

BÖWE
SYSTEC



ANNUAL REPORT

2007

BUSINESS MISSION

“The BÖWE Group is positioning itself as a one-stop supplier of hardware, software and services for every aspect of the mailroom. Our position as a global player is secured through decades of experience in the market, combined with progressive product development and the expansion of our portfolio”.

A five-year summary of BÖWE SYSTEC

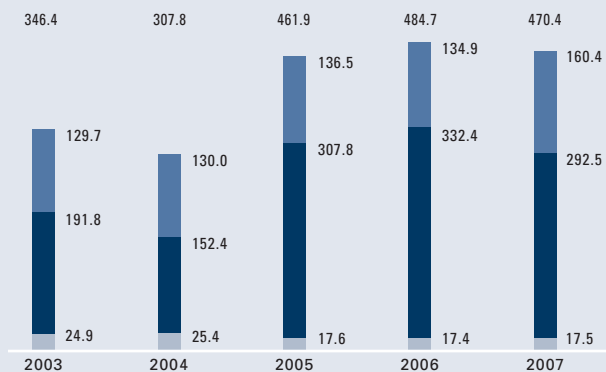
BÖWE SYSTEC Group in million EUR	2007 IFRS	2006 IFRS	2005 IFRS	2004 IFRS	2003 HGB
Group sales	470.4	484.7	461.9	307.8	346.4
EBITDA	50.6	63.6	55.8	42.9	46.4
EBIT	32.4	45.3	36.1	29.3	31.0
Earnings before taxes	15.0	27.6	26.0	25.4	21.6
Group net income for the year	17.7	19.3	19.0	10.9	16.2
Order intake	449.0	473.1	471.8	326.4	323.9
Order backlog products	62.6	84.0	95.6	57.4	40.0
Investments in property, plant and equipment	9.9	11.9	10.9	6.2	5.9
Investments in intangible assets	8.8	8.6	13.9	7.5	2.9
Investments in financial assets	3.8	0.0	1.3	9.8	0.4
Depreciation and amortization	18.2	18.4	19.7	13.7	15.4
Cash flow from ordinary activities	36.4	14.1	23.6	41.4	26.6
Employees without trainees (annual average)	3.803	3,541	3,578	2,621	2,674
Total net assets	565.7	581.5	621.7	437.6	421.0
Fixed assets	307.6	330.3	360.2	174.0	187.9
Current assets incl. deferred taxes	258.1	251.2	261.5	263.6	233.1
Equity including dividend distribution	164.2	135.1	143.5	109.1	94.9
Accruals	25.8	32.4	41.7	35.9	65.8
Liabilities incl. deferred taxes	375.7	414.0	420.7	292.6	260.3
Figures per share:	2007 IFRS	2006 IFRS	2005 IFRS	2004 IFRS	2003 HGB
Weighted number of no par value shares (million)	6.600	6.600	6.595	6.586	6.098
Earnings per share (EUR)	2.66	2.92	2.88	1.66	2.66
Cash flow from ordinary activities (EUR)	5.52	2.13	3.58	6.29	4.37
Dividends (EUR)	1.35	1.35	1.35	1.30	1.25

BÖWE SYSTEC GROUP:

Sales development by region

in million EUR

■ EUROPE
■ NORTH AMERICA
■ ASIA AND OTHER

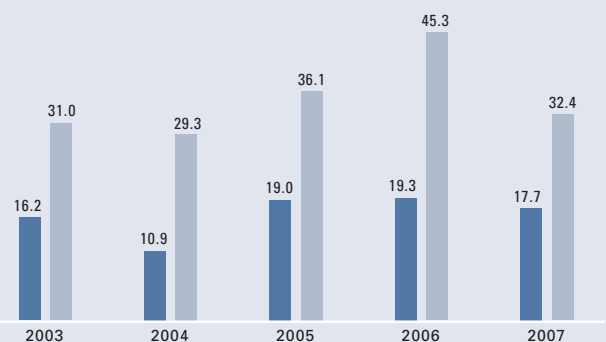


BÖWE SYSTEC GROUP:

Net income for the year and EBIT

in million EUR

■ NET INCOME FOR THE YEAR
■ EBIT

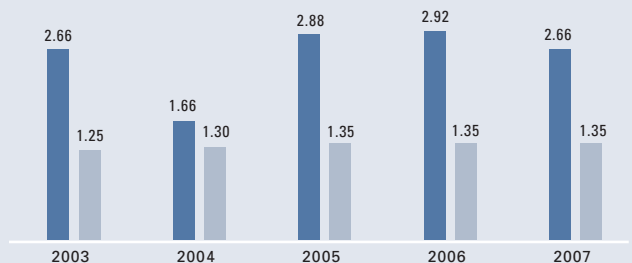


BÖWE SYSTEC GROUP:

Figures per share

in EUR

■ EARNINGS PER SHARE
■ DIVIDENDS



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FOREWORD BY THE MANAGEMENT BOARD

The management board
of BÖWE SYSTEC:
Dr. Harald Nippel,
Dr. Claus Gerckens,
Michael Meyer



Dear shareholders,

In the fiscal year just past BÖWE SYSTEC was unable to continue the long run of growth which has been achieved over the past years. Although the strong growth in the global economy was also initially maintained in 2007, economic activity in the USA, a particularly important market for BÖWE SYSTEC, had already begun to lose its growth dynamic by the middle of the year and during the remainder of the year was increasingly affected to a negative extent by the real estate crisis and the consequences this had for the banking system. At the same time there was a sharp increase in the exchange rate between the euro and the US dollar, sales of the US companies, translated into euros, consequently reported a corresponding fall.

Group sales, at EUR 470.4 million, were therefore approx. 3% below the figure for the previous year. The consolidated net surplus for the year reached EUR 17.7 million in the fiscal year just past compared with EUR 19.3 million in the previous year. The net return on sales after taxes showed a slight reduction to 3.75%. A proposal will be submitted at the annual general meeting to pay a dividend of EUR 1.35 per share, the same as in the previous year.

The following events and developments were of particular importance to the further development of BÖWE SYSTEC:

- In the 2007 fiscal year the BÖWE SYSTEC AG management board was expanded. Dr. Harald Nippel took up his post on September 1, 2007 and since then has been responsible for the commercial department.
- In Autumn 2007 the EU member states agreed to wait until 2011 before opening up the European postal markets to competition. Almost simultaneously, deregulation in Germany was made more problematical by the introduction of minimum wages in the area of mail delivery. For BÖWE SYSTEC these political decisions will simply represent a time delay in the market potential for sorting systems. Despite these delays the European sales and after-sales companies successfully increased their sales by 14% compared with the previous year because, in addition to improvements in the inserting business, the sorting solutions business enjoyed an actual increase in 2007.
- In the American Market for mail sorting systems the anticipated introduction of new sorting criteria and corresponding fee and discount systems for the US mail led to general delays in new capital investment, although this does not reduce the market's long-term potential.

- The continuing integration of the US subsidiary into the BÖWE SYSTEC Group showed pleasing progress and led to an increase in the capacity utilization of the US plants as well as growth in imports into the euro region from the American production plants. At the same time, BÖWE inserting systems won a prestigious major order in the telecoms sector in the USA during the fourth quarter, with all the key providers having endeavored to create a benchmark.
- Following the acquisition of the remaining 50% of the stock in the joint venture Lasermax Roll Systems AB the company was fully consolidated within BÖWE SYSTEC as a one hundred percent subsidiary for the first time in July 2007. The inclusion of the world market leader in print pre and post processing represents a plus for the BÖWE SYSTEC Group, both on the product and earnings side and in future will provide for important cross-selling potential.
- Sales and results were significantly increased in all the software areas of the BÖWE SYSTEC Group. The progressive demand for data personalization and consignment tracking offers significant growth potential for BÖWE SYSTEC in the highly profitable software market.
- In December 2007 the consolidated shareholders' equity increased by EUR 40 million through the successful placement of a euro hybrid bond. This form of corporate financing will help BÖWE SYSTEC create greater stability for itself in terms of refinancing and greater planning certainty against the background of the continuing crisis in the banking sector.

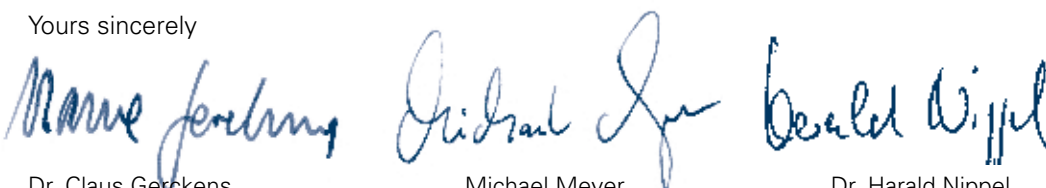
Leading economic research institutes predict a marked slowdown in growth in 2008 for the industrialized nations and the USA in particular. A further fall in the value of the US dollar against the euro is also anticipated initially, with the US currency expected to generally strengthen during the second half of 2008.

The delays in new capital investment for the American and deregulated European mail markets which arose in the 2007 fiscal year offer major growth opportunities for the years ahead. The increasing importance of integrated total solutions for letter production and tracking will provide BÖWE SYSTEC, as a total provider for the mailroom in the software area, with additional sales opportunities for integrated software solutions.

We are convinced that BÖWE SYSTEC will be able to continue converting its excellent market position into sustainable corporate growth and greater profitability in the future. Taking into account the economic environment, current market position and prevailing currency exchange rates at the beginning of the year, the corporate plan therefore sees sales of around EUR 500 million for the 2008 fiscal year and an improvement in the consolidated result over 2007.

The management board and the company management teams of all the group companies are working systematically towards achieving this objective so that we can continue to justify the confidence you have placed in us.

Yours sincerely



Dr. Claus Gerckens

Michael Meyer

Dr. Harald Nippel

Augsburg, March 2008

CORPORATE STRATEGY

Corporate strategy and objectives

Over recent years BÖWE SYSTEC AG has expanded on a targeted basis from a European market leader in high-performance inserting systems to a global total provider for highly-automated printing and mailing centers – so-called mailrooms. Today, our product portfolio includes not only high-performance inserting systems but also plastic card personalization and mailing solutions, special software for the monitoring and interconnection of various mailroom systems, pre- and post-paper processing solutions, sorting and mail verification systems, high-performance scanners as well as all the associated services. As such, with the exception of digital printing systems, we cover all the key services in the modern mailroom and offer individual total solutions under one roof to our customers worldwide. The full takeover in 2007 of Lasermax Roll Systems AB, a specialist in pre- and post-paper processing, further strengthened our position as a market leading total provider of comprehensive mailroom solutions.

Software plays a key strategic role throughout the BÖWE Group's product range. The trend towards mailroom automation is continuing unabated and for this reason software will in the future have an essential and increasingly more important part to play in production process control and tracking. In this context there is a sophisticated interplay between the technologies of the mechanics, electronics and software of the systems which needs to be coordinated to optimum effect. The company develops specific software products for the intelligent control and monitoring of the systems, interconnecting, documenting and analyzing their jobs – against the background of quality and integrity of the highest standard at all times. When coupled with state-of-the-art scanning systems, this today provides for the integration not only of the BÖWE Group's own group systems but also third party systems from other providers on a joint basis within the BÖWE *One* software suite. The BÖWE Group is ideally positioned in the rapid growth market for mailroom data management, a market which it intends to intensively develop and expand over the coming years on a targeted basis.

The strategic amalgamation of the distribution and marketing activities of BÖWE CARDTEC and BÖWE SYSTEC Business Unit Card Mailing Systems in 2007 created even closer integration between the areas of plastic card personalization and mailing under the overall heading of "Card Solutions", enabling know-how and experience to be bundled and utilized for the benefit of the customer in the optimum way possible. The mutual utilization of the respective distribution networks is strengthening our global market presence and bringing us ever closer to the customer. Customers in the plastic card market segment all over the world benefit from the concentration of expertise and so in future will be able to receive more targeted and comprehensive support. At the same time our long-term aim is to strengthen and consistently expand our position in the plastic card market term through our comprehensive plastic card solution offering under one roof.

The sorting and mail verification systems business will also benefit from the privatization of the European postal markets over the years ahead. The continuing process of deregulation has already brought numerous new competitors into the market throughout Europe. Over the last two years the volume of mail distributed by these new providers has grown rapidly and will expand even further in line with the increasing deregulation of the postal markets. We made early preparations for the revolution in the markets and are therefore ideally placed to offer both existing established companies as well as the numerous new mailing service providers a wide range of customized solutions. Despite the introduction of minimum wages in the German postal market we are optimistic about the expansion of our market presence with a view to the whole of Europe. In future we will continue to further consolidate our market position and, particularly in Europe, take a targeted approach to exploiting the opportunities to increase our market shares.

Right across the company the focus of the activities in the BÖWE Group is on not only the expansion and further development of existing markets but also on the continual development of new growth markets worldwide. The establishment of new general agencies, particularly in the regions of the Middle/Near East, Africa and Asia, will make a significant contribution towards our achieving this corporate objective. In future, existing distribution organizations will also receive optimum support and encouragement, with the emphasis being on regular contact and a close exchange of information. The BÖWE Group sees closeness to the customer and detailed knowledge of the local markets as two of the key prerequisites for a long-term and successful international market presence.

The individual strategies for the business areas fit in superbly with the higher level group strategy and so way help to consolidate our position in the global market on a sustainable basis. Reflecting our corporate philosophy "The Whole World of the Mailroom under One Roof", in the future we will continue to consistently expand our market position as a total provider so we can be there to help our customers, as a confident and trustworthy partner for leading edge technology solutions for every aspect of the mailroom and beyond.

COMPANY BOARDS

The management board of BÖWE SYSTEC Aktiengesellschaft:

Dr. Claus Gerckens Augsburg
Chairman

Michael Meyer Neusäß
Deputy Chairman

Dr. Harald Nippel Augsburg
(since September 1, 2007)

The supervisory board of BÖWE SYSTEC Aktiengesellschaft:

Johannes Beelen Solingen
Chairman
Former director of ZWILLING J.A. Henckels AG,
Solingen

Prof. Dr. Günther Langenbacher Stuttgart
Deputy Chairman
German Public Auditor

**Prof. Dr. Dres. h.c.
Adolf G. Coenenberg** Stadtbergen
Professor emeritus of business administration, audit
and controlling at the University of Augsburg

**Prof. Dr. h.c.
Rolf-Dieter Leister** Lucerne, Switzerland
(until May 24, 2007)
Business consultant

**Prof. Dipl.-Ing.
Gerd Finkbeiner** Neusäß
(since May 24, 2007)
Chairman of MAN Roland Druckmaschinen AG,
Offenbach a.M.

Claus-D. Bunk Schwabmünchen
Employee representative
Chairman of the works' council of
BÖWE SYSTEC Aktiengesellschaft, Augsburg

Alfred Seifert Augsburg
Employee representative
(until May 24, 2007)
Deputy chairman of the works' council of
BÖWE SYSTEC Aktiengesellschaft, Augsburg

Roland Hörmann Augsburg
Employee representative
(since May 24, 2007)
Deputy chairman of the works' council of
BÖWE SYSTEC Aktiengesellschaft, Augsburg

THE BÖWE SYSTEC SHARE



Investor Relations

BÖWE SYSTEC AG views Investor Relations as more than just the obligation to provide its shareholders with regular, comprehensive information as required in the Prime Standard. We also see them as an effective instrument for developing and fostering the kind of positive image in the capital market that we possess in our operating markets throughout the world. That's why we pursue a range of voluntary Investor Relations activities – as we have been doing for many years – in order to provide the capital market with transparent and detailed corporate data. This includes attending a number of national and international analysts' and investors' conferences as well as a series of individual discussions with fund managers and representatives of the trade press. The objectives of these activities are to maintain our existing contact with shareholders and at the same time to attract the interest of potential investors for the BÖWE SYSTEC share. To this end the executive board staged a number of corporate presentations in Munich, Frankfurt, Paris and London during the financial year just past.

International shareholder structure

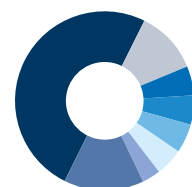
An indication of the success of our IR activities can be seen from the current shareholder structure of BÖWE SYSTEC AG.

Of the 6.6 million BÖWE SYSTEC shares approximately 35% are held in foreign custody accounts. Of this four investment companies alone each have shareholdings just above 5%: the Spanish Bestinver Gestion, the French firm Financière de l'Echiquier as well as the US companies The Capital Group Companies and Harris Associates L.P.

As in previous years WANDERER-WERKE AG, with a 50.1% stake, remains the largest individual shareholder in BÖWE SYSTEC AG.

Since the shareholdings of capital investment companies are not included in the calculation of the free-float – as per the definition of the Deutsche Börse – the free-float remains unchanged at 49.9% or 3.29 million shares.

SHAREHOLDERS
STRUCTURE
as at February 2008



50.1%	WANDERER-WERKE AG
11.4%	OTHER DOMESTIC SHAREHOLDERS
5.4%	BESTINVER GESTION
5.2%	FINANCIÈRE DE L'ECHIQUIER
5.2%	THE CAPITAL GROUP
5.0%	HARRIS ASSOCIATES
3.5%	TWEEDY, BROWNE
14.2%	OTHER FOREIGN SHAREHOLDERS

DEVELOPMENT OF THE
BÖWE SYSTEC SHARE 2007
by comparison with the SDAX®

■ BÖWE SYSTEC SHARE PRICE
■ SDAX®-INDEX



Coverage by analysts

We see the coverage of the company by six share analysts from six different financial institutions as further evidence of our successful Investor Relations:

Berenberg Bank, CA Cheuvreux, Dresdner Kleinwort, Lampe Bank, WestLB and, more recently, Bayern LB. This is all the more pleasing given that the BÖWE SYSTEC share has not been listed in the SDAX® since September 2006. It demonstrates that an open and active company can also pursue successful Investor Relations without an index listing. In order to provide analysts as well as investors and interested parties with fundamental corporate data we not only use a specified website (www.boewe-systec.de) but also e-mail distribution lists for the fast delivery of information.

The BÖWE SYSTEC share

The year 2007 was not an easy year on the stock markets. Following years of significant price rises, although the DAX® reached a new all-time high at 8,151.57 points on July 13, 2007 it was then increasingly affected by the uncertainties created through the sub-prime crisis in the USA, falling by more than 10%. Towards the end of the year the index was supported by good quarterly figures posted by German companies and at the year-end subsequently closed at 8,067.32, representing a rise of 22.3% over the year as a whole. By contrast, there was a very different picture in the small and mid caps segment, i.e. small and medium-sized limited stock companies. As is usual in times of increasing uncertainty investors initially sold these stocks which were not so liquid. The result of this was that the MDAX® posted just a 4.9% rise for the year as a whole whilst the SDAX® actually fell by 6.8%.

ISIN	DE0005239701
SEC. CODE NO.	523970
Ticker symbol	BSY
Market	Official trading
Segment	Prime Standard
Sector	Industry
Index	CDAX®
	Prime All Shares
	Classic All Shares
Type	Bearer no-par shares

FIGURES PER SHARE:

	2007 IFRS	2006 IFRS	2005 IFRS	2004 IFRS	2003 HGB
Capital stock (EUR million)	17.16	17.16	17.16	17.16	17.10
Number of shares with dividend entitlement as of Dec. 31 (million)	6.60	6.60	6.60	6.60	6.57
Earnings (EUR)	2,66	2.92	2.88	1.66	2.66
Cash flow from ordinary activities (EUR)	5,52	2.13	3.58	6.29	4.37
Dividends (EUR)	1,35	1.35	1.35	1.30	1.25
Share price at year-end (EUR)*	52.85	58.99	51.25	42.95	41.30
Annual high of the share (EUR)*	27.00	40.55	35.71	35.40	19.90
Annual low of the share (EUR)*	28.45	51.47	50.84	38.80	40.50
Market capitalization at year-end (EUR million)	187.77	339.70	335.54	256.08	266.09

* from 2006 prices on the Xetra trading system

This development also had a marked impact on the BÖWE SYSTEC share which started in January at EUR 51.50 and quickly reached its high at EUR 52.85; however, it then began to continually fall in value. During the 1st half year the steady fall in the US dollar exchange rate – North America is the largest single market for the BÖWE SYSTEC Group – as well as a few reductions of analysts' profit forecasts, had a detrimental impact, the contra-mid-caps trend was clearly felt throughout the 2nd half-year. This led finally to the share ending the year at EUR 28.45, representing a fall of 44.7% for the year 2007 as a whole. By contrast, in the 5 year comparison the share price continues to show a positive performance of 24%.

Based on its current price the BÖWE SYSTEC share is an attractive investment both in terms of its P/E ratio and dividend yield. We therefore anticipate the likelihood of a rising price in the future.



CORPORATE GOVERNANCE REPORT

Corporate Governance Report

The management board and the supervisory board of BÖWE SYSTEC Aktiengesellschaft both attach great importance to a responsible and transparent system of corporate management. It follows that we have implemented most of the recommendations of the German Corporate Governance Code in the BÖWE Group. Only a few recommendations are not complied with, mainly to avoid redundancy. These exceptions are explained below.

The management board and supervisory board report on corporate governance at BÖWE SYSTEC Aktiengesellschaft as follows:

The management board and the supervisory board issued the latest Statement of Compliance in accordance with Sec. 161 AktG („Aktiengesetz“: German Stock Corporation Act) in January 2008. The full wording of the Statement can be found on the Company's website.

Corporate Governance in fiscal year 2008

In accordance with that statement BÖWE SYSTEC Aktiengesellschaft will comply with virtually all of the recommendations of the German Corporate Governance Code as amended June 17, 2007 in fiscal year 2008. The only recommendations that we do not comply with are:

Not all documents relating to the annual general meeting required by law will be published in their entirety on the Company's website. Besides the agenda, a condensed version of the annual report is provided on the Company's website. The other documents provided for the annual general meeting are displayed as required by law and sent to the shareholders upon request. This approach is deemed more convenient for the shareholders as they receive a printed version of the requested documents.

The regular review and discussion of the structure of the remuneration system of the management board is not discussed by the full supervisory board but by the personnel committee. The idea pursued by the supervisory board in setting up committees is to share responsibilities.

The remuneration of the management board and of the supervisory board as well as details of share-based compensation are published as required by law in the notes to the financial statements. The disclosures on the remuneration of the supervisory board members and of the management board are presented in detail and explained in the section "Related Party Disclosures" (page 112 et seq.). Besides the members of the management board, other key management personnel can also subscribe for convertible bonds, which are offered to a specific group of executives in the BÖWE SYSTEC Group as part of a share-based incentive system. Further details on this can be found in note 9 (page 86 et seq.). In fiscal year 2007, convertible bonds totaling KEUR 147 were due; these did not, however, give rise to conversion rights. To avoid redundancy, reference is made in the Corporate Governance Report to the disclosures in the notes to the financial statements as both the notes and the Corporate Governance Report are contained in the Company's annual report.

The supervisory board has not fixed a general age limit for members of the management board. Where necessary, the age of the members of the management board is considered when they are appointed. A strict age limit would not take due account of the individual circumstances.

The Company has opted not to set up a separate audit committee in order to enhance efficiency as the supervisory board of BÖWE SYSTEC Aktiengesellschaft only has the legally required six members and this already ensures effective work.

In determining the remuneration of the supervisory board members, the chair and deputy chair are taken into account. The chair and membership in committees is not, however, considered due to the small number of committees.

Details on directors' dealings are not published in the Corporate Governance Report. This information is published on the company's website as required by law. In addition, the Company does not comply with the recommendation to provide details of indirect shareholdings in the Company of each individual member of the management board and each individual member of the supervisory board to be published if this exceeds more than 1% of the total shares issued by the Company.

The consolidated financial statements and the interim reports are published in accordance with the legal requirements. The consolidated financial statements are not, however, published within 90 days of the end of the fiscal year, but as a rule at the beginning of the fourth month after the end of the fiscal year in order to avoid being overlooked as a secondary security among all the financial statements of the large groups.

Review of fiscal year 2007

Virtually all of the recommendations of the German Corporate Governance Code as amended June 12, 2006 were once again complied in fiscal year 2007. Besides the restrictions mentioned above that also pertain to fiscal year 2008, the shareholder representatives were voted onto the supervisory board by list at the 2007 annual general meeting in order to comply with recommendation 2.2.4 of the Code (in the interest of an efficient annual general meeting) for the total of four new members up for election.

Shareholdings of the individual members of the management board and the supervisory board

As of the balance sheet date December 31, 2007, the members of the supervisory board held a total of 710 shares. As of the balance sheet date December 31, 2007, the members of the management board of BÖWE SYSTEC Aktiengesellschaft held a total of 14,400 shares. Further information on share ownership can be found in the notes under the note 12 "Issued capital" to the financial statements on page 92 et seq.

REPORT OF THE SUPERVISORY BOARD



Johannes Beelen
Chairman of the
supervisory board

Report of the supervisory board

In the fiscal year 2007, the supervisory board monitored the work of the management board of BÖWE SYSTEC AG on an ongoing basis and supported it in an advisory capacity. To this end, it was provided with detailed written monthly reports on business performance as well as any other information deemed necessary to assess important business events and pending decisions of the management board. The chairman of the supervisory board exchanged information regularly with the management board and was thus always up to date on the business development of the individual group companies, the profitability of the Company and the business planning and group strategy. On the basis of the information received, the supervisory board was able to gain an insight into the situation of the Company and to duly perform the tasks required of it by law, the articles of incorporation and the Corporate Governance Code.

During the fiscal year 2007, the supervisory board of BÖWE SYSTEC AG met a total of five times in Augsburg and held one conference call. All members of the supervisory board were present at every meeting held during the year. The oral and written reports of the management board on order intake, sales, order backlog and the results of the group companies were regularly the subject of discussion at the meetings. The business plan and the underlying assumptions were discussed in great depth with the management board and subsequently approved. Any variances to budget were discussed in detail and counter-measures elaborated.

Election of new members of the supervisory board

In the reporting year, both the shareholder representatives and the employee representatives were re-elected. Two long-standing members of the supervisory board decided not to stand for re-election. At the end of the annual general meeting on May 24, 2007, Professor Rolf-Dieter Leister laid down his office. At the same time, Mr. Alfred Seifert left the supervisory board after the end of his period of office as employee representative. The supervisory board would like to thank both gentlemen for their cooperation and their many years of work in the interest of the Company. At the annual general meeting on May 24, 2007, Professor Gerd Finkbeiner was elected as a new shareholder representative on the supervisory board, while Mr. Johannes Beelen, Professor Dr. Günther Langenbucher and Professor Dr. Adolf G. C. Coenenberg were re-elected. Earlier in May, the employees had elected Mr. Roland Hörmann as a new member and re-elected Mr. Claus Bunk.

Appointment of management board members

The fiscal year 2007 also saw changes on the management board of BÖWE SYSTEC AG: Effective September 1, 2007, Dr. Harald Nippel, the CFO, assumed responsibility for the commercial portfolio, which had previously been headed by CEO, Dr. Claus Gerckens. The supervisory board assented to this enlargement and believes that it will strengthen the management of BÖWE SYSTEC AG. Dr. Nippel has many years of managerial experience in the USA and will contribute this to the Group.

Committees

The supervisory board has set up a personnel committee which met twice during the past year. In addition to this, a nomination committee was set up in accordance with a recommendation of the German Corporate Governance Code; this committee helps prepare elections for the appointment of shareholder representatives to the supervisory board. It proposes suitable candidates to the supervisory board for its nomination to the annual general meeting for the election of the shareholders' representatives. The committee consists of the chairman of the supervisory board and the other shareholder representatives on the supervisory board. The nomination committee was not convened as this was not necessary during the fiscal year.

