BRINGING THE TRUTH TO LIGHT

2006 ANNUAL REPORT
HANSEN SICHERHEITSTECHNIK AG

HANSEN
Safety and Power

BRINGING THE TRUTH TO LIGHT

2006 ANNUAL REPORT
HANSEN SICHERHEITSTECHNIK AG

HANSEN
Safety and Power

HANSEN PRODUCES EXPLOSION-PROOF ELECTRICAL AND ELECTRONICS SYSTEMS FOR COAL MINING.

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.

TABLE OF CONTENTS

KEY FIGURES

HANSEN SICHERHEITSTECHNIK AG

Balance Sheet Figures	12/31/2006 tEUR	12/31/2005 tEUR	+/-	%
Balance sheet total	36,380.6	34,440.9	1,939.7	5.6
Equity	23,663.8	21,468.9	2,194.9	10.2
Equity ratio (%)	65.0	62.3		
Trade accounts receivable	7,357.5	9,575.9	-2,218.4	-23.2
Trade accounts payable	3,178.6	3,458.9	-280.3	-8.1
Cash and cash equivalents	9,099.9	7,799.3	1,300.6	16.7
Working capital [1]	11,538.6	13,070.7	-1,532.1	-11.7

Cash Flow Key Figures	2006 TEUR	2005 TEUR	+/-	%
Cash flow from operating activities	5,269.4	5,493.9	-224.5	-4.1
Cash flow from investing activities	-3,632.3	-1,296.4	-2,335.9	180.2
Cash flow from financing activities	-524.6	531.9	-1,056.5	-198.6

Income Statement Key Figures	2006 TEUR	2005 TEUR	+/-	%
Sales revenues	41,511.0	43,923.1	-2,412.1	-5.5
EBITDA	6,597.2	9,937.8	-3,340.6	-33.6
EBIT	5,780.8	9,387.2	-3,606.4	-38.4
Net financial expense	-122.5	-189.3	66.8	-35.3
EBT	5,658.3	9,197.9	-3,539.6	-38.5
Consolidated net income	3,689.1	6,957.0	-3,267.9	-47.0
Earnings per share in EUR	1.55	4.24	-2.7	-63.4
Dividends per share in EUR [2]	1.00	1.00	0.0	0.0

Personnel expenses	9,591,4	9,479.7	111.7	1.2
Employees	410	416	-6	-1.4

[1] Sum of inventories and customer accounts receivable, less vendor accounts payable
[2] Subject to approval by AGM

CORPORATE BODIES

FROM LEFT TO RIGHT:

ANDREAS PALLAUF
SUPERVISORY BOARD

JÜRGEN TONN
CHAIRMAN OF THE SUPERVISORY BOARD

CHRISTIAN DREYER
MANAGEMENT BOARD/CEO

CHRISTIAN NIMMERVOLL
VICE-CHAIRMAN OF THE SUPERVISORY BOARD

6

INTERVIEW

WITH THE CEO OF HANSEN SICHERHEITSTECHNIK AG

DIPL.-ING. MBA
CHRISTIAN DREYER

BORN IN 1962 IN AUSTRIA
1986 ENGINEERING DEGREE ETH ZURICH/CH
1988 MBA INSEAD FONTAINEBLEAU/F
1989 - 91 MCKINSEY & COMP.
SINCE 1991 CEO OF THE HANSEN GROUP

Mr. Dreyer, you celebrated an anniversary last year: 15 years as CEO of what is now Hansen Sicherheitstechnik AG. If you were to summarise this period of time – what were the most important milestones, or in other words: Where was Hansen in 1991 and where is it now?

At that time when I, at 28 years of age, took over the firm, Hansen had a secure position in the German market. From our location in Essen, we developed a broad range of explosion-proof electrical switchgear, had it approved and put it to market. At that time mining in the Ruhr set technological standards, certainly, yet was rather regional in nature. The flip side of the whole thing was that the mines here were in the best shape considering safety standards and from an economical perspective the growth potential here in Germany was nearly exhausted. It quickly became clear to me that the future is in Eastern Europe and that strategic expansion would be the key to the future. Long before the political foundation was laid with the EU eastward expansion, I became involved in the Czech Republic in 1993, and in Poland in 1994, 2001 in Russia. And my strategy paid off: During my 15 years at Hansen I increased sales as well as the number of employees ten-fold.

The whole world is talking about China as the dominating economic power of the 21st century. How does that look, is Hansen also showing the flag in China?

Yes, definitely, since last year. In our business, showing the flag is only partly what counts. You need to realise that, according to expert estimates, in China alone about 20,000 people lose their lives every year due to the lack of safety precautions underground. It is simply a fact of life that methane gas and coal dust combine in mines to form a highly hazardous explosive mixture, which cannot help but be ignited when non-explosion-proof electrical equipment is switched on. That is one reason why I and my roughly 400 co-workers start every new day with the goal to make the existence of miners the world over safer with our technology and our explosion-proof electrical equipment. But to get back to showing the flag, if I may: China actually has an abundance of coal and produces with its 2.3 billion tons annually more than twice as much as the USA as number 2 world-wide.

HANSEN HAS BEEN LISTED ON THE OPEN MARKET AT THE FRANKFURT STOCK EXCHANGE SINCE JULY 3, 2006 AND NOW, WITH A SHARE PRICE PLUS OF ALMOST 400% MEASURED AGAINST THE ISSUE PRICE LAST YEAR, HAS LEFT ALL OTHER STOCK MARKET NEWCOMERS BEHIND.

Let us take a trip to the other side of the globe: South Africa is known as one of the largest coal exporters in the world, on the other hand as one of the largest consumers: It satisfies up to 70% of its energy demand with coal. Besides these statistics, in your segment South Africa stands for innovative developments.
Can you tell us more?

At the Cape of Good Hope they have been using technology for some time to liquefy coal to extract fuels such as diesel, petrol or kerosene – in view of continued increasing oil and gas prices and heavy dependency on unstable supplying countries a geopolitical hot topic. Liquefaction is a strong trend, above all considering the nearly CO2 emission-free coal-fired power plants with modern "clean coal" processes. This process involves separating the carbon dioxide from the synthesis gas and storing it in underground caverns. South Africa is way ahead in this respect, and it is no coincidence that we stepped up our ownership share in Hansen+Genwest – located near Johannesburg – by 29.45 to 100% at the end of March 2007.

Mr. Dreyer, those who know you know that with the current locations the last word has expansion. Which countries are you highlighting as next in line on your world map?

Well, after China, the most promising markets seen over a longer period of time are definitely Australia, India or also the USA. Although we have submitted individual proposals there, we have yet to deliver equipment there. This will change within a few years – we are working on the corresponding market entry strategies.

Hansen has been listed on the Open Market at the Frankfurt Stock Exchange since July 3, 2006. Now, with a share price plus of almost 400% measured against the issue price last year, you have left all other stock market newcomers behind, and one can justifiably state that your business strategy has thus far been accepted by the stock market. There is still one last question: Are you satisfied with 2006?

All in all, yes. If I say so with reservations, it has the following background: Our business classically progresses in acquisition cycles, and the basic statement that we can double our sales on an average of every five years is true. "Average" implies conversely that growth does not necessarily have to be linear. This having been said, I view the decrease in sales from 43.9 million Euro in 2005 to 41.5 million Euro in 2006, if not with great joy, without concern either, since we had forecasted a consolidation of the business at a high level. The same is true for consolidated net income, which in 2006 was hit hard by the reduction in expensive production capacity in Gelsenkirchen on the one hand and by the world-wide increase in raw material prices, which put pressure on material expenses, on the other hand. Before non-recurring effects from closing H+R in Gelsenkirchen, the EBIT margin was once again in the area of about 20 % of revenues, even slightly higher than in 2006 (see also page 22, 1st paragraph).

Your final words to the shareholders of Hansen Sicherheitstechnik AG?

From a mid-term point of view our perspectives are intact, exactly like the path of growth we have chosen. Inasmuch I would like to thank the shareholders for the trust they have placed in myself and in Hansen Sicherheitstechnik AG and hope that you continue to accompany us on our way.

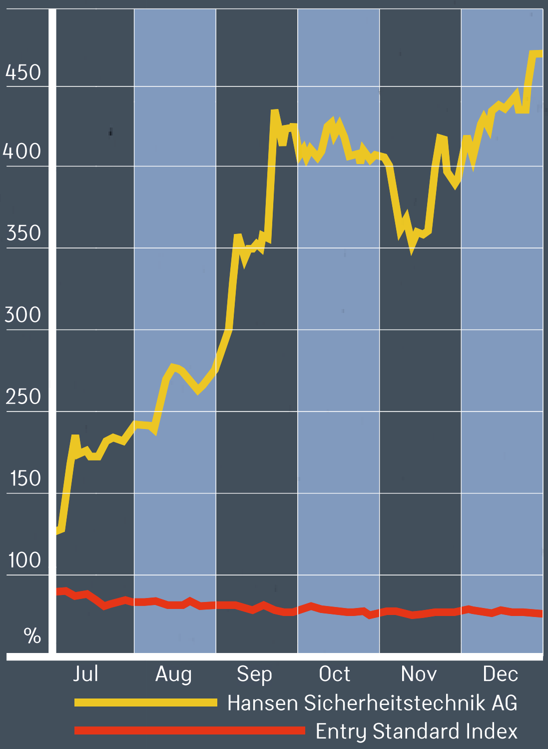
THE SHARE

INVESTOR RELATIONS

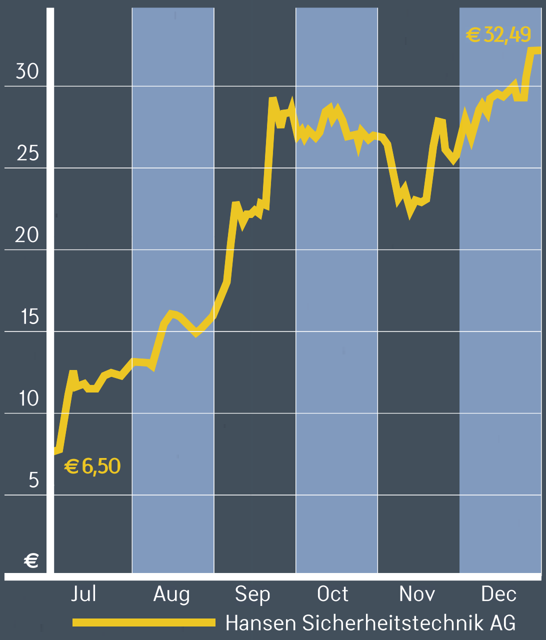
Initial Public Offering in the Open Market of the Frankfurt Stock Exchange

One of the highlights of 2006 was the initial public offering of the Hansen Sicherheitstechik share in the Open Market of the Frankfurt Stock Exchange. The issue price was EUR 6.50 on July 3, 2006, when the share was first traded and the share price had a fast pace up to the end of the year. The purpose of the listing was not to raise capital, rather to position the Company strategically in the capital market considering future business activities in connection with Hansen Sicherheitstechnik's international expansion strategy. Correspondingly, since July 2006 it had been a priority to communicate the business model, positioning and perspectives for growth to selected institutional investors in a number of investor discussions. During these discussions in Frankfurt, Munich and London, we were able to convince a number of German and international investors of the opportunities our Company offers. The trust we gained was reflected in the share price.

Price Chart Hansen Sicherheitstechnik AG against Entry Standard Index



Price Chart Hansen Sicherheitstechnik AG

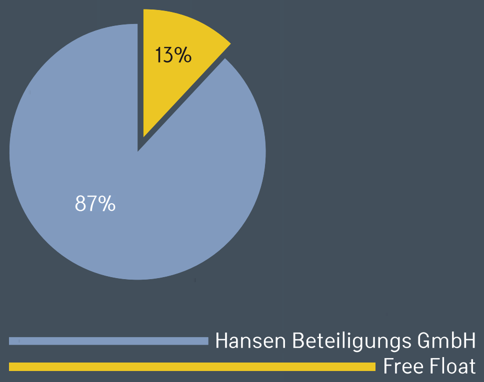


The Hansen Sicherheitstechnik Share – absolute Performance of about 400 Percent

The Hansen Sicherheitstechnik share price was able to set an outstanding trend since its initial issue on July 3, 2006 (issue price EUR 6.50). Driven by a dramatic rise in the initial months of trading until the end of September – with a minor sideways movement in October and November – the share price closed at the end of the year 2006 at EUR 32.49. This equates to an outstanding absolute price trend of 399.8 percent. The trend in the Hansen share price is no less impressive compared to the Entry All Share Index. Our share price was able to disengage from the general market trend of the Entry Standard and grew several hundred percent better than the market from the start.

Shareholder Structure as of December 31, 2006

The shareholder structure as of December 31, 2006 is as follows.



In addition to the majority shareholder Hansen Beteiligungs GmbH, which holds an 87 percent share of Hansen Sicherheitstechnik AG, about 13 percent of the shares are held by institutional investors and private shareholders. Since Hansen Sicherheitstechnik does not have exact knowledge concerning the distribution of the 13 percent, this share is designated as "free float".

Further Expansion of Investor Relations Measures

Shortly after listing in the Open Market at the Frankfurt Stock Exchange, we expanded our company communication efforts in the investor relations / financial communications area. The reason for this decision was that Hansen Sicherheitstechnik endeavours to establish pro-active, open and transparent communications with the capital market. This intent was already implemented in 2006 in road shows, telephone conferences, a comprehensive investor relations homepage and numerous press releases. We have also begun reporting in the German and English languages. We are going to continue increasing our communications measures in 2007. In addition to the measures implemented in 2006, Hansen Sicherheitstechnik AG plans to comply with the mandatory reporting requirements of the Entry Standard. Among these measures is the planned release of an interim report for the first six months of the 2008 financial year. We also plan on participating in capital market conferences on a regular basis. The objective is to increase Hansen Sicherheitstechnik's recognition level on an ongoing basis and to continue to build the trust of current and potential shareholders, in order to participate in the capital market on a long-term basis.

CHRISTOPH SCHROEDER
MANAGING DIRECTOR (BEGINNING 06/01/2007)
HANSEN+GENWEST, SOUTH AFRICA

DESMOND R. SMITH
MANAGING DIRECTOR (ENDING 05/31/2007)
HANSEN+GENWEST, SOUTH AFRICA

DONOVAN MOSS
SALES DIRECTOR
HANSEN+GENWEST, SOUTH AFRICA

NIKOLAI ZHALNIN
SHAREHOLDER SIB-HANSEN, RUSSIA

ALEXEJ KASANTZEJEW
MANAGING DIRECTOR SIB-HANSEN, RUSSIA

JIN YUN
MANAGING DIRECTOR
HANSEN CHINA LTD, CHINA.

