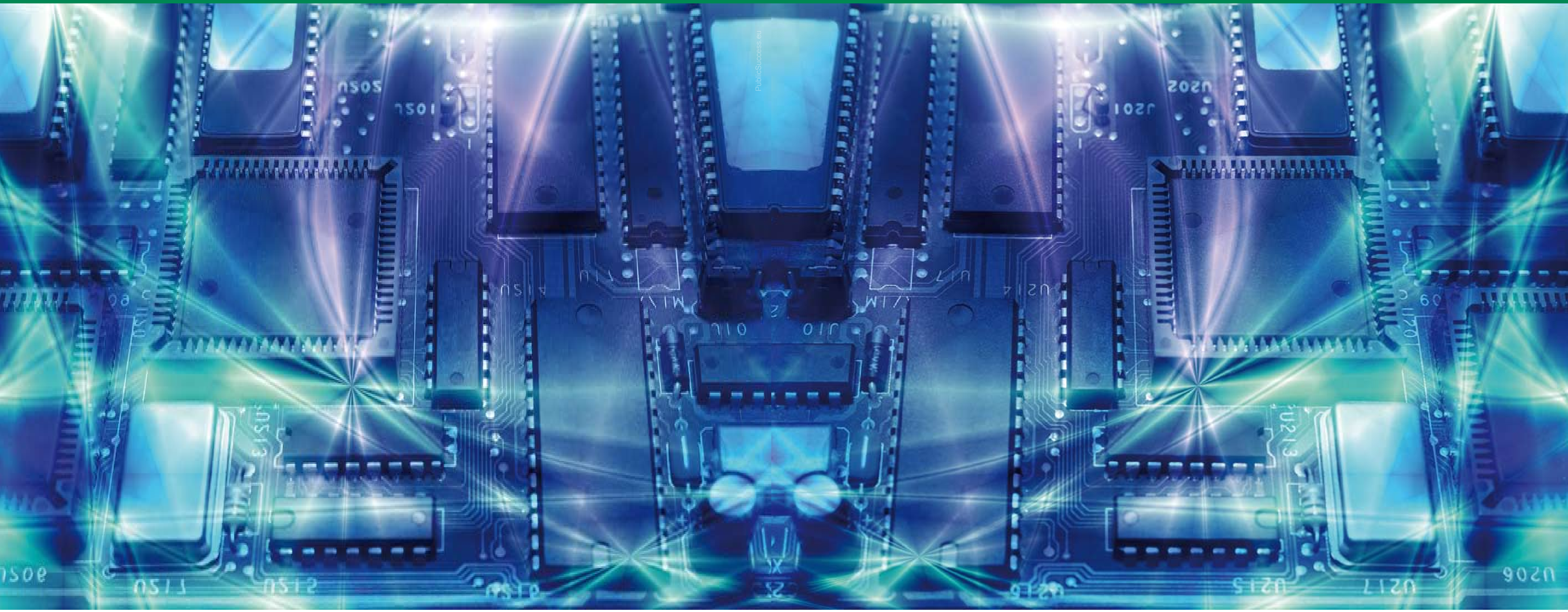
Annual Report 2006/2007



primion Technology AG
Steinbeisstraße 2-5
D-72510 Stetten a. k. M.
Germany
Phone: +49 75 73 / 9 52-0
Fax: +49 75 73 / 9 20 34
info@primion.de
www.primion.eu

Integrated Security Technology
primion®

Overview of Group Participations

primion Technology AG
Stetten am kalten Markt
Germany

100%
General Engineering & Technology
Malle
Belgium

100%
Nisus N.V.
Herentals
Belgium

100%
GET Nederland B.V.
Amsterdam
Netherlands

100%
Dataget SAS
Tourcoing Cedex
France

100%
Jans Sicherheitssysteme GmbH
Ludwigsburg
Germany

100%
primion GmbH
Stetten a. k. M.
Germany

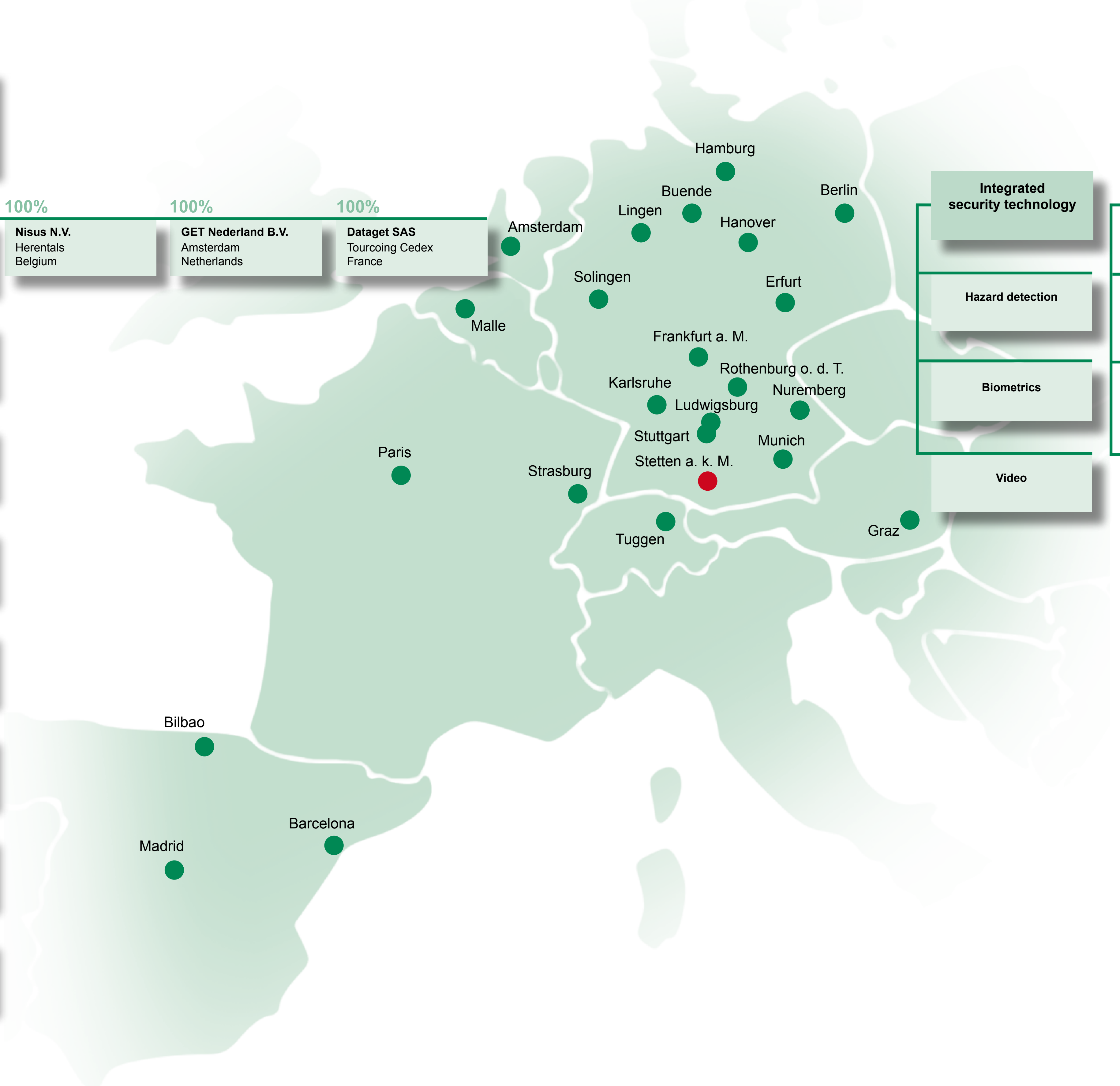
100%
primion Digitek S.L.U.
Barcelona
Spain

100%
primion SAS
Boulogne-Billancourt
France

51%
primion Technology GmbH
Graz
Austria

26%
primion AG
Tuggen
Switzerland

15%
SFK Networkservice GmbH
Roemhild
Germany



Business Areas and Products

Integrated security technology
- Hazard detection
- Biometrics
- Video

Access control
- Prime key technology
- Wireless locking systems
- Biometrics

Time recording
- Worktime management
- Manpower planning
- Time recording terminals

Overview

primion at a glance

Headquartered in Stetten am kalten Markt, Germany, primion Technology AG is an internationally operating supplier of innovative software and hardware-based systems for access control, time recording and integrated security technology. From development and planning to production, installation, implementation and all related services, primion provides “one-stop shopping” solutions for more than 5,000 customers around the world. With twelve years of experience, primion has established itself as one of the technology and innovation leaders in growth markets for access control and time recording systems, as well as integrated security technology.

Our aim is to enable our customers to boost security standards and increase efficiency in HR allocation and facility management by deploying primion technology. Customers can choose either a combination of individual modules tailored to specific requirements or to integrate technology into existing IT systems via standardized interfaces, as well as global networking of all system components.

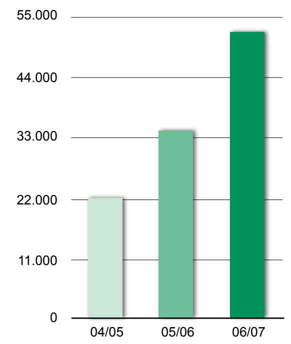
Corporate bodies

Executive Committee

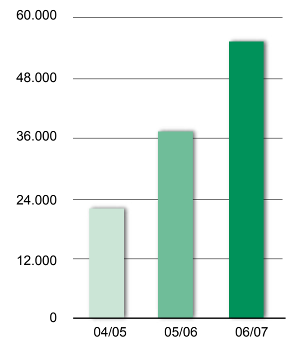
- Heinz Roth, engineer (University of Applied Sciences), Bodman-Ludwigshafen (Chairman & CEO)
- Thomas Bredehorn, executive, Algermissen
- Roland Schmider, engineer, Albstadt-Ebingen
- Manfred Koetzle, Dip.Kfm (MBA), Grosselfingen (to 19 June 2007)

Supervisory Board

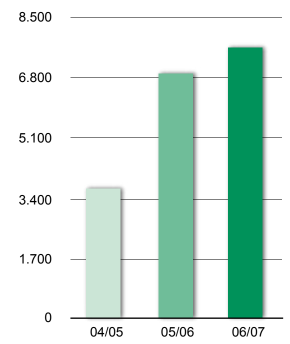
- Prof. Dr. Dr. h.c. mult. Johann Loehn, physicist, Waldkirch-Suggental (Chairman)
- Leo Benz, engineer, Munich (Deputy Chairman)
- Rolf Beck, lawyer, Tuebingen
- Konrad Haussmann, retired bank director, Tuttlingen
- Dr. Willi Merkel, lawyer, Albstadt-Ebingen
- Dr. Franz Wilhelm Hopp, Dip.Kfm (MBA), Duesseldorf (member since 29 January 2007)



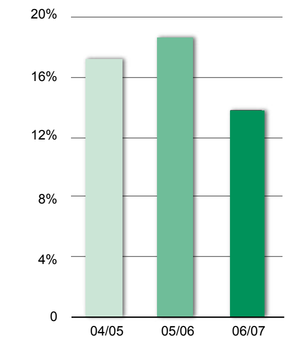
Sales revenues*



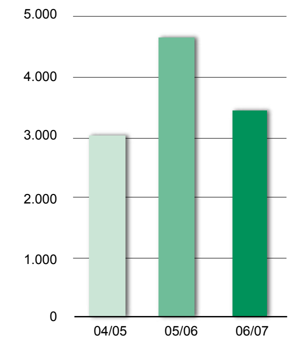
Total revenues*



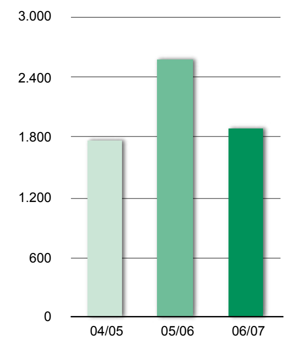
EBITDA*



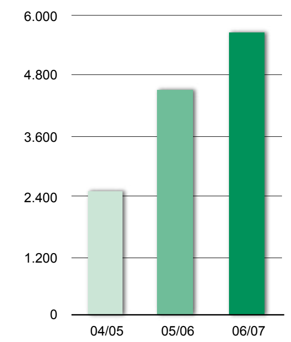
EBITDA as %
of total revenues



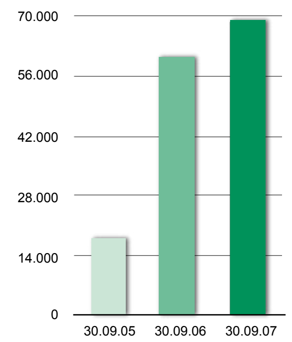
EBIT*



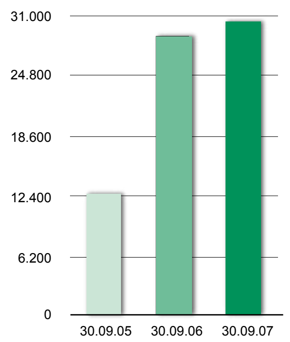
Consolidated
net income*



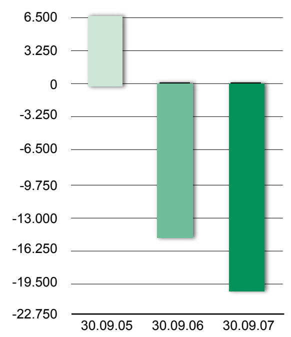
Gross cash flow*



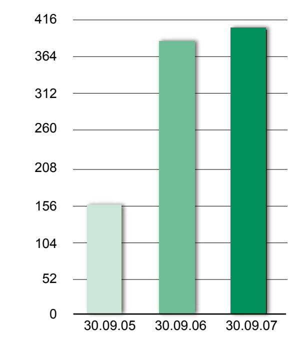
Total assets*



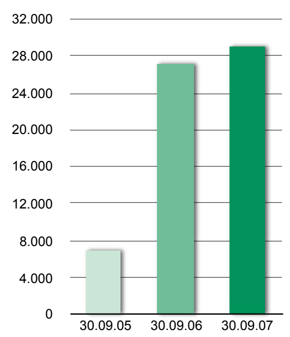
Order backlog*



Net borrowing*



Headcount



Shareholders'
equity*

* in €k

Contents

Letter from the Chief Executive Officer

Dear Readers,

primion Technology AG has achieved a great deal in fiscal year 2006/2007. In the growing market for time recording and access control systems, as well as integrated security technology, our Group is now better positioned than ever. As a consequence of taking over Jans Sicherheitssysteme GmbH in May 2007 and strategic partnerships with major groups in related fields, we have succeeded in becoming a leading international systems provider.

Market position expanded

Our customers are increasingly requesting integrated solutions for security systems and are seeking a competent partner. Strengthening our business in this area has therefore been a particular focus over the past few years. By acquiring Jans Sicherheitssysteme GmbH, primion has become a recognized systems specialist for integrated solutions in the field of security technology.

In the medium term, this expands the Group's solution competence and gives us access to new customer groups, plus additional potential to boost our profitability within hardware production and sales.

We are now able to handle projects from the design stage through to installation and servicing, thereby supplying complex security systems from a single source. This differentiates us further from the competition and presents new opportunities for growth.

The primion Group currently has over 22 branches in Europe and partners in a further 25 countries. With a market share of 14 per cent (according to a study by Mario Fischer), primion is the joint number 1 in Germany. On a European level we are the biggest independent provider in the field of access control and time management.

primion growing more strongly than the market

For the fiscal year ending in September, the primion Group achieved total revenues of some 55 million euros. This is in line with the forecast from our quarterly reports and represents growth of almost 50 per cent compared to the prior year. Once again we have been able to grow significantly more than the market as a whole.

During the past fiscal year we were therefore able to implement our core strategic objectives from the IPO, as well as one of our key operational targets.

The Executive Committee could not however be satisfied with the consolidated balance sheet. With earnings before interest and taxes (EBIT) of 3.4 million euros, primion is a successful company with an EBIT margin of 6.2%. Not all opportunities were fully utilized though and the primion Group was not as profitable in the past year as we had intended.

Earnings target not met

Consolidated net income was impacted by necessary restructuring measures which have been put in place but which are not yet taking full effect. Switching from a centralized to a decentralized sales structure at Staedtler has been largely implemented but is not yet reflected positively in the bottom line.
Previously announced synergy effects from substituting third-party products at customers acquired by primion as a result of acquisitions have not yet been realized to the extent anticipated.
In the interests of the company as a whole, the Executive Committee responded swiftly and introduced dedicated restructuring activities at both GET in Belgium and at primion Staedtler. As part of this we have concentrated software development at the central location in Stetten and have thus begun to integrate all product lines into primion's future-proof web technology platform.

This reorganization led to special expenses of 0.9 million euros in the past fiscal year. This includes unplanned special expenses for consultancy costs associated with the examination by the German Financial Reporting Enforcement Panel (FREP), which also had a negative impact on the result of operations.

Regaining operational trust through communication

Unfortunately the factors described above meant that we needed to correct our profit objectives in summer 2007. In an altogether positive environment, the capital market perceived this negatively and as a result the primion share has since experienced significant pressure.

For us as managers and shareholders with a stake in the success of the business, it is clear that our priority must be to regain the trust that has been lost. This will not happen overnight but rather step-by-step.

In terms of operations, we have already done our homework: We have eradicated weak points, optimized organizational structures from development through to sales and equipped the primion Group to meet future demands.

We have also drawn conclusions about communication with our shareholders and the capital market. In addition to strengthening investor relations, we shall boost the transparency and visibility of primion in the capital market. One initial step is our new shareholder information service which you can register for at www.primion.de. Here we will be informing you and potential investors about new developments in the primion Group between reporting cycles.

Growth prospects for the next fiscal year

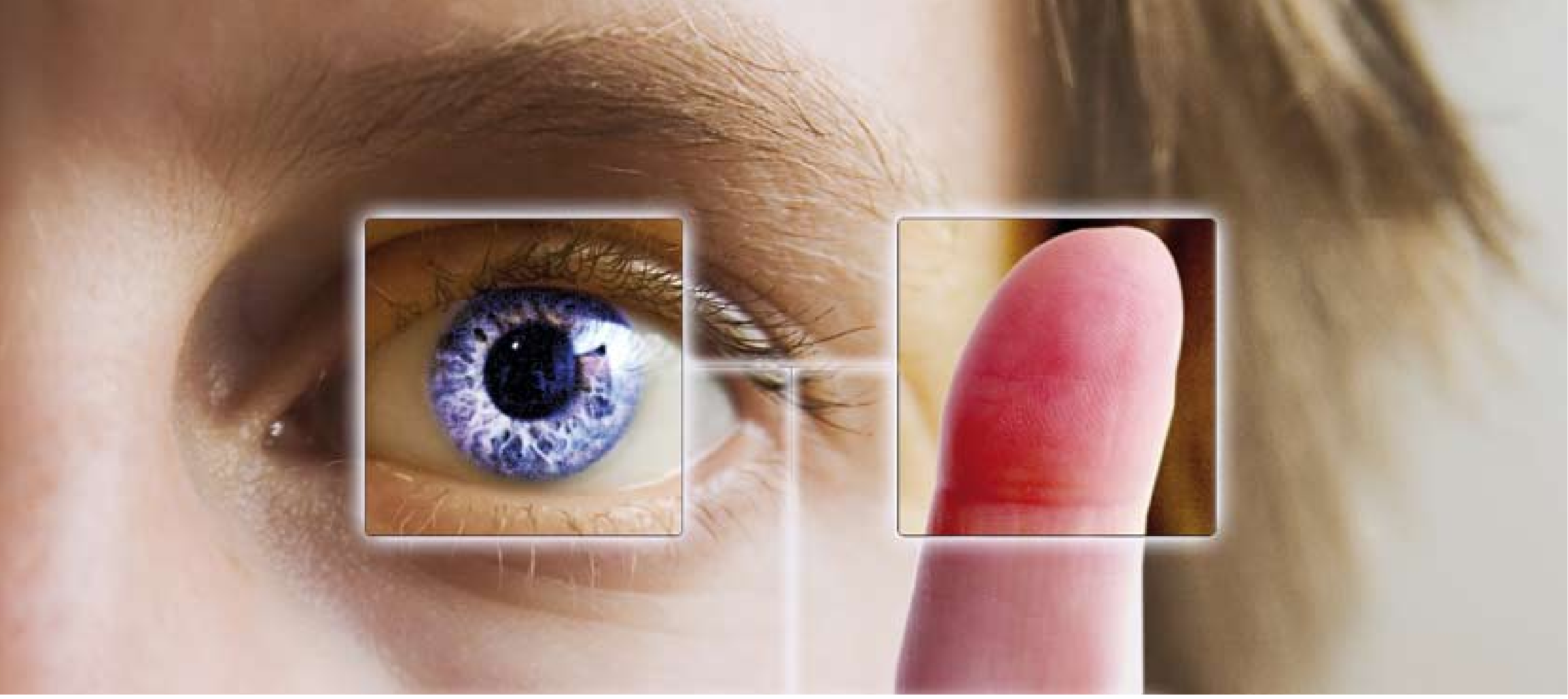
We hope that measures like these will succeed in rebuilding confidence in primion and thereby have a positive impact on the share price. It is the view of the Executive Committee that you, our shareholders, have every reason to be optimistic about the new fiscal year at primion Technology AG.

We anticipate further growth within our industry and for the Company's revenues and earnings to grow.

Thank you for your trust in us.

On behalf of the Executive Committee:

Heinz Roth



Report of the Supervisory Board

for the fiscal year
from 1 October 2006 to 30 September 2007

Fiscal year 2006/2007 was a successful financial year for primion Technology AG. Key events with the company's long-term future in mind were the acquisition of Jans Sicherheitssysteme GmbH and restructuring at what was formerly primion Staedtler GmbH and the GET Group. The Supervisory Board provided advice and support to primion's Executive Committee during this crucial phase, supervising management in accordance with statutory requirements and the provisions of the articles of association.

Four meetings of the Supervisory Board took place during the year under review. Decisions were made in meetings, as well via written circulation. Due to the size of the company, no Supervisory Board committees were formed.

The former Deputy Chairman of the Supervisory Board, Prof. Jochen Tschunke, resigned from his post with effect from 30 September 2006. From this time, the Supervisory Board has consisted of just five members. Effective 29 January 2007, Dr. Franz Wilhelm Hopp was appointed to the Supervisory Board in accordance with Section 104 [1] of the German Stock Corporation Act (AktG). This appointment was confirmed by a corresponding election at the Annual Shareholders' Meeting on 2 March 2007. In its meeting of 2 November 2006 the Supervisory Board appointed Mr Leo Benz the Deputy Chairman.

Mr Manfred Koetzle was not reappointed as a member of the Executive Committee. His tenure ended as at 30 September 2007, with the CEO taking on his tasks until further notice.

During the year under review, the Executive Committee kept the Supervisory Board informed, by means of detailed written and verbal reports, of the company's current situation and of any business procedures of importance. In particular, the Executive Committee kept the Supervisory Board abreast of any fundamental issues concerning company policy and strategy, the business and financial situations, financial and investment planning, business development, risk management and the human resources situation.

The Supervisory Board dealt with the reports of the Executive Committee at its meetings and held regular consultations with the Executive Committee on the strategic development of the company. In meetings and based on regular exchanges of information with the Executive Committee, the Supervisory Board addressed key corporate decisions and transactions on an ongoing basis, providing insights into the company's economic situation in the process and monitoring management. All measures that required the approval of the Supervisory Board were thoroughly debated before being submitted for resolution.

At the forefront of Supervisory Board discussions in the year under review were, above all, the strategic plans being made by the Executive Committee and their implementation, plus investment decisions. During the past fiscal year, the Supervisory Board's work was focused on two areas: the expansion of the primion Group and subsequent opening up of new markets as a result of acquiring Ludwigsburg-based Jans Sicherheitssysteme GmbH, coupled with restructuring at the former primion Staedtler division and the GET Group.

