SAFETY AND POWER FOR COAL MINES

HANSEN SICHERHEITSTECHNIK AG
2005 ANNUAL REPORT

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Safety and Power

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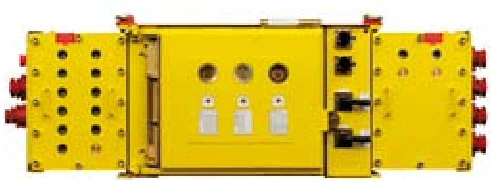
HANSEN PRODUCES EXPLOSION-PROOF ELECTRICAL SYSTEMS FOR COAL MINES.

Methane gas and coal dust create a permanent danger of explosions in underground coal mines. Hansen supplies mining machinery with electrical energy, without dangerous sparks. As a result, international mining companies benefit from German technology to make their mines safer and more productive.



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Key Figures

Hansen Group at a Glance

All Figures in tEUR (thousands of Euro)	2005	2004	Change
Sales revenues	43,923.1	27,749.0	+58.3%
Sales Outside Germany in %	82.8%	83.4%	
Material Expense	21,709.2	13,306.1	+63.2%
in % of Revenue	49.4%	48.0%	
Personnel Expense	9,479.7	6,248.9	+51.7%
in % of Revenue	21.6%	22.5%	
Other Operating Expenses	3,998.8	3,293.8	+21.4%
in % of Revenue	9.1%	11.9%	
EBITDA	9,937.8	6,124.5	+62.3%
in % of Revenue	22.6%	22.1%	
EBIT	9,387.2	5,728.9	+63.9%
in % of Revenue	21.4%	20.7%	
Net Income	6,957.00	4,339.5	+60.3%
in % of Revenue	15.8%	15.6%	
Hansen AG Stockholders' Portion of Net Income	4,768.2	3,010.5	+58.4%
in % of Revenue	10.8%	10.8%	
Other Shareholders' Portion of Net Income	2,188.8	1,329.0	+64.7%
in % of Revenue	5.0%	4.8%	
Earnings per Share in EUR	4.24	2.68	+58.2%
Cash Flows from Operating Activities	5,493.9	3,623.1	+51.6%
Balance Sheet Total	34,440.9	22,552.0	+52.7%
Equity	21,468.90	14,565.40	+47.4%
in % of balance sheet total	62.3%	64.6%	
Working Capital[1]	13,070.7	8,343.1	+56.7%
Number of Employees (Year's Average)	393	331	+18.7%
Revenue per Employee	111.8	83.8	+33.4%
Dividend Proposed for the 2005 Financial Year			EUR 1.00 per share[2]

[1] Sum of inventories and receivables due from customers, less payables due to suppliers
[2] Subject to approval by AGM

Safety and Power for Coal Mines

MESSAGE FROM THE CEO

Christian Dreyer
Management Board/
CEO

Dear shareholders,

I can still remember the days of the New Economy, when our explosion-proof electrical products for coal mines were frequently looked down upon. Yet there is more intelligence in our systems than in most web applications. We manage and supply high-output electrical industrial systems which operate as deep as 1500 metres underground through layers of the black gold. And we can actually monitor our operations world-wide via the Internet – that is how the Internet has also made mining transparent.

Not only the Internet, but mostly the world-wide boom in raw materials has helped spur Hansen Group's powerful growth and profitability in the last few years. Fifteen years ago, when I took over operations from the founder Lars Hansen – I was 28 at the time – we had 35 employees and generated EUR 4.5 million of sales, almost 100 % of that with the German coal mines of Ruhrkohle AG. Today we are 10 times bigger in both sales and people, which corresponds to an annual average growth rate of over 15 %. At the same time less than 10 % of our business today comes from the declining German mining market.

The year 2005 was another extraordinarily good year. For the second year in a row we were able to grow sales by over 50 % and nearly double earnings. If the price of crude oil is considered an indicator of the energy segment, our customer market will not lose much steam anytime soon. Actually the international coal mining segment has been growing at an average rate of 2-3 % annually since 1950; it is currently growing at a much faster rate, however. The decline in Germany is immaterial considering it has less than 1 % share of the world mining volume.

Despite the outstanding market conditions, the growth we have realised thus far is not attainable every year. We expect to consolidate our business this year at a high level with slightly less sales than in 2005. Our earnings will be further diminished by non-recurring special charges from reducing overly expensive production capacity in Germany.

We do consider the mid-term prospects to be favourable and would like to maintain our pattern of growth. This is why we are presently exploring options in China, the largest coal producer in the world. In addition to the opportunities, we are simultaneously aware of the threats of this type of expansion, because China is known as one of the most difficult markets to conquer for German tech companies. In order to do so we will need the stock market as a source of capital, and our own stock as a currency for acquisitions. Because entry barriers are high in special markets such as ours, we hope to attain market presence through acquisitions. Bringing German technology and business methods to the table is the key to success. We have already delivered lasting proof of this strategy in Poland, the Czech Republic, South Africa, and Russia.

Accordingly, our successful listing in 2006 was a logical step in the Company's 37-year old history to provide us with the necessary flexibility to raise capital and pursue our expansion plans.

I am proud to extend my thanks on one hand to our partners and employees, who are making the lives and work of miners more safe and productive every day world wide, and on the other hand to you, our new shareholders, who we are addressing with this first edition of a public annual report. I thank you for your confidence and hope that Hansen will continue to earn your trust in the future.

Yours,

Christian Dreyer

Corporate Bodies

Andreas Pallauf
Supervisory Board

Jürgen Tonn
Chairman of the Supervisory Board

Christian Dreyer
Management Board/CEO

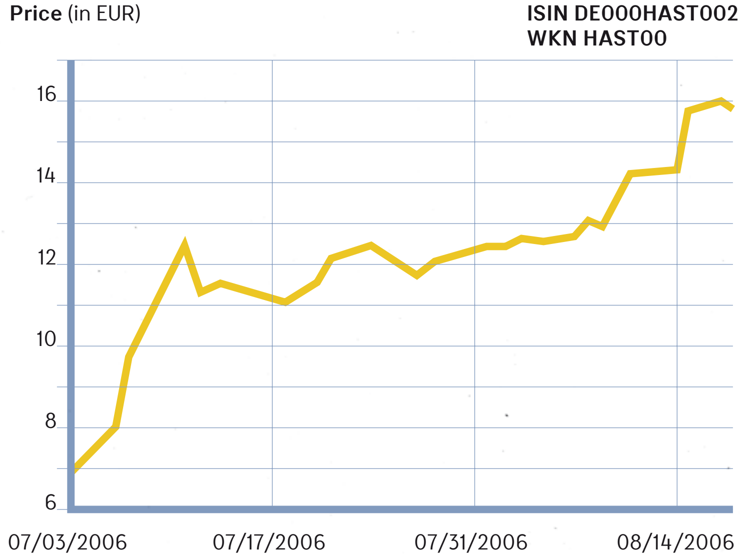
Christian Nimmervoll
Vice-Chairman of the Supervisory Board

The Share

Our shares have been traded in the over-the-counter market of the Frankfurt Stock Exchange since July 3, 2006.

The issue price was EUR 6.50. Until end of July the share price rose to about EUR 12.00, and stood at about EUR 16.00 at the end of August 2006.

We are pleased by this token of confidence from our investors reflected in the growth of our share price and would like to thank our investors for their support.



The purpose of the initial public offering was not to raise capital, because the Group is already at a net debt-free position, and accordingly has less bank debt than bank balances.

The listing was rather a preparation for a future possibilities to raise capital and build a relationship of trust with certain selected investors. Our goal is to continue to push internal and external growth. There are market opportunities for security-relevant outfitters in the mining industry – also from acquisitions. We want to and will take advantage of such favourable opportunities as they become available.

2005 Consolidated Financial Statements

HANSEN SICHERHEITSTECHNIK AG

Group Management's Report

1. BUSINESS AND BUSINESS CONDITIONS

The roughly 400 employees of Hansen Group develop and manufacture explosion-proof electrical systems for the mining industry – particularly for underground coal mining operations – and in doing so also provide engineering, service and repair services.

Although coal mining – which one must imagine today to be a highly automated industrial process – has been on the decline in Western Europe for the last 50 years due to geologically disadvantaged reserves, it is continuously expanding in other regions in the world. Coal is one of the cheapest and major sources of energy with long-term reserves (next to crude oil and natural gas), and is indispensable for making steel. Particularly in the last 3 years 2003-05 – due to the energy and steel demand of China and other threshold countries – there has been a strongly growing demand for coal. Considering the high price levels for crude oil, the markets do not expect demand to flatten out in the medium term.

The danger of methane outbursts is omnipresent in underground coal mines. Methane is highly explosive and is ignited by fire and flying sparks. Since most mining equipment such as excavators, conveyors, pumps, fans etc. are electrically powered, explosion protection is necessary. Hansen Group makes use of its specific mining related experience, as well as Germany's quality and technology image to manufacture high-quality products in low-wage countries, and to market them under the Hansen brand.

Our range of products comprises mainly explosion-proof

- **>> Switchgear (compact stations, power switches) 500 V to 3.3 kV**
- **>> Thyristor-soft starters 500 V to 3.3 kV for motors up to 400 A**
- **>> Dry type transformers up to 4 MVA**
- **>> Medium high voltage switches up to 11 kV**
- **>> Monitor and process control systems incl. communications and emergency stop systems**

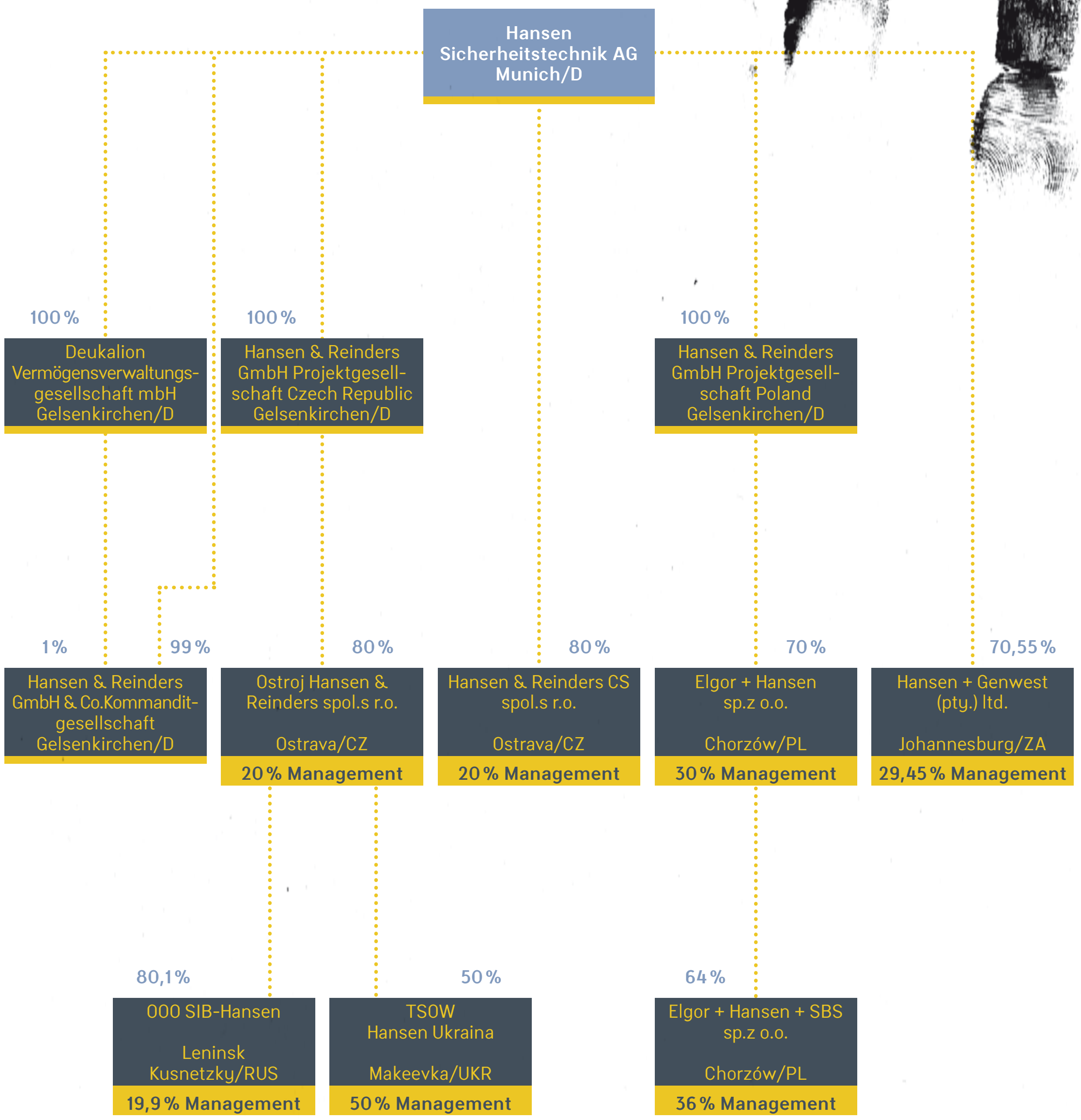
Hansen Sicherheitstechnik AG ("Hansen AG") is the holding company of Hansen Group. We currently have manufacturing companies in Germany, Poland, the Czech Republic, and South Africa.

Hansen AG always likes to involve local managers by giving them a share of the equity or income of the subsidiary companies, to motivate and increase the responsibility of management at the local level. Local co-shareholders are granted complete operating decision-making authority within the Group strategy; they can also leverage the Group's technical knowledge where necessary. These motivated co-shareholders, who regularly maintain good contacts to local customers, sell directly to the mines or mine operators.

Step-by-step since 1991 we have concentrated geographically on the Czech Republic, Poland, Russia and South Africa – due to the decreasing mining activity in Germany. In addition, we export – in part through partnerships with machinery and system manufacturers – explosion-proof electrical systems to mines in Kazakhstan, the Ukraine, Bosnia, Spain, Slovenia and Mexico. We are actively monitoring additional major coal-producing countries such as China, India, the USA and Australia. About our markets in detail:

In Western Europe we endeavour to use our well-established position in the shrinking German domestic market to provide our German team of experts as the source of expertise for the whole group of companies, and to offer technological services for all participants in a cost-effective manner. The German plant's sales growth of over 70 % compared to 2004 was made possible by winning Russia projects together with German mechanical engineering partners. Despite this, the German plant was not able to meet our earnings target due to high costs

In Central and Eastern Europe, Hansen Group endeavours to defend its position as market leader in the important mining country Poland and, by constantly pushing further technical innovations – particularly of equipment for medium and high voltage levels, and of electronically managed variable speed drives to further extend current sales. The increase in sales of more than 50 % and the favourable earnings position are due to



the growth in the market as well as our Polish team's momentum. In the Czech Republic, we assume that mining activities will continue to decline, so that the production capacity there has already been successfully oriented towards Russia and the CIS, so that the Czech plant was able to increase sales by over one-third and its earnings were very encouraging.

