

Leading the way in Europe



Annual Report 2005/06

Software

Services

System House

On track to becoming a billion-euro Group

\\ As an independent service provider, we offer our customers a comprehensive range of functional solutions without any system constraints – from software licensing to full-scale system support. PC-WARE is the market leader within the field of software licensing and services, and is ranked as one of the premier IT system houses in Europe.

Revenue	€593.9m	+17.9%
Gross profit	€77.8m	+25.8%
EBIT	€9.6m	+39.1%
EPS	€0.84	+16.7%

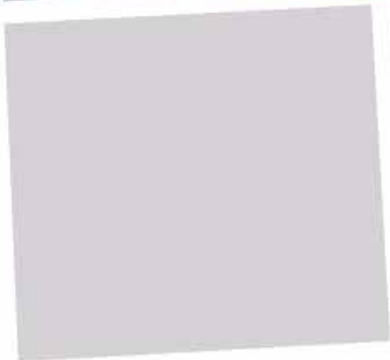
Contents

Letter to Shareholders	2	Financial Information	32
Market & Strategy	6	Report of the Supervisory Board	119
PC-WARE USPs	18	Key Figures	
Share & Corporate Governance	24		



PC-WARE

Leading the way in Europe



Annual Report 2005/06

Software
Services
System House

Full-service quality

Software

\\ *Software licensing is our core business: PC-WARE is the European market leader when it comes to specialist services associated with software reselling and software support in the »large enterprise« category.*

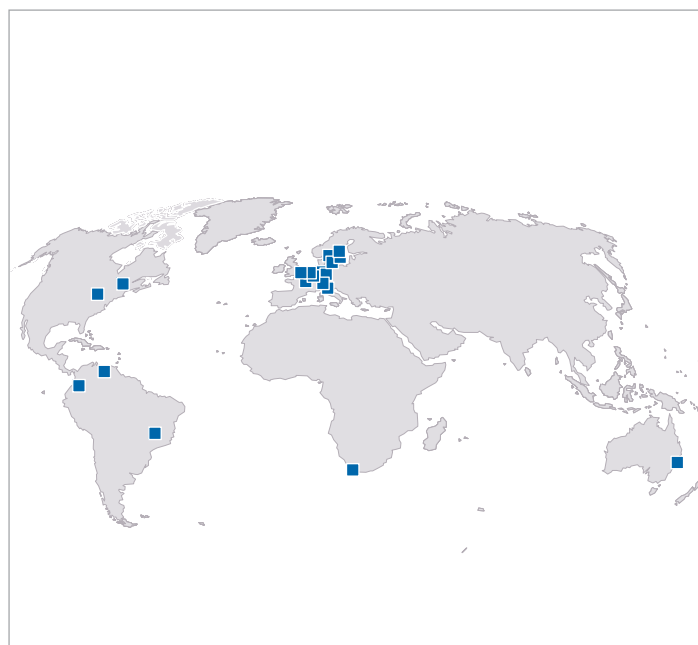
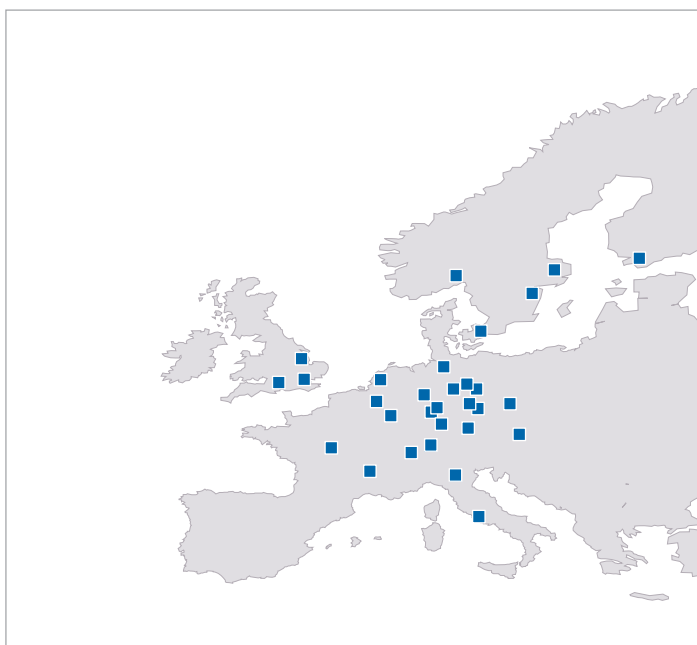
Services

\\ *Our well-established and highly dynamic Professional-Services unit offers a broad portfolio of services. Within this context, all solutions relating to consulting, conceptualisation, rollout, maintenance, integration and operation are determined exclusively by our customers' requirements.*

System House

\\ *Our most recent business unit – our System-House division – combines hardware reselling and services expertise. Boasting 17 locations in Germany, Austria and Switzerland – from where we serve a customer base that mainly includes SMEs –, PC-WARE has established itself as one of the largest system houses in the German-speaking region.*

PC-WARE on course for expansion



Regions

\\ We are fully committed to enhancing our regional operations: in acquiring the **Ravenholm** Computing Group, we have been able to build a nation-wide presence in four Northern European countries. Furthermore, the takeover of **Datacontact** Handelsgesellschaft mbH, Austria, has provided us with a launch pad for dynamic expansion into South-Eastern Europe.

Customer groups

\\ We are recognised as the European market leader within the area of **large-account** software reselling. In acquiring full ownership of **senas** AG, we have further optimised our level of access to the **SME** segment. Furthermore, the acquisition of **Datacontact** has allowed us to establish our **SME-oriented System-House** activities throughout the entire German-speaking region.



\\ **Dr. Tillmann Blaschke, CFO**, born 1963, Dipl.-Volkswirt/
 Dr. rer. pol., held management positions at Dresdner Bank/
 Dresdner Kleinwort Wasserstein (Prokurist), AMD Inc., AMD
 Saxony Manufacturing GmbH (Member of the Executive Board
 and Director of Finance) and Advanced Mask Technology Center
 GmbH & Co. KG (Managing Director) before joining the Manage-
 ment Board of PC-WARE AG in March 2006, where he is account-
 able for Finance, Controlling, HR Management and Organisation.

\\ **Dr. Knut Löschke, CEO**, born 1950, Dipl.-Kristallograph/
 Dr. rer. nat. and Dr. sc. nat., studied physics, chemistry, mathe-
 matics, materials science and information technology. Having
 held an academic position at the University of Leipzig, in 1985
 he embarked on a career in the private sector, his main focus
 being on practical IT applications. In 1990 he established
 PC-WARE, a company in which he continues to hold the prin-
 cipal shareholding. As CEO, he is responsible for Strategy,
 Business Development, Marketing and Sales.

Successful trend continues

Dear Shareholder, We can look back on a particularly eventful and prosperous financial year in 2005/06. PC-WARE was able to reap the rewards of continuing market consolidation as well as the upturn seen in the European IT industry, thus outperforming the sector as a whole. In fact, we slightly exceeded the initial revenue and EBITDA targets announced at the beginning of the year. These accomplishments clearly bear testimony to the solid operational development of the Company. Within this context, only the loss associated with our swap transactions had a negative effect on the net finance result and, concomitantly, on consolidated net profit. Boasting revenue growth of 17.9% to €593.9 million and a 25.2% increase in EBITDA, taking this figure to €12.4 million, we nevertheless managed to post the best results in the history of PC-WARE. Consolidated net profit was propelled upwards by 14.4% to €5.1 million, which corresponds to earnings of €0.84 per share.

With a view to future sales and earnings growth, we are particularly encouraged by the fact that – as in the previous financial year – all three business segments were able to contribute to the forward momentum achieved in terms of revenue growth. Within our core business unit Software Sales & Licensing (SSL) we clearly benefited from our formidable market position in Europe, managing to generate significant growth. We also achieved solid double-digit growth in the strategically important business segments of IT Services (PS) and System House (ISS) – an accomplishment that underlines the incisive nature of our decision to expand these relatively new fields of activity.

We also draw confidence from the track record of our foreign subsidiaries, whose favourable development together with recent corporate acquisitions helped to lift the share of foreign sales from 39.6% to 42.1%. In particular, we would like to draw attention to the substantial revenue increases achieved in Austria (+540.8%), the United Kingdom (+172.7%) and France (+44.5%).

We acquired three enterprises in the 2005/06 financial year – more than ever before in a single year. All acquired companies play pivotal roles in the growth strategy formulated by PC-WARE: Datacontact, a Viennese company acquired in June 2005, has bolstered our Austrian operations, while also opening up new opportunities for our system-house activities within the German-speaking region of Europe. We gained further momentum within this segment following the acquisition of the remaining 50% ownership interest in senas AG in July 2005; at the time we already had a 50% shareholding in the company.

The acquisition of the Ravenholm Group in February 2006 was possibly the most important move undertaken in the last five years in terms of achieving a pan-European presence. In acquiring the group, we were able to gain immediate access to the four Northern European markets of Denmark, Sweden, Norway and Finland. At the same time, we established a stronger presence in Switzerland. The newly acquired companies are already making solid contributions to Company growth, and corporate integration is proceeding smoothly.

Another important event was the change to the composition of our Management Board: effective from 1 March 2006, the Supervisory Board appointed Dr. Tillmann Blaschke as the new CFO of PC-WARE AG; he will be responsible for Finance, Controlling, Human Resources Management and Organisation at Group level. Drawing on many years of experience in international management, Dr. Blaschke will make a decisive contribution to future growth, particularly with regard to international expansion.

The economic situation of PC-WARE is considered to be extremely solid, offering tremendous opportunities in terms of future development. Indeed, this is underscored by our success in FY 2005/06 – irrespective of the non-recurring effects associated with swap transactions. The European IT market has been becoming slightly more buoyant recently, and PC-WARE is particularly well positioned to profit from this growth.

We are committed to extending our unique market position in our core business segment, Software Licensing and Software Management, the main emphasis being on principal markets in the German-speaking region (Germany, Austria, Switzerland), as well as France, the UK and Scandinavia. We are confident that we can secure – and possibly extend – our premier position in Germany and the Netherlands. Moreover, we shall step up our market assault on the new EU member states in Eastern Europe, via our subsidiaries in the Czech Republic and Austria. In addition, we plan to evaluate the opportunities and risks associated with market entry in Asia.

Within the high-margin segment of Consulting & Services we shall focus particularly on our Software Asset Management solution, with the express purpose of leveraging synergies within the field of software reselling and licensing.

Our System-House business looks set to benefit even more noticeably from the closer integration of our existing systems enterprises and the cross-selling activities in the area of software licensing as well as consulting and services.

PC-WARE will pursue an approach of raising its market share in a sustainable manner, with the express purpose of accelerating earnings growth in all business segments. As in the past, we intend to accomplish this by means of a healthy mix of organic and non-organic growth. We are also open to the possibility of further acquisitions over the course of the new financial year, thus contributing to expansion not only in geographical terms but also as regards our service portfolio in the core markets of Europe. We have established initial structures in Eastern Europe and Asia, providing us with a base from which to monitor local market progression and, if deemed feasible, spearhead a campaign to position our Company as a prominent market player. With extensive cash to draw on, we have sufficient room to manoeuvre when it comes to seizing additional growth opportunities.

The strategy formulated for the PC-WARE Group is geared towards achieving annual revenue of €1 billion and an EBITDA margin of between 3 and 4% by 2009. This is to be accomplished by expanding our high-margin consulting and services business associated with software and hardware. Given the overall economic and industry-specific situation as well as the outstanding strategic positioning of PC-WARE AG, we estimate that the revenue threshold of €700 million will be exceeded and EBITDA of about €15 million will be achieved in FY 2006/07.

Leipzig, June 2006

Dr. Knut Löschke

Dr. Tillmann Blaschke

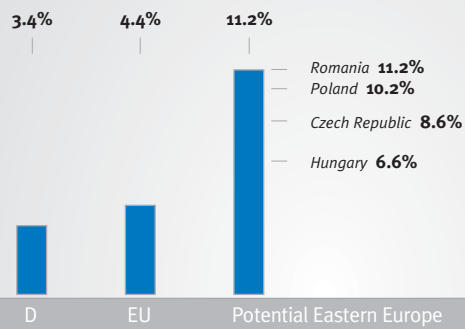


Market focus

\\ In February 2006 PC-WARE took a decisive step forward in its strategy of regional expansion. With the acquisition of the Ravenholm Computing Group, we now have a presence in all four Scandinavian countries – Denmark, Sweden, Norway and Finland. Given the similarity in corporate culture between PC-WARE and Ravenholm, the move will provide a catalyst for the creation of valuable synergies.

Market...

Projected IT market growth 2006/07



Source: European Information Technology Observatory 2006

\\ The IT growth markets of the future are in Eastern Europe, India and China.

...Strategy

Further regional expansion


\\ We aim to widen our geographical presence in the core European region to include the new Eastern European markets. The acquisition of the Ravenholm Computing Group constitutes another significant milestone since the takeover of Programmer's Paradise in 2001, allowing us to build a formidable nation-wide presence in Europe.

We expect the integration of Ravenholm to continue smoothly, allowing us to make timely use of subsequent spare management capacity and resources to promote further regional expansion.

At the end of our 2005/06 financial year we appointed a number of staff whose role will be to unlock opportunities in new markets. A key focus of their work will be the new markets of Eastern Europe and Asia. We aim to manage our expansion into these regions through a well-judged programme of establishing smaller structures rather than through major acquisitions. We believe this is a more suitable approach given the risks involved, especially as our current markets still offer sufficient potential for continued growth.



Service focus

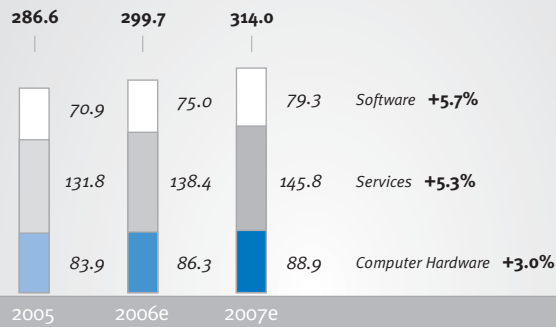


\\ In addition to forming the basis of PC-WARE's further expansion into South-East Europe, our takeover of Vienna-based Datacontact Handelsgesellschaft mbH in June 2005 means that our new full-service System-House business is now established throughout the entire German-speaking region. We have also succeeded in further extending our service capacities in other countries, creating a solid foundation for accelerated growth in this area of business.

Market...

Growth IT market segments

in €bn



Source: European Information Technology Observatory 2006

\\ *The higher-margin IT market segments software and services are generating exponential growth.*

...Strategy

Expansion of our product and service portfolio


\\ We aim to push forward vigorously with our development as a full-service IT provider.

A key element of our strategy is the continued development of our System-House and IT-Services business. Our aim is to achieve €1 billion in turnover and an EBITDA of at least €30 million by the end of the 2009 financial year, with System House and IT Services each contributing 25% to earnings.

We are currently making every effort to expand these two business divisions to ensure we meet this target. Significant organic growth on the basis of existing structures will be complemented by further planned acquisitions. While our intention is to focus initially on consolidating PC-WARE's System-House business in the German-speaking DACH region (Germany, Austria and Switzerland), we also wish to promote growth in our service portfolio throughout the Group, albeit at different rates.



Customer focus

A vertical photograph on the left side of the page shows a person's hand holding a rolled-up carpet. The hand is wearing a watch and a ring. The carpet is being unrolled onto a red carpet. The background is a blurred indoor setting.

\\ Our complete takeover of senas AG in July 2005 gave us access to the attractive small and medium-sized company market. Alongside our established large company business, we now have a further secure base with a strong profile as a full-service provider for small and medium-sized enterprises (SMEs). As a result, we are in an even better position to offer dedicated IT solutions to all our customers from a single source.

Market...

- \\ *European SMEs are growing faster than large corporations.*
- \\ *Europe's SME segment remains largely untapped in terms of IT services.*
- \\ *Greater IT complexity has prompted many SMEs to approach external IT service providers.*

...Strategy

Opening up new customer groups

\\ Small and medium-sized enterprises – a key element of our strategy. The IT market for SMEs is likely to remain attractive in the short and medium term. This segment represents an equal challenge in that smaller businesses require a different approach from that used for large companies and the public sector. In general, their needs can only be met by a full-service operator: the customer wants a single supplier who can provide a range of dedicated services and products from a single source. Such demands require both a local presence and an effective portal through which the customer can order products and services and make use of valuable additional functions.

PC-WARE can now meet both these conditions, which puts us in an excellent position to diversify into the small and medium-sized enterprise segment in other European countries. Indeed, we can already point to successful results in this field in Germany and the countries served by Ravenholm Group. In other countries with a PC-WARE presence, we are already using the experience we have gained to establish ourselves rapidly in this market.

PC-WARE USPs

\\ The strategic advancement of the PC-WARE Group is based on solid foundations: thanks to unparalleled service, comprehensive service portfolios and highly motivated employees, we have been able to attain a formidable market position in Europe.



Impressive market position

In spearheading the successful acquisition of the Ravenholm Computing Group, we have gained access to four additional European markets. Moreover, in terms of market coverage, we are now ranked as the European market leader within the area of **software reselling and licence management**. When it comes to standard software licensing, we currently hold a 35% share of the German market within the large enterprise segment. Furthermore, we serve 60–70% of the German public sector and have secured a contractually guaranteed market share of 100% with regard to the European Commission and its associated organisations, an agreement that is valid until 2008.

Our activities within the area of **Software Asset Management** are aimed at enhancing the level of organisational transparency, thus leading to greater clarity in software management as well as improved efficiency and palpable cost savings. Additionally, SAM provides peace of mind in terms of the legal status of software deployment, an aspect that is becoming increasingly important. We have designed a tool specifically for this purpose, reflecting the many years of experience gathered by PC-WARE within this area. Alongside this proprietary application, we use special procedures and methods to ensure excellence in Software Asset Management. A number of international players have already implemented our cutting-edge solution, with the express purpose of optimising their licence status.

With **locations in 16 countries** and an extensive global network of partners, we are in a position to serve our customers – particularly those with international operations – wherever they require our services. Boasting a high-calibre team of close to 1,000 employees and a strong regional presence, we have also established a formidable competitive advantage.

Totalling 17 locations in Germany, Austria and Switzerland, we are ranked among the top four **system houses** operating in the German-speaking region. In Germany, our System-House network covers the entire country, thus ensuring maximum proximity to our customers. In Switzerland and Austria, too, we are well positioned in key economic regions, providing us with a solid base to venture into other geographic areas.

Motivated staff to inspire our customers!

Businesses depend on the commitment of well-qualified and highly motivated staff. This commitment lies at the heart of our success, which is why PC-WARE has introduced a range of programmes and incentive systems to promote staff development.

\\ Initial and ongoing training We believe it is essential to offer our staff a wide-ranging programme of in-house and external training opportunities. The professional training provided at the PC-WARE Academy allows staff to make the best possible use of our in-house software and gives them the knowledge and expertise they need to advise customers on our IT products. External training courses are mostly related to non-IT issues such as conflict management, presentation techniques and sales. To ensure that everyone benefits from the opportunities available, we hold staff development interviews at the beginning of each business year with the aim of establishing individual training plans.

\\ Intercultural exchange Selected employees can take advantage of a temporary posting to one of our international subsidiaries. This is primarily intended to promote familiarity with the foreign language and culture of the country and as an opportunity for personal development, though the incidental benefits of such exchanges in terms of their positive impact on our corporate culture and the consolidation of transnational communications are equally of great value.



\\ European Summit Every year we invite our best staff to attend a special event in a European city with a PC-WARE subsidiary. Over a weekend we evaluate particular successes of the Company, highlight the contribution of individual members of staff to that success and award prizes in a range of categories. The event is accompanied by an enjoyable programme of activities and is designed to motivate those involved achieve re-selection in the following year.

\\ Other benefits A wide range of other benefits is also available to PC-WARE staff. This includes a company pension plan, health insurance cover, sports activities such as back-therapy training and Nordic walking (under specialist supervision), physiotherapy, massage, support for young families and many others.

We aim to provide a service that inspires our customers

\\ Full-service provider PC-WARE AG offers its customers a comprehensive service that covers every stage of the IT life cycle. Our promise to be »Always at your service« and PC-WARE's motto »Supporting your Success!« underline our customer-oriented philosophy.

\\ 24/7 We operate the second largest help-desk organisation in Germany, staffed at all times of the day and night by professionals who are qualified to deal with any problems submitted by our customers. At night and at weekends all queries directed to Microsoft are forwarded exclusively to us.



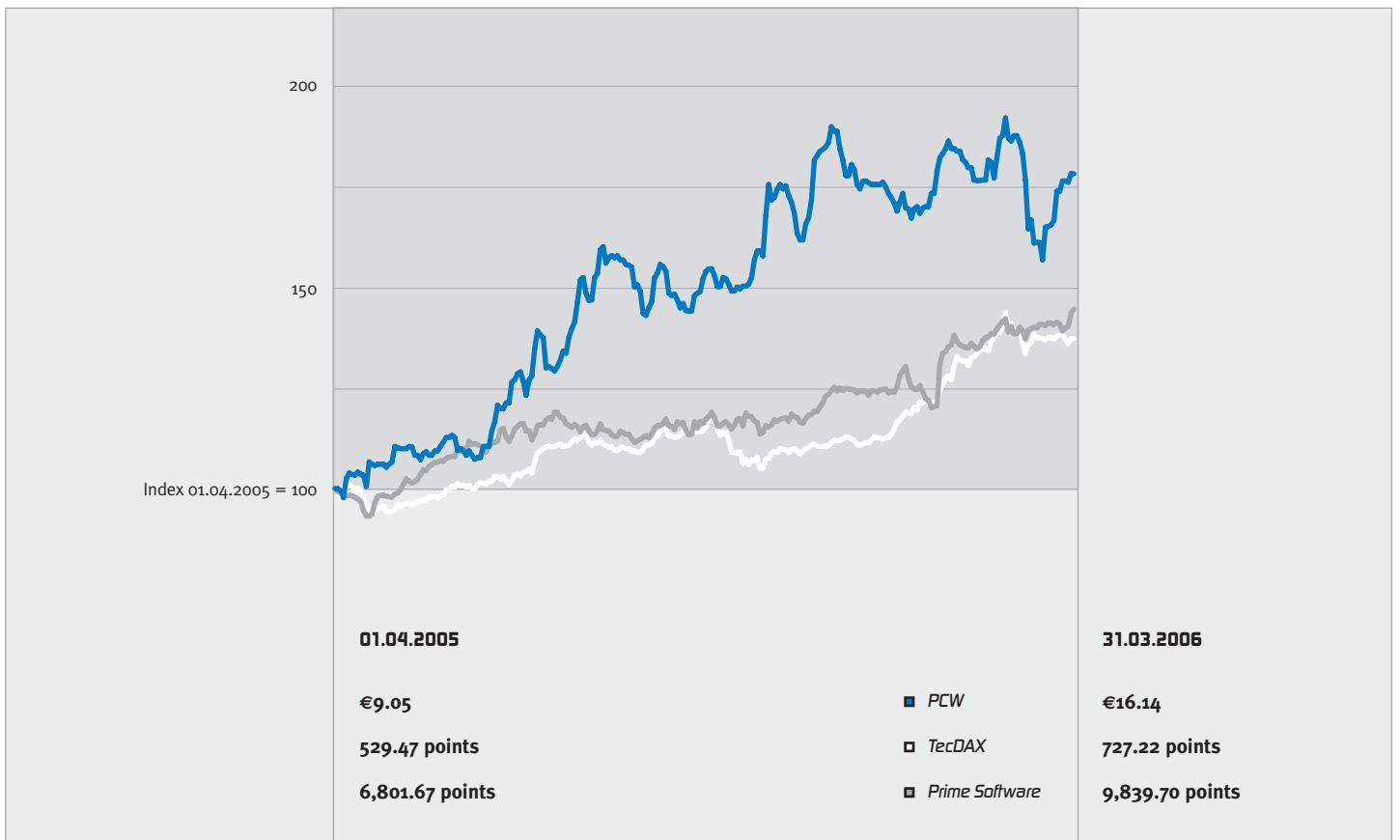
We are also the only authorised support centre for Citrix in Germany. PC-WARE's HelpDesk is unique in providing support that covers all manufacturers, allowing us to offer direct solutions to customer problems without time-consuming delays.

\\ The PC-WARE Academy We set up the PC-WARE Academy in 1996 with the aim of providing our own teaching staff to train our in-house IT service specialists. The Academy is also a key element of our support service: we offer customers training for specific products, allowing them to acquire the skills needed to use their own software and hardware.

\\ Manufacturer certification The award of IT manufacturer certification is the best possible proof of success and professional knowledge. We focus on training specialists and have been awarded many more certifications than a good number of our competitors. Our tremendous expertise in the field has been recognised by major producers such as Microsoft (e.g. multiple award of Microsoft Gold Certified Partner and Microsoft Authorized Premier Support status), Citrix (Citrix Platinum Partner) and many other software manufacturers such as Adobe, Business Objects, Novell, Oracle and VMware.

Share & Corporate Governance

Share price



Strong growth in share price

\\ Positive trend Both 2005 and the first few months of 2006 were marked by an almost euphoric mood on the share markets: the German DAX index rose over 40% between 1 April 2005 and 31 March 2006 from a low of 4,178 to reach a new four-year high of 5,984 at the end of our financial year – just below the 6,000 mark.

Alongside the impact created by a new political environment, the overall climate was boosted by continued strong international demand and by improved demand within Germany as a result of greater consumer confidence. These positive effects were supported by a higher level of interest from private investors, a corresponding improvement in liquidity and relatively low ECB base rates of 2% and 2.5% compared to international levels.

\\ Above-average growth in PC-WARE share price Following a modest increase in the last financial year (+1.4%), the PC-WARE share price rose by 78.34% over 2005/06, way ahead of the benchmark TecDAX (+37.35%) and Prime Software Performance (+44.67%) indices.

The share price rose consistently and steadily throughout the year with just a few short-term fluctuations such as might be expected. It reached its highest point for the year (€17.40) on 27 February 2006, presumably a reflection of shareholder confidence in the successful takeover of Scandinavia-based Ravenholm Computing Group.

The upwards trend in our own share price was due amongst other factors to a very positive mood within the industry and to excellent news on business figures and performance released by PC-WARE AG. Shortly after reaching its highest value for the year at the end of February, the share price temporarily fell back for no apparent reason and despite very encouraging 9-monthly figures to €14.20. With many investors seizing the opportunity to buy at a lower price, shares quickly recovered and have since maintained a level between €14.50 and €16.50. In general, analysts are still recommending PC-WARE AG as a »buy« and see the share as an attractive long-term investment.

\\ Investor relations concept a success In the 2004/05 financial year we introduced a new investor relations concept and intensified our communications with the capital markets. Both steps have been reflected by consistent long-term growth in the share price.

Work continues on the expansion of our investor relations *website*. Last year saw the integration of several new items including a permanent FAQ section, which aims to provide shareholders with up-to-date information on current developments.

At national and international level we held a number of *road shows* to help enhance communications with investors, analysts and journalists. In addition to this approach, which only allows us to address a relatively small number of participants, we now present PC-WARE to a larger audience at a number of conferences. Our IR programme includes regular attendance at the German Equity Forum and other analyst conferences.

We intend to build on our present IR activities in order to persuade even more investors of the benefits of investing in PC-WARE.

We publish comprehensive *quarterly reports* and a quarterly *fact book* that can be downloaded from our IR website. It contains key financial figures, a profile of the Company, details of the Group's strategic planning and other important news from the three-month period. The aim is to provide all shareholders with comprehensive and up-to-date information allowing them to keep abreast of our targets and long-term developments within the Group.

Our investor relations website at www.pc-ware.com also provides details of other important dates and reports.

