



SoftM

2007
ANNUAL REPORT

SoftM in figures

Group (IFRS/IAS Value in € million)	Group 2007	Group 2006	Group 2005
Sales and Revenues	59.4	83.0	80.6
Sales and Revenues per Business Unit			
Standard Software	19.1	17.6	17.5
Consulting	17.6	20.2	21.7
System Integration	22.7	45.2	41.4
EBITDA	3.0	4.7	7.3
EBIT	-1.9	0.0	2.1
EBT	-2.4	0.1	2.1
Net Profit	-0.9	0.0	1.1
Result per Share (in €)	-0.18	0.01	0.22
Balance Sheet Total	40.8	47.6	40.0
Capital and Reserves	16.5	17.8	18.9
Investments	3.2	11.6	5.3
Depreciation	4.9	4.7	5.3
Cashflow	4.5	-0.3	8.3
Personnel/Staff Costs	27.9	27.8	27.9
Employees – yearly Average	457	463	473



Contents

MANAGEMENT AND SUPERVISORY BOARD	2
THE SoftM GROUP	3
SUPERVISORY BOARD REPORT	6
MANAGEMENT BOARD REPORT	8
GROUP FINANCIAL STATEMENT	19
– Group Balance Sheet	
– Group Statement of Income	
– Group Cash Flow Statement	
– Group Segment Report	
– Group Capital and Reserves Statement	
– Annex	
AUDIT CERTIFICATE AND FINAL STATEMENT	51
CORPORATE GOVERNANCE REPORT	52
FINANCIAL CALENDAR	55
EDITORIAL DETAILS	55



Management and Supervisory Board



MANAGEMENT

Franz Wiesholler
Chairman

Ludwig Ametsbichler
Finance and Controlling

Ralf Gärtner
Marketing and Communications

Christian Groth
Development

SUPERVISORY BOARD

Dr. Hannes Merten
Chairman
Business School Graduate

Prof. Dr. Hans Zangl
Vice Chairman
Professor of Business Management
University of Applied Sciences Munich

Rolf Delventhal
Industrial Engineer Graduate
SoftM Software und Beratung AG

The SoftM Group

The SoftM Group with SoftM Software und Beratung AG, headquarters and research center in Munich, is a leading provider of IT solutions for small and medium-sized businesses.

With its complete portfolio of IT solutions, SoftM enables small and medium-sized businesses to achieve competitive advantages by optimizing their business processes. SoftM has been active in this market since 1973 and services more than 4,000 customers today.

SoftM operates in the following three business areas:

- Development and sales of integrated commercial standard software for the processing of business procedures in small and medium-sized businesses. The software covers the complete spectrum of business-critical applications in the ERP and financial sectors.
- Provision of all necessary consultancy and services for the implementation of SoftM software products, as well as complementary solutions. These services include project management, analysis, training, as well as consultancy and programming services.
- Consultancy, marketing and implementation of IT-infrastructure. This service portfolio in the system integration business unit (SI) includes server systems and storage solutions, as well as networks, middleware and communication solutions.

BUSINESS SECTOR STANDARD SOFTWARE

The product portfolio in the standard software business unit supports by means of commercial software ERP (sales, CRM, procurement, inventory management, logistics, production) and finance (financial, asset and cost accounting, business intelligence) to the whole business processes of small and medium-sized companies. Semiramis is the fastest growing product line in the ERP sector. It is an entirely new ERP II software, completely programmed in Java, designed from scratch and conceived to be employed over the internet. Market analysts characterize ERP II as a "commercial standard software with open, web-based architecture, platform independence, a high degree of flexibility, service orientation, scalability and interoperability" (IDC).

With approximately 250 installations, **Semiramis** occupies a leading position among ERP systems of this new generation. By means of the implementation of modern technologies, the system allows for flexible, platform independent utilization and can be employed anywhere. Customers, suppliers and other partners are easily integrated in the applications; access to all functionalities is via an internet browser. The simple, inspiring user interface, which has won many awards (among others, a comprehensive comparative test conducted by the University of Innsbruck), ensures high user acceptance and productivity. Semiramis provides all ERP services with a high degree of flexibility and allows on the basis of a service-oriented architecture (SOA) data and process communication via standards such as CORBA, XML or web services.



Semiramis sales and implementations are carried out either by SoftM itself or through a comprehensive partner network incorporating more than 30 partners. By means of its modern software technology, Semiramis offers an ideal basis for industry-specific solutions and product enhancing add-ons, which are developed by SoftM and our Semiramis partners. Currently, solutions are available for the clothing, energy, food and beverage and furniture industries as well as for suppliers, especially in the automotive industry.

Additionally, the portfolio is enhanced by the proven ERP software **SoftM Suite** which focuses on defined target markets – process industry and trade on the platform IBM i5/OS and on the current customer base. The customers can rely on a proven SoftM Suite release policy which enables long-term utilization of the product. Simultaneously, they have access to the Semiramis option to move to the open Java-world at a time of their choice.

Since the beginning, SoftM has made financial solutions a focal point of its operations and has built a strong market position using its product lines **SoftM Suite Financials**, **DKS** and **Schilling**. More than 2,500 customers employ accounting solutions from SoftM today. The clear focus here has been, up till now, the platform IBM i5/OS. In the 4th quarter of 2007 the new Java based accountancy solution, **SharkNex**, developed on the development platform of our Partner Bison, was announced. As of now, the complete market, irrespective of the particular IT infrastructure of the customer, can be addressed. The new accounting system will be offered as either stand-alone or as an OEM solution, especially as an integrated part of Semiramis and

Greenax. Due to the modern technology and service-oriented architecture, the new Java accounting system is predestined to be employed with third-party systems.

The new accounting software offers small and medium-sized businesses a platform independent, flexible and sustainable solution for finance, asset and cost accounting as well as business intelligence. SharkNex has been designed for international use, language independent due to the utilization of UNICODE, and supported by the various accounting standards such as GCC (German Commercial Code), IAS/FRS, US-GAAP. A special feature is the integrated functionality for Business Intelligence (data-analysis and individual reporting). As a rule, these functions must be otherwise additionally acquired and integrated

An important addition to the ERP and accounting solutions is software for document management and electronic archiving. **InfoStore** gives SoftM its own DMS product which is focused on IBM i5/OS platform. The d.3 solution of the cooperation partner d.velop AG, which is also integrated in the SoftM ERP and finance solutions, is offered for the platforms Windows and Linux.

BUSINESS SECTOR CONSULTING

In order to optimize the use of software, competent consultancy has to be added to the mix. This implies competent consulting and service for the successful introduction of the software solution. Only in this manner can the customer receive what he expects – a complete and integrated solution – Everything from one source! Being close to the customer by way of 18 regional locations in Germany, Austria, Switzerland, France, Poland and the Czech Republic, allows SoftM to offer



optimal local support. That is why qualified staff are available to offer local consulting and project management services at any SoftM location. A high degree of customer satisfaction and long-term loyalty and access for the customer are the keys to success, especially in the consulting sector.

The performance portfolio in the consulting area includes:

- Analysis and optimization of the business process
- Feasibility studies and system concepts
- System configuration and -parameterization
- Release capable, individual customer upgrades
- Data migration from old systems
- System integration/Enterprise Application Integration (EAI)
- Project management
- Change management
- Quality management
- User training (seminars and workshops)
- Hotline-Service

Additional complimentary solutions for unstructured data (documents, e-mails etc.) have been employed to augment the data-based commercial core applications. The Group subsidiary SoftM communications serves as a competence center for document management & business collaboration and offers complete consultancy and integration services. Based on Document Management and Groupware technologies, SoftM can implement integrated solutions for archiving, quality and service management, knowledge management and Workflow.

BUSINESS SECTOR SYSTEM INTEGRATION

The business unit "system integration" adds the area of IT infrastructure to the standard software and consultancy sectors. As a result the customer receives a complete solution consisting of hardware, software and services from a single source. The system integration unit has at its disposal extensive competence for servers, storage systems, network technologies, security and high availability solutions such as well as Middleware and system software. As a full service provider, SoftM system integration assumes total responsibility for the IT infrastructure of the customer – from design through planning and installation up to and including support.

SoftM Systemintegration operates the SoftM Innovation Center in Munich. Installed there are servers of the IBM series i, p, and x along with various storage solutions, back-up and recovery systems, middleware, as well as corresponding management tools. At the Software Innovation Center, sizing – the choosing and configuring of hardware from ERP, DMS, and Groupware solutions, for example, can be optimized, customer specific system configurations can be simulated, defects detected and corrected, as well as carrying out of process analysis. In this manner infrastructure solutions can be optimally tuned to customer demands, chosen and then tested in advance in order to prevent possible problems, thereby ensuring the customer's investment.

SoftM has been an IBM business partner for many years and has achieved the highest partner status with IBM, that of a Premier Business Partner. SoftM also has the highest degree of partner certification at Microsoft, the Microsoft Gold Partner.



Supervisory Board Report

Dear Shareholders,

Business year 2007 was distinguished by the transition to the new Java products, Semiramis ERP and SharkNex Accounting System, the introduction of a new organizational structure according to the product sectors for ERP and Finance and the introduction of indirect sales to supplement own direct sales. In addition, there were personnel changes in both the Management and Supervisory Board.

Sales and result were especially negatively influenced by the transition to the new products, as well as the strains in the system integration business unit. It is the opinion of the Supervisory Board that at the same time a sustainable basis for renewed growth in revenues with corresponding increases can be created.

The Supervisory Board in business year 2007 was primarily occupied with the commercial and financial developments and the strategy and planning of the company. It carefully observed the consulting and monitoring functions incumbent on it by law and articles in the reporting period. It regularly advised the Management Board in the running of the company and monitored the management in business year 2007. The Supervisory Board took part in all major decisions.

The Management Board reported to the Supervisory Board at the seven regular meetings held at the company headquarters in 2007 in which all SB members took part, regularly, in a timely fashion and in great detail regarding strategy and planning, and the economic and financial developments, especially in the important area of business development. Above and beyond that, the Chairman of the Board took part in regular one-on-one discussions with members of the Management Board concerning the actual state of business operations and the most important business transactions, as well as acquainting himself with facts concerning the conversion to the new company organization plan. The Supervisory Board approved all the matters which required

corresponding approval in the company bylaws pertaining to the Supervisory Board and which were submitted to it by the Management Board. Due to its small size, the Supervisory Board did not form any committees in business year 2007.

SUPERVISORY BOARD MEETINGS/FOCUS ON CONSULTING AND MONITORING

The main focus of the Supervisory Board meeting in April 2007 was the Annual Accounts of SoftM AG and the Group Consolidated Statement for business year 2006, the joint Board Report for SoftM AG and the Group as well as the suggestion made by the Management Board pertaining to the balance sheet profit to be made at the AGM in 2007. The auditor of the Annual Accounts took part in the meeting and went over the main points of his audit report.

At the meeting in July, 2007 the Supervisory Board approved the sale of the total stake in a subsidiary of the SoftM AG.

In November 2007 the Supervisory Board approved the purchase of assets, in particular IP rights, from the assets of the insolvent company, KTW Software and Consulting GmbH with headquarters in Austria.

The situation of the new software products Semiramis ERP and SharkNex Accounting System was the focal point of several Supervisory Board meetings in the year 2007. The Supervisory Board was informed in detail about the products, or respectively, the business development of the products, and the delays in the completion of SharkNex. In addition, the expansion of indirect sales in connection with the acquisition of the sales partner network of Semiramis was at the forefront of the discussions.

Several meetings took place where the discussions centered on the new organization for the SoftM Group in three business units ERP, finance and system integration. At the August meeting the new organization was approved.



Debt capital, which required high redemption payments in 2007, was employed for the acquisition of the Semiramis IP rights in December 2006. For this reason the Supervisory Board discussed the question of financing at numerous meetings,

PERSONNEL

Herr Dr Hannes Merten left his post as CEO as planned as of June 15, 2007. Herr Franz Wiesholler, who has been with SoftM since 1999 and since 2002 has served on the Management Board in the consulting and services sector, succeeded him as CEO.

The term of office of the Supervisory Board elected on June 15, 2004 with the members, Prof. Dr Hans Zangl, Rolf Deventhal and Dr. Werner Fischer expired on June 15, 2007 at the end of the Annual General Meeting. Dr. Werner Fischer did not run for re-election to the Supervisory Board. We thank Dr. Werner Fischer for his dedicated commitment to the Supervisory Board and for the constructive role he played in the company in the past years. Prof. Dr Hans Zangl and Rolf Deventhal were re-elected at the Annual General Meeting on June 15, 2007 as members of the Supervisory Board. Dr Hannes Merten was newly elected. After the Annual General Meeting in June 2007, the new Supervisory Board convened and elected Dr Hannes Merten as chairman and Prof. Dr Hans Zangl as Vice-Chairman.

The Supervisory Board has observed the continuing development of the Corporate Governance Standards and has taken into consideration the changes of the German Corporate Governance Code. Management and Supervisory Board have made an up-to-date equivalent declaration in accordance with § 161 Companies Act and made it available to shareholders on the SoftM website. Additional declarations pertaining to corporate governance in the SoftM Group are to be found in the Corporate Governance Report in the 2007 Annual Report.

The Annual Financial Report of the SoftM AG, in accordance with GCC, and the consolidated Group financial statements, in accordance with IFRS as of December 31, 2007, as well as the joint Management Board Report of the SoftM AG and the SoftM Group were audited under inclusion of company accounting by the Akanthus GmbH accountancy firm and were provided with an unrestricted audit certificate. The Annual Report documents, The Management Board Report, as well as the Accountant's Report were presented to all members of the Supervisory Board and discussed in detail with the Management Board and the Certified Public Accountant on the occasion of the balance sheet meeting. The Annual Financial Statements of SoftM AG and SoftM Group, as well as the Management Board Report, were checked in detail by the Supervisory Board. There were no objections. The Supervisory Board approved the Annual Financial Statements, thus they are on record.

The Supervisory Board would like to thank the Management Board and all SoftM employees for the work done and personal commitment displayed in business year 2007.

Munich, May 2008

Supervisory Board Chairman

Dr. Hannes Merten



Management Board Report

Annual Report of the SoftM Group and SoftM Software and Beratung AG

The SoftM Group undertook a fundamental strategic course change in 2007, which effected not only company strategy and organization but the product portfolio as well.

The SoftM Group strategy has in the ERP and Finance business areas opted for a clear Java orientation. In addition to its own direct sales, focus will be placed on the expansion of indirect sales. In the system integration business unit the emphasis on being a full service provider for the complete IT infrastructure needs of small and medium-sized industries has been accelerated.

In the **ERP Business Unit** (Enterprise Resource Planning) SoftM is developing and marketing modern ERP software for small and medium-sized companies and is providing the corresponding services needed to establish these products with customers. Marketing research firms, among others IDC for Western Europe, expect average yearly growth of ERP licenses and service revenues to grow by 4.8% a year until 2010 in this expanding market. In the course of this alignment of the SoftM portfolio to the Java development platform, SoftM acquired the rights to ERP II standard software Semiramis. SoftM has significantly expanded its product portfolio with this modern and prize winning software solution. Semiramis can be run on all popular server operating systems: Microsoft Windows, Linux and IBM i5/OS, or respectively on the Database Systems of Oracle, Microsoft SQL Server and IBM DB2/400. In addition to the proven ERP solution SoftM Suite, which is exclusively employed for the IBM i5/OS and is especially directed at the food and beverage industry, SoftM now has at its disposal Semiramis, a platform neutral ERP II software, which is in principle designed to meet the demands of many different industries. Above and beyond that, SoftM offers its Semiramis partners the possibility to develop and market their own industry solutions. Under the brand name "Semiramis Inside" this practiced strategy allows for the building of a so-called "eco-system" on the basis of Semiramis. In such a manner, SoftM can tap additional

branches and, thereby, substantially increase the market penetration for Semiramis over time.

In the **Finance Business Unit** SoftM is developing and marketing modern software solutions for commercial accounting and corresponding services in order to introduce the products. IDC for Western Europe is expecting an average annual growth of 3.2% until the year 2010 for accounting, licensing and service revenues in this market segment. In addition to the already existing solutions based on IBM i5/OS – DKS, SoftM Suite Financials and Schilling Accounting – SoftM has announced a new platform neutral accounting system called "SharkNex". SoftM has developed this new product on the basis of a technology platform of an external partner. SharkNex will be available on the market in 2008. Furthermore, it will be integrated under the name of "Semiramis Accounting" in the Semiramis ERP II solution and sold with it.