The acquisition of Jans Sicherheitssysteme GmbH in particular was thoroughly discussed, investigated and finally approved. In addition, in all other measures requiring approval, the Executive Committee received the full support and requisite approval of the Supervisory Board.

In accordance with Section 3.10 of the German Corporate Governance Code, the Executive Committee reports on corporate governance in a separate section of the annual report on behalf of the Supervisory Board. On 30 September 2007, the Executive Committee and Supervisory Board issued a declaration of conformity in accordance with Section 161 of the German Stock Corporation Act (AktG). This is available to shareholders on the company's website, including deviations from the Corporate Governance Code.

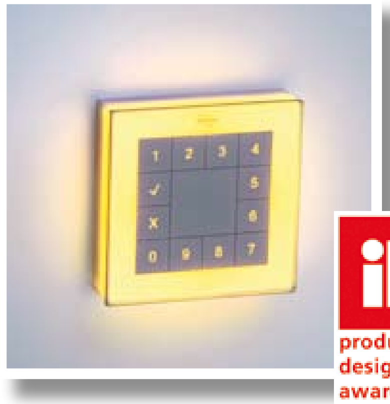
The annual financial statements for primion Technology AG, the consolidated financial statements as at 30 September 2007 and the management reports for primion Technology AG and the primion Group were audited at the request of the Supervisory Board by RWT HORWATH GMBH Auditors, Albstadt, and given an unqualified audit certificate. The Supervisory Board also examined these documents themselves.

The auditors' report on the annual financial statements, the consolidated financial statements and the management report for primion Technology AG as well as the management report for the primion Group as at 30 September 2007 were submitted to all members of the Supervisory Board. They were thoroughly examined at the Supervisory Board meeting of 17/01/08 with the Executive Committee, in the presence of the auditor. At the meeting, the Executive Committee also reported in detail on the extent, emphases and costs of the audit. The Supervisory Board approved the result of the audit, and following its own examination, raised no objections. The Supervisory Board approved the annual financial statements and the consolidated financial statements prepared by the Executive Committee. The annual financial statements were thereby adopted.

We thank all employees and the Executive Committee for their great personal commitment and the high level of performance they have demonstrated over the past fiscal year. Our thanks too, to all our shareholders, customers and business partners for their trust in us.

Stetten am kalten Markt, January 2008

Prof. Dr. Dr. h.c. mult. Johann Loehn
Chairman of the Supervisory Board



product
design
award
2008

Crystal Line

The iF product design award is an international design prize. A total of 2,771 products from 35 countries were submitted for the 2008 design award. The DT 200 glass terminal and the prime crystal reader proved successful against a challenging field of international providers. Both received the iF Design Award 2008 and will be showcased at CeBIT in Hanover. The design exhibition attracts some 300,000 visitors every year.

Good design stems from a combination of product management, development, production and customer service, with premium products and complex services ideally placed to meet international demand. The Crystal Line generation of products sets new benchmarks in:

- Security
- Innovation
- Design

The DT 200 is one of the smallest time recording terminals around. Its housing is fully illuminated in a choice of red, green or yellow illumination. The DT 200 combines advanced 32-bit technology with flexible time management. Its unique design is patent protected and registered, while the colour graphic display offers optimum transparency, control and user guidance. The 1 MB memory enables 10,000 entries to be made for 5,000 persons, with dialogue retrieval possible both on- and offline. The capacitive proximity sensor with keypad is situated beneath a polished glass surface. Advanced contactless technologies such as Legic-advant, Mifare and the new NFC transmission standard are supported. The info terminal can be integrated without any problems into TCP/IP networks and is also perfect for field offices due to its standalone attributes.

The exclusive prime crystal access reader is available as a proximity reader with and without keypad, which facilitates verification via codes and ID media. The stylish housing in polished glass features freely definable colour effects produced by colour LEDs that illuminate the frame. The standby colour and event-related displays can be set to customer preferences. Inputting information via the sensor key panel ensures maximum convenience for users.

The Crystal Line series combines secure technology with stylish design in a high-quality, user-friendly solution. With its products having received various awards, primion Technology AG is one of the most innovative companies in the industry. In the face of global competition for customers and market share, speed of innovation is a crucial growth factor. Our products stand for reliable functionality, practical design and a high level of technical expertise, while fulfilling international market requirements.

Jürgen Jans,
Managing Director of
Jans Sicherheitssysteme GmbH

Securing growth

From industry, banking and energy supplies to retail, administration or sport and leisure, in fact anywhere that people work, live or spend time, one factor is becoming increasingly important – the security of persons and processes. Complex security solutions that integrate every aspect from alarm management to access control into one system are therefore in greater demand. primion has been able to serve this growth market comprehensively since taking over Jans Sicherheitssysteme GmbH of Ludwigsburg/Germany in May 2007.

Established in 1995 by managing director Jürgen Jans, this new primion subsidiary's customers range from nationwide groups like Daimler and Philips to financial service providers, logistics companies and industrial enterprises, as well as hospitals, universities and public authorities. The distinctive feature is that the security solutions implemented are always tailored to the specific customer situation and use state-of-the-art products.

This also formed the basis of the initial cooperation between primion and Jans. Various projects have since been implemented jointly and currently a major project is underway to secure the new RTL headquarters in Cologne. There, a total of 20,000 reporting points (sensors and devices from the Intrusion Detection System), 180 video cameras with a digital video management system, 600 access reading units and 80 escape route management devices deliver an efficient security solution conforming to the highest security standards. The entire system is controlled centrally from our security and hazard management control centre and in total, some 90,000 data points are managed.

This project highlights the benefits for primion in acquiring Jans Sicherheitssysteme. Previously, primion supplied individual components for a complex security system and was therefore only directly involved in project tenders in exceptional cases. Now major projects for complete security technology systems can be won, such as the one for RTL, a television broadcaster. primion now benefits from in-house expertise in this area and the fields of alarm/fire/burglar detection and video technology, with customers able to obtain a complete security package from a single source.

The first step is to provide advice on all relevant subsections of the premises, perform security analyses and evaluate the situation to produce a custom security concept. A quotation is then created including a detailed concept, taking into account all cost-related items such as the integration of existing security systems.

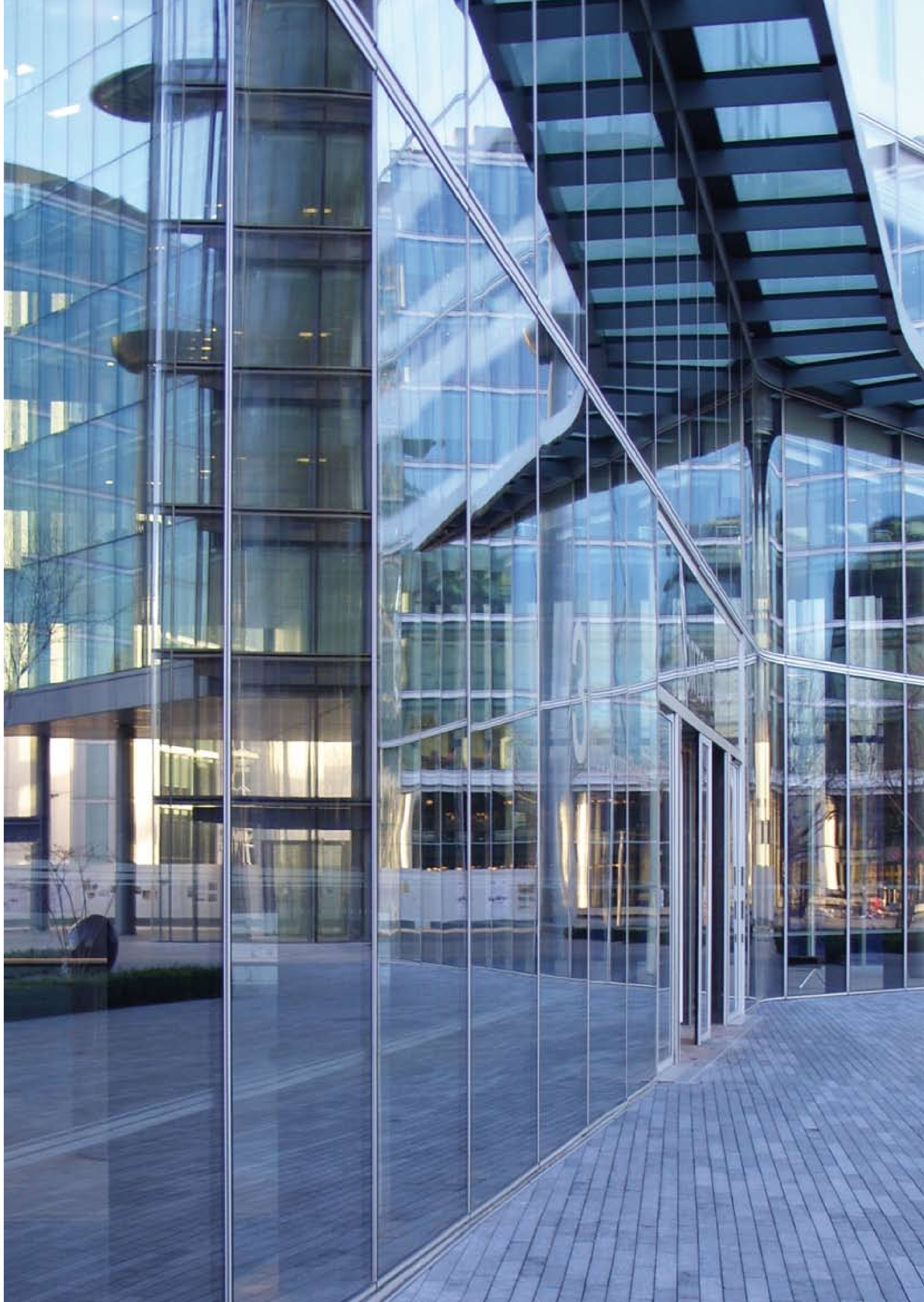
A team of highly qualified technicians ensures that all installation work through to commissioning the functioning system is finished on schedule. Jans/primion services also include providing documentation on equipment and inductions. To ensure operational functionality there is a 24-hour service hotline, with servicing and repairs completing the offering.

Based on this model, Jans Sicherheitssysteme has completed various major projects in the past. For example, at Philips Semiconductors in Böblingen around 1,500 employees produce highly integrated semiconductor circuits for multimedia, communications, automotive technology and entertainment electronics products. Here Jans set up fire detection and burglar alarm systems, plus access control systems, with an integrated hazard management system. The main challenge was connecting a networked fire detection system with 15 centres and over 6,000 fire detectors via interfaces. The system was implemented redundantly during operations with ongoing availability and no system downtime. As a result, Philips named Jans their supplier of the year.

Another example was securing a high-performance data processing centre for 1&1, a company of the United Internet Group based in Karlsruhe/Germany. More than nine million domains are administered here – over a third of all German websites and more than at any other data centre in Europe. Sensitive areas within a data centre must be secured in both electronic and organizational terms. Protection against fire, break-in, unauthorized access and technical hazards demands a tailored system – designed and supplied by Jans Sicherheitssysteme.

The company is also able to integrate complex security systems at different locations such as at L-Bank sites in Stuttgart and Karlsruhe. Here a management system went live that connects all security subsections and 25,000 data points. Burglar alarm, fire detection, access control and time recording systems, plus digital video management systems, were all implemented.

The Jans Sicherheitssysteme/primion Technology AG team has made a name for itself with these kinds of projects, while customers' project managers typically comment that the right decision was made. On this basis primion is set to secure growth into the future.



Future-oriented solutions for innovative pharmaceutical distributor

Leopold Fiebig GmbH & Co. KG focuses on high security standards

Much to everyone's regret, every season brings various symptoms and illnesses. Whether it is a harmless cold, a virus or in the worst-case scenario a chronic ailment, a visit to the pharmacy is essential and routine. These days it is taken for granted that all medication is either in stock or available within a short time. State-of-the-art logistics now ensure speed, efficiency and accuracy, saving lives in an emergency.

One of the most innovative pharmaceutical distributors in Europe is Leopold Fiebig GmbH & Co. KG based in Rheinstetten near Karlsruhe/Germany. Established in 1898, this solid mid-sized company has made a name for itself over the decades among pharmacists nationwide thanks to consistently optimizing workflows, its sustainable corporate philosophy and strategic maintenance of long-term customer relationships.

In Rheinstetten, managing directors Gerda Nueckel and Klaus Goerke have set up a state-of-the-art new logistics centre covering a large catchment area. A high-tech facility puts together orders quickly and accurately with automatic, error-free batch documentation. Currently unique within pharmaceutical distribution, this underpins the company's position.

Comprehensive security measures for the new building with its clear lines and simple practicality were a key aspect for the partners right from the planning stage. "The entire building features the highest security standards. This reduces the risk of unforeseen events and guarantees reliable, punctual deliveries of goods to our customers." Back in summer 2005, Leopold Fiebig GmbH & Co. KG contacted primion Technology AG at its Karlsruhe branch and asked for a presentation

to be given at its head office. The planned new building would include a comprehensive access control system featuring visual technology, with the existing time management solution to be migrated to a web-based system. A visit to CeBIT in Hanover preceded this, as did preliminary testing by the HR department at Fiebig. After this, the management wanted to find out more about the Visual WebTime and Visual WebAccess applications and discuss them in a wider context.

Following a call for tenders, primion Technology AG was awarded the contract to equip the state-of-the-art logistics building in Rheinstetten with products for access control and time recording. Five IDT 8 access control system units and 25 Legic readers in various configurations will now control security at one of the most advanced logistics centres in the pharmaceutical sector. This equipment is managed via primion's Visual WebAccess software. As well as benefiting from quality hardware, thanks to Top View from primion the pharmaceutical distributor also has the option of monitoring connections to higher-level door control and lock systems in strongrooms.

All security-related information for the entire location can be displayed virtually at the touch of a button. The status of all monitored doors and gates on the company's premises can be seen at a glance. Alarm management reports any incident immediately and shows the position, facilitating an instant response.

Another reason for choosing primion was the option of migrating existing time management software to a web-based system. With Visual WebTime from primion and the DT 400 time recording terminal on the hardware side, this demanding challenge was mastered. Rolling out a Legic card featuring the company's logo provides options for other future applications in addition to time recording and access rights.

"We chose primion because the software's modular structure and the web-based solution seemed highly oriented to future needs," says Fiebig works manager and engineer Juergen Dussel. The project manager adds that "The price/performance ratio and proximity of primion's Karlsruhe office were also a factor."

Corporate Governance
for fiscal year 2006/2007

In accordance with Section 3.10 of the German Corporate Governance Code, the Executive Committee – on behalf of the Supervisory Board – makes the following report on corporate governance at primion Technology AG:

The Executive Committee and Supervisory Board of primion Technology AG support the principles of good, responsible corporate governance as set out in the German Corporate Governance Code (hereinafter also referred to as the "Code" or "GCGC") with the amendment of 14 June 2007 and welcome the intention of the Government Commission on German Corporate Governance to provide transparent guidelines on proper corporate governance.

The Code recommends that the Executive Committee and Supervisory Board provide information on the company's corporate governance each year in a corporate governance report. This includes the explanation of any deviations from the Code (Section 3.10 GCGC). Furthermore, this report should provide information about the remuneration of members of the Supervisory Board and Executive Committee (Section 4.2.5 and 5.4.7 GCGC), the purchase and sale of shares by members of corporate bodies or management (Section 6.6 GCGC) and about share option programmes or similar incentive systems (Section 7.1.3 GCGC).

In the period under review the Executive Committee and Supervisory Board addressed in detail issues of compliance with the Code, comparing it with the company's own standards and determining points of deviation from the recommendations of the Government Commission on German Corporate Governance.

The nature of the Code is such that its recommendations are not generally binding so as to exclude deviations or prohibit the company from deviating from the recommendations due to specific requirements. In the light of this the Executive Committee and Supervisory Board determined that the recommendations of the Government Commission on German Corporate Governance are fulfilled in all but a few respects.

A declaration of conformity in accordance with Section 161 of the German Stock Corporation Act (AktG) was jointly adopted and signed by the Supervisory Board and the Executive Committee and was placed on the company's website on 30 September 2007. All members of both corporate bodies declare therein that the regulations of the commission on corporate management and monitoring appointed by the German federal government are currently being fulfilled, and will be fulfilled in future, with the exception of the points indicated in the declaration of conformity.

Explanation of deviations from Code recommendations in the period under review
The following recommendations of the Code only were not implemented in the year under review:

Deductible for directors and officers' liability insurance (Section 3.8 GCGC)
The existing D&O insurance policies for members of management do not include a deductible. The members of the Executive Committee and Supervisory Board are not of the opinion that the commitment and responsibility with which they perform their duties can be improved by arranging a deductible. D&O insurance policies for members of the Executive Committee and Supervisory Board do not therefore stipulate a deductible.

Remuneration of members of the Executive Committee (Section 4.2.5 GCGC)
The company has decided not to fulfil the recommendations of the Code with regard to individualized disclosure of the compensation structure for the Executive Committee in a remuneration report subject to Section 4.2.5 of the GCGC which, as part of the corporate governance report, also explains the compensation structure of the Executive Committee in a generally understandable form. primion Technology AG is of the opinion that reporting the remuneration of Executive Committee members in the consolidated financial statements subdivided according to fixed and variable components suffices.

Formation of Supervisory Board committees (Sections 5.3.1, 5.3.2 and 5.3.3 GCGC)
In line with the discretion afforded under the Commission's recommendations, primion Technology AG refrains from appointing separate Supervisory Board committees due to specifics of the company and in particular its size. The company is of the opinion that forming committees would not boost the efficiency of a Supervisory Board comprising six members.

Age limit for members of the Executive Committee (Section 5.1.2 GCGC)
The company has decided not to set an age limit for members of the Executive Committee because primion Technology AG holds the view that the performance of board members does not depend on an inflexible age limit.

Age limit for Supervisory Board members (Section 5.4.1 GCGC)
An age limit for selecting Supervisory Board members is likewise not stipulated because primion Technology AG is of the opinion that the performance of board members does not depend on an inflexible age limit. The company shall therefore continue to benefit from the expertise of experienced Supervisory Board members.

Remuneration of members of the Supervisory Board (Section 5.4.7 GCGC)

Equally, the corporate governance report does not include an individualized breakdown of the remuneration for individual members of the Supervisory Board subdivided by components; neither does the compensation structure include performance-related components (Section 5.4.7 GCGC). The same applies to the individualized and separate disclosure in the corporate governance report of remuneration amounts paid to the members of the Supervisory Board by the company or advantages extended for services provided individually, in particular advisory or agency services (Section 5.4.7 GCGC). Remuneration of the Supervisory Board occurs in accordance with the articles of association of primion Technology AG. The latest version is published on the company's website. The individualized remuneration of the members of the Supervisory Board can be derived from this, allowing an individualized presentation to be omitted from the corporate governance report. primion Technology AG is of the view that all members of the Supervisory Board perform their functions with a high level of commitment and motivation and with the company's long-term success in mind. In addition, the company does not regard performance-related remuneration as necessary to ensure the Supervisory Board performs its functions responsibly. In accordance with legal regulations, the company presents the remuneration of all Supervisory Board members as a single total in the notes to the consolidated financial statements.

Publication of the consolidated financial statements and interim reports (Section 7.1.2 GCGC)

Pursuant to Section 7.1.2 of the GCGC the consolidated financial statements should be publicly accessible within 90 days of the end of the fiscal year; interim reports shall be publicly accessible within 45 days of the end of the reporting period. At primion Technology AG, reporting follows the financial reporting obligations of Deutsche Boerse AG for the Prime Standard. As a result, primion Technology AG publishes its consolidated financial statements within four months and quarterly reports within two months of the end of the reporting period.

Transparency for our shareholders

Information about significant deadlines is provided in a timely manner to shareholders and interested parties in our financial calendar which is published in the quarterly reports as well as on our website. The Investor Relations section of our website provides all available up-to-date information including key figures, disclosures, actions subject to reporting and corporate governance. Comprehensive transparency includes ongoing control of whether significant transactions were concluded between a company within the primion Group and a member of the Executive Committee or Supervisory Board or a related party. This is reported on in the notes to the consolidated financial statements.

Shareholders and the Annual Shareholders' Meeting

At the Annual Shareholders' Meeting, shareholders have the opportunity to exercise their voting rights in person or by use of a proxy or an appointed representative of the company. In addition, the invitation to the Annual Shareholders' Meeting and the requisite reports and documents for passing resolutions are published in accordance with legal requirements and made available to shareholders and interested parties on the website of primion Technology AG.

Cooperation between the Executive Committee and Supervisory Board

The Executive Committee informs the Supervisory Board regularly, extensively and in a timely manner concerning all developments and events that are of significance for the business development and situation of the primion Group. During the reporting period the Executive Committee and Supervisory Board worked closely together in a relationship based on trust. Further details concerning cooperation between the Executive Committee and Supervisory Board can be found in the report of the Supervisory Board.

Risk management

A responsible approach to operational risk is one of the standards of good corporate governance. The Executive Committee of primion Technology AG and management within the primion Group therefore have access to intra-group risk management tools, which enable appropriate risk management and control within the company. Current corporate risks are reported on in the management report.

Directors' dealings / shareholdings of members of the Executive Committee and Supervisory Board (Section 6.6 GCGC)

In accordance with Section 15a of the German Securities Trading Act (WpHG), all members of the Executive Committee and Supervisory Board of primion Technology AG, as well as certain employees with management responsibilities and related parties thereof, must report without delay the purchase and sale of shares in primion Technology AG or of related financial instruments of the company (directors' dealings). Purchase and sales transactions in excess of €5,000 in a calendar year must be reported. In accordance with Section 6.6 of the GCGC, directors' dealings shall be published in the corporate governance report. The following company directors' dealings have been reported in the period to 30 September 2007:

Party subject to reporting	Trading day	Stock exchange	Name of securities	WKN	Trans-action type	No. of shares	Price in €	Total volume in €	Reason for disclosure obligation
Roth, Heinz	14.03.2007	OTC	*	511700	Sell	180,000	7.00	1,260,000.00	Member of the Executive Committee
Roth, Heinz	16.03.2007	OTC	*	511700	Sell	70,000	7.00	490,000.00	Member of the Executive Committee
Bredehorn, Thomas	16.03.2007	OTC	*	511700	Sell	30,000	7.00	210,000.00	Member of the Executive Committee
Schmider, Roland	01.06.2007	XETRA	*	511700	Buy	5,000	7.43	37,135.48	Member of the Executive Committee
VHR Verwaltungsgesellschaft Heinz Roth mbH	09.08.2007	XETRA	*	511700	Buy	8,366	5.49	45,957.00	Related party (Executive Committee)
VHR Verwaltungsgesellschaft Heinz Roth mbH	10.08.2007	XETRA	*	511700	Buy	15,134	5.70	86,321.76	Related party (Executive Committee)

* primion Technology shares

In addition to these disclosures, the shareholdings or related financial instruments held by members of the Executive Committee and Supervisory Board shall be reported if these directly or indirectly exceed 1% of the shares issued by the company. If the entire holdings of all members of the Executive Committee and Supervisory Board exceed 1% of the shares issued by the company, these shall be reported separately according to Executive Committee and Supervisory Board.

As at 30 September 2007, the members of the Executive Committee and Supervisory Board directly or indirectly held 1,877,529 shares of primion Technology AG representing 33.83% of total shares issued by the company. The corresponding shareholdings of the members of the Executive Committee and Supervisory Board are listed below:

Member of the Executive Committee	Number of shares held
• Heinz Roth	1,560,855
• Thomas Bredehorn	53,243
• Roland Schmider	15,000
Total	**1,629,098**

Member of the Supervisory Board	Number of shares held
• Leo Benz	248,431
Total	**248,431**

Share option programmes and similar securities-based incentive systems

There are no share option programmes or similar securities-based incentive systems within the company.