We want to further extend our – in the meantime very strong – Russian position into Eastern Europe and Asia. With our new investment in TSOW "Hansen Ukraina" we want to take the initiative in the Ukraine as soon as the political situation will appear to be stable enough. We are also supplying other selected CIS states with smaller mining industries such as Kazakhstan or

Belarus on a project basis, but without fixed business premises. We founded the 100 % subsidiary "Hansen China Ltd." in China in 2006; we are reserving up to 20 % of the shares for the local management to invest in. Due to the low technical and price levels it is still unclear, if and when we will enter the Indian market.

We want to further extend our market position in South Africa, which is already a strong one as well. In 2004 a local black investor made a 29.45 % investment in Hansen + Genwest (pty.) ltd., through which we hope to have better access to public projects. In a market environment that was rather more friendly compared to 2004, we were able to increase sales by 36 % and achieve decidedly positive earnings.

Our competitive advantage is based on the four columns of special expertise, licenses, established customer bases and cross-border cooperation:

>> Our employees in project management and development know the demands on electrical engineering in coal mines and are able to recognise and implement the requirements of mining customers concerning the definition and size of electrical and electronic systems. It is difficult for those outside this industry to acquire this special expertise.

>> Having permits for explosion safety in accordance with international explosion safety standards and licenses from local mining regulatory authorities is the second column.

>> Thirdly, we have created an established customer base. Hansen Group – in part through acquired predecessor firms – has maintained a presence in local mines for up to 50 years and has delivered equipment with a cumulated value of over EUR 100 mill. The mines which employ our equipment tend to prefer the trusted manufacturer when placing new orders. The high sense of responsibility of our local shareholding managers contributes strongly to the trust bonus.

>> The local business units cooperate with each other, by communicating bilaterally with each other on joint developments or on manufacturing agreements. This cooperation is based generally on voluntary agreements as between third parties, but we do hold conferences and meetings on certain topics at regular intervals. We further offer development projects and other strategic issues – some of which deal with topics above and beyond normal business – which are of importance on a group-wide level, particularly entering new markets, developing new products, or addressing cost savings through joint purchasing or manufacturing.

Hansen Group performs basic research only in a limited scope. On the whole we concentrate on project management and development of electrical systems based on customer requirements from customer orders.

2. FINANCIAL AFFAIRS

Financial Position

	12/31/2005		12/31/2004	
ASSETS	tEUR	%	tEUR	%
Non-current assets				
Intangible assets	4,284.2	12.4	4,320.7	19.2
Property, plant and equipment	3,923.5	11.4	2,999.2	13.3
Financial assets	8.5	0.0	0.0	0.0
	8,216.2	**23.8**	**7,319.9**	**32.5**
Other receivables and assets	88.8	0.3	0.0	0.0
Deferred income taxes	509.5	1.5	365.4	1.6
Long-term assets	**8,814.5**	**25.6**	**7,685.3**	**34.1**
Inventories	6,953.7	20.2	5,540.9	24.6
Trade accounts receivable	9,575.9	27.8	5,500.0	24.4
Other receivables and assets	434.3	1.3	459.2	2.0
Current income tax assets	533.4	1.5	433.4	1.9
Cash and cash equivalents	8,129.1	23.6	2,933.2	13.0
Short-term assets	**25,626.4**	**74.4**	**14,866.7**	**65.9**
	34,440.9	**100.0**	**22,552.0**	**100.0**

SHAREHOLDERS' EQUITY AND LIABILITIES				
Subscribed capital	1,125.0	3.3	46.0	0.2
Reserves	14,863.5	43.2	10,571.8	46.9
Unappropriated retained earnings	1,311.7	3.8	1,246.1	5.5
Majority shareholders' share of equity of Hansen Sicherheitstechnik AG	**17,300.2**	**50.3**	**11,863.9**	**52.6**
Minority interests	4,168.7	12.1	2,701.5	12.0
Shareholders' equity	**21,468.9**	**62.4**	**14,565.4**	**64.6**
Pension provision	267.9	0.8	91.8	0.4
Provisions for deferred taxes	70.4	0.2	68.5	0.3
Long-term liabilities	921.8	2.7	430.9	1.9
Long-term provisions and liabilities	**1,260.1**	**3.7**	**591.2**	**2.6**
Short-term provisions	2,162.4	6.3	1,114.8	4.9
Debt	3,299.4	9,6	1,985.7	8.8
Trade accounts payable	3,458.9	10.0	2,697.8	12.0
Other liabilities	2,791.2	8.0	1,597.1	7.1
Short-term provisions and liabilities	**11,711.9**	**33.9**	**7,395.4**	**32.8**
	34,440.9	**100.0**	**22,552.0**	**100.0**

The intangible assets changed only slightly. Goodwill is materially the only intangible asset reported. Goodwill is no longer amortised after 2004 in accordance with IRFS 3 and is subjected to an impairment test annually. In view of the positive earnings position, particularly in the foreign operating companies, and forecasts for 2006, no amortisation of goodwill was necessary.

The balance of property, plant and equipment in 2005 was tEUR 924.3 (tEUR=thousands of Euro) over the year 2004. This was caused by the investments made for buildings (OHR, E+H), and for technical equipment and machinery. In 2005, we invested tEUR 1,633.8 (2004: tEUR 1,424.2) in property, plant and equipment.

The shares of the unconsolidated companies Hansen + Reinders Trading spol.s r.o. in the Czech Republic and of TSOW "Hansen Ukraina" are reported under financial assets.

The long-term other receivables and assets result from financial lease contracts which are due within one and five years.

Inventories increased by tEUR 1,412.8 from December 31, 2004 to December 31, 2005 given the strong demand for Hansen Group's products. Corresponding to the increase in sales, trade receivables also increased by tEUR 4,075.9

The short-term other receivables and assets decreased immaterially by tEUR 24.9. They consist mainly of deferrals and other taxes. Among the deferrals as of December 31, 2005 are deferred costs from Hansen AG's increase in capital for 2006 in the amount of tEUR 73.8, which will be offset against the premium from the capital increase in 2006.

Cash increased by tEUR 5,195.9. Debt within the group rose by tEUR 1,804.6. Hansen Group's unused lines of credit as of the balance sheet date are tEUR 1,379.4 (2004: tEUR 1,065.9). See the cash flow statement for changes in cash.

The issued capital of EUR 1,125,000.00 consists of 1,125,000 bearer shares with a prorated share of issued capital of EUR 1.00 per share. In accordance with the articles of association, each bearer share has one vote in the annual general meeting. We do not plan on limiting any voting rights. The sole shareholder as of December 31, 2005 was Hansen Beteiligungs GmbH, Salzburg/Austria.

The increase in issued capital by tEUR 1,079.0 compared to 2004 is the result of an increase in capital from company funds.

See the statement of changes in shareholders' equity for changes in equity. The amounts capable of being distributed as dividends to Hansen shareholders are recorded in retained earnings

Due to the very favourable earnings position, minority interests increased from tEUR 916.0 by tEUR 1,467.2 after dividend distributions.

The increase in the pension provision of tEUR 176.1 in 2005 is in connection with a pension granted to the sole member of the Hansen AG Management Board. We have taken out insurance to finance the pension later, which has been pledged to the Management Board member to secure his pension claim if Hansen AG were to go out of business. The insurance claims in Hansen AG's balance sheet in accordance with German accounting standards have been offset with the pension provision in accordance with IAS.

The trade payables are exclusively due to third parties and increased by tEUR 761.1 over 2004. The other liabilities also increased by tEUR 1,194.0, particularly due to higher tax liabilities.

Earnings Position

	2005		2004	
	tEUR	%	tEUR	%
Sales	**43,923.1**	**99.2**	**27,749.0**	**97.9**
Change in inventories and own work capitalised	355.7	0.8	596.4	2.1
Total output	**44,278.8**	**100.0**	**28,345.4**	**100.0**
Other operating income	846.7	1.9	627.9	2.2
Material expenses	-21,709,2	-49.0	-13,306.1	-46.9
Personnel expenses	-9,479.7	-21.4	-6,248.9	-22.0
Depreciation	-550.6	-1.2	-395.6	-1.4
Other operating expenses	-3,998.8	-9.0	-3,293.8	-11.6
Net financial expense	-189.3	-0.4	-147.7	-0.5
Income before income taxes	**9,197.9**	**20.9**	**5,581.2**	**19.8**
Income taxes	-2,240.9	-5.1	-1,241.7	-4.4
Consolidated net income	**6,957.0**	**15.8**	**4,339.5**	**15.4**
EBITDA	**9,937.8**		**6,124.5**	
EBIT	**9,387.2**		**5,728.9**	

In 2005 we were able to increase consolidated net income by 60.3 % and by tEUR 2,617.5 to tEUR 6,957.0. E+H with tEUR 5,138.0 and OHR with tEUR 2,232.4 were the main contributors to earnings. Third parties hold shares of both companies with 30 % (E+H) and with 20 % (OHR), which explains the high share of minority interests in earnings.

Sales increased by 58.3 % to tEUR 43,923.1. The increase in material expenses in relation to total output is due to the reinforced purchase of merchandise, for which the margins are lower, respectively.

Personnel expenses increased particularly due to the growth in the number of employees and higher bonuses for 2005, but they decreased immaterially in relation to total output

The increase in depreciation mainly is the result of the further investment activity in property, plant and equipment.

Other operating expenses decreased by 2.6 % points in relation to total output. See the schedule breaking down expenses by type in the notes to the consolidated financial statements.

Net financial expense worsened by tEUR 41.6, also caused by the exchange rate differences from consolidation measures which were recorded there.

Current taxes and deferred taxes are included in income taxes. The increase is particularly due to the increase in earnings

3. SIGNIFICANT SUBSEQUENT EVENTS *(SUBSEQUENT REPORT)*

On January 16, 2006 the general meeting passed the resolution to increase capital from tEUR 1,125 to tEUR 1,250 through issue of 125,000 new shares. Hansen AG received tEUR 812.5 from the increase in capital before the costs of issue.

On June 8, 2006 "Hansen China ltd.", Peking (China) was registered, Hansen AG currently still holds all of the shares. The company was incorporated with tEUR 160 capital. The office space has about 80 square metres and lies in the centre of Peking. Hansen China ltd. has two employees, the Statutory Manager Mr. Jin Yun and a financial accountant. The company is currently concentrating on the purchase of components at favourable prices for Hansen Group.

On July 3, 2006 trading began with shares of Hansen Sicherheitstechnik AG on the over-the-counter market at the Frankfurt Stock Exchange. The initial price was EUR 6.50; in the first month it moved between EUR 10.00 and EUR 12.00.

Although H+R was able to generate positive earnings in 2005, new orders and sales since the beginning of 2006 have taken an unexpectedly sharp decline. For one reason, discussions on extending subsidies for German coal mines returned to the political scene, causing a nearly complete stop of domestic orders; on the other hand no projects have yet been acquired for 2006 in the export market Russia, something we did not expect. We are therefore considering various restructuring models. We do have the financial means to do so, we did not accrue any provisions as of the balance sheet date, however.

4. INTERDEPENDENCE REPORT

In accordance with Sec. 312 Aktiengesetz (Stock Corporation Act), the Management Board of Hansen AG has prepared a report on relationships to affiliated companies for the 2005 financial year (Interdependence Report), which concludes with the following statement: "The Company has received appropriate consideration for every legal transaction and was not disadvantaged by taking or not taking the measures for every legal transaction and measure stated in the report on relations to affiliated companies in accordance with the circumstances known at the time when the legal transactions were executed."

5. RISK REPORT

In 2005, Hansen AG used and further developed the risk control system which it created in-house. Risks are recorded and evaluated for the Management Board in the risk management manual. This system has various systems for early recognition and handling of risks. The central components of the system are particularly the controlling system. Through near-real-time reporting during the financial year, the controlling department informs the Management Board at regular intervals as well as ad hoc on identified risks and deviations from the actual and the forecasted course of business at Hansen AG and its subsidiaries. In this way countermeasures for defeating a risk can be taken early on. The risk management system is employed group-wide so that an effective monitoring instrument is also available for the newly-added companies. Hansen Group has the following main risks

Product and market risks

Hansen Group's product market – coal mining – is a tight market segment and strongly dependent on the world market demand for raw materials and energy, particularly for coal. Demand for steel and steel prices are also important as determinants of coal demand. A levelling-out of the current world-wide raw material boom, particularly the demand for steel and coal, would have a negative impact on the demand for Hansen products because mines in all markets world-wide would not invest as heavily as is currently the case because of the decreased production.

The manufacture of electrical equipment for international sale is hardly cost-effective in Germany, so that the German Hansen plant with about 50 employees is dependent on orders from German mines. German hard coal mines, consolidated in the DSK – Deutsche Steinkohle AG – have reduced their orders to the German Hansen plant for repairs and new equipment faster than expected, which is causing us to reduce our capacity more quickly and more expensively than we anticipated at the beginning of the year.

Operating risks

Hansen Group's electrical systems are implemented in coal mines, where – particularly in Russia and China – accidents often occur (accident risk). If Hansen's systems are brought into a direct relationship with such accidents, Hansen Group could be sued for heavy damages, against the which Hansen Group has not insured itself due to the difficulty of calculating the risk; this could lead to high follow-on costs. Such an occurrence could also undermine customers' trust in Hansen Group's products and lead to lower sales.

Political, legal and cultural risks

Any political instability in China, as the largest consumer of coal in the world, would put a damper on the demand for coal and may cause raw material prices to sink, with negative effects on mines and their demand for Hansen products.

Any political instability in Russia, currently the second largest customer of Hansen products, would probably have a negative impact on Russian mines and their demand for Hansen products.

Any worsening of the relations between the European Union and the Russian Federation would probably have negative effects on Russian mines' demand for Hansen products.

