bearers to purchase a total of 480,000 bearer shares pursuant to the authorization passed by resolution of the annual general meeting on 27 May 1999.

The exercise price for each option was fixed at EUR 31 in agreement with the price of MAXDATA shares at their first issue. The options are only exercisable under the precondition that the market price of the MAXDATA share has on the average increased by at least 1 percentage point per month as against the issue price, i.e. on average at least 12 percentage points per year as against the issue price. This means that the share price would have had to have increased by 36 percentage points as against its price at first issue by 9 June 2002 – the first possible date the first tranche (30 percent of the options) could be exercised. If the options are not exercisable within the vesting period (three years following the first trading day), as the increase in value of the share did not occur as provided, the options will become exercisable at a later stage within the life of the options (which expires on 8 June 2009), if the market price of the shares has increased on average by at least 1 percentage point per month. If the market price of the MAXDATA share does not reach the increase required by an average of 12 percentage points per year on the first possible exercise dates, the options of the second and third tranche will become exercisable at the date on which the average market price of the MAXDATA share on the last 30 trading days has reached the market price as adjusted correspondingly.

The market price within the meaning of the foregoing is the average market price of the MAXDATA share calculated on the basis of the closing prices on the Frankfurt Stock Exchange on the last 30 trading days of each 12 month period measured on the calendar day on which the shares were first issued. If the market price increases by the required amount, the options which vest in this way will remain exercisable until the expiry of the life of the option, even if the market price were to decrease again subsequently. As of 31 December 2005, 61,384 options to purchase 61,384 shares had been granted. Owing to employee turnover, the number of options outstanding has fallen to 47,884 as of 31 December 2006. Under the accounting policy adopted by the Group no compensation expense is recognized under the share option plan.

In accordance with legal regulations, Mr. Holger Lampatz informed the company in April 2002 that he currently holds 20.88 percent of the voting rights in MAXDATA AG.

FoMax GmbH, Langenburg, made it known in November 2004 that it currently holds 47.67 percent of the voting rights in the company. At the same time, Mr. Siegfried Kaske announced that the voting rights held by FoMax GmbH are attributed to him.

Share development

MAXDATA AG placed its shares on the Frankfurt stock exchange on 9 June 1999 and has been listed in the prime standard segment since 1 January 2003. The difficult market conditions prevented the share from following the general upward trend of the stock market in 2006, and the share considerably lost in value over the course of the year. As such, the share price on 29 December 2006 was EUR 1.63, representing a 53.1 percent loss on its level of EUR 3.07 at the beginning of the year.

Financial and profit situation

The MAXDATA AG results are predominantly dependent upon the business development of the domestic and foreign affiliated companies.

The Company's equity declined in comparison to the previous year from EUR 145.6 million to EUR 97.9 million.

The loss carried forward totaling EUR 37.4 million and the net loss of EUR 47.7 million for the year, as well as withdrawals from reserves for own shares due to the required depreciation of own shares totaling EUR 1.5 million, resulted in an accumulated loss of EUR 83.6 million.

The following group-internal restructuring measures, which did not affect the net assets, financial and profit situation of MAXDATA AG were concluded in the 2006 business year: MAXDATA Verwaltungs-GmbH merged with MAXDATA AG as of 1 January 2006. As a result of the merger, the assets of MAXDATA Computer GmbH & Co. KG were assigned to MAXDATA AG. Subsequently, the Group company "MAXDATA Computer GmbH & Co. KG ALT" was spun off and its assets were transferred to MAXDATA e-business GmbH. MAXDATA e-business GmbH was later renamed MAXDATA Computer GmbH. Finally, all shares in MAXDATA Computer GmbH were transferred from MAXDATA AG to MAXDATA International GmbH.

The net loss comprises the results of MAXDATA Computer GmbH, Marl, MAXDATA Systeme GmbH, Würselen, MAXDATA International GmbH, Marl, MAXDATA Immobilien Marl GmbH, Marl, and MAXDATA Immobilien Würselen GmbH, Marl. These results were collected and balanced respectively based on existing profit and loss transfer agreements with MAXDATA AG.