Sales strategies are being newly defined within the framework of the new SoftM strategy for the ERP and Finance business sectors. In addition to direct sales, the dominating strategy up till now, both Semiramis and SharkNex will be offered over a network of sales partners. In such a manner, SoftM has created additional sales channels for future growth.

In the **System Integration Business Unit** SoftM markets products and solutions for the installation and servicing of the complete IT structure. Activities in this unit will increasingly concentrate on a range of product solutions. In this unit SoftM considers itself to be a "full service provider" and has extensive competence in the server and storage systems, network technologies, security and high-availability solutions as well as middleware and system software. IBM is the main supplier in this unit, Other products are procured by SoftM from numerous reputable manufacturers.

ECONOMIC BACKGROUND AND GENERAL BUSINESS DEVELOPMENT

Domestic economy in Germany was much improved in 2007 showing a positive growth rate of 2.4%. The IT industry as a whole grew by 5.0% in Germany in 2007 according to the industry association Bitkom. SoftM participation in the various sectors was varied. The standard software business unit, that is licensing and servicing, grew by 8.5% significantly more than the market in general for this sector which was 5.2% according to the industry association Bitkom. SoftM's strong growth was, for the most part, generated by the new ERP II product Semiramis. The new financial solution, SharkNex, will begin to contribute to license revenues in 2008. Growth in the standard software business unit plays a prominent role for SoftM since license revenues have a very positive profit margin, on the one hand, and they are important indicators for consulting and servicing revenues, on the other.

The consulting business sector, which includes consulting and programming services for the introduction and servicing of standard software, booked a decrease in revenues, which to a great degree is attributable to a change in the consolidated Group (sale of a subsidiary on July 1, 2007). Semiramis customers began to contribute to consulting revenues for the first time in 2007.

In the system integration business unit, however, SoftM could not profit from German-wide growth of 0.7% attested to by Bitkom, the industry association. As was already mentioned in the Management Report in 2006, personnel departures in the system integration unit led to a considerable accompanying decline in revenues.

The consolidated Group changed in 2007. On July 1, 2007 a subsidiary left the Group due to the selling of the stake, on the other hand the newly formed SoftM Solutions GmbH, Kirchbichl/Tirol was added.

d.velop Switzerland AG was incorporated as an associated company. Franz Wiesholler took over as successor to CEO Dr. Hannes Merten at the AGM in 2007. Dr Hannes Merten was elected to the Supervisory Board in the role of Chairman.

DEVELOPMENT OF SALES AND EARNINGS

The business unit standard software showed a significant increase in revenues of 8.5% to € 19.1 million (previous year € 17.6) thereby surpassing market trends. This development can be especially attributed to the new ERP II software Semiramis.

In the consulting business unit revenues sank to € 17.6 million (previous year € 20.2) which was mainly attributable to the change in the consolidated Group. In spite of the major changes, the deconsolidation, on the one hand, and new hiring, on the other, per capita revenue of consultants remained at the previous year's level.. Competence in Java solutions was simultaneously expanded.

The third business unit system integration as previously mentioned in the outlook section of the Management Board Report of the Annual Report in 2006 and in the Quarterly Reports 2007 showed a significant decline in revenues by € 22.5 million, respectively 49.7% to € 22.7 million (previous year € 45.2). This development can be traced to major personnel departures at the beginning of 2007 and to the fact that the hitherto main supplier in this business sector, IBM System i suffered clear double-digit percentual losses in the whole of Germany. SoftM has, therefore, strongly accelerated a new strategic direction of platform neutrality in this business field

Revenues as a whole for the SoftM Group fell due to the significant decline in the system integration unit from € 83.0 million in 2007 by 26.3 million, or respectively 28% to 59.4 million euro.



The EBITDA of the Group according to IFRS declined from € 4.7 million to € 3.0 million. The Group EBIT fell from € 0.0 million to € -1.9, EBT from € 0.1 million to € -2.4 million. The negative result development was especially due to the significant fall in sales and result in the system integration business unit, as well as planned start-up costs for the Semiramis product. Additionally, unplanned depreciation for capitalized development costs and goodwill effected the result by approximately € 1.3 million. The sale of an associated company had appositive effect on profit result development.

Group result after taxes and outside holdings was € -0.9 million (previous year 0.0).

The positive income tax balance was the result of capitalizing latent tax revenues from losses brought forward. The capitalized latent taxes are vetted against latent taxes to the same amount. The result per share amounted to € -0.18 (previous year € 0.01). at 4,805,129 outstanding shares on average.

Group companies have, for the most part concluded the reporting year successfully, according to GCC. The Group company, SoftM Semiramis GmbH & Co. KG, as a developmental unit for the ERP II product Semiramis, posted expected loss. SoftM Schweiz AG and SoftM GmbH Wien, also posted negative results for business year 2007.

In the GCC individual accounts, the negative result of common business accounts amounted to € 2.0 million (previous year € 0.5) taking into consideration the sale of shares in a subsidiary company. Due to negative taxable income for business year 2007, there were no interval tax expenditures to report. After vetting net loss of income

with profits brought forward of € 1.1 million and the withdrawal from reserves of own shares of € 0.6 million and the withdrawal from reserves of € 0.3 million for own shares, a balance sheet profit of € 0.0 million (previous year € 1.4) was posted.

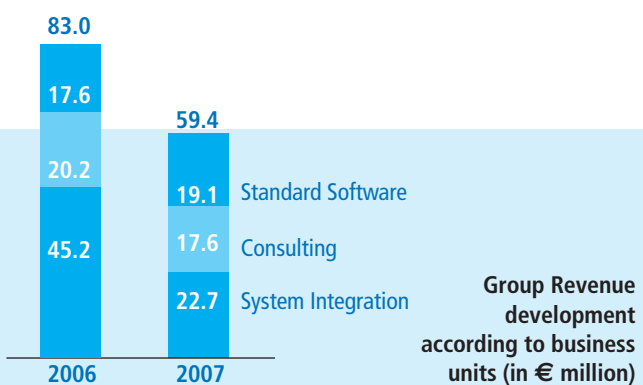
FINANCIAL CONDITION

In spite of the negative Group result, SoftM was able to post a positive operating cash flow of € 4.5 million (previous year € -0.3). This was the result of a major decrease in accounts receivable in the system integration unit. This cancelled the effect of last year which was characterized by weak cash flow and a strong increase in receivables. The non-cash item depreciation of fixed assets exceeded at € 4.9 million (previous year € 4.7) that of the previous year.

The investment sector was subject to contradictory developments. On the one hand, investment in tangible fixed assets € 0.6 million as well as investment in intangible assets (capitalized development cost) of € 2.6 million had to be financed. On the other hand the Group received € 2.5 million from the sale of a subsidiary company.

In total the negative investment balance was only € 0.7 million. Last year this sum reached a one-time high of € 11.7 million.

In the sum total of payments for the liquidation of loans (€ 5.9 million) are to be found the high amortization payments resulting from debt financing of the Semiramis investment (€ 3.6 million), as well as the repatriation of short-term hardware sales financing (€ 2.3 million). Additional payments of funds to the amount of € 0.3 million were made to shareholders as distribution of profit. The existing current account credits to the amount of € 2.2 million were Funds available on the day of record amounted to € 0.6 million compared to previous year of € 0.8.



	EBIT	Net income	EBIT	Net income
2006	0.0	0.0	-1.9	-0.9
2007				

Liabilities listed in the Group balance sheet to credit institutions to the extent of € 10.4 million (previous year € 14.1) are in the form of short and long-term bank loans. Included are IP rights for Semiramis loans (€ 3.75 million), as well as short-term loans for the sales financing (€ 4.5 million) of the seasonally high sales at the end of the year in the system integration business unit. These loans were granted by the IBM Credit Bank. They involve liabilities from sales and deliveries, drawn from IBM.

Leasing as a financial instrument has been employed for the financing of company vehicles as well as larger EDP assets.

FINANCIAL STATUS

Business year 2007 led to many changes in the balance sheet numbers. The balance sheet total has declined by 14.3% to € 40.8 million due to the decline in the system integration segment. In spite of the yearly decline of equity capital to € 16.5 (previous year € 17.8 million), the percentage of equity capital on the basis of the balance sheet total increased from 37% to 40.5%. In addition to own equity, long-term debt capital to the amount of € 4.5 million (previous year € 6.3) is available. Long-term capital is therefore € 21.0 million as opposed to the previous year total of € 24.0.

Fixed Assets came to € 23.6 million (previous year € 24.3): their share of total assets rose 50.9% to 57.8%. The total fixed assets of the SoftM Group are, therefore, 89% covered by equity capital (previous year 101%). It is a goal of SoftM to significantly increase in the medium-term long-term financing.

ACQUISITIONS

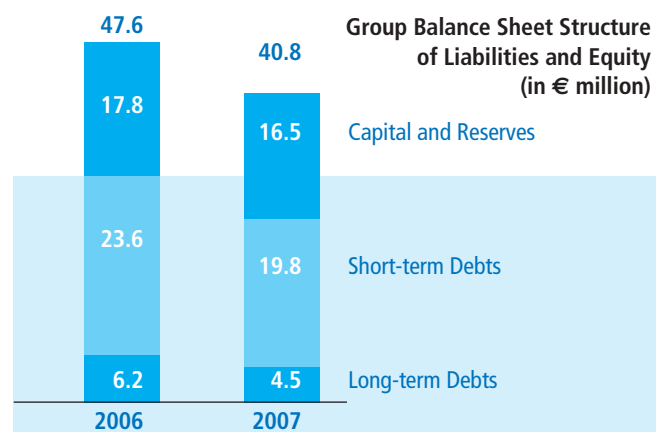
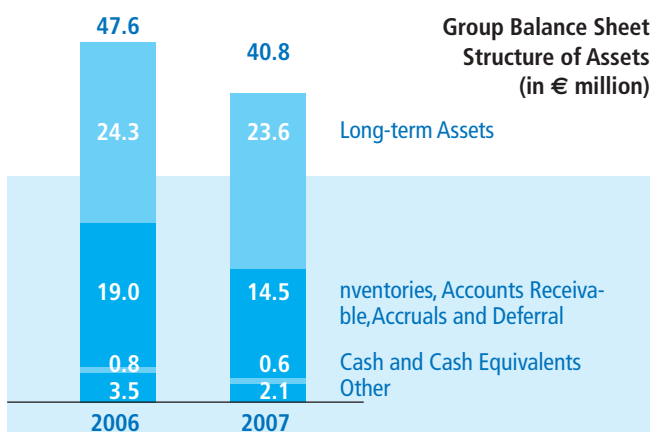
SoftM had bid for parts of the bankrupt KTW Software & Services GmbH, Kirchbichl/Austria and its tender was accepted in November 2007.

Access to the acquired assets will occur in the business year 2008 because the corresponding contract did not become valid in 2007. The majority of the acquired assets were in the form of IP (intellectual property) rights for customer modification and industry functionality for the ERPII Semiramis software purchased at the end of 2006.

Furthermore, customer relations and service contracts have been taken over.

SoftM could therefore support KTW customers without delay. The company business is currently being conducted in the newly established SoftM Solutions GmbH in Kirchbichl/Austria with approximately 30 employees.

At the beginning of 2007 d.velop Switzerland AG Buchs/St. Gallen was founded in cooperation with d.velop AG/Gescher, the producer of document management software d.3 SoftM and d.velop AG have been working together for years within the framework of a sales partnership. The document management system d.3 of d.velop AG is offered amongst others by the SoftM Group companies SoftM Communications GmbH and Solitas Informatik AG on the platforms Microsoft Windows and Linux. Significant synergies will be tapped by both the Solitas and also d.velop regarding future product design and market development.



The new company will distribute the d.3 software via sales partners in Switzerland and bordering areas. SoftM has, thereby a 49% share of capital amounting to 100,000.00 SFr.

The SoftM Group has no concrete plans to acquire any companies or products at the moment.

RESEARCH AND DEVELOPMENT

The predominant activity in the area of research and development was the development of the new Java-based product lines Semiramis and SharkNex.

At the beginning of the 2nd quarter in 2007 the new Semiramis Release 4.3 was released. Work on development for Release 4.4, which will be ready to be delivered in the first quarters of 2008, began simultaneously. The focus of the development will be in the areas of warehouse logistics and procurement, as well as in the integration of the new Java-based SoftM accounting system. Additionally, the new ERP/II solution, Semiramis, will be expanded by frameworks for the areas of quality management, customs as well as business process management (BPM). Czech and Polish versions are being developed within the framework of an international strategy.

After the acquisition to the rights of the new ERP/II software Semiramis in December 2006 and the absorption of the development personnel into Semiramis GmbH & Co. KG, Hanover, the new team was quickly integrated into the SoftM organization and processes without any appreciable problems arising in the production process.

The development of the new Java-based accounting system SharkNex, based on a Java-based development environment of an external partner, focused in 2007 on the completion of functions in the areas of finance and asset accounting, controlling and business intelligence as

well as on the preparation of the product for pilot attempts and general market introduction. In the 3rd quarter of 2007 the first SoftM internal pilot deployment was started. The market announcement followed in the 4th quarter. Training of both SoftM consultants and Semiramis partners began at the end of 2007.

Due to deadline delays in product development, the planned completion date for the first delivery release in the 1st quarter of 2008 could not be met. As of today, the general launch of SharkNex is planned for the middle of 2008.

Work on the new Release 3.0 was completed for the ERP product SoftM Suite. SoftM Suite is positioned for the IBM System i server system and is directed at the food and beverage industries. New emphasis is being placed on the optimization of the user interface, the area of voucherless commissioning as well as additional browser functions.

New functions have been prepared for SEPA (Single Euro Payments Area) for the Schilling accounting system. New formula generators for payroll accounting are being developed in the area of the personnel software Topas.

Many detail improvements have been completed for the DKS finance accounting. Asset accounting ABH is being expanded to conform with IFRS standards.

The new Release 9 for the document management system InfoStore from Group company Solitas was completed and released for sale in 2007. The focus of the development was, among other things, new and better functions such as digital signatures, full text indexing, read only format filing option and archiving on divergent storage systems. With Release 9 InfoStore also offers from now on integrated workflow functionalities.



The scope of R&D activities greatly increased in business year 2007 due to the successful takeover of Semiramis. Expenditures for research and development in 2007 amounted to approx. € 9.6 million (previous year 6.8). In accordance with IFRS regulations a partial amount of the sum for new developments to the amount of 2.6 million (previous year € 1.6) has been capitalized whereas the capitalization requirements for the development of the new products, Semiramis and Sharknex, have been met.

Total expenditure for Semiramis development came to € 3.9 million euro, whereas a partial amount of € 1.6 million euro was capitalized in business year 2007. When entering the SharkNex development costs in the balance sheet, the effects of the delay in product development were considered carefully regarding the interpretation of the applicable criteria of IAS 38. In the result of business year 2007 only a partial sum of € 0.7 million euro was capitalized out of a total of € 1.8 million euro SharkNex total development expenditures.

The product line SoftM Suite had investment development costs of € 2.0 million euro

These have not been capitalized since 2006 due to strategic product considerations and careful interpretation of IAS 38. Nonetheless, the product line SoftM Suite will continue to be developed and marketed.

Only a partial sum of € 0.1 million euro was capitalized out of a total of € 2.1 million euro for the remaining development costs for the product lines Schilling, DKS and InfoStore. These products will also continue to be further developed and marketed.

Asset value of the activated in-house development for standard software (Semiramis, Sharknex, Schilling amounted € 4.9 million (previous year 4.1) at year's end.

PERSONNEL

On the day of record Dec. 31, 2007, the SoftM group had 446 employees, incl. freelancers (previous year 505), the annual average in 2007 was 457 employees (previous year 463). The number of personnel was reduced primarily in the consulting sector due to the deconsolidation of a subsidiary and due to departures in the system integration unit. The absorption of 30 employees from the Semiramis unit of KTW in the newly formed SoftM Solutions GmbH in November accounted for a personnel increase of 30. SoftM has a differentiated remuneration system for its employees. In the consulting unit they receive, in addition, to their basic pay various bonuses in connection with qualitative and quantitative reference figures. Employees in the sales force receive, in addition, to a fixed salary a variable provision for license sales, or respectively, for profit contribution. Software developers also receive in addition to a fixed salary a variable portion which depends on the reaching of qualitative development goals. In the administration area remuneration is based on fixed salaries and bonuses for reaching certain goals.

In addition, the overwhelming majority of employees including the Management Board, receive extra benefits in the form of company pension payments as direct insurance or respectively a support fund and other social benefits.