Financial statements auditing

No relationships exist between the auditor, its executive bodies and head auditors on the one hand, and the company and the members of its executive bodies on the other hand, that could call the auditor's independence into question. In accordance with Section 7.2.3 of the Code, it was arranged for the auditor to report without delay on all facts and events of importance for the tasks of the Supervisory Board which arise during the performance of the audit.

Group Management Report

for fiscal 2006/2007

1. Business and framework

The primion Group is an internationally operating supplier of innovative software and hardware-based systems for access control, time recording and integrated security technology. Access control systems are at the heart of the primion Group's operating activities. Other products and services in the time management and integrated security technology divisions supplement this core competence.

1.1 Corporate changes

In the past fiscal year 2006/2007 the parent company of the primion Group, primion Technology AG, acquired 100% of the shares in Jans Sicherheitssysteme GmbH, Ludwigsburg/Germany. Furthermore, in November 2006 French affiliate primion Systems SAS of Bernolsheim was amalgamated into its parent company primion TECHNOLOGIE SAS, Boulogne-Billancourt/France. The resulting organization now trades under the name primion SAS. In addition, the Annual Shareholders' Meeting of primion Technology AG on 2 March 2007 resolved to amalgamate primion Staedtler GmbH, Nuremberg/Germany (hereinafter also referred to as "primion Staedtler") into its sole shareholder primion Technology AG. Details of the merger were entered in the Companies' Register (Handelsregister) on 30 May 2007.

1.2 Corporate structure

Alongside its operational distribution and installation activities, primion Technology AG performs development, production and holding functions for the Group as a whole.

Sales and installation are primarily end-customer-focused and are made through 13 branch offices in Germany, as well as ten further locations associated with group and affiliated companies in Switzerland, Austria, France, Spain, Belgium and the Netherlands, plus approximately 30 additional distribution partners in Germany and abroad.
The primion Group's "one-stop shop" business model covers the entire value chain from development and production through project planning to installation and integration, as well as complementary services (e.g. consultancy, training, customer support and system maintenance).

Deploying primion technology enables customers to boost their security standards and increase efficiency in HR allocation and facility management. It is possible to combine specific modules to meet customer requirements, integrate existing IT systems via standardized interfaces and integrate system components globally.

Thanks to its high level of innovative strength and expert implementation of customer-focused products and services, the primion Group is one of the leading innovators and technology providers in the European markets for access control, time recording and integrated security technology.

Customers in Germany are served by the responsible branch office, while elsewhere the relevant subsidiary acts as the contact for planning and implementing new customer projects. In countries where we do not have a presence, partners perform these tasks.

Most of the hardware installed in customer projects is produced at the parent company's headquarters in Stetten am kalten Markt/Germany.

In total the primion Group employs 402 people as at 30 September 2007 (30 September 2006: 380 employees). This rise can largely be attributed to the acquisition of Jans Sicherheitssysteme GmbH, Ludwigsburg/Germany.

As at 30 September 2007 and 30 September 2006 respectively, the headcount at the Group's various companies and areas of operation is broken down as follows:

		30/09/2007		30/09/2006
Company	**absolute**	**relative**	**absolute**	**relative**
primion Technology AG	218	54.2%	205	53.9%
GET Group	111	27.6%	129	33.9%
primion Digitek, Spain	32	8.0%	28	7.4%
Jans Sicherheitssysteme GmbH, Ludwigsburg/Germany	24	6.0%	0	0.0%
primion SAS, France	14	3.5%	14	3.7%
primion Technology GmbH, Austria	3	0.7%	4	1.1%
Total	**402**	**100.0%**	**380**	**100.0%**

		30/09/2007		30/09/2006
Area of operation	**absolute**	**relative**	**absolute**	**relative**
Sales and technical services	233	58.0%	223	58.7%
Production	31	7.7%	24	6.3%
R&D	71	17.7%	86	22.6%
Administration	67	16.6%	47	12.4%
Total	**402**	**100.0%**	**380**	**100.0%**

1.3 Management of the primion Group

The Executive Committee of primion Technology AG defines corporate strategy for the whole Group and also works with the managing directors of subsidiaries or divisional managers at primion Technology AG on key issues that correspond with member responsibilities in terms of remit and location.

Within research and development, Group-wide projects are managed centrally at the parent company in Stetten am kalten Markt. Country-specific developments are implemented at the relevant subsidiaries.

In terms of holding functions, the parent company provides Group-wide guidelines in the area of finances, accounting and controlling in particular.

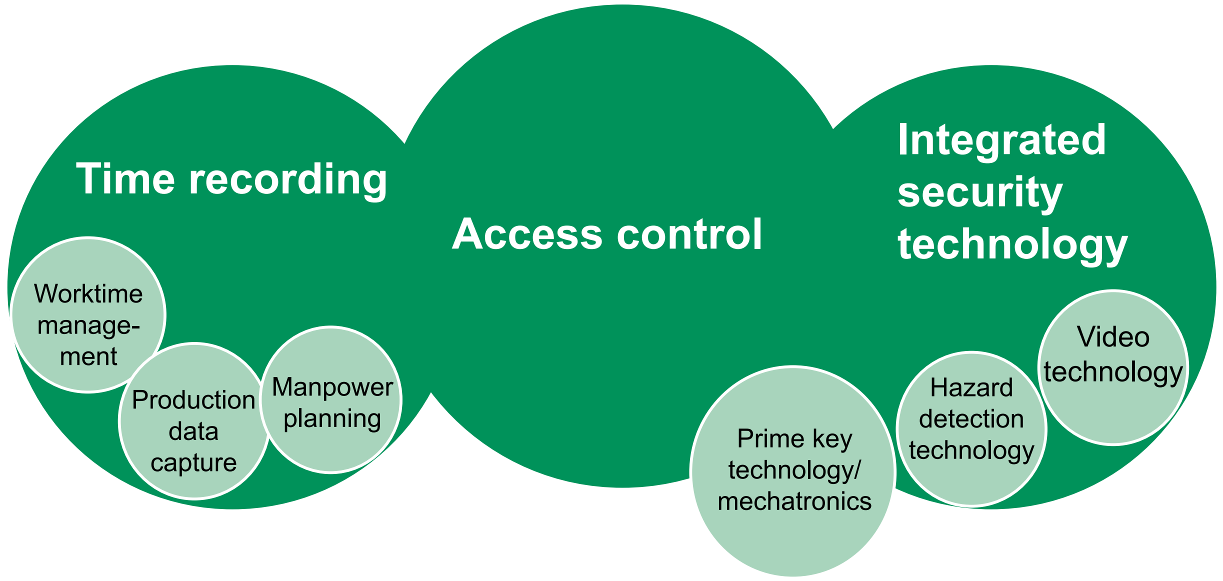
The primion Group uses standardized reporting that includes conventional financial information (such as the income statement and balance sheet), information from the sales division (e.g. order levels and analyses of orders received), as well as what is known as a management discussion and analysis (MD&A). In addition to financial information, on a monthly basis the MD&A updates the Executive Committee of primion Technology AG on other key figures such as core current customer projects, market trends and competitor performance, ongoing R&D projects, cost cutting projects, changes in personnel and legal aspects.

This monthly information is used to manage the primion Group and to monitor the targets set during the annual budget process. Particular attention is paid to the key performance indicators total revenues, earnings before tax (EBT), earnings before interest and taxes (EBIT), as well as earnings before interest, taxes, depreciation and amortization (EBITDA). These figures are one of the elements used to determine performance-related pay for members of the Executive Committee of primion Technology AG, divisional heads at primion Technology AG and the managing directors of subsidiaries.

1.4 Products and markets

The primion Group provides innovative software and hardware-based systems for access control, time recording and integrated security technology, as well as complementary services. System solutions for recording time include modules for worktime management, manpower planning and production data capture, while modules for integrated security technology feature hazard detection and video technology. Prime key technology and mechatronic system components augment access control and integrated security technology. The target group for primion's products and services consists of companies of all industries and sizes.

The following chart shows primion's system solutions and the integrated modules:



The products comprise hardware, software, security technology/mechatronics (prime key technology) and components. Services are divided into professional services (planning and project planning, training, implementation and integration, plus customer support) and system maintenance. primion offers integrated system solutions featuring a modular structure. Certain components that primion does not manufacture itself, such as locks, identifiers (e.g. ID cards and key fobs), PCs and cameras, are obtained from third-party providers.

Systems for access control
Electronic access control systems are now an integral part of building security concepts. They fulfil a range of organizational and technical tasks and link up with other elements of facility management. As a result, technology systems play an important role in safeguarding the confidentiality, integrity and availability of values, information and services. Key features include:

- Timed/spatial allocation of access rights for predefined persons
- Quick and flexible changes to rights
- Reliable exclusion of unauthorized persons
- Reporting on attempts to tamper with the system and with areas monitored by access control systems
- Documenting all events relevant to the system
- Option of integrating additional applications

Access control systems range from a simple locking system to a complex solution for high-security areas. Modern access control centres manage and monitor turnstiles, gates and airlocks, as well as doors. The range of applications is varied. For example, an access control centre can perform elevator control tasks. When a card reader is installed inside the elevator, the control unit can determine who is allowed to travel to which level.

The primion access control system is used to manage control units (access control units) with adjustable parameters via web-based host software. It is possible to connect up to 32 readers depending on requirements. Site specifics and customer needs (e.g. the number of entrances/exits and authorized persons together with the necessary system redundancies) determine the number of access control units required. There is virtually no technical limit on the total number that can be deployed in a system solution. A reader captures the identifying features and converts them into electrical signals that can be read by the access control unit. Identifiers are defined in conjunction with the customer and vary from straightforward number systems (number combinations) through RFID technologies (smart cards) to personal biometric identifiers (e.g. fingerprint and iris). Software matches the identifiers to the corresponding persons and their individual access rights which are stored in a database. Individual rights can be blocked and deactivated instantly on demand.

Systems for time recording

Electronic time management systems facilitate the recording and monitoring of persons´presence or absence and evaluate the corresponding times (attendance, absences and additional time) in preparation for payroll accounting. There are also planning functions such as shift, HR allocation and vacation planning. Stored data also forms the basis of HR statistics and information. In production areas, it is therefore possible to calculate order and process-related times. To capture arrival/departure times the same identifiers are utilized as in access control systems. Entries can be made via special time recording terminals featuring a display and keyboard, via workstation PCs or by telephone.

Worktime management systems handle an increasing number of complex, varied worktime models (e.g. flexitime, shifts, seasonal work and work for life). In addition, the systems need to be able to map changes for individual employees between these models and allow the recorded worktimes to be evaluated. Furthermore, companies are finding it increasingly important to monitor HR costs and assign them to individual cost centres in a timely manner. The focus here is on allocating recorded worktimes to various scales, including calculating hours that attract additional payment such as overtime and working at nights, weekends and on public holidays.

The production data capture module provides information about which employee was working on which order at what time and which activities were performed. Data is captured by special time recording terminals featuring a display and keyboard or barcode scanners and subsequently used to log employee performance and calculate actual order costs.

Integrated security technology

Integrated security technology includes providing hazard detection (fire, burglary and technical alarm) and video technology modules. These additional modules can be integrated into the primion access control system, making it possible to connect webcams, smoke, water and motion sensors, and glass break sensors to an access control unit. This system captures, records and reports relevant events and provides corresponding analyses.

New prime key technology products from the mechatronics division supplement primion solutions in access control and integrated security technology. The technology is based on RFID-based rewriteable smart cards which receive current rights data via special card readers connected to the host software by the access control unit. In this way, elements of rights data are stored on the smart card. Special access control units access the data stored on the smart card directly, meaning that no connection to the host software is required. This allows smaller access control units to be built for integration together with a reader into mechatronic products like cylinders and door fittings. Small, powerful batteries provide power, thereby eliminating the need for cables. Prime key technology turns previously passively deployed card readers into an active system that can read as well as write.

1.5 The economy as a whole and industry

The primion Group’s operating activities are shaped by the general economic situation in western Europe because this has a significant impact on business activity in the industry (access control, time recording and integrated security technology) in key markets and therefore on business development.

In the year under review, the German and European economy as a whole performed above average. According to Eurostat data, real gross domestic product rose by 2.9% in Germany during calendar year 2006 and by 3.0% in the 27 EU member states as a whole. In 2007, growth of approx. 2.5% is anticipated for Germany and 2.9% for all 27 EU member states.

Cushioning effects such as a sharp rise in the prices of crude oil and other raw materials, the euro’s strong value against the US dollar (USD) and the subprime mortgage crisis in the financial markets have – so far – not had a significant impact on the upturn.

These trends are also reflected within the industry.

The market for access control and time recording systems

Germany

The most significant market for the primion Group remains the market for access control and time recording systems in Germany.

In 2006, sales in Germany by all providers of access control and time management systems amounted to approx. 511 million euros compared to 487 million euros in 2005. This volume includes exports of 74 million euros in 2006 and 69 million euros in 2005 respectively (source: study into „Zutrittskontrolle und Zeitwirtschaft. Deutschland und Europa 2006/2007“, Mario Fischer Unternehmensberatung (management consultancy), p. 55 et seq.). At approx. 5% (domestic) and 7% (export share) respectively, the corresponding growth rates are considerably below average growth rates in recent years. During the period from 1996 to 2006, the access control and time recording market in Germany increased from 190 million euros to 511 million euros, with an average annual growth rate in excess of 10% (source: study into „Zutrittskontrolle und Zeitwirtschaft. Deutschland und Europa 2006/2007“, Mario Fischer Unternehmensberatung, p. 131 et seq.).

In our estimation, this growth rate was influenced by two factors: The comparatively low starting point in 1996, plus the special effects of the transition to the euro in 2000. According to the Mario Fischer study „Zutrittskontrolle und Zeitwirtschaft. Deutschland und Europa 2006/2007“, the market grew by an average of 6.6% p.a. from 2001 to 2006.

The study also forecasts that the market for access control and time management systems in Germany will grow by an average of 8.7% p.a. in the period from 2007 to 2012 to a total of 835 million euros. Equipment (plant, systems and components) is set to grow by an average of 10.2% p.a. from 265 million euros in 2007 to 430 million euros in 2012, while the associated services and other services (including installation, maintenance, after-sales service, project planning and consultation) look to grow by an average of 11.1% p.a. from 210 million euros in 2007 to 355 million euros in 2012 (source: study into „Zutrittskontrolle und Zeitwirtschaft. Deutschland und Europa 2006/2007“, Mario Fischer Unternehmensberatung, p. 193 et seq.).

Europe

According to Mario Fischer, the total market for defined access control systems in Europe represents a sales volume of approx. 2.9 billion euros (source: study into „Zutrittskontrolle und Zeitwirtschaft. Deutschland und Europa 2006/2007“, Mario Fischer Unternehmensberatung, p. 212 et seq.). For countries where the primion Group is represented, this breaks down as 580 million euros for France, 260 million in Spain, 130 million in the Netherlands, 120 million in Switzerland, 100 million in Austria and 80 million euros in Belgium.

Trends

According to the Mario Fischer study, market drivers include advances in system digitization, improved data transfer and the increasing functional convergence of previously isolated systems (e.g. CCTV with individual reporting and access control systems). So-called stand-alone solutions are becoming less significant and are merging with innovative new security systems in control centre technology, IT and facility management systems. Networked access control and time management systems, including over long distances, will generate additional demand; “access control over IP” technology will take on greater importance in the process (source: study into „Zutrittskontrolle und Zeitwirtschaft. Deutschland und Europa 2006/2007“, Mario Fischer Unternehmensberatung, p. 35 et seq.).

Smart card technology allows a variety of applications to be bundled on a central data storage medium, as well as facilitating handling and extending the functionality of access control and time recording systems in conjunction with RFID technology. In the light of this, the company expects more and more existing systems to be replaced by versions that deploy these new technologies.

In the company’s opinion, a further important market driver is the general security risk associated with the ongoing threat of terror attacks and crime. In future, the public sector in particular, as well as sections of public transport (e.g. airports and sea ports), is expected to invest more in security technology due to corresponding security guidelines and regulations.

The company also believes that the shift from mechanical to electromechanical applications is set to continue and that the enhanced need for video technology increases the demand for combined software and hardware system solutions for access control.

1.6 Competition and market position

The market relevant to the primion Group is characterized by a low concentration of participants. Besides a few large providers, there are a number of smaller companies that distinguish themselves by their regional focus or by specializing in certain fields of application and technologies. The market is currently undergoing a phase of crowding out and consolidation. We expect this trend to continue in future.

According to the Mario Fischer study, the domestic market in 2006 featured three leading providers, of which the primion Group was one. (source: study into "Zutrittskontrolle und Zeitwirtschaft. Deutschland und Europa 2006/2007", Mario Fischer Unternehmensberatung, p. 170 et seq.).

The study indicates that the primion Group has been able to expand its share of the domestic market continually over the past few years. Since 2005 – and particularly following the takeover of Dr. Staedtler GmbH – the Group has been one of the top German providers in the sector for access control and time management solutions with a market share of 14%. In 2006 the primion Group closed in on the former market leader who also has a market share of 14% according to this study.

Due to the takeover of Ludwigsburg-based Jans Sicherheitssysteme GmbH in May 2007, we expect the company to at least retain its market share.

In Belgium the primion Group has likewise now become the market leader after taking over the GET Group. In Spain the Group is very well positioned and operating profitably thanks to Digitek. Market share in France currently remains immaterial.

1.7 Expanding the product portfolio

By acquiring Jans Sicherheitssysteme GmbH the primion Group has further expanded its market position in the field of integrated security technology. As a result, the Group has become Germany's leading systems provider for complex security solutions. In addition to enhancing solution competence and broadening our customer base, we see a medium-term opportunity here to boost profitability in hardware production as well as distribution. Within the industry Jans Sicherheitssysteme GmbH is a recognized specialist in integrated solutions for security technology.

1.8 Assessment of business development

The primion Group's business did not develop as anticipated. By and large, sales and operational earnings targets were not attained. The operating result was affected by several extraordinary and one-off transactions which impacted earnings negatively to a considerable extent. The market position could be consolidated in core areas of the business. In our opinion, the following events significantly shaped development of the business:

Restructuring at primion Staedtler
In the process of integrating what was formerly primion Staedtler GmbH, third-party products sold to customers are increasingly to be replaced by primion systems. To date, these synergies – which would have a highly positive impact on consolidated earnings – have not been realized to the extent planned. That is why sales and project implementation activities at primion Staedtler have been shifted from a centralized model to decentralized support via primion's field sales force, in order to get closer to customers. This should allow the planned synergies to be experienced more quickly when it comes to selling hardware. Switching to the primion Group's decentralized model also creates other synergies arising from the need for fewer staff. In this regard the number of employees was reduced by 14 in Q3 and Q4. The cost of adjusting staffing levels was recognized in the current fiscal year.

Restructuring the GET Group
The number of employees at the GET Group has been reduced by 16 since the acquisition was made. Redundancies within the GET Group largely affected the development company NISUS N. V. of Herentals/Belgium ("NISUS"). The reduction in staff was necessary in order to realize synergies in hardware and software development and because sales activities in the process of being set up were shelved as they did not form part of NISUS' core business. Synergies in software development arose from merging the software product lines into the parent's company future-proof web technology platform in fiscal year 2006/2007. Measures to adjust staffing levels have been completed. Related expenses were recognized in the period under review.

Acquisition of Jans Sicherheitssysteme GmbH
New activities in the areas of burglar and fire alarm systems and video technology associated with the acquisition of Jans Sicherheitssysteme GmbH are so far fully in line with our expectations.

2. R&D report

Developing both existing and new system solutions for hardware and software is a major competitive factor for the primion Group.

The development department is divided into hardware and software, with these areas then subdivided into product support, current customer requirements and strategic product development.

No basic research is conducted as the primion Group deploys mainstream technologies and integrates them into market- and customer-oriented systems.

Development projects are handled by specially put together teams which may encompass multiple locations where required. Depending on the task, a team will comprise one or more hardware and/or software developers, mechanics design engineers and production specialists. Incorporating all the necessary elements lays the foundation for smooth, fast series production.

New developments are appearing in mechatronics, biometrics (e.g. fingerprint and iris scans) and video technology (e.g. CCTV).

Currently 71 people work in development across the Group. Of these, 40 employees are based in Germany, 3 in Austria, 22 in Belgium and 6 in Spain.

As at 30 September 2007, development costs to the amount of €4,932k were capitalized (30 September 2006: €3,275k). Of this €629k resulted from the acquisition of the GET Group in the prior year and €572k from the acquisition of primion Staedtler GmbH. Amortization in the period from 1 October 2006 to 30 September 2007 amounted to €775k (prior year: €102k). Pursuant to IAS 38.71, development costs that were originally recognized as expenses have not been recognized as the production costs of an intangible asset at a subsequent point in time. Research and development expenditure directly recognized under expenses amounted to €2,099k during the period (prior year: €1,350k).

The software product lines of GET, the former primion Staedtler GmbH and primion Technology AG started to be merged under the project name “Phoenix”. Here the functionality of GET, Staedtler and primion software will be integrated into a new standardized, Group-wide software technology platform, the basis of which is provided by the web-based software from primion Technology AG. Technical base analyses have been conducted, the software architecture has been defined and the technology platform established. Basic functionality has also been defined. The next steps are to specify migration and integration steps and to subsequently implement them.

Courtesy of this concept, the primion Group is able to offer all its customers a smooth migration to the next generation of software. By implementing “Phoenix” all development activities will be amalgamated, thereby generating synergies in development throughout the Group. Development resources freed up by this process will be invested in primion product innovation and shall help the primion Group to significantly extend its technology edge.

3. Additional disclosures in accordance with Section 315 of the German Commercial Code (HGB)

Relating to Section 315 [2] 4 HGB
The compensation structure for members of the Executive Committee is discussed, regularly monitored and approved by the Supervisory Board. It comprises a fixed, non-performance-related element and a variable, performance-related component. The performance-related component is based on consolidated net income in accordance with IFRS before income tax and profit sharing. As a benefit, members of the Executive Committee are provided with a company car, including for private use. The company has taken out accident insurance for the benefit of Heinz Roth and Thomas Bredehorn and their heirs. Other benefits in the event of termination of service as an Executive Committee member have not been agreed. There are no share option programmes or change-of-control commitments.

The members of the Supervisory Board of primion Technology AG receive fixed, basic remuneration only. Other remuneration has not been agreed.

Relating to Section 315 [4] 1 HGB
The share capital of primion Technology AG amounted to 5.55 million euros at the balance sheet date and is divided into 5.55 million bearer shares. Each share entitles the bearer to one vote.

Relating to Section 315 [4] 3 HGB
Pursuant to Section 21 [1] of the German Securities Trading Act (WpHG), the Chairman of the Executive Committee and CEO Heinz Roth informed us on 15 March 2007 that his share of the voting rights in primion Technology AG had dropped below the 30% threshold. At the balance sheet date of 30 September 2007, his holding amounted to 28.12%.

Relating to Section 315 [4] 6 HGB
In terms of appointing and terminating the directorship of Executive Committee members, reference is made to the legal requirements of Sections 84, 85 of the German Stock Corporation Act (AktG). Furthermore, Section 7 of the Company’s articles of association specifies that the Supervisory Board sets the number of Executive Committee members. Changes to the articles of association at primion Technology AG can be agreed following Sections 133, 179 of the AktG. Supplementing these legal regulations, Sec-

tion 14 of the articles of association authorizes the Supervisory Board to make changes to the articles which affect only changes to the text of the articles of association.

