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MANAGEMENT REPORT FOR FJH AG AND THE GROUP FOR THE 2007 FISCAL YEAR

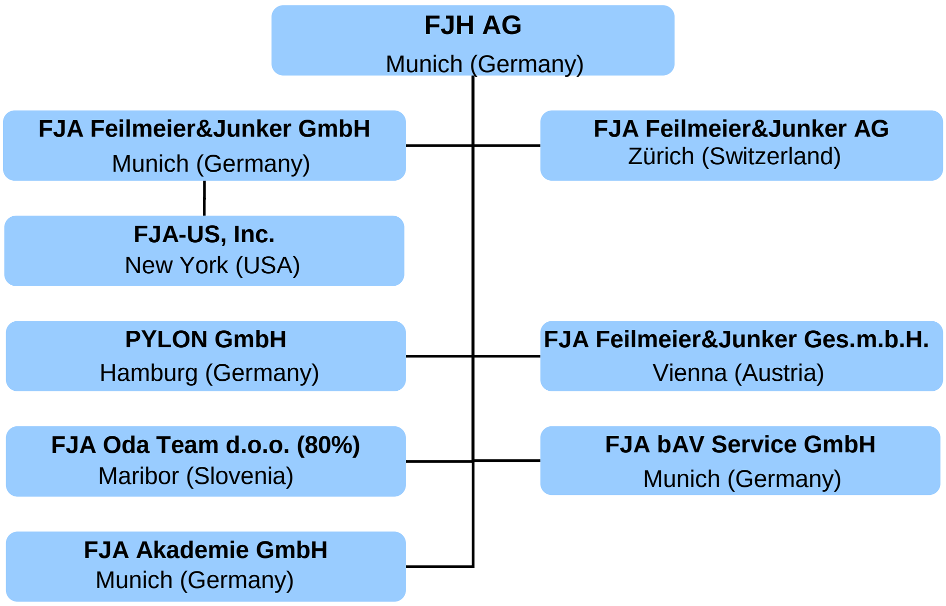
I. Business Climate and Underlying Conditions

1. Group structure and business activity

As the parent company of the FJH Group, FJH AG maintains 100% direct and indirect holdings in FJA Feilmeier & Junker GmbH, FJA Akademie GmbH and FJA bAV Service GmbH (all headquartered in Munich with additional offices in Hamburg, Cologne and Stuttgart), in FJA Feilmeier & Junker AG (headquartered in Zurich), FJA Feilmeier & Junker Ges.m.b.H. (headquartered in Vienna) and FJA-US, Inc. (headquartered in New York); it also maintains an 80% holding in FJA OdaTeam d.o.o., which is headquartered in Maribor, Slovenia. All companies are collectively referred to below as the "FJH Group".

Unless otherwise mentioned, the following information in this management report applies to both the Group and also the single entity FJH AG.

Overview of consolidated companies



Areas of activity and organisational structure

FJH is an industry expert for life insurers and pension providers and offers a full range of state-of-the-art consulting, service and product solutions. These solutions cover policy administration including actuarial mathematics, migration and policy administration add-on processes, sales processes and corporate control. Consulting and services and also the product portfolio are mutually complementary and form the backbone for the industry specialist's business model. The products are standard software products, most of which are release-ready. They are marketed under the FJA brand.

The business divisions are responsible for the solutions portfolio, its further development and all customer projects. Alongside the central business divisions of Policy Administration, Mathematics and Migration and Policy Administration Add-on Systems, the units in the USA and Slovenia are also classed as separate business divisions due to their special market requirements. All business divisions report centrally to Delivery. Sales is organised on the basis of independent regional units controlled by an umbrella sales management organisation. Sales and Delivery each have independent controlling units linked to Finance Division's Controlling.

Main offices

The FJH Group has offices in Germany (Munich, Cologne, Hamburg and Stuttgart), Switzerland (Zürich), Austria (Vienna), Slovenia (Maribor) and the USA (New York).

Management and control

- **Organisation of management and control – the Executive Board**

As at 31 December 2007, the Executive Board comprised Michael Junker (Spokesman, responsible for Strategy, Research, Risk Management, Corporate Controlling and Law), Thomas Junold (Deputy Spokesman, responsible for Sales and Delivery) and since 16 April 2007 Stephan Schulak (responsible for Finance, Investor Relations and Human Resources).

The company is represented by two members of the Executive Board or by one member of the Executive Board together with one Prokurist [holder of a commercial power of attorney]. Provided a different majority is not required by law, resolutions of the Executive Board are adopted by a simple majority of votes. The Supervisory Board may, on a general basis or for an individual case, grant one or more members of the Executive Board unrestricted authority to represent the Company when conducting transactions with the Company as representative of a third party.

- **Organisation of management and control – the Supervisory Board**

As at 31 December 2007, the Supervisory Board comprised six members, all of whom were either elected by the shareholders in accordance with the German Stock Corporation Act [Aktiengesetz, AktG] or appointed by the courts. During the period under review the following individuals were members of the Supervisory Board: Thomas Nievergelt (Chairman since 16 February 2007), Prof. Dr. Elmar Helten (Chairman until 16 February 2007, then Deputy Chairman), Dr. Thomas Bühler (until 31 May 2007), Thies Eggers, Prof. Dr. Manfred Feilmeier, Manfred Herrmann and Dr. Jochen Schwarz (successor to Dr. Bühler, appointed by the courts from 10 September 2007).

Prof. Dr. Manfred Feilmeier resigned his office with effect from 31 January 2008 for personal reasons. From 1 February 2008 he was replaced by Prof. Dr. Christian Hipp as substitute member elected by the Annual General Meeting.

Key products, services and business processes

The core product is FJA Life Factory ®, which as well as supporting the development and sale of life insurance and pension products, also facilitates administration of the corresponding policies. Group Life Factory ® caters for the special requirements associated with company pension provision. FJA SymAss, the multi-line system for small and medium-sized insurance companies, completes the range of policy administration systems offered by the Group.

Products such as FJA Zulagenverwaltung ®, FJA RAN ® (pension settlement and documentation system), FJA MigSys, FJA-US Product Machine, FJA ALAMOS and PYLON's products, among others, cover the key specialist and multidisciplinary tasks within the core business. A broad range of consulting and other services is also offered, including software implementation and portfolio migration through to actuarial consulting.

With customers increasingly requesting innovative application scenarios for FJH products, this offers an opportunity to build on the major investments of recent years in terms of architectural flexibility and SOA conformity of systems (SOA: service-oriented architecture) and expand the range of applications. Individual services of FJA products are increasingly being integrated into other systems' process chains. However, the ability to use existing back-office services of FJH products in front-office applications is also important for strategic development. This means insurers can now avoid duplicating system support work, thus saving costs and also complying with regulatory requirements for complete, integrated process documentation. SOA conformity is also a key objective behind OdaTeam's current work on further development of FJA's SymAss solution.

The FJH Group enjoys a unique position within the market thanks to its ability to combine IT expertise with decades of specialist and actuarial insurance know-how.

Key sales markets and competitive position

- **Market potential (by region)**

In 2007 Germany accounted for 76% of our turnover and international markets for 24%. Over the medium term, the FJH Group aims to further increase the share of turnover accounted for by international markets by tapping new markets and achieving higher growth rates, so reducing our dependency on cyclical fluctuations in the German market. The Austrian and Swiss markets present very similar requirements to the German market and are mainly addressed through a local presence.

The Eastern European markets are in a period of flux. With numerous life insurance companies now established in central Eastern Europe, the ever increasing number of policies is exerting greater pressure for automation. Moreover, as the rapprochement with Western Europe progresses, these companies are facing pressures in terms of both control and market dynamics. The development trends that are facilitating the marketing of FJH's solutions in its core markets are also becoming increasingly apparent in this part of Europe. Forecasting the market within the CIS states remains difficult, not least because of the inability to predict future developments there with sufficient certainty.

The US market and also the Australian market (which is served from the USA) offer significant prospects, assuming the FJH Group is able to offer variants on FJH solutions that are appropriate for these markets. The current product offered, FJA-US Product Machine, encapsulates these opportunities. In terms of the Group's overall product portfolio, the USA in particular offers significant medium to long-term opportunities for growth. The Company is aware that this will also bring associated challenges.

- **Market position in the various regions**

With its range of services and products, the FJH Group is the market leader in Germany for life insurers and pension providers. Around half of all German life insurers are clients of the FJH Group. The Group's research and development activities aim to ensure continuous consolidation of this leading position. Faced with automation of business processes, fast-moving changes to statutory provisions and product portfolios, insurance companies are increasingly choosing to replace in-house developments with standard software.

The main competitors of the FJH Group within German-speaking countries are COR AG with its primary product “COR-Life” and msg systems AG with its core product “AFIS”. Despite msg systems AG's cooperation with SAP AG, we believe it does not enjoy such strong networking within the insurance sector. Major software suppliers such as SAP AG or Oracle Corp. are not in direct competition with the FJH Group as they do not have the necessary actuarial and process-related specialist knowledge of the insurance sector. The same also applies to smaller technology-driven suppliers such as GENEVA-ID GmbH or NOVUM GmbH. Consequently, the FJH Group enjoys crucial, unique positioning features within its German-speaking markets (Germany, Austria, Switzerland).

The FJH Group has established itself on many Eastern European markets with its existing product, FJA SymAss. Current future development of the Group's software portfolio as part of its integrated strategy of the FJA Insurance Platform should help further consolidate its market position. The Group continues to monitor trends in the CIS states, mindful of the aforementioned uncertainties concerning market prospects.

In the USA, there is growing interest in the FJA-US Product Machine and related consultancy services. With turnover already showing marked growth in 2007, this trend is expected to continue in 2008.

2. Legal and economic influencing factors

- **Capital structure**

On 31 December 2007 the subscribed capital of FJH AG amounted to 21,289,353 Euro and was made up of 21,289,353 no-par-value bearer shares with full and equal voting rights. One share grants an imputed share of 1.00 Euro in the company capital.

The Executive Board is, with the Supervisory Board's approval, authorised to issue new shares provided the AGM has passed a resolution on corresponding approved capital (for the issue of new shares) and/or conditional capital (for the issue of convertible bonds and warrant-linked bonds) and provided that such capital has not yet been utilised in full. At present, the AGM has not approved a resolution regarding authorisation to repurchase shares.

- **Shareholder rights and obligations**

Shareholders are entitled to property and administrative rights. The main property rights include the right to participate in profits (§ 58 para. 4 of the German Stock Corporation Act [AktG]) and to any liquidation proceeds (§ 271 of the German Stock Corporation Act [AktG]), as well as the right to subscribe to shares in the event of capital increases (§ 318 of the German Stock Corporation Act [AktG]).

The administrative rights include the right to participate at General Meetings and the right to speak at such meetings, to submit questions and motions and to exercise voting rights. A shareholder may in particular assert these rights through requests for information and through actions for rescission.

Each share grants one vote at the General Meeting. The General Meeting elects the members of the Supervisory Board that are to be appointed by it, and also the auditor; in particular, it decides on approval of the actions of the members of the Executive Board and the Supervisory Board, on amendments to the Articles of Association and capital measures, on authorities to purchase treasury stock and where applicable on the performance of special audits, on premature removal from office of members of the Supervisory Board, and on dissolution of the company.

As a rule, the General Meeting adopts resolutions with a simple majority of votes cast, unless a qualified majority is required by law.

- **Composition of the Supervisory Board**

The Supervisory Board comprises six members who are elected by the Company's shareholders in accordance with the German Stock Corporation Act [AktG]. Moreover, the members of the Supervisory Board are entitled to invite expert third parties or persons providing information to attend Supervisory Board meetings. The Supervisory Board members are elected for a period extending up to the end of the General Meeting deciding on approval of their actions for the third fiscal year after the start of their term of office. The fiscal year in which the term of office commences is not included in the calculation. Supervisory Board resolutions require a majority of the votes cast. In the event of a tie in the votes – including in the case of elections – the Chairman (and in his absence a deputy) has the casting vote.

- **Legal requirements and provisions in the Articles of Association governing the appointment and dismissal of members of the Executive Board and amendments to the Articles of Association**

The appointment and dismissal of members of the Executive Board are regulated in § 84 and § 85 of the German Stock Corporation Act [AktG]. The Company's Executive Board comprises one or more person(s). The Supervisory Board determines the number of Executive Board members. The members of the Executive Board are appointed by the Supervisory Board for a maximum term of five years. Members may be re-appointed or their term of office may be extended; in both cases this may be for a maximum of five years.

Amendments to the Articles of Association require a resolution by the General Meeting. Any such resolution by the General Meeting requires a majority of at least three-quarters of the share capital represented at the time of the resolution. The Articles of Association do not contain any different regulations on amendments to the Articles of Association that require a higher majority.

- **Basic features of the remuneration system**

Executive Board members' remuneration comprises a fixed remuneration element and a profit-related component. Both are paid in cash.

The amount of fixed remuneration received depends firstly on the function and responsibilities assumed, and secondly on market conditions. Additional benefits in kind and fringe benefits mainly include customary insurance and pension benefits and the use of a company car.

Reflecting the Company’s goal of achieving a sustained increase in stakeholder value, the Executive Board’s remuneration model contains a strong performance-oriented element. The variable bonus is between 25 and 60% of the fixed basic salary.

The current rules on Supervisory Board remuneration were adopted by the AGM on 26 June 2003. The Supervisory Board receives fixed remuneration totalling 121,500 Euro. This is divided equally among the six Supervisory Board members, subject to the special proviso that the Chairman of the Supervisory Board receives twice the remuneration of an ordinary member and the Deputy Chairman one and a half times the standard remuneration.

In addition, under a system that was first introduced for the 2000 fiscal year, all members of the Supervisory Board receive additional, variable remuneration payable one month after the annual financial statements have been approved. The variable remuneration amounts to 0.7% of the consolidated net income for the year, calculated in accordance with international accounting standards (IAS).

- **Key agreements of the parent company in the event of a change in control following a takeover offer**

The Company’s Articles of Association do not contain any provisions that would under certain circumstances cause a delay in, a postponement of or even prevent a change in control of the Company. In addition, no provisions on compensation in the event of a takeover offer had been agreed with either the members of the Executive Board who were in office on 31 December 2007 or with employees.

3. Corporate control, objectives and strategy

Internal company control system

- **Control parameters used**

The FJH Group's strategic objective consists in achieving sustained, profitable growth and strengthening its market position in German-speaking countries and in the international markets it already serves or in strategically targeted international markets. Key parameters relating to order position, earnings situation and liquidity are used to safeguard this strategy from corporate risks.

The FJH Group uses a uniform, company-wide control system based on selected key performance indicators to measure and analyse progress in attaining its objectives. In particular, these performance indicators include development of orders on hand, development of the sales pipeline, development of turnover and of the return on EBIT as a percentage of total operating performance. Indicators of the Company's financial development include cash and cash equivalents and/or the volume of accounts receivable, and also the cash flow, all of which provide an indication of the Company's financial stability. The performance indicators turnover per employee and employee capacity utilisation represent specific indicators of the Company's operating efficiency and productivity.

- **Planned/target values for the control performance indicators**

Following on from the annual planning approved by the Supervisory Board, the Company prepares rolling forecasts for the parameters turnover, earnings and capital flow; these take all developments into account and are designed to give an early indication of any deviations from the Company's plans. As part of annual planning the Company also creates a stress scenario that can be used as a benchmark to indicate the need to introduce cost adjustment measures.

4. Research and development

Focus of R&D activities

Research and development are key activities for the FJH Group in its capacity as industry expert and enable it to maintain its pioneering role in market-based analysis of trends and future requirements. R&D activities are aimed at further developing and expanding standard software solutions and also at enhancing specialist consulting expertise. Alongside specific employee know-how and concepts, enhancement of specialist consulting expertise is also reflected in further development of software tools for efficient consulting support. Other key aspects of consulting also include migration and risk management. Naturally, all R&D activities are carried out based on the principle of sustained economic feasibility.

Rather than conducting open-ended research, the FJH Group focuses solely on carefully directed research geared to its strategic corporate objectives. Obviously, it can be said that looking back, not all results are equally relevant to practice, and in some cases the relevance of identified trends materialises at different rates. Close communication with the market/customers is vital when planning to convert research results into development results as customers' views on relevance to the market are crucial for determining success. In recent years, therefore, the FJH Group has consistently and actively emphasised the importance of user groups for its key products. The solutions devised during research are presented at an early stage within the user groups and are discussed and analysed. The analysis process focuses on users' interest in purchasing the prospective product developments that are to be implemented. Using this approach, new releases for standard software products are now generally co-financed by some customers through advance orders. The FJH Group considers this readiness shown by customers represents a high level of entrepreneurial counter-performance for the expenses it incurs for advance research and management of the user groups.

As the Company can't rely on existing user groups for the placement of new products and opening up of new markets, it uses early customer models that offer customers financial benefits in return for their early decision to use a new product. The early, financially binding inclusion of customers in the further development and new development of products now helps the FJH Group ensure that development investments meet customer and market requirements.

Although the expert specialist quality of the FJH Group's solutions has always been well acknowledged, the Company has gained increasing recognition for the technological quality of its new release generations. Operators within the sector understand the direct benefits of being able to use FJH standard software products for a broad range of proven and innovative target technologies. And the FJH Group also benefits strategically as individual products that were previously kept separate can now be flexibly integrated.

Purchase of R&D expertise

As a market leader in its core business, the FJH Group is for the most part unable to rely on completed external research results, especially for technical areas within its customer sphere. As an industry expert, it prefers to focus on its own research, relying on participation at industry conferences and work within associations, and also on joint projects with partner companies. Similarly, identifying future trends based on systematic analysis of customer requirements from projects and canvassing work is more reliable than using external studies. Naturally, the high qualification levels of company employees are continuously maintained and extended through carefully selected further training measures (some of which are provided by external suppliers). In line with this strategy, the Company did not purchase any R&D expertise in the narrow sense of the word during the financial year under review. In the technology sector, however, the FJH Group does obviously use rapidly developing standards and free technologies and also freely available open source products.

R&D expense, R&D investment and R&D key performance indicators

With its release 4.5 of FJA Life Factory ® in April 2007, the Company rolled out to customer projects one of the first standard software solutions to fulfil the requirements of the reform of the Insurance Contracts Law [VVG] that become binding from 2008. The interim release 4.6a of FJA Life Factory ® was delivered at the end of August; the Company had thus very quickly incorporated all necessary enhancements following the modifications/refinements to the reform of the German Insurance Contracts Law [VVG] that were submitted by the legislator in summer 2007. This enabled our customers to meet all requirements of the reform of the German Insurance Contracts

Law [VVG] by the stipulated date of 1 January 2008.

In addition, during the period under review we completed the concepts for the next full release 4.6 of FJA Life Factory ® and agreed and delivered these with/to customers. In addition to offering some functional enhancements, this release – which is scheduled for 2008 – focuses on implementing "dynamic hybrid products", a category of modern life-insurance products geared towards capital-market-related products. This trend will also largely determine future further release development of FJA Life Factory ® as life insurers are increasingly countering competition from other financial services providers by modernising their guarantee concepts. For example, several of FJH's current possible business developments in German-speaking countries and beyond reflect the increasing interest shown by life insurers for products with innovative guarantee concepts.

It is especially pleasing to report that this release 4.6 of FJA Life Factory ® has prompted two additional existing customers to return to regular purchasing of new upgrade releases. Alongside the overall favourable response from our customers to the new release, this further increase in upgrade release clients clearly highlighted the sustainability of FJH's strategy.

A major milestone in FJH's strategy of gearing all key products to the FJA Insurance Platform was reached with the completion of the newly developed SOA adapter. This component increases the degree of SOA compatibility for FJA Life Factory ® and its specialist services to such an extent that IBM issued the certificate "FJA Life Factory ®:Ready for SOA (IBM)". Using this new component, customers of FJA Life Factory ® can easily call up the specialist services from other software applications (e.g. front-office systems).

In addition, development of the settlement component of the FJA RAN ® pension settlement and documentation system was implemented in the form of a first release phase.

During the period under report, maintenance release 2.4 was successfully delivered for the standard subsidy administration software FJA Zulagenverwaltung ® and development of release 2.5 was completed. Release 2.5 of the subsidy administration software FJA Zulagenverwaltung ® is a compulsory release, i.e. customers of FJA Zulagenverwaltung ® must use this release in order to meet the requirements of the central subsidy administration authority, the ZfA.

As well as these activities that directly affect day-to-day business, R&D activities from the second half of the year at the latest also focussed on fine-tuning the Company's new medium-term strategy and planning its implementation. In terms of the Company's solutions portfolio, the results of these activities are incorporated in the FJA Insurance Platform. This solutions strategy provides an integrated approach for all FJA solutions and aims to uniformly structure the future direction and further development of what have previously been more regional approaches. As well as determining the future direction of FJA Life Factory ®, the FJA Insurance Platform also incorporates the development project previously known as SymAss II and also further development of FJA-US Product Machine.

During the 2007 financial year, the FJH Group incurred R&D expenses of around 8,724 man days. Of these expenses, around 1,456 man days involved the development of SymAss II. This compares with licence income of approx. 6.6 million Euro. When making this comparison it is important to note that although the expenses incurred can be accounted for on an accrual basis, licence income from investments can naturally also be realised in future years.

R&D employees

As part of its R&D strategy the FJH Group deliberately avoids specifically dedicating employees/units to R&D work. The business divisions are responsible for and organise R&D activities (including new and further development projects) alongside their other work implementing customer projects. Overall control of these activities is ensured by the individuals with responsibility for Delivery and R&D.

5. Overview of business within the Group

Overall economic climate

2007 saw a further rise in gross domestic product. At 2.5%, the strong growth of 2006 (+2.9%) was followed by a further increase of over 2% in 2007, due not least to capital investment activity by industry. In a year-on-year comparison of the employment situation, the number of unemployed fell by 711,000 at the end of 2007. Consequently, the underlying economic conditions within our main sales market were good, despite the rate of inflation rising significantly towards the end of the year and reaching 2.8% in December 2007 (source: Federal Ministry of Economics and Technology).

Framework conditions specific to the sector

In 2007 the German insurance sector faced a challenging conflict in terms of goals. Firstly, it needed to revitalise the stagnation in new business by offering new and attractive products. On the other hand, most German insurance companies found much of their operating development capacities and management capacities tied up with work relating to the reform of the Insurance Contracts Law, the EU Insurance Mediation Directive and other disclosure requirements. Overall, this meant the FJH Group did experience the predicted good levels of capacity utilisation, even though customers did delay a number of medium-term investment projects. However, such delays were not due to a reluctance to invest; on the contrary, the preparation, planning and decision-making work for investment projects had fallen victim to the need to meet statutory obligations.

The specific situations in the other markets are described in the section entitled “Key sales markets and competitive position”.

Key events of significance to business

Overall business development during the 2007 fiscal year was not affected by any major special factors. Although the reform of the Insurance Contracts Law was an important event for the insurance sector in Germany, the resultant share of our overall business served more as compensation for the postponement of impending medium-term investment plans by insurers.

Summary of business development by the Company’s management

The good results for turnover and income during 2007 testify to FJH's commercial efficiency and new direction. The development in our cash flow from operating activities was equally pleasing. Overall, the Company’s management is pleased with the progress of business in 2007, as the results achieved met our own forecasts and expectations.

Comparison of actual and forecast business development

At the beginning of the year, we forecast turnover of between 58 and 62 million Euro for the 2007 fiscal year and EBIT (earnings before interest and taxes) of between 4.8 and 7.8 million Euro. In May 2007, following the decision against early termination of the sale & lease-back agreement for the FJA Zulagenverwaltung ® subsidy administration system, the forecast for EBIT was narrowed to an EBIT margin of between 8 and 10%. These figures were then further narrowed to turnover of around 61 million Euro and EBIT of around 9% of turnover. According to the 2007 consolidated financial statements, the final figure for turnover was 61.3 million Euro, with EBIT of 5.3 million Euro. Actual business development was therefore within the forecast range.

II. Earnings Position, Financial Situation and Assets

1. The Group's earning position

Development of turnover

In 2007 the FJH Group's turnover rose 7.8% on 2006, from 56.9 million Euro to 61.3 million Euro. Revenues from licences and maintenance rose from 9.8 million Euro to 10.9 million Euro (+11.2%), a higher proportionate increase than for revenues from services, which grew 7.2% from 47.0 million Euro in 2006 to 50.4 million Euro in 2007.

Germany, the USA and Switzerland played a decisive role in terms of regional development of turnover with third parties. Austria continued to act mainly as a provider of internal services for the Group, while Slovenia focussed on product development in 2007. In a year on year comparison, turnover in Germany grew 11% from 42.2 million Euro to 46.7 million Euro and thus represented the main driving force for growth. Development in the USA was extremely pleasing, with turnover rising 39% from 6.3 million Euro to 8.8 million Euro despite the unfavourable currency developments. The trend in Switzerland was very different, with third-party revenues falling 31% from 6.7 million Euro to 4.6 million Euro, not least because capacities were still tied up in a major fixed-price project that was completed in 2007. External turnover in Austria and Slovenia (combined 2007 turnover 1.3 million Euro compared with 1.7 million Euro in 2006) is not as significant because these two regions currently have a different focus (Austria as a provider of internal services to the Group, Slovenia as a supplier of niche products).

Development of results

In 2007 the Group recorded a net income after taxes of 5.3 million Euro compared with -1.9 million Euro in 2006. This meant positive earnings before interest and taxes (EBIT) of 5.3 million Euro compared with -4.9 million Euro in the preceding year. In 2007 the Company thus achieved its primary objective of restoring earning power.

