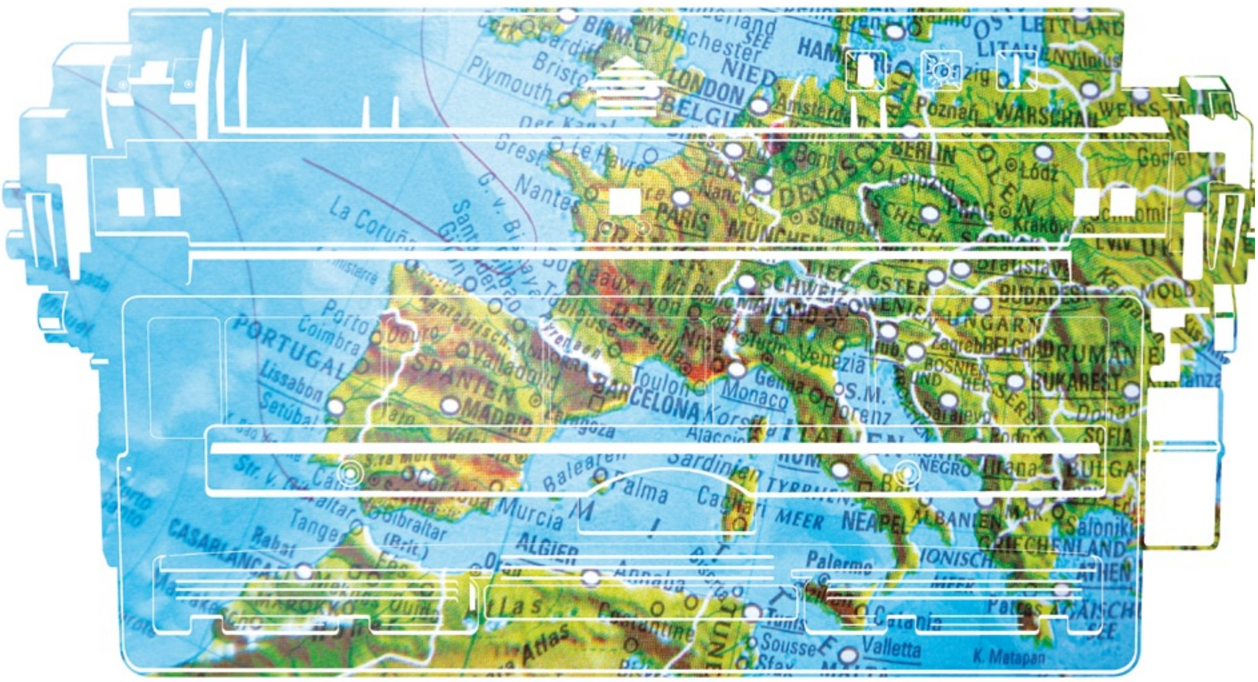
TURBON AG

Annual Report 2007



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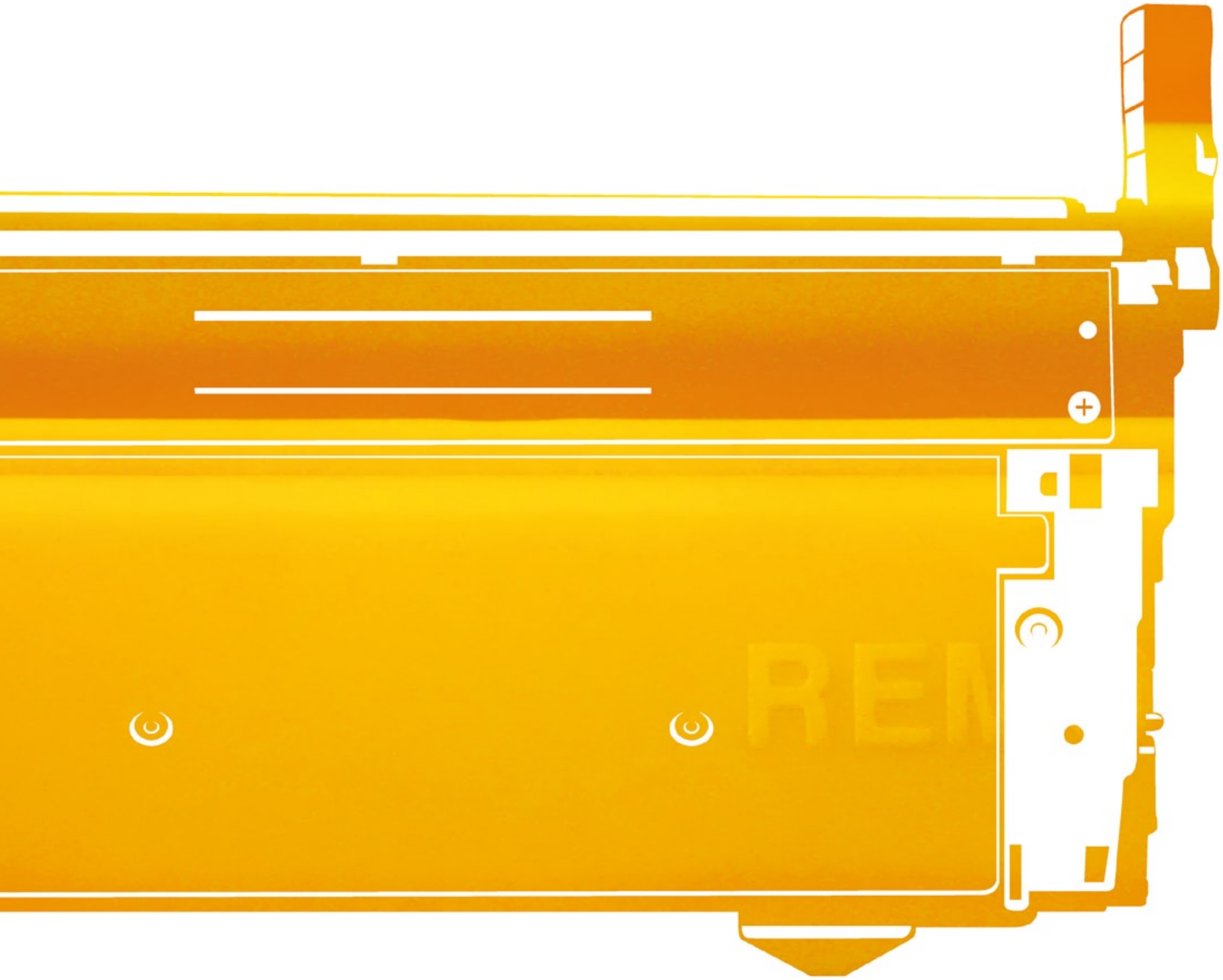


At a Glance

Turbon Group

	2007	2006	2005
	1,000 EURO	1,000 EURO	1,000 EURO
Consolidated sales	122,516	128,820	117,121
Depreciation	2,945	2,151	2,176
Earnings before interest and taxes*	1,255	1,721	4,948
Result from ordinary operations*	-998	228	3,746
Group net earnings	76	-1,936	3,047
Cash Flow	3,085	741	5,415
Long term assets	23,366	23,012	19,557
Short term assets	43,931	61,878	64,968
Shareholders' equity	25,648	27,358	33,770
Net indebtedness**	12,230	18,606	19,046
Balance sheet total	67,297	84,890	84,525
Equity ratio	38.1%	32.2%	40.0%
Employees on average	1,329	1,374	1,158

* In 2006 excluding the provisions for restructuring measures

** Financial liabilities less liquid funds

EXECUTIVE BOARD

Aldo C. DeLuca, Ivyland (PA), USA
[Executive-Board Spokesman]

Alan S. Howard, Hertfordshire, UK
[Executive-Board Spokesman]

Klaus D. Marth, Düsseldorf
(until October 25, 2007)

Michael Pages, Moers

SUPERVISORY BOARD

Dr. Juno A. Nuber
Vice President NCR, Glattzentrum, Switzerland
[Chairman]

Dr. Paul-Michael Günther
Lawyer, Public Accountant
and Tax Consultant, Wuppertal
[Vice Chairman]

Holger Brückmann-Turbon
Diplom-Kaufmann, Cologne
(court appointed since February 13, 2007)

Michael J. VanDemark
Director NCR Corp., Springboro (OH), USA
(until July 27, 2007)

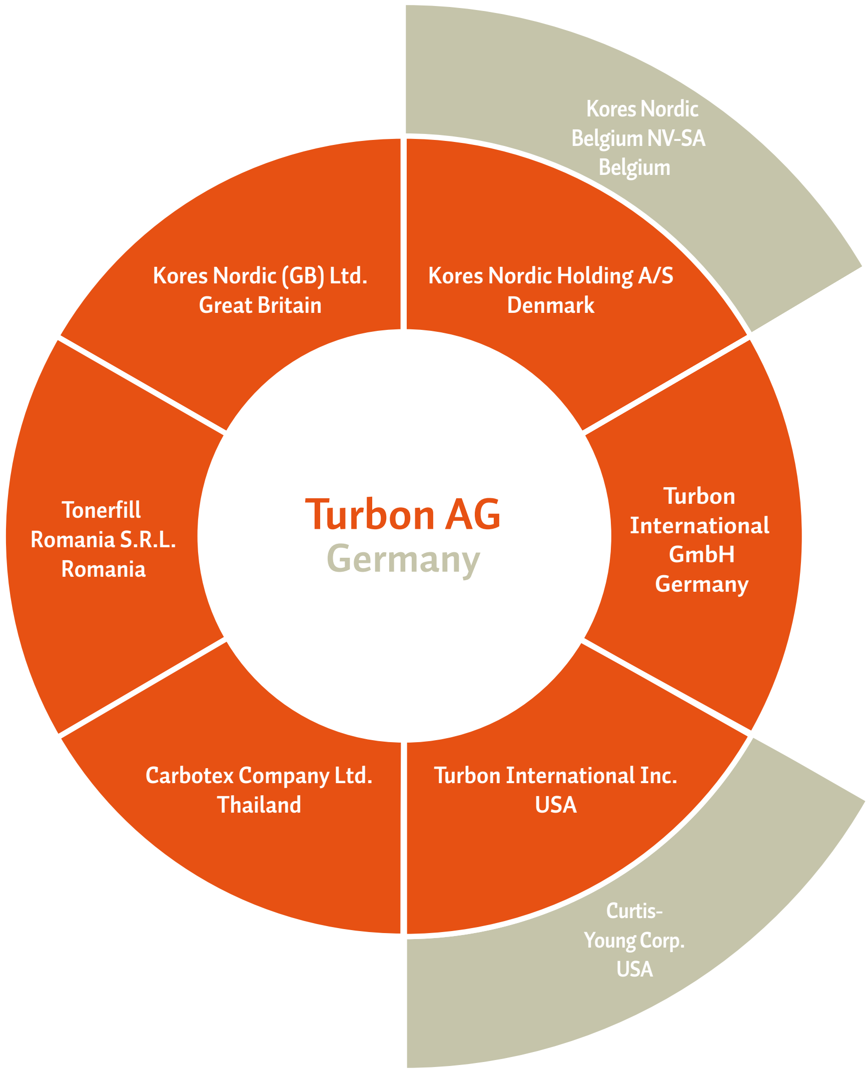
Simon J. McCouaig
General Manager Europe NCR Corp.,
Wantage, Oxford, UK
(court appointed since November 05, 2007)

Girolamo Cacciatore
Works Council Chairman, Remscheid,
[Employee Representative]

Dietmar Kirsch,
Technical Employee, Langenfeld
[Employee Representative]

Turbon Group

Operative structure



This organigram gives an overview of the operative structure of the Turbon Group.
The complete breakdown of shareholdings is shown on pages 60 and 61.

Combined Management Report of the Group and Turbon AG for the 2007 Fiscal Year

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 company has taken advantage of the facility provided in § 315 (3) Commercial Code (HGB) and issued a combined management report for the Turbon Group and Turbon AG. Since the course of business, the situation of the company and the future development risks of Turbon AG and the Turbon Group are largely the same, the following statements, unless otherwise indicated, apply to the Turbon Group.

Business environment in 2007

2007 saw strong growth of the world economy, even if to a slightly lesser extent than in previous years. The world economy has increasingly been affected by turbulence on the mortgage markets since the second half of 2007. Even if the financial crisis has not yet impaired the world economy to a major extent, the risks of future economic development have nevertheless significantly increased since then.

Whereas the European economy remained stable, there was a noticeable weakening of the US economy primarily as a consequence of the housing and financial crisis in the course of the year. However, there was uncertainty in the Eurozone because of the persistent upward valuation of the Euro against the US Dollar. World trade remained strong thanks to high demand from emerging markets in Asia and Latin America.

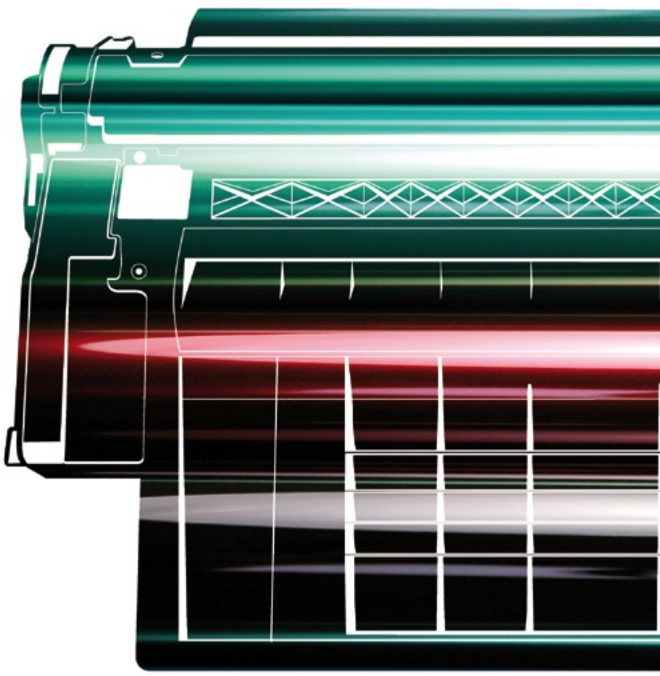
In the markets of relevance for our business, 2007 saw stable growth in the lower single digit range.

2007 consolidated financial statements

EARNINGS POSITION

Consolidated sales in the 2007 fiscal year were Euro 122.5 million compared to Euro 128.8 million in the previous year. The drop in sales is primarily due to negative currency effects in the amount of Euro 4.1 million and a decline in sales of non-core business products.

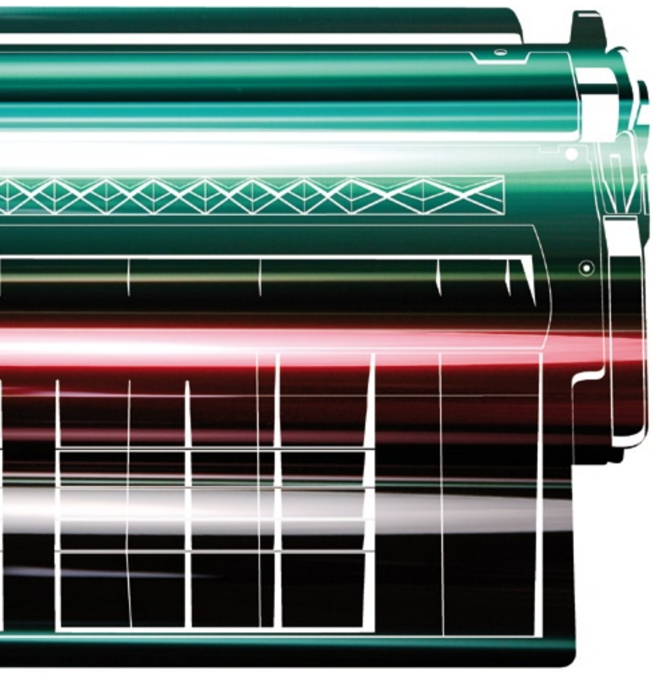
In contrast, sales of laser cartridges – the core sector – continued to rise. Sales of these products in the fiscal year ended totalled Euro 102.4 million (Euro 95.3 million in the previous year). This represents a rise of Euro 7.1 million or 7.5%. After allowing for currency effects, this rise is as high as 11.5%. Sales of other products (mainly ink jet, TTR and impact products) totalled Euro 20.1 million (Euro 33.5 million in the previous year).



Based on these figures, the percentage distribution of sales is as follows: laser cartridges accounted for 83.6% (previous year: 73.9%) of aggregate sales. Other products accounted for 16.4% (previous year: 26.1%).

Earnings before interest and taxes (EBIT) were Euro 1.3 million compared to Euro 1.7 million in the previous year. The result from ordinary operations was around Euro -1.0 million after a result of Euro 0.2 million in the previous year (after taking into consideration restructuring costs the result in 2006 was Euro -2.2 million). After taking account of taxes on income, consolidated result after tax is Euro 0.1 million compared to a result of Euro -1.9 million in the previous year. The positive tax effect resulted from showing deferred taxes as an asset as prescribed by IAS 12. Earnings per share of Euro 0.02 calculated on the basis of the average share portfolio contrast with a result per share of Euro -0.50 in the previous year. The earnings figures for 2007 are influenced by one time expenses equal to Euro 3.5 million.

Income from ordinary operations in the annual financial statements of Turbon AG was around Euro 3.1 million after Euro -3.2 million in the previous year. After taking account of taxes on income, result after tax is Euro 2.2 million compared to result of Euro -2.9 million in the previous year.



A revaluation of the participating interest in Group companies held by Turbon AG showed a loss in the accounts of Turbon AG of Euro 5.5 million. Connected with this was the sale of 60% of the shares of Carbotex Company Ltd. to Carbotex Beteiligungs GbR, a company wholly owned by Turbon AG.