The Management Board receives, in addition to a fixed salary, variable remuneration which is partly tied to the Group result and partly dependent on the achievement of individual goals. No pension commitments have been undertaken.



RISKS

The expansion of the risk management system plays an important part in the company's internal organizational plans. The task includes, in addition to a systemic risk analysis, the implementation of early indicators which allow for the early detection of risks so that appropriate measures can be taken as needed.

The SoftM Group relevant risks can be classified as follows: Economic and market risks

- Fundamental worsening of basic economic conditions. In a long-term continuing general economic slump, it is possible that both the general willingness to invest by either the buying or by the implementation of SoftM Group products can be reduced, as well as the planning of such investments. A hesitant or weak economic upturn can have a negative effect on SoftM revenues and result.
- At the present, the software industry is experiencing a phase of consolidation. Competition is continuing to increase as a result of this consolidation. It is possible that competitors may be able to achieve market share at the expense of SoftM.
- A considerable part of revenues are derived from service contracts with regular customers. If such regular customers were to decide to cancel service contracts and, at the same time, decide not to conclude any new license or service agreements, this could have a negative effect on the SoftM Group result.
- Revenues in the system integration sector are significantly affected by the pricing policies of the hardware manufacturers. It would not be possible for SoftM to compensate for changes in price by means of corresponding business expansion or by extending the range of services offered.

PRODUCT RISKS

- New products and releases could contain unrecognized defects in spite of extensive testing. SoftM, therefore, makes great effort after delivery to the customer to correct any defect, which may have occurred in close cooperation with the customer. There is, however, no guarantee that all defects can be corrected to the satisfaction of the customer. For this reason, customers may be able in individual cases to demand a refund for payments made, compensation, damages, or exchange of the software product or other concessions. Contracts of sale or service agreements can be deemed to be contracts of work and labor in case of disagreement brought before a court. Such incidents could have a negative impact on profitability and on the image of the company.
- The planning of the new product "Sharknex" is based on many years of business accounting experience accumulated by the SoftM Group in the development and project area (products SoftM Suite, Schilling,DKS). SoftM has gained a great deal of experience in development with the products "SoftM Suite Financials", "Schilling" and "DKS". Nonetheless, product development of this magnitude cannot completely rule out that problems could arise during the technical development phase, that the product will not be completed by the planned date for market introduction or that the product does not arrive on the market as soon as planned. The fact that SharknNex product development is partly dependant on an external partner also involves a higher degree of risk which could impede the implementation of the strategic product goals.
- The product Semiramis is also subject to continuing developmental and market risks which can not be conclusively evaluated.



PROJECT RISKS

- In the SoftM Suite sector, consulting projects for the implementation of the software are susceptible to a number of risks, over which the SoftM does not have complete control. The projects are often connected with the allocation of resources on the side of the customer. The project risks could lead to delays in the introduction of systems and/or to higher project costs. Recourse claims and loss of image for the company cannot be ruled out.

PERSONNEL RISKS

- The business of the SoftM Group could be affected if qualified and important employees were to leave the SoftM Group and no adequate replacements could be found. The decline in revenues in the system integration unit caused by the departure of employees in 2007 has clearly underlined this risk. SoftM faces strong competition in recruiting highly qualified personnel in the IT sector so that there can be no guarantee given that SoftM over the long-term can keep its key employees committed to the company.

LEGAL AND COMPLIANCE RISKS

- No special risks, or respectively, risks in the fulfilling of other demands are foreseen by SoftM at the present time.

FINANCIAL RISKS

- It is very difficult to prognosticate the future proceeds from services rendered and licensing due to different factors. This is especially the case regarding the system integration sector. The reasons for this are, for example, the relatively long distribution cycles, eventual delays for installation of software products or servers, budget changes on the part of customers.

Since, on the other hand, short-term expenditures are relatively stable, it can occur that the withholding or delay of expected revenues can lead to noticeable quarterly fluctuations in the company result.

- Fluctuations and declines in licensing business have an effect on service and maintenance revenues, which, as a rule, follow the licensing revenues in regular time intervals. Any sinking of the percentage share of revenues of software licensing on the total revenues compared to the previous year can, therefore, have a negative effect on sales and total revenues of the SoftM Group.
- SoftM operates without credit loss insurance, which can, especially in the system integration sector lead to loss of receivables in spite of many contracts being processed by means of leasing companies.
- Considerable debt service requirements have resulted due to the largely leveraged acquisition of the ERP software Semiramis which have to be financed from the Group's cash flow. In addition, the fixed personnel costs, which have arisen from the absorption of the Semiramis development personnel at the end of 2006, have significantly risen, while revenue growth with Semiramis is hard to predict and is associated with market risks. Higher risks for managing the liquidity of the Group arise in this regard. Due to this development, SoftM sees the necessity to increase the share of long-term capital (own capital and long-term debt capital) from the present approx. 50%, in order to again guarantee additional coverage of investments by means of long-term capital.
- The volume of business transactions and costs in Swiss Franks has notably increased in size due to Solitas Informatik AG, Switzerland. The associated currency risks are still considered to be minimal in the view of SoftM due to the relatively stable currency exchange rate. SoftM, therefore, abstains from employing any derivative financial instruments to safeguard against currency risk.



- In order to avoid repetition additional information concerning the management of financial risk as well as price change, cancellation, and liquidity risk pertaining to financial instruments can be found in the Group Annex (text-number Tz 22).

SoftM Software und Beratung AG is of the opinion that the existing identified risks neither individually nor as a whole represent any threat to the existence of the company worth mentioning. The preceding, listed risks in respect to product development and the availability of corresponding financial resources make, nonetheless, great demands on the risk management system of the company. The reorientation of the Group organization in 2007 gave impetus to completely revise planning and reporting procedures in order to meet the growing demands of the future.

SHARE AND PRICE DEVELOPMENT

SoftM shares showed a downward trend in 2007. As of Dec. 31, 2006 the Xetra share price was € 5.20 (Xetra) and fell to € 3.76 by the end of 2006. At the time of presentation of this report (end of March 2008) the share price was € 3.56.

The free float amounted to approx. 45% at years end. Remaining own shares from the buy back program of 1999 and 2006 amounted to 176,011 shares as of December 31, 2007.

In December of 2007 the Supervisory and Management Boards together made the necessary announcement pertaining to the Corporate Governance Code in accordance with §161 of the Companies Act. SoftM AG has implemented the recommendations of the German Corporate Governance Code with few exceptions. The statement can be found on the Group homepage.

STATEMENT PERTAINING §120 PARA. 3 AKTG I.V.M. §§ 289 PARA. 4, 315 PARA. 4 GCC

The subscribed capital of the SoftM AG is presently unchanged at 4,980,000. This is unchanged compared to the previous year. Equity capital is comprised of 4,980,000 single shares registered to bearer (of which 176,011 were bought back by SoftM AG). No preference shares exist. One share has a calculative value of one euro of equity capital. The endowment of the shares is made in accordance with the rights and obligations of the corresponding regulations of the Companies Act.

There exist no constrictions pertaining to voting rights or transferal except those, which pertain to the relevant clauses of the Companies Act. Only legal voting restrictions are applicable. No shareholder or group of shareholders are granted special rights. The employees of the company and its subsidiaries have no interest in the capital of the company, so that any indirect right of control could be exerted by the employees. In that the shares of the company are transferable, the company has no detailed information concerning the shares in free float, or correspondingly the possibility of shares being owned privately by employees.

Regulations pertaining to the hiring and dismissal of Management Board members as well as any change in the articles are implemented in accordance with the corresponding regulations of the Companies Act. In accordance with §7 of the Statute, the number of Management Board members is regulated by the Supervisory Board. In accordance with § 13 of the Statute, the Supervisory Board is only authorized to amend statutes which effect their formulation.



The Annual General Meeting authorized Approved Capital I in the amount of 1,870,000 euro to be limited from June 15, 2007 until June 14 2012 for an increase in own shares against cash. In addition, the Annual General Meeting on June 6, 2006, Approved Capital II, which expires on June 25, 2011 in the amount of K€ 620, can be employed for the increase in own shares against cash or assets in kind. The corresponding authorizations were listed in § para. 1 (approved capital 1) and § 5 para. 2 in the company bylaws. No use has been made of the two aforementioned authorizations up till now.

At the Annual General Meeting on June 26, 2006 the company was authorized to purchase own shares of up to 10% of equity capital by no later than Dec. 25, 2007. No use has been made of the aforementioned authorization in 2007.

As of Dec. 31, 2007 the company held 176,011 own shares. The Board is empowered, with the permission of the Supervisory Board, to sell own shares under exclusion of shareholder options in a way and fashion other than on the stock exchange or by offer to shareholders if the acquired own shares are sold at a price not substantially deviating from the share price of equivalent shares on the stock exchange at the time of sale. This authorization is limited to those shares acquired in relationship to Approved Capital I and II thereby excluding shareholder options in accordance with §186 para. 3 s. 4 of the companies Act and is limited to a maximum of 10% of the capital stock of the company.

The Board is further empowered with the consent of the Supervisory Board to sell own shares under exclusion of shareholder options in a way and fashion other than on the stock exchange or by offer to

shareholders to third parties in so far as this occurs as payment in kind for share or asset deals or the acquisition of a stake in another company or software licensing rights. The Board is further empowered with the consent of the Supervisory Board to sell own shares under exclusion of shareholder options to offer shares at a reduced price as incentive stock options to employees of the company or a subsidiary or to directors of associated companies. The Board is further empowered with the consent of the Supervisory Board without additional consent from the AGM to completely or in part to redeem the own shares.

For three members of the Management Board there exists a change of control clause which takes force in the event of a declared agreement when a shareholder announces the acquisition of a stake of more than 50% in the SoftM AG. It entails an extraordinary right to termination of work contract with a notification period of 4 weeks to the end of a month. In the event of the exercising of this extraordinary right to termination of work contract by a member of the Board of Management, the company is obligated to pay the Board of Management member for nine months (or respectively in one case for a year) beginning with the end of the premature expired contract, as termination pay.

The Chairman of the Supervisory Board, Dr Hannes Merten, owns 17.25% of share equity of the SoftM AG. There are no other stakes in SoftM AG of share equity, which exceed 10% of the voting rights.

SUPPLEMENTARY REPORT

The new Release 4.4 of the ERPII software Semiramis was delivered as scheduled in April, 2008.



OUTLOOK

The industry association Bitkom is predicting growth of 4.6% in Germany for the information technology industry in spite of a slowing economy. SoftM itself assumes that the strategy measures, the renewed portfolio as well as the additional indirect sales channels, defined and implemented in 2007 will lead to growth in business year 2008.

SoftM expects the standard software business, therefore, to continue to grow significantly in business year 2008. This will be mainly supported by the Semiramis ERP II product. The Board is additionally predicting license revenue contributions from the new finance solution SharkNex for the last six months of the year.

A moderate increase in revenues is expected for the Consulting Business Unit compared to the previous year. This will be borne, for the most part, by SoftM Semiramis implementation projects.

The System Integration Business Unit will experience moderate revenue increases whereas the high margin system software and service sectors increase their share of total revenues in this business sector. To what extent announcements of new products by IBM plays a role in the buying behavior of customers remains an open question.

In general, The Board believes that the strategy measures, the renewed portfolio as well as the additional indirect sales channels, defined and implemented in 2007 will lead to growth in business year 2008. SoftM is anticipating moderate growth in Group revenues compared to the previous year for 2008. The Board predicts that the EBIT will improve and show a clearly positive result.

RESPONSIBILITY STATEMENT

To the best of our knowledge the consolidated financial statement gives a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the management report of the group includes a fair review of the group's development and performance of its position, together with a description of the principal opportunities and risks associated with the expected development of the group.

Munich, April 2008
SoftM Software und Beratung AG

The Management Board

Franz Wiesholler Ralf Gärtner

Ludwig Ametsbichler Christian Groth



Group Financial Statement



Group Balance Sheet

ASSETS	Annex	December 31, 2007 €	December 31, 2006 €
Short-term assets			
Cash and cash equivalents	(1)	606,980.24	843,977.69
Accounts receivable from sales and services	(2)	14,548,030.79	19,044,341.43
Inventory	(3)	326,615.57	965,570.58
Other accounts receivable and assets	(4)	1,392,891.80	2,123,495.75
Accrued and deferred items	(5)	322,590.16	394,664.75
Total short-term assets		17,197,108.56	23,372,050.20
Long-term assets			
Intangible assets acquired through payment	(6)	5,067,609.69	6,729,518.05
Capital development costs	(6)	4,921,000.00	4,130,000.00
Goodwill	(6)	10,340,800.00	11,040,800.00
Fixed assets	(7)	1,111,632.02	1,376,012.32
Shares in associated companies	(8)	51,212.25	172,333.22
Other investment	(8)	30,823.01	30,823.01
Other accounts receivable and assets	(4)	165,058.13	224,834.60
Deferred taxes	(9)	1,899,642.00	569,774.00
Total long-term assets		23,587,777.10	24,274,095.20
Total assets		40,784,885.66	47,646,145.40



LIABILITIES

	Annex	December 31, 2007 €	December 31, 2006 €
Short-term liabilities			
Short-term loans and short-term participation of long-term loans	(10)	7,941,743.55	10,397,524.19
Liabilities from sale and services	(11)	2,641,051.17	4,189,051.69
Received advanced payments	(12)	90,852.22	199,567.54
Tax on profits	(13)	148,446.60	198,196.53
Other provisions	(14)	7,310,834.35	7,030,400.59
Other liabilities	(15)	1,611,622.16	1,534,408.05
Accrued and deferred items	(16)	20,785.74	55,329.48
Total short-term liabilities		19,765,335.79	23,604,478.07
Long-term liabilities			
Loans	(10)	2,500,000.00	3,750,000.00
Provision for deferred taxes	(17)	1,937,387.00	2,449,473.00
Long-term participation of other liabilities	(15)	40,903.34	61,355.01
Total long-term liabilities		4,478,290.34	6,260,828.01
Equity capital			
Subscribed capital of SoftM AG	(18)	4,980,000.00	4,980,000.00
Capital surplus of SoftM AG	(18)	11,068,684.25	11,629,933.37
Earned Surplus	(18)	2,020,753.66	2,568,961.81
Reserve for foreign currency conversion	(18)	-25,484.91	-17,668.55
Own shares not designated for redemption	(18)	-1,520,402.32	-1,520,402.32
Shares of other shareholders	(19)	17,708.85	140,015.01
Total equity capital		16,541,259.53	17,780,839.32
Total liabilities		40,784,885.66	47,646,145.40

Group Income Statement

	Annex	December 31, 2007 €	December 31, 2006 €
Net sales	(23)	59,370,957,83	82,967,814,75
Other revenues	(24)	3,918,504,94	935,364,04
Changes in work in progress	(25)	-5,234,69	-51,800,91
Capitalized costs of self-constructed assets (development costs)	(26)	2,584,000,00	1,602,000,00
Costs of purchased materials	(27)	-19,515,904,51	-37,435,246,42
Costs of purchased services	(28)	-3,072,111,72	-3,063,371,11
Personnel costs	(29)	-27,882,073,36	-27,849,775,39
Depreciation of fixed assets and intangible assets	(30)	-4,889,911,60	-4,653,244,77
Other operating costs	(31)	-12,362,832,12	-12,428,559,70
Operating result (EBIT)		-1,854,605,23	23,180,49
Net interest income	(32)	-341,100,41	119,382,76
Interest and income from equity participation	(33)	-209,595,17	-37,090,37
Result before tax on earnings (EBT)		-2,405,300,81	105,472,88
Tax on earnings	(34)	1,615,636,07	23,030,83
Result after taxes		-789,664,74	128,503,71
Profit attributable to to other company members	(35)	-79,593,17	-93,655,46
Group result		-869,257,91	34,848,25
Result per share (€)	(36)	-0,18	0,01



Group Cash Flow Statement

	2007 k€	2006 k€
Consolidated interest in net income	-869	35
+/- Minority interest in net income of subsidiaries	80	94
= Consolidated interest in net income/loss incl. Minority interest in net income/loss	-789	129
+/- Depreciation/revaluation on long-term assets	4,900	4,653
- Profit resulting from the sale of consolidated companies	-2,393	0
+/- Increase/decrease in provisions	708	193
-/+ Profit or loss resulting from disposal of long-term assets	2	-8
-/+ Increase/decrease in liabilities, receivables from goods and services, as well as other assets and capital which are not attributed to investment or financing	3,358	-4,248
+/- Increase/decrease in liabilities, receivables from goods and services, as well as other liabilities and capital which are not attributed to investment or financing	-1,506	-1,047
+ Dividend payments of associated companies	0	0
+/- Other expenditures and revenues not effecting payments	201	20
= Cash flow provided by other operating activities (operating Cash Flow)	4,481	-308
Net cash inflow from fixed asset disposal	12	16
- Expenditure for fixed asset development	-588	-1,115
+ Net cash inflow from financial asset disposal	0	13
- Expenditure for intangible asset investment	-2,621	-1,666
- Expenditure for financial investment	0	-31
+ Net cash inflow from the sale of consolidated companies and other business units	2,550	0
- Expenditure for acquisitions for consolidated companies and other business units	-30	-8,860
= Cash flow due to investment activity	-677	-11,643
- Payments to shareholders and minority shareholders, (dividend, acquisition of own shares, other payouts)	-337	-1,236
- Borrowing expenditures	2,164	9,666
- Expenditure for liquidation of loans	-5,870	-1
= Cash flow from investment activity	-4,043	8,429
Payments affecting changes in value funds	-239	-3,522
+/- Valuation changes of funds due to currencies and consolidation	2	4
+ Funds at the beginning of the period	844	4,362
= Funds at the end of the period	607	844

Group Segment Report

as per December 31, 2007

The business units Standard Software and Consulting form the Software/Consulting segment. The activities in connection with hardware sales constitute the System Integration segment. There were no internal revenues between the segments.