Key figures per share

		2005/06	2004/05
Share capital	€	6,124,335	6,124,335
Market capitalisation	€ millions	98.85	56.04
Free float	%	65.23	52.31
Share price at beginning of FY (01.04.)	€	9.05	9.02
Share price at end of FY (31.03.)	€	16.14	9.15
52-week high (01.04.–31.03.)	€	17.40	10.00
52-week low (01.04.–31.03.)	€	8.85	6.51
Ø daily trading volume on Xetra	no. of shares	11,286	10,667
Earnings per share	€	0.84	0.72
Dividend per share	€	0.50	0.40
Dividend yield	%	3.10	4.37
Dividend distribution	€ millions	3.06	2.45
Number of shares		6,124,335	6,124,335

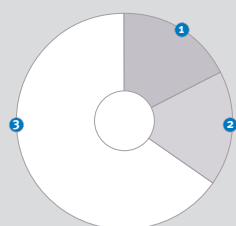
Reporting date 31 March, Xetra figures

Designated sponsor	Close Brothers Seydler AG
Security identity number	691 090
ISIN	DE0006910904
Reuters	PCWG.DE
Bloomberg	PCWGR

\\ Proposed increase in dividend for FY 2005/06 In view of the excellent results achieved in 2005/06 and a continuing upwards trend, the Management Board is proposing a dividend payout of €0.50 (previous year: €0.40) per share in line with PC-WARE AG's long-term dividend policy. Based on a year-end closing price of €16.14, this represents a dividend yield of around 3.1%. Committed to generating future growth for our shareholders, we shall continue to channel our effort into promoting the appeal of PC-WARE shares.

\\ Shareholder structure In 2004/05, 47.69% of shares were held by the Company's founders and management. H. Wolf, who was one of the founders and left the Company five years ago, reduced his holding to under 5% at the end of February, creating a rise in the free float to 65.23%. A large part of this free float is currently held by long-term investors.

Shareholder structure



Dr. K. Löschke		17.63%	1
Dr. H.-O. Klas		17.14%	2
Free float		65.23%	3

\\ Share buy-back continues The General Meeting of PC-WARE Information Technologies AG on 25 August 2005 renewed its consent for the purchase of the Company's own shares (so-called treasury shares), allowing the Company to buy up to a limit of 10% of share capital until 24 February 2007. The Management Board of PC-WARE AG subsequently passed a resolution with the approval of the Supervisory Board to make partial use of the mandate given by the General Meeting to acquire up to 600,000 no-par value shares, including the treasury shares already acquired and currently held by the Company, via the stock exchange. The purpose of the buy-back is to use some or all of the shares to purchase other companies or ownership interests. Some of these repurchased shares were in fact used as acquisition currency for the takeover of Ravenholm Computing Group.

At 31 March 2006 PC-WARE held 40,243 treasury shares.

\\ Introduction of a special employee share plan The Company shares bought back from 24 March 2005 onwards were re-categorised in July 2005 to form part of a special employee share purchase plan aimed at senior managerial staff. The aim is for managers to be able to participate directly in the future success of the Company, thus promoting a sense of loyalty to PC-WARE and a readiness to take on additional responsibility. The shares sold as part of the programme are subject to a minimum retention period.

\\ PC-WARE in the GEX SME index The GEX® (German Entrepreneurial Index) launched by Deutsche Börse on 3 January 2005 gives PC-WARE an average weighting of 0.3%, putting us in 42nd position out of a total of around 120 companies (as at April 2006). Our presence in this GEX has given further recognition to PC-WARE shares.

\\ Successful partnership with Close Brothers Seydler AG as designated sponsor We ended our partnership with DZ Bank as a designated sponsor in the second quarter of the last financial year. Our subsequent collaboration with Seydler Wertpapierhandelsbank AG was closer and more productive, allowing us to monitor the liquidity of our shares more effectively. Seydler AG was taken over by the British group Close Brothers plc at the end of March 2005. This subsequently provided a further boost to our own share price within the international markets.

Our partnership with Close Brothers Seydler has led to a significant increase in our liquidity, with an average of 11,286 shares per day being traded in 2005/06. This represents a year-on-year increase of 5.8%.

PC-WARE investor relations: Phone +49 (0)341 2568 148; e-mail investor.relations@pc-ware.de

PC-WARE – unique market position, growth and value creation

- \\ European market leader in software licensing and licence management*
- \\ Growth recorded in all foreign subsidiaries and in Germany*
- \\ PC WARE Group's System-House business strengthened by the acquisition of Datacontact Handelsgesellschaft mbH in Austria*
- \\ German System-House business further boosted by the complete takeover of senas AG*
- \\ Acquisition of Scandinavian Ravenholm Computing Group – Northern European market leader in software licensing*
- \\ Clear signs of greater interest in PC-WARE AG from institutional investors*
- \\ 2005/06 share performance: 78.34%*

Corporate Governance

\\ *PC-Ware Information Technologies AG* is fully committed to the guiding principle of conscientious corporate governance centred around transparency and the creation of value, as enshrined in the German Corporate Governance Code, the prime objective being to operate a management and supervisory system that instils confidence into shareholders, capital markets, business associates, employees and the general public.

Furthermore, we hereby declare that the Company complied with the recommendations of the Commission of the German Corporate Governance Code (GCGC), in the version of 2 June 2005 as published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette, in the calendar year of 2005 and that the Company shall continue to comply with the aforementioned recommendations in the calendar year of 2006.

Since the last Declaration of Conformity issued on 6 June 2005, PC-Ware Information Technologies AG has conformed with the recommendations of the German Corporate Governance Code with the following exceptions:

Point 4.2.4 sentence 2

Details of Management Board and Supervisory Board compensation are not furnished in an »individualised« format, as set out in recommendation 4.2.4 sentence 2 of GCGC. The Supervisory Board and the Management Board are in agreement that the potential benefits of such information stand in contrast to the right of privacy of Management Board members.

Point 5.1.2 sentence 6

There is no age limit as regards members of the Management Board.

To date, the incorporation of age limits for members of the Management Board, as set out in point 5.1.2 sentence 6 of GCGC, has not been implemented by the Company, as this recommendation is not considered to be of relevance to business operations.

Point 5.4.7 sentence 4

Supervisory Board compensation does not include a performance-related component. PC-WARE AG is of the opinion that all members of the Supervisory Board perform their duties with the utmost commitment and dedication, and that their activities are fully geared towards the long-term success of the Company. We believe that a conscientious approach to work within the Supervisory Board is not dependent on additional performance-based compensation.

Point 7.1.2 sentence 3

Quarterly reports are issued in accordance with the financial reporting and disclosure requirements for the Prime Standard, as specified by Deutsche Börse AG. These requirements differ from those set out in recommendation 7.1.2 sentence 3 of GCGC. The reports are published immediately upon completion, at the latest within two months of the end of the reporting period.

Financial Information

\\ Group Management Report

Business profile	33
<i>Group structure and activities</i>	33
<i>Corporate management, goals and strategy</i>	37
<i>Research and development/ proprietary products</i>	39
<i>Environmental protection</i>	40
<i>Operational review</i>	40
Financial performance, financial position and cash flows	43
<i>Financial performance</i>	43
<i>Cash flows</i>	51
<i>Liquidity analysis</i>	53
<i>Financial position</i>	54
<i>Overall assessment of the economic situation</i>	56
Events after the balance sheet date	57
<i>Significant events</i>	57
Risk report	57
<i>Risk management</i>	57
<i>Individual risks</i>	58
<i>Assessment of overall risk</i>	59
Report on anticipated developments	60
<i>Alignment of the Group</i>	60
<i>Anticipated economic conditions</i>	60
<i>Projected earnings</i>	61
<i>Projected cash flows</i>	61
<i>Opportunities</i>	61
<i>Concluding statement on expectations relating to the development of the Group</i>	61

\\ Consolidated Financial Statements

Consolidated Balance Sheet	62
Consolidated Income Statement	64
Consolidated Statement of Cash Flows	66
Consolidated Statement of Changes in Equity	68
Segment Reporting	70
Notes to the Consolidated Financial Statements	74
Consolidated Fixed Assets Schedule	116
Auditor's Report	118

Group Management Report

Business profile

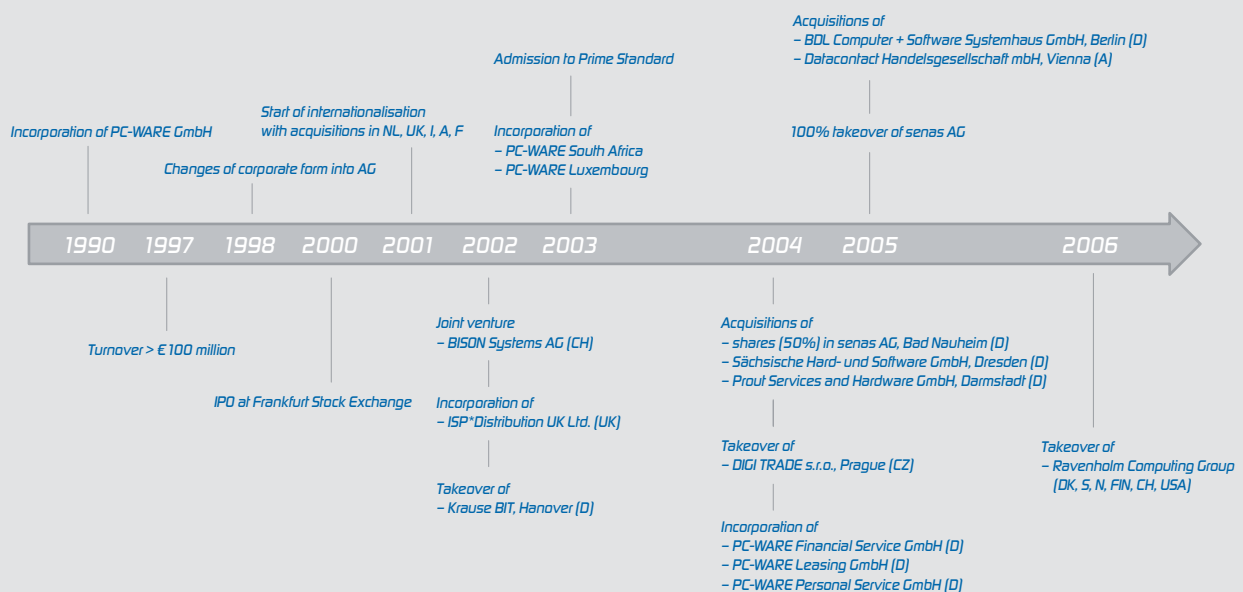
GROUP STRUCTURE AND ACTIVITIES

Legal and organisational structure as well as key stages of development

PC-WARE was established on 1 March 1990, by the company's present CEO Dr. Knut Lösckke and has been operating profitably since its inception. In 1998, the GmbH (limited liability company) became an AG (stock corporation). PC-WARE AG has been listed on the Frankfurt Stock Exchange since 5 May 2000, and joined the Prime Standard in 2003.

Having completed a number of targeted acquisitions, the PC-WARE Group evolved into one of the leading IT service providers in Europe. The key acquisitions in the Group's corporate history were the takeover in 2001 of the European subsidiaries of US-based Programmer's Paradise, and the integration of the Scandinavian Ravenholm Group at the beginning of 2006.

By transferring its own systems-related activities to its subsidiary senas AG and concluding several other acquisitions (BISON Systems, Switzerland; Datacontact, Austria), PC-WARE was able to strengthen its position as a major system house in the German-speaking region of Europe.



Business segments, business model and business processes

We have created a comprehensive service portfolio: from licensing of standard software, software management and system support to proprietary software solutions and complete system-house services.

Three business segments

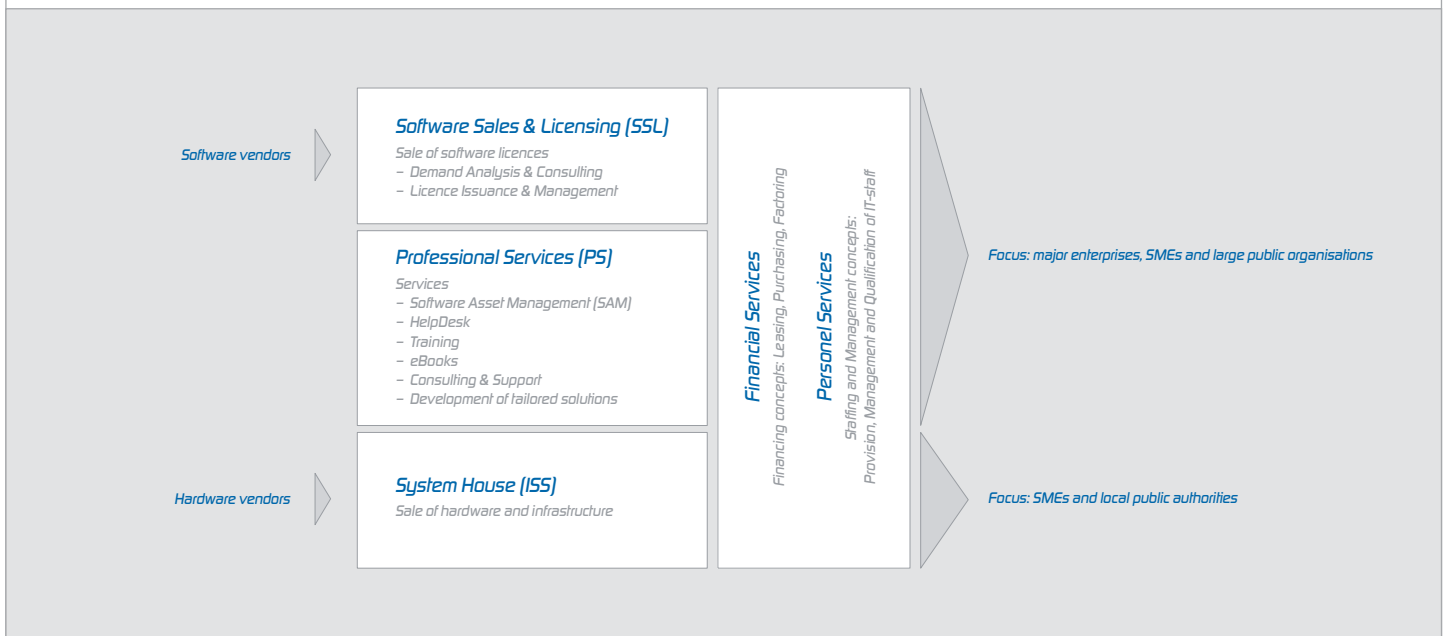
The three core areas of our business portfolio are covered by the following segments, all of which offer services tailored to customer requirements within the respective product-market categories:

- • **Software Reselling and Licensing: SSL** (Software Sales & Licensing) currently represents the core business of PC-WARE: specialised services associated with software licensing and software management for large enterprises and organisations. Our service portfolio comprises needs analysis, consulting, licensing and software management. With a proven track record within this area, we have been able to extend our lead in Europe as a premier software reseller.

- • **Professional Services: PS**: This segment is responsible for the full range of activities associated with professional services (PS). A relatively new addition to our business portfolio, PS has already established itself as an IT consulting and service specialist and software developer for business-critical solutions. Our accomplishments within this field are a tribute to the committed contribution of PC-WARE's high-calibre HelpDesk and Onsite Support teams, as well as the company's technicians, trainers, consultants, project managers and software engineers.
- • **System House: ISS** (Integrated System Solutions & Support) stands for the comprehensive system-house network operated by PC-WARE. The company's entire hardware and infrastructure expertise has been pooled in this segment. Although this portfolio is targeted mainly at SMEs, ISS is also well equipped to handle large-scale projects for the industrial and public sectors.

In addition, we offer a range of financial and personnel services to complement the activities outlined above.

PC-WARE business model



Key products and business processes

The principal business processes associated with the IT life cycle are design of IT infrastructure, procurement, implementation as well as customer care and service.

The main emphasis of IT infrastructure **design** is on planning software and hardware structures in accordance with customer requirements, both in terms of usage patterns and technical parameters. Our **procurement** activities are geared towards the best-in-class supply of hardware and software in terms of time, cost and quality, drawing on long-standing relations with leading manufacturers. Our outstanding technical and logistical expertise also comes to the fore during the **implementation** of hardware and software projects. As part of our efforts within the area of **customer care and service** our customers receive first-class hardware and software training. In addition, we offer continuous on- and off-site support as well as specialist customisation services.

Key strengths and competitive advantages

Our key competitive advantage lies in the all-round expertise established within the area of hardware, software, consulting and IT services, complemented by our close rapport with manufacturers, our strong European presence and our international network of partnerships covering the world's most important markets.

Owing to our well-established business relations with software and hardware manufacturers, we are able to offer our customers particularly cost-effective solutions. For instance, we are one of the few Microsoft Large Account Resellers (LAR) with EMEA (Europe, Middle East and Africa)-status and are thus in a position to offer customers exclusive terms and conditions for Microsoft products.

Moreover, we have established a structure that allows us to serve customers in any geographical location in which they are based, offering the full range of products and services required to replace and upgrade their IT infrastructure – from a single source.

Key sales markets and competitive positions

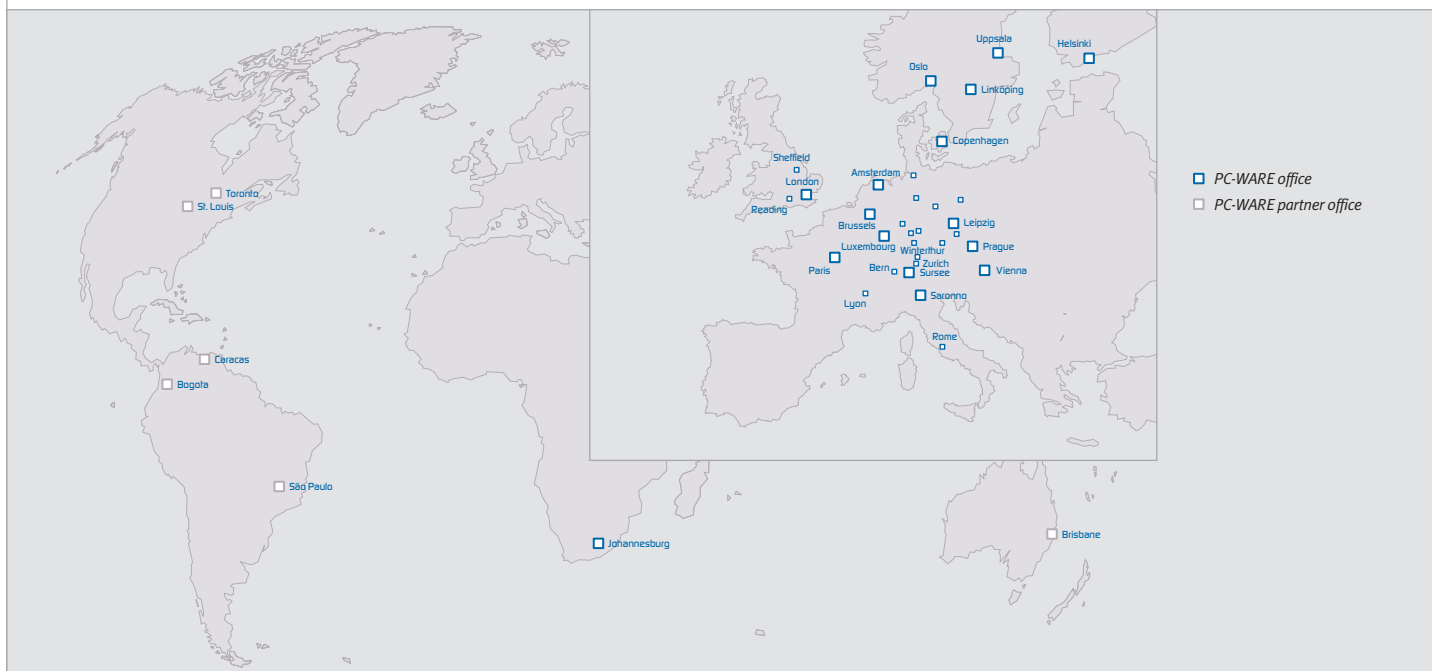
PC-WARE is recognised as one of the market leaders in standard software licensing throughout Europe. Our actual market position within the individual countries varies depending on the local competitive environment. We have taken pole position in Germany, the Netherlands, the Czech Republic and Italy. While we are ranked slightly lower in the other European countries, we have been gaining considerable momentum in these markets in recent years.

In Germany, we have established ourselves as the outright market leader with a share of 35% of key accounts operating more than 750 PCs and a share of 60–70% of the public-sector market. In Belgium, we have negotiated contractual agreements that give us a 100% market share when it comes to supplying the European Commission and its subordinate institutions.

As regards Microsoft licensing, PC-WARE is the second largest of five EMEA LARs, and we have been steadily extending our market lead vis-à-vis other EMEA LARs such as Software Spectrum, HP, Dell and Fujitsu Siemens.

Locations

The PC-WARE Group has subsidiaries in 14 European countries, as well as being represented in South Africa and the United States. Until the acquisition of the Ravenholm Group in February 2006, PC-WARE operated subsidiaries based in Paris and Lyon (F), London, Reading and Sheffield (UK), Saronno and Rome (I), Vienna (A), Sursee, Winterthur, Bern and Basel (CH), Prague (CZ), Brussels (BE), Amsterdam (NL), Luxembourg (L) and Johannesburg (ZA). Having completed the Ravenholm acquisition, we now also operate at the following locations: Farum near Copenhagen (DK), Linköping and Uppsala near Stockholm (S), Helsinki (FIN) and Oslo (N). We have also gained an additional location in Switzerland, in Zurich.



The corporate headquarter of PC-WARE is Leipzig. Our German branch offices are located in Hamburg, Berlin, Hanover, Magdeburg, Dresden, Frankfurt a. M., Neuss, Wiesbaden, Bad Nauheim, Bad Homburg, Karlsruhe and Poing near Munich.

PC-WARE has also established cooperation agreements with companies operating in the USA, Canada, Brazil, Columbia, Venezuela, Australia, Hungary and Russia.

The majority of the Group's European locations are involved in the core business of software licensing and services. PC-WARE's activities within the area of IT systems are mainly focused on the German-speaking region of Europe.

Management and governance

Executive team

The PC-WARE Group is directed by a two-member Management Board, together with the operational management team comprising the managing directors of the respective subsidiaries in Germany and abroad, the divisional and departmental managers as well as a number of team leaders. The flat hierarchy found throughout the Group is based on the principle that centralised structures should only be implemented where they produce definite benefits in relation to decentralised solutions. Embracing this concept, we established PC-WARE Group Holding in the financial year under review; it is responsible at Group level for the business lines Software (SSL), Services (PS) and System House (ISS) as well as other functions such as marketing and sales, investor relations, business analysis, accounting and technology development. Taking into account the size of the Group, with approx. 1,000 members of staff and regional operations in 14 European countries as well as South Africa and the USA, we are confident that this is a well-conceived structure that will safeguard standards and facilitate cross-border knowledge transfer.

Management Board compensation

Alongside a relatively modest fixed salary component, the Management Board receives a performance-oriented component based on consolidated EBT. In the year under review, the ratio between fixed and performance-based compensation was 54% to 46%.

Management compensation at second and third level

The managing directors as well as the divisional heads and team leaders receive fixed-level salaries as well as variable performance-based compensation. Depending on the position and the scope of responsibility, the latter totals between 15% and 25% of overall remuneration and is linked directly to the economic growth targets of the Group, as reflected in earnings indicators such as EBT.

CORPORATE MANAGEMENT, GOALS AND STRATEGY

Internal management system

A powerful market position for enhanced profitability

The strategy formulated for the PC-WARE Group is geared towards achieving annual revenue of €1 billion and an **EBITDA margin of between 3 and 4%** by 2009. This is to be accomplished by expanding our high-margin consulting and services business associated with software and hardware.

In order to attain our strategic goals, we have structured our corporate management activities within the PC-WARE Group in such a way as to focus on the following aspects:

1. sustainable expansion of market share in all business segments,

2. increase in gross profit margins in all business segments, particularly in Professional Services (PS) and Integrated System Solutions & Support (ISS),
3. consistent and efficient cost management to meet EBITDA target margins,
4. continuous optimisation of financing structure in order to minimise finance cost.

Sustainable expansion of market share in all business segments

PC-WARE will pursue an approach of raising its market share in a sustainable manner, with the express purpose of accelerating earnings growth in all business segments. As in the past, we intend to accomplish this by means of a healthy mix of organic and non-organic growth.

Decisions relating to the composition of this mix will be taken by PC-WARE Group Holding, in close cooperation with the business segments and based on the following criteria:

- Does the Group have sufficient management resources and expertise, both in terms of markets and customer groups, to drive strong organic growth?
- Are there possible acquisition candidates in the target markets or in a particular customer target group that may offer PC-WARE strategic and financial added value?
- At what pace do we want to grow within a particular market or customer target group?

The target markets and target customers identified for our business segments are as follows:

<i>Business segment</i>	<i>Geographical target markets</i>	<i>Customer target groups</i>
Software (SSL)	Core markets in Western Europe as well as Eastern Europe and possibly China	Large enterprises and major SMEs
Services (PS)	Core markets in Western Europe as well as Eastern Europe	Large enterprises and major SMEs
System House (ISS)	Germany, Austria and Switzerland (DACH)	Small and medium-sized enterprises

Based on extensive market analysis, we have computed the annual growth rates of our business segments until FY 2009/10 as follows:

<i>Business segment</i>	<i>Annual revenue growth rate in % (CAGR)</i>
Software (SSL)	10%
Services (PS)	40%
System House (ISS)	20%

The projected growth rates (organic and non-organic), which provide the foundation for the value-based management of the PC-WARE Group, include key determinants such as market maturity, medium-term macroeconomic growth forecasts as well as strategic focal points for growth in line with the target margins outlined above.

The projected revenue growth rates reflect our strategic focus on the Services and System-House segments. In contrast, the projected CAGR associated with Software is less pronounced, which is due to the strong market position already achieved in Germany and the Netherlands within this area. Having said that, we intend to drive Software-segment growth in other European countries.

Growth will be directed by the PC-WARE Group Holding within the framework of budgeting and controlling processes. This unit will also be responsible for coordinating M&A projects within the area of non-organic growth.

Increase in gross profit margins in all business segments

In order to achieve the EBITDA targets outlined above, an increase in gross profit is essential. Within this context, we have initiated a number of measures for the purpose of propelling gross profit upwards in all areas:

- We are currently establishing a central ***strategic procurement*** system covering all business segments. Our overriding objective is to secure more favourable terms and conditions – which will ultimately also benefit our customers – by pooling the purchasing activities and product know-how of the individual country organisations. We have already established ourselves as one of five exclusive Microsoft EMEA LARs and are determined to achieve similar positions with other well-known manufacturers in the near future.

- We are continuing to expand into the ***SME sector***, with the express purpose of offering this target group tailor-made solutions covering the entire IT life cycle (conceptualisation, piloting, implementation and after-sales service). We are confident that we can capture the imagination of small and medium-sized enterprises and thus establish profitable operations at a sustainable level within this area.
- Furthermore, we are beginning to implement a bonus system for ***sales staff based on gross profit***. Thus, rather than focusing entirely on revenue as a key financial indicator, we are now emphasizing the importance of gross profit per order.
- Overall, IT service activities are particularly labour-intensive. In order to achieve greater flexibility with regard to staff deployment, which occurs on a project-specific basis, we established a dedicated HR management company by the name of ***PC-Ware Personal Services GmbH*** back in FY 2004/05. This subsidiary supplies highly qualified IT specialists on a flexible basis, thus securing affordable fees for customers as well as viable margins for PC-WARE. Owing to this incisive approach, we are able to maintain particularly lean cost structures.