Other risks

All of Hansen Sicherheitstechnik AG's tax assessments since 1999 can still be changed – particularly in the case of a tax audit (tax risk). In particular, the investment Hansen & Reinders GmbH & Co. KG has filed a lawsuit at the Muenster Tax Court on the recognition of a company law structuring from 1996/1997, which was classified as an abusive structuring by the tax audit. If we lose this case, back taxes (including the solidarity surcharge and interest) of a total of about 750 tEUR will be due, and our loss carry forwards will be lowered. Hansen has not evaluated the risk as high enough to accrue a provision for it.

Finally we note once again that the sole member of the Management Board Christian Dreyer, as managing shareholder, also controls the main shareholder of the AG, the Hansen Beteiligungs GmbH, Salzburg. It cannot be completely ruled out that conflicts between his interests as Management Board and his interests as shareholder could arise.

6. FORECAST REPORT

We assume, despite the risks mentioned above, that sales and earnings of the Hansen Group will be able to continue to develop positively in the medium term, assuming the basic business policy will remain the same.

Our internal target is an average sales growth rate of 15% annually, which would have sales double every 5 years. We were able to meet this target in the last 15 years since 1990 (sales of Euro 4.5 mill.) – and it is our ambition to continue to do so in the future.

For the current year we have initially budgeted roughly 25% less sales and about 40% less earnings, because we have registered a short-term cool-down in our core countries Poland and Russia after the disproportionately strong 2005 year. Accordingly, the Polish mines want to avoid "overinvestment during the boom" and have announced that they will cut their purchasing budget by 50% across the board; we believe, however, that this cannot actually be implemented. In Russia, a large amount of coal is piled up and the possibility of exporting it – despite the demand in the world market – is restricted due to the long distances from the main coal area Kusbass to the ocean, so that coal sales with the current level of Russian domestic demand is limited, on the other hand Russia has a good growth outlook, not just due to the strong steel industry.

Particularly in the second Quarter of the current financial year we saw strong recovery effects in sales and earnings in all countries. As a result, consolidated sales are about 13% and consolidated earnings are even about 42% above budget.

Therefore we are hoping for strong growth again in 2007 of about 15% in sales and earnings and we also see opportunities for further growth in the mid-term. In doing so we assume the following developments in the economies of the countries in which we are already present (relating to coal mining): In Poland, Russia and South Africa there are substantial growth perspectives, in Germany and the Czech Republic we see a continued reduction in production volumes.

We consider additional major sales growth to only be possible by entering new countries and acquiring competitors. The major reason for the initial public offering stems from Hansen Group's acquisition ambitions. Just as we have laid the groundwork for our continuous growth by taking over established firms (Czech Republic, South Africa) or highly promising entrepreneurial teams (Poland) in the past, in the future we will especially keep an eye on the strong coal mining countries China, India, USA and Australia.

On the technical side, we expect continued increasing demands on the performance of our electrical systems. Customers are demanding ever higher operating voltages for increasing engine powers. In addition we expect increasingly broader use of electronically managed variable speed drives (frequency converters, thyristor soft starters) and increasing demands for process monitor and control, particularly regarding information about operating and error conditions, among other demands.

Our production and purchasing strategy is aimed towards a manageable level of vertical integration in production and an optimal cost structure. We try to limit ourselves to development and assembly; we only manufacture parts where we cannot find a competent external supplier or where it concerns know-how-intensive core components, such as explosion-proof enclosures or vacuum contactors. We assemble as much as possible in countries with favourable wage costs, like the Czech Republic and Poland; in high-wage countries such as Germany we will concentrate more and more on engineering and continue to reduce production capacity in the future. At the same time we assume that we will need additional cash to carry out these capacity reductions.

We do not plan any major investments at this time. Since our typical electrical assembly is labour-intensive, not machinery-intensive, we just add on to existing buildings and production machinery, which can be financed out of current cash flow.

In the future, our dividend policy will be aimed at distributing an annual dividend in the amount of roughly 25–50% of annual net income after taxes provided there are no attractive alternatives such as acquisitions or expansion projects.

C. Dreyer

Munich, August 17, 2006
Hansen Sicherheitstechnik AG
Christian Dreyer
Management Board / CEO

Consolidated Income Statement

HANSEN SICHERHEITSTECHNIK AG
FOR THE YEAR ENDED 12/31/2005

	Note	1/1–12/31	adjusted 1/1–12/31	1/1–12/31
		2005	2004	2004
		tEUR	tEUR	tEUR
Sales	**1**	**43,923.1**	**27,749.0**	**28,010.0**
Other income	2	846.7	627.9	359.0
Change in goods inventory and other own work capitalised	3	355.7	596.4	0.0
Material expenses	4	-21,709.2	-13,306.1	-13,360.0
Personnel expenses	5	-9,479.7	-6,248.9	-5,856.0
Depreciation	6	-550.6	-395.6	-514.0
Other operating expenses	7	-3,998.8	-3,293.8	-2,959.0
Net financial expense	8	-189.3	-147.7	-180.0
Income before taxes		**9,197.9**	**5,581.2**	**5,500.0**
Taxes on income and earnings	9	-2,240.9	-1,241.7	-1,340.0
Consolidated net income		**6,957.0**	**4,339.5**	**4,160.0**
Hansen AG stockholders' portion of net income		4,768.2	3,010.5	2,852.0
Minority shareholders' portion of net income	10	2,188.8	1,329.0	1,308.0
Consolidated net income		**6,957.0**	**4,339.5**	**4,160.0**
		EUR	EUR	EUR
Undiluted earnings per share	11	4.24	2.68	2.54
Diluted earnings per share	11	4.24	2.68	2.54
Shares (number)	11	1,125,000	1,125,000	1,125,000

Consolidated Balance Sheet

HANSEN SICHERHEITSTECHNIK AG AS OF 12/31/2005

	Note	12/31/2005	12/31/2005	12/31/2004	12/31/2004
ASSETS		tEUR	tEUR	tEUR	tEUR
Goodwill	13	4,065.9		4,284.7	
Other intangible assets	14	218.3		36.0	
Property, plant and equipment	15	3,923.5		2,999.2	
Financial assets	16	8.5		0.0	
Non-current assets	12		**8,216.2**		**7,319.9**
Other receivables and assets	17	88.8		0.0	
Deferred income tax assets	21	509.5		365.4	
Long-term receivables and assets			**598.3**		**365.4**
Long-term assets			**8,814.5**		**7,685.3**
Inventories	18		**6,953.7**		**5,540.9**
Trade accounts receivable	19	9,575.9		5,500.0	
Other receivables and assets	20	434.3		459.2	
Current income tax assets	21	533.4		433.4	
Short-term receivables			**10,543.6**		**6,392.6**
Cash and cash equivalents	22		**8,129.1**		**2,933.2**
Short-term assets			**25,626.4**		**14,866.7**
			34,440.9		**22,552.0**

SHAREHOLDERS' EQUITY AND LIABILITIES	Note	12/31/2005	12/31/2005	12/31/2004	12/31/2004
		tEUR	tEUR	tEUR	tEUR
Issued capital	23	1,125.0		46.0	
Reserves	24	14,863.5		10,571.8	
Unappropriated retained earnings	25	1,311.7		1,246.1	
Hansen AG stockholders' portion of equity			**17,300.2**		**11,863.9**
Minority shareholders portion of equity	26		**4,168.7**		**2,701.5**
Total equity			**21,468.9**		**14,565.4**
Pension provisions	27/28	267.9		91.8	
Deferred income tax provisions	28	70.4		68.5	
Long-term provisions			**338.3**		**160.3**
Debt	29	921.8		430.9	
Long-term liabilities			**921.8**		**430.9**
Long-term provisions and liabilities			**1,260.1**		**591.2**
Current income tax provisions	28	810.2		527.6	
Other provisions	28	1,352.2		587.2	
Short-term provisions			**2,162.4**		**1,114.8**
Debt	29	3,299.4		1,985.7	
Trade accounts payable	30	3,458.9		2,697.8	
Other liabilities	31	2,791.2		1,597.1	
Current liabilities			**9,549.5**		**6,280.6**
Short-term provisions and liabilities			**11,711.9**		**7,395.4**
			34,440.9		**22,552.0**

Statement of Changes in Shareholders' Equity

	Issued capital	Capital reserves
	tEUR	tEUR
Balance on January 1, 2004	**46.0**	**9,361.8**
Currency translation	0.0	0.0
Change in composition of consolidated companies	0.0	0.0
Dividends of subsidiaries paid to minority interests	0.0	0.0
2004 consolidated net income	0.0	0.0
Withdrawal from capital reserves	0.0	-9,361.8
Appropriation to retained earnings	0.0	0.0
Balance on December 31, 2004	**46.0**	**0.0**
Currency translation	0.0	0.0
Dividends of subsidiaries paid to minority interests	0.0	0.0
2005 consolidated net income	0.0	0.0
Capital increase out of company funds	1,079.0	0.0
Appropriation to retained earnings	0.0	0.0
Balance on December 31, 2005	**1,125.0**	**0.0**

Revenue reserves	Differences from currency translation	Total reserves	Unappropriated Retained earnings	Sicherheitstechnik AG stockholders' portion of equity	shareholders' portion of equity	shareholders' equity
tEUR	tEUR	tEUR	tEUR	tEUR	tEUR	tEUR
7,689.2	**-701.2**	**16,349.8**	**-8,118.3**	**8,277.5**	**1,142.3**	**9,419.8**
366.5	305.3	671.8	0.0	671.8	218.5	890.3
-95.9	0.0	-95.9	0.0	-95.9	204.8	108.9
0.0	0.0	0.0	0.0	0.0	-193.1	-193.1
0.0	0.0	0.0	3,010.5	3,010.5	1,329.0	4,339.5
0.0	0.0	-9,361.8	9,361.8	0.0	0.0	0.0
3,007.9	0.0	3,007.9	-3,007.9	0.0	0.0	0.0
10,967.7	**-395.9**	**10,571.8**	**1,246.1**	**11,863.9**	**2,701.5**	**14,565.4**
221.8	446.3	668.1	0.0	668.1	194.4	862.5
0.0	0.0	0.0	0.0	0.0	-916.0	-916.0
0.0	0.0	0.0	4,768.2	4,768.2	2,188.8	6,957.0
0.0	0.0	0.0	-1,079.0	0.0	0.0	0.0
3,623.6	0.0	3,623.6	-3,623.6	0.0	0.0	0.0
14,813.1	**50.4**	**14,863.5**	**1,311.7**	**17,300.2**	**4,168.7**	**21,468.9**

Cash Flow Statement

	Note	2005	2004
		tEUR	tEUR
Cash provided by operating activities	32		
Net income		6,957.1	4,339.6
Depreciation of non-current assets		550.6	395.6
Other non-cash expenses and exchange rate differences		220.3	56.3
Gain (-) / loss (+) from disposals of non-current assets		58.8	-17.2
Increase in inventories		-1,086.0	-1,107.6
Increase in receivables and other assets		-4,452.5	-1,503.3
Increase in provisions		1,150.2	287.5
Change in liabilities (excluding debt)		2,095.4	1,172.2
		5,493.9	**3,623.1**
Cash used in investing activities	33		
Proceeds from disposal of property, plant and equipment and intangible assets		252.1	99.6
Cash paid for investments in property, plant and equipment and intangible assets		-1,519.4	-1,210.0
Cash paid for investments in financial assets and for credits and loans granted		-29.1	-6.4
		-1,296.4	**-1,116.8**
Cash provided by / used in financing activities	34		
Costs of the 2006 increase in capital (2004: cash received from third-party capital increases)		-73.8	45.7
Payment of subsidiary companies' dividends to minority interests		-916.0	-193.1
Cash received from taking out loans		1,996.7	563.3
Payments for repayment of principal of loans		-475.0	-1,652.0
		531.9	**-1,236.1**
Change in cash and cash equivalents		**4,729.4**	**1,270.2**
Movements in cash and cash equivalents	35		
Cash and cash equivalents, beginning of the period		2,933.2	1,606.0
Change in cash and cash equivalents due to composition of consolidated companies		0.0	0.0
Exchange-rate related changes in cash and cash equivalents		136.7	57.0
Change in cash and cash equivalents		4,729.4	1,270.2
Cash and cash equivalents, end of the period		**7,799.3**	**2,933.2**

Notes to the 2005 Consolidated Financial Statements

GENERAL DISCUSSION

Hansen Sicherheitstechnik AG ("Hansen AG"), with headquarters in 80333 Munich, Brienner Str. 10, is the parent company of Hansen Group and is a stock corporation by German law, whose shares are traded in over-the-counter trading on the Frankfurt Stock Exchange. The Company is registered at the Local Court of Munich (HRB 159053). As of December 31, 2005, Hansen Beteiligungs GmbH, Salzburg (Austria), was sole shareholder of Hansen AG. Hansen Beteiligungs GmbH is also the top-tier parent company.

Hansen AG was established on October 4, 2005, when Hansen Holding GmbH changed its legal form from a GmbH (limited liability company) into an AG (stock corporation). Predominantly subsidiary companies conduct operations in Germany, the Czech Republic, Poland, Russia and South Africa.

Hansen AG's group of companies ("Hansen Group" or "Hansen") develops and produces explosion-proof electrical systems for use in mining, particularly the underground mining of hard coal, and provides service and repair services. Hansen is also a systems supplier in this segment, i.e. in addition to switchgear, transformers and process monitor and control systems, we also offer maintenance, project management and consulting services. Customers are for the most part international hard coal mines who use this technology to make their underground mining operations more productive and safer. Hansen Group makes use of its knowledge as well as Germany's quality and technology image in order to produce high-quality products in low-wage countries and to market them under the Hansen brand name.

From a geographical point of view, Hansen is mainly active in Western, Central and Eastern Europe (including Russia) and in South Africa. Specialist teams for adapting products to the respective local laws and for preparing corresponding technical solutions are available in five countries. In part through partnerships or through investments, we sell small amounts of explosion-proof electrical systems in additional regions, including Kazakhstan, the Ukraine, Bosnia, Spain, Slovenia, Mexico and China.

Hansen AG's consolidated financial statements for the year ended December 31, 2005 have been compiled in accordance with the International Financial Reporting Standards (IFRS) applicable on the balance sheet date. The term IFRS also includes the International Accounting Standards (IAS) that are still valid. In addition, we comply with the regulations under German commercial law as set forth in Sec. 315a para. 1 HGB (Handelsgesetzbuch – German Commercial Code). We voluntarily compiled the consolidated financial statements in accordance with international accounting standards (Sec. 315a para. 3 HGB).