	Software/ Consulting 2007 m €	System integration 2007 m €	Group 2007 m €	Software/ Consulting 2006 m €	System integration 2006 m €	Group 2006 m €
Sales	36.7	22.7	59.4	37.8	45.2	83.0
Sales (inter-segmental)			0.0			0.0
Own-work capitalized	2.6	0.0	2.6	1.6	0.0	1.6
Other operating income	3.2	0.7	3.9	0.6	0.3	0.9
Other operating income (intersegmental)			0.0			0.0
Income	42.5	23.4	65.9	40.0	45.5	85.5
Expenses	44.7	23.1	67.8	41.9	43.6	85.5
Operating result	-2.2	0.3	-1.9	-1.9	1.9	0.0
Interest expense			-0.4			-0.1
Interest income			0.1			0.2
Prorated earnings of participation	-0.2	0.0	-0.2	0.0	0.0	0.0
Operating result of normal business activities			-2.4			0.1
Taxes on income or other taxes			1.6			0.0
Preliminary net income / loss			-0.8			0.1
Minority interest (share of profit / loss)			-0.1			-0.1
Consolidated net income / loss			-0.9			0.0

Other Information

	Software/ Consulting 2007 m €	System integration 2007 m €	Group 2007 m €	Software/ Consulting 2006 m €	System integration 2006 m €	Group 2006 m €
Segment assets	26.3	11.9	38.2	30.1	15.9	46.0
Intrest in investments	0.1	0.0	0.1	0.2	0.0	0.2
Non-allocated assets			2.5			1.4
Assets (total)			40.8			47.6
Segment debts	14.3	7.9	22.2	15.7	11.6	27.3
Non-allocated debts			2.0			2.6
Debts (total)			24.2			29.9
Investments	3.1	0.1	3.2	10.9	0.7	11.6
Depreciation	4.6	0.3	4.9	4.5	0.2	4.7
- of which extraordinary			0.7			

Geographical

	Domestic 2007 m €	Foreign 2007 m €	Group 2007 m €	Domestic 2006 m €	Foreign 2006 m €	Group 2006 m €
Sales by segment	51.6	7.8	59.4	74.9	8.1	83.0
Book value of assets	38.6	2.2	40.8	44.8	2.8	47.6
Investments	3.1	0.1	3.2	11.6	0.0	11.6

Group Capital and Reserves Statement

in €	Share capital	Total capital surplus	Group earned equity	Adjustments for currency conversion	Equity as to group balance sheet	Own shares not designated for redemption	Capital reserves	Minority equity	Adjustments for currency conversion	Own capital	Group capital and reserves
Dec. 31, 2005	4,980,000.00	11,629,933.37	2,927,265.61	-529.92	19,536,669.06	-898,624.10	18,638,044.96	266,959.55	0.00	266,959.55	18,905,004.51
Paid dividends	0.00	0.00	-393,152.05	0.00	-393,152.05	0.00	-393,152.05	-220,600.00	0.00	-220,600.00	-613,752.05
Changes in											
Consolidated companies	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other changes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Group annual result	0.00	0.00	34,848.25	0.00	34,848.25	0.00	34,848.25	93,655.46	0.00	93,655.46	128,503.71
Other group result	0.00	0.00	0.00	-17,138.63	-17,138.63	0.00	-17,138.63	0.00	0.00	0.00	-17,138.63
Group total result	0.00	0.00	34,848.25	-17,138.63	17,709.62	0.00	17,709.62	93,655.46	0.00	93,655.46	111,365.08
Dec. 31, 2006	4,980,000.00	11,629,933.37	2,568,961.81	-17,668.55	19,161,226.63	-898,624.10	18,262,602.53	140,015.01	0.00	140,015.01	18,402,617.54
Paid dividends	0.00	0.00	-240,199.36	0.00	-240,199.36	0.00	-240,199.36	-97,001.01	0.00	-97,001.01	-337,200.37
Changes in											
Consolidated companies	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-104,898.32	0.00	-104,898.32	-104,898.32
Other changes	0.00	-561,249.12	561,249.12	0.00	0.00	-621,778.22	-621,778.22	0.00	0.00	0.00	-621,778.22
Group annual result	0.00	0.00	-869,257.91	0.00	-869,257.91	0.00	-869,257.91	79,593.17	0.00	79,593.17	-789,664.74
Other group result	0.00	0.00	0.00	-7,816.36	-7,816.36	0.00	-7,816.36	0.00	0.00	0.00	-7,816.36
Group total result	0.00	0.00	-869,257.91	-7,816.36	-877,074.27	0.00	-877,074.27	79,593.17	0.00	79,593.17	-797,481.10
Dec. 31, 2007	4,980,000.00	11,068,684.25	2,020,753.66	-25,484.91	18,043,953.00	-1,520,402.32	16,523,550.68	17,708.85	0.00	17,708.85	16,541,259.53

Group Annex 2007

- A FUNDAMENTALS**
- B EFFECTS OF NEW ACCOUNTING STANDARDS**
- C CONSOLIDATED GROUP AND
GROUP GENERAL PRINCIPLES**
- D BALANCE SHEET AND VALUATION PRINCIPLES**
- E CURRENCY CONVERSION**
- F BALANCE SHEET STATEMENT**
- G INCOME STATEMENT**
- H CASH FLOW STATEMENT**

A. FUNDAMENTALS

The consolidated financial statement of the SoftM Software und Beratung AG has been prepared applying §315a of the German Commercial Code and according to the guidelines of International Financial Reporting Standards (IFRS) in effect on the date of balance sheet reporting. Both the IFRS designated accounting standards of the IASB, as well as the current interpretations of the International Financial Reporting Interpretations Committee (IFRC) were observed. The terms IFRS und IFRC replace the previous terminology IAS (International Accounting Standards) und SIC (Standing Interpretations Committee) which was employed until 2002. For standards applicable up till 2002, the aforementioned terms will be used.

A statement mandated by §161 Companies Act pertaining to the German Corporate Governance Code has been issued and made available to the shareholders.

The annual financial statements of the companies contained in the consolidated financial statement are subject to uniform balance sheet and valuation principles. Valuations based on tax guidelines have not been employed in the consolidated financial statement. Date of record (Dec. 31, 2007) of the consolidated financial statement is identical for all companies and associated companies included in the report.

The consolidated financial statement has been prepared in €. The figures found in the annex are for the most part in K€.

The income statement has been prepared in accordance with total cost accounting.

In accordance with IAS 1.5 pl. the itemizing of the balance sheet distinguishes between long-term and short-term assets. Assets are considered to be short-term when they can be expected to be realized within one year. Liabilities and provisions are considered to be short-term when they are due within one year. Assets and liabilities from deliveries and performance as well as inventory will in principle be posted as short-term. Deferred taxes and liabilities will be strictly posted as long-term.

The income statement as well as the balance sheet, individual items are combined for the sake of clarity. They are posted and clarified in the annex.

The consolidated financial statement will be released to the public by the Supervisory Board on April 30, 2008.

Changes in accounting and valuation methods will be clarified in the annex. Assets from previous years are correspondingly adjusted.

In the consolidated financial statement some estimates and assumptions of a very limited scope have had to be made, which have an effect on the amount and posting of the listed assets and liabilities, revenues and expenditures as well any eventual liabilities. The actual valuation may vary from the estimates.

The following included domestic subsidiary companies of SoftM Software und Beratung AG, on course of being fully consolidated, fulfill the requirements of § 264 Abs. 3 GCC (respectively.: § 264 b GCC) and are, therefore exempt from the regulated financial accounting, audit and disclosure obligations. This exemption will only be claimed in each case in regards to the compilation of an annex as well as, if applicable, a management board report and disclosure obligations:

- SoftM Software und Beratung Hamburg GmbH, Hamburg
- SoftM Systemintegration GmbH, Munich
- SoftM Software und Beratung GmbH, Munster
- Schilling Software GmbH, Bremen
- SoftM Communications GmbH, Lichtenfels
- SoftM Semiramis GmbH & Co. KG, Hannover

B. THE EFFECT OF NEW ACCOUNTING STANDARDS

The consolidated statement for the year 2007 was prepared taking into account the following revised accounting standards. There were no major effects on the financial status, standing and results, as well as result per share resulting from the financial accounting standards and interpretations employed for the first time in this business year.

In August of 2005 IAS (presentation of financial statements) was modified. For business years which begin after Dec. 31, 2006, the annex is to be expanded and amended to include explanations pertaining to capital management.

IFRS 7 (Financial Instruments: Disclosures) is to be employed for the first time for any business year beginning on or after Jan. 1, 2007. IFRS 7 contains new annex standards and replaces annex standards of IAS 32 and IAS 39

IFRIC 8 (Scope of IFRS 2) is to be applied in any business year beginning on or after May 1, 2006. It regulates the question of how to proceed according to IFRS 2 when the relevant current market value of goods or services which are received as share-based remuneration are clearly under the current market value of the share-based remuneration.

In March of 2006 the IFRIC published the interpretation IFRIC 9 (Reassessment of Embedded Derivates). This interpretation is binding for any business year beginning on or after May 1, 2006

The following IFRS and IFRIC Standards have already been published but are not as yet mandatory:

IFRS (operating segments) were published in November 2006 by IASB. The standard is only mandatory in any business year beginning after Jan. 1, 2009. The segment reporting is to conform structurally and per content to internal reports given to decision makers. The SoftM Group is currently deciding how the implementation of execution of the segment report will be effected.

A new version of IASB IAS 23 (borrowing costs) was published in March 2007. The previous right to record interest expenditure, in

connection with the acquisition of eligible assets was eliminated. The SoftM Group assumes that the changes in AS 23 not have a major effect on the financial status, standing and results in any significant manner.

In June 2007 IFRIC 13 (customer loyalty programs) was published for the reporting of amortization of expenditures and the reporting of revenues from customer loyalty programs. IFRIC 13 is first to be implemented for any business year that begins on or after July 1, 2008. The SoftM Group assumes that the changes resulting from implementation will not have a major effect on the financial status, standing and results in any significant manner.

In July the IFRIC issued the interpretation IFRIC 15 (IAS 19 – The limit on a defined benefit asset, minimum funding requirement and their interpretation) with regulations concerning the treatment of plan assets for pension obligations. IFRIC is to be initially implemented after any business year begins on or after Jan. 1, 2008. IFRIC has no practical relevance for SoftM at this time.

In January 2008 the ISAB published the revised standard IFRS 3 (business combinations) and IAS 27 (consolidated and separate financial statements). The revision of IFRS 3 could effect the valuation of a possible minority interest in goodwill or company value and the disclosure in own capital. The changes in IAS 27 are in regulations concerning consolidation and treatment of changes in amount of holding. The revised standards are first to be implemented for any business year that begins on or after July 1, 2009. Earlier implementation is permitted when both revised standards are simultaneously employed. SoftM is currently investigating what effect the implementation will have on future company takeovers.

The revised IAS 32 (financial instruments: presentation) and IAS 1 (presentation of financial statements) was published in February 2008. This concerns the new regulations for the delineation between own and debt capital of the right of cancellation. In the future such instruments can, under certain conditions, be reported as own equity.

The change is first to be implemented for any business year that begins on or after Jan. 1, 2009. The revision has no practical relevance for SoftM at this time.

C. CONSOLIDATED COMPANIES AND CONSOLIDATION PRINCIPLES

FULLY CONSOLIDATED COMPANIES

The following companies have been included in line with the principles of full consolidation:

Company	Headquarters , Country	Capital interest%
SoftM Software und Beratung AG (parent company)	Germany	
SoftM Software und Beratung Hamburg GmbH	Germany	100.0
SoftM Systemintegration GmbH	Germany	100.0
SoftM Software und Beratung GmbH	Germany	90.0
SoftM Software und Beratung Schweiz AG	Switzerland	100.0
SoftM Software und Beratung GmbH	Austria	100.0
SoftM France s.a.r.l.	France	100.00
Schilling Software GmbH	Germany	100.00
SoftM Communications GmbH	Germany	100.00
SoftM Czech Republic s.r.o.	Czech Republic	100.00
Solitas Informatik AG	Switzerland	100.00
SoftM Polska Sp.zo.o	Poland	100.00
SoftM Semiramis GmbH & Co KG	Germany	100.00
SoftM Solutions GmbH	Austria	100.00

SoftM Solutions GmbH, Kirchbichl, Austria was established in November, 2007. This company is active in the software and consulting sector. Initial consolidation took place on November 30, 2007.

On June 30, 2007 the stake in SoftM Software und Beratung GmbH, Waiblingen was divested. Deconsolidation was completed on June 30, 2007. For the effects of this transaction on the Group financial accounting we refer to the annotation for divestment.

ASSOCIATED COMPANIES

The following associated companies were entered in the balance sheet pursuant to equity method principles.

Company	Country Headquarters	Percentage of interest
KEK Anwendungssysteme GmbH	Germany	30.00 %
d.velop (Schweiz) AG	Switzerland	49.00 %

d.velop (Switzerland) AG was established by charter on Dec. 29, 2006. It was entered in the Commercial Registry of St. Gallen Canton on January 8, 2007. SoftM Software und Beratung AG Munich holds a 49% stake. The d.velop (Switzerland) AG was incorporated as a associated company in the Group Report of the SoftM Software und Beratung AG as of Jan. 1, 2007.

GROUP COMPANIES NOT CONSOLIDATED

Owing to their minor importance of business activity, the following stakes were posted in the balance as other financial assets i.e. full, or respectively, equity consolidation was disclaimed.

Company	Shareholder	Percentage of interest
SoftM Verwaltungs GmbH	Germany	100.00 %

ACQUISITION AND CAPITAL CONSOLIDATION

Capital consolidation has been undertaken according to IFRS 3 by the purchase method, whereby the so-called book value method was applied. Here, acquisition costs for investments were netted against the book value of the pro-rated portion of the subsidiary's equity on the day of acquisition. In the case of gradual acquisition of shares, separate initial consolidation is made for every new stake acquired.

Remaining active counter balancing claims from capital consolidation were posted as goodwill in the Group balance sheet. The depreciation for goodwill was no longer according to schedule but is subject to a recoverability test yearly in accordance with IFRS 3.

SoftM Solutions GmbH, Kirchbichl, Austria, was established in November 2007. The company will take over sales responsibility for the Semiramis product for the region Austria from a previous sales partner which became insolvent in the Fall of 2007. In the course of the take-over of the sales partner, the SoftM Group acquired immaterial assets (rights and licenses) with a value of K€ 280. The corresponding contract of sale will only become valid in 2008.

Since the founding of SoftM Solutions GmbH in business year 2007, it has earned revenues for the Group of K€ 380 and a result of K€ 34.

DISPOSAL OF CONSOLIDATED COMPANIES

In business year 2007 total revenues of K€ 2,550 were realized by the disposal of a consolidated company. The disposal on June 30, 2007 had the following effect on assets and debts.