Relating to Section 315 [4] 7 HGB

On 12 January 2006, the Shareholders' Meeting of primion Technology AG authorized the Executive Committee, subject to the approval of the Supervisory Board, to increase the Company's capital stock by up to a total of 2,575,000.00 euros (Approved Capital) by issuing new bearer shares in return for stock or cash contributions once or several times by 5 October 2010. Section 5 [5] Sentence 1 of the Company's articles was amended accordingly. Subject to Section 5 [5] Sentence 2 of the articles of association, the Executive Committee is authorized to exclude statutory subscription rights in certain cases.

On 2 March 2007, the Annual Shareholders' Meeting authorized the Company as follows to acquire treasury shares and to sell them excluding statutory subscription rights.

a) The Company is authorized to acquire treasury shares. The authorization may not be used for the purposes of trading with Company shares; otherwise, the Executive Committee is free to determine the reason for purchase itself.

b) The authorization is limited to the purchase of shares of up to a total of 555,000 euros – that is, up to 10% of the capital stock at the time of passing the resolution. The authorization may be exercised wholly or in instalments, once or several times, for the pursuit of one or more purposes within the aforementioned limitations. The acquired shares may not, in combination with other treasury shares owned by or attributed to the Company pursuant to Sections 71a et seq. of the German Stock Corporation Act (AktG), at any time exceed 10% of the capital stock. The authorization to purchase treasury shares expires on 1 September 2008. The limitation applies to the date of purchase but not to holding the shares beyond this date.

c) The shares may be purchased at the discretion of the Executive Committee via the stock exchange or by means of a public offer to all Company shareholders.

(i) Should the shares be purchased via the stock exchange, the price paid by the Company per share (excluding transaction costs) may not be more than 10% lower or higher than the stock market price from the opening auction of the XETRA electronic trading system (or any functionally equivalent successor to the XETRA system) of the Frankfurt Stock Exchange based on an average price from the preceding five trading days.

(ii) Should the shares be purchased via a public offer to all Company shareholders, (i) an offer can be announced by the Company or (ii) shareholders can be publicly invited to submit offers.
Should the shares be purchased via a public offer to all Company shareholders, the purchase price offer, or the limits of the offered price range per share (excluding transaction costs), may not be more than 20% lower or higher than the stock market prices from the closing auction of the XETRA electronic trading system (or any functionally equivalent successor to the XETRA system) of the Frankfurt Stock Exchange averaged from the third trading day up to and including the seventh trading day prior to the date on which the offer is announced. The offer volume may be limited. Where the total offer subscription exceeds this volume, acceptance shall be granted in proportion to the respective number of shares on offer. Preference may be given to smaller amounts of up to 100 Company shares per shareholder.

The principles of the German Securities Acquisition and Takeover Act ("Wertpapiererwerbs- und Übernahmegesetz") must be observed where and insofar as applicable.

d) The Executive Committee is authorized to use Company shares acquired on the basis of the aforementioned authorization

(i) to offer to third parties in the course of business combinations or the acquisition of companies, investments in such companies or parts of companies;
(ii) to issue to employees of the Company or affiliated companies pursuant to Sections 15 et seq. of the German Stock Corporation Act (AktG), or to offer for sale and/or transfer to such employees;
(iii) to offer to third parties and to transfer to such parties which make a significant contribution to the achievement of the Company's objectives as strategic partners of the Company, or one of its affiliated companies pursuant to Sections 15 et seq. of the German Stock Corporation Act (AktG);
(iv) to fulfil obligations resulting from convertible and warrant bonds issued by the Company;
(v) to offer for subscription to shareholders on the basis of an offer to all shareholders, with due recognition of subscription rights and the principle of equal treatment of shareholders according to Section 53a of the German Stock Corporation Act (AktG); to resell via the stock exchange with due recognition of the principle of equal treatment of shareholders according to Section 53a of the German Stock Corporation Act (AktG);

(vi) to sell in some way other than via the stock exchange or via an offer to all shareholders, providing that the acquired shares are sold for cash at a price which is not substantially lower than the quoted market price of Company shares with the same terms at the time of sale. This authorization is limited to no more than 10% of the Company's capital stock, or 10% of the Company's capital stock at the date the shares are sold, should capital stock be lower at this time. With regard to the authorized volume, other cases of eased subscription right exclusion pursuant to Section 186 [3] Sentence 4 of the German Stock Corporation Act (AktG) must be considered due to other authorizations;

(vii) to retire shares, without such retirement or its implementation requiring any further resolution of the Annual Shareholders' Meeting. Retirement of shares results in a reduction of the capital stock. Alternatively, the Executive Committee may decide, subject to the approval of the Supervisory Board, that the capital stock should remain unchanged after retirement of the shares and thereby raise the proportion of capital stock attributable to the remaining shares pursuant to Section 8 [3] of the German Stock Corporation Act (AktG). In this case, the Executive Committee is authorized to amend the number of shares stated in the Company's articles.

e) The authorizations in section d) may be exercised wholly or in instalments, once or several times, individually or collectively. The price at which the Company's shares may be issued to third parties, pursuant to section d) (i), (iii) and/or (vii), may not be more than 5% lower than the stock market prices determined by the opening auction of the XETRA electronic trading system (or any functionally equivalent successor to the XETRA system) of the Frankfurt Stock Exchange averaged over the last five trading days prior to the day of the binding agreement with a third party.

f) The right of shareholders to subscribe to treasury shares of the Company shall be excluded to the extent that these shares are used according to the aforementioned authorizations of section d) (i), (ii), (iii), (iv) and (vii). Moreover, the Executive Committee is authorized in the case of a sale of Company shares as part of an offer to Company shareholders, pursuant to section d) (v), to exclude the right of shareholders to subscribe in the case of fractional amounts, subject to the approval of the Supervisory Board.

Due to this authorization presented at the Annual Shareholders' Meeting of 2 March 2007, on 21 November 2007 the Company acquired a total of 60,000 treasury shares (corresponding to 1.08% of the capital stock) for an average price of €4.97. The purchase price amounted to €298k. The purchase is not recognized in the present consolidated financial statements as it took place after the balance sheet date.

4. Assets, liabilities, financial position and earnings

The earnings figures presented in the consolidated income statement are significantly impacted by the incorporation of the GET Group for the first time in the current fiscal year, as well as the incorporation of Jans Sicherheitssysteme GmbH from the record date of 23 May 2007 pursuant to IFRS 3.62. At the balance sheet date of 30 September 2006, the GET Group was included in the consolidated financial statements according to IFRS 3.62 based on provisional figures. These comparative figures have been restated in this report in accordance with IFRS 3.62 and form the basis of the following reporting.

4.1 Results of operations

The results of operations of the primion Group in the year under review and the prior year were materially affected by some special transactions which are outlined below.

4.1.1 Change in earnings (total revenues and other operating income)

Earnings compared to the prior year were materially affected by the incorporation of the GET Group and Jans Sicherheitssysteme GmbH for the first time.

Fiscal year	2006/2007 in €k	2005/2006 in €k	absolute	Change relative
Sales revenues	52,106	34,199	17,907	52.4%
Inventory build-up	127	429	-302	-70.4%
Other own work capitalized	2,495	2,177	318	14.6%
Total revenues	**54,728**	**36,805**	**17,923**	**48.7%**
Other operating income	1,098	2,570	-1,472	-57.3%

The impacts on earnings resulting from the first-time incorporation of the GET Group and of Jans Sicherheitssysteme GmbH are as follows:

Fiscal year	2006/2007 in €k				2005/2006 in €k	absolute	Change relative
	primion Total	GET Group	Jans	primion "Old"			
Sales revenues	52,106	12,803	2,809	36,494	34,199	2,295	6.7%
Inventory build-up	127	128	-54	53	429	-376	-87.6%
Other own work capitalized	2,495	506	0	1,989	2,177	-188	-8.6%
Total revenues	**54,728**	**13,437**	**2,755**	**38,536**	**36,805**	**1,731**	**4.7%**
Other operating income	1,098	316	28	754	2,570	-1,816	-70.7%

Other own work capitalized relates almost exclusively to the capitalization of development expenses for new software and hardware.

The fall in other operating income is mainly attributable to the fact that the prior year included one-off gains from the bargain purchase pursuant to IFRS 3.56 to the amount of €1,577k and income from liabilities which no longer apply to the amount of €350k.

Other operating income mainly pertains to offset benefits in kind to the amount of €607k (prior year: €379k).

4.1.2 Expenses

Expenses compared to the prior year were materially affected by the incorporation of the GET Group and Jans Sicherheitssysteme GmbH for the first time.

Fiscal year	2006/2007 in €k	2005/2006 in €k	absolute	Change relative
Costs of materials	15,574	11,605	3,969	34.2%
Personnel expenses	22,421	14,214	8,207	57.7%
Depreciation and amortization	4,136	2,376	1,760	74.1%
Other operating expenses	10,300	6,705	3,595	53.6%

The impacts on expenses resulting from the first-time incorporation of the GET Group and Jans Sicherheitssysteme GmbH are as follows:

Fiscal year	2006/2007 in €k				2005/2006 in €k	absolute	Change relative
	primion Total	GET Group	Jans	primion "Old"			
Costs of materials	15,574	2,109	1,399	12,066	11,605	461	4.0%
Personnel expenses	22,421	6,888	521	15,012	14,214	798	5.6%
Depreciation and amortization	4,136	1,499	269	2,368	2,376	-8	-0.3%
Other operating expenses	10,300	2,747	205	7,348	6,705	643	9.6%

The cost of materials ratio (costs of materials / total revenues) declined from 31.5% in the prior year to 28.5% in the current fiscal year. This change can be attributed in particular to the inclusion of the GET Group for the first time as it has a cost of materials ratio of just 15.7%. Eliminating the effects of including the GET Group and Jans Sicherheitssysteme GmbH for the first time would see the cost of materials ratio virtually unchanged at 31.3%.

The personnel cost ratio (personnel costs / total revenues) increased from 38.6% in the prior year to 41.0% in the current fiscal year. This change can be attributed in particular to the inclusion of the GET Group for the first time as it has a personnel cost ratio of 51.3%. Eliminating the effects of including the GET Group and Jans Sicherheitssysteme GmbH for the first time sees the personnel cost ratio increasing only marginally to 39.0%. Taking into account the fact that HR reorganization – particularly at the former Staedtler division – led to one-off expenses to the amount of approx. 0.6 million euros, personnel expenses would have increased only marginally in absolute terms and in relative terms would have fallen to approx. 37.4%.

The amortization rate (depreciation and amortization / total revenues) increased from 6.5% in the prior year to 7.6% in the current fiscal year. This change can be attributed exclusively to the additional depreciation and amortization arising from the purchase price allocation for the GET Group and the provisional purchase price allocation for Jans Sicherheitssysteme GmbH. Depreciation and amortization relating to property, plant and equipment is 1.0 million euros (prior year: 0.7 million euros) and 3.1 million euros (prior year: 1.7 million euros) relating to intangible assets. Depreciation and amortization related to acquisitions will come down again in subsequent years. Value allowances (impairment) relating to property, plant and equipment and intangible assets (including goodwill) were not required in the period under review or the prior year.

Other operating expenses in relation to total revenues increased slightly from 18.2% in the prior year to 18.8% in the current fiscal year. Including the GET Group and Jans Sicherheitssysteme GmbH for the first time had virtually no impact on the change in the ratio. The absolute rise in other operating expenses compared to the prior year under primion “Old” can be attributed to the first shareholders’ meeting after the IPO to the amount of 0.2 million euros, as well as to one-off consultancy expenses to the amount of 0.3 million euros. Furthermore, allocations to individual value adjustments relating to trade accounts receivable increased by 0.1 million euros compared to the prior year.

We are confident that during fiscal year 2007/2008 we can significantly reduce consultancy services for external lawyers in particular as a result of the internal legal department set up over the course of the last fiscal year.

4.1.3 EBITDA and EBIT

Used to manage primion Group activities and more, the key figures for EBITDA and EBIT for the primion Group were as follows in the period under review and the prior year:

Fiscal year	2006/2007 in €k	2005/2006 in €k	absolute	Change relative
EBITDA	7,531	6,852	679	9.9%
EBIT	3,395	4,476	-1,081	-24.2%

These key figures compared to the prior year were materially affected by the incorporation of the GET Group for the first time as well as Jans Sicherheitssysteme GmbH. The impacts on these key figures resulting from the first-time incorporation of the GET Group and Jans Sicherheitssysteme GmbH are as follows:

Fiscal year		2006/2007 in €k			2005/2006 in €k	absolute	Change relative
	primion Total	GET Group	Jans	primion “Old”			
EBITDA	7,531	2,009	657	4,865	6,852	-1,987	-29.0%
EBIT	3,395	510	388	2,497	4,476	-1,979	-44.2%

Taking into consideration the one-off gains in fiscal 2005/2006 described in section 4.1.1 to the amount of 1.9 million euros, plus the one-off expenses in fiscal 2006/2007 described in section 4.1.2 to the amount of 0.6 million euros for restructuring activities and 0.3 million euros for one-off consultancy expenses results in the following restated figures:

Fiscal year	2006/2007 in €k	2005/2006 in €k	absolute	Change relative
EBITDA (adjusted)	8,391	4,925	3,466	70.4%
EBIT (adjusted)	4,255	2,549	1,706	66.9%

4.1.4 Earnings before tax (EBT)

In addition to the effects described above, earnings before tax were significantly impacted by a sharp fall in the non-operating result as a result of acquisitions.

Fiscal year	2006/2007 in €k	2005/2006 in €k	absolute	Change relative
EBIT	**3,395**	**4,476**	**-1,081**	**-24.2%**
Financial income	88	202	-114	-56.4%
Financial expenditure	1,068	726	342	47.1%
Non-operating result	**-980**	**-524**	**-456**	**87.0%**
Earnings before tax	2,415	3,952	-1,537	-38.9%

Financial expenditure results almost exclusively from liabilities to banks. These have risen significantly due to further borrowing for the GET Group and Jans Sicherheitssysteme GmbH acquisitions.

Rates of exchange continue to have an immaterial impact within the primion Group as accounts receivable and payable are almost completely in euros.

4.1.5 Income taxes

Tax expense in the current fiscal year amounts to €558k (prior year: €1,421k). This equates to an income tax rate of 23.1% (prior year: 36.0%). This significant drop in the income tax rate mainly results from the amortization of deferred tax liabilities relating to development costs following the corporate tax reform act (“Unternehmenssteuerreformgesetz”) and lower domestic corporation tax rates from the next fiscal year onwards.

4.1.6 Income after taxes

Income after taxes is down considerably from 2.5 million euros in the prior year to 1.9 million euros in the current fiscal year.

Taking into consideration the one-off gains in fiscal 2005/2006 described in section 4.1.1 to the amount of 1.9 million euros, plus the one-off expenses in fiscal 2006/2007 described in section 4.1.2 to the amount of 0.6 million euros for restructuring activities and 0.3 million euros for one-off consultancy expenses results in the following restated figures that take tax effects into account:

Fiscal year	2006/2007 in €k	2005/2006 in €k	absolute	Change relative
Income after taxes	**1,858**	**2,531**	**-673**	**-26.6%**
One-off gains	0	-1,927		n.a.
One-off expenses	860	0		n.a.
Tax effects	-327	122		n.a.
Income after taxes (adjusted)	**2,391**	**726**	**1,665**	**229.3%**

4.2 Assets and liabilities

At the balance sheet date of 30 September 2006, the GET Group was included in the consolidated financial statements according to IFRS 3.62 based on provisional figures. Prior year figures have been restated in this report following completion of the purchase price allocation in accordance with IFRS 3.62 and form the basis of the following reporting.

Changes in assets and liabilities compared to the prior year mainly result from the acquisition of Jans Sicherheitssysteme GmbH. Most notably intangible assets have increased by 4.9 million euros to 29.4 million euros, representing 43.6% of total assets. Intangible assets include 12.6 million euros relating to goodwill. Provisionally calculated goodwill from the acquisition of Jans Sicherheitssysteme GmbH according to IFRS 3.62 amounts to 3.4 million euros.

The sharp rise in inventories, receivables from construction contracts and trade accounts receivable relates to the first-time inclusion of Jans Sicherheitssysteme GmbH to the amount of 1.7 million euros. The rest of the increase can be attributed to the Group’s organic growth and effects relating to the balance sheet date. Financing occurred from a reduction in cash and cash equivalents and from claims for tax refunds.

Non-current financial debts mainly increased due to borrowing fully to acquire Jans Sicherheitssysteme GmbH, Ludwigsburg. In addition, during the past fiscal year debt to the amount of 6.1 million euros was rescheduled from current to non-current financial debts.

Despite the increase in total assets as a result of acquisitions and the company’s organic growth, the shareholders’ equity ratio for the Group was a solid 41.9% (prior year: 44.6%).

4.3 Financial position

Operating activities
Gross cash flow increased on the prior year from 4.5 million euros to 5.6 million euros, primarily due to increased depreciation and amortization relating to the purchase price allocation. Cash flow from operating activities however only increased from 2.7 million to 3.1 million euros due to working capital being tied up further compared to the prior year.

Investment activities
Total payments for investment activities were 8.8 million euros in fiscal year 2006/2007. The primary payments here were 4.3 million euros relating to the acquisition of Jans Sicherheitssysteme GmbH (less cash and cash equivalents taken over), 2.4 million euros relating to capitalized development expenses, plus 1.7 million euros relating to property, plant and equipment and 0.4 million euros relating to other in-

tangible assets. The comparative figures for the prior year largely pertain to payments for the Staedtler, Digitek and GET Group acquisitions.

Financing activities

Cash flow from investment activities exceeding the cash flow from operating activities was financed by cash inflow from non-current financial debts and by reducing cash and cash equivalents. Other than cash and cash equivalents still available at the balance sheet date, primion Technology AG and each of its subsidiaries has access to lines of credit totalling 16.0 million euros, of which 4.1 million euros had been drawn upon at the balance sheet date. There was therefore sufficient financial leeway to cover our needs. As a rule, lines of credit have a term of one year and a variable rate of interest.

By increasingly performing a holding function, primion Technology AG adopts a central role for its subsidiaries in the area of finance in particular. By centralizing liquidity planning, primion Technology AG is able to optimize cash flows within the primion Group in terms of interest rate, currency and tax aspects both for the individual companies and itself, depending on borrowing requirements.

4.4 Overall view presented by earnings, assets, liabilities and financial position

The primion Group's results of operations were unsatisfactory even taking into consideration extraordinary factors. With a shareholders' equity ratio of 41.9% the balance sheet structure continues to be solid. Based on positive operating cash flow and available lines of credit, the financial position of primion Technology AG as well as the primion Group was adequate at all times to provide the necessary financial leeway.

5. Subsequent events

No transactions of particular importance occurred after the end of the financial year with the exception of the share buyback presented in section 3.

6. Risk report

For the primion Group, opportunity and risk management together with corresponding controlling are an integral element of effective management.

A systematic process of identifying, evaluating and managing risks that encompasses all companies within the Group, plus a standardized reporting system, form the foundation. Supported by controlling, this enables the Executive Committee of primion Technology AG to identify risks and their extent/importance and to take appropriate action. The effectiveness of such measures is systematically tracked so that any necessary adjustments can be carried out.

Macroeconomic risks

As a Europe-wide operator, the primion Group is affected by economic developments in these markets. Continuing high prices for raw materials, particularly crude oil, and the current “mortgage crisis” in the financial markets could cause the global economy – and therefore activity in the industry for access control and time recording systems and integrated security technology – to weaken.

Industry risks

The market for access control, time management and integrated security technology systems that the primion Group targets is characterized by intense competition and strong technological change. Subsequent development of the business is thus dependent on the extent to which the primion Group is able to maintain and extend its market position and technology leadership, and respond flexibly to changes in the marketplace on an ongoing basis.

Product risk and risks to reputation

The primion Group's products and services could exhibit faults that affect market acceptance and therefore customer sales, or which could lead to claims for compensation.

Although no significant product defects have emerged to date and no major warranty claims have been lodged against a company within the primion Group, it cannot be excluded that the primion Group may face warranty or compensation claims or demands to pay contractual penalties in future. This applies particularly in the event of consequential damages becoming payable to a customer due to the intentional or grossly negligent misconduct of primion Group employees or subcontractors involved in developing or installing security-related products and services, and where the level of such damages considerably exceeds the value of the products or services supplied by primion. Cases such as those described above are not common but cannot be excluded. The usual general warranty provisions are at our disposal. Should it prove necessary in an individual case, we also form individual provisions to cover the insurance deductible. Overall, product risks are adequately taken into consideration.

There is also the risk that a claim is made public that could harm the reputation of primion Group products and services and thereby damage the crucial trust that our customers place in us. Here too, this could have an adverse effect on the primion Group's assets, liabilities, financial position and earnings.

R&D risks
The primion Group invests substantially in developing new products and technologies. If these do not translate into new products which can be marketed by primion Technology AG or the Group's subsidiaries, in the medium term this would have a negative impact on the primion Group's earnings from a fall off in sales revenues.

Liquidity and contingency risks
The liquidity requirements of primion Technology AG and the other companies in the Group are defined by way of cash flow planning as part of the budget process. Actual changes in liquidity are monitored and coordinated centrally by primion Technology AG during the fiscal year, in order to detect potential risks in a timely manner and take corresponding action. Monitoring customers' payment records is also important here. This should make it possible to minimize risks of bad debt losses that may become evident. This is set to become even more important because the recent past has shown that even large multinational entities in the industry can experience difficulties. Thanks to our diverse customer structure, it should however be possible to offset individual, unavoidable bad debt losses.

Currency and interest rate risks
As already explained, direct currency risks are of only very low significance to the primion Group as business is conducted in the eurozone. Accounts receivable and payable are almost completely in euros. Currency hedging transactions are therefore not required at present.

The primion Group has liabilities to banks at both fixed and variable rates of interest. In this respect, the primion Group faces the risk of an increase in variable interest rates. The situation is monitored on an ongoing basis to ascertain whether there is a need to hedge interest rate risk so that corresponding transactions can be concluded if required. Currently there are no such hedging transactions. The impacts of interest rate risks on the primion Group's results of operations are currently low-graded.

Asset risks
The main risks affecting the primion Group are the valuation of projects and impairment of intangible assets (including goodwill). Goodwill and intangible assets not yet ready for their intended use are tested for impairment at least once per year and are impaired where applicable. In the case of all other intangible assets, indicators are considered at each balance sheet date (at least) as to whether they should be impaired. In such a case they are likewise tested for impairment. In addition to testing goodwill for impairment – particularly the cash-generating units (CGU) Belgium and France – particular attention is currently being paid to testing for the impairment of capitalized development costs.

Assessment of overall risk
We believe that the overall risk to which the primion Group is exposed is comparatively moderate given its solid assets, liabilities and financial position.

7. Outlook and prospects

Economic development
Based on the forecasts of major economic institutes, in the current fiscal year we expect further growth in our key markets in Germany and Europe, whereby potentially negative effects arising from the present crisis in the financial markets cannot be assessed yet.

Further growth in the industry
According to the Mario Fischer study presented in section 1.5, the market for access control and time management systems in Germany will grow by an average of 8.7% p.a. from 2007 to 2012. We anticipate growth in the European market to be at least on a par with domestic growth.

Trend for mechatronics and integrated security technology continues
Development departments throughout the primion Group are working on continually improving the quality of our products and services, as well as on optimizing processes to boost our innovation and technology competencies.

The primion Group's development activities include the systematic integration of new technologies, such as prime key technology and biometrics in the field of mechatronics. One element is the joint marketing of comprehensive electronic locking systems as part of a strategic partnership with the internationally operating manufacturer of fittings for furniture and doors, Nagold-based Haefele GmbH & Co. KG. Haefele has generated sales of over 700 million euros and supplies the hardware in this partnership, while the primion Group is responsible for the software components. Customers benefit from integrated security systems with flexible identification options.

