TURBON AG

ANNUAL REPORT 2005

TABLE OF CONTENTS


The Turbon Group

AT A GLANCE

TURBON GROUP

	2005	2004
	1,000 EURO	1,000 EURO
Sales	117,121	123,554
Depreciation	2,176	2,376
Earnings before interest and taxes	4,948	3,722
Result from ordinary operations	3,746	2,634
Net income	3,047	2,249
Cash Flow	5,415	4,974
Long-term assets	19,146	15,812
Short-term assets	65,379	54,229
Shareholders' equity	33,770	26,414
Net indebtedness*	19,046	16,669
Balance sheet total	84,525	70,041
Employees on average	1,158	1,220

* Liabilities due to banks less liquid funds

EXECUTIVE BOARD

Holger Brückmann-Turbon, Köln
- Chairman -

Alan S. Howard, Hertfordshire/GB

Klaus D. Marth, Düsseldorf

Michael Pages, Moers

SUPERVISORY BOARD

Dr. Juno A. Nuber,
Vice President NCR, Glattzentrum/Switzerland
- Chairman -

Dr. Paul-Michael Günther,
Lawyer, Audiotor and
Tax Consultant, Wuppertal
- Vice Chairman -

Dr. Stefan Jansen,
Lawyer, Wuppertal

Michael J. VanDemark,
Director NCR, Springboro (OH)/USA

Girolamo Cacciatore,
Works Council Chairman, Remscheid
- Employee Representative -

Dietmar Kirsch,
Technical Employee, Langenfeld
- Employee Representative -

TURBON GROUP

OPERATIVE STRUCTURE OF THE GROUP

This organigram gives an overview of the operative structure of the Turbon Group.
The complete breakdown of shareholdings is shown on pages 40 and 41.

DEAR SHAREHOLDERS OF TURBON AG,

The years 2004 and 2005, as a period of transition, involved many changes which we have dealt with successfully. Sales in these two years were lower than in previous years. The reasons for this were primarily the massive pressure on prices/costs, declining demand for traditional impact products, changes in the area of strategic partnerships and, not least, a US Dollar very much weaker than the Euro. We have always kept you informed of these developments in detail at the relevant time.

Over the last two years, we have done our homework and taken the measures required to respond to the challenges. We have continued to expand our location in Thailand, which has been operating successfully for years. Another low cost production location has been established in Oltenita in Romania. All high volume products are now divided between these two locations. The much smaller production plants still remaining in Germany, the UK, the Netherlands and the USA concentrate on new developments, small volume products and products at the beginning of their life cycle and non-core products. In the Management Report which will follow later, we shall explain the reasoning behind our worldwide production allocation and also the cooperation between the production centres and distribution centres.

The market related decline in impact products continues as expected. However, the effect of this decline is no longer significant. Our focus on the area of non-impact products – and here on the laser cartridge as the most attractive product in our view – has paid off. Sales of laser cartridges, which are still rising, meanwhile account for more than 70 % of sales. In the first quarter of 2006 which has just ended, sales of laser cartridges accounted for almost Euro 25.0 million (Q1/2005: Euro 18.5 million) of total sales of approximately Euro 34.0 million (Q1/2005: Euro 29.7 million). This development gives us cause to be optimistic.

As regards the area of strategic partnerships, the partnership with NCR in particular must be mentioned. Whereas sales with NCR, formerly as part of close cooperation, were more than Euro 20.0 million per year in the past (primarily of printer ribbon cartridges), they have declined significantly over the last few years. We have planned for a sum of around Euro 5.0 million for the current year and assume that sales of these products will further reduce significantly over the next few years.

As well as our success in establishing new customer relations, we entered into a partnership in 2005, which provides for the partner to hold shares in Turbon. The Adsero Corporation, a Canadian holding company, has held a share in Turbon AG of just under 10 % since November 2005. One of the strategic aims is to bring the companies Turbon and Adsero closer together in the foreseeable future in order to for them to participate jointly in the forthcoming consolidation of our industry. An initial economic advantage that has arisen for Turbon out of this partnership is the cooperation with the Adsero subsidiary Tecknolaser with its registered office in Montreal, Canada. Tecknolaser purchases laser cartridges from our factories in Thailand and Romania.

As demonstrated by the sales figures for Q1/2006, the efforts of the last two years are starting to pay off. However, we are of course very much aware of the fact that this is no reason to sit back and relax; instead we must continue to improve our market position by means of further cost reductions, but especially by means of higher sales (organically and through acquisitions).

The fact that we have succeeded in concluding the two weaker years 2004 and 2005 with positive results in spite of everything – even if the greater portion of income in 2005 came from one-time amounts – has almost certainly helped to keep the share price stable. The share price was Euro 7.19 at the start of 2005 and Euro 8.30 by the end. The highest and lowest rates were Euro 10.66 and Euro 6.67 and, at the present time (April 6, 2006), the price stands at Euro 8.10.

We are not planning any changes with regard to dividend payments. The Supervisory Board and Executive Board will propose a dividend payment of Euro 0.30 per share for resolution at the forthcoming Annual Meeting of Shareholders on June 22 in Düsseldorf.

Thank you for your continued trust and support.

Yours sincerely,

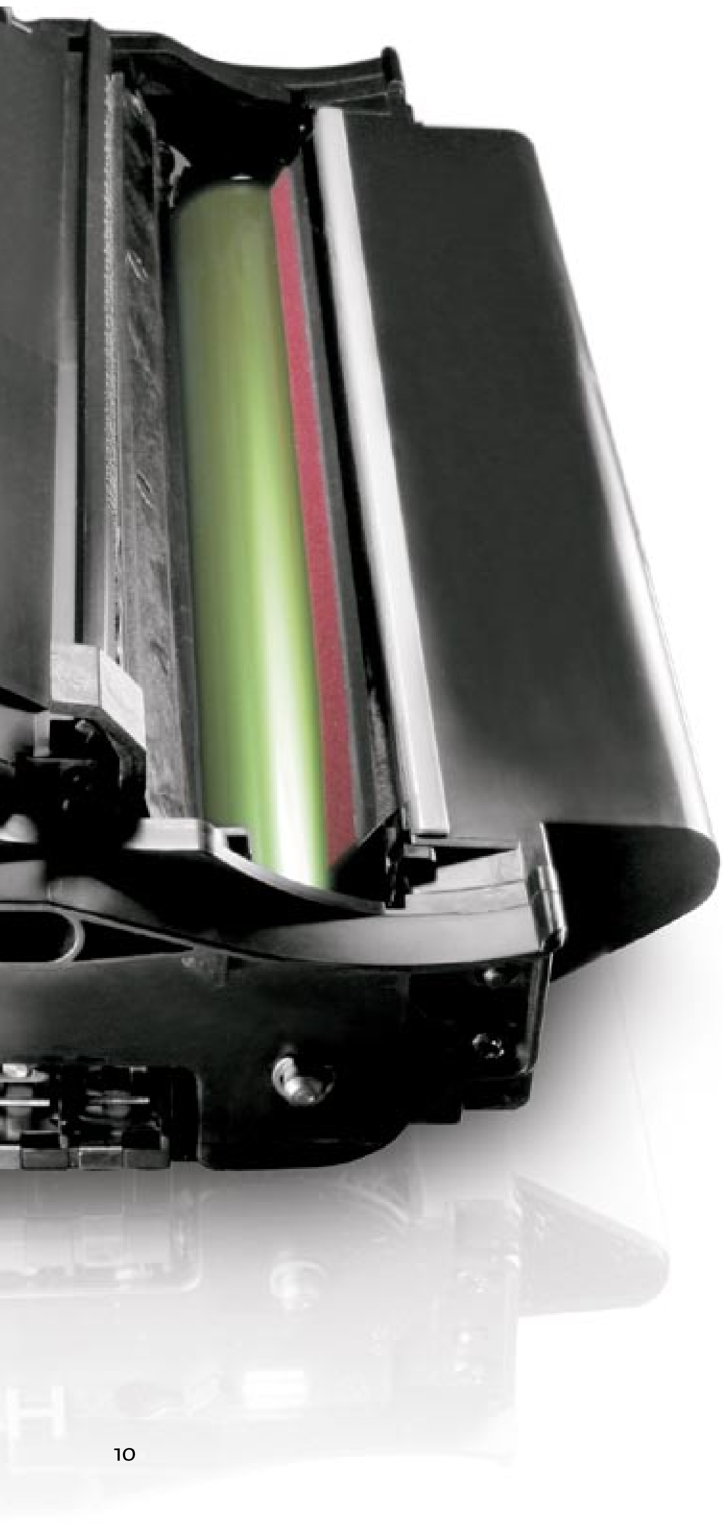
Holger Brückmann-Turbon

Chairman of the Executive Board

Hattingen, April 2006

DEVELOPMENT OF THE SHARE PRICE

MANAGEMENT REPORT OF THE GROUP AND TURBON AG



Turbon AG acts as the holding company of the Turbon Group. Alongside strategic and planning activities, its main tasks are primarily the control and coordination of the Turbon Group companies operating in the market. The position of Turbon AG is, therefore, mainly influenced by the economic and financial situation of the companies affiliated to it. For this reason, we deal primarily with the position of the Group in the explanations below.