MAXDATA AG's negative result is mainly due to the transfer of losses from MAXDATA Systeme GmbH, Würselen, amounting to EUR –19.2 million (previous year: EUR –6.9 million), and from MAXDATA International GmbH, Marl, amounting to EUR –21.6 million (previous year: EUR –7.6 million). MAXDATA Systeme GmbH's negative result can be attributed to the underutilization of the company's production facilities and restructuring measures. The operating result of MAXDATA International GmbH, Marl, is partly effected by losses of foreign subsidiaries amounting to EUR 19.0 million (previous year: EUR 3.8 million) and partly due to profit distributions of other foreign subsidiaries amounting to EUR 2.7 million (previous year: EUR 2.1 million).

Additionally, MAXDATA AG's result includes the profit absorption of MAXDATA Computer GmbH, totaling EUR 5.0 million (previous year: EUR –3.3 million), of MAXDATA Immobilien Marl GmbH, Marl, totaling EUR 1.3 million (previous year: EUR 1.2 million) and of MAXDATA Immobilien Würselen GmbH, Marl, of EUR 0.6 million (previous year: EUR 0.7 million).

The other financial result of MAXDATA AG is attributable to a rise in interest income to EUR 5.9 million (previous year: EUR 4.4 million) and a lower book value of own shares which was depreciated by EUR 1.5 million (previous year: appreciation of EUR 0.1 million).

The profit from exchange rates in the business year was EUR 1.3 million (previous year: EUR 2.2 million).

The cash flow from the current operating activities totals EUR 9.0 million (previous year: EUR –14.7 million) and is influenced by the operating result and the reciprocal decrease in net receivables from and to affiliated companies and the other assets. The decrease in net receivables in the amount of EUR 50.0 million can mainly be attributed to the fact that several subsidiaries of the Group sold receivables in the amount of KEUR 41,080 (previous year: KEUR 0) as of 31 December 2006 within the framework of a factoring agreement. As a result, cash and cash equivalents rose from EUR 19.0 million in 2005 to EUR 28.9 million in 2006. Despite a downturn, the Company's equity ratio remains at a high level of 55.1 percent (previous year: 65.2 percent), thus securing the Company a very high degree of financial independence.

Employees

The average number of employees of the Company in the 2006 business year was 79 (previous year: 32). As of 31 December 2006, the Company had 72 employees (31 December 2005: 36).

Main features of Management Board remuneration

Remuneration of Management Board members is comprised of two components, the "annual basic salary" and the "bonus." Goals for profit-based bonuses for the following year are set annually for the MAXDATA AG Management Board members. The assessment is carried out by the Supervisory Board's human resources committee, which takes into account quantitative and qualitative criteria. The calculation of the goal attained and the amount of the bonus is made on the basis of the corresponding annual profit or loss. Payout is made along with the normal monthly salary payment or at the time when the annual company profit or loss is determined.

In connection with the stock option plan from 1999, Management Board member Thomas Stiegler received 3,000 option rights. Because the price of MAXDATA shares underlying the options plan does not currently create enhancement of value, the stock options are not valued as intended in the German Corporate Governance Code (Clause 4.2.3 Para. 3, sentence 2).

Events after the balance sheet date

No significant events occurred after the balance sheet date.

Risk management

Risk management is of high significance to the MAXDATA group. MAXDATA operates as a corporate group throughout Europe, and is thus confronted with a number of potential risks. Corporate risks are only knowingly taken if their potential consequences can be controlled. The Management Board and Supervisory Board are regularly informed about risks that could have a major bearing on the development of the business.

The MAXDATA group employs a detailed risk management system to identify, analyze and document the major risks that could jeopardize the viability of the group. Corporate decisions are made on the basis of extensive project documents individually itemizing the opportunities and risks in any given case. Moreover, the annual and mid-year strategic planning sessions serve as a vehicle for assessing the opportunities and risks of all the operating activities and deciding on means of attaining objectives and limiting risk.

The MAXDATA group focuses its purchasing activities on the Asian market, which is denominated in US dollars. European sales are predominantly handled in euro, exposing the MAXDATA group to exchange rate and price fluctuation risks in its business activities. MAXDATA AG confronts these risks with a centralized, active currency management system, using standard risk-reducing financing instruments, such as currency swaps and foreign exchange futures trading and spot trading.

Moreover, the future development of MAXDATA may entail risks inherent within its subsidiaries. Essentially these risks ensue from increasing competition, receivables management, a decline in prices while stocks are high or low inventory turnover, from goods procurement and dependency on individual suppliers, maintenance of high quality standards, dependency on resources in the areas of information technology and human resources as well as insurance and communication risks.

