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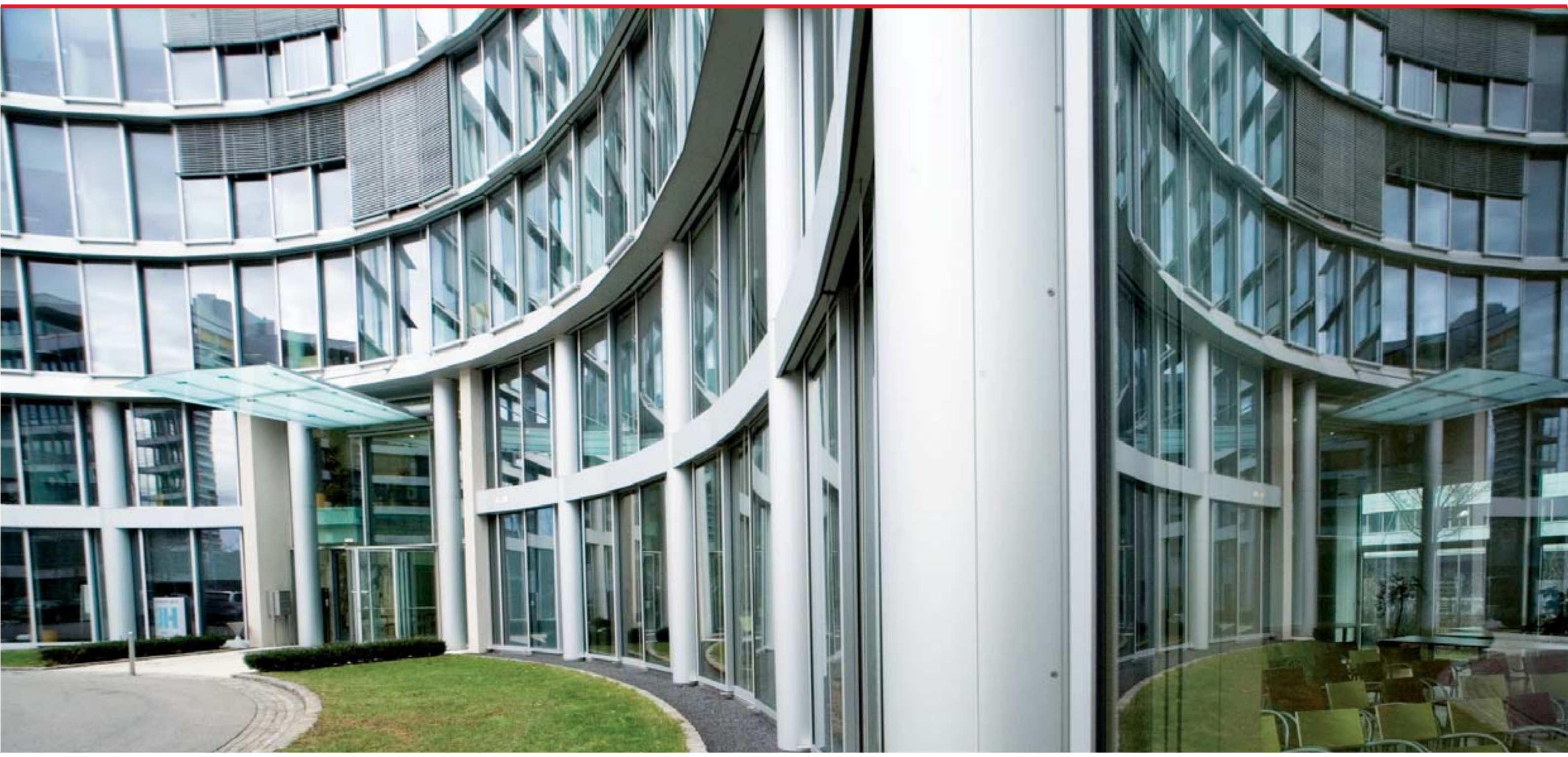


Consolidated Financial Statements 2008

FJA AG

FJA

CONTENTS

MANAGEMENT REPORT FOR FJA AG AND THE GROUP FOR THE 2008 FISCAL YEAR

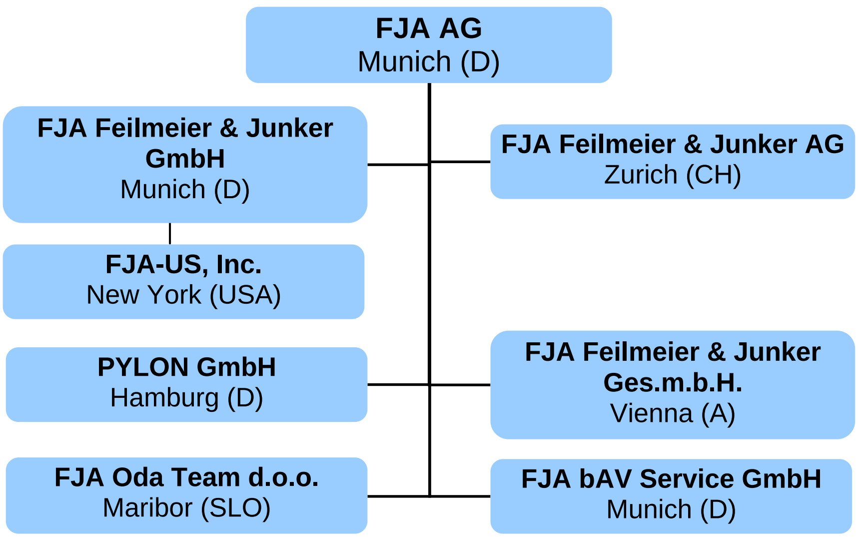
I. Business Climate and Underlying Conditions

1. Group structure and business activity

As the parent company of the FJA Group, FJA AG maintains 100% direct and indirect holdings in FJA Feilmeier & Junker GmbH and FJA bAV Service GmbH (both headquartered in Munich with additional offices of FJA GmbH in Hamburg, Cologne and Stuttgart), PYLON GmbH (headquartered in Hamburg), 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 with an additional office in Denver/Colorado), as well as FJA OdaTeam d.o.o., which is headquartered in Maribor, Slovenia. All companies are collectively referred to below as the "FJA Group".

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

Overview of consolidated companies



Areas of activity and organisational structure

FJA 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.

Responsibility for the solutions portfolio, its further development and all customer projects lies with the business divisions of Policy Administration, Mathematics and Migration and Policy Administration Add-on Systems. All General Managers of the national companies and all heads of the business divisions report centrally to the Executive Board of FJA AG. 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.

As the segments have similar financial characteristics, there is only one reportable segment pursuant to IFRS 8.

Main offices

The FJA Group has offices in Germany (Munich, Cologne, Hamburg and Stuttgart), Switzerland (Zurich), Austria (Vienna), Slovenia (Maribor) and the USA (New York, Denver/Colorado).

Management and control

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

As at 31 December 2008, the Executive Board comprised Michael Junker (Spokesman, responsible for Finance, Strategy, Research, Risk Management, Corporate Controlling, Law and Investor Relations) and Thomas Junold (Deputy Spokesman, responsible for Sales, Delivery, Human Resources and Public Relations). Additionally and until his departure on 15 April 2008, Stephan Schulak was 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 2008, the Supervisory Board comprised six members who were elected by the shareholders in accordance with the German Stock Corporation Act [Aktiengesetz, AktG]. During the period under review the following individuals were members of the Supervisory Board: Thomas Nievergelt (Chairman), Prof. Dr. Elmar Helten (Deputy Chairman), Thies Eggers, Prof. Dr. Manfred Feilmeier (until 31 January 2008), Manfred Herrmann, Dr. Jochen Schwarz and Prof. Dr. Christian Hipp (successor to Prof. Dr. Manfred Feilmeier).

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.

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 FJA products, this offers an opportunity to build on the recent major investments in architectural flexibility and SOA conformity of systems (SOA: service-oriented architecture) and expand the range of applications.

With its FJA Insurance Platform ® FJA offers an ideal basis for efficient, future-proof IT for insurers. The FJA Insurance Platform ® integrates existing and new solutions and combines tried and tested components with new services, irrespective of whether the individual services are independently developed or are purchased. SOA-compliant, it is the ideal medium for combining and integrating solutions. This allows custom solution components to be flexibly combined with tried and tested FJA standard software functions in the form of SOA-compliant services and even with services of other manufacturers or business partners. The high level of flexibility offered by the FJA Insurance Platform ® means insurers can adapt its scope to their exact requirements, from using individual services via individual components through to comprehensive solutions for all areas of business and insurance lines. As policy portfolios grow, the FJA Insurance Platform ® grows, too. It can be used cost effectively even with small policy portfolios and also performs excellently with large volumes. The FJA Insurance Platform ® is thus ideally suited for new start-ups, for small and medium-sized businesses and for large international groups.

SOA compliance was also a key objective behind the decision to replace FJA's SymAss solution with the FJA Insurance Platform ® over the medium term. The FJA Group enjoys a unique position within the market because of its ability to combine IT expertise with decades of actuarial and specialist insurance know-how.

Key sales markets and competitive position

- **Market potential (by region)**

In 2008 Germany accounted for 70% of our turnover and international markets for 30%. Over the medium term, the FJA 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 FJA'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 offers significant prospects, assuming the FJA Group is in future still able to offer variants of FJA solutions that are appropriate for this market. The current product offered, FJA-US Product Machine, encapsulates these opportunities. As currently demonstrated in Scandinavia, demand does in principle also exist within Europe for solutions based on the FJA-US Product Machine. 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 FJA Group is the market leader in Germany for life insurers and pension providers. Around half of all German life insurers are clients of the FJA Group. The Group's research and development activities aim to continuously build on this leading position. Faced with industrialisation of business processes, dynamic changes to statutory provisions and to product portfolios, insurance companies are increasingly choosing to replace independent developments with standard software.

As in previous years, the main competitors of the FJA Group within German-speaking countries are COR AG Financial Technologies 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. still do not represent direct competition for the FJA Group as they do not have the necessary actuarial and process-related specialist knowledge of the insurance sector. The FJA Group’s Executive Board therefore firmly believes that the FJA Group enjoys crucial, USPs within its German-speaking markets (Germany, Austria, Switzerland).

The FJA 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 our market position. The Company is continuing to monitor trends in the CIS states, mindful of the aforementioned uncertainties regarding market prospects.

In the USA, there is growing interest in the FJA-US Product Machine and related consultancy services. The impressive growth in 2007 was repeated in 2008.

2. Legal and economic influencing factors

Disclosures pursuant to § 315 paragraph 4 of the German Commercial Code [HGB] and explanatory report

- **Capital structure**

On 31 December 2008 the subscribed capital of FJA 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. As at 31 December 2008, the Company had 518,279 treasury shares.

- **Restrictions affecting voting rights or the transfer of shares**

The shares carry full voting and dividend rights, unless this is not possible due to mandatory provisions of the German Stock Corporation Act [Aktiengesetz].

- **Direct or indirect participating interests in the capital**

According to public disclosures and the information available to us, as at 31 December 2008 the following parties had direct or indirect participating interests in our Company that exceed 10% of the voting rights:

Disclosing party	Type of participating interest	Share of disclosed voting rights in the subscribed capital
Antares Beteiligungsgesellschaft mbH, Munich	Direct	11.69%

On 24 February 2009 Antares Beteiligungsgesellschaft mbH held 21.29% of the voting rights.

- **Holders of shares with special rights**

No shares with special rights that bestow controlling powers have been issued.

- **Type of voting rights control where participating interests are held by employees**

Employees who hold shares in FJA AG can exercise their rights of control directly in the same way as other shareholders, in accordance with the provisions of the law and of the Articles of Association.

- **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.

- **Powers of the Executive Board to issue or repurchase shares**

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.

The Company has the following approved capital:

Approved Capital 2006/I

Under a decision adopted at the AGM on 23 June 2006 in accordance with §§ 202 et seq. of the German Stock Corporation Act [AktG], 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 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 authorised, with the approval of the Supervisory Board, to specify further details relating to the capital increase and its implementation.

The Company has the following conditional capital:

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 those convertible bonds and/or warrant-linked bonds that the Executive Board was by resolution of the General Meeting on 23 June 2006 authorised to issue up until 22 June 2011, 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.

Conditional Capital 2004/I

Under a decision adopted by the AGM on 24 June 2004, the share capital was conditionally increased by 3,930 thousand Euro (Conditional Capital 2004/I). The conditional capital serves to grant shares to holders of convertible bonds and/or warrant-linked bonds. On the basis of this authority, on 2 June 2005 and with the approval of the Supervisory Board granted on 7/8 June 2005, the Executive Board decided to make use of the authorisation to issue convertible bonds in a total nominal amount of 7,860,000.00 Euro divided into 7,860,000 convertible bonds each with a nominal value of 1.00 Euro and with an interest rate of 10% p.a. and an expiry date of 30 June 2010. The Executive Board approved the final conditions of the loan with the Supervisory Board's approval on 14 June 2005. According to these conditions, during their term and commencing on 1 December 2005, the convertible bonds can be exchanged in the last month of a calendar quarter without any additional payment, at a ratio of two convertible bonds for one no-par value bearer share in FJA AG (convertible loan 2005/2010). By 31 December 2005, convertible bonds totalling 6,676,832 Euro had been exchanged. By 21 March 2006, a further 983,874 convertible bonds had been exchanged. The resulting outstanding 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.

Conditional Capital 2000/I

Under a resolution adopted by the General Meeting on 17 January 2000, amended by the General Meeting on 5 July 2001, the Company's share capital was conditionally increased by up to 180,000 Euro for the purpose of fulfilling the share option scheme.

Buy-back of treasury stock

Under a resolution adopted by the AGM on 20 June 2008, the Executive Board was authorised to acquire treasury stock up to 20 December 2009 for purposes other than trade in treasury stock. The countervalue for purchasing these shares may not be more than 5% above or below the average value of the share's stock exchange prices in the closing auction of the XETRA trading system on the five trading days prior to the purchase. The Company is authorised to sell purchased treasury stock by a means other than via the stock exchange or through an offer to all shareholders in order to offer Company shares to individual shareholders or third parties for purchase or to offer Company shares to shareholders or third parties as part of a merger with companies or as part of the acquisition of companies or the acquisition of participating interests in companies. In this case, shareholders' subscription rights are excluded. If treasury shares are not sold for the purposes of a merger with companies or an acquisition of companies or of participating interests therein, the treasury shares may only be sold to individual shareholders or third parties at a price that is not significantly below the list price, at the time of the sale, of Company shares with the same structure.

- **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. FJA AG does not have any agreements with third parties that would either in themselves or their entirety have consequential effects in the event of a change in control following a takeover offer.

- **Compensation agreements made with members of the Executive Board or employees in the event of a takeover offer.**

As at 31 December 2008, there were no agreements with the presiding members of the Executive Board or employees regarding compensation or other benefits by the Company in the event of a takeover offer.

For additional information please refer to Chapter III, Supplementary Report.

Additional information:

- **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 (§ 186 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 the 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.

- **Basic features of the remuneration system**

Executive Board members' remuneration comprises a fixed remuneration element and a variable, 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 0 and 75% of the fixed basic salary.

The current rules on Supervisory Board remuneration were adopted by the General Meeting 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.

On principle, one member of the Supervisory Board renounces any remuneration for his work.

3. Corporate control, objectives and strategy

Internal company control system

- **Control parameters used**

The FJA 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 FJA 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 cash flow; these take all current 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 produces 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 FJA 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. In addition to specific employee know-how and concepts, enhancement of specialist consulting expertise is also reflected in further development of software tools for efficient consulting support. Key areas of our consulting activities 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 FJA 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 success. In recent years, therefore, the FJA 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 places special emphasis 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 FJA 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 an 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 FJA Group ensure that development investments meet customer and market requirements.

Although the expert quality of the FJA 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 FJA standard software products for a broad range of proven and innovative target technologies. And the FJA 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 FJA Group is for the most part unable to rely on completed external research results, especially for functional 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 FJA 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

Release 4.6 of FJA Life Factory ® was delivered to customers in June 2008. In addition to offering some functional enhancements, this release focuses on implementing “dynamic hybrid products”, a category of modern life-insurance products geared towards capital-market-related products. Actuarial functions have already been provided to administer variable annuities, which represent another innovative product group.

In addition, during the period under review we completed the concepts for the next full release 4.7 of FJA Life Factory ® and agreed and delivered these with/to customers. In addition to functional enhancements to the hybrid products, this release, which is scheduled for the first half of 2009, focuses on implementing the various bases of computation in a policy, allowing policy changes to be calculated using different interest rates so they can then be appropriately considered from a fiscal point of view (partial novation). This trend for mapping new products 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 FJA'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.

Furthermore, as an enhancement to the pension settlement component of FJA RAN ®, which has already been completed, work started on development of health insurance fund administration.

During the period under review, maintenance releases 3.0 and 3.1 of our FJA Zulagenverwaltung ® subsidy administration software were completed and successfully rolled out to customers. These releases enable customers to meet the increasing demand for capital transfers and takeovers within the framework of changes in providers.

As well as these activities that directly affect day-to-day business, R&D activities also focussed on implementing the Company's new medium-term strategy and further fine-tuning its content.

Accordingly, during the period under review, the services from the SymAss II project that had already been developed were incorporated into the FJA Insurance Platform ® solutions scenario. Basic technical functions have also been largely developed. Consequently, work will now focus on further development of the functional services for "Contract" and "Product" and on evolutionary adaptation of the existing services for central collection & disbursement and commission. These services form an integral part of the SOA target architecture. Controlled by a process engine, they will be made available to the front and back office components.

This process is in line with our defined solutions strategy of placing less emphasis on further development of previously separate regional solution elements.

During the 2008 financial year, the FJA Group incurred R&D expenses totalling 12,335 man days (previous year: 8,724 man days). Of the development expense, 1,145 man days were capitalised within the framework of development of the new FJA Insurance Platform ®. The R&D expense during the period under review was set against revenues of approximately 6.2 million Euro in licence income.