Personnel expenses were around 40.2 million Euro in 2007 compared with 40.3 million Euro in the preceding year. During 2007 the Company employed an average of 467 people, representing a 3.9% reduction on the preceding year (486 employees).

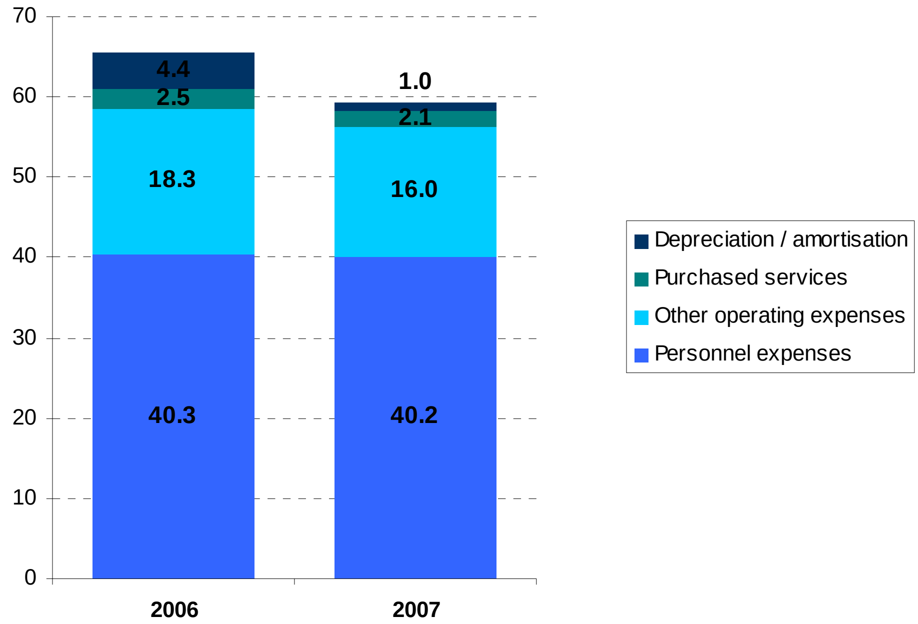
With regard to the smaller proportionate reduction in personnel expenses compared to the reduction in the number of employees, it is important to note that in 2007, the company incurred expenses of 3.9 million Euro (preceding year: 1.7 million Euro) in connection with performance-related bonuses and bonuses for employees and Executive Board members; such expenses are not incurred during difficult economic times. The Company also made extensive adjustments to basic remuneration during the past fiscal year. Both elements are very important for employee satisfaction, as the Company was only able to make limited competitive adjustments to remuneration during the recent difficult economic times.

Other operating expenses were again reduced, from 18.3 million Euro in the preceding year to 16.0 million Euro. In addition to the further reduction of around 0.6 million Euro per annum in premises costs, progress with fixed price projects that have since been stabilised and/or successfully completed was also a major factor behind the reductions in costs. In 2006 other operating expenses still contained a large amount of accruals for impending losses, but this figure was considerably reduced in 2007.

In line with the reduced accruals for impending losses, other operating income also fell from 4.3 million Euro in 2006 to 3.0 million Euro in 2007 as most of the other income related to usage-based writeback of previously formed accruals for impending losses. The reduction in this item during 2007 is thus a logical consequence of the clear reduction in risks associated with customer projects.

Depreciation/amortisation fell significantly during the year under review, from 4.4 million Euro in 2006 to 1.0 million Euro. The high figure for the preceding year was due to the one-off effect of depreciation of 3.2 million Euro on the goodwill of PYLON AG; consequently, the figure for 2007 represents a more normal figure for depreciation/amortisation.

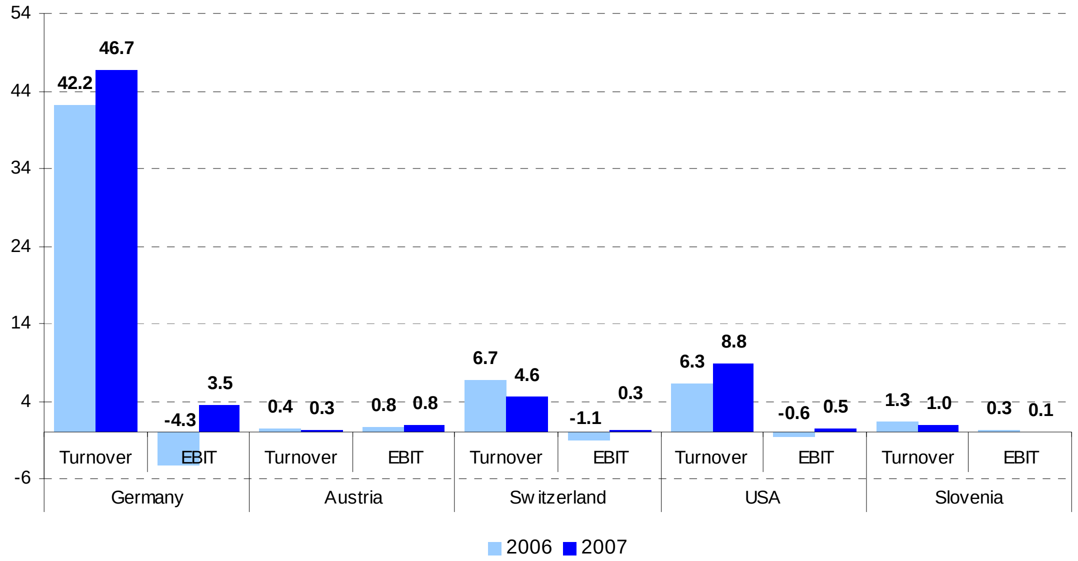
Year-on-year comparison of expense items within the Group (in million Euro)



There was little change in net interest income compared with the preceding year.

Deferred taxes were affected by two contrasting effects in 2007. Firstly, the 2008 business tax reform produced deferred tax expenses because deferred tax assets on loss carryforwards in Germany now have to be valued at a corporation tax rate of 15.83% instead of the previous figure of 26.38%. On the other hand, the improved earnings position increased the forecast results for the three subsequent years included in the figures, and this resulted in deferred tax yield. Moreover, the subsidiary FJA-US, Inc. also capitalised deferred taxes on loss carryforwards. Overall, the income from taxes was 0.2 million Euro, meaning a result after taxes of 5.3 million Euro (preceding year: -1.9 million Euro). In 2007 earnings per share amounted to 0.25 Euro (diluted and basic) compared with -0.10 Euro in 2006.

Development of external turnover and segment results (in million Euro)



Overall, the development of results in the various regions proved pleasing. The most pronounced improvement was in the largest segment of **Germany**, where EBIT improved from -4.3 million Euro to +3.5 million Euro. This is not only due to a growth in turnover, but also and above all to the improved cost situation. This region accounted for the main reduction in expense items.

2007 was also a pleasing year in the **USA**. In addition to a significant expansion of turnover, this segment also achieved positive EBIT. This was +0.5 million Euro in 2007 compared with -0.6 million Euro in the preceding year. The further planned increase in turnover for 2008 should enable a further improvement in performance in terms of results.

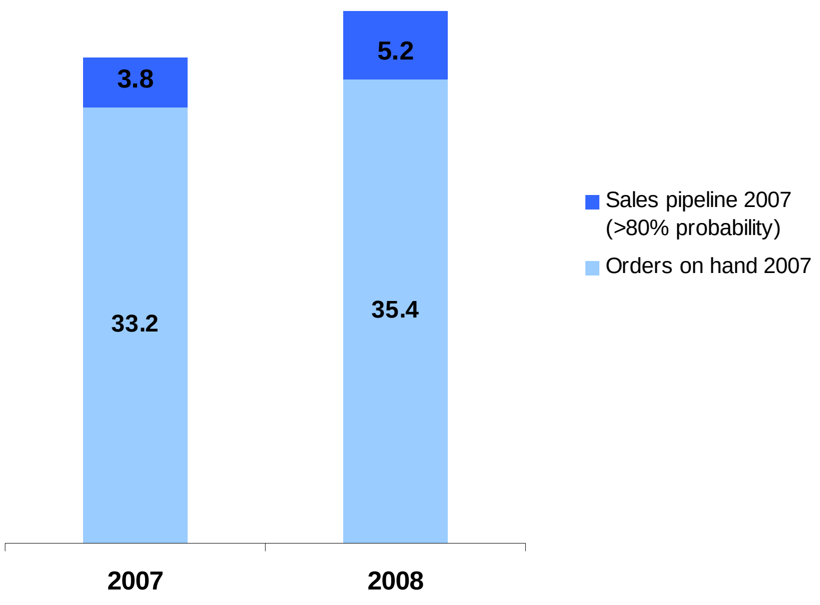
Although not to the same extent as in 2006, **Switzerland** did continue to feel the effects of a critical fixed-price project in 2007. However, it did at least achieve positive EBIT (+0.3 million Euro), compared with a loss of 1.1 million Euro in 2006.

The regions of **Austria** and **Slovenia** play a less important role within the Group as regards external turnover. Austria's performance in terms of EBIT showed little change, while EBIT in Slovenia was 0.2 million Euro down on the preceding year. This was mainly due to the capacities tied up with the SymAss II development project, which were then not available to generate external turnover. Compared with the preceding year, therefore, external turnover also fell by more than 0.3 million Euro in this region.

Development of orders

At the end of 2007, the secured turnover base for the FJH Group was 41 million Euro compared with 37 million Euro in the preceding year. As well as orders on hand, the secured turnover base also includes orders where the likelihood of a contract being signed is assumed to be more than 80%. These expected orders are therefore included in the secured turnover base with the relevant weighting.

Secured turnover base (in million Euro)



2. The Group's financial situation

Principles and objectives of financial management

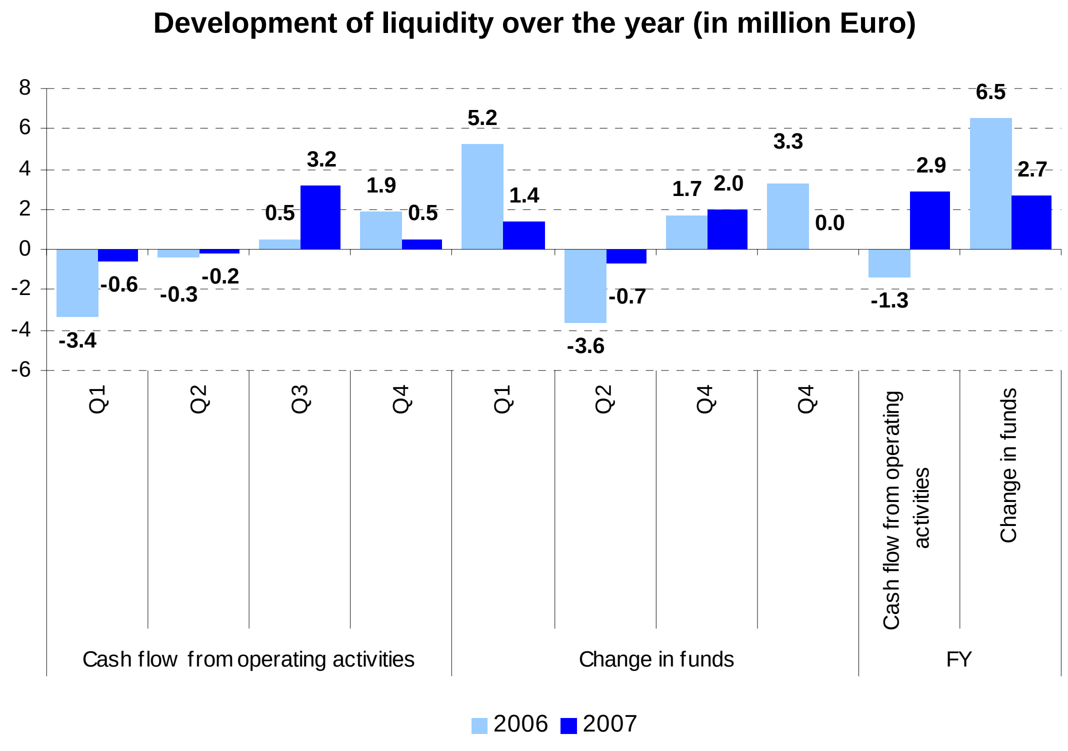
Financial management is designed to ensure the FJH Group has the necessary funds available at all times to enable it to continue its operating business, taking into account volatility of incoming orders, fluctuations in customers' payment patterns and also investment requirements. This requires that all major risks to which the FJH Group may be exposed are recognised early on and that necessary scope is allowed for suitable countermeasures. Liquidity management ensures that sufficient cash and cash equivalents and suitable liquidity reserves are freely available at all times.

Financing analysis

The Group's operating activities expose it to a manageable level of foreign exchance risks. These risks mainly involve business in the USA (2007: 14.3% of total turnover), where the company also draws on a small volume of services (especially from German consolidated companies) to fulfil orders. Most work (especially in the USD region) is, however, provided by local employees. Additionally, around 7.5% of turnover is generated in Switzerland and billed in Swiss francs; here, too, some services are provided by employees from Germany.

Apart from the above, around 78% of turnover is generated within the Euro region (especially in Germany) and billed in Euro. Overall, therefore, the foreign exchange risk to which the Group is exposed is considered manageable.

Generally, the Group's income/cash flow from operating activities are not exposed to any interest risk. Cash and cash equivalents are generally invested on a short-term basis. Financial liabilities are of a short to medium-term nature.



In terms of credit risk (default risk), the Group does not reveal any major concentrations on individual clients. No insurance is taken out for accounts receivable because the Group's clients from the insurance sector have a high credit standing. The Group did not use any financial derivatives in 2007.

Due to the ongoing costs of restructuring measures implemented in 2006 and increased investments in working capital, especially due to an increase in customer receivables, the cash flow from operating activities remained negative for the first six months of 2007. In the third quarter, however, increased payments by customers helped reduce receivables and produce an overall positive cash flow from operating activities. Looking at the year as a whole, the return to a positive performance in terms of results was also reflected in the development of the cash flow from operating activities. After -1.3 million Euro in the preceding year, we achieved clear liquidity surpluses of 2.9 million Euro from operating business in 2007. With regard to the changes of 6.5 million Euro in cash and cash equivalents in 2006, it is at this point again important to point out the inflow of funds from capital increases (15.4 million Euro) and the outflow of funds from company acquisitions (-4.9 million Euro). In 2007, the inflow of funds of 2.7 million Euro was mainly earned through operating business.

The inflow of funds includes the assumption of new financial debts of 2.9 million Euro and repayments of 2.2 million Euro in respect of financial debts. The assumption of new financial debts involved the agreement concluded in the first quarter of 2007 to increase the 3 million Euro sale & license-back agreement agreed in December 2006 by a further 3 million Euro. Like the first tranche, the agreement has a term of 54 months. In addition to regular redemption payments, the repayments also contain the repayment of loans by members of the Company's governing organs totalling 1.1 million Euro.

Impact of off-balance-sheet finance instruments on the financial situation

Under an agreement dated 3 March 2004, FJA Feilmeier & Junker GmbH sold the "FJA Zulagenverwaltung ® " subsidy administration system software that it had developed in-house to Deutsche Leasing AG, Bad Homburg, for a net amount of 11.2 million Euro and leased it back for a fixed period of four years with monthly leasing instalments of 0.25 million Euro. At the end of the fixed lease term FJA Feilmeier & Junker GmbH will be entitled to buy back the software at the prevailing market value. FJA Feilmeier & Junker GmbH must inform the lessor whether it wishes to exercise this right of purchase at least three months before expiry of the fixed lease term. The lessor is only entitled to offer the software to third parties after this and provided that FJA Feilmeier & Junker GmbH does not exercise its right of purchase. The negotiations with Deutsche Leasing AG concerning the repurchase price for the software should be completed in the first quarter of 2008. The submission of this offer did not have any effect on the 2007 annual financial statements.

FJH AG pledged term accounts as security for Deutsche Leasing AG's rights under the leasing agreement. As at 31 December 2007 a total of 1.5 million Euro (including 1.1 million Euro in respect of the repurchase value) was pledged.

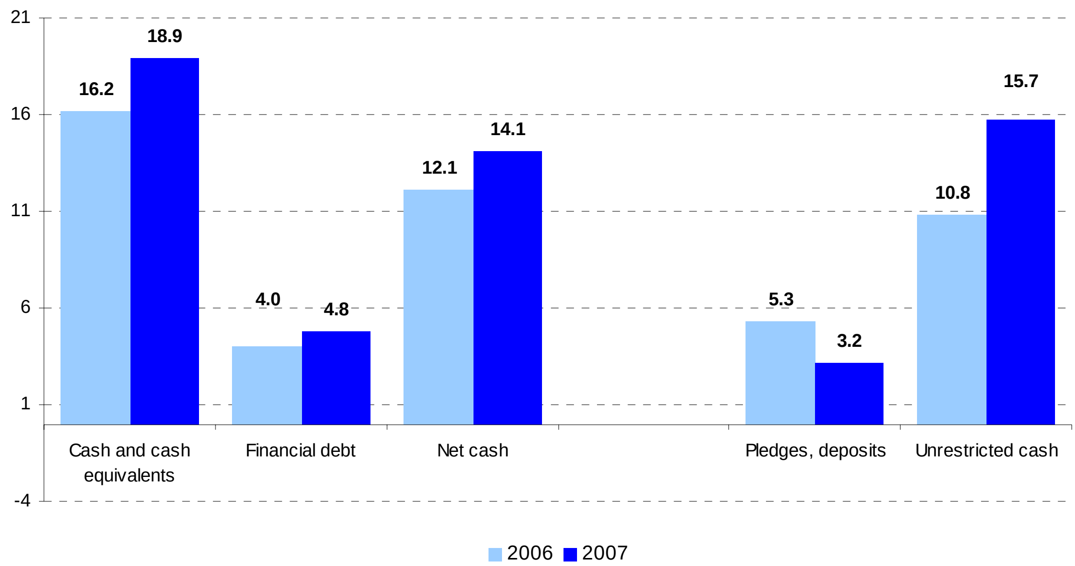
Investment analysis

In the 2007 fiscal year the FJH Group's investments totalled around 0.5 million Euro (preceding year: 5.0 million Euro, of which 4.9 million Euro for the purchase of PYLON AG). With a share of 0.3 million Euro, the largest individual item related to the capitalisation of development services as part of the development of SymAss II by the Slovenian subsidiary. The Company also made other general investments in areas such as office and plant equipment in particular.

Liquidity analysis

The favourable development in the cash flow from operating activities and the sale & license-back agreements concluded in Q4 2006 and Q1 2007 for the standard software FJA Life Factory ® meant the Company always had sufficient available liquidity during the past fiscal year. The medium-term maturities of financial liabilities provide an adequate liquidity reserve for future liquidity planning. In addition to the positive net cash position (cash and cash equivalents less financial debts including finance leasing, excluding pension provision) of 14.1 million Euro (preceding year: 12.1 million Euro), there has in particular also been a marked improvement in unrestricted cash, which rose from 10.8 million Euro in 2006 to 15.7 million Euro at the end of 2007.

Available liquidity (in million Euro)



Capital costs

The finance leasing concluded in 2007 involves costs of approximately 8% per annum.

3. The Group's assets

Analysis of assets structure

With current assets, the largest rise was accounted for by cash and cash equivalents, which increased from 16.2 million Euro at the end of 2006 to 18.9 million Euro at the end of 2007. Here, it is important to note the comments in the finance analysis. Furthermore, during the year, the volume of trade accounts receivable rose from 0.9 million Euro to 8.0 million Euro at the end of 2007. The average days outstanding on 31 December 2007 was 45 days compared with 42 in the preceding year.

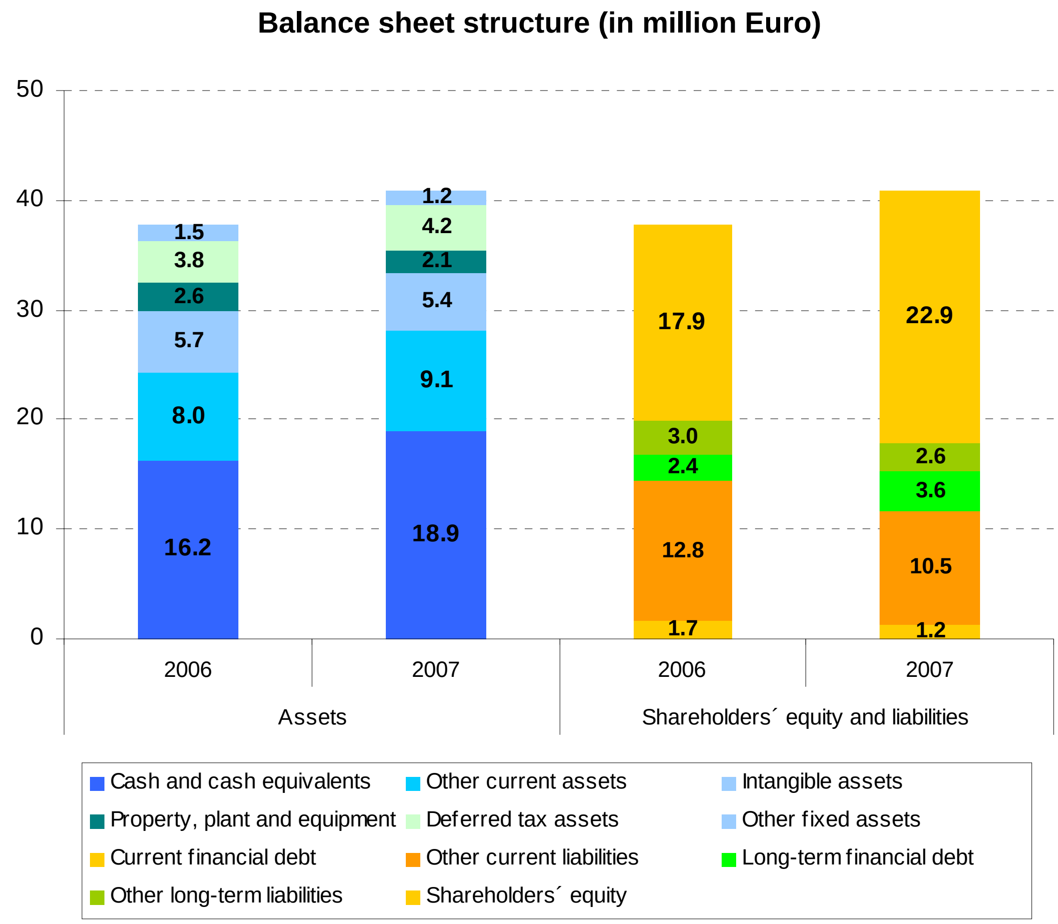
There were no other noteworthy changes in current assets.
In terms of fixed assets, there was a reduction, not affecting profit/loss, of 0.3 million Euro in goodwill within the Group; this was due to the fact that at the end of 2007 it was no longer necessary to show the debtor warrant agreed in connection with the purchase of PYLON GmbH (formerly PYLON AG) in the consolidated accounts.

There was a slight increase in other intangible assets. Development of the new product SymAss II by the Slovenian subsidiary is capitalised in accordance with IFRS because in contrast to other products of the FJH Group, this product is being fully developed from new. Overall, an amount of 0.3 million Euro was capitalised in connection with this product development process. Depreciation/amortisation was 1.0 million Euro for the year as a whole. There was a noticeable reduction for property, plant and equipment, which fell to 2.1 million Euro compared with 2.6 million Euro at the end of 2006. However, this change is not critical as property, plant and equipment play a subordinate role in the FJH Group’s business model.

Deferred income tax assets were 4.2 million Euro in 2007 compared with 3.8 million Euro in the preceding year. In addition to the adjustments associated with the 2008 German business tax reform, these primarily contain the expected use of loss carryforwards in the next three years; in addition to increased profit expectations over 2006, loss carryforwards for the American subsidiary were capitalised for the first time in 2007. In addition to the restored earning power, this is also due to the fact that recapitalisation of the company was completed in 2007, enabling its use.

There were no other noteworthy changes in fixed assets.

A year-on-year comparison shows that the consolidated balance sheet total increased from 37.8 million Euro in 2006 to 40.8 million Euro in 2007.



At the end of 2007, the Group's equity ratio stood at 56% (preceding year: 47%); the Company's management believes this self-financing ratio is still clearly sufficient.

4. Additional information on the parent company FJH AG

In addition to performing financing functions for the consolidated companies, one of the holding company's main responsibilities is to perform strategic and also to a limited extent operative management functions for the Group. The holding company is in particular responsible for determining the markets to be addressed, defining the product portfolio and taking decisions on mergers and acquisitions. Generally, FJH AG acts as sole or majority owner of the operating companies.

FJH AG's commercial activities are largely restricted to the charging on of services within the Group and to financing activities. Most of the services charged on are management services. In terms of financing activities, the Company's business object involves providing interest-bearing loans to consolidated companies, investing funds and distributing dividends from participating interests.

Financial key performance indicators of the holding company (in thousand Euro, based on German commercial law)	2007	2006	Change (absolute)	Change (%)
Net income/loss for the year	3,475.8	-3,432.7	6,908.4	n/a
Equity	35,058.6	31,582.9	3,475.8	11.0%
Equity ratio (%)	93%	91%		
Outside capital	2,830.9	3,103.3	-272.4	-8.8%
Fixed assets	16,332.5	13,385.3	2,947.2	22.0%
thereof financial investments	16,257.3	13,374.0	2,883.3	21.6%
Current assets	21,506.1	21,245.5	260.6	1.2%
thereof receivables from affiliated companies	16,894.1	12,383.2	4,511.0	36.4%
Prepaid expenses	50.9	55.3	-4.4	-8.0%
Balance sheet total	**37,889.5**	**34,686.1**	**3,203.3**	**9.2%**

FJH AG's main earnings potential comes from the results of the participating interests. Consequently, the information on the Group relating to the development of markets, the underlying economic climate and opportunities and risks also applies to the holding company FJH AG.