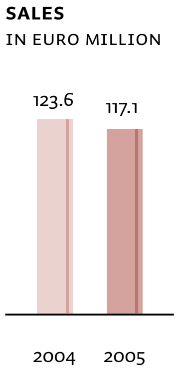
The present Consolidated Financial Statements of Turbon AG have been prepared in accordance with the International Financial Reporting Standards (IFRS) under application of § 315a of the German Commercial Code (HGB) and the Stock Corporation Act (AktG). The statement of income was prepared in accordance with the cost-of-sales accounting format.

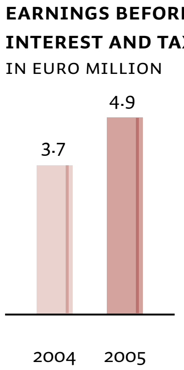
2005 CONSOLIDATED FINANCIAL STATEMENTS

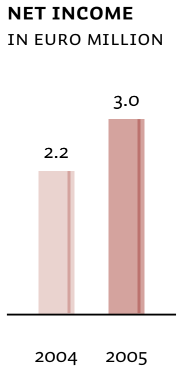
SALES FIGURES

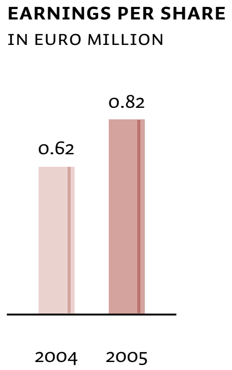
Group sales in the 2005 financial year were Euro 117.1 million compared to Euro 123.6 million in the previous year, but it must be noted that the decline in sales compared to the previous year was limited to the first half and that sales increased again in the second half of 2005. This trend has been sustained and strengthened in Q1/2006. More information on this in the Outlook.

Taking a separate look at each of the two areas of impact (printer ribbon cartridges) and non-impact (laser, ink jet, TTR), developments in sales were as follows:









Sales of non-impact products were Euro 90.7 million (previous year: Euro 91.5 million). The greater part of these sales were in our core area of laser cartridges. Sales here totalled Euro 77.3 million (Euro 71.7 million in the previous year).

The market related decline in impact products continued. Sales of printer ribbon cartridges totalled Euro 23.1 million in 2005 (Euro 28.0 million in the previous year). In addition, other sales represented a total of Euro 3.3 million (Euro 4.1 million in the previous year). Other sales include lease income.

On the basis of these figures, the percentage distribution is as follows: non-impact products 77.4 % (previous year 74.1 %), whereof 66.0 % (previous year 58.0 %) was earned solely with laser cartridges. Impact accounted for 19.7 % (previous year 22.6 %), other sales were 2.9 % (previous year 3.3 %). This trend has continued in the current financial year. The proportion of sales accounted for by non-impact products will rise to more than 80 % – with sales continuing to grow. Laser cartridges contributed more than 70 % to aggregate sales.

EARNINGS FIGURES

Earnings before interest and taxes (EBIT) were Euro 4.9 million compared to Euro 3.7 million in the previous year. Income from ordinary operations was Euro 3.7 million compared to Euro 2.6 million in the previous year and consolidated net income after tax rose to Euro 3.0 million (previous year: Euro 2.2 million). Earnings per share calculated on the basis of the average share portfolio were Euro 0.82 (previous year: Euro 0.62). However, the 2005 earnings figures have been greatly influenced by one-time effects. These effects were mainly profits from the sale of non-core-assets and the reversal of an accrual set up in the previous year.

BALANCE SHEET FIGURES

The balance sheet total increased from Euro 70.0 million as of December 31, 2004 to Euro 84.5 million as of December 31, 2005. The major reason for this, alongside the increase in current assets, is the stronger position of the US Dollar and Thai Baht compared to the Euro on the balance sheet date. We hold a major portion of our assets in the USA and in Thailand, so that the currency effect, which significantly exceeded the net income for the year, contributed towards an increase in equity to Euro 33.8 million (December 31, 2004: Euro 26.4 million). Another such effect resulted from the sale of our own shares. Equity per share was Euro 8.36 as of December 31, 2005. The equity ratio as of December 31, 2005 rose to 40.0 %.

Aggregate debt (including accruals) as of December 31, 2005 was Euro 50.7 million (previous year: Euro 43.6 million). Net bank debts were Euro 19.0 million (previous year: Euro 16.7 million).

Not included in the consolidated balance sheet are two sale-and-lease-back properties in Hattingen (company headquarters of Turbon AG and Turbon International GmbH) and Meerbusch (on a long-term lease). Rent payments resulting from the same, which are recognized as expenses in the statement of income, equal Euro 1,266 thousand. The contracts of lease each have a residual term of 13.5 years.

No events of particular importance with a major impact on our net worth, financial position and income position have occurred since the balance sheet date.

GLOBAL DIVISION OF LABOUR IN THE TURBON GROUP

Our industry and, therefore, our company is involved in the great challenge of operating in the major markets of Europe and the USA but simultaneously producing core and high volume products at low cost (i.e. competitive) locations. For this reason, cooperation between the production and distribution companies and, of course, logistics, becomes a task of major importance. This is all the more important in view of the fact that we collect a greater part of the empties processed in the course of laser cartridge remanufacturing far away from the production locations and, therefore, have to deliver them to these locations. The laser cartridge, as the principal product, is used below to illustrate our operating structure.

Production plants currently involved in laser cartridge remanufacturing are situated at 5 locations in total (Thailand, Romania, Netherlands, UK and USA). Each company has its own specialization or purpose.

If we begin the survey with Thailand. Thailand is the largest and most cost effective production location of our group of companies. However, Thailand is also the greatest distance away from our principal markets, which are Europe and the USA. Consequently, production in Thailand concentrates on manufacturing high volume mature level products for the most common printers on the world market. An important criterion is that there are sufficient empties available for these products and, for this reason we must ensure that quantities that cannot be obtained in Asia can be brought to Thailand from the USA and Europe. We must do this without empties being held up in the logistics chain for such a long time as to cause bottlenecks or tie up unreasonably high amounts of capital.

This requires a relatively long-term plan for the production quantities of these products in Thailand. This normally occurs on the basis of historical sales data according to the "80%+" principle.

Furthermore, we are also very successful in collecting empties in Thailand. Empties from those printers that are quite common in Thailand or Asia and also have a considerable installed base in Europe and USA can flow into production sufficiently close to the time of their collection and be delivered to our principal markets.

Today, around 60 % of all the laser cartridges we sell are manufactured at our site in Thailand.

When establishing the production plant in Romania, the intention was to complement and not to duplicate the Thai location. In this, we have been successful. We produce the same products in Romania as we do in Thailand, but closer to the time of sale on the basis of "20%-" principle. This allows total production to be adapted to total requirements. Main focus at the Romanian site nevertheless is the production of all other products of medium size volume and the production uses the scarce and, therefore, expensive empties close to the (European) market.

In Romania, we produce around 25 % of the quantities we sell.

The rationale behind the production plants in the Netherlands, UK and the USA is different, and is oriented less on costs than on availability.

We continue to have a facility in the Netherlands where the emphasis is on development. Accordingly, the associated production concentrates on new products until they reach the stage where they can be transferred to Thailand or Romania. In addition, small volume and niche products are manufactured here.

Our expertise centre for colour laser cartridges is in England. Our Harlow site produces cartridges for use in colour laser printers only. This represents the latest technology, which has given rise to new challenges not only in the area of remanufacturing but also in the area of components and, in particular in toner powder manufacturing, by our suppliers. At the beginning especially, this resulted in problems of availability and quality deviations in the components, so that the best option was to concentrate on one location close to the principal supplier.

The situation has meanwhile relaxed somewhat so that, in the case of colour laser cartridges, we have also begun production of the corresponding volumes of more mature products at the Thai and Romanian sites. In future, the English production site will occupy a position comparable to that of the Dutch site for the manufacturing of colour laser cartridges.

Finally, in the USA, we produce laser cartridges on a small scale at our Cinnaminson plant. As well as manufacturing small volumes and special products for the American market, the primary task of this location is to manufacture unscheduled requirements, which can arise in isolated cases because of the distance of the other production plants from the U.S. market.

All in all, we produce around 15 % of all laser cartridges sold by the Turbon Group in the locations in the Netherlands, UK and USA.

Our logistics teams then have the task of getting the production quantities to the distribution centres and then from there to the customers.

Our major distribution centres are in Germany (Hattingen), England (Harlow) and the USA (Cinnaminson/NJ).