The German commercial Code requires Hansen AG to compile consolidated financial statements for 2005 for the first time; due to its international orientation, Hansen has decided to continue to report in accordance with IFRS. Hansen AG has been compiling consolidated financial statements in accordance with the IFRS since 1995, which include the statement that the accounting is in accordance with the IFRS in all aspects. These consolidated financial statements, which were actually only compiled for internal purposes, and especially not for a later public listing, were made available to a few selected third parties only, so that it is not possible for Hansen AG to initially apply the IFRS for the period from January 1, 2004 in accordance with IFRS 1 (First-Time Adoption).

In 1995 and 1996 the previous Hansen Group was sold to Hansen AG in two steps, the substance of the transaction occurring at the end of 1995. In the following consolidated financial statements the sale and therefore the difference between the paid purchase price and the proportional equity was not recognised but rather offset directly against the capital reserves because the seller and buyer were the same shareholder at the time, the purchase price was recorded in Hansen AG's capital reserve by the sellers. In this manner – as was the intention – it was possible to nearly completely retain the comparability of the consolidated financial statements with those compiled before the sale.

Due to the decision to continue to compile the consolidated financial statements in accordance with the IFRS, we adjusted the substance of the transaction. For that reason, on January 1, 2004, we recalculated the difference amounts from consolidating the investment and the investment's equity in respect to the acquisition of Hansen Group in 1995. In doing so the difference (tEUR 7,071.1) from the acquisition of Hansen & Reinders GmbH & Co. Kommanditgesellschaft ("H+R") after elimination of the goodwill reported in H+R's separate financial statements was classified completely as group goodwill and amortised up to the year 2003 over a 20-year useful life. After accounting for the goodwill calculated in the past for additional share acquisitions after 1995, the remaining difference amounts from elimination of investments and their equity as of January 1, 2004 of a total of tEUR 701.2 has been classified as reserves for currency translation considering the trends in exchange rates in Poland and the Czech Republic.

Hansen AG has implemented a new database-supported consolidation software for compiling the consolidated financial statements as of December 31, 2005. The group chart of accounts is adapted to the requirements in respect to the necessary transparency concerning the initial public offering in 2006 and for the first time the data is queried at the group account level (over 700 accounts) instead of from line items of the income statement, as had been the case. In past years (2004 and earlier) the reports for the income statement were all at line item level with additional information. For that reason we have decided – particularly due to comparability aspects – to do a complete new query for the past year 2004 at the account level. The adjusted income statement deviates from the original income statement in so far that the changes in inventories and the own work capitalised were not reported separately – as is now the case – but were rather offset against other line items. In sales, the difference is mainly from the elimination of inter company expenses and income. The change in earnings of the adjusted 2004 income statement to the original income statement in the amount of tEUR 179.5 is particularly due to the reversal of amortisation of goodwill, which during initial consolidation was classified as group goodwill and which can no longer be amortised since 2004 as per IAS 3, the revaluation of the pension provision from valuation as per the German accounting standards to valuation as per IAS 19, earnings deviations from those originally reported, the treatment of a partial deconsolidation not impacting earnings, where Hansen AG still has control; and from different results from eliminating unrealised income and debt consolidation including the associated deferred taxes; from dividend distributions within the group and the accounting of negative differences from initial consolidation impacting earnings.

The financial year of Hansen AG and its subsidiaries is the calendar year. The financial statements are compiled in Euro. If not otherwise noted, all amounts are presented in thousands of Euro (tEUR).

By resolution of the Management Board, the consolidated financial statements as of December 31, 2005 including the Group Management's Report for the 2005 financial year are being released to the public as of August 31, 2006.

Consolidation principles and methods

All material companies are included in the consolidated financial statements, these are companies over which Hansen AG has direct or indirect power to dictate their financial and business policy to gain an advantage from their activities (subsidiary companies). Generally control is exercised through a majority of voting rights in management bodies. If the possibility of controlling the subsidiary company ends, the respective company is no longer consolidated.

The separate financial statements of Hansen AG and its subsidiaries, which have been audited and compiled using uniform recognition, measurement and consolidation methods are the basis for compiling the consolidated financial statements.

Consolidated companies

In accordance with the provisions of IAS 27, four German and six foreign subsidiaries along with the parent company are consolidated in Hansen AG's consolidated financial statements in accordance with the principles of full consolidation. The composition of Hansen AG's group of consolidated companies did not change over 2004.

Company	Abbreviation	Location	Country	Share
"Deukalion" Vermögensverwaltungsgesellschaft mbH	Deukalion	Gelsenkirchen	D	100.00
Elgor + Hansen sp.z o.o.	E+H	Chorzow	PL	70.00
Elgor + Hansen + SBS sp.z o.o.	EHS	Chorzow	PL	44.80
Hansen + Genwest (pty.) ltd.	H+G	Johannesburg	ZA	70.55
Hansen & Reinders GmbH & Co. Kommanditgesellschaft	H+R	Gelsenkirchen	D	100.00
Hansen & Reinders CS spol.s r.o.	HRCS	Opava	CZ	80.00
Hansen & Reinders GmbH Projektgesellschaft Tschechien	HRPI	Gelsenkirchen	D	100.00
Hansen & Reinders GmbH Projektgesellschaft Polen	HRPII	Gelsenkirchen	D	100.00
Ostroj - Hansen & Reinders spol. s r.o.	OHR	Opava	CZ	80.00
OOO SIB-Hansen	SIB	Leninsk Kusnetzky	RUS	64.08

The share is the calculated pass-through share of Hansen AG. OHR holds an 80.1% share in SIB and E+H holds a 64.0% share in EHS. HRPI and HRPII own the shares in OHR and E+H. Deukalion holds 1% of H+R, the remaining shares of the group are held by Hansen AG.

SIB and EHS were initially consolidated on January 1, 2004 because they started operating activities. The income from initial consolidation totalling tEUR 30.1 is reported in other operating income in 2004.

During the course of an increase in capital carried out in the 2004 financial year, which Hansen AG did not subscribe, the shares of H+G were reduced from the original 100.0% to 70.55%.

Hansen + Reinders Trading spol.s r.o., Opava (Czech Republic), ceased operations in 2000 and is in liquidation and is therefore not consolidated.

The subsidiary TSOW "Hansen Ukraina", Makeevka, Dontzk-Region (the Ukraine), has suspended operations since March 2005 due to the political instability. It is currently not active operationally and is therefore not consolidated within Hansen Group.

Hansen AG established a subsidiary in China in 2006 based in Peking. The issued capital has a balance of tEUR 160.0. The company will be included in the group of consolidated companies in 2006.

Shareholders' equity and annual earnings (IFRS)

	12/31/2005	2005	12/31/2004	2004
	tEUR	tEUR	tEUR	tEUR
	Shareholders' equity	Net income/ loss	Shareholders' equity	Net income/ loss
Deukalion	13.7	41.4	-27.7	0.5
E+H	9,115.4	5,138.0	5,008.5	3,115.2
EHS	525.3	225.4	273.7	210.8
H+G	586.1	56.8	510.9	-38.1
H+R	-508.4	76.8	-585.2	11.0
HRCS	211.7	12.8	188.8	27.0
HRPI	860.7	0.0	860.7	353.8
HRPII	1,592.2	1,024.4	567.8	238.1
OHR	4,133.9	2,232.4	4,042.8	1,193.7
SIB	292.7	159.5	149.1	125.8

Currency translation

The financial statements of foreign subsidiaries are translated according to the functional currency method. In all cases it is the currency of the country in which the company has its location. The translation of assets, liabilities and balance sheet footnotes as well as goodwill accrued to the foreign companies is at the middle rate between the buy and sell rates on the balance sheet date. The equity serving as the basis for elimination of investments and their equity is translated at the rate on the date of initial consolidation. Differences to the exchange rate at the period-end rate are recorded in revenue reserves and minority interests, not affecting profit or loss. The line items of the income statement and therefore the net income stated there is translated at the average exchange rate for the year.

Differences from translating the financial statements of foreign subsidiaries do not affect profit or loss and are reported as an extra item in retained earnings. The exchange rate differences are then reversed through profit or loss in the year when these companies are deconsolidated.

Exchange rates

Period	Currency	Period-end rate	Average rate
2005	CZK	28.97711	29.83627
2005	PLN	3.85899	4.0288
2005	RUB	34.04255	35.21645
2005	ZAR	7.48531	7.92944
2004	CZK	30.46923	31.95258
2004	PLN	4.08831	4.53379
2004	RUB	37.87162	35.82384
2004	ZAR	7.70654	8.02649

Consolidation methods

The purchase method was used for consolidating investments and their equity. According to this method, the purchase costs of the investment are offset against the share of revalued equity at the time of the acquisition of the subsidiary. Any differences from the consolidation of company acquisitions are capitalised as goodwill. Negative differences are eliminated through profit or loss.

Receivables and payables and provisions between consolidated companies are offset against each other. Insofar as third-party debt relationships exist in the consolidation, this option is exercised.

Intercompany sales and other income and the corresponding expenses are eliminated. Unrealised income and expenses from intercompany sales and services are derecognized and deferred taxes are recorded against income

Measurement principles, recognition and measurement methods

The financial statements of the companies consolidated in the group are compiled using uniform recognition and measurement principles. Items in the consolidated financial statements are recorded solely in accordance with the substance of the assets, financial and earnings position within the framework of the provisions of the IASB – regardless of tax law.

Sales and other operating income are realised when delivery has occurred or when the risk of loss transfers to the customer. Operating expenses are realised when the goods or services are used or at the point in time when they are incurred. Interest income and expenses are recorded in their proper accounting period. Research and development costs are basically expensed when incurred. Financing costs are expensed in the period to which they accrue.

Assets are capitalised when the group holds all material risks and rewards connected with them. Assets are recorded – with the exception of certain financial assets – at cost.

Cost comprises all consideration that was expended to acquire the asset and to bring it into service. The cost of conversion is calculated on the basis of direct costs and the overheads and depreciation that can be attributed to them directly. Financing costs for the acquisition or the period of manufacture are not capitalised. No selling costs are capitalised either.

Intangible assets and property, plant and equipment with limited useful lives are depreciated using the straight-line method over their estimated useful lives, unless another depreciation method would be preferred due to the actual usage as an exception. We test the value of assets if events or reasons exist that indicate that an asset is impaired. Impairment losses are recorded when the future realisable amount from the asset is less than its carrying amount. The realisable amount is the higher of net realisable and the present value of the future cash flows attributed to the asset (value in use). If the reasons for impairment recorded in the past no longer exist, the impairment is reversed against other income. No appreciation is recorded on goodwill.

Purchased goodwill from company acquisitions is capitalised and not amortised in accordance with application of IFRS 3 "Business Combinations". At least once per year after the annual budgeting process is completed during compilation of the financial statements, capitalised goodwill is subjected to an impairment test.

Other purchased intangible assets are recorded at cost. Internally generated intangible assets are recorded at cost insofar as it is probable that future economic benefits will flow to the group and they can be measured reliably.

Property, plant and equipment is recorded at cost less depreciation and impairment in individual cases. Residual values are not taken into consideration when calculating depreciation due to their immateriality.

The costs for maintenance and repair of non-current assets are recorded as expense. Renovation and maintenance expenses are recorded as subsequent production costs if they lead to a materially longer useful life, a substantial improvement or a major change in usage of the property, plant and equipment.

Inventories are recorded at cost or the lower net realisable value. The net realisable value is the estimated selling price less the additional costs incurred up to the sale. Individual valuation allowances were made to all inventories to the extent that the net realisable values were lower than the carrying amounts of the inventories. If the reasons for a valuation allowance of inventory no longer exists, the carrying amount is adjusted upwards accordingly. Inventory assets of the same type are recorded according to the average value method.

Useful lives

	Useful lives
Research and development costs	Up to 3 years
Software (purchased) and other rights	Up to 5 yearse
Licences	Up to 5 yearse
Buildings	Up to 50 yearse
Leasehold improvements	Up to 20 yearse
Technical equipment and machinery	Up to 15 yearse
Rented products	Up to 6 yearse
Car fleet	Up to 7 yearse
Other equipment, operating and business equipment	Up to 15 yearse

Loans granted and receivables are recorded at cost. In addition to loans, all receivables and other assets are included in this item. For these line items all recognisable individual risks and the general credit risk based on past experience are accounted for through valuation allowances.

Liabilities are basically recorded in the amount of the consideration received less the costs of issue at the point in time when they arise. Liabilities from finance lease contracts are recorded at the present value of the lease instalments at the time when the contract is executed.

Foreign exchange receivables and payables are recorded at the exchange rate prevailing on the balance sheet date. Exchange rate differences from translation are recorded in material expenses insofar as they occur in the course of the normal operating process. If they are attributed to other circumstances, they are reported under other operating expenses and income.

The valuation of the pension provision is based on the projected unit credit method set forth in IAS 19 (revised 2004) for defined benefit plans.

Tax provisions and other provisions are recorded for uncertain liabilities towards third parties when these obligations will probably lead to a future outflow of assets. They are recorded at the expected settlement amount and are not offset with recourse claims. Long-term provisions are recorded at their net present value if the effect is material.

Income tax provisions are offset with the corresponding tax refund claims if they exist in the same tax jurisdiction and their type and due dates are the same.

The recognition and measurement of deferred taxes is in accordance with IAS 12 (revised 2000) using the balance sheet liability method based on the tax rate when the deferred taxes are realised. The tax consequences of dividend distributions are not recognised until there is a resolution on appropriation of earnings. Deferred tax assets are recorded for the expected realisable tax benefits of loss carry-forwards.

While compiling the consolidated financial statements we made assumptions and estimates which have influenced the amount and disclosure of the assets and liabilities in the balance sheet, the income and expenses and contingent liabilities. The assumptions and estimates are mainly concerning the determination of group-wide useful lives, the recognition and measurement of provisions and the ability to realise future tax benefits. In addition, we made assumptions and estimates while reviewing the value of goodwill. The actual values can differ from the assumptions and estimates made in individual cases. These differences will be recorded against income when we have better knowledge.

Discussion of the recognition and measurement methods that differ from German accounting standards

Accounting in accordance with the International Financial Reporting Standards (IFRS) is oriented primarily towards the information requirements of investors. This is why financial reporting and tax reporting are strictly separated under IFRS.

Goodwill is no longer amortised due to the application of IFRS 3 "Business Combinations". As opposed to German accounting standards, goodwill is tested for impairment at least once annually.

In accordance with IAS 21 (revised 2003) and IAS 39, all foreign exchange receivables and payables are translated at the exchange rate prevailing on the balance sheet date. This results in unrealised gains to be recorded in the income statement and in shareholders' equity as well. These provisions deviate from the cost, realisation and conservatism principles of the German accounting standards.