R&D employees

As part of its R&D strategy the FJA 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

2008 was predominated by the international crisis on the real estate and financial markets. The global crisis began to affect the real economy very quickly.

Germany's GDP still showed a moderate rise in 2008. Following the strong growth of well over 2% in the previous two years, the figure of +1.3% for 2008 meant a decline was already apparent, caused by a strong downturn within industry in Q4 in particular. In terms of employment, the number of unemployed in Germany fell by 508,000 at the end of 2008 compared with the previous year. There were, however, already clear signs of a shift in trends. Thus, although the underlying macroeconomic conditions in our primary sales market were still good at the start of the year, they had started to deteriorate by the end of the year. At the end of the year inflation stood at 1.1%, due to the marked fall in raw material prices. (Figures from: Federal Ministry of Economics and Technology)

Framework conditions specific to the sector

In 2008, the German insurance industry increased total premiums from new business to 167.23 billion Euro, beating the previous year's figure of 153.94 billion Euro by 8.6%.

An analysis of the provisional result for 2008 shows that in 2008, German life insurers again increased their premium income on the preceding year. Overall, life insurer's 2007 premium income of 75.34 billion Euro rose slightly by 0.9% to 76.05 billion Euro in 2008.

The favourable development in business was also helped by new business in the fourth quarter of 2008, which despite the deepening financial market crisis in that quarter proved stronger than the third quarter in 2008, too. In the fourth quarter, almost 1.94 million new insurance policies were concluded (Q3: 1.55 million) with current premiums of 2.02 billion Euro (Q3: 1.37 billion Euro).

Overall, new business with current premiums amounted to 6.85 billion Euro in 2008 (2007: 6.41 billion Euro). This represents a rise of 7%. A contributory factor was that most customers with Riester policies accepted the increase in premiums offered with the fourth assistance phase (information source: GDV press release, 5 February 2009).

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 2008 fiscal year was not materially affected by the financial market crisis. A few customers did postpone investment decisions as part of consolidation measures and in one individual project, budgets that were already approved were not used.

Summary of business development by the Company's management

Following its successful year in 2007, the durability of the FJA Group's commercial efficiency was put to the test in the 2008 reporting year. There was a significant increase in turnover and the result before income tax in particular. The Company's management sees this as confirmation of the FJA Group's new strategic direction.

Comparison of actual and forecast business development

At the beginning of the year, we forecast turnover of between 64 and 68 million Euro for the 2008 fiscal year and an EBIT margin (earnings before interest and taxes measured against turnover) of more than 10%. On publication of the Q3 report for 2008 the overall forecast for 2008 was adjusted to turnover of between 62.5 and 64 million Euro and an EBIT margin of around 9%. According to the 2008 consolidated financial statements, the final figure for turnover was 63.6 million Euro, with EBIT of 6.7 million Euro (EBIT margin 10.6%). The extremely pleasing licence turnover in December meant the turnover and earnings forecasts were thus confirmed and even exceeded as regards earnings.

II. Earnings position, financial situation and assets

1. The Group's earning position

Development of turnover

In 2008 the FJA Group's turnover rose 3.8% on 2007, from 61.3 million Euro to 63.6 million Euro. Revenues from licences and maintenance rose from 10.9 million Euro to 11.4 million Euro (+5%), representing a higher proportionate increase than that for revenues from services, which rose by 3.5% from 50.4 million Euro in 2007 to 52.2 million Euro in 2008.

Germany, the USA and Switzerland played a decisive role in terms of regional development of turnover with third parties. In 2008, Austria continued to act mainly as a provider of internal services for the Group, while Slovenia was again heavily involved in product development for the FJA Insurance Platform ® . Despite a reduction in year-on-year turnover from 46.7 million Euro to 44.3 million Euro (-5%), Germany remained the main provider of turnover for the Group. The USA was a growth driver in 2008, with turnover rising 42% from 8.8 million Euro to 12.4 million Euro. The trend in Switzerland was also pleasing, with third-party revenues rising 22% from 4.6 million Euro to 5.6 million Euro. Overall, external turnover in Austria and Slovenia remained on a par with the previous year at 1.3 million Euro. Again, this turnover is not of key importance as the two regions currently have a different focus as suppliers of intra-group services or niche products.

Development of results

Earnings before interest and taxes (EBIT) were positive at 6.7 million Euro, compared with 5.3 million Euro in the preceding year. The Group thus marked a sustained further increase in earning power. The EBIT margin (EBIT as a percentage of turnover) thus rose significantly from 8.6% in 2007 to 10.6% in 2008. In 2008 the Group recorded a net income after taxes of 4.5 million Euro compared with 5.3 million Euro in 2007.

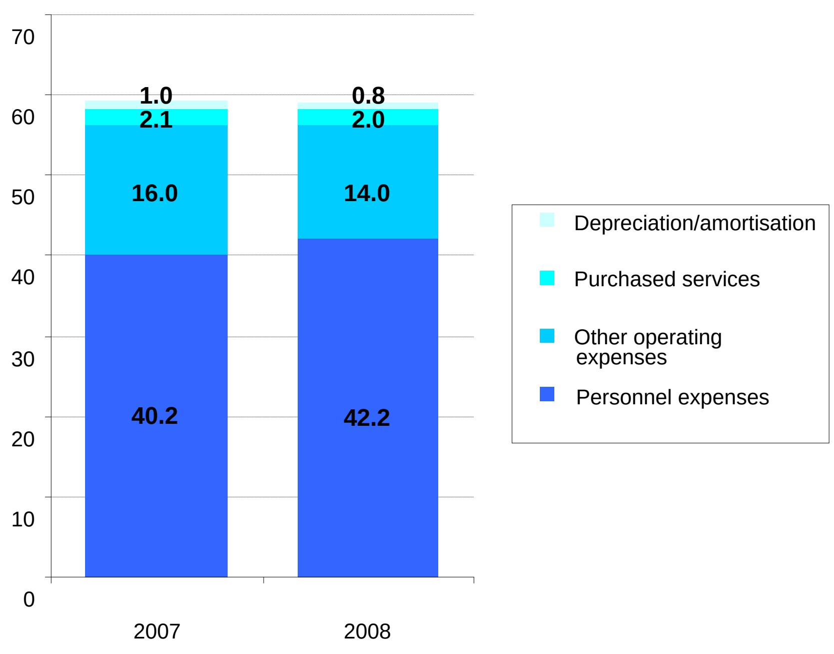
Personnel expenses were around 42.2 million Euro in 2008 compared with 40.2

million Euro in the preceding year. During 2008 the Group employed an average of 479 people. This represents a rise of 2.6% on the previous year (467 people) and alongside the adjustment in basic salaries, helps explain the rise in personnel expenses.

Other operating expenses were again reduced, from 16.0 million Euro in the preceding year to 14.0 million Euro. The main contributory factor here was the expiry of the sale & lease-back transaction with Deutsche Leasing at the end of February 2008. This produced savings of 2.3 million Euro. Further savings were achieved in IT, communication and vehicle costs. By contrast, 2008 saw higher consultancy, advertising and travel expenses.

Depreciation/amortisation fell during the year under review, from 1.0 million Euro in 2007 to 0.8 million Euro. This was due to lower investments in fixed assets and the resulting further reduction in property, plant and equipment.

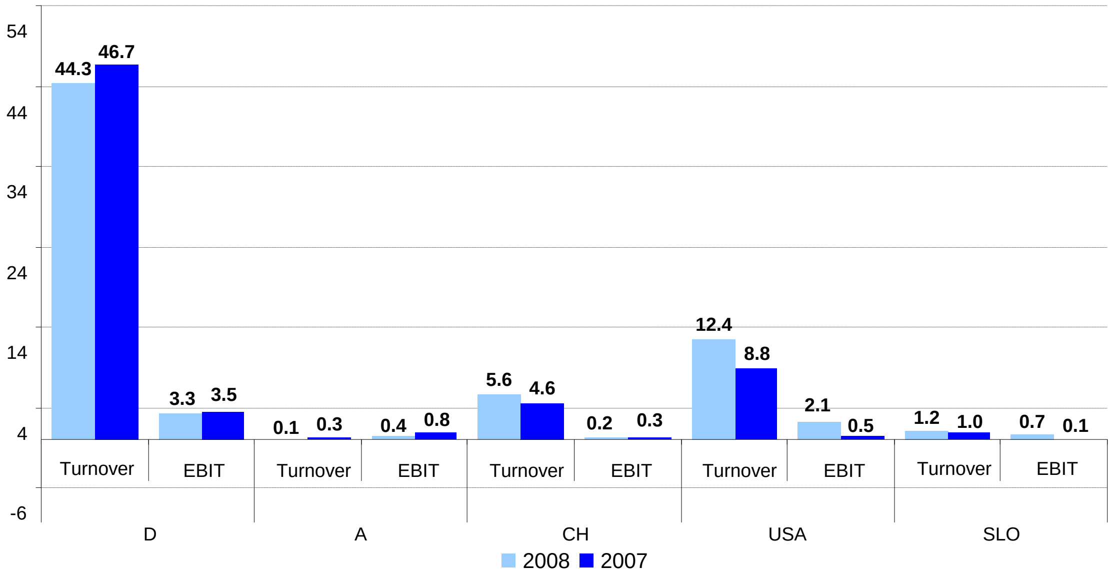
Year-on-year comparison of expense items within the Group (in million Euro)



The net interest result for 2008 was just in positive figures (+4 thousand Euro), compared with a net interest expense of 219 thousand Euro in 2007. The improved net interest result is largely attributable to the further improvement in the Group's liquidity position, to increases in interest rates and the resulting increase in interest income from fixed-term deposit investments. Moreover, the interest income includes an amount of 41 thousand Euro for the discounting of a long-term third-party receivable.

2008 revealed the following fiscal effects. On the one hand, the reduced earnings expectations produced a reduction in FJA GmbH's overall deferred tax assets on loss carryforwards shown for the next three years, which in turn resulted in deferred tax liabilities. The previous profit and loss transfer agreement between FJA AG and FJA Feilmeier & Junker GmbH was rescinded on 31 December 2008 and removed the fiscal integrated inter-company relation between the two companies with retrospective effect for the years from 2005. The corresponding fiscal computations for these financial years had to be re-done. Moreover, the positive results achieved by FJA-US Inc. in 2008 meant it used up all of its deferred tax assets on loss carryforwards. Furthermore, the external tax audit for the years 2002 to 2005 produced an additional tax expense of 0.5 million Euro. The FJA Group's final tax expense (previous year: tax income 0.2 million Euro) was 2.2 million Euro, producing a result after taxes of 4.5 million Euro (previous year: 5.3 million Euro). In 2008 earnings per share amounted to 0.21 Euro (diluted and basic) compared with 0.25 Euro in 2007.

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



Overall, the development of results within the Group was extremely pleasing. All regions achieved positive EBIT in 2008, although not all regions improved on their 2007 results.

The largest region of **Germany** also achieved the largest EBIT of 3.3 million Euro (previous year: 3.5 million Euro). Despite an improved cost situation, the reduction in the result by 0.2 million Euro compared with the previous year was due to the slight decline in turnover and to higher advance investments for product developments.

2008 saw a further improvement in results performance in the **USA**. In addition to a significant expansion of turnover, there was also a strong rise in EBIT at 2.1 million Euro in 2008 compared with 0.5 million Euro in the preceding year.

Switzerland also posted positive EBIT (0.2 million Euro) for 2008 (previous year: 0.3 million Euro). The increased level of turnover in 2008 was set against higher purchased services within the FJA Group and higher personnel expenses. The 2007 result also contained a usage-related provision writeback relating to a critical fixed price project. Adjusted for this exceptional effect, Switzerland also showed a marked improvement in its result.

The regions of **Austria** and **Slovenia** play a less important role within the Group as regards external turnover. At 0.4 million Euro, EBIT for Austria was 0.4 million Euro down, while Slovenia revealed a marked increase in EBIT of 0.7 million Euro (previous year 0.1 million Euro) due to its greater inclusion in development and customer projects within the Group.

Development of orders

At the end of 2008, the FJA Group's secured turnover base for the forthcoming year was approximately 43 million Euro compared with 41 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.

2. The Group's financial situation

Principles and objectives of financial management

Financial management is designed to ensure the FJA 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 FJA Group may be exposed are recognised early on and that necessary scope is allowed for suitable countermeasures. Liquidity management ensures that both sufficient cash and cash equivalents and also suitable liquidity reserves are freely available at all times.

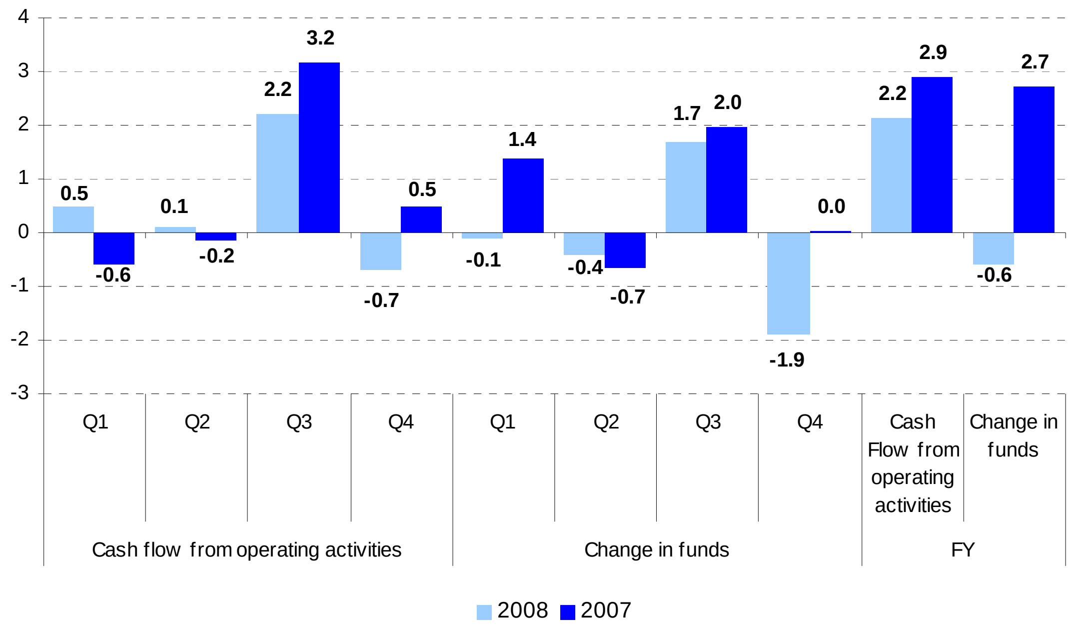
Financing analysis

The Group's operating activities expose it to a manageable level of foreign exchange risks. These risks mainly involve business in the USA (2008: 19.5% 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 8.8% 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 72% 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 is 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.

Development of liquidity over the year (in million Euro)



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.

In 2008, the Group entered into an options-based hedging transaction (plain vanilla options) to secure a USD loan provided to the American subsidiary.

The overall cash flow from operating activities was positive for the first three quarters and a positive cash flow from operating activities only proved elusive in the fourth quarter of 2008. This was firstly due to payment of the 13th month's salary and secondly to the increased trade accounts receivable resulting from the increased licence revenues in December that were not billed until later and thus had no impact on liquidity in 2008. Looking at the year as a whole, the positive performance in terms of results was also reflected in the development of the cash flow from operating activities. At 2.2 million Euro, the cash flow from operating activities was, however, down on the previous year's figure of 2.9 million Euro. This was due in particular to the rise in accounts receivable. This also affected the changes in cash and cash equivalents. Whereas 2007 saw a net cash inflow of 2.7 million Euro, there was a net cash outflow of 0.6 million Euro in 2008. Here it is, however, important to remember that the net cash inflow for 2007 included the assumption of new financial debts of 2.9 million Euro and repayments of financial debts in an amount of 2.2 million Euro (including 1.1 million Euro in repayments of loans provided by members of the governing organs). The Company did not take on any new financial debts in the 2008 fiscal year; the repayments of 1.2 million Euro related to regular repayments of the sale & license-back transactions entered into in 2006 and 2007. In 2008 the Company also used financial resources to buy back treasury stock (0.9 million Euro).

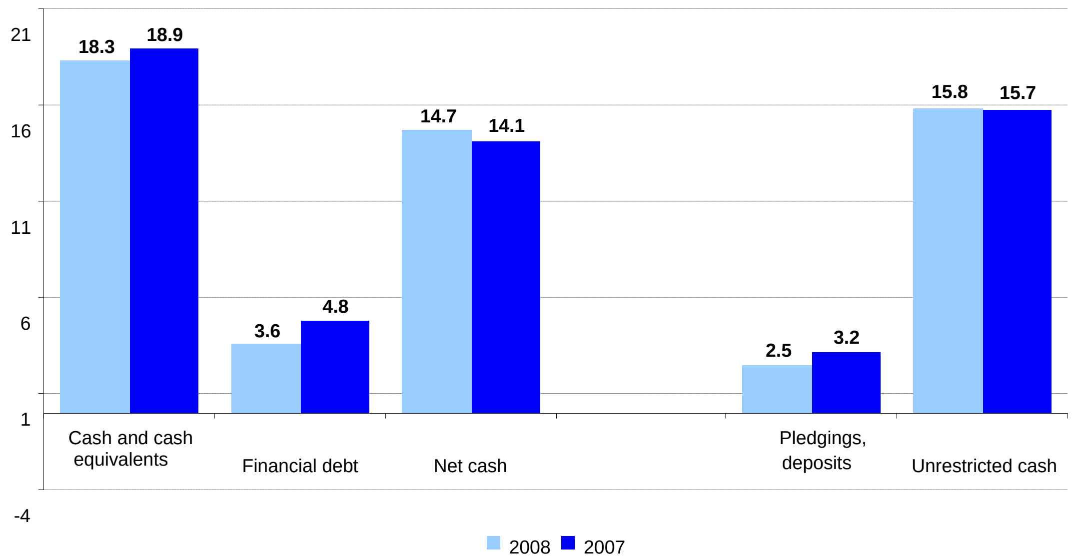
Investment analysis

In the 2008 fiscal year the FJA Group's investments totalled around 0.8 million Euro (previous year: 0.5 million Euro). With a share of 0.4 million Euro, the capitalisation of development services relating to the development of the FJA Insurance Platform ® by the German subsidiary represented the largest individual item in 2008. Further investments of 0.1 million Euro related to the implementation of cost accounting. The Company also made other general investments in areas such as office and plant equipment in particular. In 2008 the remaining 20% of the shares in FJA OdaTeam was purchased for a price of 130 thousand Euro (plus an agreement on an additional payment of up to 170 thousand Euro in the event of improvements to turnover, etc., which may come into play in 2009).