Transactions requiring the approval of the supervisory board

All transactions of the management board which require the approval of the supervisory board by law, articles of incorporation or rules of procedure were examined by the members of the supervisory board at meetings or adopted on the basis of written information provided. In the fiscal year 2007, the supervisory board dealt, among other things, with the acquisition of the remaining 50% stake in the existing joint venture Lasermax Roll Systems AB and unanimously approved the exercise of the purchase option. At the meeting in October, the restructuring of the financing of BÖWE SYSTEC was the subject of intense discussion, as a result of which the management board was unanimously authorized by the supervisory board to issue a euro hybrid bond.

Control and advisory focus in the supervisory board

In the 2007 reporting period, the discussions held in the supervisory board again focused on the subsidiary BÖWE BELL + HOWELL in the USA. At the July meeting, the chairman of the management of the sub-group was questioned in depth by the supervisory board about strategy, budget variances, status of large-scale projects and cost-reduction measures. The supervisory board discussed the development of BÖWE BELL + HOWELL's scanner business with the management board and the action taken to strengthen earnings power.

The supervisory board also examined the development of the US dollar, the currency effects this has had on the BÖWE SYSTEC Group and the difficult competitive environment in the dollar zone.

Other focal points of the monitoring activity of the supervisory board included the status reports of the management board on important customer projects, strategic product developments and internal projects to raise productivity and cut costs. The good performance of Lasermax Roll Systems AB and the acquisition process of the remaining shares in June 2007 were accompanied by the supervisory board in an advisory capacity.

The development of the privatisation of the mail in Europe, the introduction of a minimum wage in the German postal market and the mid-term effects on the business with mail verification and sorting systems was also discussed with the management board of BÖWE SYSTEC AG. The supervisory board took an in-depth look at the opportunities and risk these developments entail.



Risk management system and compliance

The supervisory board regularly discussed the topics risk management and compliance. In addition to this, the board gained a comprehensive overview of the existing risk management system in the BÖWE SYSTEC Group, examining the checklist used for this purpose and the risk categories on which this was based. The supervisory board satisfied itself of the efficiency of the existing risk management system and advised the management board on ways of refining it.

Efficiency testing

As in past years, the supervisory board reviewed its own efficiency by means of a checklist as required by the German Corporate Governance Code. The results and suggestions for improvement were discussed by the whole supervisory board and will help to further enhance the way the supervisory board works in future.

Declaration of Compliance

The supervisory board reviewed the corresponding compliance statements issued by BÖWE SYSTEC Aktiengesellschaft and addressed deviations from the Corporate Governance Code. Additional information on corporate governance in the Company as well as information about the amount and composition of the individual management board's compensation can be found on page 10 and in the note 30 to the financial statements.

Financial statements/consolidated financial statements/audit reports

The separate financial statements of BÖWE SYSTEC AG, the consolidated financial statements as of December 31, 2007, the management report of BÖWE SYSTEC AG and the group management report together with the bookkeeping underlying these statements were audited by the independent auditors. The auditors have rendered an unqualified opinion. The audit was performed in compliance with the Generally Accepted Standards for the Audit of Financial Statements in Germany as issued by the IDW ("Institut der Wirtschaftsprüfer in Deutschland e.V., Düsseldorf": Institute of Public Auditors in Germany, Düsseldorf). The consolidated financial statements, including the group management report, were prepared in accordance with International Financial Reporting Standards (IFRSs). The auditor confirmed that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315 a (1) HGB ("Handelsgesetzbuch": German Commercial Code). The auditor rendered the following unqualified opinion on the dependent company report prepared in accordance with Sec. 312 AktG:

"Based on our audit and assessment in accordance with professional standards, we confirm that

1. the actual disclosures contained in the report are correct;
2. the payments made by the Company in connection with transactions detailed in the report were not unreasonably high."

The financial statements of BÖWE SYSTEC AG and the consolidated financial statements as of December 31, 2007, the management report of BÖWE SYSTEC AG and

the group management report, the dependent company report and the audit reports as well as the proposal of the management board for the appropriation of profits was presented to the supervisory board for review within the time period allowed. At the meeting of the supervisory board on April 1, 2008, Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft reported on the audit of the separate and consolidated financial statements, the focal points of the audit as well as the main audit findings and was available to respond to any questions posed by the supervisory board. The supervisory board reviewed the financial statements of BÖWE SYSTEC AG, including the management report, the consolidated financial statements, including the group management report, the dependent company report and the reports and findings of the auditor for the separate and consolidated financial statements as well as the proposal of the management board for the appropriation of profits and found that the management board had acted duly, expediently and efficiently and also complied with the legal requirements pertaining to the audit reports. The supervisory board also found that the management report of BÖWE SYSTEC AG and the group management report were complete. The management board's appraisal of the situation concurs with the reports it made to the supervisory board and the supervisory board's own estimation.

Acknowledging and considering the reports of the auditor of the separate financial statements and group auditor, the supervisory board gives its approval of the results of the annual audit based on its own review and talks and discussions with the auditor of the separate financial statements and the group auditor. Based on the results of its own review, the supervisory board raises no objections to the separate financial statements, the management report, the consolidated financial statements, the group management report, the declaration of the management board at the end of the dependent company report and the audit report of the auditor. The supervisory board approves the annual financial statements prepared by the management board which are herewith ratified. The supervisory board also approves the consolidated financial statements prepared by the management board.

The supervisory board examined the proposal of the management board for the appropriation of profits, taking the liquidity of the Company, financial planning and capital expenditure planning into account. Other criteria include provisioning for the Company and shareholder interests. The supervisory board agrees with the proposal of the management board to distribute KEUR 8,910 and to carry forward the remaining unappropriated profit of KEUR 11,005.

The supervisory board would like to take this opportunity to thank the members of the management board and above all the employees of the BÖWE Group for the dedication to the Company during fiscal year 2007.

Augsburg, April 1, 2008

THE SUPERVISORY BOARD



Johannes Beelen

Chairman of the supervisory board



THE FINANCIAL YEAR IN PERSPECTIVE



JANUARY

Looking to further strengthen its Central European sales network, BÖWE SYSTEC AG founds a new subsidiary in the Czech Republic, thus investing in a location with considerable development momentum at the heart of Central and Eastern Europe. "The Czech Republic is the gateway to Central and Eastern Europe," says Richard Glazar, Managing Director of the Czech sales company.

MARCH

BÖWE SYSTEC welcomes over 2,000 visitors from around the globe to its own Mailroom Pavilion at Europe's biggest annual event in the digital printing and document management sectors, Océ OpenHouse in Pöng, Germany.

Many of the guests take the opportunity to find out all about state-of-the-art technologies in the fields of high-performance inserting, plastic card mailing and mailroom software.

APRIL

The BÖWE Group notches up its debut trade fair appearance in Brazil, the world's third largest market for bank cards, at Cards International Brazil. This trade fair gives the company the perfect opportunity to highlight the fact that the BÖWE Group's name – which in Brazil is mentioned mainly in connection with inserting systems – is also synonymous with innovative all-in card solutions.

JULY

BÖWE SYSTEC acquires 100 percent of Lasermax Roll Systems AB, one of the world's leading suppliers of high-performance pre- and post-processing systems.

Lasermax Roll Systems previously operated as a joint venture of BÖWE SYSTEC and Sweden's Strålfors Group.

BÖWE SYSTEC launches the Turbo *Premium* high-performance inserting system, a new Turbo generation whose hallmarks are optimum system efficiency and outstanding process integrity.

The Turbo *Premium* offers the dependability, needed for reliable, flexible and productive processing of high volumes. High-speed cutting systems and cut sheet feeders ensure adequate feed performance. Equipped with the BICOS system operating and monitoring software, the Turbo *Premium* forms an integral part of the modern mailroom.



AUGUST

At the age of 64, Karl-Heinz Schmittner celebrates 50 years as an employee of BÖWE SYSTEC AG in Augsburg – a rare anniversary indeed. As the company's longest-serving employee, he has experienced the company's thrilling development from a small workshop all the way to a global player over the past 50 years.

SEPTEMBER

The continuous growth of the BÖWE Group over recent years coupled with the concomitant increase in business volume leads to the Supervisory Board of BÖWE SYSTEC AG appointing Dr. Harald Nippel as an additional management board member. As Chief Financial Officer, Dr. Harald Nippel assumes responsibility for the commercial area as of September 1, 2007.

At the North American Graph Expo trade fair in Chicago, USA, BÖWE BELL + HOWELL's extremely well situated booth directly at the main entrance boasts outstanding exhibits. In addition to its new flagship Turbo *Premium* high-performance inserting system, the BÖWE Group demonstrates a unique "live and connected" environment, one of the biggest multi-exhibitor integrations ever witnessed at a print industry trade fair.

NOVEMBER

"Entrepreneurs meet Investors" is the motto under which the German Equity Forum of Deutsche Börse AG, operating the Frankfurt Stock Exchange, provides a perfect platform for financial investors and companies to establish contacts twice a year. The three-day event in Frankfurt am Main sees numerous companies present their business concepts to a wide audience of well-known investors.

Dr. Claus Gerckens, CEO of BÖWE SYSTEC AG, also speaks in detail on the expected business development and future prospects of BÖWE SYSTEC. He gives forecasts on industry trends and market developments in mailroom management and provides an in-depth account of the Group's strategic orientation and future opportunities.

The BÖWE Group sets a new visitor record of over 160 existing customers and prospects from around the globe at CARTES in Paris, the world's biggest trade fair in the plastic cards sector.

DECEMBER

BÖWE SYSTEC AG successfully launches a 40-million euro hybrid bond. The seven-year hybrid bond will be shown as equity in accordance with the IFRS rules, thus strengthening the BÖWE Group's equity base to promote further growth.

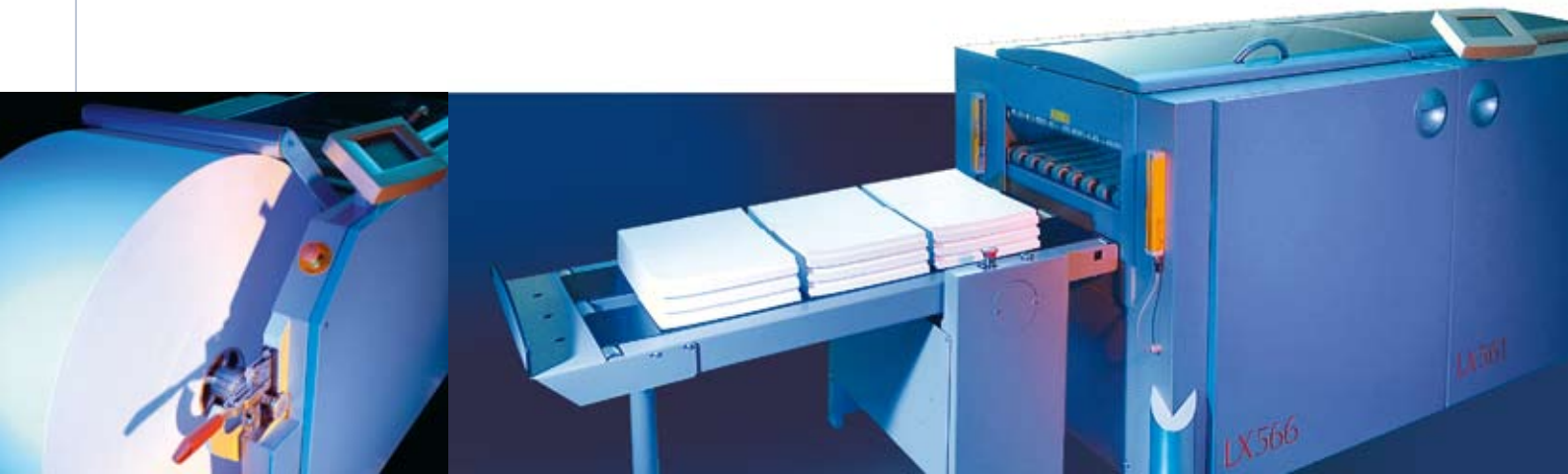


LASERMAX ROLL SYSTEMS

Lasermex Roll Systems.

A leader in paper processing.

In July 2007, the BÖWE Group acquired the remaining 50 percent share of Lasermex Roll Systems AB, making it a wholly-owned subsidiary of the BÖWE Group.



Merging of resources

In 2004 Roll Systems Inc., a former BÖWE SYSTEC subsidiary, and the Lasermex division of the Swedish company, Strålfors AB were brought together to create a joint venture. Aptly titled Lasermex Roll Systems AB, the new company immediately became the world's largest manufacturer of feeding, finishing, and monitoring systems for digital printers.

The main objective of the joint venture was to combine the strengths of two established companies, particularly in the fields of sales and product development. Successfully merging both groups' pre-existing skills, experience and resources was a crucial factor in creating added value for the new corporation.

With their production facilities in Sweden and the US with similar product ranges, it was important to the joint venture to combine management structures establishing a consistent market presence right from the outset. Regular meetings with the international Group Management Team, centralized product development and marketing management have supported and emphasized the ongoing philosophy of unity within all areas of the organization.

Enhancing the company's existing product portfolio while escalating development and implementation of new products and solutions also had a crucial role in the foundation of success within the joint venture. Both companies complemented one another

perfectly in terms of their respective geographies. Such an enhanced global presence has led to improvements in new market development and the greater penetration of existing markets.

The collaboration between the two founding companies has continually increased and optimized synergies to ensure future growth. The worldwide sales expansion to date validates the success of the merger, while also creating a solid basis for continuing success within the Lasermax Roll Systems AB organization, which is now a wholly owned subsidiary of the BÖWE Group.



From left to right:

- LX555 Rewind
- LX561 Cutter and LX566 Stacker produce offset stacks.
- RSD1 Stacker features an internal sheet buffer.

Diversified product range

Lasermax Roll Systems sets international standards in the paper handling industry with its broad range of high-performance products and services for high-speed digital printers. Lasermax Roll Systems has a variety of inline finishing systems to suit any application. From feeding cut sheets to processing web-fed continuous forms, Lasermax Roll Systems has a solution suited for any digital printing need.

The company's extensive line of feeding and finishing systems for continuous and cut sheet digital printers includes unwinding equipment, cutters, stackers, fan-folders and rewinders. The product range also includes accessories for web accumulating, hole punching, running perforations, as well as quality control systems to validate and monitor print integrity.

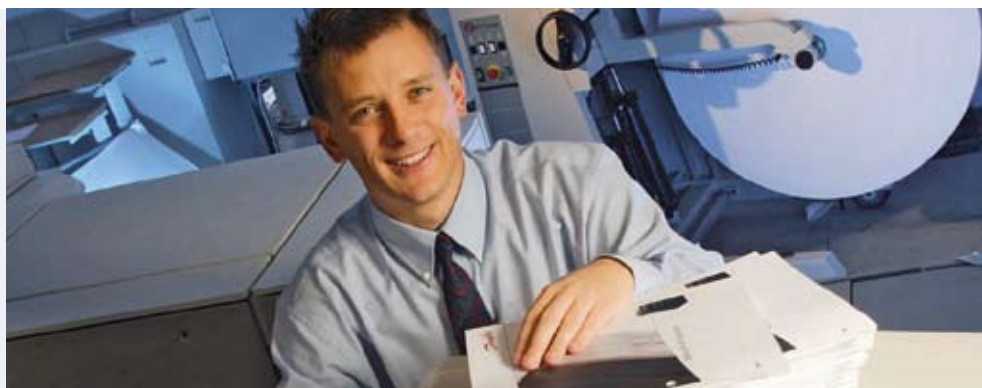
Moreover, Lasermax Roll Systems' products are compatible with all of today's latest high-speed digital printers, enabling them to be configured according to customers' individual printing requirements.

From left to right:

Christian Jørgensen,
Production Manager
for XGS Danfoss, Denmark

– LX566 Stacker delivers
offset stacks.

– RSF5 Folder



Greater proximity to customers

Lasermax Roll Systems AB is based in the Swedish city of Ljungby. The company also has offices in Burlington, Massachusetts, USA.

The primary facilities in Ljungby and Burlington house development, production, service, sales and marketing. In addition, Lasermax Roll Systems employs an extensive sales and service network from the BÖWE Group to strengthen the company's position around the globe. The company's enhanced global presence ensures that Lasermax Roll Systems can react quickly to local demands while continuing personal contact with customers. This results in a comprehensive knowledge of individual requirements, while providing valuable input for new, innovative and market-oriented product developments.

Solutions for various customer groups

Lasermax Roll Systems' products and services are primarily offered and distributed within three vertical market segments.

The first major group of customers includes companies who print a high volume of business mail, known as transactional printers. These typically include telecommunication companies, banks, insurance companies, utility companies and service bureaus which print invoices, account statements, checks, reminders and other repetitive types of business communication. After printing, the documents are transported to the mailroom to be inserted into envelopes.

The second major market segment includes direct mailers, who typically offer printing and mailing services to other companies for promotional materials.

The third category is primarily commercial printers specializing in print-on-demand (POD) documents, manuals and books produced very quickly, oftentimes at short notice.



Compared to traditional offset printing processes, the document storage costs for POD are kept to a minimum, and the associated waste of out-of-date printed materials is virtually eliminated.

A promising future

In fiscal year 2007, Lasermax Roll Systems achieved its best company result to date. The company is committed to its successful business strategy in the years to come. Already the US market leader, Lasermax Roll Systems' main focus includes continued expansion of its market share in Europe and Asia. Close collaboration with BÖWE SYSTEC AG allows Lasermax Roll Systems to benefit from the direct exchange of information for product requirements in the inserter market, enabling the company to develop new customer-oriented products and product enhancements.

Against the backdrop of the BÖWE Group's corporate philosophy "The entire mailroom from a single source", the pre-processing and post-processing specialist Lasermax Roll Systems complements the Group's business activities in optimum fashion.



PRODUCT INNOVATIONS



Turbo *Premium* – the new Turbo generation.

Fast, intelligent, reliable.

Speed is no longer the only consideration when it comes to tackling large processing volumes. Great systems availability, optimum logistics and systems operation as well as outstanding reliability in documents processing together add up to what it is all about – optimum system efficiency.

In July 2007, BÖWE SYSTEC launched the Turbo *Premium* high-performance inserting system, a new generation of the Turbo product line which is perfectly equipped in all respects to satisfy the above requirements.

The use of new, innovative drive and transport technologies with servo motors and pneumatic technology makes for careful and steady materials handling, enabling the Turbo *Premium* to guarantee outstanding reliability and quality in document processing. At the same time, the application area of the new system has been considerably extended, significantly increasing its flexibility for customers.

State-of-the-art electronics and software guarantee intelligent control and monitoring throughout processing. This in turn ensures consistent document tracking, resulting in optimum processing reliability throughout the entire inserting process.

High feeding capacities, optimized logistics, greatly reduced set-up times thanks to the automatic *BIPS* job changeover function for short-run jobs and clear and simple system operation via the BICOS interactive control and operating system make for a minimum of operator intervention.

The well-known, proven product features of the previous model, such as high-speed feeder components, optimum integrity and universal system modularity have naturally been retained.

The market launch of the Turbo *Premium* inserting system has opened the door to attractive marketing opportunities in the high-performance segment for the BÖWE Group.



The BÖWE *One* Software.

Continuous enhancement of quality and productivity in the mailroom.

The trend-setting BÖWE *One* software suite successfully launched on the market in 2006 was continuously enhanced and supplemented in customer-oriented fashion during 2007. At the beginning of the year, customers were able to benefit from the next development level of the BICOS interactive control and operating software. This saw system operation and control simplified yet further. In addition, the entire inserting process was rendered more transparent for the customer following the introduction of new reports and statistics.

Besides the enhancements in system operation, an extra quality assurance module was also added to BÖWE *One*. The Item Tracking Basic module was developed as a supplement to BÖWE *One*–Item Management, which tracks and records each individual document to be processed. The new basic version of Item Tracking is particularly geared to customers with low to mid-sized dispatch volumes. The software module identifies faulty documents and automatically generates data for document reprinting.

A particular highlight in the software sector was the launch of BÖWE *One*–Data Management, an innovative software solution for print data optimization within the print stream. This forward integration has seen the BÖWE *One* software platform transcend the previous boundaries of the inserting process with its new capacity to intervene in the production process even before the documents to be dispatched are printed. This enhancement gives customers a whole new range of options when it comes to making the entire process even more efficient. This means that the documents to be printed can be sorted in whatever way is required: by ZIP code, region, country or customer group even before printing. Furthermore, free adjustment of the print direction – with the printer being able to print either from A–Z or from Z–A – renders additional unwinding and rewinding unnecessary prior to processing of the printed roll in the inserting system.



TRADE FAIRS



Graph Expo 2007.

Top technologies presented in the USA.

From September 9 to 12, 2007, the graphics industry met in Chicago for Graph Expo 2007, one of the biggest international trade fairs for the printing and post-print sectors. Over 650 exhibitors presented their latest products and technologies from the fields of prepress, printing and print finishing as well as post-processing and finishing. The BÖWE Group's Graph Expo booth in Chicago was its biggest to date, and extremely well situated.

The Group presented its product range of high-performance inserting and card mailing systems, sorting technologies and software in great detail. Innovations presented to the public for the first time at Graph Expo 2007 included the BBH 400e inserting system designed especially for ease of operation and round-the-clock production, the Infinity WF large-format scanner as well as document fingerprinting, a brand new software procedure which guarantees complete document integrity without the need for visibly printed barcodes. The highlight among the new products, however, was the new Turbo product line generation, the Turbo *Premium* high-performance inserting system.

Another big trade fair attraction was the presentation of a unique “live and connected” environment, one of the biggest multi-exhibitor integrations ever witnessed at a print industry trade fair. In cooperation with leading vendors of printing systems, software and finishing solutions, the BÖWE Group presented a real-time demonstration of how the different applications and systems can be integrated and monitored using the BÖWE *One* software. Visitors could immediately see exactly how this integration can be achieved at a live production site.



The successful trade fair was rounded off with an unusual evening event with customers at the world’s biggest indoor aquarium, the Shedd Aquarium in Chicago. Over 300 guests were invited to a dinner in a very special setting, followed by an exclusive tour of the aquarium, featuring breathtaking insights into the fascinating underwater world of the oceans.

Once again, Graph Expo 2007 clearly showed the BÖWE Group to be leading the way in its sector.

Océ OpenHouse 2007.

Intensive discussions in the BÖWE Group’s own Pavilion.

At Océ OpenHouse, Europe’s biggest annual event in the digital printing and document management sectors, BÖWE SYSTEC welcomed over 2,000 visitors from more than 25 countries to its own exhibition pavilion in March 2007. Mailroom experts from the BÖWE Group informed their guests about state-of-the-art technologies in the fields of high-performance inserting, plastic card mailing and software. The presentation of the new multifunctional VEKtor camera reading system proved a real attraction, fascinating visitors to the fair.

IntelliStar MC, a multi-functional compact sorter for mixed mail, designed for low to mid-sized sorting volumes.



Cards Brazil 2007. A first for the BÖWE Group.

Brazil is currently the world's third largest market for bank cards, making it an important market for plastic card solutions in the eyes of the BÖWE Group. So the parent company's Card Mailing Systems business unit and the subsidiary BÖWE CARDTEC duly made their debut at the Cards International Brazil fair in São Paulo, Brazil, in April 2007. Their objective was to establish interesting contacts and to take the opportunity to point out to professional trade fair visitors that the BÖWE Group's name, which in Brazil is known particularly in connection with inserting systems, is also synonymous with technically sophisticated all-in card solutions.



PostExpo 2007. "Track and Trace" at the trade fair booth.

The BÖWE Group was represented at PostExpo, the trade fair for the postal sector, which took place in Barcelona in October 2007. The company presented a range of proven systems for the mail processing industry in the form of its sorting systems IntelliStar and Criterion, the IntelliStack system for sorting and setting upright mixed, collected mail for dispatch, its modern, high-performance scanners and the Vario inserting system.

The networking of the various systems via the BÖWE *One* software proved particularly interesting for the professional public. Spain's PostExpo gave trade fair visitors their first ever chance to experience the live integration of sorting and inserting systems in a global system. This solution enables every dispatched item to be traced seamlessly at the terminal, from printing via inserting through to sorting. This genuine "Track & Trace" solution constitutes a real innovation in the sector.

INTERNATIONAL SALES AND CUSTOMER CONFERENCES



International sales and customer conferences.

Communications platform for customers, sales organizations and the BÖWE Group.

Among the most important prerequisites for maintaining a successful international market presence in the long term are proximity to customers and detailed knowledge of local markets around the globe. Company founders Max Böhler and Ferdinand Weber recognized the need to achieve this at an early stage, introducing the “International BÖWE Meetings” at the end of the 1950s to facilitate the exchange of opinions and experiences between manufacturers and sales organizations at local level and create a platform for the exchange of information. This meant that the local sales organizations were always kept up to date with topical and important information regarding new product features and organizational changes from the company headquarters and production sites alike. At the same time, important information on market development trends and national product requirements are passed from the local sales companies back to the parent company, where they form the basis for customer-oriented product development and enhancement. Sales conferences take place at fixed intervals in all regions of the world. Regular international customer conferences were also introduced with a view to actively promoting the direct exchange of views with customers in particular. These generally take place immediately following internal Group meetings, thus providing an optimum communications platform for customers and BÖWE Group experts from all areas of the Group. The majority of these sales and customer events take place in two groups of countries – in the Asia-Pacific region and in the region of the Middle East and Africa.



Asia-Pacific conferences

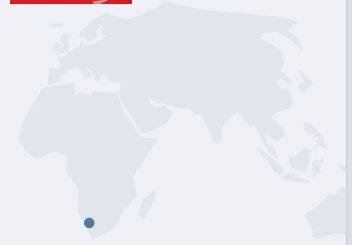
The 17th Asia Pacific Conference, an annual meeting of BÖWE Group subsidiaries and general agencies from the Asia-Pacific region, took place between November 25 and 27, 2007. First held in Hong Kong in 1991, the conference has since been staged in a different country of the region every year. The venue for 2007 was Ho Chi Minh City, Vietnam. As well as attending presentations on new products and features, representatives from the various countries were also given the opportunity to exchange information, experiences and ideas with one another and the speakers in depth.

Every three years, these internal company conferences are followed immediately by customer conferences to which customers from the region are invited – and this was also the case in 2007. As well as receiving the latest information on new BÖWE Group technologies, participants were treated to presentations by three customers from Europe and Asia. Here the focus was on practical aspects, with the customers providing an insight into their individual mailroom structures. Also on the agenda was an informative on-site inspection of a customer installation. The customer conference centered on the intensive exchange of opinions and experiences, providing the opportunity for clients to gather proposals and ideas for comprehensive mailroom solutions.

BÖWE SYSTEC Paper Management conferences

Regular sales and customer events were introduced in growth markets of the Middle East/Africa in 2000. Since then, the BÖWE SYSTEC Paper Management conferences for customers have been held every two years, following on from internal sales meetings with the general agencies.

In April 2007, BÖWE SYSTEC AG held its third successful Paper Management conference in the region in Cape Town/South Africa, in close collaboration with its South African general agency CSX Customer Services. While internal corporate communications between the BÖWE Group and its sales companies formed the focus of activities during the first two days of the conference, the customers' needs took centre stage in



the two days that followed. Two independent speakers from the banking and service bureau fields reported “from one customer to another” on their individual mailroom requirements and how these had been translated into practical solutions. This gave the customers the opportunity to exchange personal experiences with one another. An impressive sight-seeing tour of Cape Town, which included a view of the beautiful sunset behind Table Mountain followed by a South African dinner, rounded off the two informative customer conference days in impressive fashion.