Costs incurred in connection with the issue of shares are – after recognising deferred taxes – not treated as expense and are deducted from the capital reserves, which is not in accordance with German accounting standards.

Recognition and measurement of deferred taxes in accordance with IAS 12 (revised 2000) followsvin contrast to German accounting standards – the balance sheet-based liability method. The tax benefits from future realisable estimated loss carryforwards are recognised as deferred tax assets when the requirements are met to do so.

Liabilities are recorded with their repayment amount in accordance with German accounting standards; according to the IFRS, debt is recognised after deduction of the transaction costs in the amount of the consideration received.

Low-interest-bearing and non-interest-bearing provisions and liabilities are recorded with their present value in accordance with the IAS; German accounting standards prescribe recognition at the nominal value or the repayment value.

German accounting standards allow recognition of accrued expenses in certain cases, also when there is no legal obligation towards third parties (Sec. 249 para. 1 and para. 2 HGB) (HGB = German Commercial Code). The measurement of provisions for certain expenses is made using sound business judgement under observation of the conservatism principle. In accordance with the IAS, however, provisions are only recognised for obligations due to third parties, and beyond that, the rules are more restrictive concerning the items for which provisions may be recognised. According to the IAS, accrued expenses are not to be recognised. Provisions recorded in accordance with the IAS from obligations towards third parties must also be probable and their amount reliably estimable.

Furthermore, provisions for outstanding supplier invoices are basically reported under trade payables according to the IFRS because of their high probability of occurring.

We are complying with the more far-reaching disclosure criteria of IAS 35 than those required by the provisions of the German Commercial Code.

Segment reporting

Hansen Group develops and produces explosion-proof electrical systems for use in mining, particularly the underground mining of hard coal, and provides service and repair services. Hansen is also a systems supplier in this segment, i.e. in addition to electrical switchgear, transformers and process monitor and control systems, we also offer maintenance, project management and consulting services. Customers are nearly exclusively international hard coal mines who use these technologies to make their underground mining operations more productive and safer.

Hansen does not currently have any additional material stand-alone product lines which would also be classified internally as a segment. For this reason the primary and single reporting format for segment reporting is by geographical segment. Hansen groups its subsidiaries located in various geographic regions into segments. This corresponds to the breakdown of assets by location in accordance with IAS 14.13.

Hansen differentiates between the following six segments: a) subsidiary in Germany, b) subsidiaries in the Czech Republic, c) subsidiaries in Poland, d) subsidiary in Russia, e) subsidiary in South Africa and f) the activities of the parent company, whereby Hansen AG based in Munich, HRPI and HRPII and Deukalion, each based in Gelsenkirchen, Germany, are grouped together here. The last three companies are sub-holding companies, or the general partner of H+R. All three companies are non-operationally active. The activities of the parent company, Hansen AG, located in Munich, are on the one hand the administration, monitoring and management of the subsidiaries, on the other hand business activities that are logically performed for the whole group, such as international sales or purchasing.

The geographic segmentation reflects the management structure of the Company and also represents the risk and earnings structures of the world-wide business. Included in segment expenses are charges for support services by the parent company segment and depreciation and are therefore reflected in segment earnings.

The segment sales include sales to third parties as well as intercompany sales of group companies between the segments.

Intercompany sales and income are generally generated at the same prices as those agreed upon with third parties. The depreciation reported in the segments relates to intangible assets and property, plant and equipment. Segment earnings correspond to EBIT, earnings before interest and taxes. Neither in 2005 nor in 2004 were there other material non-cash expenses requiring disclosure as per IAS 14.61.

Segment assets include all assets except for cash and deferred tax assets and segment debt includes all liabilities and provisions except for deferred income tax provisions. The transition column contains on the one hand all of the effects from consolidation measures, on the other hand, the amounts resulting from different definitions of the contents of segment line items compared to the corresponding consolidated line items.

Activities of the subsidiaries in	Germany	Czech Republic	Poland	Russia	South Africa
2005	tEUR	tEUR	tEUR	tEUR	tEUR
External sales	8,392.5	7,295.7	22,540.4	2,849.1	2,845.4
Intercompany sales	197.1	6,398.6	3,309.8	0.0	315.7
Segment sales	8,589.6	13,694.3	25,850.2	2,849.1	3,161.2
Segment expenses	8,543.2	10,728.8	19,695.2	2,672.5	3,077.1
Segment earnings	113.9	3,111.9	6,607.9	240.3	108.5
Segment assets	3,031.2	8,073.9	11,088.3	1,001.7	1,052.9
Segment debt	3,694.6	5,597.6	5,269.0	867.8	587.8
Segment investments	106.9	970.7	704.8	26.7	35.9
Segment depreciation	209.8	117.6	311.3	9.1	46.9
Employees as of December 31, 2005	40	186	135	13	41
2004					
External sales	4,448.7	5,662.3	13,597.7	1,732.3	2,304.1
Intercompany sales	422.8	3,826.5	2,902.6	0.0	0.0
Segment sales	4,871.5	9,488.7	16,500.3	1,732.3	2,304.1
Segment expenses	4,918.5	7,876.0	12,656.9	1,566.3	2,366.0
Segment earnings	36.0	1,749.0	4,187.0	166.0	-34.3
Segment assets	2,038.0	6,430.2	7,441.9	621.8	714.7
Segment debt	2,886.3	3,180.5	3,483.5	572.2	328.4
Segment investments	64.4	453.3	757.2	134.1	35.5
Segment depreciation	182.1	53.2	249.6	2.6	48.2
Employees as of December 31, 2004	36	164	111	3	41

Activities of the parent company	Total of the segments	Transition	Group
tEUR	tEUR	TEUR	tEUR
0.0	43,923.1	0.0	43,923.1
28.0	10,249.2	0.0	10,249.2
28.0	54,172.4	0.0	54,172.4
879.9	45,596.7	–	–
-532.0	9,650.5	-263.3	9,387.2
4,899.5	29,147.5	-3,345.2	25,802.3
2,252.6	18,269.4	-5,367.8	12,901.6
12.9	1,857.9	0.0	1,857.9
2.7	697.4	-146.8	550.6
1	416	0	416

3.9	27,749.0	0.0	27,749.0
133.6	7,285.5	0.0	7,285.5
137.6	35,034.5	0.0	35,034.5
482.1	29,865.8	–	–
-256.9	5,846.8	-117.9	5,728.9
3,730.3	20,976.9	-1,723.5	19,253.4
1,391.4	11,842.3	-3,924.2	7,918.1
0.0	1,444.5	0.0	1,444.5
6.7	542.4	-146.8	395.6
1	356	0	356

EXPLANATORY COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

1. Sales revenues

The regional allocation of sales according to the customer's (ordering party) location is as follows:

	2005		2004	
	tEUR	%	tEUR	%
Poland	19,120.5	43.5	10,372.2	37.4
Germany	7,562.2	17.2	4,611.9	16.6
Czech Republic	6,092.6	13.9	4,458.3	16.1
Russia and CIS	5,489.3	12.5	5,451.6	19.6
South Africa	2,845.4	6.5	2,304.1	8.3
The Americas	2,240.9	5.1	186.0	0.7
Rest of Europe	515.9	1.2	315.9	1.1
Rest of world	56.3	0.1	49.0	0.2
	43,923.1	**100.0**	**27,749.0**	**100.0**

2. Other income

	2005	2004
	tEUR	tEUR
Disposal of non-current assets	247.8	99.6
Exchange gains (realised)	221.4	215.7
Income from reversal of provisions	55.3	45.2
Exchange gains (unrealised)	23.1	74.6
Income relating to other accounting periods	0.2	14.0
Income from initial consolidation	0.0	30.1
Other operating income	298.9	148.7
	846.7	**627.9**

3. Change in goods inventories and other own work capitalised

	2005	2004
	tEUR	tEUR
Change in inventories	221.0	181.0
Own work capitalised	134.7	415.4
	355.7	**596.4**

4. Material expenses

	2005	2004
	tEUR	tEUR
Expenses for raw materials, consumables and supplies	18,781.0	11,801.8
Expenses for purchased goods	388.6	155.5
Expenses for purchased services	2,539.6	1,348.8
	21,709.2	**13,306.1**

5. Personnel expenses

	2005	2004
	tEUR	tEUR
Wages and salaries	7,711.6	5,055.3
Social security contributions	1,474.2	1,116.4
Expenses for pension plans	141.3	11.3
Other social benefits	70.1	28.1
Other personnel expenses	82.5	37.9
	9,479.7	**6,248.9**

In 2005 Hansen had an average number of employees of 393 (2004: 331).

6. Depreciation

	2005	2004
	tEUR	tEUR
Amortisation of intangible assets	40.5	17.8
of property, plant and equipment	510.1	377.8
	550.6	**395.6**

7. Other operating expenses

	2005	2004
	tEUR	tEUR
Legal and advisory costs	671.5	495.5
Advertising costs	483.9	308.7
Building costs	473.6	424.6
Exchange losses (realised)	383.9	402.5
Book value losses on disposal of non-current assets	306.6	82.4
Bad debt	273.6	273.4
Travel expenses	265.2	105.4
Motor vehicle costs	252.4	202.0
Business supplies	234.9	219.5
Insurance and contributions	112.4	104.1
Bank charges	104.2	89.1
Other expenses relating to other accounting periods	0.3	13.2
Sundry other operating expenses	436.3	573.4
	3,998.8	**3,293.8**

8. Net financial expense

	2005	2004
	tEUR	tEUR
Income from securities and borrowings held as non-current assets	0.0	34.4
Other interest and similar income from unconsolidated affiliated companies	31.4	0.0
Other interest and similar income from third parties	169.5	85.6
Interest and similar expenses to unconsolidated affiliated companies	-8.5	0.0
Interest and similar expenses to third parties	-313.2	-287.9
Exchange differences from consolidation eliminations	-68.5	20.2
	-189.3	**-147.7**

9. Taxes on income and earnings

	2005	2004
	tTEUR	tEUR
Current income taxes	2,371.7	1,273.4
Deferred income taxes	-130.8	-31.7
	2,240.9	**1,241.7**

Current income taxes by country	2005	2004
	tEUR	tEUR
Germany	39.3	30.4
Czech Republic	777.3	443.7
Poland	1,470.2	758.7
Russia	84.9	40.6
	2,371.7	**1,273.4**

Deferred income taxes by country

	2005	2004
	tEUR	tEUR
Czech Republic	15.0	31.3
Poland	-134.5	49.2
Russia	-3.9	-0.5
South Africa	31.3	-22.5
	-92.1	**57.5**
Consolidation measures	-38.7	-89.2
	-130.8	**-31.7**

In Munich, Hansen AG is subject to an average trade tax rate of about 19.7% of trade income, which is deductible when computing corporate income tax. The corporate income tax rate has been 25.0% since 2004 plus a solidarity surcharge of 5.5% on the corporate income tax. All deferred tax items from consolidation measures are recorded at a tax rate of 40.9%. Income taxes from foreign countries are based on the applicable laws and regulations.

Deferred taxes are determined in accordance with IAS 12 (revised 2000) according to the balance sheet-based liability method. According to this method deferred taxes are recorded for probable future tax benefits and liabilities from temporary differences between the carrying amounts in the consolidated financial statements and the tax bases of assets and liabilities. If the temporary differences between the financial accounting base and the tax base relate to line items that directly increase or decrease equity, then the deferred taxes on these differences are offset directly against equity.

Deferred tax assets and liabilities recognised in the balance sheet by temporary difference type

	Asset	Liability	Asset	Liability
	12/31/2005	12/31/2005	12/31/2004	12/31/2004
	tEUR	tEUR	tEUR	tEUR
Different depreciation methods and useful lives	1.5	12.5	0.2	20.9
Finance lease transactions	0.0	14.2	0.0	9.0
Recognition differences in property, plant and equipment and financial assets	2.2	0.0	2.1	0.0
Recognition differences in receivables and other assets	75.0	14.8	93.3	16.6
Valuation of pension provisions	29.4	0.0	0.0	0.0
Recognition differences in other provisions	180.8	70.4	72.3	68.5
Other transactions	41.4	34.3	14.4	15.7
Capitalised tax savings from loss carryforwards offsetting future income	113.2	0.0	142.2	0.0
Offsetting of deferred tax assets and liabilities	-75.8	-75.8	-62.2	-62.2
Elimination of unrealised income	123.7	0.0	90.9	0.0
Debt consolidation	18.1	0.0	12.2	0.0
	509.5	**70.4**	**365.4**	**68.5**

Hansen AG's deferred tax liabilities have been offset against the capitalised loss carryforwards in the same amount. Hansen AG's deferred tax liabilities are offset completely against Hansen AG's deferred tax assets and in the amount of tEUR 1.7 against their existing loss carryforward. Deferred tax liabilities in the total amount of tEUR 30.2 are recognised from the deferred costs incurred in 2005 for the capital increase in 2006 and offset against tax assets.

Composition of tax loss carry forwards	12/31/2005	12/31/2004
	tEUR	tEUR
Corporate income tax (Germany only)	3,251.5	2,696.2
Trade tax (Germany only)	2,037.3	1,579.0
thereof recognised	0.0	0.0
Foreign loss carryforwards	377.4	474.0
thereof recognised	377.4	474.0

The reported German loss carryforwards are attributed to Hansen AG and H+R. Due to the lack of sufficient probability concerning the ability to realise the remaining tax benefits at Hansen AG and H+R, we did not record any deferred tax assets. The foreign loss carryforwards are attributed in full to H+G.

None of the loss carry forwards expire. Regardless of the unlimited ability to carry German lossforwards which continues to exist, the annual utilisation is limited by the introduction of the minimum tax since the 2004 financial year. The loss carryforwards have not been assessed by the tax authorities and could change drastically after a tax audit.

Development of capitalised tax benefits	2005	2004
	tEUR	tEUR
Capitalised tax benefits at the beginning of the financial year	142.2	110.3
Currency adjustments	4.2	8.6
Utilisation of loss carryforwards	-33.2	0.0
Capitalisation of tax benefits from loss carryforwards	0.0	23.3
	113.2	**142.2**

Reconciliation from expected to actual income tax expense	2005	2004
	tEUR	tEUR
Income before income taxes	9,197.9	5,581.2
Expected income tax expense	3,762.0	2,282.7
Variance from the difference between the actual tax rates to the expected tax rate	-1,800.6	-1,150.6
Non-tax-deductible expenses	83.9	17.4
Consolidation measures	44.5	79.5
Temporary differences and losses for which no deferred taxes were recorded	1.0	10.4
Tax expenses and benefits from other tax periods	-0.3	5.0
Other deviations	150.4	-2.7
Actual income tax expense	**2,240.9**	**1,241.7**

The material reconciliation item is the difference between the actual tax rates and the expected tax rate. In Poland the tax rates in 2004 and 2005 are 19 % and in the Czech Republic 28 % for 2004 and 26 % for 2005.