The special reserve with equity portion was reversed and then recognized in net income in Turbon AG in the amount of Euro 6.8 million. After pro-rata reversal, the special item was reversed in full due to cancellation of the principle of adopting accounting principles in financial statements to make them acceptable for tax purposes, as notified in two letters from the German Ministry of Finance of January 15 and February 29, 2008, these principles having been the prerequisite for accrual as a liability. A deferred tax item was recognized for expected future income tax.

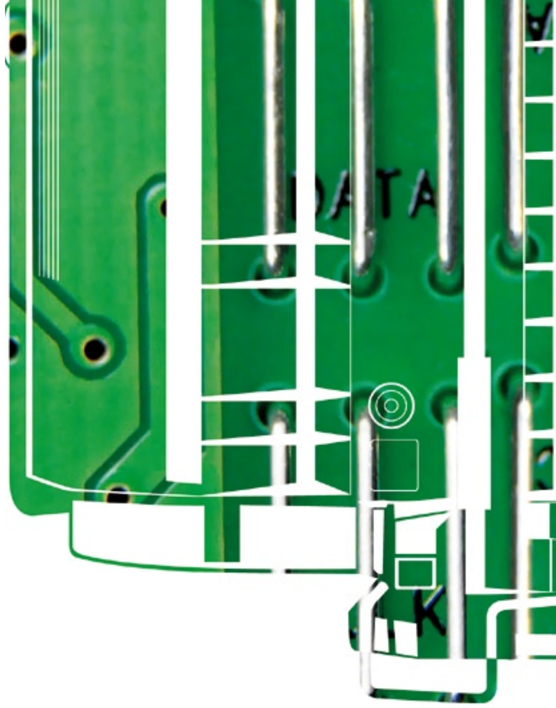
GROUP'S FINANCIAL POSITION AND NET WORTH

There was a major improvement in the structure of the consolidated balance sheet as of December 31, 2007. As a result, there was a significant improvement in the financial position. Especially positive is the fact that this trend will continue in 2008.

No significant changes in fixed assets occurred in the fiscal year (Euro 19.1 million as of December 31, 2007, previous year: Euro 20.3 million, thereof Euro 11.8 million in real estate, previous year: Euro 12.3 million).

Contributing especially towards the improvement in balance sheet structure was the significant reduction in inventories. Inventories were reduced from Euro 38.8 million at the end of the 2006 fiscal year by Euro 12.3 million to Euro 26.5 million as of December 31, 2007. This includes, as one time effects, devaluations of inventories in the amount of Euro 2.0 million which affected impact products especially.

Trade receivables reduced to Euro 13.0 million (previous year: Euro 18.7 million).



There was a significant reduction in the balance sheet total compared to December 31, 2006 from Euro 84.9 million to Euro 67.3 million.

Equity as of December 31, 2007 was Euro 25.6 million (previous year: Euro 27.4 million). Equity per share was Euro 6.35 as of December 31, 2007 (2006: Euro 6.77). The equity ratio as of December 31, 2007 improved to 38.1% (previous year: 32.3%) as a consequence of the reduced balance sheet total.

By reducing current assets, it was possible to reduce debts by Euro 12.6 million. Net financial debt fell from Euro 18.6 million at the end of 2006 by Euro 6.4 million to Euro 12.2 million as of December 31, 2007. It comprises long term fixed interest bearer bonds in the amount of Euro 9.8 million (bonds with repayment of interest only during the term and of principal at the end, have a remaining term to maturity of 5.6 years) plus the use of short term bank loans in the amount of Euro 3.9 million less liquid assets of Euro 1.5 million. Net financial debt was further reduced in Q1/2008.

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 medium term lease). Rent payments resulting from the same, which are recognized as expenses in the statement of income, equal Euro 1.3 million. The lease contracts each have a residual term of 11.5 years.

Events after the balance-sheet date

In March 2008, Turbon AG sold its minority share in Adsero Corp. to Laser Networks, USA. As Laser Networks took over the end user business from Tecknolaser, Adsero's subsidiary, Laser Networks is now a customer of Turbon. There are no longer any relations with Adsero or Tecknolaser. For this reason, we would like to draw a final conclusion with regard to the financial effects on earnings, liquidity, etc which arose for Turbon from the relations with Adsero/Tecknolaser.

The sale and redemption of 400,000 Turbon shares held by Turbon and the purchase and resale of the minority interest in Adsero gave Turbon a positive result in total and a liquidity inflow each in the amount of approx. Euro 1.1 million. The relevant transactions are spread across the fiscal years 2005 to 2008 and, therefore, cover four sets of financial statements.

This calculation includes Turbon's purchase in 2007 of the minority share in the Adsero Corp. from HBT Holdings GmbH for the price of US Dollar 1.8 million.

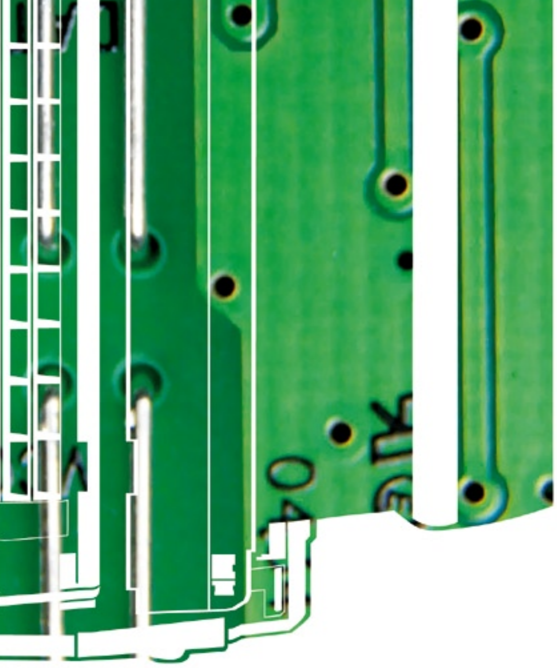
Other positive effects were generated when Curtis-Young, a Turbon-Group company, took over Tecknolaser's reseller business for the price of US Dollar 1.0 million in August 2006. Sales revenues of the Turbon Group with Adsero/Tecknolaser or with customers acquired from Tecknolaser were US Dollar 4.9 million in 2006 (August – December) and US Dollar 10.9 million in 2007. Sales of around US Dollar 13.0 million to these customers are planned in the budget for 2008. These sales, with margins at least within the average gross margins shown in the consolidated statement of income, (together with cost cutting measures) have contributed towards the turnaround in the USA.

Information from the group companies

Sales markets in Europe and the USA

MARKET PERFORMANCE

Demand for laser cartridges remained stable in 2007. We are anticipating growth particularly in the demand for colour cartridges. Commercial users increasingly tend to replace their monochrome printers (black and white printers) with colour printers when making new investments.



The challenges that face us as a result are the higher technical demands made on the manufacturing of cartridges for these printers; our response to this challenge is to enter into close cooperation with our raw materials suppliers and make significant additions to our development teams at our production locations in Thailand and Romania. Nevertheless, the still very high number of monochrome printers on the market represents the greatest market potential for the Turbon Group in the short and medium terms. For this reason, monochrome cartridges will remain our main sales focus over the next two to three years. Relations between monochrome cartridges and colour cartridges are comparable to developments 10 to 12 years ago in ink ribbon cartridges and laser cartridges. The final result is known and is greatly influencing our activities to establish our colour cartridge production to the familiar high Turbon quality standard.

As in previous years, there is huge pressure on prices for monochrome cartridges especially. The Turbon Group has managed to be successful in this difficult market environment. This we achieved in particular by combining a significant reduction in costs with a simultaneous offer of "added value". By this, we mean a combination of first class product quality and proximity to customers by means of a logistics service that assures customers of availability at short notice even if production plants are located far away from the market and customer support from a strong sales team with extensive product experience. By cooperating closely with our customers, we gain competitive advantages which help us and our customers to grow.

MARKET POSITION

Tough competition between resellers of office supplies results in greater concentration and, therefore, in very strong companies in our customer sector. The demands made of prices and services change accordingly. The Turbon Group is well positioned to respond to these demands. We have the advantages of many years of experience in the market, a more compact and more flexible structure of our group of companies achieved by restructuring measures over the last few years and of production capacity at our established low cost locations. As a result of all these advantages, we are convinced of our ability not only to respond in the right way to developments in the market, but also to use such developments to our advantage by distinguishing ourselves from our many competitors and further reinforcing our position as long term partner for our key accounts.

In Europe, we continue to be well positioned in the business with compatible laser cartridges. This position is due to the high quality of our products, efficient logistics and good technical customer support services. We have succeeded in responding quickly and flexibly in production, logistics and distribution to constantly changing customer demands. Furthermore, our concentration on key accounts allows greater transparency with regard to product selection and customer support. Although this results in a reduction in sales, this occurs in a sector which is no longer profitable, i.e. the reduction is more than compensated for by the cost savings gained and ultimately leads to improved earnings.

We also improved our market position in the USA in 2007. Here, the main focus is on business with contract stationers. We concentrate our cooperation in the wholesale sector in the USA on three specific wholesalers who best match our product and service profiles.

The IBM brand licensing agreement for use of the brand in a specific product area concluded in 2005 has also helped to increase sales mostly to local dealers in Europe and in the USA. The use of brands helps us to achieve higher margins and therefore higher profits, at least in niche markets in a market generally dominated by dealer brands and where the pricing is particularly competitive.

PROFITABILITY

As planned, we closed our Netherlands location during the first half of 2007 and have successfully integrated production and research in our Romanian plant. Savings were already made in the course of the year 2007 and will continue to have a positive impact also on the expected results for 2008.

Injection-moulding in Germany has meanwhile ceased completely and has been partially relocated to Thailand.

The cessation of the remaining production activities in the UK will be reflected in results from the second half of 2008. Particularly worthy of mention is the fact that relocating the production of colour cartridges to Thailand and Romania will give us major cost advantages.

The savings resulting from the measures described above will improve our position in our sales markets.

The comprehensive cost cutting measures taken in the USA, which involved a strict concentration on key accounts, are now bearing fruit. A major improvement in earnings was achieved already in the second half of 2007 and we expect 2008 to be a profitable year on the whole.

Our activities in the fiscal year 2007 focused on a structural improvement in the amount of capital tied up as a result, in particular, of the reduction in inventories. We fully achieved all the targets set, which naturally had correspondingly positive effects on the company's debt. In the USA and also in the UK, it was possible to redeem all financial liabilities at the end of 2007. As a result, we will have much lower expenditure on interest in 2008 with the relevant positive effect on earnings.

We are vigorously pursuing further cost cutting potentials at all locations. Especially worth mentioning is the fast growth in our collection of empties, which makes us independent of third party suppliers (brokers of empties) and considerably reduces the costs in this sector.

We are convinced that all the measures described above will make a major contribution towards ensuring positive results in 2008, which will automatically be reflected in an improved return on equity and return on sales.

Production in Thailand and Romania

Our future success requires continuous improvement in the development and production of colour cartridges at our locations in Thailand and Romania. Both production plants are making great investments in this area. The aim is to attain Turbon's recognized high manufacturing standard in the area of colour cartridges and to maintain this standard in the long term. To this purpose, qualified employees are constantly being added to our development teams. We shall ensure production in sufficiently large quantities to meet our customer demands. We occupy a leading position in our branch of the industry with regard to the efficient organization of the mass production of monochrome cartridges. This same high standard will be applied to the production of colour cartridges.

As already reported, our distribution locations in Europe and North America are supporting the production locations and the group's ability to compete on costs overall by increasing the number of empties collected. In addition achieving a permanent increase in efficiency is an aim constantly pursued also at the low cost locations.

The differences and synergy effects between the two production plants in combination enables us to operate with competitive costs close to the market. This means that we will automatically have a lead in the future over those competitors who have no comparable structures.

In addition to the ISO certification of quality management and environmental management at our two production locations, we made great progress in the consistent application of our zero waste concept. This concept is aimed at completely avoiding all waste requiring disposal from our production processes. This is achieved by separating the different types of residual materials produced, the partial reconditioning of the same within our production plants and the subsequent use by ourselves or the sale to third parties of the raw materials thus recovered.

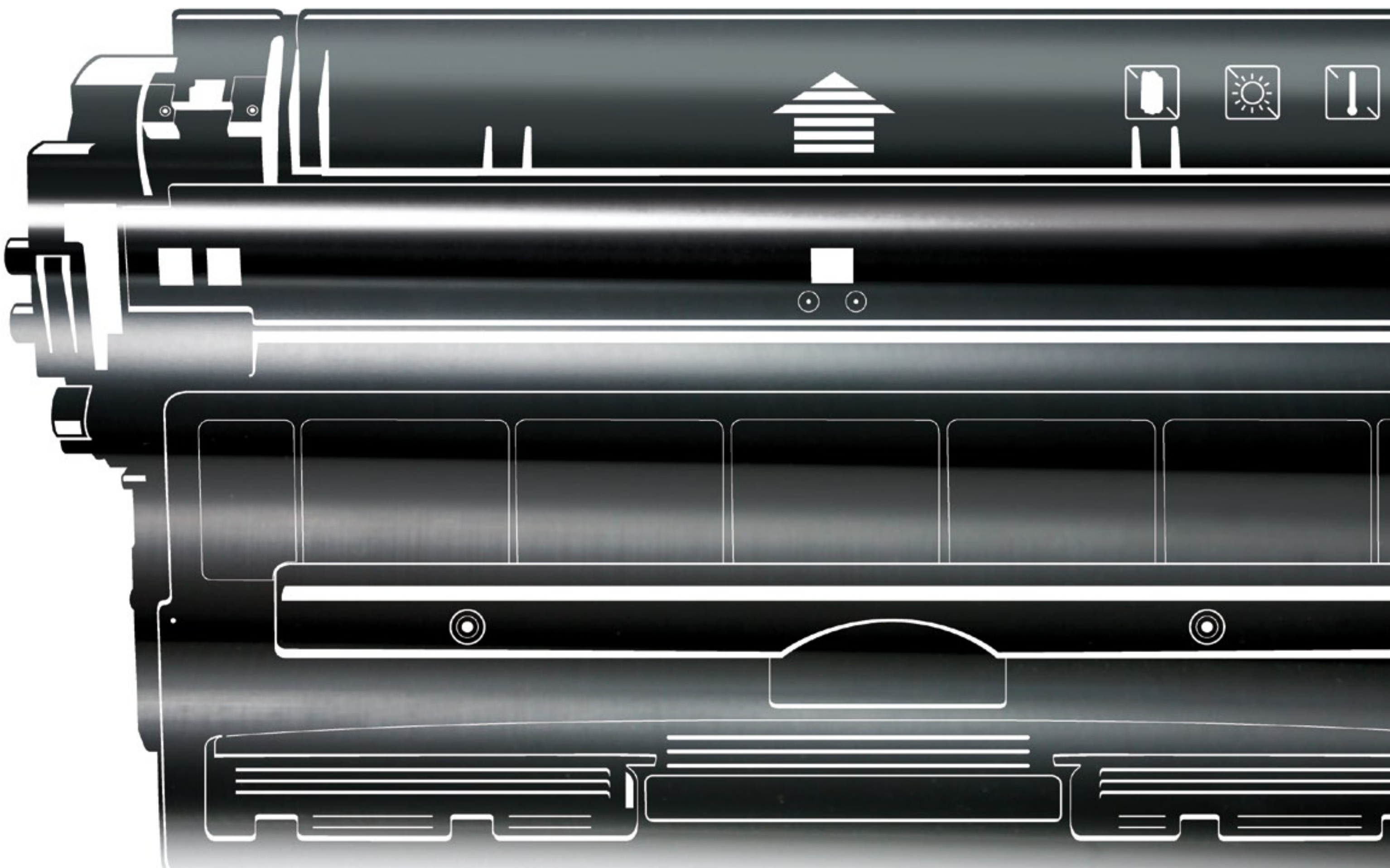
Opportunities and risks

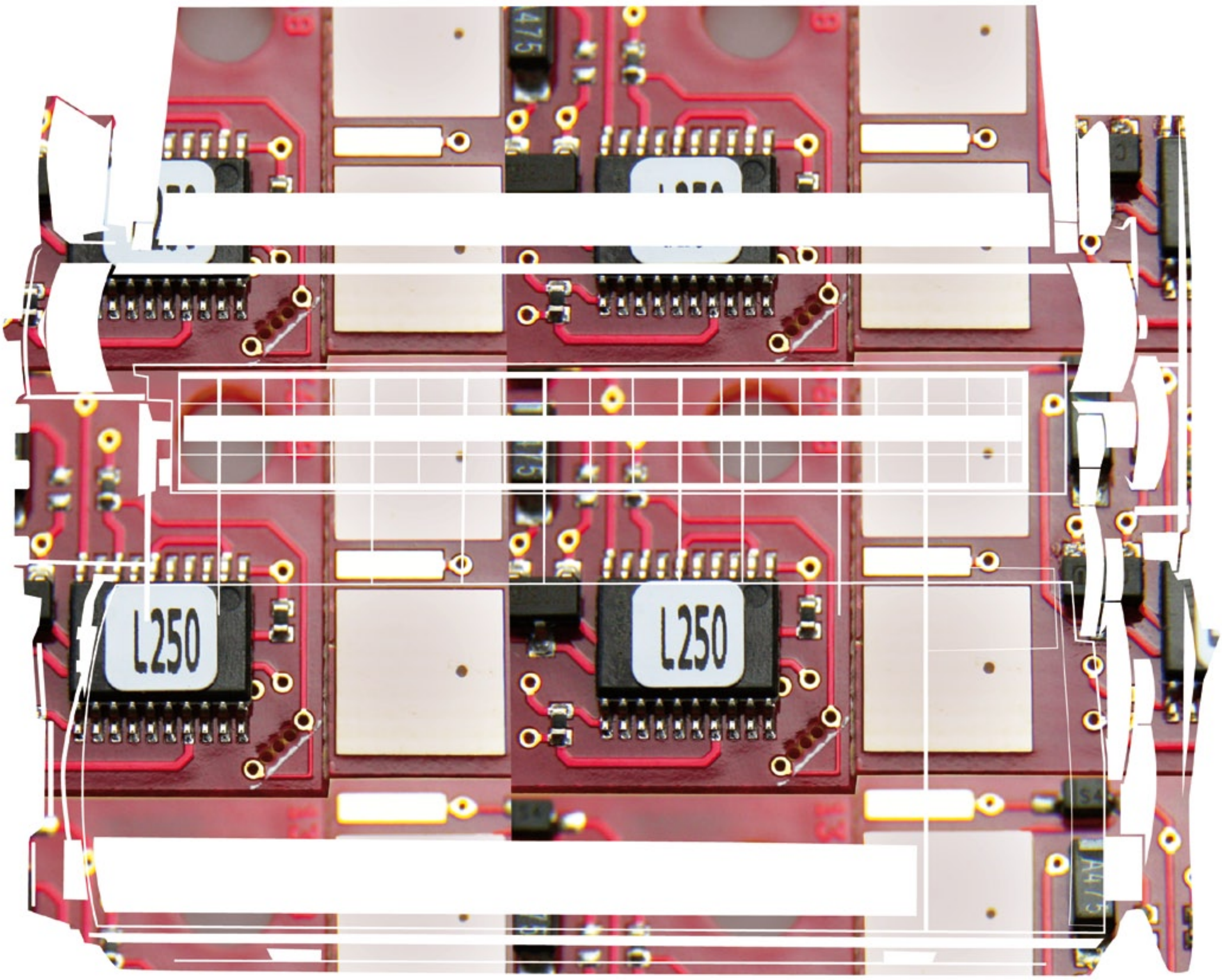
The rising demand for environmentally friendly products combined with the constantly rising awareness of ultimate consumers of the ecological advantages of our products presents a great opportunity for the Turbon Group in Europe and in the USA. This will help to further strengthen our market position and make our products an attractive alternative to OEMs.