Liquidity analysis

At all times, the Company had more than adequate available liquidity thanks to the cash and cash equivalents already available as at 31 December 2007 and also to the positive cash flow from operating activities. The medium-term maturities of financial liabilities mean there is an adequate liquidity reserve for future liquidity planning. In 2008 there were slight improvements in both the positive net cash position (cash and cash equivalents less financial debts including finance leasing, excluding pension provision) of 14.7 million Euro (preceding year: 14.1 million Euro) and also in unrestricted cash, which rose from 15.7 million Euro in 2007 to 15.8 million Euro in 2008.

Available liquidity (in million Euro)



Capital costs

The finance leasing concluded in 2006 and 2007 involves costs of approximately 8% per annum.

3. The Group's assets

Analysis of assets structure

With current assets, the largest rise involved accounts receivable, which increased from 8.0 million Euro at the end of 2007 to 13.1 million Euro at the end of 2008. As already mentioned in the finance analysis, this was largely due to the high revenues in December, which could not affect liquidity in the 2008 fiscal year as they weren't invoiced until January 2009. The average days outstanding on 31 December 2008 was 67 days compared with 45 in the preceding year. Moreover, cash and cash equivalents fell by 0.6 million Euro, from 18.9 million Euro in the preceding year to 18.3 million Euro in 2008. There were no other noteworthy changes in current assets.

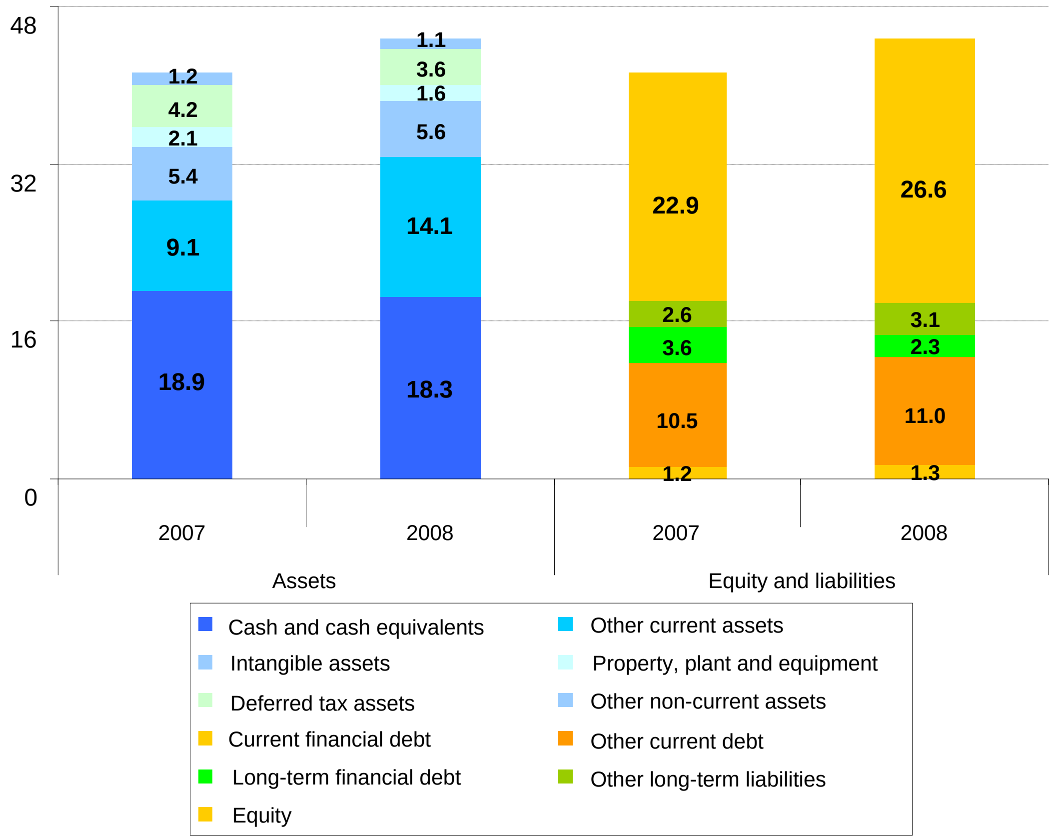
Moving on to non-current assets, there was a rise in intangible assets. The development of the new product FJA Insurance Platform ® by FJA Feilmeier & Junker GmbH was capitalised in accordance with the provisions of IFRS as unlike other products of the FJA Group, this product represents a completely new development. Overall, an amount of 0.4 million Euro was capitalised in 2008 in connection with this product development process. This product also included the expenses relating to the product SymAss II that had already been capitalised in 2007 and the first half of 2008 and that FJA Feilmeier & Junker GmbH acquired from FJA OdaTeam. Further capitalisation of 0.1 million Euro related to the completion and implementation of cost accounting for FJA.

Depreciation/amortisation was 0.8 million Euro for the year as a whole. There was a noticeable reduction in property, plant and equipment, which fell to 1.6 million Euro compared with 2.1 million Euro at the end of 2007. However, this change is not critical as the item property, plant and equipment plays a subordinate role in the FJA Group's business model.

Deferred income tax assets were 3.6 million Euro in 2008 compared with 4.2 million Euro in the preceding year. These included in particular the expected use of loss carryforwards in the next three years; here, it is important to note that in 2008, there was a reduction in profit expectations compared with 2007.

A year-on-year comparison shows that the consolidated balance sheet total increased from 40.8 million Euro in 2007 to 44.3 million Euro in 2008.

Balance sheet structure (in million Euro)



At the end of 2008, the Group's equity ratio stood at 60% (preceding year: 56%); the Company's management believes this ratio represents a sound basis.

4. Additional information on the parent company FJA 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 operational 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, FJA AG acts as sole or majority owner of the operating companies.

FJA 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 primarily 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)

	2008	2007	Change (absolute)	Change (%)
Net income for the year	1,902.8	3,475.8	-1,573.0	-45.3%
Equity	36,961.4	35,058.6	1,902.8	5.4%
Equity ratio (%)	93%	93%		
Outside capital	2,590.8	2,830.9	-240.1	-8.5%
Fixed assets	27,255.3	16,332.5	10,922.9	66.9%
thereof financial investments	27,194.3	16,257.3	10,937.0	67.3%
Current assets	12,264.9	21,506.1	-9,241.2	-43.0%
thereof receivables from affiliated companies	4,324.1	16,894.1	-12,570.0	-74.4%
Prepaid expenses	31.9	50.9	-19.0	-37.3%
Balance sheet total	**39,552.1**	**37,889.5**	**1,662.7**	**4.4%**

FJA AG's main earnings potential derives 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 FJA AG.

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

Earnings position

There was only a slight fall in revenues compared with the preceding year, from 2.3 million Euro to 2.2 million Euro.

Other operating income totalled 1.8 million Euro compared with 6.2 million Euro in the preceding year. The 2008 fiscal year included two events in particular.

Firstly, the end of 2008 saw a further write up in the value of the investment in

PYLON GmbH, which was acquired in 2006, from 4.8 million Euro to 5.6 million Euro. The 2006 impairment of 4.25 million Euro had already been partly balanced out in 2007. Following the company's integration within the FJA Group and the implementation of cost-adjustment measures, the company again demonstrated sustained earnings capacity in 2008.

The second event relates to a repayment by FJA Feilmeier & Junker GmbH to FJA AG. During the 2006 fiscal year, FJA AG purchased liabilities of FJA Feilmeier & Junker GmbH towards the Austrian subsidiary in a nominal value of 2.5 million Euro at what was at the time the fair value of 0.6 million Euro. Consequently, FJA Feilmeier & Junker GmbH had liabilities of 2.5 million Euro towards FJA AG. In December 2008 half of this liability was repaid, resulting in income of 1 million Euro for FJA AG as this receivable had been posted in FJA AG's accounts at the purchase price of 0.6 million Euro.

Despite the departure of CFO Stephan Schulak with effect from 15 April 2008, there was only a slight fall in personnel expenses during the period under review, from 1.5 million Euro in 2007 to 1.4 million Euro in 2008. This was because the compensation of 249 thousand Euro that was paid represented a charge for the year under review.

Although there was no material change in purchased services compared with the previous year, other operating expenses fell by 3.0 million Euro to 1.5 million Euro (previous year: 4.5 million Euro). This difference was largely due to the fact that the previous year included an assignment of the receivable from FJA-US Inc., which produced other operating expenses of 3.0 million Euro for 2007.
Overall, under German commercial law, the Group's parent company FJA AG recorded a net income of 1.9 million Euro in 2008 compared with 3.5 million Euro in the previous year.

Financial situation and assets
At the end of 2008, FJA AG's cash and cash equivalents totalled 5.7 million Euro compared with 3.2 million Euro in the preceding year. The rise in liquidity during this period was largely due to the reduction in receivables from affiliated companies, from 16.9 million Euro to 4.3 million Euro. This sharp reduction was firstly due to

repayments by subsidiaries and especially the German subsidiary FJA Feilmeier & Junker GmbH. Secondly, an amount of 10 million Euro in outstanding receivables from FJA Feilmeier & Junker GmbH was converted into a loan of the same amount with a term of 10 years (shown under loans to affiliated companies). The interest rate is 100 base points above the 1-month EURIBOR rate per annum and the repayment instalments are distributed evenly over the term with instalments of 1 million Euro due at the end of each year.

The rise in shares in affiliated companies from 16.3 million Euro in 2007 to 17.2 million Euro at the end of 2008 was largely due to the write-ups described in the section on earnings position.

In terms of equity and liabilities, there was only a slight reduction in outside capital in 2008, from 2.8 million Euro to 2.6 million Euro.

Equity rose by the aforementioned figure of 1.9 million Euro because of the net income recorded for the fiscal year. The Executive Board and Supervisory Board will submit a proposal to the AGM for a dividend distribution of 0.10 Euro per share. This represents a dividend distribution of 2.1 million Euro.

As at 31 December 2008, the balance sheet total was 39.6 million Euro (preceding year: 37.9 million Euro).

Overall, the earnings position, financial situation and assets of the parent company FJA AG can be considered sound. Future earning power will largely be determined by income from the participating interests. We therefore aim to return the principal subsidiary FJA Feilmeier & Junker GmbH, Munich – which because of its negative equity is not, under commercial law, currently able to distribute dividends – to a position where it is again able to distribute dividends.

5. Summary of the financial situation

Management assessment of the financial situation

During the 2007 and 2008 fiscal years, the FJA Group has proven its commercial efficiency by achieving the forecast results. In addition to the earning capacity achieved, the FJA Group enjoys a sound financial base with cash and cash equivalents of 18.3 million Euro and this will provide an adequate bolster if the financial market crisis does trigger future fluctuations in orders. The Group has a financially acceptable cost structure and is in a position to make necessary 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

On 6 February 2009, FJA AG successfully completed the buy-back of treasury stock in the volume previously agreed by the Executive Board. In total, 638,680 shares or just under 3% of the share capital were purchased for a total amount of around 1.2 million Euro.

Foundation of Sigma Sourcing AG

Under a deed of foundation dated 17 February 2009, FJA AG joined forces with two other partners to found Sigma Sourcing AG in Zug, Switzerland. FJA AG contributed 40% of the original capital (i.e. CHF 40,000). The original capital was paid in cash.

Merger negotiations between FJA AG and COR AG Financial Technologies

On 11 March 2009 the Supervisory Board and Executive Board of FJA AG announced that, with the consent of the respective Supervisory Boards, the Executive Boards of FJA AG and COR AG Financial Technologies had on that day signed a letter of intent concerning a merger of the two companies. In this letter of intent, FJA AG and COR AG agreed to work towards a merger of equals for the two companies. It is intended that COR AG will be the transferring legal entity and FJA AG the incorporating legal entity. The merger will create a key basis, under company law, for the integration process between the two companies.

Both companies will now start the necessary steps to agree the conditions for the merger and determine the two companies' values.

It is planned that the proposed resolutions required for the merger will be submitted for approval to both companies' AGMs, which are due to be held in July of this year. Both companies assume that the merger will become effective in the second half of 2009, once the required shareholder consents have been granted. Once the merger becomes effective, COR AG will no longer be listed on the stock exchange. Former COR AG shareholders will receive listed FJA AG shares. To safeguard the merger plans, COR AG and its majority shareholder, msg systems AG, have secured 30.47% in FJA AG. On 11 March 2009 msg systems AG notified FJA AG that it had acquired control of FJA AG pursuant to § 35 para. 1 in conjunction with § 29 para. 2 of the German Securities Acquisitions and Takeover Act [WpÜG]. Accordingly, msg systems AG will submit a mandatory bid to all shareholders of FJA AG pursuant to § 35 para. 2 of the German Securities Acquisitions and Takeover Act [WpÜG] in conjunction with § 31 para. 1 of the German Securities and Takeover Act [WpÜG]. As far as FJA AG is aware, the mandatory bid will be based on the statutory minimum price.

Opportunities and risks associated with the planned merger

The merged company will enjoy an excellent position in Germany within the market for supplying standard software to insurance companies and banks. The aim is to expand this market position – especially to international markets as well – and to use synergies to increase profitability. It is proposed that the joint company will be known as COR&FJA AG. Based on current figures, the corporate group will employ around 1,000 people once the merger has been completed.

In addition to the risks outlined in the chapter containing the risk report, the merger process does involve some typical risks. Following the announcement of the proposed merger, new and existing customers of the FJA Group may delay purchase decisions due to possible uncertainty within the target market over whether the current products will be continued in the future product portfolio of the merged company. In particular, until the merger resolutions are taken at the AGMs, uncertainty may arise among potential customers if the FJA Group and the COR Group present themselves as competitors during initial business contacts. The strong future market position of the merged company could prompt customers and potential customers to fear too great a dependency on one such supplier. FJA AG will counter these risks by firstly stressing its commercial independence in its dealings with customers up to any resolution on the merger, and secondly by also engaging in active communication in consultation with the COR Group on the benefits for customers in the event of the merger taking place.

With any merger there is a risk of a loss of key personnel as they could fear that the merger may result in a deterioration in their individual terms of employment, the value of their position or the esteem in which they are held within the company. The FJA Group is countering this risk by informing all levels of employees as early as possible about the goals of and implementation planning for the merger and by including them in the corresponding preparations. Moreover, employees and in particular key personnel will be given suitable incentives to motivate them to ensure the merger is a success.

A further risk associated with the merger is the fact that significant management capacities will be tied up in preparing and where applicable subsequently implementing the merger, thus reducing the management capacities available for managing the business. The FJA Group is countering this risk by temporarily using the services of external consultants in a bid to relieve the management team of some of the pressures of the preparatory work. If the AGMs of the two companies do not agree to the merger, then as well as causing uncertainty among employees, customers and the capital market concerning the future strategy of the companies, it would also result in the internal and external expenses of preparing for the merger remaining but without the planned benefits.

Merger processes present an associated risk that the strategies of the merging companies exhibit incompatibilities that will not result in a consistent overall strategy for the merged company. The FJA Group and the COR Group have taken steps to counter this risk in that before concluding the letter of intent, they developed a joint strategy whose key elements represent a continuation of the strategies adopted by the individual companies to date.

Since any merger of companies presents a considerable risk that disputes over the future responsibilities and authorities within the corporate management team may impede objective decision-making in the interests of the company, the presiding Executive Board members of FJA AG have received conditional termination offers to avoid such conflicts of objectives and the associated risks.

In the event of the AGM of FJA AG deciding to merge the company with another company, on 10 March 2009 FJA AG made an irrevocable offer, through the Chairman of the Supervisory Board, to terminate the current valid versions of the Executive Board contracts by mutual agreement when registration of the corresponding AGM resolution in the commercial register becomes effective, but at the latest three months after the date of the AGM. Once the aforementioned conditions are fulfilled, the two Executive Board members will thus be free to accept this offer at any time up to 31 December 2009. In such case, the Supervisory Board will agree to the termination of the Executive Board mandates and all other offices of Mr Junker and Mr Junold within the FJA Group. In the event of acceptance, these offers do not contain any material commitments that exceed the existing provisions in the event of a mutual termination that are in full compliance with the German Corporate Governance Code.

Overall, the Supervisory Board and Executive Board of FJA AG concluded that the opportunities for the FJA Group offered by the merger outweigh the associated risks and thus concluded the letter of intent.

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. Here, risk is deemed to be the danger of strategic, operational or financial objectives not being achieved as planned. The risk management policy is designed to limit, monitor and control risks, taking into account any counter-opportunities. Consequently, risks should not be avoided per se; they should instead be entered into in a carefully targeted way, provided they involve corresponding opportunities.

FJA's risk management system is integrated within its corporate processes. It is an integral part of all planning, controlling and reporting systems. The periodic risk analyses (e.g. on liquidity or project risks) form a key basis of the risk management system. Regular reports are drawn up with a view to monitoring risks (e.g. due to a lack of contracts, from projects or due to high levels of accounts receivable). The early warning system monitors the principal financial KPIs and also the development of orders on hand and the acquisition pipeline.

Regular risk inventories are 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. Operating risks are monitored and controlled on a decentralised basis by the Managing Directors of the individual companies and their departmental managers. They are responsible for early warning and reporting, and for dealing with business risks. A central body coordinates the measures and verifies their appropriateness and functional effectiveness. The Supervisory Board receives regular reports from the Executive Board.

2. Risk management and financial instruments

In 2008, the Group used financial derivatives (options) to secure a USD loan for the

American subsidiary.