EXPLANATORY COMMENTS ON THE CONSOLIDATED BALANCE SHEET

10. Minority interests' share of consolidated net income

The shares of consolidated net income are distributed as follows:

	2005	2004
	tEUR	tEUR
E+H	1,541.4	934.6
OHR	446.5	238.7
EHS	124.4	116.4
SIB	57.2	45.1
H+G	16.7	-11.2
HRCS	2.6	5.4
	2,188.8	**1,329.0**

11. Earnings per share

In accordance with IAS 33, undiluted earnings per share are calculated by dividing consolidated net income attributed to the shareholders of Hansen AG by the weighted average number of bearer shares outstanding during the financial year.

The Company changed its legal form from a Gesellschaft mit beschränkter Haftung (limited liability company) to an Aktiengesellschaft (stock corporation) in the 2005 financial year. This was entered in the companies register on October 4, 2005. When a company changes its legal form from a limited liability company to a stock corporation during the year, earnings per share are calculated as if the company were a stock corporation for the complete year. The numerator is the full year's earnings; the denominator is the average number of outstanding shares since the change in legal form, in this case 1,125,000 shares. For comparison purposes we selected the same number of shares for the 2004 comparative period.

Diluted earnings per share are the same as the undiluted earnings per share, since no options or other equity instruments have been issued.

12. Non-current assets

	Balance 1/1/2005	Currency adjustment	Additions
	tEUR	tEUR	tEUR
Intangible assets			
Goodwill	7,386.1	0.0	0.0
Other intangible assets			
Research and development costs	7.3	4.3	87.8
Software (purchased)	95.6	4.1	81.2
Licences	9.4	0.3	32.0
Other intangible assets	89.2	5.9	14.9
	201.5	**14.6**	**215.9**
	7,587.6	**14.6**	**215.9**
Property, plant and equipment			
Land	145.2	7.7	0.0
Buildings	853.4	85.5	645.7
Leasehold improvements	51.7	2.4	0.0
Technical equipment and machinery	818.0	49.7	434.3
Leased products	1,109.2	50.7	113.1
Car fleet	448.5	27.5	101.4
Other equipment, operating and business equipment	663	17.5	156.0
Payments on account and assets under construction	458.6	15.8	181.9
Other property, plant and equipment	41.9	0.0	1.4
	4,589.5	**256.8**	**1,633.8**
Financial assets			
Shares of unconsolidated affiliated companies	8.2	0.3	8.2
	8.2	**0.3**	**8.2**
Non-current assets	**12,185.3**	**271.7**	**1,857.9**

Cost			Depreciation/amortisation						
Disposals	Reclassifi-cations	Balance 12/31/2005	Balance 1/1/2005	Currency adjustment	Depreciation of the financial year	Disposals	Balance 12/31/2005	Book values 12/31/2005	Book values 12/31/2004
tEUR	tEUR	tEUR	tEUR	tEUR	tEUR	tEUR	tEUR	tEUR	tEUR
218.8	0.0	7,167.3	3,101.4	0.0	0.0	0.0	3,101.4	4,065.9	4,284.7
0.0	0.0	99.4	5.4	0.4	1.9	0.0	7.7	91.7	1.9
0.0	0.0	180.9	73.3	2.3	22.4	0.0	98.0	82.9	22.3
0.0	0.0	41.7	7.5	0.2	12.3	0.0	20.0	21.7	1.9
0.0	0.0	110.0	79.3	4.8	3.9	0.0	88.0	22.0	9.9
0.0	**0.0**	**432.0**	**165.5**	**7.7**	**40.5**	**0.0**	**213.7**	**218.3**	**36.0**
218.8	**0.0**	**7,599.3**	**3,266.9**	**7.7**	**40.5**	**0.0**	**3,315.1**	**4,284.2**	**4,320.7**
0.0	0.0	152.9	0.0	0.0	0.0	0.0	0.0	152.9	145.2
0.0	407.4	1,992.0	82.3	5.5	27.9	0.0	115.7	1,876.3	771.1
0.0	0.0	54.1	7.1	0.2	4.7	0.0	12.0	42.1	44.6
0.3	0.0	1,301.7	520.4	26.9	142.7	0.1	689.9	611.8	297.6
457.8	0.0	815.2	280.7	17.1	166.0	156.7	307.1	508.1	828.5
51.7	0.0	525.7	181.0	10.9	83.3	42.0	233.2	292.5	267.5
4.0	0.0	832.5	486.3	8.0	84.4	4.0	574.7	257.8	176.7
76.6	-407.4	172.3	0.0	0.0	0.0	0.0	0.0	172.3	458.6
0.0	0.0	43.3	32.5	0.0	1.1	0.0	33.6	9.7	9.4
590.4	**0.0**	**5,889.7**	**1,590.3**	**68.6**	**510.1**	**202.8**	**1,966.2**	**3,923.5**	**2,999.2**
0.0	0.0	16.7	8.2	0.0	0.0	0.0	8.2	8.5	0.0
0.0	**0.0**	**16.7**	**8.2**	**0.0**	**0.0**	**0.0**	**8.2**	**8.5**	**0.0**
809.2	**0.0**	**13,505.7**	**4,865.4**	**76.3**	**550.6**	**202.8**	**5,289.5**	**8,216.2**	**7,319.9**

Schedule of leased assets

	Cost				Depreciation/	
	Balance 1/1/2005	Currency adjustment	Additions	Balance 12/31/2005	Balance 1/1/2005	Currency adjustment
	tEUR	tEUR	tEUR	tEUR	tEUR	tEUR
Car fleet	223.8	17.0	100.5	341.3	73.7	6.2

13. Goodwill

By contract dated December 22, 1995 and July 5, 1996, Hansen AG acquired 99% of the shares in the company now called H+R. Deukalion purchased the remaining 1% share by contract dated December 22, 1995. H+R was then the parent company of HRPI and HRPII, which hold the shares in OHR and E+H. In 1998 HRPI and HRPII were sold to Hansen AG.

Hansen AG and Deukalion paid EUR 6,135,944.84 for the shares. After allocation of the goodwill recorded in H+R's separate financial statements to group goodwill, a difference of EUR 7,071,086.44 remained. Since the shareholders of the former parent company were identical with the shareholders of the buyer and the shareholders for the most part paid the purchase price back to Hansen AG by contributing it to the capital reserve, the difference from consolidation of investments and their equity as of December 31, 2003 was mostly offset against this reserve. The useful life of the goodwill reported in H+R's separate financial statements was extended from fifteen to twenty years.

While correcting the opening balance sheet as of January 1, 2004 the offsetting was reversed and the difference from that time was recognised in goodwill after deducting the amortisation (20 years straight-line). The goodwill reported in H+R's separate financial statements is included in the group goodwill and the amortisation recorded in H+R's separate financial statements on this goodwill has been eliminated.

The purchase of H+R by Hansen AG was particularly due to the fact that new investors for extending the Eastern business and for entering new markets were being searched for and were found and the acquisition by a new company was a preparatory measure. Goodwill has been allocated to the whole group, since the expansion in the markets in the East was focused on at that time.

Additional goodwill in the amount of tEUR 180.0 and tEUR 130.0 was recognised from additional acquisitions of shares in E+H and OHR, all of which except tEUR 43 had been amortised by December 31, 2003.

In 2005, a payment obligation at Hansen AG removed from the books due to expiration of the statute of limitations on December 31, 2005 from the acquisition of H+R in 1995 and 1996 in the amount of tEUR 218.8 was offset against the acquisition costs at that time and is shown as a disposal in the schedule of non-current assets.

Goodwill is no longer amortised after 2004 in accordance with IRFS 3 and is subject to an impairment test on an annual basis. In view of the positive earnings position, particularly in the foreign operating companies, and forecasts for 2006, no amortisation of goodwill was necessary. In 2004 Hansen AG's share of consolidated net income was tEUR 2,947.8 and in 2005 it was tEUR 4,748.8. Consolidated net income in 2005 alone is higher than the capitalised goodwill, so that the Management Board believes that it is not impaired. Neither do the 2006 budgets provide cause for recording an impairment loss on goodwill.

amortisation

Depreciation of the financial year	Balance 12/31/2005	Book values 12/31/2005	Book values 12/31/2004
tEUR	tEUR	tEUR	tEUR
50.7	130.6	210.7	150.1

14. Other intangible assets

The other intangible assets are amortised using the straight-line method over their useful lives. No impairment losses were necessary. Of the total of tEUR 1,464.3 in research and development costs incurred by the group in 2005, tEUR 87.8 were capitalised.

15. Property, plant and equipment

In 2005 the material investments were for buildings and technical equipment and machinery. At OHR tEUR 539.1 and at E+H tEUR 106.6 was invested in buildings. In 2005, tEUR 434.3 was invested in technical equipment and machinery. Only the car fleet was leased under finance lease agreements. The lease instalments due in the future are tEUR 135.6 (2004: tEUR 103.4).

16. Financial assets

Recorded as shares in unconsolidated affiliated companies are the fully amortised shares of Hansen + Reinders Trading spol.s r.o. in the Czech Republic, which is currently undergoing liquidation, and shares in TSOW "Hansen Ukraina", which is currently not yet operational.

17. Other receivables and assets

Receivables from finance lease contracts that fall due between one and five years are recorded under this item. As of December 31, 2005, the future lease instalments to be received are tEUR 106.0, the interest portion is tEUR 17.2

18. Inventories

	12/31/2005	12/31/2004
	tEUR	tEUR
Raw materials, consumables and supplies	4,345.2	3,428.4
Work and services in process	1,306.0	1,111.8
Finished goods and merchandise	1,255.2	989.0
Payments on account	47.3	11.7
	6,953.7	**5,540.9**
Valuation allowance on inventories	**907.7**	**869.1**

Of the inventories, tEUR 859.0 (2004: tEUR 933.1) are pledged as collateral for liabilities.

19. Trade accounts receivable

	12/31/2005	12/31/2004
	tEUR	tEUR
Receivables from third parties	9,545.9	5,500.0
Receivables from un-consolidated affiliated companies	30.0	0.0
	9,575.9	**5,500.0**

Of the receivables, tEUR 1,018.3 (2004: tEUR 385.8) are pledged as collateral for liabilities.

20. Other receivables and assets

	12/31/2005	12/31/2004
	tEUR	tEUR
Prepaid expenses	147.0	30.1
Refund claims of other taxes	119.3	331.9
Receivables from finance lease	27.7	0.0
Credit receivables from third parties	25.6	25.6
Other assets	114.7	71.6
	434.3	**459.2**

Among the prepaid expenses as of December 31, 2005 are deferred costs from Hansen AG's increase in capital for 2006 in the amount of tEUR 73.8, which will be offset against the premium from the capital increase in 2006.

The receivables from finance lease consist of the lease instalment receivable of tEUR 42.0 less the interest portion of tEUR 14.3 and are due within one year.

21. Current and deferred income tax assets

	12/31/2005	12/31/2004
	tEUR	tEUR
Deferred income tax assets	509.5	365.4
Current income tax assets	533.4	433.4
	1,042.9	798.8

See number 9 for discussion of deferred tax assets.

22. Cash and cash equivalents

	12/31/2005	12/31/2004
	tEUR	**tEUR**
Bank balances	8,079.1	2,923.6
Cash on hand and checks	50.0	9.6
	8,129.1	**2,933.2**

The Company's cash is not subject to any restrictions.

Consolidated shareholders' equity

See statement of changes in shareholders' equity for changes in Hansen Group's equity

23. Issued capital

Issued capital in the amount of EUR 1,125,000.00 is divided into 1,125,000 bearer shares with a prorated share in the Issued capital of EUR 1.00 per share. In accordance with the articles of association, each bearer share has one vote in the annual general meeting. We do not plan on limiting any voting rights. The sole shareholder as of December 31, 2005 was Hansen Beteiligungs GmbH, Salzburg/Austria.

By notary deed dated August 12, 2005 and entry in the companies register on October 04, 2005, Hansen Holding GmbH changed its legal form from that of a limited liability company into that of a stock corporation with the new name of the firm being "Hansen Sicherheitstechnik AG", prepared new articles of association and appointed a Supervisory Board.

On September 13, 2005, Hansen Holding GmbH restated its Issued capital from DM 89,900.00 to EUR 45,965.14 and increased its capital from company funds by a nominal amount of EUR 1,079,034.86 to EUR 1,125,000.00.

The general meeting held January 16, 2006 passed a resolution creating authorised capital in the amount of EUR 562,500.00 (authorised capital 2006/I), which was recorded in the companies register on January 26, 2006. Furthermore, the general meeting held on January 16, 2006 passed the resolution to increase capital by a nominal EUR 125,000.00 to EUR 1,250,000.00 by cash contribution; this resolution was recorded in the companies register on January 26, 2006 as well. The execution of the capital increase was entered in the companies register on May 29, 2006.

The amendments to the capital increase resolution dated January 16, 2006 by the general meeting held January 30, 2006 (entry in the companies register on February 14, 2006) as well as the one held on February 22, 2006 (entry in the companies register on March 7, 2006) made amendments particularly concerning participation rights and the issue price of shares in respect to uniformity with the existing shares, but did not amend the capital increase resolution from January 16, 2006 with amendment resolution from January 30, 2006 in any other way.

On April 25, 2005, a controlling and profit-transfer agreement with HRPI was executed which was recorded in the companies register on October 24, 2005. On the same date a control and profit-transfer agreement was entered into with HRPII, which was recorded in the companies register on January 31, 2006.

24. Reserves

See statement of changes in shareholders' equity for the composition and changes in reserves.

Capital reserves

The capital reserves only contain deposits and withdrawals by Hansen AG. Capital reserves from the subsidiaries' separate financial statements are reclassified as revenue reserves during consolidation. In 2004 all amounts were removed from the capital reserves to compensate for Hansen AG's accumulated losses.