Further key aspects for the future development of primion products and services include full integration of hazard detection and video technology into the product portfolio of the primion Group due to the acquisition of Jans Sicherheitssysteme GmbH, Ludwigsburg.

Production optimization
In terms of mechatronics products, the primion Group already procures standard components (e.g. individual cylinder components and door fittings) from China. This lowers fixed costs, particularly when it comes to the initial procurement of tools and die-cast or plastic fixtures. To optimize costs in future the primion Group intends to have individual mechanical components made in China, particularly for new developments. The primion Group also aims to continue to increase the proportion of hardware it manu-

factures itself across the Group and thereby gradually reduce the proportion of hardware components which are bought in or produced outside the Group.

Sales
Based on the general development of the economy and industry anticipated, we broadly expect to grow in line with the market. The primion Group's order backlog to the amount of 30.1 million euros as at 30 September 2007 supports this expectation.

Earnings
Once restructuring has been completed and the former primion Staedtler GmbH is fully integrated, based on our sales and earnings planning for fiscal 2007/2008 we expect consolidated earnings to remain substantially positive.

Financial position
Based on continued satisfactory operating cash flow, we expect to maintain our solid financial position and liquidity provisions which provide adequate scope to cover any requirement.

Overall outlook
The primion Group is well equipped for the future based on its present risk and opportunity profile and expects to achieve sustained success.

Stetten am kalten Markt, 19 December 2007

The Executive Committee

Annual Financial Statements of the primion Group according to IFRS

in €k	Fiscal 2006/2007	Change	Fiscal 2005/2006	Change	Fiscal 2004/2005
Revenues	52,106	52%	34,199	60%	21,359
Total revenues	54,728	49%	36,805	74%	21,212
EBITDA	7,531	10%	6,852	88%	3,643
EBITDA as % of total revenues	13.8%	-26%	18.6%	8%	17.2%
EBIT	3,395	-24%	4,476	51%	2,959
EBIT as % of total revenues	6.2%	-49%	12.2%	-13%	13.9%
Consolidated net income	1,868	-26%	2,538	47%	1,727
Consolidated net income as % of total revenues	3.4%	-51%	6.9%	-15%	8.1%
Gross cash flow	5,558	24%	4,500	84%	2,441

	30/09/2007	30/09/2006	30/09/2005
Order backlog	30,098	28,778	12,251
Total assets	68,052	59,737	16,883
Net borrowing	-19,972	-14,488	6,166
Shareholders' equity	28,502	26,646	6,393
Headcount	402	380	152

Income statement

from 1 October 2006 to 30 September 2007 according to IFRS

in €	Note	01/10/2006 - 30/09/2007	01/10/2005 - 30/09/2006*
Revenues	1	**52,105,539**	**34,198,852**
Changes in inventory		127,498	428,885
Other own work capitalized	2	2,494,845	2,176,771
Total revenues		**54,727,882**	**36,804,508**
Other operating income	3	1,097,998	2,570,258
Costs of materials	4	15,573,915	11,604,613
Personnel expenses	5	22,421,143	14,213,824
Depreciation and amortization		4,135,769	2,375,848
Other operating expenses	7	10,299,707	6,704,579
Operating result (EBIT)		**3,395,346**	**4,475,902**
Non-operating result	8	**-979,672**	**-524,366**
thereof: income from financial services accounted for under the equity method		11,083	17,617
Income before taxes		**2,415,674**	**3,951,536**
Income taxes	9	557,899	1,420,922
Income after taxes		**1.857,775**	**2,530,614**
thereof: net income attributable to minority interests		-9,811	-7,329
Income attributable to shareholders of primion Technology AG (consolidated net income)		**1,867,586**	**2,537,943**
Earnings per share (basic and diluted)	K	**0.34**	**0.50**

* Figures restated in accordance with IFRS 3.62 and IAS 8

Consolidated balance sheet

as at 30 September 2007 according to IFRS

Assets in €	Note	30/09/2007	30/09/2006*
Non-current assets			
Intangible assets	11	29,409,331	24,497,113
Property, plant and equipment	12	8,360,401	7,544,410
Financial assets accounted for under the equity method	15	80,929	73,239
Other financial assets	16	100,621	88,794
Deferred tax assets	9	129,591	299,497
Total non-current assets		**38,080,873**	**32,503,053**
Current assets			
Inventories	17	5,663,889	4,532,278
Receivables from construction contracts	18	8,178.606	4,709,183
Trade accounts receivable	19	12,757,828	11,774,109
Other accounts receivable and other assets	20	1,070,198	976,236
Claims for tax refunds		166,640	1,503,747
Other financial assets	16	673,277	867,975
Cash and cash equivalents	21	1,460,920	2.870,037
Total current assets		**29,971,358**	**27,233,565**
Total assets		**68,052,231**	**59,736,618**

* Figures restated in accordance with IFRS 3.62 and IAS 8

Equity and liabilities in €	Note	30/09/2007	30/09/2006*
Equity attributable to shareholders of primion Technology AG	22		
Share capital		5,550,000	5,550,000
Capital reserves		18,115,605	18,115,605
Retained earnings		4,842,780	2,975,194
Foreign exchange translation differences		-6,009	-4,398
Minority interests		–	9,811
Total equity		**28,502,376**	**26,646,212**
Non-current liabilities			
Long-term accrued liabilities	23	444,295	380,506
Non-current financial debts	24	16,540,530	9,556,229
Deferred tax liabilities	9	3,583,617	3,513,140
Total non-current liabilities		**20,568,442**	**13,449,875**
Current liabilities			
Current accruals	23	191,026	112,332
Current financial debts	24	4,892,351	7,802,057
Liabilities from construction contracts	25	238,533	129,561
Trade accounts payable	26	3,655,082	3,358,572
Tax liabilities	27	1,209,607	154,596
Other liabilities	28	8,794,814	8,083,413
Total current liabilities		**18,981,413**	**19,640,531**
Total liabilities		**39,549,855**	**33,090,406**
Total equity and liabilities		**68,052,231**	**59,736,618**

* Figures restated in accordance with IFRS 3.62 and IAS 8

Changes in shareholders' equity

according to IFRS

in €	Share capital primion Technology AG	Capital reserves	Retained earnings	Other cumulated equity	Group shares	Shares of other shareholders	Total
As at 30/09/2005	**4,150,000**	**395,120**	**1,743,832**	**-2,908**	**6,286,044**	**106,468**	**6,392,512**
Dividends paid	–	–	-1,452,500	–	-1,452,500	–	-1,452,500
Income after taxes	–	–	2,537,943	–	2,537,943	-7,329	2,530,614
Other comprehensive income	–	–	–	-1,490	-1,490	–	-1,490
Sale of treasury shares	–	101,907	145,919	–	247,826	–	247,826
IPO	1,400,000	18,900,000			20,300,000		20,300,000
Cost of equity capital		-1,281,422			-1,281,422		-1,281,422
Other changes recognized directly in equity	–	–	–	–	0	-89,328	-89,328
As at 30/09/2006	**5,550,000**	**18,115,605**	**2,975,194**	**-4,398**	**26,636,401**	**9,811**	**26,646,212**
Dividends paid	–	–	–	–	0	–	0
Income after taxes	–	–	1,867,586	–	1,867,586	-9,811	1,857,775
Other comprehensive income	–	–	–	-1,611	-1,611	–	-1,611
As at 30/09/2007	**5,550,000**	**18,115,605**	**4,842,780**	**-6,009**	**28,502,376**	**0**	**28,502,376**

Consolidated cash flow statement

from 1 October 2006 to 30 September 2007 according to IFRS

in €	01/10/2006 - 30/09/2007	01/10/2005 - 30/09/2006*
Income after taxes	1,857,775	2,530,614
Depreciation and amortization	4,135,769	2,375,848
Change in non-current accrued liabilities	63,789	12,687
Change in deferred taxes	-490,985	1,512,898
Result on disposal of non-current assets	-12,814	16,535
Result from using equity method	-7,690	-16,127
Other non-cash expenses/income	15,860	-1,924,103
Foreign exchange translation differences	-3,393	-7,888
Gross cash flow	**5,558,311**	**4,500,464**
Change in current accrued liabilities	78,694	-56,751
Change in inventories	-1,091,611	848,260
Change in receivables from construction contracts	-2,500,627	-1,609,431
Change in working capital		
Assets	1,213,861	-1,199,725
Liabilities	173,226	206,310
Cash flow from operating activities	**3,431,854**	**2,689,127**
Intangible assets/Property, plant and equipment		
Capital expenditure	-4,477,971	-4,010,555
Cash inflow from disposal of assets	31,561	85,512
Business combinations less acquired cash	-4,349,937	-22,565,510
Cash flow from investment activities	**-8,796,347**	**-26,490,553**
Dividends paid to primion shareholders	–	-1,452,500
Sale of treasury shares	–	247,826
IPO costs	–	18,228,011
Cash inflow from financial debts	20,471,168	13,877,516
Cash outflow from debt repayment	-10,465,129	-11,018,407
Cash flow from financing activities	**10,006,039**	**19,882,446**
Net change in cash and cash equivalents	**4,641,546**	**-3,918,980**
Change in bank overdraft	-6,050,663	5,860,377
Total change in cash and cash equivalents	**-1,409,117**	**1,941,397**
Cash and cash equivalents at beginning of period	2,870,037	928,640
Cash and cash equivalents at end of period	**1,460,920**	**2,870,037**
Income tax paid	452,791	1,238,142
Income tax refunded	1,111,180	–
Interest paid	1,044,965	701,229
Interest received	89,242	196,521

* Figures restated in accordance with IFRS 3.62 and IAS 8

Notes to the consolidated financial statements

of primion Technology AG for fiscal year 2006/2007

A. General notes

1. Principles

primion Technology AG is headquartered in Steinbeisstrasse 2-5, Stetten am kalten Markt, Germany, and is listed in the Companies' Register (Handelsregister) at Ulm under HRB No. 710911. The Company's shares have been traded on the regulated market (Prime Standard) of the Frankfurt Stock Exchange since 13 February 2006.

The operating activities of primion Technology AG include the development, production and sale of hardware and software, particularly for systems used for the recording of time, operating data and project duration. primion Technology AG is also active in the development, production and sale of system technology in the areas of electronic access control equipment and facility management (building control systems), as well as for Internet applications, security technology and the provision of related services.

As at 30 September 2007, primion Technology AG has prepared consolidated financial statements and a Group management report according to IFRS as they are to be applied in the European Union and the additional requirements of German commercial law pursuant to Section 315a [1] of the HGB (German Commercial Code). The consolidated financial statements and management report are published in the electronic Bundesanzeiger (Federal Gazette). As at 30 September 2007, the consolidated financial statements of primion Technology AG include the parent company and all directly or indirectly held subsidiaries (hereinafter referred to as the primion Group).

The income statement was prepared according to the total cost method. The current/non-current classification was used for the balance sheet. Assets and liabilities are regarded as current if they accrue within a year. To improve the clarity of presentation, various items in the balance sheet and income statement have been combined. These items are presented separately and commented on in the notes.

The functional currency of the Group is the euro. All amounts are stated in thousands of euros (€k) unless otherwise specified.

2. Compliance statement

The consolidated financial statements of primion Technology AG as at 30 September 2007 were prepared in accordance with all International Financial Reporting Standards (IFRS) of the London-based International Accounting Standards Board (IASB) effective at the balance sheet date, together with all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) binding for the past fiscal year as they are to be applied in the European Union. The consolidated financial statements are supplemented by a Group management report and notes required by the German Commercial Code (HGB) and/or German Stock Corporation Act (AktG).

B. New and amended standards/interpretations

1. First-time adoption of new and amended standards

In fiscal year 2006/2007 the IFRS were used that are to be applied to fiscal years beginning on or after 1 October 2006. Of these standards, the following were adopted for the first time in fiscal 2006/2007 where relevant to the operating activities of our Company: 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"), IFRIC 6 ("Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment"), IFRIC 7 ("Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies"), IFRIC 8 ("Scope of IFRS 2"), IFRIC 9 ("Reassessment of Embedded Derivatives"), IAS 19 (Amendment to IAS 19 "Employee Benefits" – Actuarial Gains and Losses, Group Plans and Disclosures), IAS 21 (Amendment to IAS 21 "The Effects of Changes in Foreign Exchange Rates"), IAS 39 (Amendment to IAS 39 "Financial Instruments: Recognition and Measurement" – Cash Flow Hedges of Forecast Intragroup Transactions), IAS 39 (Amendment to IAS 39 "Financial Instruments: Recognition and Measurement" – Fair Value Option), IAS 39 (Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 4 "Insurance Contracts" – Financial Guarantee Contracts and Credit Commitments).

These standards were applied in accordance with relevant transitional provisions. Unless expressly regulated by the individual standards and commented on separately below, application is retroactive, i.e. information is presented as if the new accounting policies had been adopted in the past. Comparative figures for the prior year were restated accordingly.

The first-time adoption of these standards and interpretations had no significant impacts on the present consolidated financial statements.

2. Standards/interpretations which have not been early adopted

The IASB has published the following standards, interpretations and amendments to existing standards which are not yet compulsory and which have also not been early adopted by the primion Group.

IFRS 7 (Financial Instruments: Disclosures)

IFRS 7 governs the disclosure requirements concerning financial instruments of industrial enterprises, as well as of banks and similar financial institutions. IFRS 7 replaces the disclosure requirements covered by IAS 30 "Disclosures in the Financial Statements of Banks and Similar Financial Institutions" and IAS 32 "Financial Instruments: Disclosure and Presentation". This new regulation is expected to lead to considerable additional disclosures concerning financial instruments within our Group.

IFRS 8 (Operating Segments)

The IASB published IFRS 8 in November 2006. This standard replaces IAS 14 and particularly stipulates use of the management approach to report on the business performance of segments. Operating segments are components of an entity whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available. Several disclosure requirements have been extended. The standard is effective for annual periods beginning on or after 1 January 2009. Earlier application is permitted. First-time adoption of this standard is expected to increase the scope of segment reporting and may also impact segmentation.

IAS 1 (Amendments to IAS 1 "Presentation of Financial Statements")

In conjunction with publishing IFRS 7 "Financial Instruments: Disclosures", the IASB has announced an amendment to IAS 1. This requires information to be included in the financial statements that enables recipients of the financial statements to evaluate the objectives, methods and processes of capital management (compare IAS 1.124A-C). Amendments to the standard are effective for all annual periods beginning on or after 01/01/07. Earlier application is permitted.

IAS 1 (Amendments to IAS 1 "Presentation of Financial Statements")

On 6 September 2007 the IASB issued the revised IAS 1 "Presentation of Financial Statements". The adoption of the IAS 1 amendment is an outcome of the first phase of the financial statement presentation convergence project. The aim of this project is to reduce the differences between the presentation of financial statements between IFRS and US GAAP. The amendment to IAS 1 will see the introduction of a statement of comprehensive income in financial statements according to IFRS. Presenting income and expense items in this way will allow readers of the financial statements to differentiate changes in shareholders' equity resulting from transactions with holders of shares from other changes (non-owner changes). Here the company has the option of presenting income and expense items and other comprehensive income either in one or two separate statements (an income statement and a statement of comprehensive income). Furthermore, the amendments to IAS 1 change the titles of some parts of the financial statements. In future the balance sheet will be called the statement of financial position and the cash flow statement will become the statement of cash flows. Amendments to the standard are effective for all annual periods beginning on or after 1 January 2009. Earlier application is permitted.

IAS 23 (Amendment to IAS 23 "Borrowing Costs")

The main change to the standard is the removal of the option of immediately recognizing as an expense borrowing costs that relate to the acquisition, construction or manufacture of a qualifying asset. In future, companies are required to capitalize such borrowing costs as part of the cost of acquiring qualifying assets. Here a qualifying asset is one that takes a substantial period of time to get ready for use or sale. The revised standard does not require the capitalization of borrowing costs relating to assets measured at fair value or inventories that are manufactured or produced in large quantities on a repetitive basis, even if they take a substantial period of time to get ready for sale. The revised IAS 23 applies for the first time to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after 1 January 2009.

IFRIC 10 ("Interim Financial Reporting and Impairment")

IFRIC 10 addresses the interaction between the requirements of IAS 34 "Interim Financial Reporting" and standards on the recognition of impairment losses on goodwill (in IAS 36) and certain financial assets (in IAS 39). IFRIC 10 states that impairment losses recognized in a previous interim period, and where there is a requirement to write up pursuant to IAS 36 or IAS 39, cannot be reversed in subsequent interim financial statements or annual/consolidated financial statements. The IFRIC makes clear that this interpretation cannot be applied by analogy to similar circumstances. This interpretation is initially effective for fiscal years beginning on or after 1. November 06.

IFRIC 11 (IFRS 2 "Group and Treasury Share Transactions")

IFRIC 11 deals with two issues. The first is whether certain transactions should be capitalized as equity-settled or cash-settled in line with the requirements of IFRS 2. The second issue relates to share-based payment involving two or more companies in the same group. This interpretation is initially effective for fiscal years beginning on or after 1. March 07.

IFRIC 12 ("Service Concession Arrangements")

Service concession arrangements are arrangements whereby a government or other state body grants contracts for the supply of public services – such as building roads, airports or hospitals – to private operators. The public sector has the authority to dispose of the assets while the company is contractually obligated to build, operate and/or maintain them. IFRIC 12 draws a distinction between two types of service concession arrangements: In the first case, the company obtains a contractual right to receive cash or other financial assets from the government in return for providing the public service. In this case, a financial asset is recognized for the service concession arrangement. In the second case, the company receives the right to charge users of public services. In this case an intangible asset is recognized. If the company has a contractual right to receive cash or other financial assets as well as the right to charge users, a financial asset is recognized to the extent that there is a contractual right to cash or other financial assets and an intangible asset is recognized for future anticipated payments receivable from charges. This interpretation is initially effective for fiscal years beginning on or after 1 January 2008.

IFRIC 13 ("Customer Loyalty Programmes")

This interpretation addresses the accounting of customer loyalty programmes – marketing and bonus measures designed to boost customer loyalty. Companies grant awards or bonus points to customers who buy goods or services which they can exchange for free or discounted goods or services. Previously there were no requirements according to IFRS relating to the accounting of customer loyalty programmes, which meant that in practice they were capitalized in very different ways. In this light the objective of IFRIC 13 was to standardize the accounting of customer loyalty programmes. IFRIC 13 prescribes that customer loyalty programmes are now recognized according to IAS 18.13, i.e. as multiple element transactions. This interpretation is initially effective for fiscal years beginning on or after 1 January 2008.

IFRIC 14 (IAS 19 – "The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction")
IFRIC 14 provides general guidance on how to and the extent to which to recognize a surplus in calculating pension provisions according to IAS 19 as an asset. IFRIC 14 also explains how the measurement of pension provisions (or a potential pension asset) can be affected by a statutory or contractual minimum funding requirement. The IFRIC 14 interpretation has been announced to standardize current accounting practices and ensure that companies always capitalize assets resulting from pension calculation. This interpretation is initially effective for fiscal years beginning on or after 1 January 2008.

The primion Group is currently examining the impacts of the new standards and interpretations on its financial reporting. According to a current provisional appraisal, no significant impacts affecting the net assets, financial position and results of operations of the Group are anticipated – with the exception of substantially extended disclosures or additional reporting elements.

C. Accounting policies

The assets and liabilities of primion Technology AG and the fully consolidated domestic and foreign subsidiaries were uniformly recognized and measured pursuant to IAS 27 according to the primion Group's prevailing accounting policies as at 30 September 2007.

The same applies for the participation included in the consolidated financial statements using the equity method.

The comparative information for fiscal year 2005/2006 is based on the same accounting policies as have been adopted for fiscal year 2006/2007 unless otherwise expressly reported.

The key accounting policies adopted in drawing up these consolidated financial statements are as follows:

Recognition of income and expenses
Income is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.
Revenues from product sales are recognized when title and risk have passed to the customer, when a price is agreed or quantifiable, where payment can be assumed with sufficient probability and if costs incurred or yet to be incurred and associated with the sale can be reasonably determined. Revenues are presented less discounts, price reductions, bonuses, volume discounts, VAT and other sales-related taxes. Revenues from the sale of services are recognized proportionally according to performance development in the period the services were provided. Please refer to the separate notes on construction contracts regarding the recognition of revenues from construction contracts.
Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Dividend income from financial assets is recognized when the shareholders' rights to receive payment have been established.

Non-capitalized expenses are recognized as expenses in the income statement at the time they are incurred.

Borrowing costs
Borrowing costs within the Group are recognized in the period in which they are incurred in accordance with IAS 23.

Government grants
Investment subsidies are assigned to the related acquisition and/or production costs and are deducted in reporting the related expense.

Tax expense
The tax expense represents the sum of the tax currently payable and deferred tax. Tax currently payable is calculated on the basis of the taxable income for the year of the individual companies within the Group. Deferred income taxes are calculated using the asset and liability method. Deferred tax assets and liabilities are capitalized in accordance with IAS 12 for all temporary differences between the carrying amount of an asset or liability and its fair value for tax purposes. Deferred tax assets are also capitalized for tax loss carry-forwards and tax credits. Deferred tax assets on tax losses are to be accumulated to the extent that it is probable that tax loss carry-forwards could be utilized in future. Therefore all deferred taxes on tax losses are stated with reference to their feasibility. Deferred tax is determined on the basis of the tax rates in the period when the asset is realized or that are expected to apply given the current legal situation in the individual countries. The impact of tax rate changes on deferred tax is recognized in the income statement when the statutory amendment becomes effective, except for items originally charged or credited to equity.

Intangible assets
Acquired and internally-generated intangible assets are capitalized with their purchase/production costs when it is probable that the primion Group will derive future commercial benefit from the intangible asset and the purchase/production costs can be reasonably determined. In subsequent calculations, a distinction is made between intangible assets with limited and unlimited/indefinite useful lives.

Intangible assets with limited useful lives are subject to amortization on a straight-line basis over the asset's estimated future useful commercial life. The amortization period and method are reviewed at least once a year at the balance sheet date. In the case of circumstances leading to further value restrictions, impairment tests are performed in accordance with IAS 36 as soon as there is evidence of impairment and additional impairment charges are made to the recoverable amount where necessary. The recoverable amount here is the higher of fair value less costs of disposal and an asset's value in use. A value allowance is made if the individual asset's carrying amount exceeds the recoverable amount. The resulting impairment charge is presented in the income statement under depreciation and amortization.

In addition to goodwill, intangible assets mainly consist of order backlogs, customer relationships, servicing agreements, development costs, licences, patents and software acquired for consideration. There are no intangible assets with an unlimited or indefinite useful life except for goodwill.

Internally-generated intangible assets – Research & Development costs

Group-wide development activities represent a significant intangible resource for the primion Group. The primion Group expects considerable future economic benefits to flow to the entity from the development of software and hardware products for systems used for the recording of time, operating data and project duration. Expenses incurred in connection with software and hardware development projects are recognized as intangible assets if the technical and commercial feasibility of completing the development projects can be demonstrated, it is probable that the development projects will be used or sold by the Company in the future, and if the development cost can be reasonably measured.

According to IAS 38.66, production costs include all costs accrued in the development phase which are directly attributable to the development project. Borrowing costs are not included. Amortization begins when the asset is marketable and continues on a straight-line basis over the useful life, which is estimated at three to ten years. Development projects not yet completed and capitalized are subject to an annual impairment test. Research and non-capitalizable development costs are treated as income when they materialize.

Intangible assets acquired for consideration

Intangible assets acquired are measured at purchase/production cost less cumulative amortization.