3. Individual risks

External developments and internal strategic decisions mean the following opportunities and risks currently form the focus for risk management at FJA:

- Effects of the global financial crisis
- New strategy – the FJA Insurance Platform ®
- New field of business – application service providing
- Competition situation

Effects of the global financial crisis

To date, FJA AG's main customer base (i.e. European insurance companies) has been considerably less harshly affected by the financial crisis than other players within the financial sector. The Group's principal US focus on health insurers has also proven similarly robust. Nevertheless, the economic downturn could have a negative impact on the order situation as most of our projects represent extensive, long-term and long-running projects for customers. There is a risk of project work being delayed or postponed by customers, resulting in idle time with corresponding effects on our earnings position. There is also a risk of customers postponing new projects and of new business thus falling below expectations. The corresponding absence of licence turnover would have a direct negative impact on results.

Given the stability of existing business, which accounts for over half of turnover, we believe that despite the current underlying conditions, the Company's future existence is secure for the medium term. This belief is supported by current orders from ongoing projects, which remain on a par with last year.

Market and customers

As a specialist supplier of consultancy services and specialist software for life insurers and pension products suppliers, the FJA Group is highly focussed on one sector and is thus dependent on that sector. Mergers are shrinking the European market at a time of increasing competition. If the FJA Group fails to assert itself sufficiently against competitors, the increased competition could lead to reduced profit margins, losses in market shares or a decline in turnover.

Consequently, the FJA Group is where possible endeavouring to secure more international projects through existing customer contacts, to secure a foothold in other branches of insurance through the FJA Insurance Platform ® and to address additional customers with its new area of business, Application Service Providing.

The FJA Group has a sufficiently broad customer base and is therefore not critically dependant on one individual customer, even if individual customers can temporarily account for a high proportion of a subsidiary's business.

Environment and competition

Competition intensified in 2008. In some of its international canvassing activities, FJA faces competitors whom we don't have sufficient experience of to judge. Moreover, in addition to our existing primary competitors with comparable products, we are even in Germany now also increasingly facing competition from smaller companies wishing to carry out consulting, development and testing activities within FJA's project environment and who are generally prepared to work for lower daily rates. Potentially, this could not only reduce project turnover but could also increase pressure on FJA's prices with corresponding negative consequences for profit margins, unless we can convince customers of the superior quality of our solutions.

Solutions portfolio

Over 90% of turnover relates either directly or indirectly to FJA products. To ensure the marketability of our solutions we engage in continuous customer and market-driven further development after carrying out consultation in corresponding user groups. The FJA Group monitors functional and technological developments and is actively involved on various bodies within the financial services sector. There is, nevertheless, a risk that trends or the significance of changes in the law may be recognised too late or be incorrectly assessed, meaning the FJA Group fails to place its solutions on the market successfully. Moreover, future income progression depends on whether the Company succeeds in maintaining its current high levels of technological expertise with low investment costs and in avoiding or ensuring the early cessation of cost-intensive, misguided developments.

In the past, we experienced repeated delays with the development and rollout of product enhancements, leading to associated cost overruns. It is not possible to rule out the FJA Group encountering similar problems in future. Such delays can have a detrimental impact on the FJA 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 and in ensuring their organisational, functional, 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 FJA Group because the costs exceed the agreed budget, because deadlines cannot be met or because the services provided do not comply with the agreed performance specification or required quality; in such cases, the FJA Group may have to grant a price reduction or pay compensation.

As far as we are aware, there is currently no major risk from fixed-price projects as only a small proportion (12%) of total turnover is accounted for by fixed-price projects. On the reporting date, there was no need for the Company to make substantial accruals for critical projects.

As with all software products, even the FJA Group's products can contain defects. Rectifying such defects under warranty can increase costs and affect profit margins and also involve claims for damages from the FJA Group. The FJA 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 only applicable to an insufficient degree. This is particularly true for the American market.

The FJA 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 FJA Group's own products.

Problems with project management and software defects occurring during the operation of FJA software could inflict lasting damage to the FJA Group's reputation and have serious consequences for future business.

New strategy – the FJA Insurance Platform ®

FJA is investing in development of the new FJA Insurance Platform ®, which combines all strategic FJA products on one platform. It offers an opportunity to expand business into other sectors via life insurance because in addition to life functions, it also encompasses multidisciplinary functions and functions for property and casualty insurance, re-insurance and health insurance. Furthermore, the service-oriented architecture of the FJA Insurance Platform ® allows potential customers to introduce a new system gradually, thus reducing the level of risk. FJA thus offers a solution for the market that enables cost-cutting investments in new and more effective systems, even in times where capital is in short supply.

FJA's future success essentially depends on it being able to convince existing and new customers, especially in other countries of Europe, of the capabilities and benefits of the FJA Insurance Platform ® and on it being able to assert itself against competitors in new markets and sectors in particular. Failure to do this would lead to a significant medium-term decline in turnover and results and could jeopardise the Company's long-term existence.

In addition, every new development harbours a risk that potential customers will hold back on placing an order until corresponding reference solutions have been productively installed on the market. This could temporarily reduce new business and have associated negative consequences for turnover and profits in particular.

As with every major development phase, there is a risk of functions not being available on time or of the planned scope of performance or required quality not being achieved. This could result in the loss of orders or a delay in orders being placed, or in losses for installation projects. FJA counters this risk by involving its customers at an early stage in a bid to convince them of the strategic benefits for their business associated with such a conversion and by providing reliable status updates to prevent any annoyance over possible delays. The Executive Board also participates in regular internal steering groups in order to identify discrepancies or misguided developments at an early stage and take appropriate managerial action where necessary.

Success of the new area of business, Application Service Providing (ASP)

As well as opening up opportunities, each new area of business also harbours risks. FJA is entering the new field of Application Service Providing. This specifically addresses customers who wish to use FJA Insurance Platform ® but who, for cost considerations, initially wish to outsource business rather than licensing and introducing their own system. The FJA Group will deliberately adopt a gradual investment policy to build up this new area of business.

HR risks

The future success of the FJA Group largely depends on the qualification and motivation of its employees, and on whether the FJA 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.

If several employees in key positions are lost at the same time, this can have a lasting detrimental effect on the Company’s management, on the development of new products and on successful management of projects or sales. Although the risk of several employees in key positions or several employees with specific know-how leaving the Company within a short space of time cannot be ruled out, such a risk does currently appear low. Moreover, in addition to extensive loyalty measures, the FJA Group counters this risk by arranging internal training courses to avoid monopolies of expertise.

IT risks

As with all similar companies, the functioning of business processes also depends on the availability and reliable 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, among other things. Our systems and also our customers' systems can be affected by viruses that damage and 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 reliably estimate either the likelihood of 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 could jeopardise the Company's future existence.

As IT security is of strategic importance, our IT security concept also includes extensive technical and organisational measures. Such measures include 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, we use the latest commercially available software to protect against incoming viruses. Access restrictions prevent unauthorised (and possibly infected) software being installed on FJA'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

We do not expect losses on receivables from either European or US customers. Our customers' credit rating remains good. However, there is always a risk of high levels of receivables being settled late. FJA is endeavouring to counter this development by applying its established dunning procedure.

FJA has sufficient liquidity and equity capitalisation to finance the existing fixed cost component, even in the event of a shortfall extending over several months or to finance any necessary measures and ensure the Company's continued existence in the event of a significant downturn in business or a lasting decline in turnover. The planned and necessary R&D expenditure can be financed from the available capital.

The proportion of credit in unrestricted liquidity was further reduced in 2008. Given FJA's good financial position, it is currently unlikely that these loans would be suspended, even though such a risk cannot be completely ruled out.

In November 2007, FJA Feilmeier und Junker GmbH issued the required notice to terminate the contract concluded on 3 March 2004 with Deutsche Leasing AG, Bad Homburg, over its in-house software development FJA Zulagenverwaltung ® with effect from 29 February 2008. Deutsche Leasing AG has since asserted claims for further payments under this contract. Following an extensive legal evaluation of the transaction that also included external legal experts, the FJA Group stands by its belief that the claims asserted by Deutsche Leasing AG do not have a sound legal basis and that even if the dispute should go to court, there is only a negligible likelihood of additional expenses.

Since, apart from the aforementioned acquisition of treasury stock, FJA AG and its subsidiaries has not invested any money in shares or similar funds, there are no grounds for fearing losses due to necessary impairments.

Exchange risks under a loan by FJA Feilmeier & Junker GmbH to FJA-US, Inc. in an amount of 3.2 million US dollars have been secured against through an option-based currency hedging transaction (plain vanilla options) (fair value hedge).

Exchange risks from current transactions are low and are therefore not secured against. They mainly involve transactions of FJA Feilmeier & Junker AG, Switzerland, that are billed in Swiss Francs, transactions of FJA-US, Inc., that are billed in US dollars and the charging-on of services by FJA Feilmeier & Junker GmbH to the Swiss and US companies.

Irrespective of the operational provision of services, there is a risk of the payment conduct of customers of the FJA Group causing a delay in planned incoming monetary flows; however, this would not represent an acute liquidity risk for the FJA Group.

The FJA Group operates via a structure of subsidiaries in several regions. Companies provide services for each other, meaning payments are offset between companies that are subject to different fiscal provisions and that operate with different currencies. This results in exchange risks and the possibility of incorrect interpretations when dealing with the fiscal aspects of financial items and payment flows. The FJA Group's financial management continuously monitors, analyses and controls these risks. As far as possible, it is guided by international rules and standards when establishing the corresponding contracts. However, it is not possible to rule out such risks nevertheless materialising.

Other risks

FJA AG cannot guarantee that the above list has covered and neutralised all risks. Additional risks may arise that are not yet known or that are not currently considered significant. It is obviously not possible to predict the likelihood or 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 FJA 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 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

Up to the fourth quarter of the period under review there was no major change in the risk situation compared with 2007. During the period under review, none of the outlined risks had reached a level where they threatened the Company's continued existence. At the end of 2008 there was a potential worsening of the FJA Group's overall risk profile due to the underlying global economic conditions. This was because the effects of the global economic crisis can't currently be assessed and we cannot rule out possible consequences for the FJA Group's business. There is in particular an associated heightening of the aforementioned strategic risks and the risks relating to market and competition. It is therefore impossible to rule out negative consequences for turnover and results.

A suitable strategic direction when selecting and tapping new markets, market-oriented further development of the existing solutions portfolio and successful market launch of the new FJA Insurance Platform ® in our existing markets and also new markets and areas of business will be especially crucial for FJA's medium-term development.

The aforementioned risks document the main risk associated with the economic environment and also corporate risks, based on current knowledge. 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 sufficiently equipped to successfully counter such risks in 2009, too.

For further information please refer to Chapter III, Supplementary Report.

V. Forecasts

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

Planned changes in corporate policy

The Executive Board believes the FJA Group's strategy has been confirmed by its results in the 2008 fiscal year. Since the middle of 2007 efforts have focussed on further developing the strategy into a durable strategy for the medium and long-term. The Management's fundamental views on market trends and the resulting risks and opportunities, the key qualitative and quantitative objectives and also an implementation plan were presented to the Supervisory Board. The ensuing discussion resulted in the Supervisory Board granting its unanimous agreement to these elements of the new strategy. In terms of strategy, the FJA Group's prime aim remains that of achieving significant and sustained revenue-driven growth. At the same time, the aim of sector specialisation was defined in more detail and the objectives of greater product focussing, internationalisation and associated further development of our business model were outlined in detail and corresponding measures defined.

In terms of centralised guidelines, this represents a continuation of the direction adopted in 2006. This is especially true as regards customer focus and the high requirements in terms of the quality and efficiency of our solutions. For business policy, there are however some consistent extensions to previously local practices. Firstly, the solutions portfolio is being unified across the Group on an integrated basis within the framework of the FJA Insurance Platform ®. The benefits of this approach for both our customers and ourselves 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 parts 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 convince them of the associated changes and ensure they are prepared to make the necessary investments. This solutions strategy will make the FJA Group more open vis-à-vis prospective partners because in new markets in particular, product focussing will make us more willing for partners to provide elements of customising, rollout and maintenance work for our solutions.

Future sales markets

With its range of services and products, the FJA Group is the market leader in Germany for life insurers and pension providers. Around half of all German life insurers are clients of the FJA Group. The overall situation within the life insurance sector can be summarised by three predominant trends. The first principal trend is the continuing relatively weak level of new business by life insurers at the beginning of 2009. There is also a continuing strong trend towards cost reductions in IT which, in the majority of cases, is creating 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 key trend is also gaining in importance. For the first time in years, the launch of fundamental innovations in life insurance products is being discussed, planned and implemented on a broad scale. Currently, these trends go hand in hand with the continuing high pressures for change resulting from the numerous and continuous changes to the underlying statutory framework. The FJA 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 FJA Group, over the medium term we are aiming for further increases in the share of turnover accounted for by our international markets, so reducing our dependency on cyclical fluctuations in the German market. The Austrian and Swiss markets offer excellent potential in this respect 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 FJA 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 the FJA-US Product Machine, especially in non-life insurance lines (and now also in health insurance) is already proving the potential benefits on offer. In addition to the above, the FJA Group believes a number of other markets offer good initial conditions for entering the market as a product supplier. We plan to enter these markets on the basis of our extended business model and cooperate with service suppliers who are already established within 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 ® involves a number of group-wide standardisation and unification measures in terms of development technology, methodology and organisational processes. This requires some parts of the Group to adapt to new procedures, but generally these are 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 methodology.

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 FJA 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 methodology 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, functionally scalable FJA Insurance Platform ®. The unique selling propositions (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 FJA 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 FJA's core business, add-on services from SAP), it will also be possible to outsource individual services completely to such suppliers. The FJA

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 FJA Group is thus aiming to enhance its profile as a product supplier.

2. Underlying economic conditions over the next two financial years

Future macroeconomic situation

According to the Federal Ministry of Economics, the German economy is this year facing its biggest challenge since reunification. Short-term growth prospects have deteriorated dramatically. Germany's economy is more intertwined within the global economy than almost any other industrial country. Negative consequences of the global recession and of the international financial market crisis will therefore have a particular impact on Germany. Although private consumption can stabilise this development, it will be unable to fully compensate for the subduing effect of the global economy. For the year as a whole and taking into account the stabilisation and growth measures adopted by the Federal Government, the Federal Government is forecasting a price-adjusted decline of 2.25% in GDP.

Future situation within the sector

For 2009, the German Insurance Association, the Gesamtverband der Versicherungswirtschaft (GDV), expects zero growth within the insurance industry as a whole and a decline of 1.5% for life insurance. According to the GDV, however, this is not due to the economic crisis but to the ordinary expiry of many contracts that will not be offset by new contracts. It warns against early termination of unit-linked insurance because the risky derivative structures only represent a share of 1.8%. Consequently, the Federal Finance Supervisory Authority does not see any current threat to insurance companies, either.

Current studies reveal the following market requirements in particular for 2009 and beyond:
The trend towards internationalisation and consolidation and also towards international harmonisation of IT is continuing and will remain one of the key growth drivers in future.

Despite 68% of insurers attempting to modernise their administration systems, these remain a stumbling block for the introduction of new products; on account of their bad experiences, insurers are increasingly inclined (40% of companies surveyed) to replace entire systems.

The next few years will see a marked rise in demand for support in terms of risk management (RM) and corresponding tools (doubling by 2012). The tools market is not yet cut and dry; there is no one-size-fits-it-all product. Insurers are advised to take a pragmatic approach; as well as gearing their RM to statutory provisions, they should also consider the benefits for their business.

There will be a significant increase in demand for SaaS (Software as a Service) for administrative systems; major insurers use SaaS to expand into new markets, while for smaller insurers, SaaS is useful as it means they can afford solutions despite smaller budgets.

Product development will be a key priority for P&C [1)] and life insurers within Europe. Investments aimed at improving the development process infrastructure are needed. Key considerations include flexible core systems, product development tools that also encompass testing, business process management (BPM) and workflow tools.

[1)] Property & Casualty

This confirms the view held by FJA 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 2009. The FJA Group is increasingly observing the trends towards internationalisation within the sector. Group customers are increasingly demanding that the solutions implemented by one group company for one region be made available for other group companies for their regional business.

3. Forecast earnings position

Forecast development in turnover and results

Faced with the global economic crisis and the fact that its consequences for the insurance industry and therefore the FJA Group's target market are difficult to predict, we are currently unable to make our usual forecast for 2009. Although turnover of 70 million Euro would seem plausible if the trends apparent in the fourth quarter of 2008 were to continue, the Executive Board feels it is at present unable to publish forecasts for turnover and results for 2009, especially given its previous tendency to issue conservative forecasts. However, our shareholders can assume that even if there is only moderate growth in turnover compared with 2008, we should achieve an EBIT margin on a par with 2008.

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

Most R&D investments for 2009 will remain heavily focussed on the FJA Insurance Platform ®. The size of the investment budget will be on a par with the preceding year. As we prefer to link specific implementation phases with relevant 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 represents a 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

In view of the aforementioned underlying conditions the FJA Group has a good opportunity to use the profitable growth achieved in 2007 and 2008 as a basis and – taking into consideration the overall economic situation – achieve satisfactory levels of turnover and earnings in 2009.

Opportunities relating to corporate strategy

The increasing popularity of release-ready software will enable the FJA Group to further consolidate its existing USPs. Over the medium to long term, the trend towards internationalisation that became even more pronounced in 2007 and 2008 will offer an opportunity to use the FJA Insurance Platform ® to transform existing regional USPs into international USPs.

Performance-related opportunities

The underlying performance-related framework offers an opportunity to expand the FJA Group's overall market position while also strengthening the market position of the subsidiaries within their respective regional markets. In 2009 we expect to see a further strengthening in our market position in the USA in particular.

Other opportunities

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

6. Summary of the Group's forecast development

The FJA Group ended the 2008 fiscal year successfully, and indeed extremely successfully given the trends within the overall economy. The Executive Board and management team believe this confirms our chosen strategy. Even against the backdrop of difficult underlying macroeconomic conditions, the earnings capacity and financial strength achieved by the Group provides a sound basis for achieving our objective of profitable growth. At the same time, the Company has once again secured the means and capabilities for medium-term investment in the future, so enabling a significant increase in profitability. The success achieved has strengthened the already high levels of motivation shown by the management and indeed the entire FJA team in continuing to devote all their energies to achieving benefits for customers and shareholders alike.