Disposed assets and debts	K€
Cash and cash equivalents	0
Fixed assets	129
Inventories	5
Receivables	994
Provisions	-423
Liabilities	-405
accruals and deferrals	-39
Book value of minority interest	-104
Net assets	157

Profit from disposal was posted under other revenue and calculated as follows:

	K€
Revenues from disposal	2,550
Net assets	-157
Profit from disposal (before taxes)	2,393

EQUITY CONSOLIDATION

The shares in associated companies were entered in the balance sheet according to the equity method. Associate companies were considered to be those companies which were listed in the consolidated financial statement and had either a direct or indirect stake between 20% and 50%, thereby gaining considerable influence in day-to-day business dealings of aforementioned companies. Acquisition costs of the stake were raised yearly or lowered by the share of the corresponding change in equity of the holding company and entered into the balance sheet according to the equity method. The cost differential from the initial consolidation arising from the first time inclusion according to the equity method were dealt with according to the principles of full consolidation. In the following years there will be, as a result, subsequent consolidations affecting income which will be specially posted in the income statement under "effecting equity stake".

In accordance with the principals of IAS 36 (impairment of assets) the investment book value is to be subject to the so-called impairment test at least once a year. The basic fundamentals of the implementation of the impairment test can be taken from the immaterial assets. In as far as the equity book value is to be reduced as a result of the impairment test, the unplanned depreciation will be posted under equity stakes.

The balance sheet and valuation methods used by associated companies correspond substantially to the employed uniform Group methods.

An interim consolidation of profits with associated companies was dispensed with due to negligibility.

CONSOLIDATION OF EXPENSES AND INCOME

The consolidation of incomes and expenses resulted in the settlement of inter-company invoiced expenses (license fees, consulting service revenues), with the result that sales revenues were settled against the cost of materials and other operating expenses. Due to the consolidation of revenues and expenses with allied companies, the Group income statements shows only those revenues and expenses which resulted from transactions with third parties. In this regard, associated companies are also deemed to be third parties.

Profit distribution, or respectively profit transfers, of subsidiaries to SoftM Software und Beratung AG were consolidated with corresponding dividend liabilities or with the retained earnings.

CONSOLIDATION OF LIABILITIES

As part of the consolidation of liabilities receivable and liabilities within the SoftM Group were balanced.

ELIMINATION OF INTERMEDIARY PROFITS

The elimination of intermediate results could be waived under the aspect of materiality.

D. ACCOUNTING AND VALUATION POLICIES

The consolidated financial statement has been prepared in line with Group-wide uniform accounting principles on the basis of the annual financial statements as of Dec. 31, 2007 of the included companies, which were compiled in line with Group accounting standards.

The individual annual financial statements were – where necessary – adjusted for the purposes of Group accounting to the accounting principles of the IFRS.

The accounting and valuation principles used in the consolidated financial statements adhered to the fundamental accounting principles set out in the IFRS (Framework). In particular, the consolidated financial statement has been prepared in line with the principle of accounting period in question and of the going-concern principle. Attention has been paid to the principles of comprehensibility, completeness, comparability, as well as to due economic and circumspect consideration. We have considered all risks and losses if they occurred prior to the balance sheet date, even if these first became known between the date of the balance sheet and the date on which the accounts were compiled. Profits have only been considered if they were realized on the date of record or if their realization could be regarded as sufficiently probable.

Assets have been included to the extent they represent a future economic benefit in the form of direct or indirect cash flows. Debts and provisions have been entered as liabilities to the extent that the company currently has third party obligations.

Assets and debts are entered and valued as of the balance sheet date, as well as in line with principle of individual valuations.

REVENUES

Revenues were realized after the payment of taxes and any sales reduction at the moment of transfer of peril or respectively at the rendering of service. A precondition for the trading statement is that it can be ascertained with sufficient probability that the market transaction will result in economic benefit. Contractually agreed to payments for services not yet rendered will be shown as liabilities as "received payments" up to the moment of the rendering of the service. A realization of revenues is effected in this case only with the successful rendering of service. Customer prepayments pertaining to specific periods of time in

the future (especially maintenance revenues) will be posted as accrued and deferred items.

FINANCIAL ASSETS

Financial assets include: granted credits, receivables, securities, debt certificates, acquired own equity and cash and cash items reserves. The SoftM Group has no derivative financial instruments at the present.

Allocation as well as balancing and valuation are carried out in accordance with IAS 39 (financial instruments: recognition and measurement). In accordance thereof financial assets are posted in the Group report when the SoftM Group has a contractual right to receive cash or other financial assets from another party. The first inclusion of financial assets is effected at current value minus transaction costs. Non-interest bearing or low-interest bearing receivables are valued at cash or cash equivalent or at the expected future accrual of cash or cash equivalent. Subsequent valuation is in accordance with assignment of the financial assets to the following categories:

- Effective at accompanying date appraised financial assets include such as are being held for trading purposes. SoftM has no corresponding financial assets at the present time.
- Credits and receivables are non-derivative financial assets, which are not listed in an active market. Credits and receivables are valued at listed cost of acquisition. Cash and cash equivalents, receivables from deliveries and services, as well as other receivables and other investment comprising receivables and loans are assigned to this evaluation category.
- Investments which are to be held to final maturity are non-derivative financial assets with fixed payments or fixed maturity which are to be correspondingly held. These valued at listed cost of acquisition and posted under other receivables and other assets. SoftM has no corresponding financial assets at the present time.
- Disposable financial assets for disposition are those non-derivative financial assets which are not assigned to one of the aforementioned categories. These incorporate in particular own valued equity at current value, which are posted under other financial assets. Since no market price or no reliable estimate of the current value can be made for the own equity securities posted here, these financial assets will be recorded at the cost of acquisition minus depreciation expenditure.

If loss of value is suspected for financial assets in the last three categories they are to be examined for devaluation of asset value. If this is the case, an adjustment to correspond to the change is to be undertaken. If the basis for the employed depreciation is abolished, corresponding revaluation up to a maximum of cost of acquisition is undertaken. Financial assets will be abandoned when contractual right of payment ceases to exist or the financial assets with all risks and chances are transferred.

CAPITALIZATION OF DEBT CAPITAL COSTS

Capitalization of debt capital costs in connection with the acquisition of and the production of qualified assets was not applicable in business year 2007. For the elimination of the option to capitalize by means of the amended IAS 23 and the associated obligation to capitalize as of business year 2008 compare Capital A: Fundamentals.

INVENTORIES

Inventories are in accordance with IAS 2 are those assets, which are kept to be sold in the normal course of business. Merchandise posted under inventories is valued at procurement price or, respectively, at lower current value. Inventories also include work in progress. This refers to client specific orders to develop and/or install individual or standard software and, which on the day of record had not yet been completed or delivered. The items have been valued at the product cost incurred. Production costs also include, in addition to the individual costs of the commensurate parts, the necessary material and production costs. Management costs were also included, in as far as they could be included in the production process. We have not reconciled the valuation with one based on the degree of completion in line with the principles of partial-realization of profits (IAS 11), owing to the minor significance of same.

Guarantee retention was not agreed upon for long-term contracts.

OTHER RECEIVABLES AND LIABILITIES, ACCRUED AND DEFERRED ITEMS

Accruals and deferrals, prepayments, as well as non-financial assets and liabilities are entered in the balance sheet as on-going procurement costs. Termination is carried out according to performance or linearly. Termination of accrued and deferred items is with the exception of deferred purchase tax are time-based.

INTANGIBLE ASSETS

Software acquired against payment is carried in line with German commercial principles at purchase less scheduled depreciation. Linear depreciation of support software and PC user programs is charged across the customary business life of three years, acquired license programming which directly serves sales goals is guided by a business life of three years. Depreciation of capitalized development costs is undertaken over a three to five year period.

Development expenses for self produced software are capitalized to the extent that the conditions (identifiability, power of disposal, future economic benefit set out in IAS standard no. 38 have been met. This is the case to the extent that outlays serve to create new software functionalities. By contrast, expenses for basic research and software maintenance of existing functionalities are considered on-going expenses. Depreciation of capitalized development costs follows a timetable of three to five years.

GOODWILL

The item goodwill arises from company acquisitions. Goodwill from capital consolidation is also posted here. Goodwill resulting from company mergers will after business year 2005 no longer be depreciated on schedule in accordance with accounting standard IFRS 3 (business combinations). Goodwill, which resulted from company mergers taking place after the day of record, December 31, 2004, employs the new accounting standard IFRS 3 (business combinations). Goodwill depreciation accrued before will be calculated by historical procurement costs. The established book value will be attributed to cash generating units. The assignation of the strategic business units will be adapted to the new Group organization and defined on the basis of production in business year 2007. up till now the division of the units was carried out to correspond to the internal report, primarily according to region.

In accordance with the principles of IAS 36 (impairment of assets) Goodwill must be subject to a so-called impairment test at least once a year. In this case the asset value of the cash generating units is to be compared with the achievable absolute value (net sale proceeds, or respectively, amount of revenue). If the achievable absolute value is lower than asset value a goodwill depreciation will be executed. A possible remaining balance reduces the other assets of the corresponding strategic business units. The adjustment is posted in the net income statement under depreciation of fixed assets.

The achievable sum will be calculated as the cash from future cash flow resulting from ongoing utilization until the end of utilization of the cash generating unit. The forecast of payments is based on the actual Group planning and takes into consideration a period of four years where estimates will be made, in particular, using sales volume and prices, as well as cost. Payment flows scheduled after the planned period do not take growth rate into consideration.

Capital costs are determined as a weighted average of own and debt equity costs. The determination of own capital costs employs the capital asset pricing model. Debt capital costs are determined by the long-term financial conditions of the company. Both factors are derived from capital market information and are based on assumption and estimate concerning business specific capital costs. The applied rate of interest for discounting the series of payments is 9.5%. This corresponds to a pre-tax rate of interest of approximately 12.5%.

In business year 2007 unplanned goodwill to the amount of K€ 77 (previous year K€ 0) was undertaken.

TANGIBLE ASSETS

Tangible assets have been valued at acquisition cost, less scheduled depreciation.

There was no cause to charge extraordinary depreciation. Scheduled depreciation is charged, as a rule, on a linear basis on the declining balance method (time depreciation), whereby in most cases a useful business life of three to five years was the guiding principle.

When fixed assets are sold, decommissioned or scrapped. The profit, or respectively the loss, will be posted as a difference between the net sales proceeds and the residual book value under other revenues, or respectively expenditures.

The existing possibility of a new evaluation of fixed assets according to IFRS was not taken advantage of.

STAKES IN ASSOCIATED COMPANIES

Stakes in associated companies were balanced and valued according to the equity method; compare implementation to consolidation principles.

TAXES

The individual levied taxes on taxable profit, as well as changes in tax deferral and accrual will be posted as income tax. The actual taxes will be posted at the amount of estimated taxes to be paid.

Deferred taxes are calculated in line with IAS 12 (income taxes). Deferred taxes are determined by timing differences between the value shown by assets and liabilities in the business tax and tax statements, consolidation processes, as well as realized losses brought forward. The calculations are based on the individual tax rates of the companies in question in as far as they are foreign companies.

Active deferred taxes on temporary differences and tax losses brought forward will be activated to the extent that it is probable that an actual utilization of loss brought forward is sufficiently certain, or in so far as deferred tax asset are offset by a sufficient amount. Calculations are based on the expected rate of taxation at the time of realization. The valid or adopted regulations on the day of record will be the basis for consideration. Tax claims and liabilities will be balanced in so far as they are claims and liabilities against the same tax authorities. Changes in active and passive deferred taxes due to changes in the tax rates will be posted affecting net income. Recoverability of active deferred taxes are evaluated on the basis of individual company prognostications of their revenue positions.

OTHER PROVISIONS

Provisions will be formed for all liabilities resulting from past events of which their due date or amount of debt is uncertain. Their value ensues with the sum, which is based upon the best possible estimate which is necessary for the discharge of the liability. Accruals are not discounted (in IAS 37.45) as, almost without exception, they are of a short-term nature (due date within one year).

The delimiting of other accruals and "accrued obligations" in accordance with IAS 37.11b follows the procedures of the previous years and, in case of doubt, in favor of an entry listed under provisions, in order to allow the comparisons with the previous year's annual financial statement.

FINANCIAL LIABILITIES

Financial liabilities are comprised of original liabilities and the negative adjusted value of derivative financial instruments. At the present, SoftM has no derivative financial instruments.

Original liabilities are posted in the Group accounts, when the Group has a contractual obligation to pay another party either currency or other financial asset. The initial inclusion of original liability is carried out at adjusted value of the obtained service or good, or respectively the value of the obtained cash assets less transaction costs. Subsequent valuation of liabilities is carried out at given cost of acquisition utilizing the effective rate of interest method.

Financial liabilities are removed from the books when the contractual obligation is settled, cancelled or expires.

E. CURRENCY CONVERSION

In the individual transactions of Group companies, all receivables and liabilities which were posted in a currency that was not the functional currency, were assessed with the exchange rate on the day of record.

The annual statements of foreign Group companies outside the Euro zone were, in accordance with IAS 21 pertaining to the concept of functional currency, converted into Euro. The only foreign companies in the Annual Financial Report of the SoftM Group that had to be included were the subsidiary in Switzerland, SoftM Software und Beratung AG and Solitas Informatik AG.. The currency of the country (SFr) was to be regarded as functional currency, since the companies conducted their business from a financial, economic and organizational aspect, independently. The subsidiary SoftM Czech Republic and SoftM Poland were treated in the same manner for reasons of simplification.

Assets and liabilities were, therefore, converted at the spot price on the day of record, income and expenditures were converted by means of a yearly average. Subscribed capital was converted at the historical rate of exchange at the point of their respective successful acquisition by the Group.

The differential, which resulted from the spot price on the day of record were stated under subscribed capital separately as an adjustment item as foreign currency conversion. Under subscribed capital during the group affiliation, compiled currency discrepancies of companies leaving the Group were settled with no effect on the consolidated operating result.

Currency conversion to Euro changed as follows:

1 €		Day of record rate		Average rate	
		2007	2006	2007	2006
Switzerland					
(Swiss Franks)	CHF	1.6592	1.6069	1.6427	1.5731
Czech Republic					
(Czech Crowns)	CZK	26.3170	27.4850	27.7583	28.3383
Poland (Zloty)	PLN	3.6015	3.8310	3.7831	3.8951

F. BALANCE SHEET STATEMENT

(1) CASH AND CASH EQUIVALENTS

in K€	Dec. 31, 2007	Dec. 31, 2006
securities held short-term	31	32
cash and cash equivalents	576	812
	607	844
- of which not available in frozen accounts	251	253

Short-term held financial futures, with original due date of up to three months, due to their high degree of liquidity and their low market price risk, are itemized under "cash and cash equivalents". Deposits at credit institutions; K€ 576; and the cash balance amounted to K€ 607 (previous year K€ 844).

(2) ACCOUNTS RECEIVABLE FROM GOODS AND SERVICES

Accounts receivable amount to K€ 13 (previous year K€ 13) against associated companies and K€ 14,535 (previous year K€ 19,031) against other companies. Necessary valuations have been determined for probable risks and are calculated at K€ 745 (previous year K€ 705). The increase in the value adjustment totaling K€ 40 was compiled from expensed additions (K€ 333) minus dissolutions and availment (- K€ 292) as well as currency changes (- K€ 1). All accounts receivable are due within one year.

(3) INVENTORIES

Inventories are composed as follows:

in K€	Dec. 31, 2007	Dec. 31, 2006
Merchandise	312	957
Work in Progress	3	8
Payments Made	11	0
	326	965

Inventories included accumulated value adjustments of K€ 74 made by Dec. 31, 2007 which were increased by expensed additions of K€ 72 in the reporting period. The previous year's existing value adjustment remains in effect to full amount.

(4) OTHER RECEIVABLES AND ASSETS

The postings are as follows:

in K€	Dec. 31, 2007	Dec. 31, 2006
Tax refunds	600	721
Reimbursement	478	955
Loans	13	13
Receivables from associated companies	255	169
Debit creditors	27	173
Other	184	317
	1,557	2,348

There was a loss in receivables from an associated company which were booked from the associated company to the amount of K€ 59 because the total loss from this associated company was K€ 59 higher than the book value of the stake in this associated company. The SoftM Group had a contractual obligation for proportional participation in the

financing of losses of this associated company so that the loss to the full amount had to be booked in the Group accounts.

In receivables against associated companies are cash pool receivables to the amount of K€ 125.

Listed under other assets are interest receivables are interest receivables to the amount of K€ 2 (previous year K€ 5) and pre-tax claims to the amount of K€ 44 (previous year K€ 56), which legally come due after the day of record. The tax refund claims pertain to income tax refunds, corporate tax credits, sales tax and recovery claims from withholding taxes.