Consistent and efficient cost management

Alongside revenue and gross margin growth, consistent and efficient cost management is considered an essential prerequisite when it comes to meeting the EBITDA targets outlined above.

Cost management is also controlled by PC-WARE Group Holding. Based on company-specific target margins as well as benchmarking data from the competitive environment, we conduct a thorough review of other operating expenses as part of our annual budgeting processes.

In order to scale back the costs associated with standard processes, we introduced an ERP system in the financial year under review.

As regards staffing levels at our European subsidiaries, our recruitment drive is directed chiefly at sales rather than administration, the objective being to enhance our market position and profitability.

Continuous optimisation of financing structure

Committed to maintaining a viable level of operating profit, we have implemented a system of continuous improvement within the area of financing.

Financial optimisation is designed to keep **finance cost** as low as possible. We mainly utilise the cash resources of PC-WARE to finance the working capital of the parent company and its subsidiaries, while taking advantage of favourable overdraft facilities to cover specific peaks in cash outflow. Acquisitions are usually funded on the basis of PC-WARE resources or external capital. Within this context, we are also committed to deploying treasury shares as a form of acquisition currency.

Financial instruments are only used for the purpose of hedging an underlying transaction; exceptional latent risks associated with swap transactions were fully eliminated in the financial year under review.

RESEARCH AND DEVELOPMENT/ PROPRIETARY PRODUCTS

Research and development

Although R&D is not a constituent element of PC-WARE's core business, we have been successfully developing proprietary software for a number of years. Some of these applications have already been launched and are generating significant revenue. The solutions developed within the area of Software Asset Management and E-Government deserve particular mention, as does the new OSCI® add-in for Microsoft Office. These are state-of-the-art products and have set new standards within their respective fields of application. Our R&D activities are a unique selling proposition and underline the outstanding level of expertise generally associated with the PC-WARE Group. In pursuing this approach, we are also able to generate additional high-margin sales for the company. No external R&D expertise was purchased in the financial year under review.

Proprietary products: tailor-made tools and web applications

Online Services Computer Interface (OSCI) OSCI® has set a new standard in terms of electronic data transmission mainly at public-sector level. With the aid of this application, documents can be signed in a manner that is legally binding and then transmitted via the Internet or an intranet system. Until recently, OSCI® was seen as a rather unwieldy application due to its technical complexity – not suitable for end users.

PC-WARE OSCI® is a new Office add-in developed in association with Microsoft. It e.g. provides the basis for implementation of the German Digital Signature Act (SigG) adopted in 2001. Our software fulfils the full range of provisions set out in the Act with regard to authenticity, integrity, confidentiality and verification. What is more, it integrates seamlessly into the existing MS Office environment. Distribution is managed exclusively via Microsoft as a sales partner and directly via PC-WARE.

E-Government Starter Kit (EGSK) EGSK is an E-Government solution developed specifically for administrative bodies at municipal level. In its function as an interface between citizens and public administration, the software is capable of delivering a wide range of services and information quickly and efficiently. It helps to scale back the time and effort

generally associated with administrative activities at public-authority level and provides greater transparency within this area. Internal administrative processes and workflows can be efficiently coordinated and existing specialist applications can be Web-enabled, with associated services being incorporated in an internet or intranet environment. With the help of E-Government Starter Kit and appropriate Microsoft server technology it is possible to ensure interoperability with other administrative bodies and private-sector companies, in addition to integrating divergent system architectures and specialist applications in heterogeneous IT environments.

PC-WARE also acts as the so-called **Competence Centre** for E-Government Starter Kit, operating on behalf of Microsoft. The Competence Centre is the central point of contact in Europe for all customers and partners deploying EGSK. In addition to offering telephone support, it also provides on-site services and workshops as well as supplying software patches and bug fixes.

Software Asset Management (SAM) PC-WARE's SAM tool is possibly the most well-known and successful of our in-house developments. SAM is designed to provide exact data relating to software licences and usage. The application analyses installed software assets and evaluates the data in terms on functionality and usage patterns. As part of the Microsoft Licence Management Programme, customers may also receive Microsoft Licence Certification, which demonstrates that they are adequately licensed for Microsoft software use.

SAM is to be launched in all PC-WARE countries over the course of the 2006/07 financial year. The most recent product in our proprietary software portfolio was very well received by the market and has already been sold to a number of key accounts. As part of the planned relaunch of the PC-WARE website in the last quarter of 2006 and the associated introduction of a new customer portal by the name of myPC-WARE, there is the possibility that SAM will be directly integrated within the overall structure.

PC-WARE Portal Solution This software tool, the core of which is based on an upgraded version of PC-WARE's in4meta application, has now evolved into an all-embracing Content Management System (CMS). In essence, a CMS separates content from layout, thus supporting the activities of editorial staff. The corporate design is defined once

at a specific level and then applied consistently by the system. Available in three different editions, Version 4 of PC-WARE Portal Solution offers everything from professional intranet and web portal management to document management, performance scalability and high-throughput availability. PC-WARE Portal Solution provides the basis for the successful implementation of form servers and digital signatures as well as the integration of specialist processes, which also makes it an interesting application for the public sector and small municipal bodies. The key innovation of Portal Solution is its incorporation of .net technology.

For further information on PC-WARE products, please visit www.pc-ware.de → Services → PC-WARE Products. For further details regarding the E-Government Starter Kit Competence Centre, please refer to www.pc-ware.de → Competence Centre.

ENVIRONMENTAL PROTECTION

As an IT service provider, PC-WARE is not subject to specific provisions regarding environmental protection. Nevertheless, we are fully committed to protecting the environment and using natural resources in a responsible manner. In particular, our staff apply professional standards in waste separation and disposal of special waste. We also accord great importance to the responsible use of consumables such as printing paper, both in terms of environmental and cost awareness, as well as the efficient deployment of our vehicle fleet.

OPERATIONAL REVIEW

Economic conditions

World economy remains stable despite high oil prices

According to data published by the Arbeitsgemeinschaft deutscher wirtschaftswissenschaftlicher Forschungsinstitute, a group comprising major economic research institutes, the global economy grew by 3.2% in 2005, thus generating moderate forward momentum compared with the preceding year (2004: 5.1%). The less pronounced rate of economic growth was attributable mainly to the price of crude oil, which remained high at \$70 per barrel.

This was compounded by a slight decline in consumer demand as well as the less expansive monetary policy favoured by central banks in the wake of economic upturn.

Brighter outlook in Europe From mid-2005 onwards, the ifo Business Climate Index for the Eurozone developed more favourably than in the past. Companies are now more active within the capital markets, with mergers and acquisitions becoming more dynamic. Based on figures published by Eurostat and the IWH*, the economic climate remained stable in 2005: within the EU 25 Group growth was up by 1.7% in 2005. At 2.1%, the rate of inflation remained more or less within the upper limit of 2.0% defined by the ECB**. The unemployment rate fell to 8.6% (2004: 8.9%).

Improved confidence in Germany At 0.9%, economic growth in Germany for 2005 fell short of the previous year's rate of 1.6%. Having said this, business confidence has been improving since mid-2005: the ifo Business Climate Index climbed significantly in the second half of the year, reaching 105.9 points in the spring of 2006 – its highest level in the past decade. Consumer prices rose by 2.0% in 2005 (2004: 1.6%). The rate of unemployment increased by 2.0% to 11.2%, thus reaching its highest level in three years.

European ICT market remains below global level

According to Europe's leading economic research institute for the information and communications technology market, the European Information Technology Observatory (EITO), the European IT sector registered above-average growth in 2005: the market grew by 4.2% in Western Europe, thus outpacing the EU Group of 25 states. Nevertheless, the European IT market was unable to keep up with the US, which recorded a growth rate of 4.6%. The Asian region also remained buoyant, with China and India registering dynamic growth and thus advancing to become heavyweights within the global IT market.

European market growth is driven by software and IT services

Based on data published by the EITO, the European information technology market is currently dominated by IT services, which accounts for a solid 46%, while the hardware sector represents 29.3% and the software segment 24.6%.

The latter grew by 5.5% in 2005 and is also forecast to expand slightly over the coming years. Alongside network management, the main focus within this area is on storage and security software. The IT services sector grew by 4.3% and looks set to produce additional momentum in the years to come. Outsourcing and IT services management proved particularly dynamic, contributing substantial growth. Growth within the hardware segment was relatively moderate at 3.5%. The performance of Western European information technology markets was anything but consistent: Italy grew by just 1.0%, and Germany registered a modest 3.1% rise. The Benelux countries, the UK and France recorded growth rates of around 4.2%. The Northern European countries (Scandinavia and Finland) and Spain proved to be the high-flyers, growing by 4.6% and 6.8% respectively. Annual ICT expenditure per person was bifurcated, the European average amounting to approx. €1,300. The Nordic countries were ranked first at up to €2,400 per capita. While per capita expenditure in Western Europe was also above average, Eastern and Southern Europe remained relatively subdued – in the Czech Republic, for example, annual spending on ICT products amounted to a mere €563 per person.

Events of significant importance

Three acquisitions

We concluded a total of three acquisitions in the 2005/06 financial year – more than ever before in a single year. All acquired companies play pivotal roles in the growth strategy formulated by PC-WARE: Datacontact, a Viennese company acquired in June 2005, has bolstered our Austrian operations, while also opening up new opportunities for our System-House activities within the German-speaking region of Europe. Datacontact contributes €30.3 million (5.1%) to Group revenue. We gained further momentum within this segment following the acquisition of the remaining 50% ownership interest in senas AG in July 2005; at the time we already had a 50% shareholding in the company. The newly acquired part of senas contributes €18.5 million (3.1%) to Group revenue.

By pooling all System-House activities in Germany, we shall achieve competitive advantages through synergies relating to the coordination of value creation, communication, staff motivation and procurement processes.

The acquisition of the Ravenholm Computing Group in February 2006 was possibly the most important move undertaken in the last five years in terms of achieving a pan-European presence. In acquiring the group, whose cultural similarities are expected to provide the basis for significant synergies, we were able to gain immediate access to the four Northern European markets of Denmark, Sweden, Norway and Finland. At the same time, we established a stronger presence in Switzerland. The Ravenholm Group contributes €12.6 million (2.1%) to Group revenue. We are confident that integration will continue to proceed smoothly, thus allowing us to redeploy management resources in other areas for the purpose of accelerating regional growth.

Other cooperation agreements

In order to serve our customers in parts of the world in which we have yet to establish our own offices, we negotiated a number of cooperation agreements in the financial year under review. Thus, we are now in the position to offer products and services in tried-and-trusted PC-WARE quality to customers operating in the USA, Brazil, Venezuela, Russia and Australia.

New CFO

Effective from 1 March 2006, the Supervisory Board appointed Dr. Tillmann Blaschke to the Management Board of PC-WARE AG. As CFO, he will be responsible for the areas of Finance, Controlling, Human Resources Management and Organisation at Group level. Having held management positions at Dresdner Bank AG/Dresdner Kleinwort Wasserstein from 1999 to 2002, Dr. Blaschke subsequently joined chip manufacturer Advanced Micro Devices Inc. (AMD), where he was accountable for financial operations in Germany. He played a pivotal role in shaping AMD's activities in Dresden. In 2002, he was appointed Managing Director of Advanced Mask Technology Center GmbH & Co. KG, a joint venture between AMD, Infineon Technologies AG and Toppan Photomasks Inc. With a proven track record in the international arena, Dr. Blaschke will be able to make a major contribution to the continued growth of PC-WARE, particularly in terms of future cross-border expansion.

Departures from targets

In the 2005/06 financial year no significant deviations from targets were recorded at PC-WARE, neither in terms of the course of business nor in terms of revenue and expense forecasts. The only exception was EBT, which fell short of expectations as a result of a negative finance result of minus €1.96 million. Thus, EBT was 6.6% lower than in the previous financial year. This was mainly attributable to the adverse development of swap transactions, which had a negative impact (approx. minus €2.5 million) on the finance result. The losses were fully recognised in the financial year under review. Thus, there are no additional risks associated with derivative financial instruments.

Summary of business performance

Overall, the Management Board of PC-WARE AG considers the course of business in FY 2005/06 to have been very positive indeed: we met or even slightly exceeded our revenue and earnings (EBITDA) targets announced at the beginning of the financial year. We believe that this performance serves as evidence for the solid operational development of the company. Within this context, only the loss associated with our swap transactions had a negative effect on the net finance result and, concomitantly, on consolidated net profit.

PC-WARE benefited in particular from the continuing market consolidation as well as the general upturn witnessed throughout the European IT market, recording growth that was more pronounced than that achieved by the market as a whole. The newly acquired companies are already making solid contributions to growth, and corporate integration is proceeding smoothly. The synergies unlocked within the Group are expected to produce positive effects over the course of time. We are confident that the acquisitions concluded in the period under review have provided us with an outstanding European launch pad for further growth. This applies in particular to the Northern European countries in which PC-WARE was not yet operating prior to the Ravenholm takeover.

In summary, we were able to take advantage of the upturn in Europe's IT market, capturing additional market share and leveraging business for the Group.

Financial performance, financial position and cash flows

FINANCIAL PERFORMANCE

REVENUE GROWTH WELL ABOVE MARKET AVERAGE

PC-WARE generates close to €600 million in revenue

PC-WARE can look back on a particularly encouraging operating performance in FY 2005/06, both in terms of revenue and earnings. Revenue grew by 17.9% to €593.9 million – another milestone on the path to our target of »a billion euros in revenue« in FY 2009. Thus, we exceeded the revenue guidance figure of €570–580 million announced for FY 2005/06.

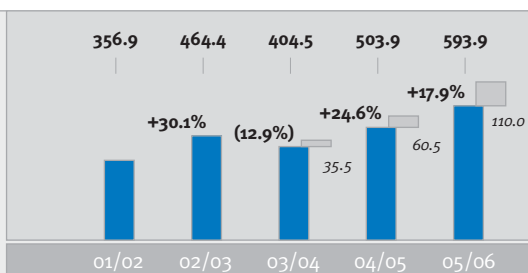
Taking into account the significant changes in the fee structure implemented by our main supplier Microsoft, growth was even more pronounced. Effective from the 2003 financial year, some of Microsoft's contractual agreements – the direct Enterprise Agreements (EA) – no longer involve recognition of the sales revenue actually associated with a specific transaction. In these cases, merely the so-called fee granted to PC-WARE for its services as an intermediary is accounted for in the financial statements. If one were to replace the fees with the associated sales revenue, the additional revenue attributable to this area would amount to €110 million for 2005/06. This figure should be taken into consideration when comparing PC-WARE's sales performance, as it clearly underlines the productivity and market volume achieved by the company. Calculated on the basis of €704 million, the actual level of year-on-year revenue growth (comparable) was approx. 25%.

Successful integration of three acquisitions

We completed three further corporate acquisitions in the financial year under review and successfully integrated the enterprises into PC-WARE's existing structures and processes. In June 2005, we acquired Austrian-based Data-contact, Vienna, with the express purpose of further strengthening our System-House business. The company ranks as one of the leading system specialists in Austria. In addition, the 100% acquisition of system-house enterprise senas AG, Bad Nauheim, at the beginning of July has allowed us to strengthen our market position within the German system-house sector. Having already acquired a 50% interest in the company, the latest purchase of the remaining shareholding is aimed at creating a full-service portfolio in this area.

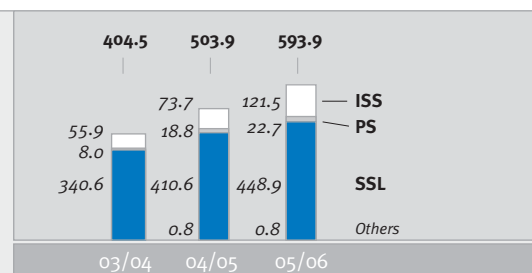
Committed to expanding our market position in Europe, we also acquired the Ravenholm Computing Group, a company based in Farum near Copenhagen, Denmark. Completed in February 2006, the acquisition of Ravenholm, which operates in our core business of Software Reselling and Software Management, has given us immediate access to all Nordic markets – from Denmark and Norway to Sweden and Finland.

Sales performance



■ Total sales in € million
■ Revenue shortfall due to direct Enterprise Agreements in € million

Sales by business unit



in € million

Growth in all business segments

As in previous years, growth within the PC-WARE Group was driven by all three business segments. Despite our sizeable share of the market, we managed to produce additional momentum in our core segment of Software Sales and Software Management (SSL) in the period under review: at €449 million, revenue exceeded the previous year's figure by 9.3%. The acquisition of Ravenholm Group as the Scandinavian market leader within the field of software licensing looks set to bolster our position for many years to come.

We are particularly encouraged by the level of growth achieved within our IT services segment (Professional Services – PS): revenue grew to €22.7 million within this area thanks to stronger demand for our services (+20.9%).

The continued expansion of our system-house network following the takeover of Austrian-based Datacontact and the acquisition of the remaining 50% interest in senas AG provided a considerable boost to our activities within the area of Integrated System Solutions and Support (ISS). At €121.5 million (+64.8%), revenue was significantly higher than in the previous financial year.

Software Licensing and Software Management (SSL) segment: revenue +9.3% to €449 million

The SSL segment benefited from more buoyant demand both for Microsoft products and software of other manufacturers. Closer collaboration with Adobe, Citrix, IBM, Oracle and VMware also produced fresh impetus within this area. Although the Microsoft share of total revenue generated within this segment increased in absolute terms, we recorded a year-on-year decline of 6.2% in relative terms; the proportion of Microsoft-specific revenue currently stands at 45%. The share attributable to other manufacturers grew by 44.6% to €181 million. The number of direct Enterprise Agreements nearly doubled year on year, with revenue contracting by €110 million within this segment as a result of Microsoft's new fee structure, as outlined above.

Professional Services (PS) segment: revenue +20.9% to €22.7 million

We were particularly encouraged by the tangible increase in revenue generated through software asset management projects within the PS segment, as part of which we were also able to deploy proprietary software tools. Overall, business with company-developed solutions proved extremely successful in the period under review, both in terms of portal projects based on our proprietary »Portal Solution« technology and with regard to E-Government solutions. PC-WARE took over the duties of Microsoft's newly established E-Government Starter Kit Competence Centre as the exclusive partner in Europe. The latter offers one-stop support for the state-of-the-art platform used by public administration bodies at federal, state and municipal level. Our Professional HelpDesk further strengthened its position as the second-largest facility of its kind in Germany and more than doubled revenues in the process. Despite the challenging market environment, we also succeeded in augmenting revenue generated by our training unit.

System House (ISS) segment: revenue +64.8% to €121.5 million

Our newly acquired subsidiary Datacontact, Vienna, made a significant contribution to revenue growth within the area of integrated systems, generating €30.3 million in the period under review. As regards our Swiss system specialist BISON Systems, we reaped the rewards of our close collaboration with HP, as well as benefiting from the fact that the brand is now more widely accepted among large enterprises. In Germany, we cemented the position of our »senas« brand as a solution tailored to the requirements of small and medium-sized companies (SMEs) – it has already gained considerable momentum.

Rapid growth in foreign sales

The share of foreign sales in relation to total revenue increased by 2.5 percentage points to 42.1% in the period under review. This was attributable on the one hand to the acquisitions of Austrian-based Datacontact and the Scandinavian Ravenholm Group, and on the other hand to the exponential growth rates achieved by our foreign subsidiaries, the majority of which managed to exceed the revenue figures recorded a year ago. The key outperformers were Austria (+540.8%), United Kingdom (+172.7%) and France (+44.5%).

With an increase by 13.1% to €344.2 million, the level of revenue generated in our domestic market, **Germany**, was also particularly encouraging in the period under review. This positive trend was mainly the result of more buoyant demand for software products – both Microsoft and non-Microsoft applications – as well as the growing acceptance of our product and service portfolio within the services and system-house market, and the acquisition of the remaining 50% interest in senas AG, as outlined above. PC-WARE's solid ranking among software manufacturers serves as evidence for our premier market position in Germany: we are in pole position within the contractual categories covered by our company when it comes to Microsoft, Citrix, Novell, Symantec, McAfee, Veritas and Computer Associates. Moreover, PC-WARE is among the top three partners to other major manufacturers, including Adobe, IBM, Oracle, Trend Micro and VMware.

Germany's system-house market is dominated by intense price competition, a situation compounded by specialist suppliers and no-name manufacturers. Lower unit prices had to be compensated for by higher sales volumes in order to avoid a decline in revenue. Committed to stabilising profit margins and reducing downstream costs, we have focused on high-margin products supplied by A-Brand manufacturers. Over the course of the 2005/06 financial year, we continued to extend our business relations with major hardware manufacturers. In particular, we concluded a strategic partnership with Fujitsu Siemens Computers.

In terms of customer focus, our main emphasis within the German system-house market is on the high-growth SME segment, without a clear line of demarcation in terms of larger and smaller accounts. Indeed, we also supply to a number of large enterprises and customers within the public sector. Within this category, however, our services are mainly limited to procurement of hardware and accessories.

In the **Benelux countries (Belgium, the Netherlands, Luxembourg)**, we recorded year-on-year revenue growth of +10.6%, taking the overall figure to €90.6 million. Growth in this region is attributable to a number of large-scale orders in the Netherlands. Furthermore, the additional funds earmarked by the European Commission, with whom PC-WARE has an exclusive software supply agreement, provided fresh impetus in the second half of the 2005/06 financial year. Finally, additional Microsoft and Citrix certifications issued to PC-WARE Belgium and Luxembourg – we are the only LAR (Large Account Reseller) with such certifications in these two countries – were the source of forward momentum, which is also likely to bear fruit in the coming financial year. The Software Asset Management consulting product introduced by PC-WARE Netherlands was classified as a »High-End Consulting Solution« by PriceWaterhouseCoopers, as part of a Third Party Announcement (TPA).

Sales by region

in €'000

	2003/04	2004/05	2005/06	Change
Germany	264,620	304,423	344,175	+13.1%
old: Netherlands/new: Benelux	68,663	81,951	90,604	+10.6%
France	13,954	14,488	20,936	+44.5%
Italy	12,196	27,065	21,230	(21.6%)
Austria	4,910	4,929	31,583	+540.8%
United Kingdom	1,183	5,761	15,712	+172.7%
Switzerland	38,992	56,187	45,775	(18.5%)
Czech Republic	–	7,938	9,766	+23.0%
Scandinavia	–	–	12,552	–
Others (South Africa)	–	1,168	1,551	+32.8%

Based on our outstanding position as Dutch market leader within the Microsoft category and our top-two MS product ranking in the Benelux region, we are confident that we will be able to offer a more substantial volume of high-margin IT services to our loyal customer base in the years to come.

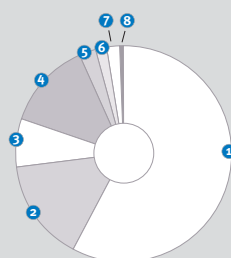
Operating successfully within the highly competitive **French market**, we managed to drive our business forward within the public-sector category as well as in the educational category, propelling revenue upwards by 44.5% year on year to €20.9 million. Furthermore, the increase in mail-order business and our success in poaching market share from competing enterprises who had lost their Microsoft-related authorisation, as well as stringent cost management, proved highly beneficial to our competitive position.

In **Italy** invoiced revenue fell by 21.6% to €21.2 million. However, business as a whole remained extremely buoyant due to the encouraging increase in direct Enterprise Agreements within the Microsoft segment as well as the dynamic growth rates achieved within the area of non-Microsoft applications. PC-WARE continues to be the only VMware Authorised Training Centre in Italy, operating the largest and most highly developed demo/test lab for VMware. One of the peculiarities of local trading is that payment periods are relatively long compared with Northern or Central European countries. In order to safeguard liquidity, we operate a stringent receivables management programme.

Following the successful integration into PC-WARE's structures and processes, our **Austrian subsidiary Datacontact** performed admirably in the financial year under review, despite the challenging conditions facing the domestic system-house market. In Austria, we recorded an acquisition-induced increase in revenue of 540.8%, taking the total to €31.6 million. We met this ambitious target despite having to link local operations with our parent company in Germany and integrate the full range of activities of PC-WARE Austria. In terms of strategic positioning, Datacontact has been organised in such a manner so as to also cover the field of software reselling and licensing, the emphasis being on Austria's Top 100 enterprises. Furthermore, we are coordinating a programme of expansion into South-Eastern Europe, drawing to a large extent on Austria's economic and cultural ties with the region.

Growth within the **UK market** also continued unabated: revenue increased by an impressive +172.7% year on year, taking the total to €15.7 million. Although our UK subsidiary had started from a relatively low base, this performance nevertheless underlines the success of our incisive investments in sales personnel, new offices in Sheffield and Reading, as well as marketing. The dynamic programme introduced with the express purpose of intensifying existing partnerships with software vendors and attracting new customers continued to bear fruit, as highlighted by the »Fastest Growing Large Account Reseller« (LAR) award bestowed on PC-WARE UK by Microsoft.

Sales by region



Germany	58.0%	1
Benelux	15.3%	2
France, Italy	7.1%	3
Austria, Switzerland	13.0%	4
United Kingdom	2.6%	5
Czech Republic	1.6%	6
Scandinavia	2.1%	7
Others	0.3%	8

The latest trends within the UK market for information technology suggest that software resellers will have to extend their value added services to create a sustainable competitive advantage, e.g. by offering software audits and software asset management. Supported by a formidable product and service portfolio, we are well positioned to capture an additional share of the UK market.

Our **Swiss-based systems subsidiary BISON Systems** was unable to match the revenue figure posted a year earlier (-18.5% to €45.8 million). It should be noted, however, that we transferred the software licensing activities of BISON to PC-Ware (Schweiz) AG (formerly Ravenholm Schweiz AG) in the fourth quarter of 2005/06 as part of our efforts to pool our expertise within this area. As a result, revenue attributable to BISON receded. In addition, intense competition and tentative IT investment spending had a detrimental effect on the Swiss systems market as a whole. Having said that, we were able to make ground by increasing the proportion of services.

Benefiting from our strong market position in the **Czech Republic** – our subsidiary DIGI TRADE is ranked first among the Microsoft LARs – we were able to increase our revenue by 23.0% year on year to €9.8 million. As the Czech market for Microsoft licences has now reached maturity, we generated the majority of sales within the services segment. We are particularly encouraged by the fact that software asset management produced revenue flows from our loyal customer base.

In **South Africa** we were able to bolster our market presence significantly in the second full year of operations: large-scale orders were secured both in the public sector and the industrial segment, with revenues totalling €1.6 million overall. This corresponds to an increase of 32.8% compared with the previous year. A new General Manager was appointed and both sales and back office structures were reorganised in the period under review, thus creating a solid foundation for growth.

We have identified SMEs as a particularly attractive segment for our service portfolio within the South African market. In order to harvest this market more successfully, we entered into a joint venture agreement with South Africa's leading IT services firm, Datacentrix, which is in a position to offer our software asset management tool to a broad customer base.

As part of the takeover of Ravenholm Group, Farum (near Copenhagen), Denmark, as of 2 February 2006, revenue of €12.6 million generated by the Ravenholm Group over a period of two months was included in the scope of consolidation for the first time. With subsidiaries in **Denmark, Norway, Sweden, Finland** and **Switzerland**, PC-WARE was able to enter the Scandinavian IT market, as well as acquiring additional expertise in the Swiss software licensing market. We took this opportunity to pool all software licensing competence within Ravenholm Switzerland AG, now rebranded as PC-WARE (Schweiz) AG, and realign BISON Systems AG to focus on high-end systems integration.

In Ravenholm, PC-WARE has acquired further in-depth sales expertise within the SME category, which includes companies that generally require not only software licences but also sophisticated IT services. Since completion of this transaction, we have already been able to unlock substantial synergy. A case in point: we managed to convince a number of our German customers of the merits of our licensing and service portfolio in Scandinavia. We also attracted several new customers in Scandinavia, thanks mainly to the fact that Ravenholm is now able to market itself as a member of a pan-European IT group with significant competitive advantages.