Partnership and trust

BÖWE SYSTEC AG has always set great store by conducting an open and regular dialog with all its sales organizations around the globe. The Group is looking to provide the activities of all its subsidiaries and general agencies with optimum support and to motivate the sales staff on site. The awarding of accolades and prizes to particularly successful sales companies in various categories – such as market development or sales volume – only serve to underscore the importance of this objective for the entire BÖWE Group. In particular, the positive feedback from participants demonstrates that regular training courses, workshops and open discussions with international colleagues and industry experts from the respective countries constitute a successful basis both for close collaboration between the BÖWE Group and its sales partners and for the successful and competent support of all customers around the globe.

TRAINING



Combined studies in mechatronics.

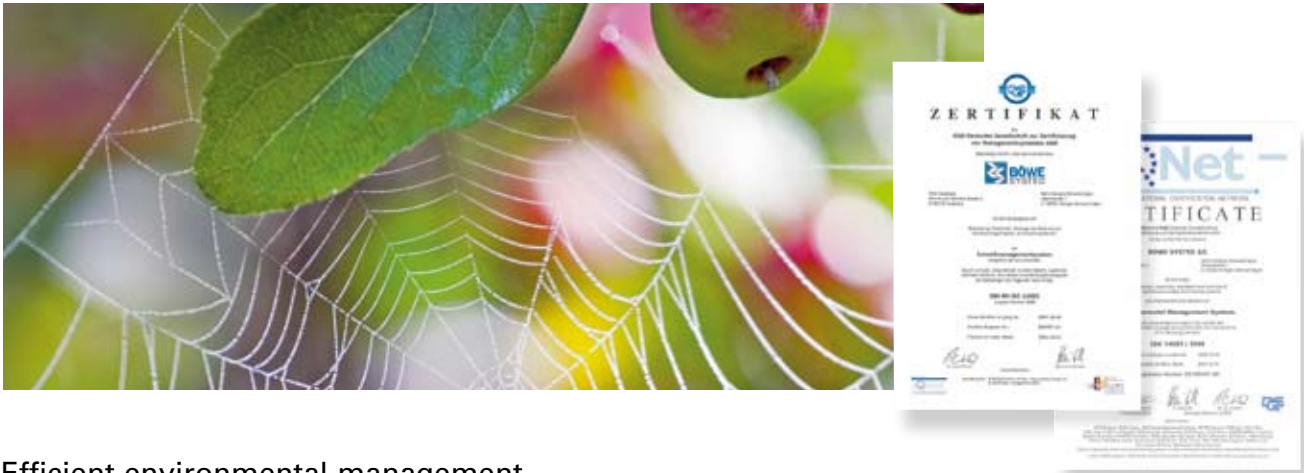
Optimum combination of theory and practice.

Well-trained staff are nowadays even more an essential prerequisite for long-term corporate success than they have ever been before. Whereas conventional vocational training at a company is extremely practice-oriented, focusing directly on operational functions, workflows and structures, an academic course of study primarily imparts theoretical knowledge, i.e. the capabilities and skills required to perform multidisciplinary activities with a scientific approach, coupled with the necessary interdisciplinary social and personal skills.

New study models have been developed for Bavaria as a business location as part of the "hochschule dual" project of the Bavarian Universities of Applied Sciences, with a view to combining the benefits of both forms of study. The resulting integrated degree courses provide conventional academic studies alongside vocational training. Participants are thus able to acquire a Chamber of Industry and Commerce vocational qualification as well as a bachelor degree at a University of Applied Sciences within a short period of time. These combined study courses allow students to complete their comprehensive academic education and practice-oriented vocational training at the same time, thus complying in full with companies' current requirements profiles and pointing the way forward to top career opportunities in the students' chosen professions. Close dialog between the company and educational establishment involved plus optimum coordination and networking of the on-the-job training company, Vocational School and University of Applied Sciences as the learning locations allow synergies to be exploited, thus optimizing the course contents and making them more efficient.

As of training year 2008, BÖWE SYSTEC AG will be actively involved in the newly launched dual program of study in mechatronics in Augsburg. This will combine vocational training as a mechatronic engineer with a Bachelor of Engineering degree in mechatronics at Augsburg's University of Applied Sciences. The company is thus focusing on training its own future specialists and executive staff in the field of engineering too. This strategy will ensure that BÖWE SYSTEC AG has highly qualified, academically educated staff with tailored, company-specific practical know-how at its disposal and will benefit from employing graduates who can be put to optimum use immediately without time-consuming and costly on-the-job training.

ENVIRONMENTAL STATEMENT



Efficient environmental management.

Active protection of staff and the environment.

Since the launch of a consistent environmental management policy in 1998 and certification as per DIN EN ISO 14001 the following year, BÖWE SYSTEC AG has repeatedly demonstrated that it is actively assuming its corporate responsibility in this field by according significant consideration to environmental aspects in decisions relating to company policy as well as to all day-to-day processes. All efforts in this regard continue to be focused on operating in environmentally compatible fashion both now and in the future by ensuring that resources, the environment at large and the working environment are effectively protected.

A project plan defining projects geared towards environmental protection and formulating objectives is drawn up on an annual basis, with targets continually monitored via precise status tracking. The concrete measures adopted range from the protection of drinking water to the optimized utilization of energy via heat recovery, and from the use of modern air conditioning technology in the workshops via a universal waste disposal and recycling concept all the way to safety and health protection measures for all employees at ergonomically designed workstations.

The company also has a consistent information management policy in place to enable all members of staff to identify with the philosophy of sustainable production and operation. Ten environmental guidelines help employees to comply with these objectives in their day-to-day work. Environmental protection measures are continually supported across all hierarchical levels and areas of the company. Business and contractual partners are actively involved in the company's ongoing efforts to achieve ecological sustainability.

The BÖWE Group is highly conscious of its ecological responsibility – from a global as well as a corporate perspective. Its product portfolio stays abreast of current developments by using enhanced systems technologies and future-oriented software solutions to reduce the amount of substandard products, printing errors and waste paper.

Environmentally sound operations have long been an integral part of the company culture and environmental protection ranks high among the corporate principles which the company will continue to observe in the future.

BÖWE SYSTEC GROUP MANAGEMENT REPORT FOR 2007



Business and general management

BÖWE SYSTEC is a global provider of Mailroom solutions. The product portfolio includes inserting, mail sorting and verification systems, print Pre- and Post-Processing as well as various other equipment related to automatic mailing systems. In addition to cutting edge high-performance systems, BÖWE SYSTEC offers its customers tailored software solutions for production monitoring and analysis, for networking different production systems and locations, and for optimizing manufacturing processes, as well as services for all products.

The inserting segment had a particular impact on the course of business in the fiscal year as the consolidation evident for a number of years now continued among services providers, one of the largest customer groups of BÖWE SYSTEC. For the sales and after-sales service of mail Sorting Systems the deregulation of the postal markets in Europe will result in significant potential for the future. The continued development of these formerly regulated markets may well be of particular importance for the BÖWE Group.

BÖWE SYSTEC generates almost two thirds of its business volume on the North American market. For this reason the development of the USD to EUR exchange rate will weigh heavily on the sales and results of the Group. The US dollar dropped dramatically within the fiscal year 2007, hitting the consolidated financial statements of BÖWE SYSTEC particularly hard. As the currency of the largest mailroom market in Asia, the Japanese yen also had an impact on the figures of the Group, albeit to a somewhat lesser degree than the dollar. Overall, exchange rate effects reduced consolidated sales by approx. EUR 27 million and led to a fall in equity of EUR 20 million compared to the results that would have eventuated using the exchange rates of the prior year.



Economic situation

The strong growth of the global economy continued in the year 2007. Global production (measured on the growth in gross domestic product) jumped by approx. 5.1% on the prior year, just short of the growth of 5.4% recorded in the prior year. The main growth drivers were once again the Asian states whose expansion continued to accelerate. The US economy by contrast cooled off dramatically from the middle of the year.

By the end of the year, the economic climate had deteriorated across the board. In addition to the relentless rise in commodity prices, the crisis in the US real estate market started to influence global economic growth. In the euro zone the business confidence index fell to the lowest it has been since mid-2005.

Development of the sector and competitive environment

In its most important markets, demand for BÖWE SYSTEC products will be primarily dependent upon the development of the volume mailed by corporations to private people. This is an area in which BÖWE SYSTEC will benefit from a slight rise in growth in mail volumes, particularly for personalized advertising and marketing mailings. The inserting segment had a special impact on the course of business in the fiscal year as the process of consolidation, evident for a number of years now, continued among services providers, one of the largest customer groups of BÖWE SYSTEC. An increasing number of companies are centralizing their mail distribution in one mailroom or outsourcing the task to external mailing centers. The result of this is a concentration of larger volumes of mail at a few centers, creating the conditions for the efficient use of high-performance systems.

For the BÖWE Group this implies an increase in the market volume for mailroom management systems and the corresponding services with simultaneous shift in the share of the customer base from transaction mail to direct mailing.

BÖWE SYSTEC is one of the leading players on the global market for mailroom management systems. In both Europe and Japan the Company is the undisputed leader, and even in the USA, the largest single market in the field, BÖWE SYSTEC occupies an excellent position.

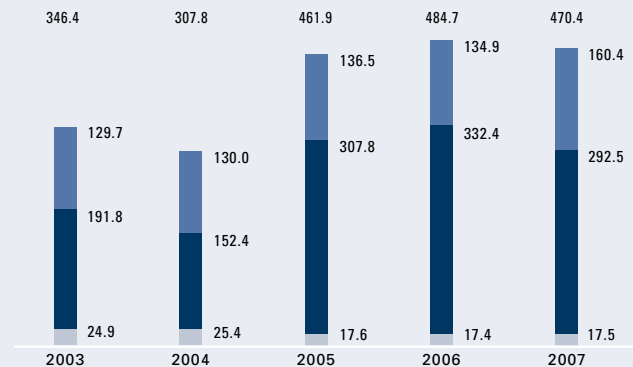
The main competitors are a US-listed company, whose mailroom management products represent just one of several lines of its business, as well as a privately-owned Swiss company. There are other regional providers in the various markets.

BÖWE SYSTEC GROUP:

Sales development
by region

in EUR million

■ EUROPE
■ NORTH AMERICA
■ ASIA AND OTHER



Business development of the BÖWE SYSTEC Group

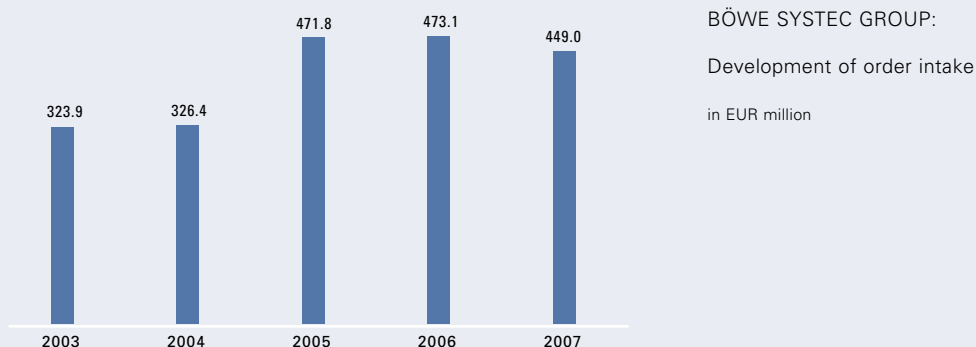
In the middle of 2007 BÖWE SYSTEC acquired the remaining 50% stake in Lasermax Roll Systems. This makes the global leader in print Pre- and Post-Processing a wholly-owned subsidiary of the BÖWE Group and it has since been fully consolidated in the Group's consolidated financial statements.

Sales

The BÖWE Group records its sales in the country in which the sales with the respective third party are realized and not in the region in which the products are ultimately installed. For example, sales with general sales agents abroad are recorded as German sales as the goods are billed in Germany and leave the Group there. The order intake is structured accordingly.

The BÖWE Group generated sales of EUR 470.4 million in fiscal year 2007, including the sales from the Swedish sub-group, Lasermax Roll Systems, which was consolidated from the middle of the year. Currency effects reduced Group sales by a total of EUR 27.2 million whereas Lasermax Roll Systems contributed EUR 22.8 million to Group sales. Taking account of these effects sales fell by approx. 3% on the prior year. After eliminating these effects, sales were virtually unchanged on the prior year.

As in prior years, more than half of the Group's sales revenues were generated on the North American market. The US subsidiary, BÖWE BELL + HOWELL recorded sales of EUR 299.5 million after currency translation. This corresponds to a share of approx. 64% of the Group's sales for the year. However, the sales of the BÖWE BELL + HOWELL sub-group include, as already explained, sales that were not generated in the USA. In addition, Lasermax Roll Systems, which has been consolidated for the first time, generated sales of EUR 17.7 million in the USA. Overall, after taking account of the sales of Lasermax Roll Systems, BÖWE SYSTEC generated sales of EUR 317.4 million in North America or EUR 299.7 million excluding Lasermax Roll Systems. In the prior fiscal year, sales on the North American continent had come to EUR 348.1 million without Lasermax Roll Systems, indicating a drop of EUR 48.4 million. This fall (EUR 29 million) can be explained by the depreciation of the dollar.



Otherwise the fall in sales is a result of the business with high-performance scanners and the loss of one-off order for Special Sorting Solutions for Deutsche Post AG included in the prior-year figure.

The German subsidiary of BÖWE SYSTEC recorded a significant rise in sales which came to EUR 46.6 million after EUR 40.2 million in the prior year. Outside of the euro zone it was the companies in the United Kingdom and Scandinavia that were particularly successful, with growth rates of 44% to EUR 18.9 million and 92% to EUR 9.4 million respectively. In total, the sales of the European sales and services companies (including Germany) rose 14% to EUR 142.7 million.

Sales of the Rest of World segment totaled EUR 18.1 million, stemming almost entirely from the subsidiary in Japan. Compared to the prior year this corresponds to growth of approx. 4%.

The relationship between product sales to sales of services remained unchanged on the prior year. As in the prior year, approx. 56% of Group sales in fiscal year 2007 were attributable to sales of products, i.e. hardware and software.

Order intake

The order intake of the BÖWE Group came to EUR 449.0 million in the past year. Compared to the prior year this corresponds to a fall of approx. 5% that is solely due to foreign exchange effects. The order intake generated in 2006 came to EUR 473.1 million. If the same exchange rates are applied as in the prior year, the order intake would have come to EUR 475.7 million, slightly above the figure for the prior year.

Once again, well over half the order intake was generated by the US subsidiary, BÖWE BELL + HOWELL. After EUR 335.3 million in fiscal year 2006 the order intake generated in North America came to just EUR 272.6 million in the past year after currency translation. Exchange rate effects reduced the order intake in the USA by EUR 24.5 million. But above and beyond currency effects the order intake was on the decline, particularly for scanners and sorters.





The order intake outside the USA presents a far more positive picture. In Europe (including Germany) it rose in a year-on-year comparison by approx. 3% to EUR 136.3 million. A significant portion of the increase was generated by the subsidiaries in the United Kingdom, the Benelux countries and France with growth of EUR 8.1 million, EUR 4.3 million and EUR 3.1 million respectively. The sales and services company in Germany by contrast could not unusually match the high growth rates as the prior year in the wake of uncertainty on the further liberalization of the postal markets and the minimum wage debate for the postal sector.

Lasermax Roll Systems, which has been consolidated for the first time, generated orders of EUR 22.5 million in the second half of 2007.

The Japanese company enjoyed a very pleasing rise in the order intake. As a result, the value for the Rest of the World rose by approx. 13% on the prior year to EUR 21.7 million.

Order backlog

At the end of 2007 the BÖWE Group had orders on the books of EUR 62.6 million. This represents a fall of EUR 21.4 million compared to the order backlog at the end of the prior year. The lower figure for 2007 is a result of both currency effects (EUR –5.3 million) as well as the lower order backlog at our subsidiaries in Germany and the USA. The lower order backlog in 2007 is due to two major projects totaling EUR 21 million which were included in the figures for 2006 and that had been almost completely shipped in 2007.

At EUR 39.4 million after currency translation, almost two thirds of the order backlog at the end of 2007 was on the North American market. The share of the US subsidiary was even higher in the prior year at EUR 66.3 million, more than three quarters of the order backlog for the whole group was attributable to customers in North America. Approx. 5% of the fall is a result of the continued weakness of the dollar in comparison to the euro. Above and beyond that the order backlog of the prior year included the two major projects that had been spread over several years already mentioned of approx. EUR 20 million which were shipped out almost in their entirety in 2007.

BÖWE SYSTEC GROUP:

Total capital expenditures and cash flow from operating activities

in EUR million

■ CASH FLOW FROM OPERATING ACTIVITIES
■ TOTAL CAPITAL EXPENDITURES INCL. FINANCIAL ASSETS



The order backlog at the German subsidiary responsible for sales and after-sales service was also on the decline. The very high value of the prior year of EUR 15.6 million included a major project for Sorting Systems. At the end of 2007 the domestic company recorded an order backlog of EUR 6.1 million, which is very satisfactory taking a longer time horizon.

The subsidiaries in the United Kingdom, the Benelux countries and Japan recorded a pleasing rise on the prior year. While the order backlog for the European sales territory as a whole fell by EUR 6.5 million to EUR 14.6 million, the Rest of the World doubled its order backlog of the prior year to EUR 7.0 million.

Capital expenditures

The companies of the BÖWE Group invested EUR 18.7 million in the fiscal year 2007. Of this amount EUR 9.9 million was invested in property, plant and equipment and EUR 8.8 million in intangible assets. In fiscal year 2006 the Group's capital outlays came to EUR 20.5 million, EUR 1.8 million more than in 2007. Investments in the fiscal year were counterbalanced by depreciation and amortization of EUR 18.2 million (prior year: EUR 18.4 million).

Investments in property, plant and equipment related primarily to rationalization measures and the expansion of production capacities as well as to costs for the development of a back-up center for customers in the USA. In the prior year a total of EUR 11.9 million was invested in property, plant and equipment. Total depreciation on property, plant and equipment in the reporting year was EUR 7.9 million compared with EUR 7.6 million in the previous year.

The investments in intangible assets were primarily for development projects in the course of expanding the product portfolio in the USA and to improve positioning on the market.





Research and development

Innovations play a key role in the competition between providers for mailroom management systems. With its claim of maintaining a state-of-the-art product portfolio at all times and simultaneously meeting the specific wishes of its clients through innovative new developments, BÖWE SYSTEC has carved out a position for itself as a technology leader within the sector.

This self-set standard is also evident in the major role that research and development plays in the BÖWE SYSTEC Group. For instance, at the end of the fiscal year 2007 240 employees were engaged in research and development throughout the Group. At EUR 12 million, research and development expenses account for 4.5% of product sales.

The product portfolio and the development activities include high-performance inserting systems, systems for personalized cards and mailing of plastic cards, print Pre- and Post-Processing, mail verification and Sorting Systems, high-performance scanners and special software for monitoring and networking mailroom systems. The growing significance of software development activities at BÖWE SYSTEC addresses the trend towards increased use of software solutions to manage and track production processes in the mailroom and to monitor the quality and integrity of plant as well as network production locations. In the hardware sector, BÖWE SYSTEC continues to rely on its proven modular concept. This allows us to address the needs of individual customers while nevertheless securing high productivity and flexibility at BÖWE SYSTEC itself. Moreover, the modular concept protects customers' investments as the customer is able to expand its plant at any time. BÖWE SYSTEC has responded to the increasing trend towards changing jobs in the mailroom with its automated job conversion tool, *BIPS*. *BIPS* helps customers reduce refitting times during production and thus make the mailroom both flexible and highly productive.

Last year the focus of activities in the high-performance inserting systems segment was on increasing the productivity and availability of the systems. These efforts were continued during the fiscal year. For example, major advances were made with the Turbo system in the course of a number of different customer projects. This resulted in BÖWE SYSTEC launching the Turbo *Premium* system on the market in the second



half of the year and also in capturing a major contract after the customer concerned performed its own benchmarking. The Turbo *Premium* prevailed over the competition in terms of availability, logistics, user-friendliness, safety and the quality of document handling. These qualities of the Turbo *Premium* make it possible for customers to increase the productivity of their mailrooms significantly. In particular, when combined with the *BIPS* automated job conversion tool, the Turbo *Premium* offers companies with frequent changes between jobs the best opportunity for attaining the flexibility and simultaneously extremely high productivity that they are looking for. Moreover, the development of new components has significantly improved its performance in 2 channel operation.

The multifunctional VEKtor camera scanner was launched on the market in the past year and is currently the only camera system on the market to not only scan individual sections but also entire pages. VEKtor was integrated in all the high-performance inserting systems from BÖWE SYSTEC during fiscal year 2007. VEKtor makes it possible to scan every type of code (e.g. barcode or 2D code) as well as any number of different codes simultaneously on one page. The special advantage of VEKtor for the client is the line by line scanning of documents while an inserting system is in operating mode, enabling the document to be scanned in its entirety. VEKtor's superior camera scanning provides the basis for the document fingerprinting technology developed during the year. Document fingerprinting is a completely new method for tracking documents during the inserting process. This patented technology recognizes specific features on the page to identify the document. This relieves the need to print codes on the document and gives customers unprecedented freedom in preparing their documents. The document fingerprinting technology is predestined for use by customers who have high expectations on document design and would like to explore new avenues in marketing.

A new version of the Enduro inserting system, which combines the proven gripper arm technology from BÖWE BELL + HOWELL with the intelligent component control, computer-aided operation and modular input channels from BÖWE SYSTEC, was developed specifically for the European and Asian markets.

One of the aims of the joint development of Enduro was to design the systems in a modular fashion so as to combine them with the plastic card systems (PCS) from





Augsburg. This goal was reached with the first shipments of plant to customers in Japan in fiscal year 2007 that combined PCS components from Augsburg and the Enduro inserting system manufactured in the USA. Moreover, the scanning process of chip cards in the card channel was completely redesigned.

Whereas the focus at BÖWE CARDTEC in the prior year was on personalized cards with the development of the new BC-alpha², the focus of development activity in fiscal year 2007 was on software. The Personalization Management Platform (PMP) software platform from BÖWE CARDTEC was used for the first time by a member state of the European Union for the entire production management of materials, storage, personalization and mailing of an electronic passport. Moreover, work was done with strategic partners on e-Passport and ID1 identity card projects. Not only was PMP used for the administration and controlling of card personalization performed by external personalization centers but also for statistical quality control and, most of all, to support the complete life cycle of SIM cards. Real-time data exchange guarantees an up-to-date data basis for each individual SIM card.

With the development of a printer for the Criterion high-performance sorting machine from BÖWE BELL + HOWELL, BÖWE SYSTEC now offers its customers in the field of mail verification and Sorting Systems a solution for printing graphic logos, 2D datamatrix codes, barcodes, text and other elements at the full production speed of up to 48,000 mailings per hour. Extremely reliable, low maintenance and low operating costs are the key features of the new printer. In addition, the IntelliStar Sorting System for large format letters and mixed mail was complemented by adding a combination of an automatic high-performance feeder with a manual feed line for mail that cannot be fed automatically, e.g. foil-wrapped items, open newspapers, or mail items over 25 mm thick. The successful family of SABRE OCR readers has been rounded off in Europe by addition of the handwriting reader (SABRE Plus) and the improved print reader (SABRE Prime).

Since July 2007 Lasermax Roll Systems AB has been a wholly-owned subsidiary of the BÖWE Group. With a wide portfolio of high-performance products and services for print pre- and post-processing the Company sets the standards worldwide for the paper-processing industry. Lasermax Roll Systems develop systems both for automating the paper feeds of digital high-performance printers as well as systems for auto-



inating their output. While the equipment for paper pre-processing generally consists of large paper roller feeds, the post-processing equipment taking up the printed output from the printer normally consists of cutting and stacking systems, fanfolders, and rolling equipment. In addition, the product range of Lasermax Roll Systems also consists of roll to roll solutions, perforated modules and quality control systems to secure the quality of the output.

The ongoing process of concentration in mailing service offices and services companies as well as in the major in-house shops is generally leading to efficient mailrooms with diverse ranges of applications including software products. BÖWE SYSTEC software supports customers in virtually all processes involved in preparing and distributing documents and helps to meet the high expectations for quality, integrity and traceability of mailroom production. With the BÖWE *One* software suite BÖWE SYSTEC provides a total solution which among other features offers print data manipulation, document composition and data conversion or the supply of documents in digital form. Moreover, this software platform contains features for providing an overview and maintaining the transparency of the work steps within a mailroom. This includes software for production planning and control as well as for the monitoring of the actual mailing of each individual letter or the automatic post-printing. With the release of BÖWE *One* V2 in fiscal year 2007 the software portfolio was expanded by the addition of further functionality in the fields of Item Management and Production Management. These solutions help customers to automate their mailroom processes, provide greater transparency and raise processing security, thus improving overall efficiency.

Employees

At the end of year 2007 the BÖWE SYSTEC group employed 3,786 personnel worldwide. Compared to the prior year this corresponds to an addition of 214 staff to the workforce. By far the greatest share of this increase is due to the addition of the Lasermax Roll Systems sub-group in the second half of 2007. The Swedish-American group of companies employed 205 staff as of balance sheet date. The headcount of German companies rose by 33 to 986 in the wake of the higher business volume.



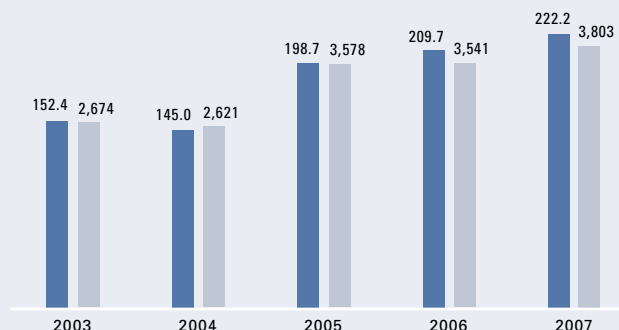


BÖWE SYSTEC GROUP:

Personnel expenses and employees

in EUR million

■ PERSONNEL EXPENSES in EUR million
■ EMPLOYEES (annual average)



Due to a dynamic market environment and increasingly complex technology highly qualified employees are in ever increasing demand. That is why the company is highly committed to basic and specialist training for its own trainees. BÖWE SYSTEC sees a sound education for its young employees as an important investment in the future to equip the Company to meet the changing, external framework conditions, to counter the increasing shortage of skilled personnel as well as to secure its own innovative capability and competitiveness. Moreover, the Company would like to offer young people the best possible start to their professional careers.

Thanks to all employees

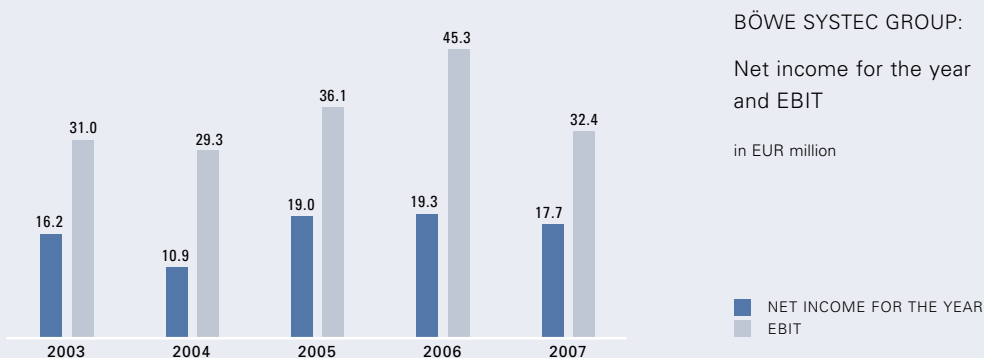
The management board would like to thank all employees for their commitment and their hard work in the fiscal year 2007. Through their initiative and technical know-how they made an important contribution towards our Company's success.