Customers in Continental Europe are supplied from Hattingen. In Q1/2006 around 33 % of all group sales and around 36 % of laser cartridge sales were delivered from Hattingen. British customers receive supplies and support directly in the UK. Our experience is that such proximity is necessary for operations to be successful in the United Kingdom. In Q1/2006, deliveries from Harlow accounted for around 23 % of all group sales and around 24 % of laser cartridge sales.

We supply our North American customers from the Cinnaminson plant. Sales by Cinnaminson in Q1/2006 accounted for 28 % of group sales and 30 % of all deliveries of laser cartridges. The three locations Hattingen, Harlow and Cinnaminson account, therefore, for 84 % of all group sales and even 90 % of all deliveries of laser cartridges.

On top of these are direct deliveries ex works Thailand to the USA, which account for around 4 % of group sales and around 6 % of all laser cartridge sales. Thailand accounts for another approximately 2 % of total sales and laser cartridge sales in Asia.

The remaining sales are made from locations in Belgium (Kores Nordic Belgium) and the USA (York, PA) (these are empty cartridges/plastics for printer ribbons) and to a very limited extent from Finland (Kores Nordic Suomi). We also closed down two locations in Denmark and Sweden last year. These customers are now being supplied directly from Hattingen or Harlow or through distributors in the relevant countries.

OPPORTUNITIES AND RISKS

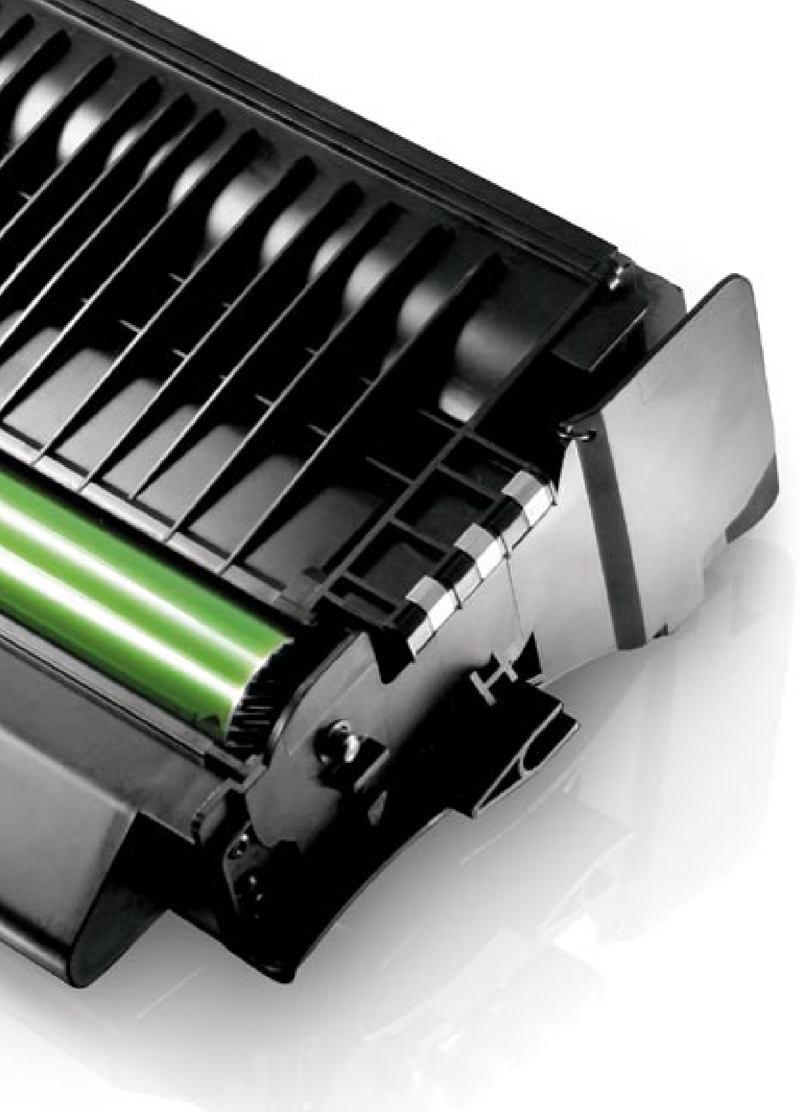
To cover the risks arising from the specific requirements of the Group and its business operations, all companies of the Group participate in the controlling system of the holding company (Turbon AG). To cover risks for all companies, working groups have been set up, which work closely with the Executive Board and which report on the results of their work at regular intervals.

One of the challenges currently facing our industry is the variety and complexity of new product development. On the one hand this could be considered a risk but on the other hand it is in our opinion also an opportunity for the Group.

Whereas the business with laser printers and cartridges was limited for many years to two or three printer manufacturers (one of which was dominant) and a manageable number of different cartridges, the situation has changed today. The market for laser printers is meanwhile shared between a large number of OEMs (one of which is still dominant); the number of different printers and, therefore, of cartridges has multiplied dramatically. The number of printers rises from one week to the next and, since there is also an installed base for older printers that are no longer sold but still have a demand for cartridges, the product range in demand from us is constantly widening. Added to this is the fact that products today are much more complex (especially in the colour sector) with corresponding effects on remanufacturing and – as previously described – the availability of components (in particular toner powder). On top of all this comes the sustained pressure on prices, which demands constant reductions in costs and, at the very least, the production of high volume products at low cost locations.

The great risk arising from the same is that manufacturers in our industry are no longer able to compete with the products of OEMs and also, as regards to the costs, with alternative suppliers from low cost countries. However, we regard this as more of an opportunity for our company, based on the structure established.

We believe that many small to medium size competitors in our industry will be unable to meet the challenges arising for the individual company from the above situation in the long term, and that this will, in turn, give us an opportunity to take over market shares and then grow at a higher than average rate compared to the market as a whole.



We would like to thank all employees of the Turbon Group for their great commitment and good work in 2005. We would also like to extend our thanks in particular to the employee representatives.

RESEARCH AND DEVELOPMENT

Around Euro 1.8 million were spent on Research and Development in 2005. As in the previous year, these expenses concerned non-impact products almost exclusively.

CAPITAL EXPENDITURES

Capital expenditure on property, plant and equipment totalled Euro 3.1 million in 2005. Alongside regular capital expenditure on production equipment, investments were made primarily in construction. These concerned building measures at the site in Thailand, which were completed on schedule in the first half of the year, and the building of an extension at the Romanian plant, which was completed in the first quarter of 2006. We now have an area of around 5,000 m2 available at Oltenita.

PERSONNEL

The Turbon Group had 1,158 employees on average in 2005. The number of employees as of December 31, 2005 was also 1,158. In addition to these there are contracted staff employed indirectly via an employment agency in Thailand. These contracted staff numbered 475 as of December 31, 2005. 4 members of staff were employed by Turbon AG on average during the year and at the end of the year.

21,500 subscription rights from the Turbon Stock Option Plan 2003 were issued in 2005. These subscription rights are divided among 22 persons. The subscription rights issued in 2005 can be used to subscribe for Turbon shares after the annual shareholders' meeting in the year 2008 for the first time. The base price of these subscription rights is Euro 8.92.

An increase in capital resulted from members of staff exercising their subscription rights under the 1999 Turbon Stock Option Plan to purchase shares in July 2005. A total of 13,000 shares were acquired using subscription rights. Consequently the total number of shares of Turbon AG is currently 4,042,000.

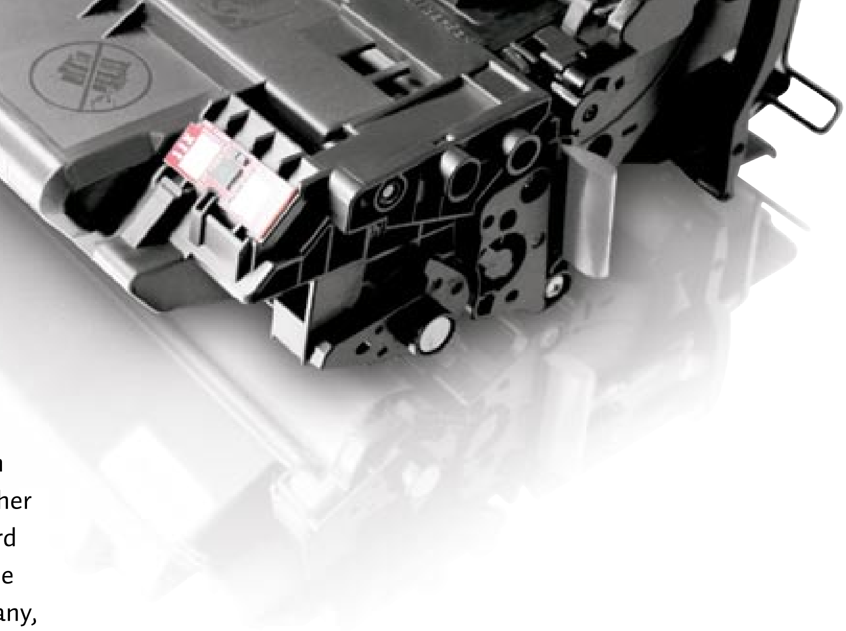
OUTLOOK

As already stated above, we succeeded in increasing sales in Q1/2006 significantly compared to the prior year period. Consolidated sales in Q1 were approximately Euro 34.0 million compared to Euro 29.7 million in Q1/2005. Laser cartridges were the sales drivers. Their sales increased from Euro 18.5 million to Euro 24.8 million.