Key events affecting the assets, financial situation and earnings position of FJH AG in the annual financial statements based on the German Commercial Code [HGB]

Earnings position

Compared with the preceding year, revenues rose from 2.1 million Euro to 2.3 million Euro, largely due to intra-Group cost allocations. The rise is thus due to the overall increase in external turnover by the subsidiaries.

During the 2007 fiscal year two events had a major impact on other operating income, which amounted to 6.2 million Euro compared with 6.6 million Euro in the preceding year (which included 3.4 million Euro on account of write-ups relating to the book value of the participating interest in FJA Feilmeier & Junker GmbH, Munich and 2.8 million Euro from the write-back of individual value adjustments).

Firstly, FJH AG participated in the debt clearance of FJA-US, Inc., New York, a wholly owned subsidiary of FJA Feilmeier & Junker GmbH. In this connection, FJH AG renounced a total nominal amount of 3.0 million Euro in receivables from FJA-US, Inc.; a full value adjustment of this amount had already been applied in FJH AG's individual annual financial statements to the end of 2006. Ultimately, this assignment of receivables produced income of 1.0 million Euro as the valuation of FJH AG's investment in FJA Feilmeier & Junker GmbH was increased by this amount. This increase is due to the fact that as there is no longer any loan repayment requirement, FJA-US, Inc. is able to distribute increased amounts to its parent company FJA Feilmeier & Junker GmbH. Moreover, the full value adjustment of the receivable was written back again, producing income of 3.0 million Euro.

Secondly, a partial value adjustment of 4.250 million Euro was applied to the value of the investment in PYLON AG that was acquired in 2006, reducing it from 7.155 million Euro at the end of 2006 to 2.905 million Euro. The earning power of the company, which following a change in legal form is now known as PYLON GmbH, was restored thanks to the cost adjustment measures applied in 2006 and 2007 and to the integration of the company's business into the FJH Group during 2007. Consequently, part of the value adjustment applied in 2006 was reversed. As at 31 December 2007, the value shown was 4.8 million Euro, which includes a write-up of 2.2 million Euro.

While there were no noticeable changes over 2006 in terms of personnel expenses or interest and other income, other operating expenses fell by 4.5 million Euro on the preceding year. This was because the figure for 2006 contained an amount of 5.8 million Euro relating to the renunciation of receivables from the subsidiary FJA Feilmeier & Junker AG, Switzerland. There was also a write up of value adjustments in an amount of 0.3 million Euro relating to receivables from the consolidated company FJA-US, Inc. 2006 also included an amount of 0.9 million Euro in expenses relating to the capital increase. Finally, there was no amortisation/depreciation of financial investments in 2007 (preceding year: 4.3 million Euro). There was no income from participating interests in 2007 (2006: 1.0 million Euro). However, the assignment of the receivable from FJA-US, Inc. produced other operating expenses of 3.0 million

Euro (see also the corresponding notes on operating income).

Overall, under German commercial law, the Group's parent company FJH AG recorded a net income for the year of 3.5 million Euro in 2007 compared with a net loss of 3.4 million Euro in the preceding year.

Financial situation and assets

At the end of 2007, cash and cash equivalents totalled 3.2 million Euro compared with 7.4 million Euro in the preceding year. The reduction in liquidity during this period was largely due to the rise in receivables from affiliated companies (from 12.4 million Euro to 16.9 million Euro). The rise in shares in affiliated companies from 13.4 million Euro in 2006 to 16.3 million Euro at the end of 2007 was due to the write-ups described in the section on earnings position. In terms of equity and liabilities, the volume of outside capital remained virtually unchanged; equity rose by the aforementioned figure of 3.5 million Euro because of the net income recorded for the fiscal year. The Executive Board and Supervisory Board made use of the provision in the Articles of Association which allows the Company to allocate all of the net income for the 2007 fiscal year to other retained earnings. As at 31 December 2007, the balance sheet total was 37.9 million Euro (preceding year: 34.7 million Euro).

Moreover, FJH AG's remaining participating interest in assit-forum GmbH was sold with effect from 1 December 2007 against payment of the nominal value of the shares (4,750.00 Euro).

Overall, the earnings position, financial situation and assets of the parent company FJH AG can be considered sound. Future earning power will largely be determined by income from the participating interests; despite the profit and loss transfer agreement, the most important subsidiary, FJA Feilmeier & Junker GmbH, Munich, is (at least under commercial law) currently not in a position to distribute dividends because of its negative equity.

5. Summary of the financial situation

Management assessment of the financial situation

During the 2007 fiscal year, the FJH Group has proven its commercial efficiency by achieving the forecast results. Turnover per employee has returned to a pleasing level. With cash and cash equivalents of 18.9 million Euro and a financially acceptable cost structure, the Group is in a position to make appropriate strategic investments and withstand possible order fluctuations by itself. Overall, the management believes the Company is in a very sound financial position.

III. Supplementary Report

Events of particular importance

Prof. Dr. Manfred Feilmeier, co-founder of the Company, resigned his office as member of the Supervisory Board with effect from 31 January 2008 for personal reasons. From 1 February 2008 he was replaced by Prof. Dr. Christian Hipp as substitute member elected by the Annual General Meeting.

Mr Stephan Schulak will resign his position as CFO of FJH AG with effect from the end of 15 April 2008. His early departure involves a contractual settlement of 248,750 Euro.

The events will not have any major impact on the earnings position, financial situation and assets of the Group or individual consolidated companies.

IV. Risk Report

1. System for managing opportunities and risks

The risk policy set down by the Executive Board aims to balance opportunities and risks. In the broadest sense, risks are defined as the possibility of events arising that have a significant (negative) impact on the achievement of goals by FJH AG or one of its affiliated companies. Risks should not be avoided per se; they should instead be entered into in a carefully targeted way, provided they involve corresponding opportunities. The risk management policy is designed to limit, monitor and control risks, taking into account any counter-opportunities. Risk management only addresses those risks that relate to events within the Executive Board's sphere of responsibility. Specifically, it therefore does not include possible risks from those areas of activity that are the exclusive responsibility of the Supervisory Board. Consequently, the following statements in the risk report relate only to risks within the Executive Board's sphere of responsibility. For example, the existence of long-term successor planning for the Executive Board or the appropriateness of Executive Board contracts/rescission agreements are not considered part of the risks managed under personnel risks.

FJH's risk management system is integrated within its corporate processes. It is an integral part of all planning, controlling and reporting systems. Periodic risk analyses (e.g. on liquidity or project risks) are a fundamental part of the risk management system. Measures used to assess the risk situation include key financial indicators and also the development of orders on hand and the acquisition pipeline.

An annual risk inventory is conducted to record, categorise and assess risks as to their potential damage and likelihood of occurrence. Both the main financial risks and also the principal strategic risks are directly monitored by the Executive Board. Risks relating to operating activities are monitored and controlled on a decentralised basis by the general managers of the individual companies and by departmental managers. They are responsible for early identification and reporting and for dealing with business risks. A central department has been set up to coordinate the decentralised activities and verify the effectiveness of the decentralised measures. The Supervisory Board is included through regular reporting and where applicable through ad-hoc Executive Board reports.

2. Risk management and financial instruments

No financial derivatives were used during the financial year under review.

3. Individual risks

Risks associated with corporate strategy

The underlying economy has continued to improve, as has the investment situation on the market. The FJH Group expects this positive trend will also continue in 2008.

However, any deterioration in the overall economic climate could have a negative impact on results. Orders or the implementation of projects could be delayed or postponed, efforts to win new orders could prove unsuccessful or major projects could be cancelled. Currently, the liquidity situation is sufficient to respond to such trends with prompt capacity adjustments, thereby securing the Company’s continued existence. However, it is currently not possible to predict the extent to which a decline in turnover would damage customers' recently regained trust and any resulting additional reduction in orders would jeopardise the existence of one of the Group companies or of the parent company FJH AG.

To reduce dependency on the German life insurance market the Company is investigating diversification into new markets and new areas of business. For future business development, it is vital that the Company succeeds in positioning itself in new markets and in structuring the FJH solutions portfolio competitively for the international market while at the same time maintaining or developing its position in Germany and also the excellence achieved over the years. Failure to do this would jeopardise growth and would, in the medium-term lead to a downturn in results. However, we do not consider there is any medium-term threat to the Company's existence because of the stability of existing business, which accounts for significantly more than half of turnover.

Environment

In recent years we have seen numerous, marked changes in the underlying legal, supervisory and fiscal frameworks. The market is also characterised by rapid changes in the technologies used. The FJH Group is monitoring these trends, is involved in various organs within the financial services sector and maintains continuous consultation with its customers. There is, nevertheless, a risk that trends or the significance of changes in the law may be recognised too late or may be incorrectly assessed, meaning the FJH Group fails to place its products on the market successfully.

As a specialist supplier of consultancy services concentrating on specialist software for life insurers and pension products suppliers, the FJH Group is highly focussed on one sector and is thus dependent on developments within this market environment. This risk is increased because the FJH Group earns a key proportion of its turnover in Germany.

The life insurance sector is also undergoing internationalisation of its market. Mergers are creating insurance companies and financial services providers that are operating with increasing degrees of globalisation and gearing both their product landscapes and business processes to both the national and international market. The pressure for new life insurance and pension product models has been intensified by the recent legal and fiscal changes affecting pension provision.

This offers the FJH Group the opportunity to use existing customer contacts to gain a foothold in international markets and position its standard software for implementing and administering the new products with new customers. However, internationalisation also means that new, international competitors are penetrating the FJH Group's core markets. If the FJH Group is unable to assert itself sufficiently against existing and new competitors, the increased competition could lead to reduced profit margins, losses in market shares or a decline in turnover.

The FJH Group has a sufficiently broad customer basis and is therefore not critically dependent on one individual customer.

Solutions portfolio

To increase competitiveness, the FJH Group invests in further development of its products and expertise. It aims to reduce its dependency on individual customers and markets by widening its product offering and extending its consulting and services portfolio to meet the requirements of new markets. Development of future income depends on the success of these measures and on whether the Company succeeds in maintaining its current high levels of technological expertise with appropriate investment costs and in avoiding or ensuring the early prevention of cost-intensive, misguided developments.

In the past, the Company experienced repeated delays with the development and rollout of new products (standard software) and product enhancements, leading to associated cost overruns. It is not possible to rule out the fact that in future, too, the FJH Group may not achieve its objectives in terms of costs and launch times for new products and product enhancements. Such shortcomings can have a detrimental impact on the FJH Group’s financial position and operating results.

Projects and products

In terms of operating business, the main potential risks lie in estimating the complex projects (many of which extend over several years) and in ensuring their organisational, technical and financial management. These risks are controlled and monitored through Group-wide standards for project and project risk management. There is nevertheless a risk that projects may not prove profitable for the FJH Group because costs exceed the agreed budget, because deadlines cannot be met or because the work provided does not comply with the agreed performance specification or required quality; in such cases, the FJH Group may have to grant a price reduction or pay compensation.

On the reporting date, there was no need for the Company to make individual accruals for critical projects.

As with all software products, even the FJH Group’s products can contain defects. Rectifying such defects under warranty can increase costs and affect profit margins. In certain circumstances software defects may lead to disruptions in a user’s key areas of activity and this may trigger corresponding claims for compensation against the FJH Group. The FJH companies generally assume warranties that are customary within the sector. Where possible, liability obligations are contractually limited to the statutory minimum and secured by concluding corresponding liability insurance policies. Nevertheless, even though there may be only a slight possibility, it cannot be ruled out that contractually agreed limitations of liability may be deemed invalid, thus rendering the existing insurance cover inapplicable or inadequate. This is especially true for international markets, where the FJH limitations of liability that are customary in German-speaking countries may not be applicable in some cases.

The FJH Group’s own software products also incorporate software produced by third parties. This third-party software may contain defects that have a detrimental impact on the functioning of the FJH Group’s own products.

Delays in the development of standard software, problems with project management and software defects occurring during the operation of FJH software could inflict lasting damage to the FJH Group's reputation and have serious consequences for future business.

HR risks

To ensure commercial success, the FJH Group requires highly qualified employees. Given the renewed increase in competition for specialist staff, there is a risk that the Company will be unable to recruit sufficient levels of personnel with the necessary qualifications for its planned growth/to balance out staff turnover.

The future success of the FJH Group largely depends on the qualification and motivation of its employees, and on whether the FJH Group can keep experienced staff and staff in key positions. This is because some of the necessary know-how is not available on the market and can only be acquired through experience and internal training.

Even though levels of staff turnover have tended to be low in recent months, there is a risk that several employees in key positions or several employees with specific know-how could leave the company within a short space of time. This can have a lasting impact on corporate management, on the development of new products and the implementation of existing ones, on the provision of other services or on sales and marketing. In particular, the departure of individuals from certain management or key positions in the foreign subsidiaries could significantly hamper the planned expansion of international business if the Company fails to find qualified replacements in time.

IT risks

As with all similar companies, the functioning of business processes depends on the availability and secure functioning of the IT infrastructure. External events such as fire or lasting power or network failures, operating errors or acts of sabotage can disable the infrastructure. Our systems and also our customers' systems can be affected by viruses that cripple the systems or the network. Internal and external attacks can destroy, falsify or delete data and information and confidential data and information may be spied on. It is not possible to estimate either the likelihood or the possible extent of damage caused by viruses and hackers, or that caused by unauthorised parties infiltrating the IT system and spying on confidential information.

Restoration costs, loss of production and claims for damages by customers or third parties following system failures or attacks could result in significant damage that has a lasting effect on results and jeopardises the Company's continued existence.

As IT security is of strategic importance to the Company, it has implemented its IT security guideline and corresponding IT security concept on a company-wide basis to introduce extensive technical and organisational measures as far as possible. Such measures include the establishment of an emergency computer centre, restrictive access controls, regular back-ups and adequate contractual provisions with service providers for outsourced systems and telephone and communication connections. As a matter of principle, the latest commercially available software is used to protect against incoming viruses. Access restrictions prevent unauthorised (and possibly infected) software being installed on FJH's computer network. Defined security requirements limit access by unauthorised parties and ensure data protection. Corresponding insurance policies are taken out to limit any financial damage.

Financial risks

As the FJH Group obtains some of its unrestricted cash from loans, it runs the risk of these funds being stopped by lenders. Irrespective of the operative provision of services, there is a risk that payment conduct by customers of the FJH Group could cause a delay in planned incoming monetary flows; however, this would not represent an acute liquidity risk for the FJH Group. The risk of default is extremely low as all the Group's customers are insurance companies or financial service providers with high credit standings.

The FJH Group operates via a structure of subsidiaries in several regions, including some outside the EU. Companies provide services for each other, meaning payments are offset between companies that are subject to different fiscal provisions and operate with different currencies. This creates exchange risks and the possibility of incorrect interpretations when dealing with fiscal aspects of financial items and payment flows. Although the FJH Group's financial management continuously monitors, analyses and controls these risks, it is not possible to rule out such risks nevertheless materialising.

Other risks

It is obviously not possible to predict the likelihood and extent of damage caused by terrorist acts or a global epidemic, or indeed damage caused by natural or other disasters.

At times in the past, the FJH Group’s actual results have shown marked fluctuations. Generally, this management report both contains and makes reference to statements that relate to the future. These include in particular statements about the FJH Group's future financial earnings capacity, about plans and expectations relating to its business, growth and profitability, as well as about other key underlying economic conditions. These forward-looking statements are based on current expectations, estimates, predictions, forecasts and assumptions about circumstances, all of which involve some uncertainty as to whether they will materialise or not.

Summary of the Group’s risk situation – assessment of the risk situation by the Company’s management

The FJH Group's overall risk profile developed favourably in 2007. During the period under review, none of the risks reached a level where they threatened the Group’s continued existence. The primary risks obviously involve project and product risks. Ensuring an appropriate strategic direction in choosing and tapping new markets, market-related further development of the solutions portfolio and the availability of sufficiently qualified staff is especially crucial to FJH's medium-term development.

The aforementioned risks document the main, environment-related and corporate risks within the Executive Board's sphere of responsibility, based on the current level of knowledge. As such, these risks cannot be ruled out in principle. However, the Executive Board believes that the processes and standard procedures that have been introduced address these risks to an adequate degree and mean the Company is also sufficiently equipped to successfully counter such risks in 2008.

V. Forecasts

1. Direction of the Group over the next two financial years

Planned changes in corporate policy

The Executive Board believes the results for the 2007 fiscal year confirm the FJH Group's previous strategy of restructuring and the adaptation and fine-tuning of this strategy in the second-half of 2006. Against this backdrop, the Board has since the middle of 2007 been working on developing this strategy into an appropriate medium-term strategy. The Executive Board's fundamental views on market trends and the resulting risks and opportunities as well as the key qualitative objectives were presented to the Supervisory Board. The ensuing discussion resulted in the Supervisory Board granting its unanimous agreement to these elements of the new medium-term strategy. In terms of strategy, the FJH Group's prime aim remains that of achieving significant, revenue-oriented, sustained growth. At the same time, the aim of sector specialisation was defined in more detail and the objectives of greater product focussing, internationalisation and the associated further development of our business model were outlined in detail for the first time and corresponding measures defined.

In terms of underlying approaches, this essentially means continuity as regards, for example, customer focus and placing exacting requirements on the quality and efficiency of our solutions. Our business policy does, however, include a few important innovations. Firstly, the solutions portfolio is being unified across the Group and geared towards the strategic program of the FJA Insurance Platform. The benefits of this approach for both our customers and ourselves are obvious and can be easily conveyed through persuasive arguments. Over the coming years, however, achieving this goal will require an extensive process of change away from our familiar practices/methods as a unified and internationalised solutions portfolio will place new and interesting requirements on employees across all areas of the Group. The resulting advantages, the additional benefits in use and the improved coverage of customer requirements must be conveyed to existing and new customers so that we can also involve them in the associated changes. This solutions strategy will make the FJH Group more open vis-à-vis prospective partners because in new markets in particular, product focussing will bring with it an increased willingness for partners to provide parts of customising, rollout and maintenance work for our solutions.

Future sales markets

With its range of services and products, the FJH Group is the market leader in Germany for life insurers and pension providers. Around half of all German life insurers are clients of the FJH Group. In the 2007 fiscal year, it became clear that the previously forecast changes were materialising – in some cases at a pace that had not been anticipated. The overall situation within the life insurance sector can be summarised by three predominant trends. The first is the continuing relatively weak level of new business by life insurers at the beginning of 2008. There is also a continuing strong trend towards cost reductions in IT which, in the majority of cases, is leading to a philosophy of migrating a number of existing legacy systems to a few target systems. When choosing target systems, the importance of long-term cost considerations is increasing. Release-ready standard software solutions offer distinct advantages here. A third major trend is also gaining in significance; for the first time in many years, the introduction of fundamental innovations in life insurance products is being heavily discussed, planned and implemented. These trends are currently accompanied by concerted pressures for change as a result of numerous and continuing changes in the underlying statutory framework. The FJH Group will use these opportunities to further consolidate its market leadership and believes its existing qualifications will stand it in good stead.

Although Germany remains the most important single market for the FJH Group, over the medium term we are aiming for further increases in the share of turnover accounted for by our international subsidiaries, so reducing our dependency on cyclical fluctuations in the German market. The Austrian and Swiss markets offer excellent potential and present very similar requirements to the German market. The Eastern European markets are in a period of flux. Several factors are producing changes in the requirements of the numerous life insurance companies now established in central Eastern Europe. Firstly, the growing portfolio volumes require more automated business processes, while political and economic integration processes (EU membership) mean levels of product complexity akin to those in German-speaking countries. This process will increase demand for suitable solutions. The US market offers excellent prospects, provided FJA-US, Inc. continues to succeed in offering suitable variations on FJH solutions tailored to this market. This represents a medium to long-term challenge and opportunity for the Group's overall product portfolio. However, the increasing market success enjoyed by FJA-US Product Machine – especially in non-life insurance lines (and now also in health insurance) – is already proving the potential benefits of rising to this challenge. In addition to the above, the FJH Group believes a number of other markets offer good initial conditions for entering the market as a product supplier. Whether and how this results in a market launch in these markets depends on the progress of discussions with service suppliers who are already established in these markets.

Overall, the solutions strategy of the FJA Insurance Platform is designed to ensure a common, uniform Group-wide basis for all targeted sales markets and the relevant usage scenarios for the solutions within the market.

Future use of new procedures

Combining our existing solutions into the FJA Insurance Platform will entail a number of group-wide standardisation and unification measures in terms of development technology, methodology and organisational processes. This will mean some parts of the Group adapting to new procedures, but generally these will be procedures that are already successfully practised in other parts of the Group. In the narrow sense of the term, new procedures involve firstly gearing the entire FJA Insurance Platform solutions portfolio to SOA compliance (SOA: Service-oriented architecture) and secondly the introduction of CCC.

In addition to optimising the way the components of the solutions portfolio interact with each other, SOA compliance also aims to allow customers to choose between individual service components and optimum integration capability. This enables the individual services of FJH products to be integrated in other systems' process chains. However, the opportunity for using existing back-office services of FJA products in front-office applications is also important for strategic development. Insurers will be able to avoid duplicating system support work, thus saving costs and also complying with regulatory requirements for complete, integrated process documentation.

The CCC approach allows the FJA Insurance Platform and its components to be used on a global basis without losing the specific benefits of existing regional standards. CCC stands for Core, Country and Customer.

Future products and services

We see the FJA Insurance Platform as the future central element of our product portfolio. Consistent integration of existing SOA-compliant products (certification already exists for "FJA Life Factory ®: Ready for SOA (IBM) and FJA RAN ® and FJA Zulagenverwaltung ®: Ready for SOA (IBM)) and gradual introduction of new SOA-compliant products/components will create an international, customer-oriented, scalable FJA Insurance Platform. The USPs of the regional solutions will become international USPs.

Expanding SOA-compliance of our portfolio of standard software products will also increase the number of options available to both the FJH Group and its customers for enhancing the flexibility of and expanding business models. The SOA approach will for example also allow differentiated approaches when outsourcing business processes. As well as the option of combining services from different suppliers (e.g. services within FJH's core business, add-on services from SAP), it will also be possible to fully outsource individual services to such suppliers. The FJH Group will be able to assume the running of complete service packages in cooperation with partners. It will also be possible to hand over certain services to service partners (e.g. integration into a customer's system landscape). The FJH Group is therefore aiming to enhance its profile as a product supplier.

2. Underlying economic conditions over the next two financial years

Future macroeconomic situation

The Federal Ministry of Economics has already reduced its original forecast and currently expects German GDP to grow by 1.7% in 2008. There are also uncertainties regarding the global economy. In particular, it is difficult to estimate the possible effects of the "subprime" crisis (subprime refers to mortgage loans for borrowers with low credit standings), where significant payment defaults could lead to major banks writing down billions. This could firstly have a negative impact on consumer demand, especially in the USA where consumption is largely refinanced via real estate. Secondly, the possibility of further value adjustments among finance providers cannot be excluded. High global energy costs compound the risks associated with the future global economic climate.

Future situation within the sector

The German Insurance Association, the Gesamtverband der Versicherungswirtschaft (GDV) expects restrained premium growth of around 1.5% in 2008. Within the life insurance sector, the GDV relies on forecasts from economists, who are predicting moderate growth in new business and continued high levels of policy flows with a 2% increase in premiums. According to the GDV, the adjustments of premiums for Riester policies (where the last government assistance phase is to become effective) will have a favourable effect in 2008.

In addition, GDV President Dr. Bernhard Schareck believes that after the two latest major reform projects, insurers have reached their tolerance limits in terms of administration. The reform of the Insurance Contracts Law, the Ordinance on Disclosure Requirements, Solvency II, reorganisation of mediation law – according to Dr. Schareck, these all represent key changes with deep-seated consequences for all areas including risk management, investment strategy, sales structures and customer relations.

This confirms the view held by FJH AG's Executive Board concerning the increasing pace of the dominant trends within the sector. We remain convinced that against this backdrop, insurers will show a greater propensity to use release-ready standard software.

Similar trends are emerging in the Austrian and Swiss markets, too. The specific situations in the other markets are described in the section entitled “Key sales markets and competitive position” and the Executive Board believes the trends outlined there will continue in 2008. The FJH Group is increasingly observing trends towards internationalisation within the sector. Group customers are increasingly demanding that solutions implemented by one group company for one region be made available for the regional business of other group companies.

3. Forecast earnings position

Forecast development in turnover and results

For 2008, we are forecasting turnover of between 64 and 68 million Euro and an EBIT margin of somewhat more than 10%.

4. Forecast financial situation

Planned financing measures

Since current levels of cash and cash equivalents are clearly sufficient, we are not planning any additional financing measures.

Planned investments

In 2008, R&D investments will be strictly focussed on the first phase of the FJA Insurance Platform. The size of the investment budget will be on a par with the preceding year. The lack of preciseness in this statement is due to our evolutionary implementation strategy. As we prefer to link specific implementation phases with subject-related customer projects, milestones and expenses relating to the implementation project and therefore overall R&D costs can vary by up to 30% of total expenditure. For the Executive Board, involving the market and customers in investment measures takes top priority as this is the best way to avoid the risk of investments that fail to consider the market.