Amortization continues on a straight-line basis over the asset's useful life which was estimated as follows for the major capitalized intangible assets:

- Software, licences and similar rights: 2 - 10 years
- Order backlog max. 2 years
- Customer relationships: 8 - 10 years
- Servicing agreements: 5 - 12 years

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition. Pursuant to IFRS 3, goodwill is not subject to amortization but rather tested for impairment in accordance with IAS 36 annually, and additionally on a case-by-case basis where there is an indication that the asset may be impaired, and where applicable reduced to its recoverable amount ("impairment only approach"). For the purpose of the impairment test, goodwill is allocated to cash-generating units (CGU). Any impairment is recognized as income immediately. No subsequent reversal of impairment losses takes place.

Property, plant and equipment

Property, plant and equipment are stated at their historical purchase cost less amortization. Purchase costs include the purchase costs directly attributable to the acquisition. Retroactive purchase/production costs are considered a component of the asset's purchase/production costs only when it is probable that the Group will derive future commercial benefit therefrom and the asset costs can be reasonably measured. Any other repairs and maintenance are recognized as an expense in the income statement in the period in which they are incurred.

Land is not subject to amortization. For all other assets, amortization of the purchase costs continues over the asset's estimated useful life, using the straight-line method, on the following bases:

- Buildings: 20 - 50 years
- Machinery and auxiliary facilities: 3 - 13 years
- Operational and business equipment: 3 - 13 years

The residual carrying amounts, amortization methods and estimated useful lives are examined at each balance sheet date and adjusted where necessary. If an asset's carrying amount exceeds its estimated recoverable amount, it is amortized at the latter with immediate effect. Gains and losses arising on the disposal of assets are determined as the difference between the sales proceeds and the carrying amount and are recognized in income.

Investment property

Land and (parts of) buildings that represent a financial investment in terms of IAS 40 are immaterial within the primion Group

Leases

Leases are classified as finance leases whenever the terms of the leases substantially transfer all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets which are held under finance leases are recognized as assets of the respective Group company at the present value of the lease payments or at the lower fair value pursuant to IAS 17 and amortized over their useful life or, where applicable, a shorter term of the relevant lease.

The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation under financial liabilities. Lease payments are apportioned between interest expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are recognized as expenses in the income statement on a straight-line basis over the term of the relevant lease.

Inventories
Inventories are stated at the lower of purchase/production cost and net realizable value.

Production costs include direct costs, a reasonable proportion of material and manufacturing overheads, amortization arising from production and production-related administrative costs. Finance costs are not recognized as part of the purchase and production costs.

In order to simplify the calculations, the average method is applied to raw materials and supplies.

Net realizable value represents the estimated selling price less all estimated costs of completion and of marketing, selling and distribution.

Construction contracts
Where the outcome of a construction contract can be reasonably estimated, revenue and costs are recognized pursuant to IAS 11.22 by reference to the stage of completion at the balance sheet date (percentage of completion (POC) method). This is measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Payments for variations in contract work, additional claims and incentive payments are included to the extent that they have been agreed. The Group recognizes a receivable for all ongoing construction contracts where the sum of invoices for partial delivery does not exceed the costs incurred plus the recognized gains. The Group recognizes a liability for all ongoing construction contracts where the sum of invoices for partial delivery exceeds the costs incurred plus the recognized gains. Where the outcome of a construction contract cannot be reasonably estimated, pursuant to IAS 11.32 contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognized as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Financial assets
Under the provisions of IAS 32/39 financial assets are divided into the following categories: at fair value through profit or loss, loans and receivables, held to maturity and available for sale. The classification depends on the purpose for which the respective financial asset was acquired. Management determines the classification of financial assets when they are first included in the financial statements and reviews this at each balance sheet date.

In addition to trade accounts receivable and cash and cash equivalents, the primion Group holds a small portfolio of open securities fund units which are classified as financial assets available for sale in terms of IAS 39. No derivative financial instruments are found within the primion Group.

Trade accounts receivable
Trade accounts receivable are initially recognized at fair value. Subsequently they are measured at amortized purchase cost using the effective interest rate method, net of impairment. An impairment loss for trade account receivables is recognized when there are objective indications that the receivable amounts due are not recoverable in their entirety. The level of impairment is measured as the difference between the carrying amount of the receivable and the present value of estimated future cash flows arising from this receivable, discounted by the effective interest rate. Any impairment loss is recognized in the income statement. Corresponding write-backs take place if the reasons for the prior periods' value allowances no longer apply.

Cash and cash equivalents
Cash and cash equivalents comprise cash, deposits and other short-term highly liquid financial assets with maturity of three months or less. Overdraft facilities drawn upon are recognized on the balance sheet as liabilities to banks under current financial liabilities.

Other accounts receivable and other assets
Other accounts receivable and other assets do not include financial assets. When recognized for the first time, these are capitalized at their fair value and subsequently at amortized purchase cost

Shareholders' equity
Ordinary shares are classified as shareholders' equity. According to IAS 32, costs that are directly attributable to the issue of new shares are accounted for at equity net (after taxes) as a deduction of issue proceeds.

If an entity within the Group purchases primion Technology AG treasury shares, the value of the consideration paid (net), including directly attributable transaction costs and related income taxes, is deducted from the shareholders' equity the shareholders are entitled to until the shares are retracted, reissued or resold. Where such shares are subsequently reissued or resold, the consideration received (net) is recognized in the equity the shareholders are entitled to less directly attributable transaction costs and related income taxes. At the balance sheet dates 30 September 2006 and 30 September 2007 respectively, the company held no equity interests in the company.

Provisions
Provisions pursuant to IAS 37 are recorded only when there is a present legal or de facto obligation to third parties leading to a probable future outflow of resources that can be reasonably estimated.
Where there is a material effect, long-term provisions are recognized based on their discounted redemption amount at the balance sheet date.

Employee benefits

Pension obligations
IAS 19 differentiates between defined benefit and defined contribution plans. With defined contribution plans, the cost solely comprises the primion Group's contributions payable – as a rule no value is shown in the balance sheet. With defined benefit commitments, however, the value of the obligation should be determined and capitalized using the projected unit credit method. This method takes into consideration forecast increases in pensions and salaries given careful appraisal of relevant factors, as well as known pensions and acquired rights. Calculations are made on the basis of actuarial opinion with reference to biometric assumptions.

It can be difficult to distinguish between defined contribution and defined benefit plans in an individual case. For example, in Germany contribution commitments typically guarantee a minimum benefit for which the employer is ultimately always liable, even if involving an external provider or insurance company (final employer liability according to Section 1 [1] Sentence 3 of the German Company Pension Act (BetrAvG). The legal situation in Belgium is comparable. In purely formal terms, it could be argued that these types of occupational pension schemes represent defined benefit plans. However, for accounting purposes the commercial interpretation is the term defined contribution commitment. With reference to the IFRIC D 9 interpretation (Employee Benefit Plans with a Promised Return on Contributions or Notional Contributions) which is not yet finalized, the primion Group currently qualifies the occupational pension schemes within the Group as defined contribution plans in both commercial and formal legal terms, whether they are implemented via an insurance company or associated pension plan or pension fund. Only in the unlikely event of a deficit, i.e. when the assets of the external provider do not cover the present value of guaranteed benefits or minimum benefits, would the deficit be capitalized by the primion Group. This is not currently the case. In the unlikely event of a deficit or if the view of the IFRIC changes with regard to the classification of occupational pension schemes within the primion Group, this could lead to accounting restatements where necessary. For current purposes, the impacts on the assets, liabilities, financial position and earnings of the primion Group are immaterial. The disclosures required may however be substantially extended by IAS 19.120 et seq.

Share-based compensation
No share-based compensation occurred within the primion Group.

Termination benefits
Termination benefits are paid when an employee is released from employment before reaching statutory retirement age or when an employee accepts voluntary redundancy benefits. The Group recognizes redundancy benefits when demonstrably obliged to terminate the contracts of current employees according to a detailed formal plan which cannot be retracted or when employees terminate their contracts voluntarily in exchange for redundancy payments. Payments due more than twelve months after the balance sheet date are discounted at their present value.

Lawsuits and claims for damages
Companies within the primion Group are involved in various legal and official proceedings as part of the general course of business or may become involved in the same should they be instigated or become applicable in the future. Although the outcome of individual proceedings cannot be anticipated with any certainty in view of the imponderability of lawsuits, the current assessment is that, beyond the risks taken into consideration in the financial statements as liabilities or provisions, the results of Group operations are not significantly adversely affected.

Financial liabilities
Financial liabilities are measured at amortized cost. Accordingly, current liabilities are carried at payment or redemption amounts. Non-current liabilities and financial liabilities are carried at amortized cost using the effective interest rate method.

Items with a residual maturity of up to one year are presented as current; non-current items have a residual maturity of more than a year.

Other liabilities
Other liabilities do not include financial liabilities. When recognized for the first time, these are measured at their fair value and subsequently at amortized purchase cost.

Estimates
The preparation of the consolidated financial statements according to IASB principles requires forward-looking assumptions to be made and estimates to be used which impact the level and disclosure of reported assets and liabilities, income and expenses, as well as contingent liabilities.

Assumptions and estimates mainly relate to the standard definition of useful life across the Group, the accounting and measurement of provisions, the recognition of receivables and future tax relief, calculations of remaining costs and the extent of progress towards the completion of construction contracts, as well as the planning and measurement assumptions behind the impairment test. Actual values may vary from the assumptions and estimates made in individual cases. Changes are recognized in the income statement at the date they come to light.

Estimates are also used in the course of acquisitions to determine the fair value of the assets, liabilities and contingent liabilities acquired. The identification and valuation of intangible assets in particular has a significant discretionary component. Fair value is generally derived from a forecast of total expected future cash flows. Assets may be valued using methods based on cost, market price or income, depending on the type of asset and the availability of information. The income approach is the preferred measure of intangible assets. Although we believe that our estimates of the relevant expected useful life of certain assets and estimations of the discounted future cash flows are appropriate, changes in assumptions or circumstances could require changes in the analysis.

Significant forward-looking assumptions and other sources of uncertainty with regard to estimates at the balance sheet date, which can give rise to considerable risk and where restatement of assets and liabilities disclosed is necessary in the next fiscal year, are presented in section “N. Significant assumptions and estimates”.

D. Scope of consolidation

The scope of consolidation at primion Technology AG extends to the following directly or indirectly held subsidiaries in addition to the parent company:

	Shareholding as at	
Company and headquarters	**30/09/2007**	**30/09/2006**
Direct participations:		
primion SAS (previously: primion TECHNOLOGIE SAS), Boulogne-Billancourt, France	100.00 %	100.00 %
primion Technology GmbH, Graz, Austria	51.00 %	51.00 %
primion Staedtler GmbH Nuremberg, Germany	0.00 % *1	100.00 %
primion GmbH, Stetten a. k. M., Germany	100.00 %	100.00 %
primion Digitek S.L.U., Barcelona, Spain	100.00 %	100.00 %
General Engineering & Technology N.V., Malle, Belgium	100.00 %	100.00 %
Jans Sicherheitssysteme GmbH, Ludwigsburg, Germany	100.00 %	0.00 %
Indirect participations:		
primion SYSTEMS SAS, Bernolsheim, France	0.00 % *2	100.00 %
Nisus N.V., Herentals, Belgium	100.00 % *3	100.00 %
GET Nederland B.V., Amsterdam, Netherlands	100.00 % *3	100.00 %
Dataget SAS, Tourcoing Cedex, France	100.00 % *3	100.00 %

* 1 Amulgamated into primion Technology AG in the fiscal year
* 2 Amulgamated into primion SAS, France in the fiscal year
* 3 100% subsidiary of General Engineering & Technology N.V., Belgium

At all companies within the Group, the fiscal year corresponds with that of the parent company.

E. Changes to the scope of consolidation

The scope of consolidation has changed as follows compared to 30 September 2006:

In November 2006 the French subsidiary primion Systems SAS of Bernolsheim was legally amalgamated into primion TECHNOLOGIE SAS, Boulogne-Billancourt/France. The resulting organization now trades under the name primion SAS.

In addition, the Annual Shareholders' Meeting of primion Technology AG on 2 March 2007 resolved to amalgamate primion Staedtler GmbH, Nuremberg/Germany, into primion Technology AG. Details of the merger were entered in the Companies' Register (Handelsregister) on 21 May 2007.

On 23 May 2007 primion Technology AG acquired 100% of the shares in Jans Sicherheitssysteme GmbH, Ludwigsburg/Germany.

F. Consolidation principles

Subsidiaries
A subsidiary is any company where the Group has the power to govern financial and operating policies either directly or indirectly. Subsidiaries are included in the consolidated financial statements (fully consolidated) when the Group starts to exercise control over the company and are deconsolidated when this ceases to be the case.

Business combinations are accounted for by applying the purchase method pursuant to IFRS 3 ("Business Combinations"). On acquisition, the assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Subsequently, the purchase costs of the acquired interests are offset against the acquired company's underlying shareholders' equity. Any excess of the cost of acquisition over the fair values of the identified assets, liabilities and contingent liabilities is presented as goodwill under intangible assets. Any deficiency of the cost of acquisition below the fair values of the identified assets, liabilities and contingent liabilities (i.e. negative goodwill) is, following verification, immediately recognized as income in the period of acquisition.

The interests of minority shareholders are stated at the minority's proportion of the fair values of the assets and liabilities presented and subsequently adjusted based on share of income. Minority interests in consolidated shareholders' equity and the consolidated annual results are stated separately from the parent company's interests.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Intragroup transactions, balances and unrealized gains from transactions between Group entities are eliminated. Unrealized losses are also eliminated unless there is evidence of an impairment of the asset transferred.

The comparability of the consolidated financial statements to 30 September 2007 with the prior consolidated financial statements is impaired by the business combinations completed in the year under review. Significant impacts are presented in the notes to the individual items.

Associated companies
An associated company is an entity over which the Group is in a position to exercise significant influence. This is typically expected with a share of the voting rights of between 20 and 50 per cent. Participations in associated companies are accounted for under the equity method. Pursuant to IAS 28 the shares are initially stated at cost as adjusted by post-acquisition changes and subsequently according to the Group's share of the net assets of the associate. The Group's share of gains and losses of associated companies is recognized in the non-operating result in the income statement from the date of acquisition, while the effects of currency changes are charged or credited to other cumulated equity.

The participation in primion AG of Tuggen/Switzerland (26%) is included in the consolidated financial statements at equity. At the balance sheet date of 30 September 2007, the net assets of primion AG of Tuggen were €319k (30 September 2006: €282k).

G. Foreign exchange translation

The functional currency of all fully consolidated subsidiaries is the euro.

Transactions denominated in currencies other than the euro are translated at the rates of exchange prevailing on the dates of the transactions. Gains and losses from the settlement of such transactions and from translating monetary assets and liabilities at the balance sheet date are recognized in the income statement.

Balance sheet items denominated in currencies other than the euro are measured at the rate of exchange prevailing on the balance sheet date.

Pursuant to IAS 21 and the concept of the functional currency, the percentage of equity of foreign associated companies is translated at the balance sheet date at the period-end exchange rate or historical rates. Expense and income items are translated at the average exchange rates for the period. Exchange differences arising are presented in the balance sheet under "Differences in foreign exchange translation" in equity.

The following rates of exchange were used to translate the underlying shareholders' equity of foreign associated companies:

	Balance sheet date		Annual average	
	30/09/2007	30/09/2006	2006/2007	2005/2006
1 Swiss franc (CHF) in €	1.6612	1.59	1.6231	1.5625

H. Changes in accordance with IAS 8 and IFRS 3.62

At the balance sheet date of 30 September 2006, the GET Group was included in the consolidated financial statements according to IFRS 3.62 based on provisional figures. Following completion of the purchase price allocation, the values as at 30 September 2006 were restated. There were also changes in accordance with IAS 8 in minority interests and income taxes. Overall, however, these were immaterial with regard to consolidated net income and Group equity. Impacts on the income statement, balance sheet and cash flow statement are presented below:

Consolidated income statement

in EUR	restated 01/10/2005 - 30/09/2006*	reported 01/10/2005 - 30/09/2006
Revenues	**34,198,852**	**34,198,852**
Changes in inventory	428,885	428,885
Other own work capitalized	2,176,771	2,176,771
Total revenues	**36,804,508**	**36,804,508**
Other operating income	2,570,258	2,570,258
Cost of materials	11,604,613	11,604,613
Personnel expenses	14,213,824	14,213,824
Depreciation and amortization	2,375,848	2,375,848
Other operating expenses	6,704,579	6,704,579
Operating result (EBIT)	**4,475,902**	**4,475,902**
Non-operating result	**-524,366**	**-524,366**
thereof: income from financial assets accounted for under the equity method	17,617	17,617
Earnings before tax	**3,951,536**	**3,951,536**
Income taxes	1,420,922	1,384,788
Income after taxes	**2,530,614**	**2,566,748**
thereof: net income attributable to minority interests	-7,329	97,231
Income attributable to shareholders of primion Technology AG (consolidated net income)	**2,537,943**	**2,469,517**
Earnings per share (basic and diluted)	**0.50**	**0.49**

* Figures restated in accordance with IFRS 3.62 and IAS 8

Consolidated balance sheet

Assets in €	restated 30/09/2006*	reported 30/09/2006
Non-current assets		
Intangible assets	24,497,113	25,310,764
Property, plant and equipment	7,544,410	8,389,488
Financial assets accounted for under the equity method	73,239	73,239
Other financial assets	88,794	87,962
Deferred tax assets	299,497	85,351
Total non-current assets	**32,503,053**	**33,946,804**
Current assets		
Inventories	4,532,278	6,976,385
Receivables from construction contracts	4,709,183	3,758,243
Trade accounts receivable	11,774,109	11,968,875
Other accounts receivable and other assets	976,236	1,008,134
Claims for tax refunds	1,503,747	1,503,747
Other financial assets	867,975	–
Cash and cash equivalents	2,870,037	3,669,328
Total current assets	**27,233,565**	**28,884,712**
Total assets	**59,736,618**	**62,831,516**

* Figures restated in accordance with IFRS 3.62 and IAS 8

Equity and liabilities in €	restated 30/09/2006*	reported 30/09/2006
Equity attributable to shareholders of primion Technology AG		
Share capital	5,550,000	5,550,000
Capital reserves	18,115,605	18,115,605
Retained earnings	2,975,194	2,906,767
Other cumulated equity	-4,398	-4,398
Minority interests	9,811	114,371
Total equity	**26,646,212**	**26,682,345**
Non-current liabilities		
Long-term accrued liabilities	380,506	25,618
Non-current financial debts	9,556,229	9,556,229
Deferred tax liabilities	3,513,140	4,865,148
Total non-current liabilities	**13,449,875**	**14,446,995**
Current liabilities		
Current accruals	112,332	112,332
Current financial debts	7,802,057	7,802,057
Liabilities from construction contracts	129,561	129,561
Trade accounts payable	3,358,572	3,550,938
Tax liabilities	154,596	154,596
Other liabilities	8,083,413	9,952,692
Total current liabilities	**19,640,531**	**21,702,176**
Total liabilities	**33,090,406**	**36,149,171**
Total equity and liabilities	**59,736,618**	**62,831,516**

* Figures restated in accordance with IFRS 3.62 and IAS 8

Consolidated cash flow statement

in €	restated 01/10/2005 - 30/09/2006*	reported 01/10/2005 - 30/09/2006
Income after taxes	2,530,614	2,566,748
Depreciation and amortization	2,375,848	2,375,848
Change in non-current accrued liabilities	12,687	12,687
Change in deferred taxes	1,512,898	1,476,764
Result on disposal of non-current assets	16,535	16,535
Result from using equity method	-16,127	-16,127
Other non-cash expenses/income	-1,924,103	-1,845,579
Foreign exchange translation differences	-7,888	-7,888
Gross cash flow	**4,500,464**	**4,578,988**
Change in current accrued liabilities	-56,751	-56,751
Change in inventories	848,260	848,260
Change in receivables from construction contracts	-1,609,431	-1,609,431
Change in working capital		
Assets	-1,199,725	-1,199,725
Liabilities	206,310	206,310
Cash flow from operating activities	**2,689,127**	**2,767,651**
Intangible assets/Property, plant and equipment		
Capital expenditure	-4,010,555	-4,089,080
Cash inflow from disposal of assets	85,512	85.512
Business combinations less acquired cash	-22,565,510	-21,766,218
Cash flow from investment activities	**-26,490,553**	**-25,769,786**
Dividends paid to primion shareholders	-1,452,500	-1,452,500
Sale of treasury shares	247,826	247,826
IPO costs	18,228,011	18,228,011
Cash inflow from financial debts	13,877,516	13,877,516
Cash outflow from debt repayment	-11,018,407	-11,018,407
Cash flow from financing activities	**19,882,446**	**19,882,446**
Net change in cash and cash equivalents	**-3,918,980**	**-3,119,689**
Change in bank overdraft	5,860,377	5,860,377
Total change in cash and cash equivalents	**1,941,397**	**2,740,688**
Cash and cash equivalents at beginning of period	928,640	928,640
Cash and cash equivalents at end of period	**2,870,037**	**3,669,328**
Income tax paid	1,238,142	1,238,142
Income tax refunded	–	–
Interest paid	701,229	701,229
Interest received	196,521	196,521

* Figures restated in accordance with IFRS 3.62 and IAS 8

I. Notes on corporate acquisitions

In the process of purchase price allocation, assets are valued following IDW RS HFA 16 using one of the following three approaches: the market approach, the income approach or the cost approach.

When applying the market approach the fair value of an asset is determined by making comparisons with actual transactions for comparable assets. This value is adjusted according to characteristics that are specific to the asset such as age, selling propositions or the transaction environment. The market approach is primarily used to value tangible fixed assets such as buildings or machinery as an active market exists for these.

As a rule, intangible assets are acquired in the course of business combinations. For these transactions it is often difficult to find examples of prices paid for comparable assets. In most cases it is not possible to identify competent, willing parties at the time because intangible assets are not standardized; rather they predominantly exhibit highly company-specific characteristics.