Consequently, we are planning to increase sales for the year 2006 as a whole to Euro 135.0 million. This sales budget includes sales billed in dollars at an exchange rate of US$1.20/Euro. We anticipate a slight rise in consolidated net income compared to 2005, with one-time effects being neither planned nor expected.

Hattingen, in April 2006

The Executive Board



REPORT OF THE SUPERVISORY BOARD

The Supervisory Board had four formal meetings in the financial year 2005 together with numerous other meetings. On these meetings the Supervisory Board was provided with written and oral reports from the Executive Board regarding the status of the Company, it's business operations and policy, on the basis of which it monitored the Company's management. The Executive Board discussed all the major concerns of the Company with the Supervisory Board, which assisted in the decision making process in accordance with its obligations. The Supervisory Board and Executive Board have scrutinized the recommendations and suggestions of the German Corporate Governance Code and issued a declaration of compliance pursuant to Section 161 of the Stock Corporation Law (AktG). Comments of the declaration of conformity are included on the web page of Turbon AG.

The annual financial statements of Turbon AG and the consolidated financial statements prepared by the Executive Board for the financial year 2005 as well as the accounting records and the combined company and group management report have been audited by BDO Deutsche Warentreuhand AG, Wirtschaftsprüfungsgesellschaft, Düsseldorf, who were appointed as auditors at the Annual Shareholder's Meeting on June 23, 2005. Also subject to this audit were the measures taken by the Executive Board to identify at an early stage any risks that might threaten the company's performance and it's continuing existence. The auditors raised no objections and issued unqualified auditors' reports.

The annual financial statements of Turbon AG, the consolidated financial statements and the combined company and group management report for which unqualified auditors' reports have been issued by BDO Deutsche Warentreuhand AG, Wirtschaftsprüfungsgesellschaft, Düsseldorf, along with the auditors' reports have been submitted to the Supervisory Board for examination.

The Supervisory Board examined and approved the documents and the auditors' reports for the Turbon AG and Turbon Group pursuant to Section 170 subsection 1 and 2 of the Stock Corporation Law (AktG) and concluded after the final results of their examination and approval that no objections had to be made. The Supervisory Board agrees with the audit results of BDO Deutsche Warentreuhand AG, Wirtschaftsprüfungsgesellschaft, Düsseldorf. The auditors, having signed the annual financial statements and consolidated financial statements, attended the meeting of the Supervisory Board at which the annual financial statements and the consolidated financial statements were approved and reported on their audit of the financial statements and consolidated financial statements.

The Supervisory Board ratified the annual financial statements as well as the consolidated financial statements for the financial year 2005. The Supervisory Board approved the management report prepared by the Executive Board, and agreed with the Executive Board's proposal for the appropriation of retained earnings.

The Supervisory Board expresses its grateful thanks to the Executive Board, the employees' elected representatives and all employees for their dedicated work in the past financial year.

Hattingen, April 2006

The Supervisory Board

CONSOLIDATED FINANCIAL STATEMENTS - TURBON GROUP

CONSOLIDATED BALANCE SHEET - TURBON GROUP

AS OF DECEMBER 31, 2005

ASSETS

	Notes	DEC. 31, 05 1,000 EURO	DEC. 31, 04 1,000 EURO
Long-term assets			
Intangible assets	(1)	458	83
Tangible assets	(1)	16,484	14,300
Financial assets	(1)	285	370
		17,227	14,753
Deferred tax assets		1,919	1,059
		19,146	**15,812**
Short-term assets			
Inventories			
Raw materials and supplies		10,801	9,932
Work in progress		1,839	1,643
Finished goods and trading stocks		21,368	16,660
Advance payments		0	13
		34,008	28,248
Trade receivables		22,018	18,371
Other assets	(2)	6,457	4,833
Cash and cash equivalents	(3)	903	1,007
Deferred tax assets		411	481
Deferred charges and prepaid expenses		1,582	1,289
		65,379	**54,229**
		84,525	**70,041**

SHAREHOLDERS' EQUITY AND LIABILITIES

	Notes	DEC. 31, 05 1,000 EURO	DEC. 31, 04 1,000 EURO
Shareholders' Equity	**(4)**		
Subscribed capital		10,333	10,300
Capital reserves		14,956	14,917
Revenue reserves		1,513	1,612
Retained earnings		6,968	2,005
Treasury stock		0	-2,420
		33,770	**26,414**
Long-term liabilities			
Pension reserves	(5)	2,919	2,575
Deferred tax liabilities		1,442	1,310
		4,361	**3,885**
Short-term liabilities			
Accrued taxes		1,198	982
Other reserves and accrued liabilities	(6)	4,963	3,812
Liabilities due to banks		19,949	17,676
Trade payables		17,606	13,745
Liabilities due to other group companies		24	24
Other liabilities	(7)	2,248	2,810
Deferred items		406	693
		46,394	**39,742**
		84,525	**70,041**


The Turbon Group

CONSOLIDATED STATEMENT OF INCOME-TURBON GROUP

FOR THE PERIOD FROM JANUARY 01 UNTIL DECEMBER 31, 2005

	Notes	2005 1,000 EURO	PREVIOUS YEAR 1,000 EURO
Sales	(8)	117,121	123,554
Cost of sales		-94,332	-99,976
Gross profit		**22,789**	**23,578**
Selling expenses		-12,472	-11,831
Administrative expenses		-8,411	-8,547
Other operating income	(9)	4,212	2,234
Other operating expenses	(10)	-1,170	-1,712
Net interest	(11)	-1.202	-1.088
Result from ordinary operations		**3,746**	**2,634**
Taxes on income	(12)	-699	-385
Group net income		**3,047**	**2,249**
Profit brought forward from previous year		895	67
Change in revenue reserves		3.026	-311
Retained earnings		**6,968**	**2,005**
Earnings per share (in Euro)	**(14)**	**0,82**	**0,62**
Diluted earnings per share (in Euro)		**0,80**	**0,60**

CONSOLIDATED SATEMENT OF FIXED ASSETS MOVEMENTS

FOR THE PERIOD FROM JANUARY 01 UNTIL DECEMBER 31, 2005

	AT COST					
	Balance Jan. 01, 2005	Additions	Transfers	Disposals	Differences from currency conversion	Balance Dec. 31, 2005
	1,000 Euro	1,000 Euro	1,000 Euro	1,000 Euro	1,000 Euro	1,000 Euro
Intangible assets						
Concessions, industrial-property and similar rights and assets as well aslicenses thereto	1,143	552	0	0	4	1,699
	1,143	**552**	**0**	**0**	**4**	**1,699**
Tangible assets						
Land, equivalents titles and buildings (including on leased land)	11,000	339	290	132	839	12,336
Production, plant and machinery	30,585	767	225	375	1,923	33,125
Other plant, factory and office equipment	33,251	784	96	297	434	34,268
Advance payments and construction in progress	454	1,215	-611	0	13	1,071
	75,290	**3,105**	**0**	**804**	**3,209**	**80,800**
Financial assets						
Participations	49	0	0	0	0	49
Loans due from other group companies	236	0	0	0	0	236
Other loans	235	0	0	5	-1	229
	520	**0**	**0**	**5**	**-1**	**514**
	76,953	**3,657**	**0**	**809**	**3,212**	**83,013**

ACCUMULATED DEPRECIATION						BOOK VALUES	
Balance Jan. 01, 2005 1,000 Euro	Depreciation during financial year 1,000 Euro	Write-ups during financial year 1,000 Euro	Disposals 1,000 Euro	Differences from currency conversion 1,000 Euro	Balance Dec. 31, 2005 1,000 Euro	Balance Dec. 31, 2005 1,000 Euro	Balance Previous year 1,000 Euro
1,060	175	0	0	6	1,241	458	83
1,060	**175**	**0**	**0**	**6**	**1,241**	**458**	**83**
1,622	299	306	132	255	1,738	10,598	9,378
28,392	781	0	295	1,741	30,619	2,506	2,193
30,976	842	41	200	382	31,959	2,309	2,275
0	0	0	0	0	0	1,071	454
60,990	**1,922**	**347**	**627**	**2,378**	**64,316**	**16,484**	**14,300**
0	0	0	0	0	0	49	49
0	0	0	0	0	0	236	236
150	79	0	0	0	229	0	85
150	**79**	**0**	**0**	**0**	**229**	**285**	**370**
62,200	**2,176**	**347**	**627**	**2,384**	**65,786**	**17,227**	**14,753**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS‘ EQUITY - TURBON GROUP