Earnings situation

On the basis of the foreign exchange rates applicable at the start of the year the budget for the fiscal year 2007 anticipated group sales of around EUR 500 million as well as an increase in the net income for the year on fiscal year 2006. At the end of 2007 BÖWE SYSTEC Group sales totaled EUR 470.4 million. In this context the effects of exchange rates diminished sales by EUR 27 million. On the basis of the currency-adjusted group sales, sales were exactly on target. The net income in the reporting year totaled EUR 17.7 million compared with EUR 19.3 million in 2006.

Earnings before interest and taxes (EBIT)

Earnings before interest and taxes (EBIT) in fiscal year 2007 totaled EUR 32.4 million compared with EUR 45.3 million in the previous year. With virtually no change in the gross margin on sales, the decrease of approx. EUR 12.9 million is mainly a result of the effect of falling sales on gross profit of EUR 4.4 million and also the expected loss of one-off effects in other operating income (2007: EUR 1.5 million, prior year: EUR 5.3 million). Selling and administrative expenses remained virtually unchanged on



the prior year while research and development expenses and other operating expenses were slightly above the prior year. Thanks to these changes, the EBIT return on sales fell to 6.9% as against 9.3% in the prior year.

In the regional segment of Germany, EBIT came to EUR 13.9 million, in spite of the loss of the one-off effects, once again the largest share of Group earnings as in the prior year (EBIT of EUR 22.9 million). The EBIT yield here reached almost 12% after 19.8% in the fiscal year 2006. The European segment improved significantly with EBIT of EUR 6.0 million (prior year: EUR 1.6 million) and a return on sales of 5.6% (prior year: 1.9%). In the biggest selling segment, the USA, EBIT came in at EUR 12.2 million (prior year: EUR 21.5 million) and the return on sales of 3.8% was far below the Group average of 6.9%. EBIT in the Rest of World segment improved in fiscal year 2007 from EUR 0.2 million to EUR 0.5 million.

Expenses/other operating result

The cost of sales in fiscal year 2007 amounted to 65.9% of sales, exactly the same as in the prior year. This margin was maintained in spite of the growing pressure on prices due to exchange rates and tougher competition in the field of plant and equipment associated with a, to some extent, less favorable product mix (falling sales of scanners and service in the USA). In addition, some service organizations had to cope with additional costs related to systems provided to customers for testing purposes. The gross margin was unchanged at 34.1%.

Overheads in fiscal year 2007 totaled EUR 134.3 million, a rise of EUR 2 million on the previous year. Related to sales, overheads rose 1.3% from 27.3% in 2006 to 28.6% in 2007. Of this amount 1% is due to the general development of costs and 0.3% to the initial consolidation of Lasermax Roll Systems. The Group's selling and marketing expenses rose by EUR 0.5 million to EUR 55.1 million. Administrative expenses remained steady at EUR 67.2 million (prior year: EUR 67.3 million). Research and development costs, at EUR 12.0 million, rose by EUR 1.6 million compared with the previous year.





Other operating income fell on the prior year by EUR 5.8 million to EUR 7.4 million, mostly due to the loss of one-off effects of EUR 5.3 million contained in the result for the prior year. One-off effects in the reporting year came to EUR 1.5 million. The one-off effects relate to changes in the fair value of options and/or the revaluation of the fair value of an embedded derivative. The net balance arising from other expenses and other income in fiscal year 2007 was EUR 6.1 million in fiscal year 2007 as against EUR 12.5 million in the prior year.

Financial result

The contribution to earnings from investments shown at equity was EUR 0.9 million compared with EUR 1.2 million in the previous year. As in the prior year, this amount originates solely from Lasermix Roll Systems with the contribution in 2007 stemming from just the first six months of the year as the company was fully consolidated thereafter. The balance arising from other interest income and interest expenses accumulated to an expense of EUR 18.2 million compared with EUR 18.9 million in the previous year. In spite of the acquisition of the remaining shares in Lasermix Roll Systems at the beginning of the second half of 2007, it was possible to achieve a slight improvement in net interest, due in part to exchange rates.

Taxes on income

The Group reports income tax income of EUR 2.7 million compared to an income tax expense of EUR 8.3 million in fiscal year 2006. The most significant single item here is extraordinary income from the release of a tax provision established in prior years that is no longer needed of EUR 8.8 million.

Net income for the year and earnings per share

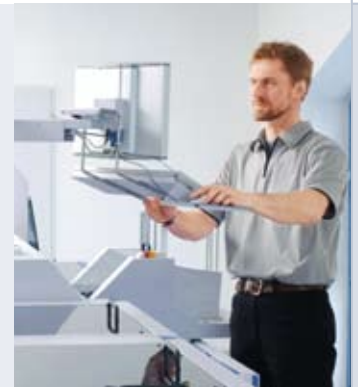
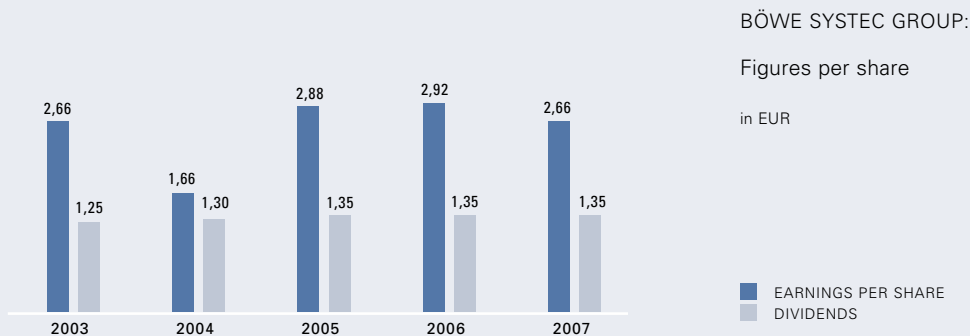
The Group net income for 2007 comes to EUR 17.7 million or 3.8% in relation to sales. Due to the low operating result and the improvement in the tax result, the net income for the year fell by EUR 1.6 million. The return on sales fell by 0.2%. With a weighted average of 6.6 million shares in fiscal year 2007, earnings per share came to EUR 2.66 (basic and diluted) compared with EUR 2.92 in the previous year. From the net income for the year, KEUR 144 is attributable to the bearers of hybrid capital which was placed in December 2007 to reinforce the capital base of the Group.

Proposed dividend for 2007 of EUR 1.35 per share

Supervisory board and management board of BÖWE SYSTEC AG will propose at the annual general meeting to be held on May 27, 2008, that a dividend of EUR 1.35 per share be paid. The amount distributed therefore remains unchanged as against the previous year and will total EUR 8.9 million.

Net assets and financial situation

The net assets and financial position of the BÖWE SYSTEC Group were impacted first and foremost by the acquisition in full of Lasermix Roll Systems and the placing of the



hybrid bond in December. In addition, the continued weakness of the US dollar led to a significant drop in total assets. The development of cash flow from operations, which rose significantly in fiscal year 2007, was pleasing. It improved to EUR 36.4 million in fiscal year 2007, a jump of EUR 22.3 million on the previous year.

The net assets of the BÖWE SYSTEC Group totaled EUR 565.7 million as of the end of the fiscal year. Compared to the figure of EUR 581.5 million at the end of the prior year, this represents a fall of EUR 15.8 million. Due to the full consolidation of Lasermax Roll Systems from the third quarter of 2007 total assets rose by approx. EUR 26 million. The reduction in total assets is a result of improved working capital management and changes in exchange rates, particularly the US dollar to the euro.

Current assets rose by EUR 7.8 million from the end of December 2006 to EUR 238.0 million. A fall of EUR 4.3 million in receivables and other assets to EUR 108.0 million was offset by a slight rise in inventories to EUR 103.5 million (prior year: EUR 100.8 million) and a significant rise in cash and cash equivalents from EUR 17.1 million to EUR 26.5 million.

Non-current assets slipped from EUR 351.3 million at the end of the prior fiscal year to EUR 327.7 million at the end of 2007. The fall was particularly evident among financial assets which fell by EUR 11.9 million to EUR 17.0 million and property, plant and equipment and intangible assets which fell by EUR 5.8 million to EUR 33.0 million and by EUR 5.0 million to EUR 253.4 million respectively. In the prior year, financial assets contained the shares in Lasermax Roll Systems which was recognized using the equity method at EUR 15.3 million until mid-2007. Exchange rate effects reduced non-current assets by EUR 28.9 million in a year-on-year comparison.

The changes in equity and liabilities in the consolidated balance sheet were mainly due to the placement of the hybrid bond in December and the exchange-rate related fall in liabilities.

At the end of 2007 the BÖWE Group had current liabilities of EUR 169.7 million and non-current liabilities of EUR 231.8 million. This implies a fall on the prior year of EUR 32.1 million and EUR 12.9 million respectively.

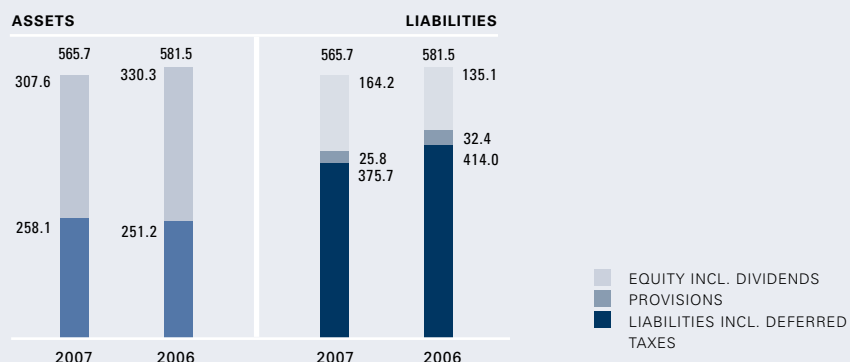


BÖWE SYSTEC GROUP:

Balance sheet comparison
with prior year

in EUR million

■ NON CURRENT ASSETS
■ CURRANT ASSETS INCL.
DEFERRED TAXES



In addition to foreign exchange effects, the fall in short-term liabilities was especially attributable to the drop in financial liabilities from EUR 70.8 million to EUR 46.0 million. Trade payables decreased by EUR 2.5 million to EUR 31.1 million while other liabilities dropped by EUR 2.7 million to EUR 76.8 million.

The decrease in non-current liabilities is attributable to a EUR 6.9 million drop in financial liabilities to EUR 189.7 million on balance sheet date and a drop of EUR 4.0 million in provisions to EUR 21.2 million at the close of 2007.

Improved capital base due to the placement of a hybrid bond

In December 2007, BÖWE SYSTEC obtained additional equity under IFRS of EUR 40.0 million from placing a hybrid bond denominated in euro. At the same time foreign exchange effects reduced equity in the fiscal year 2007 by EUR 20.0 million. In sum, total equity rose to EUR 164.2 million by the end of the year. In comparison to the prior year this represents a rise of EUR 29.1 million. This is an increase in the equity ratio from 23.2% to 29.0%.

The development of the Group's net financial liabilities was primarily influenced by improved cash flow from operating activities and the cash received from the placement of the hybrid bond. The effect of translating items denominated in US dollars to the euro reduced Group liabilities by EUR 7.1 million. The net effect of the above on the financial liabilities of the BÖWE Group was a fall of EUR 41.2 million from EUR 250.3 million to EUR 209.1 million at the end of fiscal year 2007. This improvement occurred in spite of a rise in net liabilities of EUR 14.5 million due to the acquisition of the remaining 50% of the shares in Lasermax Roll Systems.

Dependent company report

We hereby declare that BÖWE SYSTEC AG received appropriate consideration in return for any legal transaction with affiliated companies in accordance with the circumstances known to us at the time the legal transactions were effected.



Risk management

Entrepreneurial responsibility means not only exploiting opportunities but also identifying, assessing and taking counter measures against risks at an early stage. The task of identifying and actively controlling the entrepreneurial risks within the BÖWE SYSTEC Group is carried out on the basis of a well-established, tried-and-tested system of planning and controls. The management board utilizes this instrument in order to manage the company on a value-oriented basis. The opportunities and risks of our business activities are examined and assessed in terms of their strategic and operational importance, within the framework of a revolving planning process. The risk management system, which is a statutory legal requirement, is documented in a risk management manual which is continually refined and adapted to meet changing framework conditions. In order to counter the strategic and operational business risks at home and abroad on the basis of uniform standards, the foreign companies have also been integrated into the existing risk management system.

The reporting system is used to keep all decision-makers continually and comprehensively informed of the extent to which targets are being achieved. As an early warning indicator it highlights for example changes in the market and the competitive environment. This enables negative developments to be identified at an early stage and prompt countermeasures to be taken. In addition to the planning, production and sales process the risk analysis also covers the areas of accounting, financing, cash management as well as hedging. Risk audits are conducted at regular intervals and used as a basis for considering preventative measures and, if necessary, opportunities for minimizing losses.

In the reporting period there were no risks that could have jeopardized the continuing existence of the BÖWE SYSTEC Group. From today's viewpoint there are also no identifiable risks that might jeopardize the Group's existence in the future.

Opportunities and risks of future development

As a global organization the BÖWE Group is faced with a number of potential opportunities and risks. These result from the economic and financial environment as well as changes in the markets, our customers and new technological developments.

Like all global players, BÖWE SYSTEC is dependent on the future of the global economy. In particular the special relevance of the US for the global economy has a direct and an indirect impact on the business of the BÖWE SYSTEC Group. With a share of approx. two thirds of the Group's order intake and sales, North America is the largest market for BÖWE SYSTEC. An economic downturn in the USA could have a dramatic impact on the product sales of the BÖWE Group, although experience has shown this will be to the benefit of higher margin services and sales of spare parts. A sustained slide in the earnings of the US subsidiary, BÖWE BELL + HOWELL could also lead to a need to revalue the goodwill carried in the consolidated financial statements. On the other hand, BÖWE SYSTEC can profit from its global presence and the continued strong growth of emerging economies.

The banking crisis in the USA that began in last year and which spread over the course of the year is having an influence on the global economy. BÖWE SYSTEC sees itself confronted with the consequences of the crisis as financial institutes are an important customer segment for the company worldwide. There was a noticeable reticence among these customers in the fiscal year 2007 to invest in capital goods. However, as these capital outlays generally represent investments in long-term capital goods promising higher efficiency, BÖWE SYSTEC expects a higher number of orders in coming years. In the mid-term the tight financial situation of this market segment will favor the concentration of mail services on external providers and internal mail centers which in turn will favor the use of systems from the BÖWE product portfolio.

Another result of the global banking crisis is a more restrictive credit policy that is becoming apparent at the end of the calendar year. BÖWE SYSTEC reacted to this potential dependence by placing its hybrid bond on the capital market in December 2007. The hybrid bond can only be terminated by the borrower thus giving the Company greater planning security.

The BÖWE Group generates a large portion of its order intake and sales revenue abroad and by far the largest portion of this in the USA. The dramatic devaluation of the US dollar in comparison to the euro in the past fiscal year is therefore having a massive impact on the consolidated figures for the order intake, order backlog and sales revenue. The changes in foreign exchange rates are having a far weaker impact on the earnings of the BÖWE SYSTEC Group. Approximately half the sales generated in North America are due to services for which the associated costs are also denominated in US dollars. The situation with product sales is similar. BÖWE SYSTEC maintains factories in the USA for the manufacture and production of inserting and mail-sorting systems as well as a number of software companies. Consequently, the cost of sales for our

products is also denominated in dollars. With locations in North America and Europe, two of the most important economic and currency zones, the BÖWE Group believes it is well-equipped for future currency fluctuations on the one hand and for disparate economic developments on the other.

However, the fall in the US dollar also promises a competitive advantage for American providers over manufacturers in the euro zone. For the two European competitors this is reflected in the sustained downward pressure on prices from US competitors in all mailroom management markets. The management of BÖWE SYSTEC counters this risk of falling margins by taking continuous action in order to reduce costs and to maintain or even improve profitability.

Business with mail sorting systems contributed decisively to the growth of the Group in the past. The development of the postal markets in Europe is also of special importance for BÖWE SYSTEC in the mid-term. Introduction of the minimum wage in the German postal industry and the difficulties of one of the larger mail providers brought dramatic changes to the German postal industry in 2007. This did not result in any direct economic risk for the Company. The sales made in the prior fiscal year with the postal providers concerned were all settled regularly. The associated receivables had been paid for by the end of the year without exception.

While the abolition of the postal monopoly in Germany came into force at the beginning of the year 2008, the governments of the member states of the EU agreed in the fall of the prior year to delay the full deregulation of the postal market in Europe until the beginning of 2011. Prior to this decision, the European Commission had aimed at opening the market at the beginning of 2009. For BÖWE SYSTEC this means that the potential business from the liberalization of the postal market will be spread over a number of years. This development will support the continual growth sought by BÖWE SYSTEC.

New printing technologies will place new demands on inserting systems. Those market players who respond fastest to such changes will have the edge over the competition. For this reason BÖWE SYSTEC has been in close partnership with leading printer manufacturers for years.

The main financial risks involve foreign currency risks and fluctuations in interest rates which can be reduced with the help of corresponding hedging transactions. The Company has fixed its financing costs to a significant extent through the conclusion of longer term credit agreements and corresponding interest hedging transactions. The interest rate risk is therefore low. Sufficient bank balances and free lines of credit are held in reserve to manage fluctuating liquidity requirements from business operations. Possible credit risks are managed by checking the credit standing of customers or by means of customary export hedges.

SUBSEQUENT EVENTS

Disclosure pursuant to Sec. 315 (4) HGB

We refer to the detailed information in notes 18 and 28 with regard to the details on capital and the basic features of the remuneration of the management board.

The appointment and dismissal of members of the management board is regulated in Sections 84, 85 AktG and in Art. 6 of the articles of incorporation amended July 3, 2007. In accordance with Art. 6 of the articles of incorporation the management board comprises at least two persons, otherwise the supervisory board determines the number of members of the management board. The amendment to the articles of incorporation is being carried out in accordance with Sec. 179, 133 AktG as well as Art. 13 of the articles of incorporation, version dated July 3, 2007; under the latter provision the supervisory board is authorized to pass resolutions on amendments and additions to the articles of incorporation providing these relate only to the wording.

Subsequent events

After the end of the fiscal year there have been no events of special importance which will have a major impact on the course of business for the BÖWE SYSTEC Group.

Outlook

The leading economic research institutes are forecasting a noticeable cool-off in economic growth in 2008, particularly of industrial nations. The experts are expecting a fall in private consumption on the US economy and a related drop in economic growth in comparison to the prior year. Economic growth in emerging economies will remain at high levels.

In light of the current development of the US dollar, the economic research institutes are expecting further deterioration against the euro. However, in financial circles it is believed that the trend will reverse in the second half of the year. Positive economic data from Europe and plummeting economic indicators from the US resulted in a historic low for the dollar against the euro at the beginning of 2008.

In the fall of 2007 the member states of the EU agreed not to fully open up the European postal market until the beginning of 2011. Thus the dismantling of the national postal monopolies originally planned by the EU Commission for the beginning of 2009 has been delayed for another two years. Individual member states, particularly those in Eastern Europe, have been allowed to protect their markets from foreign competition until the end of 2012. For BÖWE SYSTEC this means that the potential sales from the liberalization of the postal markets will be delayed, particularly for mail Sorting Systems.

Market observers expect the volume of mail traffic to continue to grow. In the course of the deregulation of the German postal market at the beginning of 2008 the possible increase in competition on postage fees will possibly lead to higher volume. Personalized mailing, a segment of particular importance to BÖWE SYSTEC, is forecast to grow faster than the overall market.

The planning for the 2008 fiscal year, taking into account the current market position, and the exchange rates prevailing at the beginning of the year, provides for sales of approx. EUR 500 million. In the following year, moderate growth is expected from a current perspective. We expect an improvement in our operating results in the wake of improvements to our cost structures, particularly in the US organization. The changes in the financing structure caused by the hybrid bond will lead to a reduction in the interest burden from fiscal year 2008 onwards because the interest on the hybrid bond is disclosed as profit appropriation. At the same time the tax rate should normalize in 2008, implying that we can expect the net income for the Group to remain level with the current year in spite of the improvement in the operating result. For 2009, we expect on the basis of the information currently available that the net income of the group will improve slightly.





CONSOLIDATED FINANCIAL STATEMENTS

BÖWE SYSTEC Aktiengesellschaft, Augsburg, Germany
Consolidated financial statements as of December 31, 2007

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CONSOLIDATED BALANCE SHEET

ASSETS		2007	2006
	Note	KEUR	KEUR
A. CURRENT ASSETS			
I. Cash and cash equivalents			
		26,549	17,139
II. Receivables and other assets			
1. Trade receivables	(5)	95,398	96,494
2. Lease receivables	(6)	1,138	2,032
3. Income tax refund claims		1,179	1,739
4. Derivative financial instruments	(16)	184	4,208
5. Other assets	(7)	10,073	7,805
		107,972	112,278
III. Inventories	(4)	103,452	100,795
		237,973	230,212
B. NON-CURRENT ASSETS			
I. Receivables and other assets			
1. Lease receivables	(6)	1,404	4,035
2. Other assets	(7)	4,511	5,476
		5,915	9,511
II. Intangible assets			
1. Goodwill	(2)	154,590	155,792
2. Trademarks and patents	(2)	61,071	69,231
3. Client base		10,355	16,513
4. Capitalized development work		19,794	13,247
5. Other intangible assets		7,215	3,583
6. Prepayments		340	0
		253,365	258,366
III. Property, plant and equipment		32,973	38,788
IV. Investment property	(3)	5,079	5,387
V. Financial assets			
1. Joint ventures accounted for at equity	(1)	0	15,300
2. Securities		742	729
3. Loans		16,228	12,451
4. Derivative financial instruments	(16)	18	441
		16,988	28,921
VI. Deferred tax assets	(22)	13,408	10,317
		327,728	351,290
		565,701	581,502

EQUITY AND LIABILITIES		2007	2006
	Note	KEUR	KEUR
A. CURRENT LIABILITIES			
I. Financial liabilities (8)			
1. Liabilities to banks		38,845	66,120
2. Bonds	(9)	133	139
3. Other financial liabilities		6,556	4,173
4. Lease liabilities		416	359
		45,950	70,791
II. Trade payables	(12)	31,099	33,567
III. Current income tax liabilities		10,872	15,598
IV. Other liabilities			
1. Deferred revenue		34,679	31,710
2. Accruals		31,841	34,478
3. Other liabilities		10,251	7,912
		76,771	74,100
V. Derivative financial instruments	(21)	460	499
VI. Provisions	(10)	4,580	7,218
		169,732	201,773
B. NON-CURRENT LIABILITIES			
I. Financial liabilities (8)			
1. Liabilities to banks		111,833	121,212
2. Profit participation rights		36,000	36,000
3. Bonds	(9)	306	301
4. Other financial liabilities		40,402	38,583
5. Lease liabilities		1,136	535
		189,677	196,631
II. Derivative financial instruments	(21)	50	34
III. Provisions	(10)	21,215	25,171
IV. Deferred tax liabilities	(22)	20,814	22,838
		231,756	244,674
		401,488	446,447
C. EQUITY			
I. Subscribed capital	(12)	17,160	17,160
II. Capital reserve	(13)	33,457	33,459
III. Revenue reserves		86,280	76,186
IV. Revaluation reserve		5,026	5,026
V. Income and expenses recorded directly in group equity	(14)	-35,026	-16,027
VI. Group net profit attributable to shareholders of the parent company		17,564	19,251
Equity attributable to shareholders of the parent company		124,461	135,055
VII. Hybrid capital	(15)	39,608	0
VIII. Group net profit attributable to owners of hybrid capital		144	0
Equity attributable to owners of hybrid capital		39,752	0
		164,213	135,055
		565,701	581,502

CONSOLIDATED INCOME STATEMENT

		2007	2006
	Note	KEUR	KEUR
Sales	(18)	470,410	484,658
Cost of sales		-309,798	-319,598
Gross profit		160,612	165,060
Selling and distribution costs		-55,136	-54,647
Administrative expenses		-67,236	-67,290
Research and development costs		-11,961	-10,342
Other operating income	(19)	7,419	13,207
Other operating expenses	(21)	-1,276	-709
Earnings before investment income, interest and taxes (EBIT)		32,422	45,279
Income from joint ventures accounted for at equity		871	1,188
Other interest and similar income	(22)	2,098	1,680
Interest income from leases	(22)	127	164
Interest and similar expenses	(22)	-20,473	-20,746
Earnings before taxes (EBT)		15,045	27,565
Income taxes	(23)	2,663	-8,314
Group profit for the year		17,708	19,251
Attributable to:			
– shareholders of the parent company		17,564	19,251
– owners of hybrid capital		144	0
Group profit for the year		17,708	19,251
Earnings per share (basic and diluted)		EUR 2.66	EUR 2.92

CONSOLIDATED CASH FLOW STATEMENT

	2007	2006
	KEUR	KEUR
Net income for the period	17,708	19,251
+ Depreciation and amortization of non-current assets	18,196	18,359
+ Net interest	18,248	18,902
+ Income taxes	-2,663	8,314
+/- Increase/decrease in provisions	3,718	233
- Other non-cash income and expenses, net	-2,969	-10,794
+/- Loss/gain on disposal of non-current assets and from deconsolidation	-192	-822
-/+ Increase/decrease in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities	9,414	-4,147
+/- Increase/decrease in trade payables and other liabilities that cannot be allocated to investing or financing activities	4,775	-5,789
- Share of net profit of associate	-871	-1,188
+ Dividends received from associate	1,083	0
- Interest expenses	-18,375	-18,811
+ Interest income	2,225	1,844
- Income taxes	-13,893	-11,267
= Cash flow from operating activities	36,404	14,085
+ Cash received from disposals of property, plant and equipment	1,461	948
+ Cash received from disposals of intangible assets	928	106
- Cash paid for investments in property, plant and equipment	-9,756	-11,917
- Cash paid for investments in intangible assets	-8,800	-8,587
+ Cash received from disposals of financial assets	16	991
- Cash paid for investments in financial assets	-3,793	-98
- Cash paid for the acquisition of consolidated entities and other business units	-10,993	0
= Cash flow from investing activities	-30,937	-18,557
+ Cash received from capital increases	39,440	0
- Dividends paid	-8,910	-8,910
- Change in lease liabilities	693	-273
+ Cash received from the issue of bonds and from borrowings	23,230	5,000
- Cash repayment of bonds and borrowings	-20,486	-22,540
= Cash flow from financing activities	33,967	-26,723
Net change in cash and cash equivalents	39,434	-31,195
- Changes in cash and cash equivalents due to exchange rate fluctuations	-1,397	-1,186
+ Cash and cash equivalents at the beginning of the period	-31,812	569
= Cash and cash equivalents at the end of the period	6,225	-31,812
Composition of cash and cash equivalents at the end of the period		
+ Cash	26,549	17,139
- Liabilities to banks due on demand	-20,324	-48,951
	6,225	-31,812

SEGMENT REPORTING

Geographical segments are the primary format for the segment reporting of the Group, as the risks and equity yield of the Group is influenced by differences in the various geographical regions. The Mailroom Management segment represents the secondary segment reporting format.