The SME segment of the market is considered to be particularly attractive in Scandinavia. In order to tap this potential, we intend to strengthen our sales activities in all Nordic markets and focus on revenue from software asset management.

Earnings performance

in €'000

	2003/04	2004/05	2005/06	Change
Sales revenue	404,518	503,910	593,884	+17.9%
Work performed by the enterprise and capitalised	655	349	623	+78.5%
Total turnover and operating revenue	405,173	504,259	594,507	+17.9%
Cost of purchased materials and services	(355,094)	(442,359)	(516,666)	+16.8%
Gross profit	50,079	61,900	77,841	+25.8%
Other operating income	3,541	3,493	4,155	+19.0%
Staff costs	(30,440)	(35,575)	(47,189)	+32.6%
Other operating expenses	(16,981)	(19,653)	(22,756)	+15.8%
Foreign exchange gains/(losses)	(201)	(238)	381	–
EBITDA	5,998	9,927	12,432	+25.2%
Depreciation of property, plant and equipment, and amortisation of intangible assets	(4,217)	(2,990)	(2,784)	(6.9%)
EBIT	1,781	6,937	9,648	+39.1%
Interest income/(expenses)	1,697	1,353	(1,679)	–
Write-down of financial assets recognised at equity	–	(56)	(278)	+396.4%
EBT	3,478	8,234	7,691	(6.6%)
Income tax	(1,971)	(3,496)	(2,393)	(31.6%)
Profit after tax before minority interests	1,507	4,738	5,298	+11.8%
Minority interests	173	(321)	(246)	(23.4%)
Consolidated net profit	1,680	4,417	5,052	+14.4%

Gross profit +25.8%

Gross profit (+25.8%) rose faster than revenue (+17.9%) to a record level of €77.8 million in the period under review. The gross profit margin for the Group rose from 12.3% to 13.1%. This is attributable to the change in revenue structure, with an emphasis on higher margin products and services. In parallel, the commissions associated with Microsoft Enterprise Agreements led to an increase in the relative gross profit margin. These commissions have a direct effect on margins.

In the **Software (SSL)** segment, gross profit rose from 8.3% to 9.1% – a result of the change in the share of business attributable to the various manufacturers. We managed to counterbalance pricing pressures, which were associated with a decline in earnings for several agreements, by realigning our product portfolio and propelling revenue upwards in higher margin areas. Commissions generated through direct Enterprise Agreements amounted to approx. €7.2 million. These were recognised as revenue and are thus fully accounted for in margins.

In the area of **Professional Services (PS)**, dynamic revenue growth (+20.9%) produced a €2.3 million (+23.0%) increase in gross profit (gross profit = revenue + work performed by the enterprise and capitalised - cost of purchased materials) compared with the previous financial year. The gross profit margin remained virtually unchanged at 52.5% (previous year: 52.1%). Within this context, the growth in sales volumes was achieved by increased capacity utilisation as well as the procurement of resources via partners and PC-Ware Personal Service GmbH.

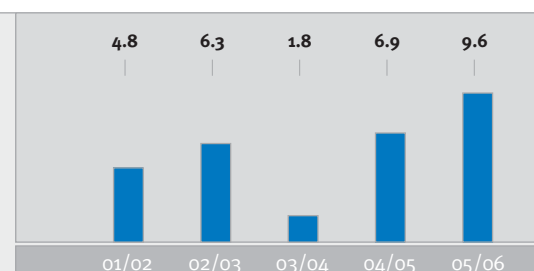
Within the **System House (ISS)** segment, gross profit rose by €6.6 million in absolute terms. The gross profit margin declined from 23.4% to 19.6%, thus reflecting the change in our customer and service structure. In the financial year under review, the majority of contracts were large-scale in nature, with a high proportion of hardware. These contracts were used to cross-sell PC-Ware's full service range either in conjunction with or subsequent to the project.

EBITDA +25.2%

Owing to the exponential increase in gross profit compared with the preceding year as well as more substantial other operating income, we managed to propel earnings before interest, taxes, depreciation and amortisation (EBITDA) by a solid 25.2%, taking the total to €12.4 million. Thus, we were able to push EBITDA beyond the range of €10–12 million originally targeted as a guidance figure.

EBIT +39.1%

Depreciation and amortisation fell by 6.9% year on year, thus resulting in a rise in earnings before interest and taxes (and minority interests) (EBIT) by 39.1% to the record level of €9.6 million. The decline in depreciation and amortisation, despite acquisitions, was attributable to the fact that impairment losses of €0.78 million had been recognised in the previous financial year due to the impairment of goodwill associated with separate cash generating units. In the period under review, however, only an amount of €0.11 million had to be included in depreciation.

EBIT

in € million

EBT minus 6.6%

Earnings before taxes (and minority interests) (EBT), receded by 6.6% year on year to €7.7 million as a result of a negative finance result of minus €1.96 million. The below-par finance result is mainly attributable to the unfavourable development of isolated swap transactions, which accounted for charges of approx. minus €2.5 million. The losses were fully recognised in the financial year under review, i.e. there are no further risks associated with derivative financial instruments.

The relatively low finance result was due to the more pronounced utilisation and, in part, lock up of cash resources for the purpose of building and expanding the system-house activities of senas as well as the business volume of our foreign subsidiaries.

Consolidated net profit + 14.4%

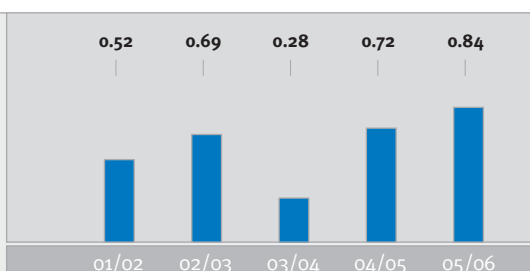
With a consolidated net profit (after minority interests) of €5.1 million, we managed to exceed the previous year's result by 14.4%, despite a below-par finance result.

The Group tax rate fell from 42.5% to 31.1% year on year: in 2004/05 the net result had been impacted by non-deductible goodwill amortisation of €0.78 million. In addition, this year's consolidated net result includes gains of €1.7 million from the disposal of securities, which were only subject to minor taxation.

Net profit of PC-WARE AG and proposed appropriation of profits

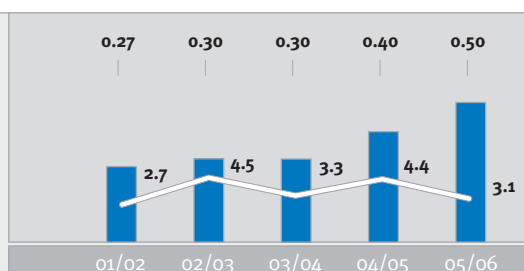
At €0.84 per share, our EPS was 16.7% higher than a year ago. The amount available for dividend payments is calculated on the basis of PC-WARE AG's separate financial statements prepared in accordance with the German Commercial Code (Handelsgesetzbuch – HGB); the »Bilanzgewinn«, i.e. the unappropriated surplus or net retained earnings (the amount available for distribution) for FY 2005/06 amounted to €11.4 million. The Management Board and Supervisory Board propose a dividend payment of €0.50 per share, compared with one of €0.40 a year ago. This corresponds to a dividend increase of 25% for PC-WARE shareholders; based on the closing price applicable at the end of the 2005/06 financial year, the dividend yield stands at 3.1%.

Earnings per share



basic in €

Dividend, dividend yield



■ Dividend per share in €

□ Dividend yield in % (based on share price at 31 March)

*Selected financial indicators
for the PC-WARE Group*

2004/05 2005/06

Gross profit margin	=	$\frac{\text{Gross profit} \times 100}{\text{Sales}}$	12.3%	13.1%
EBIT margin	=	$\frac{\text{Earnings before interest and taxes (EBIT)} \times 100}{\text{Sales}}$	1.38%	1.62%
Profit margin	=	$\frac{\text{Net profit (before minority interests)} \times 100}{\text{Sales}}$	0.94%	0.89%
Return on equity	=	$\frac{\text{Net profit (before minority interests)} \times 100}{\text{Equity}}$	7.7%	8.4%
ROCE*	=	$\frac{\text{Earnings before interest and taxes (EBIT)} \times 100}{(\text{Net tangible assets} + \text{Net working capital})}$	16.8%	19.2%

CASH FLOWS

Principles and aims of financial management

PC-WARE operates a system of global financial management. All significant decisions pertaining to the Group's financing structure are taken by the Management Board of PC-WARE AG. Financial management takes place at Group level. Our central aims within this area are as follows:

- The cash and cash equivalents designated to cover current liabilities associated with our IT reselling and service business are invested to a large extent in secure financial instruments. The majority is placed in short-term investments in order to ensure operational flexibility and rapid response times for PC-WARE.
- The dividend policy will continue to be geared towards creating a balance between the funding requirements of the Group and shareholders' dividend expectations, with shares in PC-WARE remaining a competitive form of investment.
- The equity ratio shall continue to be maintained at a level which ensures that PC-WARE can pursue its activities within the area of capital expenditure and innovation.

*ROCE = Return on Capital Employed

Financing analysis

The funding and financing situation at PC-WARE is dominated by three key aspects:

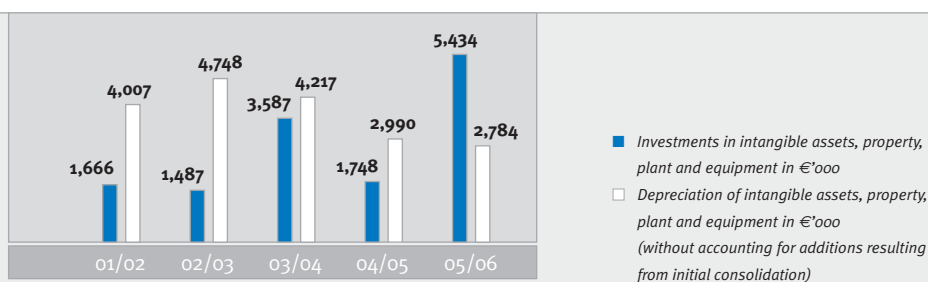
- • **High level of cash:** At the end of the 2005/06 financial year, the PC-WARE Group had cash and cash equivalents, including securities held as current assets, of €44.9 million. This corresponds to an increase of 16.0% year on year. The significant level of cash resources, despite investment activities, is attributable to liquidity retained from our IPO, our outstanding performance in our core area of business as well as cash management and cash flow optimisation.
- • **High level of capital adequacy despite further investments in expansion:** Despite further expansion in the form of corporate acquisitions, as outlined above, our equity ratio remains solid at 33.2%. Although the equity ratio receded year on year, equity rose in absolute terms as a result of higher net profit and a balanced dividend policy. Calculated on the basis of equity in relation to total capital, the equity ratio fell by 11.0%. The decline was attributable to higher business volume, which is also reflected in current liabilities, as well as, in particular, the use of not only internal but

also, to a certain degree, external funds for the purpose of financing acquisitions. Within this context, we were able to convince investors of the merits of our business concept, to the extent that in several cases loans were granted not on the basis of substantial collateral but rather subject to the fulfilment of requirements relating to specific business indicators.

- • **Substantial current trade payables:** Owing to the trading activities associated with our business model, trade payables are substantial, particularly in relation to our partners within the area of standard software. However, these are counterbalanced by trade receivables vis-à-vis our customers.

The equity ratio, calculated as shareholders' equity in relation to total capital, represents a key indicator with regard to our financing analysis. The equity ratio fell by 11.0 percentage points year on year to 33.2%.

Investments and depreciation



The decline in our equity ratio is a reflection of PC-WARE's commitment to investing in profitable supplementary business: in the period under review we channelled resources into the area of human resources (cf. section on human resources), as well as enhancing our core business through corporate acquisitions. The value contribution of these investments is monitored continuously as part of ongoing financing and investment analyses.

Investment analysis

Total investments (without accounting for additions resulting from initial consolidation) increased by 27.9% year on year to €5.5 million (previous year: €4.3 million).

We invested €2.5 million in *intangible assets*, including the development of PC-WARE proprietary products, as well as €2.9 million in *property, plant and equipment*. These investments were 120% higher than in the previous year.

LIQUIDITY ANALYSIS

Cash flow

Cash flow, as the balance of inflow and outflow of cash and cash equivalents associated with operating, investing as well as financing activities, rose from €1.6 million in FY 2004/05 to €6.2 million in FY 2005/06.

Cash flow from operating activities rose by 68% year on year (+€5.8 million). Operating cash flow adjusted for non-cash effects declined by €0.5 million. The increase in net cash from operating activities was attributable mainly to circumstances relating to the balance sheet date of the previous year: at the balance sheet date trade payables in the amount of approx. €10 million had already been paid; the corresponding receivables did not result in a cash inflow until FY 2005/06.

Cash flow from investing activities declined by 110% to minus €8.9 million due to the above-mentioned acquisition of Datacontact, Vienna, Austria, the purchase of the remaining 50% ownership interest in senas AG, Bad Nauheim, as well as the acquisition of Ravenholm Holding, Farum, Denmark.

Cash flow

in €'000

	2003/04	2004/05	2005/06
Cash flow from operating activities	(15,501)	8,619	14,462
Cash flow from investing activities	(4,028)	(4,232)	(8,904)
Cash flow from financing activities	(3,043)	(2,794)	598
Net increase/(decrease) in cash and cash equivalents	(22,572)	1,593	6,156
Cash and cash equivalents at the beginning of period	59,432	37,078	38,711
+/- Effects of exchange rate changes	218	40	49
= Cash and cash equivalents at the end of period	37,078	38,711	44,916

Cash flow from financing activities increased to €0.6 million (previous year: minus €2.8 million), in particular as a result of proceeds from loans for the purpose of financing the above-mentioned acquisitions. These inflows were counterbalanced by repayments of existing loans, the dividend payment for FY 2004/05 in the amount of €2.4 million as well as the acquisition of own equity instruments (treasury shares) in the amount of €0.7 million.

Subject to the approval by the General Shareholders Meeting of the dividend proposed by the Supervisory Board, 49% of the cash flow of €6.2 million in total will be distributed to shareholders in the form of a dividend payment; the remainder will be invested with the express purpose of strengthening our internal financing capacity within PC-WARE's core business as well as expanding newer fields of activity.

Liquidity indicators

For the purpose of assessing the cash resources of PC-WARE, we regularly determine various degrees of liquidity.

In the period under review, **first-degree liquidity**, which takes into account securities classified as current assets, declined from 54% to 39%. This was attributable to the disproportionately large increase in current liabilities due to full consolidation of the acquired companies senas AG, Datacontact and Ravenholm.

In terms of financial strength, PC-WARE's **second-degree liquidity** is even more significant, as the receivables included in this figure mainly relate to solvent companies and are associated with our IT reselling and services business. Second-degree liquidity developed in line with first-degree liquidity, albeit at a substantially higher level (106% compared with 139% a year ago).

FINANCIAL POSITION

Analysis of balance sheet structure

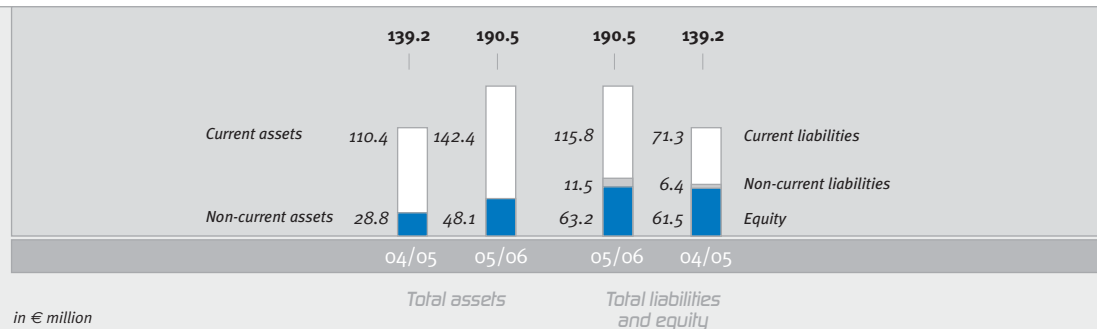
The balance sheet total at Group level increased by approx. €51 million year on year. In terms of assets, we recorded an increase of 4.5% – with current being restructured into non-current assets. This was attributable mainly to the acquisitions completed in the period under review – the acquisition of Datacontact Handelsgesellschaft mbH, Vienna, Austria, the full takeover of senas AG, Bad Nauheim, as well as the acquisition of Ravenholm Holding A/S, Farum, Denmark. Here, we invested in new markets and expertise (goodwill), which are expected to generate sustainable earnings in the long term. Within the area of non-current assets, this resulted in an increase in goodwill of €17.2 million (+133%). Financial assets decreased by €4.0 million year on year as a result of a long-term loan granted to senas AG, which has now been fully included in the consolidated financial statements of PC-WARE. In addition, the transfer of other non-current assets to current assets had a contrary effect on the non-current category.

The non-current assets totalling €48.1 million are financed in the long-term by equity of €63.2 million (year-on-year increase: €1.6 million, +2.6%) as well as non-current borrowings of €11.5 million.

Current assets also reflect the level of non-organic growth: particularly the expansion of our System-House activities resulted in an increase in inventories (+€4.1 million), which, however, were held in stock in connection with specific orders and sold off in the short term.

Owing to the approach of diversification within the area of financial investments, we had a consistently high level of liquidity over the course of the financial year. Cash and cash equivalents totalled €44.9 million, thus exceeding the previous year's figure by 16%. They were comprised of cash on hand and bank deposits (€29.5 million) as well as marketable securities held as current assets (€15.4 million). The securities are authorised for trading on the stock exchange and are therefore readily convertible to known amounts of cash.

Balance sheet structure



As regards equity and liabilities, we restructured 9.6% of our obligations from the non-current to current category. Non-current debt increased by €4.8 million (+136.5%) as a result of acquisition-related loans, recorded as borrowings from banks. The emphasis on the short-term, i.e. current, category was attributable principally to the increase in business from non-organic growth. Owing to circumstances relating to the balance sheet date, current trade payables increased by 55.5% to €77.9 million. Trade receivables amounted to €77.5 million (+28.3%).

The rise in other current assets (+€4.0 million) and other liabilities (+€5.1 million) reflects the increase in business volume, with a concomitant increase in VAT receivables and payables.

Off-balance-sheet assets

The following significant assets are not carried as balance sheet items by PC-WARE:

- **Customers:** The PC-WARE Group has established business relations with approx. 75,000 customers, predominantly in Germany and Europe. Our customer base is considered to be of immense value, given the level of future cash flows expected as a result of long-standing and successful customer relations.
- **Brand:** The PC-WARE brand is protected worldwide as a design mark. Thanks to continuous marketing and advertising measures since the inception of the company 16 years ago, PC-WARE has achieved a high level of brand recognition within its target groups and thus represents an asset of significant value.
- **Staff:** PC-WARE employs high-calibre personnel in all three business segments, i.e. Software (SSL), Services (PS) and System House (ISS). Our members of staff have considerable technical and commercial expertise, as well as having established long-standing industry contacts with customers and manufacturers. Owing to their revenue and earnings potential, we consider our staff to be an important source of sustainable competitive advantage.

Details on corporate acquisitions

Effective from 6 June 2005, PC-WARE acquired Datacontact Handelsgesellschaft mbH, Vienna, Austria, a company focusing mainly on hardware reselling within the large-enterprise segment.

In July 2005, we acquired the remaining 50% interest in senas AG, thus raising our shareholding in the company to 100%. Formerly headquartered in Bad Nauheim, Germany, senas also operates within the area of hardware, its focus being on small and medium-sized enterprises (SMEs). The company's head office was subsequently moved to Leipzig.

In acquiring the Ravenholm Computing Group effective from 2 February 2006, PC-WARE was able to extend its activities in software licensing and IT services to the Scandinavian market. The headcount rose by 135 as a result of this transaction.

Human resources

As at 31 March 2006, PC-WARE employed a total of 1,042 full-time members of staff. This corresponds to an increase of 49%, attributable mainly to the corporate acquisitions outlined above. In addition, we strengthened our sales activities in all PC-WARE companies in the period under review and extended our mid-management resources at Group level.

PC-WARE accords great importance to qualifications and training: at present, for instance, 340 PC-WARE members of staff have a total of 2,458 certifications granted by one or several of the company's IT partners. Thus, our »Certification Ratio« increased yet again in the period under review and is a testament to the outstanding level of expertise within our company.

The average age of staff was 35. PC-WARE has a 40-hour week.

PC-WARE's staffing model is based on flexible working hours, taking account not only of seasonal fluctuations but also employee's personal requirements, e.g. part-time work. All members of staff participate directly in the success of the company as part of variable performance-based remuneration components and bonus schemes.

Measures implemented for the purpose of accident prevention and occupational safety at PC-WARE comply with statutory provisions.

Other intangible assets

PC-WARE has no other significant intangible assets other than those specified as »off-balance-sheet assets«.

OVERALL ASSESSMENT OF THE ECONOMIC SITUATION

Management assessment of the economic situation

We consider the economic situation of PC-WARE to be very solid, with excellent prospects for future development. This is underlined by our successful performance in FY 2005/06 – irrespective of the non-recurring charges associated with swap transactions. The European IT market has become slightly more buoyant recently: software licensing, our core line of business is generally forecast to grow by up to 5.8%, while the IT services sector is expected to expand by 5.3% for 2006/07 (cf. EITO report, p. 198). PC-WARE is well positioned to reap the rewards of market growth within these areas.

Furthermore, we have identified attractive opportunities arising from the continuing consolidation process witnessed in the European IT market. Given the focus among software and hardware manufacturers on partners with large-scale operations as well as the ever increasing pressure on prices and profit margins, smaller IT enterprises will have to contend with an even tougher competitive environment in which it will be difficult for them to operate profitably. We believe that PC-WARE's formidable market position in Europe will provide a strong foundation from which to build our business and capture additional market share.

With access to solid cash resources, we are in the position to unlock additional growth opportunities – including corporate acquisitions – in a timely manner.

Events after the balance sheet date

SIGNIFICANT EVENTS

There were no significant events after the balance sheet date that are deemed to be of material importance when assessing the financial position, financial performance and cash flows of PC-WARE.

Risk report

RISK MANAGEMENT

Risk Management System

The Risk Management System (RMS) developed by PC-WARE AG in recent years has evolved into a highly effective instrument: even against the backdrop of challenging economic conditions dominated by market consolidation, it delivered significant strategic data both in terms of minimising risk and identifying key opportunities. The RMS is fully accepted at management level, is considered to be an appropriate tool for risk management and is deployed accordingly.

Yet again, PC-WARE's financial year was characterised by steady growth and a stronger market position. In acquiring the Ravenholm Computing Group, we completed the largest takeover in recent years. Benefiting from acquisitions, which will continue to be of central importance to the PC-WARE Group, as well as above-average growth generated by our subsidiaries, our share of foreign sales has increased to 42% (39.6%). The requirements of risk management have advanced in parallel with corporate growth: the faster PC-WARE grows and the more complex the interactions within international markets become, the greater the need for a professional, high-performance system that is capable of managing opportunities and risks. It is for this reason that we appointed a designated Risk Manager responsible for controlling the full range of risks at Group level on the basis of a combined centralised/decentralised approach. He acts in an advisory capacity for all risks to be managed by subsidiaries on a decentralised basis, as well as being accountable for cross-Group risks. The Risk Manager is fully integrated within the PC-WARE Group Holding structure and reports directly to the Chief Financial Officer.

INDIVIDUAL RISKS

Our risk matrix – established on the basis of controllability and level of damage – includes six material risks that require close monitoring and are thus considered to be key focal points:

Close partnership with Microsoft

Our status as Large Account Reseller Europe, Middle East and Africa (EMEA LAR) constitutes a significant competitive advantage for PC-WARE. It allows us to offer exclusive pricing models and special forms of certification. Sluggish demand for Microsoft products or the loss of our LAR status would be detrimental to PC-WARE's business performance.

At present, no acute negative effects emanating from this risk have been identified for PC-WARE; the partnership with Microsoft is of a highly constructive nature. Nevertheless, the close relations established between the two companies may be interpreted as a form of corporate symbiosis. PC-WARE provides Microsoft with a high-performance sales network. At the same time, we have been diversifying our portfolio to include software products developed by our companies. As a result, the share of Microsoft products with regard to total revenue has declined to approx. 45.2% (previous year: 51.4%). There has been no weakening in demand for Microsoft products. In fact, the coming financial year is expected to produce fresh impetus due to the launch of the new MS operating system Vista.

Structure of customer base

PC-WARE is solidly positioned in terms of business relations with public-sector bodies and institutions as well as large enterprises in the private sector. The share of SMEs in total revenue is steadily rising. However, our core business remains within the segment of large enterprises.

Serving more than 75,000 companies, PC-WARE has established an extremely broad customer base. In the past, we were able to counterbalance potential negative effects by negotiated long-term framework agreements. Thanks to our expansion abroad and our marketing efforts within the SME segment, we have also been able to leverage opportunities for horizontal and vertical diversification. The full takeover of senas AG in 2005 and the thus related expansion of our activities in the SME market to the whole of Germany serves as evidence of our successful diversification efforts.

Competition

Any commercial venture is generally associated with activities in a competitive environment. Within this context, the forces of competition within specific fields of business are such that companies may be squeezed out of the market or may have to contend with a decline in business.

In order to respond rapidly or initiate proactive measures, we monitor the market and our competitors very closely, using special peer-group analyses. Benefiting from our broad regional positioning and unique business model, we have identified no significant factors that may be construed as being detrimental to our business. PC-WARE will continue to play an active part in continuing consolidation process witnessed throughout the European IT market, with the express purpose of profiting from these effects.

Acquisition and integration risks

PC-WARE has been pursuing an approach of non-organic growth by means of mergers and acquisitions for several years. The successful execution of these transactions is a testament to our expertise within this area. All acquisitions are conducted on the basis of standardised M&A procedures, the main focus being on efficient integration of the enterprises within the structures, processes and corporate culture of PC-WARE. Applying an extensive due diligence programme in conjunction with targeted value and market potential analyses, we are able to create an in-depth profile of the future viability of the companies to be acquired – assessing the merits of both »stand-alone« and »PC-WARE Group member« approaches. The prime objective of this assessment process is to determine whether the takeover candidate is likely to contribute to the attainment of our strategic goals by 2009. If the costs associated with integration are deemed excessive or other risks of uncertain magnitude have been identified, PC-WARE will decide against a takeover.

The process of integrating senas AG and Datacontact Handelsgesellschaft mbH, i.e. the companies acquired in the last financial year, has been successfully concluded.

Our takeover of the Ravenholm Group is progressing in accordance with our original plans. A specially developed integration concept with quantitative and qualitative milestones forms the basis for successful integration within this area. We have already seen the first positive effects of our concerted efforts: drawing on PC-WARE expertise, Ravenholm has been able to attract new key accounts in Northern Europe.

Internal financing requirements, liquidity and bad debt loss

Establishing a new field of business or a foreign subsidiary is subject not only to entrepreneurial or commercial risks but also to risks associated with internal financing. PC-WARE supports the expansion of domestic and foreign business by means of long-term investment loans. The servicing of loans and the commercial success of the Group as a whole is dependent to a certain extent on the business performance of our subsidiaries. By extending and enhancing our existing approaches within the area of receivables and cash management to create a fully integrated system based on key indicators, we have been able to highlight the interdependencies of the individual financing activities and monitor their impact more effectively. Thus, controlling and risk provisioning have become more efficient.

In view of the Company's cash position and unutilised credit lines, liquidity risk is considered to be low. The same applies to default risk associated with receivables, as significant receivables from customers are secured by means of trade credit insurance.