Revenue reserves

Revenue reserves are actually other retained earnings according to German accounting standards. They include appropriations from earnings of the financial year or earlier years as well as the consolidation measures affecting income including earlier amortisation of goodwill. In 2004 the investment in H+G was reduced from 100.0 % to 70.55 % to allow a local manager to invest in the company. The loss from deconsolidation does not affect net income and is offset against revenue reserves, since Hansen AG continues to control the company.

Hansen AG's mandatory legal reserve as of December 31, 2005 is also reported under revenue

Difference from currency translation

Differences from currency translation contain differences from the restatement of the financial statements of foreign companies, currency differences from amounts appropriated to reserves by subsidiaries and currency differences from the prorated Issued capital and currency differences in the carrying amount of investments.

25. Unappropriated retained earnings

In accordance with Sec. 58 para. 2 AktG (Stock Corporation Act), the unappropriated retained earnings in the financial statements of Hansen AG as per German accounting standards determine dividend distributions to shareholders of Hansen AG.

Reconciliation of retained earnings of Hansen AG

	tEUR
Consolidated net income of Hansen AG	4,768.2
Retained earnings of Hansen AG	1,246.1
Capital increase out of company funds	-1,079.0
Appropriation to reserves	-3,623.6
Unappropriated retained earnings of Hansen AG	**1,311.7**

26. Minority interests

Minority interest are attributed to the companies as follows:

	12/31/2005	12/31/2004
	tEUR	tEUR
E+H	2,732.0	1,500.1
OHR	826.7	808.4
EHS	290.0	151.1
H+G	172.6	150.5
SIB	105.0	53.6
HRCS	42.4	37.8
	4,168.7	**2,701.5**

27. Pension provisions

Hansen AG has granted the sole Management Board member a pension. We have taken out insurance to finance the pension later, which has been pledged to the Management Board member to secure his pension claim if Hansen AG were to go out of business. The insurance claims in Hansen AG's balance sheet as per German accounting standards have been offset against the pension provision in accordance with IAS.

In accordance with IAS 19, beginning in 2004 the pension benefits granted are recorded based on the projected unit credit method using actuarial data. The pension provision and the calculation of pension cost are within the 10% corridor and the gains and losses beyond the 10% corridor are deferred and amortised over the average period of service of the Management Board member.

The valuation is based on the following assumptions:

Interest rate	4,0 % (2004: 4.75 %)
future salary increases	1.5 % (2004: 1.5 %)

The actuarial calculation base as of December 31, 2004 is K. Heubeck's mortality tables 1998 and as of December 31, 2005 the 2005 mortality tables.

The pension provision developed as follows:

	2005	2004
	tEUR	tEUR
Balance, January 1	91.8	66.9
Additions	176.1	24.9
Balance, December 31	267.9	91.8

The increase in additions is the result of an increase in the pension granted in 2005. The expense from recognising the pension provision in the income statement for the 2005 financial year consists of the accrual of interest of the forecasted pension obligation in the amount of tEUR 176.1 (2004: tEUR 24.9).

28. Pension, income tax and other provisions

	Opening balance 1/1/2005	Currency adjustment	Utilisation	Reversal
	tEUR	tEUR	tEUR	tEUR
Long-term provisions				
Provisions for pensions and similar obligations	**91.8**	**0.0**	**0.0**	**0.0**
Tax provisions				
Deferred income tax provisions	68.5	3.5	0.0	5.4
	68.5	**3.5**	**0.0**	**5.4**
	160.3	**3.5**	**0.0**	**5.4**
Short-term provisions				
Tax provisions				
Current income tax provisions	527.6	30.1	476.6	0.0
Other provisions				
Personnel provisions				
Vacation pay, 13th salary and over-time, time credits	120.7	4.3	90.1	46.4
Severance pay	6.2	0.9	6.0	0.0
Other personnel-related provisions	246.3	38.4	249.9	0.0
	373.2	**43.6**	**346.0**	**46.4**
Provisions from operating activities	78.1	5.6	0.0	0.0
Various other provisions				
Outstanding invoices	11.5	0.7	11.7	0.0
Accident and disability insurance premiums	21.0	0.0	21.0	0.0
Auditing costs	103.4	2.1	93.0	8.9
Sundry other provisions	0.0	0.0	0.0	0.0
	135.9	**2.8**	**125.7**	**8.9**
Short-term other provisions	**587.2**	**52.0**	**471.7**	**55.3**
Short-term provisions	**1,114.8**	**82.1**	**948.3**	**55.3**
Total provisions	**1,275.1**	**85.6**	**948.3**	**60.7**

Additions	Offset	Closing balance 12/31/2005	Within 1 year	Over 1–5 years	Over 5 years	Over 1 year
					12/31/2005	12/31/2004
						Due
tEUR	tEUR	tEUR	tEUR	tEUR	tEUR	tEUR
176.1	**0.0**	**267.9**	**0.0**	**0.0**	**267.9**	**91.8**
35.0	-31.2	70.4	0.0	70.4	0.0	68.5
35.0	**-31.2**	**70.4**	**0.0**	**70.4**	**0.0**	**68.5**
211.1	**-31.2**	**338.3**	**0.0**	**70.4**	**267.9**	**160.3**
729.1	0.0	810.2	810.2	0.0	0.0	0.0
141.4	0.0	129.9	129.9	0.0	0.0	0.0
18.4	0.0	19.5	19.5	0.0	0.0	0.0
791.2	0.0	826.0	826.0	0.0	0.0	0.0
951.0	**0.0**	**975.4**	**975.4**	**0.0**	**0.0**	**0.0**
48.7	0.0	132.4	132.4	0.0	0.0	0.0
13.2	0.0	13.7	13.7	0.0	0.0	0.0
21.0	0.0	21.0	21.0	0.0	0.0	0.0
182.6	0.0	186.2	186.2	0.0	0.0	0.0
23.5	0.0	23.5	23.5	0.0	0.0	0.0
240.3	**0.0**	**244.4**	**244.4**	**0.0**	**0.0**	**0.0**
1,240.0	**0.0**	**1,352.2**	**1,352.2**	**0.0**	**0.0**	**0.0**
1,969.1	**0.0**	**2,162.4**	**2,162.4**	**0.0**	**0.0**	**0.0**
2,180.2	**-31.2**	**2,500.7**	**2,162.4**	**70.4**	**267.9**	**160.3**

Liabilities

29. Debt

	12/31/2005			12/31/2004	
					Due
	Within 1 year	Between 1–5 years	Total	Total	Over 1 year
	tEUR	tEUR	tEUR	tEUR	tEUR
Liabilities due to banks	1,280.7	842.8	2,123.5	997.4	377.9
Liabilities from finance leases	55.0	79.0	134.0	99.1	53.0
Other financial debt	1,963.7	0.0	1,963.7	1,320.1	0.0
	3,299.4	**921.8**	**4,221.2**	**2,416.6**	**430.9**

Liabilities due to banks which fall due within 1 year

	12/31/2005	12/31/2004
	tEUR	tEUR
Hansen AG	0.0	50.1
H+R	347.3	338.1
H+G	329.8	0.0
HRPI	32.2	33.3
HRPII	0.0	33.9
OHR	571.3	164.1
	1,280.7	**619.4**

Hansen AG was granted a loan in 1997 by IKB Deutsche Industriebank AG, Munich, with a loan principal of roughly tEUR 2,800.0. The remaining principal of tEUR 50.1 was repaid in full in 2005.

By security pool contract dated November 21, 2003, Hansen AG assumed joint liability for a maximum amount of tEUR 600.0 for bank liabilities of H+R due to IKB Deutsche Industriebank AG, Munich (IKB) and SEB AG, Essen branch (SEB). At the balance sheet date, H+R has a loan from IKB which is due within one year in the amount of tEUR 150.3 (2004: tEUR 221.1). This loan bears 4.75 % interest and is due at the end of September 2007. Furthermore, there is a letter of comfort of Hansen Beteiligungs GmbH, Salzburg, regarding a loan from Raffeisen Landesbank Oberösterreich Niederlassung Süddeutschland, Passau, in the amount of tEUR 197.0 (2004: tEUR 117.0). This loan bears 5.14 % interest.

The short-term bank liabilities of H+G due payable to Standard Bank of South Africa had a balance at year-end of tEUR 329.8 (2004: tEUR 0.0). Hansen AG agreed with the Standard Bank of South Africa, Benoni (South Africa), to provide H+G with financing up to an amount of TZAR 2,000.0 (about tEUR 256.0), so that the company is always able to pay on time its present and future obligations to Standard Bank of South Africa Limited. The interest rate in 2005 was between 12.5 % and 13.5 %. In addition, Hansen has an additional guarantee in the form of a bank guarantee to the Commerzbank AG, Munich, in the amount of tEUR 77.0.

HRPI has a loan at SEB which is due within one year in the amount of tEUR 32.2 (2004: tEUR 33.3), which bears 8.0 % interest. The loan is collateralised by a pledge of Hansen AG's claims concerning the shares and loans to OHR, existing participation rights to OHR as well as Hansen AG's receivables from OHR from ongoing intercompany sales and services. To secure the loan, the state Nordrhein-Westfalen – in an agreement dated

July 1, 1994 – has provided a guarantee to SEB in the amount of 90 % of the bad debt after liquidation of all available assets and collateral.

By loan contract dated January 10, 1996, SEB granted HRPII a loan which still had a balance of tEUR 34.0 as of December 31, 2004 and bore 6.5 % interest. The loan was repaid in full and on time on September 30, 2005.

The Cheskoslovenska Obchodni Banka (CSOB) granted OHR a loan in 2005 which is due within one year in the amount of tEUR 571.3 (2004: tEUR 164.1), which bears between 3.0 % and 8.0 % interest and which has a total maturity of up to the year 2007. All loans bear variable interest rates which are based on the PRIBOR (Prague Interbank Offered Rate).

Liabilities due to banks which fall due between 1–5 years

	12/31/2005	12/31/2004
	tEUR	tEUR
H+R	91.0	211.2
HRPI	80.9	101.1
OHR	671.0	65.6
	842.8	**377.9**

At the balance sheet date, H+R has a loan from IKB which is due within one year in the amount of tEUR 91.0 (2004: tEUR 211.2). The loan bears 4.75 % interest and is due at the end of September 2007.

The long-term portion of the SEB loan for the remaining term from 2006 to 2009 granted to HRPI has a balance of tEUR 80.9 (2004: tEUR 101.1).

The long-term portion of CSOB's loan to OHR is due by 2010 and has a balance of tEUR 671.0 (2004: tEUR 65.6).

Hansen Group's unused lines of credit as per IAS 7.50 (a) at the balance sheet date are tEUR 1,379.4 (2004: tEUR 1,065.9).

Other debt as of December 31, 2005 consists exclusively of the internal company savings and loan of OHR (2004: tEUR 1,116).

Liabilities secured by real estate liens, assignment as security or similar rights

	12/31/2005	12/31/2004
	tEUR	tEUR
Due to banks	2,501.4	1,103.4
Due to non-banks	60.3	102.5
	2,561.7	**1,205.9**

30. Trade accounts payable

The payables are exclusively due to third parties.

31. Other liabilities

	12/31/2005	12/31/2004
	tEUR	tEUR
Liabilities from other taxes	1,488.2	616.6
Liabilities from taxes on income and earnings	467.0	209.3
Due to employees	329.4	241.7
Social security liabilities	282.4	199.6
Payments received on account	161.1	236.8
Sundry other liabilities	63.1	93.1
	2,791.2	**1,597.1**

Other financial obligations and contingent liabilities

Other financial obligations	12/31/2005			12/31/2004	
					Due
	Within 1 year	over 1–5 years	Total	Total	Over 1 year
	tEUR	tEUR	tEUR	tEUR	tEUR
Order commitments					
for property, plant and equipment	1,443.1	0.0	1,443.1	451.8	0.0
for operations	968.1	0.0	968.1	954.0	0.0
for administration	60.0	0.0	60.0	0.0	0.0
Building rents and leases (operating lease)	180.9	295.6	476.5	477.2	288.8
Car fleet (operating lease)	75.5	46.1	121.6	188.3	102.1
Technical machinery and equipment (operating lease	0.0	0.0	0.0	0.0	0.0
Other operating lease obligations	15.7	32.6	48.3	72.0	17.8
	2,743.3	**374.3**	**3,117.6**	**2,143.3**	**408.7**
Expenses for operating leases in 2005 and 2004			**202.4**	**205.9**	

Contingent liabilities

H+R has filed a lawsuit with the Muenster Tax Court regarding the recognition of a corporate reorganization in 1996 and 1997, which was classified in the course of a tax audit as a misuse of structural alternatives . There is the risk that the tax court might confirm the assumption of such misuse . This would on the one hand lead to subsequent tax payments (including solidarity surcharge and interest) in the total amount of approx. tEUR 750 and on the other hand to lower loss carryforwards. After discussion with H+R's auditor, the risk is not deemed significant enough to justify recording of a provision.

If the lawsuit is not successful, then in the year of the payment earnings would be decreased which in turn would reduce the group's equity by this amount.

Last year there was still a risk of about tEUR 200.0 from proof of usage for a low-interest-rate loan. When the financial statements were compiled the risk no longer existed.

There are no contingent liabilities and commitments which require reporting.

Cash flow statement

The cash flow statement shows how Hansen Group's cash and cash equivalents changed during the financial year. The cash flow statement in accordance with IAS 7 divides cash flows into those from operating activities, which consists of the cash provided by ongoing business activities, those from investing activities and those from financing activities. Investing and financing activities that do not lead to a change in cash or cash equivalents are – in accordance with IAS 7 – not a part of this cash flow statement. The cash flows of foreign consolidated companies are translated in the cash flow statement at the corresponding average exchange rate. The balance sheet data on which this cash flow statement is based is recorded at the period-end exchange rates. The corresponding translation differences are reported in other non-cash expenses.

32. Cash from operating activities

Interest received and interest paid is included in cash from operating activities. In 2005, interest in the amount of tEUR 100.1 (2004: tEUR 58.7) was received and interest in the amount of tEUR 341.9 (2004: TEUR 281.1) was spent. In 2005, a total of tEUR 1,882.7 (2004: tEUR 1,444.7) was spend on taxes on income and earnings.

The increase in cash from operating activities compared to 2004 is particularly due to net income which increased by tEUR 2,617, additions to provisions and higher liabilities. The increase in receivables and other assets as well as inventories had the opposite effect.

33. Cash used in investing activities

Cash paid for investments in property, plant and equipment and in intangible assets and cash received from their sale do not correspond with the additions and disposals shown in the schedule of non-current assets. The difference is mainly the result of the accrual to different periods of payments for additions in 2004 and 2005. The cash used in investing activities is mainly the result of investments in Poland and the Czech Republic.