(5) CAPITALIZED ACCRUED AND DEFERRED ITEMS

Accrued and deferred items are anticipated to be dissolved to their full extent pertaining to their affect on net income in 2008. They are together comprised of K€ 17 from sales tax from received payments and from deferred charges to the amount of K€ 306.

(6) INTANGIBLE ASSETS

Intangible Assets have developed in the business year as follows:

in K€	Intangible asset value acquired against payment	Capitalized development costs	Goodwill	Total
Gross value Jan. 01, 2007	14,458	8,752	11,436	34,646
Group change	-111	0	0	-111
Investments	37	2,584	0	2,621
Disposals	-22	-2,367	-374	-2,763
Gross value Dec. 31, 2007	14,362	8,969	11,062	34,393
Depreciation Jan. 1, 2007	7,729	4,622	395	12,746
Group changes	-103	0	0	-103
Depreciation 2007	1,690	1,793	700	4,183
Disposals depreciation	-22	-2,367	-374	-2,763
Depreciation Dec. 31, 2007	9,294	4,048	721	14,063
Book value Dec. 31, 2007	5,068	4,921	10,341	20,330
Book value Dec. 31, 2006	6,729	4,130	11,041	21,900

The listing of purchased intangible assets is, for the most part made up of purchased user software, which was used for the realization of licensing and consulting revenues. Here a limited useful life expectancy is assumed. The depreciation is scheduled and linear based on a service life of three to five years. There were unscheduled depreciations of K€ 0 (previous year K€ 273) in the total depreciations of K€ 1,690.

The listing of purchased intangible assets includes book value in the amount of K€ 4.060 for the acquired software rights for the Semiramis product. They have a remaining economic life of 47 months.

The SoftM Group has committed itself in business year 2008, in the framework of an effective company takeover, to acquire software rights to the amount of K€ 280.

In business year 2007 the SoftM Group expenditure for software development came to € 9.6 million (previous year € 6.6 million). Of this amount K€ 2,584 (previous year K€ 1,602) was capitalized.

The valuation of **capitalized development costs** was done on the basis of cost accounting of established hourly wage for employed development engineers. In the fiscal year 2007 some 48,400 (previous year 34,100) development hours were activated as assets at an average rate of € 53/hour (previous year € 47/hour per hour). Depreciation on the sums entered as assets for the respective year for in-company produced standard software products is charged from the beginning of the following year on a straight line basis over three, or respectively 5 years and listed as asset disposal in the following business year. Asset disposal listed in 2007 was K€ 2,367 and corresponds to the capitalized development costs for business year 2003. The in business year 2007 capitalized amount for development costs of K€ 2,584 (previous year K€ 1,602) are balanced by capitalized development cost of T€ 1,792 (previous year K€ 2,090). Depreciations contained unscheduled depreciations in the amount of K€ 469 (previous year K€ 30). The entry of the capitalized development costs in business year 2007 was partially revised in relation to quarters 1 – 3 in 2007. The changed entry was treated as a back posting.

Since carrying development expenses as assets leads to a difference in taxable income and earnings according to IFRS and the difference in income is of a temporary nature owing to the charge amortization on the capitalized software, the difference has been considered when calculating the scale of deferred taxes.

The item for **goodwill** arises primarily from company consolidation, whereby goodwill from capital consolidation lists goodwill from company acquisition in the form of so-called asset deals.

The following cash generating company units were assigned the following amount:

Cash generating business unit	Goodwill in K€
Product Unit ERP	1,803
Product Unit Finance	2,070
Solutions (Consulting)	4,713
System Integration	1,755
	10,341

(7) FIXED ASSETS

Fixed assets have developed as follows:

in K€	Technical equipment and machines	Other equipment and business fixtures	Total
Gross value Jan. 01, 2007	4,354	1,832	6,186
Currency changes	-5	-4	-9
Consolidated Group changes	-420	-389	-809
Investments	405	173	578
Debits	-94	-111	-205
Gross value Dec. 31, 2007	4,240	1,501	5,741
Depreciations Jan. 01, 2006	3,251	1,559	4,810
Currency changes	-5	-3	-8
Consolidated Group changes	-340	-350	-690
Depreciation 2007	553	155	708
Debits	-80	-110	-190
Depreciation Dec. 31, 2007	3,379	1,251	4,630
Net Value Dec. 31, 2007	862	250	1,112
Net Value Dec. 31, 2006	1,103	273	1,376

There are no third party restrictions on disposal in regards to the fixed assets.

(8) STAKES IN ASSOCIATED COMPANIES AND OTHER FINANCIAL ASSETS

Financial assets have developed as follows:

in K€	Other		Total
	Associated Companies	financial assets	
Net Value Jan. 01, 2007	172	31	203
Appreciation/depreciation result portion	-41	0	-41
Depreciation	-110	0	-110
Addition/debits	30	0	30
Net Value Dec. 31, 2007	51	31	82

The following table summarizes the aggregated parameters from the net income statements of associated companies.

in K€	Dec. 31, 2007	Dec. 31, 2006
Long-term assets	25	28
Short-term assets	268	264
Long-term debts	537	384
Short-term debts	6	0
Own equity	-69	-92
SoftM share in own equity	-9	-28
Revenues	1,273	986
Annual result	-218	-124

The difference between the posting in net assets of the respective companies and the equity book value amounts to a total of K€ 90 and is the result of acquired goodwill.

Included in other financial assets (K€ 31) are securities of fixed assets (K€ 4) and the share in unconsolidated associated company (K€ 27).

9) DEFERRED TAXES

Other assets including **deferred tax claims** from **unused capitalized tax losses** brought forward amounting to **K€ 1,822** (previous year K€ 392) were capitalized. The losses brought forward – irrespective of the probability of use of loss in the following year – were capitalized, in as far as they were covered by deferred tax assets. There were new deferred tax assets from deferred taxes from losses brought forward to the amount of K€ 1,614, formed after the previous year's amount was corrected by K€ 149 and depreciation due to tax law

changes fell by K€ 34. No deferred tax claims were capitalized for additional corporation tax losses brought forward K€ 1,668 (previous year K€ 1,013) and business tax K€ 2,307 (previous year K€ 287)

Above and beyond that, capitalized tax claims for **timing differences** between the financial statement and the tax balance sheet were accumulated to the amount of **K€ 76** (previous year K€ 174) and tax assets for currency differences to be built to the amount of **K€ 2** (previous year K€ 4) which were income neutral.

The **total amount**, therefore, was **K€ 1,900** (previous year K€ 570).

(10) LOANS

Financial liabilities were as follows:

in K€	Total	due		
		up to 1 year	1 to 5 years	over 5 years
loans	3,750	1,250	2,500	0
Short-term loans	4,528	4,528	0	0
Overdrafts	2,163	2,163	0	0
	10,441	7,941	2,500	0

Loans were secured as follows:

in K€	General assignment	Assignment as security	Hypo- thecation	Total
Loans/overdrafts	4,368	0	251	4,619
Short -term loans	8,918	264	0	9,182
	13,286	264	251	13,801

In business year 2006 loans coming to a total of K€ 7,302 were taken out to finance the acquisition of a company. The repayment schedule of the loans is as follows; repayment of K€ 3,552 in 2007 and starting in 2008 a yearly payment of K€ 1,250. The weighted average of interest is 8,4 %.

Short-term financial liabilities to the amount of K€ 4,528 serve the pre-financing of customer accounts receivable in the system integration segment. The granting of credit is carried out interest free by the IBM Credit Bank with, as a rule, a term of maturity of 45 days after which follows an interest rate of prime rate plus 3% per annum.

In addition, there existed overdraft liabilities to the amount of K€ 2163 bearing an interest rate of 8.35% on the day of record.

(11) LIABILITIES FROM SALES AND SERVICES

Liabilities from sales and services are predominately owed to third parties and to the amount of K€ 56 (previous year K € 81) to associated companies.

(12) RECEIVED PAYMENTS

Received payments pertain to unrealized licensing revenues and payments for delivery of goods. The received payments are posted gross under inclusion of sales tax. The sales tax is deferred.

(13) PROVISIONS FOR TAX ON EARNINGS

The provisions for (actual) taxes on earnings were prepared from individual financial Group statements.

Domestic companies formed provisions for corporate taxes, solidarity surcharge and business tax. The majority of the subsidiaries have formed tax a tax group basis with the parent company, so that the taxes on earnings are paid by the parent company, SoftM und Beratung AG.

Foreign companies formed provisions for foreign tax on earnings.

The provisions are as follows:

in K€	Jan. 01, 2007	Currency					Dec. 31, 2007
		changes	Use	Dissolution	Injection		
Tax	198	-5	-184	-9	149	149	
Tax provisions for						K€	
Corporate tax and solidarity tax (domestic)						1	
Trade tax (inland)						0	
Foreign income tax						148	
						149	

(14) OTHER PROVISIONS

Other provisions have developed as follows:

in K€	Jan. 1, 2007	Group changes	Currency changes	Utilization	Dissolution	Injection	Dec. 31, 2007
Contributions	162	0	0	-140	-10	109	121
Outstanding Invoices	1,484	-10	0	-1,078	-246	1,622	1,772
Settlements	335	0	0	-313	-1	310	331
Rent	242	0	0	-44	-10	54	242
Legal costs	6	0	0	-2	-3	32	33
Warranties	601	-46	-1	-503	0	734	785
Other	97	-27	0	-49	0	96	117
	7,030	-369	-3	-5,914	-301	6,868	7,311

The provisions for staff (K€ 3,910) pertain to outstanding vacation days and salary remuneration as well as performance based bonuses and profit sharing.

The provisions for outstanding purchase invoices (K€ 1,772) cover not yet received supplier invoices whose already received revenues are faced in the business year. K€ 331 was earmarked for costs connected with the annual accounts (internal and external annual report and audit fees, tax preparation and the Annual General Meeting). Provisions for office work space (K€ 242) cover expenditures for reconversion and renovation commitments. Legal cost provisions (K€ 33) were formed for lawyer and court costs for ongoing legal proceedings.

The provision for warranties (K€ 785) was formed for subsequent improvements made at no charge for settled projects and other warranty commitments for the year 2007. The calculations were based on past experience by means of a percent weighted approach subject to warranty claims sales revenues of the past business year. For the licensing and consulting a percentage of 1% and for the hardware sector a percentage of 0.25% was calculated.

The provision for liabilities are with the exception of rent shown liabilities to be predominantly served in 2008.

(15) OTHER LIABILITIES

Other liabilities are as follows:

in K€	Dec. 31, 2007	Dec. 31, 2006
Liabilities to employees	73	94
Tax liabilities	1,226	1,148
Social Security liabilities	137	93
Other	216	261
	1,652	1,596

The liabilities for taxes include, in addition to those amounts for which Group companies are liable, also payments made for third parties.

(16) PASSIVE ACCRUED AND DEFERRED ITEMS

Accrued and deferred items (K€ 21) will be dissolved to their full extent in 2008.

(17) PROVISIONS FOR DEFERRED TAXES

Provisions for deferred taxes had to be formed for differences in earnings by the Group companies subject to tax and Group income for the period calculated in line with IFRS regulations. The provisions decreased by K€ 512 to **K€ 1,937** in the reporting period

As, in the course of time, differences in income that have thus arisen will be offset, these can be considered so-called timing differences for which tax provisions will be created in order to enable clear period by period deferral of the tax expense.

The difference in performance is based exclusively on the **capitalization of development costs** for in-house standard software. In the reporting period there was a book value loss and deferred tax yield of K€ 74. The balance of passive tax latency from development costs amounting to K€ 1,565 (previous year K€ 1,639).

Additionally, there were allowance differences due to **debt consolidation** of K€ 11 (previous year K€ 371) as well as **other timing differences** from tax deductible goodwill in the individual balance sheets of K€ 360 (previous year K€ 363) which needed to be posted as liabilities. Deferred taxes formed in the previous years from debt consolidation were, for the most part, dissolved in business year 2007 since the reason for the differences is no longer applicable.

(18) OWN EQUITY

Equity, or respectively the Group Capital and Reserves Statement, was adapted to the departmental targets of the as well as DRS 7 by The reporting of entries "subscribed capital", "capital provisions", "generated group equity" "compensation from conversion of foreign currencies". The acquisition costs of the inventory of own shares was posted as a deduction from stockholders equity. Company own equity as of Dec. 31, 2007 was € 16.5 million.

The most important goal of finance management is the sustainable increase of company value, as well as the safeguarding of liquidity and credit worthiness of the Group. Reduction of capital costs and increasing cash flow are main contributors in this regard as is the optimizing of the capital structure. **Capital management** encompasses own capital and received debt capital from credit institutions based on the credit

rating of the two credit giving banks. In order to successfully implement this strategy, current cash flow from the previous business year was primarily employed to repay loans arising from the financing of a strategic company acquisition with debt capital of € 7.3 million in business year 2006.

The "**subscribed capital**" of the parent company is listed at K€ 4,980. It is composed of 4,980,000 individual shares. Each share unit has an accounting par value of one Euro. It is made up exclusively of ordinary shares.

Capital provisions contain the share premium from the issuance of shares and options by the SofM AG. On Dec. 31, 2007 a sum to the amount of K€ 561 was allocated to the generated Group own equity. Capital provisions were reduced from K€ 11,629 to K€ 11,068 as a loss adjustment.

On the day of record Dec. 31, 2007 there existed an **Approved Capital I**, approved by the Annual General Meeting on June 15, 2007 and limited to June 14, 2012, in the amount of K€ 1,870, which is available for the increase in capital stock in exchange for cash. The Board, in agreement with the Supervisory Board, is empowered to preclude option rights of the share holders in order to increase capital stock up to an amount advanced K€ 498 against cash, which at the time of determination of the amount advanced would not materially differ from the share price of the stocks.

In addition, the Annual General Meeting on June 6, 2006, **Approved Capital II**, which expires on June 25, 2011 in the amount of K€ 620, can be employed for the increase in capital stock against cash or assets in kind. In the case of capital subscribed in kind, options of shareholders subscription rights are to be suspended.

Additionally, the Management Board with agreement of the Supervisory Board was authorized to issue profit sharing rights until June 14, 2012 in accordance with AGM resolutions and to correspondingly set conditions for these profit sharing rights. The retention period of the profit sharing rights will be up to 15 years. The total nominal value of the subscribed profit sharing rights may not exceed K€ 12,000. Those profit sharing rights exercised by this authorization do not incorporate conversion privileges or option rights to SoftM AG shares. Shareholders may not exercise profit sharing rights. There was no utilization of these rights in business year 2007.

On the day of record the Group held 176,011 shares. In business year 2007 no additional shares were acquired or sold or otherwise distributed. Own shares are not to be recalled, but to be resold. The acquisition costs of the own shares have been entered in keeping with IAS 32.33 in the balance sheet as a deduction from equity

The cost of acquisition of own shares was K€ 1,520 on the day of record.

The **earned Group equity** (K€ 2,020) includes the total year's result for the companies included in the Group ("earned surplus", "balance sheet profit" "profit brought forward"), in so far as the results remain undistributed.

The earned Group capital as of December 31, 2007 (K€ 2,020) can be distributed up an amount of K€ 1,374 which corresponds to the financial sheet distribution of distributable own equity of SoftM Software und Beratung AG exceeds that of the earned group own equity.

For the composition and development of the individual entries, one is referred to the group capital and reserves posting.

(19) SHARES OF OTHER PARTNERS

Minority shares are posted in the Group balance sheet as a unit of own equity.

Shares of other partners pertain to the minority interest in own capital of SoftM Software und Beratung GmbH, Munster of 10 %.

(20) ASSOCIATED PERSONS

Within the framework of normal business activities, the SoftM Group receives goods and services from numerous business partners.

Included among them are those in which the SoftM Group has a stake, as well as persons, management members of subsidiaries, or respectively, their Supervisory Boards. Business transactions with such parties are exclusively handled at the pertaining market prices.