AS OF DECEMBER 31, 2005

	SUBSCRIBED CAPITAL 1,000 EURO	CAPITAL RESERVES 1,000 EURO	REVENUE RESERVES 1,000 EURO	RETAINED EARNINGS 1,000 EURO	TREASURY STOCK 1,000 EURO	TOTAL 1,000 EURO
At January 01, 2004	10,226	14,827	3,681	1,507	-2,420	27,821
Capital increase	74	90				164
2003 dividends				-1,440		-1,440
Net income for the year				2,249		2,249
Change in revenue reserves			311	-311		0
Exchange rate differences and other changes			-2,380			-2,380
At December 31, 2004	**10,300**	**14,917**	**1,612**	**2,005**	**-2,420**	**26,414**
Capital increase	33	39				72
2004 dividends				-1,110		-1,110
Sale treasury stock					2,420	2,420
Net income for the year				3,047		3,047
Change in revenue reserves			-3,026	3,026		0
Exchange rate differences and other changes			2,927			2,927
At December 31, 2005	**10,333**	**14,956**	**1,513**	**6,968**	**0**	**33,770**

CONS. CASH FLOW STATEMENT - TURBON GROUP

FOR THE PERIOD FROM JANUARY01 UNTIL DECEMBER 31, 2005

	2005	PREVIOUS YEAR
	1,000 EURO	1,000 EURO
Net income for the year	3,047	2,249
Depreciation of fixed assets	2,176	2,376
Write-ups of fixed assets	-347	0
Change in pension reserves	344	398
Other non-cash expenses and income	195	-49
Cash flow	**5,415**	**4,974**
Result on disposals of fixed assets	-33	-22
Change in inventories	-5,760	-3,825
Change in trade receivables	-3,842	4,744
Change in other assets	-387	218
Change in short-term provisions	1,499	162
Change in trade payables	3,881	1,503
Change in other liabilities	-869	828
Cash flow from operating activities	**-96**	**8,582**
Exchange-rate-related change from consolidation	**-200**	**-1,910**
Purchase of intangible assets	-552	-65
Purchase of tangible assets	-3,105	-4,850
Purchase of financial assets	0	-141
Proceeds from disposals of fixed assets	215	1,325
Cash flow from investing activities	**-3,442**	**- 3,731**
Sale of Treasury stock	2,333	0
Capital increase	72	164
Dividend payment	-1,110	-1,440
Change in bank debts	2,273	-1,678
Cash flow from financing activities	**3,568**	**-2,954**
Change in cash funds from cash relevant transactions	-170	-13
Exchange-rate-related change in cash funds	66	-63
Cash funds at the beginning of the period	1,007	1,083
Cash funds at the end of the period	**903**	**1,007**
Cash flow from operating activities includes:		
Interest payment	-1,003	-929
Income tax payment	-467	-1,425

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – TURBON GROUP

PRINCIPLES OF ACCOUNTING

The consolidated financial statements of Turbon AG have been prepared for the first-time – pursuant to article 315a of the German Commercial Code (HGB) and the Stock Corporation Act (AktG) – according to the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC), in effect at the closing date. Since 2002 the term "International Financial Reporting Standards" (IFRS) has been used to refer to the body of accounting and reporting standards compiled by the International Accounting Standards Board (IASB), London. It thus replaces the term "International Accounting Standards". However, standards issued prior to the name change continue to be referred to as IAS.

All amounts shown in the consolidated financial statements and in the notes to the consolidated financial statements, unless otherwise noted, are in thousands of Euros. The consolidated statement of income is presented according to the cost-of-sales accounting format.

The details and explanations for the consolidated financial statements have been taken into account in the notes.

With the conversion to IFRS, the following accounting and valuation methods in particular are modified:

- Valuation of pension reserves using the projected unit credit method in accordance with IAS 19 taking account of anticipated rises in salaries and pensions
- Offset of treasury stock (own shares) against shareholders' equity in previous years

As regards handling of goodwill, the IFRS 1 option right will be exercised, according to which IAS 22 cannot be applied retrospectively to former company mergers. This means that the offset of goodwill against revenue reserves will also be retained in the consolidated financial statements in accordance with IFRS.

The effects of the first-time adoption of IFRS on shareholder's equity and consolidated net income are shown in the following tables.

Reconciliation of shareholders' equity to IFRS:

	DEC. 31, 04 1,000 EURO	**JAN. 01, 04** 1,000 EURO
Equity as per HGB	29,648	30,794
Offset treasury stock against shareholders' equity	-2,420	-2,420
Change in pension reserves	-1,196	-806
Change in long-term deferred tax assets	382	253
Equity as per IFRS	**26,414**	**27,821**

The transition to IFRS affects the 2004 statement of income as follows:

	2004 IFRS 1,000 EURO	**2004 HGB** 1,000 EURO	**DIFFER-ENCE** 1,000 EURO
Sales	123,554	122,791	763
Cost of sales and other expenses and income	-120,920	-120,107	-813
Result from ordinary operations	2,634	2,684	-50
Taxes on income	-385	-404	19
Group net income	**2,249**	**2,280**	**-31**

The higher sales under IFRS result from the reclassification of income from leases. The change in consolidated net income results from the revaluation of pension reserves.

The transition to IFRS resulted in no changes to cash funds in the cash-flow statement.

CONSOLIDATION METHODS

CONSOLIDATED COMPANIES

Apart from Turbon AG, the consolidated financial statements include one domestic and 18 foreign companies in which Turbon AG directly or indirectly holds the majority of voting rights, or over which it exercises uniform control. The number of consolidated companies is unchanged compared to previous year.

Not included is one (previous year one) subsidiary that was of minor importance for the conveying of a true picture of the asset, financial and income position of the Group. The subsidiaries included in and excluded from the consolidated financial statements are listed in the breakdown of shareholdings.

The limited partnerships BIL Leasing Verwaltungs-GmbH & Co. Objekt Hattingen KG and BIL Leasing Verwaltungs-GmbH & Co. Objekt Meerbusch KG (sale and lease back objects) will not be included in the consolidated financial statements of Turbon AG, because according to IAS 27 in conjunction with SIC (Standing Interpretations Committee) 12 the two limited partnerships are neither subsidiaries of Turbon AG nor can most of the opportunities and threats inherent in the lease agreements be attributed to Turbon AG. Due to the fact that these lease agreements must be classified as "operate leases" according to IAS 17 the objects need not be included according to this accounting standard.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements are based on the annual financial statements of Turbon AG and the subsidiaries included therein prepared on the basis of uniform corporate accounting and valuation principles and audited by certified public accountants. Valuation adjustments made for tax reasons are not reflected in the consolidated financial statements. The individual financial statements are prepared as of the closing date for the consolidated statements.

Capital consolidation was made using the book value method, offsetting the costs of acquiring these investment companies against the pro-rata equity at the time of the acquisition of the individual companies. Goodwill during first-time consolidation was capitalized as goodwill and offset against revenue reserves, unless it was able to be allocated to hidden reserves or hidden burdens.

Receivables and liabilities between the consolidated companies were offset against each other.

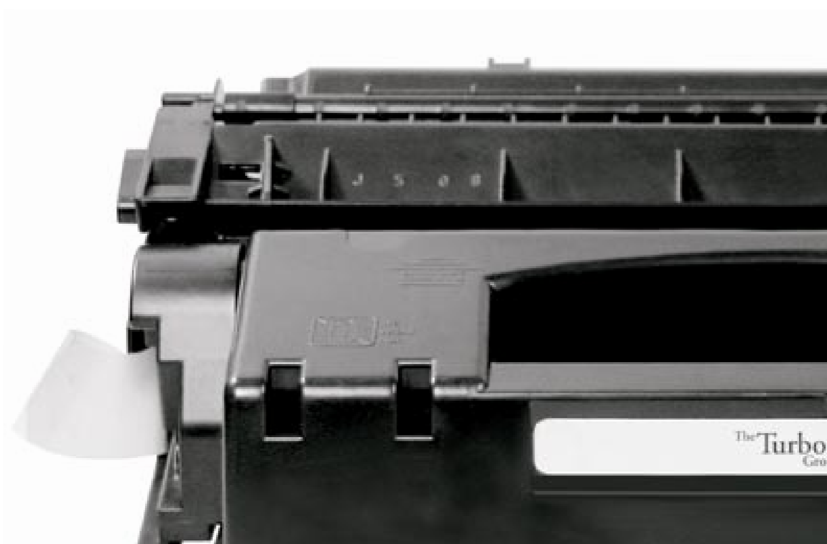
Intra-Group expenses and income were offset against each other.

Intra-group profits in inventory assets arising from intra-group deliveries and services were eliminated. The elimination of intermediate results in fixed assets was waived owing to its minor importance.

Provision is made for deferred taxes arising on consolidation from the difference in tax charges if such differences will probably be equalized in later financial years.

CURRENCY TRANSLATION

In the financial statements of the individual companies, receivables and liabilities in foreign currencies are valued at the rate prevailing on the date of transaction. Exchange losses occurring on re-translation as of the balance sheet date are reflected in the figures.