Forecast/Outlook

The World Bank forecasts growth of 4.5 percent for the global economy in 2007. According to experts, global economic growth has reached a turning point and a slow-down is anticipated. This can mostly be attributed to the economic situation in the USA. However, according to forecasts from the World Bank, the newly industrialized countries will remain the major driving forces of the global economy.

In the Euro zone, much slower growth is anticipated. Based on this assumption, economic growth of 2.2 percent is expected. The devaluation of the US dollar and currencies that are linked to it will most likely lower the competitiveness of products from the Euro zone.

In Germany, the economic upturn, which is primarily driven by exports and investments, will continue in 2007. However, the speed of growth is expected to slow down significantly, at least temporarily. This can mostly be attributed to the rise in VAT and the expected excess supply due to sales that were anticipated in 2006. Overall gross domestic product will rise by 1.4 percent.

Large companies will invest less in IT in 2007 than originally expected. According to US market research analysts, companies will increasingly focus on ensuring that their IT systems support their core business and on optimizing IT-related expenses.

Market researchers expect that global IT spending will only increase by 5 percent in 2007 (3 percent less than in the previous year). This decline in spending for hardware and software can mostly be attributed to the situation in the USA. The slowdown in the biggest market for IT products and services world-wide has a substantial effect. In the information technology and telecommunications sectors, growth of 4 percent is expected for the Western European market. An increase of 4 percent for computers, which is the relevant field for MAXDATA, is also being forecasted for 2007.

In line with the restructuring program that was initiated in 2006, the company has implemented various measures to resolve the dissatisfactory situation that was experienced in 2006. These efforts are aimed at improving profitability, optimizing product and process quality, as well as stabilizing turnover for the 2007 business year. Restructuring measures which were initiated in 2006 will lead to cost savings and an improvement in the profit situation for 2007. The main goal is to strengthen the company's position so that it can become profitable again in the medium term.

This management report contains statements that relate to the future development of the MAXDATA group and its companies as well as to economic developments. These statements present opinions that MAXDATA has formed on the basis of all the information available at the present time. Should these assumptions not be correct or should further risks arise, actual results may differ from the results currently anticipated. MAXDATA therefore cannot offer any guarantee for these statements.

Marl, 27 February 2007

The Management Board

Thomas Stiegler Reinhard Blunck

Balance Sheet as of 31 December 2006

Assets	2006 KEUR	2005 KEUR
Fixed assets		
Intangible fixed assets		
Trademarks, licenses and similar rights	**2,122**	**4,249**
Tangible fixed assets		
Other equipment, fixtures, fittings and equipment	**1,010**	**384**
Financial assets		
Shares in affiliated companies	32,538	32,473
Loans to affiliated companies	32,615	39,103
	65,153	**71,576**
	68,285	**76,209**
Current assets		
Accounts receivable and other assets		
Accounts receivable from affiliated companies	72,565	119,647
Other assets	2,862	2,008
	75,427	**121,655**
Marketable securities		
Repurchased shares	1,630	3,070
Other securities	3,356	3,259
	4,986	**6,329**
Checks, cash in hand, cash in banks	**28,873**	**18,960**
	109,286	**146,944**
Prepaid expenses and deferred charges	**212**	**328**
	177,783	**223,481**

Equity and Liabilities	2006 KEUR	2005 KEUR
Equity		
Capital subscribed	29,000	29,000
Capital reserves	150,899	150,899
Earnings reserves		
Reserves for repurchased shares	1,630	3,070
Accumulated loss	–83,585	–37,356
	97,944	**145,613**
Provisions		
Tax provisions	47	0
Other provisions	5,690	5,853
	5,737	**5,853**
Liabilities		
Trade accounts payable - thereof, with a residual term of up to one year: KEUR 4,715 (previous year: KEUR 6,385)	4,715	6,385
Accounts payable to affiliated companies - thereof, with a residual term of up to one year: KEUR 68,028 (previous year: KEUR 65,097)	68,028	65,097
Other liabilities - thereof, with a residual term of up to one year: KEUR 905 (previous year: KEUR 389) - thereof, for taxes: KEUR 114 (previous year: KEUR 64) - thereof, for social security: KEUR 8 (previous year: KEUR 44)	905	389
	73,648	**71,871**
Deferred income	**454**	**144**
	177,783	**223,481**