Derivative financial instruments

We use derivative financial instruments to hedge foreign exchange risks, the main focus being on US dollar-based foreign exchange forward contracts.

Since March 2006, our investment policy is based on strict standards, with non-investment-grade holdings having been eliminated from the portfolio of possible investments. In appointing Dr. Blaschke as Chief Financial Officer, PC-WARE has secured the services of a high-calibre professional with an in-depth understanding of financial investment and management. In the period under review, PC-WARE recorded some significant losses in connection with derivative financial instruments (interest rate swaps). Prompted by this situation, we have extended our risk controlling within the area of derivatives. Therefore, we do not anticipate any further detrimental effects on the course of business in FY 2006/07.

ASSESSMENT OF OVERALL RISK

To a large extent, the risk situation of PC-WARE AG remained stable in the financial year under review. With the exception of derivative financial instruments, the overall risk situation showed no signs of deterioration. Risks associated with the mere participation in market activities, e.g. economic risks, are generally beyond the scope of influence of an individual company. Likewise, risks resulting from the specific business model, the service and product portfolio and the geographical presence of a company are relatively difficult to influence; they are mainly accounted for as part of long-term strategic management.

We counteract these potential sources of risk by pursuing an approach that involves optimised market positioning. Within this context, we have achieved the best possible product-market combination and broad regional diversification, as well as having installed a solid business model that is based on three pillars with various distribution channels.

We have not identified any additional areas of risk that are likely to affect the Group. Adjustments to address discrepancies between the actual and targeted risk situation are performed on a continuous basis with the aid of the Risk Management System.

Report on anticipated developments

ALIGNMENT OF THE GROUP

The growth forecasts published for Europe's IT market – particularly the software and services sector – are very favourable, and we believe that PC-WARE can benefit from this trend in the 2006/07 financial year.

We intend to expand our unique market position within the core segment of **Software Sales and Software Management**. Within this context, we will be focusing on our key markets in the German-speaking region (Germany, Austria and Switzerland), as well as France, the UK and Scandinavia. We are confident that we can secure – and possibly extend – our premier position in Germany and the Netherlands. Moreover, we shall step up our market assault on the new EU member states in Eastern Europe. Our subsidiaries in the Czech Republic and Austria will become our home base for this incisive campaign of expansion. In addition, we plan to evaluate the opportunities and risks associated with market entry in China, the rationale being to offer our customers products and services in this region if such a move is deemed commercially viable.

Within the high-margin segment of **IT Services** we shall focus particularly on our Software Asset Management solution, with the express purpose of leveraging cross-selling potential within the field of software reselling and licensing.

Our **System-House** business looks set to benefit even more noticeably from synergies associated with the closer integration of our existing systems companies and the cross-selling activities in the area of software licensing and IT services.

We will remain receptive to the possibility of **acquisitions** in the new financial year. In addition to regional expansion, they are also designed to enhance our service portfolio in Europe's core markets. We have established initial structures in Eastern Europe and Asia, providing us with a base from which to monitor local market progression and, if deemed feasible, spearhead a campaign to position our company as a prominent market player.

ANTICIPATED ECONOMIC CONDITIONS

General economy

According to the Institut für Wirtschaftsforschung Halle (IWH), the global economy will continue to prosper in 2006 and 2007, growing by 3.4% and 3.1% respectively. The industrialised countries are expected to generate growth of 2.9% (2006) and 2.5% (2007). The performance of the **global economy** is likely to be determined in particular by the rising price of oil, the political uncertainties in the Middle East and the substantial current account deficit of the United States.

According to the IWH, the **Eurozone** is not expected to see any significant rise in consumer spending, as a result of which it will fail to emulate the more dynamic performance of the global economy in this and the coming year. The Eurozone is forecast to grow by 2.1% and 1.8% respectively in 2006 and 2007, with the rate of unemployment declining (IWH). In contrast, the **emerging countries** are once again expected to produce greater momentum, growing by 6.3% (2006) and 5.9% (2007).

For **Germany**, the IWH has forecast GDP growth of 1.8% and 1.2% for 2006 and 2007 respectively. Within this context, the main influencing factors are likely to be the planned increase in VAT at the beginning of 2007 as well as the anticipated tax and health reform. The IWH has forecast a moderate development in terms of consumer prices, while the situation within Germany's employment market is expected to ease slightly.

Sector

The future of Europe's IT market is bright: the EITO has forecast growth of 4.4% for 2006 and 2007.

The German IT market is expected to develop along similar lines as the rest of Western Europe. According to a study published by BITKOM, the German trade association of the information and communication technologies market, in March 2006, Germany's software segment will grow by 5.5% (forecast 2006), thus outpacing the IT services segment, which is predicted to rise by 4.5%. The hardware segment is likely to move sideways over the next two years. Confidence levels within the IT market, which is forecast to grow by 3.3%, are expected to remain solid, with sales growth outperforming that forecast for the German economy as a whole, as expressed by the ifo Business Climate Index.

PROJECTED EARNINGS

Given the successful integration of enterprises acquired in FY 2005/06, coupled with the favourable forecasts for the European IT market and the potential of securing additional market share, we believe that PC-WARE is capable of generating above-average revenue growth. We are also expecting to achieve a further improvement in consolidated earnings. Committed to consistent growth in company value, we intend to increase earnings per share in FY 2006/07 in a manner that is sustainable. Within this context, we shall continue to accord great importance not only to the interests of our shareholders as regards participation in corporate profits but also to incisive financial management geared towards future growth.

PROJECTED CASH FLOWS

As outlined above, we plan to implement additional acquisitions as key investment measures in FY 2006/07. These activities are designed to complement our programme of organic growth in the three business segments Software, Services and System House. At this moment in time, we are not in a position to quantify the investment volume associated with future acquisitions, as the purchase consideration can fluctuate significantly depending on the size and profitability of the enterprise being targeted. We intend to fund our M&A activities on the basis of a healthy mix of own equity and external capital.

OPPORTUNITIES

The management of PC-WARE is committed to an all-embracing entrepreneurial approach. With this in mind, risk awareness is supplemented with strategic thinking and a strong focus on opportunities. Each risk identified is inextricably linked with some form of opportunity for the company. Indeed, depending on market developments, a risk may evolve into a very specific opportunity. A case in point: the new operating system by the name of »Vista« to be introduced by Microsoft in 2006/07. Given the close rapport established with Microsoft, we are confident that this launch will produce fresh impetus. The precise effects on our performance in the coming financial year will depend on when the new operating system is actually launched. However, we expect to benefit significantly from this move in FY 2007/08.

Taking into account the low, single-digit growth rate forecast for the European IT market and the outstanding market position we have built both in terms of supplier and customer relations, PC-WARE should be able to generate above-average organic growth. At the same time, we believe that continuing consolidation within the IT sector is a source of new opportunities, allowing us to capture additional market share through market shake-up and generate further non-organic growth through acquisitions.

As the sales structures of our three individual segments grow closer together and our global account management is further strengthened, we expect to reap the rewards of intensified cross-selling between the various product and service portfolios – both within the respective country subsidiaries and beyond domestic borders.

CONCLUDING STATEMENT ON EXPECTATIONS RELATING TO THE DEVELOPMENT OF THE GROUP

On the basis of information available at this moment in time, we are aware of no market-specific developments that are likely to have an adverse effect on future growth.

Given the overall economic and industry-specific situation as well as the outstanding strategic positioning of PC-WARE AG, we estimate that the revenue threshold of €700 million will be exceeded and EBITDA of about €15 million will be achieved in FY 2006/07. These quantitative targets have already been communicated to the capital markets as guidance.

Leipzig, June 2006

PC-WARE AG

The Management Board

Equity and liabilities

in €'000

	Notes	31.03.2006	31.03.2005
A. Equity			
I. Issued capital	22	6,124	6,124
II. Capital reserves		44,603	44,505
III. Revenue reserves	23	902	902
IV. Treasury shares	24	(609)	(2)
V. Unappropriated surplus	25	10,895	8,954
VI. Currency translation reserve	26	(19)	52
VII. Minority interests		1,288	1,040
Total equity		63,184	61,575
B. Non-current liabilities			
I. Provisions for post-employment benefits	27	384	587
II. Long-term borrowings and finance lease obligations	31	8,366	3,537
III. Deferred revenue		0	24
IV. Other non-current liabilities		0	130
V. Deferred tax liabilities	28	2,724	2,120
Total non-current liabilities		11,474	6,398
C. Current liabilities			
I. Current provisions	29	10,288	6,991
II. Income tax payable	30	1,653	2,560
III. Short-term borrowings and current portion of long-term borrowings as well as finance lease obligation		13,315	4,703
IV. Trade payables and other payables		77,947	50,315
V. Advance payments received		1,500	1,105
VI. Deferred revenue		1,579	1,142
VII. Other current liabilities		9,570	4,456
Total current liabilities		115,852	71,272
Total equity and liabilities		190,510	139,245

PC-Ware Information Technologies AG
Consolidated Income Statement in accordance with IFRS
 for the period from 1 April 2005 to 31 March 2006

<i>in €'000</i>	<i>Notes</i>	<i>2005/06</i>	<i>2004/05</i>
Revenue	33	593,884	503,910
Work performed by the enterprise and capitalised	34	623	349
Cost of purchased materials and services		(516,666)	(442,359)
Other operating income	35	4,155	3,493
Staff costs		(47,189)	(35,575)
Other operating expenses	36	(22,756)	(19,653)
Foreign exchange gains/(losses)		381	(238)
EBITDA		12,432	9,927
Depreciation of property, plant and equipment, and amortisation of intangible assets		(2,784)	(2,990)
EBIT		9,648	6,937
Interest income/(expense)	37	(1,679)	1,353
Write-down of financial assets recognised at equity		(278)	(56)
EBT		7,691	8,234
Taxes on income	38	(2,393)	(3,496)
Profit before minority interests		5,298	4,738
Minority interests		(246)	(321)
Consolidated net profit		5,052	4,417
Average number of shares outstanding, basic		6,017,549	6,124,135
Average number of shares outstanding, diluted		6,131,538	6,198,507
Earnings per share (basic) in €	39	0.84	0.72
Earnings per share (diluted) in €	39	0.82	0.71
DVFA/SG earnings		5,235	5,026
DVFA/SG earnings/share, basic in €		0.87	0.82
DVFA/SG earnings/share, diluted in €		0.85	0.81

PC-Ware Information Technologies AG
Consolidated Statement of Cash Flows in accordance with IFRS
 for the period from 1 April 2005 to 31 March 2006

<i>in €'000</i>	<i>2005/06</i>	<i>2004/05</i>
Cash flows from operating activities		
Net profit before taxes and minority interests	7,691	8,234
<i>Adjustments</i>		
+ Depreciation of property, plant and equipment, and amortisation of intangible assets	3,061	3,046
-/+ Change in long-term provisions	(285)	1,044
+ Change in short-term provisions	1,292	1,343
+ Interest expense	1,074	836
-/+ Change in inventories	(909)	177
- Change in trade receivables and other receivables	(12,127)	(2,631)
+/- Change in trade payables and other liabilities	19,386	(369)
- Interest paid	(691)	(532)
- Income tax paid	(4,030)	(2,529)
Net cash from/(used in) operating activities	14,462	8,619
Cash flows from investing activities		
- Acquisition of subsidiaries less net cash assets acquired	(8,673)	(23)
- Payments for additions to intangible assets as well as property, plant and equipment	(4,323)	(1,748)
- Payments for additions to financial assets	(37)	(2,575)
+ Proceeds from disposal of property, plant and equipment, as well as financial assets	4,129	114
Net cash used in investing activities	(8,904)	(4,232)
Cash flows from financing activities		
+/- Proceeds/payments from loans taken out by the enterprise	3,928	(1,792)
- Interest paid	(215)	(244)
- Dividends paid	(2,440)	(1,777)
- Purchase of treasury shares	(675)	0
+ Disposal of treasury shares	0	1,019
Net cash from/(used in) financing activities	598	(2,794)

<i>in €'000</i>	<i>2005/06</i>	<i>2004/05</i>
Net increase/(decrease) in cash and cash equivalents	6,156	1,593
+ Effects of exchange rate changes	49	40
+ Cash and cash equivalents at beginning of period	38,711	37,078
Cash and cash equivalents at end of period	44,916	38,711
Cash and cash equivalents	29,466	18,538
Marketable securities held as current assets	15,450	20,173

PC-Ware Information Technologies AG
Consolidated Statement of Changes in Equity
 for the period from 1 April 2004 to 31 March 2006

<i>in €'000</i>	<i>Shares Volume</i>	<i>Issued capital</i>
1 April 2004	6,124,335	6,124
Change in accumulated foreign exchange difference	0	0
Change IAS 12	0	0
Acquisition/disposal treasury shares	0	0
Dividend payment in the period	0	0
Net profit for the period	0	0
Minority interests	0	0
31 March 2005	6,124,335	6,124
1 April 2005	6,124,335	6,124
Prior-period adjustments	0	0
Change in accumulated foreign exchange difference	0	0
Acquisition/disposal treasury shares	0	0
Dividend payment in the period	0	0
Net profit for the period	0	0
Minority interests	0	0
31 March 2006	6,124,335	6,124

<i>Capital reserves</i>	<i>Revenue reserves</i>	<i>Treasury shares</i>	<i>Currency translation reserve</i>	<i>Unapp. surplus</i>	<i>Minority interests</i>	<i>Total equity</i>
44,491	1,373	(1,007)	(33)	6,314	694	57,956
0	0	0	85	0	0	85
0	(471)	0	0	0	0	(471)
14	0	1,005	0	0	0	1,019
0	0	0	0	(1,777)	0	(1,777)
0	0	0	0	4,417	0	4,417
0	0	0	0	0	346	346
44,505	902	(2)	52	8,954	1,040	61,575
44,505	902	(2)	52	8,954	1,040	61,575
0	0	0	0	(671)	0	(671)
0	0	0	(71)	0	0	(71)
98	0	(607)	0	0	0	(509)
0	0	0	0	(2,440)	0	(2,440)
0	0	0	0	5,052	0	5,052
0	0	0	0	0	248	248
44,603	902	(609)	(19)	10,895	1,288	63,184

PC-Ware Information Technologies AG
Segment Reporting for the period from 1 April 2005 to 31 March 2006
 by business segment (Primary Segment Reporting Format)

Software Sales & Licensing (SSL)

<i>in €'000</i>	<i>2005/06</i>	<i>2004/05</i>
Revenue		
Sales revenue	448,958	410,628
Unallocated revenue		
Total segment revenue		
Work performed by the enterprise and capitalised		
Other operating income	1,860	2,151
Other unallocated operating income		
Total revenue	450,818	412,779
Segment EBIT	14,554	13,306
Unallocated revenue		
Unallocated expense		
Unallocated foreign exchange gains/(losses)		
Total EBIT		
Other interest and similar income		
Finance cost		
EBT		
Taxes on income		
Profit before minority interests		
Minority interests		
Consolidated net profit		
Other information		
Segment assets	88,584	60,580
Unallocated assets		
Consolidated assets		
Segment liabilities	82,568	49,471
Unallocated liabilities		
Consolidated liabilities		
Capital expenditure	846	545
Depreciation/amortisation	708	783

	<i>Professional Services (PS)</i>		<i>Integrated System Solutions & Support (ISS)</i>		<i>Total</i>	
	<i>2005/06</i>	<i>2004/05</i>	<i>2005/06</i>	<i>2004/05</i>	<i>2005/06</i>	<i>2004/05</i>
	22,710	18,788	121,466	73,700	593,134	503,116
					750	794
					593,884	503,910
	623	349			623	349
	252	247	1,029	256	3,141	2,654
					1,014	839
	23,585	19,384	122,495	73,956	598,662	507,752
	644	(439)	1,092	2,116	16,290	14,983
					1,764	1,633
					(8,380)	(9,441)
					(26)	(238)
					9,648	6,937
					4,395	3,039
					(6,352)	(1,742)
					7,691	8,234
					(2,393)	(3,496)
					5,298	4,738
					(246)	(321)
					5,052	4,417
	7,722	6,099	29,449	20,582	125,755	87,261
					64,755	51,984
					190,510	139,245
	2,101	1,148	16,761	7,967	101,430	58,586
					25,896	19,084
					127,326	77,670
	2,788	675	1,573	362	5,471	4,323
	870	745	815	1,041	2,784	2,990

PC-Ware Information Technologies AG
Segment Reporting for the period from 1 April 2005 to 31 March 2006
 by geographical region (Secondary Segment Reporting Format)

		Sales revenue	Work performed by the enter- prise and capitalised	Other operating income	Total revenue	Segment assets	Capital expenditure
<i>in €'000</i>							
Germany	2005/06	344,175	610	2,875	347,660	80,517	3,486
	2004/05	304,423	349	2,375	307,147	75,102	3,706
Benelux	2005/06	90,604	0	182	90,786	22,463	363
	2004/05	81,951	0	163	82,114	22,210	93
France	2005/06	20,936	0	137	21,073	5,602	7
	2004/05	14,488	0	177	14,665	3,830	3
Italy	2005/06	21,230	0	253	21,483	10,333	28
	2004/05	27,065	0	273	27,338	10,777	74
Austria	2005/06	31,583	0	158	31,741	11,631	42
	2004/05	4,929	0	40	4,969	1,604	26
United Kingdom	2005/06	15,712	0	135	15,847	4,096	44
	2004/05	5,761	0	339	6,100	2,233	90
Switzerland	2005/06	45,775	0	238	46,013	17,559	1,404
	2004/05	56,187	0	102	56,289	17,081	251
Czech Republic	2005/06	9,766	13	16	9,795	4,490	39
	2004/05	7,938	0	24	7,962	2,781	48
Scandinavia	2005/06	12,552	0	154	12,706	25,800	41
	2004/05	0	0	0	0	0	0
Rest of the World	2005/06	1,551	0	7	1,558	1,717	17
	2004/05	1,168	0	0	1,168	889	32
Unallocated	2005/06					6,302	0
	2004/05					2,738	0
Total	2005/06	593,884	623	4,155	598,662	190,510	5,471
	2004/05	503,910	349	3,493	507,752	139,245	4,323

PC-Ware Information Technologies AG
Notes to the Consolidated Financial Statements
 for the financial year ended 31 March 2006
 in accordance with International Financial Reporting Standards (IFRS)

I. Basis of Presentation and Accounting Policies

1. Information about the Company

The parent company PC-Ware Information Technologies AG, Leipzig, Germany, including its subsidiaries (hereinafter referred to as »PC-WARE«) is a manufacturer-independent IT service provider. PC-WARE offers its customers a broad range of services, from standard software licensing and professional services to consulting, support, training and helpdesk services, as well as all-embracing systems solutions. In addition, PC-WARE supplies proprietary software solutions, as well as providing services within the area of IT financing.

The address of the Company's registered office is:

Blochstrasse 1
 04329 Leipzig, Germany

2. Statement of compliance and basis of preparation

The consolidated financial statements of PC-Ware Information Technologies AG, Leipzig, as at 31 March 2006, for the financial year from 1 April 2005 to 31 March 2006 have been prepared in accordance with International Financial Reporting Standards (IFRS or IAS), as promulgated by the International Accounting Standards Board (IASB), and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) (formerly Standing Interpretations Committee (SIC)), insofar as they have been adopted by the European Union. IFRS not yet been adopted by the European Union have not been applied to the consolidated financial statements of the PC-WARE Group. The figures for the previous financial year were determined on the same basis. The Management Board is of the opinion that the consolidated financial statements present fairly the financial position, financial performance and cash flows of the Group.

The consolidated financial statements are presented in euros. Unless otherwise stated, all amounts, including those relating to previous financial years, are presented in thousands of euros. The balance sheet is classified using the current/non-current distinction; the income statement has been prepared on the basis of the nature of expense method. Insofar as separate items in the balance sheet and the income statement have been aggregated for the purpose of clarity, these items are itemised and explained in the notes.

The consolidated financial statements in accordance with IFRS have been prepared pursuant to Section 315a of the German Commercial Code (Handelsgesetzbuch – HGB). The supplementary disclosure requirements set out in Section 315a (1) HGB, including the preparation of a Group management report, have been met.

The separate financial statements of the entities included in the consolidated Group were prepared as at the reporting date applicable for the consolidated financial statements and are based on consistent accounting policies.

Uncertainties in estimates

- • *Use of estimates and assumptions in preparing the financial statements:*

The amounts specified for assets, liabilities and provisions, contingent liabilities or other financial obligations accounted for in the financial statements are dependent on estimates or assumptions. These are based on circumstances and assessments at the balance sheet date and thus also influence the amounts of income and expense accounted for in the financial years presented. Such assumptions are used as part of the process of determining the useful lives of limited-life property, plant and equipment, measuring provisions, as well as determining the carrying amounts of investments and other assets or obligations. Existing uncertainties are taken into consideration in an appropriate manner when performing such measurements.

However, it is possible that actual events or occurrences may deviate from or be at variance with estimates. The assumptions made at the balance sheet date are of particular significance for the following areas:

- • *Goodwill* is to be allocated to reporting units and tested for impairment at least once a year. If goodwill is impaired, i.e. the net assets of the reporting units exceed the present value of future net cash flows, the carrying amount is to be reduced accordingly. For the purpose of impairment testing, long-term earnings forecasts for the reporting units are to be compiled within the context of general economic trends.

- • *Deferred taxes* are also recognised in connection with the carryforward of unused tax losses. The realisation of such deferred taxes is dependent on future taxable profits being generated by the group entity in question. If there is any doubt as to the ability to realise tax loss carryforwards, the carrying amounts of deferred tax assets are reduced on a case-by-case basis.

- • *Provisions for post-employment benefits* are influenced by assumptions regarding the future development of wages and salaries or pensions as well as associated interest. If these assumptions prove to be inaccurate, this will lead to an actuarial surplus or deficit.

- • *Other provisions* are also designed to cover risks associated with legal disputes and proceedings. In addition to the assessment of circumstances and claims, the rulings of similar proceedings as well independent legal appraisals are taken into consideration and assumptions regarding the probability of funds being required and the scale of such requirements are made for the purpose of determining the amount of a provision. The actual amounts required may differ from original estimates.

- • *Impairment losses* attributable to specific assets are accounted for in the case of impairment. An impairment test is conducted if there is an indication that an asset may be impaired. As part of this impairment test, the carrying amounts of the assets are compared with their recoverable amount. The recoverable amount is the higher of an asset's net selling price and its value in use. To determine the value in use, cash flows have to be estimated and appropriate discount rates applied. Cash flow projections and related assumptions are based on information available at the balance sheet date and may be at variance with actual developments.

Owing to the extended scope of consolidation as a result of corporate acquisitions and the establishment of subsidiaries, year-on-year comparability is limited. In order to address this issue, we have therefore included data that is conducive to comparative analysis.

3. Basis of consolidation

The consolidated financial statements of PC-WARE include all significant entities in which PC-Ware Information Technologies AG holds a majority of the voting rights, either directly or indirectly, or in which it has direct or indirect control over the financial and operating policies. Subsidiaries are fully included in the consolidated group effective from

the date on which control has passed to the Group. The consolidated financial statements as at 31 March 2006 comprise the financial statements of PC-WARE AG and the following subsidiaries:

<i>Name</i>	<i>Location</i>	<i>Ownership interest/Voting rights in %</i>
ISP*D International Software Partners GmbH	Poing, Germany	100%
PC-Ware Information Technologies G.m.b.H.	Vienna, Austria	100%
PC-Ware Information Technologies Benelux Holding B.V.	Amsterdam, Netherlands	100%
PC-Ware Information Technologies B.V.	Amsterdam, Netherlands	100% (indirectly)
Euro Soft B.V.	Amsterdam, Netherlands	100% (indirectly)
PC-Ware Information Technologies (PTY) Ltd. South Africa	Forways/Johannesburg, South Africa	100% (indirectly)
PC-Ware Information Technologies SàRL	Luxembourg, Luxembourg	100% (indirectly)
PC-Ware Information Technologies BVBA	Brussels, Belgium	100% (indirectly)
PC-Ware Information Technologies Ltd.	London, England	100%
ISP*Distribution (UK) Ltd.	London, England	100%
PC-Ware Information Technologies S.A.S.	Courbevoie/Paris, France	100%
PC-Ware Information Technologies S.r.l.	Saronno/Varese, Italy	100%
senas AG	Leipzig, Germany	100%
senas GmbH	Wiesbaden, Germany	100% (indirectly)
senas GmbH	Gräfelfing, Germany	80% (indirectly)
Prout Services & Hardware GmbH	Darmstadt, Germany	100% (indirectly)
BISON Systems AG	Sursee, Switzerland	70%
PC-Ware Personal Service GmbH	Leipzig, Germany	49% (directly) 2% (indirectly)
DIGI TRADE s.r.o.	Prague, Czech Republic	100%
DIGI TRADE GmbH	Poing, Germany	100% (indirectly)
PC-Ware Financial Service GmbH	Leipzig, Germany	100%
Ravenholm Holding A/S	Farum/Copenhagen, Denmark	100%
Ravenholm Computing AS	Oslo, Norway	100% (indirectly)
Ravenholm Computing Oy	Helsinki, Finland	100% (indirectly)
Ravenholm Computing A/S	Farum/Copenhagen, Denmark	100% (indirectly)
Ravenholm LinSoft AB	Linköping, Sweden	100% (indirectly)
PC-Ware (Schweiz) AG (formerly Ravenholm Computing AG)	Dietikon, Switzerland	100% (indirectly)
Ravenholm Computing (USA) Inc.	Freeport, USA	100% (indirectly)
Datacontact PC-Ware G.m.b.H.	Vienna, Austria	100% (indirectly)
senas AG	Sursee, Switzerland	100%
DeAM-Fonds Goliath		100%

The Dutch entities PC-Ware Information Technologies B.V., Amsterdam, and Euro Soft B.V., Amsterdam, the South African entity PC-Ware Information Technologies (PTY) Ltd., Forways, the Luxembourg-based entity PC-Ware Information Technologies SàRL, Luxembourg, as well as the Belgian entity PC-Ware Information Technologies BVBA, Brussels, have been included in the consolidated group on the basis of the separate consolidated financial statements of PC-Ware Information Technologies Benelux Holding B.V., Amsterdam.

Effective from 1 June 2005, Susanne & Hansjörg Egger GmbH, Vienna, Austria, acquired the business operations of Datacontact Handelsgesellschaft mbH, Vienna, Austria, for a purchase consideration of €1,500 thousand. Subsequently, the full ownership interest in Susanne & Hansjörg Egger GmbH, Vienna, was acquired by PC-Ware Information Technologies GmbH, Vienna. The purchase consideration agreed upon on 28 February 2006 and paid in cash in FY 2005/06 amounted to €2,500 thousand, plus ancillary costs of €121 thousand. The object of Datacontact PC-Ware G.m.b.H., Vienna, is trading in hardware and hardware-related services.

Effective from 2 February 2006, an ownership interest of 100% was acquired in Ravenholm Holding A/S, Farum, Denmark. Ravenholm Holding A/S holds a 100% ownership interest in Ravenholm Computing A/S, Farum, Denmark, Ravenholm Computing Oy, Helsinki, Finland, Ravenholm Computing AS, Oslo, Norway, Ravenholm LinSoft AB, Linköping, Sweden, as well as PC-Ware (Schweiz) AG, Dietikon, Switzerland (formerly Ravenholm Computing AG). The purchase consideration comprised an amount of €3,400 thousand in cash and 61,957 (€1,032 thousand) shares in PC-Ware Information Technologies AG. The Ravenholm Group markets software and software-related services. Ravenholm Computing A/S, Farum, Denmark, Ravenholm Computing Oy, Helsinki, Finland, Ravenholm Computing AS, Oslo, Norway, Ravenholm LinSoft AB, Linköping, Sweden, as well as PC-Ware (Schweiz) AG,

Dietikon, Switzerland (formerly Ravenholm Computing AG) have been included in the consolidated financial statements of PC-WARE on the basis of the separate consolidated financial statements of Ravenholm Holding A/S, Farum, Denmark.