We intend to exploit opportunities offered by our brands by undertaking extensive sales and marketing activities.

Declining growth in the USA may also influence the consumption of our products and further exacerbate price competition. The group sales shown in Euros are affected by the US Dollar exchange rate. Since, however, we purchase a major part of our materials in US Dollars, we have been able to reduce the overall dependence on the US Dollar for the results of our group.

Our now greater concentration on a few key accounts must certainly be mentioned as a risk for the company. It is a matter of maintaining or enhancing performance to continue to exist as a competitive partner.





Environment

The reconditioning of laser cartridges signifies no less than the active protection of our environment. Each single reconditioned laser cartridge helps to avoid waste and returns valuable raw materials to the material flow. All Turbon group locations involved in the process are certified in accordance with the environmental standard ISO 14001:2000. The collection of used laser cartridges and the process of remanufacturing into wholly reusable products complies with the strict rules of environmentally friendly production. These quality standards assume both the deployment of an environmental management system and the implementation of all relevant work safety regulations for employees. Work specifications and process instructions ensure the proper use of the production equipment and materials deployed.

Personnel

The Turbon Group had an average of 1,329 employees in 2007 (1,374 in 2006). The number of employees as of December 31, 2007 was 1,300 (2006: 1,349). Added to these are temporary staff employed indirectly through a temporary employment agency in Thailand. These temporary staff numbered 635 as of December 31, 2007 (2006: 610). There was a significant increase in the number of personnel at our low cost locations. The plants in Thailand and Romania have 160 addi-tional permanent employees in total compared to the previous year. This increase is matched by a corresponding reduction in personnel at the other locations.

Turbon AG employed 5 members of staff on average during the year and at the end of the year.

No subscription rights from the Turbon Stock Option Plan 2003 were issued in 2007. Moreover, no subscription rights were exercised in 2007.

We would like to thank all Turbon Group employees for their good work in the fiscal year ended. Our thanks are also due to the employee representatives for their cooperation.

Research and Development

Around Euro 1.5 million were spent on Research and Development in 2007. As in the previous year, these expenses (Euro 1.8 million) were almost exclusively for the sector of laser cartridges and here mostly for test printers and test materials and for personnel expenses especially. We will focus on the sector of colour cartridges. We succeeded in reducing the development costs despite more development work by having these activities performed mainly at the locations in Thailand and Romania.

Capital expenditure

Capital expenditure on property, plant and equipment totalled Euro 1.2 million in 2007 (previous year Euro 1.9 million). These primarily involved replacements of production equipment and new capital expenditure in connection with the production of colour cartridges.

Risk report

The risk management system of the Turbon Group enables company management to detect developments at an early stage that could endanger the survival of the group companies. The risk management system, which is regarded as a group wide task, detects and evaluates the existing and potential risks that threaten the group's existence.

The group controlling system of the holding company (Turbon AG) represents the starting point and pivotal point of the operational risk monitoring system.
At the heart of the system are the monthly reports by the group companies for the balance sheet and statement of income and for profit centre reporting, which allow detailed insight into the business processes of the companies. These reports are available on an up to date basis so that risks can be identified quickly, thereby allowing a fast response to potentially unfavourable developments. The central evaluation of the information is supported by direct access to contact persons in the group companies, who are actively involved in the detection and evaluation of risks.

Other components of internal risk management are cash management, receivables management, inventory management and worldwide production planning.

The international nature of the Turbon Group means that it is exposed to a large number of risks. In order to minimize the financial consequences of potential damages, all types of insurance cover that are available and make financial sense have been arranged. The scope and amounts of these insurances are constantly reviewed and adapted as necessary.

Major risks for the Turbon Group are described in the sections which follow, whereby the order in which they appear does not indicate the importance, probability or potential extent of damages.

PROCUREMENT MARKET RISKS

Our production locations rely on an adequate supply of empties. Empties are collected by our group distribution companies in Europe and in the USA. If empties are not available in the quantities required, it is necessary to resort to brokers, thereby leading to a significant increase in procurement costs. The Turbon Group significantly increased its own collection of empties. In 2008, this will make us largely independent of purchases from third parties and enable us to achieve cost improvements.

Risks are also associated with the procurement of toner for colour cartridges. The production of colour toner is new for toner manufacturers and we have encountered problems with availability and fluctuating quality. In order to achieve our growth aims in the sector of colour cartridges, we require sufficient quantities of high quality toner. Comparable experience in the monochrome sector shows that availability and quality will constantly improve as time goes on. We are already working in very close cooperation with toner producers and suppliers in order to guarantee our supply in the future.

SALES RISKS

There continues to be significant competition on prices in the current market environment, whereby the weak US Dollar has generally affected selling prices. For 2008, we expect another market related reduction in price for the established products. We also registered weaker overall demand at the beginning of 2008. We respond to this situation by continuing our cost cutting programs at all locations.

Another sales related risk is our concentration on a relatively small number of key accounts. Around 60% of sales in 2007 were made to the ten largest customers. By maintaining high performance standards, we strengthen customer loyalty and create a barrier for our competitors.

The Turbon Group meanwhile has a more flexible structure which allows faster cost reductions to adapt to falling sales.

DEFAULT RISKS

We limit default risks by regularly analyzing the creditworthiness of our customer portfolios on the basis of a receivables management directive. This includes the requirement that all customer receivables that exceed Euro 20,000 must be secured by credit sale insurance or other securities (guarantees, payment in advance). Moreover, customer receivables below EUR 20,000 are insured as a lump sum. Credit ratings are obtained for new customers and cash in advance agreements made with them.

CURRENCY RISKS

As the Turbon Group does part of its business in foreign currency, currency fluctuations can affect earnings. The currency risk is particularly important for the US Dollar. Given the fact that the USA is an important sales market, a strong US currency is regarded as positive for the operations of the Turbon Group. By increasingly purchasing in US Dollars, we have succeeded in reducing the effects of US Dollar fluctuations on our results. Furthermore, the instrument of currency hedging continues to be used.

LEGAL RISKS

Legal risks arise for the Turbon Group from possible changes in statutes or case law, especially in the sector of environmental law. This could affect our production and specifically the transport of our empties. The Turbon Group has, therefore, set itself the aim of meeting all statutory requirements, where possible in excess of that required, and of cooperating very closely with the responsible authorities. In addition, the production and distribution locations are certified in accordance with the ISO standard 14001:2000. This standard governs the environmental management system of companies.

OVERALL RISK

In summary, it can be said that the requirements of German Law on Control and Transparency in Enterprises (KonTraG) have been fully met. The instruments of risk management deployed are sufficient to detect risks threatening survival in good time. No risks endangering the future of the company are discernible at the present time.

Information required by § 315 (4) Commercial Code (HGB)

Turbon AG's subscribed capital of Euro 10,333 thousand is divided into 4,042,000 no par registered shares with voting rights. There are no differing classes of stocks. 400,000 shares are in the possession of Turbon AG.

No restrictions are imposed on voting rights or the transfer of the shares.

Direct or indirect shareholdings in the capital of Turbon AG that exceed 10% of voting rights as of December 31, 2007 exist as follows: the Supervisory Board Member Holger Brückmann-Turbon holds 26.20% (previous year: 26.20%) and NCR Corporation, Dayton, OH, USA holds 25.98% (previous year: 25.98%) in Turbon AG.

There are no special shareholder rights that give controlling powers. Employees, after exercising their options under the existing stock option plans, hold shares in the capital of the company. They exercise the rights of control accruing to them from the same directly.

The rules on the appointment and removal of Executive Board members of Turbon AG are taken from §§ 84 et seq. Stock-Corporation Act (AktG). The Articles of Association contain no further rules in this respect. The number of Executive Board members is determined by the Supervisory Board in accordance with Article 7 of the Articles of Association. The Supervisory Board can appoint an Executive Board member as chairman or spokesperson for the Executive Board.

Alterations of the Articles are governed by §133 and § 179 AktG. The authority to change the wording of the Articles only has been delegated to the Supervisory Board in accordance with § 179 (1) Sentence 2 AktG.

With the exception of contingent capital to grant subscription rights to members of Turbon AG Executive Board and to management executives of Turbon AG and its domestic and foreign subsidiaries, the Executive Board has no further powers to issue shares. There are no powers to buy back further shares in addition to the own shares already held.

There are no agreements with Turbon AG conditional on a change of control as a consequence of a takeover bid.

No indemnity agreements or similar have been made with employees or members of the Executive Board in the event of a takeover bid.

Compensation report

The compensation of members of the Supervisory Board is determined in Article 18 of the Articles. The compensation paid to the Executive Board includes fixed and variable elements. Executive Board members receive, as fixed amount of compensation, their monthly payments of salary, contributions towards social insurance and, in three cases, a company car with a right of private use. As variable compensation, Executive Board members receive an annual bonus based on group earnings and cash flow.

Outlook

For the year 2008 and beyond, we expect higher income with a simultaneous reduction in capital employed and a correspondingly positive cash flow. Developments in the second half of 2007 gave cause for this optimism. Our 2008 sales budget provides for sales that are lower than 2007 as a consequence of focusing on the core product sector and key accounts. Given the totality of all the measures to improve earnings and achieve positive cash flow, we have to accept this decline in sales.

Since we also registered reduced demand on the market at the beginning of 2008, our plans are based on aggregate sales for 2008 in the amount of Euro 100 million. On this basis, we expect positive earnings at all locations and, consequently, positive consolidated earnings. Finally, the balance sheet structure and our financial situation will continue to improve in 2008. This will open up new strategic options for us.

Hattingen, April 2008

The Executive Board

Supervisory Board Report for the 2007 Fiscal Year

The Supervisory Board reviewed the economic position and strategic development of Turbon AG and its subsidiaries in a total of seven meetings in 2007.

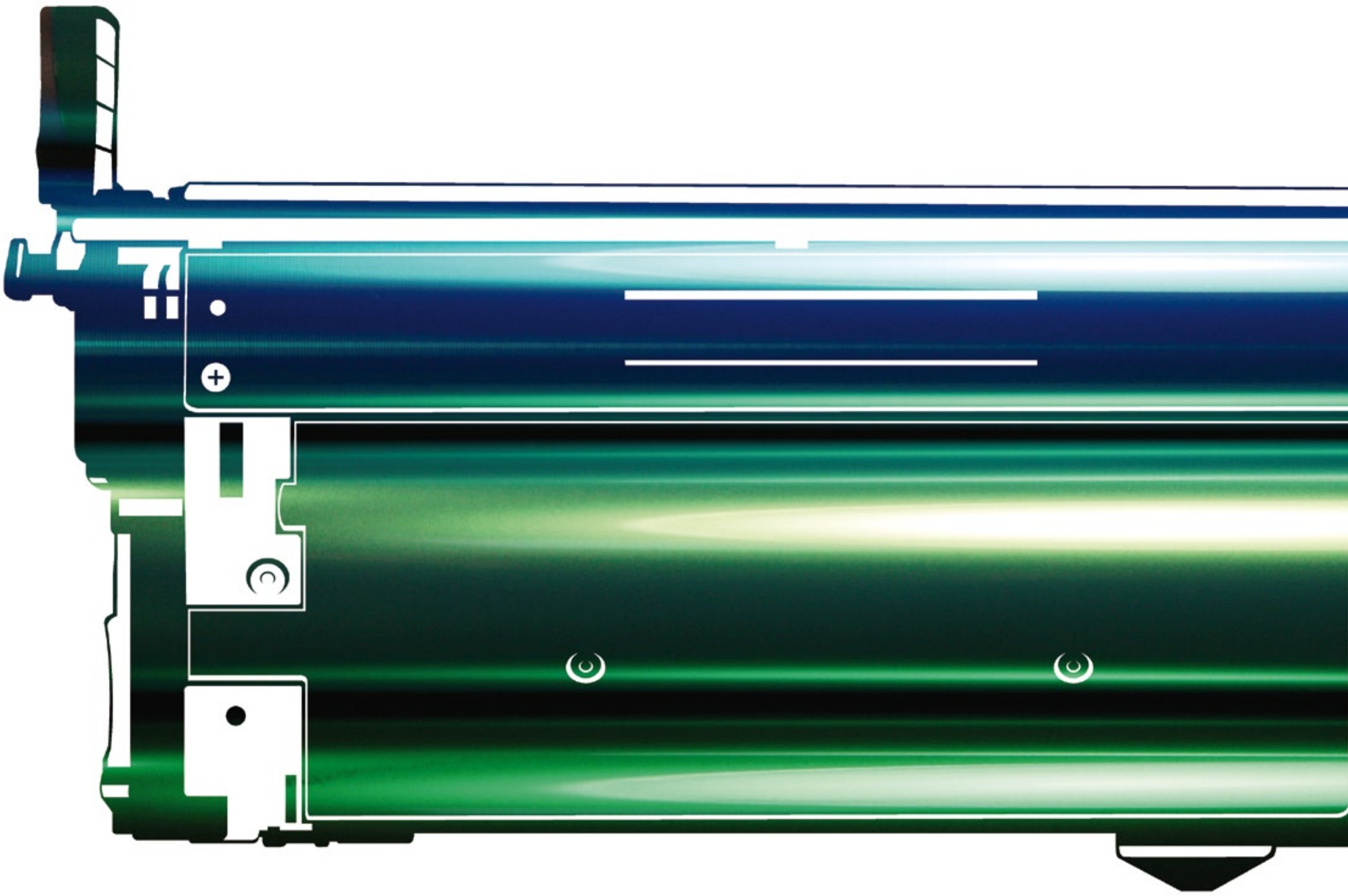
The Executive Board informed the Supervisory Board at regular intervals of the business and financial position of the company and coordinated all important decisions and measures with the latter. The positive result of this close cooperation was a partial reorientation of the group of companies. The concentration on core business with laser cartridges and, in this case, on key accounts, as described in detail in the Management Report, allows a significant reduction in the complexity of the corporate structure and the Supervisory Board is confident that the measures undertaken by the Executive Board to this effect will, firstly, bring sustained improvements in earnings from 2008 onwards and, secondly, reduce the volume of capital tied up and lower the volume of debt resulting from the same. These actions will open up strategic options to Turbon AG and should be reflected in a major increase in the company's value.

The Supervisory Board continues to monitor the measures taken by the Executive Board with regard to the continuous expansion and, above all, improvement of the risk-management system for the early detection of risks that could threaten the company's survival and is able to confirm that the system in operation conforms to the requirements of the Law on Control and Transparency in Enterprises (KonTraG).

The Supervisory Board was also involved in the further development of corporate-governance principles for the company. In December 2007, the Executive Board and the Supervisory Board submitted a new declaration of conformity in accordance with § 161 Stock-Corporation Act (AktG).

The annual financial statements of Turbon AG and the combined management report and group management report were prepared in accordance with the provisions of the German Commercial Code (HGB), and the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS).

BDO Deutsche Warentreuhand AG, Wirtschaftsprüfungsgesellschaft, Düsseldorf, audited the annual financial statements of Turbon AG, the combined management report and group management report and the consolidated financial statements. The auditor explains the auditing principles applied in its auditor's report.



The conclusion to be drawn is that Turbon has complied with the provisions of HGB and the IFRS respectively. The auditors have given both the annual financial statements and the consolidated financial statements an unqualified mark of approval. The annual financial statements, the combined management report and group management report, the consolidated financial statements and the auditor's reports were made available to all Supervisory Board members. At the meeting of the Supervisory Board held to discuss the annual financial statements, these documents were discussed in detail in the presence of the auditor.

We examined the annual financial statements, the combined management report and group management report, the consolidated financial statements and the proposal for the appropriation of the retained earnings. Our examination covered the completeness and content of the documents and the matters prescribed by § 289 (4) and § 315 (4) Commercial Code (HGB). No objections were raised. For this reason, we agree with the results of the audit of the 2007 financial statements. We hereby approve the annual financial statements and consolidated financial statements prepared by the Executive Board. The financial statements are thereby adopted. We agree with the combined management report and the assessment of the future development of the Turbon Group.