In the consolidated financial statements, the assets and liabilities of all financial statements of subsidiaries prepared in foreign currencies are translated at the middle rate as of the balance sheet date. In the consolidated statement of income, annual average rates are used. Differences arising from currency translation of the balance sheet items compared to the conversion for the previous year were offset against the revenue reserves or allocated to the same without affecting income.

In the consolidated statement of fixed assets movements, the values at the beginning and end of the financial year were converted to the relevant rate on the balance sheet date and the other items to the average rate for the year; the difference arising from changes in exchange rates is shown separately as exchange rate differences.

The exchange rates of the currencies changed as follows:

	RATE ON EFFECTIVE DATE		AVERAGE RATE	
	DEC 31.12.05	DEC 31.12.04	2005	2004
1 EUR =				
USD	1.1834	1.3640	1.2451	1.2434
GBP	0.6870	0.7071	0.6840	0.6787
THB (Baht)	48.6150	53.0750	50.0860	50.0600
DKK	7.4603	7.4385	7.4517	7.4399
SEK	9.3930	9.0200	9.2795	9.1260
RON	3.7000	4.0562	3.6529	4.1540

ACCOUNTING AND VALUATION METHODS

Acquired intangible assets are capitalized at cost and written off using the straight-line method over their useful life of 3 to 5 years.

Movable fixed assets are valued at cost less scheduled depreciation. Costs of repair and interest on borrowed capital are shown as ongoing expense.

Tangible assets are written off using the straight-line depreciation method over the probable useful life. Low-value assets are fully written off in the year of acquisition.

Scheduled depreciation is based on uniform corporate useful lives as follows:

Buildings	20 to 50 years
Facilities on land	3 to 10 years
Production, plant and machinery	3 to 10 years
Other plant, factory and office equipment	3 to 20 years

Financial assets are valued at acquisition cost or market value as of the balance sheet date, whichever is lower.

Raw materials and supplies as well as trading stocks are valued at acquisition cost. Stock risks resulting from longer stockholding or lack of use have been taken into account by adequate devaluations. Work in progress and finished goods are valued at cost of production, which contains appropriate amounts of material and manufacturing overhead expenses, including production-specific depreciation, but no administrative expenses. Necessary deductions were made for recognizable storage risks and selling risks.

Receivables and other assets as well as cash and cash equivalents are shown at nominal value. Individual value adjustments were made for doubtful debts, uncollectible debts were written off. The general credit risk was taken into account by flat rate value adjustments based, as a matter of principle, on values taken from past experience.

The accrued and deferred items are used for accrual-based accounting of income.

The pension reserves are calculated according to actuarial principles. The pension reserves are determined using the projected unit credit method. This method considers not only the pensions and future claims known on the balance sheet date but also future anticipated increases in salaries and pensions. If pension obligations are reinsured using plan assets they are disclosed net.

Other reserves and accrued liabilities take account of all recognizable risks and contingent liabilities at the amount likely to arise.

Liabilities are stated at the amounts repayable.

Deferred taxes are recognized on all temporary differences between the tax accounts and the IFRS carrying amounts. Deferred tax assets are recognized on unused tax losses if they are likely to be used. Valuation allowances are recorded on deferred tax assets whose realization in the foreseeable future is not likely.

Deferred taxes are measured on the basis of the tax rates that apply on the current legislation in the individual countries at the time of realization. Deferred tax assets and liabilities are offset against each other, where permissible.

Sales are entered at the time of delivery of the products or goods, less any discounts, customer bonuses and rebates.

Operating expenses are shown at the time of using the service, other marketing-related expenses at the time of being incurred. Interests and similar expenses are booked as expenses of the accounting period.

EXPLANATIONS TO THE CONSOLIDATED BALANCE SHEET

(1) FIXED ASSETS

The development of intangible assets, tangible assets and financial assets is shown in the consolidated statement of fixed assets movements on pages 22 and 23.

The breakdown of shareholdings is presented on pages 40 and 41.

(2) OTHER ASSETS

Breakdown of the other assets:

	DEC. 31, 05 1,000 EURO	DEC. 31, 04 1,000 EURO
Receivables arising from sale of treasury stock	2,366	0
Receivables arising from sale of non-core assets	1,800	0
Claims arising from taxes	1,480	575
Claims arising from employer's pension liability insurance	144	322
Assets held for sale	0	3,099
Other assets	667	837
	6,457	**4,833**

(3) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are primarily credit balances with banks and cash on hand.

(4) SHAREHOLDERS' EQUITY

The subscribed capital of Turbon AG is Euro 10,333,000 (previous year: Euro 10,300,000) and divided into 4,042,000 (previous year: 4,029,000) no-par registered shares.

The increase of the subscribed capital is explained by the fact that 13,000 stock options issued within the scope of the Turbon Stock Option Plan 1999 were exercised. Because of this the total contingent capital as of December 31, 2005 is reduced to Euro 915,000 (previous year: Euro 948,000). The registration of the capital increase has been done in March 2006.

In the annual meeting of shareholders on August 12, 1999, share capital was conditionally increased by up to Euro 511,000 by the issue of up to 200,000 registered no-par shares for the granting of a maximum of 200,000 subscription rights to the members of the executive board and the management executives of Turbon AG and its domestic and foreign investment companies. The conditional increase in share capital is carried out only to the extent to which the owners of subscription rights exercise these subscription rights in accordance with the regulations specified in the Turbon Stock Option Plan 1999 and a capital increase is necessary to serve these subscription rights. Subscription rights will be issued during the first 15 working days in December. The subscription rights may not be exercised until after a holding period of two years has elapsed. The holding period begins on the first day of the year following the issue of the subscription rights. The subscription rights, each of which gives the right to buy one no-par share of Turbon AG, can be exercised within a period of three years beginning at the end of the holding period and, within these three years, from the third stock exchange day onwards following the ordinary meeting of shareholders and for a period of 21 calendar days. The shares are issued after reaching a certain barrier to exercise at the relevant base price. The base price is the average price of the Turbon share in a specific measured period.

The table below shows the basic terms of subscription rights issued under the Turbon Stock Option Plan 1999:

Subscription rights issued in	Base price in Euro	Subscription rights issued	Subscription rights exercised	Subscription rights outstanding DEC. 31, 05
1999	7.33	40,500	-	-
2000	5.97	45,000	19,000	-
2001	5.34	43,500	23,000	14,000
2002	8.11	42,000	-	37,000
2003	6.08	13,500	-	13,500

The relevant barrier to exercise the exercisable subscription rights will be newly calculated after the measuring period 2006 has elapsed.

In the annual meeting of shareholders on June 12, 2003, share capital was conditionally increased by up to a further Euro 511,000 by the issue of up to 200,000 registered no-par shares (conditional capital II). The conditional increase in share capital is carried out only to the extent to which the owners of subscription rights exercise these subscription rights in accordance with the regulations specified in the Turbon Stock Option Plan 2003 and a capital increase is necessary to serve these subscription rights. The conditions of exercise for the Turbon Stock Option Plan 2003 correspond essentially to the conditions of exercise for the Turbon Stock Option Plan 1999.

The table below shows the basic terms of subscription rights issued under the Turbon Stock Option Plan 2003:

Subscription rights issued in	Base price in Euro	Subscription rights issued	Subscription rights exercised	Subscription rights outstanding DEC.31, 05
2003	6.08	19,000	-	18,000
2004	10.14	38,500	-	37,500
2005	8.92	21,500	-	21,500

The capital reserve comes from the premium at the time of the capital increase at Turbon AG in 1991 (Euro 14,827,000) and from the exercise of stock options issued within the scope of the Turbon Stock Option Plan 1999 (Euro 129,000).

The consolidated statement of changes in shareholders' equity is presented on page 24.

(5) PENSION RESERVES

The direct and indirect obligations comprise obligations arising from existing pensions, as well as future pensions and retirement obligations.

Group companies provide retirement benefits under defined contribution and defined benefit plans. The related expenses are included in the costs of the respective functions. Interest expense on obligations acquired in previous years, the return on plan assets, and the amortization of unrealised actuarial gains and losses are reported in the income statement under interest result.

In accordance with IAS 19 (Employee Benefits), pension obligations under defined benefit plans are calculated using the projected unit credit method. In Germany calculations are based on Heubeck's 2005 G mortality tables. The expected benefits are spread over the entire length of service of the employees.

The following assumptions were applied in measuring pension obligations for the German employees:

	DEC. 31, 05 1,000 EURO	DEC. 31, 04 1,000 EURO
Discount rate	6%	6%
Projected wage / salary growth	1%	1%
Projected pension growth	1%	1%
Fluctuation	0	0
Projected return on plan assets	n.a.	n.a.
Pension age	65	65

These parameters also apply to each following year when calculating the costs of the obligations acquired, the interest expense on obligations acquired in previous years, and the expected return on plan assets. For non-German Group companies, these rates vary depending on specific local conditions.