On 11 July 2005 the remaining 50% ownership interest in senas AG, Bad Nauheim, was acquired for a consideration of €300 thousand; this transaction was settled in cash. Thus, senas AG was fully accounted for in the consolidated financial statements of PC-WARE effective from the aforementioned date. Prior to this, the subgroup of senas AG, Bad Nauheim, Germany, in which PC-Ware Information Technologies AG held an interest of 50%, was included in the consolidated financial statements as an associate, using the equity method pursuant to IAS 28 (rev. 2000). The relocation of the registered office of senas AG from Bad Nauheim to Leipzig was agreed at the notarised Extraordinary Meeting of Shareholder of 6 September 2005. In addition, a resolution was passed to merge senas GmbH, Hamburg, senas GmbH Karlsruhe, senas GmbH Ratingen, senas GmbH Frankfurt/Main, PC-Ware Systemhaus Hannover as well as senas GmbH Leipzig into senas AG, Leipzig. Prior to this, BDL Computer + Software Systemhaus GmbH, Berlin, was merged into senas GmbH, Leipzig, as the acquiring company, and thus ceased to exist.

4. Principles of consolidation

The consolidated financial statements have been prepared on the basis of the reporting date of the parent company's financial statements for the financial year ended 31 March 2006. The financial years of the subsidiaries correspond to the financial year of PC-Ware Information Technologies AG, Leipzig.

All entities within the scope of consolidation are accounted for on the basis of the financial year of the parent company (from 1 April to 31 March of the subsequent year).

For the preparation of the consolidated financial statements for the financial year ended 31 March 2006, the consolidated subsidiaries prepared separate financial statements covering the period from 1 April 2005 to 31 March 2006 in accordance with the accounting regulations applicable in their respective countries of incorporation. For the purpose of preparing the consolidated financial statements for the financial year ended 31 March 2006, these separate financial statements were reconciled in order to comply with International Financial Reporting Standards.

Preparation of the consolidated financial statements has been based on the accounting policies to be applied by the parent company. Assets and liabilities have been accounted for by using uniform accounting policies for like transactions and other events in similar circumstances.

Acquired subsidiaries are accounted for on the basis of the purchase method, in accordance with IFRS 3 (Business Combinations). The cost of the acquisition is determined by the amount of cash or cash equivalents paid as well as the fair values of equity instruments issued and liabilities assumed at the transaction date, in addition to cost directly attributable to the purchase. The identifiable assets, liabilities and contingent liabilities associated with a business combination are initially recognised at their fair values applicable at the transaction date, irrespective of possible minority interests.

Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill (cf. accounting policies). Goodwill is subject to a regular impairment test and is written down if necessary. If the cost of the acquisition is lower than the net assets of the subsidiary, measured at fair value, the difference is recognised immediately in profit or loss.

Initial consolidation of the acquired companies took place at the point of acquisition. In the case of Datacontact G.m.b.H., Vienna, Austria, this was 6 June 2005; in the case of Ravenholm Holding A/S, Farum, Denmark, it was 2 February 2006. Initial full consolidation of senas AG took place on 11 July 2005. In accordance with IFRS 3, the cost of business combinations was recognised directly against the equity of the subsidiaries at the acquisition date.

As part of the **consolidation of liabilities**, all receivables and liabilities as well as contingent liabilities existing between the consolidated entities have been offset against each other.

As part of the **consolidation of expenses and income**, all expenses and income arising from intragroup transactions were eliminated.

Material **unrealised profits** resulting from intragroup transactions in connection with non-current assets or inventories were eliminated in full.

5. Basis of currency translation

Translation of financial statements presented in foreign currencies

Currency translation of the Swiss, South African, Czech, Danish and UK subsidiaries is performed in the basis of the functional currency. Owing to the economic independence of the subsidiaries, the British Pound (GBP), the South African Rand (ZAR), the Czech Koruna (CZK), the Danish Krone (DKK), the Swiss Franc (CHF), the US Dollar (USD), the Norwegian Krone (NOK) as well as the Swedish Krone (SEK) are used as the functional currency. Foreign currency translation is performed by using the modified closing rate method. The reporting currency of the consolidated financial statements corresponds to the functional currency of PC-WARE AG. All assets and liabilities are translated using the closing rate (mean spot exchange rate), the pro rata income and expense items are translated on the basis of an average exchange rate, and the pro rata net profit or

loss is translated by using the closing rate. In accordance with IAS 21.30, all exchange differences resulting from currency translation are classified as equity and carried as separate items.

Equity is accounted for on the basis of the historical rate at the date of initial consolidation.

Translation of foreign currency positions

The costs of acquired assets denominated in a foreign currency and the proceeds from the sale of goods denominated in a foreign currency are determined on the basis of the exchange rate applicable at the date of recording the transaction in the accounts. Receivables and liabilities denominated in a foreign currency are recognised using exchange rates applicable at the reporting date.

6. Summary of significant accounting policies

The form of presentation chosen for the balance sheet and the income statement complies with the requirements outlined in IAS 1.

The structure of the consolidated balance sheet complies with the requirements of Interpretation No. 1 (RIC 1) of the Accounting Interpretations Committee of DRSC e. V. The classification chosen for the balance sheet distinguishes between current and non-current assets and liabilities.

The income statement also complies with the requirements of the German Stock Exchange (Deutsche Börse), Prime Standard segment, which is based on the commercial-law provisions of Section 275 HGB (German Commercial Code).

Goodwill arising from consolidation is the excess of the cost of the acquisition over the acquirer's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or a jointly controlled entity at acquisition date.

Goodwill arising from initial consolidation is recognised as an asset, subsequently measured in accordance with IFRS 3 and tested for impairment at least once a year. Any impairment is recognised as an expense when incurred. There is no subsequent reversal of impairment losses.

All acquired intangible assets, such as concessions, industrial property rights and similar rights and assets, as well as licences in such rights and assets, are carried at cost, less amortisation determined by the straight-line method. Acquired computer software licences are carried at the cost incurred for the purchase of the licences and the cost of preparing the software for its intended use. The individual useful lives are as follows:

Useful life

Concessions, industrial property rights and similar rights and assets, as well as licences in such rights and assets	3–15 years
Internally generated software	2 years

The carrying amount of intangible assets is assessed whenever events or changes in circumstances indicate that said carrying amount may be impaired. The impairment test is conducted on the same basis as that applicable to property, plant and equipment. Any impairment losses recognised on previous occasions are reversed if the indication for an impairment loss no longer exists. Within this context, the increased carrying amount of an asset due to a reversal of an impairment loss does not exceed the amount of amortised/depreciated historical cost of acquisition or conversion.

Internally generated software is measured at the cost of production less systematic amortisation over the useful life of the asset. Impairment losses are recognised if the net carrying amount of the asset exceeds the recoverable amount. The cost of internally generated software comprises all expenditure that can be directly attributed, appropri-

ate proportions of overheads relating to materials and manufacturing, as well as general administrative expenditure attributable to the areas involved in generating the intangible asset. The average amortisation period of internally generated software is 2 years.

Property, plant and equipment are carried at their purchase or manufacturing costs, which include directly attributable costs of bringing the asset to working condition for its intended use and directly attributable overheads, less systematic depreciation charges and, if applicable, impairment losses. The depreciable amount of an item of property, plant and equipment is allocated on a systematic basis over its useful life.

Straight-line depreciation of property, plant and equipment was as follows:

	2005/06	2004/05
Buildings	25 years	25 years
Technical equipment, plant and machinery	8 years	8 years
Other plant, operating and office equipment, furniture and fixtures	2–10 years	2–10 years

The carrying amount of an item categorised as property, plant or equipment is assessed whenever events or changes in circumstances indicate that the carrying amount of an asset may be impaired. The recoverable amount is measured by comparing the carrying amount of the asset with the net selling price obtainable from the sale of the asset in an arm's length transaction. If the carrying amount exceeds the net selling price, said carrying amount is reduced accordingly. If, subsequently, there is an indication that the impairment no longer exists, the impairment is reversed, with the carrying amount being increased up to the amount of depreciated historical cost of purchase or conversion.

Leased assets are accounted for on an individual basis. The current leasing agreements are classified as finance leases and operating leases. Lease payments under operating lease agreements are recognised as an expense. The finance lease agreements are attributable to property, plant and equipment. These assets are carried at cost, less systematic straight-line depreciation, under the corresponding items of non-current assets. Future payments outstanding are recognised at their present values and are reported as bank borrowings according to the relevant term of payment.

Financial assets relate to investments and, in the previous year, to loans to associated companies. They are measured at cost, which includes incidental transaction costs.

Until February 2006 inclusive, derivative financial instruments were used for the purpose of optimising the finance result as well as for hedging purposes; effective from March 2006, they were used solely for hedging purposes, particularly with regard to minimising the risk of interest rate fluctuations associated with financing transactions, as well as for the purpose of hedging currency- and price-related risks. They are recognised at fair value. Changes in fair values are included in net profit or loss. Other financial assets are recognised at the date of performance.

At each balance sheet date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets may be impaired. Impairment losses are recognised in net profit or loss.

Deferred tax assets relate to the amount of income taxes recoverable in future periods in respect of the tax loss carryforwards of the separate entities. **Non-current liabilities** relate to amounts of income taxes payable in future periods in respect of taxable temporary differences, which are differences between the carrying amount of an asset or liability in the balance sheet and its tax base. These items have been accounted for by using the tax rates expected to apply in the future, based on the tax laws that have been enacted in the respective countries of the consolidated entities.

Cash and cash equivalents comprise readily available resources such as cash on hand, bank deposits as well as highly liquid assets with a short maturity of three months or less. Cash and cash equivalents are recognised at their nominal values.

Securities held for trading as well as derivatives are measured at their fair value, in accordance with IAS 39.

Trade receivables are recognised at their nominal values, less appropriate valuation allowances for bad debts.

Inventories (predominantly merchandise) are measured at the lower of cost of purchase or conversion and net realisable value. The cost of purchase is determined on the basis of average costs. The net realisable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale. Prior write-downs are reversed in the case of an increase in net realisable value. The reversal is recognised up to the amount of the depreciated historical cost of purchase or conversion.

In accordance with IAS 11, **work in progress** is accounted for using the percentage-of-completion method, by which contract revenue is matched with the contract costs incurred in reaching the stage of completion.

Prepaid expenses as well as **other assets** are measured at their fair values.

Provisions for post-employment benefits cover obligations relating to benefits payable after the completion of employment. Provisions for post-employment benefits and similar obligations are determined on the basis of the Projected Unit Credit Method. In order to provide post-employment benefits, the Company holds financial assets as well as qualifying insurance policies in long-term funds outside PC-WARE AG, i.e. not related to the reporting enterprise (plan assets). The amounts recognised as provisions are based on actuarial appraisals furnished by independent actuaries. Insofar as they exceed 10% of the present value of the defined benefit obligation or the plan assets, a portion of actuarial gains and losses is recognised as income or expense according to the average length of service of the beneficiaries pursuant to IAS 19.6 (k).

The deferred tax liabilities carried as **non-current liabilities** relate to amounts of income taxes payable in future periods in respect of taxable temporary differences, which are differences between the carrying amount of an asset or liability in the balance sheet and its tax base. These items have been accounted for by using the tax rates expected to apply in the future, based on the tax laws that have been enacted in the respective countries of the consolidated entities.

In accordance with IAS 37, current **provisions** are carried at the amount that is deemed appropriate according to reasonable commercial judgement at the balance sheet date to cover future obligations, identifiable risks and uncertain commitments of the Company. The amount recognised as a provision is based on the figure that is deemed the most probable following thorough assessment of the circumstances.

Liabilities are carried at their fair value. Interest-bearing liabilities are carried on the basis of the present value, taking into account the effective interest rate.

Revenue recognition

Revenue comprises the sale of goods and the rendering of services, less discounts and rebates. Freight and forwarding costs are not deducted from revenue. Instead, these are reported as cost of sales, insofar as they are borne by the seller.

The PC-WARE Group recognises revenue from the sale of goods at that point at which there is evidence to suggest the existence of a contractual agreement, the delivery has been made, the purchase price has been determined and there is reasonable assurance regarding the recoverability of the receivable.

Revenue from the rendering of services is recognised at the point at which the services have been rendered in accordance with the contractual agreement.

Research and development costs

Development costs for newly developed products are capitalised only if the expenditure attributable to the asset can be reliably measured, there are adequate technical resources to complete the development and a market for the output of the asset exists. Furthermore, there has to be sufficient evidence to suggest that the development activity will generate probable future economic benefits.

The capitalised development costs comprise all expenditure directly attributable to the development phase, as well as a reasonable proportion of development-related overheads. Finance costs are not recognised.

Amortisation commences when the asset is available for use; the asset is amortised on the basis of the straight-line method over the estimated useful life, which in general is two years. Write-downs are performed if there are reasonable grounds for such adjustments. Development projects that have yet to be completed and are not yet subject to amortisation on a systematic basis are regularly tested for impairment.

Non-recognisable research expenditure, as governed by IAS 38, is of minor significance and is recognised as an expense when it is incurred.

Borrowing costs

In accordance with IAS 23.9, borrowing costs are recognised as an expense in the period in which they are incurred.

7. Share-based payment

The Group has applied IFRS 2 »Share-based Payment« since the beginning of the financial year on 1 April 2005. The Company has no options that were granted after 7 November 2002 and were not yet exercisable at 1 April 2005. Therefore, no fair value of share options on the grant date was determined in preceding years. All obligatory

information specified in IFRS 2 with regard to share-based payments granted prior to 1 April 2005 has been included in the notes to the consolidated financial statements.

8. Derivative financial instruments

Owing to the activities of PC-WARE, the Group is exposed mainly to financial risks associated with the fluctuation of exchange and interest rates. The Group uses foreign exchange forward contracts and interest swaps for the purpose of hedging the aforementioned risks.

Derivative financial instruments are deployed as part of the following hedging transactions:

Interest rate hedging transactions: The fair values of interest rate swaps and interest rate options are measured on the basis of discounted expected future cash flows. Within this context, the prevailing market rates applicable to the remaining term of the financial instruments are used as a basis of calculation. Options are measured on the basis of generally accepted option price models. Gains and losses from interest rate hedging transactions are accounted for as interest income or interest expense.

Currency hedging transactions: Hedging of foreign exchange risks arising from so-called »firm commitments« or »forecasted transactions« is accounted for as a cash flow hedge. The hedging instruments are foreign exchange forward contracts, whose fair value is determined on the basis of current reference prices at the balance sheet date, taking into account forward premiums and discounts. No hedge accounting is applied for the purpose of hedging receivables and liabilities recorded on the balance sheet. Changes in the fair value of the derivatives as well as off-setting changes in the corresponding receivables or liabilities are recognised in net profit or loss.

Provisions include an amount of €227 thousand to account for a negative market value of an interest rate swap existing at the balance sheet date. Finance income includes gains from derivative financial instruments in the amount of €594 thousand, while finance expense comprises losses from derivative financial instruments in the amount of €2,465 thousand.

9. Comparability with previous financial year

Owing to the extended scope of consolidation (Ravenholm Group, Datacontact G.m.b.H., full consolidation of senas AG), **year-on-year comparability** of the financial statements is limited. In view of the lack of pertinent information, pro-forma consolidation for the preceding year is not practicable.

Within this context, the following overview includes comparable figures for specific items within the consolidated balance sheet and consolidated income statement – for a scope of consolidation which does not include the entities in question.

Group Balance Sheet

<i>in €'000</i>	<i>31.03.2006</i>		
	<i>31.03.2006</i>	<i>31.03.2006</i> <i>excluding Ravenholm Group,</i> <i>Datacontact G.m.b.H., and without</i> <i>full consolidation senas AG</i>	<i>31.03.2005</i>
Non-current assets	48,102	33,640	28,861
Current assets	142,408	132,247	110,384
Total assets	190,510	165,887	139,245
Equity	63,184	65,621	61,575
Non-current liabilities	11,474	8,764	6,398
Current liabilities	115,852	91,502	71,272
Total equity and liabilities	190,510	165,887	139,245

Group Income Statement

<i>in €'000</i>	<i>01.04.2005–31.03.2006</i>		
	<i>01.04.2005–</i> <i>31.03.2006</i>	<i>01.04.2005–31.03.2006</i> <i>excluding Ravenholm Group,</i> <i>Datacontact G.m.b.H., and without</i> <i>full consolidation senas AG</i>	<i>01.04.2004–</i> <i>31.03.2005</i>
Revenue	593,884	535,963	503,910
Gross profit plus other operating income	81,996	74,376	65,393
Staff costs	(47,189)	(41,518)	(35,575)
Depreciation and amortisation	(2,784)	(2,544)	(2,990)
Other operating expense	(22,756)	(19,767)	(19,653)
Currency gains/(losses)	381	362	(238)
Finance result	(1,957)	(1,293)	1,297
Operating result	7,691	9,616	8,234
Taxes on income	(2,393)	(2,301)	(3,496)
Minority interests	(246)	(245)	(321)
Consolidated net profit for the year	5,052	7,070	4,417

II. Explanatory Notes to the Balance Sheet

10. Non-current assets

Depreciation and amortisation of intangible assets, property, plant and equipment, as well as financial assets are disclosed in the income statement as depreciation and amortisation of non-current assets. The consolidated fixed

assets schedule for the financial year 2005/06 is enclosed as an appendix to the Notes to the consolidated financial statements.

11. Goodwill

Goodwill is attributable mainly to the acquisition of subsidiaries included in the scope of consolidation. The carrying amounts are as follows:

<i>Name and registered office of company</i>	<i>in €'000</i>	<i>31.03.2006</i>	<i>31.03.2005</i>
ISP*D International Software Partners GmbH, Poing, Germany		1,282	1,282
PC-Ware Information Technologies Benelux Holding B.V., Amsterdam, Netherlands (sub-group)		2,616	2,699
PC-Ware Information Technologies S.r.l., Saronno/Milano, Italy		902	902
DIGI TRADE s.r.o., Prague, Czech Republic		1,366	1,366
Ravenholm Computing A/S, Farum/Copenhagen, Denmark		11,237	0
BISON Systems AG, Sursee, Switzerland		6,060	6,160
senas AG, Leipzig, Germany		2,647	589
Datacontact PC-Ware G.m.b.H., Vienna, Austria		4,133	0
Total		30,243	12,998

In accordance with IFRS 3, effective from the beginning of the 2004/05 financial year no systematic amortisation has been performed with regard to goodwill attributable to the Group.

Impairment tests within the meaning of IAS 36 are conducted once over the course of the year; these may result in impairment losses being recognised in connection with the goodwill subject to impairment testing. Impairment tests for the defined cash-generating units are performed in accordance with the provisions set out in IAS 36. In the case of the PC-WARE Group, the business segments are considered to be cash-generating units. The recoverable amount is compared with the carrying amount of the cash-generating unit. The recoverable amount is the higher of

an asset's net selling price and its value in use. The value in use is determined on the basis of the discounted cash flow method. The budgets/forecasts for the next three financial years are used as a basis for determining the projected cash flows; these budgets/forecasts are in turn based on the expertise of the management of the business segment or Group management. Cash flow projections going beyond the detailed budgets/forecasts are based on growth projections of between 11% and 27%, depending on the specific business segment and market. The discount rate applied reflects the market's prevailing base rates as well as the risks associated with the specific business segment. The discount rates used for this purpose are between 5.7% and 7.9%.

The consolidated financial statements for the period under review include impairment losses in the amount of €105 thousand (previous year: €784 thousand) within the primary segment Software Sales & Licensing (SSL). Write-downs were performed in the case of a cash generating unit within PC-Ware Information Technologies B.V.,

Amsterdam, due to the fact that, on the basis of corporate planning, the value in use is deemed to be below the amortised cost. In addition, goodwill was written down by €100 thousand due to foreign exchange changes at BISON Systems AG, Sursee.

12. Other intangible assets

Internally generated intangible assets are related to development costs for internally generated software. Insofar as recognition of these is permitted, they have been capitalised in accordance with IAS 38, taking into account their future economic benefits. The capitalised costs can be directly attributed to the individual products. The requirement of technical feasibility has been met. Market rollout of internally generated intangible assets was partially executed at the balance sheet date; market rollout will be completed shortly in the case of the remaining assets.

The cost of internally generated intangible assets comprises all expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to creating, producing and preparing the asset for its intended use, which includes overheads that are necessary to generate the asset and that can be allocated on a reasonable and consistent basis to the asset.

The development costs are amortised over a period of two years from the date on which the products are available, based on the useful life of the asset and using the straight-line method.

Development costs expensed as incurred only arose in connection with customer-specific projects or with assets created by the enterprise.

13. Property, plant and equipment

The total amount of capital expenditure for the period under review was €3,524 thousand (previous year: €1,404 thousand), of which €3,488 thousand (previous year: €1,329 thousand) was invested in operating and office equipment, furniture and fixtures.

A land charge has been implemented for the property at Blochstr. 1 as collateral for borrowings.

14. Financial assets

Financial assets comprise loans to related companies, investments, as well as prepayments relating to future equity investments.

Financial assets include the following items:

<i>in €'000</i>	31.03.2006	31.03.2005
Loans to associates	0	4,000
Investments	19	45
Prepayments for future investments	37	31
	56	4,076

The loans reported in the previous financial year, totalling €4,000 thousand, were connected with loans to senas AG, Leipzig, which at the time was accounted for using the

equity method; in FY 2005/06 this entity was fully included in the consolidated financial statements of PC-WARE.

15. Deferred tax assets

The deferred tax assets are attributable mainly to the carry-forward of unused tax losses and temporary differences between the carrying amounts of assets and liabilities in

the IFRS balance sheet and its tax base. This item has developed as follows:

<i>in €'000</i>	2005/06	2004/05
Balance at 1 April	1,155	1,024
Addition as asset	3,434	348
Tax expense relating to income statement	(206)	(217)
Balance at 31 March	4,383	1,155

The recognition of deferred tax assets is dependent on the probability of the reversal of temporary differences and the utilisation of loss carryforwards. This is dependent on whether the Company will have future taxable profit in those periods in which the temporary differences are reversed and the tax loss carryforward can be utilised.

Based on past experience and the projected development of taxable profit, the Company assumes that benefits associated with deferred tax assets will be realised.

Of the deferred tax assets, the following amounts will expire in:

in €'000

2006/07	39
2007/08	42
2008/09	29
2009/10	355
2010/11	88
2011/12	40
2012/13	50
2013/14	126
2014/15	44
> 2015	85
unlimited	3,485
Total	4,383

According to US tax legislation, loss carryforwards attributable to US federal taxes expire after fifteen years. In Switzerland, tax loss carryforwards expire after seven

years, as specified in current legislation; in Finland expiry occurs after ten years.

16. Cash, cash equivalents and securities

Cash and cash equivalents comprise cash on hand amounting to €51 thousand (previous year: €30 thousand) and bank deposits totalling €29,415 thousand (previous year: €18,508 thousand). Securities mainly comprise floating rate money market funds that are held for trading, are cancellable at any time, and are traded on active markets.

Securities measured on the basis of fair value, comprise the following items:

in €'000

	31.03.2006	31.03.2005
Securities in Goliath fund	14,302	14,754
Bonds	978	5,248
Others	170	171
	15,450	20,173

17. Trade receivables and other receivables

Trade receivables are due within one year. In 2005/06, valuation allowances amounted to €572 thousand (previous year: €660 thousand).

18. Inventories

Inventories contain software traded together with a data carrier and manuals – so-called full versions – as well as hardware.

At 31 March 2006 inventories totalled €8,410 thousand (previous year: €4,288 thousand) at Group level. The impairment losses associated with inventories in the period under review amounted to €120 thousand (previous year: €60 thousand).

19. Work in progress

Work in progress relates to contracts accounted for using the percentage-of-completion method amounting to €1,146 thousand (previous year: €562 thousand), less prepay-

ments received of €335 thousand (previous year: €123 thousand).

20. Other current assets

Other current assets include prepaid expenses amounting to €2,145 thousand (previous year: €2,367 thousand) as well as other current receivables.

21. Tax receivables

Tax receivables relate to current tax assets, insofar as it is probable that the benefit will flow to the enterprise within the subsequent financial year.

22. Issued capital

Changes in total equity are reported in the statement of changes in Group equity which accompanies the consolidated financial statements.

Issued capital represents the share capital of PC-Ware Information Technologies AG. The issued capital of €6,124 thousand is divided into 6,124,335 shares with a notional interest of €1.00 in the share capital.

In accordance with a resolution passed by the General Meeting of Shareholders on 28 March 2000, the Management Board was granted authorisation to execute an increase in capital, either once or in several stages and with prior approval by the Supervisory Board, utilising Authorised Capital I to II against contribution in cash or in kind. The aforementioned authorisation was granted for the period up to 28 March 2005. As part of the General Meeting of Shareholders held on 26 August 2004, the above-mentioned resolution pertaining to Authorised Capital I and II was rescinded and replaced with new Authorised Capital, valid until 25 August 2009.

In accordance with Section 4 of the Company's Articles of Association, **Authorised Capital** (»Genehmigtes Kapital«), as at 31 March 2006, is as follows:

	<i>in €'000</i>
Authorised Capital I	2,450
Authorised Capital II	612
Total Authorised Capital	3,062

The Extraordinary Meeting of Shareholders of 24 August 1999 passed a resolution, whereby the share capital of the Company shall be increased conditionally by up to €350 thousand, divided into a maximum of 350,000 no-par value shares (»Stückaktien« governed by German law) (**Conditional Capital I**). The conditional increase of share capital is designed solely to grant **options** on the purchase of company shares to members of the Management Board, senior managers and other members of staff employed by the Company or its related companies. The Management Board and the Supervisory Board were authorised to grant options until the end of the financial year 2002/03, either once or in several stages.

At the General Meeting of Shareholders of 30 August 2002, Conditional Capital I covering an amount of €57,100.00 was cancelled and replaced by an amount of €292,900.00. Following the issuance of new shares in FY 2003/04, the remaining Conditional Capital I amounted to €243,565.00 as at 31 March 2006.

Furthermore, the General Meeting of Shareholders of 30 August 2002 passed a resolution governing the conditional increase in share capital by up to €314,600.00 through the issue of up to 314,600 new no-par value shares (»Stückaktien« governed by German law) (**Conditional Capital II**). The conditional increase of share capital is designed solely to grant options on the purchase of company shares to members of the Management Board, senior managers and other members of staff employed by the Company or its related companies. The Management Board and the Supervisory Board have been authorised to grant share options until the end of the financial year 2005/06, either once or in several stages (Share Option Plan 2002). The Share Option Plan 2002 has not yet been installed.

23. Revenue reserves

The revenue reserve comprises legal reserves of PC-WARE AG in the amount of €196 thousand. In addition, it is attributable to the reversal of a write-down regarding a loan of ISP*D International Software Partners GmbH, Poing, Germany, to PC-Ware Information Technologies Ltd.

(formerly Systematica Ltd.), London, England, in the amount of €1,177 thousand, as part of the initial consolidation of liabilities, less associated deferred taxes of €471 thousand.

24. Treasury shares

At the General Meeting of Shareholders of 27 August 2003 and 26 August 2004, the Company was granted authorisation to reacquire own equity instruments (referred to as »treasury shares«) during the period ending 25 February 2006. This authorisation was cancelled by the General Meeting of Shareholders on 25 August 2005. At the same time, the Company was granted permission, until 24 February 2007, to reacquire own equity instruments equalling up to 10% of the company's share capital. These treasury shares are to be used to finance possible business combinations or equity investments. In addition, they may be used in connection with the Employee Share Programme introduced in 2005.