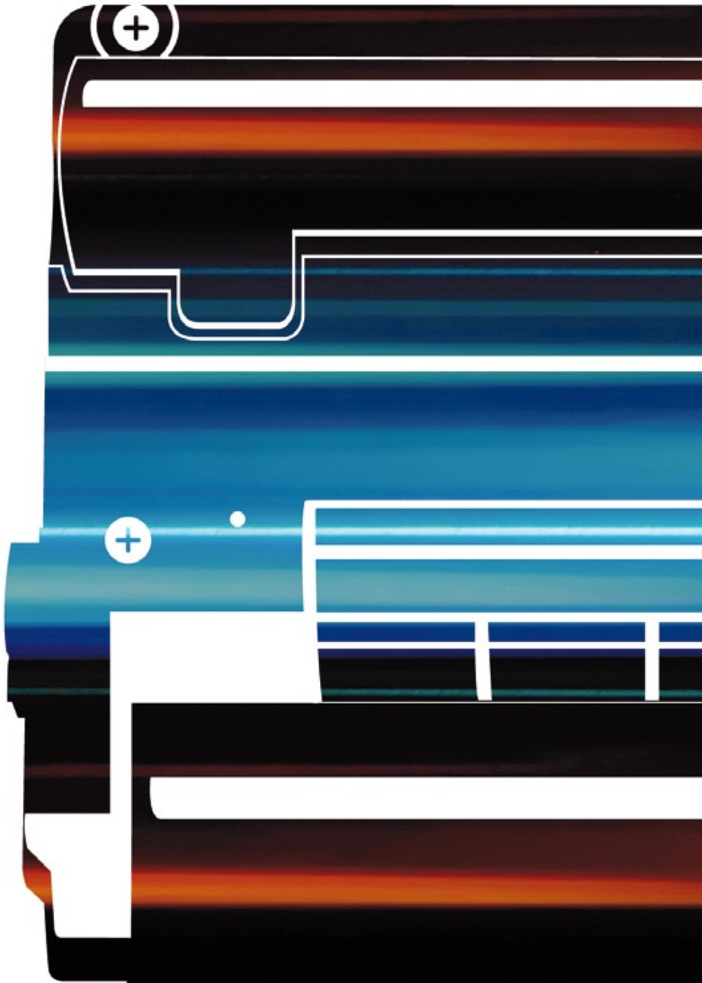
Despite only a small consolidated net profit for the year, the Supervisory Board and Executive Board have mutually resolved to propose that the dividend payment be revived at the forthcoming annual shareholders' meeting in Hattingen on June 19, 2008. This is proposed because of the significantly improved financial position and the positive outlook and should, therefore, be implemented. A dividend sum of Euro 0.50 per share is proposed for payment that comprises two equal parts, one part as subsequent payment of dividend for 2006 and the other part as the dividend payment for 2007.

Finally, we would like to thank company management and all employees for their good work in the 2007 financial year.

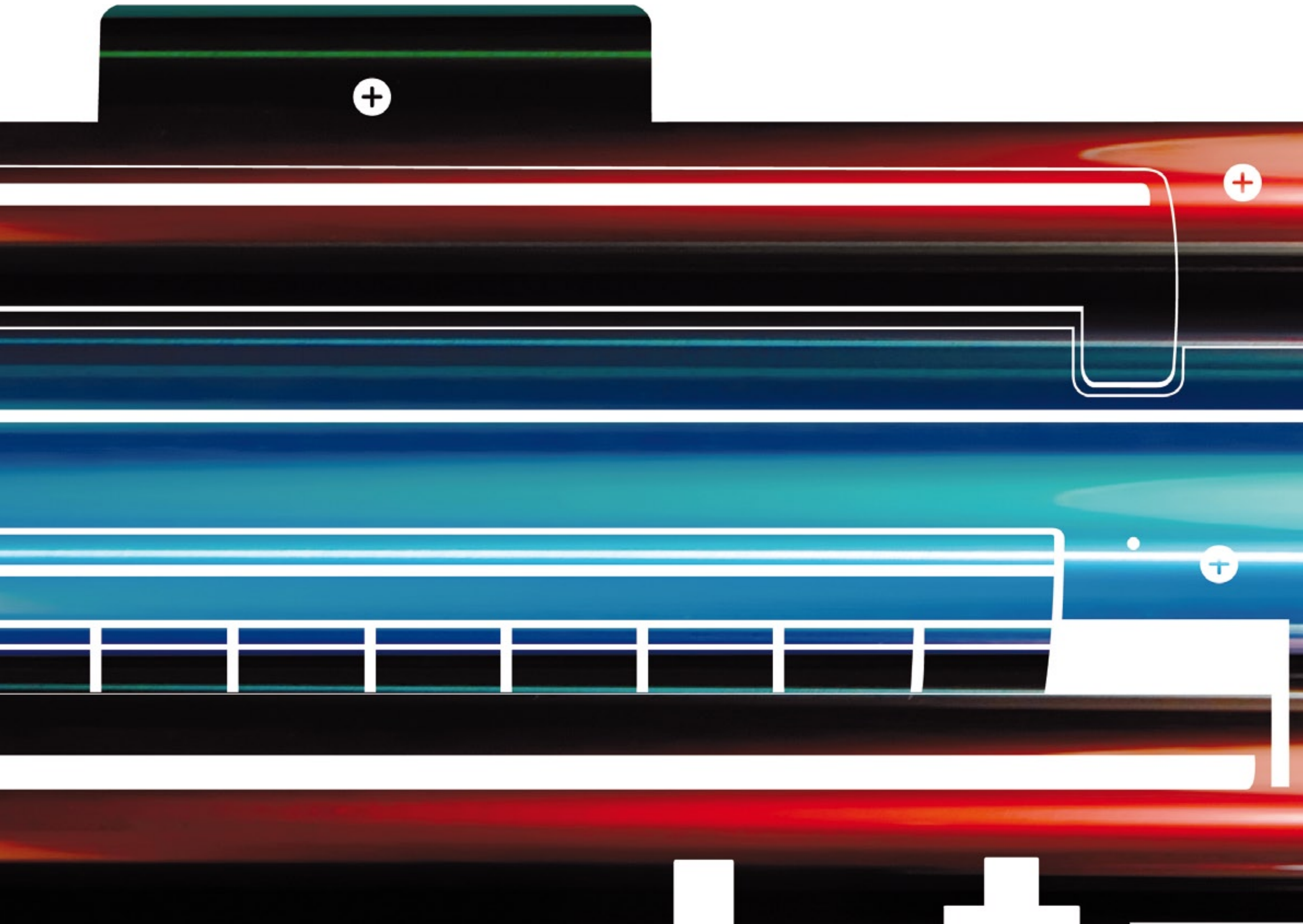
Hattingen, April 2008

For the Supervisory Board

Dr. Juno Nuber
Chairman



Notes to the Consolidated Financial Statements



Consolidated Balance Sheet - Turbon Group

as of December 31, 2007

ASSETS

	Notes	Dec. 31, 07 1,000 EURO	Dec. 31, 06 1,000 EURO
Long-term assets			
Intangible assets	(1)	2,736	3,157
Tangible assets	(1)	15,646	16,808
Financial assets	(1)	708	285
		19,090	20,250
Deferred tax assets		4,276	2,762
		23,366	**23,012**
Short-term assets			
Inventories	(2)		
Raw materials and supplies		9,200	14,339
Work in progress		740	2,523
Finished goods and trading stocks		16,518	21,934
Advance payments		23	20
		26,481	38,816
Trade receivables	(3)	13,030	18,674
Other assets	(4)	2,574	3,317
Income tax assets	(5)	375	240
Cash and cash equivalents	(6)	1,471	831
		43,931	**61,878**
		67,297	**84,890**

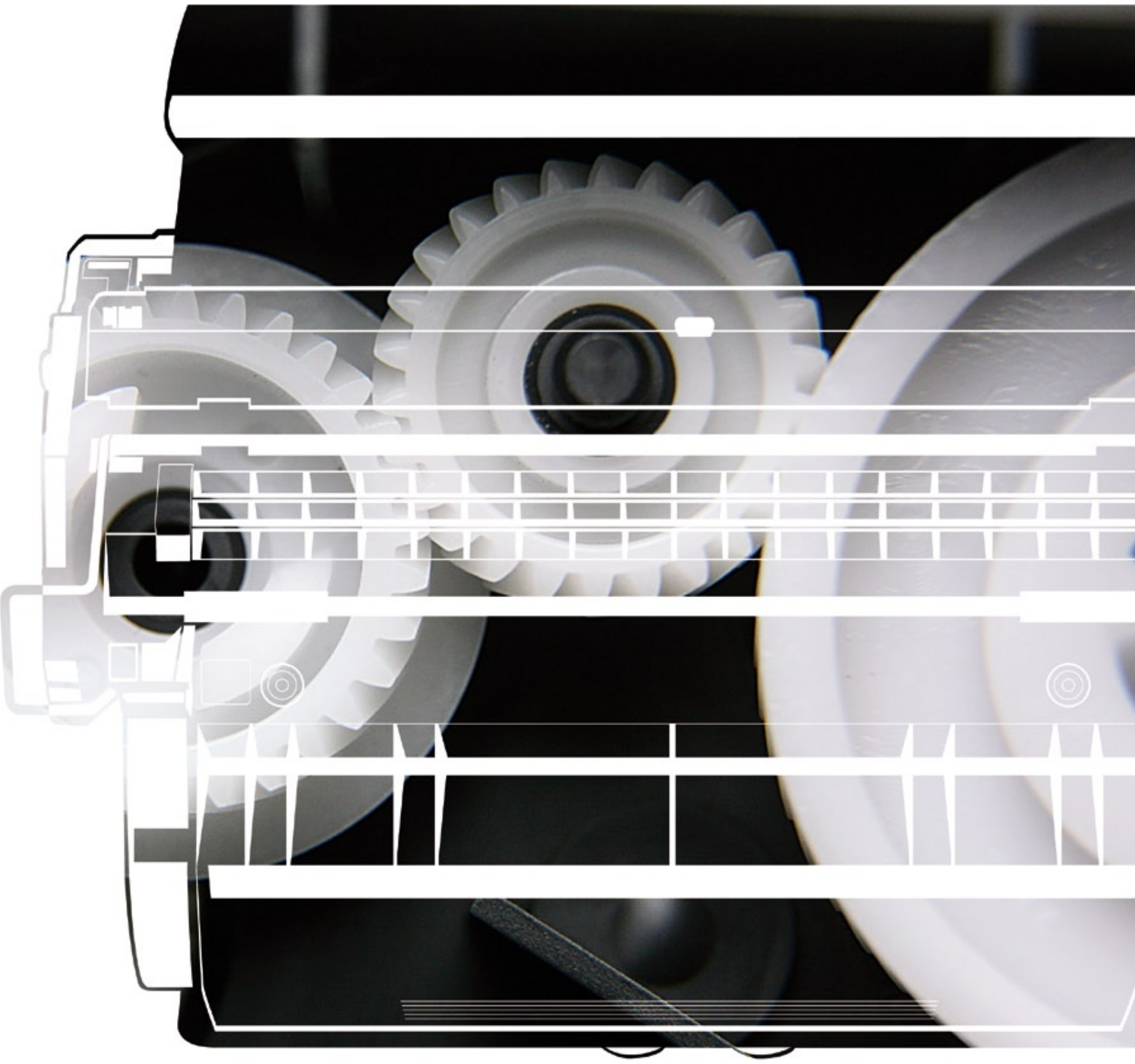
SHAREHOLDERS' EQUITY AND LIABILITIES

	Notes	Dec. 31, 07 1,000 EURO	Dec. 31, 06 1,000 EURO
Shareholders' Equity	(7)		
Subscribed capital		10,333	10,333
Capital reserves		14,956	14,956
Revenue reserves		1,823	3,609
Retained earnings		956	880
Treasury stock		-2,420	-2,420
		25,648	**27,358**
Long-term liabilities			
Pension reserves	(8)	2,519	3,210
Deferred tax liabilities	(9)	1,178	1,338
Fixed interest bond		9,843	9,814
		13,540	**14,362**
Short-term liabilities			
Accrued taxes	(9)	730	494
Other reserves and accrued liabilities	(9)	4,014	6,662
Liabilities due to banks		3,858	9,623
Trade payables		15,737	23,364
Liabilities due to other group companies		24	24
Other liabilities	(10)	3,746	3,003
		28,109	**43,170**
		67,297	**84,890**

Consolidated Statement of Income - Turbon Group

for the period from January 01 until December 31, 2007

	Notes	2007 1,000 EURO	Previous Year 1,000 EURO
Sales	(11)	122,516	128,820
Cost of sales	(17)	-103,029	-106,961
Gross profit		**19,487**	**21,859**
Selling expenses		-9,310	-11,447
Administrative expenses		-7,297	-7,833
Other operating income	(12)	728	961
Other operating expenses	(13)	-2,353	-1,819
Earnings before interest and tax		**1,255**	**1,721**
Net interest	(14)	-2,253	-1,493
Result from ordinary operations before restructuring expenses		**-998**	**228**
Restructuring expenses		0	-2,400
Result from ordinary operations after restructuring expenses		**-998**	**-2,172**
Taxes on income	(15)	1,074	236
Group net income/ net loss for the year		**76**	**-1,936**
Profit brought forward from previous year		880	5,755
Change in revenue reserves		0	-2,939
Retained earnings		**956**	**880**
Undiluted earnings per share (in Euro)	(16)	**0.02**	**-0.50**
Diluted earnings per share (in Euro)	(16)	**0.02**	**-0.50**



Consolidated Statement of Changes in Shareholders' Equity - Turbon Group

as of December 31, 2007

	Subscribed capital	**Capital reserves**	**Revenue reserves**	**Reserve for actuarial gains and losses**	**Exchange rate differences**	**Deferred taxes**
	1,000 EURO	1,000 EURO	1,000 EURO	1,000 EURO	1,000 EURO	1,000 EURO
At January 01, 2006	10,333	14,956	1,513	0	0	0
2005 dividends						
Retraction of treasury stock						
Group net loss for the year						
Change in revenue reserves			2,939			
Actuarial gains and losses				463		
Deferred taxes						209
Exchange rate differences and other changes			-470		-1,045	
At December 31, 2006	**10,333**	**14,956**	**3,982**	**463**	**-1,045**	**209**
Group net income for the year						
Actuarial gains and losses				978		
Deferred taxes						-72
Exchange rate differences and other changes			-133		-2,559	
At December 31, 2007	**10,333**	**14,956**	**3,849**	**1,441**	**-3,604**	**137**

Retained	Treasury stock	Total
1,000 EURO	1,000 EURO	1,000 EURO
6,968	0	33,770
-1,213		-1,213
	-2,420	-2,420
-1,936		-1,936
-2,939		0
		463
		209
		-1,515
880	**-2,420**	**27,358**
76		76
		978
		-72
		-2,692
956	**-2,420**	**25,648**

Statement of recognized income and expenses

as of December 31, 2007

	2007 1,000 EURO	Prev. Year 1,000 EURO
Exchange rate differences	-2,559	-1,045
Change in pension reserves	978	463
Change in deferred taxes	-72	209
Other changes	-133	-470
Income and expenses directly offset against shareholders' equity	**-1,786**	**-843**
Net income/ loss for the year	76	-1,936
Total income and expenses for the year	**-1,710**	**-2,779**

Consolidated Cash Flow Statement - Turbon Group

for the period from January 01 until December 31, 2007

	2007 1,000 EURO	Previous Year 1,000 EURO
Group net income /net loss for the year	76	-1,936
Depreciation of fixed assets	2,945	2,151
Change in pension reserves	-691	291
Other non-cash expenses and income	755	235
Cash flow	**3,085**	**741**
Result on disposals of fixed assets	-284	-32
Change in inventories	12,335	-4,808
Change in trade receivables	4,889	3,124
Change in other assets	-906	-170
Change in short-term provisions	-2,573	334
Change in trade payables	-7,632	5,761
Change in other liabilities	748	345
Non cash-effects	-1,010	-633
Cash flow from operating activities	**8,652**	**4,662**
Purchase of intangible assets	-90	-1,214
Purchase of tangible assets	-1,190	-1,894
Purchase of financial assets	-1,435	0
Proceeds from disposals of fixed assets	527	103
Cash flow from investing activities	**-2,188**	**-3,005**
Dividend payment	0	-1,213
Issuance of fixed interest bond	0	9,800
Change in bank loans	-5,736	-10,326
Cash flow from financing activities	**-5,736**	**-1,739**
Change in cash funds from cash relevant transactions	728	-82
Exchange rate related change in cash funds	-88	10
Cash funds at the beginning of the period	831	903
Cash funds at the end of the period	**1,471**	**831**
Cash flow from operating activities includes:		
Interest payment	-1,833	-1,371
Income tax payment	-931	-1,285

Notes to the Consolidated Financial Statements of the Turbon Group

General information

The companies of the Turbon Group develop, produce and distribute compatible printing accessories for laser printers, ink-jet, dot-matrix and thermal-transfer printers. Turbon operates production plants in Asia, Europe and USA.

Turbon AG, as the group holding company, is registered with the commercial register of the Essen Local Court (Amtsgericht) under HRB 15780. The seat of the company is in Hattingen. The address is Turbon AG, Ruhrdeich 10, 45525 Hattingen, Germany.

The Executive Board prepared the consolidated financial statements and group management reports as of December 31, 2007 on April 14, 2008 and approved their submission to the Supervisory Board.

Principles of accounting

The consolidated financial statements of Turbon AG and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) as recognized by the European Union, the application of which standards on the balance sheet date is mandatory, and additionally in accordance with the provisions to be observed of § 315 and § 315a (1) German Commercial Code (HGB).

The IFRS include those issued by the International Accounting Standards Board (IASB), the International Accounting Standards (IAS), and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC). All standards and interpretations whose application on the balance sheet date is mandatory have been incorporated into EU law by the European Commission. As a result, the consolidated financial statements of Turbon AG conform to IFRS. We have waived the use of standards whose application is not yet mandatory.

The consolidated financial statements comprise the balance sheet, statement of income, the breakdown of recognized items of income and expense, the cash flow statement and the Notes.