The Group's geographical segments are determined by the location of the Group's assets and operations. The Group is divided into the following geographical segments:

- Germany
- Europe (Austria, Belgium, Czech Republic, Denmark, Finland, France, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland, United Kingdom)
- USA (USA and Canada)
- Rest of World (Australia, Japan and Singapore)

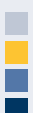
The Group records its sales in the country in which the sales with the respective third party are realized and not in the region in which the products are ultimately installed.

For example, sales with general sales agents abroad are recorded as German sales as the goods are billed in Germany and leave the Group there.

Business segment

The table below presents information about the revenue and certain assets in the Mailroom Management segment for the fiscal years 2006 and 2007.

SECONDARY SEGMENTATION MAILROOM MANAGEMENT		
	2007	2006
	KEUR	KEUR
External sales	470,410	484,658
Segment assets	565,701	581,502
Other expenditures	18,697	20,504



Geographical segments

The tables below present revenue and profit and certain information on assets and liabilities regarding the geographical segments of the Group for the fiscal years ended December 31, 2007 and 2006.

	PRIMARY SEGMENTATION 2007				
	Germany	Europe	USA	Rest of world	Total
	KEUR	KEUR	KEUR	KEUR	KEUR
External sales	58,607	101,755	292,542	17,506	470,410
Internal sales	62,484	4,945	24,869	582	92,880
Total sales	121,091	106,700	317,411	18,088	563,290
Segment EBIT	13,850	5,994	12,153	540	32,537
Unallocated expenses					
Unallocated income					
Group EBIT					
Interest expenses including interest expenses from leases					
Interest income including interest income from leases					
Share of profit from joint ventures accounted for at equity	871	0	0	0	871
Income taxes					
Net profit of the Group for the year					
Segment assets	110,443	98,270	349,751	15,053	573,517
Joint ventures accounted for at equity					
Unallocated assets					
Segment liabilities	25,779	44,484	57,989	3,767	132,019
Unallocated liabilities					
Capital expenditures	4,391	4,216	9,726	110	18,443
Capital expenditures from the enlargement of the consolidated group	0	12,298	7,169	0	19,467
Depreciation and amortization	2,549	1,821	13,604	165	18,139
Unallocated depreciation and amortization					

		PRIMARY SEGMENTATION 2006						
Consolidation	Consolidated	Germany	Europe	USA	Rest of world	Total	Consolidation	Consolidated
KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
0	470,410	51,039	83,809	332,369	17,441	484,658	0	484,658
-92,880	0	64,207	803	15,722	0	80,732	-80,732	0
-92,880	470,410	115,246	84,612	348,091	17,441	565,390	-80,732	484,658
2,644	35,181	22,864	1,585	21,517	229	46,195	1,557	47,752
	-3,491							-3,215
	732							742
	32,422							45,279
	-20,473							-20,746
	2,225							1,844
0	871	1,188	0	0	0	1,188	0	1,188
	2,663							-8,314
	17,708							19,251
-46,994	526,523	103,611	71,057	384,655	14,463	573,786	-44,274	529,512
		15,300	0	0	0	15,300	0	15,300
	39,178							36,690
	565,701							581,502
-32,523	99,496	24,911	34,314	75,429	4,001	138,655	-29,776	108,879
	301,992							337,568
	401,488							446,447
254	18,697	4,620	1,348	14,480	56	20,504	0	20,504
0	19,467							
-250	17,889	2,629	1,334	13,801	49	17,813	239	18,052
	307							307
	18,196							18,359

STATEMENT OF CHANGES IN GROUP EQUITY

	Subscribed capital	Capital reserve	Revenue reserves	Revaluation reserve
	KEUR	KEUR	KEUR	KEUR
As of January 1, 2006	17,160	37,564	62,000	5,026
Dividends for the prior year	0	0	0	0
Net profit for the period	0	0	0	0
Change in income and expenses recorded directly in equity	0	0	0	0
Changes in reserves	0	-4,118	14,186	0
Stock option program	0	13	0	0
As of December 31, 2006	17,160	33,459	76,186	5,026
As of January 1, 2007	17,160	33,459	76,186	5,026
Dividends for the prior year	0	0	0	0
Net profit for the period	0	0	0	0
Change in income and expenses recorded directly in equity	0	0	0	0
Changes in consolidated group	0	0	0	155
Changes in reserves	0	0	10,094	-155
Borrowing of hybrid capital	0	0	0	0
Capital procurement costs for hybrid capital	0	0	0	0
Stock option program	0	-2	0	0
As of December 31, 2007	17,160	33,457	86,280	5,026

Statement of recognized income and expenses in Group equity for 2007

Change in fair value of financial instruments used for hedging purposes and recorded in equity

Actuarial gains and losses from defined benefit obligations and other post-employment obligations

Adjustment item from currency translation of foreign subsidiaries

Income and expenses recorded directly in Group equity

Earnings after tax

Total of earnings for the period and income and expenses of the period recorded directly in equity

Income and expenses recorded directly in Group equity						
Change in fair values of financial instruments used for hedging purposes	Actuarial gains and losses from defined benefit pension obligations	Translation reserve	Group net profit attributable to parent company	Equity attributable to the parent company	Hybrid capital	Total group equity
KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
-287	-2,706	5,696	19,000	143,453	0	143,453
0	0	0	-8,910	-8,910	0	-8,910
0	0	0	19,251	19,251	0	19,251
533	197	-19,460	0	-18,730	0	-18,730
0	0	0	-10,090	-22	0	-22
0	0	0	0	13	0	13
246	-2,509	-13,764	19,251	135,055	0	135,055
246	-2,509	-13,764	19,251	135,055	0	135,055
0	0	0	-8,910	-8,910	0	-8,910
0	0	0	17,564	17,564	144	17,708
-273	1,235	-19,961	0	-18,999	0	-18,999
0	0	0	0	155	0	155
0	0	0	-10,341	-402	0	-402
0	0	0	0	0	40,000	40,000
0	0	0	0	0	-392	-392
0	0	0	0	-2	0	-2
-27	-1,274	-33,725	17,564	124,461	39,752	164,213

2007		
Before Taxes	Tax effect	Net
KEUR	KEUR	KEUR
-464	191	-273
1,638	-403	1,235
-19,961	0	-19,961
-18,787	-212	-18,999
		17,708
		-1,291

2006		
Before Taxes	Tax effect	Net
KEUR	KEUR	KEUR
866	-333	533
152	45	197
-19,460	0	-19,460
-18,442	-288	-18,730
		19,251
		521

I. Presentation of consolidated financial statements

BÖWE SYSTEC Aktiengesellschaft is headquartered in Augsburg and is registered in the commercial register of the Augsburg district court under HRB 61. The address of the Company is Werner-von-Siemens-Straße 1, 86159 Augsburg.

The parent company is WANDERER-WERKE AKTIENGESELLSCHAFT with registered offices in Augsburg, Germany, which at the same time is the ultimate parent of the Group.

The purpose of the Company is the development, manufacture and sale of machines and equipment for the automated processing of high volumes of mail and the provision of related services. The most important products are inserting systems, mail verification and mail sorting systems as well as rolling and unwinding systems. In most cases, the products are combined to form complex systems and controlled by integrated software. All these products are used in the mailroom and are therefore combined in the Mailroom Management segment.

The consolidated financial statements of BÖWE SYSTEC Aktiengesellschaft for the year 2007 are prepared in accordance with International Financial Reporting Standards (IFRSs), as required to be applied in the EU, and the provisions of German commercial law to be applied additionally pursuant to Sec. 315a (1) HGB [‘Handelsgesetzbuch’: German Commercial Code]. All pronouncements of the International Accounting Standards Board whose adoption is mandatory have been considered.

As a result of various projects, the IASB and the IFRIC have enacted a series of changes to various standards and interpretations and promulgated new standards and interpretations that are generally applicable for fiscal years beginning on or after January 1, 2008. Standards issued by the end of the fiscal year 2007 and revisions of existing standards and interpretations which were not mandatory until January 1, 2008 or later were not applied in the consolidated financial statements as of December 31, 2007. With the exception of additional disclosures in the notes, this did not have any material impact on the consolidated financial statements.

The consolidated financial statements have been prepared in euro. Unless otherwise specified, all amounts are stated in thousands of euro (KEUR). The income statement has been prepared using the function of expense method.

All assets and liabilities are carried at historical or amortized cost, with the exception of derivative financial instruments that are carried at fair value.

The consolidated financial statements and group management report prepared by the management board as of December 31, 2007 were approved at the meeting of the management board on March 20, 2008 for submission to the supervisory board.

CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2007

II. Basis of consolidation

The consolidated financial statements are based on the financial statements of the subsidiaries included in the Group as of December 31, 2007, which have been prepared according to uniform accounting and measurement methods.

From January 1, 2003 capital consolidation for subsidiaries included in the consolidated financial statements for the first time is performed according to the purchase method of accounting pursuant to IFRS 3 (Business Combinations). This involves measuring the identifiable assets, liabilities and contingent liabilities in full at their fair value at the time of purchase. The purchase costs of the shares acquired are offset against pro rata equity of the subsidiary measured at fair value. Any debit difference remaining after offsetting is disclosed as goodwill under intangible assets, while any credit difference is posted to income.

If in connection with the inclusion of a subsidiary in the consolidated financial statements not all shares of the new subsidiary were acquired by the BÖWE SYSTEC Group, but the minority shareholders have put options for the shares outstanding, the first-time capital consolidation is carried out based on the premise that these put options have already been exercised at the point in time when control was obtained over the new subsidiary. The assumed exercise price of the put options increases the acquisition cost of the purchased entity and is considered in the context of capital consolidation when determining goodwill. As a result, the assumed purchase price obligation is measured at fair value in accordance with IAS 39. Any differences between the exercise price assumed at the time of first-time consolidation and the actual purchase price upon acquisition are recorded with in profit or loss under either "other operating income" or "other operating expenses".

When using the equity method of consolidation, the shares are shown in the balance sheet at amortized cost rolled forward to reflect changes in the share of the Group in the net assets after the acquisition date and losses for impairments. Losses which exceed the group share in joint ventures accounted for at equity are not recorded unless they represent an obligation.

Intercompany receivables, liabilities and provisions, intercompany profits and losses between group entities as well as intercompany sales or other income and corresponding expenses are eliminated. The income tax implications are considered in the course of consolidation by recognizing deferred taxes.



III. Consolidated group

Besides BÖWE SYSTEC Aktiengesellschaft, the consolidated financial statements include by means of full consolidation all entities in which BÖWE SYSTEC Aktiengesellschaft has the majority of the voting rights, directly or indirectly. The entities are included in the consolidated financial statements from the date when the possibility of control was obtained.

Changes in the consolidated group

The main changes in the consolidated group in the fiscal year 2007 were a result of the acquisition by a Group company of the shares in Lasermax Roll Systems AB previously held by a Swedish company. The Group now holds all voting rights in that company. All shares of Lasermax Roll Systems AB were therefore included in the full consolidation as of July 1, 2007.

The total acquisition costs for Lasermax Roll Systems AB of EUR 31.9 million include the purchase price and the fair value of the call/put options for the shares acquired in the fiscal year 2007. Goodwill arising from the acquisition totaled EUR 16.7 million; this reflects the earnings power of Lasermax Roll Systems AB.

Sales of Lasermax Roll Systems AB amounted to EUR 47.4 million in the fiscal year 2006 and EUR 50.7 million in the fiscal year 2007, of which EUR 25.4 million was considered in the 2007 consolidated financial statements. In the first half-year 2007 Lasermax Roll Systems AB contributed EUR 0.9 million, in the second half-year 2007, Lasermax Roll Systems AB contributed EUR 2.3 million to the group net profit for the period.

At the time of acquisition, the carrying amounts and the fair values of the identifiable assets and liabilities of Lasermax Roll Systems AB break down as follows:

	Carrying amount	Recognized fair value
	EUR million	EUR million
Goodwill	0	16.7
Intangible assets	2.1	2.5
Other non-current assets	0.4	0.4
Inventories	13.3	13.3
Other receivables and other assets	10.6	10.6
Cash and cash equivalents	0.9	0.9
Current borrowed capital	16.1	16.1
Deferred taxes	1.0	0.8

The other reason for the enlargement of the consolidated group in the fiscal year 2007 was the first-time inclusion in consolidation of the newly incorporated sales and service company and a holding company, both of which are registered in the Czech Republic.

They have been included in the consolidation because the Group holds all voting rights in the companies.

The inclusion of the two Czech companies in the consolidation did not have a material impact on the net assets, financial situation and earnings of the Group.

IV. Accounting policies

The financial statements of all the consolidated companies are included using uniform accounting and measurement methods. The financial statements prepared in accordance with local principles are adjusted to the IFRS accounting and measurement policies applied throughout the Group. The accounting policies used were the same as in the prior year.

The preparation of the consolidated financial statements taking the promulgations of the IASB into account requires assumptions and estimates to be made which have an effect on the carrying amounts of recognized assets and liabilities, income and expenses and contingent liabilities.

Assumptions had to be made in particular for the determination of the fair values of call/put options as well as the future probability of the tax risks actually occurring. Other assumptions and estimates relate to useful lives, the recognition and measurement of provisions, the probability of future tax relief being realized as well as the determination of cash flows, growth rates and discount factors in connection with impairment testing.

The actual values may in some cases differ from the assumptions and estimates. Changes are recognized as and when better information is available.

Intangible assets

This item contains franchises, industrial rights and similar rights, client base, capitalized development costs as well as goodwill.

Purchased and internally generated intangible assets are only recognized if it is probable that a future economic benefit will flow to the entity from the use of the asset and the cost of the asset can be reliably determined.

Purchased and internally generated intangible assets are initially recognized at cost. For the purpose of subsequent measurement, intangible assets with a finite useful life are measured at cost less accumulated amortization and impairments. Intangible assets with an indefinite useful life (goodwill and trademarks) are measured at cost less impairments.

Development costs are recognized immediately if and when the recognition criteria stipulated in IAS 38 are satisfied and they are developments of significant new components including software. The costs directly attributable to the development were recognized including appropriate development-related overheads. Capitalized development



costs are depreciated as of the date on which the project concerned is ready for series production. As a rule, a product life cycle of five years is taken as a basis. Research costs and development charges that cannot be capitalized are expensed in the period in which they are incurred. As a rule, the development costs are recognized when the beta version has been prepared.

The net carrying amounts of the intangible assets, useful lives and amortization methods are reviewed at the end of each fiscal year and adjusted if necessary.

Intangible assets with a finite useful life are amortized over a period of two to eight years. Internally generated and purchased software is assumed to have a customary useful life of one to five years.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairments in accordance with IAS 16. Depreciation is charged on a straight-line basis over the useful life.

The cost of self-constructed assets contains all costs that are directly attributable to the production process as well as pro rata overheads that support the production process. Such assets are held, for example, for exhibition and demonstration purposes or under lease agreements.

The carrying amounts of property, plant and equipment are tested for impairment when there is any indication that the carrying amount of an asset exceeds its recoverable amount.

Property, plant and equipment are derecognized upon disposal or when no further economic benefits are expected from their continued use or sale. The gain or loss on derecognition is determined as the difference between the net disposal proceeds and the carrying amount and recognized in profit and loss in the period in which the item is derecognized.

The net carrying amounts of the assets, useful lives and depreciation methods are reviewed at the end of each fiscal year and adjusted if necessary.

When each major inspection is performed, the cost is recognized as a replacement in the carrying amount of the property, plant and equipment if the recognition criteria are satisfied.

The useful lives for buildings range between 20 and 40 years, for technical equipment and machines between 5 and 20 years. Furniture and fixtures are depreciated over 2 to 20 years, leasehold improvements over 10 years.

Borrowing costs

All borrowing costs were recognized in profit and loss both in the fiscal year 2007 and in the comparative period



Investment property

Investment property is property held to earn rentals or for capital appreciation or both. In the BÖWE SYSTEC Group, two rented properties satisfy these criteria. They are accounted for according to the option in IAS 40 using the alternative allowed method at amortized cost.

The customary useful life of these properties is assumed to be 20 and 37 years respectively. Depreciation is charged on a straight-line basis.

Impairment of intangible assets, property, plant and equipment and investment property

At each balance sheet date it is assessed whether there is any indication that the assets disclosed in the balance sheet may be impaired. If any such indication exists or when annual impairment testing for an asset is required, an estimate is made of the asset's recoverable amount in order to determine the extent of any impairment loss. The asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. To determine the value in use, the estimated future cash flows from this asset or cash-generating unit are discounted to their present value using a pre-tax discount rate that reflects the risks specific to the asset. Impairment losses are recognized in the income statement in those expense categories consistent with the function of the impaired asset. Impairments of goodwill recognized in profit and loss are shown separately in the income statement in the item "Impairment loss, goodwill".

A previously recognized impairment loss (with the exception of goodwill) is reversed to profit and loss if there is any indication that the impairment no longer exists or could have decreased. The reversal is posted to the income statement. The increase in value or the reduction of an impairment loss of an asset is, however, only recorded to the extent that the carrying amount would have existed net of amortization or depreciation had no impairment losses been recognized is not exceeded. Impairments recognized on goodwill as a result of impairment testing may not be reversed.

Goodwill and intangible assets with an indefinite useful life (trademarks) are reviewed for impairment at least annually as of December 31 or more frequently if there is any indication that the carrying amount may be impaired. Any impairment loss is immediately recorded as an expense.

Impairment of goodwill and intangible assets with an indefinite useful life is determined by comparing the carrying amount of the cash-generating unit to which the goodwill or the indefinite lived intangible asset is allocated with the recoverable amount of the cash-generating unit.

If a subsidiary is disposed of, the associated goodwill is included when determining the gain or loss on disposal of the subsidiary.

Leases in the BÖWE SYSTEC Group

A lease is classified as a finance lease if all risks and rewards incidental to ownership are transferred to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets from finance leases under which all the risks and rewards incidental to ownership of the transferred asset are substantially transferred to the BÖWE SYSTEC Group are recognized at the lower of the fair value of the leased asset or the present value of minimum lease payments at the inception of the lease. The corresponding liability to the lessor is disclosed in the balance sheet as a finance lease obligation.

Lease payments are thus apportioned between the interest expenses and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Interest expenses are recognized in profit or loss.

Operating leases payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

The Group as lessor

In a number of countries the Group leases products to customers under agreements, the terms of which mean that the risks and benefits of ownership are substantially transferred to the customers. In these cases the finance lease payments payable by the lessees at the inception of the lease are recognized at the present value of the minimum lease payments for the non-cancellable minimum period of the lease. At this point in time, the leased assets are therefore derecognized from group assets.

Income from operating leases is recognized in the income statement on a straight-line basis over the term of the lease and disclosed under other operating income.

Financial instruments

Financial assets with fixed or determinable payments and fixed maturity that the entity intends and has the ability to hold to maturity other than loans and receivables originated by the entity are classified as held-to-maturity financial assets. Financial assets that are acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margins are classified as held-for-trading financial assets. Derivative financial instruments are also classified as held for trading unless they are designated as a hedging instrument and are effective as such. Gains or losses from financial assets held for trading are recognized in profit or loss. All other financial assets apart from loans and receivables originated by the entity are classified as available-for-sale financial assets.

Held-to-maturity financial assets are disclosed under non-current assets unless they are due within 12 months of the balance sheet date. Held-for-trading financial assets are disclosed under current assets. Available-for-sale financial assets are disclosed under current assets if management intends to sell them within 12 months of balance sheet date.

To date, the Group has not made use of the option to designate financial assets upon initial recognition to financial assets at fair value through profit or loss.

Purchases and sales of financial assets are recognized according to the accounting method as of the trading date, i.e. the date on which the entity entered into the obligation to purchase or sell the asset.

When a financial asset is recognized initially, it is measured at cost. This comprises the fair value of the consideration and – with the exception of financial assets held for trading – the transaction costs.

Changes in the fair value of held-for-trading financial assets are recorded in profit or loss. For this purpose, the fair value of a financial instrument is the amount that can be generated from the asset in an arm's length transaction between knowledgeable and willing parties, under current market conditions. Fair value corresponds to market price provided the financial instruments measured are traded on an active market. If there is no active market for a financial instrument, fair value is calculated using appropriate actuarial methods such as recognized option price models or discounting future cash flows with the market interest rate.

Held-to-maturity investments are measured at amortized cost using the effective interest rate method. If it is likely that the value of financial assets measured at amortized cost is impaired, the impairment is recognized in profit or loss. If an impairment loss recorded in a prior period decreases and the reversal of the impairment loss (or reduction of impairment loss) can be objectively related to an event occurring after the impairment loss, the write-up is included in profit and loss. A reversal cannot however exceed the carrying amount that would have been recognized without the impairment.

Loans and receivables originated by an entity and not held for trading are measured at amortized cost less any necessary valuation allowances.

Available-for-sale financial assets are accounted for at market value. Unrealized gains and losses are disclosed under equity in the position "Income and expenses recorded directly in group equity", net of a tax portion. The position "Income and expenses recorded directly in group equity" is released to profit and loss either upon disposal or if it is impaired.

Non-current financial assets

In the prior year, the position mainly contained a joint venture accounted for at equity which was fully consolidated in the second half of the fiscal year 2007. As in the prior year, it also contains securities that are classified as held-to-maturity investments and therefore measured at amortized cost.

Loans to related parties which do not belong to the BÖWE SYSTEC Aktiengesellschaft consolidated group but to the consolidated group of WANDERER-WERKE AKTIENGESELLSCHAFT are also disclosed here. The loans have a term to maturity of three years. Measurement is at amortized cost.



Inventories

Inventories are measured at the lower of cost and net realizable value. Besides direct materials and labor costs, costs of conversion contain a proportion of materials and labor overheads as well as pro rata administrative expenses incurred to support the production process. Borrowing costs are not included in costs of conversion.

Raw materials, consumables and supplies are generally measured using the moving average method. If the estimated net realizable value of the inventories falls below cost, the lower value is stated; write-downs are recorded for obsolete or excess stocks.

Payments on account made by customers are recorded as liabilities; payments on account made by group entities are included in other assets.

Long-term construction contracts

Future receivables from long-term construction contracts are recognized according to the percentage-of-completion method. The percentage of completion per contract to be recognized is calculated by comparing the accumulated costs with the total costs expected (cost-to-cost method).

If the total of accumulated contract costs and reported profits exceeds payments on account received, the construction contracts are recognized on the assets side as future receivables from long-term construction contracts under trade receivables. Any negative balance is reported under trade payables. Recognizable losses are expensed immediately.

Receivables and other assets

Receivables and other assets are measured at their amortized cost after recognizing appropriate valuation allowances, if necessary.

If there is any indication of an impairment, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows. The carrying amount is written down taking the provision for the impairment of receivables into account. The impairment loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. The new carrying amount of the asset may not exceed the amortized cost at the time the impairment loss is reversed. The impairment loss is reversed through profit or loss.

An impairment loss is recognized through the provision for the impairment of receivables for any indication relating to trade receivables that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Impaired receivables are derecognized when they are deemed to be uncollectible.



Derivative financial instruments, hedges and financial risk management

The BÖWE SYSTEC Group operates internationally and is therefore exposed to currency risks from exchange rate fluctuations of the transactions entered into in various currencies. Customary market instruments such as forward exchange contracts and currency options are used to hedge these risks. These hedge transactions cover recorded, pending and planned deliveries. The currencies hedged in this way are CAD and GBP. These agreements generally have a term of up to one year.

Derivative financial instruments such as interest swaps and interest caps are used to hedge risks associated with fluctuations in interest rates. These hedges are only entered into with contractual parties which enjoy impeccable credit ratings in order to reduce the effects of changes in interest rates on the borrowing costs of loans which are subject to floating interest rates.

The fair values correspond to the price at which third parties would assume the rights or obligations from the financial instruments. The fair values are determined on the basis of quoted market prices or by means of actuarial calculations based on customary models as of the balance sheet date.

Derivative financial instruments are used exclusively to hedge financial risks and not for speculative purposes. All derivative financial instruments are recognized at fair value. If there is no hedge relationship, changes in fair value are taken to profit or loss.

For purpose of hedge accounting, hedges are classified as follows and, if the strict criteria for hedge accounting are satisfied, accounted for as follows:

■ Fair value hedge accounting:

To hedge the fair value, a gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item, the derivative financial instrument is revalued at its fair value and the resulting gain or loss is recognized immediately in profit or loss.

■ Cash flow hedge accounting:

Changes in fair value from a hedge are recognized directly in equity, net of deferred taxes. Amounts that are recognized directly in equity are released to profit or loss in the period in which the hedged transaction affects the net profit or loss of the period, e.g. in which the hedged financial income or expenses are recognized or a forecast sale or purchase is carried out.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship and the risk management objective and strategy for entering into the hedge. Such hedges are considered to be highly effective in offsetting the risks from changes in the fair value or in the cash flow.

Derivative financial instruments are concluded in close cooperation with the management board. The dual control principle is applied to every trade processed. They are monitored in the monthly reporting.

Cash and cash equivalents

Cash and cash equivalents recorded in the balance sheet include cash, bank deposits and short-term deposits with original terms of less than three months.

Deferred taxes

Deferred taxes are accounted for using the balance sheet oriented liability method according to IAS 12 (Income Taxes).

This involves creating deferred tax items for all temporary accounting and measurement differences between the carrying amounts for IFRS purposes and the tax bases of the assets and liabilities. They are not created if the temporary difference arises from goodwill or the initial recognition of other assets and liabilities in a transaction (not a business combination) which affects neither the accounting nor the taxable profit or loss. A deferred tax asset is recognized for all taxable temporary differences arising from shares in subsidiaries or associates and interests in joint ventures, unless the parent company can control the reversal of the temporary difference and the temporary difference will probably not reverse in the foreseeable future.

Further, deferred tax assets for future economic benefits from unused tax losses and unused tax credits are taken into account if it is highly probable that they will be used.

The basic prerequisite for any recognition of deferred taxes is that it is probable that taxable profit will be available against which the unused tax losses recognized on deductible temporary differences can be utilized. Deferred tax assets are only reversed if it is more probable that the tax benefit will be forfeited than that it will be utilized.

Deferred taxes are recognized on the basis of the tax rates applicable in the countries concerned and not discounted.

Deferred tax assets and deferred tax liabilities are netted in the consolidated balance sheet if and only if the entity has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied on the same taxable entity by the same taxation authority.

Pensions and other post-employment benefits

The Group operates various pension schemes. BÖWE BELL + HOWELL Holdings Inc. has also agreed to provide certain additional post-employment healthcare benefits to certain employees.

Payments for defined contribution obligations as well as contributions to statutory pension funds are recognized as an expense upon maturity.

The pension provisions for defined benefit plans are determined using the projected unit credit method taking expected pension and salary increases into account. The calculation is based on actuarial assumptions about biometric data.

Actuarial gains and losses are offset directly against equity in the year in which they occur.

The amount disclosed is the present value of the defined benefit obligation after offsetting against plan assets measured at fair value.

Provisions

Other provisions contain all present obligations resulting from past events towards a third party provided it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount carried is the best estimate of the probable outflow of resources from the present obligation as of the balance sheet date. Non-current provisions are disclosed at present value, discounted at market interest rates which reflect the risk and period of time that will elapse until the obligation is settled.

Liabilities

Liabilities are generally recorded at amortized cost. Liabilities from finance leases are recognized at the inception of the lease at the present value of future lease payments during the non-cancellable minimum period of the lease. Payments on account made by customers are disclosed as a separate item.

Share-based payments

The cost of share-based payments is measured by reference to the fair value of the equity instruments at the date on which they are granted. The fair value is calculated using a binominal model.