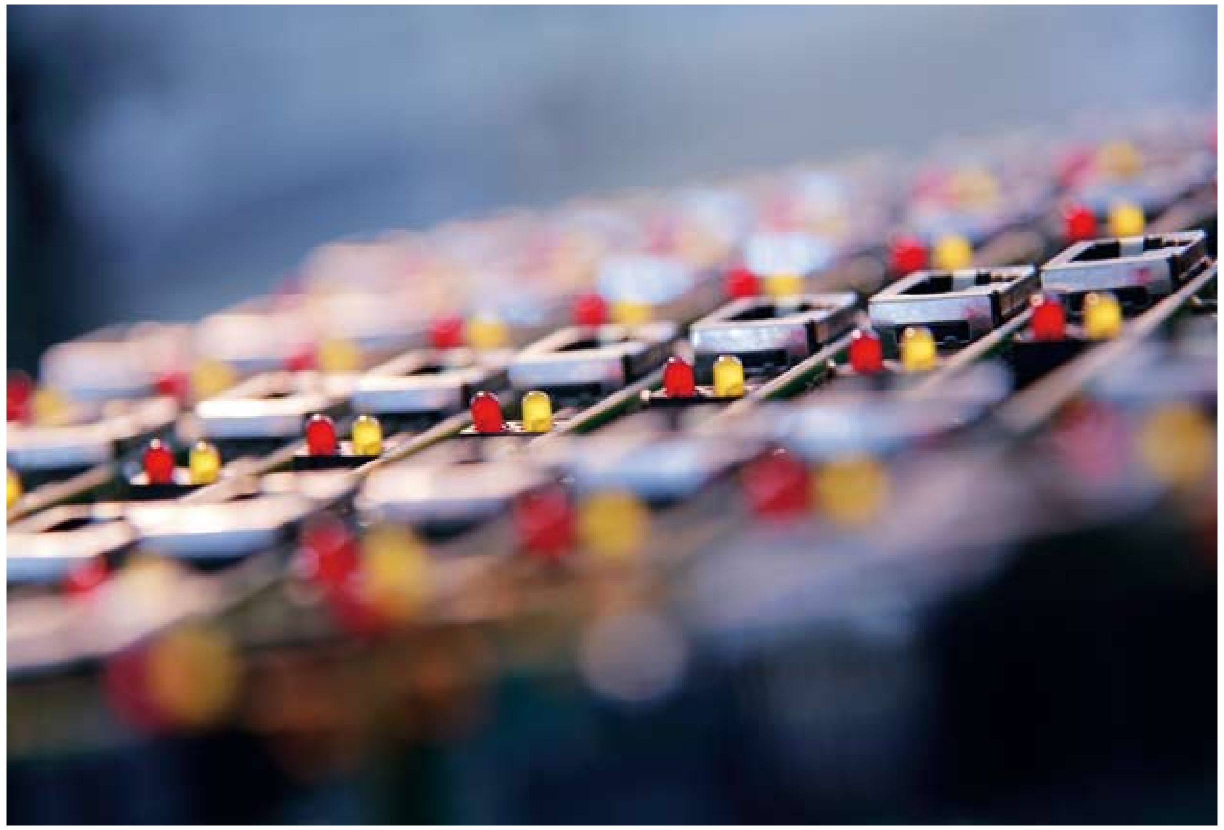
With the income approach the fair value is determined by discounting future cash flows of the corresponding asset with a risk-adjusted interest rate. Thus, the fair value corresponds to the present value of anticipated future cash flows. The evaluation is based on estimates and forecasts made by management. These are founded on both present expectations and assumptions with regard to the future development of the asset, as well as on assumptions regarding a suitable risk-adjusted discount rate. The cost approach is applied only in the process of deriving the fair current value under purchase price allocation. Here costs associated with producing a precise copy of the asset are taken into consideration (reproduction cost method). Alternatively, it is possible to base on the costs of producing an asset which is equivalent in terms of use (replacement cost method). Deductions that take into consideration technical, physical and/or commercial obsolescence are made where necessary. Recognizing depreciation is based on the estimated useful life as determined by commercial criteria. Insofar as the determination of useful economic life cannot be reasonably substantiated, for assets which have already been fully amortized in particular, the consideration of so-called cut-off values may be appropriate in order to reflect the potential value lacking.

GET Group

At the end of September 2006, primion Technology AG acquired the GET Group (General Engineering & Technology N.V. of Malle/Belgium (100%) and its wholly-owned subsidiaries Nisus N.V. based in Herentals/Belgium; GET Nederland B.V., Amsterdam/Netherlands and Dataget, Tourcoing Cedex/France). The GET Group was incorporated into the consolidated financial statements of primion Technology AG from 28 September 2006.

Due to the collection of data (now completed) for the purpose of identifying and valuing the assets, liabilities and contingent liabilities taken over, the provisional capitalized values as at 30 September 2006 pursuant to IFRS 3.62 were changed.

The purchase price for the acquired companies comprises a fixed amount of €12,055k and an outstanding payment of €791k (value as at 30 September 2006: €751k). The outstanding payment was capitalized as at 30 September 2006 with the discounted amount. The fixed portion of the purchase price was paid in cash. The ancillary acquisition costs amounted to €437k.



Following the completed purchase price allocation, the following values are capitalized for this business combination:

	Carrying amounts €k	Fair Value €k
Non-current assets		
Intangible assets	235	4,445
Property, plant and equipment	2,453	3,653
Financial assets	79	79
Deferred taxes	–	200
Current assets		
Inventories	749	749
Receivables from construction contracts	951	951
Trade accounts receivable	3,727	3,727
Other accounts receivable and other assets	174	174
Other financial assets	868	868
Cash and cash equivalents	1,594	1,594
Liabilities		
Provisions	162	747
Financial liabilities	1,446	1,446
Trade accounts payable	617	617
Other liabilities	3,196	3,196
Deferred taxes	68	1,907
Acquired net assets		**8,527**

The cash and cash equivalents acquired amounted to €1,594k. In the process of the acquisition no areas of the business were relinquished or disposed of.

Intangible assets mainly consist of the following:

- Servicing agreements €k 3.073
- Order backlog €k 508
- Development projects taken over €k 629

In the prior year the provisional purchase price allocation according to IFRS 3.62 led to the following result:

	Carrying amounts €k	Fair Value €k
Non-current assets		
Intangible assets	–	7,925
Property, plant and equipment	2,689	4,498
Financial assets	78	78
Current assets		
Inventories	3,194	3,194
Trade accounts receivable	3,922	3,922
Other accounts receivable and other assets	206	206
Cash and cash equivalents	2,393	2,393
Liabilities		
Provisions	162	162
Financial liabilities	1,447	1,447
Trade accounts payable	809	809
Other liabilities	4,852	4,852
Deferred taxes	–	3,310
Acquired net assets		**11,636**

Consequently, the provisional goodwill of €2,047k disclosed as at 30 September 2006 rose to €4,716k as at 30 September 2007.

Jans Sicherheitssysteme GmbH

On 23 May 2007 primion Technology AG acquired 100% of the shares in Jans Sicherheitssysteme GmbH, Ludwigsburg/Germany. Jans Sicherheitssysteme GmbH was incorporated into the consolidated financial statements from 23 May 2007.

The provisional purchase price for the acquired company is €5,000k. This purchase price was paid in cash and may increase or decrease by a variable profit-related amount of not more than €500k ("earn-out"). The ancillary acquisition costs incurred to 30 September 2007 amounted to €241k. At the time of preparing the consolidated financial statements, the final purchase price, and therefore the costs of purchasing the business combination, was not yet finalized. In addition, the collection of data for the purpose of identifying and valuing the assets, liabilities and contingent liabilities had not yet been completed. In this respect, and pursuant to IFRS 3.62, first-time accounting of the business combination could be determined only provisionally at the end of the reporting period.

The business combination is capitalized in these financial statements based on the following provisional figures:

	Carrying amounts €k	Fair Value €k
Non-current assets		
Intangible assets	9	1,808
Property, plant and equipment	164	164
Current assets		
Inventories	40	40
Receivables from construction contracts	969	969
Trade accounts receivable	493	493
Other accounts receivable and other assets	267	267
Cash and cash equivalents	891	891
Liabilities		
Provisions	699	699
Financial liabilities	105	105
Trade accounts payable	392	392
Other liabilities	408	408
Deferred taxes	57	731
Acquired net assets		**2,297**

The cash and cash equivalents acquired amounted to €891k. In the process of the acquisition no areas of the business were relinquished or disposed of.

The result of operations (EBIT) of Jans Sicherheitssysteme GmbH from the time of acquisition to 30 September 2007 amounted to €388k.

Given the assumption of a straight-line distribution of earnings and revenues in the shortened fiscal year from 1 January to 30 September 2007, Jans Sicherheitssysteme GmbH produced revenues of €6,979k and an operating result of €802k for the period from 1 October 2006 to 30 September 2007.

The goodwill to be expected following the purchase price allocation reflects the anticipated future synergy effects arising from the business combination, as well as the expertise of the employees at Jans Sicherheitssysteme GmbH in the field of security technology, plus strategic considerations with regard to market diversification.

J. Notes to the consolidated income statement and consolidated balance sheet

1. Revenues

Revenues relating to construction contracts are €42,892k (prior year: €30,579k). The rise is mainly attributable to full recognition of the GET Group and the partial inclusion of Jans Sicherheitssysteme GmbH.

With the associated company, revenues to the amount of €502k (prior year: €278k) were effected. €278k).

2. Other own work capitalized

Other own work capitalized derives from the capitalization of development costs to the amount of €2,432k (prior year: €2,177k), the capitalization of internal costs for an ERP project to the amount of €55k (prior year: €0k) and the capitalization of internally-generated products to the amount of €8k (prior year: €0k).

3. Other operating income

Other operating income comprises the following:

	2006/2007 €k	2005/2006 €k
Income from bargain purchase according to IFRS 3.56 (b)	–	1,577
Benefits in kind	607	379
Income from liabilities which no longer apply	–	350
Income from exchange rate differences	11	131
Insurance compensation	34	41
Cancellation of value allowances	94	24
Other	352	68
	1,098	**2,570**

Benefits in kind mainly relate to the private use of company cars by employees.

The prior year disclosure of income from the bargain purchase to the amount of €1,577k as a result of acquiring Digitek was presented according to IFRS 3.56 (b), as the fair values of the recognized identifiable assets, liabilities and contingent liabilities exceed the acquisition costs of the business combination. Following revaluation of the residual surplus this was required to be recognized immediately in the income statement according to IFRS 3.56 (b).

4. Costs of materials

The costs of materials are composed of the following:

	2006/2007 €k	2005/2006 €k
Costs of raw materials and supplies and of purchased goods	11,968	9,867
Costs of purchased services	3,606	1,738
	15,574	**11,605**

5. Personnel expenses

Personnel expenses are composed of the following:

	2006/2007 €k	2005/2006 €k
Salaries and wages	18,267	11,831
Retirement and social benefit expenses	4,154	2,383
	22,421	**14,214**

Profit sharing by management is governed by individual bonus agreements.

Group companies provide retirement benefits under defined contribution plans only. Please refer to the details provided in section "C. Accounting policies".

All ongoing contributions to publicly or privately administered pension insurance plans are recognized as expenses in the respective period under social security contributions, retirement and other benefit costs. In 2006/2007 these amounted to €2,401k (2005/2006: €902k).

6. Number of employees in the Group

As at 30 September 2007, the Group employed 402 employees, including Managing directors and the members of the Executive Committee (30 September 2006: 380).

7. Other operating expenses

Other operating expenses are composed of the following:

	2006/2007 €k	2005/2006 €k
Rents/energy/building costs	883	580
Administrative costs/insurance	1,199	782
Vehicle costs	1,882	972
Marketing/trade shows	970	728
Travel/hospitality costs	731	600
Legal and consultancy costs	1,396	942
Management services	530	260
External development costs	355	467
Costs of restructuring	–	–
Other expenses	2,354	1,374
	10,300	**6,705**

8. Non-operating result

	2006/2007 €k	2005/2006 €k
Income accounted for under the equity method	11	18
Interest and similar income	77	184
Interest and similar expenses	-1,068	-726
	-980	**-524**

9. Income taxes

Income taxes

Income tax expenses for fiscal year 2006/2007 and 2005/2006 comprise the following:

	2006/2007 €k	2005/2006 €k
Current taxes		
Germany	633	-485
Other countries	423	159
	1,056	**-326**
Deferred taxes		
From temporary differences	-52	1,961
From loss carry-forwards	-446	-214
	-498	**1,747**
	558	**1,421**

In excess of the deferred tax expense for the fiscal year, in 2006/2007 a total of €7k deferred tax expense (prior year: €0k) was charged to equity ("other cumulated equity").

The calculation is based on the tax rates in the period when the asset is realized or that are expected to apply given the current legal situation in the individual countries. Statutory requirements applicable or adopted at the balance sheet date form the basis.

A corporation tax rate of 25% (prior year: 25%) plus a solidarity surcharge of 5.5% (prior year: 5.5%) on corporation tax together with an average corporate income tax rate of 18.2% was used for domestic tax calculations relating to current taxes. Taking into consideration the deductibility of corporate income tax from corporation tax, this gives a total tax rate of 37.7%.

To calculate domestic deferred taxes, the corporation tax rate of 15% applicable from 2008 plus a solidarity surcharge of 5.5% on corporation tax together with a corporate income tax rate of 13.3% was used. In the prior year, the calculation of domestic deferred taxes was performed with an underlying total tax rate of 37.7%.

Foreign tax rates are between 25% and 35%.

The reasons for the difference between expected and actual tax expense within the Group are as follows:

	2006/2007 €k	2005/2006 €k
Income before taxes	2,416	3,952
Expected tax expense 29.13% (prior year: 37.7%)	704	1,490
Changes in expected tax expense:		
Non-deductible expenses	21	16
Tax expenses relating to other periods	–	88
Effect of change to Group tax rate	-156	–
Effect of bargain purchase	–	-595
Differences in foreign tax rates	56	62
Value allowance on deferred taxes	–	301
Other tax effects	-66	59
Actual tax expense	**558**	**1,421**

Deferred tax assets and liabilities

Deferred tax assets and liabilities due to temporary differences between IFRS and the balance sheet for taxation purposes together with deferred tax assets due to tax loss carry-forwards as at 30 September 2007 and 2006 respectively are as follows:

	30/09/2007 €k		30/09/2006 €k	
	Deffered tax assets	Deffered tax liabilities	Deffered tax assets	Deffered tax liabilities
Intangible assets	1,839	5,048	2,498	5,224
Property, plant and equipment	–	537	–	489
Financial assets	–	–	–	–
Inventories	1,036	–	968	–
Receivables from construction contracts	–	2,096	–	1,890
Trade accounts receivable	–	16	1	25
Other financial assets	–	22	–	12
Non-current accrued liabilities	127	–	121	–
Financial liabilities	54	–	157	21
Liabilities from construction contracts	69	–	49	–
Trade accounts payable	5	–	–	–
Other liabilities	10	1	–	–
Loss carry-forwards	1,089	–	643	–
Consolidation	36	–	10	–
	4,266	7,720	4,748	7,962
Netting*	-4,136	-4,136	-4,449	-4,449
	130	**3,584**	**299**	**3,513**

* According to IAS 12.74, under certain premises deferred tax assets and liabilities are offset if they relate to taxes levied by the same taxation authority.

At the French subsidiary, deferred tax assets on tax losses that may be carried forward indefinitely totalling €328k (prior year: €301k) were not recognized according to IAS 12.34. This is because at the time of preparing these financial statements it cannot be stated with reasonable assurance that these may have been utilized already in the current year, at least in part, due to recent losses incurred. On the basis of current planning, tax loss carry-forwards are expected to be fully utilized in the next five to seven fiscal years. The recognized tax loss carry-forward as at 30 September 2007 is €75k and is unchanged compared to the prior year.

10. Changes to intangible assets, property, plant and equipment, and financial assets
Changes to intangible assets, property, plant and equipment, and financial assets are outlined on the following page.

Group assets analysis as at 30 September 2007

	Purchase and production costs					Depreciation and amortization				Carrying amounts	
	As at 01/10/2006 €	**Additions IFRS 3 €**	**Additions €**	**Disposals €**	**As at 30/09/2007 €**	**As at 01/10/2006 €**	**Additions €**	**Disposals €**	**As at 30/09/2007 €**	**30/09/2007 €**	**30/09/2006 €**
Intangible assets											
Franchises, industrial property rights and similar rights and assets and licences to such rights and assets	1,629,743	408,532	156,285	7,215	2,187,345	747,132	324,760	7,215	1,064,677	1,122,668	882,611
Customer relationships	5,079,153	690,192	–	–	5,769,345	442,754	538,916	–	981,670	4,787,675	4,636,399
Servicing agreements	6,162,065	504,018	–	–	6,666,083	260,409	732,236	–	992,645	5,673,438	5,901,656
Order backlog	1,344,914	205,326	–	–	1,550,240	718,223	763,691	–	1,481,914	68,326	626,691
Development costs	3,376,963	–	2,431,835	–	5,808,798	102,052	774,768	–	876,820	4,931,978	3,274,911
Goodwill	9,174,845	3,444,484	1,889	–	12,621,218	–	–	–	–	12,621,218	9,174,845
Payments in advance	–	–	204,028	–	204,028	–	–	–	–	204,028	–
Intangible assets	**26,767,683**	**5,252,552**	**2,794,037**	**7,215**	**34,807,057**	**2,270,570**	**3,134,371**	**7,215**	**5,397,726**	**29,409,331**	**24,497,113**
Property, plant and equipment											
Land, similar rights and buildings, incl. buildings on third-party land	5,940,478	–	570,788	–	6,511,266	276,841	169,360	–	446,201	6,065,065	5,663,637
Technical facilities and machinery	285,701	–	–	–	285,701	283,869	1,143	–	285,012	689	1,832
Other facilities, operational and business equipment	4,504,330	164,014	1,087,379	220,957	5,534,766	2,625,389	830,895	202,209	3,254,075	2,280,691	1,878,941
Payments in advance	–	–	13.956	–	13,956	–	–	–	–	13,956	–
Property, plant and equipment	**10,730,508**	**164,014**	**1,672,123**	**220,957**	**12,345,689**	**3,186,099**	**1,001,398**	**202,209**	**3,985,288**	**8,360,401**	**7,544,410**
Financial assets											
Financial assets accounted for under the equity method	73,239	–	7,690	–	80,929	–	–	–	–	80,929	73,239
Other financial assets	88,794	–	11,827	–	100,621	–	–	–	–	100,621	88,794
Financial assets	**162,032**	**–**	**19,518**	**–**	**181,550**	**–**	**–**	**–**	**–**	**181,550**	**162,033**
	37,660,223	**5,416,566**	**4,485,678**	**228,172**	**47,334,296**	**5,456,669**	**4,135,769**	**209,424**	**9,383,014**	**37,951,282**	**32,203,556**

Group assets analysis as at 30 September 2006

	Purchase and production costs						Depreciation and amortization				Carrying amounts	
	As at 01/10/2005 €	**Additions IFRS 3 €**	**Additions €**	**Disposals €**	**Reclassi-fication €**	**As at 30/09/2006 €**	**As at 01/10/2005 €**	**Additions €**	**Disposals €**	**As at 30/09/2006 €**	**30/09/2006 €**	**30/09/2005 €**
Intangible assets												
Franchises, industrial property rights and similar rights and assets and licences to such rights and assets	800,114	663,137	172,590	–	-6,098	1,629,743	560,500	186,632	–	747,132	882,611	239,614
Customer relationships	–	5,079,153	–	–	–	5,079,153	–	442,754	–	442,754	4,636,399	–
Servicing agreements	–	6,162,065	–	–	–	6,162,065	–	260,409	–	260,409	5,901,656	–
Order backlog	–	1,344,914	–	–	–	1,344,914	–	718,223	–	718,223	626,691	–
Development costs	–	1,200,192	2,176,771	–	–	3,376,963	–	102,052	–	102,052	3,274,911	–
Goodwill	1,762,300	–	7,406,447	–	6,098	9,174,845	–	–	–	–	9,174,845	1,762,300
Intangible assets	**2,562,414**	**14,449,461**	**9,755,808**	**–**	**–**	**26,767,683**	**560,500**	**1,710,070**	**–**	**2,270,570**	**24,497,113**	**2,001,914**
Property, plant and equipment												
Land, similar rights and buildings, incl. buildings on third-party land	1,990,678	3,140,000	809,800	–	–	5,940,478	173,700	103,141	–	276,841	5,663,637	1,816,978
Technical facilities and machinery	285,701	–	–	–	–	285,701	282,869	1,000	–	283,869	1,832	2,832
Other facilities, operational and business equipment	3,160,261	697,537	847,604	201,072	–	4,504,330	2,162,777	561,637	99,025	2,625,389	1,878,941	997,484
Property, plant and equipment	**5,436,640**	**3,837,537**	**1,657,404**	**201,072**	**–**	**10,730,509**	**2,619,346**	**665,778**	**99,025**	**3,186,099**	**7,544,410**	**2,817,294**
Financial assets												
Financial assets accounted for under the equity method	57,112	–	16,127	–	–	73,239	–	–	–	–	73,239	57,112
Other financial assets	5,648	–	83,146	–	–	88,794	–	–	–	–	88,794	5,648
Financial assets	**62,760**	**–**	**99,273**	**–**	**–**	**162,033**	**–**	**–**	**–**	**–**	**162,033**	**62,760**
	8,061,814	**18,286,998**	**11,512,485**	**201,072**	**–**	**37,660,225**	**3,179,846**	**2,375,848**	**99,025**	**5,456,669**	**32,203,556**	**4,881,968**

11. Intangible assets

Intangible assets mainly include order backlogs, customer relationships, servicing agreements, licences, patents and software acquired for consideration. Furthermore, acquired or internally-generated development activities and acquired goodwill are disclosed.

The impairment of goodwill was assessed using IAS 36 on the basis of cash-generating units (CGU). To perform the impairment test, the expected future cash flows of the cash-generating unit are determined based on the most recent five-year planning approved by management. This planning is based on historical experience and corporate management's best-possible estimates of future performance. Furthermore, the average weighted growth rates used in the planning correspond to expectations in appropriate growth forecasts. To perform the impairment test, corporate management estimated cash income over the planning period and projected a constant growth rate for subsequent years. Using a discounted cash flow approach, the value in use during the reporting period was calculated as a recoverable amount.

The CGU's recoverable amount is then contrasted with the corresponding carrying amount. In line with the definition of a cash-generating unit, the companies within the primion Group based in Germany and subcontractors in Austria are identified as one CGU (the "domestic CGU"), with the French and Spanish companies plus the recently acquired GET Group in Belgium each forming further separate CGUs.

The primion Group calculates the cost of capital according to the debt/equity ratio by the weighted average cost of capital (WACC) formula. The WACC before taxes applied in the prior year as at 30 September 2006 was between 9.33% and 9.58%.

Where the carrying amount of a cash-generating unit exceeds the recoverable amount, an impairment loss is recognized for the difference. First, the goodwill of the relevant CGU is written down accordingly. Any remaining impairment loss is allocated among the other assets of the CGU in proportion to their net carrying amounts.

There was no evidence of an impairment based on the impairment tests performed in either the current year or the prior year.

The following table provides an overview of the goodwill tested and the assumptions incorporated into the respective impairment tests.

Name of CGU	Domestic	France	Belgium
Carrying amount goodwill	7,692	213	4.716
Carrying amount CGU	31,834	810	13.980
Recoverable amount	49,001	2.907	18.986
Impairment loss	–	–	–
Sales growth p.a. in planning period	2% - 5%	5%	5.4% - 6.6%
EBITDA margin in planning period	15.6% - 16.4%	6.4% - 10.4%	14.7% - 16.2%
Duration of planning period	5 years	5 years	5 years
Sales growth p.a. from end of planning period	1%	1%	1%
EBITDA margin from end of planning period	16.40%	10.40%	16.20%
Rate of investment from end of planning period	6.20%	1.30%	1.70%
Discount rate (WACC before taxes)	9.87%	10.11%	10.20%

Following its acquisition, Jans Sicherheitssysteme GmbH of Ludwigsburg/Germany is provisionally included in the domestic CGU pursuant to IFRS 3.62.

As at 30 September 2007, development costs to the amount of €4,932k were capitalized.(30.09.2006: €3,275k). Of this in the prior year €629k resulted from the acquisition of the GET Group and €572k from the acquisition of primion Staedtler GmbH. Amortization in the period from 1 October 2006 to 30 September 2007 amounted to €775k (prior year: €102k). Pursuant to IAS 38.71, development costs that were originally recognized as expenses have not been recognized as the production costs of an intangible asset at a subsequent point in time. Research and development expenditure which was directly recognized under expenses amounted to €2,099k during the period (prior year: €1,350k).

12. Property, plant and equipment

Please refer to the group assets analysis for the composition of and changes to property, plant and equipment.

The additions principally pertain to buildings, computer hardware, office equipment and fittings, company cars and other operational and business equipment.

Tangible fixed assets to the amount of €291k (prior year: €214k) also include leased operational and business equipment which is attributable to Group ownership due to the form of the underlying lease agreements (finance leases). These lease items almost exclusively relate to corporate vehicles.

In terms of property, plant and equipment there were no extraordinary impairments within the primion Group during the reporting period or the prior year.

13. Investment property
Land and (parts of) buildings that represent a financial investment in terms of IAS 40 are immaterial within the primion Group.

14. Non-current assets held for sale
After the balance sheet date – but before the financial statements were approved for publication – the disposal of property in Malle/Belgium (headquarters of the GET Group) was finalized so that in all likelihood this should be considered in terms of IFRS 5.7.