The consolidated financial statements are prepared in Euros. Unless otherwise indicated, all amounts are stated in thousand Euros. Assets and liabilities are divided into current and non current assets and liabilities according to their maturities. The consolidated statement of income is prepared in accordance with the cost of sales accounting format.

The fiscal year of Turbon AG and its consolidated subsidiaries corresponds always to the calendar year.

The accounting and valuation principles applied in the consolidated financial statements of Turbon AG as of December 31, 2006 have been – except for the reclassification of freight out costs from the selling expenses to the cost of sales – retained.

Changes in accounting and valuation methods

The following overview presents new or changed standards and interpretations whose application in the current fiscal year is mandatory:

Standard/ Interpretation		**Mandatory-application**	**EU commission use**	**Impact**
IFRS 7	Financial Instruments Disclosure	January 01, 2007	yes	from Page 42
IAS 1	Presentation of Financial Statements - Information on Capital	January 01, 2007	yes	Pages 26-27
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies	March 01, 2006	yes	none
IFRIC 8	Scope of IFRS 2	May 01, 2006	yes	none
IFRIC 9	Reassessment of Embedded Derivatives	June 01, 2006	yes	none
IFRIC 10	Interim Financial Reporting and Impairment	November 01, 2006	yes	none

New accounting standards

The following overview presents published standards and interpretations whose application is not yet mandatory:

Standard/ Interpretation		**Mandatory-application**	**EU commission use**	**Impact**
IFRS 8	Operating Segments	January 01, 2009	yes	Segment Reporting
IAS 1	Presentation of Financial Statements	January 01, 2009	no	new order of statements
IAS 23	Borrowing Costs	January 01, 2009	no	none
IFRIC 11	IFRS 2: Group and Treasury share Transactions	March 01, 2007	yes	no major
IFRIC 12	Service Concession Arrangements	January 01, 2008	no	none
IFRIC 13	Customer Loyalty Programmes	July 01, 2008	no	none
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	January 01, 2008	no	none

Consolidated companies

Included in the consolidated financial statements in addition to Turbon AG are two domestic and 16 foreign companies in which Turbon AG directly or indirectly holds the majority of voting rights or exercises uniform management. Compared to previous year, the number of consolidated companies was reduced by one company.

Kores Nordic Holding A/S, Tästrup, Denmark sold the shares in its Finnish subsidiary, Kores Nordic Suomi OY, with effect from August 8, 2007.

Carbotex Beteiligungs GbR, Hattingen is included in the consolidated financial statements for the first time.

As these two companies are only of minor importance, the financial statements remain comparable with the financial statements of the previous year.

Without effect on the consolidated financial statements was the merger of JetFill Holdings Inc. to Curtis-Young Corporation, both Cinnaminson (NJ)/USA as of December 21, 2007.

Not included is one (2006: one) subsidiary which is of minor importance for the conveyance of a true and fair view of the net worth, the financial and income position of the Group. The subsidiaries included and not included in the consolidated financial statements are listed in the breakdown of stockholdings.

Interests in the limited partnerships BIL Leasing Verwaltungs-GmbH & Co. Objekt Hattingen KG and BIL Leasing Verwaltungs-GmbH & Co. Objekt Meerbusch KG (sale and lease back properties) are not included in the consolidated financial statements of Turbon AG because, under IAS 27 in conjunction with SIC (Standing Interpretations Committee) 12, there is no parent subsidiary relationship between Turbon AG and these limited partnerships nor are the majority of opportunities and risks associated with the leasing agreements with these partnerships attributable to Turbon AG. Since these leasing agreements are classified as operating leases under IAS 17, the leased properties are not included in the consolidated balance sheet under this accounting standard either.

The consolidated domestic subsidiary Turbon International GmbH satisfies the requirements of § 264 (3) Commercial Code (HGB) and is, therefore, exempted from the duty to publish its own annual financial statements.

Methods of consolidation

The consolidated financial statements are based on the annual financial statements of Turbon AG and the consolidated subsidiaries prepared according to accounting and valuation principles applied uniformly throughout the group and certified by impartial auditors. Carrying values based on tax regulations are not included in the consolidated financial statements. The annual financial statements of the affiliated companies are prepared on the closing date of the consolidated financial statements.

Capital consolidation is based on the acquisition method by setting off the costs of acquisition against the pro rata share of equity at the time of acquiring the individual companies. Positive balancing items which cannot be assigned to hidden reserves or hidden expenses are shown as goodwill. Negative goodwill arising on consolidation is recognized directly as affecting income.

Accounts receivable and accounts payable between the consolidated companies are eliminated.

Intercompany expenses and incomes are eliminated.

Intermediate results in inventories arising from intercompany supplies and services and in fixed assets are eliminated.

Accruals for deferred taxes were made on consolidation processes affecting net income.

Currency translation

Non-monetary items in foreign currency are valued on the balance sheet date at the rate in application on the date of the first entry in the annual financial statements of the companies. Monetary items are translated at the rate on the balance sheet date. Currency gains and losses resulting from the valuation of monetary balance sheet items in foreign currency are recognized as income or expenses in other operating income or expenses.

The assets and liabilities of all financial statements of subsidiaries prepared in foreign currencies are translated into Euros in the consolidated financial statements at the average daily rate on the balance sheet date. The consolidated statement of income uses average annual rates. Differences resulting from the currency translation of balance sheet items compared to the translation of the previous year are netted against retained earnings or allocated to the same without affecting income.

In the statement of fixed assets, the status at the beginning and the end of the fiscal year is translated into Euros at the relevant average daily rate on the balance sheet date and other items at the average annual rate; the difference resulting from changes in exchange rates is shown separately as currency difference.

The exchange rates of the currencies have changed as follows:

	Rate on effective date		Average rate	
	Dec. 31,07	Dec. 31,06	2007	2006
1 EUR =				
USD	1.4716	1.3181	1.3703	1.2559
GBP	0.7346	0.6714	0.6845	0.6819
THB	43.8250	46.7650	44.4306	47.5808
DKK	7.4622	7.4558	7.4507	7.4591
SEK	9.4350	9.0430	9.2523	9.2543
RON	3.6280	3.4110	3.3511	3.5361

Accounting and valuation methods

Intangible assets are capitalized at cost and, if subject to wear and tear, written off on a straight line basis over their useful lives of primarily 3 to 5 years.

Movable items of property, plant and equipment are valued at amortized cost. Maintenance and repair expenses and interest on borrowed capital are recognized as current expenses.

Property, plant and equipment are depreciated on a straight line basis over the forecast useful life. Low value assets are written off in full in their year of acquisition.

Scheduled depreciation is based on useful lives defined uniformly throughout the group:

Buildings	20 to 50 years
Land improvements	3 to 10 years
Technical plant and machinery	3 to 10 years
Other equipment, fixtures, fittings and equipment	3 to 20 years

Financial instruments are based on contracts which give rise to a financial asset of one enterprise and a financial liability or equity instrument of the other enterprise. They are accounted for at the time of the usual purchase or sale on the date of performance, i.e. the date on which the asset is delivered. IAS 39 subdivides financial assets into the following categories:

- Financial instruments held at fair value through profit and loss,
- Held to maturity financial investments,
- Loans and receivables,
- Available for sale financial assets.

Financial instruments are carried at amortized cost or fair value. Financial instruments are always disposed of by payment or – in the event of customer receivables – by sale.

The shares in non-consolidated subsidiaries shown in the financial assets and the loans listed there are assigned to the category “available for sale”.

Inventories are assets intended for sale: finished goods and goods for resale, semi finished goods still in the process of manufacturing or raw materials and consumables used to manufacture the products.

Inventories are valued at the lower of cost or net realizable value. Manufacturing costs correspond to the production related full costs and are determined on the basis of normal capacity. As well as directly assignable costs, they include reasonable portions of necessary material and manufacturing overheads including manufacturing related write offs. Borrowing costs are not capitalized as part of manufacturing costs.

If there are lower net realizable values on the balance sheet closing date, these are used. If the net realizable value of formerly devalued inventories has risen, the resulting write up is shown as a reduction in material expenses and therefore as cost of sales.

Trade receivables and other assets except for derivative financial instruments are carried at amortized cost. Necessary valuation allowances are guided by the actual credit risk. The carrying amounts for receivables are always adjusted using a valuation account.

Cash and cash equivalents include cash in hand and cash in banks payable on demand.

Deferred tax assets on deductible temporary differences and tax benefits on loss carry forwards are capitalized if it is likely that a tax benefit be available for the same in the future and it is sufficiently certain that the loss carry forward can actually be used. Deferred tax liabilities are allocated for temporary differences still to be taxed in the future. The calcula-tion is subject to the tax rates expected to apply in the individual countries at the time of realization. These are always based on the statutory rules in force or enacted on the balance sheet date. Deferred tax assets and liabilities are netted if these exist against the same tax authority. Changes in deferred tax assets and liabilities resulting from changes in tax rates are recognized in income. If profit and loss are recognized directly in equity, this also applies to the deferred tax assets and liabilities. The assessment of whether deferred tax assets resulting from temporary differences or loss carry forwards can be utilized in the future is the subject of forecasts by the individual consolidated companies, inter alia, regarding their future earnings situation.

Pension obligations are based on pension commitments to benefits for old age, invalidity and surviving dependants. When determining the amount of provisions, not only the pensions and expectancy rights acquired on the effective date are recognized, but also anticipated future increases in wages and salaries and pensions. Expenses associated with length of service are a component of personnel expenses, interest portions of allocations are recognized in the net interest result.

Actuarial gains and losses are allocated to earnings reserves outside the statement of income. Provisions for pensions in the balance sheet correspond to the defined benefit obligation on the balance sheet date.

In accordance with IAS 37 "Provisions, contingent liabilities and contingent assets", other provisions are allocated if a current (legal or de facto) obligation towards a third party arises from a past event, this obligation is likely to lead to an outflow of resources in future and it can be reliably estimated.

Liabilities are carried at amortized cost in the balance sheet.

Sales are entered when the service has been provided or the assets have been delivered and, therefore, the risk has passed to third parties.

The outward freight charges of Euro 2,826 thousand (previous year: Euro 2,485 thousand) are shown under cost of sales in 2007 for the first time. Until now outward freight charges were included in selling expenses. The changed presentation should lead to a more appropriate presentation of the fixed and variable costs. The figures for the previous year have been adapted accordingly.

Expenses on research and development are recognized as expenses.

Other operating expenses and income are allocated to the total operating result on an accrual basis.

Interest is recognized according to the effective interest method on an accrual basis.

Use of estimates

The preparation of the consolidated financial statements according to IFRS requires estimates and assumptions that affect the disclosure of assets and liabilities, the indication of contingent liabilities on the balance sheet date and the disclosure of income and expenses. The actual values may differ in individual cases from the assumptions and estimates made.

The assumptions and estimates refer primarily to the definition of useful lives uniformly for the whole group, the saleability of our products, the accounting and valuation of pension provisions and the possibility of realizing future tax benefits.

The risks inherent in our assets are limited to their carrying amounts.

Explanations to the Consolidated Balance Sheet

(1) Fixed assets

Developments in the period from January 01 to December 31, 2007

	At cost					
	Balance Jan. 01, 07	Additions	Transfers	Disposals	Differences from currency conversion	Balance Dec. 31, 07
	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 as licenses thereto	4,685	90	0	-82	-127	4,566
	4,685	**90**	**0**	**-82**	**-127**	**4,566**
Tangible assets						
Land, equivalents titles and buildings (including on leased land)	14,317	147	78	-411	-450	13,681
Production, plant and machinery	32,812	585	77	-5,297	-1,323	26,854
Other plant, factory and office equipment	34,298	422	2	-2,171	-238	32,313
Advance payments and construction in progress	157	36	-157	0	-2	34
	81,584	**1,190**	**0**	**-7,879**	**-2,013**	**72,882**
Financial assets						
Participations	49	1,383	0	0	0	1,432
Loans due from other group companies	236	0	0	0	0	236
Other loans	229	0	0	0	0	229
	514	**1,383**	**0**	**0**	**0**	**1,897**
	86,783	**2,663**	**0**	**-7,961**	**-2,140**	**79,345**

Accumulated depreciation					**Book values**	
Balance Jan. 01, 07	Depreciation during financial year	Disposals	Differences from currency conversion	Balance Dec. 31, 07	Balance Dec. 31, 07	Balance Previous year
1,000 EURO	1,000 EURO	1,000 EURO	1,000 EURO	1,000 EURO	1,000 EURO	1,000 EURO
1,528	328	0	-26	1,830	2,736	3,157
1,528	**328**	**0**	**-26**	**1,830**	**2,736**	**3,157**
1,995	355	-411	-66	1,873	11,808	12,322
30,389	776	-5,222	-1,210	24,733	2,121	2,423
32,392	526	-2,137	-151	30,630	1,683	1,906
0	0	0	0	0	34	157
64,776	**1,657**	**-7,770**	**-1,427**	**57,236**	**15,646**	**16,808**
0	908	0	0	908	524	49
0	52	0	0	52	184	236
229	0	0	0	229	0	0
229	**960**	**0**	**0**	**1,189**	**708**	**285**
66,533	**2,945**	**-7,770**	**-1,453**	**60,255**	**19,090**	**20,250**

Developments in the period from January 01 to December 31, 2006

	At cost					
	Balance Jan. 01, 06	Additions	Transfers	Disposals	Differences from currency conversion	Balance Dec. 31, 06
	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 as licenses thereto	1,699	3,014	0	0	-28	4,685
	1,699	**3,014**	**0**	**0**	**-28**	**4,685**
Tangible assets						
Land, equivalents titles and buildings (including on leased land)	12,336	43	1,677	0	261	14,317
Production, plant and machinery	33,125	604	109	-589	-437	32,812
Other plant, factory and office equipment	34,268	459	-39	-382	-8	34,298
Advance payments and construction in progress	1,071	787	-1,747	0	46	157
	80,800	**1,893**	**0**	**-971**	**-138**	**81,584**
Financial assets						
Participations	49	0	0	0	0	49
Loans due from other group companies	236	0	0	0	0	236
Other loans	229	0	0	0	0	229
	514	**0**	**0**	**0**	**0**	**514**
	83,013	**4,907**	**0**	**-971**	**-166**	**86,783**

Accumulated depreciation					Book values	
Balance Jan. 01, 06	Depreciation during financial year	Disposals	Differences from currency conversion	Balance Dec. 31, 06	Balance Dec. 31, 06	Balance Previous year
1,000 EURO	1,000 EURO	1,000 EURO	1,000 EURO	1,000 EURO	1,000 EURO	1,000 EURO
1,241	282	0	5	1,528	3,157	458
1,241	**282**	**0**	**5**	**1,528**	**3,157**	**458**
1,738	272	0	-15	1,995	12,322	10,598
30,619	814	-584	-460	30,389	2,423	2,506
31,959	783	-316	-34	32,392	1,906	2,309
0	0	0	0	0	157	1,071
64,316	**1,869**	**-900**	**-509**	**64,776**	**16,808**	**16,484**
0	0	0	0	0	49	49
0	0	0	0	0	236	236
229	0	0	0	229	0	0
229	**0**	**0**	**0**	**229**	**285**	**285**
65,786	**2,151**	**-900**	**-504**	**66,533**	**20,250**	**17,227**

(2) Inventories

	Dec. 31, 07 1,000 EURO	Dec. 31, 06 1,000 EURO
Raw materials and supplies	9,200	14,339
Work in progress	740	2,523
Finished goods and trading stocks	16,518	21,934
Advance payments	23	20
	26,481	**38,816**

Write downs on inventories in the amount of Euro 2,014 thousand (previous year: Euro 0) were made in the fiscal year ended.

(3) Trade receivables

Trade receivables shown for Turbon International GmbH, the German subsidiary, in the amount of Euro 5,618 thousand (previous year: Euro 5,257 thousand) have been assigned under a factoring agreement. Remaining receivables in the amount of Euro 509 thousand (previous year Euro 1,322 thousand) have been assigned to security.

(4) Other assets

Composition of other assets:

	Dec. 31, 07 1,000 EURO	Dec. 31, 06 1,000 EURO
Claims arising from other taxes	1,102	1,510
Deferred charges and prepaid expenses	1,074	1,266
Assets from Pension Plan Reinsurance	133	138
Other assets	265	403
	2,574	**3,317**

(5) Income tax assets

Income tax claims mainly results from overpayments to the calculated expenses as well as deducted capital return taxes.

(6) Cash and cash equivalents

Liquid assets are short-term, freely disposable cash in banks and cash in hand.

(7) Shareholders' equity

The share capital of the Turbon AG is Euro 10,333 thousand (previous year: Euro 10,333 thousand and is divided up into 4,042,000 (2006: 4,042,000) no par registered shares. As in the previous year, 400,000 own shares held by Turbon AG have been subtracted from equity.

Contingent capital as of December 31, 2007 in aggregate is Euro 915 thousand (previous year: Euro 915 thousand).

Share capital was increased by up to Euro 511 thousand in the annual shareholders' meeting on August 12, 1999 by 200,000 registered bearer no par shares being issued to grant subscription rights to members of Turbon AG Executive Board and management executives of Turbon AG and its domestic and foreign subsidiaries. The contingent capital increase is executed only to the extent to which holders of subscription rights exercise these subscription rights under the Turbon stock option plan 1999, subject to the conditions specified therein, and it is necessary to raise capital to serve these subscription rights. Subscription rights are always issued within the first 15 working days of December. Subscription rights may not be exercised until after expiry of a two year holding period, which begins on the first day of the year that follows the issue of the subscription rights. Subscription rights, which give the right to buy a no par share in Turbon AG, can be exercised within three years of expiry of the holding period for a period of 21 calendar days counted from the third stock exchange trading day since the annual shareholders' meeting. The shares are issued at the relevant base price when a specific requirement for exercise is met. The base price is the average price of the Turbon stock over a certain measured period.