VIKTOR POTERAYLO
MANAGING DIRECTOR
HANSEN UKRAINE

PETR PETRUŠKA
SHAREHOLDER AND TECHNICAL DIRECTOR
OSTROJ+HANSEN, CZECH REPUBLIC

JOSEF ŠIMEČEK
SHAREHOLDER AND MANAGING DIRECTOR
OSTROJ+HANSEN, CZECH REPUBLIC

KRZYSZTOF BADURA
SHAREHOLDER AND MANAGING DIRECTOR
ELGOR+HANSEN, POLAND

ANDRZEJ CZECHOWSKI
SHAREHOLDER AND MANAGING DIRECTOR
ELGOR+HANSEN, POLAND

JERZY BRASZCZOK
SHAREHOLDER AND MANAGING DIRECTOR
EH-SBS, POLAND

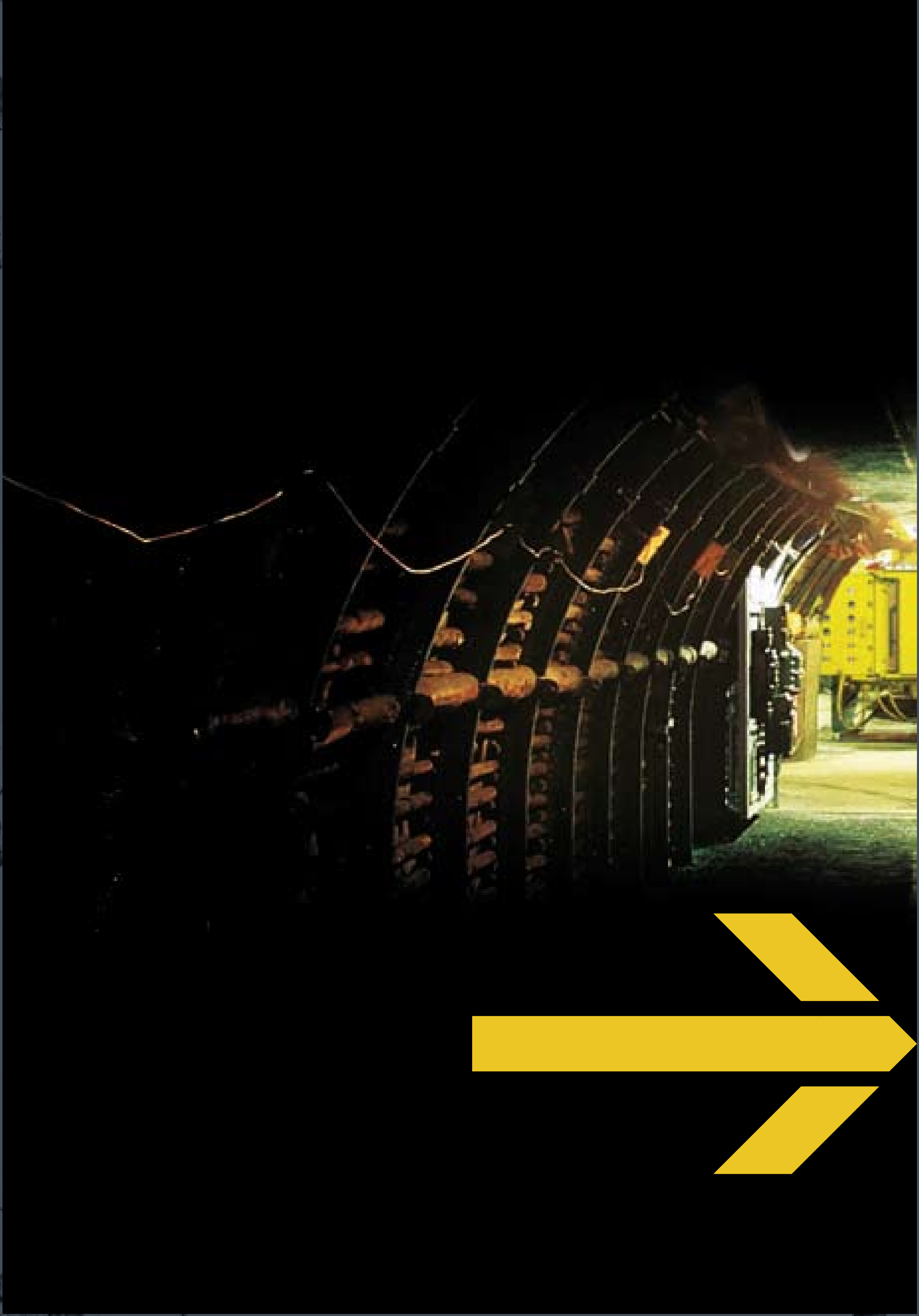
ALEKSANDER SEMECZKO
SHAREHOLDER AND MANAGING DIRECTOR
EH-SBS, POLAND

HENRYK SONTAG
SHAREHOLDER AND MANAGING DIRECTOR
EH-SBS, POLAND

ANDREA FIOCCHETTA
CONTROLLER
HANSEN SICHERHEITSTECHNIK AG, GERMANY

2006 CONSOLIDATED FINANCIAL STATEMENTS

HANSEN SICHERHEITSTECHNIK AG



THE DANGER OF METHANE OUTBURSTS IS OMNIPRESENT BELOW GROUND. METHANE IS HIGHLY EXPLOSIVE AND IS IGNITED BY FIRE AND FLYING SPARKS. SINCE MOST EQUIPMENT SUCH AS CONVEYORS, PUMPS, FANS, SWITCH CABINETS ETC. IS ELECTRICALLY POWERED, EXPLOSION PROTECTION IS NECESSARY.

GROUP MANAGEMENT'S REPORT

1. BUSINESS AND BUSINESS CONDITIONS

The roughly 400 employees of Hansen Group develop and produce 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 several years – 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

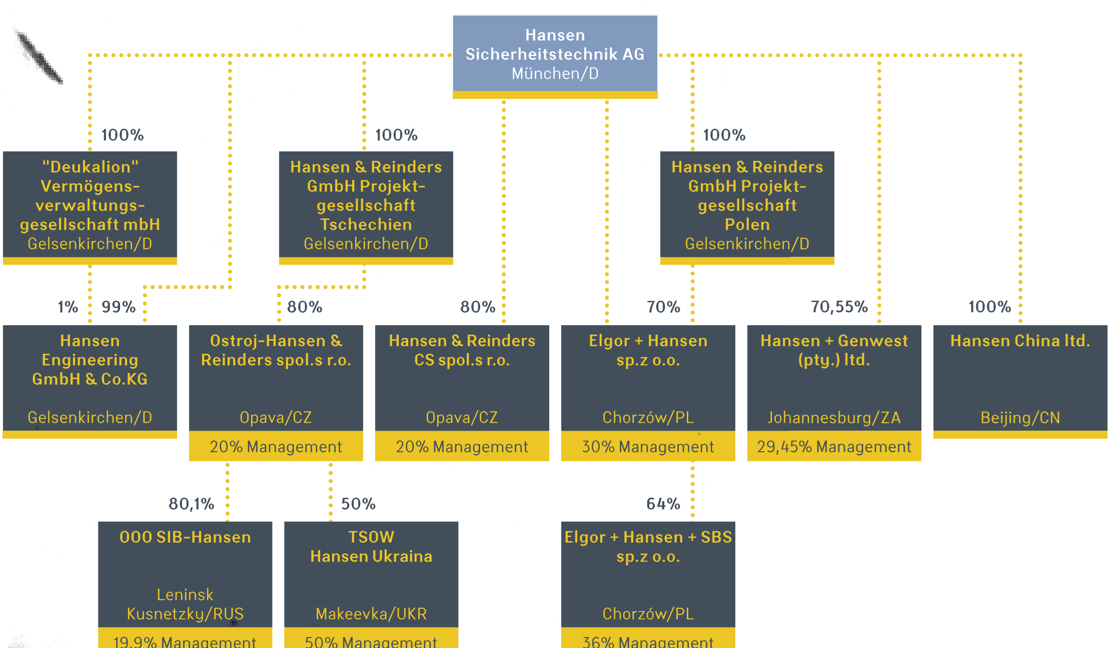
>> Thyristor soft starters 500 V to 3.3 kV
>> for motors up to 400 A

>> 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 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 been concentrating 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 closed down our German operations in Gelsenkirchen after initially implementing massive capacity reductions. This step was necessary because there were hardly any new orders from German customers and the hoped-for Russian orders for German equipment did not materialize. We were unable to maintain the already substantially reduced sales targets for 2007 due to the current order situation. As a result, Hansen AG ceased payments to Hansen Engineering GmbH & Co. KG (formerly Hansen & Reinders GmbH & Co. Kommanditgesellschaft ("H+R"). The non-recurring effects from the closing are reported in income in the consolidated financial statements in 2006, because H+R and "Deukalion" Vermögensverwaltungsgesellschaft mbH ("Deukalion") were still included in Hansen Group's consolidated financial statements in 2006. H+R and Deukalion will be deconsolidated in 2007.

Our subsidiaries in Central and Eastern Europe were, for the most part, able to maintain their volume of business after the record year 2005. Elgor + Hansen sp.z o.o. ("E+H") was, for example, nearly able to match its above-average 2005 revenues in 2006. Revenues declined by about 10 %. In Central and Eastern Europe, Hansen Group is maintaining its position as the 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 – further extending current sales. In the Czech Republic, we still assume that mining activities will continue to decline, so that the production of the manufacturing capacity of Ostroj – Hansen & Reinders spol. s.r.o. ("OHR") has already been directed towards Russia and the other nations of the Commonwealth of Independent States (CIS). As a result, we were able to increase revenues slightly - by roughly 4 % in 2006 compared to 2005. Furthermore, we generated our first revenues in the Ukraine, which were transacted through the Czech Republic.

We want to further extend our position in Russia – a country which in the meantime has become very strong financially – into Eastern Europe and Asia. We are documenting our interest in the Ukraine with a new investment: TSOW "Hansen Ukraina". For now, this investment does not have to be consolidated by Hansen Group for reasons of materiality. 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. Hansen Sicherheitstechnik AG still holds 100 % of the shares up to now.

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. Hansen + Genwest (pty.) ltd. ("H+G") is continuing on the very encouraging course it set last year. In this manner we were able to increase revenues by about 25 % and earnings were quite positive.

Our competitive advantage is based on the four columns of special expertise, licences, 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

ASSETS	12/31/2006		12/31/2005	
	tEUR	%	tEUR	%
Assets				
Intangible assets	4,377.8	12.0	4,284.2	12.4
Property, plant and equipment	6,829.9	18.8	3,923.5	11.4
Financial assets	58.9	0.2	8.5	0.0
	11,266.6	**31.0**	**8,216.2**	**23.8**
Other receivables and assets	57.1	0.2	88.8	0.3
Deferred income taxes	443.8	1.1	509.5	1.5
Long-term assets	**11,767.5**	**32.3**	**8,814.5**	**25.6**
Inventories	7,359.7	20.2	6,953.7	20.2
Trade accounts receivable	7,357.5	20.2	9,575.9	27.8
Other receivables and assets	311.6	0.9	434.3	1.3
Current income tax assets	484.4	1.3	533.4	1.5
Cash and cash equivalents	9,099.9	25.1	8,129.1	23.6
Short-term assets	**24,613.1**	**67.7**	**25,626.4**	**74.4**
	36,380.6	**100.0**	**34,440.9**	**100.0**

SHAREHOLDERS' EQUITY AND LIABILITIES

Issued Capital	1,250.0	3.5	1,125.0	3.3
Reserves	14,974.2	41.2	14,863.5	43.2
Unappropriated retained earnings	2,580.8	7.1	1,311.7	3.8
Hansen AG shareholders' portion of equity	**18,805.0**	**51.8**	**17,300.2**	**50.3**
Minority shareholders' portion of equity	4,858.8	13.3	4,168.7	12.1
Shareholders' equity	**23,663.8**	**65.1**	**21,468.9**	**62.4**
Pension provision	271.7	0.8	267.9	0.8
Provisions for deferred taxes	153.7	0.4	70.4	0.2
Long-term debt	1,901.9	5.2	921.8	2.7
Long-term provisions and liabilities	**2,327.3**	**6.4**	**1,260.1**	**3.7**
Short-term provisions	1,817.1	5.0	2,162.4	6.3
Debt	3,599.8	9.9	3,299.4	9.6
Trade accounts payable	3,178.6	8.7	3,458.9	10.0
Other liabilities and deferrals	1,794.0	4.9	2,791.2	8.0
Short-term provisions and liabilities	**10,389.5**	**28.5**	**11,711.9**	**33.9**
	36,380.6	**100.0**	**34,440.9**	**100.0**

The intangible assets changed only slightly. Goodwill is essentially the only intangible asset reported. 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 2007, no amortisation of goodwill was necessary.

The balance of property, plant and equipment in 2006 was tEUR 2,906.4 (tEUR=thousands of Euro) over the year 2005. This was caused by the investments made for buildings (E+H, OHR), and for technical equipment and machinery. In 2006, we invested tEUR 3,556.9 (2005: tEUR 1,633.8) in property, plant and equipment. Of this amount, tEUR 2,241.8 was for an administration building which was completed in January 2007.

The shares in TSOW "Hansen Ukraina", which is not consolidated, are reported under this item. The increase in financial assets is a result of an increase in capital at this company in the amount of tEUR 50.4. The liquidation of Hansen + Reinders Trading spol. s r.o. in the Czech Republic, which was still on the balance sheet last year, was completed in 2006.

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

Inventories increased by tEUR 406.0 from December 31, 2005 to December 31, 2006. Despite massive write-offs of inventories at insolvent H+R, particularly E+H and OHR stocked up on inventory due to the favorable level of new orders for 2007.

Corresponding to the decrease in sales compared to the record year 2005, trade accounts receivable decreased by tEUR 2,218.4.

The short-term other receivables and assets decreased by tEUR 122.7, particularly lower balances of deferred costs. The refund claims for other taxes is the major item within short-term receivables and assets.

Cash increased by tEUR 970.8. Debt within the group rose by tEUR 1,280.5. The net balance of cash, cash equivalents and debt as of December 31, 2006 was tEUR 3,598.2 (2005: tEUR 3,907.9). Hansen Group's unused lines of credit as of the balance sheet date are tEUR 1,842.2 (2005: tEUR 1,379.4). There is restricted cash in the amount of tEUR 66.8 at H+R and Deukalion due to the insolvency of the companies after the year-end. Due to foreign exchange laws, Hansen China's cash balance as of December 31, 2006 in the amount of tEUR 72.4 is not available to the group. See the cash flow statement for changes in cash and the components of cash.

The issued capital in the amount of EUR 1,250,000.00 is divided into 1,250,000 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 general meeting. We do not plan on limiting any voting rights. As of December 31, 2006, Hansen Beteiligungs GmbH, Salzburg (Austria), held 87.1 % of Hansen Sicherheitstechnik AG. The remaining 12.9 % was in free float as of the year-end.

The increase in issued capital in the amount of tEUR 125.0 through issue of 125,000 shares is a result of an increase in capital carried out in 2006. The share premium amounted to EUR 5.50 per share and was recorded in the reserves.

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 favourable earnings position, minority interests also increased from tEUR 1,221.4 by tEUR 690.1 after dividend distributions.

The trade payables are exclusively due to third parties and decreased by tEUR 280.3 over 2005. The other liabilities also decreased by tEUR 997.2, particularly due to settlement of tax liabilities.