The cost of share-based payments is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognized for share-based payments at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the best estimate of BÖWE SYSTEC Aktiengesellschaft of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement of cumulative expense recognized as at the beginning and end of that period.

Sales / revenue recognition

The sale of goods and services is recognized upon delivery or after ownership has been transferred in another way.

Revenue is disclosed at the fair value of the consideration received or yet to be received net of discounts and other sales deductions as well as VAT.

Interest income is recognized using the effective interest method.

Rental income arising on investment properties is accounted for on a straight-line basis over the lease terms.



Earnings per share

Pursuant to IAS 33, basic earnings per share amounts are calculated by dividing net profit of the Group by the weighted average number of ordinary shares of the parent company outstanding during the year.

	2007	2006
Earnings	KEUR	KEUR
Basis for the basic earnings per share (Share of profit attributable to the shareholders of the parent company)	17,564	19,251
Number of shares	Number	Number
Weighted average number of ordinary shares for the basic earnings per share	6,600,000	6,600,000
Earnings per share	EUR	EUR
Earnings per share (basic and undiluted)	2.66	2.92

In the reporting year and in the prior year, the convertible bonds issued in connection with the share-based payments did not have any material effect on the earnings per share; there was no dilutive effect.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these consolidated financial statements.

V. Currency translation

The consolidated financial statements are prepared in euros, which is both the functional currency and the presentation currency of the Group. Business transactions which are settled in currencies other than the euro are recorded at the exchange rate prevailing on the day of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rate ruling at the balance sheet date and any resulting exchange gains or losses are posted to profit or loss.

To hedge against certain currency risks, the Group enters into forward exchange or option transactions, the accounting of which is presented in "Derivative financial instruments, hedges and financial risk management".

Financial statements denominated in foreign currency of the subsidiaries included in the consolidation are translated into euros on the basis of the functional currency concept pursuant to IAS 21 (The Effects of Changes in Foreign Exchange Rates). The functional currency is the local currency for all foreign subsidiaries of the Group, since these entities operate independently from a financial, economic and organizational viewpoint. According to this concept, assets and liabilities are thus translated at the closing rates as of balance sheet date, while income and expenses are generally translated at average rates. Any currency translation differences are recorded directly in equity under "income and expenses recorded directly in group equity".

The following exchange rates were applied in the consolidated financial statements as of December 31, 2007 and 2006:

Currency	Closing rate		Average rate	
	Dec. 31, 2007	Dec. 31, 2006	2007	2006
USD	1.47161	1.31780	1.37063	1.25566
GBP	0.73460	0.67140	0.68455	0.68182
AUD	1.67749	1.66850	1.63556	1.66669
JPY	165.01650	156.73981	161.29032	145.98540
PLN	3.59286	3.82995	3.78315	3.89514
CZK	26.57454	n/a	27.75465	n/a
SEK	9.43485	9.04323	9.25241	9.25326
CHF	1.65571	1.60800	1.64268	1.57309
DKK	7.45823	7.45600	7.45101	7.45934
NOK	7.96495	8.24266	8.01860	8.04634

VI. Notes to the consolidated balance sheet

1. At-equity joint ventures

In fiscal year 2007, BÖWE SYSTEC INTERNATIONAL GmbH acquired a further 50% stake in Lasermax Roll Systems AB, Ljungby, Sweden, prior to the acquisition a jointly controlled operation which operates in the field of pre and post paper handling. The shares are accounted for using the equity method (IAS 31.38). As of July 1, 2007, this company was fully consolidated in the consolidated financial statements of BÖWE SYSTEC Aktiengesellschaft.

Based on the shareholding in this company, the following assets, liabilities, income and expenses were attributable to the Group until at-equity consolidation ended:

	June 30, 2007	Dec. 31, 2006
	KEUR	KEUR
Income	12,655	23,700
Expenses	-11,784	-22,512
Earnings after taxes	871	1,188
Current assets		13,119
Non-current assets		1,543
Current liabilities		5,407
Non-current liabilities		2,884

2. Impairment of goodwill and intangible assets with indefinite useful lives

The goodwill and trademarks acquired from business combinations was allocated to the cash-generating unit for impairment testing at country level. The future realizable amount was calculated as the present value of future cash flows (value in use).

To test the recoverability of the goodwill and the trademarks of the cash-generating unit USA, which makes up the main part of this balance sheet item, the future cash flows were derived from the detailed plan for the next five years. A growth rate of 3% was assumed for this period. The pre-tax average weighted cost of capital for the discounting of the forecast cash flows is 11% (prior year: 11%).

Main basic assumptions for the calculation of the value in use of the business units as of December 31, 2007 and December 31, 2006

a) USA

Planned gross margin – The planned gross margin was determined using the average gross profit margins attained in previous fiscal years and raised to reflect anticipated efficiency gains.

Average weighted cost of capital rate – The equity costs are determined using the Capital Asset Pricing Model (CAPM). Borrowing costs were stated at the interest rate of BAA company bonds.

b) Other

To test the recoverability of other goodwill, the future cash flows were derived from detailed business plans for the next two or three years. A growth rate of 1% was assumed for this period. The cash flows thus determined were discounted with a country-specific average weighted cost of capital rate of between 5% and 9%.

No impairment loss requirement was identified in the course of the testing as of December 31, 2007.

Significant carrying amounts of the goodwill and intangible assets with indefinite useful lives allocated to the respective cash-generating units:

	USA		Germany		Sweden		Japan		Other		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Carrying amount of goodwill	126,489	143,577	7,382	7,382	16,021	0	2,665	2,788	2,033	2,045	154,590	155,792
Carrying amount trademarks	59,500	66,445	0	0	0	0	0	0	0	0	59,500	66,445

3. Investment property

As in the prior year, the fair value of the two properties amounts to roughly KEUR 7,700.

4. Inventories

	Dec. 31, 2007	Dec. 31, 2006
	KEUR	KEUR
Raw materials, consumables and supplies	28,165	29,437
Work in process	24,777	23,302
Finished goods	50,510	48,056
	103,452	100,795

The methods used in the fiscal year 2007 to determine impairment were the same as in the prior year. The carrying amount of inventories subject to write-downs is KEUR 17,697 (prior year: KEUR 22,169). The write-down on inventories recorded as an expense amounted to KEUR –739 (prior year: KEUR –10). The amount is contained in cost of sales.

5. Trade receivables

As of December 31, 2007, trade receivables amount to KEUR 95,398 (prior year: KEUR 96,494).

Trade receivables are non-interest bearing and are generally on 30–90 days' terms.

As of December 31, 2007, trade receivables were impaired by KEUR 1,353 (prior year: KEUR 1,776). Movements in the provision for impairment of receivables were as follows:

	Valuation allowance
	KEUR
As of January 1, 2006	1,528
Charge for the year	248
At December 31, 2006	1,776
Exchange rate differences	–65
Charge for the year	748
Utilized	–507
Reversed	–599
At December 31, 2007	1,353

As of December 31, the analysis of trade receivables that were past due but not impaired is as follows:

	Dec. 31, 2007	Dec. 31, 2006
	KEUR	KEUR
Neither past due nor impaired	62,594	59,696
Past due		
< 30 days	19,622	18,578
31 – 90 days	8,173	11,962
> 90 days	6,362	8,034
Impairments of doubtful debts	–1,353	–1,776
Carrying amount of trade receivables	95,398	96,494

The item trade receivables contains receivables from construction contracts. Before offsetting against payments on account made by customers, the amount due from customers for construction contracts comes to KEUR 18,321 (prior year: KEUR 10,512). After deducting progress billings, the balance which is shown under trade receivables is as follows:

	Dec. 31, 2007	Dec. 31, 2006
	KEUR	KEUR
Cost incurred and estimated earnings	18,321	10,512
less progress billings	-17,574	-8,230
	747	2,282

6. Finance lease receivables

The Group offers its customers finance lease arrangements for certain mailroom management systems. The average term of the lease agreements entered into is one to five years.

The interest rate of the lease is fixed for the whole term at the inception of the lease. The weighted average effective interest rate for finance lease receivables was 5.56% as of December 31, 2007 (prior year: 8.99%).

The table below shows the reconciliation of the total gross investment in the lease and the present value of minimum lease payments receivable at the balance sheet date:

	Minimum lease payments		Present value of minimum lease payments	
	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2006
	KEUR	KEUR	KEUR	KEUR
Finance lease receivables:				
due not later than 1 year	1,260	2,612	1,138	2,032
due later than 1 year and not later than 5 years	1,479	4,160	1,403	4,027
due later than 5 years	1	8	1	8
	2,740	6,780	2,542	6,067
less: Unrealized financial income	-198	-713	0	0
Present value of receivables from minimum lease payments	2,542	6,067	2,542	6,067

On the balance sheet date, unguaranteed residual values amount to KEUR 1,019 (prior year: KEUR 1,237). The accumulated allowance for uncollectible minimum lease payments outstanding amounts to KEUR 310 (prior year: KEUR 629).



7. Other assets

Sundry other/other assets contain financial assets which break down as follows:

	Dec. 31, 2007	Dec. 31, 2006
	KEUR	KEUR
Other assets (current)	10,073	7,805
of which financial assets	2,464	2,174
Other assets (non-current)	4,511	5,476
of which financial assets	4,490	5,476
Total financial assets	6,954	7,650

Of the financial assets of KEUR 6,954 (prior year: KEUR 7,650), an amount of KEUR 5,112 (prior year: KEUR 4,638) are neither past due nor impaired.

As of December 31, 2007, other financial assets were impaired by KEUR 1,842 (prior year: KEUR 2,319). Movements in the provision for impairments were as follows:

	Impaired
	KEUR
As of January 1, 2006	2,319
Charge for the year	0
As of December 31, 2006	2,319
Exchange rate differences	-225
Charge for the year	216
Utilized	-468
As of December 31, 2007	1,842

8. Financial liabilities

This item discloses profit participation capital, convertible bonds, liabilities to banks, a loan borrowed from an insurance company, vendor loans from the acquisition of entities and collateralized debt obligations.

The financial liabilities are due as follows and break down by interest arrangement as follows:

As of December 31, 2007	Total	Up to 1 year	1 to 5 years	More than 5 years
	KEUR	KEUR	KEUR	KEUR
<i>Fixed interest *)</i>				
Profit participation capital	36,000	0	36,000	0
Bonds	439	133	306	0
Liabilities to banks	61,943	11,027	49,588	1,328
Other financial liabilities	22,859	6,556	6,303	10,000
Lease obligations	1,552	416	1,136	0
<i>Floating interest rate **)</i>				
Liabilities to banks	88,735	27,818	56,917	4,000
Other financial liabilities	24,099	0	24,099	0
	<u>235,627</u>	<u>45,950</u>	<u>174,349</u>	<u>15,328</u>
As of December 31, 2006	Total	Up to 1 year	1 to 5 years	More than 5 years
	KEUR	KEUR	KEUR	KEUR
<i>Fixed interest *)</i>				
Profit participation capital	36,000	0	28,000	8,000
Bonds	440	139	301	0
Liabilities to banks	75,042	8,759	65,981	302
Other financial liabilities	17,303	4,173	13,130	0
Lease obligations	894	359	535	0
<i>Floating interest rate **)</i>				
Liabilities to banks	112,290	57,361	54,929	0
Other financial liabilities	25,453	0	25,453	0
	<u>267,422</u>	<u>70,791</u>	<u>188,329</u>	<u>8,302</u>

*) Loan agreements at fixed interest rates or SWAP and/or CAP derivatives concluded in connection with the underlying.

***) Loan agreements which are subject to an interest rate risk.



Of these financial liabilities, the following liabilities are denominated in foreign currency:

As of December 31, 2007	Total	US dollar	YEN	AUS dollar	Pound sterling	Other
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Profit participation capital	0	0	0	0	0	0
Bonds	0	0	0	0	0	0
Liabilities to banks	86,453	74,640	4,363	0	1,366	6,084
Other financial liabilities	27,958	27,958	0	0	0	0
Lease liabilities	580	0	580	0	0	0
	<u>114,991</u>	<u>102,598</u>	<u>4,943</u>	<u>0</u>	<u>1,366</u>	<u>6,084</u>

As of December 31, 2006	Total	US dollar	YEN	AUS dollar	Pound sterling	Other
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Profit participation capital	0	0	0	0	0	0
Bonds	0	0	0	0	0	0
Liabilities to banks	94,893	87,650	2,488	1,203	2,324	1,228
Other financial liabilities	30,756	30,756	0	0	0	0
Lease liabilities	787	0	787	0	0	0
	<u>126,436</u>	<u>118,406</u>	<u>3,275</u>	<u>1,203</u>	<u>2,324</u>	<u>1,228</u>

Profit participation capital

The profit participation rights mature in 2012 and are generally non-cancellable either by BÖWE SYSTEC Aktiengesellschaft or by the holder of the profit participation right before that date. Besides a basic return of 7.5% to 7.9%, the holders of the profit participation rights participate in the profit of the BÖWE SYSTEC Group if certain threshold values are exceeded, in each case dependent on the higher of the net profit or group net profit for the year adjusted for special effects in the form of a 0.5% to 2.0% increase in the interest rate. The claims of the holders of the profit participation rights are subordinated to all other creditors of the Company. Profit participation rights are accounted for at nominal value.

Bonds

The bonds are convertible bonds subscribed to by managers in the BÖWE SYSTEC Group as part of an incentive program. In 2005 a tranche of KEUR 151 was subscribed, in 2006 a tranche of KEUR 150 was subscribed and in 2007 a tranche of KEUR 156 was subscribed. In this respect please also see the explanations under "Share-based payments/convertible bonds" in note 9.

Liabilities to banks

The interest rates for fixed-interest bearing liabilities to banks range between 4.5% and 9.0%. The Company is exposed to an interest rate risk for the liabilities to banks with floating interest rates. In 2007 the interest rates ranged between 1.5% and 9.0%. The floating interest rates are adjusted at intervals of less than one year. The liabilities to banks have terms until 2017.

KEUR 8,635 (prior year: KEUR 2,908) of liabilities to banks is secured by mortgages and similar rights.

As of December 31, 2007, the Group had unused lines of credit at its disposal of around EUR 73 million (prior year: EUR 49 million).

For part of the liabilities to banks the BÖWE SYSTEC group has agreed to comply with certain financial covenants. As of December 31, 2007, a covenant for one part of the loan was not complied with. This breach did not have any negative implications.

Other financial Liabilities

Other financial liabilities contain a long-term loan borrowed from an insurance company in 2000 with a term of 10 years at fixed-interest rate conditions. The loan is repaid in annual installments of EUR 3.0 million from 2006. Other financial liabilities also contain floating-rate vendor loans from purchases of entities, most of which have to be repaid at the end of 2009 and a fixed-interest collateralized debt obligation that has to be repaid by 2014.

Certain covenants at the end of each fiscal year were also agreed for parts of other financial liabilities. As of December 31, 2007, a covenant for a collateralized debt obligation for a loan borrowed from an insurance company was not complied with. This breach is not expected to have any negative implications either.

Lease obligations

The BÖWE SYSTEC Group has entered into finance leases and hire-purchase contracts for various items of furniture and fixtures. The contracts do not contain prolongation options, purchase options or price-adjustment clauses.

The net carrying amounts of the assets from finance leases of KEUR 1,262 (prior year: KEUR 403) are wholly attributable to machines and furniture and fixtures.



The future minimum lease payments from finance leases and hire-purchase contracts can be reconciled with their present value as follows:

	Minimum lease payments		Present value minimum lease payments	
	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2006
	KEUR	KEUR	KEUR	KEUR
Finance lease liabilities				
due not later than 1 year	472	374	416	359
due later than 1 year and not later than 5 years	1,203	557	1,132	535
due later than 5 years	4	0	4	0
	<u>1,679</u>	<u>931</u>	<u>1,552</u>	<u>894</u>
less: Future finance costs	-127	-37		
Present value of lease obligations	<u>1,552</u>	<u>894</u>		
Amount repayable within 12 months (shown under current liabilities)			416	359
Amount repayable in more than 12 months			<u>1,136</u>	<u>535</u>

9. Share-based payments / convertible bonds

With the authorization of the annual general meeting of the Company on May 19, 2004 and the subsequent approval of the supervisory board, BÖWE SYSTEC Aktiengesellschaft grants certain senior executives of the Group the possibility to subscribe to convertible bonds of the Company. Besides a basic return of 4%, the convertible bonds contain the right to purchase shares of BÖWE SYSTEC Aktiengesellschaft provided the price of the BÖWE SYSTEC share exceeds that of the SDAX index on the basis of two reference periods.

Three tranches of the plan are current at the moment, one with a contractual life from October 2005 to July 2008, one with a contractual life from December 2006 to July 2009 and the third with a contractual life from December 2007 to July 2010. The plan set up in October 2005 can give rise to a maximum of 55,200 option rights. The plan set up in December 2006 can give rise to a maximum of 57,600 option rights and the plan set up in December 2007 can give rise to a maximum of 60,000 option rights.

At the time of issue, the fair value of the option is EUR 2.42 per share for the first tranche, EUR 0.18 per share for the second tranche and EUR 0.18 per share for the third tranche.

The stock options developed as follows:

	2007	2006
	KEUR	KEUR
As of January 1	169,200	111,600
Redeemed	-53,400	0
Put	-3,000	0
Granted	60,000	57,600
As of December 31	172,800	169,200
of which exercisable as of December 31, 2007	(0)	(0)

Due to their valuation at fair value, no personnel expenses (prior year: KEUR 13) were incurred for any of the stock option plans in the reporting period.

10. Provisions

The provisions for pensions and other post-employment benefits disclosed in the statement of changes in provisions are explained in note 11 below.

	Provisions			
	Warranty	Pensions	Other	Total
	KEUR	KEUR	KEUR	KEUR
As of January 1, 2007	6,031	20,605	5,753	32,389
of which current	6,031	0	1,187	7,218
of which non-current	0	20,605	4,566	25,171
Added	3,871	460	381	4,712
Reversed	-180	0	-1	-181
Changes in plan assets	0	-2,998	0	0
Utilized	-5,992	-834	-1,222	-8,048
Change in consolidated group	70	0	54	124
Interest effects	0	2,587	0	2,587
Offsetting without effect on income	0	-1,638	0	-1,638
Exchange difference	-178	-845	-129	-1,152
As of December 31, 2007	3,622	17,337	4,836	28,793
of which current	3,622	0	958	4,580
of which non-current	0	17,337	3,878	21,215
	3,622	17,337	4,836	25,795

The provision for warranty obligations was recognized for products sold during the fiscal year. Besides known individual risks, it comprises an assessment of possible returns based on past experience. It is expected that most of these costs will be incurred within the next fiscal year. The assumptions underlying the calculations of the warranty provision are based on the current sales level and information currently available on goods returned within a fiscal year.

Other provisions mainly contain provisions for potential losses from pending transactions as well as obligations belonging to the personnel function such as phased retirement and severance payments. In the fiscal year 2006, a provision was reversed relating to risks from ongoing court proceedings that already existed when BÖWE BELL + HOWELL Holdings Inc. was consolidated for the first time. The majority of the resulting non-recurring income of KEUR 7,867 was used to reduce the cost of sales. After deducting the deferred income tax burden, the effect of reversing the provision on the Group's net profit for the year was KEUR 4,720.

11. Pension provisions

The pension provisions are recorded for obligations from future and current post-employment benefits to current and former employees of entities in the BÖWE SYSTEC Group as well as their surviving dependants. Depending on the circumstances of the respective country in which the entity making the pension pledge is based, there are different forms of post-employment provisioning. The main points of reference of the benefit obligations are generally length of service, the function of the employee and the remuneration. In addition, BÖWE BELL + HOWELL Holdings Inc. has a healthcare plan for pensioners whose obligations are covered by provisions. In addition to that, BÖWE BELL + HOWELL Holdings Inc. has a 401(k) profit-sharing plan for certain employees.

The BÖWE SYSTEC Group has both defined contribution plans and defined benefit plans.

In the case of defined contribution plans, the obligation of the entity concerned is limited to the payment of the agreed contributions. In the fiscal year 2007 the cost of defined contribution plans amounts to KEUR 572 (prior year: KEUR 435).

With defined benefit plans, the entity's obligation consists of fulfilling the commitments made to current and former employees. Such obligations exist both at German and foreign group entities. In the BÖWE SYSTEC Group, defined benefit plans are partly financed via provisions, partly via external funds.

The amount of the pension obligations was calculated using the projected unit credit method. In Germany the R 2005 G mortality tables of Dr. Klaus Heubeck were used. Besides the assumptions about life expectancy in these tables, the principal assumptions used for the actuarial calculations are shown below:

as a %	Germany		Europe		USA		RoW	
	2007	2006	2007	2006	2007	2006	2007	2006
Discount rate	5.25	4.75	4.58	4.78	6.00	5.75	2.00	2.35
Future salary increases	2.00	2.00	2.17	2.58	0.00	0.00	3.00	2.56
Future pension increases	1.50	1.50	2.57	2.23	0.00	0.00	0.00	0.00
Healthcare cost increase rate	–	–	–	–	–	–	–	–
Expected rate of return on plan assets	–	–	6.14	5.22	8.50	8.50	–	–

The overall expected rate of return on plan assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

Pursuant to IAS 19, detailed information is presented below for the pension plans and healthcare plans about how the plans are funded and how they are considered in the consolidated balance sheet and in the consolidated income statement.

	2007	2006
	KEUR	KEUR
Pension plans	15,125	18,180
Healthcare plans	2,212	2,425
	17,337	20,605



The following table presents further information on these plans:

	Dec. 31, 2007	Dec. 31, 2006
	KEUR	KEUR
Present value of funded post-employment benefit obligations	38,525	46,292
Fair value of plan assets	-32,448	-35,522
	6,077	10,770
Present value of unfunded post-employment benefit obligations	11,260	9,835
Carrying amount as of Dec. 31	17,337	20,605
Present value of benefit obligations on Jan. 1	56,127	57,125
Cost of the fiscal year		
– Current service cost	460	626
– Interest cost	2,587	2,644
Employee contributions	82	71
Benefits paid	-2,669	-2,455
Curtailments	-44	0
Net actuarial gains/losses recorded directly in equity	-2,796	1,162
Exchange differences	-3,962	-3,046
Present value of benefit obligations on Dec. 31	49,785	56,127
Fair value of plan assets on Jan. 1	35,522	35,459
Return of the fiscal year		
– Expected return on plan assets	2,250	2,313
Net actuarial gains/losses	-1,158	1,314
Employer contributions	704	0
Employee contributions	82	746
Benefits paid	-1,835	-1,892
Exchange differences	-3,117	-2,418
Fair value of plan assets on Dec. 31	32,448	35,522
Net obligations as of Dec. 31	17,337	20,605

The Group expects to contribute KEUR 589 (prior year: KEUR 357) to its defined benefit pension plans in the fiscal year 2008.

The plan assets consist of the following components:

	Dec. 31, 2007	Dec. 31, 2006
	%	%
Equity instruments	47.2	47.3
Debt instruments	41.3	40.5
Other assets	11.5	12.2
	100.0	100.0

The actual return on plan assets amounts to KEUR 1,092 (prior year: KEUR 3,627).

Net pension cost from defined benefit plans breaks down into the following components (contained in the results of operations of the Group):

	2007	2006
	KEUR	KEUR
Current service cost	460	626
Interest expense	2,587	2,644
Curtailments	-44	0
Expected return on plan assets	-2,250	-2,313
	753	957

Amounts for the current and previous three periods are as follows:

	2007	2006	2005	2004
	KEUR	KEUR	KEUR	KEUR
Defined benefit obligations	-49,785	-56,127	-57,125	-35,584
Plan assets	32,448	35,522	35,459	19,465
Surplus (+)/Deficit (-)	-17,337	-20,605	-21,666	-16,119
Experience adjustments of plan liabilities	1,169	-136	-434	-339
Experience adjustments of plan assets	-470	696	1,437	215



12. Issued capital

The share capital of the Company is KEUR 17,160. It is divided into 6,600,000 shares without par value.

The Company only has one category of shares which do not grant a fixed profit entitlement.

Subject to the approval of the supervisory board, the management board is authorized to increase the Company's share capital once or several times until May 23, 2012 by a maximum amount of KEUR 6,864 in total by issuing up to 2,640,000 new individual bearer shares and/or preference shares without voting rights for contributions in cash (authorized capital I). The shareholders must be granted subscription rights. However, the management board is authorized, subject to the approval of the supervisory board, to preclude any fractional amounts arising from shareholders' statutory subscription rights.

Subject to the approval of the supervisory board, the management board is authorized to increase the Company's share capital once or several times until May 18, 2009 by a maximum amount of KEUR 1,560 in total by issuing up to 600,000 new individual bearer shares and/or preference shares without voting rights for contributions in cash (authorized capital II). The shareholders must be granted subscription rights. The management board is, however, authorized, with the approval of the supervisory board, to exclude fractional amounts from the subscription rights. Furthermore, the management board is authorized with the approval of the supervisory board to preclude the shareholders' subscription rights if the issue price of the new shares does not fall materially short of the market price of shares already listed in the same category at the time when issue price is finalized.

The annual general meeting on May 19, 2004 passed a resolution for a conditional increase of share capital by issuing up to 300,000 new ordinary bearer shares without par value and the corresponding addition to the articles of incorporation and bylaws (share capital, conditional capital). Accordingly, the management board is authorized subject to the approval of the supervisory board to issue interest-bearing convertible bonds, once or several times until May 18, 2009, up to a total nominal value of KEUR 780 with a maximum term to maturity of five years. These entitle the purchaser to acquire shares of BÖWE SYSTEC Aktiengesellschaft in accordance with the bond conditions. The statutory subscription right of the shareholders is precluded.

The convertible bonds are offered as a stock option based incentive system for executives in the BÖWE SYSTEC Group. The terms of the bond permit the purchase of company shares at a reduced price if the price of the BÖWE SYSTEC share develops better than the SDAX during the reference period.

The number of subscription rights pursuant to Sec. 192 (2) No. 3 AktG ["Aktiengesetz": German Stock Corporation Act] from these convertible bonds amounts to 172,800 shares. Of these, 55,200 shares can be exercised by the beneficiaries in fiscal 2008, 57,600 in fiscal 2009 and 60,000 shares in fiscal year 2010 – which were subscribed at KEUR 156 in 2007 – provided that the corresponding prerequisites are met.

Regarding the reporting duty pursuant to Sec. 21 (1) WpHG [“Wertpapierhandelsgesetz”: German Securities Trading Act] the Company received the following announcements:

WANDERER-WERKE AKTIENGESELLSCHAFT announced pursuant to Sec. 21 (1) WpHG most recently on April 5, 2002 that it holds 53.52% of the voting capital of BÖWE SYSTEC Aktiengesellschaft.

Capital Research and Management Company, Los Angeles, USA, announced pursuant to Sec. 21 (1) WpHG that on January 22, 2004 its share of the voting capital of BÖWE SYSTEC Aktiengesellschaft exceeded the 5% threshold and now amounts to 5.15% (equivalent to 336,745 votes). All of these voting rights are allocated to it pursuant to Sec. 22 (1) Sentence 1 No. 6 WpHG in conjunction with Sec. 22 (1) Sentence 2 and Sentence 3 WpHG.

On October 4, 2005, Financiere de L’Echiquier, Paris, France, announced pursuant to Sec. 21 (1) WpHG that on August 12, 2005 its share of the voting capital of BÖWE SYSTEC Aktiengesellschaft exceeded the 5% threshold and now amounts to 5.198%.