5. Opportunities

Opportunities arising from trends in underlying conditions

For 2008, the underlying conditions described above – backed by the profitable growth achieved in 2007 – will provide the FJH Group with good opportunities for making carefully targeted investments in the FJH Group's future with appropriate growth and profitability goals.

Opportunities relating to corporate strategy

The increasing popularity of release-ready software will enable the FJH Group to further consolidate its unique market position. Over the medium to long term, the trend towards internationalisation that became even more pronounced in 2007 will offer an opportunity to use the FJH Insurance Platform to transform regional unique market positioning characteristics into international unique market positioning characteristics.

Performance-related opportunities

The underlying performance-related framework offers an opportunity to expand the FJH Group's overall market position while also strengthening the market position of the subsidiaries within their respective regional markets. If the level of incoming orders is maintained in 2008, the FJH Group expects to strengthen its position in the USA in particular.

Other opportunities

Since licence sales represent a key element of the FJH Group's business model, if incoming orders remain favourable, there is a potential opportunity to achieve turnover/income in excess of expectations without being subject to the limitations incumbent on pure service providers.

6. Summary of the Group's forecast development

The FJH Group has returned to a demonstrable level of financial stability and efficiency, as reflected in the results for 2007. Against this backdrop, the Company's management will continue to pursue its objective of profitable growth. At the same time, the Company has once again secured the means and capabilities to allow medium-term investment for the future, so enabling a significant increase in future profitability. The success achieved has strengthened the already high levels of motivation shown by the management and indeed the entire FJH team in devoting all their energies to achieving optimum benefit for customers and shareholders alike.

Munich, 12 March 2008
The Executive Board

Michael Junker Thomas Junold Stephan Schulak

Consolidated income statement of FJH AG (IFRS)
for the period from 1 January to 31 December 2007

	No.	**2007**	**2006**
		€	**€**
Sales revenues	VII.1	61,309,220	56,879,349
Change in stocks of finished goods and work in process	VIII.4	-5,425	-576,000
Own work capitalised		349,554	0
Cost of purchased services	VII.2	-2,098,850	-2,545,228
Personnel expenses	VII.3	-40,222,921	-40,280,011
Other operating income	VII.4	2,984,406	4,296,041
Other operating expense	VII.5	-16,026,808	-18,324,754
Depreciation/amortisation of property, plant and equipment and of intangible assets	VII.6	-1,024,596	-4,386,364
Operating result		**5,264,579**	**-4,936,967**
Interest income	VII.7	521,031	201,133
Interest expenditure	VII.7	-740,233	-448,789
Result before income tax		**5,045,377**	**-5,184,624**
Income tax	VII.8	232,959	3,270,585
Net income/loss		**5,278,336**	**-1,914,038**
Allocation of result:			
Profits/losses attributable to equity holders of the parent company		**5,254,985**	-1,967,747
Profits attributable to minority interests		23,352	53,709
Net income/loss		**5,278,336**	**-1,914,038**
Earnings per share (basic)	X.	0.25	-0.10
Earnings per share (diluted)	X.	0.25	-0.10
Average shares outstanding (basic/diluted)		21,289,353	20,233,825

Consolidated Balance Sheet of FJH AG (IFRS) as at 31 December 2007

Assets

	No.	31.12.2007	31.12.2006
		€	€
Current assets			
Cash and cash equivalents	VIII.1	18,894,354	16,176,122
Securities	VIII.2	3,097	3,184
Trade accounts receivable	VIII.3	7,950,229	7,026,428
billed receivables		*7,203,158*	*5,758,824*
unbilled receivables		*747,072*	*1,267,605*
Inventories	VIII.4	1,069	6,494
Current income tax assets	VIII.5	171,895	104,666
Other financial assets	VIII.6	180,174	92,581
Other current assets	VIII.7	840,575	780,786
Total current assets		**28,041,394**	**24,190,260**
Fixed assets			
Goodwill	VIII.8	3,582,591	3,887,191
Other intangible assets	VIII.8	1,776,482	1,767,247
Property, plant and equipment	VIII.9	2,053,307	2,643,914
Financial investments	VIII.10	5,806	5,807
Deferred tax assets	VIII.11	4,181,719	3,836,598
Current income tax assets	VIII.5	905,341	987,599
Other financial assets	VIII.12	262,694	487,815
Total fixed assets		**12,767,940**	**13,616,171**
Total assets		**40,809,334**	**37,806,431**

Consolidated Balance Sheet of FJH AG (IFRS) as at 31 December 2007

Equity and liabilities

	No.	31.12.2007	31.12.2006
Current liabilities			
Financial debt	VIII.13	0	1,127,881
Trade accounts payable	VIII.14	789,224	956,529
Current income tax liabilities	VIII.15	375,292	118,618
Other accruals	VIII.16	1,987,366	4,428,526
Other current liabilities	VIII.17	1,196,076	3,450,325
Other financial liabilities	VIII.18	7,329,137	4,419,103
Total current liabilities		**11,677,095**	**14,500,983**
Long-term liabilities			
Other accruals	VIII.16	374,017	219,052
Other financial liabilities	VIII.18	3,588,905	2,582,368
Deferred tax liabilities	VIII.11	645,517	1,045,318
Pension provision	VIII.19	1,611,370	1,567,891
Total long-term liabilities		**6,219,808**	**5,414,629**
Total liabilities		**17,896,902**	**19,915,612**
Equity			
Share capital	VIII.20	21,289,353	21,289,353
Capital reserves	VIII.21	10,293,514	10,293,514
Retained earnings	VIII.22	-8,832,405	-13,830,665
Shares of parent company's shareholders		**22,750,463**	**17,752,202**
Minority interest	VIII.23	161,969	138,618
Total equity		**22,912,432**	**17,890,819**
Total liabilities and equity		**40,809,334**	**37,806,431**

Consolidated cash flow statement of FJH AG (IFRS)
for the period from 1 January to 31 December 2007

	2007	2006
	€	€
Net income/loss	5,278,336	-1,914,038
Income tax	-232,959	-3,270,585
Result before income tax	**5,045,377**	**-5,184,624**
Adjustments		
Depreciation/amortisation of property, plant and equipment and of intangible assets	1,024,596	4,386,364
Gain/loss from the disposal of property, plant and equipment	4,302	258,232
Gain/loss from the disposal of intangible assets	304,600	0
Increase in pension provision	43,478	69,073
Interest income	-521,031	-201,133
Interest expenditure	740,233	448,789
Income tax refunded	10,926	82,383
Income tax paid	-276,153	-335,132
Changes in:		
Trade accounts receivable	-914,691	2,330,048
Inventories	5,425	576,000
Other assets/other financial assets/current income tax assets	108,276	663,980
Other accruals	-2,262,410	-4,143,608
Trade accounts payable	-163,870	-506,471
Other debts/financial liabilities	-230,073	220,485
Cash flow from operating activities*	**2,918,984**	**-1,335,613**

* see Notes IX.

Consolidated cash flow statement of FJH AG (IFRS)
for the period from 1 January to 31 December 2007 (cont.)

	2007	2006
	€	€
Cash flow from investing activities		
Investments in property, plant and equipment	-154,671	-227,834
Investments in intangible assets	-349,554	0
Cash inflow from the disposal of property, plant and equipment	42,701	52,349
Cash inflow from the disposal of financial investments	0	15,250
Acquisition of subsidiary companies less acquired cash and cash equivalents	0	-4,866,658
Cash flow from investing activities	**-461,524**	**-5,026,893**
Cash flow from financing activities		
Repayment of current financial debts	-2,177,581	-6,975,112
Borrowing of current financial debts	0	2,950,579
Borrowing of long-term financial debts	2,922,084	2,916,293
Cash inflow from capital increase	0	15,405,000
Cash outflow from convertible bonds	0	-202,791
Cash outflow for transaction costs relating to capital increase	0	-894,281
Interest received	521,031	201,133
Interest paid	-740,233	-332,789
Cash flow from financing activities	**525,301**	**13,068,032**
Exchange-rate related changes not relevant for cash flow	**-264,528**	**-158,290**
Change in cash and cash equivalents	**2,718,232**	**6,547,236**
Cash and cash equivalents at beginning of period	**16,176,122**	**9,628,886**
Cash and cash equivalents at end of period*	**18,894,354**	**16,176,122**
* thereof unrestricted	15,727,445	10,839,140

Consolidated statement of changes in equity of FJH AG (IFRS) for the period from 1 January to 31 December 2007

	Share capital	Capital reserves	Retained earnings				Sub-total		equity
			Valuation reserves	Exchange equalisation	Net investment	Other	Shares of parent company's shareholders	Minority interests	
No. in text	20	21	22	22	22	22		23	
	€	€	€	€	€	€	€	€	€
Position 31 Dec. 2005/1 Jan. 2006	**15,662,416**	**3,287,832**	**0**	**427,878**	**0**	**- 15,027,643**	**4,350,483**	**84,870**	**4,435,353**
Net investment					- 887,899		- 887,899		-887,899
Differences due to currency conversion				720,936			720,936	39	720,975
Transaction costs of equity capital procurement						-528,878	**- 528,878**		**-528,878**
Changes in equity not affecting operating result	**0**	**0**	**0**	**720,936**	**- 887,899**	**-528,878**	**-695,841**	**39**	**-695,802**
Net income/loss						-1,967,747	- 1,967,747	53,709	- 1,914,038
Total income and expenditure for the period	**0**	**0**	**0**	**720,936**	**- 887,899**	**-2,496,625**	**- 2,663,588**	**53,748**	**- 2,609,840**
Capital increase	5,135,000	10,270,000					15,405,000		15,405,000
Convertible loan stock	491,937	168,370					660,307		660,307
Use of FJH AG's capital reserves pursuant to § 150 of the German Stock Corporation Act [*AktG*]		**- 3,432,688**				**3,432,688**	**0**		**0**
Position 31 Dec. 2006/1 Jan. 2007	**21,289,353**	**10,293,514**	**0**	**1,148,814**	**- 887,899**	**-14,091,580**	**17,752,202**	**138,618**	**17,890,819**
Net investment					- 857,871		- 857,871		- 857,871
Differences due to currency conversion				601,147			601,147		601,147
Changes in equity not affecting operating result	**0**	**0**	**0**	**601,147**	**- 857,871**		**- 256,724**		**-256,724**
Net income/loss						5,254,985	5,254,985	23,352	5,278,336
Total income and expenditure for the period	**0**	**0**	**0**	**601,147**	**- 857,871**	**5,254,985**	**4,998,260**	**23,352**	**5,021,612**
Position 31 Dec. 2007	**21,289,353**	**10,293,514**	**0**	**1,749,961**	**-1,745,770**	**-8,836,595**	**22,750,463**	**161,969**	**22,912,432**
				- 8,832,405					

I. General Information

1. Fundamental principles

The consolidated financial statements of FJH AG, Munich, Germany as at 31 December 2007 include the parent company and all subsidiaries (hereinafter referred to as the “FJH Group”) and also all associated companies. The reporting year corresponds to the calendar year.

In preparing the consolidated financial statements of FJH AG, Munich, Germany, as at 31 December 2007, consideration has been given to all International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) valid on the balance sheet date and to all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) with binding effect for the fiscal year under review; application is in accordance with mandatory requirements within the European Union.

The FJH Group is a leading consultancy and software house for the European insurance and pensions market. Its software solutions support insurers, financial services suppliers and pension providers in the development, implementation and administration of their products.

The FJH Group has its headquarters at Elsenheimerstraße 65, 80687 Munich, Germany. The Group’s parent company is FJH AG, Munich. FJH AG is a stock corporation [*Aktiengesellschaft*] under German law.

On 14 March 2008 FJH AG's Executive Board released the consolidated financial statements for submission to the Supervisory Board. The Supervisory Board must verify the consolidated financial statements and declare whether it approves the financial statements.

The income statement has been prepared using the total cost method. To improve the clarity of presentation, various items in the balance sheet and income statement are summarised. These items are shown separately and explained in the Notes. The balance sheet has been classified on the basis of time to maturity.

The reporting currency is the Euro (€), rounded to thousand Euro (€000) or million Euro. This can produce rounding differences of up to one arithmetic unit.

The Company has prepared consolidated financial statements and a consolidated management report for the year ending 31 December 2007 in accordance with §315a of the German Commercial Code [*HGB*]. The consolidated financial statements are published in the electronic Federal Gazette [*Bundesanzeiger*] and are filed with the electronic Commercial Register of the District Court of Munich under the No. HRB 126580.

Events after the balance sheet date up to 14 March 2008 have been taken into consideration.

2. New and amended standards

New and amended standards used for the first time during the financial year under review

The consolidated financial statements for the 2007 fiscal year were based on those IFRS for which application is mandatory for fiscal years commencing on or after 1 January 2007. New standards, amended standards and interpretations to be used for the first time for financial years ending on 31 December 2007 are as follows:

- IFRS 7 (”Financial Instruments: Disclosures”): This standard summarised financial instruments disclosures that had previously been regulated in IAS 30 (“Disclosures in the Financial Statements of Banks and Similar Financial Institutions”) and IAS 32 (“Financial Instruments: Disclosure and Presentation”). The standard must be applied by all companies and leads to extended disclosures on financial instruments in the 2007 fiscal year.

- IAS 1 (“Presentation of Financial Statements”): In conjunction with publication of IFRS 7 (“Financial Instruments: Disclosures), the IASB announced an amendment to IAS 1. According to this amendment, financial statements must include disclosures that enable the persons for whom the financial statements are intended to assess a company’s capital management objectives, methods and processes. The changes under IAS 1 increase the information on equity contained in the Notes.

- The other amendments to the interpretations IFRIC 7 (“Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies”), IFRIC 8 (“Scope of IFRS 2”), IFRIC 9 (“Reassessment of Embedded Derivatives”) and IFRIC 10 (“Interim Financial Reporting and

Impairment") have no or few material effects.

Standards/interpretations that have not been used in advance

The following standards/interpretations have been issued by the IASB but their application is not yet binding and they have not yet been applied by the FJH Group: IAS 1 ("Presentation of Financial Statements"), IFRS 8 ("Operating segments"), IFRS 3 ("Business Combinations") in connection with IAS 27 ("Consolidated and Separate Financial Statements pursuant to IFRS"), IAS 23 ("Borrowing Costs"), IFRIC 11 ("Group and Treasury Share Transactions"), IFRIC 12 ("Service Concession Arrangements"), IFRIC 13 ("Customer Loyalty Programmes"), IFRIC 14 ("The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interactions").

These will have the following detailed impact on future consolidated financial statements of the FJH Group:

The changes to IAS 1 ("Presentation of Financial Statements") are intended to facilitate the analysis and comparison of financial statements for users. The amendment must be applied to fiscal years commencing on or after 1 January 2009. On first use by FJH AG, the changes to the standard – which must be applied by all companies – will result in extended disclosures.

IFRS 8 ("Operating segments") replaces IAS 14 ("Segment Reporting"). The new standard requires companies to provide financial and descriptive information on their reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity for which separate financial information is available and whose operating results are reviewed regularly by an entity's chief operating decision maker to assess its performance and make decisions about how resources are to be allocated. In general, financial information must be reported on the basis of internal control. The new standard must be applied to fiscal years commencing on or after 1 January 2009. First use of the standard – which must be applied by all business enterprises – by FJH AG will result in extended disclosures.

The changes under IFRS 3 ("Business Combinations") in conjunction with IAS 27 ("Consolidated and Separate Financial Statements pursuant to IFRS") mean a number of changes to the accounting procedures for business combinations; these affect the amount of goodwill shown, the results for the reporting period in which a company acquisition takes place and the recognition of future income. The changes will first apply to reporting years commencing on or after 1 July 2009. In the event of a transaction, the changes to the two standards – which must be applied by all companies – will involve extra work in order to identify and evaluate the elements of a transaction.

Application of the remaining new standards/interpretation will not have any or will not have any significant impact on the Company's financial statements in the period in which they are first applied.

3. Going concern

In 2007, the restructuring and capital measures implemented during 2005 and 2006 helped set the FJH Group back on track towards growth and profitability. 2007 thus showed a return to acceptable growth and results. Moreover, the Company recorded a positive cash flow from operating activities for 2007 as a whole. The Company's planning for the coming years also anticipates positive results and cash flows. Encouraged by the renewed financial stability and earnings capacity, the management assumes the Company's favourable development will continue into the future, too.

II. Accounting and Valuation Methods

All companies included in the scope of consolidation apply uniform accounting and valuation methods. The consolidation methods and accounting and valuation principles applied in the preceding year have been applied consistently again this year.

In principle, **proceeds from the sale of goods, the provision of services** and the use of the Company's assets by third parties in return for **interest, licence fees** and **dividends** are only shown if the inflow of proceeds is sufficiently probable and if their amount can be reliably determined. Valuation is at fair value of the counter-performance that is received or due. The following individual principles apply to the recognition of turnover and proceeds:

For some customer projects (especially fixed-price projects) the recognition of turnover is based on the progress of the project in question (percentage of completion method), provided the extent of completion, the costs arising for the project and anticipated costs up to full completion can be reliably determined. In such cases, calculation of a project's progress is based on project valuations that determine the relationship between costs already incurred and the estimated total cost of the contract. Work provided under projects where this method is applied is shown as

unbilled receivables. The lower realisable value on the balance sheet date is shown where necessary.

Service contracts where settlement is based on outlays made and reimbursable expenses (time and material projects) are realised based on the services provided by the FJH companies.

For **maintenance services**, turnover is recognised on a straight-line pro-rata basis over the contractually agreed period of the service.

In general, the following conditions must be cumulatively fulfilled in order for licence revenues (including reference systems and technical concepts) to be recognised:

1. A contract has entered into effect,
2. The software/reference system/technical concept has been delivered,
3. The licence fee has been established and
4. An incoming payment is probable.

If the sale of a licence has no business connection with other services, the turnover is recognised in the month in which the software (or the reference system/technical concept) is delivered to/accepted by the customer.

If the sale of a licence is commercially connected with other FJH services, then a distinction is generally made between the following cases:

If the licence involves customer-specific standard software that is adapted by FJH (approx. maximum 3 months) and then delivered to the customer, turnover is usually recognised in the month in which the software is delivered to the customer or when it is accepted by the customer, if this has been agreed in the contract.

For more long-term projects where the process of adapting the standard software takes longer than three months before initial rollout at the customer’s, turnover is recognised using the percentage of completion method. In cases (especially those where project work can be influenced by the customer) where it is difficult or impossible to determine the level of completion, based on the licence, turnover is apportioned on a straight-line basis over the period up to when the customer-specific software solution is first used by the client on a productive basis.

Where a licence for an FJA standard software product is issued for a limited period of time, the revenues are apportioned on a straight-line basis over the agreed term.

Interest income is shown using the effective interest rate method. **Interest expenditure** is shown on an accrual basis as affecting net profit/loss.

Financial assets include cash and cash equivalents, securities, trade accounts receivable, other financial assets and financial investments. A financial asset is only ever shown in the balance sheet if the FJH Group is a contracting party to the regulations for the financial asset. Financial assets are derecognised if the rights to cash flows from a financial asset expire or if rights are transferred to a third party. For transfers, the criteria of IAS 39 must in particular be complied with regarding the transfer of the opportunities and risks associated with ownership of the financial asset.

Financial assets are shown at fair value at the time of initial recognition. The fair values shown in the balance sheet generally correspond to the market prices of the financial assets. Where these are not available directly, they are calculated using recognised valuation methods and by recourse to current market parameters. For subsequent measurement, financial assets are divided into the following categories “at fair value through profit or loss”, “held to maturity”, “available for sale” and “loans and receivables”. All regular way purchases and sales of financial assets are recognised on the settlement date.

Cash and cash equivalents comprise cash in hand and balances at banks that had a remaining term of three months or less at the time they were procured or invested. Cash and cash equivalents are shown at fair value. Balances in foreign currencies are shown at the exchange rate valid on the balance sheet date.

In accordance with IAS 39, **securities** are categorised as either “available for sale” or as “held to maturity”. At the time of initial recognition and for subsequent recognition, "available-for-sale" securities are valued at fair value on the balance sheet date. Until recognition at the time of sale, the change in fair value taking into account any deferred taxes is reported in equity under retained earnings without affecting the net profit or loss. Where there are objective substantial indications that a permanent impairment in value has occurred, the cost of the impairment is recorded as affecting the net profit or loss. Amounts already shown under equity are removed from the equity, affecting the net profit or loss. Securities classed as “held to maturity” are initially recognised at fair value and are subsequently measured at amortised cost.

(Billed) **trade accounts receivable** and **other financial assets** (with the exception of financial derivatives) include in particular receivables and loans issued by the Company. Accordingly, they are categorised as “loans and receivables” and are initially recognised at fair value and subsequently recognised at amortised cost. A value adjustment is applied, affecting net profit or loss, if the present value of the expected future cash flows for the receivables or other assets is below the amortised cost on the balance sheet date. Non-interest bearing receivables and low-interest receivables with a time to maturity of more than one year are discounted.

When first recognised, **financial investments** are shown at fair value and categorised as “available for sale”. For subsequent valuations, they are therefore shown at fair value; until realisation, unrealised gains and losses are shown separately under equity without affecting net profit or loss, taking into account deferred taxes. Financial investments that involve equity instruments for which no listed price is available on an active market and for which the fair value cannot be reliably determined must be shown at purchase cost. Impairments in value are applied affecting net profit or loss, if there are objective indications that the present value of the estimated cash flow is below the book value.

To date, the FJH Group has not availed itself of the option to designate **financial assets as financial assets to be measured at fair value through profit or loss at the time of their first recognition**.

On each balance sheet date, the book values of the financial assets that are not valued at fair value through profit or loss are examined to determine if there are objective substantial indications (such as significant financial difficulties on the part of the debtor, a high probability of insolvency proceedings against the debtor, the loss of an active market for the financial asset, a continuing fall in the fair value of the financial assets below the amortised cost) of an **impairment in value**. Any impairment expense that is justified by the fair value being lower than the book value is recorded, affecting net income. If, during later evaluations, it emerges that due to events that have occurred since the impairment was recorded, there has been an objective increase in the fair value, then the relevant amount of the impairment is reversed through profit or loss. Until realisation, reductions in the fair value of available-for-sale financial assets are reported in equity without affecting net income. Impairments in value relating to available-for-sale unlisted equity instruments that are shown at purchase cost may not be reversed. The fair value of held to maturity securities that is determined during the impairment test and the fair value of loans and receivables valued at amortised cost correspond to the present value of the estimated future cash flows, discounted using the original effective interest rate. The fair value of unlisted equity instruments valued at purchase cost is the present value of the estimated future cash flows, discounted using the current interest rate, which corresponds to the specific risk situation of the investment.

Inventories (work in process) show work provided for customers for which even though no contractual basis has yet been established, there is at least a letter of intent with the customer. At the time of initial recognition and for all subsequent measurements, inventories are shown at cost of production or at the lower net sales value.

Where **goodwill** has been capitalised, this was until 31 December 2004 amortised on a straight-line basis over the anticipated useful life. Scheduled amortisation of goodwill is no longer applied from the 2005 financial year. Goodwill is instead subject to an annual impairment test pursuant to IAS 36 and written down to a lower realisable value where necessary.

On acquisition, **intangible assets acquired for a consideration** are stated at historical cost if it is probable that the FJH Group will derive a future economic benefit from the intangible assets and if the purchase costs can be reliably determined. In subsequent periods they are recognised at amortised costs, with scheduled straight-line amortisation calculated over their probable useful life. The Company has no intangible assets acquired for a consideration with an indefinite useful life.

Development costs for new or significantly improved products are capitalised at production cost, provided that expenditure can be clearly allocated and that both technical feasibility and also marketability and an intention to market the products are ensured. There must be reasonable assurance that the development work will bring a future economic benefit for the Company. Capitalised production costs include costs that are directly attributable to the development process. From the date of economic usability, capitalised development expenses for software are amortised using scheduled, straight-line amortisation over a useful life that corresponds to the proposed product lifecycle. Development projects that have not yet been completed and that have been capitalised are subject to an annual impairment test. Research expenses and development expenses that cannot be capitalised are treated as expenses when they arise and shown under personnel expenses and other operating expense.

Items of **property, plant and equipment** are capitalised at historical cost or cost of production plus ancillary costs necessary to bring the asset to working condition. Scheduled depreciation is on a straight-line basis in accordance with the anticipated useful life. The Company does not avail itself of the option to apply the revaluation method. Current maintenance and repair costs are booked as expenditure. Expenses that meet the requirements of IAS 16.13 and the recognition criteria of IAS 16.7 are capitalised at the book value of the items of property, plant and equipment in question and are depreciated over the probable useful life. The carrying amount of parts that are replaced is derecognised. Costs of outside capital are not included in historical cost or cost of production.

The Company has no **investment property** within the meaning of IAS 40.

Leasing agreements are classified as **finance leases** if the leasing terms essentially transfer all risks and opportunities associated with ownership to the lessee. All other leasing relationships are classified as **operating leases**. With finance leases the current leasing instalments are divided into an interest portion and a redemption portion. The redemption portion reduces the amount of the debt under the lease. With operating leases the leasing instalments payable are recorded as expenditure at the time they arise. Unequal instalments are accrued on a straight-line basis.