The basic data of the options issued since the Turbon stock option plan 1999 was passed are as follows:

Subscription rights issued in	Base price in Euro	Subscription rights issued	Subscription rights exercised	Subscription rights outstanding Dec. 31, 07
1999	7.33	40,500	-	-
2000	5.97	45,000	19,000	-
2001	5.34	43,500	23,000	-
2002	8.11	42,000	-	-
2003	6.08	13,500	-	11,000

The requirements for exercising the exercisable options will be recalculated at the end of the measuring period for 2007.

The annual meeting of shareholders on June 12, 2003 contingently raised the share capital of Turbon AG by a nominal sum up to Euro 511 thousand by issuing up to 200,000 no par value registered shares (contingent capital II). The contingent capital increase is executed only to the extent to which holders of subscription rights exercise these subscription rights under the Turbon stock option plan 2003, subject to the conditions specified therein, and it is necessary to raise capital to serve these subscription rights. The conditions of exercise under the Turbon stock option plan 2003 essentially correspond to those of the Turbon stock option plan 1999.

The basic data of the options issued since the Turbon stock option plan 2003 was passed are as follows:

Subscription rights issued in	Base price in Euro	Subscription rights issued	Subscription rights exercised	Subscription rights outstanding Dec. 31, 07
2003	6.08	19,000	-	17,000
2004	10.14	38,500	-	34,000
2005	8.92	21,500	-	19,500
2006	8.24	-	-	-
2007	5.49	-	-	-

No subscription rights under Turbon stock option plans of 1999 or 2003 were exercised in the year under review. As in the previous year, no expenses arose from the option programs.

The share-premium account in the amount of Euro 14,827 thousand contains the share premium of the 1991 capital increase and the amount of Euro 129 thousand from the exercise of subscription rights under the Turbon stock option plan 1999.

Changes in group equity are shown on pages 26 and 27.

(8) Pension reserves

The direct and indirect obligations include those arising from current pensions and expectancy rights for pensions and retirement benefits payable in the future.

The company pension scheme for the group is based partly on contributions and partly on performance. The relevant expenses are – unless directly netted with equity – included in the costs of the functional areas. The compound interest on pension rights acquired in previous years and income from investments are shown in net interest income. Unrealized actuarial results are netted against equity in the year under review.

The pension obligations for performance related old age pension schemes are charged according to the project unit credit method as per IAS 19 (Employee benefits). In Germany, the calculation is based on the 2005 G. Heubeck tables. The pension benefits to be expected are spread over the entire length of service of employees.

The valuation is based on the following assumptions.

	Dec. 31, 07	Dec. 31, 06
Discount rate	5.50%	5.25%
Projected wage / salary growth	0.00%	0.00%
Projected pension growth	1.00 - 3.00%	1.00 - 3.00%
Fluctuation	0.00%	0.00%
Projected return on plan assets	5.00%	5.00%
Pension age	65	65

These parameters apply also in the following year for the calculation of costs of the pension rights acquired in the year under review, the compound interest on the pension rights acquired in previous years and the anticipated income from investments.

The pension values from the projected unit credit method and the market values of fund investments have changed as follows in the fiscal years 2007 and 2006:

	2007 1,000 EURO	Previous Year 1,000 EURO
Defined benefit obligation end of prior year	**13,430**	**13,817**
Current service cost	13	24
Interest cost	672	662
Actuarial gains (+) / losses (-)	-978	-463
Benefits paid	-604	-614
Changes in currency	-1,012	4
Defined benefit obligation end of current year	**11,521**	**13,430**

Plan assets changed as follows in the fiscal years 2007 and 2006:

	2007 1,000 EURO	Previous Year 1,000 EURO
Plan assets end of prior year	**10,220**	**10,661**
Return on plan assets	98	-21
Employer contribution on plan assets	68	74
Benefits paid by plan assets	-494	-506
Changes in currency	-890	12
Plan assets end of current year	**9,002**	**10,220**

To cover pension obligations due to employees of the British subsidiary, plan assets mainly comprise fixed interest bearing securities.

Total expenses on pension commitments are comprised as follows:

	2007 1,000 EURO	Previous Year 1,000 EURO
Cost of obligations acquired during the year	13	24
Interest expenses on present value of pension obligations	672	662
Expected return on plan assets	-489	-463
Expense for commitments	**196**	**223**
Actuarial results offset against shareholders' equity	-978	-463
Total expense for commitments	**-782**	**-240**

The pension provision is calculated as follows:

	Dec. 31, 07 1,000 EURO	Dec. 31, 06 1,000 EURO	Dec. 31, 05 1,000 EURO
Present value of unfunded obligations	2,062	2,061	1,532
Present value of funded obligations	9,460	11,369	12,003
Present value of pension obligations	11,521	13,430	13,535
Fair value of plan assets	-9,002	-10,220	-10,431
Present value of pension obligations less plan assets	2,519	3,210	3,104
Unrecognised actuarial results	0	0	-185
Provision in accordance with IAS 19	**2,519**	**3,210**	**2,919**

Pension plans and obligations are valued at regular intervals. Actuarial investigations are performed each year for all significant entities.

(9) Provisions

Changes in provisions were as follows:

	Balance Jan. 01, 07 1,000 Euro	Currency-conversion 1,000 Euro	Withdrawal 1,000 Euro	Release 1,000 Euro	Allocation 1,000 Euro	Balance Dec. 31, 07 1,000 Euro
Pension reserves	3,210	-100	-591	0	0	2,519
Accrued taxes	1,832	24	-1,759	-97	1,908	1,908
Other reserves and accrued liabilities	6,662	-22	-6,616	-24	4,014	4,014
Restructuring accrual	2,587	0	-2,587	0	0	0
Obligations to employees	1,134	-26	-1,094	-14	724	724
Business-related commitments	2,941	4	-2,935	-10	3,290	3,290

Provisions for income taxes include Euro 1,178 thousand for long-term deferred tax assets (previous year Euro 1,338 thousand). Other provisions include provisions for obligations from the sector of personnel, for advertising costs, for bonuses and provisions for various individual risks.

(10) Other liabilities

Other liabilities include liabilities for other taxes of Euro 1,026 thousand (previous year Euro 981 thousand) and liabilities for social security of Euro 291 thousand (previous year: Euro 278 thousand).

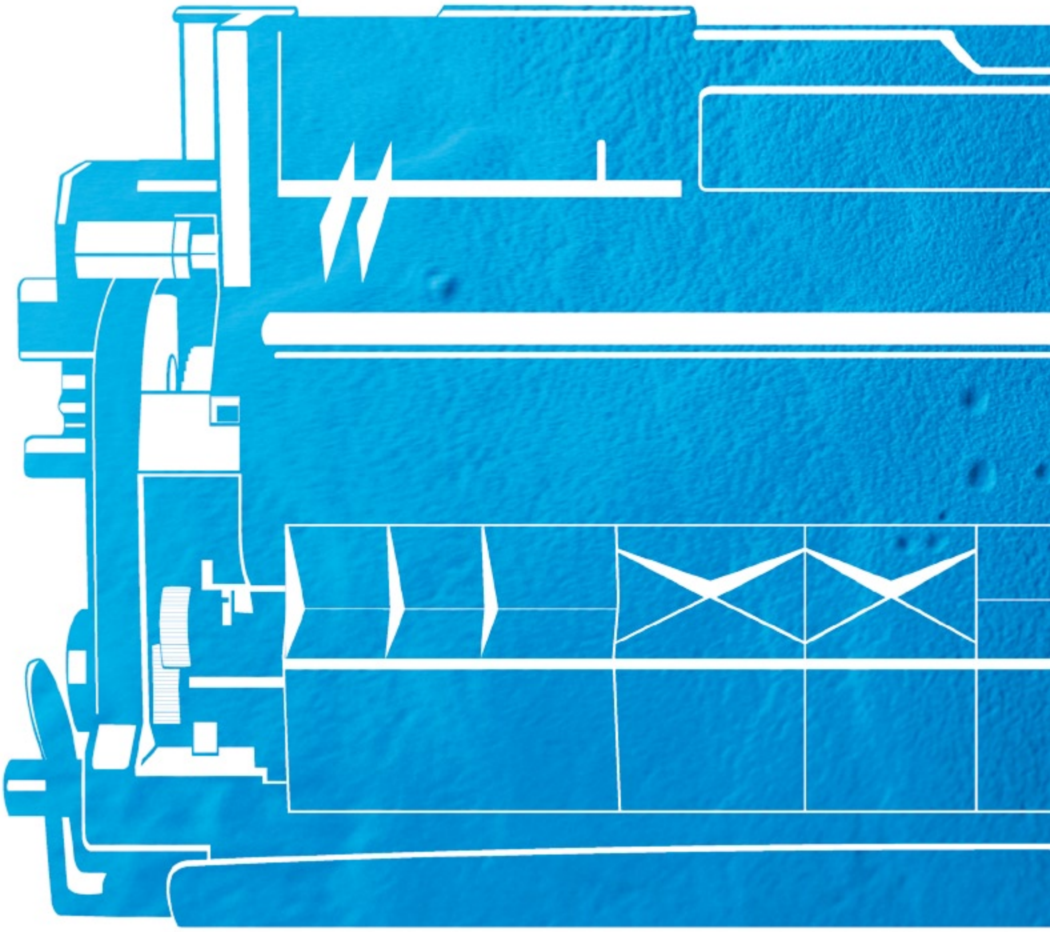
Reporting of financial instruments

A distinction is made between ordinary and derivative financial instruments.

ORDINARY FINANCIAL INSTRUMENTS

The estimated market values of ordinary financial instruments are not necessarily the values the company would gain in the event of a real transaction at current market rates.

In the assets column, the financial assets, receivables, other assets (excluding deferred charges) and liquid assets are classified as ordinary financial instruments. Available for sale financial assets are carried at their fair value, all other financial assets are carried at amortized cost.



Ordinary financial instruments in the liabilities column mainly include liabilities valued at amortized cost.

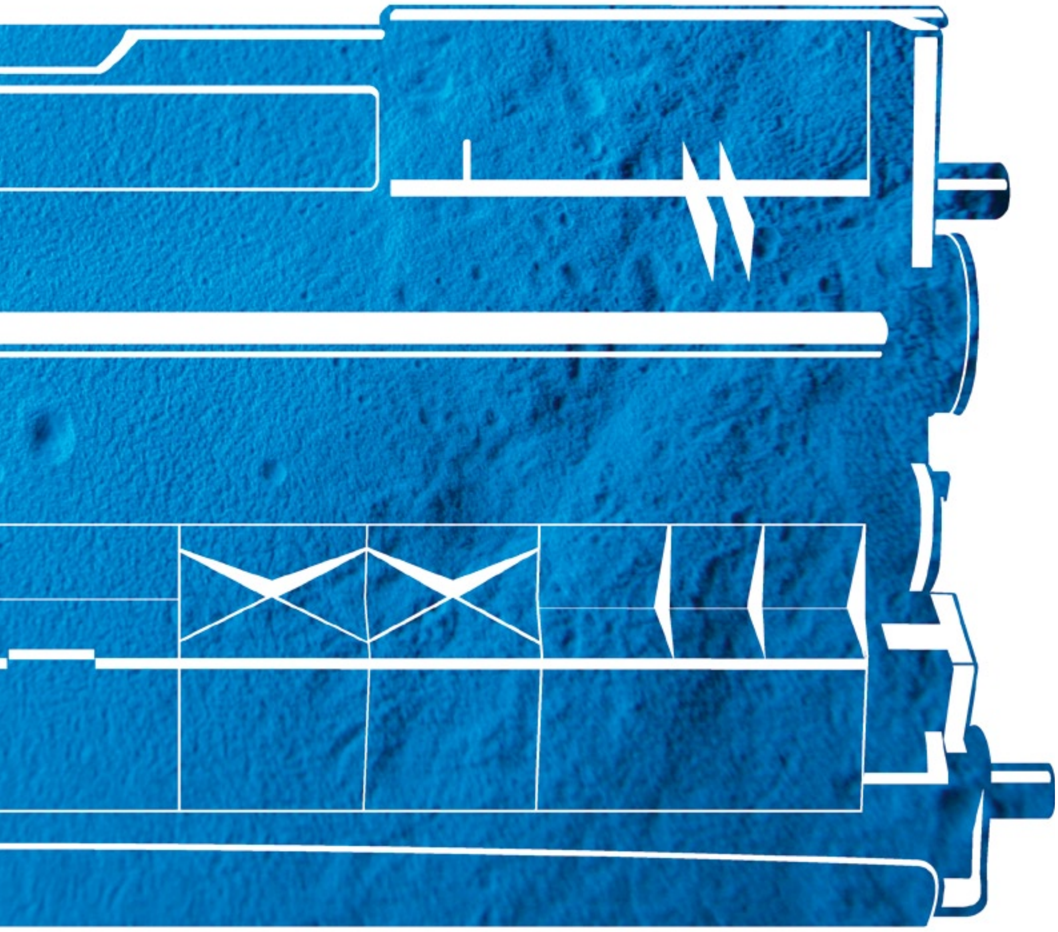
The fixed interest bearing financial liabilities are currently carried at their repayment rates which correspond approximately to market values. The carrying values of liabilities with variable interest rates correspond approximately to their market values, because these interest rates are based on variable interest rates that are based on market interest rates.

Interest at rates close to the market of between 4.9% and 7.5% is payable on financial liabilities depending on their terms to maturity and currencies.

The issue of "bullet bonds" with a term to maturity of seven years is linked to various conditions. Alongside general conditions, there are financial requirements to the effect that certain ratios regarding interest cover and debt cover may not be undermined.

The stock of ordinary financial instruments is shown in the balance sheet, the amount of the financial assets corresponds to the maximum credit risk. Risks of financial assets are covered by valuation allowances where such risks are discernible.

The fair value is taken from stock exchange prices or is determined using recognized valuation methods.



The financial assets and liabilities can be subdivided into valuation categories with the following carrying values:

BOOK VALUES IN VALUATION CATEGORIES 2007	Valuation categories according IAS 39	Book value as of Dec. 31, 07	Balance sheet valuation according to IAS 39		Fair value as of Dec. 31, 07
			Amortized costs	Fair value recognized in income	
		1,000 EURO	1,000 EURO	1,000 EURO	1,000 EURO
Assets					
Financial assets	AFS	708	0	708	708
Cash and cash equivalents	LAR	1,471	1,471	0	1,471
Trade receivables	LAR	13,030	13,030	0	13,030
Other receivables	LAR	484	484	0	484
Liabilities					
Fixed interest bond	HTM	9,843	9,843	0	9,843
Trade payables	FLAC	15,761	15,761	0	15,761
Liabilities due to banks	FLAC	3,858	3,858	0	3,858
Other liabilities	FLAC	2,863	2,863	0	2,863
Other liabilities	HTM	883	0	883	883
Derivative financial liabilities	HTM	53	0	53	53
Thereof accumulated according to valuation categories IAS 39					
Available for Sale (AFS)		708	0	708	708
Loans and Receivables (LAR)		14,985	14,985	0	14,985
Held to Maturity Investments (HTM)		10,779	9,843	936	10,779
Financial Liabilities Measured at amortised cost (FLAC)		22,482	22,482	0	22,482

BOOK VALUES IN VALUATION CATEGORIES 2006	Valuation categories according IAS 39	Book value as of Dec. 31, 06	Balance sheet valuation according to IAS 39		Fair value as of Dec. 31, 06
			Amortized costs	Fair value recognized in income	
		1,000 EURO	1,000 EURO	1,000 EURO	1,000 EURO
Assets					
Financial assets	AFS	285	0	285	285
Cash and cash equivalents	LAR	831	831	0	831
Trade receivables	LAR	18,674	18,674	0	18,674
Other receivables	LAR	541	541	0	541
Liabilities					
Fixed interest bond	HTM	9,814	9,814	0	9,814
Trade payables	FLAC	23,388	23,388	0	23,388
Liabilities due to banks	FLAC	9,623	9,623	0	9,623
Other liabilities	FLAC	3,003	3,003	0	3,003
Thereof accumulated according to valuation categories IAS 39					
Available for Sale (AFS)		285	0	285	285
Loans and Receivables (LAR)		20,046	20,046	0	20,046
Held to Maturity Investments (HTM)		9,814	9,814	0	9,814
Financial Liabilities Measured at amortised cost (FLAC)		36,014	36,014	0	36,014

Valuation allowances for the receivables disclosed in the following balance sheet items changed as follows:

WRITE-DOWNS ON TRADE RECEIVABLES 2007	**Beginning-balance** **Jan. 01, 07** 1,000 EURO	**Currency differences** 1,000 EURO	**Write-downs-fiscal year** 1,000 EURO	**Write-ups-fiscal year** 1,000 EURO	**Transfers** 1,000 EURO	**Disposals** 1,000 EURO	**Balance end of year** **Dec. 31, 07** 1,000 EURO
Trade receivables	340	-9	292	0	0	-169	454

WRITE-DOWNS ON TRADE RECEIVABLES 2006	**Beginning-balance** **Jan. 01, 06** 1,000 EURO	**Currency differences** 1,000 EURO	**Write-downs-fiscal year** 1,000 EURO	**Write-ups-fiscal year** 1,000 EURO	**Transfers** 1,000 EURO	**Disposals** 1,000 EURO	**Balance end of year** **Dec. 31, 06** 1,000 EURO
Trade receivables	594	-10	176	0	0	-420	340

Overdue, non adjusted receivables in the following amount existed on the balance sheet date:

	Book value **Dec. 31, 07**	**thereof neither impaired nor past due as of Balance sheet date**	**thereof not impaired and past due in the following timeframes**		
			< 30 days	between 30 and 60 days	> 60 days
		1,000 EURO	1,000 EURO	1,000 EURO	1,000 EURO
Trade receivables	13,030	9,293	2,365	374	544
Other assets	2,574	2,574	0	0	0

	Book value **Dec. 31, 06**	**thereof neither impaired nor past due as of Balance sheet date**	**thereof not impaired and past due in the following timeframes**		
			< 30 days	between 30 and 60 days	> 60 days
		1,000 EURO	1,000 EURO	1,000 EURO	1,000 EURO
Trade receivables	18,674	15,484	1,820	405	625
Other assets	3,317	3,317	0	0	0

Financial instruments are recognized in the statement of income with the following net amounts (IFRS 7):

NET GAIN/LOSS ON FINANCIAL INSTRUMENTS	**2007** 1,000 EURO	**Previous Year** 1,000 EURO
Financial assets recognized at fair value through profit or loss	1,081	176
thereof held-to-maturity	-119	0
thereof receivables and other assets	292	176
thereof available fo sale	908	0
Financial liabilities recognized at fair value through profit or loss	-2,253	-1,493
thereof loans	-2,253	-1,493

This includes the results of valuation of the financial instruments at fair value.