Income Statement

	2006 KEUR	2005 KEUR
Other operating income	52,225	59,314
Personnel expenses		
Wages and salaries	–5,422	–2,752
Social security	–743	–288
Depreciation and amortization for intangible assets, plant, equipment and other fixed assets	–3,139	–2,785
Other operating expenses	–55,864	–65,692
Income from profit transfer agreements	6,860	1,876
Income from investments and other long-term financial assets	64	302
Write-up on marketable securities	0	70
Other interest and similar income	5,876	4,371
thereof, from affiliated companies: KEUR 4,903 (previous year: KEUR 3,460)		
Write-offs of financial assets and marketable securities	–5,330	0
Expenses from loss transfers	0	–3,349
thereof, to affiliated companies: KEUR 0 (previous year: KEUR 3,349)		
Expenses from loss transfers due to profit transfer agreements	–40,760	–14,479
Interest and similar expenses	–1,489	–1,176
thereof, to affiliated companies: KEUR 1,365 (previous year: KEUR 713)		
Loss from ordinary operations	**–47,722**	**–24,588**
Taxes on income	106	0
Other taxes	–77	–3
Net loss	**–47,693**	**–24,591**
Loss brought forward from previous year	–37,356	–12,696
Transfer to reserves for repurchased shares	0	–70
Release of reserves for repurchased shares	1,440	0
Profit from merger	24	0
Accumulated loss	**–83,585**	**–37,356**

Notes to the Accounts

A. General information on the Company

Incorporation, Commercial Register, Registered Offices

MAXDATA AG (hereinafter called "the Company") was founded on 11 May 1999 by a change of legal form. The Company is registered in the Commercial Register of the Local Court of Gelsenkirchen under HRB 5552. The Company's registered offices are in Marl.

Business of the Company

According to its Articles of Association, the purpose for which the Company has been formed is to hold and administer shares in companies, and to manage them, particularly those concerned with the production of, and trading with, computers and with trading in computer peripheral equipment of all kinds, including the provision of all related services. Managing these companies also includes producing, optimizing, and further developing their organizational, management, and corporate structures, in particular the establishment, acquisition, and disposal of other companies, company groups, and company subsidiaries and participation in other companies. It is also part of the Company's purpose to acquire and rent plots of land, with or without buildings. The Company is authorized to take all measures and actions connected with its business or likely to serve it. It can also undertake activities on its own behalf in the aforementioned fields of business.

Own shares

Based on the previous authorization to repurchase shares, the Company still possessed at the end of the 2006 business year 1,000,000 company shares with a book value share of the capital stock totaling EUR 1,000,000.00. The Company's share of the capital stock thus remains at 3.45 percent.

Group relationships

The Company's business activities relate not only to its business purposes as defined in its Articles of Association, but also primarily to the reliable provision of adequate liquidity and hedging of the currency risk for the entire MAXDATA group. It also ensures the financing of investments and acquisitions as well as the expansion of the group's international presence.

The statement of shareholdings was prepared separately and has been deposited with the Commercial Register of the Local Court of Gelsenkirchen under number HRB 5552.

B. General information on the annual accounts

The annual financial statements for the business year from 1 January to 31 December 2006 are written in accordance with the statutory accounting requirements of the HGB (Handelsgesetzbuch = German Commercial Code) for all businesses (Article 242 et seq. HGB), the amendments for large joint stock companies (Article 264 et seq. HGB) and AktG (Aktiengesetz = German Stock Companies Act).

The income statement has been prepared according to the nature of expenses method in accordance with Article 275, Para. 2 HGB.

Unless otherwise indicated, the annual financial statements have been prepared in euro thousand (KEUR).

C. Accounting and valuation principles

Intangible fixed assets acquired for payment have been shown on the assets side of the balance sheet at their acquisition cost, and depreciated on a linear basis over their expected useful lives.

The **tangible fixed assets** are valued at their cost of acquisition or manufacture, minus scheduled and non-scheduled depreciation. Depreciation mainly uses the linear method. Buildings are depreciated over a maximum of 25 years, and operational and business machinery over 3 to 20 years. If the reasons for extraordinary depreciation no longer apply, write-ups are made. Low-value assets with acquisition costs of EUR 60 to 410 are written off completely in the year of acquisition. Those with acquisition costs of up to EUR 60 are booked as expenses upon purchase.