The following chart gives an overview for the scope of the transactions with the named companies and persons.

in K€	2007	2006
Sales and Other Revenues:		
Associated companies	183	39
Procurement of Goods and Services:		
Associated companies	402	466
Non-associated companies	3	3
Supervisory Board members	14	2
Management Board members	55	96

On the day of record the following significant receivables against and liabilities to the following associated companies or persons existed:

in K€	2007	2006
Receivables against Associated Persons		
Associated companies	144	182
Liabilities to Associated Persons		
Associated companies	56	81
Non-associated companies	22	0

(21) CROSS LIABILITIES AND OTHER COMMITMENTS

Other financial obligations resulting from rent and leasing arrangements totaled annually K€ 1,504 (previous year K€ 1,690). For the most part, rent and leasing pertain to motor vehicle rental and EDP equipment. These annual commitments arising therefrom came to K€ 760. As a rule, leasing contracts run from at least two to four years, and have no obligatory option to buy favoring the lessee and are fundamentally to be qualified as operate leasing. The financial obligations pertaining to leasing according to time are shown as below:

in K€	Longer		
	Up to one year	From one to five years	than five years
Obligations from Operating Leasing	730	1,000	0

On the day of record contingent liabilities from guarantees no longer existed (previous year K€ 63).

(22) FINANCIAL INSTRUMENTS REPORT

Management of Financial Risks

The SoftM Group conducts its business for the most part in Germany, or respectively, in the Euro zone. In addition there is an increasing amount of business being conducted in Switzerland. The resulting currency risk is therefore still considered to be minimal. Interest and credit risk have, however, increased due to the considerable increase in debt financing in business year 2007. The employment of derivative financial instruments designed to limit this risk has, nonetheless, been foregone.

In the following sections risk management will be gone into more detail:

Credit Risks

SoftM credit risk arises from the fact that stated value of receivable assets could be affected if the business partners do not comply with their obligations to the full amount. The maximum contingency risk, therefore, encompasses the total amount of asset worth.

In order to minimize the credit risks, business is only done with customers of creditworthiness or in observance of set risk limits. In addition, large contracts in the system integration sector are increasingly only carried out with leasing companies, which shifts the credit risk, or respectively the credit assessment to the leasing firm. In addition, a stringent receivables and supervision management of bills receivable has been put in place in order to ensure the effective control of credit risks. A strict credit limit for all customers has been set as a matter of principle.

Liquidity Risks

The liquidity risk, i.e. the risk of being unable to meet current or future payment obligations due to a lack of cash or cash equivalents is monitored in the SoftM Group at the Group headquarters. Liquid assets are held in order to ensure the ability to meet any and all financial obligations on schedule. Financial and liquidity demand is discharged by financial planning whereby due to received service revenue at the beginning of the year, finance need is structurally higher at the end of the year. Above and beyond that, reserves are maintained for unplanned expenditures and deficiency in receipts. Liquidity is mainly assured by the holding of cash accounts and time deposit accounts. Bank credit lines are also available.

Market Risks

Market risks entail risks that actual cash value attributed to or the actual cash flow of a financial instrument fluctuates due to changes in the market place. Market risks include currency risks, interest risks and other price risks.

Currency Risks

Currency risks arise when claims, liabilities, cash and planned transactions are not conducted, or respectively will not be conducted, in the local currency of the company.

This is partly the case for the SoftM Group for the Euro in as far as the Swiss subsidiaries factor revenues on a local currency basis. These transactions could be susceptible to currency risks resulting from large currency fluctuations.

Currency price support can be effected by foreign exchange operations, currency options and currency swaps. Due to the fact that the Swiss Frank has remained stable in regard to the Euro in the past few years, currency price support has been forgone (fluctuation was less than € 0.05 on average in 2007). On balance Group-wide net income currency earnings amounted to K€ 18. Currency price support will be taken into consideration in the future if conditions are such as to lead to a change in expectations regarding future currency developments.

Interest Risks

Interest, that is a change in value of a financial instrument (fair value risk) or the future payments from a financial instrument (cash flow risk) resulting from any changes in the interest market are predominantly to be found in assets and debts with maturity of over one year. Since there are a relatively small amount of long-term financial assets and debts in existence in business year 2007, hardly any such interest risks can be identified at SoftM at this time.

The Group is maintaining its liquid assets and liquid asset reserves in variable short-term interest, safe investments which are not subject to any mentionable currency fluctuations. Cash flow risks are eliminated by the variability of interest agreements.

Other financial assets in the long-term sector were substantially less than K € 100. They were deemed to be inconsequential for risk management.

In the external financing area, a loan was taken out by the Group in business year 2006 to finance the acquisition of a company. The loan were arranged with variable rates of interest. Half the loan had already been paid back by 2007. In order to minimize cash flow risks, the company plans to conclude an interest hedge agreement or respectively reach an agreement relating to fixed interest rates in 2008. Loans in the Sales financing area are non-interest bearing and therefore contain no interest risks .

Balancing of Financial Instruments

The inventory of original financial instruments can be seen in the balance sheet and the explanatory annex. Financial instruments are valued in line with IAS 39 – in categories "held for commerce", "hold to maturity", "credits and claims", as well as procurement costs. For more details concerning the balancing of financial instruments we refer you to point D.

Since no derivative financial instruments are being presently employed, no statement concerning them is necessary.

The following table shows the individual financial asset value of each individual category of financial instrument and carries them over to a corresponding balance sheet position. Due to the predominantly short-term rate of maturity for cash and cash equivalents, receivables and liabilities from deliveries and services as well as remaining receivables/liabilities and other assets/liabilities, the book value on the day of record hardly varies from the adjusted value. A representation of actual cash value could be dispensed with.

in K€	Valued at listed cost of acquisition book value Dec. 31, 2007	Non-financial assets/ liabilities book value	book value in balance	Value at listed cost of acquisition book value Dec 31, 2006	Non-financial assets/ liabilities book value	book value in balance
Liquid assets						
Loans and receivables	607		607	844		844
Receivables from deliveries and services						
Loans and receivables	14,548		14,548	19,044		19,044
Other receivables and other assets			1,557			2,348
Loans and receivables	1,108		1,108	1,573		1,573
Non-financial assets		449	449		775	775
Other financial assets						
Listed at cost of acquisition	31		31	31		31
Financial assets total	16,294			21,492		
of which: loans and receivables	16,294		16,294	21,492		21,492
Loans						
Valued at cost of acquisition	10,442		10,442	14,147		14,147
Liabilities from deliveries and services						
Valued at cost of acquisition	2,641		2,641	4,189		4,189
Other liabilities			1,652			1,596
Valued at cost of acquisition	258		258	342		342
Non-financial liabilities		1,394	1,394		1,254	1,254
Financial liabilities total	13,341			18,678		
of which: listed at cost of acquisition	13,341		13,341	18,678		18,678

Interest revenues (K€ 102, previous year K€ 156) were almost exclusively realized for loans and receivables. Interest expenditure (K€ 443, previous year K€ 37) were for servicing of received financial credits. Expenditures for depreciation are represented in Tz 2.

G. INCOME STATEMENT

(23) REVENUES

Net sales have decreased from K€ 82,967 to K€ 59,371 thereby showing a decrease of approx. 28%. The decrease in revenues is mainly attributable to the considerable fall in revenues in the system integration business unit.

The following chart shows the development of revenues according to categories:

in K€	Dec. 31, 2007	Dec. 31, 2006
Licenses	19,058	17,565
Software related services	17,604	20,214
Hardware related services	1,992	2,396
Hardware distribution	20,717	42,792
	59,371	82,967

(24) OTHER REVENUES

Other revenues (K€ 3918) include revenues, which are not the result of normal business activity. They include rental contracts, insurance recovery, earnings from sale of fixed assets, revenue from liquidation of provisions, revenue from currency fluctuations, etc. Additionally, supplier bonuses which can not directly be assigned to the purchasing of goods and, therefore, can not be deducted from material costs are posted under other revenues.

In business year 2007 earnings of K€ 2,393 were realized from the sale of a consolidated company and posted here.

(25) INVENTORY CHANGES

Work in progress is found under the listing inventories and has decreased from the previous year from K€ 8 to K€ 3, so that there was a change of K€ 5 to post.

(26) OTHER ACTIVATED SELF-CONSTRUCTED ASSETS

The other capitalized self-constructed assets pertain exclusively to capitalized development costs. The amount of capitalization was K€ 2,584 and increased from the previous year's amount of K€ 1,602 by K€ 982 (compare also Tz 6). The activated amount of K€ 2,584 is balanced by last year's depreciation capitalized development costs of K€ 1,793, which are posted under depreciation of fixed intangible assets.

(27) EXPENDITURES FOR PURCHASED GOODS

Expenditures for purchased goods were mainly for hardware. Alongside, costs for acquisition of traded software products were posted. Bonuses relating to volume discounts and other discounts for ordered goods were directly discharged from the costs in as far as they can be attributed to the correct period.

in K€	Dec. 31, 2007	Dec. 31, 2006
Hardware	17,226	35,356
Software and Service of traded goods	2,160	1,905
Other	130	174
	19,516	37,435

(28) EXPENDITURES FOR OBTAINED SERVICES

Outside services obtained by the Group are in the area of software development and customer consulting.

in K€	Dec. 31, 2007	Dec. 31, 2006
Consulting/Customer Development	2,202	2,378
	870	685
	3,072	3,063

(29) PERSONNEL EXPENDITURES

Personnel expenditures increased marginally in the business year to K€ 27,882. Personal expenditures included wages and salaries in the amount of K€ 23,907 (previous year K€ 23,737), as well as social security payments and support payments of K€ 4,3975 (previous year K€ 4,113) of which K€ 295 (previous year K€ 292) were pension benefits.

The relevant number of employees in accordance with § 314 GCC was 414 (previous year 434).

(30) DEPRECIATION OF FIXED AND INTANGIBLE ASSETS

Depreciation in the reporting period increased by K€ 236 to K€ 4,890.

The composition of depreciation amounts can be individually found in Tz 6 and 7 of the assets analysis.

(31) OTHER BUSINESS COSTS

Other business costs are as follows:

in K€	Dec. 31, 2007	Dec. 31, 2006
Rent	2,113	2,071
Operating Costs	2,516	2,386
Administrative Costs	2,550	2,284
Marketing Costs	4,093	5,147
Other	1,090	541
	12,362	12,429

Posted in other costs are "other" value adjustments for receivables to the amount of K€ 987 (previous year K€ 435). The net value adjustment expense is calculated after balancing with the decomposition of value adjustments (posted in other revenues) with K€ 788 (previous year K€ 364).

(32) NET INTEREST INCOME

Included in interest expenditures are payments for long-term loans to the amount of K€ 383 (previous year K€ 18).

in K€	Dec. 31, 2007	Dec. 31, 2006
Interest Revenue	102	156
Interest Expenditure	-443	-37
	-341	119

(33) INCOME EFFECTS ON STAKE IN EQUITY

The percentage of annual loss from equity investment attributable to the Group amounts to K€ 99. Contained within this amount are depreciations to the amount of K€ 59 due to the proportionate assigned result interest, which exceeded the equity book value of an investment. The surplus difference above book value is to be recorded affecting net income since the SoftM Group is contractually obligated to proportionally finance the losses of the company. Offsettingly, a claim against the subsidiary is reduced in value of the depreciation.

In addition, unplanned depreciations were taken on a equity investment to a book value of K€ 110 for received goodwill. For development in book value of participations please see Tz 8.

(34) TAX ON EARNINGS

Tax on earnings or owed taxes are paid on income and revenue, as well as deferred tax accruals in the individual countries.

For 2007 the applicable tax rate of 25% in Germany has been applied. Once business tax has been taken into consideration, the result is an average weighted domestic tax for the SoftM Group of 40.1% (previous year 39.7%).

Real tax expenditure amounted to K€ 228 (previous year K€ 87). In addition, latent deferred taxes came to K€ 1844 (previous year K€ 110). The total expenditure came to K€ 1,616 (previous year K€ 23) additionally, (actual) corporate taxes for the previous year of K€ 34 (previous year K€ 118) are included. Above and beyond, K€ 446 deferred tax liabilities were dissolved as effecting net income due to lapse of obligation.

Due to the reduction of the corporate tax rate from 40.1% to 31.8% as of business year 2008, the valuation of deferred taxes on Dec. 31, 2007 was already effected at the valid tax rate of 2008 at 31.8%. If the tax rate had remained unchanged, the potential for capitalization would have been K€ 88 higher on balance. Capitalized losses brought forward were devalued (without tax rate changes) by K€ 34 (previous year K€ 11).

Latent deferred taxes were the result of changes in the following items:

	Capitalized deferred Taxes	Passive deferred Taxes	Capitalized deferred Taxes	Passive deferred Taxes
in K€	2007	2007	2006	2006
Fixed assets	76	1,926	174	2,003
Receivables	0	0	0	0
Activated losses brought forward	1,822	0	392	0
Own equity	2	0	4	0
Liabilities	0	12	0	446
Accruals and deferrals	0	0	0	0
	1,900	1,938	570	2,449

The realization of tax losses brought forward from the previous year led in 2007 to a lessening of the paid, or respectively, owed tax on earnings of K€ 12 (previous year K€ 37).

Deferred tax on income was only assessed for tax losses brought forward when their realization was assured with sufficient certainty or when sufficient deferred tax assets existed. Tax losses brought forward for the parent company SoftM Software und Beratung AG and for the Group company in Austria were activated to the amount of existing deferred tax assets. There were additionally losses brought forward for corporation tax to the amount of K€ 1,668 (previous year K€ 1,013), as well as for sales tax K€ 2,307 (previous year K€ 287) for which no deferred taxes were activated.

The actual tax yield (- K€ 1,616) of business year 2007 was K€ 651 more than the expected tax yield of K€ 965 which was calculated by the use of a weighted expected average tax rate on the pre-tax result of the Group.

The average tax rate was calculated on the basis of an expected tax rate for the individual Group companies and was 40.1% in year 2006 (previous year 39.7%). The reasons for the difference between the expected and actual tax rate are illustrated in the following calculation transitional.

in K€	2007	2006
Result before taxes	-2,405	105
Expected tax expenditure: 40.1% (py 39.7%)	-964	42
Differences in foreign tax rate	-126	-70
Tax rate changes domestic	87	-6
Disposal earnings	-959	0
permanent differences	33	17
Tax effects on:		
Goodwill depreciation	165	0
Equity balancing of associated companies	84	15
non-capitalization of losses brought forward	407	128
Post capitalization of deferred taxes and taxes not relating to period	-492	-160
Depreciation of losses brought forward	149	11
	-1,616	-23
Effective tax rate in %	67.2	-21.9

Due to the German corporate tax computation procedure, corporate tax credits which were valid till the year 2000, to the amount of K€ 215, will be, beginning in year 2008, paid out annually at a rate of 1/10 of the total amount, irrespective of the intention to execute profit distribution. The claim was calculated at K€ 182 (previous year K€ 188) using the cash value of the claim at an interest rate of 4%. It was posted under other receivables.

(35) PROFIT ATTRIBUTABLE TO MINORITY INTEREST

Posted under profit attributable to minority interests of subsidiary companies are share of profits to the amount of K€ 80 (previous year K€ 94)

(36) RESULT PER SHARE

Given the annual loss of K€ 869, a rounded off result per share of € -0.18 (previous year € 0.01) was recorded. In determining the number of outstanding shares which are taken as the base here, the weighted average had to be adjusted for the own shares held by the company in the business year. The weighted average of ordinary capital stock as the base for calculating profit per share in business year 2007 was 4,803,989.

The diluted result per share corresponds to the undiluted result per share since there were no effects due to dilution.

(37) BOARD REMUNERATION AND SHAREHOLDING

In fiscal year 2007 total remuneration of the Board of management SoftM Software und Beratung AG totaled K€ 875 (previous year K€ 848). Remuneration for the Supervisory Board totaled K€ 20 (previous year K€ 20). The total remuneration of the Management Board includes K€ 43 (previous year K€ 20) for performance rendered. The Supervisory Board total came to K€ 0 (previous year K€ 10). The Management Board had five members in the reporting period until June 15, 2007. Dr. Hannes Marten has left the Management Board. His successor as CEO is Fritz Wiesholler.

The following members of the Board possess more than 1% of the capital stock:

Management Board Member	Owned shares	Owned shares
	in units Dec.31, 2007	in units Dec 31, 2006
Dr. Hannes Merten	858,980	1,108,980
Christian Groth	356,985	356,985

The Management Board Members shall receive their basic salary for six months up to two years in case of termination of their employment contract without pertinent cause.