For additional information please refer to Chapter III, Supplementary Report.

Munich, 26 March 2009
The Executive Board

Consolidated Income Statement of FJA AG (IFRS)
for the period from 1 January to 31 December 2008

	No.	2008	2007
		Euro	**Euro**
Sales revenues	VII.1	63,625,758	61,309,220
Change in stocks of finished goods and work in process	VIII.4	3,280	-5,425
Own work capitalised	VII.2	402,477	349,554
Cost of purchased services	VII.3	-2,021,565	-2,098,850
Personnel expenses	VII.4	-42,177,352	-40,222,921
Other operating income	VII.5	1,720,362	2,984,406
Other operating expense	VII.6	-13,989,576	-16,026,808
Depreciation/amortisation of property, plant and equipment and of intangible assets	VII.7	-839,576	-1,024,596
Operating result		**6,723,808**	**5,264,579**
Interest income	*VII.8*	662,639	521,031
Interest expenditure	*VII.8*	-658,303	-740,233
Result before income tax		**6,728,144**	**5,045,377**
Income tax	VII.9	-2,180,310	232,959
Net income/loss		**4,547,834**	**5,278,336**
Allocation of result:			
Profits/losses attributable to equity holders of the parent company		4,547,834	**5,254,985**
Profits attributable to minority interests		0	23,352
Net income/loss		**4,547,834**	**5,278,336**
Earnings per share (basic)	X.	0.21	0.25
Earnings per share (diluted)	X.	0.21	0.25
Average shares outstanding (basic/diluted)		21,202,066	21,289,353

Consolidated Balance Sheet of FJA AG (IFRS) as at 31 December 2008

Assets

	No.	31.12.2008	31.12.2007
		Euro	**Euro**
Current assets			
Cash and cash equivalents	VIII.1	18,253,536	18,894,354
Securities	VIII.2	3,394	3,097
Trade accounts receivable	VIII.3	13,081,349	7,950,229
billed receivables		*11,926,487*	*7,203,158*
unbilled receivables		*1,154,862*	*747,072*
Inventories	VIII.4	4,350	1,069
Current income tax assets	VIII.5	179,919	171,895
Other financial assets	VIII.6	116,706	180,174
Other current assets	VIII.7	760,917	840,575
Total current assets		**32,400,171**	**28,041,394**
Fixed assets			
Goodwill	VIII.8	3,582,591	3,582,591
Other intangible assets	VIII.8	2,049,963	1,776,482
Property, plant and equipment	VIII.9	1,581,183	2,053,307
Financial investments	VIII.10	5,806	5,806
Deferred tax assets	VIII.11	3,579,883	4,181,719
Current income tax assets	VIII.5	792,755	905,341
Other financial assets	VIII.12	348,267	262,694
Total fixed assets		**11,940,448**	**12,767,940**
Total assets		**44,340,619**	**40,809,334**

Consolidated Balance Sheet of FJA AG (IFRS) as at 31 December 2008

Equity and liabilities

	No.	31.12.2008	31.12.2007
Current liabilities			
Trade accounts payable	VIII.13	581,962	789,224
Current income tax liabilities	VIII.14	856,867	375,292
Other accruals	VIII.15	1,558,048	1,987,366
Other current liabilities	VIII.16	2,013,071	1,196,076
Other financial liabilities	VIII.17	7,304,692	7,329,137
Total current liabilities		**12,314,640**	**11,677,095**
Long-term liabilities			
Other accruals	VIII.15	479,936	374,017
Other financial liabilities	VIII.17	2,276,679	3,588,905
Deferred tax liabilities	VIII.11	1,006,855	645,517
Pension provision	VIII.18	1,631,405	1,611,370
Total long-term liabilities		**5,394,875**	**6,219,808**
Total liabilities		**17,709,515**	**17,896,902**
Equity			
Share capital	VIII.19	20,771,074	21,289,353
Capital reserves	VIII.20	9,876,062	10,293,514
Retained earnings	VIII.21	-4,016,032	-8,832,405
Shares of parent company's shareholders		**26,631,104**	**22,750,463**
Minority interest	VIII.22	0	161,969
Total equity		**26,631,104**	**22,912,432**
Total equity and liabilities		**44,340,619**	**40,809,334**

Consolidated Cash Flow Statement of FJA AG (IFRS)
for the period from 1 January to 31 December 2008

	2008	2007
	Euro	**Euro**
Net income/loss	4,547,834	5,278,336
Income tax	2,180,310	-232,959
Result before income tax	**6,728,144**	**5,045,377**
Adjustments		
Depreciation/amortisation of property, plant and equipment and of intangible assets	839,576	1,024,596
Gain/loss from the disposal of property, plant and equipment	-2,770	4,302
Gain/loss from the disposal of intangible assets	0	304,600
Increase in pension provision	20,034	43,478
Interest income	-662,639	-521,031
Interest expenditure	658,303	740,233
Income tax refunded	75,263	10,926
Income tax paid	-662,669	-276,153
Changes in:		
Trade accounts receivable	-5,160,715	-914,691
Inventories	-3,281	5,425
Other assets/other financial assets/current income tax assets	125,713	108,276
Other accruals	-326,022	-2,262,410
Trade accounts payable	-207,041	-163,870
Other debts/financial liabilities	731,126	-230,073
Cash flow from operating activities*	**2,153,021**	**2,918,984**

* see Notes IX.

Consolidated Cash Flow Statement of FJA AG (IFRS)
for the period from 1 January to 31 December 2008 (cont.)

	2008	2007
	Euro	Euro
Cash flow from investing activities		
Investments in property, plant and equipment	-117,398	-154,671
Investments in intangible assets	-515,722	-349,554
Cash inflow from the disposal of property, plant and equipment	6,069	42,701
Cash outflow from the purchase of minority interests in consolidated companies	-130,000	0
Cash flow from investing activities	**-757,051**	**-461,524**
Cash flow from financing activities		
Cash outflow from the acquisition of treasury stock	-935,731	0
Cash outflow from hedging transactions	-89,715	0
Repayment of current financial debts	-1,198,394	-2,177,581
Borrowing of long-term financial debts	0	2,922,084
Interest received	662,639	521,031
Interest paid	-658,303	-740,233
Cash flow from financing activities	**-2,219,504**	**525,301**
Exchange-rate related changes not relevant for cash flow	**182,715**	**-264,528**
Change in cash and cash equivalents	**-640,819**	**2,718,232**
Cash and cash equivalents at beginning of period	**18,894,354**	**16,176,122**
Cash and cash equivalents at end of period*	**18,253,536**	**18,894,354**
* thereof unrestricted	15,780,019	15,727,445

Consolidated Statement of Changes in Equity of FJA AG (IFRS) for the period from 1 January to 31 December 2008

	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	
	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
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. 2007/1 Jan. 2008	21,289,353	10,293,514	0	1,749,961	-1,745,770	-8,836,595	22,750,463	161,969	22,912,432
Net investment									
Differences due to currency conversion				236,569			236,569		236,569
Disposal of minority interests							0	-130,000	-130,000
Reposting of minority interests in retained earnings						31,969	31,969	-31,969	0
Acquisition of treasury stock	-518,279	-417,452					-935,731		-935,731
Reclassification				-20,282		20,282	0		0
Changes in equity not affecting operating result	-518,279	-417,452	0	216,287	0	52,251	-667,193	-161,969	-829,162
Net income/loss						4,547,834	4,547,834	0	4,547,834
Total income and expenditure for the period	-518,279	-417,452	0	216,287	0	4,600,085	3,880,641	-161,969	3,718,672
Position 31 Dec. 2008	20,771,074	9,876,062	0	1,966,248	-1,745,770	-4,236,510	26,631,104	0	26,631,104
				-4,016,032					

I. General Information

1. Fundamental principles

The consolidated financial statements of FJA AG, Munich, Germany as at 31 December 2008 include the parent company and all subsidiaries (hereinafter referred to as the "FJA Group") and also all associated companies. The reporting year corresponds to the calendar year.

In preparing the consolidated financial statements of FJA AG, Munich, Germany, as at 31 December 2008 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 FJA 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 FJA Group has its headquarters at Elsenheimerstraße 65, 80687 Munich, Germany. The Group's parent company is FJA AG, Munich. FJA AG is a stock corporation [*Aktiengesellschaft*] under German law.

On 26 March 2009 FJA 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 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 2008 in accordance with § 315a of the German Commercial Code [*HGB*]. The consolidated financial statements are published in the electronic Federal Gazette [*elektronischer 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 16 March 2009 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 2008 fiscal year were based on those IFRS for which application is mandatory for fiscal years commencing on or after 1 January 2008. New standards, amended standards and interpretations to be used for the first time for financial years ending on 31 December 2008 are as follows:

- 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. It enables the chief operating decision maker to asses the performance of the operating segments and to make decisions about how resources are to be allocated to the operating segments. The new standard must be applied to fiscal years commencing on or after 1 January 2009. However, FJA AG has decided to apply IFRS 8 early, commencing with the fiscal year ending 31 December

2008. The comparative figures for the preceding year have been adjusted accordingly.

- The other amendments to the interpretations IFRIC 11 (“Group and Treasury Share Transactions”), IFRIC 12 (“Service Concession Agreements”) and IFRIC 14 (“The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interactions”) have no or no material effects on the Company’s consolidated financial statements.
- The amendments to IAS 39, which enables reclassification of non-derivative financial assets in the category *at fair value through profit or loss* or *available for sale* to a different valuation category and the associated additional disclosure requirements on the reclassified financial assets as regulated by IFRS 7.12 and IFRS 7.12 A do not have a material impact on the Company’s consolidated financial statements.

- **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 FJA Group: IAS 1 (“Presentation of Financial Statements”), IFRS 2 (“Share-based Payment, Exercise Conditions and Cancellations”), IFRS 3 (“Business Combinations”) in connection with IAS 27 (“Consolidated and Separate Financial Statements pursuant to IFRS”), IAS 23 (“Borrowing Costs”), IAS 28 (“Investments in Associates”), IAS 31 (“Interests in Joint Ventures”), IAS 32 (“Financial Instruments: Presentation”), IAS 36 (“Impairment of Assets”), IAS 38 (“Intangible Assets”), IFRIC 13 (“Customer Loyalty Programmes”), IFRIC 15 (“Agreements for the Construction of Real Estate”), IFRIC 16 (“Hedges of a Net Investment in a Foreign Operation”), IFRIC 17 (“Distributions of Non-cash Assets to Owners”), IFRIC 18 (“Transfers of Assets from Customers”).

These will have the following detailed impact on future consolidated financial statements of the FJA 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 FJA AG, the changes to the standard, which must be applied by all companies, will lead to 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/interpretations 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

Following on from the adequate growth in turnover and positive result and cash flow from operating activities achieved in 2007, this trend was confirmed/continued in 2008. The Company's planning for the coming years also anticipates positive results and cash flows. Encouraged by the Company's financial stability and earnings capacity, the management assumes its favourable development will continue into the future, too.

II. Reporting and Valuation Methods

All companies included in the scope of consolidation apply uniform reporting 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 recognised based on the services provided by the FJA 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 FJA services, then a distinction is generally made between the following cases:

If the licence involves customer-specific standard software that is adapted by FJA (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 FJA 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 the 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. An impairment 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 cash value of the estimated cash flow is below the book value.

To date, the FJA 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 asset 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 FJA 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 cost, 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 straight-line depreciation is applied based on the probable useful life. The Company does not avail itself of the option to use 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 FJA 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 net book value 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 net book value.

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 value through profit or loss**.

FJA AG uses **financial derivatives** to protect against currency fluctuations resulting from financial transactions. Financial derivatives are neither held nor issued for speculative purposes. On first recognition, financial derivatives are shown at fair value. The fair values are also relevant for subsequent valuations. The fair value of traded financial derivatives corresponds to the market value. This value can be positive or negative. When showing changes in fair values – either through profit or loss in the income statement or under equity without affecting profit or loss – it is important to determine if the financial derivative is included in an effective hedging relationship pursuant to IAS 39. If hedge accounting does not apply, the changes in the fair values of financial derivatives must be recognised immediately through profit or loss. If, on the other hand, an effective hedging relationship pursuant to IAS 39 does exist, the hedging connection is recognised as such.

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 FJA 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 ends when this is no longer applicable.

As at 31 December 2008, the following companies were fully consolidated within the Group whose parent company is FJA 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) (until 29 February 2008)	100	(FJA Akademie)
FJA OdaTeam d.o.o., Maribor (Slovenia)	100	(FJA OdaTeam)
FJA bAV Service GmbH, Munich (Germany)	100	(FJA bAV Service)
PYLON GmbH, Hamburg (Germany)	100	(PYLON)

For all subsidiaries, the respective balance sheet dates are the same as the Group balance sheet date.

There have been the following changes in the scope of consolidation compared with the preceding year's reporting date:

- Under a shareholding assignment agreement dated 20 October 2008, FJA AG's entire shareholding in FJA Akademie (i.e. its shareholding of 25 thousand Euro) was assigned to FJA Feilmeier & Junker GmbH. FJA Akademie was merged into FJA Feilmeier & Junker GmbH with effect from 1 March 2008.

- Until 10 April 2008, FJA AG held a direct 80% share in FJA OdaTeam. With effect from 10 April 2008, FJA AG purchased a further 20% of the shares in FJA OdaTeam from FJA OdaTeam's General Manager, Mr Matevz Rostaher. The purchase price of 130 thousand Euro was paid in cash. At the time of the purchase, FJA OdaTeam had equity of 810 thousand Euro (of which 20%: 162 thousand Euro) and recorded a profit of 115 thousand Euro in 2007. As FJA OdaTeam was previously already fully consolidated, the amounts for the main categories of assets and liabilities are not shown separately. The effects on the assets, financial situation and earnings position are as follows: the share acquisition is shown as a transaction with the minority shareholders, i.e. as a shift within the equity between the different shareholder groups.

Facts 2007:

PYLON AG, Hamburg, was changed to PYLON GmbH, Hamburg with effect from 13 July 2007. Following contractual agreements 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 in 2007.

2. Associated companies

In the consolidated financial statements, associated companies in which FJA 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 2008 or the reporting date in the preceding year.

The holding in ARGE FJA KR BU-System, Munich, is not consolidated. The FJA Group holds 50% of shares. ARGE's equity amounted to 46 thousand Euro as at 31 December 2008 (preceding year: 39 thousand Euro). Total assets amounted to 69 thousand Euro (preceding year: 70 thousand Euro) and total debts to 23 thousand Euro (preceding year: 31 thousand Euro). During the 2008 fiscal year ARGE recorded sales revenues of 98 thousand Euro (preceding year: 100 thousand Euro) and a result of 7 thousand Euro (preceding year: 7 thousand Euro).

The FJA 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

After the reporting date there was the following change in the scope of consolidation: Under a deed of formation dated 17 February 2009, FJA AG joined forces with two other partners to form Sigma Sourcing AG (registered in the Commercial Register of the Canton of Zug on 2 March 2009). FJA AG holds 40% of the shares in the company and together with another shareholder who holds 20% of the company shares, has concluded a pool agreement under which control can be exercised over the company pursuant to IAS 27. From the date of its establishment, Sigma Sourcing AG is therefore fully consolidated within the FJA Group as a subsidiary of FJA AG.

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 that 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 that 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. As mentioned above, FJA AG's participating interest in FJA Akademie was assigned to FJA Germany with effect from 20 October 2008. FJA Akademie was merged into FJA Germany with effect from 1 March 2008. FJA bAV Service was acquired in 2001 at book value. No goodwill arose here.

As already mentioned, PYLON GmbH 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 in 2007.

Intercompany revenues, 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 is 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 on the income statement.

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

	Middle rate on the balance sheet date		Annual average rate	
	31.12.2008	31.12.2007	2008	2007
	Euro	Euro	Euro	Euro
1 USD	0.7185	0.6793	0.6800	0.7296
1 CHF	0.6734	0.6043	0.6301	0.6087

The FJA 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. FJA AG has not acquired any foreign subsidiaries since 1 January 2005.

VI. Segment Reports

FJA AG is a leading consultancy and software house for the European insurance and pensions market. Our 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 FJA. Globally, our software is used in 26 countries spanning five continents, including the USA and Australia and many Eastern European countries.

FJA is an industry expert for 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 on the one hand and the product portfolio on the other 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.

In November 2006 the IASB adopted IFRS 8 ("Operating Segments"). IFRS 8 replaces IAS 8 ("Segment Reporting") and is applicable for reporting periods commencing on or after 1 January 2009. FJA decided to apply IFRS 8 early, commencing with the fiscal year ending 31 December 2008. Under IFRS 8, the identification of reportable operating segments is based on the "management approach". According to this approach, external segment reporting is based on the Group's internal organisational and management structure and on internal financial reporting to the chief operating decision maker. Within the FJA AG Group, FJA AG's Executive Board is responsible for assessing and managing the segments' business performance and is classed as the chief operating decision maker pursuant to IFRS 8.

Since the segments within the FJA Group have comparable economic characteristics and are also comparable as regards the following aspects:

- the nature of the products and services,
- the type of production process,
- the types or categories of customers,
- the sales and distribution channels and
- the nature of the regulatory environment

the FJA Group has only one reportable segment.

The following section therefore only requires information on products and services, geographical areas and key customers.