Earnings Position

	2006		2005	
	tEUR	%	tEUR	%
Sales revenues	**41,511.0**	**97.1**	**43,923.1**	**99.2**
Change in inventories and own work capitalised	1,224.9	2.9	355.7	0.8
Total output	**42,735.9**	**100.0**	**44,278.8**	**100.0**
Other income	795.7	1.9	846.7	1.9
Material expenses	-22,960.9	-53.7	-21,709.2	-49.0
Personnel expenses	-9,591.4	-22.4	-9,479.7	-21.4
Depreciation/amortization	-816.4	-1.9	-550.6	-1.2
Other operating expenses	-4,382.1	-10.3	-3,998.8	-9.0
Net financial expense	-122.5	-0.3	-189.3	-0.4
Income before taxes	**5,658.3**	**13.3**	**9,197.9**	**20.9**
Taxes on income and earnings	-1,969.2	-4.6	-2,240.9	-5.1
Consolidated net income	**3,689.1**	**8.7**	**6,957.0**	**15.8**
EBITDA	**6,597.2**		**9,937.8**	
EBIT	**5,780.8**		**9,387.2**	

Consolidated net income in 2006 is impacted negatively by the nonrecurring effects from the insolvency of H+R and Deukalion. This lowered consolidated net income by tEUR 3,689.1 to tEUR 3,689.1. H+R alone contributed with a net loss in the amount of tEUR 2,213.7.

Along with H+R's 2006 operating loss, an additional write-down of inventories in the amount of tEUR 1,067.0 and an impairment loss on non-current assets in the amount of tEUR 83.6 are included in earnings. The high write-downs resulted from measurement at values based on a forced sale, which led to write-downs of up to 90 %.

EBIT in 2006 decreased by tEUR 3,606.4. Based on sales in the 2005 record year, our EBIT margin was 21.4 %. In 2006 the EBIT margin decreased to 13.9 %. If you eliminate the EBIT contributions in 2006 from the separate financial statements of Deukalion and H+R of a total of tEUR 2,263.0, adjusted EBIT is tEUR 8,043.8, which corresponds to an EBIT margin of 19.4 %. After eliminating external sales of H+R in the amount of tEUR 2,979.7 from group sales, the EBIT margin from group sales for 2006 would even be 20.9 %.

Sales fell by 5.5 % to tEUR 41,511.0 after record sales of tEUR 43,923.1 in 2005.

The increase in change in inventories and own work capitalised goes hand-in-hand with the increase in inventories and the increase in self-made non-current assets.

The increase in material expenses in relationship to total output is also due to the write-down of inventories at H+R and an increase in raw materials prices on world markets, particularly for copper.

Personnel expenses increased by tEUR 111.7 compared to 2005. On average, we had 416 employees in 2006 (2005: 393).

The increase in depreciation is primarily the result of further investing activity in property, plant and equipment as well as the write-down at H+R. Additional write-downs in the amount of tEUR 83.6 were recorded.

Other operating expenses increased by 1.3 % 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 improved by tEUR 66.8, also caused by the positive exchange rate differences from consolidation measures which were recorded there.

Current taxes and deferred taxes are included in income taxes. The decrease compared to 2005 is particularly due to the decline in earnings.

3. SIGNIFICANT SUBSEQUENT EVENTS (SUBSEQUENT REPORT)

On January 8, 2007, the bankruptcy petition for H+R was filed. The bankruptcy proceedings due H+R's insolvency and over indebtedness were commenced on February 27, 2007. In a subsequent move, a bankruptcy petition was filed on March 29, 2007 for Deukalion as general partner of H+R. On March 26, 2007, Hansen AG increased its share of the South African subsidiary H+G from 70.55 % to 100 %. The 29.45 % share was acquired for a purchase price of about tEUR 100.

4. INTERDEPENDENCE REPORT

In accordance with Sec. 312 Aktiengesetz (German Stock Corporation Act), the Management Board of Hansen AG has prepared a report on relationships to affiliated companies for the 2006 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 2006, 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 on an ad-hoc basis 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 leveling-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.

Operating risks

Hansen Group's electrical systems are implemented in coal mines, where – particularly in Russia and China – accidents often occur. If Hansen's systems are brought into a direct relationship with such accidents, Hansen Group could be sued for heavy damages, against 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.

Replicas of Hansen products

Hansen Group's products are not protected through patents from being replicated, rather only through licensing according to local mining regulations. Potential competitors could attempt to make replicas of Hansen equipment to receive a local licence and then sell the replicas for less. Hansen products are, however, not available on the market to competitors, so that it would be difficult to attempt to build a replica.

World-wide climate protection agreement

If countries do come to terms on a reduction of world-wide carbon dioxide emissions, which would be achieved by way of the energy mix and not by way of modern coal power plants with high efficiency, this would have a direct impact on mining capacity and therefore on Hansen's most important ultimate customer group.

Other risks

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. COMPENSATION REPORT

The compensation system provides for fixed as well as variable compensation components for the Management Board. The variable compensation share is calculated from the shareholders' share of consolidated net income. After deduction of the basic amount of tEUR 1,500.0 from shareholders' share of consolidated net income – adjusted by the bonus provision – the CEO receives variable compensation in the amount of 5 % of the remaining balance. The CEO received non-profit-based remuneration in the amount of tEUR 226.7 in 2006. TEUR 20 has been recorded as a provision in the financial statements for the 2006 bonus. In addition to that, the pension provision was increased. The CEO receives an annual pension in the amount of tEUR 104 when he reaches his 65^{th} birthday.

7. FORECAST REPORT

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

We reached the goals we set for 2006. Sales were in the amount of EUR 41.5 mill. after EUR 43.9 mill. in the record year 2005. The EBIT margin lies in the area of roughly 20 % of sales before non-recurring items. The non-recurring effects in 2006 occurred due to the closing of H+R with one workshop in Gelsenkirchen.

We forecast revenues of around EUR 45 mill. for the 2007 financial year, slightly above those of 2006. This should stabilize the revenue surge from 2004 and 2005. Our revenue estimates were made assuming that oil prices will remain stable. These assumptions are also underscored by this year's quarterly sales. Quarterly sales are overall 32 % above 2006 with the largest production companies and only 7 % below the record year 2005.

Furthermore, our earnings targets are backed up decisively by the cost-cutting programs we have just implemented. This is, on the one hand, the closing of the unprofitable German location. We save around EUR 1 mill. annually through lower wage costs at our foreign subsidiaries. On the other hand there is further cost-cutting potential through purchasing components in China. We intend to spend roughly one third of material expenses on purchases in China in the mid-term, at prices which lie about one third below the world market level. The savings in material costs in 2007 from doing so should amount to about EUR 0.5 mill. By 2008, material costs should be lowered by about EUR 2.5 mill. in this manner.

In the past, we have – including acquisitions – shown 15 % average growth; we want to maintain this level in the coming years, the accomplishment of which depends on the acquisitions. Acquisitions serve above all to access foreign markets. Especially the major coal mining countries China, India, USA and Australia are interesting in this respect. Therefore, in the next few years the Chinese market will be the most important growth driver, a market where we want to position ourselves in the high-value product segment (monitor and process control systems). We also see meaningful growth potential in Russia and South Africa, in which case Russia will be supplied by the Czech operation.

The Polish market is stable without any major possibilities for expansion, we are already clearly the market leader, and the margin level is high. The picture is similar for the Czech domestic market, except the market is much smaller. Therefore, in the Czech Republic as well as in Poland, we are producing for the Russian market, which offers favourable sales potential.

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. 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, such as the administration building completed in 2007 in Poland, for example.

In the future, our dividend policy will be aimed at distributing an annual dividend in the amount of roughly 25 % – 50 % of consolidated net income, provided there are no attractive alternatives such as acquisitions or expansion projects. The CEO's proposal for appropriation of net income for the dividend for 2006 should remain constant at EUR 1.00 per share, like last year. The Company would then pay out a total of EUR 1.25 mill. to the shareholders.

Munich, May 2, 2007
Hansen Sicherheitstechnik AG

Christian Dreyer
CEO/Management Board

WE REACHED THE GOALS WE SET FOR 2006. SALES WERE IN THE AMOUNT OF EUR 41.5 MILL. AFTER EUR 43.9 MILL. IN THE RECORD YEAR 2005. THE EBIT MARGIN LIES IN THE AREA OF ROUGHLY 20 % OF SALES BEFORE NON-RECURRING ITEMS. THE NON-RECURRING EFFECTS IN 2006 OCCURRED DUE TO THE CLOSING OF H+R WITH ONE WORKSHOP IN GELSENKIRCHEN (SEE PAGE 22, 1ST PARAGRAPH).

CONSOLIDATED INCOME STATEMENT

HANSEN SICHERHEITSTECHNIK AG FOR THE YEAR ENDED 12/31/2006

	Note	1/1/-12/31/ 2006 tEUR	1/1/-12/31/ 2005 tEUR
Sales revenues	1	41,511.0	43,923.1
Other income	2	795.7	846.7
Change in goods inventories and other own work capitalised	3	1,224.9	355.7
Material expenses	4	-22,960.9	-21,709.2
Personnel expenses	5	-9,591.4	-9,479.7
Depreciation/amortization	6	-816.4	-550.6
Other operating expenses	7	-4,382.1	-3,998.8
Net financial expense	8	-122.5	-189.3
Income before taxes		**5,658.3**	**9,197.9**
Taxes on income and earnings	9	-1,969.2	-2,240.9
Consolidated net income		**3,689.1**	**6,957.0**
Hansen AG shareholders' portion of net income		1,861.1	4,768.2
Minority shareholders' portion of consolidated net income	10	1,828.0	2,188.8
Consolidated net income		**3,689.1**	**6,957.0**
		EUR	**EUR**
Undiluted earnings per share	11	1.55	4.24
Diluted earnings per share	11	1.55	4.24
Shares (number; weighted in 2006)	11	1,198.973	1,125.000

CONSOLIDATED BALANCE SHEET

HANSEN SICHERHEITSTECHNIK AG AS OF 12/31/2006

ASSETS	Note	12/31/2006	12/31/2006	12/31/2005	12/31/2005
		tEUR	tEUR	tEUR	tEUR
Goodwill	13	4,065.9		4,065.9	
Other intangible assets	14	311.9		218.3	
Property, plant and equipment	15	6,829.9		3,923.5	
Financial assets	16	58.9		8.5	
Non-current assets	12		**11,266.6**		**8,216.2**
Other receivables and assets	17	57.1		88.8	
Deferred income tax assets	21	443.8		509.5	
Long-term receivables and assets			**500.9**		**598.3**
Long-term assets			**11,767.5**		**8,814.5**
Inventories	18		**7,359.7**		**6,953.7**
Trade accounts receivable	19	7,357.5		9,575.9	
Other receivables and assets	20	311.6		434.3	
Current income tax assets	21	484.4		533.4	
Short-term receivables			**8,153.5**		**10,543.6**
Cash and cash equivalents					
Short-term assets			**24,613.1**		**25,626.4**
			36,380.6		**34,440.9**

SHAREHOLDERS' EQUITY AND LIABILITIES	Note	12/31/2006	12/31/2006	12/31/2005	12/31/2005
		tEUR	tEUR	tEUR	tEUR
Issued capital	23	1,250.0		1,125.0	
Reserves	24	14,974.2		14,863.5	
Unappropriated retained earnings	25	2,580.8		1,311.7	
Hansen AG shareholders' portion of equity			**18,805.0**		**17,300.2**
Minority shareholders' portion of equity	26		**4,858.8**		**4,168.7**
Shareholders' equity			**23,663.8**		**21,468.9**
Provisions for pensions and similar obligations	27/28	271.7		267.9	
Deferred income tax provisions	28	153.7		70.4	
Long-term provisions			**425.4**		**338.3**
Long-term liabilities (debt)					
Long-term provisions and liabilities			**2,327.3**		**1,260.1**
Current income tax provisions	28	0.0		810.2	
Other provisions	28	1,817.1		1,352.2	
Short-term provisions			**1,817.1**		**2,162.4**
Debt	29	3,599.8		3,299.4	
Trade accounts payable	30	3,178.6		3,458.9	
Tax liabilities	31	518.1		1,955.2	
Other liabilities	32	1,159.7		836.0	
Unearned income	33	116.2		0.0	
Current liabilities			**8,572.4**		**9,549.5**
Short-term provisions and liabilities			**10,389.5**		**11,711.9**
			36,380.6		**34,440.9**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Issued capital	Capital reserves	Revenue reserves
	tEUR	tEUR	tEUR
Balance on January 1, 2004	**46.0**	**9,361.8**	**7,689.2**
Currency translation	0.0	0.0	366.5
Change in composition of consolidated companies	0.0	0.0	-95.9
Dividends of subsidiaries paid to minority interests	0.0	0.0	0.0
2004 consolidated net income	0.0	0.0	0.0
Withdrawal from capital reserves	0.0	-9,361.8	0.0
Appropriation to retained earnings	0.0	0.0	3,007.9
Balance on December 31, 2004	**46.0**	**0.0**	**10,967.7**
Currency translation	0.0	0.0	221.8
Dividends of subsidiaries paid to minority interests	0.0	0.0	0.0
2005 consolidated net income	0.0	0.0	0.0
Capital increase out of company funds	1,079.0	0.0	0.0
Appropriation to retained earnings	0.0	0.0	3,623.6
Balance on December 31, 2005	**1,125.0**	**0.0**	**14,813.1**
Currency translation	0.0	0.0	0.0
Capital increase 2006	125.0	687.5	0.0
Costs of the capital increase 2006	0.0	-149.3	0.0
Unrealised gains/losses of financial instruments	0.0	0.0	0.0
2006 consolidated net income	0.0	0.0	0.0
Dividend distributions	0.0	0.0	0.0
Transfers from revenue reserves	0.0	0.0	-658.0
Other changes	0.0	0.0	35.3
Balance on December 31, 2006	**1,250.0**	**538.2**	**14,190.4**

Differences from currency translation	Reserve for unrealised gains/losses of financial instruments	Total reserves	Un-appropriated retained earnings	Hansen Sicherheits-technik AG shareholders' portion of equity	Minority shareholders' portion of equity	Total equity
tEUR	**tEUR**	**tEUR**	**tEUR**	**tEUR**	**tEUR**	**tEUR**
-701.2	**0.0**	**16,349.8**	**-8,118.3**	**8,277.5**	**1,142.3**	**9,419.8**
305.3	0.0	671.8	0.0	671.8	218.5	890.3
0.0	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
0.0	0.0	3,007.9	-3,007.9	0.0	0.0	0.0
-395.9	**0.0**	**10,571.8**	**1,246.1**	**11,863.9**	**2,701.5**	**14,565.4**
446.3	0.0	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
0.0	0.0	3,623.6	-3,623.6	0.0	0.0	0.0
50.4	**0.0**	**14,863.5**	**1,311.7**	**17,300.2**	**4,168.7**	**21,468.9**
239.0	0.0	239.0	0.0	239.0	86.5	325.5
0.0	0.0	687.5	0.0	812.5	0.0	812.5
0.0	0.0	-149.3	0.0	-149.3	0.0	-149.3
0.0	-8.5	-8.5	0.0	-8.5	-3.0	-11.5
0.0	0.0	0.0	1,861.1	1,861.1	1,828.0	3,689.1
0.0	0.0	0.0	-1,250.0	-1,250.0	-1,221.4	-2,471.4
0.0	0.0	-658.0	658.0	0.0	0.0	0.0
-35.3	0.0	0.0	0.0	0.0	0.0	0.0
254.1	**-8.5**	**14,974.2**	**2,580.8**	**18,805.0**	**4,858.8**	**23,663.8**