34. Cash from/used in financing activities

In respect to the capital increase in 2006, tEUR 73.8 was spent in 2005, primarily on consulting fees. In 2004 the new shareholder of H+G paid in tEUR 45.7 into the company. Due to Hansen Group's permanently improving earnings position, dividend distributions to minority interests increased as well. In 2005 we increased the level of bank loans to finance planned investments. The material new loans were granted to OHR.

35. Changes in cash

Cash includes all liquid assets, i.e. cash on hand, bank balances and checks less current account liabilities due to banks (as of December 31, 2005 tEUR 329.8).

On December 31, 2005, cash was not subject to any restrictions – as in 2004. Cash increased from tEUR 2,933.2 at the beginning of the financial year to tEUR 7,799.3 as of December 31, 2005.

Other information

Information on relationships to related companies and persons

Information on business transactions with affiliated companies

			Business transactions in 2005	2004
Company	Company	Type of legal transaction	tEUR	tEUR
Deukalion	Hansen AG	Financial transactions	1.9	1.8
Deukalion	H+R	Financial transactions	0.5	0.0
Deukalion	H+R	Services transactions	5.9	8.3
E+H	EHS	Goods and services transactions	2,923.3	2,458.6
E+H	Hansen AG	Goods and services transactions	65.5	12.0
E+H	Hansen AG	Financial transactions	0.0	6.3
E+H	H+R	Goods and services transactions	321.6	214.8
E+H	HRPII	Investment income	1,033.7	243.8
E+H	HRPII	Financial transactions	9.6	13.9
E+H	OHR	Financial transactions	0.0	36.0
E+H	OHR	Goods and services transactions	2,188.7	1,826.0
EHS	OHR	Goods and services transactions	3.1	0.6
H+G	Hansen AG	Goods and services transactions	4.3	0.0
H+G	Hansen AG	Warranty contract	267.0	220.9
H+G	H+R	Goods and services transactions	343.9	0.0
H+G	OHR	Goods and services transactions	33.1	26.6
Hansen AG	H+R	Services transactions	12.0	0.0
Hansen AG	H+R	Financial transactions	79.9	164.8
Hansen AG	H+R	Warranty contract	241.0	600.0
Hansen AG	HRPI	Investment income	1,863.1	343.0
Hansen AG	HRPI	Financial transactions	26.5	24.1
Hansen AG	HRPII	Financial transactions	10.5	7.0
Hansen AG	OHR	Goods and services transactions	15.0	121.6
H+R	HRCS	Goods and services transactions	198.3	195.3
H+R	OHR	Goods and services transactions	1,744.6	782.0
H+R	HRPI	Financial transactions	0.0	0.0
HRCS	OHR	Goods and services transactions	177.4	153.9
HRPI	HRPII	Financial transactions	2.0	1.0
HRPI	OHR	Investment income	1,855.9	342.7
HRPI	OHR	Financial transactions	5.1	7.0
HRPI	OHR	Services transactions	1.1	72.1
OHR	SIB	Investment income	25.4	0.0
OHR	SIB	Goods and services transactions	2,252.7	1,494.4
OHR	SIB	Financial transactions	0.7	3.8
Hansen AG	Hansen Beteiligungs GmbH	Financial transactions	25.9	0.0
Hansen AG	BNS GmbH, Düsseldorf	Services transactions	14.0	0.0
H+R	Hansen Beteiligungs GmbH	Financial transactions	6.0	0.0

Information on outstanding balances between affiliated companies

		Amount of the outstanding balances	
		12/31/2005	12/31/2004
Company	Company	tEUR	tEUR
Deukalion	Hansen AG	34.2	32.3
Deukalion	H+R	45.3	41.3
E+H	EHS	72.7	150.8
E+H	Hansen AG	44.0	18.3
E+H	H+R	0.6	1.1
E+H	HRPII	60.2	96.4
E+H	OHR	460.4	859.3
EHS	OHR	1.0	0.0
H+G	Hansen AG	1.0	0.0
H+G	H+R	325.7	0.0
H+G	OHR	34.1	0.0
Hansen AG	H+R	1,081.5	960.4
Hansen AG	HRPI	305.2	441.0
Hansen AG	HRPII	1,245.6	64.2
Hansen AG	OHR	15.0	15.3
H+R	HRCS	192.9	133.7
H+R	OHR	408.4	38.7
H+R	HRPI	11.4	11.4
HRCS	OHR	14.1	41.1
HRPI	HRPII	3.0	41.0
HRPI	OHR	137.1	70.0
OHR	SIB	800.6	504.0
Hansen AG	Hansen Beteiligungs GmbH	25.9	0.0
Hansen AG	BNS GmbH, Düsseldorf	4.2	0.0

In 2005, tEUR 1,560.5 (2004: tEUR 924.3) was spent on current fixed and variable compensation to the Management (excl. Management Board members of Hansen AG) in accordance with IAS 24.16 (a).

Business transactions with members of Management in accordance with IAS 24.18 (f) (not including the Management Board members of Hansen AG) accrued in the amount of tEUR 1,104.4 in 2005 (2004: tEUR 536.9). The outstanding balances had a balance in 2004 of tEUR 11.8.

There were other business transactions with related parties in accordance with IAS 24.18 (g) in 2005 in the amount of tEUR 1,825.6 (2004: tEUR 1,165.0). The outstanding balance is tEUR 411.2 (2004: tEUR 878.7).

Liabilities from the internal company savings and loan of OHR and the minority interests of OHR together had a balance as of December 31, 2005 of tEUR 1,282.9 (2004: tEUR 649.0). Interest expense for these liabilities in the 2005 financial year had a balance of tEUR 123.3 (2004: tEUR 78.0).

Report in accordance with Sec. 20 AktG (German Stock Corporation Act)

In its report dated February 23, 2006, Hansen Beteiligungs GmbH, Salzburg (Austria) reported that it holds 100.0% of the capital stock.

Employees

There was an average of 393 employees at Hansen in 2005 (2004: 331).

Management Board

The Management Board of Hansen AG during the reporting period consisted of the sole member Christian Dreyer, graduate engineer, Salzburg (Austria). The Management Board member is exempt from the restrictions set forth in Sec. 181 of the German Civil Code. The Management Board member does not have any supervisory board duties.

Supervisory Board

The following gentlemen belonged to the Supervisory Board of Hansen AG during the financial year:

Jürgen Tonn
Scharbeutz (Supervisory Board Chairman)
Consultant (no other supervisory board duties)

Christian Nimmervoll,
Grieskirchen (Austria),
(Vice Chairman)
Investment Manager
Other Supervisory Board duties:
>> Chairman of the Supervisory Board of Flottweg GmbH & Co. KGaA
>> Member of the Supervisory Board at Bionorica AG
>> Vice Chairman of the Supervisory Board of APOFIN Beteiligungs AG

Andreas Pallauf,
Salzburg (Austria)
Attorney (no other supervisory board duties)

The first Supervisory Board was appointed during the change in legal form in 2005.

Compensation of the Management Board and Supervisory Board

Total compensation of the sole Management Board member of Hansen AG for the 2005 financial year for the period from April through December amounted to tEUR 118.5. The sole Management Board member also received tEUR 10.0 (2004: tEUR 8.0) from OHR in 2005 and a consulting fee from Hansen AG in the amount of tEUR 5.0 (2004: tEUR 19.8). The former second Managing Director Mr. Siegfried Cordt who left the Company in April 2005 received a consulting fee in the amount of tEUR 3.0 (2004: tEUR 3.0).

The sole Management Board member will receive a pension in the amount of tEUR 103.6 per year (2004: tEUR 51.8) upon reaching his 65th birthday.

Hansen AG and its subsidiaries did not pay the Management Board any additional consultant fees in the 2005 financial year. The Management Board was not granted any loans, nor were any guarantees or other warranties made for it.

The members of the Supervisory Board received the following compensation in 2005: The Chairman received tEUR 2.5, another member of the Supervisory Board received tEUR 1.8. The third member of the Supervisory Board did not receive any compensation in 2005.

Disclosure of auditors' fees as per Sec. 314 No. 9 HGB (German Commercial Code)

The fees for the audit of the 2005 consolidated financial statements by the auditor Rödl & Partner GmbH, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Munich, which were accrued in these financial statements had a total amount of tEUR 30.0 (2004: tEUR 35.0).

Declaration on the German Corporate Governance Code

Hansen AG currently does not comply with the provisions of the German Corporate Governance Code above and beyond the legal requirements and does not provide a declaration in accordance with Sec. 161 AktG (German Stock Corporation Act). Since its shares are only traded over-the-counter, the Company does not have to satisfy this requirement. The Company is, however, contemplating complying with individual provisions of the German Corporate Governance Code in the future, if it is feasible from an organisational point of view and from a cost-benefit standpoint.

C. Dreyer

Munich, August 17, 2006
Hansen Sicherheitstechnik AG
Christian Dreyer
Vorstand / CEO
Management Board

Independent Auditor's Report

We have audited the consolidated financial statements – consisting of the balance sheet, the income statement, the statement of changes in shareholders' equity, the cash flow statement and the notes to the financial statements – as well as the consolidated Management's Report for the financial year ended December 31, 2005 which Hansen Sicherheitstechnik AG, Munich, compiled. The Company's legal representatives are under the obligation to compile consolidated financial statements and a consolidated Management's Report in accordance with the International Financial Reporting Standards (IFRS) to be applied as prescribed in the EU and, in addition, the provisions of Sec. 315a para. 1 HGB in context with Sec. 315a para. 3 HGB, as well as the supplementary provisions of the Articles of Association. It is our responsibility to render an opinion to the consolidated financial statements and consolidated Management's Report based on our audit.

We audited the consolidated financial statements pursuant to Sec. 317 HGB (German Commercial Code), taking into account the principles for the proper auditing of financial statements laid down by the Institut der Wirtschaftsprüfer (IDW = Institute of Auditors). These provisions stipulate that the audit must be organized and carried out in such a manner that it is possible to assess with adequate certainty whether the consolidated financial statements are free of any faults materially affecting the view of the Group's net worth, financial position and earnings situation conveyed by the financial statements and the Management's Report in the light of applicable accounting standards. When planning the audit, we take our knowledge of the Group's business activity, the business and legal environment as well as expectations on possible misstatements into consideration. During the audit we assess the effectiveness of the internal control system and we sample evidential matter to substantiate the representations in the consolidated financial statements and the consolidated Management's Report. The audit includes a judgment of the financial statements of all companies included in the consolidated financial statements, the composition of consolidated companies, the recognition and consolidation principles and material estimates made by legal representative as well as the presentation of the consolidated financial statements and the consolidated Management's Report as a whole. We believe that our audit provides sufficient evidence for our audit opinion.

Our audit did not lead to any objections.

Based on the findings of our audit, we believe that the consolidated financial statements is in compliance with the IFRS to be applied in the EU and, in addition, the provisions of Sec. 315a para. 1 HGB in context with Sec. 315a para. 3 HGB, as well as the supplementary provisions of the Articles of Association, and, with due regard to the generally accepted accounting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and earnings of the Group. The consolidated Management's Report corresponds with the consolidated financial statements, presents a true and fair view of the Group's situation, and accurately outlines the risks and rewards of future trends.

Munich, August 23, 2006

Rödl & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Jordan
Auditor

Leupold
Auditor

Supervisory Board's Report

The Management Board of Hansen Sicherheitstechnik AG regularly informed us on the position and course of business of the Company and of the Group during the reporting period from August 12, 2005 to December 31, 2005. We thoroughly discussed basic questions in business policy in common meetings. In doing so we are convinced that the Management Board is managing properly. Furthermore, the Chairman of the Supervisory Board was in constant telephone or personal contact with the Management Board and got an impression of the conditions at Hansen Group's Czech plant after a meeting in the Czech Republic.

The Supervisory Board did not convene any committees for particular topics within the Supervisory Board.

The Supervisory Board met twice during the 2005 financial year, on August 16 and November 10, 2005. The subject of the first meeting of the Supervisory Board on August 16, 2005 was the election of the Chairman of the Supervisory Board and his representative as well as the appointment of the first Management Board. Mr. Jürgen Tonn was elected Chairman of the Supervisory Board and Mr. Christian Nimmervoll was elected Vice Chairman. Mr. Christian Dreyer was appointed Management Board member. The subject of the meeting on November 10, 2005 was the preliminary results of Hansen Group for the first three quarters of the 2005 financial year, the entry into the Chinese market by establishing a subsidiary and the increase in capital and the initial public offering of Hansen Sicherheitstechnik AG. The last meeting was held at the Czech investment, during which the country statutory managers reported on individual markets.

The financial statements for the financial year ended December 31, 2005 presented by the Management Board were audited by KPMG Deutsche Treuhandgesellschaft AG, Wirtschaftsprüfungsgesellschaft, Essen and who rendered an unqualified auditor's opinion. The financial statements for the financial year ended December 31, 2005 and Group Management's Report presented by the Management Board were audited by KPMG Deutsche Treuhandgesellschaft AG, Wirtschaftsprüfungsgesellschaft, Essen who rendered an unqualified auditor's opinion.

We approved the results of the audits and do not raise any reservations after our own review of the financial statements as well as the consolidated financial statements and the Group Management's Report. We approved the financial statements of Hansen Sicherheitstechnik AG, compiled by the Management Board, which are therefore adopted.

The Supervisory Board has also recognised the report of the Management Board on relations to affiliated companies in accordance with Sec. 312 AktG (Stock Corporation Act). The Supervisory Board has no objections in respect to the Management Board member's declaration at the end of the report. It agrees with the findings of the auditor, who rendered the following opinion in accordance with Sec. 313 para. 3 AktG (Stock Corporation Act) on the report of the Management Board:

"Following our examination, which we carried out in conformity with professional standards, and evaluation, we confirm that

1. the factual information in the report is correct,

2. the Company's services with respect to the legal transactions listed in the report were not disproportionately high,

3. there are no circumstances warranting a materially different assessment of the measures detailed in the report by the Management Board."

We thank all employees and the Management Board of Hansen Group for their services in the financial year ended and wish them much success for the year 2006.

Munich, September 2006
Hansen Sicherheitstechnik AG
Jürgen Tonn
Supervisory Board Chairman

Impressum

PUBLISHED BY
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PHOTOS
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Getty Images

PRINTER
Samson Druck
5582 St. Margarethen (Austria)

www.hansen-sicherheitstechnik.com