1. Information on products and services

The revenues from external customers are broken down by products and services as follows:

	2008	**2007**
	€000	**€000**
Services	50,875	49,261
Licences	6,202	6,550
Maintenance	5,242	4,327
Other income	1,307	1,171
Consolidated turnover	**63,626**	**61,309**

2. Information on geographical areas

The revenues of external customers by countries are shown on the basis of the registered office of the FJA consolidated company with which the respective contract is signed and are categorised as follows:

	2008	2007
	€000	€000
Germany	44,274	46,651
Austria	126	314
Switzerland	5,607	4,593
United States of America	12,436	8,776
Slovenia	1,183	975
Total	**63,626**	**61,309**

The non-current assets comprising goodwill, other intangible assets, property, plant and equipment and other financial assets are comprised as follows:

	2008	2007
	€000	€000
Germany	7,728	7,680
Austria	59	75
Switzerland	67	79
United States of America	122	115
Slovenia	30	369
Total	**8,006**	**8,318**

3. Information on key customers

In the fiscal year under review, the FJA Group had two customers (preceding year: one customer) each of whom accounted for at least 10% of total sales revenues. For 2008, the total revenues from these customers amounted to 7.3 million Euro and 6.7 million Euro respectively, while in 2007 the revenue volume of one customer amounted to 6.3 million Euro.

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. They also include 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:

	2008	2007
	€000	€000
Turnover recognised (PoC) in the financial year	1,155	747
Expenses recorded in the financial year	989	730
Profit recorded in the financial year	166	18

2. Own work capitalised

In the 2008 fiscal year the amount of own work capitalised was 402 thousand Euro (preceding year: 350 thousand Euro).

During the year under review, this involved own work as part of the development of the FJA Insurance Platform ®. In the preceding year and in the first half of 2008, it involved expenses for the product SymAss II, which was then fully integrated into the FJA Insurance Platform ® during the 2008 fiscal year.

The amounts capitalised were capitalised as manufacturing costs, in accordance with IAS 38. All criteria and evidence required under IAS 38 (§ 57 et seq.) are met for this work. The product development for the IPL constitutes development of a new software that is essentially different to the previous software.

3. Cost of purchased services

	2008	2007
	€000	€000
Freelance collaborators	2,019	2,099
Other	3	0
Total	**2,022**	**2,099**

In 2008, the cost of purchased services mainly involved expenses relating to freelance collaborators.

4. Personnel expenses

	2008	2007
	€000	€000
Wages and salaries	36,493	34,529
Social security and other expenses	5,018	5,088
Personnel expenses excluding pensions	41,511	39,617
Pensions and other expenses	666	606
Total	**42,177**	**40,223**

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 2,159 thousand Euro (preceding year: 2,168 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 FJA 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 the 2008 fiscal year or in the prior years 2004 to 2007. In addition, since the start of the share option scheme, a total of 129,750 options (preceding year: 129,750) have lapsed due to employees departing the company, 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 FJA 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 FJA 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.

5. Other operating income

	2008	2007
	€000	€000
Income from the release of other accruals and other liabilities	652	1,663
Transfer of vehicles	65	95
Rental income	650	626
Other	353	600
Total	**1,720**	**2,984**

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

6. Other operating expense

	2008	2007
	€000	€000
Consulting, accountancy and Supervisory Board	1,912	1,573
Advanced vocational training	222	122
Personnel recruitment	341	290
Premises expense	5,195	5,185
Advertising expense	719	615
Travel expense	2,469	2,097
Vehicle expense	175	225
Communication expense	557	614
IT expense	423	548
Loss on the disposal of property, plant and equipment	0	30
Project expense	34	286
Adjustments on accounts receivable	18	304
Exchange losses	0	187
Leasing expense	1,114	3,375
Other	811	576
Total	**13,990**	**16,027**

"Other" largely includes expenses in respect of insurance, fees, contributions, journals, donations and office requisites.

The auditors' fees arising in the 2008 fiscal year and in the preceding year were as follows:

	2008	2007
	€000	**€000**
Auditing (incl. out-of-pocket expenses)	183	185
Other certification and valuation services	0	0
Tax consulting services	1	4
Other services	116	79
Total	**300**	**268**

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

	2008	2007
	€000	**€000**
Depreciation/amortisation of property, plant and equipment and of intangible assets	839	1,025
Impairment expense for intangible assets	0	0
Total	**839**	**1,025**

8. Net interest income

	2008	2007
	€000	**€000**
Interest income	662	521
Interest expenditure	-658	-740
Net interest income	**4**	**-219**
Thereof relating to financial instruments in the valuation categories		
Loans and receivables	548	279
Available-for-sale assets	0	5
Financial liabilities measured at amortised cost	0	-37
Lease-purchase liabilities	-379	-466

Interest income refers to the credit interest from cash and cash equivalents, income from discounting of long-term trade receivables, income from the compounding of current income tax assets and refund interest from the local tax office. The figure for the previous year included the writeback of the value adjustment for the book value of the participation in assit-forum GmbH.

Interest expenditure relates to aval commission and bank charges, lease-purchase liabilities, interest resulting from the external audit for the fiscal years 2002 to 2005 and interest expense for pension commitments.

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”.

9. Income tax

The tax expense/income consists of the following components:

	2008	2007
	€000	€000
Current income tax expense Germany	-660	-476
Other countries	-532	-144
Total current income tax	**-1,192**	**- 620**
Deferred taxes from temporary differences	-276	316
Deferred taxes from tax loss carryforwards	-712	537
Total deferred income tax	**-988**	**853**
Total	**-2,180**	**233**

The actual tax expense contains an expense of 373 thousand Euro (preceding year: 130 thousand Euro) that relates to prior periods.

As at 31 December 2008, the FJA Group had unused corporation-tax loss carryforwards of 100,278 thousand Euro (preceding year: 163,862 thousand Euro) and trade tax loss carryforwards of 99,368 thousand Euro (preceding year: 159,191 thousand Euro) for which deferred tax assets were formed to the extent that there was sufficient certainty regarding their realisation. Overall, an amount of 9,440 thousand Euro (preceding year: 11,068 thousand Euro) in deferred tax assets was formed in respect of tax loss carryforwards.

The loss carryforwards without any limitations in terms of time amounted to 91,239 thousand Euro for corporation tax (preceding year: 155,611 thousand Euro) and to 90,329 thousand Euro for trade tax (preceding year: 159,191 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	6,732	1,055	1,252

Non-application of deferred tax assets on current net losses for the year reduced the result by 0 thousand Euro (preceding year: 1 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 216 thousand Euro (preceding year: 453 thousand Euro).

Deferred tax income of 410 thousand Euro (preceding year: 1,283 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.

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

The tax expense of -2,180 thousand Euro shown for the 2008 financial year (preceding year: 233 thousand Euro) is -1,113 thousand Euro (preceding year: 1,564 thousand Euro) higher than the expected income tax expense of -1,067 thousand

Euro (preceding year: 1,331 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 15.83% that has been applicable in Germany since 2008.

	2008	**2007**
	€000	**€000**
Result before income tax	6,728	5,045
Tax rate	15.83%	26.38%
Expected income tax	**-1,067**	**-1,331**
Tax effects in respect of: Tax rate difference	-738	15
Tax rate changes	2	-298
Current and deferred trade earnings tax	-363	294
Tax-free income and fiscal apportionments and accounting	-255	-35
Amortisation of goodwill	0	0
Effect of tax losses	626	1.737
Taxes for prior years	-363	-155
Consolidation effects	0	0
Tax effect from capital measure	0	0
Other	-21	6
Effective income tax	**-2,180**	**233**

The expected tax rate of 15.83% (previous year: 26.38%) results from application of the German corporation tax rate of 15% (previous year: 25%) plus the solidarity surcharge of 5.5% (previous year: 5.5%).

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

VIII. Notes on the Balance Sheet

1. Cash and cash equivalents

	31.12.2008	31.12.2007
	€000	**€000**
Term account (pledged to Dt. Leasing AG)	0	420
Other collateralised term accounts	2,474	2,747
Uncollateralised non-borrowing accounts	15,780	15,727
Total	**18,254**	**18,894**

Cash and cash equivalents include collateralised and uncollateralised 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, FJA AG originally pledged a term account of 5.93 million Euro to Deutsche Leasing AG. As at 31 December 2008, no amount under the leasing instalments was subject to a pledge (preceding year: 0.42 million Euro).

In addition to the above, time deposits totalling 2,474 thousand Euro (preceding year: 2,747 thousand Euro) acted as security for various avals; in the preceding year, these time deposits also acted as security for a receivable that was 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 2008, uncollateralised cash and cash equivalents amounted to 15,780 thousand Euro (preceding year: 15,727 thousand Euro).

2. Securities

	31.12.2008	31.12.2007
	€000	€000
Shares	3	3
Total	**3**	**3**

Marketable 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

	31.12.2008	31.12.2007
	€000	€000
Billed receivables	11,926	7,203
Unbilled receivables	1,155	747
Total	**13,081**	**7,950**

The trade accounts receivable are due within one year.

		Thereof: impaired		Thereof: Neither impaired in value nor 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	**Gross value**		**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. 2008	12,062	136	11,926	7,250	4,000	386	85	43	162
Position as at 31 Dec. 2007	7,606	403	7,203	4,597	2,097	210	26	267	6

With regard to the billed trade receivables that have not been impaired 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:

	2008	2007
	€000	**€000**
Value adjustments as at 1 January	**403**	**213**
Exchange differences	0	0
Additions	18	304
Used	0	0
Writebacks	-285	-114
Value adjustments as at 31 December	**136**	**403**

The total additions of 18 thousand Euro (preceding year: 304 thousand Euro) and writebacks of 285 thousand Euro (preceding year: 114 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.

	2008	2007
	€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 FJA 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:

	31.12.2008	31.12.2007
	€000	€000
Total costs incurred and profits posted	7,445	16,066
Downpayments received	-5,717	-13,598
Retentions	-573	-1,721
Total	**1,155**	**747**

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:

2008	Orders with a credit balance	Orders with a debit balance	Total
	€000	€000	€000
Total costs incurred and profits posted	7,445	0	7,445
Downpayments received	-5,717	0	-5,717
Retentions	-573	0	-573
Total	**1,155**	**0**	**1,155**

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**

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

4. Inventories

The inventories (work in progress that cannot yet be billed) of 4 thousand Euro (2007: 1 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

	31.12.2008	31.12.2007
	€000	€000
Corporation tax, current	180	172
Corporation tax, long-term	793	905
Total	**973**	**1,077**

Current income tax assets comprise advance payments and refund claims for corporation tax in an amount of 973 thousand Euro (preceding year: 1,077 thousand Euro). The current portion amounts to 180 thousand Euro (preceding year: 172 thousand Euro) and the long-term portion 793 thousand Euro (preceding year: 905 thousand Euro).

6. Other financial assets (current)

	31.12.2008	31.12.2007
	€000	€000
Security deposits	103	180
Other	14	0
Total	**117**	**180**

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

7. Other current assets

	31.12.2008	31.12.2007
	€000	€000
Turnover tax	8	13
Prepaid expenses	176	224
Other	577	604
Total	**761**	**841**

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

2008		Other intangible assets		
	Goodwill	Development costs	Other	Total
	€000	€000	€000	€000
Acquisition costs Position 1 Jan. 2008	10,165	1,199	1,905	13,269
Additions	0	515	0	515
Disposals	0	0	0	0
Differences due to currency conversion	0	0	0	0
Position 31 Dec. 2008	**10,165**	**1,714**	**1,905**	**13,784**
Amortisation/depreciation Position 1 Jan. 2008	6,582	776	552	7,910
Additions	0	73	168	241
Disposals	0	0	0	0
Differences due to currency conversion	0	0	0	0
Position 31 Dec. 2008	**6,582**	**849**	**720**	**8,151**
Book value 31 Dec. 2008	**3,583**	**865**	**1,185**	**5,633**

2007		Other intangible assets		
	Goodwill	Development costs	Other	Total
	€000	€000	€000	€000
Acquisition costs Position 1 Jan. 2007	10,469	849	1,905	13,223
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**	**13,269**
Amortisation/depreciation Position 1 Jan. 2007	6,582	630	357	7,569
Additions	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**	**7,910**
Book value 31 Dec. 2007	**3,583**	**423**	**1,353**	**5,359**

In 2008, the research and development costs (personnel costs and other operating expenses) recorded under expenses amounted to 6,900 thousand Euro (preceding year: 4,921 thousand Euro).

The additions capitalised in the 2008 fiscal year include an amount of 403 thousand Euro in own work capitalised and an amount of 113 thousand Euro in work capitalised in connection with the implementation of SAP cost accounting.

Please also refer to the comments under “VII.2 Own work capitalised”.

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”), FJA 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.

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 extraordinary impairments in value were therefore applied to other intangible assets during the financial year.

Information on other intangible assets during the preceding year

In 2007 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:

	31.12.2008	31.12.2007
	€000	€000
FJA OdaTeam	952	952
FJA Germany	1,345	1,345
FJA-US	81	81
PYLON GmbH	1,205	1,205
Total	**3,583**	**3,583**

The impairment test for goodwill involves allocating the book values of the goodwill to individual cash generating units. The book values (net assets) 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 FJA 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 impairment of goodwill was applied to any goodwill during the year under review.

Information on goodwill during the preceding year

As a result of the agreement on an additional payment in the event of improvements to turnover, etc., the purchase price and the goodwill relating to PYLON GmbH had to be reduced by 304 thousand Euro during the previous fiscal year.

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 2011, 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 on the basis of the previous year's peer group observation by an external expert.

For FJA GmbH, the free cash flows were discounted using a capital cost rate (WACC) of 8.6% p.a. (preceding year: 9.0% p.a.) before taxes; for FJA OdaTeam the rate was 11.4% (preceding year: 11.8%). 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 significant deviations from the planning assumptions require a valuation adjustment for FJA OdaTeam and PYLON GmbH.

9. Property, plant and equipment

2008	Buildings on third-party land	Hardware and software	Office and plant equipment	Total
	€000	€000	€000	€000
Acquisition costs Position 1 Jan. 2008	3,291	5,533	3,217	12,041
Additions	0	52	65	117
Disposals	0	-989	-325	-1,314
Differences due to currency conversion	24	-37	11	-2
Position 31 Dec. 2008	**3,315**	**4,559**	**2,968**	**10,842**
Amortisation/depreciation Position 1 Jan. 2008	2,057	5,445	2,486	9,988
Additions	310	73	214	597
Disposals	0	-1,003	-307	-1,310
Differences due to currency conversion	16	-38	8	-14
Position 31 Dec. 2008	**2,383**	**4,477**	**2,401**	**-9,261**
Book value 31 Dec. 2008	**932**	**82**	**567**	**1,581**

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	**3,291**	**5,533**	**3,217**	**12,041**
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	**2,057**	**5,445**	**2,486**	**9,988**
Book value 31 Dec. 2007	**1,234**	**88**	**731**	**2,053**

During the year under review and in the preceding year no extraordinary 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.

10. Financial investments

	31.12.2008	31.12.2007
	€000	**€000**
Participation in Life Insurance Inc.	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.

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:

	2008	2007
	€000	**€000**
Value adjustments as at 1 January	**53**	**58**
Exchange differences	0	0
Additions	0	0
Used	0	0
Writebacks	0	-5
Value adjustments as at 31 December	**53**	**53**

The writeback of the value adjustment related to assit-forum GmbH.

11. Deferred tax assets

Deferred taxes are determined using the respective national tax rates, which as in the preceding year varied between 21% and 45.6%. Changes in tax rates that had already been decided on the balance sheet date have been taken into consideration when calculating deferred taxes.

As in the preceding year, the average deferred taxes of the German companies were also valued using an overall tax rate including the solidarity surcharge of 32.98%.

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

	31.12.2008		31.12.2007	
	Assets	Liabilities	Assets	Liabilities
	€000	€000	€000	€000
Unbilled receivables	152	0	20	0
Receivables and other current assets	0	346	54	65
Intangible assets	0	382	0	461
Investments	51			
Property, plant and equipment	0	181	0	87
Other accruals	110	1	228	0
Pension provision	134	0	51	0
Other financial liabilities	19	80	41	0
Prepaid expenses/deferred income	18	17	0	33
Tax loss carryforwards	3,095	0	3,788	0
Total	**3,580**	**1,007**	**4,182**	**646**

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

12. Other financial assets

The item mainly contains assets in respect of reinsurance policies in an amount of 278 thousand Euro (2007: 263 thousand Euro). The other financial assets have a remaining term of more than one year.

13. Trade accounts payable

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

14. Current income tax liabilities

	31.12.2008	31.12.2007
	€000	€000
Corporation tax	471	161
Trade tax	386	214
Total	**857**	**375**

Current income tax liabilities include an amount of 471 thousand Euro (preceding year: 161 thousand Euro) in corporation tax and 386 thousand Euro (preceding year: 214 thousand Euro) in trade tax.

15. Other accruals

	31.12.07	Differences due to currency conversion	Used	Released	Appropriated	31.12.08
	€000	€000	€000	€000	€000	€000
Guarantees	577	7	0	-30	4	558
Accrual for project costs	176	14	-190	0	0	0
Impending losses	372	0	-30	-65 [1)]	91	368
Restructuring	59	0	-54	-5	0	0
Expected purchase invoices	548	12	-481	-1	453	531
Other	629	39	-232	-17	162	581
Other accruals	**2,361**	**72**	**-987**	**-118**	**710**	**2,038**

[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 services not yet provided.

The accruals for impending losses include expenses relating to leasing relationships.

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 2008	**Long-term 2007**	**Current 2008**	**Current 2007**	**Total 2008**	**Total 2007**
	€000	**€000**	**€000**	**€000**	**€000**	**€000**
Guarantees	0	0	558	577	558	577
Accrual for project costs	0	0	0	176	0	176
Impending losses	247	247	368	125	368	372
Restructuring	0	0	0	59	0	59
Expected purchase invoices	0	0	531	548	531	548
Other	233	127	101	502	581	629
Other accruals	**480**	**374**	**1,558**	**1,987**	**2,038**	**2,361**

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 480 thousand Euro, the amounts included in the accruals for impending losses, expected purchase invoices and other accruals (total 1,480 thousand Euro) will be paid in the short-term as part of operating activities.
The FJA Group has sufficient liquid funds to make the payments by drawing on

accruals.