CASH FLOW STATEMENT

	Note	2006	2005
		tEUR	tEUR
Cash from operating activities	34		
Net income		3,689.1	6,957.1
Depreciation of non-current assets		816.4	550.6
Other non-cash expenses and exchange rate differences		175.9	220.3
Loss from disposals of non-current assets		86.5	58.8
Increase in inventories		-336.0	-1,086.0
Increase (-) / decrease (+) in receivables and other assets		1,910.4	-4,452.5
Increase (+) / decrease (-) in provisions		-284.7	1,150.2
Increase (+) / decrease (-) in liabilities (excluding debt)		-788.2	2,095.4
		5,269.4	**5,493.9**
Cash used in investing activities	35		
Proceeds from disposal of property, plant and equipment and intangible assets		50.4	252.1
Cash paid for investments in property, plant and equipment and intangible assets		-3,634.3	-1,519.4
Cash paid for investments in financial assets and for credits and loans granted		-48.4	-29.1
		-3,632.3	**-1,296.4**
Cash provided by / used in financing activities	36		
Cash received from (+) / cash paid for (-) the capital increase 2006		737.0	-73.8
Payment of subsidiary companies' dividends to minority interests		-1,221.4	-916.0
Payment of dividends to Hansen shareholders		-1,250.0	0.0
Cash received from taking out loans		1,835.2	1,996.7
Payments for repayment of principal of loans		-625.4	-475.0
		-524.6	**531.9**
Change in cash and cash equivalents		**1,112.5**	**4,729.4**
Changes in cash	37		
Cash and cash equivalents, beginning of the period		7,799.3	2,933.2
Exchange-rate related changes in cash and cash equivalents		188.1	136.7
Change in cash and cash equivalents		1,112.5	4,729.4
Cash and cash equivalents, end of the period		**9,099.9**	**7,799.3**

NOTES TO THE 2006 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 the Open Market on the Frankfurt Stock Exchange. The Company is registered at the Local Court of Munich (HRB 159053). As of December 31, 2006, Hansen Beteiligungs GmbH, Salzburg (Austria), was majority shareholder of Hansen AG. Hansen Beteiligungs GmbH is at the same time the top-tier parent company which compiles the consolidated financial statements for the largest group of consolidated companies, which is lodged with the Salzburg Regional Court (Firmenbuch No. FN 259414 t). Hansen Sicherheitstechnik's consolidated financial statements are published in the electronic companies register at the Local Court of Munich (HRB 159053).

The German subsidiary, Hansen Engineering GmbH & Co. KG (formerly Hansen & Reinders GmbH & Co. Kommanditgesellschaft), filed a bankruptcy petition on January 8, 2007; the general partner of the limited partnership "Deukalion" Vermögensverwaltungsgesellschaft mbH filed its bankruptcy petition in March 2007. As a result, Hansen no longer has production operations in Germany. Its impact on the Group's assets, financial and earnings position is discussed in a special section.

Hansen AG is the parent company of Hansen Group. We currently have manufacturing companies in Poland, the Czech Republic and South Africa. 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 AG's consolidated financial statements for the year ending December 31, 2006 have been compiled in accordance with the International Financial Reporting Standards (IFRS) applicable on the balance sheet date. The standards to be applied initially after 2006 are not applied at an earlier 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 consolidated financial statements have been compiled under the assumption it is a going concern.

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, 2006 including the Group Management's Report for the 2006 financial year are being released to the public on May 2, 2007.

THE IMPACT OF THE BANKRUPTCY OF HANSEN ENGINEERING GMBH & CO. KG AND "DEUKALION" VERMÖGENSVERWALTUNGSGESELLSCHAFT MBH ON THE CONSOLIDATED FINANCIAL STATEMENTS

Hansen Engineering GmbH & Co. KG ("H+R") as well as its general partner, "Deukalion" Vermögensverwaltungsgesellschaft mbH ("Deukalion") have filed bankruptcy petitions in 2007. Deconsolidation of these two companies as of December 31, 2006 is not permissible because Hansen AG still controlled these companies as of December 31, 2006. The companies can be deconsolidated in accordance with IAS 27.21 in the 2007 financial year.

The effects of the bankruptcies are recorded in the financial statements of Deukalion and H+R which are consolidated as of December 31, 2006. Deukalion reported a net loss of tEUR 74.5 for the 2006 financial year. The net loss is primarily caused by the write-off of receivables and notes receivable due from H+R – for a total of tEUR 61.5.

At H+R the assets have been written down to the net realisable value resulting from bankruptcy, in doing so additional depreciation was recorded on inventories in particular in the amount of tEUR 1,067.0 and on intangible assets and property, plant and equipment for a total of tEUR 83.6. Provisions as well as liabilities are recorded according to the legal obligations that had existed as of December 31, 2006, so that H+R reports a net loss in the amount of tEUR 2,213.7 for 2006. These losses – with the exception of the valuation allowances recorded at Deukalion – lowered Hansen AG shareholders' share of consolidated net income.

Earnings positions of H+R and Deukalion	H+R		Deukalion		Total	
	2006	2005	2006	2005	2006	2005
	tEUR	tEUR	tEUR	tEUR	tEUR	tEUR
Sales revenues	3,075.0	8,589.6	0.0	0.0	3,075.0	8,589.6
Change in inventories	-213.7	-129.0	0.0	0.0	-213.7	-129.0
Total output	**2,861.3**	**8,460.6**	**0.0**	**0.0**	**2,861.3**	**8,460.6**
Other income	99.8	67.4	23.7	67.2	123.5	134.6
Material expenses	-2,417.5	-5,253.6	0.0	0.0	-2,417.5	-5,253.6
Personnel expenses	-1,934.5	-2,080.0	0.0	0.0	-1,934.5	-2,080.0
Depreciation/amortization	-148.5	-209.8	0.0	0.0	-148.5	-209.8
Other operating expenses	-711.3	-870.8	-36.0	-3.9	-747.3	-874.7
Net financial expense	37.0	-37.1	-61.5	-1.4	-24.5	-38.5
Income/loss before taxes	**-2,213.7**	**76.7**	**-73.8**	**61.9**	**-2,287.5**	**138.6**
Taxes on income and earnings	0.0	0.0	-0.7	-20.4	-0.7	-20.4
Net income/loss	**-2,213.7**	**76.7**	**-74.5**	**41.5**	**-2,288.2**	**118.2**
EBITDA	**-2,102.2**	**323.6**	**-12.3**	**63.3**	**-2,114.5**	**386.9**
EBIT	**-2,250.7**	**113.8**	**-12.3**	**63.3**	**-2,263.0**	**177.1**
Accumulated net loss 12/31	**-2,747.7**	**-534.0**	**-86.4**	**-11.9**	**-2,834.1**	**-545.9**

In 2006, consolidation entries in a total amount of tEUR -4,351.9 were recorded against income. Since H+R and Deukalion were still consolidated, the write-offs and valuation allowances of other consolidated companies on receivables and notes receivable due from H+R and Deukalion were eliminated during consolidation of intercompany payables and receivables. The impact of these measures increased Hansen shareholders' portion of consolidated net income by tEUR 762.2. The elimination of the liabilities reported in Hansen AG's balance sheet for repayment of bank debt due to an existing comfort letter and a joint liability declaration increased Hansen shareholders' portion of consolidated net income as well by an additional tEUR 290.9.

Earnings positions of H+R and Deukalion	H+R		Deukalion		Total	
	12/31/2006	12/31/2005	12/31/2006	12/31/2005	12/31/2006	12/31/2005
ASSETS	tEUR	tEUR	tEUR	tEUR	TEUR	tEUR
Intangible assets	0.0	55.7	0.0	0.0	0.0	55.7
Property, plant and equipment	20.0	64.0	0.0	0.0	20.0	64.0
Non-current assets	**20.0**	**119.7**	**0.0**	**0.0**	**20.0**	**119.7**
Inventories	231.1	1,457.1	0.0	0.0	231.1	1,457.1
Trade accounts receivable due from third parties	11.2	1,358.5	0.0	0.0	11.2	1,358.5
Receivables due from affiliated companies	304.2	73.6	0.0	45.3	304.2	118.9
Other receivables and assets	3.5	9.6	0.0	25.5	3.5	35.1
Current income tax assets	0.0	12.8	0.0	0.0	0.0	12.8
Cash and cash equivalents	66.2	154.9	0.6	0.6	66.8	155.5
Short-term assets	**616.2**	**3,066.5**	**0.6**	**71.4**	**616.8**	**3,137.9**
	636.2	**3,186.2**	**0.6**	**71.4**	**636.8**	**3,257.6**
SHAREHOLDERS' EQUITY § LIABILITIES						
Issued capital	25.6	25.6	25.6	25.6	51.2	51.2
Accumulated deficit	-2,747.7	-534.0	-86.4	-11.9	-2,834.1	-545.9
Shareholders' equity	**-2,722.1**	**-508.4**	**-60.8**	**13.7**	**-2,782.9**	**-494.7**
Long-term debt	**0.0**	**91.0**	**0.0**	**0.0**	**0.0**	**91.0**
Short-term provisions	81.1	216.7	4.0	23.5	85.1	240.2
Debt due to third parties	294.1	347.3	0.0	0.0	294.1	347.3
Trade accounts payable due to third parties	201.7	606.2	0.0	0.0	201.7	606.2
Accounts due to affiliated companies	2,283.6	2,148.6	36.3	34.2	2,319.9	2,182.8
Other liabilities	497.8	284.8	21.1	0.0	518.9	284.8
Short-term provisions and liabilities	**3,358.3**	**3,603.6**	**61.4**	**57.7**	**3,419.7**	**3,661.3**
	636.2	**3,186.2**	**0.6**	**71.4**	**636.8**	**3,257.6**

In prior years, Hansen AG's notes receivable due from H+R were written off in Hansen AG's separate financial statements, which where reported in H+R's balance sheet in full under liabilities due to affiliated companies. In the consolidated financial statements, Hansen AG's write-offs on the notes receivable were eliminated. Up to December 31, 2005, a total of tEUR 1,094.4 was eliminated which is included in the Group's retained earnings.

The 2006 consolidation measures are shown in the following schedule, in the first column in relation to the Group, in the second column the impacts on earnings are visible which are a result of the continued inclusion of Deukalion and H+R in the consolidated financial statements, without consideration of immaterial currency exchange differences from relations with foreign companies.

	2006	2006
	tEUR	tEUR
Consolidation of intercompany payables and receivables		
Elimination of write-offs of receivables and financial assets due to the bankruptcy of Deukalion and H+R	939.1	939.1
Less the respective deferred taxes	-176.9	-176.9
Other measures including deferred taxes	59.9	0.0
Currency exchange differences from consolidation of intercompany payables & receivables	31.5	0.0
	853.6	**762.2**
Elimination of unrealised income	**-18.6**	**0.0**
Other entries affecting income		
Elimination of investment income including currency exchange effects	-5,477.2	0.0
Elimination of the liabilities recorded at Hansen AG for repaying H+R's bank debt	290.9	290.9
Other consolidation measures	-0.6	0.0
	-5,186.9	**290.9**
Total consolidation measures affecting 2006 income	**-4,351.9**	**1,053.1**

The following schedule shows the impact of the consolidation of both companies on consolidated net income in the consolidated financial statements for the year ending December 31, 2006:

	tEUR
2006 net loss of H+R and Deukalion	-2,288.2
Consolidation measures affecting 2006 income	1,053.1
	-1,235.1

The predicted gain on deconsolidation in 2007 will be around tEUR 600.

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 (2005: four) German and seven (2005: 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. Hansen China – founded by Hansen AG in 2006 – was included among consolidated companies in 2006. The date of initial consolidation was June 8, 2006, the day the Chinese authorities granted the licence to do business. The following companies are consolidated by Hansen AG as of December 31, 2006:

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 China ltd.	Hansen China	Peking	CN	100.00
Hansen Engineering GmbH & Co. KG (formerly 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

*pass-through share percentage

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

Hansen + Reinders Trading spol. s.r.o., Opava (Czech Republic), ceased operations in 2000 and was liquidated in 2006. The proceeds from the liquidation in the amount of tEUR 8.1 are included in other income.

In mid-2006 the subsidiary TSOW "Hansen Ukraina", Makeevka, Donetzk Region (the Ukraine), ("Hansen Ukraine") became operational. The company was not consolidated due to its immateriality. If its business activity develops according to plan in 2007, the company will be consolidated beginning in 2007. The unaudited financial statements for the year ending December 31, 2006 report equity in the amount of tEUR 109.0 and net income in the amount of tEUR 49.0. Hansen holds a 40.0 % (calculated pass-through) share of this company as of December 31, 2006.

On March 26, 2007, Hansen AG increased its share of the South African subsidiary H+G from 70.55 % to 100 %. The 29.45 % share was acquired for a purchase price of ZAR 905,000 (about tEUR 100). Interim financial statements as of the date of acquisition will still be compiled.

Shareholders' equity and annual earnings (IFRS) of the consolidated subsidiaries

Abbreviation	Equity as of 12/31/2006	2006 net income/loss	Equity as of 12/31/2005	2005 net income/loss
	tEUR	tEUR	tEUR	tEUR
Deukalion	-60.8	-74.5	13.7	41.5
E+H	10,169.3	4,053.8	9,115.4	5,138.0
EHS	761.4	228.0	525.3	225.4
H+G	637.5	180.6	586.1	56.8
Hansen China	88.3	-11.0	0.0	0.0
H+R	-2,722.1	-2,213.7	-508.4	76.7
HRCS	74.9	-143.6	211.7	12.8
HRPI	127.9	0.0	860.7	0.0
HRPII	102.3	0.0	1,592.2	1,024.4
OHR	5,054.0	1,960.8	4,133.9	2,232.4
SIB	507.8	193.2	292.7	159.5

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, bypassing the income statement. 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 in reserves. 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
2006	CZK	27.48496	28.36785
2006	PLN	3.83211	3.90550
2006	RUB	34.74401	34.13256
2006	ZAR	9.29844	8.53141
2006	CNY	10.30423	10.02488
2005	CZK	28.97711	29.83627
2005	PLN	3.85899	4.0288
2005	RUB	34.04255	35.21645
2005	ZAR	7.48531	7.92944

The initial consolidation of Hansen China was at an exchange rate of 10.27254 CNY/EUR. The income statement of Hansen China was translated at the average exchange rate for the year.

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 eliminated against each other. Insofar as third-party debt relationships are given during 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 derecognised and deferred taxes are recorded against income.

Due to the bankruptcy of Deukalion and H+R, Group companies wrote off receivables in the year – after offsetting with payables as the case may be – in the amount of tEUR 939.1, which were eliminated during consolidation of intercompany payables and receivables. The tax effects from elimination of the write-offs in the amount of tEUR 176.9 have been recorded.

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 it 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.

Useful lives

	Useful lives
Research and development costs	Up to 3 years
Software (purchased) and other rights	Up to 5 years
Licences	Up to 5 years
Buildings	Up to 50 years
Leasehold improvements	Up to 20 years
Machinery and equipment	Up to 15 years
Leased products	Up to 7 years
Company cars	Up to 7 years
Other equipment, operating and business equipment	Up to 15 years

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.

The shares of Hansen Ukraine are recorded at cost in the amount of tEUR 58.9. The investment was not recorded at equity, because audited financial statements for the year ended December 31, 2006 were not available.

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 reason 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.

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.