The total expense for commitments can be broken down as follows:

	2005 1,000 EURO	PREVIOUS YEAR 1,000 EURO
Cost of obligations acquired during the year	36	11
Interest cost on present value of pension obligations	669	646
Expected return on plan assets	-455	-463
Amortisation of unrecognised actuarial results	-1	0
Total expense for commitments	**250**	**194**

The pension provision is calculated as follows:

	DEC. 31,05 1,000 EURO	DEC. 31,04 1,000 EURO
Present value of unfunded obligations	1,532	1,500
Present value of funded obligations	12,003	10,714
Present value of pension obligations	13,535	12,214
Fair value of plan assets	-10,431	-9,480
Present value of pension obligations less plan assets	3,104	2,735
Unrecognised actuarial results	-185	-160
Provision in accordance with IAS 19	**2,919**	**2,575**

Actuarial gains and losses are recognized only to the extent that they exceed the greater of 10% of the present value of the obligations or of the fair value of plan assets. Where this is the case, they are amortized over the average remaining working lives of the employees beginning the following year.

Pension plan assets and obligations are measured at regular intervals. Actuarial valuations are performed annually for all major pension plans.

(6) OTHER RESERVES AND ACCRUED LIABILITIES

The other reserves and accrued liabilities contain provisions for obligations in connection with personnel, provisions for outstanding invoices and credit notes and provisions for numerous individual risks.

(7) OTHER LIABILITIES

Other liabilities include liabilities arising from taxes of Euro 568,000 (previous year: Euro 932,000) and social security liabilities of Euro 318,000 (previous year: Euro 314,000).

EXPLANATIONS TO THE CONSOLIDATED STATEMENT OF INCOME

(8) SALES

Non-impact products (laser cartridges, ink jet, TTR) accounted for Euro 90.7 million, impact products (ink ribbon cartridges for dot matrix printers etc.) for Euro 23.1 million and other sales (in the main products used to complement the product range) for Euro 3.3 million. Other sales include lease income. The Group acts as well as in the previous year solely in the segment of compatible imaging supplies. Sales by regions is broken down as follows:

	2005 1,000 EURO	PREVIOUS YEAR 1,000 EURO
Europe		
Germany	13,080	13,998
Other EU countries	56,828	58,059
Non EU countries	2,599	5,173
	72,507	77,230
North America	38,876	39,954
South and Central America	1,992	1,766
Africa	321	468
Asia	3,289	3,986
Australia	136	150
	117,121	**123,554**

(9) OTHER OPERATING INCOME

Other operating income includes gains on sale of non-core-assets, exchange rate gains as well as income from the reversal of an accrual set up in the previous year.

(10) OTHER OPERATING EXPENSES

Alongside the expenses unable to be allocated to the other functional areas, other operating expenses also include exchange rate losses and allowance of doubtful accounts.

(11) NET INTEREST

	2005 1,000 EURO	PREVIOUS YEAR 1,000 EURO
Other interest and similar income	49	68
Interest and similar expenses	-1,251	-1,156
	-1,202	**-1,088**

(12) TAXES ON INCOME

Taxes on income comprise the taxes on income in the individual countries, as well as deferred taxes. Income tax expense including deferred taxes can be broken down as follows:

	2005 1,000 EURO	PREVIOUS YEAR 1,000 EURO
Current taxes	1,099	724
Deferred taxes	-400	-339
	699	**385**

Allocation of deferred taxes:

	Deferred tax assets		Deferred tax liabilities	
	DEC. 31,05	DEC. 31,04	DEC. 31,05	DEC. 31,04
	1,000 Euro	1,000 Euro	1,000 Euro	1,000 Euro
Long-term assets	450	581	2,001	3,064
Inventories	411	481		
Pension reserves	472	371	14	9
Tax losses carried forward	1,570	1,870		
	2,903	**3,303**	**2,015**	**3,073**
Offsetting	-573	-1,763	-573	-1,763
Balance pursuant to consolidated balance sheet	**2,330**	**1,540**	**1,442**	**1,310**

Deferred taxes result from temporary differences between carrying amounts in the tax accounts and the carrying amounts according to IFRS. Deferred tax assets and deferred tax liabilities are offset if they relate to the same tax authorities.

Tax losses carried forward existed on December 31, 2005 as well as December 31, 2004 mainly at the American and German group companies. Deferred tax assets are recognized on unused tax losses if they are likely to be used.

The following table shows the reconciliation of expected to actual tax expense:

	2005	PREVIOUS YEAR
	1,000 EURO	1,000 EURO
Expected tax expense	1,389	943
Deviations from taxable base	-696	-406
Other deviations	6	-152
	699	**385**

The expected tax rate is calculated as the weighted average of the tax rates of the individual group companies and amounts to 37.1 % (previous year: 35.8 %).

(13) OTHER DETAILS OF THE CONSOLIDATED STATEMENT OF INCOME

The costs of sales include the following material costs:

	2005	PREVIOUS YEAR
	1,000 EURO	1,000 EURO
Cost of raw materials, supplies and trading stock	58,615	61,169
Cost of purchased services	1,869	1,758
	60,484	**62,927**

Personnel expenses are divided up as follows:

	2005	PREVIOUS YEAR
	1,000 EURO	1,000 EURO
Wages and salaries	25,687	28,741
Social security, pension and other benefit costs	4,755	5,240
(thereof for pensions)	(619)	(634)
	30,442	**33,981**

Employed on average by the group during the year:

	2005	PREVIOUS YEAR
Industrial employees	785	850
Clerical employees	360	357
Trainees	13	13
	1,158	**1,220**

(14) EARNINGS PER SHARE

Earnings per share were calculated by dividing consolidated net income by the average number of shares issued (3,731,958; previous year 3,614,500). To determine diluted earnings per share, the average number of shares issued was increased by the number of subscription rights still existing under the 1999 and 2003 stock option plans (3,873,458; previous year 3,761,500).

OTHER DETAILS

(15) CONTINGENCIES AND OTHER FINANCIAL OBLIGATIONS

No contingencies existed on the two balance sheet closing dates.

Other financial obligations:

Financial obligations vis-à-vis third parties arising from commenced investment projects were within the usual business limits.

Future payments of rent, lease and for leasing until expiry of the minimum term of the contracts have the following maturities:

	DEC. 31,05 1,000 EURO	DEC. 31,04 1,000 EURO
Due within one year	2,557	2,544
Due after more than one year and up to five years	7,695	7,754
Due after more than five years	13,217	14,690
	23,469	**24,988**

Included are the existing lease agreements concerning the properties in Hattingen (company headquarters of Turbon AG and Turbon International GmbH) and Meerbusch (on a long-term lease).

Future payments (receipts) of rent from irrevocable subletting agreements regarding Meerbusch amounted to:

	DEC. 31,05 1,000 EURO	DEC. 31,04 1,000 EURO
Due within one year	458	458
Due after more than one year and up to five years	1,619	2,077
	2,077	**2,535**

In addition Turbon realizes income from the reversal of deferred items which represent received advanced payments of rent:

	DEC. 31,05 1,000 EURO	DEC. 31,04 1,000 EURO
Reversal within one year	287	287
Reversal after more than one year and up to five years	119	406
	406	**693**

(16) CONSOLIDATED CASH FLOW STATEMENT

The consolidated cash flow statement is presented on page 25.

The cash funds consist primarily of credit balances with banks and cash on hand.

(17) RELATED PARTIES

As of December 31, 2005 the chairman of the Executive Board holds 26.20 % (previous year: 26.28 %) and NCR GmbH, Augsburg 25.98 % (previous year: 26.06 %) of the shares in Turbon AG.

In the financial year ended, Turbon AG sold purchase rights for two properties to HBT Holdings GmbH in Schwelm for a selling price of Euro 1.8 million; the Executive Board Chairman is the sole shareholder of this company. The selling price is payable on December 31, 2006. Turbon AG holds a right of repurchase of a limited duration for a price of Euro 1.8 million.

Contracts between Turbon and its major shareholder NCR exist solely within the ordinary course of business.

Contractual relations between Turbon and the members of its executive committee were in the usual business limits.