Financial assets are valued at their cost of acquisition or, with non-transient impairment, at their attributable fair value as of the balance sheet date.

Accounts receivable and other assets are shown at their nominal values. Accounts receivable have been written down appropriately to reflect recognizable risks.

Accounts receivable in foreign currencies are converted at the exchange rate in force on the outgoing date of the relevant invoice or on the effective balance sheet date if this is lower.

Short-term security investments are valued at their cost of acquisition or, respectively, at their attributable fair value as of the balance sheet date, if lower. **Own shares** are valued at the rate in force on the balance sheet date.

Expenditure before the cut-off date is listed as **pre-paid expenses and deferred charges** if it represents expenses for a certain period after that day.

The **other provisions** are formed to cover recognizable risks and uncertain liabilities as of the balance sheet date, and set at the level required by prudent commercial judgment.

Liabilities are valued at the amount due for payment.

Liabilities in foreign currencies are converted at the exchange rate in force on the date of receipt of the relevant invoice, or on the balance sheet date if this was higher.

Income obtained before the balance sheet date is listed as **deferred income** and represents earnings for a specific period after this date.

D. Notes to the Balance Sheet and Income Statement

1. Notes to the Balance Sheet

Fixed assets

	At cost			
	01.01.2006	Additions	Disposals	31.12.2006
	KEUR	KEUR	KEUR	KEUR
Intangible fixed assets				
Trademarks, licenses and similar rights	**11,505**	**681**	**0**	**12,186**
Tangible fixed assets				
Other equipment, furniture and fixtures	**634**	**978**	**43**	**1,569**
Financial assets				
Shares in affiliated companies	35,301	27,689	30,452	32,538
Loans to affiliated companies	39,103	4,390	6,988	36,505
	74,404	**32,079**	**37,440**	**69,043**
	86,543	**33,738**	**37,483**	**82,798**

	Accumulated depreciation				Net book value	
	01.01.2006	Depreciation during business year	Disposals	31.12.2006	31.12.2006	31.12.2005
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Intangible fixed assets						
Trademarks, licenses and similar rights	**7,256**	**2,808**	**0**	**10,064**	**2,122**	**4,249**
Tangible fixed assets						
Other equipment, furniture and fixtures	**250**	**331**	**22**	**559**	**1,010**	**384**
Financial assets						
Shares in affiliated companies	2,828	0	2,828	0	32,538	32,473
Loans to affiliated companies	0	3,890	0	3,890	32,615	39,103
	2,828	**3,890**	**2,828**	**3,890**	**65,153**	**71,576**
	10,334	**7,029**	**2,850**	**14,513**	**68,285**	**76,209**

Accounts receivable and other assets
As of 31 December 2006, all the accounts receivable and other assets were due within one year.

Financial Instruments
Raw materials, components and goods are predominantly purchased by the corporate group in US dollars, while sales are mostly conducted in other currencies. MAXDATA AG manages the currency exchange risk, resulting from the cash flows (expected) from operating activities that are stated in the foreign currency, by various types of foreign currency transactions, such as currency swaps and forward exchange transactions and exchange spot transactions.

Credit institutions evaluate these transactions using the discounted cash flow method. Options are evaluated using the option price model.

At the balance sheet date, there were currency swaps and forward trading to buy/sell foreign currency totaling a nominal KEUR 64,032 (previous year: KEUR 79,485), whose fair value came to KEUR 89 (previous year: KEUR 301). This includes anticipated losses totaling KEUR 56 (previous year: KEUR 234), which are accounted for with other provisions. At the balance sheet date, the residual term of these transactions was less than three months.

Capital Structure of the Company
The Company currently has a capital base of EUR 29,000,000 made up of 29 million ordinary shares with a theoretical share in the share capital of EUR 1, and documented with global certificates. The shareholders have no right to individual documentation of their shares. The shares are freely transferable.