Available-for-sale securities are initially recorded at cost and subsequently at their market value. The market value changes between purchase and period-end are recorded in the reserve for unrealised gains/losses of financial instruments and do not affect earnings. When the securities are sold the cumulated gain or loss is recognised in earnings in the income statement.

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. Starting in 2006, short-term current income tax liabilities are reported uniformly under short-term liabilities.

The recognition and measurement of deferred taxes is in accordance with IAS 12 (revised 2000) using the balance sheet-based 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.

Public investment subsidies are recorded as unearned income and amortised at the same rate as depreciation.

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, 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 the recording of unrealised gains 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 deducted from the capital reserves directly, which is not in accordance with German accounting standards. Deferred taxes are not recorded, because Hansen AG cannot realise any tax benefit.

Recognition and measurement of deferred taxes in accordance with IAS 12 (revised 2000) follows – in 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 with 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 IFRS; German accounting standards prescribe recognition with 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 IFRS, 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 IFRS, accrued expenses are not recognised. Provisions recorded in accordance with the IFRS 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.

HANSEN SICHERHEITSTECHNIK AG'S GROWTH RATE SHOULD REMAIN AT ABOUT 15% IN THE MID-TERM. THE MOST IMPORTANT EXPANSION MARKETS WILL BE RUSSIA, SOUTH AFRICA, CHINA, INDIA, AUSTRALIA AND THE USA.

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, f) subsidiary in China and g) 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 mirrors 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 amortisation of intangible assets and depreciation of property, plant and equipment 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 delivered at the same prices as those when sold to third parties. The depreciation reported in the segments relates to intangible assets and property, plant and equipment. Impairment losses at H+R on intangible assets and property, plant and equipment in the amount of tEUR 83.6 are included in 2006 segment earnings.

Segment earnings correspond to EBIT, earnings before interest and taxes. Neither in 2006 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.

The regional segmentation of sales by customer location required by IAS 14.71 is reported in the notes under "sales".

Activities of the subsidiaries in	Germany	Czech Republic	Poland	Russia	South Africa
2006	tEUR	tEUR	tEUR	tEUR	tEUR
External sales	2,979.7	9,915.0	21,051.5	3,739.3	3,825.5
Intercompany sales	95.4	4,302.1	3,491.8	0.0	115.4
Segment sales	3,075.0	14,217.3	24,543.3	3,739.3	3,940.8
Segment expenses	5,425.6	11,537.8	19,624.3	3,605.7	3,706.6
Net segment income/loss	-2,250.7	2,758.7	5,310.2	263.5	278.0
Net financial expense	—	—	—	—	—
Income before taxes	—	—	—	—	—
Tax expense	—	—	—	—	—
Consolidated net income	—	—	—	—	—
Segment assets	570.0	8,359.1	13,779.3	1,361.0	772.2
Segment debt	3,358.3	5,332.9	6,313.7	997.2	334.3
Segment investments	48.9	523.3	3,096.6	46.4	20.6
Segment depreciation	148.5	214.9	381.1	23.3	40.9
Employees as of 12/31/2006	31	186	130	13	46
2005					
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
Net segment income/loss	113.9	3,111.9	6,607.9	240.3	108.5
Net financial expense	—	—	—	—	—
Income before taxes	—	—	—	—	—
Tax expense	—	—	—	—	—
Consolidated net income	—	—	—	—	—
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 12/31/2005	40	186	135	13	41

The consolidation entries affecting segment income as far as EBIT are shown in the transition column. The balance of tEUR 1,033.2 is mainly made up of the elimination of bad debt losses which other Group companies recorded in their separate financial statements on their receivables due from H+R and Deukalion.

China	Activities of the parent company	Total of the	Transition	Group
tEUR	tEUR	tEUR	tEUR	tEUR
0.0	0.0	41,511.0	0.0	41,511.0
92.7	9.3	8,106.7	0.0	8,106.7
92.7	9.3	49,617.7	0.0	49,617.7
108.4	1,676.4	45,684.8	—	—
-15.7	-1,596.4	4,747.6	1,033.2	5,780.8
—	—	—	—	-122.5
—	—	—	—	5,658.3
—	—	—	—	-1,969.2
—	—	—	—	3,689.1
17.7	4,171.0	29,030.3	-2,193.4	26,836.9
6.9	1,629.2	17,972.5	-5,409.4	12,563.1
16.3	92.0	3,844.1	0.0	3,844.1
0.6	7.1	816.4	0.0	816.4
3	1	410	0	410
0.0	0.0	43,923.1	0.0	43,923.1
0.0	28.0	10,249.2	0.0	10,249.2
0.0	28.0	54,172.4	0.0	54,172.4
0.0	879.9	45,596.7	—	—
0.0	-532.0	9,650.5	-263.3	9,387.2
—	—	—	—	-189.3
—	—	—	—	9,197.9
—	—	—	—	-2,240.9
—	—	—	—	6,957.0
0.0	4,899.5	29,147.5	-3,345.2	25,802.3
0.0	2,252.6	18,269.4	-5,367.8	12,901.6
0.0	12.9	1,857.9	0.0	1,857.9
0.0	2.7	697.4	-146.8	550.6
0	1	416	0	416

The elimination of Hansen AG's derecognised obligations from assuming H+R's bank debt is included as well. The assumption of H+R's bank debt was already recognised in Hansen AG's separate financial statements and had to be eliminated in the consolidated financial statements due to the consolidation of H+R.

EXPLANATORY COMMENTS ON THE CONSOLIDATED INCOME

1. Sales revenues

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

	2006 tEUR	Portion* tEUR	2005 tEUR	Portion* tEUR
Poland	16,887.1	0.0	19,120.5	0.0
Russia and CIS	9,136.8	24.8	5,489.3	1,239.2
Czech Republic	7,032.0	0.0	6,092.6	0.0
South Africa	3,825.5	0.0	2,845.4	0.0
Germany	2,850.8	2,839.6	7,562.2	7,118.7
Rest of Europe	1,637.4	115.3	515.9	34.6
The Americas	141.4	0.0	2,240.9	0.0
Rest of world	0.0	0.0	56.3	0.0
	41,511.0	**2,979.7**	**43,923.1**	**8,392.5**

* External sales

2. Other income

	2006 tEUR	2005 tEUR
Exchange gains (realised))	271.5	221.4
Income from derecognised receivables	185.8	0.0
Disposal of non-current assets	61.5	247.8
Income from reversal of provisions	38.2	55.3
Exchange rate gains (unrealised)	22.0	23.1
Income relating to other accounting	2.9	0.2
Other operating income	213.8	298.9
	795.7	**846.7**

3. Change in goods inventory and other own work capitalised

	2006 tEUR	2005 tEUR
Change in inventories	729.9	221.0
Own work capitalised	495.0	134.7
	1,224.9	**355.7**

The increase in own work capitalised is a result of research and development costs and equipment leased to customers.

4. Material expenses

	2006 tEUR	2005 tEUR
Expenses for raw materials. consumables and supplies	18,454.5	18,781.0
Expenses for purchased goods	2,080.1	388.6
Expenses for purchased services	2,426.3	2,539.6
	22,960.9	**21,709.2**

5. Personnel expenses

	2006 tEUR	2005 tEUR
Wages and salaries	7,790.0	7,711.6
Social security contributions	1,565.1	1,474.2
Expenses for pension plans	63.0	141.3
Other social benefits	81.0	70.1
Other personnel expenses	92.3	82.5
	9,591.4	**9,479.7**

In 2006 Hansen had an average number of employees of 416 (2005: 393).

6. Depreciation/amortisation

Depreciation/amortisation	2006 tEUR	2005 tEUR
Amortisation of intangible assets	100.3	40.5
Depreciation of property, plant and equipment	632.5	510.1
	732.8	550.6
Impairment allowances to non-current assets		
Impairment of intangible assets	49.0	0.0
Impairment of property, plant and equipment	34.6	0.0
	83.6	**0.0**
Total depreciation/amortisation and impairment allowances	**816.4**	**550.6**

The impairment allowances all concern non-current assets of H+R.

7. Other operating expenses

	2006 tEUR	2005 tEUR
Building costs	659.6	473.6
Legal, advisory and financial statement costs	535.1	671.5
Advertising costs	518.3	483.9
Exchange losses (realised)	448.9	383.9
Motor vehicle costs	268.3	252.4
Travel expenses	265.9	265.2
Business supplies	239.1	234.9
Bad debt	153.0	273.6
Book value losses on disposal of non-current assets	145.5	306.6
Investor relations, general meeting, supervisory board	139.1	11.3
Insurance and contributions	138.1	112.4
Bankruptcy liquidation costs H+R and Deukaliion	110.0	0.0
Bank charges	107.0	104.2
Sundry other operating expenses	654.20	425.3
	4,382.1	**3,998.8**

8. Net financial expense

	2006 tEUR	2005 tEUR
Income from securities	3.0	0.0
Other interest and similar income from unconsolidated affiliated companies	101.1	31.4
Other interest and similar income from third parties	132.4	169.5
Interest and similar expenses to unconsolidated affiliated companies	0.0	-8.5
Interest and similar expenses to third parties	-387.1	-313.2
Exchange differences from consolidation eliminations	28.1	-68.5
	-122.5	**-189.3**

9. Taxes on income and earnings

	2006 tEUR	2005 tEUR
Current income taxes	1,832.8	2,371.7
Deferred income taxes	136.4	-130.8
	1,969.2	**2,240.9**

Current income taxes by country

	2006	2005
	tEUR	tEUR
Poland	1,032.6	1,470.2
Czech Republic	723.6	777.3
Russia	74.4	84.9
South Africa	1.5	0.0
Germany	0.7	39.3
	1,832.8	**2,371.7**

Deferred income taxes by country

	2006	2005
	tEUR	tEUR
Czech Republic	-125.2	15.0
Poland	3.6	-134.5
Russia	-4.2	-3.9
South Africa	72.5	31.3
China	-5.3	0.0
	-58.6	**-92.1**
Consolidation measures	195.0	-38.7
	136.4	**-130.8**

During consolidation of intercompany payables and receivables, bad debt losses of Group companies on receivables due from H+R and Deukalion which resulted from the bankruptcies of both companies in the amount of tEUR 939.1 were eliminated. As a result of the eliminations, deferred tax expenses of foreign companies (HRCS, OHR and H+G) – reported under consolidation measures and calculated with the country-specific tax rate – of tEUR 176.9 are recorded and offset with deferred tax assets. No deferred taxes were recorded for the bad debt losses of Hansen AG and Deukalion.

In Munich, Hansen AG is subject to an average trade income 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 generally recorded at a tax rate of 40.9 %. Income taxes from foreign countries are based on the applicable laws and regulations. In 2008 the German combined corporate tax rate should be reduced to about 30 %. If the measure is passed changing the tax rate, this will not have any material impact on Hansen Group's earnings position.

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 the 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 concern line items that directly increase or decrease equity, then the deferred taxes on these differences are offset directly against equity.

	Asset 12/31/2006 tEUR	Liability 12/31/2006 tEUR	Asset 12/31/2005 tEUR	Liability 12/31/2005 tEUR
Different depreciation methods and useful lives	3.8	62.7	1.5	12.5
Finance lease transactions	0.0	11.9	0.0	14.2
Recognition differences in property, plant and equipment and financial assets	0.0	0.0	2.2	0.0
Recognition differences in receivables and other assets	165.9	10.9	75.0	14.8
Market value measurement of financial instruments	0.0	3.0	0.0	0.0
Valuation of pension provisions	0.0	3.8	29.4	0.0
Recognition differences in other provisions	259.9	48.0	180.8	70.4
Other transactions	63.1	22.2	41.4	34.3
Capitalised tax savings from loss carryforwards offsetting future income	13.2	0.0	113.2	0.0
Offsetting of deferred tax assets and liabilities	-8.8	-8.8	-75.8	-75.8
Elimination of unrealised income	136.5	0.0	123.7	0.0
Consolidation of intercompany payables and receivables	-189.8	0.0	18.1	0.0
	443.8	**153.7**	**509.5**	**70.4**

Hansen AG's deferred tax liabilities of tEUR 8.8 have been offset this year as well as last year against capitalised loss carryforwards in the same amount. After offsetting, deferred tax assets on realisable loss carryforwards for Hansen China in the amount of tEUR 4.4 are reported in the consolidated financial statements.

Deferred taxes from consolidation measures are reported in full under assets. There is a net deferred tax asset from the deferred taxes from elimination of unrealised intercompany income and debt consolidation and the deferred taxes recorded by the companies.

Composition of tax loss carryforwards

Germany	12/31/2006 Corporation tax tEUR	12/31/2006 Trade tax tEUR	12/31/2006 Foreign loss carryforwards tEUR	12/31/2005 Corporation tax tEUR	12/31/2005 Trade tax tEUR	12/31/2005 Foreign loss carryforwards tEUR
Hansen AG	5,241.5	3,231.9	0.0	3,251.5	1,238.3	0.0
Deukalion	46.5	80.3	0.0	0.0	0.0	0.0
H+R	0.0	3,576.4	0.0	0.0	1,095.3*	0.0
	5,288.0	**6,888.6**	**0.0**	**3,251.5**	**2,333.6**	**0.0**
Capitalised portion	0.0	0.0	0.0	0.0	0.0	0.0
International						
Hansen China (2005: H+G)	**0.0**	**0.0**	**13.3**	**0.0**	**0.0**	**377.4**
Capitalised portion			13.3			377.4

* 2005 figure adjusted

The German loss carryforwards of Deukalion and H+R as well are meaningless after the companies' bankruptcies in 2007. Due to the lack of sufficient probability concerning the ability to realise the remaining tax benefits at Hansen AG, we did not record any deferred tax assets in 2006 or in 2005.

The foreign loss carryforwards were attributed in full to H+G in 2005. In 2006, the loss carryforwards are attributed in full to Hansen China, which were recognised in the amount of tEUR 4.4 (in 2005 for H+G tEUR 113.2). Hansen China's loss carryforwards expire in five years; _Hansen AG's can be carried forward indefinitely. Regardless of the unlimited ability to carry German losses forward which continues to exist, the annual utilisation is limited by the introduction of the minimum tax since the 2004 financial year. The reported loss carryforwards have not been assessed by the tax authorities and could change drastically after a tax audit.

Development of capitalised tax benefits

	2006 tEUR	2005 tEUR
Capitalised tax benefits at the beginning of the financial year	**113.2**	**142.2**
Currency adjustments	-22.0	4.2
Utilisation of loss carryforwards	-88.3	-33.2
Valuation allowance on deferred tax assets from loss carryforwards recognised in past years	-2.9	0.0
Capitalisation of tax benefits from loss carryforwards	4.4	0.0
Capitalised tax benefits at the end of the financial year	**4.4**	**113.2**

Reconciliation from expected to actual income tax expense

	2006	2005
	tEUR	tEUR
Income before income taxes	5,658.3	9,197.9
Expected income tax expense	2,314.3	3,762.0
Variance from the difference between the actual tax rates to the Ðexpected tax rate	-1,275.5	-1,800.6
Tax-free income	-219.0	0.0
Non-tax-deductible expenses	462.3	83.9
Consolidation measures	19.2	44.5
Temporary differences and losses for which no deferred taxes were recorded	777.9	226.4
Tax expenses and benefits from other tax periods	-48.9	-0.3
Other deviations	-61.1	-75.0
Actual income tax expense	**1,969.2**	**2,240.9**

The material reconciliation item is the difference between the actual tax rates and the expected tax rate. In Poland the tax rates in 2005 and 2006 are 19 % and in the Czech Republic 26 % for 2005 and 2006. The unrecognised loss carryforwards are also shown in the temporary differences and loss carryforwards. The increase in 2006 is particularly due to the unrecognised losses of H+R as well as Hansen AG's increased loss carryforward.