On October 5, 2005, Bestinver Gestion, S.A., Madrid, Spain, announced pursuant to Sec. 21 (1) WpHG that on September 26, 2005 its share of the voting capital of BÖWE SYSTEC Aktiengesellschaft exceeded the 5% threshold and now amounts to 5.396%.

On November 17, 2006, Harris Associates L.P., Chicago, USA, announced pursuant to Secs. 21 (1), 22 (1) Sentence 1 No. 6 WpHG that on November 16, 2006 its share of the voting capital of BÖWE SYSTEC Aktiengesellschaft exceeded the 5% threshold and now amounts to 5.02%. These voting rights are allocable to it pursuant to Sec. 22 (1) Sentence 1 No. 6 WpHG.

On January 8, 2008, Tweedy, Browne Company LLC New York, USA, announced pursuant to Sec. 21 (1) WpHG that on January 7, 2008 its share of the voting capital of BÖWE SYSTEC Aktiengesellschaft exceeded the 3% threshold and now amounts to 3.54%. These voting rights are allocable to it pursuant to Sec. 22 (1) Sentence 1 No. 6 WpHG.

13. Reserves

The capital reserve primarily contains premiums from the issue of shares. In addition the imputed value of the conversion rights was accounted for as an equity component and the capital reserve was increased accordingly.

The revaluation reserve includes the effect from reversing hidden reserves in the course of the purchase of further shares in BÖWE BELL + HOWELL Holdings Inc. in January 2005.

The revenue reserves primarily include the retained profits of the Group.



14. Income and expenses recognized directly in group equity

The table below shows the development of income and expenses recognized directly in group equity and the related tax effect:

	2007			2006		
	Before tax	Tax effect	Net	Before tax	Tax effect	Net
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Net gains/losses (-) from derivatives, total	15	-42	-27	479	-233	246
Actuarial gains and losses from pension provisions	-1,846	572	-1,274	-3,484	975	-2,509
Exchange rate difference	-33,725	0	-33,725	-13,764	0	-13,764
Income and expenses recognized directly in equity	-35,556	530	-35,026	-16,769	742	-16,027

15. Hybrid capital

In the fiscal year 2007, the Group issued a subordinated hybrid bond with a nominal value of KEUR 40,000. For a period of seven years it is subject to a fixed-interest rate, thereafter to a floating rate of interest. According to the terms of the bond, the bond can be repaid by BÖWE SYSTEC Aktiengesellschaft for the first time after a period of seven years. As the creditors of the hybrid bond do not have ordinary termination rights, the bond has to be disclosed under equity in accordance with IAS 32.16.

16. Financial instruments

Due to its international operations, the BÖWE SYSTEC Group is generally exposed to currency risks, interest, liquidity and credit risks.

Credit risk

The credit risk of financial assets is taken into account through adequate valuation allowances considering existing collateral. Various measures are taken to reduce the credit risk for primary financial instruments, such as requesting collateral or guarantees. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to risk of default is not significant. The theoretical risk of default corresponds to the book value of the financial assets (see table "Book values, carrying amounts and fair values by measurement category"). There is no significant concentration of risk of default within the Group.

Currency risk

Currency risks from current receivables, liabilities and debts as well as from highly likely future transactions are generally hedged with forward exchange contracts and currency options. Hedges for value fluctuations in future cash flows from anticipated highly likely transactions mainly relate to planned sales in foreign currency.

The table below presents the sensitivity of the Group's earnings before taxes and the Group's equity to a reasonably possible change in the US dollar exchange rate. The effects on earnings before taxes relate to the primary financial liabilities in USD. All other variables remain constant.

Change in USD exchange rate	Effects on earnings before taxes	Effects on equity
2007		
10%	2,410 KEUR	18,123 KEUR
-10%	-2,410 KEUR	-18,123 KEUR
2006		
10%	2,545 KEUR	17,888 KEUR
-10%	-2,545 KEUR	-17,888 KEUR

Interest rate risk

The Group is exposed to interest risks both in the euro zone and in the United States of America. To manage the market risk for changes in interest rates of existing and anticipated variable-rate liabilities to banks, the Company entered into interest swaps and interest caps with maturities until 2017.

Interest rate risk table

The table below shows the sensitivity of pre-tax consolidated profit or loss to a reasonably possible change in the interest rates (due to the effect on the floating interest loans). All other variables remain constant. Consolidated equity is not affected.

Increase/decrease in basis points	Effect on earnings before taxes
2007	
100	-887 KEUR
-100	887 KEUR
2006	
100	-1,123 KEUR
-100	1,123 KEUR

Liquidity risk

The individual Group companies prepare liquidity planning on an ongoing basis which shows the estimated cash flows from operating activities. Unused lines of credit available to the Group companies ensure that it has sufficient funds.

The table below shows the contractually agreed (undiscounted) interest and principal payments for primary financial liabilities and for derivative financial instruments with a positive and negative fair value of the BÖWE SYSTEC Group:

Fair values	Book value Dec. 31, 2007 KEUR	Cash flows 2008		
		Interest fixed KEUR	Interest variable KEUR	Repayment KEUR
Primary financial liabilities				
Bonds, other securitized liabilities, liabilities to banks and collateralized debt obligation and similar liabilities	151,117	3,295	5,775	38,978*)
Profit participation capital	36,000	2,900	0	0
Finance lease liabilities	1,552	56	0	416
Other interest-bearing liabilities	46,958	1,500	1,300	6,556
Derivative financial assets and liabilities				
Derivative financial liabilities				
– of which in connection with cash flow hedges	464	0	0	464
– of which in connection with fair value hedges	46	0	0	46
Derivative financial assets				
– of which in connection with cash flow hedges	184	0	0	184
– of which in connection with cash flow hedges	18	0	0	0
	Book value Dec. 31, 2006 KEUR	Cash flows 2007		
		Interest fixed KEUR	Interest variable KEUR	Repayment KEUR
Primary financial liabilities				
Bonds, other securitized liabilities, liabilities to banks and collateralized debt obligation and similar liabilities	187,772	3,900	8,618	66,259*)
Profit participation capital	36,000	2,800	0	0
Finance lease liabilities	894	15	0	359
Other interest-bearing liabilities	42,756	1,550	1,380	4,173
Derivative financial assets and liabilities				
Derivative financial liabilities				
– of which in connection with cash flow hedges	522	0	0	499
– of which in connection with fair value hedges	11	0	0	0
Derivative financial assets				
– of which in connection with cash flow hedges	278	0	0	278
– of which in connection with cash flow hedges	441	0	0	0
– Call/put options	3,930	0	0	3,930



Cash flows 2009–2012		
Interest fixed	Interest variable	Repayment
KEUR	KEUR	KEUR
14,300	14,300	106,811
8,800	0	36,000
71	0	1,136
3,600	1,200	30,402
0	0	0
0	0	0
0	0	0
0	0	18

Cash flow 2013 and thereafter		
Interest fixed	Interest variable	Repayment
KEUR	KEUR	KEUR
200	500	5,328
0	0	0
0	0	0
1,100	0	10,000
0	0	0
0	0	0
0	0	0
0	0	0

Cash flows 2008–2011		
Interest fixed	Interest variable	Repayment
KEUR	KEUR	KEUR
17,750	17,750	121,211
11,100	0	28,000
22	0	535
1,200	2,500	38,583
0	0	23
0	0	11
0	0	0
0	0	441
0	0	0

Cash flow 2012 and thereafter		
Interest fixed	Interest variable	Repayment
KEUR	KEUR	KEUR
0	0	302
600	0	8,000
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0

*) These amounts also contain working capital loans which are defined as current. As these loans are generally prolonged for a year each time, there are no repayments. Repayment matches the maturity structure as of the balance sheet date.

Book values, carrying amounts and fair values by measurement category

	Measurement category pursuant to IAS 39	Book value Dec. 31, 2007	Amortized cost	Fair value recognized in equity	Fair value recognized in profit or loss
	KEUR	KEUR	KEUR	KEUR	KEUR
Cash and cash equivalents	(LaR)	26,549	26,549	0	0
Trade receivables	(LaR)	95,398	95,398	0	0
Lease receivables	n.a.	2,542	0	0	0
Derivatives designated as hedging instruments	n.a.	202	0	202	0
Other (financial) assets	(LaR)	6,954	6,954	0	0
Securities	(HtM)	742	742	0	0
Loans	(LaR)	16,228	16,228	0	0
Liabilities to banks	(FLAC)	150,678	150,678	0	0
Bonds	(FLAC)	439	439	0	0
Other financial liabilities	(FLAC)	46,958	46,958	0	0
Lease liabilities	n.a.	1,552	0	0	0
Trade payables	(FLAC)	31,845	31,845	0	0
Derivatives designated as hedging instruments	n.a.	510	0	97	413
Profit participation rights	(FLAC)	36,000	36,000	0	0
Financial assets					
Held-to-maturity investments	(HtM)	742	742	0	0
Loans and receivables	(LaR)	145,129	145,129	0	0
Financial liabilities					
Financial liabilities measured at amortized cost	(FLAC)	265,920	265,920	0	0

Net gain or loss by measurement categories

		From interest	From subsequent measurement		Net profit	
			Currency translation	Addition to/reversal of impairments	2007	2006
		KEUR	KEUR	KEUR	KEUR	KEUR
Loans and receivables (LaR)	(LaR)	2,212	0	-365	1,847	2,092
Held-to-maturity investments	(HtM)	13	0	0	13	11
Financial liabilities measured at amortized cost	(FLAC)	-20,473	2,427	0	-18,046	-16,152
		-18,248	2,427	-365	-16,186	-14,049

IAS 17	Fair Value	Book value- Dec. 31, 2006	Amortized cost	Fair value recognized in equity	Fair value recognized in profit or loss	IAS 17	Fair Value
KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
0	26,549	17,139	17,139	0	0	0	17,139
0	95,398	96,494	96,494	0	0	0	96,494
2,542	2,542	6,067	0	0	0	6,067	6,067
0	202	4,649	0	719	3,930	0	4,649
0	6,954	7,650	7,650	0	0	0	7,650
0	742	729	729	0	0	0	729
0	16,228	12,451	12,451	0	0	0	12,451
0	150,678	187,332	187,332	0	0	0	187,332
0	439	440	440	0	0	0	440
0	46,958	42,756	42,756	0	0	0	42,756
1,552	1,552	894	0	0	0	894	894
0	31,845	33,567	33,567	0	0	0	33,567
0	510	533	0	41	492	0	533
0	36,000	36,000	36,000	0	0	0	36,000
0	742	729	729	0	0	0	729
0	145,129	133,734	133,734	0	0	0	133,734
0	265,920	300,095	300,095	0	0	0	300,095

The interest expenses are in the financial result.

The earnings from the currency translation of the financial liabilities measured at amortized cost (FLAC) contains both currency gains (KEUR 3,669) and currency losses (KEUR 1,242). These mainly result from liabilities from third parties are disclosed in other operating income or expenses.

Impairments of loans and receivables result from impairments both of trade receivables and also other financial assets. These are recognized under selling expenses.



Fair values

The financial instruments of the Group not accounted for at fair value mainly consist of cash equivalents, trade receivables, trade payables and other liabilities, overdraft facilities and long-term loans.

The carrying amount of cash equivalents and overdrafts approximates fair value due to the high liquidity of the financial instruments. The cost-based carrying amount of receivables and payables subject to normal trade credit terms also approximates fair value.

The fair value of non-current liabilities is based on the current interest rate for borrowing at similar terms and conditions with the same due date and credit rating. At present the fair value of debt capital corresponds closely to the book value.

The fair value of the derivative financial instruments was estimated using the following methods and assumptions:

The fair values of currency swaps were estimated as the present value of cash flows on the basis of the difference between the contractually agreed exchange rates and forward rate pre-

		2007			
		Nominal volume Total	due in more than 1 year	Fair value (other assets)	Fair value (other liabilities)
	Currency	KEUR	KEUR	KEUR	KEUR
Forward exchange contracts	USD	785	0	105	0
Forward exchange contracts	EUR	0	0	0	0
Forward exchange contracts	Other	8,687	0	79	47
Interest swaps	EUR	2,000	0	12	0
Interest swaps	USD	0	0	0	0
Interest caps	EUR	12,040	8,590	6	33
Interest caps	USD	27,181	27,181	0	17
Call/put options				0	0
Embedded derivatives				0	413
Total				202	510
– of which current				184	460
– of which non-current				18	50
				202	510

vailing on the balance sheet date. The fair values of the interest hedges are estimated as the discounted value of expected future cash flows.

Depending on their fair value on balance sheet date, derivative financial instruments are reported under other assets (positive fair value) or other liabilities (negative fair value) respectively.

In addition, KEUR 616 was reclassified due to the realization of hedged transactions in the course of the reporting period from accumulated other comprehensive income to profit or loss and disclosed in sales revenues, other operating expenses and net interest in the income statement. The effect on earnings (before taxes) expected for the following reporting period from the amounts recognized directly in equity as of the balance sheet date under accumulated other comprehensive income came to KEUR 152. In fiscal year 2009, the effect on earnings is expected to come to KEUR –413.

The nominal and fair values of derivative financial instruments (hedges) are as follows as of the balance sheet date:

2006			
Nominal volume Total	due in more than 1 year	Fair value (other assets)	Fair value (other liabilities)
KEUR	KEUR	KEUR	KEUR
7,914	0	208	0
14,596	0	70	0
7,324	0	0	7
4,000	2,000	20	0
22,713	0	347	0
5,760	3,440	0	34
7,571	0	74	0
		3,930	0
		0	492
		4,649	533
		4,208	499
		441	34
		4,649	533

The nominal volume is the imputed volume from which the related cash flows are derived. The risk stems therefore not from the nominal values but from the related changes in exchange rates and interest rates.

Until the first-time full consolidation, there was a call option on the shares in Lasermax Roll Systems AB, Sweden, held by the joint venture partner. The call option was measured on the basis of an external appraisal by comparing the business enterprise value with the exercise price determined on the basis of the rulings of the option agreement. The calculation was based on the plans available at the valuation date.

The residual purchase price from the purchase of shares in BÖWE BELL + HOWELL Holdings Inc., USA, will be financed by the previous minority shareholder until 2009. The seller receives a fixed rate of interest and

an additional yield. The additional yield is based on the percentage rate by which the BÖWE SYSTEC share price at the end of the 1st quarter of 2009 exceeds a certain threshold. Pursuant to IAS 39 the additional yield represents an embedded derivative which was initially measured at market value. Subsequently, the embedded derivative is taken to profit and loss at fair value. This is based on the calculations of an external appraiser.



STATEMENTS OF CHANGES IN NON-CURRENT ASSETS 2007

17. Statement of changes in non-current assets

Group non-current assets developed as follows:

	ACCUMULATED COST						Dec. 31, 2007
	Jan. 1, 2007	Changes in consolidated group	Exchange differences	Additions	Disposals	Reclassifications	
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Intangible assets							
Goodwill	167,773	16,718	-18,121	0	0	0	166,370
Trademarks and patents	72,752	90	-7,603	5	0	0	65,244
Client base	35,835	430	-3,745	0	0	0	32,520
Capitalized development work	14,915	2,857	-1,092	8,050	0	0	24,730
Other intangible assets	18,127	44	-1,447	405	1,001	6,186	22,314
Payments on accounts	0	0	0	340	0	0	340
	309,402	20,139	-32,008	8,800	1,001	6,186	311,518
Property, plant and equipment							
Land and buildings including buildings on third-party land	24,703	0	-674	296	10	-472	23,843
Technical equipment and machines	24,760	151	-1,389	1,677	1,548	-4,096	19,555
Leased assets	2,698	0	0	2,509	1,303	3,570	7,474
Other equipment, furniture and fixtures	32,215	3,590	-1,294	1,590	2,505	-1,462	32,134
Payments on account and assets under construction	866	14	-62	3,825	0	-3,726	917
	85,242	3,755	-3,419	9,897	5,366	-6,186	83,923
Investment property							
	9,507	0	0	0	0	0	9,507
	404,151	23,894	-35,427	18,697	6,367	0	404,948

ACCUMULATED DEPRECIATION AND IMPAIRMENTS

Jan. 1, 2007	Changes in consolidated group	Exchange differences	Additions	Disposals	Reclassifications	Dec. 31, 2007
KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
11,981	0	-201	0	0	0	11,780
3,521	58	-439	1,033	0	0	4,173
19,322	0	-2,346	5,189	0	0	22,165
1,668	962	-257	2,563	0	0	4,936
14,544	15	-1,316	1,245	73	684	15,099
0	0	0	0	0	0	0
51,036	1,035	-4,559	10,030	73	684	58,153
6,591	0	-295	751	10	-483	6,554
14,261	51	-696	2,830	954	-2,529	12,963
924	0	-56	1,338	796	2,161	3,571
24,678	3,342	-927	2,939	2,337	167	27,862
0	0	0	0	0	0	0
46,454	3,393	-1,974	7,858	4,097	-684	50,950
4,120	0	0	308	0	0	4,428
101,610	4,428	-6,533	18,196	4,170	0	113,531

CARRYING AMOUNTS

Dec. 31, 2007	Dec. 31, 2006
KEUR	KEUR
154,590	155,792
61,071	69,231
10,355	16,513
19,794	13,247
7,215	3,583
340	0
253,365	258,366
17,289	18,112
6,592	10,499
3,903	1,774
4,272	7,537
917	866
32,973	38,788
5,079	5,387
291,417	302,541

STATEMENTS OF CHANGES IN NON-CURRENT ASSETS 2006

	ACCUMULATED COST					
	Jan. 1, 2006	Changes in consolidated group	Additions	Disposals	Reclassifications	Dec. 31, 2006
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Intangible assets						
Goodwill	186,464	-18,691	0	0	0	167,773
Trademarks and patents	81,008	-8,256	0	0	0	72,752
Client base	39,902	-4,067	0	0	0	35,835
Capitalized development cost	8,420	-588	6,201	0	882	14,915
Other intangible assets	17,947	-1,480	2,386	726	0	18,127
	333,741	-33,082	8,587	726	882	309,402
Property, plant and equipment						
Land and buildings including buildings on third-party land	24,916	-690	244	296	529	24,703
Technical equipment and machines	18,918	-824	3,994	1,532	4,204	24,760
Leased assets	2,872	0	685	859	0	2,698
Other equipment, furniture and fixtures	30,910	-1,146	6,839	1,392	-2,996	32,215
Payments on account and assets under construction	3,693	-363	155	0	-2,619	866
	81,309	-3,023	11,917	4,079	-882	85,242
Investment property	9,507	0	0	0	0	9,507
	424,557	-36,105	20,504	4,805	0	404,151

ACCUMULATED DEPRECIATION AND IMPAIRMENTS

Jan. 1, 2006	Changes in consolidated group	Additions	Disposals	Reclassifications	Dec. 31, 2006
KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
12,322	-341	0	0	0	11,981
2,711	-277	1,087	0	0	3,521
16,002	-1,631	4,951	0	0	19,322
659	-40	1,049	0	0	1,668
12,764	-974	3,374	620	0	14,544
44,458	-3,263	10,461	620	0	51,036
5,282	-186	1,596	101	0	6,591
12,335	-472	3,595	1,186	-11	14,261
1,039	0	459	574	0	924
24,818	-822	1,941	1,270	11	24,678
0	0	0	0	0	0
43,474	-1,480	7,591	3,131	0	46,454
3,813	0	307	0	0	4,120
91,745	-4,743	18,359	3,751	0	101,610

CARRYING AMOUNTS

Dec. 31, 2006	Dec. 31, 2005
KEUR	KEUR
155,792	174,142
69,231	78,297
16,513	23,900
13,247	7,761
3,583	5,183
258,366	289,283
18,112	19,634
10,499	6,583
1,774	1,833
7,537	6,092
866	3,693
38,788	37,835
5,387	5,694
302,541	332,812

VII. Notes to the consolidated income statement

18. Revenue

Revenue contains the amounts charged to customers for goods and services. Sales deductions such as rebates and discounts are deducted from revenue. Detailed explanations of the geographical distribution of sales revenue are contained in the segment reporting.

This item contains revenue from long-term construction contracts of KEUR 7,809 (prior year: KEUR 10,512).

19. Other operating income

Besides the non-recurring effects described below, other operating income mainly comprises gains on sale, rental income from investment property (KEUR 732, prior year: KEUR 742) and exchange rate gains. The exchange rate gains of KEUR 3,669 are allocated to the measurement category "financial liabilities measured at amortized cost".

The figures of the fiscal years 2007 and 2006 contain the following one-off factors:

	2007	2006
	KEUR	KEUR
Change in the fair value of the option to acquire shares in Lasermax Roll Systems AB		
Transition to full consolidation	1,500	3,213
Measurement of an embedded derivative at fair value	79	2,099
	<u>1,579</u>	<u>5,312</u>

20. Personnel expenses

The expense positions of the consolidated income statement contain the following employee benefit expenses:

	2007	2006
	KEUR	KEUR
Wages and salaries	183,426	172,470
Expense of share-based payments	0	13
Social security cost and post-employment benefits	36,557	34,458
– of which old-age pensions	(1,324)	(1,392)
Other post-employment benefits	2,239	2,758
	<u>222,222</u>	<u>209,699</u>

21. Other operating expenses

This position also contains operating expenses (including repairs and maintenance) (KEUR 40, prior year: KEUR 94) for investment property with which rental income was generated during the reporting period and exchange rate gains. The exchange rate losses of KEUR 1,242 are allocated to the measurement category "financial liabilities measured at amortized cost".

22. Net interest

	2007	2006
	KEUR	KEUR
Interest income	2,225	1,844
Interest expenses	-20,473	-20,746
Net interest	-18,248	-18,902
of which: from financial instruments in the measurement categories pursuant to IAS 39:		
Loans and receivables	2,212	1,833
Held-to-maturity investments	13	11
Financial liabilities measured at amortized cost	-20,473	-20,746

Interest and similar expenses contains KEUR 933 (prior year: KEUR 833) from the amortization of borrowing costs.

23. Income taxes

	2007	2006
	KEUR	KEUR
Current taxes:		
German	1,056	610
Foreign	-2,165	3,476
Total current taxes	-1,109	4,086
Deferred taxes:		
German	-335	2,275
Foreign	-1,219	1,953
Total deferred taxes	-1,554	4,228
Actual income tax expense	-2,663	8,314

At the German companies, the current tax expense consists of corporate income tax plus solidarity surcharge and trade tax. At the foreign companies, the comparable income-based taxes are disclosed.

For the German companies, the corporate income tax rate, including solidarity surcharge, was unchanged at 26.375%. Taking the trade tax into account, the total tax burden of the German companies was unchanged at 38%.

Due to the 2008 Business Tax Reform enacted by the upper and lower houses of the German parliament during 2007, a reduced corporate income tax rate (15%) will apply from the fiscal year 2008 onwards. Taking into account other changes in determining the tax assessment basis for trade and corporate income tax, it is assumed that the effective income tax burden will be around 30% from the fiscal year 2008 onwards. This rate was used in measuring the deferred taxes for German companies. The change in tax rate will result in an expense of around EUR 1.4 million.

At the foreign companies, tax rates range between 13% and 41%.

There were no major changes in tax expense due to changes in the respective local tax rates outside Germany.

In the fiscal year, deferred taxes of KEUR –212 (prior year: KEUR –288) were offset directly against equity.

As of the balance sheet date, the Group had unused tax losses of EUR 69 million (prior year: EUR 70 million) for offsetting against future profits. A deferred tax asset of EUR 27 million (prior year: EUR 24 million) was recorded on these losses. A deferred tax asset was not recorded on the remaining EUR 42 million (prior year: EUR 46 million) because future profits were not sufficiently foreseeable. The unused tax losses that have not been considered contain around EUR 3 million which will be forfeited in the next five to nine years. The other losses can be carried forward for an indefinite period of time.

The temporary differences associated with shares in subsidiaries for which no deferred tax liabilities were recognized amount to KEUR 2,728 in total (prior year: KEUR 2,718), as no profit distributions are expected in the foreseeable future.

A reconciliation between the reported income tax expense and the expected income tax expense for the fiscal years ended December 31, 2007 and 2006 is as follows:

	2007	2006
	KEUR	KEUR
Net profit before taxes	15,045	27,565
Theoretical tax expense based on the German total tax rate of 38% (prior year: 38%):	5,717	10,475
Variations tax effect	288	–56
Tax-free investment income	–331	–451
Capitalization of previously unrecognized unused tax losses	–2,448	–1,550
Non-capitalized deferred tax assets on unused tax losses	1,419	1,309
Tax income (–) or expenses (+) for prior years	–9,776	–2,113
Non-deductible expenses	487	854
Zero-rated income	623	0
Other	1,358	–154
Taxes on income	–2,663	8,314

The tax income for prior years in the fiscal year 2007 results from the lower estimated probability of the tax risks accrued to date at a foreign group company.

Deferred taxes due to measurement differences relate to the following balance sheet positions:

	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	Dec. 31, 2007		Dec. 31, 2006	
	KEUR		KEUR	
Receivables and other assets	5,895	1,040	1,390	1,751
Inventories	8,365	57	9,160	73
Property, plant and equipment	5,787	545	1,057	7,025
Intangible assets	207	32,677	84	27,857
Other assets	610	364	26	0
Liabilities	3,489	5,247	5,714	1,896
Pension provisions	2,839	14	4,279	0
Other provisions	1,171	744	511	1,292
	28,363	40,688	22,221	39,894
Shares in subsidiaries and joint ventures	0	570	0	570
Cash flow hedges	13	0	10	71
Unused losses	5,476	0	5,783	0
	33,852	41,258	28,014	40,535
Portion for netting	-20,444	-20,444	-17,697	-17,697
Deferred taxes	13,408	20,814	10,317	22,838

24. Dividends paid and proposed

	2007	2006
	KEUR	KEUR
Dividends declared and paid during the fiscal year		
– Dividend for 2006: EUR 1.35 (2005: EUR 1.35)	8,910	8,910
Proposal for approval at the annual general meeting		
– Dividend for 2007: EUR 1.35 (2006: EUR 1.35)	8,910	8,910

The proposed dividend is subject to the approval of the shareholders at the annual general meeting (AGM) and was not recorded as a liability in the financial statements.

VIII. Other notes

25. Segment reporting

Geographical segments are the primary format for the segment reporting of the Group, as the risks and equity yield of the Group is influenced by differences in the various geographical regions. The Mailroom Management segment represents the secondary segment reporting format.

The Group's geographical segments are determined by the location of the Group's assets and operations. The Group is divided into the following geographical segments:

- Germany
- Europe (Austria, Belgium, Czech Republic, Denmark, Finland, France, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland, United Kingdom)
- USA (USA and Canada)
- Rest of World (Australia, Japan and Singapore)

The Group records its sales in the country in which the sales with the respective third party are realized and not in the region in which the products are ultimately installed. For example, sales with general sales agents abroad are recorded as German sales as the goods are billed in Germany and leave the Group there.

26. Notes to the consolidated cash flow statement

Cash and cash equivalents consist of liquid funds (EUR 26.5 million) as well as overdraft facilities (EUR 20.3 million).

Payments of EUR 9.8 million, net of cash and cash equivalents assumed and plus short-term liabilities, were made for the 50% stake in Lasermax Roll Systems AB, Ljungby, Sweden. A partial amount of EUR 1.2 million was paid for a company taken over in the past. For information about the cash and cash equivalents and the purchased assets and liabilities we refer to the explanations in "III. Consolidated group".

27. Operating leases

The Group as lessor

The Group has entered into rent agreements for the commercial rental of its investment properties. These rental agreements have a non-cancellable residual rental period of one year. All the rent agreements contain a clause according to which the rent can be adjusted annually based on the prevailing market conditions.