The useful lives assumed uniformly across the Group for scheduled **amortisation/ depreciation** of intangible assets and of property, plant and equipment are as follows:

	Useful life in years
Other intangible assets:	
Development costs	3
Other	3 to 5
Property, plant and equipment	
Buildings on third-party land	10
Hardware and software	3 to 4
Office and plant equipment	4 to 10

Impairments in value of long-term assets

Instead of being subject to scheduled depreciation, intangible assets and goodwill that do not have a defined useful life undergo an annual impairment test.

Intangible assets that are subject to scheduled depreciation are reviewed to determine any need for impairment if certain events or changes in circumstances indicate that the carrying value may no longer be attainable. An impairment loss is recorded in the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of an asset's net selling price and its value in use. For the impairment test, assets are summarised at the lowest level for which cash flows can be independently identified (cash-generating units).

Depreciation and value impairments of property, plant and equipment and/or intangible assets are shown in the income statement under depreciation/amortisation of property, plant and equipment and of intangible assets.

Deferred income tax assets and **deferred income tax liabilities** are shown using the balance-sheet oriented liabilities method. In principle, deferred income tax assets and deferred income tax liabilities are recognised for all temporary differences between the carrying value of an asset or a debt and the fair value for fiscal purposes. Deferred tax assets are also recognised for fiscal loss carryforwards and tax credits.

Deferred tax assets on loss carryforwards should be formed to the extent that it is probable that it will be possible to use the fiscal loss carryforwards in future. Accordingly, deferred tax assets on fiscal losses are shown taking into account their realisability. Deferred taxes are determined on the basis of the tax rates applicable or anticipated at the time of realisation under the prevailing legal situation in the individual countries. The effect of changes in tax rates on deferred taxes is shown as affecting net profit or loss when the legal change enters into effect.

Non-current assets held for sale and “disposal groups” are measured at the lower of carrying value and fair value less costs to sell.

Financial liabilities include financial debts, trade accounts payable and other financial liabilities. A financial liability is only ever shown in the balance sheet if the FJH Group is a contracting party to the regulations for the financial liability. A financial liability is derecognised when it has been repaid, i.e. when the liabilities specified in the contract have been paid/cancelled or have expired.

The methods and principal assumptions for determining the fair value of financial liabilities are as follows: Financial liabilities are shown at the fair value at the time of acquisition; this corresponds to the amount of money received.

Financial debts are initially recognised at fair value. In subsequent years they are shown at amortised cost using the effective interest rate method.

When recognised for the first time, **trade accounts payable** and **other financial liabilities** are recorded at fair value. In subsequent years all liabilities with the exception of financial derivatives are shown at amortised cost.

With financial liabilities, the Group has until now not availed itself of the option to designate them on initial recognition **as financial liabilities to be measured at fair value with value changes recognised in profit or loss**.

Financial derivatives are used to hedge against fluctuations in future interest payments and are shown at fair value at the time of initial recognition and for all subsequent periods. As the FJH Group does not use hedge accounting, changes in fair value are always shown as affecting the net profit or loss. No financial derivatives were used during the year under review.

The **other accruals** take account of all identifiable risks and contingent liabilities in the amount in which they are likely to occur. The amounts shown represent the best estimate of expenses required to meet liabilities existing on the balance sheet date. Long-term accruals are discounted if the interest rate effect is material.

Pension provision is calculated according to IAS 19 using the Projected Unit Credit method. This method takes into account not only the pensions and accrued pension rights known on the balance sheet date, but also future anticipated increases in pensions and salaries based on prudent assessment of relevant associated factors. Calculation is based on expert actuarial reports and takes biometric assumptions into account. The difference between the projected unit credit and provisions, which has not yet been charged as an expense and which arises from the actuarial calculation of gains or losses in connection with changes in accounting assumptions, is amortised over the average remaining period of service of the beneficiaries, if it exceeds the corridor of 10% of the projected unit credit.

Preparing the consolidated financial statements in accordance with the provisions of the IASB requires that **estimates** and **assumptions** about the future be made that impact on the amount and recognition of assets and liabilities in the balance sheet, on contingent liabilities on the balance sheet date and on the income and expenditure shown for the period under review. The future assumptions and estimates largely relate to the recognition of turnover on the basis of the PoC method, to the standard Group-wide definition of useful lives, to the reporting and valuation of accruals and to the planning and valuation assumptions used in impairment tests. Although these estimates are calculated on the basis of current transactions and to the best of the Company’s knowledge, the actual figures may ultimately deviate from these estimates. The actual figures may in individual cases deviate from the assumptions and estimates made. Changes are taken into account as affecting net profit and loss at the time when improved knowledge materialises and/or are taken into account in both the period when improved knowledge materialises and also in subsequent periods where the changes affect several accounting periods.

Section XI. Assumptions and Estimates outlines the main assumptions about the future and other key sources of estimating uncertainties on the balance sheet date that may give rise to a significant risk necessitating a major adjustment of the assets and liabilities shown within the next fiscal year.

III. Scope of consolidation

1. Subsidiaries

Subsidiaries in which FJH AG holds the majority of voting rights, either directly or indirectly, are included in the consolidated financial statements. Subsidiaries are included from the date on which the Company can exercise control and are removed when this is no longer applicable.

As at 31 December 2007, the following companies were fully consolidated within the Group whose parent company is FJH AG:

Company	**Holding (%)**	**Abbreviations**
FJA Feilmeier & Junker GmbH, Munich (Germany)	100	(FJA Germany)
with the subsidiary FJA-US, Inc., New York (USA)	100	(FJA-US)
FJA Feilmeier & Junker AG, Zurich (Switzerland)	100	(FJA Switzerland)
FJA Feilmeier & Junker Ges.m.b.H., Vienna (Austria)	100	(FJA Austria)
FJA Akademie GmbH, Munich (Germany)	100	(FJA Akademie)
FJA OdaTeam d.o.o., Maribor (Slovenia)	80	(FJA OdaTeam)
FJA bAV Service GmbH, Munich (Germany)	100	(FJA bAV Service)
PYLON AG, Hamburg (Germany)	100	(PYLON)

There have been no changes in the scope of consolidation compared with the preceding year's reporting date. For all subsidiaries, the respective balance sheet dates are the same as the Group balance sheet date.

Facts 2007:

PYLON AG, Hamburg, was changed to PYLON GmbH, Hamburg with effect from 13 July 2007.

Following a contractual agreement regarding the renunciation of claims under a debtor warrant, the purchase price and the goodwill of PYLON GmbH had to be reduced by 305 thousand Euro during the fiscal year under review.

Facts 2006:

assit-forum GmbH, Munich, was established on 29 March 2006 in conjunction with Prof. Dr. Elmar Helten, who contributed 20% of the original capital of 25,000 Euro (i.e. 5,000 Euro). FJH AG contributed 80% of the original capital (i.e. 20,000 Euro). The original capital was paid in cash.

With effect from 1 December 2006 FJH AG sold a total of 61% of shares in assit-forum GmbH; this included 51% to Prof. Dr. Elmar Helten and 10% to Mr. Marco Raumann. The purchase price of 15,250 Euro was paid in cash. As at 31 December 2006, FJH AG therefore held 19% of shares. Final consolidation of assit-forum GmbH took place on 30 November 2006.

assit-forum GmbH’s sales revenues for 2006 were 70 thousand Euro and its losses 76 thousand Euro. As at 31 December 2006, assit-forum GmbH’s equity amounted to -51 thousand Euro. The balance sheet debt overload was eliminated by two subordination agreements under the loan agreements dated 15 October 2006 issued by FJH AG (loan of 33 thousand Euro) and Prof. Dr. Helten (8 thousand Euro) vis-à-vis assit-forum GmbH and by a financial guarantee from Prof. Dr. Helten for an amount of 20 thousand Euro.

From 1 December 2006 the holding in assit-forum GmbH was shown under financial investments. A value adjustment was applied in respect of the full carrying value of 5 thousand Euro on account of assit-forum GmbH's equity position. The impairment expense of 5 thousand Euro was shown directly in the result for the period, in the financial result. The impairment expense related to the primary segment of Germany.

FJH AG acquired all shares in PYLON AG, Hamburg, with effect from 1 April 2006. The acquisition costs for the merger totalled 7,209 thousand Euro. The acquisition costs were based on the minimum purchase price (6,850 thousand Euro), the present value of the expected subsequent payments under the agreement governing an additional payment in the event of certain expectations on turnover and other conditions being met (279 thousand Euro) and the costs directly attributable to the merger (80 thousand Euro). The acquisition costs were paid in cash, apart from the present value of the expected subsequent payments. The agreement governing an additional payment in the event of certain expectations on turnover and other conditions being met involves an additional profit-related payment for the years 2006 to 2008.

PYLON AG was formed in 1986 and became a public limited company in 2001; over a period of more than 20 years it has established itself as a top-class IT consulting house for leading national and international insurance companies and pension solution suppliers.

The purchase price was paid for the balance of the following assets and liabilities:

	Carrying value before acquisition	**Provisional value**	**Re-calculated value**	**Total step-up**
	€000	**€000**	**€000**	**€000**
Cash and cash equivalents	2,064	2,064	2,064	0
Trade accounts receivable	2,182	2,182	2,182	0
Inventories	71	71	71	0
Other assets	337	337	337	0
Customer relationships – consulting	0	1,878	858	858
Software agreements	0	0	309	309
Software	99	2,223	582	483
Orders on hand	0	301	44	44
Property, plant and equipment	256	256	256	0
Deferred tax assets	940	1,424	940	0
Trade accounts payable	-709	-709	-709	0
Other current liabilities	-2,143	-2,143	-2,143	0
Other accruals	-1,584	-1,584	-1,584	0
Deferred tax liabilities	0	-1,737	-684	-684
Net assets	**1,513**	**260**	**2.005**	**1,010**
Acquisition costs	7,198	7,198	7,209	
Goodwill		**2,635**	**4,686**	

Provisional values were applied at the time of the initial balance sheet preparation on 1 April 2006 as final figures could not be determined until February 2007. The adjustments under the purchase price allocation were due to factors that provided further insight into the respective values after the purchase of PYLON AG. The reduced manpower and management capacities and the deterioration in the order situation meant it was not possible to achieve the planned levels of sales revenues and income during the 2006 financial year.

PYLON AG’s losses for the nine months from the date of acquisition to the reporting date of 31 December 2006 amounted to 780 thousand Euro. If the purchase had taken place on 1 January 2006 the sales revenues from 1 January 2006 to 31 December 2006 would have been 8,467 thousand Euro and the loss 1,109 thousand Euro.

The goodwill allocated to PYLON AG on 1 April 2006 was 4,686 thousand Euro. The goodwill was largely based on the favourable future prospects originally identified during the planning submitted at the time of PYLON AG's purchase. When the value of the goodwill was reviewed, the entire goodwill was allocated to the cash-generating unit PYLON AG.

The attainable amount for the cash-generating unit PYLON AG amounts to 2,847 thousand Euro. The attainable amount for PYLON AG corresponds to the fair value less selling costs. The fair value less selling costs is calculated using the future estimated free cash flow (which is derived from corporate planning), discounted by the weighted average cost of capital, less selling costs. Calculation of the fair value less selling costs was based on corporate planning for the financial years 2007 to 2009 with subsequent conversion to perpetuity. The weighted average cost of capital was calculated at 8.25%. Selling costs were set at 2%.

The planning assumptions were based on plausibility of historical data, existing contracts and estimates concerning future developments.

The impairment requirement for the 2006 financial year amounted to 3,202 thousand Euro including depreciation of subsequent purchase costs of 26 thousand Euro and was recorded directly in the result for the period under the item depreciation of property, plant and equipment and of intangible assets. The impairment expense of 3,202 thousand Euro involved the primary segment of Germany.

The impairment expense resulting from the impairment test meant the carrying value of PYLON AG's goodwill as at 31 December 2006 was 1,510 thousand Euro.

2. Associated companies

In the consolidated financial statements, associated companies in which FJH AG directly or indirectly holds between 20% and 50% of the voting rights are valued using the equity method.

No company was valued using the equity method on either 31 December 2007 or the reporting date in the preceding year.

The holding in ARGE FJA KR BU-System, Munich, is not consolidated. The FJH Group holds 50% of shares. ARGE's equity amounted to 39 thousand Euro as at 31 December 2007 (preceding year: 31 thousand Euro). Total assets amounted to 70 thousand Euro (preceding year 33 thousand Euro) and total debts to 31 thousand Euro (preceding year 2 thousand Euro). During the 2007 fiscal year ARGE recorded sales revenues of 100 thousand Euro (preceding year 79 thousand Euro) and a result of 7 thousand Euro (preceding year 7 thousand Euro).

The FJH Group does not have any significant influence on ARGE FJA KR BU-System as it only has limited opportunities for participating in financial and business policy decision-making processes within the company.

3. Changes in the scope of consolidation

There have been no changes in the scope of consolidation since the balance sheet reporting date.

IV. Consolidation Methods

For the fully consolidated companies, capital is consolidated by the acquisition method. The acquisition costs of acquired shares are offset against the fair value of the subsidiary's proportionate equity at the time of acquisition. Goodwill arises and must be capitalised if the acquisition costs for the subsidiary exceed the proportionate equity. Scheduled amortisation of goodwill has not been applied since the 2005 financial year. Goodwill must be subject to an impairment test in every accounting period.

In accordance with the transitional rules of IAS 22, for companies acquired prior to 1 January 1995 we continued to offset the goodwill on capital consolidation against reserves. This affects the goodwill of FJA Switzerland and part of the goodwill of FJA Germany that arose prior to 1 January 1995.

For companies acquired between 1 January 1995 and 31 December 2002, the goodwill arising was capitalised in accordance with IAS 22. Up to the 2004 fiscal year, this goodwill was amortised by the straight-line method over ten years. This affects the goodwill of FJA-US and FJA OdaTeam and part of the goodwill of FJA Germany that arose after 1 January 1995. This part of FJA Germany's goodwill originally related to FJA Innosoft GmbH, which was merged into FJA Germany as of 1 January 2002.

FJA Austria was established in 1996 with a share capital of ATS 1,000,000. FJA Akademie was formed in 2000 with a share capital of 25 thousand Euro. FJA bAV Service was acquired in 2001 at book value. No goodwill arose here.

As already mentioned, PYLON AG (converted to PYLON GmbH from 13 June 2007) was acquired in 2006. In 2006, a value adjustment of 3,176 thousand Euro was applied to the goodwill of 4,686 thousand Euro arising at the time of acquisition. Following a contractual agreement regarding the renunciation of claims under a debtor warrant, the purchase price and the goodwill were reduced by 305 thousand Euro during the year under review.

Intercompany turnover, expenses and income, all receivables and liabilities between the consolidated companies and results from intercompany transactions (intercompany profits) are eliminated.

V. Currency Translation

Currency translation was based on IAS 21. The **functional currency** is the currency of the primary economic environment in which an entity operates. It is always the currency that has the strongest influence on performance and costs. The functional currency is determined for each entity within the Group. As the consolidated companies operate their businesses on an independent basis, the functional currency is, as a rule, the national currency of the respective company.

In principle, foreign currency translation involves two steps. **Foreign currency** transactions and/or resulting foreign currency assets and liabilities are translated into the entity's functional currency. The exchange rates at the time of the transaction/recognition are authoritative; translation is therefore effected using historic rates (temporal method). If the entity's functional currency differs from the **presentation currency** (Euro), all assets (including goodwill arising on consolidation) and liabilities are translated using the middle rates on the closing date, while items in the income statement are translated using the average annual rates (modified current rate method). Differences resulting from the translation of net assets at different rates to the previous year are not reported through profit and loss.

The exchange rates used for currency translation changed as follows (based on 1 Euro):

	Middle rate on the balance sheet date		Annual average rate	
	31.12.2007	31.12.2006	2007	2006
	€	€	€	€
1 USD	0.6793	0.7574	0.7296	0.7960
1 CHF	0.6043	0.6213	0.6087	0.6356
1,000 SIT	-	4.1729	-	4.1696

The FJH Group does not have any business operations in hyperinflationary countries. IAS 29 is therefore not applicable.

Goodwill arising in connection with subsidiaries acquired prior to 1 January 2005 and adjustments in the book values of assets and liabilities to fair value are translated using the exchange rate prevailing on the reporting date for the date of acquisition. Goodwill arising in connection with the acquisition of subsidiaries after 1 January 2005 and adjustments in the book values of assets and liabilities to fair value are translated using the exchange rate prevailing on the balance sheet date. FJH AG has not acquired any foreign subsidiaries since 1 January 2005.

VI. Segment Reports

FJH AG is a leading consultancy and software house for the European insurance and pensions market. Its software solutions support insurers, financial services suppliers and pension providers in the development, implementation and administration of their products.

Around half of all German life insurers as well as renowned health and non-life insurers now rely on solutions from FJH. Globally, our software is used in 20 countries spanning three continents, including the USA and Australia and many Eastern European countries.

FJH is an industry expert for life insurers and pension providers and offers a full range of state-of-the-art consulting, service and product solutions. These solutions cover policy administration including actuarial mathematics, migration and policy administration add-on processes, sales processes and corporate control. Consulting and services and also the product portfolio are mutually complementary and form the backbone for the industry specialist's business model. The products are standard software products, most of which are release-ready. They are marketed under the FJA brand.

In addition to its headquarters in Munich the Company also has offices in Hamburg, Cologne and Stuttgart. We also have subsidiaries in Germany (Hamburg), Switzerland (Zurich), Austria (Vienna), the USA (New York) and Slovenia (Maribor). The segments are unchanged on the preceding year.

1. Primary segments

The primary segments have been presented by geographical breakdown, based on the head office of the respective Group company, because opportunities and risks relating to business activity have a regional character. The geographical segments largely correspond to the location of customers' offices.

Turnover can be categorised as follows:

	2007			**2006**		
	External turnover	**Inter-segment turnover**	**Total**	**External turnover**	**Inter-segment turnover**	**Total**
	€000	**€000**	**€000**	**€000**	**€000**	**€000**
Germany	46,651	5,417	52,068	42,160	6,587	48,747
Austria	314	2,268	2,582	398	2,028	2,426
Switzerland	4,593	1,169	5,762	6,660	709	7,369
United States of America	8,776	0	8,776	6,321	0	6,321
Slovenia	975	356	1,331	1,340	368	1,708
Sub-total	**61,309**	**9,210**	**70,519**	**56,879**	**9,692**	**66,571**
Elimination of consolidation	0	-9,210	-9,210	0	-9,692	-9,692
Total	**61,309**	**0**	**61,309**	**56,879**	**0**	**56,879**

Assets can be categorised by segment as follows:

	2007	2006
	€000	**€000**
Germany	28,112	27,612
Austria	219	741
Switzerland	2,815	2,145
United States of America	3,530	1,925
Slovenia	865	446
Total segment assets	**35,541**	**32,869**
Securities	3	3
Financial investments	6	6
Current income tax assets	1,077	1,092
Deferred tax assets	4,182	3,836
Total Group assets	**40,809**	**37,806**

Depreciation/amortisation of fixed assets is categorised as follows:

	2007	2006
	€000	**€000**
Germany	906	4,124
Austria	19	30
Switzerland	22	40
United States of America	61	166
Slovenia	16	26
Depreciation/amortisation for the Group	**1,025**	**4,386**

Investments in property, plant and equipment and in intangible assets are categorised as follows:

	2007	2006
	€000	**€000**
Germany	100	6,550
Austria	6	6
Switzerland	3	60
United States of America	36	6
Slovenia	360	12
Investments for the Group	**505**	**6,634**

Debts can be categorised as follows:

	2007	2006
	€000	€000
Germany	15,098	15,210
Austria	467	394
Switzerland	516	1,425
United States of America	563	445
Slovenia	233	149
Total segment debts	**16,877**	**17,623**
Current income tax liabilities	375	119
Deferred tax liabilities	645	1,045
Current financial debts	0	1,128
Total Group debts	**17,897**	**19,916**

The operating result is categorised as follows:

	2007	2006
	€000	€000
Germany	3,542	-4,265
Austria	781	759
Switzerland	326	-1,127
United States of America	511	-596
Slovenia	104	292
Total segment results	**5,265**	**-4,937**
Total Group operating result	**5,265**	**-4,937**

The main non-cash-flow-related expenses included in the operating result for the segments are as follows:

2007	Impending losses	Value adjustments on billed receivables	Impairment expenses	Total for region
	€000	€000	€000	€000
Germany	185	304	0	489
Austria	0	0	0	0
Switzerland	0	0	0	0
United States of America	0	0	0	0
Slovenia	0	0	0	0
Total	**185**	**304**	**0**	**489**

2006	Impending losses	Value adjustments on billed receivables	Impairment expenses	Total for region
	€000	€000	€000	€000
Germany	512	117	3,241	3,870
Austria	0	0	0	0
Switzerland	154	0	0	154
United States of America	0	0	0	0
Slovenia	0	0	0	0
Total	**666**	**117**	**3,241**	**4,024**

The amount of the impairment expense recorded in the result for the period under review and shown directly under equity was as follows:

	2007	2006
	€000	€000
Germany	0	3,241
Austria	0	0
Switzerland	0	0
United States of America	0	0
Slovenia	0	0
Total impairment expense recorded in the result for the period	**0**	**3,241**
Germany	0	0
Austria	0	0
Switzerland	0	0
United States of America	0	0
Slovenia	0	0
Total impairment expense recorded directly in equity	**0**	**0**

There were no reinstatements of value recorded during the period under review in either the result for the period or in equity.

The average workforce categorised by segment for the fiscal year was as follows:

	2007	**2006**
Germany	357	383
Austria	18	19
Switzerland	28	33
United States of America	35	21
Slovenia	29	30
Total	**467**	**486**

2. Secondary segments

The secondary segments are based on the FJH Group's areas of activity. No breakdown of assets and investments has been applied as allocation to the individual areas of activity is neither possible nor meaningful.

Turnover can be categorised as follows:

	2007	**2006**
	€000	**€000**
Services	49,261	46,284
Licences	6,550	6,407
Maintenance	4,327	3,435
Other income	1,171	753
Consolidated turnover	**61,309**	**56,879**

VII. Notes to the Income Statement

1. Sales revenues

Sales revenues include billed income for licences, services and maintenance services as well as refunds of costs and reductions of proceeds. It also includes turnover from billable services reported using the percentage of completion (PoC) method and shown as unbilled receivables.

Projects valued using the PoC method reveal the following revenue and expense components:

	2007	2006
	€000	€000
Turnover realised (PoC) in the financial year	747	1,268
Expenses recorded in the financial year	730	1,041
Profit recorded in the financial year	18	227

2. Cost of purchased services

	2007	2006
	€000	€000
Freelance collaborators	2,099	2,130
External computational services	0	150
Purchase of software licences	0	17
Other	0	248
Total	**2,099**	**2,545**

Expenses relating to purchased services mainly include expenses for freelance collaborators, external computational services and software licences.

3. Personnel expenses

	2007	2006
	€000	**€000**
Wages and salaries	34,529	34,245
Social security and other expenses	5,088	5,413
Personnel expenses excluding pensions	39,617	39,658
Pensions and other expenses	606	622
Total	**40,223**	**40,280**

Social security and other expenses comprise in particular the employer's social security contributions and contributions to social insurance against occupational accidents.

For the period under review, the employer's share of statutory pension insurance amounted to 2,168 thousand Euro (preceding year: 2,112 thousand Euro).

The **pension and other expenses** mainly comprise appropriations to pension provisions and to other old-age protection systems.

Share Option Scheme

The Executive Board was authorised by resolution of the Extraordinary General Meeting held on 17 January 2000 to issue a total of up to 180,000 option rights to subscribe to no-par-value shares in FJH AG, as part of a share option scheme. To honour the option rights, a qualified capital increase was performed in the nominal sum of up to 180 thousand Euro.

In February 2000, 100,750 option rights were issued at an exercise price of 48.00 Euro. In 2001 and 2002 a further 11,000 and 6,750 option rights were issued at an exercise price of 48.00 Euro and 37.42 Euro respectively. In 2003 an additional 12,000 option rights were issued at an exercise price of 27.11 Euro. No further option rights were issued in 2004, 2005, 2006 or 2007. In addition, since the start of the share option scheme, a total of 129,750 options (preceding year: 97,000) have lapsed due to employees leaving the company; of these, 32,750 lapsed in 2007 leaving a total of 750 options still valid.

The first exercise date for the options is two years after issue. At the time of the first exercise opportunity, 33% of the awarded options may be exercised, after a further year 66% and two years after the first exercise opportunity, 100%. The option rights lapse after seven years.

The option rights may only be exercised if the FJH AG share price outperforms the market index specified in the share option scheme.

Among other things, the AGM held on 5 July 2001 set a new exercise price for the option rights not yet issued. The exercise price is the placement price for private investors, or the average closing price of the FJH share on the last five trading days prior to the issue of the option rights, if at the time the option rights are issued the latter is below the placement price for private investors.

The new IFRS 2 has been applied since 1 January 2005. According to this standard, the total value of share options granted to employees on the date of grant is determined using an option price valuation model. The total calculated value of share options is distributed and shown as a personnel expense over the period in which performance is provided by the beneficiary. The option value must be recognised as affecting net profit or loss for fiscal years from 2005 and relates to those option rights issued in 2003.

In 2005 expenses of 79 thousand Euro were incurred for options issued in 2003. There were no expenses in the 2006 and 2007 fiscal years as the issued options from 2003 had expired/no new options had been issued since 2003.

4. Other operating income

	2007	**2006**
	€000	**€000**
Income from the release of other accruals and other liabilities	1,663	2,845
Transfer of vehicles	95	204
Rental income	626	541
Other	600	706
Total	**2,984**	**4,296**

“Other” largely includes income not related to the period, charging on of non-cash remuneration and insurance compensation.