10. Minority shareholders' portion of consolidated net income

The shares of consolidated net income are distributed as follows:

	2006	2005
	tEUR	tEUR
E+H	1,216.1	1,541.4
EHS	125.9	124.4
H+G	53.2	16.7
HRCS	-28.7	2.6
OHR	392.2	446.5
SIB	69.3	57.2
	1,828.0	**2,188.8**

The bad debt losses on receivables due from Deukalion and H+R are included in earnings according to the minority interests' ownership shares.

11. Earnings per share

In accordance with IAS 33, undiluted earnings per share are calculated by dividing consolidated net income allocated 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 is 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.

The Company issued 125,000 new shares in 2006 and with the entry of the capital increase in the companies register on May 29, 2006 there were a total of 1,250,000 shares issued. This results in a weighted average number of 1,198,973 shares for 2006.

Calculation of the 2006 weighted number of shares

	Shares	Days	Weighting
Shares until May 29. 2006	1,125,000	149	459,247
Shares after May 29, 2006	1,250,000	216	739,726
		365	**1,198,973**

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

WORLD ENERGY DEMAND INCREASES ANNUALLY. 50% OF COAL PRODUCTION SERVES WORLD-WIDE FOR GENERATING ELECTRICITY. 50% GOES FOR STEEL PRODUCTION: THERE IS NO SUBSTITUTE FOR COAL.

EXPLANATORY COMMENTS ON THE CONSOLIDATED BALANCE SHEET

The long- and short-term assets as well as long- and short-term liabilities and provisions are reported in separate classes in the balance sheet. Deferred taxes are as a rule reported in the long-term classes. Items are aggregated within short-term assets and liabilities which we expect to be realised or fulfilled within twelve months after the balance sheet date.

H+R's non-current assets are reported in long-term assets with a balance of tEUR 20.0. We did not reclassify this item to short-term assets as a result of the deconsolidation which will be recorded in 2007 for reasons of materiality.

12. Non-current assets

	Cost					
	Balance 1/1/2006	Currency adjustment	Additions	Disposals	Re-classifica-tions	Balance 12/31/2006
	tEUR	tEUR	tEUR	tEUR	tEUR	tEUR
Intangible assets						
Goodwill	7,167.3	0.0	0.0	0.0	0.0	7,167.3
Other intangible assets						
Research and development costs	99.4	3.6	161.3	7.7	0.0	256.6
Software (purchased)	180.9	2.2	52.8	0.0	0.0	235.9
Licences	41.7	0.4	24.2	0.0	0.0	66.3
Other intangible assets	110.0	0.4	0.6	48.7	0.0	62.3
	432.0	**6.6**	**238.9**	**56.4**	**0.0**	**621.1**
	7,599.3	**6.6**	**238.9**	**56.4**	**0.0**	**7,788.4**
Property, plant and equipment						
Land	152.9	7.4	0.0	0.0	26.0	186.3
Buildings	1,992.0	86.2	121.0	-11.5	119.2	2,329.9
Leasehold improvements	54.1	0.3	0.0	0.0	0.0	54.4
Technical equipment and machinery	1,301.7	11.8	420.5	18.8	14.2	1,729.4
Leased products	815.2	5.6	308.4	316.6	0.0	812.6
Car fleet	525.7	8.6	333.0	60.9	0.0	806.4
Other equipment, operating and business equipment	832.5	-13.6	132.1	12.4	7.3	945.9
Payments on account and assets under construction	172.3	44.2	2,241.8	0.0	-166.7	2,291.6
Other property, plant and equipment	43.3	0.0	0.0	0.0	0.0	43.3
	5,889.7	**150.5**	**3,556.8**	**397.2**	**0.0**	**9,199.8**
Financial assets						
Shares of unconsolidated affiliated companies	16.7	2.0	48.4	8.2	0.0	58.9
	16.7	**2.0**	**48.4**	**8.2**	**0.0**	**58.9**
Non-current assets	**13,505.7**	**159.1**	**3,844.1**	**461.8**	**0.0**	**17,047.1**

Depreciation/amortization									
Balance 1/1/2006	Currency adjustment	Depreciation 2006	Impair-ment	Disposals	Balance 12/31/2006	Carrying amounts 12/31/2006	Carrying amounts 12/31/2005	Secured portion 12/31/2006	Secured portion 12/31/2005
tEUR	tEUR	tEUR	tEUR	tEUR	tEUR	tEUR	tEUR	tEUR	tEUR
3,101.4	0.0	0.0	0.0	0.0	3,101.4	4,065.9	4,065.9	0.0	0.0
7.7	0.3	21.3	0.0	7.7	21.6	235.0	91.7	0.0	0.0
98.0	1.6	54.6	25.6	0.0	179.8	56.1	82.9	0.0	0.0
20.0	0.2	17.6	23.4	0.0	61.2	5.1	21.7	0.0	0.0
88.0	0.3	7.0	0.0	48.7	46.6	15.7	22.0	0.0	0.0
213.7	**2.4**	**100.5**	**49.0**	**56.4**	**309.2**	**311.9**	**218.3**	**0.0**	**0.0**
3,315.1	**2.4**	**100.5**	**49.0**	**56.4**	**3,410.6**	**4,377.8**	**4,284.2**	**0.0**	**0.0**
0.0	0.0	0.0	0.0	0.0	0.0	186.3	152.9	37.1	30.0
115.7	5.4	58.3	0.0	0.0	179.4	2,150.5	1,876.3	1,205.7	341.8
12.0	0.1	4.9	2.3	0.0	19.3	35.1	42.1	0.0	0.0
689.9	-2.1	228.3	0.0	15.4	900.7	828.7	611.8	0.0	0.0
307.1	0.9	117.8	0.0	184.8	241.0	571.6	508.1	0.0	0.0
233.2	3.1	122.7	0.2	48.5	310.7	495.7	292.5	0.0	0.0
574.7	-10.4	99.4	23.4	11.5	675.6	270.3	257.8	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	2,291.6	172.3	1,860.2	0.0
33.6	0.0	0.9	8.7	0.0	43.2	0.1	9.7	0.0	0.0
1,966.2	**-3.0**	**632.3**	**34.6**	**260.2**	**2,369.9**	**6,829.9**	**3,923.5**	**3,103.0**	**371.8**
8.2	0.0	0.0	0.0	8.2	0.0	58.9	8.5	0.0	0.0
8.2	**0.0**	**0.0**	**0.0**	**8.2**	**0.0**	**58.9**	**8.5**	**0.0**	**0.0**
5,289.5	**-0.6**	**732.8**	**83.6**	**324.8**	**5.780.5**	**11,266.6**	**8,216.2**	**3,103.0**	**371.8**

Schedule of leased assets

	Cost				
	Balance 1/1/2006	Currency	Additions	Disposals	Balance
	tEUR	tEUR	tEUR	tEUR	tEUR
Technical equipment and machinery	0.0	0.3	14.0	0.0	14.3
Car fleet	341.3	10.2	186.6	20.6	517.5
	341.3	**10.5**	**200.6**	**20.6**	**531.8**

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 spent 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. which is reported in full under group goodwill. Goodwill had been amortised over a useful life of 20 years up to the year 2003. Pursuant to this accounting treatment, total amortisation in the amount of tEUR 3,101.4 has been accrued. Additional goodwill in the amount of tEUR 180.0 and tEUR 130.0 was recognised from additional acquisitions of shares of E+H and OHR, all of which except tEUR 43 had been amortised by December 31, 2003. As of December 31, 2005, a payment obligation at Hansen AG from the acquisition of H+R in 1995 and 1996 in the amount of tEUR 218.8 – which was removed from the books to income – was offset against the acquisition costs at that time and reduced goodwill by this amount in 2005.

The deconsolidation of H+R and Deukalion to be recorded in 2007 will not have any impact on current group goodwill, because group goodwill was allocated to the Eastern European companies during initial consolidation. The acquisition was executed at the time under consideration of the substantial opportunities in the Eastern markets and therefore the substance of the transaction was the purchase of the shares in E+H and OHR held by H+R.

Goodwill is no longer amortised after 2004 in accordance with IRFS 3 and is subject to an impairment test on an annual basis. Hansen Group generated consolidated net income of tEUR 3,689.1 in 2006, including the charges to earnings caused by the bankruptcies of H+R and Deukalion. The 2007 budget is based on a consistently successful 2007 financial year, so that the Management Board is convinced that goodwill is not impaired and that there is no basis for recording an impairment loss for goodwill.

14. Other intangible assets

The other intangible assets are amortised using the straight-line method over their useful lives. Impairment in the amount of tEUR 49.0 was recorded at H+R, which is reported in the income statement under depreciation. Of the total of tEUR 1,070 in research and development costs incurred by the group in 2006, (2005: tEUR 1,464.3), tEUR 163.1 (2005: tEUR 87.8) were capitalised.

Depreciation/amortisation						
Balance 1/1/2006	Currency adjustment	Depreciation 2006	Disposals	Balance 12/31/2006	Carrying amounts 12/31/2006	Carrying amounts 12/31/2005
tEUR	tEUR	tEUR	tEUR	tEUR	tEUR	tEUR
0.0	0.2	8.7	0.0	8.9	5.4	0.0
130.6	4.5	90.3	15.5	209.9	307.6	210.7
130.6	**4.7**	**99.0**	**15.5**	**218.8**	**313.0**	**210.7**

15. Property, plant and equipment

In 2006, we invested tEUR 3,556.8 (2005: tEUR 1,633.8) in property, plant and equipment. The increase is mainly from E+H's construction of an administration building, which was finished in January 2007 and is reported under payments on account and assets under construction in the consolidated financial statements. As was the case in 2005, E+H and OHR had most of the investing activity. E+H invested tEUR 2,895.5 and OHR invested tEUR 462.8; this makes up about 94.4 % of all additions to property, plant and equipment. Impairment in the amount of tEUR 34.6 was recorded at H+R, which is reported in the income statement under depreciation.

16. Financial assets

OHR's shares in TSOW "Hansen Ukraina", Makeevka, Donetzk-Region (Ukraine) are recorded under shares in unconsolidated affiliated companies within financial assets. The addition reported in the schedule of non-current assets concerns the company's increase in capital in 2006. The disposal concerns Hansen + Reinders Trading spol. s.r.o., Opava (Czech Republic), which was liquidated in 2006.

17. Other receivables and assets

Receivables from finance lease contracts that fall due between one and five years are recorded under this item, as was the case last year as well. As of December 31, 2006, the future leasing instalments to be received are tEUR 64.0 (2005: tEUR 106.0), the interest portion is tEUR 6.9 (2005: tEUR 17.2).

18. Inventories

	12/31/2006	12/31/2005
	tEUR	tEUR
Raw materials, consumables and supplies	3,657.9	4,345.2
Work and services in process	1,338.8	1,306.0
Finished goods and merchandise	2,174.6	1,255.2
Payments on account	188.4	47.3
	7,359.7	**6,953.7**
Valuation allowance on inventories	**1,812.1**	**907.7**

Breakdown of the valuation allowance on inventories

	2006	Portion	2005	Portion
	tEUR	tEUR	tEUR	tEUR
Raw materials, consumables	1,657.4	1,566.6	721.9	578.7
Work and services in process	4.3	0.0	2.7	0.0
Finished goods and merchandise	150.4	44.9	183.1	30.1
	1,812.1	**1,611.5**	**907.7**	**608.8**

The changes in the valuation allowance are recorded in material expenses.

Of the inventories, tEUR 865.1 (2005: tEUR 859.0) are pledged as collateral for liabilities

19. Trade accounts receivable

	12/31/2006	12/31/2005
	tEUR	tEUR
Receivables from third Đparties	7,306.1	9,545.9
Receivables from unconsolidated affiliated companies	51.4	30.0
	7,357.5	**9,575.9**

Of the receivables from third parties, tEUR 363.8 (2005: tEUR 1,018.3) are pledged as collateral for liabilities. Valuation allowances for doubtful accounts on specific receivables from third parties were recorded in the amount of tEUR 500.9 (2005: tEUR 545.1).

20. Other receivables and assets

	12/31/2006	12/31/2005
	tEUR	tEUR
Refund claims of other taxes	78.2	119.3
Prepaid expenses	40.8	147.0
Deferred interest	39.5	0.0
Receivables from finance lease	31.7	27.7
Payments on account	8.3	0.0
Credit receivables from third parties	0.0	25.6
Receivables from unconsolidated affiliated companies	0.0	0.2
Other assets	113.1	114.5
	311.6	**434.3**

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

The receivables from finance lease consist of the leasing instalment receivable of tEUR 42.0 (2005: tEUR 42.0) less the interest portion of tEUR 10.3 (2005: tEUR 14.3) together and are due within one year.

21. Current and deferred income tax assets

	12/31/2006	12/31/2005
	tEUR	tEUR
Deferred income tax assets	443.8	509.5
Current income tax assets	484.4	533.4
	928.2	**1,042.9**

See number 9 for discussion of deferred tax assets.

The current income tax assets as of December 31, 2006 are mostly a result of dividend distributions of HRPI and HRPII to Hansen AG. In 2005 they were primarily tax refund claims of OHR.

22. Cash and cash equivalents

	12/31/2006	12/31/2005
	tEUR	tEUR
Bank balances	4,701.6	8,079.1
Cash equivalents (securities)	4,369.2	0.0
Cash on hand and checks	29.1	50.0
	9,099.9	**8,129.1**

The cash equivalents are discussed under number 9 in detail.

CONSOLIDATED SHAREHOLDERS' EQUITY

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

23. Issued capital

The issued capital in the amount of EUR 1,250,000.00 is divided into 1,250,000 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 general meeting. We do not plan on limiting any voting rights. The majority shareholder as of December 31, 2006 was Hansen Beteiligungs GmbH, Salzburg (Austria). By notice provided on February 23, 2006, Hansen Beteiligungs GmbH announced that it holds an investment in accordance with Sec. 20 para. 4 AktG (German Stock Corporation Act).

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. The general meeting held on November 10, 2006 approved the extension contract dated July 31, 2006. The extension contract was recorded in the companies register on December 14, 2006

24. Reserves

See the 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 2006, a total of tEUR 538.2 from the increase in capital was recorded in 2006. The amount consists of the share premium in the amount of tEUR 687.5 and the transaction costs in the amount of tEUR 149.3.

Revenue reserves

Retained earnings 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 and the revenue reserves established by Hansen AG. Hansen AG appropriated tEUR 60.2 in 2005 from 2005 net income to the legal reserve. In 2006, Hansen AG appropriated tEUR 1,250.0 from 2006 net income into other revenue reserves in accordance with Sec. 58 para. 2 AktG (German Stock Corporation Act).

Differences 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.

Unrealised gains/ losses of financial instruments

Available-for-sale securities are initially recorded at cost and subsequently at their market value. The market value changes between purchase and period-end are recorded in the reserve for unrealised gains/losses of financial instruments and do not affect earnings. When the securities are sold the cumulated gain or loss is recognised in earnings in the income statement.