In order to enable the participation of members of the Company's Management Board, the executive bodies of its management, and subsidiary companies inside and outside Germany, as well as other senior managers and employees of the Company and its subsidiaries, the extraordinary general meeting of the Company of 27 May 1999 authorized the following contingent capital ("contingent capital"):

The Company's share capital will be increased by a maximum of EUR 480,000 through the issue of up to 480,000 new registered ordinary shares. The conditional capital increase will serve the purpose of granting subscription rights to the employees, board members and company officers of MAXDATA AG and its subsidiaries, and the companies affiliated to MAXDATA AG, within the meaning of Article 15 et seq. of AktG, in Switzerland, Austria, Great Britain, and the Netherlands, within the bounds set by the extraordinary general meeting of 27 May 1999. The conditional capital increase will only be carried out to the extent that those who hold option rights make use of their subscription rights. The new shares participate in profits from the beginning of the financial year in which they are issued.

Within the terms of the resolution of the extraordinary general meeting, the Supervisory and Management Boards are authorized to define the further details of the granting of option rights and the powers they entail, including the terms and conditions of exchange. The Supervisory Board is the sole authority for granting option rights to members of the Management Board.

The Company will grant up to 480,000 subscription rights, valid for one share each, thus totaling up to 480,000 shares, to those entitled to subscription rights.

The **earnings reserves** amounted to KEUR 1,630 on the balance sheet date. They relate only to the reserve for own shares. The amount is calculated based on the cumulated acquisition costs for the shares (KEUR 9,270) and a cumulated withdrawal relating to the depreciation to the lowest stock exchange price of the shares on the balance sheet date (KEUR 7,640). The repurchased shares are shown as marketable securities in the balance sheet on the assets side, under current assets.

Provisions

The composition of other provisions is as shown below:

Other provisions	2006 KEUR	2005 KEUR
Outstanding invoices	5,055	5,290
Impending losses	56	234
Other	579	329
	5,690	**5,853**

2. Notes to the Income Statement

Other operating income consists primarily of income from license royalties and other costs passed on to affiliated companies as well as advertising subsidies passed on to subsidiaries totaling KEUR 37,879 (previous year: KEUR 50,733).

The **other operating expenses** are made up as shown below.

Other operating expenses	2006 KEUR	2005 KEUR
Other operating expenses passed on to subsidiaries and from credits to subsidiaries		
License royalties	33,040	44,940
Advertising subsidies	2,769	3,440
Insurance	1,149	1,268
Other	921	1,085
	37,879	**50,733**
Other operating expenses		
Exchange losses	6,251	2,287
IT services	4,534	3,735
Fees	4,275	2,572
Advertising expenses	363	484
Exchange losses compensation paid to subsidiaries	0	3,607
Other	2,562	2,274
	17,985	**14,959**
	55,864	**65,692**

3. Contingencies

Contingencies as defined in Article 251 HGB consist of KEUR 10,000 bank guarantees in favor of affiliated companies. Furthermore, MAXDATA AG has joint and several liability for all claims of a factor that arise from a factoring agreement with affiliated companies.

4. Other financial obligations

There are no future financial obligations of note.

5. Average number of employees

During the reporting year, MAXDATA AG had an average of 79 employees (previous year: 32).

6. Audit fees

Audit fees amounted to KEUR 181 (previous year: KEUR 167) and include, in particular, the audit of the consolidated financial statements and individual financial statements of MAXDATA AG, as well as the review of the interim financial statements. Fees for other certification and consulting services amounted to KEUR 419 (previous year: KEUR 11) and are mostly comprised of fees arising from expert opinions and the examination of the internal control system. Tax consulting fees amounted to KEUR 112 (previous year: KEUR 58) and, in particular, include fees for current tax consulting services. Other fees amounted to KEUR 105 (previous year: KEUR 0) and are primarily comprised of fees for project-specific consulting services.

7. Remuneration of the Management Board and the Supervisory Board

In the business year 2006, total remuneration of the Group Management Board totaled approximately KEUR 914 (previous year: KEUR 895). In the business year 2006, Thomas Siegler, Spokesman of the Management Board, received total remuneration in the amount of KEUR 322 (previous year: KEUR 320) comprising fixed components only. Reinhard Blunck, member of the Management Board, received payment of KEUR 257 for his work on the board in 2006 (previous year: KEUR 256), which was comprised exclusively of fixed components. In agreement with the Supervisory Board, Jürgen Renz resigned his position as of 8 March 2006. He received total remuneration in the amount of KEUR 335 (previous year: KEUR 319), which includes a compensation in the amount of KEUR 225.