Because it operates internationally, the Turbon Group is exposed to credit risks, liquidity risks and market risks in the course of its normal business operations. Market risks result in particular from market prices and currency rates. These risks are limited by systematic risk management. The group companies are also subject to strict risk management. Internal directives prescribe areas of action, responsibilities and controls with binding effect in close consultation with the Executive Board.

In some cases, derivative financial instruments are used to hedge currency risks from operations and risks from financing operations.

Detailed outlines of risks to which the group is exposed and the aims and processes of risk management are contained in the section “Risk Report” in the Management Report.

Fair value hedges are undertaken to secure fixed interest bearing liabilities against currency risks. This measure is intended to preserve the book value.

The fair value of the security instruments used as part of fair value hedges was Euro -53 thousand (previous year: Euro 0) on the balance-sheet date. After adjusting the book values of underlying transactions, losses of Euro 66.3 thousand (previous year: Euro 0) were recognized in the net financial result of the year under review; as a result of changes in security instruments, losses in the amount of Euro 53 thousand (previous year: Euro 0) were recognized in the net financial result.

CREDIT RISKS

We are exposed to credit risks in our sales business, because customers may not meet their payment obligations. We limit this risk by undertaking regular credit rating analyses of our customer portfolio on the basis of a receivables management directive. This means that all customer receivables over Euro 20 thousand must be secured by credit insurance or that other securities must be available. A greater part of the receivables are secured by credit insurance.

MARKET RISKS

The Turbon Group is exposed to market risks because of changes in exchange rates. Currency risks arise mainly with payments and trade receivables and payables.

IFRS 7 requires sensitivity analyses for the presentation of market risks, which show the effects of hypothetical changes of relevant risk variables on net income. Currency risks as defined by IFRS 7 do not arise on assets and liabilities in Euros.

The following table shows the effect on the equity of the Turbon Group in each case of a 10% change in the currency risk position:

2007	USD	GBP	Total
Scenario 1 Revaluation to € by 10%	358	352	**710**
Scenario 2 Devaluation to € by 10%	-294	-287	**-581**

2006	USD	GBP	Total
Scenario 1 Revaluation to € by 10%	487	320	**807**
Scenario 2 Devaluation to € by 10%	-398	-262	**-660**

LIQUIDITY RISKS

There is a liquidity risk if the liquidity reserves are not sufficient to meet our financial obligations on time. However, daily cash reporting or an 8 week cash plan updated on a weekly basis ensures that such a risk is minimized. Sufficient credit lines are available with commercial banks and utilized at a decreasing rate to the extent usual in business.

Financial liabilities in the next few months and years will probably result in the following non discounted payments:

REDEMPTION AND INTEREST PAYMENTS ON FINANCIAL LIABILITIES	Book value Dec. 31, 07	Redemption payments			Interest payments		
		2008	2009-2012	from 2013	2008	2009-2012	from 2013
	1,000 EURO	1,000 EURO	1,000 EURO	1,000 EURO	1,000 EURO	1,000 EURO	1,000 EURO
Fixed interest bond	9,843	0	0	10,000	720	2,880	390

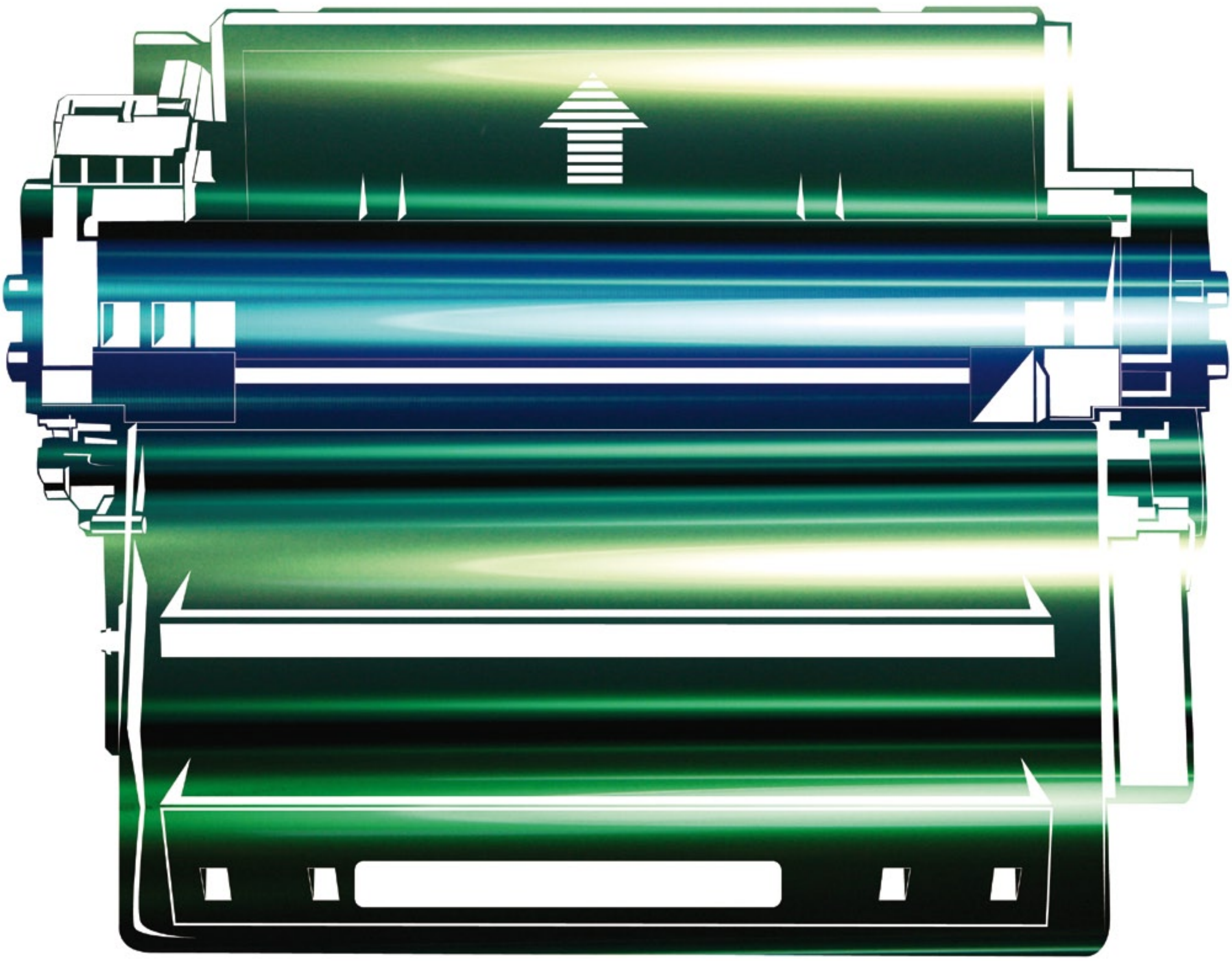
REDEMPTION AND INTEREST PAYMENTS ON FINANCIAL LIABILITIES	Book value Dec. 31, 06	Redemption payments			Interest payments		
		2007	2008-2011	from 2012	2007	2008-2011	from 2012
	1,000 EURO	1,000 EURO	1,000 EURO	1,000 EURO	1,000 EURO	1,000 EURO	1,000 EURO
Fixed interest bond	9,814	0	0	10,000	720	2,880	1,110

DERIVATIVES

Forward exchange transactions are concluded to secure special business transactions. The market values result from the valuation of outstanding transactions at market prices on the balance sheet date. The nominal volume corresponds to the total of all purchase and sales sums underlying the transactions. The forward exchange transactions have a term to maturity of up to six months.

	Dec. 31, 07 1,000 EURO	Dec. 31, 06 1,000 EURO
Nominal volume	936	0
Fair value	-53	0

Turbon AG has hedged liabilities in the amount of US Dollar 1.3 million on the balance-sheet date by means of forward exchange transactions.



Explanations to the Consolidated Statement of Income

Segment report by regions

for the period from January 01 until December 31, 2007

	Europe 1,000 EURO	USA 1,000 EURO	Asia 1,000 EURO	Consolidation 1,000 EURO	Group 1,000 EURO
Sales with third parties	75,326	45,332	1,858	0	122,516
Sales with group companies	52,130	5,356	35,037	-92,523	0
Net income	12,258	-1,952	2,122	-12,352	76
Assets	123,315	42,304	29,084	-127,406	67,297
Liabilities	52,721	24,204	6,438	-41,714	41,649
Capital expenditure	2,124	176	1,201	-838	2,663
Depreciation	2,261	182	542	-40	2,945

for the period from January 01 until December 31, 2006

	Europe 1,000 EURO	USA 1,000 EURO	Asia 1,000 EURO	Consolidation 1,000 EURO	Group 1,000 EURO
Sales with third parties	81,054	45,727	2,039	0	128,820
Sales with goup companies	69,683	3,930	29,142	-102,755	0
Net income	-2,952	-979	1,482	513	-1,936
Assets	121,776	52,251	25,321	-114,458	84,890
Liabilities	68,282	30,014	6,115	-46,879	57,532
Capital expenditure	3,495	1,149	264	0	4,908
Depreciation	1,326	357	468	0	2,151

Intercompany sales took place unchanged at the usual arms-length rates. The presentation shows balances for the region which have been added together.

(11) Sales

Sales of Euro 102.4 million (previous year: Euro 95.3 million) were made with laser cartridges. Sales of other products (mainly ink jet, TTR and impact products) totalled Euro 20.1 million (Euro 33.5 million in the previous year).

(12) Other operating income

Other operating income mainly comprises currency gains and income from the sale of items of property, plant and equipment.

(13) Other operating expenses

As well as expenses not allocated to other functional areas, other operating expenses include currency losses and value adjustments of receivables.

The capitalization of development costs has been waived as there is no specific evidence of a future economic benefit.

(14) Net interest result

	2007 1,000 EURO	Previous Year 1,000 EURO
Other interest and similar income	24	152
Interest and similar expenses	-2,277	-1,645
	-2,253	**-1,493**

(15) Taxes on income

Recognized as income tax are the income taxes in the individual countries and the deferred tax balances.

Income taxes (expenses = -, income = +) including deferred taxes are comprised as follows:

	2007 1,000 EURO	Previous Year 1,000 EURO
Current taxes	-898	-335
Deferred taxes	1,972	571
	1,074	**236**

Allocation of deferred tax balances:

	Deferred tax assets		Deferred tax liabilties	
	Dec. 31, 07 1,000 EURO	**Dec. 31, 06** 1,000 EURO	**Dec. 31, 07** 1,000 EURO	**Dec. 31, 06** 1,000 EURO
Long-term assets	689	481	1,534	2,219
Inventories	337	435	0	0
Pension reserves	119	535	0	0
Tax losses carried forward	3,487	2,192	0	0
	4,632	**3,643**	**1,534**	**2,219**
Offsetting	-356	-881	-356	-881
Balance pursuant to consolidated balance sheet	**4,276**	**2,762**	**1,178**	**1,338**

Deferred taxes result from temporary differences in values between the tax base of assets and liabilities and their carrying amounts under IFRS. Deferred tax receivables and deferred tax liabilities are netted if these exist against the same tax authority. Potential dividend payments by our subsidiary in Thailand would lead to a liability for capital gains tax. Since we have no intention of making any, in the medium term at least, we have decided against the accrual of a deferred tax liability.

Loss carry forwards able to be utilized for tax purposes were available as of December 31, 2007 and of December 31, 2006 primarily to the US and German group companies. Deferred tax assets were recognized for losses carried forward where it was sufficiently probable that these losses carried forward could be used and as long as it can occur before expiration of tax losses carried forward. The increase in deferred tax sums is due to higher loss carry forwards and, therefore, to the improvements in results to be expected as a consequence of the restructuring measures performed.

The following losses carried forward are related to German corporate and trade taxes as well as federal and state taxes in the USA:

	2007 1,000 EURO	Previous Year 1,000 EURO
Tax assets from losses carried forward in the group as of 01.01.	**27,050**	**21,751**
Additions/ Disposals	1,249	5,299
Tax assets from losses carried forward in the group as of 31.12.	**28,299**	**27,050**
Losses carried forward not recognized as of 01.01.	**-16,214**	**-14,631**
Losses of current year not useable	6,751	-1,583
Losses carried forward not recognized as of 31.12.	**-9,463**	**-16,214**
Taxable losses carried forward as of 31.12.	**18,836**	**10,836**

The reconciliation of computed with actual tax expenses is shown in the following table:

	2007 1,000 EURO	Previous Year 1,000 EURO
Expected tax income	397	864
Decrease of impairment on taxable losses carried forward	1,728	-48
Deviations from taxable base	-1,293	-490
Change in tax rates	236	0
Tax income from capitalization of corporate tax asset	0	322
Other deviations	6	-412
	1,074	**236**

The computed tax result rate is calculated on the basis of the weighted average of the domestic tax rate of 39,8% (previous year 39.8%).

As well as tax expenses and tax income recognized in the statement of income, an amount of Euro 72 thousand (previous year: Euro 209 thousand) was recognized in equity.

(16) Earnings per share

Undiluted earnings per share were calculated by dividing consolidated net income by the average number of shares issued (3,642,000; previous year 3,908,667). 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 (3,723,500; previous year 4,032,667).

(17) Other details of the Consolidated Statement of Income

The costs of sales include the following material expenses:

	2007 1,000 EURO	Previous Year 1,000 EURO
Cost of raw materials, supplies and trading stock	67,172	67,258
Cost of purchased services	272	2,090
	67,444	**69,348**

Personnel expenses are divided up as follows:

	2007 1,000 EURO	Previous Year 1,000 EURO
Wages and salaries	20,298	25,323
Social security, pension and other benefit costs	4,102	4,178
thereof for pensions	524	440
	24,400	**29,501**

Employed by the group on average for the year:

	2007	Previous Year
Industrial employees	976	967
Clerical employees	343	397
Trainees	10	10
	1,329	**1,374**

Other Information

Contingent liabilities and other financial obligations

There were no contingent liabilities on either of the balance sheet dates.

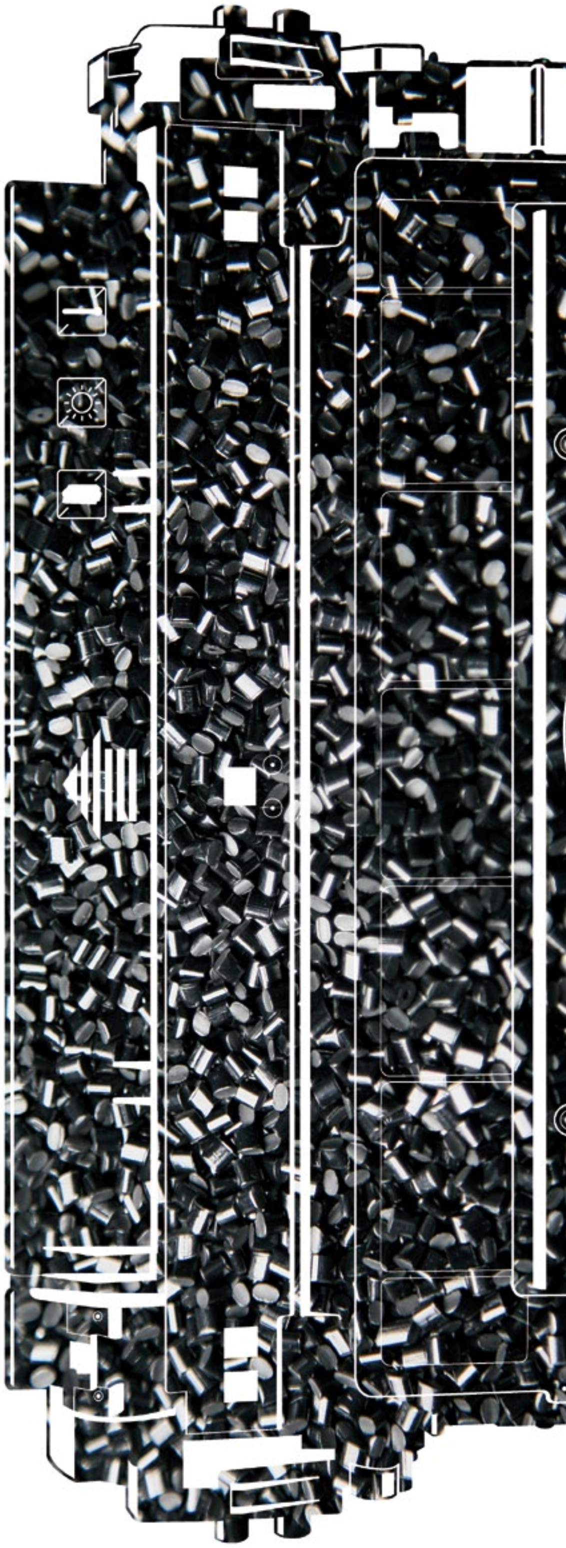
Other financial obligations:

The financial obligations towards third parties from initiated investment undertakings were within normal business limits.