In addition, the Group has lease agreements for the commercial lease of BÖWE SYSTEC products. These lease agreements have a non-cancellable residual lease period of between one and five years. There are no price adjustment clauses.

As of the balance sheet date, the receivables from future minimum lease payments on account of non-cancellable operating leases break down as follows:

	2007	2006
	KEUR	KEUR
Less than 1 year	2,021	888
Between 1 and 5 years	4,667	2,301
	<u>6,688</u>	<u>3,189</u>

The Group as lessee:

Operating leases relate in particular to rent for certain office properties of the Group. In addition, the Group has entered into leases on various vehicles and technical equipment. The leases expire at various points in time between 2007 and 2016. There are no purchase options upon expiry of the lease either for the rented buildings or the technical equipment. There are options to purchase some of the leased vehicles upon expiry of the lease.

At balance sheet date, obligations from operating leases are as follows:

	2007	2006
	KEUR	KEUR
Less than 1 year	11,528	9,150
Between 1 and 5 years	27,247	24,967
More than 5 years	13,476	20,475
	<u>52,251</u>	<u>54,592</u>

Lease payments of KEUR 10,690 (prior year: KEUR 13,967) were recorded as an expense in fiscal 2007.

28. Other financial obligations

Apart from the obligations from operating leases (Group as lessee) there are no additional other financial obligations that are material.



29. Contingent liabilities

At balance sheet date, contingent liabilities are as follows:

	2007	2006
	KEUR	KEUR
Liabilities from guarantees and warranties	395	363
Contingent liabilities from the provision of collateral for third-party liabilities	0	672
	395	1,035

30. Related party disclosures

For information regarding the financial statements of BÖWE SYSTEC Aktiengesellschaft and its subsidiaries included in the consolidated financial statements we refer to the list of shareholdings.

The parent company of BÖWE SYSTEC Aktiengesellschaft which prepares the consolidated financial statements for the largest group of companies is WANDERER-WERKE AKTIENGESELLSCHAFT, Augsburg.

Goods and service transactions

In the course of the fiscal year, the group entities carried out the following transactions with related parties which do not belong to the Group:

		Revenue from sales and other income	Purchase of goods and other expenses	Amounts owed by related parties	Amounts owed to related parties
		KEUR	KEUR	KEUR	KEUR
Ultimate parent					
– WANDERER-WERKE AG, Augsburg	2007	226	3,455 ²⁾	5,624 ¹⁾	982
	2006	18	3,387 ²⁾	471 ¹⁾	0
Joint venture					
– Lasermax Roll Systems AB, Ljungby ³⁾	2007	33	1,388	20	645
	2006	978	3,361	32	635
Other transactions					
– WANDERER-WERKE Beteiligungs- und Verwaltungs GmbH, Augsburg	2007	870	0	12,424 ¹⁾	0
	2006	870	0	12,424 ¹⁾	0
– BÖWE Garment Care Systems (Aust), PTY. Ltd., Sydney, Australia	2007	0	0	0	0
	2006	17	0	0	0

¹⁾ Loans granted at market conditions.

²⁾ This item mainly consists of rent expenses.

³⁾ Lasermax Roll Systems AB was only a joint venture until June 30, 2007; from July 1, 2007 it is an affiliated company.

Boards of BÖWE SYSTEC Aktiengesellschaft

The members of the **management board** of BÖWE SYSTEC Aktiengesellschaft in fiscal year 2006 were:

Dr. Claus Gerckens Augsburg
Chairman Chairman of the management board of WANDERER-
WERKE AKTIENGESELLSCHAFT
Supervisory board offices or similar offices:
EUROKAI KGaA, Hamburg
Waltershof Peute Hafen Betriebs-GmbH, Hamburg
Lasermax Roll Systems AB, Ljungby, Sweden
Chairman

Michael Meyer Neusäß
Deputy Chairman

Dr. Harald Nippel Augsburg
(from September 1, 2007)

The remuneration of the management board breaks down as follows:

	Basic salary		Profit-based compensation	Total	
	Salary	Additional benefits	Bonus	2007	2006
	KEUR	KEUR	KEUR	KEUR	KEUR
Dr. C. Gerckens	256	0	279	535	508
M. Meyer	220	10	158	388	412
Dr. H. Nippel	61	2	32	95	0
Total	537	12	469	1,018	920

Total remuneration paid to the management board is profit-based. It comprised remuneration that is not linked to profits (salary) and a profit-based component (bonus). The annual salary is paid in monthly installments and the amount is agreed for the term of the agreement in each case. Dr. Gerckens' salary was revised as of January 1, 2007 for the period until December 31, 2011, while Mr. Meyer's salary was revised as of January 1, 2006 for a period until December 31, 2010. Dr. Nippel's salary has been fixed for the period from September 1, 2007 to December 31, 2010. The amount of the bonus depends on the respective net profit of the Group for the year, which is reduced by an appropriate return on equity on the basic bonus using the balance as of January 1 of each fiscal year. In addition, a bonus can be paid if certain company profit targets and personal targets are met. This is subject to the approval of the personnel committee of the supervisory board.

The members of the management board can also subscribe to convertible bonds, which are offered to executives in the BÖWE SYSTEC Group as part of a stock option based incentive system. More details are included in note 9. In fiscal year 2007, a convertible bond was due for repayment; it was redeemed at nominal value. The prerequisites for the purchase of shares of BÖWE SYSTEC Aktiengesellschaft were not satisfied.

The additional benefits stem from the amounts that can be recognized in accordance with tax provisions for private use of company cars and direct insurance. The remuneration in kind was subject to tax payable by the respective management board members.

Pension commitments have been made to Dr. Gerckens and Mr. Meyer.

Dr. Gerckens, the Chairman of the management board, is entitled to pension payments amounting to 4/3 of the group amount for Group S as created in accordance with the statutes and benefit regulations of the Bochumer Verband. Dr. Gerckens will receive his full pension upon completion of his management board activities at the age of 63, or in the case of occupational invalidity, and a reduced pension under certain circumstances in the case of premature termination or if the employment agreement is not extended. In future, current payments will be adjusted in accordance with the statutes and benefit regulations of the Bochumer Verband. In addition there is an entitlement to payments to surviving dependents in the form of a life-long widow's pension of 60% of the pension and an orphan's pension of 25% of the pension for each child until the children reach a certain age. Together the surviving dependents receive a maximum of 100% of the pension.

Mr. Meyer has a pension entitlement based on his basic salary. The monthly pension corresponds to 2% of the monthly basic salary multiplied by the number of years of service up to an agreed maximum amount. Once this amount is reached, the increase then amounts to 2% each year until retirement age is reached, regardless of the development of his basic salary. Mr. Meyer will receive his pension upon completion of his management board activities at the age of 65 and/or upon receiving an old-age pension from his statutory pension insurance, as well as in the case of occupational invalidity. In addition there is an entitlement to a life-long widow's pension of 50% of the pension.

The pension provisions for the pension entitlements of the management board members total KEUR 1,954 (prior year: KEUR 2,001). The service cost for the fiscal year 2007 amounts to KEUR 72 (prior year: KEUR 76) for Dr. Gerckens and KEUR 42 (prior year: KEUR 46) for Mr. Meyer.

For Dr. Nippel, the company will pay an annual insurance premium that allows him to make provision for his old age at will. The claim from this insurance is vested as of its inception. In fiscal year 2007 pro-rate payments came to KEUR 8.

Former managers of the legal predecessor of BÖWE SYSTEC Aktiengesellschaft were paid KEUR 39 in 2007 (prior year: KEUR 37). Pension commitments covered by provisions for current and future pension claims of former members of the management board and former general managers of the legal predecessor amounted to KEUR 381 (prior year: KEUR 393).

In the fiscal year 2007 the **supervisory board** of BÖWE SYSTEC Aktiengesellschaft comprised:

<p>Johannes Beelen Chairman</p>	<p>Solingen Former director of ZWILLING J.A. Henckels AG, Solingen <u>Other supervisory board offices or similar offices:</u> Jaguar Stahlwarenfabrik GmbH & Co. KG, Solingen RWL Verwaltungs- und Beteiligungs-AG, Bremen Rheinische Grundbesitz AG, Mülheim an der Ruhr Meridio Vermögensverwaltung AG, Cologne (Chairman)</p>
<p>Prof. Dr. Günther Langenbacher Deputy Chairman</p>	<p>Stuttgart German public auditor <u>Other supervisory board offices or similar offices:</u> DEKRA AG, Stuttgart Deutsche Beteiligungs AG, Frankfurt/Main WANDERER-WERKE AKTIENGESELLSCHAFT, Augsburg (Chairman) Deutsche Beteiligungsgesellschaft Fonds III GmbH, Frankfurt/Main Klinge Paperwerke GmbH & Co. KG, Remshalden</p>
<p>Prof. Dr. Dres. h.c. Adolf G. Coenenberg</p>	<p>Stadtbergen Professor emeritus of business administration, audit and controlling at the University of Augsburg <u>Other supervisory board offices or similar offices:</u> Carl Zeiss AG, Oberkochen Forum Media Group, Merching (Chairman) MS Rio Branco Schifffahrtsgesellschaft mbH & Co. KG, Hamburg</p>
<p>Prof. Dr. h.c. Rolf-Dieter Leister (until May 24, 2007)</p>	<p>Lucerne, Switzerland Business consultant <u>Other supervisory board offices or similar offices:</u> Deutsche Beteiligungs AG, Frankfurt/Main (Deputy Chairman) DaimlerChrysler Services AG, Berlin Südwestdeutsche Medien Holding GmbH, Stuttgart</p>



Prof. Dipl.-Ing. Gerd Finkbeiner (from May 24, 2007)	Neusäß CEO of MAN Roland Druckmaschinen AG, Offenbach a.M. <u>Other supervisory board offices or similar offices:</u> RENK AG, Augsburg
Claus-D. Bunk Employee representative	Schwabmünchen Chairman of the works' council of BÖWE SYSTEC Aktiengesellschaft, Augsburg <u>Other supervisory board offices:</u> WANDERER-WERKE AKTIENGESELLSCHAFT, Augsburg
Alfred Seifert Employee representative (until May 24, 2007)	Augsburg Deputy Chairman of the works' council of BÖWE SYSTEC Aktiengesellschaft, Augsburg
Roland Hörmann Employee representative (from May 24, 2007)	Augsburg Deputy Chairman of the works' council of BÖWE SYSTEC Aktiengesellschaft, Augsburg

The remuneration of the supervisory board is regulated in Art. 14 of the articles of incorporation and bylaws of BÖWE SYSTEC Aktiengesellschaft and contains two components:

- A fixed component of EUR 1,500 annually for all members of the supervisory board,
- A variable component dependent on the net dividend paid out in accordance with the dividend resolution of the annual general meeting and which amounts to EUR 12,300 for each supervisory board member in fiscal 2007. The deputy chairman and chairman receive 1.5 times or 2.0 times the remuneration described above respectively.

The statutory remuneration of the supervisory board for the past fiscal year thus totaled KEUR 104 (prior year: KEUR 104).

In addition, Mr. Beelen received a payment of KEUR 25 for consulting services rendered by him personally.

31. Subsequent events

There were no events after close of the fiscal year 2007 which would be significant for assessing the net assets, financial position and results of operations of the BÖWE SYSTEC Group.

32. Additional disclosure requirements for German parent companies in the IFRS consolidated financial statements pursuant to Sec. 315a HGB

Average headcount during the year:

	Group	
	2007	2006
Wage earners	1,540	1,463
Salaried employees	2,239	2,043
Senior executives	24	35
	<u>3,803</u>	<u>3,541</u>

Corporate Governance

The management board and supervisory board of BÖWE SYSTEC Aktiengesellschaft hereby declare that they have issued the declaration required by Sec. 161 AktG and made it available to the shareholders.

Auditing and advisory expenses

The fee of the group auditor recorded as an expense for the fiscal year amounts to KEUR 369 for the audits of the separate and consolidated financial statements, KEUR 1 for tax advisory services and KEUR 39 for other services provided for the parent or subsidiaries.

Augsburg, March 20, 2008

BÖWE SYSTEC Aktiengesellschaft

Management board



AUDIT OPINION

Audit opinion

We have issued the following opinion on the consolidated financial statements and the group management report:

“We have audited the consolidated financial statements prepared by BÖWE SYSTEC Aktiengesellschaft, Augsburg, comprising the consolidated balance sheet, consolidated income statement, notes to the consolidated financial statements, consolidated cash flow statement, statement of recognized income and expenses and statement of changes in group equity, together with the group management report for the fiscal year from January 1 to December 31, 2007. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB [“Handelsgesetzbuch”: German Commercial Code] is the responsibility of the Company’s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB [“Handelsgesetzbuch”: German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

RESPONSIBILITY STATEMENT BY THE EXECUTIVE BOARD

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Hamburg, March 20, 2008

Ernst & Young AG

Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Ludwig

Koch

Wirtschaftsprüfer
[German Public Auditor]

Wirtschaftsprüfer
[German Public Auditor]

Responsibility statement by the executive board

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Augsburg, March 20, 2008

The management board



BALANCE SHEET OF BÖWE SYSTEC AG ACCORDING TO HGB

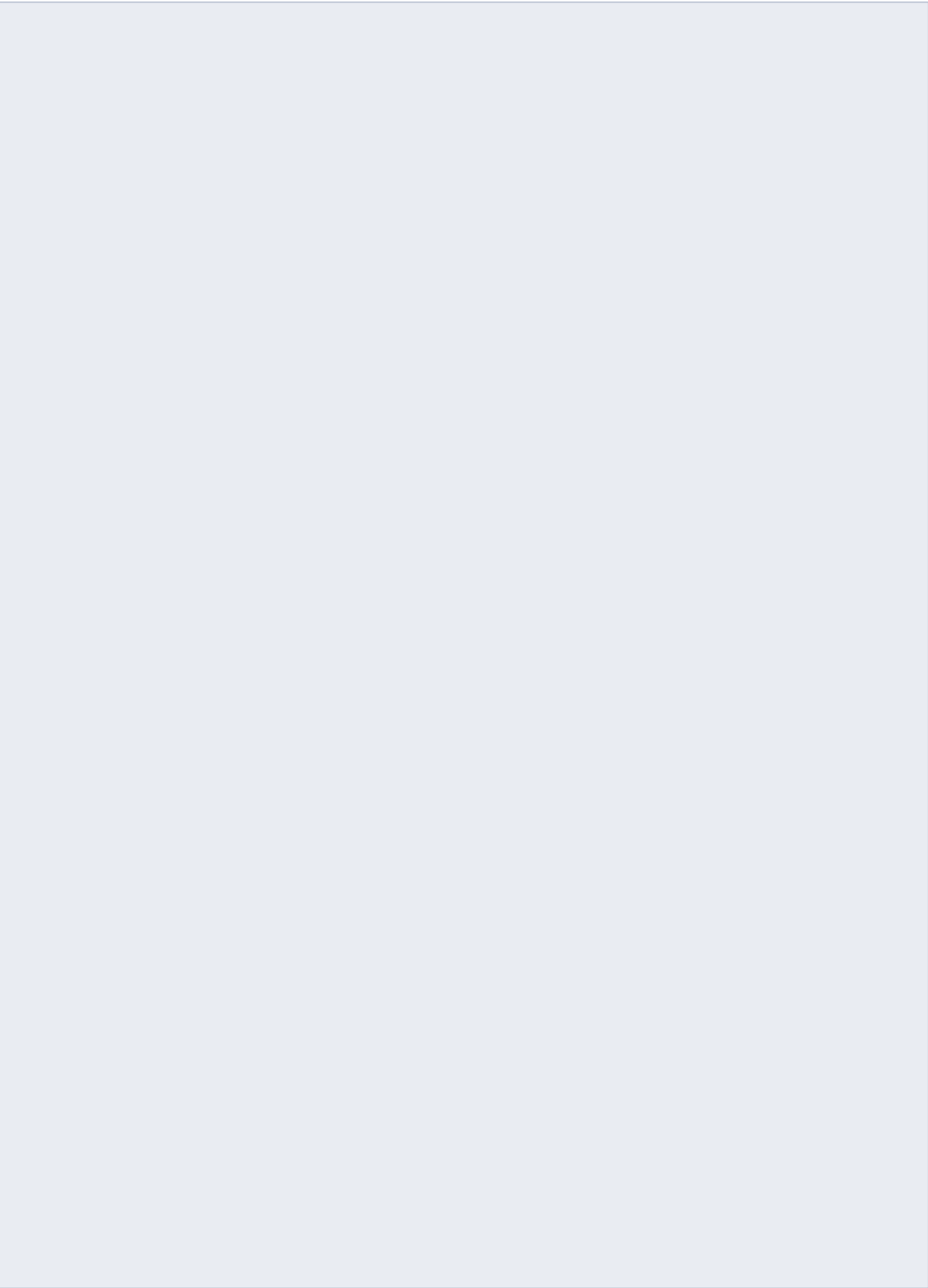
ASSETS	2007	2006
	KEUR	KEUR
A. FIXED ASSETS		
1. Intangible assets	1,216	1,472
2. Property, plant and equipment	9,368	9,670
3. Financial assets	162,272	161,895
	172,856	173,037
B. CURRENT ASSETS		
1. Inventories	26,386	24,701
2. Receivables and other assets	63,632	44,689
3. Cash	6,281	135
	96,299	69,525
C. PREPAID EXPENSES	255	120
	269,410	242,682

EQUITY AND LIABILITIES

	2007	2006
	KEUR	KEUR
A. EQUITY		
1. Subscribed capital	17,160	17,160
2. Capital reserve	44,169	44,169
3. Revenue reserves	20,190	20,190
4. Retained earnings	19,915	19,628
	101,434	101,147
B. ACCRUALS		
1. Pensions and similar obligations	4,720	4,518
2. Other accruals	5,306	5,420
	10,026	9,938
C. LIABILITIES		
1. Bonds	40,449	440
2. Profit participation rights	36,000	36,000
3. Liabilities to banks	49,452	74,743
4. Other financial liabilities	19,000	12,000
5. Trade payables	2,224	1,710
6. Other liabilities	10,825	6,704
	157,950	131,597
	269,410	242,682

INCOME STATEMENT OF BÖWE SYSTEC AG ACCORDING TO HGB

BÖWE SYSTEC AG	2007	2006
	KEUR	KEUR
1. Sales	82,220	79,877
2. Decrease in finished goods and work in process	-679	-1,184
3. Own work capitalized	80	109
4. Other operating income	6,167	7,447
5. Cost of materials	-34,324	-28,009
6. Personnel expenses	-35,214	-33,976
7. Amortization of intangible assets and depreciation of property, plant and equipment	-1,324	-1,596
8. Other operating expenses	-14,578	-13,076
9. Investment result	13,793	8,697
10. Amortization of financial assets	-2	-877
11. Interest result	-7,390	-7,394
12. Result from ordinary activities	8,749	10,018
13. Income taxes	467	-232
14. Other taxes	-19	-22
15. Net income for the year	9,197	9,764
16. Profit carried forward from prior year	10,718	9,864
17. Retained earnings	19,915	19,628



LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2007

Entity, location	Share %	Currency	Nominal capital in LC	Equity as of Dec, 31, 2007 KEUR ¹⁾	Net results for the year 2007 ¹⁾
Direct investments					
BÖWE SYSTEC Beteiligungs- und Verwaltungs GmbH, Augsburg	100	EUR	28,200,000.00	40,553 ²⁾	4,853
BÖWE Systems GmbH, Augsburg	100	EUR	1,000,000.00	918	35
BÖWE SYSTEC AUSTRALIA PTY. Ltd., Sydney, Australia	100	AUD	5,300,000.00	-933	-179
BÖWE SYSTEC BENELUX B.V., Apeldoorn, Netherlands	100	EUR	436,000.00	3,721 ²⁾	75
BÖWE SYSTEC S.A.S., Fontenay sous Bois Cedex, France	100	EUR	840,000.00	5,977	-357
BÖWE SYSTEC S.p.A., Rome, Italy	100	EUR	3,300,000.00	2,568	-997
BÖWE SYSTEC JAPAN Ltd., Tokyo, Japan	100	JPY	400,000,000.00	5,368	358
BÖWE SYSTEC AUSTRIA GmbH, Vienna, Austria	100	EUR	50,000.00	539 ²⁾	314
BÖWE SYSTEC S.A., Madrid, Spain	100	EUR	60,000.00	11,112 ²⁾	1,367
BÖWE SYSTEC AB, Sundbyberg, Sweden	100	SEK	15,000,000.00	832 ⁸⁾	-372
Indirect investments					
BÖWE SYSTEC Vertriebs- und Service GmbH, Oberursel	100	EUR	4,000,000.00	4,000 ³⁾	5,207 ⁴⁾
BÖWE SYSTEC INTERNATIONAL GmbH, Augsburg	100	EUR	6,000,000.00	124,181	5,181
BÖWE SYSTEC Mailroom Communication GmbH, Augsburg	100	EUR	25,565.00	26 ³⁾	1,609 ⁴⁾
BÖWE Cardtec GmbH, Paderborn	100	EUR	265,000.00	680	-213
BÖWE SYSTEC (Schweiz) AG, Volketswil, Switzerland	100	CHF	1,500,000.00	631	200
BÖWE SYSTEC (U.K.) Ltd., Bracknell, Great Britain	100	GBP	1,200,000.00	-1,529	1,199
BÖWE SYSTEC (IR) Ltd., Dublin, Ireland	100	EUR	101.00	24	121
BÖWE SYSTEC AS, Oslo, Norway	100	NOK	500,000.00	31 ⁷⁾	-303
Oy BÖWE SYSTEC AB, Helsinki, Finland	100	EUR	168,200.00	84 ⁷⁾	-93 ⁷⁾
BÖWE SYSTEC AS, Herlev, Denmark	100	DKK	600,000.00	134 ⁷⁾	94
BÖWE SYSTEC NEDERLAND B.V., Apeldoorn, Netherlands	100	EUR	169,000.00	1,548 ⁷⁾	702
N.V. BÖWE SYSTEC S.A., Merchtem, Belgium	100	EUR	124,000.00	1,713	980
Secumail N.V., Merchtem, Belgium	25	EUR	– ⁹⁾	– ⁹⁾	– ⁹⁾
Secuserv B.V., Apeldoorn, Netherlands	100	EUR	18,000.00	13	0
BÖWE SYSTEC CATALUNYA S.L., Barcelona, Spain	100	EUR	66,000.00	3,943	143
BÖWE SYSTEC Comércio de Equipamentos Para Escritório S.A., Lisbon, Portugal	100	EUR	225,000.00	1,195 ²⁾	316
SAS Action + Mailing Service, Brix, France	49	EUR	250,000.00	328 ^{5) 6)}	19 ^{5) 6)}
BÖWE SYSTEC Polska Spolka z ograniczona odpowiedzialnoscia, Warsaw, Poland	100	PLN	950,000.00	431 ²⁾	224
InHouseService GmbH, Oberursel	100	EUR	200,000.00	200 ³⁾	191 ⁴⁾
BÖWE C.Z. s.r.o., Prague, Czech Republic	100	CZK	200,000.00	7	0
BÖWE SYSTEC C.Z. s.r.o., Prague, Czech Republic	100	CZK	100,000.00	286	267

Entity, location	Share %	Currency	Nominal capital in LC	Equity as of Dec, 31, 2007 KEUR ¹⁾	Net results for the year 2007 ¹⁾
Sub group financial statements of					
BÖWE BELL + HOWELL Holdings, Inc., Chicago, USA:	100	USD	1,000.00	168,010	7,367
BÖWE BELL + HOWELL, Inc., Chicago, USA					
BÖWE SYSTEC Inc., Hauppauge, USA					
BÖWE SYSTEC Inc., Coquitlam, Canada					
BÖWE BELL + HOWELL Company, Durham, USA					
BÖWE BELL + HOWELL International Ltd., Toronto, Canada					
BÖWE BELL + HOWELL Scanners LLC, Chicago, USA					
BCC Software Inc., Rochester, USA					
BÖWE BELL + HOWELL Postal Systems Company, Chicago, USA					
BÖWE BELL + HOWELL GmbH, Rosbach					
BÖWE BELL + HOWELL Financial Services Co., Chicago, USA					
BÖWE BELL + HOWELL Puerto Rico Inc., Puerto Rico					
Sub group financial statements of					
Lasermax Roll Systems AB, Ljungby, Sweden:	100	SEK	25,000,000.00	13,160	4,175
Lasermax Roll Systems Inc., Chicago, USA					
Lasermax Roll Systems Pte. Ltd., Singapore, Singapore					
Lasermax Roll Systems Ltd., Dorcan, Great Britain					
Lasermax Roll Systems NV, Sint-Niklaas, Belgium					

1) Equity in the financial statements presented in foreign currency is translated at the EUR closing rate as of December 31, 2007 and net income at the average EUR exchange rate. IFRS values are presented for foreign subsidiaries, HGB values for German companies.

2) After deduction of dividend distribution.

3) After deduction of profit transfer pursuant to profit and loss transfer agreement.

4) Prior to deduction of profit transfer pursuant to profit and loss transfer agreement.

5) Balance sheet date March 31, 2007.

6) In relation to a 100% shareholding.

7) After profit transfer to or loss absorption by the parent company.

8) After deduction of loss absorption of a subsidiary.

9) Current financial statements are not yet available.

GLOSSARY

ANV	The Account Number Verification module identifies every single document by means of a barcode, thus allowing every document to be traced from printing, inserting to dispatch.
BICOS	The BÖWE Interactive Control and Operating System is the operating and information system which ensures the smooth running of the whole process, thus guaranteeing that the documents are dispatched securely and reliably.
BIMAS	The BÖWE Integrated Mailingcenter Automation System is the brain of the BÖWE SYSTEC systems. The software enhances the efficiency and transparency of the machines and comprises three modular components: BICOS, ANV and MIS.
EBIT	Earnings Before Interest and Taxes.
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization.
HGB	Handelsgesetzbuch – German Commercial Code.
Mailing Centers	Mailing centers are specialized service providers which use high-performance inserting systems to perform the mailing function for other companies.
Mailroom	The concentration of mail production of a company in a mailroom results in volumes of several thousand letters per hour and allows the use of high-performance BÖWE SYSTEC systems.
Mailroom Management	The umbrella term for all areas of software-supported processing of printed paper starting from the cutting into single sheets and the application of plastic cards via folding, assembling and inserting to the automatic filing of the filled envelopes in mailboxes.
MIS	The Management Information System is the overriding control system: it coordinates the data of all the interconnected BÖWE SYSTEC systems and forms the intelligent interface to upstream networks.
OMR, OCR	The reading technologies Optical Mark Recognition and Optical Character Recognition are based on industry standards and the use of state-of-the-art technologies. They allow the feeding of individual enclosures for the various customers and the process of reading and dispatching the documents recorded with the greatest precision.
VDMA	Verband Deutscher Maschinen- und Anlagenbau e. V. – German mechanical engineering and plant construction association.

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FINANCIAL CALENDAR

April 8, 2008	Press briefing on annual results in Munich
April 8, 2008	DVFA analysts' conference in Frankfurt am Main
April 9, 2008	Road show in London
May 8, 2008	Interim report I/2008
May 27, 2008	Annual general meeting 2008, Augsburg
May 28, 2008	Dividend payment for financial year 2007
August 5, 2008	Interim report II/2008
November 6, 2008	Interim report III/2008
November, 2008	Analysts' conference in Frankfurt am Main
April 2009	Press briefing on annual results and analysts' conference
May 2009	Annual general meeting 2009 in Augsburg

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To the shareholders

The BÖWE Group

Group management report

Consolidated financial statement