16. Other current liabilities

	31.12.2008	31.12.2007
	€000	€000
Tax liabilities	817	624
Advance payments received on customer orders	889	94
Prepaid expenses	307	478
Total	**2,013**	**1,196**

17. Other financial liabilities

	31.12.2008	31.12.2007
	€000	€000
Personnel and social security liabilities	5,154	4,940
Lease-purchase liabilities	3,590	4,789
Other	837	1,189
Total	**9,581**	**10,918**

Under agreements dated 15 December 2006 and 22 January 2007, FJA Feilmeier & Junker GmbH concluded two sale and license-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 FJA 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 2008 the lease-purchase liability amounted to 3,590 thousand Euro (preceding year: 4,789 thousand Euro).

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

31.12.2008	**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	5,154	5,154	0	0
Lease-purchase liability	3,590	1,314	2,276	0
Other	837	837	0	0
Other financial liabilities	**9,581**	**7,305**	**2,276**	**0**

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	**10,918**	**7,329**	**3,589**	**0**

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

€000 as at 31.12.2008	Total	Cash flows 2009		Cash flows 2010		Cash flows 2011-2013	
		Interest	Re-demp-tion	Interest	Re-demp-tion	Interest	Re-demp-tion
Personnel and social security liabilities	5,154	0	5,154	0	0	0	0
Lease-purchase liability	3,590	264	1,314	138	1,440	18	836
Other	837	0	837	0	0	0	0
Other financial liabilities	**9,581**	**264**	**7,305**	**138**	**1,440**	**18**	**836**

€000 as at 31.12.2007	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	**10,918**	**379**	**7,329**	**264**	**1,312**	**156**	**2,277**

All financial instruments held on the respective reporting date 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 2008 fiscal year and the preceding year the Company did not default on any loans or breach any contracts.

18. 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 2008 and 2007 the following assumptions were used for two consolidated companies (FJA AG and FJA Feilmeier & Junker GmbH):

2008	**FJA AG**	**FJA GmbH**
	% p.a.	**% p a.**
Basic interest rate	6.25	6.25
Salary trend	2.00	2.00
Pension increase	0.00	0.00
Pension increase (official adjustments)	2.00	2.00

2007	**FJA 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

Staff turnover probabilities have not been taken into account.

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

	31.12.2008	31.12.2007
	€000	€000
Cost of benefits acquired in the fiscal year	18	19
Interest expense on the projected unit credit	83	74
Actuarial losses recorded	-29	0
Total expense	**72**	**93**

For FJA AG and FJA GmbH, the accumulated actuarial losses as at 31 December 2008 exceeded the 10% corridor pursuant to IAS 19.92. For FJA GmbH, the individuals with vested pension rights do not have any remaining employment service period. Consequently, the amount of amortisation in 2009 is only 55 thousand Euro. For FJA AG, the actuarial loss outside the 10% corridor of 1,554 Euro extends to 5.5 remaining years of service, giving an amortisation amount for 2009 of 283 Euro.

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:

	2008	2007
	€000	€000
Provisions at 1 January	1,611	1,568
Cost of benefits acquired in the fiscal year	18	19
Interest expense on the projected unit credit	83	74
Pension payments	-52	-50
Amortisation of actuarial gains	-29	0
Provisions at 31 December	**1,631**	**1,611**

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

	2008	2007
	€000	**€000**
Net projected unit credit	1,431	1,530
Unrecorded actuarial gains and losses	200	81
Provisions at 31 December	**1,631**	**1,611**

Payments of 53 thousand Euro are planned in the following year (2009).

19. Share capital

As at 31 December 2008, the subscribed capital amounted to 20,771,074.00 Euro (31 December 2007: 21,289,353.00 Euro). The reduction on the preceding year is due to the buy-back of treasury shares (518,279 shares at 1.00 Euro each) in the 2008 fiscal year. The overall share capital is divided into 21,289,353 bearer shares of no par value (31 December 2007: 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. No capital increases were effected in the 2008 fiscal year or the preceding year.

Under a resolution adopted by the AGM on 20 June 2008, the Executive Board was authorised to acquire treasury stock up to 20 December 2009 for purposes other than trade in treasury stock. The countervalue for purchasing these shares may not be more than 5% above or below the average value of the share's stock exchange prices in the closing auction of the XETRA trading system on the five trading days prior to the purchase. The Company is authorised to sell purchased treasury stock by a means other than via the stock exchange or through an offer to all shareholders in order to offer Company shares to individual shareholders or third parties for purchase or to offer Company shares to shareholders or third parties as part of a merger with companies or as part of the acquisition of companies or the acquisition of participating interests in companies. In this case, shareholders' subscription rights are excluded. If treasury shares are not sold for the purposes of a merger with companies or an acquisition of companies or of participating interests therein, the treasury shares may only be sold to individual shareholders or third parties at a price that is not significantly below the list price, at the time of the sale, of Company shares with the same structure.

On 21 August 2008 and based on the authorisation issued by the AGM on 20 June 2008, FJA AG's Executive Board decided to purchase up to 638,680 treasury shares (representing close to 3% of the share capital) on the stock market from 25 August 2008. By 31 December 2008 the Company had acquired 518,279 shares for a purchase price of 935,731.10 Euro. This equates to an average purchase price of 1.81 Euro per share. The purchase price of 935,731.10 is shown directly in equity under the subscribed capital (518,279.00 Euro) and the capital reserves (417,452.10 Euro).

No new capital was approved in 2008 or the preceding year.

The Company has the following approved and conditional capital:

- **Approved Capital 2006/I**

  Under a decision adopted at the AGM on 23 June 2006 in accordance with §§ 202 et seq. of the German Stock Corporation Act [AktG], 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 vis-à-vis 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 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 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 by resolution of the AGM on 23 June 2006 authorised to issue up to 22 June 2011, 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.

- **Conditional Capital 2004/I**

Under a decision adopted by the AGM on 24 June 2004, the share capital was conditionally increased by 3,930 thousand Euro (Conditional Capital 2004/I). The conditional capital serves to grant shares to holders of convertible bonds and/or warrant-linked bonds. On the basis of this authority, on 2 June 2005 and with the approval of the Supervisory Board granted on 7/8 June 2005, the Executive Board decided to make use of the authorisation to issue convertible bonds in a total nominal amount of 7,860,000.00 Euro divided into 7,860,000 convertible bonds each with a nominal value of 1.00 Euro and with an interest rate of 10.00 % p.a. and an expiry date of 30 June 2010. The Executive Board approved the final conditions of the loan with the Supervisory Board's approval on 14 June 2005. According to these conditions, during their term and commencing on 1 December 2005, the convertible bonds can be exchanged in the last month of a calendar quarter without any additional payment, at a ratio of two convertible bonds for one no-par value bearer share in FJA AG (convertible loan 2005/2010). By 31 December 2005, convertible bonds totalling 6,676,832 Euro had been exchanged. By 21 March 2006, a further 983,874 convertible bonds had been exchanged. The resulting outstanding

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.

- **Conditional Capital 2000/I**

Under a resolution adopted by the General Meeting on 17 January 2000, amended by the General Meeting on 5 July 2001, the Company's share capital was conditionally increased by up to 180,000 Euro for the purpose of fulfilling the share option scheme.

20. Capital reserves

The capital reserves contain the amounts in excess of the nominal amount received from the issue of shares. As at 31 December 2008, the capital reserves amounted to 9,876,062 Euro (31 December 2007: 10,293,514 Euro). The reduction of 417,452 Euro is attributable to the buy-back of treasury shares described in "19. Subscribed Capital".

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.

21. 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. No equity capital measures were implemented during the year under review.

Since, in the preceding years, repayment of the receivables of FJA 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 a total amount of 1,746 thousand Euro were therefore recorded in the reserves from currency conversion in the preceding years. With effect from 21 December 2007 and 31 December 2007, FJA AG and FJA 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 is therefore administered in US dollars, with any differences from currency conversion being shown as affecting net profit/loss.

A detailed presentation of the change in consolidated revenue reserves is shown in the statement of changes in equity.

According to the German Stock Corporation Act [Aktiengesetz], the distributable dividend is calculated on the basis of the unappropriated profit shown by FJA AG in its annual financial statements prepared in accordance with the provisions of the German Commercial Code [Handelsgesetzbuch].

For the 2008 fiscal year, the Executive Board and Supervisory Board are submitting a proposal to the General Meeting for a dividend of 0.10 Euro per no-par-value share with dividend entitlement to be paid from FJA AG's unappropriated profit for the 2008 fiscal year; this equates to an expected total payment of 2,076 thousand Euro. Payment of this dividend depends on the agreement of the 2009 AGM. The final dividend amount depends on the number of no-par-value shares with dividend entitlement at the time the resolution on appropriation of the unappropriated profit is adopted on the date of the AGM.

22. Minority interest

	31.12.2008	**31.12.2007**
	€000	**€000**
Position at 1 January	162	139
Disposal	-162	0
Share in the result for the year	0	23
Position at 31 December	**0**	**162**

Until 10 April 2008, FJA AG held a direct 80% share in FJA OdaTeam. With effect from 10 April 2008, FJA AG purchased a further 20% of the shares in FJA OdaTeam from FJA OdaTeam's General Manager. For further details, please refer to "III. Scope of Consolidation, 1. Subsidiaries" above.

23. Other financial obligations

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

	31.12.2008				31.12.2007			
	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	22,953	5,172	9,990	7,791	24,046	5,293	10,903	7,850
Maintenance agreements	0	0	0	0	300	300	0	0
	22,953	**5,172**	**9,990**	**7,791**	**24,346**	**5,593**	**10,903**	**7,850**

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 amounts to 5,879 thousand Euro (preceding year: 7,807 thousand Euro).
In the preceding year, the operating lease showed 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 (i.e. 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 2008, the total future minimum payments expected to be received under sub-leasing agreements that cannot be terminated amounted to 3,974 thousand Euro (preceding year: 3,376 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:

	31.12.2008				31.12.2007			
	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	4,010	1,578	2,432		5,588	1,577	4,011	0
Present values of the minimum leasing payments	3,590	1,314	2,276	0	4,789	1,200	3,589	0

The present value of 3,590 thousand Euro (preceding year: 4,789 thousand Euro) is calculated by deducting the financing costs/interest portion of 420 thousand Euro (preceding year: 799 thousand Euro) from the total minimum leasing payments of 4,010 thousand Euro (preceding year: 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 the transfer of the licence to the contractual software and the associated rights of use 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 concerning dividends, additional debts or other lease relationships.

The finance leasing expense recorded for the year under review was 379 thousand Euro (preceding year: 466 thousand Euro).

24. 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.

In addition to transferring the source code and development 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, FJA AG has in each case also assumed an absolute suretyship in a maximum amount of 132 thousand Euro, covering fulfilment of all liabilities incumbent on the lease-purchaser, FJA GmbH.

25. Additional information on financial instruments

Objective and methods of financial risk management

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

The possible risks faced by the FJA Group in connection with financial instruments include in particular liquidity risks, which may lead to a company not being able to procure the funds needed to settle financial liabilities, currency risks resulting from activities in different 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 that 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 management process. The individual organisational units involved in the risk management process are assigned clear responsibilities:

Executive Board:

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

Risk Management:

Risk Management is responsible for active management and monitoring of risks. Risk is reduced through active diversification and monitored 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 use of limits.

Supervisory Board:

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

Credit risks (default risks)

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 within 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 (preceding year: 0 thousand Euro). For billed receivables, the amount of writebacks of value adjustments balanced with additions totalled 267 thousand Euro (preceding year: 190 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 available 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 the Company will be unable 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 FJA Group has sufficient liquid funds to enable it to repay its interest-bearing financial liabilities. 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. FJA 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 alternative financing. The FJA 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 risks

Generally, the Group's income/cash flow from operating activities is not exposed to any interest risk. The financial assets do not involve any major interest 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 2008 would have been 19 thousand Euro lower (higher) (in the preceding year 18 thousand Euro lower (higher)) and the components of equity 19 thousand Euro lower (higher) (in the preceding year 18 thousand Euro lower (higher)).

The (interest-bearing) financial liabilities have fixed interest rates. The Company is not exposed to an interest 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. 72% of revenues (preceding year: 78%) 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 25% (preceding year: 36%) of receivables are in non-Euro currencies. For trade accounts payable, currency risks arise because 7% of accounts payable (preceding year: 3%) are in non-Euro currencies. No other items in the balance sheet are affected by currency risks.

The FJA 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 2008 the US subsidiary's net result for the year would have been 153 thousand Euro higher (lower) (31 December 2007: 29 thousand Euro higher (lower)) and the components of equity would have been 153 thousand Euro higher (lower) (in 2007: 29 thousand Euro higher (lower)).

If the Euro had been 10% higher (lower) vis-à-vis the Swiss franc on 31 December 2008 the Swiss subsidiary's net result for the year would have been 13 thousand Euro higher (lower) (31 December 2007: 26 thousand Euro higher (lower)) and the components of equity would have been 13 thousand Euro higher (lower) (in 2007: 26 thousand Euro higher (lower)).

Operating activities

The individual Group companies mainly administer their operating activities in their respective functional currency. Consequently, the FJA Group's currency risk from current operating activities is considered low. However, the Group is exposed to a small degree of currency risks associated with the billing of services within the Group from the Euro to other currencies and vice versa.

In the fiscal year under review, billed services within the FJA Group from Euros to the USD region amounted to 2,392 thousand Euro (preceding year: 2,358 thousand Euro). Exchange rate fluctuations of +/- 10% would affect the result and equity by an amount of +/- 239 thousand Euro (preceding year: 236 thousand Euro).

In the fiscal year under review, billed services within the FJA Group from Euros to the CHF region amounted to 3,338 thousand Euro (preceding year: 3,639 thousand Euro). Exchange rate fluctuations of +/- 10% would affect the result and equity by an amount of +/- 334 thousand Euro (preceding year: 364 thousand Euro).

In the fiscal year under review, billed services within the FJA Group from USD to the Euro region amounted to 36 thousand Euro (preceding year: 0 thousand Euro). Exchange rate fluctuations of +/- 10% would affect the result and equity by an amount of +/- 4 thousand Euro (preceding year: 0 thousand Euro).

In the fiscal year under review, billed services within the FJA Group from CHF to the Euro region amounted to 1,807 thousand Euro (preceding year: 0 thousand Euro).

Exchange rate fluctuations of +/- 10% would affect the result and equity by an amount of +/- 181 thousand Euro (preceding year: 0 thousand Euro).

Other price risks

The FJA 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 revenues. For example, the proportion of revenues accounted for by Germany was 70% (preceding year: 76%).

Within trade accounts receivable there are no major concentrations on individual customers. During the year under review, the ten largest customers accounted for 57% of revenues (preceding year: 52%) and for 50% of trade accounts receivable (preceding year: 51%).

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:

	Valua-tion cate-gory	Book value 31.12. 2008	Value shown in balance sheet pursuant to IAS 39			Value shown in balance sheet pursuant to IAS 17	Fair value
			Amor-tised cost	Fair value through equity	Fair value through profit or loss		
Cash and cash equivalents	LaR	18,254	18,254				18,254
Securities	AfS	3	3				3
Trade accounts receivable	LaR	13,081	13,081				13,081
Financial investments	AfS	6	6				N/A
Other financial assets							
Original financial assets	LaR	381	381				381
Financial derivatives with hedging relationship	N/A	84			84		84
Trade accounts payable	FLAC	582	582				582
Other financial liabilities							
Non-interest-bearing liabilities	FLAC	5,991	5,991				5,991
Lease-purchase liabilities	N/A	3,590				3,590	3,590
Thereof summarised by valuation categories							
Loans and receivables	LaR	31,716	31,716				31,716
Available-for-sale investments	AfS	9	9				N/A
Financial liabilities measured at amortised cost	FLAC	6,573	6,573				6,573

	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

There are no assets in the valuation categories “assets held to maturity” or “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 current financial assets have short residual terms. Consequently, their book values on the closing date are similar to the fair value.

The values shown for marketable 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.

During the year under review, the Company used only financial derivatives with a hedging relationship (fair value hedge). The gain resulting from the change in the fair value of the hedging instrument amounted to 4 thousand Euro and is shown under other operating income. The gain resulting from the change in the fair value of the underling transaction in the year under review amounted to 116 thousand Euro and is shown under other operating income.

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

2008	Valua-tion category	From interest	From subsequent valuation			From disposal	Net result
			At fair value	Currency transla-tion	Value adjustment		
Loans and receivables	LaR	548	0	0	267	0	815
Available-for-sale financial investments	AfS	0	0	0	0	0	0
Financial liabilities measured at amortised cost	FLAC	0	0	0	0	0	0
Lease-purchase liabilities	N/A	-379	0	0	0	0	-379
Total		**169**	**0**	**0**	**267**	**0**	**436**

2007	Valua-tion 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**

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 FJA 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.

	2008	2007
	€000	**€000**
Cash and cash equivalents	2,474	3,167
Intangible assets	0	0
Total	**2,474**	**3,167**

Overall, financial investments totalling 2,474 thousand Euro (preceding year: 3,167 thousand Euro) were provided as security as at 31 December 2008.

As security for fulfilment of its obligations under the two lease-purchase agreements FJA 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, FJA 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:

	2008	2007
	€000	**€000**
Other financial liabilities	3,590	4,789
Total	**3,590**	**4,789**

In the 2008 fiscal year, the FJA Group received a bank guarantee in an amount of 370 thousand Euro under a guarantee agreement for a leasing relationship. No collateral was received in the preceding year.

26. 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 FJA 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 FJA Group is based on the equity ratio. This ratio is calculated as the proportion of equity to the balance sheet total.

The FJA Group's strategy for 2008 was the same as in 2007 and consisted in maintaining the equity ratio above 50% to enable it to obtain additional funding on reasonable terms and conditions. As at 31 December 2008 and 31 December 2007 the equity ratios amounted to:

	2008	2007
	Euro	**Euro**
Equity	26,631,104	22,912,432
Balance sheet total	44,340,619	40,809,334
Equity ratio	**60%**	**56%**

The improvement in the equity ratio during 2008 was largely attributable to the consolidated net surplus in 2008.

The FJA 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 2008 and 2007. 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/amortisation of property, plant and equipment and of intangible assets in an amount of 839 thousand Euro (preceding year: depreciation/amortisation of property, plant and equipment and of intangible assets in an amount of 1,025 thousand Euro).