The members of the Supervisory Board received a fixed total remuneration of KEUR 211 in 2006 (previous year: KEUR 225). Siegfried Kaske, Chairman of the Supervisory Board, received KEUR 60 (previous year: KEUR 60). In the business year, the Deputy Chairman, Klaus Wiegandt, received compensation of KEUR 40 (previous year: KEUR 30). The Supervisory Board members, Claas Kleyboldt, Hans Reischl, and Bernhard Scholtes, each received KEUR 30 (previous year: KEUR 30). Dr. Matthias Händle, who was newly elected to serve on the Supervisory Board as of 26 April 2006, received KEUR 21.

8. Shares and share options of the Management Board and Supervisory Board as of 31 December 2006

Shares and share options of the Management Board and Supervisory Board as of 31 December 2006	Number of share options	Number of shares
Management Board	3,000	647
Supervisory Board	-	13,837,058

Further information on the members of the Management and Supervisory Boards can be found in the following table.

Executive Bodies	Membership of other statutorily formed Supervisory Boards	Membership of comparable supervisory bodies of companies in Germany and abroad
Members of the Management Board		
Thomas Stiegler (Spokesman of the Management Board since 08.03.2006) (Deputy Spokesman of the Management Board to 07.03.2006)	MAXDATA Systeme GmbH (Chairman) (to 06.10.2006)	
Reinhard Blunck		Primegate AG (Member of the Advisory Board)
Jürgen Renz (Spokesman of the Management Board to 08.03.2006)		
Members of the Supervisory Board		
Siegfried Kaske Chairman of the Supervisory Board of MAXDATA AG Management Board of DIVACO Beteiligungs AG	DFH Deutsche Fertighaus Holding AG (Chairman) Massa AG (Chairman) (to 13.06.2006) VOBIS AG (Chairman) VOBIS Microcomputer AG (Chairman)	Hamm-Reno Group GmbH & Co. KG (Chairman of the Advisory Board)
Klaus Wiegandt Deputy Chairman of the Supervisory Board of MAXDATA AG	Pironet AG (Chairman)	Hamm-Reno Group GmbH & Co. KG (Member of the Advisory Board)
Dr. Matthias Händle Chairman of the Management of Hamm-Reno Group GmbH & Co. KG		
Claas Kleyboldt Chairman of the Supervisory Board of AXA Konzern AG	AXA Konzern AG (Chairman) AXA Lebensversicherung AG (Chairman) AXA Service AG (Chairman) AXA Versicherung AG (Chairman) Hapag Lloyd AG	AXA Art Insurance Corporation, New York AXA Art Insurance Limited, London Triton Private Equity Fond (Chairman) M. DuMont Schauberg GmbH & Co. KG (Member of the Supervisory Board)
Hans Reischl Former Chairman of the Management Board of REWE Zentral AG	Alte Leipziger Holding AG Alte Leipziger Versicherungsges. aG Eurohyp AG KarstadtQuelle AG	Commerzbank AG (Member of Advisory Board) Deichmann Schuhe GmbH & Co. Vertriebs KG (Member of the Advisory Board) Cerberus Global Investments, LLC New York
Bernhard Scholtes Managing Director of MHS Consult GmbH	DFH Deutsche Fertighaus Holding AG	

9. Note in respect of Article 285, No. 16 of HGB

On 17 February 2006 the Management Board and Supervisory Board filed the declaration required by the Government Commission on the German Corporate Governance Code, pursuant to Article 161 of AktG and made it permanently available to the shareholders on the MAXDATA AG website at www.maxdata.de/unternehmen/investor_relations/corporate_governance/index.html

10. Events after the balance sheet date

No significant events occurred after the balance sheet date.

Marl, 27. Februar 2007

MAXDATA AG
Der Vorstand

Thomas Stiegler Reinhard Blunck

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the MAXDATA AG for the business year from 1 January to 31 December 2006. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the Company's Management Board. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § (Article) 317 HGB ("Handelsgesetzbuch": "German Commercial Code") 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 annual financial statements in accordance with (German) principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company 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 books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Management Board, as well as evaluating the overall presentation of the annual financial statements and 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 annual financial statements comply with the legal requirements and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Essen, 27 February 2007

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

M. Theben	ppa. D. Fouquet
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

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MAXDATA

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