25. Unappropriated retained earnings

In accordance with Sec. 58 para. 2 AktG (German 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

	2006 tEUR	2005 tEUR
Unappropriated retained earnings of Hansen AG before dividend distributions	1,311.7	1,246.1
Hansen AG shareholders' portion of net income	1,861.1	4,768.2
Capital increase from company funds	0.0	-1,079.0
2006 dividend distribution to the shareholders	-1,250.0	0.0
Withdrawal from reserves	658.0	0.0
Appropriation to reserves	0.0	-3,623.6
Unappropriated retained earnings	**2,580.8**	**1,311.7**

The general meeting on November 10, 2006 passed a resolution to distribute a dividend of EUR 1.00 for every available share from unappropriated retained earnings as of December 31, 2005 and to appropriate the remainder of EUR 61,680.17 to unappropriated retained earnings.

26. Minority interests

	12/31/2006 tEUR	12/31/2005 tEUR
Minority interests		
E+H	1,832.1	1,190.6
EHS	294.4	165.6
H+G	134.6	155.9
HRCS	43.7	39.8
OHR	613.0	380.2
SIB	113.0	47.8
	3,030.8	**1,979.9**
Minority shareholders' portion of consolidated net income	**1,828.0**	**2,188.8**
	4,858.8	**4,168.7**

The minority shareholders' portion of consolidated net income is discussed under number 10.

27. Pension provisions

Hansen AG has granted the CEO 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 with the pension provision in accordance with IFRS.

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:	4.5 percent (2005: 4.0 percent)
Future salary increases::	1.5 percent (2005: 1.5 percent)

The actuarial calculation base is K. Heubeck's 2005 mortality tables.

The development of the pension provision is shown in the provisions schedule in the following section.

The expense from recognising the pension provision in the income statement for the 2006 financial year consists of the accrual of interest for the forecasted pension obligation in the amount of tEUR 3.8 (2005: tEUR 176.1).

The gains accrued up to December 31, 2006 amount to tEUR 16.8 and lie within the 10 percent corridor.

28. Pension, income tax and other provisions

	Opening balance 1/1/2006	Currency adjustment	Utilisation	Amortization
	tEUR	tEUR	tEUR	tEUR
Long-term provisions				
Provisions for pensions and similar obligations	267.9	0.0	0.0	0.0
Deferred income tax provisions	70.4	4.8	42.3	0.0
	338.3	**4.8**	**42.3**	**0.0**
Short-term provisions				
Current income tax provisions *	810.2	15.3	754.4	0.5
Other provisions				
Personnel provisions				
Vacation pay, 13th salary and overtime, time credits	129.9	-1.7	107.8	0.0
Severance pay	19.5	-2.4	17.1	0.0
Other personnel-related provisions (bonuses, other)	826.0	-1.4	815.1	0.0
	975.4	**-5.5**	**940.0**	**0.0**
Provisions from operating activities (warranty)	**132.4**	**-1.1**	**0.0**	**35.8**
Various other provisions				
Outstanding invoices	13.7	0.3	13.6	0.0
Accident and disability insurance premiums	21.0	0.0	21.0	0.0
Financial statement/auditing costs	186.2	-2.5	171.8	1.9
Sundry other provisions	23.5	0.0	23.5	0.0
	244.4	**-2.2**	**229.9**	**1.9**
Short-term other provisions	**1,352.2**	**-8.8**	**1,169.9**	**37.7**
Short-term provisions	**2,162.4**	**6.5**	**1,924.3**	**38.2**
Total provisions	**2,500.7**	**11.3**	**1,966.6**	**38.2**

* As of December 31, 2006, all current income taxes are reported in a special line item under short-term liabilities.

			12/31/2006			12/31/2005
			Due			Due
Additions	Reclassifications/ offsetting	Closing balance 12/31/2006	Within 1 year	Over 1-5 years	Over 5 years	Over 1 year
tEUR	tEUR	tEUR	tEUR	tEUR	tEUR	tEUR
3.8	0.0	271.7	0.0	0.0	271.7	267.9
129.6	-8.8	153.7	0.0	91.0	62.7	70.4
133.4	**-8.8**	**425.4**	**0.0**	**91.0**	**334.4**	**338.3**
0.0	-70.6	0.0	0.0	0.0	0.0	0.0
172.0	0.0	192.4	192.4	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
910.5	0.0	920.0	920.0	0.0	0.0	0.0
1,082.5	**0.0**	**1,112.4**	**1,112.4**	**0.0**	**0.0**	**0.0**
155.8	**0.0**	**251.3**	**251.3**	**0.0**	**0.0**	**0.0**
96.5	0.0	96.9	96.9	0.0	0.0	0.0
22.3	0.0	22.3	22.3	0.0	0.0	0.0
207.5	0.0	217.5	217.5	0.0	0.0	0.0
116.7	0.0	116.7	116.7	0.0	0.0	0.0
443.0	**0.0**	**453.4**	**453.4**	**0.0**	**0.0**	**0.0**
1,681.3	**0.0**	**1,817.1**	**1,817.1**	**0.0**	**0.0**	**0.0**
1,681.3	**-70.6**	**1,817.1**	**1,817.1**	**0.0**	**0.0**	**0.0**
1,814.7	**-79.4**	**2,242.5**	**1,817.1**	**91.0**	**334.4**	**338.3**

29. Debt

	12/31/2006			12/31/2005	
	Due				Due
	Within 1 year	Over 1-5 years	Total	Total	Over 1 year
	tEUR	tEUR	tEUR	tEUR	tEUR
Liabilities due to banks	1,136.9	1,757.9	2,894.8	2,123.5	842.8
Liabilities from finance leases	84.2	144.0	228.2	134.0	79.0
Other debt	2,378.7	0.0	2,378.7	1,963.7	0.0
	3,599.8	**1,901.9**	**5,501.7**	**4,221.2**	**921.8**

Bank debt

	12/31/2006			12/31/2005	
	Due				Due
	Within 1 year	Over 1-5 years	Total	Total	Over 1 year
	tEUR	tEUR	tEUR	tEUR	tEUR
E+H	313.1	1,252.6	1,565.7	0.0	0.0
OHR	529.7	505.3	1,035.0	1,242.3	671.0
H+R	294.1	0.0	294.1	438.3	91.0
H+G	0.0	0.0	0.0	329.8	0.0
HRPI	0.0	0.0	0.0	113.1	80.8
	1,136.9	**1,757.9**	**2,894.8**	**2,123.5**	**842.8**

E+H was granted a loan by PKO BP S.A. Bank in a total amount equivalent to tEUR 1,565.7. The loan has a short-term and a long-term portion. The variable interest rate in 2006 was between 5.51% and 5.92%. The loan is due on July 31, 2011.

Cheskoslovenska Obchodni Banka (CSOB) granted OHR three loans, two of which are due within one year. The long-term loan is due in 2010. The loans bear variable interest at the PRIBOR (Prague Interbank Offered Rate) plus a premium between 1.0 % and 1.3 %. The PRIBOR ranged between 2.0 % and 2.5 % in 2006.

Of H+R's total bank debt of tEUR 294.1, tEUR 91.0 is due to IKB Deutsche Industriebank AG, Munich (IKB) and to Raiffeisen Landesbank Oberösterreich Southern German Branch, Passau. 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). Because of H+R's bankruptcy, Hansen AG repaid the loan in January 2007. The loan bore 4.75 % interest and was due at the end of September 2007. Hansen AG also repaid the note payable due to Raiffeisen Landesbank Oberösterreich Southern Germany Branch, Passau, in the amount of tEUR 203.1 at the beginning of January 2007 because of the letter of comfort it issued assuming liability for the loan. This note payable bore 5.14 % interest.

The short-term bank liabilities of H+G due to Standard Bank of South Africa, Benoni (South Africa), were repaid by the balance sheet date (2005: tEUR 329.8). 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 215.0), so that the company is always able to pay on time its present and future obligations to the Standard Bank of South Africa Limited. The interest rate in 2006 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, for tEUR 77.0.

HRPI paid back the loan granted by SEB in full in 2006. The loan bore 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 – had provided a guarantee to SEB in the amount of 90 % of the bad debt after liquidation of all available assets and collateral.

Hansen Group's unused lines of credit as per IAS 7.50 (a) as of the balance sheet date are tEUR 1,842.2 (2005: tEUR 1,379.4).

Liabilities from finance leases

Liabilities from finance leases have been discounted in the amount of tEUR 9.8 for short-term liabilities and in the amount of tEUR 8.1 for long-term liabilities.

Other debt

Other debt consists exclusively of the internal company savings and loan of OHR in the amount of tEUR 2,378.7 (2005: tEUR 1,963.7).

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

	12/31/2006	12/31/2005
	tEUR	tEUR
Due to banks	2,894.8	2,123.5
Due to non-banks	24.1	60.3
	2,918.9	**2,183.8**

30. Trade accounts payable

The payables are exclusively due to third parties.

31. Tax liabilities

	12/31/2006	12/31/2005
	tEUR	tEUR
Income taxes payable	420.3	467.0
Other taxes payable	97.8	1,488.2
	518.1	**1,955.2**

In 2005 current taxes in the amount of tEUR 810.2 were also reported under short-term tax provisions. As of December 31, 2006, they are reported uniformly under tax liabilities.

32. Other liabilities

	12/31/2006	12/31/2005
	tEUR	tEUR
Due to employees	684.7	329.4
Social security liabilities	259.7	282.4
Payments received on account	29.6	161.1
Liabilities due to unconsolidated affiliated companies	14.8	0.0
Sundry other liabilities	170.9	63.1
	1.159.7	**836.0**

A total of tEUR 304.0 is included in liabilities due to employees and social security liabilities which relates to H+R's social plan obligation recorded in H+R's balance sheet.

33. Unearned income

Public subsidies are included in unearned income in the amount of tEUR 116.3, which E+H and OHR have received for investments in non-current assets.

Other financial obligations and contingent liabilities

Other financial obligations	12/31/2006			12/31/2005	
	Due				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	140.4	0.0	140.4	1,443.1	0.0
for operations	250.9	0.0	250.9	968.1	0.0
for administration	0.0	0.0	0.0	60.0	0.0
Building rents and leases (operating lease)	187.4	201.9	389.3	476.5	295.6
Car fleet (operating lease)	13.0	28.3	41.3	121.6	46.1
Other operating lease obligations	7.6	22.9	30.5	48.3	32.6
Total	**599.3**	**253.1**	**852.4**	**3,117.6**	**374.3**
Present value	**573.5**	**231.8**	**805.3**	**2,975.9**	**344.4**
Expenses for operating leases in 2006 and 2005			**238.9**	**202.4**	

The present value of other financial obligations was determined by discounting the future expenditures at an annual market interest rate of 4.5 % (2005: 4.25 %). Had the obligations been discounted with the same interest rate as last year in the amount of 4.25 %, the present value would have been tEUR 2.5 higher.

Contingent liabilities

Contingent liabilities are off-balance-sheet obligations that are reported in the estimated amount due on the balance sheet date.

H+R filed a lawsuit at the Muenster Tax Court regarding the recognition of a corporate reorganisation in 1996 and 1997, which was classified in the course of a tax audit as a misuse of structural alternatives. H+R won this lawsuit in the first instance; the Gelsenkirchen-South tax authorities have appealed the decision to the federal tax court in January 2007. The risk of loss as of December 31, 2005 is estimated at tEUR 750 (including solidarity surcharge and interest). Hansen AG's risk of loss is roughly tEUR 417.3 as of December 31, 2006. The risk decreased compared to 2005 due to the bankruptcies of Deukalion and H+R in 2007. as in 2005, no provisions were recorded because Hansen believes that the federal tax court will have the same opinion as the Muenster tax court.

Former employees and the works council of H+R demand severance payments from Hansen AG due to H+R's bankruptcy, for which, in the view of Hansen AG, there is no legal basis, We do not anticipate any financial obligations since the severance pay claimants share the same fate as the other bankruptcy creditors.

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 separates 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.

34. Cash from operating activities

Interest received and interest paid is included in cash from operating activities. In 2006, interest in the amount of tEUR 218.4 (2005: tEUR 100.1) was received and interest in the amount of tEUR 364.2 (2005: tEUR 341.9) was spent. In 2006, a total of tEUR 2,174.0 (2005: tEUR 1,882.7) was spent on taxes on income and earnings.

E+H and OHR as well received subsidies from the European Union for the purchase of several assets. E+H received subsidies in the amount of tEUR 61.8 and OHR in the amount of tEUR 87.0 in 2006.

Cash from operating activities decreased by tEUR 224.5 from tEUR 5,493.9 in 2005 to tEUR 5,269.4 in 2006.

35. 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 2005 and 2006. The cash used in investing activities is mainly the result of investments in Poland and the Czech Republic. The material item among investments is E+H's administration building, which was completed at the beginning of 2007.

36. Cash from/used in financing activities

The Company received tEUR 812.5 from the capital increase carried out in 2006. This item is offset by the costs of the capital increase in the amount of tEUR 149.3, of which tEUR 73.8 was already spent in 2005.

Cash used in financing activities is mainly the result of the initial dividend distribution to Hansen AG's shareholders in the amount of tEUR 1,250.0. The general meeting held on November 10, 2006 passed a resolution to distribute a dividend in the amount of EUR 1.00 per share.

Due to Hansen Group's very satisfactory earnings position in 2005, dividend payments to minority interests increased once again.

In 2006, we once again assumed debt to finance planned investments. The material new loans were granted to E+H and OHR.

37. Changes in cash

Cash includes all liquid assets, i.e. cash on hand, bank balances and checks less current account liabilities due to banks and cash equivalents.

Cash equivalents are short-term, extremely liquid financial investments, which can be converted into cash at any time and are subject to minimal risks of fluctuations in value. The due date serves as an additional classification criterion. In accordance with IAS 7.7, a financial investment is generally only considered a cash equivalent when it has a maturity of no longer than three months. Longer or shorter maturities are admissible, however, if particular company circumstances or particular investment forms dictate their classification as cash equivalents. Hansen Group's liquid assets are also in the form of higher interest-bearing investments than the customary call money or certificates of deposit, which are highly liquid, i.e. can be converted to cash at any time and are only subject to immaterial risks of changes in value. Hansen Group's investment forms of choice are available at any time and very risk-averse.