Three members of the Management Board special termination rights in the case of a "change in control" which will go into effect in the sense of the agreement when a shareholder announces controls of more than 50% of the shares of SoftM AG. This notice of termination will begin four weeks commencing at the end of the month of notice

Shareholder	Date	Voting Rights after Transaction	
	of Transaction	Shares	Percentage
Dr. Hannes Merten, Munich	Nov. 29, 2007	858,980	17.25
Universal-Investment-Gesellschaft mbH, Frankfurt am Main	Nov. 22, 2007	260,786	5.24
Don Bosco Stiftung, Munich	Nov. 29, 2007	250,000	5.02

given in accordance with their employment contract. In case of implementation of extraordinary termination rights on the part of a Management Board member, the company is obligated to remunerate the Management Board member for a period of nine months (or respectively in one case for a year) – for a maximum period, however, to correspond with the agreed upon length of the employment contract – as of the premature end of contract as compensation.

(38) BALANCE SHEET AUDITOR'S FEE

The Akanthus GmbH Wirtschaftsprüfungsgesellschaft, Munich received the following remuneration for services rendered in business year 2007:

in K€	2007	2006
Statory Audits	161	169
Other Validations and Valuation Services	22	8
Tax Consulting Services	77	58
Other Services	13	3
	273	238

The fees for the final audit encompass the fees for the Consolidated 'Group Statement as well as the fees for the final audit of the SoftM AG and their inland subsidiaries.

(39) STATEMENT PERTAINING TO § 21 SECURITIES TRADE ACT

The following obligation to inform in accordance with § STA pertaining to exceeding or respectively falling under voting rights limits of equity capital in business year 2007.

The following statements were made to the company:

November 22, 2007

The Universal Investment Gesellschaft mbH that its stake of voting right shares in SoftM AG had exceeded the 5% threshold and on that day came to 5.24% (260,786). Additionally it was stated that the 3% threshold had been exceeded on January 20, 2007 before the Implementation Act went into effect.

November 30, 2007

Herr Dr. Hannes Merten (Chairman of the Supervisory Board of SoftM AG) informed that his stake had fallen under the limit of 20% to 17.25% (859,980) due to the donation of 250,000 shares to the Don Bosco Foundation, Munich on Nov. 29, 2007. The Don Bosco Foundation is the responsible body of the legally independent Youth Foundation Merten to whose foundation's assets the transferred shares now belong.

The non-profit Don Bosco Foundation, Munich informed on the same day that its Stake in voting shares in the SoftM AG on Nov.29, 2007 exceeded the 3% and 5% thresholds and was on that day 5.02% (250,000).

H. INFORMATION TO CASH FLOW STATEMENT

The consolidated statement of cash flow was prepared according to IAS 7 using the indirect method, i.e. net cash provided and used in ongoing operating activities was derived from consolidated income by adding non-cash expenses and deducting non-cash income.

The net cash provided and used as calculated in the statement of cash flow includes pro rata cash flows attributable to minority interests. The base value (consolidated interest in net income) was, therefore, combined with the minority interest net income.

The statement of cash flow was prepared using the "top down" concept. The presentation of cash flow was, therefore, based on the consolidated financial statements, consisting of the consolidated balance sheet and the consolidated statement of income and not the cash flow statements of the individual subsidiaries.

Cash and cash flow equivalents comprise the following balance sheet items:

- 1) Cash-on-hand
- 2) Short-term assets at credit institutions (checking accounts, demand deposits and fixed deposits.
- 3) Cash equivalents (short-term negotiable securities)

In the reporting period, Cash-on-hand, short-term assets at credit institutions and short-term negotiable securities were taken into account. No restraint on disposals K€ 251 (previous year K€ 253) existed on capital funds on the day of record.

Since a portion of cash and cash equivalents is not in Euros, the portion of net cash provided as a result of the change in the exchange rate is disclosed separately, as no cash was actually provided in this respect because the currency related increase was not realized.

Operating cash flow for 2007 contains interest income of approx. K€ 105 (previous year K€ 167) as well as interest paid of K€ 443 (previous year K€ 26).

A tax return in the amount of K€ 93 was (previous year payment K€ 624).

Among the other non-paying revenues and expenditures is the negative result from equity participation to the amount of K€ 209 (previous year revenues of K€ 37).

In addition subsidiary companies were granted credits to the amount of K€ 125 (previous year K€ 169). K€ 23 (previous year K€ 169) was received for deliveries and services and K€ 475 (previous year K€ 536) was spent for acquired services and deliveries.

Munich, April 23, 2008

SoftM Software und Beratung AG

Management Board

Audit Certificate and Final Statement

We audited the Group's Consolidated Financial Statements prepared by the SoftM Software und Beratung AG consisting of balance sheet, profit and loss statement, cash flow statement, annex, as well as Group Management Board report for the business year January 1 – Dec 31, 2007 under inclusion of the accountancy and Management Board Report of the SoftM Software und Beratung AG. The compilation of the Consolidated Group report and the Management Board Report were done utilizing the IFRS as it is applied in the EU, and it is the responsibility of the Board of Management of the Company to assure that the accounting and the presentation of the Annual Financial Statement and Management Board Report are in accordance with IFRS statutes and the supplementary provisions of the GCC § 315 a para. 1 regarding commercial law. Our responsibility is to evaluate the Annual Financial Statement and the Group Management Report, taking into consideration the accountancy on the basis of the conducted audit.

We undertook the Group audit in accordance with § 317 GCC of the German Auditing Regulations while at the same time taking the German principles for an orderly audit from the Institute of Certified Accountants (IDW) into account. This requires that we plan and conduct the audit in line with applicable accounting regulations so that any errors or violations of the principles of proper accountancy rules and the picture conveyed of the financial statements, financial status and result by the Management Board Report can be recognized with a great degree of certainty. Knowledge of the business and its legal and economic environment as well as possible errors were taken into account when determining the audit procedure. Within the framework of the audit, the effectiveness of the internal accounting control systems, as well as evidence for the values shown in the Annual Financial Statement and Management Board Report were evaluated overwhelmingly on the basis of random checks.

The audit includes an evaluation of the Consolidated Financial Statement of the companies included in therein, the limiting of the Consolidated Group, the applied balance sheet principles and the fundamental assessments made by the Management Board, as well as the appraisal of the overall Annual Financial Statement and Management Board Report. We believe that our audit supplies a sufficiently secure basis for our assessment.

Our Audit has not led to any objections.

Due to the knowledge gained by means of the audit, it is our opinion that the Annual Financial Statement is in compliance with The IFRS as it is to be applied in the EU and the supplementary, applicable commercial law regulations as per § 315a para. 1 and conveys, in regard to these regulations, a true and accurate picture of the actual conditions concerning the financial statements, financial status and the results of the Company.

The Management Board Report is consistent with the Annual Financial Statement and, altogether, conveys a true picture of the status of the Company and factually represents the opportunities and risks of its future development.

Munich, April 24, 2008

Akanthus GmbH
Accountancy Firm

Klaus Loibl
Certified Auditor

Dr. Andreas Koller
Certified Auditor

Corporate Governance Report

SoftM supports the goal to encourage by means of a corporate governance code for German listed companies, the trust placed in the management and monitoring of public stock corporations by the shareholders, the customers, staff and general public. Last year corporate governance played its usual prominent role at SoftM. Good corporate governance is a demand placed on all business sectors within the company. Transparent reporting and company leadership in the interest of the shareholders are pillars of our company policy. With this in mind, the Management and Supervisory Board issue the following report:

The Management and Supervisory Board of SoftM announce in accordance with § 161 Companies Act that all recommendations made public by the Federal Justice Ministry on July 4, 2003 in the official part of the " *Electronische Bundesanzeiger*", the recommendations of the "Government Commission of the German Corporate Governance Code" in the version of June 12, 2005 to July 21, 2007, and as of July 20, 2007 which were made public by the Federal Ministry of Justice on pertaining to the recommendations which had already been made by the Government Commission of the German Corporate Governance Code" in the version of June 14, 2007 will be met, or that those, which are not applied or will not be applied, will be listed respectively

This declaration along with accompanying annotation is permanently available to shareholders on the SoftM homepage address www.softm.com. It will be updated annually.

SHAREHOLDERS AND ANNUAL GENERAL MEETING

Shareholders determine the fundamental business direction of the SoftM AG by making use of their voting rights. These voting rights may be exercised by the shareholders themselves at the Annual General Meeting or by a representative of their choice or by means of a directed proxy of the company. The legitimating and identification procedures for the Annual General Meeting of the SoftM Company have been changed to conform to the Company Integrity and Modernization of the Right of Appeal Act (UMAG). Thereafter, the beginning of the 21st day before every future annual general meeting is the decisive day of record for the necessary documentation for participation at the Annual General Meeting and for the exercising of voting rights for shares held on deposit. The documentation, as well as the invitation to the Annual General Meeting, must be submitted by no later than the end of the seventh day preceding the Annual General Meeting to SoftM or the

otherwise designated location on the invitation. The exact conditions for registration and participation for every Annual General Meeting will be printed in the corresponding invitation.

THE MANAGEMENT BOARD

The collaboration of the members of the Management Board and the allocation of duties are to be regulated by bylaws and an allocation of duties agenda. The Board of Management is especially responsible for the strategic direction for the company, as well as the internal monitoring and risk management for the SoftM Group. This system is being continually developed and conformed to the changing general conditions. Details can be found in the Risk Report chapter of the Management Board Report..

The Supervisory Board is responsible for the structure of the remuneration system as well as the remuneration of the individual members of the Management Board. The remuneration structure is constantly being discussed and monitored by the Supervisory Board.

It was decided at the Annual General Meeting to make use of an option contained in the Management Remuneration Declaration Act (VorstOG), which does not make mandatory that the remuneration of the members of the Management Board be declared individually or by name.

The amount of the remuneration of the SoftM Group Board is based on the size of the company, its financial and business situation, as well as the pay scale of board members of comparable companies. Factors such as scope of duties, experience and contribution to the success of the enterprise made by the Board Member are taken into consideration when determining remuneration.

Board remuneration is, to a certain degree, dependant on performance. It is comprised of two components: a fixed remuneration in the form of a monthly salary and non-cash compensation, as well as a variable remuneration which is based on the Group result as well as the goals and duties of the individual board member involved. In business year 2007 the Management Board as a whole received fixed salaries to the total of K € 832 and variable remuneration to the total of K€ 43. The third component of remuneration, share based

remuneration, is not being taken advantage of at the time. Management Board Members have no pension rights.

The Management Board Members shall receive their basic salary for six months in case of termination of their employment contract if no pertinent reason is given.

The company is obligated to remunerate one member of the Management Board for a total of nine months after the termination of an employment contract when this termination is a result of a company action. In this case the previously mentioned claim of continued basic salary for six months is no longer applicable.

Another member of the Management Board is to be paid in the case of a contractual notice of dismissal on the part of the company the Management Board salary for a period of two years – maximum however for the remaining period of the agreed upon length of the employment contract – as compensation for premature contract termination.

Three members of the Management Board have special termination rights in the case of a "change in control" which will go into effect in the sense of the agreement when a shareholder announces controls of more than 50% of the shares. This notice of termination will begin four weeks commencing at the end of the month of notice given in accordance with their employment contract.

In case of implementation of extraordinary termination rights on the part of a Management Board member, the company is obligated to remunerate the Management Board member for a period of nine months (or respectively in one case for a year) – for a maximum period, however, to correspond with the agreed upon length of the employment contract – as of the premature end of contract as compensation.

THE SUPERVISORY BOARD

The Supervisory Board is comprised of three members. No committees were formed due to the small number of Supervisory Board members. An effective cooperation of the Board as a whole is possible due to its size. The Supervisory Board monitors and consults the Management Board concerning the conduct of business. The Supervisory Board has implemented self-imposed rules of procedure. Details concerning the activities of the Supervisory Board in the reporting year can be found in the Supervisory Board Report.

Supervisory Board remuneration was set at the Annual General Meeting and stipulated in § 12 of the statutes. Supervisory Board remuneration is correlated to the tasks and responsibilities of the Supervisory Board members, as well as on the size and business success of the company.

The fixed salary of the individual Board members was € 5,000 per annum. In addition, every member received a variable remuneration of 0,25 % of the EBT of the SoftM Group. The Chairman receives double. Total remuneration of the Supervisory Board for business year 2007 amounted to K€ 20. No variable compensation elements were paid to the Supervisory Board in business year 2007.

MANAGEMENT AND SUPERVISORY BOARD COOPERATION

The Management and Supervisory Board work closely together for the benefit of the company. Their joint goal is the security and sustainable growth of company value. The Management Board reports regularly and promptly to the Supervisory Board on all relevant questions concerning company strategy, planning and business developments, financial and result situation, as well as any business risks and opportunities. Major decisions, e.g. larger acquisitions and extraordinary financial measures, necessitate Supervisory Board approval. No conflict of interest concerning Management or Supervisory Board members arose which had to be reported.

DIRECTORS' DEALINGS AND SHARE OWNERSHIP OF MANAGEMENT AND SUPERVISORY BOARD

Members of the Management and Supervisory Board of SoftM AG, as well as specified employees with managerial functions and those persons who have close business ties must disclose any dealings with SoftM shares or related financial instruments of the SoftM AG in accordance with §15 of the Securities Trade Act. Duty of disclosure, however, does not apply if the total sum of the business transaction of the aforementioned person does not exceed €5,000 by the end of a calendar year. No business transactions of this type were disclosed to the SoftM AG in the calendar year. In accordance with basic company principles and German law, the following transactions are to be reported for the period between Jan. 1, 2007 and Dec. 31, 2007.

Date of Transaction	Name/ Function	Financial instrument/ WKN/ISIN	Location	Transaction	Number	Currency/ Price	Transaction Volume
June 5, 2007	Franz Wiesholler/ Management	Shares/ DE0007249104	Xetra	Buy	4,240	€ 4.50	€ 19,080,00
Nov. 29, 2007	Dr. Hannes Merten/ Supervisory Board	Shares/ DE0007249104	Over-the- counter	Gift (Donor has duty of notification)	250,000	0.00	0,00

In accordance with Section 6.6 of the German Corporate Governance Code the ownership of shares in the company, or financial instruments thereof in possession of members of the Management or Supervisory Board must be disclosed if it exceeds either directly or indirectly more than 1% of the amount of total shares distributed by the Company. If the total amount of shares held by all members of the Management or Supervisory Board exceeds 1 % of the amount of shares issued by the Company, the share holdings are to be disclosed and listed according to Management or Supervisory Board ownership.

On the day of record, share ownership of over 1% of total shares issued were held individually by the following members Management or Supervisory Board:

Management Board:

- Christian Groth (356,985 Shares)

Supervisory Board:

- Rolf Delventhal (197,708 Shares)
- Dr. Hannes Merten (858,980 Shares)

Additionally, taking into consideration the shareholdings of all members of the Management or Supervisory Boards, who individually had share holdings of less than 1% of issued shares, the Management Board as a whole held 8.57% and the Supervisory Board as a whole held 21.23% of total shares issued on the balance sheet day of record.

STOCK OPTION PROGRAMS OR SIMILAR SECURITIES ORIENTED INVESTMENT SCHEMES

At the present, no stock option programs or similar securities oriented investment schemes exist.

FINANCIAL STATEMENT

The Akanthus GmbH Wirtschaftsprüfungsgesellschaft was chosen by the Annual General Meeting of SoftM AG on June 26, 2007 to be the auditor of annual accounts. The financial accounting of SoftM AG was carried out in accordance with the German Commercial Code (annual individual financial statement) and according to IFRS (consolidated financial statement), as they are to be applied in the EU. The preparation of the annual individual financial statement and the consolidated financial statement are the responsibilities of the Board of Management. The annual individual financial statement and the consolidated financial statement are to be approved by the Supervisory Board.

Financial Calendar 2008

QUARTERLY REPORT PER MARCH 31, 2008	MAY 16, 2008
ANNUAL GENERAL MEETING	JUNE 19, 2008, MUNICH
QUARTERLY REPORT PER JUNE 30, 2008	AUGUST 21, 2008
QUARTERLY REPORT PER SEPTEMBER 30, 2008	NOVEMBER 18, 2008
ANNUAL FINANCIAL STATEMENT 2008	APRIL 2009

Contact Person Investor Relations

Friedrich Koopmann
SoftM Software und Beratung AG
Messerschmittstr. 4
D-80992 Munich
Tel.: +49 (89) 143 29-1199
Fax: +49 (89) 143 29-1114
ir@softm.com

Imprint

Publisher

SoftM Software und Beratung AG, Munich

Graphics and Typesetting

photo · graphics · design Mike Kudla, Munich



SoftM Software und Beratung AG

Messerschmittstr, 4 · D-80992 Munich

Phone +49 (89)-14329-0 · Fax +49 (89)-14329-1114

ir@softm.com · www.softm.com