5. Other operating expense

	2007	2006
	€000	**€000**
Consulting, accountancy and Supervisory Board	1,573	1,762
Advanced vocational training	122	153
Premises expense	5,185	5,765
Advertising expense	615	741
Travel expense	2,097	1,980
Vehicle expense	225	454
Communication expense	614	666
IT expense	548	914
Loss on the disposal of property, plant and equipment	30	258
Additions to accruals	590	643
Exchange losses	187	355
Leasing expense	3,375	3,325
Other	866	1,309
Total	**3809,23**	**4198,141**

"Other" largely includes expenses in respect of insurance, fees, contributions, journals, donations and office requisites, personnel recruitment and value adjustments on accounts receivable. In the preceding year, the item also contained one-off expenses relating to PYLON AG (converted to PYLON GmbH with effect from 13 July 2007).

The auditors' fees arising in the 2007 fiscal year and in the preceding year were as follows:

	2007	2006
	€000	**€000**
Auditing (incl. out-of-pocket expenses)	185	170
Other certification and valuation services	79	29
Tax consulting services	4	2
Other services	0	46
Total	**268**	**247**

6. Depreciation/amortisation of property, plant and equipment and of intangible assets

	2007	2006
	€000	€000
Depreciation/amortisation of property, plant and equipment and of intangible assets	1,025	1,183
Impairment expense for intangible assets	0	3,203
Total	**1,025**	**4**

For details of the impairment expenses on goodwill in the preceding year, please see "III. Scope of Consolidation, 1. Subsidiaries". The impairment expenses for intangible assets are outlined under "VIII. Notes to the Balance Sheet, 8. Goodwill and other intangible assets".

7. Interest income

	2007	2006
	€000	€000
Interest income	521	201
Interest expenditure	-740	-449
Interest income	**-219**	**-248**
Thereof relating to financial instruments in the valuation categories:		
Loans and receivables	279	-54
Available-for-sale assets	5	-5
Financial liabilities measured at amortised cost	-37	-187
Lease-purchase liabilities	-466	-2

Interest income refers to the credit interest from cash and cash equivalents and from the writeback of the value adjustment for the book value of the participation in assit-forum GmbH.

Interest expenditure relates to the financial debts, which during the year under review were reduced from 1,128 thousand Euro to 0 thousand Euro, to lease-purchase liabilities and in the preceding year to the value adjustment for the book value of the participation in assit-forum GmbH.

There was no interest income or expenditure for the valuation categories "assets held to maturity", "assets at fair value through profit or loss" and "liabilities at fair value through profit or loss".

8. Income tax

The tax yield consists of the following components:

	2007	2006
	€000	€000
Current income tax expense Germany	-476	953
Other countries	-144	-107
Total current income tax	**-620**	**846**
Deferred taxes from temporary differences	316	260
Deferred taxes from tax loss carryforwards	537	2,165
Total deferred income tax	**853**	**2,425**
Total	**233**	**3,271**

The actual tax expense contains an expense of 130 thousand Euro (preceding year: 988 thousand Euro) that relates to prior periods.

As at 31 December 2007, the FJH Group had unused corporation-tax loss carryforwards of 163,862 thousand Euro (preceding year: 170,409 thousand Euro) and trade tax loss carryforwards of 159,191 thousand Euro (preceding year: 157,305 thousand Euro) for which deferred tax assets were formed to the extent that there was sufficient certainty regarding their realisation. Overall, an amount of 11,068 thousand Euro (preceding year: 7,983 thousand Euro) in deferred tax assets was formed in respect of tax loss carryforwards.

Currently, we cannot exclude the possibility that due to various legal questions on fiscal law that have not yet been decided in the Supreme Court, the current pending external tax audit of FJH AG may result in the partial depreciation of a nominal amount of 48.6 million Euro in respect of FJA Feilmeier & Junker GmbH in 2004 that was previously considered effective for tax purposes not being recognised or not being recognised in part by the fiscal authorities. Non-recognition would reduce the aforementioned corporation tax and trade tax loss carryforwards by the relevant amount.

The loss carryforwards without any limitations in terms of time amount to 155,611 thousand Euro for corporation tax (preceding year: 161,525 thousand Euro) and to 159,191 thousand Euro for trade tax (preceding year: 157,305 thousand Euro).

The loss carryforwards that are limited in time will expire as follows over the next few years:

	2011	2012	2013
	€000	€000	€000
Loss carryforwards	6,177	947	1,127

Non-application of deferred tax assets to current net losses for the year reduced the result by 1 thousand Euro (preceding year: 731 thousand Euro). Overall, no deferred tax assets were applied for current corporation tax losses for the year of 5 thousand Euro (preceding year: 2,624 thousand Euro) or for current trade tax losses of 5 thousand Euro (preceding year: 1,455 thousand Euro).

The use of fiscal loss carryforwards that had not yet been capitalised and that resulted from prior years reduced the actual fiscal expense by 453 thousand Euro (preceding year: 234 thousand Euro).

Deferred tax yield of 1,283 thousand Euro (preceding year: 165 thousand Euro) results from the application of deferred tax receivables on loss carryforwards of earlier periods, to which deferred tax had not yet been applied.

Depreciation of deferred tax assets previously formed on tax losses increased the deferred tax expense by 0 thousand Euro (preceding year: 189 thousand Euro).

The above effects are shown in the following calculation under “Effects of fiscal losses”.

The tax yield of 233 thousand Euro shown for the 2007 financial year (preceding year: 3,270 thousand Euro) is 1,564 thousand Euro (preceding year: 1,903 thousand Euro) higher than the expected income tax expense of 1,331 thousand Euro (preceding year: 1,368 thousand Euro).

The following Group calculation summarises the individual company-based calculations taking into account consolidation measures. The expected tax expense is adjusted to arrive at the actual tax expense stated.

The tax rate shown in the calculation reflects the tax rate for corporation tax and solidarity surcharge of 26.38% that has been applicable in Germany since 2004.

	2007	2006
	€000	**€000**
Result before income tax	5,045	-5,185
Tax rate	26.38 %	26.38 %
Expected income tax	**-1,331**	**1,368**
Tax effects in respect of: Tax rate difference	15	-1
Tax rate changes	-298	0
Current and deferred trade earnings tax	294	858
Tax-free income and fiscal apportionments and accounting	-35	1,630
Amortisation of goodwill	0	-845
Effect of tax losses	1,737	-521
Taxes for prior years	-155	777
Consolidation effects	0	0
Tax effect from capital measure	0	0
Other	6	4
Effective income tax	**233**	**3,271**

In 2006 the amendment to the Corporation Tax Act [Körperschaftsteuergesetzes] (claim to payment of the corporation tax credit pursuant to § 37 para. 5 KStG) resulted in special tax yield of 955 thousand Euro for FJH AG. For FJA GmbH, this special tax yield amounted to 33 thousand Euro.

Please see also the information in VIII. 11. Deferred tax assets.

VIII. Notes on the Balance Sheet

1. Cash and cash equivalents

	31.12.2007	31.12.2006
	€000	€000
Term account (pledged to Dt. Leasing AG)	420	2,940
Other collateralised term accounts	2,747	2,397
Uncollateralised non-borrowing accounts	15,727	10,839
Total	**18,894**	**16,176**

Cash and cash equivalents include collateralised and uncollateralized cash balances and credit balances at banks.

Under an agreement dated 3 March 2004, FJA Feilmeier & Junker GmbH sold the “FJA Zulagenverwaltung ®” subsidy administration system software that it had developed in-house to Deutsche Leasing AG, Bad Homburg, for a net amount of 11.2 million Euro and leased it back for a fixed period of four years with monthly leasing instalments of 0.249 million Euro.

To secure Deutsche Leasing AG’s rights under the lease agreement, FJH AG originally pledged a term account of 5.93 million Euro to Deutsche Leasing AG. An amount of 0.42 million Euro (preceding year: 2.94 million Euro) was still pledged as at 31 December 2007. An amount of 0.21 million Euro is released per month.

In addition to the above, time deposits totalling 2,747 thousand Euro (preceding year: 2,397 thousand Euro) act as security for various avals and for a receivable that has been sold to a factor.

Cash and cash equivalents correspond to the item cash and cash equivalents shown in the cash flow statement.

As at 31 December 2007, uncollateralized cash and cash equivalents amounted to 15,727 thousand Euro (preceding year: 10,839 thousand Euro).

2. Securities

	31.12.2007	31.12.2006
	€000	€000
Shares	3	3
Total	**3**	**3**

Securities include the shares held in Mittelschule und Tourismusfachschule Samedan AG, Samedan (Switzerland) in an amount of 3 thousand Euro. The company is not listed. Valuation was at purchase cost.

3. Trade accounts receivable

	31.12.2007	31.12.2006
	€000	€000
Billed receivables	7,203	5,758
Unbilled receivables	747	1,268
Total	**7,950**	**7,026**

The trade accounts receivable are due within one year.

		Thereof: Neither impaired in value or overdue as at balance sheet date	Thereof: Not impaired in value and overdue in the following time bands as at balance sheet date				
Billed receivables	**Book value**		**< 30 days**	**31 to 60 days**	**61 to 90 days**	**91 to 120 days**	**121 to 360 days**
Position as at 31 Dec. 2007	7,203	4,597	2,097	210	26	267	6
Position as at 31 Dec. 2006	5,758	4,669	455	206	68	349	11

With regard to the billed trade receivables that have not been reduced in value and that are not in default, there were no indications as of the balance sheet date that the debtors will not fulfil their payment obligations.

Value adjustments on billed receivables developed as follows:

	2007	2006
	€000	**€000**
Value adjustments as at 1 January	**213**	**192**
Exchange differences	0	0
Additions	304	117
Used	0	0
Writebacks	-114	-96
Value adjustments as at 31 December	**403**	**213**

The total additions of 304 thousand Euro (preceding year: 117 thousand Euro) and writebacks of 114 thousand Euro (preceding year: 96 thousand Euro) only involve individual value adjustments. There were no lump-sum individual value adjustments.

The following table shows the expenses relating to full write-off of billed receivables and also the income from incoming payments relating to receivables written off.

	2007	2006
	€000	**€000**
Expenses relating to full write-off of receivables	0	0
Income from the receipt of receivables written off	0	0

The expenses relating to the write-off of receivables are shown under other operating expenses, while income from the receipt of receivables written off is shown under other operating income.

The FJH Group shows the total of costs incurred and profits posted with the amount of downpayments received and retentions already balanced under the item "Unbilled receivables". The gross amount shown shows total costs incurred and profits posted and also downpayments received and retentions:

	31.12.2007	31.12.2006
	€000	**€000**
Total costs incurred and profits posted	16,066	11,443
Downpayments received	-13,598	-9,842
Retentions	-1,721	-333
Total	**747**	**1,268**

The balance from the total costs incurred and profits posted, downpayments received and retentions can be positive or negative for each customer order. Across all orders, the total credit and debit balances are as follows:

2007	Orders with a credit balance	Orders with a debit balance	TOTAL
	€000	€000	€000
Total costs incurred and profits posted	16,066	0	16,066
Downpayments received	-13,598	0	-13,598
Retentions	-1,721	0	-1,721
Total	**747**	**0**	**747**

2006	Orders with a credit balance	Orders with a debit balance	TOTAL
	€000	€000	€000
Total costs incurred and profits posted	11,443	0	11,443
Downpayments received	-9,842	0	-9,842
Retentions	-333	0	-333
Total	**1,268**	**0**	**1,268**

No trade accounts receivable are pledged that serve as security for liabilities.

4. Inventories

The inventories (work in progress that can’t yet be billed) of 1 thousand Euro (2006: 6 thousand Euro) relate to the segment of Germany. No impairments in value were expensed in the period under review.

No inventories were shown at fair value less selling expenses for either the year under review or the preceding year.

No inventories are pledged that serve as security for liabilities.

5. Current income tax assets

	31.12.2007	31.12.2006
	€000	€000
Corporation tax, current	172	105
Corporation tax, long-term	905	988
Total	**1,077**	**1,092**

Current income tax assets comprise advance payments and refund claims for corporation tax in an amount of 1,077 thousand Euro (preceding year: 1,092 thousand Euro). The current portion amounts to 172 thousand Euro (preceding year: 105 thousand Euro), the long-term portion to 905 thousand Euro (preceding year: 988 thousand Euro).

6. Other financial assets (current)

	31.12.2007	31.12.2006
	€000	€000
Travel expense advances	0	0
Security deposits	180	93
Leasing overpayment for hardware lease	0	0
Vehicle fleet management	0	0
Total	**180**	**93**

The other financial receivables (current) are due within one year.

Under a loan agreement dated 15 October 2006, FJH AG made an interest-bearing loan of 33 thousand Euro available to assit-forum GmbH. At the same time, the contracting parties concluded a subordination agreement ranking FJH AG's receivables under the loan agreement behind all receivables of all current and future creditors of assit-forum GmbH; according to the agreement, FJH AG can only assert its subordinated receivables vis-à-vis assit-forum GmbH if certain requirements/conditions are met. In view of assit-forum GmbH's financial situation, a value adjustment was applied for the full amount of the receivable (including interest) of 33 thousand Euro during the preceding year. The value adjustment is shown under other operating expenses and concerns the primary segment of Germany.

Under an agreement dated 20 December 2007, FJH AG as lender renounced 75% of the receivables due to it from assit-forum GmbH under the existing loan agreement (loan of 33 thousand Euro including the interest of 5% accrued from 16 October 2006 to 19 December 2007); i.e. 26 thousand Euro. The remaining receivables of 8 thousand Euro were repaid in cash by 31 December 2007.

7. Other current assets

	31.12.2007	31.12.2006
	€000	€000
Turnover tax	13	127
Prepaid expenses	224	176
Other	604	478
Total	**841**	**781**

The prepaid expenses chiefly comprise the portions of insurance, rents and leases paid in the year under review that only become an expense the following year.

8. Goodwill and other intangible assets

2007		Other intangible assets		
	Goodwill	Development costs	Other	Total
	€000	€000	€000	€000
Acquisition costs Position 1 Jan. 2007	10,469	849	1,905	861,374
Additions	0	350	0	350
Disposals	-304	0	0	-304
Differences due to currency conversion	0	0	0	0
Position 31 Dec. 2007	**10,165**	**1.199**	**1,905**	**907,374**
Amortisation/depreciation Position 1 Jan. 2007	6,582	630	357	7,569
Scheduled amortisation/depreciation	0	146	195	341
Disposals	0	0	0	0
Differences due to currency conversion	0	0	0	0
Position 31 Dec. 2007	**6,582**	**776**	**552**	**349**
Book value 31 Dec. 2007	**3,583**	**423**	**1,353**	**5,359**

2006		Other intangible assets		
	Goodwill	**Development costs**	**Other**	**Total**
	€000	**€000**	**€000**	**€000**
Acquisition costs Position 1 Jan. 2006	5,757	849	211	6,817
Additions	0	0	0	0
Additions through business combinations	4,712	0	1,694	6
Disposals	0	0	0	0
Differences due to currency conversion	0	0	0	0
Position 31 Dec. 2006	**10,469**	**849**	**1,905**	**13,223**
Amortisation/depreciation Position 1 Jan. 2006	3,379	484	210	4,073
Scheduled amortisation/depreciation	0	146	147	293
Impairment expenses	3,203	0	0	3,203
Disposals	0	0	0	0
Differences due to currency conversion	0	0	0	0
Position 31 Dec. 2006	**6,582**	**630**	**357**	**7,569**
Book value 31 Dec. 2006	**3,887**	**219**	**1,548**	**5,654**

In 2007, the research and development costs (personnel costs and other operating expenses) recorded under expenses amounted to 4,921 thousand Euro (preceding year: 3,530 thousand Euro).

As security for fulfilment of its obligations under two lease-purchase agreements with a licensee (see VIII. Notes to the Balance Sheet, 18. Other financial liabilities), FJH AG has, through its subsidiary FJA Feilmeier & Junker GmbH, deposited the source programs and development documentation for the FJA Life Factory ® standard software with a neutral agency.

On a subordinated basis, the assignment of the FJA Life Factory ® standard software also served to secure the loans by members of the Company's governing organs during the year. See the respective comments under "VIII. Notes to the Balance Sheet. 13. Financial debt."

During the year under review the compulsory annual impairment tests were performed for goodwill; impairment tests were also carried out for individual intangible assets where there were indications of an impairment in value.

Information on other intangible assets during the year under review

There have been no events or changes in circumstances that mean it is no longer possible to achieve the individual carrying values. No impairments in value were therefore applied to other intangible assets during the financial year.

Information on other intangible assets during the preceding year

In 2006 there were no events or changes in circumstances that meant it was no longer possible to achieve the individual carrying values. No impairments in value were therefore applied to other intangible assets during the preceding year.

The impairment test for goodwill was performed in accordance with IAS 36, based on cash-generating units. Goodwill is comprised as follows:

	31.12.2007	**31.12.2006**
	€000	**€000**
FJA OdaTeam	952	952
FJA Germany (Innosoft)	1,345	1,345
FJA-US	81	81
PYLON GmbH	1,205	1,510
Total	**3,583**	**3,887**

The impairment test for goodwill involves allocating the book values of the goodwill to individual cash generating units. The book values of the individual cash generating units are then subject to an impairment test, which must be conducted at least once per year. The recoverable amount, which corresponds to the value in use and which is determined using the “discounted cash flow method”, is compared with the book values. In line with the definition of a cash generating unit, the FJH Group’s business units FJA GmbH, FJA-US, FJA OdaTeam and PYLON GmbH are classed as cash generating units.

Information on goodwill during the year under review

As a result of the impairment tests no impairments in value were applied to any goodwill during the year under review.

As a result of the agreement on an additional payment in the event of certain expectations on turnover and other conditions being met, the purchase price and the goodwill relating to PYLON GmbH had to be reduced by 304 thousand Euro during the current fiscal year.

Information on goodwill during the preceding year

For information on the goodwill of PYLON GmbH and the impairment test, please refer to “III. Scope of Consolidation, 1. Subsidiaries”. In addition to the impairment expenses of 3,176 thousand Euro based on the impairment test, the adjustment of the agreement covering an additional payment in the event of certain expectations on turnover and other conditions being met meant that it was initially necessary to increase the purchase price and goodwill by 26 thousand Euro followed by a direct impairment expense in the result for the period of 26 thousand Euro.

The impairment test for other goodwill was based on planned estimated future cash flows. The future cash flows were calculated on the basis of corporate planning data for the fiscal years up to 2010, and subsequently on the principle of “perpetuity”. This planning is based on a planning horizon of three years. For the period after this (“perpetuity”), an average cash-flow growth rate of 1% was assumed for the purposes of the impairment test. Capital costs (“WACC” = Weighted Average Cost of Capital) and other capital market data were calculated by an external expert, on the basis of a peer group observation.

For FJA GmbH, the free cash flows were discounted using a capital cost rate (WACC) of 9.0% p.a. (preceding year: 8.7% p.a.) before taxes; for FJA OdaTeam the rate was 11.8% (preceding year: 13.9%). This calculation includes a country risk mark-up for Slovenia. For both entities, it is assumed that any rise in costs for personnel and other costs will be below the planned rates of increase for turnover. Overall, these assumptions for FJA GmbH result in increasing returns on EBIT over the planning period. Sensitivity analyses have revealed that even significant deviations from the planning assumptions will not require any valuation adjustments.

9. Property, plant and equipment

2007	Buildings on third-party land	Hardware and software	Office and plant equipment	Total
	€000	**€000**	**€000**	**€000**
Acquisition costs Position 1 Jan. 2007	3,332	5,740	3,703	12,775
Additions	0	55	100	155
Disposals	0	-250	-563	-813
Differences due to currency conversion	-41	-12	-23	- 76
Position 31 Dec. 2007	**- 38**	**- 201**	**- 482**	**- 721**
Amortisation/depreciation Position 1 Jan. 2007	1,774	5,585	2,772	10,131
Additions	314	122	249	685
Disposals	0	-250	-516	- 766
Differences due to currency conversion	-31	-12	-19	- 62
Position 31 Dec. 2007	**285**	**- 134**	**- 283**	**9,988**
Book value 31 Dec. 2007	**1,234**	**88**	**731**	**2,053**

During the year under review and in the preceding year no impairments in value or reinstatements of value were applied to property, plant and equipment as no corresponding events or changes in circumstances had taken place.

2006	Buildings on third-party land	Hardware and software	Office and plant equipment	Total
	€000	€000	€000	€000
Acquisition costs Position 1 Jan. 2006	3,555	6,923	4,090	15
Additions	98	119	11	228
Additions through business combinations	0	1,658	674	676
Disposals	-273	-2,948	-1,047	- 277
Differences due to currency conversion	-48	-12	-25	- 85
Position 31 Dec. 2006	**- 219**	**113**	**663**	**12,775**
Amortisation/depreciation Position 1 Jan. 2006	1,713	6,765	2,806	11
Additions	328	191	371	890
Additions through business combinations	0	1,575	401	403
Disposals	-234	-2,936	-788	-1.025
Differences due to currency conversion	-33	-10	-18	- 61
Position 31 Dec. 2006	**63**	**186**	**- 31**	**10,131**
Book value 31 Dec. 2006	**1,558**	**155**	**931**	**1.088**

10. Financial investments

	31.12.2007	31.12.2006
	€000	€000
Participation in Life Insurance Inc.	0	0
Participation in assit-forum GmbH	0	0
Participation in ARGE FJA KR BU-System	3	3
Other	3	3
TOTAL	**6**	**6**

FJA-US holds 2.5% of the share capital of Life Insurance Inc., New York, USA. On account of the company's financial position, the participation was written down in full in 2002.

As at 31 December 2006, FJH AG held a 19% stake in assit-forum GmbH, Munich. Due to the company's financial situation the participation was written down in full during the year under review. See also the comments under "III. Scope of Consolidation, 1. Subsidiaries". With effect from 1 December 2007, FJH AG sold the remaining 19% to the company's general manager for a nominal value of 4,750 Euro. The purchase price was paid in cash.

For information on ARGE FJA KR BU-System, please see the comments under "III. Scope of Consolidation, 2. Associated companies".

The value adjustments on financial investments developed as follows:

	2007	2006
	€000	**€000**
Value adjustments as at 1 January	**58**	**53**
Exchange differences	0	0
Additions	0	5
Used	0	0
Writebacks	-5	0
Value adjustments as at 31 December	**53**	**58**

The addition to the value adjustment in the preceding year and also the writeback in the year under review relates to assit-forum GmbH.

11. Deferred tax assets

Deferred taxes are determined using the respective national tax rates, which in 2007 varied between 21% and 32.98%. Changes in tax rates that had already been decided on the balance sheet date have been taken into consideration when calculating deferred taxes.

Applicable German corporation tax law for the 2007 fiscal year provides for a statutory tax rate of 25% (preceding year: 25%) plus the solidarity surcharge of 5.5%. The average trade tax burden for German companies in the FJH Group was 14.48% (preceding year: 14.48%). The Business Tax Reform Act 2008 [Unternehmensteuerreformgesetz 2008] reduces the statutory rate of corporation tax for German companies to 15.83% from the 2008 fiscal year but increases the average trade tax burden slightly to 17.15%. Consequently, the average deferred taxes of German companies as at 31 December 2007 have an overall tax rate including the solidarity surcharge of 32.98% (preceding year: 40.86%). The reduction in the tax rate in Germany produced a deferred tax expense of 298 thousand Euro in the 2007 fiscal year. The German Business Tax Reform Act 2008 contains a number of other individual measures that can offset part of the future income tax burden.

The tax provisions and deferrals relate to the following balance sheet items:

	31.12.2007		**31.12.2006**	
	Asset	**Liability**	**Asset**	**Liability**
	€000	**€000**	**€000**	**€000**
Unbilled receivables	20	0	0	62
Receivables and other current assets	54	65	48	25
Intangible assets	0	461	0	715
Property, plant and equipment	0	87	0	147
Other accruals	228	0	341	66
Pension provision	51	0	181	0
Other financial liabilities	41	0	10	0
Other current liabilities	0	33	0	30
Tax loss carryforwards	3,788	0	3,257	0
TOTAL	**4,182**	**646**	**3,837**	**1,045**

The amount of deferred tax assets recorded via equity amounted to 365 thousand Euro (preceding year: 365 thousand Euro).

12. Other financial assets (long-term)

The item mainly contains assets in respect of reinsurance policies in an amount of 263 thousand Euro (2006: 488 thousand Euro). The other financial assets (long-term) have a remaining term of more than one year.

13. Financial debt

	31.12.2007	**31.12.2006**
	€000	**€000**
Up to one year (current)	0	1,128
More than one-year (long-term)	0	0
TOTAL	**0**	**1,128**

The financial debt includes interest-bearing loan liabilities to third parties that are based on a contractual obligation.

Financial debt by major individual components:

Type	Loan currency	€000		Interest rate p.a.	
		31.12.2007	31.12.2006	2007	2006
Loans from members of the governing organs	Euro	0	1,128	8.00	8.00
TOTAL	**Euro**	**0**	**1,128**		

The loans with value date 31 December 2006 for respective amounts of 500 thousand Euro, 460 thousand Euro and 100 thousand Euro (plus interest) that were provided by members of the governing organs Prof. Dr. Manfred Feilmeier, Michael Junker und Thomas Junold were repaid in the first/third quarter of 2007. These loans carried interest at 8% p.a. (see also the chapter entitled “Related Parties” and the section headed “Other transactions with related parties”). As security for these loans, FJA Feilmeier & Junker GmbH assigned its rights to the FJA Life Factory ® standard software to a trustee.