Hansen Group's cash and cash equivalents are broken down as follows:

	12/31/2006 tEUR	12/31/2005 tEUR
Bank balances	4,701.6	8,079.1
Current account liabilities due to banks	0.0	-329.8
Cash equivalents (securities)	4,369.2	0.0
Cash on hand and checks	29.1	50.0
	9,099.9	**7,799.3**

Hansen Group's cash equivalents as of the balance sheet date are broken down as follows:

	12/31/2006 tEUR
Hansen AG	2,813.6
E+H	1,555.6
	4,369.2

Hansen AG's cash equivalents consist of money market funds, money market floaters and fixed interest-rate bonds:

ISIN	Description	Maturity	12/31/2006 tEUR
DE0003516357	NOE. LANDESBANK-HYPOTHEKENBANK AG BOND 1999/2009	09/09/2007 - 09/09/2009	512.5
XS0087184312	DRESDNER FINANCE B.V. EO-BONDS 1998(09)	01/04/2007 - 01/04/2009	512.9
XS0250971222	MORGAN STANLEY EO-FLR Med.-Term Nts 2006 (16)	01/16/2007 - 04/13/2016	670.3
AT0000617147	R 311-EURO MM PLUS CO-OWNERSHIP SHARES-FULL REINVESTMENT		1,117.9
			2,813.6

Hansen AG's cash equivalents are broken down geographically as follows:

	12/31/2006	
	% share	tEUR
German bonds	18.2	512.5
International bonds	42.1	1,183.2
Fund shares	39.7	1,117.9
	100.0	**2,813.6**

Cash and its equivalents were not subject to any restrictions as of December 31, 2006. H+R and Deukalion contributed tEUR 66.8 to cash as of December 31, 2006, cash which is no longer available due to the companies' bankruptcies afterwards. Due to foreign exchange laws, Hansen China's cash balance as of December 31, 2006 in the amount of tEUR 72.4 is deemed not available to the group. There are no other restrictions to cash as of December 31, 2006.

E+H has cash equivalents in the amount of tEUR 1,555.6 as of December 31, 2006. These cash equivalents are funds offered by Commercial Union Polska Towarzystwo Funduszy Inwestycyjnych S.A; they are available daily and have no due date.

Schedule of restricted cash as of December 31, 2006

	tEUR
Total cash and cash equivalents	**9,099.9**
Restricted cash and cash equivalents	
Cash, Hansen China	72.4
Cash, H+R and Deukaliion	66.8
	139.2
Unrestricted cash & cash equivalents	**8,960.7**

Cash flow statements of H+R and Deukalion before consolidation	H+R	Deukalion	Total	H+R	Deukalion	Total
	2006	2006	2006	2005	2005	2005
	tEUR	tEUR	tEUR	tEUR	tEUR	tEUR
Cash used in operating activities	-313.2	-2.1	-315.3	-15.4	-0.1	-15.5
Cash used in investing activities	-48.9	0.0	-48.9	-106.5	0.0	-106.5
Cash provided by financing activities	273.4	2.1	275.5	13.9	0.0	13.9
Change in cash and cash equivalents	**-88.7**	**0.0**	**-88.7**	**-108.0**	**-0.1**	**-108.1**
Change in cash and cash equivalents of H+R and Deukalion						
Cash and cash equivalents, beginning of the period	154.9	0.6	155.5	262.9	0.7	263.6
Change in cash and cash equivalents	-88.7	0.0	-88.7	-108.0	-0.1	-108.1
Cash and cash equivalents, end of the period	**66.2**	**0.6**	**66.8**	**154.9**	**0.6**	**155.5**

Cash within the group increased from tEUR 7,799.3 at the beginning of 2006 by tEUR 1,300.6 to tEUR 9,099.9 as of December 31, 2006.

OTHER INFORMATION

Information on relationships to related companies and persons

Information on business transactions with affiliated companies

Company	Company	Business events	2006 tEUR	2005 tEUR
Deukalion	Hansen AG	Financial transactions	8.3	1.9
Deukalion	H+R	Goods and services transactions	23.7	5.9
Deukalion	H+R	Financial transactions	0.5	0.5
E+H	EHS	Goods and services transactions	3,472.5	2,923.3
E+H	Hansen AG	Goods and services transactions	0.0	65.5
E+H	H+R	Goods and services transactions	25.3	321.6
E+H	HRPII	Investment income	2,117.8	1,033.7
E+H	HRPII	Financial transactions	5.2	9.6
E+H	Hansen China	Goods and services transactions	4.1	0.0
E+H	OHR	Goods and services transactions	1,428.3	2,188.7
EHS	OHR	Goods and services transactions	15.1	3.1
H+G	Hansen AG	Goods and services transactions	0.0	4.3
H+G	Hansen AG	Warranty contract	267.0	267.0
H+G	H+R	Goods and services transactions	115.4	343.9
H+G	OHR	Goods and services transactions	78.8	33.1
Hansen AG	H+R	Goods and services transactions	120.9	12.0
Hansen AG	H+R	Financial transactions	54.5	79.9
Hansen AG	H+R	Warranty contract/ comfort letter	294.1	241.0
Hansen AG	HRPI	Investment income/ profit transfers	1,725.8	1,863.1
Hansen AG	HRPI	Financial transactions	18.3	26.5
Hansen AG	HRPII	Investment income/ profit transfers	3,614.4	0.0
Hansen AG	HRPII	Financial transactions	11.7	10.5
Hansen AG	OHR	Goods and services transactions	8.1	15.0
H+R	HRCS	Goods and services transactions	69.6	198.3
H+R	HRPI	Goods and services transactions	3.1	0.0
H+R	HRPII	Goods and services transactions	3.1	0.0
H+R	OHR	Goods and services transactions	110.9	1,744.6
HRCS	OHR	Goods and services transactions	165.4	177.4
HRPI	HRPII	Financial transactions	0.0	2.0
HRPI	OHR	Goods and services transactions	0.6	0.0
HRPI	OHR	Investment income	993.4	1,855.9
HRPI	OHR	Financial transactions	2.7	5.1
HRPI	OHR	Goods and services transactions	0.0	1.1
Hansen China	OHR	Goods and services transactions	88.6	0.0
OHR	Hansen Ukraine	Goods and services transactions	661.9	0.0
OHR	SIB	Investment income	0.0	25.4
OHR	SIB	Goods and services transactions	2,497.3	2,252.7
OHR	SIB	Financial transactions	1.3	0.7
Hansen AG	Hansen Beteiligungs GmbH	Financial transactions	101.1	25.9
Hansen AG	BNS GmbH, Düsseldorf	Services transactions	42.0	14.0
H+R	Hansen Beteiligungs GmbH	Financial transactions	0.0	6.0

Information on outstanding balances between affiliated companies

		12/31/2006	12/31/2005
		tEUR	tEUR
Deukalion	Hansen AG	36.3*	34.2
Deukalion	H+R	60.0*	45.3
E+H	EHS	825.7	72.7
E+H	Hansen AG	0.0	44.0
E+H	H+R	0.0	0.6
E+H	HRPII	24.1	60.2
E+H	OHR	255.5	460.4
EHS	OHR	3.1	1.0
Hansen AG	H+G	0.0	1.0
H+G	H+R	121.8*	325.7
H+G	OHR	0.1	34.1
Hansen AG	H+R	1,214.4*	1,081.5
Hansen AG	HRPI	393.6	305.2
Hansen AG	HRPII	196.1	1,245.6
Hansen AG	OHR	0.0	15.0
H+R	HRCS	181.1*	192.9
H+R	HRPI	11.4*	11.4
H+R	OHR	397.7*	408.4
HRCS	OHR	33.2	14.1
HRPI	HRPII	0.0	3.0
HRPI	OHR	0.6	137.1
OHR	Hansen Ukraine	23.6	0.0
OHR	SIB	820.0	800.6
Hansen AG	Hansen Beteiligungs GmbH	0.0	25.9
Hansen AG	BNS GmbH, Düsseldorf	27.8	4.2

* Adjusted balances in companies' separate financial statements due to the bankruptcy of H+R and Deukalion, at exchange rates as of December 31, 2006

As of December 31, 2006 the receivables due from H+R were adjusted due to bankruptcy; in the separate financial statements of H+G, OHR and HRCS they were written off in full. Since H+R was still consolidated in Hansen Group in 2006, the impact of the allowances was reversed at group level against income.

Of H+R's total bank debt of tEUR 294.1, tEUR 91.0 is due to IKB Deutsche Industriebank AG, Munich (IKB) and to Raiffeisen Landesbank Oberösterreich, Southern Germany Branch, Passau. 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). Because of H+R's bankruptcy, Hansen AG repaid the loan in January 2007. Hansen AG also repaid the note payable due to Raiffeisen Landesbank Oberösterreich Southern Germany Branch, Passau, in the amount of tEUR 203.1 at the beginning of January 2007 because of the letter of comfort it issued assuming liability for the loan.

In 2006, tEUR 1,668.0 (2005: tEUR 1,560.5) was spent on current fixed and variable compensation to the Management (not incl. 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 1,187.7 in 2006 (2005: tEUR 1,104.4). The outstanding balances were tEUR 11.8 (2005: tEUR 0.0).

There were other business transactions with related parties in accordance with IAS 24.18 (g) in 2006 in the amount of tEUR 3,540.3 (2005: tEUR 3,585.6). The outstanding balances total tEUR 2,190.0 (2005: tEUR 411.2).

Liabilities from the internal company savings and loan of OHR and the minority interests of OHR together had a balance as of December 31, 2006 of tEUR 1,612.3 (2005: tEUR 1,282.9). Interest expense for these liabilities in the 2006 financial year had a balance of tEUR 162.5 (2005: tEUR 123.3).

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 an investment in accordance with Sec. 20 para. 4 AktG (German Stock Corporation Act).

Control and profit-transfer agreements

On April 25, 2005, a control 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. The general meeting held on November 10, 2006 approved the extension contract dated July 31, 2006. The extension contract was recorded in the companies register on December 14, 2006.

CEO/Management Board

Christian Dreyer,
Salzburg (Austria)
Mr. Dreyer is not a member of any other supervisory boards or control organs. Mr. Dreyer was the sole member of the Management Board and is exempt from the restrictions set forth in Sec. 181 of the German Civil Code.

Supervisory Board

Supervisory Board members are:

Jürgen Tonn,
Scharbeutz
Management Board Chairman of Schuler AG
(Supervisory Board Chairman)
Other Supervisory Board duties:
Prensas Schuler S.A., Sao Paulo (Brazil)
Schuler Incorporated, Columbus (USA);
Chairman
Schuler Hydroforming Incorporated,
Canton (USA); Chairman

Christian Nimmervoll,
Grieskirchen (Austria),
Investment Manager
(Supervisory Board Vice Chairman)
Other Supervisory Board duties:
Flottweg GmbH & Co. KGaA,
Vilsbiburg; Chairman
Bionorica AG, Neumarkt
APOFIN Beteiligungs GmbH, Hallein (Austria);
Vice Chairman

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

In the general meeting held on November 10, 2006, all of the current members of the Supervisory Board were re-elected for a period of five years.

Shares owned by corporate bodies

Mr. Tonn and Mr. Pallauf each hold 2,000 shares as of December 31, 2006; Mr. Nimmervoll holds 500 shares indirectly and Mr. Dreyer holds 70 shares directly as of December 31, 2006. Mr. Dreyer is, with a 75% share, majority shareholder of Hansen Beteiligungs GmbH, which holds 1,089,160 shares of Hansen AG as of December 31, 2006. Mr. Nimmervoll is sole Managing Director of Invest Unternehmensbeteiligungs AG, Linz (Austria), which holds a 25% share of Hansen Beteiligungs GmbH.

Compensation

The CEO received non-profit-based remuneration in the amount of tEUR 226.7 in 2006. TEUR 20 has been recognised in the financial statements for the 2006 bonus, which is calculated from consolidated net income. In addition to that, the pension provision was increased. The CEO receives an annual pension in the amount of tEUR 104 when he reaches his 65th birthday. The Supervisory Board received non-profit-based remuneration in the amount of tEUR 14 in 2006.

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

The fees for the audit of the 2006 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 (2005: tEUR 30.0). TEUR 3 more was paid in 2006 for the audit of the consolidated financial statements for the year ending December 31, 2005 than was recognised as a provision.

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 on the Open Market, 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.

München, den 2. Mai 2007
Hansen Sicherheitstechnik AG

C. Dreyer

Der Vorstand
(Christan Dreyer)

PROPOSAL FOR APPROPRIATION OF EARNINGS

The Management Board and the Supervisory Board intend to propose the following appropriation of earnings to the general meeting:

	EUR
Dividend distribution of EUR 1,00 for every bearer share entitled to a dividend	1,250,000.00
Carry forward of unappropriated retained earnings	1,330,758.84
Unappropriated retained earnings	**2,580,758.84**

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, 2006 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 (German Commercial Code) 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, taking into account the principles for the proper auditing of financial statements laid down by the Institut der Wirtschaftsprüfer (IDW = Institute of Auditors). These standards require that we plan and perform the audit such that misstatements and violations materially affecting the presentation of the net assets, financial position and results of operations of the consolidated financial statements prepared in accordance with the applicable accounting regulations and the Group Management's Report are detected with reasonable assurance. 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. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group Management's Report are examined primarily on a test basis within the framework of the audit. The audit includes a judgement 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 representatives as well as the presentation of 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 are 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, May 2, 2007

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 in 2006. We thoroughly discussed basic questions of business policy in common meetings. In doing so we convinced ourselves 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.

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

The Supervisory Board met four times during the 2006 financial year: on February 8, 2006; May 11, 2006; August 24, 2006, and November 10, 2006. The subjects of the meetings were particularly Hansen Sicherheitstechnik AG's listing on the Open Market, the establishment of Hansen China ltd. in Peking and the course of Hansen Group's business and earnings forecasts for 2005 and 2006 and future international acquisitions. In the last meeting, the Supervisory Board elected Mr. Jürgen Tonn Chairman of the Supervisory Board and Mr. Christian Nimmervoll was elected Vice Chairman.

The financial statements for the financial year ending December 31, 2006 provided by the Management Board were audited by KPMG Deutsche Treuhandgesellschaft AG, Wirtschaftsprüfungsgesellschaft, Essen, and rendered an unqualified auditor's opinion. The consolidated financial statements for the financial year ending December 31, 2006 and Group Management's Report provided by the Management Board were audited by Rödl & Partner GmbH, Munich, and 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 (German Stock Corporation Act). The Supervisory Board has no objections in respect to the Management Board'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 (German 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 provided in the financial year ended and wish them much success for the year 2007.

Munich, May 2007

Jürgen Tonn
Chairman of the Supervisory Board

FORWARD-LOOKING STATEMENTS

The annual report, particularly the forecast report as part of the Group Management's Report, contains various forecasts and expectations as well as statements concerning future development of Hansen Group. These statements are based on assumptions and estimates and could be connected with known and unknown risks and uncertainties. Actual developments and results as well as the financial and assets position could deviate materially from the stated expectations and assumptions. The reasons for deviations can be, in addition to other market swings, the development of world market prices for raw materials as well as financial markets and exchange rates, amendments of national and international laws and regulations or basic changes in the economic and political environment. It is neither intended, nor does Hansen assume a special obligation to update forward-looking statements or to adjust them to events or developments after the appearance of this annual report.

IMPRINT

PUBLISHED BY

Hansen Sicherheitstechnik AG
Brienner Straße 10
80333 Munich (Germany)

E-Mail: investor@hansen-sicherheitstechnik.com
T: +49 89 20500500
F: +49 89 20500555

EDITED BY

Hansen Sicherheitstechnik AG

CONCEPT/DESIGN

gimona wagenhofer, X Werbeagentur GmbH
5020 Salzburg (Austria)

PHOTOS

Clemens Kois
5020 Salzburg (Austria)

Piotr Malecki (Poland)

PRINTER

Samson Druck
5582 St. Margarethen (Austria)

DISCLAIMER

The English version of the annual report 2006 of the HANSEN Sicherheitstechnik AG is a one-to-one translation of the audited German annual report of HANSEN Sicherheitstechnik AG. The English version is not audited.

www.hansen-sicherheitstechnik.com