At the balance sheet date, PC-WARE AG held 40,243 treasury shares (notional interest in share capital €40.2 thousand, 0.65%; previous year: 200 treasury shares with a notional interest in share capital of €0.2 thousand, 0.0%).

In the financial year under review, up to the balance sheet date, a total of 382,000 own equity instruments (notional interest in share capital €382.0 thousand, 6.2%) were reacquired for the purpose of future corporate acquisitions as well as the Special Employee Share Programme, while 341,957 treasury shares (notional interest in share capital €341.9 thousand, 5.6%) were disposed of as part of corporate acquisitions.

In the course of the 2004/05 financial year, 53,515 own equity instruments (notional interest in share capital €53.5 thousand, 0.9%) were reacquired, while 204,800 treasury shares (notional interest in share capital €204.8 thousand, 3.3%) were disposed of as part of corporate acquisitions.

Additions and disposals regarding treasury shares are outlined below:

	<i>Number of shares</i>	<i>Average purchase/ disposal price €/share</i>
Balance at 1 April 2004	151,485	6.54
Additions		
April 2004	16,165	9.59
May 2004	37,350	9.46
	53,515	9.50
Disposals		
April 2004	5,000	7.24
November 2004	185,000	7.51
February 2005	14,800	5.94
	204,800	7.39
Balance at 31 March 2005	200	8.13
Additions		
April 2005	94,500	9.39
May 2005	178,400	9.83
June 2005	16,900	9.87
August 2005	14,700	12.42
November 2005	40,000	14.50
December 2005	7,500	14.21
January 2006	30,000	15.40
	382,000	10.83
Disposals		
July 2005	280,000	9.69
February 2006	61,957	13.97
	341,957	10.46
Balance at 31 March 2006	40,243	13.97

25. Unappropriated surplus

The unappropriated surplus («Bilanzgewinn», also referred to as unappropriated retained earnings) developed as follows:

<i>in €'000</i>	<i>2005/06</i>	<i>2004/05</i>
Balance at 1 April	8,954	6,314
Adjustment previous year pursuant to IFRS 3.61	(49)	0
Adjustment – not recognised in net profit or loss – of revenue reserve from successive acquisition of interests in senas AG	(622)	0
Dividend payment of parent company for previous year	(2,440)	(1,777)
Consolidated net profit for the year	5,052	4,417
Balance at 31 March	10,895	8,954

26. Currency translation reserve

The **currency translation difference** is the result of currency translation using the modified-closing-rate-method. The exchange difference is attributable to the translation of income and expense items of PC-Ware Information Technologies Ltd. (UK), ISP*Distribution (UK) Ltd., PC-Ware Information Technologies (PTY) Ltd. (ZA), DIGI TRADE s.r.o. (CZ) as well as BISON Systems AG (CH) using the average

exchange rate, and the translation of equity of PC-Ware Information Technologies Ltd. (UK), ISP*Distribution (UK) Ltd., PC-Ware Information Technologies (PTY) Ltd. (ZA), DIGI TRADE s.r.o. (CZ) as well as BISON Systems AG (CH) using the historical exchange rate at the date of initial consolidation on the one hand, and translation on the basis of the closing rate on the other.

27. Provisions for post-employment benefits

Provisions have been made for the members of the Management Board of PC-Ware Information Technologies AG in the amount of €58 thousand (previous year: €199 thousand) and three other employees in connection with the post-employment period (provisions for post-employment benefits, also referred to as pension provisions). The post-employment benefits are classified as defined benefit plans and are funded by means of provisions. The benefits of PC-Ware Information Technologies AG are based on the period of employment and the remuneration of the person eligible to receive post-employment benefits. The defined benefit plans are covered by reinsurance policies. In the 2005/06 financial year, expenses of €156 thousand (previous year: €146 thousand, including adjustment) were recognised in connection with defined benefit plans.

Due to immateriality, no Group pension appraisal was conducted in accordance with IFRS for the previous financial year. For the balance sheet date of 31 March 2006, the most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation as at 31 March 2006 was performed by Allianz Lebensversicherungs-AG, Stuttgart. In the case of post-employment obligations for Group companies which have been part of the Group for up to one year, an adjustment of €82 thousand (before having accounted for deferred taxes) was recognised for the pension provisions of the preceding year. Corrections for obligations associated with the Group for a longer period of time amounted to €42 thousand. These were attributable to a different accounting period and were performed in the current accounts.

The amount recognised in the balance sheet in connection with the Group's obligation regarding retirement benefit plans is calculated as follows:

<i>in €'000</i>	<i>31.03.2006</i>
Present value of defined benefit obligations	735
Fair value of plan assets	351
Plan deficit	384
Past service cost not yet recognised in the balance sheet	0
(Fair value of reimbursement rights recognised as an asset)	0
(Restrictions concerning recognised asset)	0
Liability recognised in the balance sheet	384

In the previous financial year, the present value of defined benefit obligations and the fair value of plan assets were reported as an offset item.

The following assumptions were used in measuring the pension provisions:

The actuarial losses of €2 thousand were not recognised, as they do not exceed 10% of the present value of the defined benefit obligation, as set out in IAS 19.92.

	<i>Valuation in 2005/06</i>	<i>2004/05</i>
Discount rate	4.25%	4.5%
Expected rate of return on plan assets	4.25%	4.0%
Expected rate of salary increases	0.0%	0.0%
Future pension increases	2%	2%
Fluctuation rate	0%	0%

Dr. Horezky (formerly a member of the Management Board) left the company effective from 31 March 2006. The pension obligation of €96 thousand towards Dr. Horezky remains in place, but is fully financed via plan assets.

28. Deferred tax liabilities

Deferred tax liabilities are attributable to the capitalised development costs, the differences between Swiss tax regulations and IFRS provisions concerning the useful life of goodwill of BISON Systems AG, the reversal of tax-related write-downs, accounting for work in progress on the basis of the percentage-of-completion method pursuant to IFRS

in relation to the tax base, as well as a loan of ISP*D International Software Partners GmbH, Poing, to PC-Ware Information Technologies Ltd., London, associated with initial consolidation.

Deferred tax liabilities attributable to in €'000

	<i>31.03.2006</i>	<i>31.03.2005</i>
Development costs	839	200
Work in progress	109	94
Goodwill amortisation	501	303
Reversal of write-downs	503	529
Securities	20	317
Valuation differences	218	156
Others	534	521
Total	2,724	2,120

29. Provisions

The following movements took place with regard to provisions:

<i>in €'000</i>	<i>01.04.2005</i>	<i>Additions due to extended scope of consolidation</i>	<i>Exchange differences</i>	<i>Amounts used</i>	<i>Amounts reversed</i>	<i>Provisions made</i>	<i>31.03.2006</i>
Staff provisions	3,374	638	(8)	3,119	145	4,294	5,034
Outstanding invoices	2,026	394	(3)	2,143	37	2,714	2,951
Other provisions	1,591	537	(1)	1,392	151	1,719	2,303
Total	6,991	1,569	(12)	6,654	333	8,727	10,288

Provisions are expected to be used in the following financial year.

30. Income tax payable

Income tax payable contains provisions for corporation tax and trade tax attributable to the current financial year as well as anticipated charges relating to current tax audits

in the amount of €375 thousand (previous year: €460 thousand).

31. Long-term debt and finance lease obligations

Long-term debt comprises bank borrowings for the establishment and expansion of the corporate headquarters in Leipzig; the amount payable is €1,234 thousand (previous year: €1,569 thousand). The current portion of these borrowings in the amount of €334 thousand (previous year: €334 thousand) is reported under current liabilities. The loans for the establishment and expansion of the corporate headquarters in Leipzig are secured by means of a land charge in the amount of €4,039 thousand.

Beyond this, non-current liabilities to banks include a certificate of debt for the purpose of refinancing the operations of PC-Ware Financial Service GmbH (€5,000 thou-

sand), a loan granted to PC-WARE AG for the purpose of refinancing the acquisition of Datacontact G.m.b.H., Vienna, (€1,000 thousand), a loan taken out by PC-WARE AG (€500 thousand) for the purpose of refinancing a loan granted to BISON Systems AG, as well as a loan granted to PC-WARE AG (€315 thousand) for the purpose of refinancing the acquisition of DIGI TRADE s.r.o.

Furthermore, non-current liabilities to banks include the non-current portion of **obligations arising from the finance lease** of BISON Systems AG's vehicle fleet, in the amount of €316 thousand.

Original amount	Principal repayment	Repayment date of principal	Interest rate p.a.	31.03.2006 €'000	Up to one year €'000	More than one year €'000
1,662	75	half-yearly from 30.09.1999	4.50% ¹⁾	604	151	453
716	26	half-yearly from 30.09.2001	4.00% ²⁾	460	51	409
554	31	half-yearly from 31.12.1999	4.25%	153	62	91
358	17	half-yearly from 31.03.2003	4.25% ³⁾	146	33	113
341	12	half-yearly from 30.09.1999	4.50% ⁴⁾	171	24	147
121	7	half-yearly from 31.03.2000	3.75%	34	13	21
5,000	250	quarterly from 01.10.2002	cf. explanation	1,500	1,000	500
1,000	0	due on 30.04.2010	4.595%	1,000	0	1,000
5,000	0	Net proceeds (97.535%) due on 26.07.2010	3.625%	5,000	0	5,000
700	35	quarterly from 01.06.2004	cf. explanation	455	140	315
		finance lease		610	293	317
15,452	453			10,133	1,767	8,366

For the specified loans, the period of interest rate guarantee ends prior to the full repayment of loans: ¹⁾ from 2008 two years without interest rate control; ²⁾ from 2009 seven years without interest rate control; ³⁾ from 2009 two years without interest rate control; ⁴⁾ from 2009 four years without interest rate control. Interest rates will be renegotiated once the period of guaranteed interest rates has ended. If the negotiations do not lead to a satisfactory outcome, the loans will be called due.

On 14 August 2002, a loan agreement was negotiated, covering an amount of €5,000 thousand for the financing of BISON Systems AG, Sursee, Switzerland. This loan has a term of five years and will be repaid in 20 instalments of equal amounts. The rate of interest for this loan is computed on the basis of three-month EURIBOR plus 1%; it is reassessed on a quarterly basis.

For the purpose of refinancing the acquisition of the ownership interest in Datacontact G.m.b.H., Vienna, Austria, a loan of €1,000 thousand was taken out pursuant to the loan agreement of 26 May 2005. This loan has a term of 5 years, the principal being due at the final maturity date.

On 22 July 2005 a note loan (»Schuldscheindarlehen«, i.e. a certificate of debt) was taken out in the amount of €5,000 thousand for the purpose of financing the operations of PC-Ware Financial Service GmbH, Leipzig, Germany. This loan has a term of 5 years, the principal being due at the final maturity date. The net proceeds of the loan amounted to €4,877 thousand (97.535%).

In accordance with a loan agreement concluded with Baden-Württembergische Bank AG on 11 May 2004, a loan of €700 thousand was taken out for the purpose of financing the acquisition of an ownership interest in DIGI TRADE s.r.o., Prague, Czech Republic. This loan has a term of five years and will be repaid in 20 instalments of equal amounts. The applicable interest rate is based on three-month EURIBOR plus 2%; the agreed interest period is three months.

The interest rates for the remaining loans are fixed for the period leading up to full repayment.

32. Share-based payment

Share Option Plan 2001

In September 2001, in accordance with the authority vested in it following the Extraordinary Meeting of Shareholders of 24 August 1999, the Management Board implemented a Share Option Plan. In total, 289 employees and all senior employees of the Group signed a share-option agreement. Within this context, a maximum of 10% of the options may be allocated to members of senior management of PC-WARE AG or other affiliated companies. The options are dependent on the position within the company and the period of service. Each option entitles the holder to the subscription of one share of PC-Ware Information Technologies AG at the exercise price.

The options can only be exercised after a period of two years from the date on which the share option agreement is signed. The options are exercisable in tranches of 1/3 per annum, within an overall period of five years after the granting of options.

The exercise periods are limited; they commence on the third stock exchange trading day and end on the thirtieth stock exchange trading day subsequent to the General Meeting of Shareholders or the publication of the interim report for the first half or the publication of the report for the third quarter of a financial year. The exercise period in the fourth calendar quarter of the financial year of PC-WARE AG ends on 1 March inclusive.

Options shall only be exercisable if the average closing price was at least 15% above the exercise price within the period of ten stock exchange trading days up to the date of exercise. The exercise price is the average closing price of the last 20 trading days prior to signing the individual share option agreement. In addition, the attainment of personal performance targets is a precondition for the exercise of share options.

The number of options and the weighted average exercise price categorised according to the group of options were as follows:

	<i>Total</i>	<i>Employees of PC-WARE Group</i>	<i>Senior manage- ment of Group companies</i>	<i>Senior management of PC-WARE AG</i>
Number of options outstanding at 1 April 2004	211,548	189,514	10,334	11,700
Lapsed in FY 2004/05	(4,700)	(4,700)	0	0
Granted in FY 2004/05	0	0	0	0
Exercised in FY 2004/05	0	0	0	0
Number of options outstanding at 31 March 2005	206,848	184,814	10,334	11,700
Lapsed in FY 2005/06	(17,500)	(7,800)	(5,000)	(4,700)
Granted in FY 2005/06	0	0	0	0
Exercised in FY 2005/06	0	0	0	0
Number of options outstanding at 31 March 2006	189,348	177,014	5,334	7,000
Of which exercisable	189,348	177,014	5,334	7,000
Maximum number of shares to be issued	189,348	177,014	5,334	7,000
(Weighted-average) exercise price €/share	5.70	5.70	5.70	5.70

The remaining average exercise period of options outstanding at the balance sheet date is 2.5 years.

Besides the share-based compensation systems outlined above, the Company has no share-based payments to be fulfilled in cash or any other share-based compensation systems.

Share Option Plan 2002

To date, the Management Board and the Supervisory Board of the Company have made no use of the mandate given to them by the General Meeting of Shareholders on 30 August 2002 as regards the implementation of the Share Option Plan 2002. The Share Option Plan 2002 has not yet been installed.

Other share-based payments

On 8 June 2005 the Management Board of PC-WARE AG agreed a Special Employee Share Programme for senior management staff, in accordance with Section 71 (1) no. 2 of the Stock Corporation Act (Aktiengesetz – AktG). As part of this scheme, senior members of the Company's management staff were to be offered, at preferential prices, a graduated number of employee shares pursuant to and in accordance with the conditions of the ratified PC-WARE AG Special Employee Share Programme for senior management staff. The rationale behind the PC-WARE AG share purchase plan is to give senior management staff an additional incentive to enhance the value of the Company, the aim being to ensure steady investment growth for shareholders.

Senior employees were presented with three possibilities regarding the purchase of shares, graduated on the following basis: entitled members of management were offered 100,000 no-par value shares («Stückaktien» governed by German law) at a preferential price totalling €968 thousand, 50,000 no-par value shares at a preferential price totalling €484 thousand, and 30,000 no-par value shares at a preferential price totalling €290 thousand. For all three offers, the average weighted exercise price is €9.68 per share.

Only one of the options was available to each of the entitled senior managers, and each package had to be purchased in its entirety. The offer did not include partial purchases. The preferential price for the employee shares was calculated as a deduction, i.e. a discount, of €0.07 (0.72%) on the price of PC-WARE shares at the grant date. The acquired shares are subject to a lock-up period that lasts until 8 June 2008; prior disposal is only possible with the consent of PC-WARE AG. Disposal of these shares may only be effected in accordance with the Company's compliance regulations and within the specified exercise periods.

In the 2005/06 financial year, 280,000 no-par value shares were purchased by senior managers at a preferential price of €9.68 per share. The offer was accepted by the individual senior managers on 8 June 2005. The stock exchange price of PC-WARE shares (fair value) on the date of adoption of the Special Employee Share Programme and the acceptance by the individual senior managers was €9.75. The shares were granted in recognition of the performance of entitled senior managers in the past.

The expense of €20 thousand, which was attributable to the granting of a preferential price of €9.68 and the share price of €9.75 at the date of grant and acceptance, was recognised directly as staff costs.

III. Explanatory Notes to the Income Statement

33. Revenue

Revenue is mainly generated in Germany through the sale of three service and product groups. These include »Software Sales & Licensing« (SSL), »Professional Services« (PS; S³M in the previous year) and »Integrated System Solutions & Support« (ISS). SSL comprises the sale of software licences and corresponding documentation. PS encompasses consulting and support services, training, as well as contract development and marketing of proprietary

PC-WARE products. ISS comprises the sale of hardware systems and the provision of services within this area. For further details, please refer to Segment Reporting.

Revenue contains the percentage-of-completion revenues from work in progress. For further details, please refer to the section on work in progress.

34. Work performed by the enterprise and capitalised

In total, €623 thousand (previous year: €349 thousand) in development costs eligible for recognition were capitalised in the period under review; amortisation on a straight-line basis commenced as soon as the asset became available for use. Write-downs of internally generated intangible

assets in the amount of €473 thousand (previous year: €501 thousand) have been recognised as expense and are included in the income statement as depreciation and amortisation.

35. Other operating income

Other operating income mainly includes the following items:

<i>in €'000</i>	<i>2005/06</i>	<i>2004/05</i>
Marketing income	1,738	1,358
Payment in kind	612	451
Reversal of provisions	438	290
Reallocations to third parties	381	352
Reversal of doubtful debt allowances	160	412
Insurance compensation	157	149
Gain from change-over to finance lease	151	0
Commissions	64	2
Disposals of non-current assets	59	20
Write-off of liabilities	28	13
Income attributable to other periods	10	13
Other	357	433
	4,155	3,493

36. Other operating expenses

Other operating expenses are comprised mainly of the following items:

<i>in €'000</i>	<i>2005/06</i>	<i>2004/05</i>
Rent and facility charges	3,966	2,971
Vehicle expenses	3,265	3,132
Advertising expenses	2,858	2,297
Telephone and postal expenses	1,691	1,519
Travel expenses	1,321	993
Legal and consulting fees	1,261	1,651
Insurance and other fees	913	673
Costs of delivery	711	443
Commissions	683	561
Costs attributable to financial reporting and auditing	579	375
Bad debt allowances/loss on bad debt	572	660
Maintenance expenses	528	564
Others	4,408	3,814
	22,756	19,653

37. Finance income/cost

Finance income/cost is as follows:

<i>in €'000</i>	<i>2005/06</i>	<i>2004/05</i>
Income		
Income from securities and dividends	1,702	1,450
Income from isolated swap transactions	594	155
Other interest and similar income	2,099	1,434
	4,395	3,039
Expenses		
Write-down of financial assets and securities	(966)	(58)
Losses from isolated swap transactions	(2,465)	(35)
Losses on disposal of securities	(1,569)	(814)
Losses attributable to associates	(278)	0
Interest and similar expenses	(1,074)	(835)
	(6,352)	(1,742)
	(1,957)	1,297

The realised gains and losses from swaps include gains and losses from interest rate swaps with a contingent conversion feature. The currencies associated with contingent conversion were the South African Rand, the Japanese Yen, the Swiss Franc, the US Dollar and the Hungarian Forint. In addition, gains and losses arose from interest rate swaps entered into on the assumption that the interest rate differential between long- and short-term interest rates would prove beneficial to the company. In view of the fact that interest rates failed to develop in the manner originally anticipated for some of the interest rate swaps, the swaps were disposed of in the 2005/06 financial year. At the balance sheet date there was an isolated interest rate swap for which a provision of €227 thousand has been recognised for the purpose of accounting for the realisation of future losses.

The negative market value of the interest rate swap was determined by the bank on the basis of acknowledged valuation methods (Black-Scholes and Heath-Jarrow-Morton).

As at the balance sheet date, nine foreign exchange forward contracts had been concluded, particularly for the purpose of US Dollar hedging, in connection with liabilities associated with pending transactions in the amount of €2,020 thousand. These items are all categorised as short-term in nature and have a total market value of €0.7 thousand. In addition, two options transactions were concluded for the purpose of hedging pending transactions in the amount of US\$2,500,000; their market value is €8.4 thousand.

38. Income tax

Taxes on income comprise corporate tax, the solidarity surcharge and trade tax, the latter being computed on the basis of the so-called »Hebesatz« (a municipal percentage that varies depending on location) for the registered seat of the Company.

Foreign taxes are computed on the basis of the tax rates applicable in the respective countries. These range from 20 to 35% (previous year: 20 to 35%).

The breakdown of tax expense for the Company is as follows:

<i>in €'000</i>	<i>2005/06</i>	<i>2004/05</i>
Current taxes		
Domestic	1,862	2,606
Abroad	779	592
	2,641	3,198
Deferred taxes	(248)	298
Taxes on income	2,393	3,496

The current tax rate is as follows:

<i>in €'000</i>	<i>2005/06</i>	<i>2004/05</i>
Earnings before taxes (EBT)	7,691	8,234
Taxes on income	2,393	3,496
Current tax expense rate	31.1%	42.5%

The difference between the reported tax expense and that based on the tax rate of PC-Ware Information Technologies AG is as follows:

<i>in €'000</i>	<i>2005/06</i>	<i>2004/05</i>
Profit before taxes on income	7,691	8,234
Expected tax expense (tax rate of parent company)	3,053	3,269
Tax rate computed	39.7%	39.7%
Tax effect attributable to:		
Different tax rates	22	144
Previous years' refunds/expenses	(80)	40
Non-taxable losses from successive acquisition of ownership interest	110	0
Non-taxable goodwill amortisation	0	254
Tax-exempt gains on disposal	(676)	(296)
Non-deductible operating expenses as well as trade tax additions and deductions	(36)	85
Effective income tax expense	2,393	3,496

39. Earnings per share (EPS)

Basic and diluted EPS is calculated on the following basis:

<i>Earnings in €'000</i>	<i>2005/06</i>	<i>2004/05</i>
Basis for earnings per share	5,052	4,417

<i>Number of shares</i>	<i>2005/06</i>	<i>2004/05</i>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	6,017,549	6,124,135
Effects of dilutive potential ordinary shares: share options	113,989	74,372
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	6,131,538	6,198,507

Basic EPS is calculated by dividing the net profit or loss for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Basic EPS pursuant to IAS 33 amounts to €0.84 for the financial year under review (previous year: €0.72).

For the purpose of calculating diluted earnings per share, the net profit attributable to ordinary shareholders and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary

shares outstanding (exercise of options associated with the Share Option Plan). For the purpose of calculating diluted earnings per share, the number of ordinary shares is the weighted average number of ordinary shares, having taken into account the weighted average number of ordinary shares furnished with a subscription right from the Share Option Plan. Diluted earnings per share pursuant to IAS 33 amounted to €0.82 (previous year: €0.71).

IV. Explanatory Notes to the Cash Flow Statement

The consolidated cash flow statement has been prepared in accordance with IAS 7 »Cash Flow Statements«. Accordingly, the cash flow statement reports cash flows during the period classified by operating, investing and financing activities. Cash and cash equivalents reported in the cash flow statement include cash on hand, demand deposits and short-term, highly liquid marketable securities held as current assets that are readily convertible to known amounts of cash.

Cash flows from operating activities are reported using the indirect method. Cash flow from operating activities increased by €5.8 million compared with the previous financial year. As in the previous financial year (€8.6 million), cash flow from operating activities was positive in FY 2005/06, totalling €14.5 million. Net profit before taxation and minority interest, adjusted for non-cash effects, declined by €0.5 million. Cash flow from operating activities was influenced mainly by the rise in trade payables (+ €27.8 million), which was more pronounced than the increase in cash resources associated with trade receivables (- €17.0 million). This was due mainly to circumstances attributable to the balance sheet date in the preceding year. Within this context, trade payables attributable to transactions in FY 2004/05 amounting to approx. €10 million had already been paid at the balance sheet date; however, the corresponding receivables did not result in a cash inflow until after the balance sheet date.

Cash flow from investing activities declined mainly as a result of the outflow of cash for non-current assets purchased as well as the outflow of cash for the acquisition of Datacontact G.m.b.H., Vienna, Austria, and the subgroup of Ravenholm Holding A/S, Farum, Denmark.

At €0.6 million, cash flow from financing activities was positive. This was due mainly to the proceeds from loans received by PC-Ware Finance GmbH, Leipzig, Germany, in the amount of €5.0 million. In contrast, the distribution of profits from the »Bilanzgewinn« (unappropriated surplus, also referred to as unappropriated retained earnings) of the preceding year, totalling €2.4 million, resulted in a cash outflow.

The foreign exchange differences listed as a separate item are due to foreign currency translation in connection with the UK-based, the South African, the Czech, the Swiss and the Danish subsidiaries included in the consolidated financial statements.

Cash and cash equivalents at the end of the year comprise cash on hand and demand deposits, taking into account bank overdrafts, as well as short-term, highly liquid marketable securities held as current assets. The securities are authorised for trading on the stock exchange and are therefore readily convertible to known amounts of cash.

V. Company Acquisitions

40. Acquisition of the Ravenholm Group

On 2 February 2006 the Company acquired 100% of the share capital issued by Ravenholm Holding A/S, Farum, Denmark. Ravenholm Holding A/S, Farum, Denmark, is the parent company of a number of entities operating in the same industry as PC-Ware Information Technologies AG. This transaction was accounted for according to the purchase method.

With the purchase of Ravenholm Holding A/S, Farum, Denmark, cash amounting to €1,931 thousand was acquired. The purchase consideration of €4,694 thousand was settled by the transfer of 61,957 treasury shares as well as cash resources (€3,828 thousand). At the date of purchase, the fair value of the assets and liabilities acquired was:

	<i>in €'000</i>
Intangible assets	11,237
Property, plant and equipment	190
Deferred tax assets	667
Inventories	777
Receivables	6,206
Cash and cash equivalents	1,931
Current liabilities	(16,148)
Treasury shares	(166)
	4,694
Less cash acquired	(1,931)
Additions of assets to PC-WARE Group	2,763
Cash acquired	1,931
Less (cash-related) acquisition costs	(4,694)
Cash outflow due to corporate acquisition	(2,763)

Goodwill acquired is comprised of the expected synergy potential of the Ravenholm Group in relation to the existing business units of the Company.

If the purchase of the Ravenholm Group had been concluded on the first day of the financial year, consolidated revenue would have amounted to €642.5 million, while consolidated net result attributable to external investors would have totalled €5.8 million.

41. Acquisition of Datacontact G.m.b.H., Vienna, Austria

On 6 June 2005 the Company acquired 100% of the capital of Datacontact G.m.b.H., Vienna, Austria. Datacontact operates in the same industry as PC-Ware Information Technologies AG. This transaction was accounted for according to the purchase method.

In purchasing Datacontact G.m.b.H., no cash was acquired. The purchase consideration of €5,931 thousand was settled in cash. At the purchase date, the fair value of the assets and liabilities acquired was:

	<i>in €'000</i>
Intangible assets	4,140
Property, plant and equipment	72
Deferred tax assets	60
Inventories	1,710
Receivables	300
Cash and cash equivalents	0
Current liabilities	(235)
Non-current liabilities	(116)
	5,931
Less cash acquired	0
Additions of assets to PC-WARE Group	5,931
Cash acquired	0
Less (cash-related) acquisition costs	(5,931)
Cash outflow (attributable to corporate acquisition)	(5,931)

Goodwill acquired is comprised of the expected synergy potential of Datacontact in relation to the existing business units of the Company.

If the purchase of Datacontact G.m.b.H. had been concluded on the first day of the financial year, consolidated revenue would have amounted to €595.7 million, while consolidated net result attributable to external investors would have totalled €5.1 million.

42. Further acquisition of ownership interest in senas AG, Leipzig, Germany

On 11 July 2005 the remaining 50% ownership interest in senas AG, Bad Nauheim, was acquired for a consideration of €300 thousand; this transaction was settled in cash. Thus, senas AG was fully accounted for in the consolidated financial statements of PC-WARE effective from the aforementioned date. Prior to this, the subgroup of senas AG, Bad Nauheim, Germany, in which PC-Ware Information Technologies AG held an interest of 50%, was included in

the consolidated financial statements as an associate, using the equity method pursuant to IAS 28 (rev. 2000). This transaction was accounted for according to the purchase method.