In the preceding year, the Company made extensive repayments on financial debts amounting to 3,306 thousand Euro.

Full repayment of these financial debts in 2007 resulted in the corresponding collateral being released.

14. Trade accounts payable

Trade accounts payable have a remaining term of up to one year.

15. Current income tax liabilities

	31.12.2007	31.12.2006
	€000	€000
Corporation tax	161	85
Trade tax	214	34
TOTAL	**375**	**119**

Current income tax liabilities include an amount of 161 thousand Euro (preceding year: 85 thousand Euro) in corporation tax and 214 thousand Euro (preceding year: 34 thousand Euro) in trade tax.

16. Other accruals

	31.12.06	Differ-ences due to currency conver-sion	Used	Released	Appro-priated	31.12.07
	€000	€000	€000	€000	€000	€000
Guarantees	629	-2	0	-74	24	577
Accrual for project costs	355	-32	0	-188	41	176
Impending losses	1,201	-18	-72	-924 1)	185	372
Restructuring	111	0	-55	-13	16	59
Expected purchase invoices	1,184	-2	-1,042	-130	538	406
Other	1,168	-23	-858	-266	608	- 538
Other accruals	**1.099**	**-77**	**- 9867**	**-1,595**	**1,412**	**2,361**

1) Release due to use

The release of accruals is shown in the income statement under Other operating income (VII.4.).

During the period under review there were no increases in discounted amounts on account of lapse of time.

The valuation on the balance sheet date considers the financial burdens anticipated by the Company.

The restructuring accrual includes personnel expenses and costs relating to discontinued rental expenses and rebuilding costs as part of the Group's restructuring of business operations.

Guarantee accruals are formed on the basis of previous/anticipated future trends in incidents giving rise to claims.

The accrual for project costs includes expenses for unbilled services.

The accruals for impending losses include expenses for the outstanding settlement of customer contracts.

The accrual for expected purchase invoices relates exclusively to other operating expense.

Other accruals largely contain accruals for the annual financial statements, AGM, annual report, etc.

As at the balance sheet date, the maturity structure of the other accruals was as follows:

	Long-term 2007	Long-term 2006	Current 2007	Current 2006	Total 2007	Total 2006
	€000	**€000**	**€000**	**€000**	**€000**	**€000**
Guarantees	0	0	577	629	577	629
Accrual for project costs	0	0	176	355	176	355
Impending losses	247	181	125	1,020	372	1,201
Restructuring	0	0	59	111	59	111
Expected purchase invoices	0	38	548	1,146	548	1,184
Other	127	0	502	1,168	629	1,168
Other accruals	**374**	**219**	**1.987**	**1.098**	**2.361**	**1.099**

Payments under the guarantees accrual are not effected directly, but are largely made as part of personnel and other operating expenses.

With the exception of an amount of 374 thousand Euro, the amounts included in the accruals for missing costs, impending losses, expected purchase invoices and other accruals (total 1,725 thousand Euro) will be paid in the short-term as part of operating activities.

In the short-term, restructuring payments of 59 thousand Euro are payable in 2008.

The FJH Group has sufficient liquid funds to make the payments by drawing on accruals.

17. Other current liabilities

	31.12.2007	31.12.2006
	€000	**€000**
Tax liabilities	624	1,512
Advance payments received on customer orders	94	1,356
Deferred liabilities	478	582
TOTAL	**1,196**	**3,450**

18. Other financial liabilities

	31.12.2007	31.12.2006
	€000	**€000**
Personnel and social security liabilities	4,940	3,444
Lease-purchase liabilities	4,789	2,916
Other	1,189	641
TOTAL	**10,918**	**647,36**

Under agreements dated 15 December 2006 and 22 January 2007, FJA Feilmeier & Junker GmbH concluded two sale and finance lease-back transactions with a licensee for the FJA Life Factory ® standard software (FJA licence no. A.1.000-2006 and FJA Licence No. B 1.000-2007). Under respective software licence agreements, FJA GmbH initially sold the licensee an unrestricted, permanent right to use this standard software in return for a one-off fee (3.0 million Euro in each case). In a second step, the parties entered into a lease-purchase agreement involving the transfer, restricted in time, of a right to use this licence by the licensee as lessor to FJA GmbH as lease-purchaser by issuing a sub-licence in return for a payment of regular leasing instalments (65,738.44 Euro in each case) over a period of 54 months. As the main ownership-related opportunities and risks for the asset remain with the FJH Group, both measures have created a finance-leasing situation/lease-purchase liability. The lease-purchase liability is calculated on the basis of the present value of the minimum leasing payments. Initial direct costs of the lessee were included in the valuation. On 31 December 2007, the lease-purchase liability amounted to 4,789 thousand Euro (preceding year: 2,916 thousand Euro).

As security for fulfilment of its obligations under the two lease-purchase agreements FJH AG has, through its subsidiary FJA Feilmeier & Junker GmbH, deposited the respective source coding and development documentation with a neutral agency.

These rights of use ranked before the rights of the creditors under the loans by members of the Company's governing organs, which were repaid during the year under review. In addition, FJH AG has in each case assumed an absolute suretyship, in an amount of 132 thousand Euro, in respect of fulfilment of all liabilities incumbent on the lease purchaser FJA GmbH.

The personnel and social security liabilities primarily relate to liabilities in respect of holiday, overtime and management bonus entitlements.

The item "Other" mainly includes wage and church tax liabilities.

As at the balance sheet date, the maturity structure of the other financial liabilities was as follows:

31.12.2007	**Total**	**Remaining term up to 1 year**	**Remaining term between 1 and 5 years**	**Remaining term more than 5 years**
	€000	**€000**	**€000**	**€000**
Personnel and social security liabilities	4,940	4,940	0	0
Lease-purchase liability	4,789	1,200	3,589	0
Other	1,189	1,189	0	0
Other financial liabilities	**11**	**7**	**3,589**	**0**

31.12.2006	**Total**	**Remaining term up to 1 year**	**Remaining term between 1 and 5 years**	**Remaining term more than 5 years**
	€000	**€000**	**€000**	**€000**
Personnel and social security liabilities	3,444	3,444	0	0
Lease-purchase liability	2,916	548	2,368	0
Other	641	427	214	0
Other financial liabilities	**7,001**	**4,419**	**2,582**	**0**

The following tables show the contractually agreed (undiscounted) interest and redemption repayments for the other financial liabilities.

€000	Total	Cash flows 2008		Cash flows 2009		Cash flows 2010-2012	
		Interest	Re-demp-tion	Interest	Re-demp-tion	Interest	Re-demp-tion
Personnel and social security liabilities	4,940	0	4,940	0	0	0	0
Lease-purchase liability	4,789	379	1,200	264	1,312	156	2,277
Other	1,189	0	1,189	0	0	0	0
Other financial liabilities	**11**	**379**	**7**	**264**	**1,312**	**156**	**2,277**

All financial instruments held as at 31 December 2007 and for which payments had already been contractually agreed have been included. Planning figures for possible future liabilities have not been included. Financial liabilities that are repayable at any time are always allocated to the earliest timeframe.

During both the 2007 fiscal year and the preceding year the Company did not default on any loans or breach any contracts.

19. Pension provision

Within the Group only Germany has performance-related employer’s pension commitments regulated under individual contracts; some of these commitments are covered by a provident fund with congruent cover.

The amount of the pension commitment was calculated using actuarial methods which require the use of assumptions. In addition to assumptions on life expectancy and invalidity, the assumptions made using Prof. Dr. Klaus Heubeck’s 2005 G mortality tables also play an important role. In 2007 and 2006 the following assumptions were used in two consolidated companies (FJH AG and FJA Feilmeier & Junker GmbH):

2007	FJH AG	FJA GmbH
	% p. a.	% p. a.
Basic interest rate	5.50	5.50
Salary trend	2.00	2.00
Pension increase	0.00	6.00 % every 3 years
Pension increase (official adjustments)	2.00	2.00

2006	FJH AG	FJA GmbH
	% p.a.	% p.a.
Basic interest rate	4.60	4.60
Salary trend	1.75	1.75
Pension increase	0.00	5.25% every 3 years
Pension increase (official adjustments)	1.75	1.75

Staff turnover probabilities have not been taken into account.

The expense for performance-related pension schemes is categorised as follows:

	31.12.2007	31.12.2006
	€000	€000
Cost of benefits acquired in the fiscal year	19	30
Interest expense on the projected unit credit	74	71
Actuarial losses recorded	0	18
Total expense	**93**	**119**

As at 31 December 2006, the accumulated actuarial losses did not exceed the 10% corridor pursuant to IAS 19.92. There are therefore no amortisation amounts for the years after 2007.

For FJA GmbH, the accumulated actuarial gains as at 31 December 2007 exceeded the 10% corridor pursuant to IAS 19.92. As the individuals with vested pension rights do not have any remaining employment service period, there is only an amortisation amount of 29 thousand Euro in 2008.

The cost of benefits acquired during the fiscal year and the actuarial losses recorded are shown under personnel expenses, while interest expenses on the projected unit credit are shown under interest expenses.

Pension provisions developed as follows:

	2007	2006
	€000	**€000**
Provisions at 1 January	1,568	1,499
Total expense	93	119
Pension payments	-50	-50
Provisions at 31 December	**1,611**	**1,568**

The pension provision shown in the balance sheet is derived from the net projected unit credit as follows:

	2007	2006
	€000	**€000**
Net projected unit credit	1,530	1,639
Fair value of the plan assets	0	0
Unrecorded actuarial gains and losses	81	-71
Provisions at 31 December	**1,611**	**1,568**

Payments of 51 thousand Euro are planned in the following year.

20. Share capital

As at 31 December 2007, the share capital amounted to 21,289,353.00 Euro (31 December 2006: 21,289,353.00 Euro). It is divided into 21,289,353 bearer shares of no par value (31 December 2006: 21,289,353) with a book share in the capital of 1.00 Euro each. Each share entitles the holder to one vote. No preference shares have been issued. The number of shares outstanding is calculated as follows:

	2007	2006
	Number	**Number**
Position at 1 Jan.	21,289,353	15,662,416
Exercising of conversion options at 31 March 2006	0	491,937
Cash capital increase dated 7 April 2006	0	5,135,000
Position at 31 Dec.	**21,289,353**	**21,289,353**

No capital increases were effected in the 2007 fiscal year.

One conditional and one ordinary capital increase took place during the 2006 financial year:

- 491,937 new, no-par-value bearer shares with a pro-rata share in the share capital of 1.00 Euro per share (total 491,937.00 Euro) and full profits entitlement from 1 January 2006 under the conditional capital increase (conditional capital 2004 I) decided on by the AGM on 24 June 2004 and registered in the Commercial Register on 16 July 2004. Issue price 2 Euro per convertible bond. Capital inflow of 7,860,000.00 Euro. By 31 December 2005, 6,676,832.00 Euro (around 85%) of the convertible bonds had been exchanged. On 31 December 2005, the nominal amount of outstanding conditional capital was 591,584.00 Euro. During the second conversion period from 1 to 21 March 2006, further bond conversion rights were exercised in a nominal value of 983,874.00 Euro, giving entitlement to 491,937 FJH shares. The nominal amount of the convertible bonds still outstanding after this was 199,294.00 Euro. The residual 199,294 convertible bonds were repaid early by the Company on 28 March 2006. Conditional capital 2004/I now therefore amounts to 99,647 Euro. In the preceding financial year, the financial characteristics of convertible bonds meant they were reported as compound financial instruments. IAS 32.28 requires issuers to identify the individual components, i.e. the financial liability and the equity element. According to IAS 32.29, the individual components of this bond issue had to be valued and shown separately as at 31 December 2005.
- 5,135,000 new, no-par-value bearer shares with a pro-rata share in the share capital of 1.00 Euro per share (total 5,135,000.00 Euro) and full profits entitlement from 1 January 2006 under the capital increase that was decided on by the Executive Board on 22 February 2006 with the Supervisory Board's approval of 22 February 2006 and that was implemented on 7 April 2006 by registration in the Commercial Register, in full utilisation of the authorised capital (Authorised Capital 2005) that was decided on at the Company's General

Meeting on 27 October 2005 cancelling the authorisations dated 11 July 2002 (Authorised Capital 2002/I) and 24 June 2004 (Authorised Capital 2004/I). Issue price 3.00 Euro per share. Capital inflow before transaction costs of 15,405,000.00 Euro. The approved capital 2005 has therefore been utilised in full.

The shares of 491,937.00 Euro converted under the conditional capital increase are fully paid up. The shares of 5,135,000.00 Euro issued under the capital increase are also fully paid up.

No new capital was approved in 2007.

The following new capital was approved in 2006:

- **Approved Capital 2006/I**

Under a decision adopted at the AGM on 23 June 2006 in accordance with §§ 202 et seq., the Executive Board was authorised to increase the Company's share capital, with the approval of the Supervisory Board, in one or more stages by a total nominal amount of up to 10,398,708 Euro until 22 June 2011 by issuing new no-par-value bearer shares against cash contributions and/or non-cash contributions, whereby shareholders' subscription rights may be excluded in order to issue the new shares for the purposes of purchasing companies, parts of companies or holdings in companies or of purchasing receivables against the company (approved capital 2006/I). Furthermore, under a decision adopted by the AGM on 23 June 2006, the Executive Board is authorised to exclude shareholders' subscription rights, with the approval of the Supervisory Board, in order to increase the Company's share capital on one or more occasions by a maximum total amount of 2,079,741.00 Euro through the issue of new, no-par-value shares in return for cash contributions at an issue price not significantly below the list price for the shares of the entire Company at the time the issue price was determined by the Executive Board. Where the Executive Board does not avail itself of the aforementioned authorities to exclude subscription rights, shareholders' subscription rights may only be excluded for fractional amounts. The Executive Board was also authorised, with the approval of the Supervisory Board, to specify further details relating to the capital increase and its implementation.

- **Conditional Capital 2006/I**

  Under a decision adopted by the AGM on 23 June 2006, the share capital was conditionally increased by up to 10,119,061 Euro (Conditional Capital 2006/I). The conditional capital increase will only be implemented to the extent that the holders and/or creditors of convertible bonds and/or warrant-linked bonds that the Executive Board was authorised to issue by resolution of the General Meeting on 23 June 2006 make use of their conversion/option rights to acquire shares in the Company and/or fulfil their conversion obligations under such convertible bonds and/or warrant-linked bonds.

21. Capital reserves

The capital reserves contain the amounts in excess of the nominal amount received from the issue of shares. The capital reserves at 31 December 2007 were 10,293,514 Euro (31 December 2006: 10,293,514 Euro).

The capital increase effected in 2006 and also the convertible bonds are fully paid up. The capital reserves are only restricted by the provisions of §150 of the German Stock Corporation Act [*AktG*] relating to the payment of dividends/the repayment of capital.

22. Retained earnings

The retained earnings contain the results of the companies included in the consolidated financial statements, where such results are not distributed. Differences from the currency translation of financial statements of foreign subsidiaries that does not affect the net profit/loss are also included. The Company incurred total expenses of 529 thousand Euro in connection with equity capital procurement measures implemented during the preceding year. No equity capital measures were implemented during the year under review.

Since, in the year under review and in preceding years, repayment of the receivables of FJH AG and FJA Feilmeier & Junker GmbH from FJA-US Inc. was neither planned nor probable in the foreseeable future, these receivables represented a large portion of the equity/participation. There was a net investment in a foreign sub-unit. In this case, differences from currency conversion in an amount of 858 thousand Euro (preceding year: 888 thousand Euro) were therefore recorded in the reserves from currency conversion during the year.

With effect from 21 December 2007 and 31 December 2007, FJH AG and FJH Feilmeier & Junker GmbH renounced part of the receivables from FJA-US; consequently, no differences from currency conversion will be shown in the reserves from currency conversion from the 2008 fiscal year. The remaining amount of the receivables will in future be administered in US dollars, with any future differences from currency conversion being shown as affecting net profit/loss.

A detailed presentation of the change in retained earnings is shown in the statement of changes in equity capital.

23. Minority interest

	31.12.2007	31.12.2006
	€000	€000
Position at 1 Jan.	139	85
Share in the result for the year	23	54
Position at 31 Dec.	**162**	**139**

24. Other financial obligations

The following liabilities exist in respect of long-term leasing, rental and maintenance contracts **(operating leasing)**:

	31.12.2007				31.12.2006			
		thereof with a remaining term of				thereof with a remaining term of		
		up to 1 year	1 to 5 years	more than 5 years		up to 1 year	1 to 5 years	more than 5 years
	€000	€000	€000	€000	€000	€000	€000	€000
Operating lease	24,046	5,293	10,903	7,850	27,290	7,617	12,219	7,454
Maintenance agreements	300	300	0	0	440	440	0	0
	24,346	**5,593**	**10,903**	**7,850**	**27,730**	**8,057**	**12,219**	**7,454**

The operating lease commitments shown represent the present values of the minimum leasing payments.

The current expense recognised in the income statement for leasing, rental and maintenance agreements during the fiscal year amounted to 7,807 thousand Euro (preceding year: 8,154 thousand Euro).

The operating lease shows the leasing of the “FJA Zulagenverwaltung ®” subsidy administration system.

Under an agreement dated 3 March 2004, FJA Feilmeier & Junker GmbH sold the “FJA Zulagenverwaltung ®” subsidy administration system software that it had developed in-house to Deutsche Leasing AG, Bad Homburg, for a net price of 11,200 thousand Euro and leased it back for a fixed period of four years with monthly leasing instalments of 249 thousand Euro. In November 2007 and within the specified time limit, FJA Feilmeier & Junker GmbH terminated the above agreement with effect from 29 February 2008.

The item “Operating lease” also shows leased office and plant equipment as well as obligations under rental agreements for office premises.

The maintenance agreements relate to the obligations arising from the maintenance of the hardware and software used within the Company.

As at 31 December 2007, the total future minimum payments expected to be received under sub-leasing agreements that cannot be terminated amounted to 3,376 thousand Euro (preceding year: 856 thousand Euro).

There are no other financial obligations apart from the **finance leasing (lease purchase liability)** outlined under “VIII. Notes to the Balance Sheet, 18. Other financial liabilities”.

No leasing item has been capitalised.

The minimum leasing payments and their present values as at the balance sheet date are as follows, categorised by maturity:

	31.12.2007				**31.12.2006**			
		thereof with a remaining term of				**thereof with a remaining term of**		
		up to 1 year	**1 to 5 years**	**more than 5 years**		**up to 1 year**	**1 to 5 years**	**more than 5 years**
	€000	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
Minimum leasing payments	5,588	1,577	4,011	0	3,550	789	2,761	0
Present values of the minimum leasing payments	4,789	1,200	3,589	0	2,916	548	2,368	0

The present value (4,789 thousand Euro) is calculated by deducting the financing costs/interest portion (799 thousand Euro) from the total minimum leasing payments (5,588 thousand Euro).

The main leasing agreements are as follows:

The agreements contain certain extension options: During the term of the contract and subject to the lessor's consent, the lease-purchaser has the option to change the contractual software by rescinding the existing contract and concluding a new lease-purchase agreement. After expiry of the contractually agreed contract term, the lease-purchaser is entitled to transfer of the licence to the contractual software and the associated useage rights to the licensed products that were acquired by the lessor as licensee. There are no price adjustment clauses. If the lease-purchase agreement is terminated prematurely by the lessor on extraordinary grounds, the lessor is entitled to realise the licence in the best way possible, with priority being given to sale to a third party. The lease-purchaser is entitled to appoint a third party to conclude a licence purchase agreement or to purchase the licence itself. In the event of material changes in the lease-purchaser’s shareholder relationships or of changes in the object of the company, the lessor shall be entitled to demand additional collateral. Apart from the above, the lease-purchase agreement does not impose any restrictions involving dividends, additional debts or other lease relationships.

The finance leasing expense recorded for the year under review was 466 thousand Euro (preceding year: 2 thousand Euro).

25. Contingent liabilities

Under a long-term project, several licences and corresponding services have been and are being sold to a service company. The project will end on 31 December 2011. At the end of this period the contracting partner will have a pre-emptive tender right (contingent liability under IAS 37) vis-à-vis FJA GmbH in an amount of 24,632 thousand Euro. FJA GmbH will have a simultaneous corresponding pre-emptive tender right vis-à-vis a third party.

For one customer project of FJA Feilmeier & Junker AG, Zurich, FJH AG has issued a letter of comfort under which it undertakes to exert influence on the subsidiary to ensure it fulfils its obligations under the contract with the customer. In addition, it undertakes that in terms of finance, personnel and technical capability, it will equip the subsidiary so as to ensure it is able to fulfil its obligations under the contract at all times.

In addition, FJH AG has given one customer a letter of comfort for FJA Feilmeier & Junker AG, Zürich, in which it undertakes to meet the subsidiary's obligations in full if it is unable to fulfil them.

In addition to transferring the source code and documentation for the FJA Life Factory ® software, under the lease-purchase agreements dated 15 December 2006 and 22 January 2007 between FJA GmbH and the licensee, FJH AG has in each case also assumed an absolute suretyship, in a maximum amount of 132 thousand Euro, in respect of fulfilment of all liabilities incumbent on the lease purchaser FJA GmbH.

26. Additional information on financial instruments

Objective and methods of financial risk management

Financial risk management should enable the FJH Group to identify all potential key risks at an early stage and to take suitable preventive measures.

The possible risks faced by the FJH Group in connection with financial instruments include in particular liquidity risks, which may lead to a company not being able to procure the financial funds needed to settle financial liabilities, currency risks, which result from activities in various currency regions, default risks involving non-fulfilment of contractual obligations by contracting partners, interest risks, where fluctuations in the market interest rate lead to a change in the fair value of a financial instrument, and interest-related cash-flow risks, which lead to a change in the future cash flow of a financial instrument because of changes in market interest rates.

Organisation

The company has established a clear organisational structure for its risk control process and the relevant responsibilities. The individual organisational units involved in the risk control process are assigned clear responsibilities:

Executive Board

The risk control process starts with the Executive Board, which as part of its overall control of the Company based on risk compatibility, establishes a clear definition of the Company's strategy, its types of business and acceptable and unacceptable risks and also defines the acceptable overall risk.

Risk management

Risk management is responsible for active control and monitoring of risks. Risk is reduced through active diversification and through compliance with limits.

Risk controlling

Risk controlling identifies, measures and evaluates all risks on a uniform, Group-wide basis. Risk controlling monitors compliance with internal limits by measuring risks and the usage of limits.

Supervisory Board

The Supervisory Board's Audit Committee exercises a control function regarding all measures to limit and control risks within the Company.

Credit risks (default risk)

The credit risk relates to a deterioration in the financial circumstances of the Company's debtors or contracting parties. It involves a risk of partial or full default on contractually agreed payments or services and also credit-standing-related impairments in value for financial instruments.

Credit risk management is responsible for operational measurement and control of credit risks. Its main responsibilities include monitoring credit risk positions and commitments and credit-standing analysis.

The Group only faces a risk of default in connection with trade accounts receivable. A sufficient level of valuation adjustments has been formed to cover the estimated risk. Accounts receivable are not insured because of the generally good credit standing of the Group's customers from the insurance sector. In principle, the maximum risk of default corresponds to the nominal values less valuation adjustments. There are no other loan securities or other risk-reducing agreements (such as guarantees, mortgages, pledges). Reservations of use apply until full payment is effected. During the year under review no value adjustments had to be made to unbilled receivables (2006: 0 thousand Euro). For billed receivables, the amount of additions for value adjustments balanced with writebacks totalled 190 thousand Euro (2006: 21 thousand Euro). On the relevant reporting dates, trade accounts receivable did not contain any book values whose terms and conditions had been re-negotiated and which would otherwise have been overdue.

There are no risks of default for cash and cash equivalents. They are held at banks with good ratings.

There is no major risk of default for other financial assets.

Liquidity risks

Managing the liquidity risk involves ensuring that that the Company always has sufficient liquid funds/credit lines to fulfil its payment obligations. Among other things, payment obligations arise as a result of interest and redemption payments. The liquidity risk also involves the risk that it will not be possible to secure sufficient liquidity on the expected terms when required (refinancing risk).

The management mechanisms established by the Company include monitoring the daily stocks of cash and cash equivalents and also the monthly rolling financial planning at company management level. Liquidity management aims to finance foreseeable deficits under normal market conditions, at normal market conditions. This means that both losses from the borrowing of capital at excessive interest rates and also the investment of excess funds at interest rates below the market rate should be avoided.

Due to the Company’s high levels of cash and cash equivalents we currently consider the liquidity risk to be low. The FJH Group has sufficient liquid funds to enable it to repay its interest-bearing financial liabilities at short notice. Moreover, the Company holds financial assets (trade accounts receivable) for which there is a liquid market. These could be sold immediately (factoring) in order to cover any liquidity requirement. The Company currently has no unused credit lines with banks. As at 31 December 2007, the Company had sold a receivable of 595 thousand Euro to a factoring company. FJH AG provided the company with an identical amount of security in the form of assigned time deposit credit balances. The capital market offers a major source of financing. In the 2005 and 2006 fiscal years the FJH Group borrowed 18,365 thousand Euros (2005) and 15,405 thousand Euros (2006) on the capital market by issuing convertible loan stock and implementing three capital increases. The FJH Group communicates regularly with institutional investors and visits road shows.

In the past fiscal year and the preceding year there were no loan defaults or breaches of contract in connection with the Company’s own liabilities (e.g. failure to make redemption payments or interest payments).