(18) MEMBERS OF THE SUPERVISORY BOARD AND EXECUTIVE BOARD

SUPERVISORY BOARD

Members of the Supervisory Board hold in addition to supervising functions at Turbon AG offices as members of the supervisory board or a comparable supervising body of the corporations listed (as of December 31, 2005):

Dr. Juno A. Nuber,
Vice President NCR, Glattzentrum/Switzerland
- Chairman -

NCR Switzerland, Wallisellen/Switzerland
- Chairman of the Board -

NCR Italia S.p.A., Milano/Italia
- Member of the Board -

NCR Finland Oy, Helsinki/Finland
- Member of the Board -

NCR Belgium & Co. SNC, Bruxelles/Belgium
- Member of the Board -

NCR International Inc., Dayton (OH)/USA
- Member of the Board -

NCR GmbH, Augsburg/Germany
- Member of the Board -

Dr. Paul-Michael Günther,
Lawyer, Auditor and Tax Consultant, Wuppertal
- Vice Chairman -

Fruchtimport P. van Wylick GmbH,
Düsseldorf
- Member of the Board -

DRICON Managing Consultants AG,
Frankfurt am Main/Germany
- Chairman of the Board -

Quada Immobilien AG, Langenfeld/Germany
- Chairman of the Board -

Dr. Stefan Jansen,
Lawyer, Wuppertal

Michael J. VanDemark,
Director NCR, Springboro (OH)/USA

Girolamo Cacciatore,
Works Council Chairman, Remscheid
- Employee Representative -

Dietmar Kirsch,
Technical Employee, Langenfeld
- Employee Representative -

EXECUTIVE BOARD

Holger Brückmann-Turbon, Cologne
- Chairman -

Alan S. Howard, Hertfordshire/UK

Klaus D. Marth, Düsseldorf

Michael Pages, Moers

(19) TOTAL COMPENSATION PAID TO THE SUPERVISORY BOARD AND EXECUTIVE BOARD

The total compensation paid to the Supervisory Board in 2005 was Euro 46,000 (previous year: Euro 46,000). In addition Turbon AG paid within the scope of a directors and officers insurance a proportionate amount of Euro 6,000 (previous year: Euro 6,000). The total compensation paid to the Executive Board was Euro 769,000 (previous year: Euro 909,000) including the compensation paid by subsidiaries.

From the total issued subscription rights (stock options) under the Turbon Stock Option Plan 2003 in the financial year 2005 executive board members received 4,500 (previous year: 7,500). The options can be used for the first time to acquire Turbon shares after the shareholders' meeting in the year 2008 (2007). In 2005 no subscription rights were exercised.

(20) DECLARATION ON THE CORPORATE GOVERNANCE CODE

The declaration by the Executive Board and Supervisory Board on the Corporate Governance Code as per § 161 AktG was published on the web page of Turbon AG in December 2005.

(21) AUDIT FEES

The following fees for the services of the auditor of the financial statements as well as the consolidated financial statements, BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, including its international associates, were recognized as expenses in 2005: audit fees Euro 215,000, tax consultancy Euro 28,000 and other services Euro 34,000.

(22) PROPOSAL FOR THE APPROPRIATION OF RETAINED EARNINGS OF TURBON AG

Under the statutory regulations in Germany, the potential amount for distribution is determined by the retained earnings of the annual financial statements of Turbon AG.

The Annual Financial Statements for the 2005 financial year show net income of Euro	3,651,709.57
After taking account of retained earnings brought forward from 2004 to the amount of Euro	895,371.20
and the reversal of the reserve for treasury stock to the amount of Euro	2,420,457.96
retained earnings of Euro	6,967,538.73
remains.	
The Executive Board proposes to the Annual Meeting of the Shareholders that a dividend of Euro 0.30 per no-par share be paid on the share capital of Euro 10.3 million, thereby resulting in a total payable of Euro	1,212,600.00
and that the remainder of Euro	5,754,938.73
be carried forward to new account.	

Hattingen, April 05, 2005

The Executive Board

Holger Brückmann-Turbon
Alan S. Howard
Klaus D. Marth
Michael Pages

TURBON AG, HATTINGEN
AUDITOR'S OPINION

We have audited the Consolidated Financial Statements of Turbon AG in Hattingen, comprising the balance sheet, statement of income, statement of changes in equity, cash-flow statement, and the Management Report of the Group and Turbon AG for the financial year from January 1, 2005 until December 31, 2005. The preparation of the Consolidated Financial Statements and the Management Report of the Group and Turbon AG in conformity with IFRS, as they are to be applied within the EU, and with the supplementary effects of the applicable commercial-code regulations of § 315a (1) German Commercial Code (HGB), is the responsibility of the statutory representatives of the company. Our task is to give an opinion based on our audit of the Consolidated Financial Statements and the Management Report of the Group and Turbon AG.

We have audited the Consolidated Financial Statements in accordance with § 317 Commercial Code (HGB) and in observance of the principles of proper financial-statement accounting defined by the German Institute of Qualified Accountants (IDW). These require that the audit be planned and performed in such a way as to be able to detect, with a sufficient degree of certainty, any inaccuracies and breaches that have a material effect on the presentation of the view of the net worth, financial position and income position conveyed by the Consolidated Financial Statements in accordance with the generally accepted accounting principles and the Management Report of the Group and Turbon AG. When determining the audit operations, knowledge of the business activities and legal and financial environment of the Group and expectations of potential errors were taken into account. An assessment was also made, in the course of the audit, of the efficacy of the internal accounting control system and the documentation for the statements made in the Consolidated Financial Statements and Management Report of the Group and Turbon AG primarily on the basis of random samples. The audit includes an evaluation of the annual financial statements of the companies included in the Consolidated Financial Statements, the definition of the consolidated companies, the accounting and consolidation principles applied, and the significant estimates made by the legal representatives and the assessment of the overall presentation of the Consolidated Financial Statements and Management Report of the Group and Turbon AG. We believe that our audit constitutes a reasonable basis on which to form our audit opinion.

Our audit has not given rise to any objections.

In our opinion, based on the knowledge gained during the audit, the Consolidated Financial Statements are in conformity with IFRS, as they are to be applied within the EU, and with the supplementary effects of the commercial-code regulations of § 315a (1) Commercial Code (HGB) and present a true and fair view of the net worth, financial position and income position of the Group. The Management Report of the Group and Turbon AG is in conformity with the Consolidated Financial Statements, and gives an appropriate presentation overall of the position of the Group and appropriately presents the opportunities and risks of future development.

Düsseldorf, April 12, 2006

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Harnacke	ppa. Höschler
Wirtschaftsprüfer	Wirtschaftsprüfer

BREAKDOWN OF SHAREHOLDINGS OF TURBON AG

AS OF DECEMBER 31, 2005

		SHARE OF CAPITAL	HELD THRU	CURRENCY	EQUITY	ANNUAL RESULT
		%	NO.		IN 1,000 CURRENCY UNITS	IN 1,000 CURRENCY UNITS
	Affiliated companies included in the Consolidated Financial Statements					
1	Turbon AG, Hattingen			EUR	32,425	3,652
2	Turbon International GmbH, Hattingen*	100.00	1	EUR	4,301	0
3	Turbon International, Inc., York(PA)/USA	100.00	1	USD	36,692	395
4	Curtis Young Corporation, Cinnaminson (NJ)/USA	100.00	3	USD	-6,152	-2,844
5	Carbotex Company Limited, Bangkok/Thailand	100.00	1	THB	827,642	81,471
6	Kores Nordic Holding A/S, Tästrup/Denmark	100.00	1	DKK	21,487	-2,086
7	Kores Nordic Danmark A/S, Tästrup/Denmark	100.00	6	DKK	1,597	-1,300
8	Kores Nordic AB, Norrköping/Sweden	100.00	1	SEK	-4,282	-4,899
9	Kores Nordic (GB) Ltd. Harlow (Essex)/Great Britain	100.00	1	GBP	6,496	-108
10	Keymax International Ltd., Harlow (Essex)/Great Britain	100.00	9	GBP	236	0
11	Kores Nordic Belgium NV-SA, Grimbergen/Belgium	100.00	6	EUR	1,326	37
12	TLC Tonerfill Logistic Centre B.V., Zaandam/Netherlands	100.00	6	EUR	434	-18
13	Kores Nordic Suomi OY, Helsinki/Finland	100.00	6	EUR	165	-91
14	JetFill Holdings Inc., Cinnaminson (NJ)/USA	100.00	3	USD	0	0

		Share of capital	Held thru	Currency	Equity	Annual result
		%	No.		in 1,000 currency units	in 1,000 currency units
15	JetFill Inc., Cinnaminson (NJ)/USA	100.00	14	USD	0	0
16	Tonerfill B.V., Leeuwarden/Netherlands	100.00	1	EUR	1,659	139
17	Accutecc (UK) Ltd., Harlow (Essex)/Great Britain	100.00	9	GBP	681	471
18	GEWA Ribbons Ltd., Boulder (CO)/USA	100.00	4	USD	0	0
19	Kores Nordic (USA) Corporation, Summerville (SC)/USA	100.00	3	USD	0	0
20	Tonerfill Romania S.R.L., Oltenita/Romania	100.00	16	RON	-1,002	-272
	Affiliated companies not included in the Consolidated Financial Statements					
21	Kores Nordic (Pensions) Ltd., Harlow (Essex)/Great Britain	100.00	9	GBP	2	0
	Other participations					
22	BIL Leasing Verwaltungs-GmbH & Co. Objekt Hattingen KG, Pöcking	95.00	1	EUR	-1,399	-60
23	BIL Leasing Verwaltungs-GmbH & Co. Objekt Meerbusch KG, Pöcking	95.00	1	EUR	-282	19

*after transfer of result to Turbon AG

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