X. Earnings per share

The **basic earnings per share** for the 2008 fiscal year amounted to 0.21 Euro (preceding year: 0.25 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 2008 fiscal year the weighted number of shares outstanding was 21,202,066 (preceding year: 21,289,353)

	2008	**2007**
	Euro	**Euro**
Consolidated result attributable to equity holders of the parent company	4,547,834	5,254,985
Weighted number of shares outstanding	21,202,066	21,289,353
Total	**0.21**	**0.25**

The change in the weighted number of shares outstanding compared with the preceding year is due to the buy-back of treasury shares.

The **diluted earnings per share** for the 2008 fiscal year amounted to 0.21 Euro (preceding year: 0.25 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 FJA AG share on both 31 December 2008 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 2008, the disclosure requirements of IAS 24 only affect the FJA 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 FJA 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 1,309 thousand Euro (preceding year: 1,316 thousand Euro). The remuneration is categorised as follows:

	31.12.2008	**31.12.2007**
	€000	**€000**
Employee benefits due in the short-term	1,060	1,316
Benefits arising on termination of the employment relationship	249	0
Total	**1,309**	**1,316**

Remuneration for former Executive Board members amounted to 58 thousand Euro in

2008 (preceding year: 57 thousand Euro).

As at 31 December 2008, pension provision for former Executive Board members amounted to 669 thousand Euro (preceding year: 680 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	328	130	458
Thomas Junold	350	130	480
Stephan Schulak	327	44	371
Total	**1,005**	**304**	**1,309**

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. The widow's pension shall cease on re-marriage.
- At the time the insured event arises due to retirement age being reached, 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.

Supervisory Board remuneration amounted to 132 thousand Euro (preceding year: 142 thousand Euro), including 2 thousand Euro (preceding year: 7 thousand Euro) for former members of the Supervisory Board.

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 2008:

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

3. Other transactions with related parties

Other related companies and persons

Until 10 April 2008, FJA AG held a direct 80% share in FJA OdaTeam. With effect from 10 April 2008, FJA AG purchased a further 20% of the shares in FJA OdaTeam from FJA OdaTeam's General Manager, Mr Matevz Rostaher. The purchase price of 130 thousand Euro was paid in cash. For further details, please refer to "III. Scope of Consolidation, 1. Subsidiaries".

The Supervisory Board member Thomas Nievergelt provided FJA Feilmeier & Junker AG, Switzerland, with consultancy services amounting to around 3 thousand Euro.

XIII. Information on the Supervisory Board and the Executive Board

The members of the Supervisory Board are:

Thomas Nievergelt, lic.iur., Chairman, Lawyer and Notary, Samedan, Switzerland

Head of the District Council of Samedan (Chairman of the Executive Board), 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, Chairman of the Foundation Engadiner Lehrwerkstatt für Schreiner, Samedan.

Prof. Dr. Elmar Helten, Deputy Chairman, President of the Bayerisches Finanz Zentrum, Munich

Deputy Chairman of the Supervisory Board of FidesSecur Versicherungsmakler GmbH, 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 (until 31 January 2008), Chairman of the Executive Board of viadico AG, Munich
Member of the Board of Oberwolfach Stiftung, Oberwolfach-Walke.

Thies Eggers, Auditor and Tax Consultant, Pullach
Chairman of the Supervisory Board of Bayerische Gewerbebau AG, Munich, Member of the Supervisory Board of Allgeier Holding AG, Munich, Member of the Supervisory Board of Allgeier IT Solutions AG, Munich (until 31 December 2008), Member of the Supervisory Board of DIBAG Industriebau AG, Munich, Member of the Supervisory Board of Softcon AG, Munich.

Manfred Herrmann, Graduate in Economics
Chairman of the Management of 7id Technologies GmbH, Graz

Dr. Jochen Schwarz, Graduate in Mathematics, Global Head of Bank Distribution of Zurich Financial Services, Zurich and Member of the Holding Executive Board of Zurich Deutschland AG, Wiesbaden
Deputy Chairman of the Advisory Board of the Deutsches Institut für Altersvorsorge, Frankfurt, Chairman of the Supervisory Board of Zurich Vida SA, Barcelona, Chairman of the Supervisory Board of Bansabadell Vida SA, Barcelona, Chairman of the Supervisory Board of Bansabadell Pensiones SA, Barcelona, Chairman of the Supervisory Board of Bansabadell Seguros General SA, Barcelona, Chairman of the Supervisory Board of Deutscher Pensionsfonds AG, Bonn, Member of the Supervisory Board of Zurich Life and Pensions SPA, Milan, Member of the Supervisory Board of Zurich Investments Life, Milan, Member of the Supervisory Board of Zürich Vertriebs GmbH, Bonn, Member of the Advisory Board of Bonner Akademie, Bonn.

Prof. Dr. Christian Hipp (since 1 February 2008), university professor, Karlsruhe
Member of the Supervisory Board of Kölner Pensionskasse, Cologne.

The members of the Executive Board are:

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

Member of the Board of Directors of FJA-US, Inc., New York

Thomas Junold, Graduate in Mathematics, Munich, Member of the Board of Directors of FJA-US, Inc., New York

Stephan Schulak (until 15 April 2008), Graduate in Business Economics, Rohrbach

XIV. Declaration on Compliance with the German Corporate Governance Code

In December 2008 the Executive Board and the Supervisory Board of FJA AG issued the updated declaration of compliance pursuant to § 161 of the German Stock Corporation Act (AktG) giving details of FJA AG's compliance with the German Corporate Governance Code; this declaration was made permanently available to shareholders on the Company's website (www.fja.com/de/investor-relations/corporate-governance/entsprechenserklaerungen.html).

XV. Events after the Balance Sheet Date

Events after the balance sheet date have been included up to 26 March 2009, the date on which the Executive Board released the consolidated financial statements for submission to the Supervisory Board.

Purchase of treasury stock successfully completed

On 6 February 2009 FJA AG successfully completed the buy-back of treasury stock. In total, 638,680 shares or just under 3% of the share capital were purchased for a total amount of around 1.2 million Euro.

Formation of Sigma Sourcing AG

Under a deed of formation dated 17 February 2009, FJA AG joined forces with two other partners to form Sigma Sourcing AG. FJA AG contributed 40% of the original capital (i.e. CHF 40,000). The original capital was paid in cash.

Merger negotiations between FJA AG and COR AG Financial Technologies

On 11 March 2009 the Supervisory Board and Executive Board of FJA AG announced that, with the consent of the respective Supervisory Boards, the Executive Boards of FJA AG and COR AG Financial Technologies had on that day signed a letter of intent concerning a merger of the two companies. In this letter of intent, FJA AG and COR AG agreed to work towards a merger of equals for the two companies. It is intended that COR AG will be the transferring legal entity and FJA AG the incorporating legal entity. The merger will create a key basis, under company law, for the integration process between the two companies.

Both companies will now start the necessary steps to agree the conditions for the merger and determine the two companies' values.

It is planned that the proposed resolutions required for the merger will be submitted for approval to both companies' AGMs, which are due to be held in July of this year. Both companies assume that the merger will become effective in the second half of 2009, once the required shareholder consents have been granted. Once the merger becomes effective, COR AG will no longer be listed on the stock exchange. Former COR AG shareholders will receive listed FJA AG shares. To safeguard the merger plans, COR AG and its majority shareholder, msg systems AG, have secured 30.47% in FJA AG. On 11 March 2009 msg systems AG notified FJA AG that it had acquired control of FJA AG pursuant to § 35 para. 1 in conjunction with § 29 para. 2 of the German Securities Acquisitions and Takeover Act [WpÜG]. Accordingly, msg systems AG will submit a mandatory bid to all shareholders of FJA AG pursuant to § 35 para. 2 of the German Securities Acquisitions and Takeover Act [WpÜG] in conjunction with § 31 para. 1 of the German Securities and Takeover Act [WpÜG]. As far as FJA AG is aware, the mandatory bid will be based on the statutory minimum price.

Opportunities and risks associated with the planned merger

The merged company will enjoy an excellent position in Germany within the market for supplying standard software to insurance companies and banks. The aim is to expand this market position – especially to international markets as well – and to use synergies to increase profitability. It is proposed that the joint company will be known as COR&FJA AG. Based on current figures, the corporate group will employ around 1,000 people once the merger has been completed.

In addition to the risks outlined in the chapter containing the risk report, the merger process does involve some typical risks. Following the announcement of the proposed merger, new and existing customers of the FJA Group may delay purchase decisions due to possible uncertainty within the target market over whether the current products will be continued in the future product portfolio of the merged company. In particular, until the merger resolutions are taken at the AGMs, uncertainty may arise among potential customers if the FJA Group and the COR Group present themselves as competitors during initial business contacts. The strong future market position of the merged company could prompt customers and potential customers to fear too great a dependency on one such supplier. FJA AG will counter these risks by firstly stressing its commercial independence in its dealings with customers up to any resolution on the merger, and secondly by also engaging in active communication in consultation with the COR Group on the benefits for customers in the event of the merger taking place.

With any merger there is a risk of a loss of key personnel as they could fear that the merger may result in a deterioration in their individual terms of employment, the value of their position or the esteem in which they are held within the company. The FJA Group is countering this risk by informing all levels of employees as early as possible about the goals of and implementation planning for the merger and by including them in the corresponding preparations. Moreover, employees and in particular key personnel will be given suitable incentives to motivate them to ensure the merger is a success.

A further risk associated with the merger is the fact that significant management capacities will be tied up in preparing and where applicable subsequently implementing the merger, thus reducing the management capacities available for managing the business. The FJA Group is countering this risk by temporarily using the services of external consultants in a bid to relieve the management team of some of the pressures of the preparatory work. If the AGMs of the two companies do not agree to the merger, then as well as causing uncertainty among employees, customers and the capital market concerning the future strategy of the companies, it would also result in the internal and external expenses of preparing for the merger remaining but without the planned benefits.

Merger processes present an associated risk that the strategies of the merging companies exhibit incompatibilities that will not result in a consistent overall strategy for the merged company. The FJA Group and the COR Group have taken steps to counter this risk in that before concluding the letter of intent, they developed a joint strategy whose key elements represent a continuation of the strategies adopted by the individual companies to date.

Since any merger of companies presents a considerable risk that disputes over the future responsibilities and authorities within the corporate management team may impede objective decision-making in the interests of the company, the presiding Executive Board members of FJA AG have received conditional termination offers to avoid such conflicts of objectives and the associated risks.

In the event of the AGM of FJA AG deciding to merge the company with another company, on 10 March 2009 FJA AG made an irrevocable offer, through the Chairman of the Supervisory Board, to terminate the current valid versions of the Executive Board contracts by mutual agreement when registration of the corresponding AGM resolution in the commercial register becomes effective, but at the latest three months after the date of the AGM. Once the aforementioned conditions are fulfilled, the two Executive Board members will thus be free to accept this offer at any time up to 31 December 2009. In such case, the Supervisory Board will agree to the termination of the Executive Board mandates and all other offices of Mr Junker and Mr Junold within the FJA Group. In the event of acceptance, these offers do not contain any material commitments that exceed the existing provisions in the event of a mutual termination that are in full compliance with the German Corporate Governance Code.

Overall, the Supervisory Board and Executive Board of FJA AG concluded that the opportunities for the FJA Group offered by the merger outweigh the associated risks and thus concluded the letter of intent.

Audit Certificate

We have audited the consolidated annual financial statements prepared by FJA AG, Munich – comprising balance sheet, profit and loss account, statement of changes in equity capital, cash flow statement and notes – as well as the consolidated management report for the Company and the Group for the fiscal year from 1 January 2008 to 31 December 2008. The preparation of the consolidated financial statements and of the management report for the Company and the Group in accordance with the IFRS applicable in the EU and in accordance with the additional provisions of commercial law to be applied in accordance with § 315 a para. 1 of the German Commercial Code [*HGB*] as well as in accordance with the supplementary provisions of the Articles of Association is the responsibility of the Company's legal representatives. Our task consists in issuing an opinion, based on our audit, on the consolidated financial statements and on the management report for the Company and the Group.

We performed our audit in accordance with § 317 of the German Commercial Code [*HGB*] observing the German principles of proper and correct auditing laid down by the IDW (German Institute of Auditors). According to these principles, audits must be planned and carried out in such a way that inaccuracies and infringements that have a material impact on the presentation of the view of the assets, financial position and earnings situation as provided by the consolidated financial statements prepared in accordance with the applicable accounting provisions and by the management report for the Group and the Company are identified with sufficient certainty. Audit activities are planned based on knowledge of the group's business activities and economic and legal environment as well as on anticipated possible errors. The audit includes an assessment, on the basis of random samples, of the effectiveness of the internal accounting control system and of evidence for the details provided in the consolidated financial statements and in the management report for the Company and the Group. The audit includes an assessment of the annual financial statements of the companies included in the consolidated financial statements, of the delimitation of the scope of consolidation, of the accounting and consolidation principles used, and of the material estimates made by the Company's legal representatives, as well as an assessment of the overall presentation of the consolidated annual financial statements and of the management report for the Company and the Group. We believe that our audit forms a sufficiently reliable basis for our opinion.

Our audit did not give rise to any objections.

In our opinion based on the findings gained during the audit the consolidated annual financial statements comply with the IFRS as applicable within the EU and with the additional provisions of commercial law applicable in accordance with § 315 a para. 1 of the German Commercial Code [*HGB*] as well as the supplementary provisions of the Articles of Association and give a true and fair view of the assets, financial situation and earnings position of the Group. The management report for the Company and the Group is compatible with the annual financial statements and the consolidated annual financial statements, provides a true and fair view of the position of the Company and the Group and accurately portrays the opportunities and risks inherent in future development.

Munich, 30 March 2009
kleeberg audit GmbH
Wirtschaftsprüfungsgesellschaft

signed

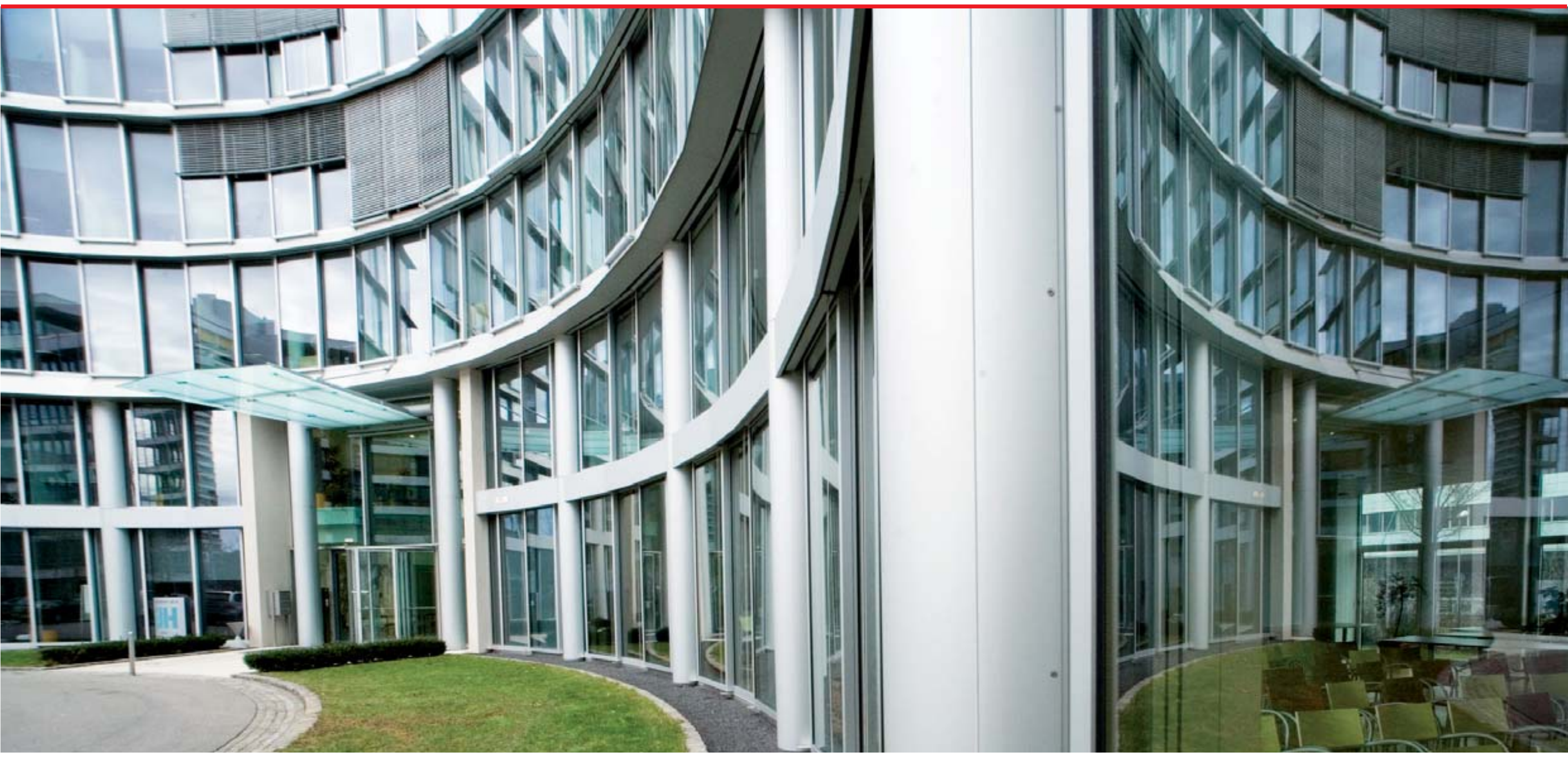
Petersen	Schmidt
Auditor	Auditor

Assurance 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, we issue an assurance that in accordance with the applicable accounting principles, the consolidated financial statements present a true and fair view of the Group's assets, financial position and earnings situation and that the management report for FJA AG and the Group presents a true and fair view of business performance including the Group's results and position, and also describes the main opportunities and risks relating to the Group's forecast development."

Munich, 26 March 2009

Michael Junker Thomas Junold



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