The Company did not realise any income from writing off financial liabilities in either the fiscal year under review or the preceding year.

Market risks

Market risks result from changes in market prices. These create fluctuations in the fair value or the future payment flows of financial instruments. Market risks include interest rate, exchange rate and other price risks (e.g. raw materials prices, share prices).

Interest rate risks

Generally, the Group's income/cash flow from operating activities is not exposed to any interest rate risk. The financial assets do not involve any major interest rate risks. Cash and cash equivalents are invested on a short-term basis and are subject to customary market fluctuations. Provided all other parameters remained the same, the Company assumes that interest rates during the period under review would have been 10 base points lower (higher). In such case, the net result for the year in 2007 would have been 18 thousand Euro lower (higher) (in 2006 13 thousand Euro lower (higher)) and the components of equity 18 thousand Euro lower (higher) (in 2006 13 thousand Euro lower (higher)).

The (interest-bearing) financial liabilities have fixed interest rates. The company is not exposed to an interest rate risk for any category of financial liabilities.

Currency risks

The Group is not exposed to any major foreign currency risks as a result of its operating activities. 78% of revenues (preceding year: 75%) are earned within the Euro zone, with the remaining revenues coming from Switzerland, the USA and Australia. On the assets side, the currency risk for trade accounts receivable arises because 36% (preceding year: 36%) of receivables are in non-Euro currencies. For trade accounts payable, currency risks arise because 3% of accounts payable (preceding year: 12%) are in non-Euro currencies. No other items in the balance sheet are affected by currency risks.

The FJH Group is exposed to a currency risk firstly when translating the financial statements of foreign subsidiaries into the reporting currency (Euro) and secondly because work is provided by employees in the Euro zone but is billed to the end customer in a different currency.

Translation of financial statements

If the Euro had been 10% higher (lower) vis-à-vis the US dollar on 31 December 2007 the US subsidiary's net result for the year would have been 29 thousand Euro higher (lower) (31 December 2006: 64 thousand Euro higher (lower)) and the components of equity would have been 29 thousand Euro higher (lower) (31 December 2006: 64 thousand Euro higher (lower)).

If the Euro had been 10% higher (lower) vis-à-vis the Swiss franc on 31 December 2007 the Swiss subsidiary's net result for the year would have been 26 thousand Euro higher (lower) (31 December 2006: 346 thousand Euro higher (lower)) and the components of equity would have been 26 thousand Euro higher (lower) (31 December 2006: 346 thousand Euro higher (lower)).

Operating services

In terms of operations, the individual Group companies mainly administer their activities in their respective functional currency. Consequently, the FJH Group's currency risk from current operating activities is considered low. However, the Group is exposed to a small level of currency risks associated with the billing of services within the Group from the Euro to other currencies.

In the fiscal year under review, billed services within the FJH Group from Euros to the USD region amounted to 2,358 thousand Euro (preceding year: 2,699 thousand Euro). Exchange rate fluctuations of +/- 10% would affect the result and equity by an amount of +/- 236 thousand Euro (preceding year: 270 thousand Euro).

In the fiscal year under review, billed services within the FJH Group from Euros to the CHF region amounted to 3,639 thousand Euro (preceding year: 2,751 thousand Euro). Exchange rate fluctuations of +/- 10% would affect the result and equity by an amount of +/- 364 thousand Euro (preceding year: 275 thousand Euro).

Other price risks

The FJH Group is not exposed to other price risks (e.g. raw materials prices, share prices).

Information on concentrations of risk

The company does not have any dependencies in terms of procurement.

In terms of sales, there is a tendency towards concentrations of risk due to the geographical distribution of sales revenues. For example, the proportion of sales revenues accounted for by Germany was 76% (preceding year: 74%).

Within trade accounts receivable there are no major concentrations on individual customers. During the year under review, the ten largest customers accounted for 52% of sales revenues (preceding year: 46%) and for 51% of trade accounts receivable (preceding year: 18%).

In terms of cash and cash equivalents there is no concentration on individual institutes.

Book values, values shown and fair values

Compared with the book values, the fair values for financial assets and financial debts are as follows:

	Valuation category	Book value 31.12. 2007	Value shown in balance sheet pursuant to IAS 39			Value shown in balance sheet pursuant to IAS 17	Fair value
			Amortised cost	Fair value through equity	Fair value through profit or loss		
Cash and cash equivalents	LaR	18,894	18,894				18,894
Securities	AfS	3	3				n/a
Trade accounts receivable	LaR	7,950	7,950				7,950
Financial investments	AfS	6	6				n/a
Other financial assets	LaR	443	443				443
Trade accounts payable	FLAC	789	789				789
Other financial liabilities							
Non-interest-bearing liabilities	FLAC	6,129	6,129				6,129
Lease-purchase liabilities	n/a	4,789				4,789	4,789
Thereof summarised by valuation categories							
Loans and receivables	LaR	27,287	27,287				27,287
Available-for-sale investments	AfS	9	9				n/a
Financial liabilities measured at amortised cost	FLAC	6,918	6,918				6,918

LaR: *Loans and receivables*

AfS: *Available-for-sale investments*

FLAC: *Financial liabilities measured at amortised cost*

	Valuation category	Book value 31.12. 2006	Value shown in balance sheet pursuant to IAS 39			Value shown in balance sheet pursuant to IAS 17	Fair value
			Amortised cost	Fair value through equity	Fair value through profit or loss		
Cash and cash equivalents	LaR	16,176	16,176				16,176
Securities	AfS	3	3				n/a
Trade accounts receivable	LaR	7,026	7,026				7,026
Financial investments	AfS	6	6				n/a
Other financial assets	LaR	581	581				581
Financial debt	FLAC	1,128	1,128				1,128
Trade accounts payable	FLAC	957	957				957
Other financial liabilities							
Non-interest-bearing liabilities	FLAC	4,085	4,085				4,085
Lease-purchase liabilities	n/a	2,916				2,916	2,916
Thereof summarised by valuation categories							
Loans and receivables	LaR	23,783	23,783				23,783
Available-for-sale investments	AfS	9	9				n/a
Financial liabilities measured at amortised cost	FLAC	6,170	6,170				6,170

There are no assets in the valuation category "assets held to maturity" and "assets at fair value through profit or loss".

There are no debts in the valuation category "liabilities at fair value through profit or loss".

Most cash and cash equivalents, trade accounts receivable and other financial current receivables have short residual terms. Consequently, their book values on the closing date are similar to the fair value.

The values shown for securities correspond to the acquisition costs as no market prices are available.

Because no active market listed price is available for the unconsolidated financial investments and because their fair value cannot be reliably determined, these investments are valued at purchase cost after their initial recognition.

The fair values of financial debts are determined on the basis of expected payment flows, discounted using an adequate market interest rate. Because of their current nature, the book values of financial debts represent an appropriate approximation of the fair values.

Trade accounts payable and other non-interest-bearing liabilities usually have short times to maturity; the values shown are similar to the fair values.

The fair values of lease-purchase liabilities are determined as the present values of the payments associated with the debts, using the internal interest rate as a basis.

Net results by valuation category

2007	Valuation category	From interest	From subsequent valuation			From disposal	Net result
			At fair value	Currency translation	Value adjustment		
Loans and receivables	LaR	279	0	0	190	0	469
Available-for-sale financial investments	AfS	5	0	0	0	0	5
Financial liabilities measured at amortised cost	FLAC	-37	0	0	0	0	-37
Lease-purchase liabilities	n.a.	-466	0	0	0	0	-466
Total		**-219**	**0**	**0**	**190**	**0**	**-29**

2006	Valuation category	From interest	From subsequent valuation			From disposal	Net result
			At fair value	Currency translation	Value adjustment		
Loans and receivables	LaR	-54	0	0	21	0	-33
Available-for-sale financial investments	AfS	-5	0	0	-33	-1	-39
Financial liabilities measured at amortised cost	FLAC	-187	0	0	0	0	-187
Lease-purchase liabilities	n. a.	-2	0	0	0	0	-2
Total		**-248**	**0**	**0**	**-12**	**-1**	**-261**

The interest from financial instruments is shown in the net interest income. In this respect, please refer to Note 7 in "VII. Notes to the Income Statement".

The sale of the participating interest in assit-forum GmbH during the year under review and the amortisation of the book value of the participating interest in assit-forum GmbH in the preceding year are shown in the net interest income.

The FJH Group records the other components of the net result under other operating expenses.

Information on security provided and received:

Financial investments provided as security – including security that can be sold or pledged by the recipient – include the following items and book values. See also the information within the notes on the individual balance sheet items.

	2007	2006
	€000	€000
Cash and cash equivalents	3,167	5,337
Intangible assets	0	0
Total	**3,167**	**5,337**

Overall, financial investments totalling 3,167 thousand Euro (preceding year: 5,337 thousand Euro) were provided as security as at 31 December 2007.

As security for fulfilment of its obligations under the two lease-purchase agreements FJH AG has, through its subsidiary FJA Feilmeier & Junker GmbH, deposited the respective source coding and development documentation with a neutral agency. These rights of use ranked before the rights of the creditors under the loans by members of the Company's governing organs, which were repaid during the year under review. In addition, FJH AG has in each case assumed an absolute suretyship, in a maximum amount of 132 thousand Euro, in respect of fulfilment of all liabilities incumbent on the lease purchaser FJA GmbH. The standard software FJA Life Factory ® to which the source coding and development documentation relate has a book value of 0 thousand Euro. According to a report by Deloitte & Touche GmbH, Munich, dated 8 February 2007, the hidden reserves of FJA Life Factory ® amount to at least 30 million Euro.

The book value of the financial investments pledged as security where the party that has received the pledge is entitled to sell the assets or pledge them on amounted to 0 thousand Euro (preceding year: 0 thousand Euro).

The security has been provided for the following liabilities and contingent liabilities:

	2007	**2006**
	€000	**€000**
Financial debt	0	1,128
Other financial liabilities	4,789	2,916
Total	**4,789**	**4,044**

The FJH Group did not receive any security.

27. Information on capital

IAS 1 provides for information on equity and its management in order to facilitate an assessment of its risk profile and options for responding to unexpected negative developments.

The Company's capital management aims are as follows:

- To ensure a going concern and enable the company to once again earn dividends for shareholders and benefits for other interested parties.
- To generate reasonable returns for shareholders by ensuring the pricing of products and services is commensurate with the risks involved.

The FJH Group determines the level of capital in relation to the risk. The capital structure is controlled and where applicable adjusted on the basis of changes in the economic environment and of changes in the risk parameters associated with the underlying assets. Measures considered by the Company as a means of maintaining/adjusting the capital structure include dividend payments, capital repayments to shareholders, the issue of new shares, the assumption or redemption of financial liabilities and the sale of assets to reduce debt.

As in other companies, capital management within the FJH Group is based on the equity capital ratio. This ratio is calculated as the proportion of equity to the balance sheet total.

The FJH Group's strategy for 2007 was the same as in 2006 and consisted in maintaining the equity ratio close to or above 50% in order to enable it to obtain additional financial means on reasonable terms and conditions. As at 31 December 2007 and 31 December 2006 the equity ratios amounted to:

	2007	**2006**
	€	**€**
Equity	22,912,432	17,890,819
Balance sheet total	40,809,334	37,806,431
EQUITY RATIO	**56%**	**47%**

The improvement in the equity ratio during 2007 was largely attributable to the consolidated net surplus in 2007.

The FJH Group is not subject to any external capital requirements/consequences in the event of non-fulfilment.

IX. Information on the Cash Flow Statement

The cash flow statement shows the origin and use of cash flows for the fiscal years 2007 and 2006. A distinction is made between cash flows from operating activities and from investment and financing activities. Cash and cash equivalents include all cash balances and credit balances at banks that are available within 3 months. This corresponds to the item cash and cash equivalents as shown in the balance sheet.

The change in funds from operating activities has been adjusted for effects from currency translation.

The change in funds from investing and financing activities is determined on a cash-flow-related basis.

By contrast, the change in funds from current operating activities is indirectly derived from the result before taxes on income.

The main non-cash-flow-related effects in the cash flow from operating activities involved depreciation of property, plant and equipment and of intangible assets in an amount of 1,025 thousand Euro (preceding year: depreciation of property, plant and equipment and of intangible assets in an amount of 4,386 thousand Euro).

Facts 2006:

The purchase price payable for PYLON AG (which was converted to PYLON GmbH as of 13 June 2007) was 7,235 thousand Euro (including 26 thousand Euro relating to the change in the agreement covering an additional payment in the event of certain expectations on turnover and other conditions being met). After deducting the cash and cash equivalents acquired of 2,064 thousand Euro and those portions of the purchase price that did not affect the cash flow in 2006 (305 thousand Euro), the outflow of funds was 4,866 thousand Euro.

X. Earnings per Share

The **basic earnings per share** for the 2007 fiscal year are 0.25 Euro (2006: -0.10 Euro).

Basic earnings per share are calculated as follows: the consolidated earnings after minority interests are divided by the weighted number of shares outstanding. For the 2007 fiscal year the weighted number of shares outstanding is 21,289,353 (2006: 20,233,825).

	2007	**2006**
	€	**€**
Consolidated result attributable to equity holders of the parent company	5,254,985	-1,967,747
Weighted number of shares outstanding	21,289,353	20,233,825
TOTAL	**0.25**	**-0.10**

The change in the weighted number of shares outstanding compared with the preceding year is attributable to the capital increases in 2005 and 2006 and to the exercising of convertible bond option rights.

The **diluted earnings per share** for the 2007 fiscal year are 0.25 Euro (2006: -0.10 Euro).

Diluted earnings per share are calculated assuming that all outstanding option rights will be exercised, which means that the maximum dilution potential is shown. As the share price of the FJH AG share on both 31 December 2007 and also the reporting date for the preceding year was significantly below the exercise prices specified in the share option scheme and exercising of the options is therefore unlikely, no fair value determination was carried out.

XI. Assumptions and Estimates

Sections "III. Scope of Consolidation, 1. Subsidiaries" and "VIII. Notes to the Balance Sheet, 8. Goodwill and other intangible assets" of the notes to the consolidated financial statements outline the main assumptions used for performing the goodwill impairment test on the balance sheet date.

There were no other important assumptions about the future or important sources of estimating uncertainties on the balance sheet date that could create a significant risk involving the need to make major adjustments in the amounts of assets and liabilities shown in the next fiscal year. Other estimates and assumptions about the future are explained for the individual items in the balance sheet and in the income statement.

XII. Related Parties

For the fiscal year ending 31 December 2007, the disclosure requirements of IAS 24 only affect the FJH Group in terms of business transactions with members of the Executive Board and the Supervisory Board and their close relatives. The relationships between the parent company FJH AG and its subsidiaries are outlined in Section "III. Scope of Consolidation" of the notes to the consolidated financial statements.

1. Total remuneration of the Members of the Executive Board and the Supervisory Board

Drawings of the Executive Board members during the year under review amounted to 1,316 thousand Euro (2006: 1,289 thousand Euro). The remuneration is categorised as follows:

	31.12.2007	31.12.2006
	€000	€000
Employee benefits due in the short-term	1,316	1,183
Benefits after termination of the employment relationship	0	106
Total	**1,316**	**1,289**

Remuneration for former Executive Board members amounted to 57 thousand Euro in 2007 (preceding year: 57 thousand Euro).

Supervisory Board remuneration amounted to 142 thousand Euro (2006: 122 thousand Euro), including 7 thousand Euro (2006: 9 thousand Euro) for former members of the Supervisory Board.

As at 31 December 2007, pension provision for former Executive Board members amounted to 680 thousand Euro (preceding year: 735 thousand Euro).

In accordance with § 285 sentence 1 No. 9a sentence 5 of the German Commercial Code [HGB], § 286 (5) of the German Commercial Code [HGB] and § 289 (2) No. 5 sentence 2 of the German Commercial Code [HGB], separate disclosures are required regarding remuneration of each individual Executive Board member:

	Non-profit-related components	Profit-related components	TOTAL
	€000	**€000**	**€000**
Executive Board member			
Michael Junker	339	171	510
Thomas Junold	328	171	499
Stephan Schulak	186	121	307
TOTAL	**853**	**463**	**1,316**

The main contents of the retirement, invalidity and surviving dependents' pension benefits awarded to Executive Board member Michael Junker and former Executive Board member Prof. Dr. Manfred Feilmeier in the event of them leaving the Company are as follows:

- Both gentlemen will receive a lifelong retirement pension if they leave the Company after their 65th birthday or as a result of incapacity to work as defined by para. 23 AnVG or if they leave before this age because the employment contract has been terminated or has not been extended by the Company.
- After four years' service, the pension amounts to 2,556.46 per month. Even after the event giving rise to payment of the pension, it shall be amended in the same ratio as the basic salary of a Bavarian civil servant in pension group A 13 within the highest seniority group.
- After their death, the spouse that was living with them in a legal marriage at the time of their death shall receive a lifelong widow's pension of 25% of the pension sum of 2,556.46 Euro. The widow's pension shall cease on remarriage.
- At the time of the insured event, both gentlemen shall, instead of the pension, be entitled to request a one-off capital settlement in the amount of the converted present value of the pension obligation, provided notice of this was given at least three years previously. This shall terminate all claims under this direct commitment.
- The accrued pension benefits shall be retained if they leave the company before the insured event arises. Accrued shall be deemed to mean that part of the pension benefits that corresponds to the relationship between the duration of their employment with the Company and the period calculated from the time they joined the company until the date on which they reach the prescribed age, i.e. their 65th birthday.

2. Shares held by Members of the Executive Board and the Supervisory Board

Number of shares and options held by members of the Executive Board and the Supervisory Board at 31 December 2007:

	Number of shares	Number of options
Executive Board member		
Michael Junker	929,947	0
Thomas Junold	70,000	0
Stephan Schulak	0	0
Supervisory Board member		
Thomas Nievergelt	152	0
Prof. Dr. Elmar Helten	90,000	0
Thies Eggers	35,398	0
Prof. Dr. Manfred Feilmeier	765,947	0
Manfred Herrmann	0	0
Dr. Jochen Schwarz	0	0

3. Other Transactions with related parties

Members of the Management in key positions

The loan including interest from member of the Supervisory Board Prof. Dr. Manfred Feilmeier in an amount of 512 thousand Euro was repaid in full in March 2007, and the loans including interest from the two Executive Board members Mr Junker (543 thousand Euro) and Mr Junold (109 thousand Euro) were repaid in full during the third quarter of 2007.

Other related companies and persons

Up to 20 December 2007, FJH AG held 19% of the shares in assit-forum GmbH, Munich. Under an agreement dated 20 December 2007, FJH AG sold 19% of the shares to the General Manager of assit-forum GmbH. As at 31 December 2007, Supervisory Board member Prof. Dr. Elmar Helten held 71% of the shares in assit-forum GmbH. During the year under review, Prof. Dr. Elmar Helten made a loan of 40 thousand Euro available to assit-forum GmbH with a maturity date of 31 December 2008 and an interest rate of 5% p.a. The maturity date of the loan issued in the preceding year with an interest rate of 5% p.a. was also extended to 31 December 2008. In 2007 Prof. Dr. Elmar Helten invoiced assit-forum GmbH an amount of around 34 thousand Euro for fees relating to seminar presentations and concept services (including travel expenses)

XIII. Information on the Supervisory Board and the Executive Board

The members of the Supervisory Board are:

Thomas Nievergelt, lic. iur., Samedan, Lawyer and Notary, Chairman (from 16 February 2007), Deputy Chairman (until 16 February 2007)

Head of the District Council of Samedan (President of the Executive), Member of the Administrative Court of the Canton of Graubünden, Chairman of the Administrative Board of Academia Engiadina AG, Samedan, Member of the Administrative Board of Roland Berger AG, Zurich, Member of the Administrative Board of FJA Feilmeier & Junker AG, Zurich, Vice-Chairman of the Foundation of Planta, Samedan, Board Chairman of the Foundation Engadiner Lehrwerkstatt für Schreiner, Samedan.

Prof. Dr. Elmar Helten, Starnberg, university professor, Deputy Chairman (from 16 February 2007), Chairman (until 16 February 2007)

Deputy Chairman of the Supervisory Board of FidesSecur Versicherungsmakler GmbH, Munich, Deputy Chairman of the Supervisory Board of Delta Direkt Lebensversicherung AG, Munich, Member of the Supervisory Board of Lebensversicherung von 1871 a.G., Munich, Member of the Supervisory Board of TRIAS Versicherung AG, Munich, Member of the Supervisory Board of Delta Lloyd Lebensversicherung AG, Wiesbaden, Member of the Supervisory Board of Delta Lloyd Deutschland AG, Wiesbaden, Member of the Supervisory Board of EUROPÄISCHE Reiseversicherung AG, Munich.

Prof. Dr. Manfred Feilmeier, Munich, university professor (until 31 January 2008)

Chairman of the Executive Board of viadico AG, Munich, Board member of the Oberwolfach Foundation, Oberwolfach-Walke

Thies Eggers, Pullach, Auditor

Chairman of the Supervisory Board of Bayerischer Gewerbebau AG, Munich, Member of the Supervisory Board of Allgeier Holding AG, Munich, Member of the Supervisory Board of Allgeier IT Solutions AG, Munich, Member of the Supervisory Board of DIBAG Industriebau AG, Munich, Member of the Supervisory Board of Softcon AG, Munich.

Dr. Thomas Bühler, Munich, Graduate in Business Administration (until 31 May 2007)

Member of the Supervisory Board of Dr. Bauer & Co. Vermögensmanagement GmbH, Munich.

Manfred Herrmann, Munich, Graduate in Economics

Member of the Supervisory Board of SiteOS AG, Munich, Chairman of the General Management of 7id Technologies GmbH, Graz.

Dr. Jochen Schwarz, Pullach, Graduate in Mathematics (since 10 September 2007)

Deputy Chairman of the Advisory Board of the Deutsches Institut für Altersvorsorge, Frankfurt, Chairman of the Supervisory Board of Deutscher Pensionsfonds AG, Bonn, Member of the Supervisory Board of Zurich Life Insurance Italy, Milan, Member of the Supervisory Board of Zurich Investments Life, Milan, Member of the Supervisory Board of Zürich Vertriebs GmbH, Bonn, Member of the Socio-Political Committee of GDV Lebensversicherung, Berlin, Member of the Advisory Board of Bonner Akademie, Bonn.

Prof. Dr. Christian Hipp , Karlsbad, university professor (since 1 February 2008)

Member of the Executive Board of Deutsche Gesellschaft für Versicherungs- und Finanzmathematik (DGVFM) and of Deutsche Aktuarvereinigung (DAV), Cologne, Member of the Supervisory Board of Kölner Pensionskasse, Cologne.

The members of the Executive Board are:

Michael Junker, Feldafing, Graduate in Economics and Business Engineering, Member (Spokesman)

Member of the Board of Directors of FJA-US, Inc., New York, Member of the Supervisory Board of PYLON AG, Hamburg (until 28 February 2007).

Member of the Executive Board of PYLON AG (from 1 March 2007 to 12 July 2007)

Thomas Junold, Munich, Graduate in Mathematics, Member
Member of the Board of Directors of FJA-US, Inc., New York
Chairman of the Supervisory Board of PYLON AG, Hamburg (until 28 February 2007), Member of the Executive Board of PYLON AG (from 1 March 2007 to 12 July 2007)

Stephan Schulak, Rohrbach, Graduate in Business Economics, Member (16 April 2007 to 15 April 2008)

XIV. Declaration on Compliance with the German Corporate Governance Code

In December 2007 the Executive Board and the Supervisory Board of FJH AG issued the updated declaration of compliance pursuant to § 161 of the German Stock Corporation Law [AktG] giving details of FJH AG's compliance with the German Corporate Governance Code; this declaration was made permanently available to shareholders on the Company's website (www.fjh.com/FJH/investor/goventsprech.html).

XV. Events After the Balance Sheet Date

Events after the balance sheet date have been included up to 14 March 2008, the date on which the Executive Board released the consolidated financial statements for submission to the Supervisory Board.

Change on the Supervisory Board

Prof. Dr. Manfred Feilmeier resigned his office with effect from 31 January 2008 for personal reasons. From 1 February 2008 he was replaced by Prof. Dr. Christian Hipp as substitute member elected by the AGM.

Changes on the Executive Board

With effect from the end of 15 April 2008 and at his own request, Stephan Schulak, CFO of FJH AG, resigned his office as Member of the Executive Board of FJH AG together with his other posts within the FJH Group. Mr Schulak’s responsibilities will be taken over by the two experienced Executive Board members of FJH AG, Mr Michael Junker and Mr Thomas Junold.

Audit Certificate

We have audited the consolidated financial statements prepared by FJH AG, Munich, comprising the income statement, the balance sheet, statements of changes in equity, cash flow statement and the notes to the consolidated financial statements and its report on the position of the Company and the Group for the business year from 1 January to 31 December 2007. The preparation of the consolidated financial statements and Group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB are the responsibility of the parent 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 § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that material misstatements materially affecting the pre sentation 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 in the Group management report are examined primarily on a test basis within the framework of the audit. The audit also 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 Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

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 § 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group. 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.

Munich, 14 March 2008
Dr. Kleeberg & Partner GmbH
Auditors
Tax Consultants

signed

Schmidt	Petersen
Auditor	Auditor

Statement issued by the Company's legal representatives pursuant to §§ 297 para. 2 sentence 4 and 315 para. 1 sentence 6 of the German Commercial Code [HGB]

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 management report for FJH AG and the group 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.

Munich, 12 March 2008

Michael Junker Thomas Junold Stephan Schulak