In negotiations between the parent company primion Technology AG, the GET Group and the potential buyer there has been a consensus since December 2007 on the central points (purchase price and rental/lease payment for a subsequent leaseback arrangement) relating to the sale of the property. The sale is expected to take effect in all likelihood as of 31 December 2007 or 1 January 2008. Based on the expected rental/lease payments, the primion Group expects the leaseback arrangement to constitute an operating lease pursuant to IAS 17.61 and 17.33. Given the anticipated terms, the expected disposal will result in a low book profit for the transaction.

The property in Malle/Belgium remains disclosed in the "Western Europe" segment at the balance sheet date.

15. Financial assets accounted for under the equity method
The interest in primion AG of Tuggen/Switzerland is carried at equity. In fiscal year 2006/2007 the company generated net income of €47k (prior year: €77k). Total assets amounted to €466k as at 30 September 2007 (prior year: €665k) while shareholders' equity was €311k (prior year: €282k).

The equity value in fiscal year 2006/2007 changed as follows:

	2006/2007 €k	2005/2006 €k
As at 01/10	**73**	**57**
Proportionate annual result	12	20
Exchange rate differences	-3	-2
Income taxes	-1	-2
As at 30/09	**81**	**73**

16. Other financial assets
Other financial assets mainly relate to (open) securities fund units held by the GET Group in Belgium and primion SAS in France. They are measured at fair value at the balance sheet date, whereby value changes are recognized in other cumulated equity, taking into consideration deferred taxes.

As at 30 September 2007 the carrying amounts and fair values are €673k (prior year: €868k). In the fiscal year securities fund units to the amount of €328k (prior year: €0k) were sold. Here income totalling €34k (prior year: €0k) was recognized which was disclosed in the income statement under interest and similar income. At the balance sheet date 30 September 2007, the rise in value from these available for sale securities recognized under other cumulated equity is €21k less deferred taxes to the amount of €7k, net €14k (30 September 2006: €0k gross and net).

17. Inventories
Inventories comprise the following:

	30/09/2007 €k	30/09/2006 €k
Raw materials and supplies	2,632	1,351
Work in process and services	803	2,830
Finished goods	2,083	325
Payments in advance	146	26
	5,664	**4,532**

Inventories are stated at the lower of purchase/production costs and net realizable value at the balance sheet date, less remaining costs. At the balance sheet date, value allowances amount to €85k (prior year: €120k). Value allowances were mainly made for overrange and insufficient marketability.

18. Receivables from construction contracts

	30/09/2007 €k	30/09/2006 €k
Costs incurred plus cumulative gain	13,232	8,382
Less part payments	5,292	3,802
	7,940	**4,580**
thereof: Receivables from construction contracts	8,179	4,709
thereof: Liabilities from construction contracts	239	129

19. Trade accounts receivable

Receivables to the amount of €12,758k (prior year: €11,774k) include individual value allowances of €432k (prior year: €292k).

Receivables from associated companies amount to €9k (prior year: €45k).

20. Other accounts receivable and other assets

Other accounts receivable and other assets are composed of the following:

	30/09/2007 €k	30/09/2006 €k
Employee receivables	32	41
Deferred items	420	291
Claims for VAT refunds	200	193
Other receivables	418	451
	1,070	**976**

21. Cash and cash equivalents

	30/09/2007 €k	30/09/2006 €k
Cheques and cash	32	41
Balances with banks	1,429	2,829
	1,461	**2,870**

This item presents cash and balances at banks with maturity of three months or less, plus securities with original maturities of up to three months.

Balances with banks mainly comprise funds in current accounts with an average rate of interest between 0.5% and 1.5%.

22. Shareholders' equity

Changes to primion Group shareholders' equity are apparent from the consolidated statement of changes to shareholders' equity.

The share capital of primion Technology AG, amounting to €5,550k (prior year: €5,550k), is divided into 5,550,000 (prior year: 5,550,000) no-par bearer shares with a nominal value of €1.00 per share. Each share entitles the bearer to one vote at the Annual Shareholders' Meeting.

Capital reserves

The primion Group's capital reserves remained unchanged compared to the prior year. Capital reserves reflect the premium from the issue of shares and are subject to the restrictions of Section 150 of the German Stock Corporation Act (AktG).

Retained earnings

Retained earnings include earnings achieved and retained in the past by the entities included in consolidation, as well as adjustments made as part of the first-time adoption of IFRS.

Minority interests

	30/09/2007 €k	30/09/2006 €k
Shares of external shareholders in primion Technology GmbH, Graz, Austria	–	10
	–	**10**

23. Provisions

Long-term provisions

Long-term provisions are apportioned fully to commitments associated with redundancy benefits for employees leaving. These benefits are based on legal claims arising from the Austrian company employees' severance pay and pensions fund act (BMVG) and the French code de l'action sociale et des familles, as well as claims on an individual contract basis at the GET Group in Belgium.

The discount rates applied as at 30 September 2007 and 30 September 2006 were between 3.0% and 4.0%.

	As at 01/10/2006 €k	Allocation €k	Accumulation €k	Reversal €k	As at 30/09/2007 €k
Commitment Austria	26	–	–	7	19
Commitment France	–	52	–	–	52
Commitment Belgium	355	–	18	–	373
	381	**52**	**18**	**7**	**444**

Short-term provisions

Short-term provisions solely comprise provisions for warranties. Provisions for warranties pertain to the estimated costs of reworking completed projects plus legal product guarantees. Provisions for warranties are recorded on the basis of historical experience and underlying revenues in the period. The warranty period is two years.

In the year under review short-term provisions changed as follows:

	As at 01/10/2006 €k	Allocation €k	Consumption €k	Reversal €k	As at 30/09/2007 €k
Warranty provisions	112	82	3	–	191
	112	**82**	**3**	**–**	**191**

24. Financial liabilities

Non-current financial debts

	30/09/2007 €k	30/09/2006 €k
Liabilities to banks	16,447	9,500
Non-current finance lease liabilities	94	56
	16,541	**9,556**

The interest rate of non-current financial liabilities to banks ranges from 3.48% to 5.98%. Liabilities to banks pertain particularly to promissory note and repayment loans of primion Technology AG to the amount of €15,409k and the GET Group of €1,054k. Due to the fixed interest liabilities, of which substantial proportions were included for the first time in the current fiscal year or at the end of prior year, as well as the approximately unchanged estimate of the company's own credit standing, the primion Group expects the disclosed carrying amounts for financial liabilities to represent a suitable approximation of fair values in terms of IAS 32.86.

The maturity structure is broken down as follows:

- From one to five years: €9.897k
- Over five years: €6.644k

Liabilities of €4,152k (prior year: €4,276k) are collateralized. Of this, €3,671k (prior year: €3,788k) is for liabilities collateralized by mortgage loans.

Finance lease liabilities pertain almost exclusively to leases for company vehicles which are qualified as finance leases by primion Technology AG pursuant to IAS 17. Leasing liabilities were calculated on the basis of a standard market interest rate.

Minimum lease payments accrue as follows:

	30/09/2007 €k	30/09/2006 €k
Within one year	106	153
Between one and five years	95	63
Over five years	–	–
Total future lease payments	201	216
Less future interest on lease payments	12	7
Present value of finance lease payments	**189**	**209**

Current financial liabilities

	30/09/2007 €k	30/09/2006 €k
Liabilities to banks	4,797	7,649
Current finance lease liabilities	95	153
	4,892	**7,802**

Liabilities to banks pertain particularly to promissory note and repayment loans due within one year and overdrafts of primion Technology AG to the amount of €4,341k (prior year: €7,251k) and the GET Group of €337k (prior year: €276k). Due to the short residual maturity of liabilities, the primion Group expects the disclosed carrying amounts for financial liabilities to represent a suitable approximation of fair values in terms of IAS 32.86.

Please refer to the disclosures on non-current financial debts with regard to the interest rates of repayment loans and finance lease liabilities.

25. Liabilities from construction contracts

Please refer to the disclosures in section “18. Receivables from construction contracts”.

26. Trade accounts payable

Trade accounts are payable to third parties. They are recognized at their nominal value or repayment amount and accrue fully within one year.

27. Tax liabilities

Tax liabilities totalling €1,210k (prior year: €155k) relate mainly to Jans Sicherheitssysteme GmbH to the amount of €884k (prior year: €0k).

28. Other liabilities

Other current liabilities are composed of the following:

	30/09/2007 €k	30/09/2006 €k
Liabilities from taxes	1,069	551
Personnel-related liabilities	2,477	1,984
Social security liabilities	310	364
Deferred income	2,107	2,153
Order payments received in advance	411	334
Other liabilities	2,421	2,697
	8,795	**8,083**

Deferred income pertains solely to proceeds from servicing agreements which are to be included in subsequent periods.

In fiscal year 2006/2007 the significant components of other liabilities changed as follows:

	As at 01/10/2006 €k	Allocation €k	Consump-tion €k	Reversal €k	As at 30/09/2007 €k
Liabilities from taxes on wages and VAT	551	1,069	551	–	1,069
Personnel-related liabilities	1,984	2,477	1,984	–	2,477

29. Financial instruments

Objective and methods of financial risk management

Financial risk factors

The Group is exposed to various financial risks in the normal course of business. The Group's overall risk management policy is focused on the unpredictability of financial markets and aims to minimize potentially negative impacts on the Group's financial situation. Risk management follows guidelines approved by the Executive Committee which the Group uses to identify and measure risks. These are then hedged in close conjunction with the Group's operating units. The Executive Committee provides in writing the principles of cross-divisional risk management and guidelines for specific areas such as the management of foreign exchange risk, interest rate and credit risk, the use of derivative financial instruments and non-derivatives, as well as the investment of excess liquidity.

Foreign exchange risk

Foreign exchange risk is currently immaterial within the primion Group as the Group is principally active in the eurozone.

Interest rate risk

At present, management considers interest rate sensitivity arising from variable rate financing from current financial liabilities immaterial. Group management constantly monitors movements in the money and capital markets, in order to take appropriate hedging measures by way of interest-rate hedging transactions such as interest caps and swaps, where necessary. Equally, synthetic variable financing can be created from fixed interest positions using derivative financial instruments.

Credit risk

The Group has no significant concentration of potential credit risk. Identifiable credit risks are adequately taken into consideration by way of corresponding value allowances.

Liquidity risk

A prudent liquidity management strategy includes holding sufficient reserves of cash and cash equivalents, financing options through adequate, approved lines of credit and the ability to issue shares. Due to the dynamic business environment in which the Group operates, primion Technology AG's objective is to maintain the necessary financing flexibility by having access to sufficient untapped lines of credit.

Fair value

Fair values for financial investments correspond to the market prices quoted at the balance sheet date. The carrying amounts of trade accounts receivable and payable, other financial assets and liabilities, as well as financial debts represent a suitable approximation of fair value.

30. Other commitments and contingent liabilities

Other commitments and contingent liabilities within the primion Group comprise rental agreements, operating leases and purchase commitments.

Rental agreements and operating leases pertain to office space, cars and operational and business equipment.

Future commitments due to fixed leases are composed of the following as at 30 September 2007:

Fiscal year	Rental payments €k	Operating leases €k
2007/2008	368	824
2008/2009	249	651
2009/2010	207	390
2010/2011	270	104
2011/2012	104	21
From 2012/2013	33	1

Expenses from operating leases amounted to €1,991k (prior year: €2,042k) for fiscal year 2006/2007.

At the balance sheet date, purchase commitments for property, plant and equipment, construction contracts and inventories amount to €1,380k (prior year: €1,010k).

K. Earnings per share

Earnings per share are calculated by dividing the income attributable to shareholders for the period under review by the weighted average number of outstanding shares during the period.

The basic and diluted earnings per share are calculated on the basis of the following overview:

	2006/2007 €k	2005/2006 €k
Income attributable to shareholders of primion Technology AG (consolidated net income)	1,867,586	2,537,943
Average number of shares issued	5,550,000	5,032,873
Earnings per share (basic and diluted)	0.34	0.50

L. Notes to the consolidated cash flow statement

The cash flow statement shows the origin and use of cash flows in fiscal year 2006/2007 and 2005/2006. Here cash flows from operating activities are distinguished from those resulting from investment and financing activities.

The Group's companies only maintain cash and cash equivalents that are short-term funds. Cash funds comprise cash and balances at banks where they are available within three months.

Interest income and expenditure are assigned solely to operating activities.

The impacts of the acquisition carried out during the fiscal year on the cash flow statement are outlined in section I. "Notes on corporate acquisitions".

Acquiring the shares in Jans Sicherheitssysteme GmbH to the amount of €500k did not lead to an outflow of cash ("earn-out").

The majority of non-cash expenses and income disclosed in the prior year comprised the income from the bargain purchase (€1,577k) and a leasing liability which no longer applied (€350k). The majority of non-cash expenses for the prior period pertained to a value allowance on deferred tax assets on tax loss carry-forwards (€301k).

M. Segment reporting

Segment reporting was prepared in accordance with the requirements of IAS 14. Accordingly, a business segment is a group of assets and operating activities that provides products or services which differ from other areas of the business in terms of their risks and rewards. A geographic segment provides products or services within a certain economic environment. Segment reporting is divided into primary and secondary segments in accordance with the regulations of IAS 14.
Due to the acquisitions in Spain and Belgium, from fiscal year 2005/2006 the organization has largely been managed along geographic lines. Correspondingly these were defined as the primary segments. In accordance with IAS 14.34 in combination with IAS 14.9, Germany and Western Europe were defined as geographic segments.

The access control, time recording and integrated security technology system solutions offered by primion are regarded as a single business segment on the basis of the homogeneity criteria of IAS 14.9. Due to integration in the production, sale and construction of electronic access control, time recording and security systems, including the associated services, the opportunity and risk structure of these systems are virtually identical.
Segment reporting takes place in accordance with the accounting recognition and measurement methods of the underlying IFRS consolidated financial statements. Intersegment consolidations were undertaken. Amortization of intangible assets and tangible fixed assets was disclosed as segment amortization.
External sales revenues include revenues from sales to third parties outside the Group, while internal sales revenues are those which occurred between the segments.

Trade accounts within the primion Group are processed on standard market terms as with external third parties.

The operating result comprises the earnings of the respective segment before taxes and interest. Amortization includes scheduled amortization and depreciation incurred during the reporting period. No impairments relating to intangible assets and property, plant and equipment were recognized.

The investments pertain to all purchase costs caused by the acquisition of segment assets (property, plant and equipment and intangible assets) during the reporting period and which are expected to be used over more than one reporting period.

Segment assets and debts include all assets and liabilities which contributed to achieving the presented segment results in the respective region. Segment assets primarily comprise intangible assets and property, plant and equipment, inventories, receivables and other assets. Segment debts mainly include provisions, liabilities and other debts.

Segment information for the business segments in fiscal year 2006/2007 and the comparative figures for the prior year are provided below:

	Germany 2006/2007 €k	Western Europe 2006/2007 €k	Eliminations 2006/2007 €k	Consolidated 2006/2007 €k
Revenues				
External revenues	32,201	19,905	0	52,106
Internal revenues	785	261	-1,046	0
Total revenues	**32,986**	**20,166**	**-1,046**	**52,106**
Segment result/EBIT	**2,523**	**956**	**-83**	**3,396**
Income from financial assets accounted for under the equity method				11
Other non-operating result				-991
Income before taxes				**2,416**
Income taxes				-558
Income after taxes				**1,858**
Net income attributable to minority interests				-10
Consolidated net income				**1,868**
Balance sheet				
Assets				
Segment assets	42,898	27,920	-3,673	67,145
Shares in associated companies	89	0	-8	81
Non-classified assets	20,770	787	-20,731	826
Group assets	**63,757**	**28,707**	**-24,412**	**68,052**
Liabilities				
Segment liabilities	9,569	8,538	-3,574	14,533
Non-classified liabilities	21,033	3,984	0	25,017
Group liabilities	30,602	12,522	-3,574	39,550
OTHER INFORMATION				
- Capital expenditure	9,169	714	0	9,883
- Depreciation and amortization	2,117	2,020	-1	4,136

The comparative figures for the prior year are as follows:

	Germany 2005/2006 €k	Western Europe 2005/2006 €k	Eliminations 2005/2006 €k	Consolidated 2005/2006 €k
Revenues				
External revenues	29,013	5,186	0	34,199
Internal revenues	309	303	-612	0
Total revenues	**29,322**	**5,489**	**-612**	**34,199**
Segment result/EBIT	**2,458**	**2,049**	**-31**	**4,476**
Income from financial assets accounted for under the equity method				18
Other non-operating result				-542
Income before taxes				**3,952**
Income taxes				-1,421
Income after taxes				**2,531**
Net income attributable to minority interests				-7
Consolidated net income				**2,538**
Balance sheet				
Assets				
Segment assets	40,766	28,455	-10,814	58,407
Shares in associated companies	89	0	-16	73
Non-classified assets	15,053	1,835	-15,631	1,257
Group assets	**55,908**	**30,290**	**-26,461**	**59,737**
Liabilities				
Segment liabilities	13,315	9,899	-10,994	12,220
Non-classified liabilities	16,613	4,257	0	20,870
Group liabilities	29,928	14,156	-10,994	33,090
OTHER INFORMATION				
- Capital expenditure	12,406	17,988	0	30,394
- Depreciation and amortization	1,806	570	0	2,376

N. Significant assumptions and estimates

In section J. Notes to the income statement and balance sheet, item 11. Intangible assets of the notes to the consolidated financial statements, significant assumptions were presented with regard to the goodwill impairment test conducted at the balance sheet date. Due to the number of variables, this test involves a complex, subjective discretionary element. Therefore the central premises were subjected to a sensitivity analysis as outlined below:

EBITDA margin
If the actual EBITDA margin at the end of the planning period were 10% below the current planning assumption and if this effect would also impact forecast cash flows after this period, there would be no impairment losses at the relevant CGU as in the prior year.

Average growth rate for cash flows
If the growth rate in operating cash flows assumed after the planning period were 10% below the current assumption, i.e. at 0.9% rather than the 1% currently assumed, there would be no impairment losses at the relevant CGU as in the prior year.

Discount rate – WACC
If the WACC before taxes, which was used to calculate value in use, were 10% above the current assumption, i.e. in a range from 10.86-11.22% rather than the underlying 9.87-10.20% (prior year: a range from 10.26-10.54% rather than the underlying 9.33-9.58%), there would have been no impairment losses at the relevant CGU as in the prior year.

Due to the number of variables, the purchase price allocations performed in the fiscal year and the prior year involved a highly complex, subjective discretionary element. The procedure and outcome are outlined in section I. Notes on corporate acquisitions. Depending on the choice of central premises (e.g. assumptions regarding the period for allowing servicing agreements to shrink, EBITDA margin, growth rate of cash flows, discount rate), there are impacts particularly on the distribution of identified intangible assets and goodwill. Because goodwill is subject only to the impairment test described above at least once a year and the identified intangible assets within the primion Group are all subject to amortization however, this breakdown has significant impacts on EBIT and consolidated net income.

The necessary estimates pertaining to the calculation of remaining costs and the extent of progress towards the completion of construction contracts have a substantial impact on EBIT and consolidated net income. Furthermore, there are major sources of uncertainty behind the assessment of demand and the measurement of the level of warranty provisions.

There are no other important, forward-looking assumptions and sources of uncertainty at the balance sheet date which could give rise to considerable risk and where restatement of assets and liabilities disclosed would be necessary in the next fiscal year.

O. Relationships with related companies and persons

Due to voting interests, the subsidiaries listed under section D. Scope of consolidation are related companies of primion Technology AG. Transactions with these companies are eliminated in the Group consolidation.

A member of the Supervisory Board and/or their law firm has advised and represented the Company as a lawyer for several years. In fiscal year 2006/2007 the law firm received €6k (gross) for advice and legal representation.

No other significant business relationships beyond those outlined here existed in the fiscal year with members of the Executive Committee, the Supervisory Board or their relations.

P. Other information

Supervisory Board
The members of the Supervisory Board as at 30 September 2007 are:

- Prof. Dr. Dr. h.c. mult. Johann Loehn, physicist, Waldkirch-Suggental (Chairman)
- Leo Benz, engineer, Munich (Deputy Chairman)
- Rolf Beck, lawyer, Tuebingen
- Konrad Haussmann, retired bank director, Tuttlingen
- Dr. Willi Merkel, lawyer, Albstadt-Ebingen
- Dr. Franz Wilhelm Hopp, Dip.Kfm (MBA), Duesseldorf (member since 29 January 2007)

The remuneration of the Supervisory Board amounted to €65k in fiscal year 2006/2007 (2005/2006: €65k).

Executive Committee
The members of the Executive Committee are:

- Heinz Roth, engineer (University of Applied Sciences), Bodman-Ludwigshafen (Chairman & CEO)
- Thomas Bredehorn, executive, Algermissen
- Roland Schmider, engineer, Albstadt-Ebingen
- Manfred Koetzle, Dip.Kfm (MBA), Grosselfingen (to 19 June 2007)

The Executive Committee received the following remuneration broken down into fixed and variable components:

	2006/2007 €k	2005/2006 €k
Fixed cash payments	727	575
Variable cash payments	243	454
Non-cash benefits	33	32
	1,003	**1,061**

Total remuneration for former members of management amounted to €123k in fiscal 2006/2007.

Ownership of shares by members of corporate bodies

- Leo Benz 248.431 shares
- Heinz Roth 1.560.855 shares
- Thomas Bredehorn 53.243 shares
- Roland Schmider 15.000 shares

Audit fees
For the services performed by the auditors in fiscal year 2006/2007 the following fees were recognized as expenses: €194k for the auditing of the annual financial statements (prior year: €145k), €74k for other audit work or audit-related services (prior year: €88k) and €0k for tax consulting services (prior year: €2k).

Expenses for the auditing of the financial statements include expenses associated with an examination by the German Financial Reporting Enforcement Panel (FREP) which was completed during the period.

Q. Declaration of conformity with the German Corporate Governance Code

On 30 September 2007, the Executive Committee and Supervisory Board of primion Technology AG made a declaration of conformity as stipulated by Section 161 of the German Stock Corporation Act (AktG). Shareholders have permanent access to this via the company website at www.primion.de. Deviations from the German Corporate Governance Code are documented correspondingly.

R. Events after balance sheet date

In the period between the balance sheet date and approval of the financial statements, there were no significant events impacting the assets, liabilities, financial position and earnings of the primion Group. Otherwise, please refer to the reporting in section J. 14. Non-current assets held for sale and the details provided in section 3 of the Group management report regarding the repurchase of treasury shares.

S. Approval of the consolidated financial statements

The Executive Committee approved the present consolidated financial statements and the Group management report for publication on 20 December 2007.

Stetten am kalten Markt, 19 December 2007

The Executive Committee

Auditors' Report

We have audited the consolidated financial statements prepared by primion Technology AG, Stetten am kalten Markt, comprising the balance sheet, the income statement, statement of changes in shareholders' equity, cash flow statement and the notes to the consolidated financial statements, together with the Group management report for the fiscal year from 1 October 2006 to 30 September 2007. The preparation of the consolidated financial statements and Group management report in accordance with IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315a [1] of the HGB (German Commercial Code) and the supplementary provisions of the articles of association are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the HGB (German Commercial Code) and generally accepted German standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of net assets, the 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 operating activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into consideration in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315a [1] of the HGB (German Commercial Code) and the supplementary provisions of the articles of association and give a true and fair view of the net assets, the 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.

Albstadt, 20 December 2007

RWT HORWATH GMBH
Auditors

Signed	Signed
Frank Stäudle	Michael Jetter
(German public auditor)	(German public auditor)

Impressum

Publisher:

primion Technology AG
Steinbeisstraße 2-5
72510 Stetten a. k. M.
Germany

Phone: +49 75 73 / 9 52-0
Fax: +49 75 73 / 9 20 34

info@primion.de
www.primion.eu

Print:

WALTER Medien GmbH
74336 Brackenheim-Hausen