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

	Dec. 31, 07 1,000 EURO	Dec. 31, 06 1,000 EURO
Due within one year	2,097	2,474
Due after more than one year and up to five years	7,869	7,589
Due after more than five years	10,315	10,587
	20,281	**20,650**

This includes the current lease contracts for the properties in Hattingen (company headquarters of Turbon AG and Turbon International GmbH) and Meerbusch (on a medium-term lease to a third party).



Future lease income until the earliest possible date of termination of the sublease in Meerbusch is:

	Dec. 31, 07 1,000 EURO	Dec. 31, 06 1,000 EURO
Due within one year	458	458
Due after more than one year and up to five years	703	1,161
	1,161	**1,619**

Until the end of 2006, Turbon also gained additional income resulting from the reversal of provisions allocated for deferred charges resulting from advance payments of rent.

	Dec. 31, 07 1,000 EURO	Dec. 31, 06 1,000 EURO
Reversal within one year	0	119
	0	**119**

Cash flow statement

The cash flow statement is presented on page 28.

Cash funds comprise cash in banks and cash on hand.

Related party disclosures

As of December 31, 2007, the Supervisory Board Chairman, Mr. Brückmann-Turbon, holds a share of 26.20% (previous year: 26.20%) and NCR GmbH, Augsburg (subsidiary of NCR Corporation, Dayton, OH, USA) holds a share of 25.98% (previous year: 25.98%) in Turbon AG. Taking account of the own shares held by the company, the percentages are 29.08% (Mr. Brückmann-Turbon) and 28.83% (NCR GmbH), on both effective dates.

A non competition agreement valid until December 31, 2008 has been made between the company and Mr. Brückmann-Turbon, and a consultancy agreement with fixed and variable compensation components valid until December 31, 2009.

With regard to the acquisition of a minority share in the Adsero Corp. from HBT Holdings GmbH, in which Mr. Brückmann-Turbon is the sole shareholder, we refer to the statements made in the Management Report.

Contractual relations with the major shareholder NCR Corporation exist exclusively within the usual scope of supply and service relations.

The usual contractual agreements exist with other management board members.

Members of the Supervisory Board and Executive Board

SUPERVISORY BOARD

Members of the Supervisory Board hold, in addition to their control functions at Turbon AG, the following mandates in supervisory boards required by statute and comparable control instances of commercial enterprises (effective date: December 31, 2007):

Dr. Juno A. Nuber
Vice President NCR, Glattzentrum, Switzerland
[Chairman]

NCR (Switzerland), Wallisellen, Switzerland
[Supervisory Board President]

NCR Italy S.p.A., Milan, Italy
[Supervisory Board member]

NCR Finnland Oy, Helsinki, Finland
[Supervisory Board member]

NCR Belgien & Co. SNC, Brussels, Belgium
[Supervisory Board member]

NCR International Inc., Dayton (OH), USA
[Supervisory Board member]

NCR GmbH, Augsburg, Germany
[Supervisory Board member]

Dr. Paul-Michael Günther

Lawyer, Public Accountant and Tax Consultant, Wuppertal
[Vice Chairman]

Fruchtimport P. van Wylick GmbH, Düsseldorf
[Advisory Board member]

DRICON Managing Consultants AG, Frankfurt am Main
[Supervisory Board Chairman]

Quada Immobilien AG, Langenfeld
[Supervisory Board Chairman]

Holger Brückmann-Turbon
Diplom-Kaufmann, Cologne
(court appointed since February 13, 2007)

Michael J. VanDemark

Director NCR Corp., Springboro (OH), USA
(until July 27, 2007)

Simon J. McCouaig

General Manager Europe NCR Corp., Wantage Oxford,
(court appointed since November 05, 2007)

Girolamo Cacciatore
Works Council Chairman, Remscheid,
[Employee Representative]

Dietmar Kirsch,
Technical Employee, Langenfeld
[Employee Representative]

EXECUTIVE BOARD

Aldo C. DeLuca, Ivyland (PA), USA
[Executive-Board Spokesman]

Alan S. Howard, Hertfordshire, UK
[Executive-Board Spokesman]

Klaus D. Marth, Düsseldorf
(until October 25, 2007)

Michael Pages, Moers

Total compensation of the Supervisory Board and Executive Board

The total compensation paid to the Supervisory Board in the 2007 fiscal year was Euro 44 thousand (previous year: Euro 44 thousand). Turbon AG also paid a pro-rata share of EUR 6 thousand (previous year: Euro 6 thousand) under a collective liability insurance agreement in the fiscal year ended.

Executive Board compensation contains fixed and variable elements. Executive Board members receive, as a fixed amount of compensation, their monthly payments of salary, subsidies with social insurance and, in three cases, a company car with a right of private use. As variable compensation, Executive Board members receive an annual bonus which is based on earnings and cash flow.

No subscription rights from the Turbon stock option plan 2003 were issued to Executive-Board members in the year under review (or in the previous year). Similarly, no subscription rights were exercised.

The total compensation paid to the Executive Board of Euro 684 thousand in the year under review (previous year: Euro 817 thousand) was split between the individual Executive Board members as follows:

	Aldo C. Deluca	**Alan S. Howard**	**Klaus D. Marth**	**Michael Pages**
	1,000 EURO	1,000 EURO	1,000 EURO	1,000 EURO
Compensation				
- Fixed	155	207	147	175
- Variable	0	0	0	0
	155	**207**	**147**	**175**

The expenditure on pension commitments for former Executive Board members in the 2007 fiscal year was Euro 112 thousand (previous year: Euro 87 thousand). The pension reserve for this group amounted to Euro 1,850 thousand (previous year: Euro 1,681 thousand).

Current payments for former Executive Board members and their surviving dependants in the 2007 fiscal year were Euro 81 thousand (previous year: Euro 80 thousand).

Declaration on the Corporate Governance Code

The declaration of the Turbon AG Executive Board and Supervisory Board on the Corporate Governance Code as per § 161 Stock-Corporation Act (AktG) was filed on the company's website in December 2007.

Auditors' fees

The fees incurred for audit services were Euro 102 thousand (previous year: Euro 141 thousand) and Euro 6 thousand (previous year: Euro 28 thousand) for other services provided by the auditor of the annual financial statements and consolidated financial statements, BDO Deutsche Warentreuhand AG, Wirtschaftsprüfungsgesellschaft, Düsseldorf.

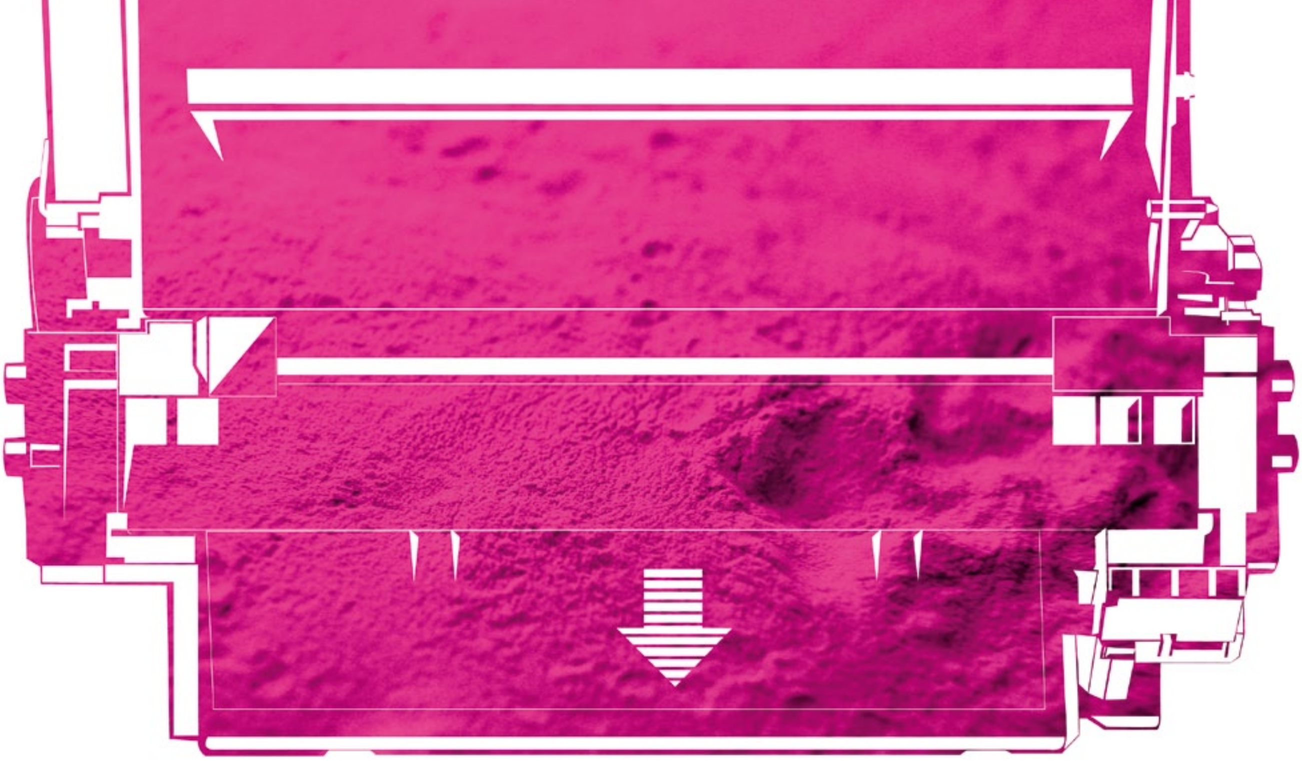
Events after the balance sheet date

The minority share in Adsero Corp was sold at book value with effect from March 4, 2008. Please refer to the Management Report for further details.

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

Mr. Brückmann-Turbon notified us on March 7, 2008, as part of a voting notification under § 21 (1) Securities Trading Act (WpHG), that his voting right in Turbon AG continues to be 26.2%, thereof 25.48% acting through HBT Holdings GmbH.

HBT Holdings GmbH, Schwelm has confirmed the latter as part of a voting notification under § 21 (1), § 22 Securities Trading Act (WpHG) on March 7, 2008.



Proposal for the appropriation of profits of Turbon AG

The potential distribution of balance sheet profit from the annual financial statements of Turbon AG is determined by the statutory regulations in Germany to the distributable equity.

The Annual Financial Statements for the 2007 financial year show net income of Euro	2,180,395.84
After taking account of retained earnings brought forward from 2006 to the amount of Euro	880,260.92
and the release of the reserve for treasury stock in the amount of Euro	480,000.00
retained earnings of Euro	3,540,656.76
remain.	
The Executive Board proposes to the Annual Meeting of the Shareholders that a dividend of Euro 0.50 per no-par share be paid on the share capital of Euro 9.3 million, thereby resulting in a total payable of Euro	1,821,000.00
and that the remainder of Euro	1,719,656.76
be carried forward to new account.	

Responsibility statement

To the best of our knowledge, we declare that the consolidated financial statements prepared in accordance with enacted German accounting principles give a true and fair view of the net worth, financial position and profit or loss of the group, and the combined management and group management report includes a fair review of the group's development and performance and of its position, together with a description of the principal opportunities and risks associated with the expected development of the group in the remaining months of the financial year.

Hattingen, April 14, 2008

The Executive Board

Alan S. Howard

Aldo C. DeLuca

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, statement of recognized income and expenses, cash-flow statement, and the Management Report of the Group and Turbon AG for the financial year from January 1, 2007 until December 31, 2007. 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.

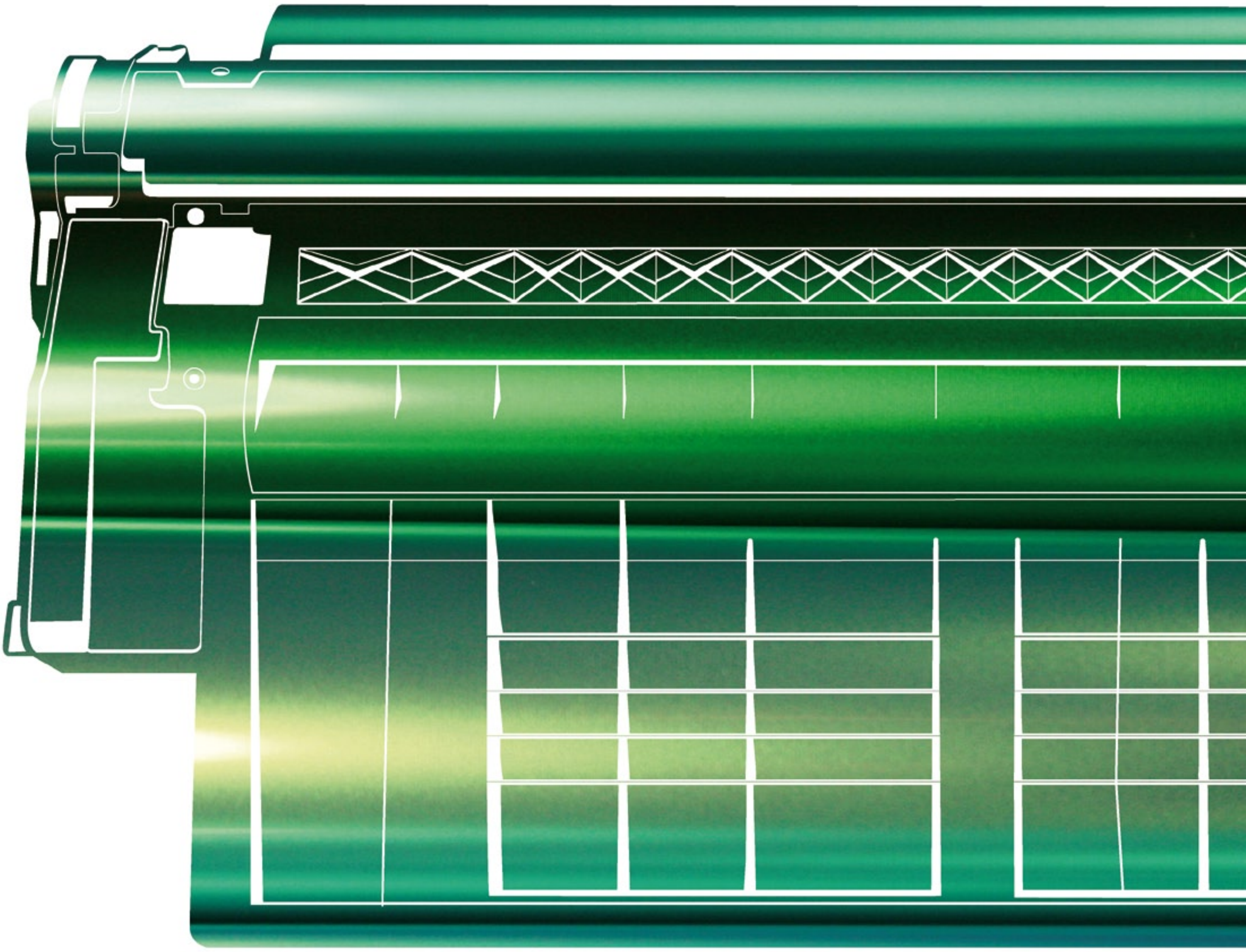
Our audit has not given rise to any objections.

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 14, 2008

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Horn	ppa. Höschler
Wirtschaftsprüfer	Wirtschaftsprüfer



Shareholdings of Turbon AG

as of December 31, 2007

Affiliated companies included in the Consolidated Financial Statements	**Share of capital** (%)	**held thru** NO.	**Currency**	**Equity** IN 1,000 CURRENCY UNITS	**Annual result** IN 1,000 CURRENCY UNITS
1 Turbon AG, Hattingen			EUR	30,517	2,180
2 Turbon International GmbH, Hattingen*	100.00	1	EUR	3,929	0
3 Turbon International, Inc., York(PA)/USA	100.00	1	USD	36,867	1
4 Curtis-Young Corporation, Cinnaminson (NJ)/USA	100.00	3	USD	-10,231	-2,675
5 Carbotex Company Limited, Samutprakarn/Thailand	100,00	1/19	THB	992,461	94,292
6 Kores Nordic Holding A/S, Tästrup/Denmark	100.00	1	DKK	15,175	-5,323
7 Kores Nordic Danmark A/S, Tästrup/Denmark	100.00	6	DKK	-1,605	-1,006
8 Kores Nordic AB, Norrkøping/Sweden	100.00	1	SEK	360	-1,040
9 Kores Nordic (GB) Ltd. Harlow (Essex)/Great Britain	100.00	1	GBP	5,855	-304
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	1,178	-92
12 TLC Tonerfill Logistic Centre B.V., Zaandam/Netherlands	100.00	6	EUR	-10	-440

		Share of capital (%)	held thru NO.	Currency	Equity IN 1,000 CURRENCY UNITS	Annual result IN 1,000 CURRENCY UNITS
13	JetFill Inc., Cinnaminson (NJ)/USA	100.00	4	USD	0	0
14	Tonerfill B.V., Leeuwarden/Netherlands	100.00	1	EUR	-201	-242
15	Accutecc (UK) Ltd., Harlow (Essex)/Great Britain	100.00	9	GBP	1,026	91
16	GEWA Ribbons Ltd., Boulder (CO)/USA	100.00	4	USD	0	0
17	Kores Nordic (USA) Corporation, Summerville (SC)/USA	100.00	3	USD	0	0
18	Tonerfill Romania S.R.L., Oltenita/Romania	100.00	1	RON	-4,714	-4,886
19	Carbotex Beteiligungs GbR, Hattingen	100,00	1	EUR	13,801	0
Affiliated companies not included in the Consolidated Financial Statements						
20	Kores Nordic (Pensions) Ltd., Harlow (Essex)/Great Britain	100.00	9	GBP	2	0
Other participations						
21	BIL Leasing Verwaltungs-GmbH & Co. Objekt Hattingen KG, Pöcking	95.00	1	EUR	-1,439	-19
22	BIL Leasing Verwaltungs-GmbH & Co. Objekt Meerbusch KG, Pöcking	95.00	1	EUR	-205	36

* after transfer of result to Turbon AG

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