At the purchase date, the fair value of the assets and liabilities acquired was:

	<i>in €'000</i>
Intangible assets	2,218
Property, plant and equipment	338
Deferred tax assets	1,467
Inventories	725
Receivables	2,130
Cash and cash equivalents	303
Current liabilities	(7,726)
Non-current liabilities	0
Minority interests	828
	283
Less cash acquired	(303)
Additions of assets to PC-WARE Group	(20)
Cash acquired	303
Less (cash-related) acquisition costs	(283)
Cash outflow due to corporate acquisition	20

If the purchase of senas AG had been concluded on the first day of the financial year, consolidated revenue would have amounted to €599.9 million, while consolidated net result attributable to external investors would have totalled €4.5 million.

VI. Segment Reporting

43. Explanatory Notes to Segment Reporting

In accordance with IAS 14, the individual data published within the financial statements have been divided into business segments (Primary Segment Reporting) and geographical segments (Secondary Segment Reporting).

Primary segment reporting is based on our internal reporting activities. The aim is to make the earnings performance and the potential of our individual activities more transparent and accessible.

The segments are »Software Sales & Licensing« (SSL), »Professional Services« (formerly Software Support & System Management) (PS, formerly S³M) and »Integrated System Solutions & Support« (ISS). SSL comprises the sale of software licences and corresponding documentation. PS encompasses consulting and support services, including training within the area of software and a 24-hour hot-line service, as well as contract development services and the marketing of proprietary PC-WARE products.

The ISS segment comprises the sale of hardware systems and the provision of services within this area.

The secondary reporting segment used within the PC-WARE Group is based on geographical regions in which the Group mainly operates. These regions include Germany, Scandinavia, Benelux, France, Italy, Austria, the United Kingdom, Switzerland, the Czech Republic and the Rest of the World.

The method of pricing inter-segment transfers is based on a uniform system for the entire Group. No significant internal transactions between the segments were recorded in the financial year under review.

VII. Other Information

44. Contingencies and other financial obligations not reported on the balance sheet

PC-WARE AG has entered into absolute suretyship agreements with banks covering an amount of €26.0 million. Several Group companies have concluded guarantee agreements with suppliers for a total of €14.4 million.

PC-WARE AG has provided an unlimited guarantee for specific suppliers of several of its subsidiaries. These are as follows:

<i>Guaranteed creditor</i>	<i>For</i>	<i>Type</i>	<i>Volume</i>	<i>Term</i>
C2000	PC-WARE UK	Guarantee	for all transactions	unlimited
enhanced technolo Corp	PC-WARE UK	Guarantee	for all transactions	unlimited
ideal Hardware	PC-WARE UK	Guarantee	for all transactions	unlimited
Maverick Presentation	PC-WARE UK	Guarantee	for all transactions	unlimited
Dell Computer	PC-WARE UK	Guarantee	for all transactions	unlimited
Westcost LTD	PC-WARE UK	Performance guarantee	for all transactions	unlimited
Westek Ltd	PC-WARE UK	Performance guarantee	for all transactions	unlimited
CMS Peripherals	PC-WARE UK	Performance guarantee	for all transactions	unlimited
Pilatus Aircraft Ltd.	BISON Systems	Performance guarantee	for the contract	31.07.2009
VM Ware	PC-WARE Italy	Suretyship	for all transactions	unlimited
Actebis CH	PC-WARE Schweiz	Suretyship	for all transactions	30.06.2006

The significant obligations with regard to rental and lease agreements at the balance sheet date are presented in the following table:

<i>in €'000</i>	<i>Up to one year</i>	<i>More than one year and up to five years</i>	<i>More than five years</i>	<i>Total</i>
Rent	2,693	5,174	3,777	11,644
Vehicle leasing	1,414	1,308	0	2,722
Other leasing	378	418	0	796
Other	14	9	76	99
	4,499	6,909	3,853	15,261

45. Management Board and Supervisory Board

In the period under review, the Management Board comprised:

- • Dr. Knut Löschke, Leipzig, Dipl.-Kristallograph, *Chairman of the Management Board*, Member of the Supervisory Board of bluechip AG Meuselwitz, Member of the Supervisory Board of the University Clinic of Leipzig
- • Dr. Tillmann Blaschke, Dresden, Dipl.-Volkswirt, *CFO (as from 1 March 2006)*
- • Dr. Jutta Horezky, Dresden, Dipl. oec. Päd., *CFO (until 31 March 2006)*, Chairwoman of the Supervisory Board of factoring plus AG, Dresden, Member of the Supervisory Board of go.factoring.frankfurt AG, Frankfurt

Total Management Board compensation in FY 2005/06 was €1,302 thousand (previous year: €781 thousand). Compensation is divided into €435 thousand as a fixed salary component and €667 thousand as a variable performance-based component (previous year: €421 thousand fixed, €360 thousand variable). For one of the members of the Management Board, severance pay of €200 thousand was accounted for in the period under review.

As part of Conditional Capital, the details of which are outlined in Note 33, the Management Board members were granted 14,000 share options in FY 2001/02 (previous year: 14,000 share options), entitling them to purchase one share per option. Of the options, 2,300 were exercised in previous years, while 4,700 expired in FY 2005/06.

In FY 2005/06, insurance payments in the amount of €7 thousand (previous year: €4 thousand) were made by the Company for members of the Management Board.

Provisions for post-employment benefits amounting to €238 thousand have been made for current and former members of the Management Board. In addition, a loan of €40 thousand was granted to a former member of the Management Board, which has been repaid in full.

In the period under review, the Supervisory Board comprised:

- • Dr. Wolfgang Vehse, Dresden, former State Secretary, *Chairman*
- • Rudolf von Sandersleben, Leipzig, Merchant, *Deputy Chairman*
- • Prof. Dr. Dr. h.c. Wolfgang Lassmann, Leipzig, University Professor of Commercial Computer Studies

The members of the Supervisory Board are also members of the following bodies:

- • Dr. Wolfgang Vehse:
 - Chairman of the Supervisory Board of Habas AG, Markkleeberg (*until 30 March 2006*)
- • Rudolf von Sandersleben:
 - Chairman of the Supervisory Board of BOSK AG, Seiffhennersdorf (*as from 12 June 2006*)
- • Prof. Dr. Dr. h.c. Wolfgang Lassmann:
 - Member of the Supervisory Board of BIC Gesellschaft für Innovation und Technologietransfer Leipzig mbH, Leipzig
 - Member of the Supervisory Board of Handelshochschule Leipzig
 - Chairman of the Board of Directors of BISON Schweiz Holding AG, Sempach, Switzerland

In the period under review, total Supervisory Board compensation amounted to €47 thousand.

46. Number of employees

The average number of employees within the PC-WARE Group in the reporting period was 891 (previous year: 698 employees).

47. Related party disclosures

Transactions between the companies and their subsidiaries which are related parties were eliminated as part of consolidation and are not reported in the Notes. Transactions between the companies and their subsidiaries and associates are disclosed in the separate financial statements of the parent company.

Majority shareholders of the Management Board and the Supervisory Board are considered to be related parties. Information pertaining to the Management Board and Supervisory Board has been included in Note 45.

In accordance with IAS 24, the following parties are considered to be related:

Dr. Knut Löschke, Leipzig	Shareholder with significant interest/Member of the Management Board
Harri Wolf, Leipzig	Shareholder with significant interest
Dr. Heinz-Otto Klas, Markranstädt	Shareholder with significant interest
Dr. Jutta Horezky, Dresden	Member of the Management Board (<i>until 31 March 2006</i>)
Dr. Tillmann Blaschke, Dresden	Member of the Management Board (<i>as from 1 March 2006</i>)
Dr. Wolfgang Vehse, Dresden	Chairman of the Supervisory Board
Prof. Dr. Wolfgang Lassmann, Leipzig	Member of the Supervisory Board
Rudolf von Sandersleben, Leipzig	Member of the Supervisory Board
Frank Noack, Leipzig	CEO senas AG, Leipzig
Dr. Ingmar Ackermann, Leipzig	CEO Ravenholm Holding A/S
Thomas Schenk, Leipzig	Director Sales
Rita Löschke, Leipzig	Salaried Employee

In the course of the 2005/06 financial year, Group companies effected only minor transactions with related parties, in the amount of up to €5 thousand each in total.

In addition, other management staff received emoluments of €2,530 thousand (of which fixed €2,157 thousand, performance-based €373 thousand) over the course of the financial year.

With the exception of the above-mentioned remuneration activities, no significant transactions were recorded between the Group companies and related parties in the reporting period.

4B. Risks associated with financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. In accordance with IAS 32, this includes primary financial instruments such as trade receivables and payables as well as financial receivables and liabilities.

Furthermore, this item can comprise derivative financial instruments. In accordance with IAS 39, all derivative financial instruments are recognised as financial assets/liabilities held for trading.

The derivatives include financial instruments relating to interest rates as well as currencies.

Management of currency risk – Owing to its international activities, the Group is exposed to foreign exchange risks, arising mainly from transactions in British Pounds, Swiss Francs and US Dollars. For the purpose of hedging currency risk associated with future business transactions, foreign currency receivables/payables as well as purchase/sale contracts denominated in foreign currencies, the parent company concludes foreign exchange forward contracts as well as currency options. Within this context, the company acts in compliance with obligatory provisions specified for the Group.

Management of interest rate risk – Interest rate risk is monitored continuously at Group level by tracking changes in interest rate exposures that may adversely affect future cash flows and by defining appropriate hedging strategies. All decisions regarding interest rate hedging instruments are made by the finance department of the Company. At 31 March 2006 the Company's portfolio did not include any interest rate hedging instruments, as no significant interest rate risks existed.

Management of credit risk – The Group is not exposed to significant credit risk. In accordance with Group regulations, credit ratings are performed prior to the sale of products and services as well as prior to financial transactions. The Company is exposed to credit risk arising from the non-fulfilment of contractual obligations on the part of its business partners. As regards currency and interest rate hedging contracts, the Company's business partners are recognised credit institutions with an investment grade rating. Therefore, the general credit risk associated with currency and interest rate hedging contracts is considered to be immaterial.

Management of default risk – Default risk is associated with the possibility that a business partner may fail to meet his obligations either entirely or by the specified date in connection with transactions involving financial instruments. The risk of financial loss is accounted for by means of appropriate allowances for financial assets.

Management of liquidity risk – Prudent cash management at Group level for the purpose of reducing liquidity risk involves safeguarding cash resources, ensuring sufficient lines of credit as well as maintaining the ability to close out market positions.

49. Details regarding auditor fees

The following fees relating to the statutory auditor of the consolidated financial statements were recognised as expenses in FY 2005/06:

<i>in €'000</i>	<i>2005/06</i>
Fees for annual audit	180
Fees for issuing audit opinions and providing advisory services	19
	199

50. Declaration of Conformity in accordance with Section 161 AktG

A Declaration of Conformity relating to the Recommendations of the Government Commission »Deutscher Corporate Governance Kodex« (German Corporate

Governance Code) was issued by the Company and made permanently accessible to shareholders at the website of PC-WARE AG (www.pc-ware.de).

51. Events after the balance sheet date

No events of material significance, thus necessitating disclosure, occurred after the balance sheet date.

52. Proposed dividend payment

The Management Board and Supervisory Board propose to the General Meeting of Shareholders to pay a dividend of €0.50 per share from the unappropriated surplus («Bilanzgewinn», also referred to as unappropriated retained earnings) of PC-Ware Information Technologies Aktiengesellschaft in the amount of €11,415 thousand and to carry forward the remainder to new account.

Leipzig, 16 June 2006

PC-Ware Information Technologies AG,
Leipzig

The Management Board



Dr. Knut Löschke



Dr. Tillmann Blaschke

This report is published in German and as an English translation. In the event of any conflict or inconsistency between the English and the German versions, the German original shall prevail. Neither the Company nor the Language Consultant can accept liability for any direct, indirect, special, consequential or other losses or damages arising out of erroneous translations. Only the German version shall be deemed authoritative.

PC-Ware Information Technologies AG
Consolidated Fixed Assets Schedule
 as at 31 March 2006

	Acquisition/Manufacturing costs						Balance at 31.03. 2006
	Balance at 01.04. 2005	Additions from initial consoli- dation	Exchange differences	Additions	Disposals	Reclassi- fication	
<i>in €'000</i>							
I. Intangible assets							
1. Programs and licences	884	122	0	61	64	0	1,003
2. Goodwill	13,663	17,478	(109)	0	0	0	31,032
3. Internally generated intangible assets	2,196	0	0	2,449	1,929	0	2,716
4. Other intangible assets	0	71	0	0	0	0	71
	16,743	17,671	(109)	2,510	1,993	0	34,822
II. Property, plant and equipment							
1. Land and buildings	8,760	31	0	13	11	0	8,793
2. Technical equipment and machines	37	0	0	0	0	0	37
3. Other fixtures and fittings, tools and equipment	9,251	1,604	(46)	2,911	454	0	13,266
	18,048	1,635	(46)	2,924	465	0	22,096
III. Financial assets							
1. Investments in affiliated companies	0	0	0	0	0	56	56
2. Investments	101	0	0	0	26	(56)	19
3. Prepayments for investments	31	0	0	37	31	0	37
4. Loans to associated companies	4,000	0	0	0	4,000*	0	0
	4,132	0	0	37	4,057	0	112
Total	38,923	19,306	(155)	5,471	6,515	0	57,030

* Offsetting as part of initial consolidation

<i>Depreciation and amortisation</i>							<i>Net carrying amounts</i>	
<i>Balance at 01.04. 2005</i>	<i>Additions from initial consoli- dation</i>	<i>Exchange differences</i>	<i>Additions</i>	<i>Disposals</i>	<i>Reclassi- fication</i>	<i>Balance at 31.03. 2006</i>	<i>31.03.2006</i>	<i>01.04.2005</i>
800	54	0	104	56	0	902	101	84
665	28	(9)	105	0	0	789	30,243	12,998
1,697	0	0	473	1,929	0	241	2,475	499
0	64	0	7	0	0	71	0	0
3,162	146	(9)	689	1,985	0	2,003	32,819	13,581
1,800	8	0	378	8	0	2,178	6,615	6,960
7	0	0	4	0	0	11	26	30
7,065	1,027	(27)	1,713	394	0	9,384	3,882	2,186
8,872	1,035	(27)	2,095	402	0	11,573	10,523	9,176
0	0	0	0	0	56	56	0	0
56	0	0	0	0	(56)	0	19	45
0	0	0	0	0	0	0	37	31
0	0	0	0	0	0	0	0	4,000
56	0	0	0	0	0	56	56	4,076
12,090	1,181	(36)	2,784	2,387	0	13,632	43,398	26,833

Auditor's Report

We have audited the consolidated financial statements prepared by PC-Ware Information Technologies AG, Leipzig, comprising the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, together with the group management report for the financial year from 1 April 2005 to 31 March 2006. The Management Board of the Company is responsible for preparing the consolidated financial statements and the group management report in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, as well as in compliance with the additional requirements set out in Section 315a (1) of the German Commercial Code (Handelsgesetzbuch – HGB) and the supplementary provisions specified in the articles of association. Based on our audit, our responsibility is to express an opinion on the consolidated financial statements and the group management report.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code and in compliance with generally accepted German auditing standards promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements and contraventions which may have a significant influence on the true and fair view presented by the consolidated financial statements, in compliance with applicable accounting standards, and by the group management report as regards financial position, financial performance and cash flows. The process of defining the audit procedures takes account of knowledge about the business activities and the economic and legal environment of the group, as well as expectations with regard to possible misstatements. An audit includes assessing, on a test basis, the efficacy of the accounting-related internal control system, as well as examining evidence supporting the amounts and disclosures in the consolidated financial statements and group management report. The audit also includes assessing the financial statements of those entities included in consolidation, the delimitation of the consolidated group, the accounting and consolidation principles applied and the significant estimates made by the

Management Board, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

Based on the findings of the audit, we are of the opinion that the consolidated financial statements of PC-Ware Information Technologies AG, Leipzig, comply with IFRS, as adopted by the EU, the additional Commercial Code provisions set out in Section 315a (1) HGB as well as the supplementary provisions specified in the articles of association and give a true and fair view of the state of affairs of the group in terms of its financial position, financial performance and cash flows. The group management report is consistent with the consolidated financial statements, conveys the state of affairs of the group and suitably presents the opportunities and risks associated with the future progression of business.

Leipzig, 19 June 2006

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft



(Reiß)

Wirtschaftsprüfer

(Otter)

Wirtschaftsprüfer

Report of the Supervisory Board

1. In the 2005/06 financial year, the Supervisory Board addressed the full range of issues relating to the Company's state of affairs and future progression. Throughout the financial year under review, the Supervisory Board discharged its responsibilities under legal regulations and the Company's articles of association, advising and monitoring the Management Board in all requisite areas.

In the period under review, the Supervisory Board was regularly kept informed by the Management Board with regard to the state of affairs of the Company and its subsidiaries, as well as all significant issues pertaining to the enhancement of risk management. The Supervisory Board assessed and discussed thoroughly all reports issued by the Management Board as part of its Supervisory Board meetings. All issues requiring approval by the Supervisory Board were analysed and discussed on a case-by-case basis with the Management Board prior to passing a resolution. The Company's commercial state of affairs and the Group's strategic positioning in Germany and abroad were discussed regularly with the Management Board. Against the backdrop of a slight upturn in the German and pan-European economy as well as the recovery of the European IT market, coupled with ongoing market consolidation, the Company succeeded in further bolstering its market position as a domestic and pan-European IT service provider and raising profitability levels.

In the 2005/06 financial year, the Supervisory Board convened a total of five meetings, one of which was held for the purpose of discussing the financial statements and consolidated financial statements for the 2004/05 financial year. Resolutions by the Supervisory Board were passed at board meetings as well as by circulation. In addition, the Chairman of the Supervisory Board obtained information from the Management Board, on a one-to-one basis, as to significant developments and decisions.

2. The main focus of deliberations was on the dynamic yet well-structured growth of the Company, the integration of System-House activities and the diversification of the product portfolio, as well as rapid development of business in the respective areas of operation, which was driven in particular by three corporate acquisitions in Germany and abroad as well as additional cooperation programmes. In particular, extensive discussions were held regarding the three acquisitions of companies or groups in Germany, Austria and Scandinavia, which strengthened the Company's pan-European positioning significantly, particularly in the system-house segment. The Supervisory Board focused heavily on issues relating to the European positioning of the Company and the integration of acquired enterprises, as well as the requisite development of organisational and management structures.

Prior to furnishing its consent to acquisitions, equity investments and cooperation programmes, the Supervisory Board ensured that the requisite management resources and expertise are available to implement the acquisition, that there is a market to absorb such expansion, that they are of financial benefit to PC-WARE AG in the long term, and that the aforementioned transactions are financed, to the largest extent possible, in a manner which does not weaken the Company's equity base.

The Supervisory Board dealt extensively with the Company's subsidiaries in Germany and abroad and their favourable business development; this trend is expected to continue in the 2006/07 financial year, given the substantial increase in foreign sales in relation to total revenue.

Deliberations also included in-depth market and business analyses, as well as focusing on the Company's and Group's financial situation, encompassing earnings performance and cost structures, and their capital expenditure and financial planning. Other focal points included HR development, the timely introduction of a Group-wide ERP system, Company controlling, as well as the initiation and monitoring of measures aimed at identifying risks at an early stage and managing them accordingly.

3. The Supervisory Board assessed the management of the Company on the basis of special reports furnished by the Management Board, which also extended to periods in between Supervisory Board meetings, as well as by studying monthly reports submitted by the Management Board. On a case-by-case basis, the Supervisory Board also allowed qualified experts to inspect the accounts and documents of the Company and its subsidiaries, or it commissioned qualified experts to perform specified auditing tasks, reports on which were subsequently submitted to the Supervisory Board. In addition, the Supervisory Board checked and approved transactions subject to authorisation according to the Management Board's code of practice and ordered additional transactions subject to authorisation insofar as such measures were deemed necessary.

4. One specific issue warranting auditing measures on the part of the Supervisory Board was the adverse performance of swap transactions in the period under review, which had a detrimental effect on the finance result and unappropriated surplus due to the charge associated with the loss from isolated swap transactions; this also necessitated corrections to quarterly reports already published. The Management Board reported on this issue within the framework of ongoing reporting and informed the Chairman of the Supervisory Board on a regular basis.

Within this context, the Supervisory Board requested that reports be furnished by the Management Board and that an audit be conducted by an external appraiser. The Management Board fully complied with this request. Within this context, the Supervisory Board reaffirmed, by way of a resolution, the principle already enshrined in corporate policy that all Company reports and disclosures directed at external recipients or audiences, particularly ad hoc announcements and quarterly reports as well as possible corrigenda, shall only be released subsequent to Supervisory Board approval. Owing to the fact that the above-mentioned losses were fully accounted for at the end of the reporting period and because – as far as the Supervisory Board is aware – there are no other risks associated with derivative financial instruments, and as the Company has extended its risk controlling for derivatives at the Supervisory Board's request, it is assumed that there will be no other detrimental effects on business.

5. The Supervisory Board accorded particular importance to the continued implementation of measures relating to the German Corporate Governance Code in the amended version of 2 June 2005. Pursuant to the provisions of Section 161 of the German Stock Corporation Act (Aktiengesetz – AktG), the Management Board and the Supervisory Board are obliged to issue a Declaration of Conformity. The aforementioned Declaration was issued accordingly. Possible departures from the Recommendations were specified. The document has been made available to the public via the corporate website (www.pc-ware.de).

6. The financial statements and the consolidated financial statements for the 2005/06 financial year were prepared by the Management Board in accordance with HGB and IFRS respectively, the consolidated financial statements being exempt from preparation on the basis of German Commercial Code accounting principles; they were presented to the Supervisory Board together with the management report, the group management report and the proposal of the Management Board regarding the distribution of unappropriated surplus.

The auditor Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft elected by the General Meeting of Shareholders on 25 August 2005, and appointed by the Supervisory Board, audited the financial statements and the management report as well as the consolidated financial statements and the group management report for the 2005/06 financial year, in conjunction with the accounting records, and granted an unqualified

audit opinion. The audit reports were made available to the Supervisory Board. Prior to this, the Management Board was given the opportunity to comment on the report.

Having studied said audit reports, the Supervisory Board examined the financial statements, the management report and the proposal for the distribution of the unappropriated surplus, as well as the consolidated financial statements and the group management report, as prepared by the Management Board. The meeting on 22 June 2006 was attended by the auditors, who presented the significant conclusions of the audit report. Based on its own examination of the audit conducted by the auditor with regard to the financial statements and the consolidated financial statements, the Supervisory Board concurs with the auditor's report.

The Supervisory Board raised no objections upon conclusion of its final examination. The Supervisory Board hereby approves the financial statements and the consolidated financial statements prepared in accordance with IFRS, the latter being exempt from preparation on the basis of German Commercial Code accounting principles. The financial statements are thereby adopted. Furthermore, the Supervisory Board agrees with the proposal for the appropriation of the unappropriated surplus, as put forward by the Management Board.

7. The Chief Financial Officer Dr. Jutta Horezky left the Company effective from 31 March 2006. The Supervisory Board has appointed Dr. Tillmann Blaschke to the Management Board in the position of Chief Financial Officer effective from 1 March 2006.

8. The members of the Supervisory Board would like to take this opportunity to express their gratitude to the customers and shareholders of PC-WARE AG for the trust placed in the Company in the financial year just ended. Furthermore, the Supervisory Board would like to thank and praise all members of staff for their loyalty towards the Company as well as for the expertise and dedication displayed in pursuit of corporate performance and customer satisfaction.

Leipzig, 24 June 2006

Dr. jur. Wolfgang Vehse
Chairman of the Supervisory Board

Key Figures

<i>in € million</i>	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
Sales revenue	167.2	356.9	464.4	404.5	503.9	593.9
Sales revenue incl. direct Enterprise Agreements	167.2	356.9	464.4	440.0	564.4	703.9
Gross profit	17.8	33.7	50.9	50.1	61.9	77.8
– Gross profit margin in %	10.6	9.4	11.0	12.4	12.3	13.1
EBITDA	2.6	8.8	11.1	6.0	9.9	12.4
– EBITDA margin in %	1.6	2.5	2.4	1.5	2.0	2.1
EBIT	1.1	4.8	6.3	1.8	6.9	9.6
– EBIT margin in %	0.7	1.4	1.4	0.4	1.4	1.6
EBT	2.2	5.9	7.4	3.5	8.2	7.7
Consolidated net profit	0.9	3.1	4.1	1.7	4.4	5.1
Profit margin in %	0.5	0.9	0.9	0.4	0.9	0.9
Cash flow from operating activities	(10.9)	3.5	36.9	(15.5)	8.6	14.5
Cash flow from investing activities	(6.0)	(1.5)	(12.9)	(4.0)	(4.2)	(8.9)
Cash flow from financing activities	41.3	(2.1)	3.4	(3.0)	(2.8)	0.6
Investments	5.0	1.7	1.5	3.6	1.7	5.4
Depreciation	1.5	4.0	4.7	4.2	3.0	2.8
Free cash flow	(15.9)	1.6	35.0	(19.6)	6.1	9.1
Current assets	19.9	18.9	24.4	23.8	26.8	43.4
Non-current assets	80.0	86.2	126.2	101.0	110.4	142.4
Shareholders' equity	51.4	54.4	58.2	58.0	62.0	63.2
– Return on equity in %	50.8	49.0	37.6	45.2	44.5	33.2
Total assets	101.1	111.1	154.7	128.3	139.2	190.5
Capital employed	25.6	30.3	24.4	34.9	41.4	50.2
Return on equity in %	1.8	5.8	6.7	2.6	7.7	8.2
Return on total capital employed in %	2.2	5.5	5.1	3.1	6.5	4.0
ROCE in %	–	–	–	5.7	16.8	19.2
Earnings per share in €	0.15	0.52	0.69	0.28	0.72	0.84
Dividend per share in €	0.06	0.27	0.30	0.30	0.40	0.50
Share price at end of FY in €	9.48	9.90	6.35	9.10	9.15	16.14
Dividend yield in €	0.6	2.7	4.5	3.3	4.4	3.10
Dividend distribution	0.4	1.6	1.8	1.8	2.4	3.06
Number of shares	6,000,000	6,075,000	6,075,000	6,075,000	6,124,335	6,124,335
Market capitalisation	56.9	60.1	38.6	55.3	56.1	98.9
Employees (<i>number</i>)	403	391	583	608	698	891
Staff costs	9.7	16.8	25.6	30.4	35.6	47.2

Financial Calendar

30 June 2006

*Annual results press conference/analyst conference, Frankfurt/M.
Publication results of FY 2005/06*

30 August 2006

Publication results of Q1 2006/07

14 September 2006

Annual General Meeting of Shareholders, Leipzig

27 November 2006

Publication results of HY 2006/07

27–29 November 2006

Analyst conference at Equity Forum, Frankfurt/M.

28 February 2007

Publication results of 9M 2006/07

Editor

**PC-Ware Information
Technologies AG**

Blochstrasse 1

04329 Leipzig, Germany

www.pc-ware.de

Phone +49 (0)341 25 68-000

Fax +49 (0)341 25 68-999

office.leipzig@pc-ware.de

Investor Relations

Dr. Ingmar Ackermann

Phone +49 (0)341 25 68-148

Fax +49 (0)341 25 68-876

investor.relations@pc-ware.de

Concept, Text & Design

Impacct Communication GmbH
Hamburg, Germany

www.impacct.de