nextevolution
annual report 2007

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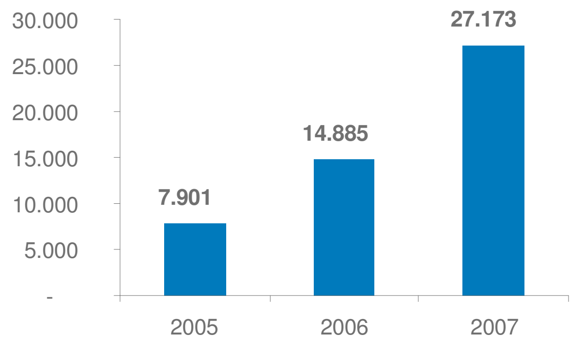
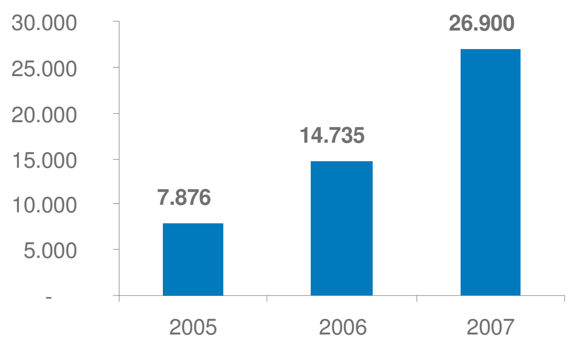
Comparison of balance sheet figures over recent years

- Change in total output 2005-2007 (in €'000)

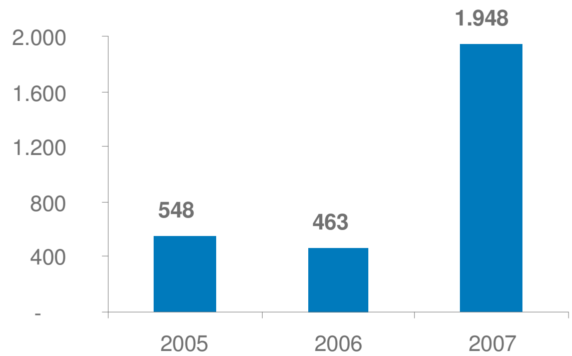


Change in turnover 2005-2007 (in €'000)

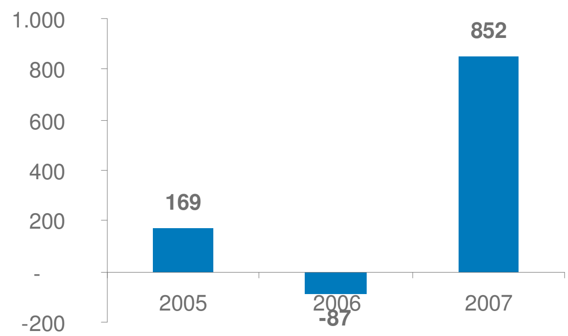


Comparison of income statement indicators over recent years

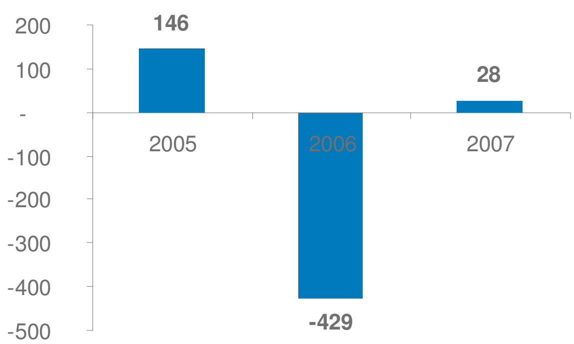
- Change in EBITDA 2005-2007 (in €'000)



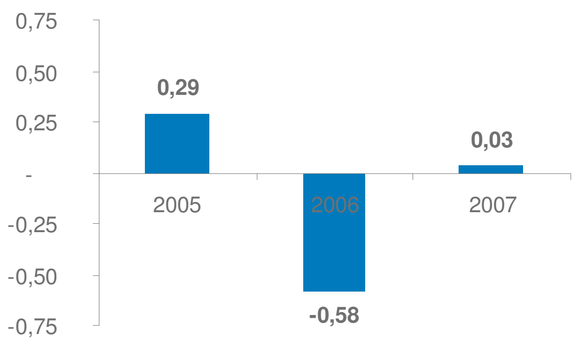
Change in EBIT 2005-2007 (in €'000)



- Change in net surplus 2005-2007 (in €'000)



Change in earnings/share 2005-2007 (in €)



Overview of financial indicators

Key Figures	31.12.2007 TEUR	31.12.2006 TEUR	Change TEUR	%	31.12.2005 TEUR
Balance Sheet Total	21,482	9,188	12,294	134	3,652
Total Equity	6,717	5,499	1,218	22	-225
Liabilities	13,815	3,689	10,126	274	3,877
Equity Ratio	31,3%	59,8%	28,5%	-48	n.a.
Cash and Cash Equivalents	536	2,031	-1,495	-74	133

Cash Flow Figures	31.12.2007 TEUR	31.12.2006 TEUR	Change TEUR	%	31.12.2005 TEUR
Cashflow	-1,495	1,898	-3,393	n.a.	97
Net Cash provided by Operating Activities	-289	-2,177	1,888	-87	-283
Net Cash used in Investing Activities	-3,312	-1,331	-1,981	149	-73
Net Cash provided by Financial Activities	2,106	5,406	-3,300	-61	454

Income Figures	31.12.2007 TEUR	31.12.2006 TEUR	Change TEUR	%	31.12.2005 TEUR
Overall Performance*	27,173	14,885	12,288	83	7,901
Revenues	26,900	14,735	12,165	83	7,867
Gross Earning	18,546	8,942	9,604	107	5,090
EBITDA	1,948	463	1,485	321	547
EBIT	852	-87	939	n.a.	169
Financial Result	-91	-10	-81	n.a.	-33
EBT	761	-97	858	n.a.	137
Net Income / Loss	28	-430	458	n.a.	149
EpS (diluted/undiluted)**	0.03 EUR	-0.42 EUR	0.45	n.a.	0.29 EUR

* Net Sales including Changes in Inventories and other own work capitalized
**Related to 1.077.869 Shares

Other important Figures	31.12.2007	31.12.2006	Change		31.12.2005
Number of Employees	217	82	135	164%	45

Aktienkennzahlen	
Authorized Capital	1,000,000 €
Number of Shares	1,000,000
Stock Price as of January 2, 2007	15.24 €
Stock Price as of December 28, 2007	8.90 €
Market Cap as of December 28, 2007	8,900,000 €
Segment	Prime Standard
ISIN	DE000AOJCOA2
WKN	AOJCOA
Symbol	N5E.ETR


nextevolution
consulting group

Contents

nextevolution AG Executive Board

- **Peter Ohl**

Born in 1957, and the holder of a degree in economic science, Peter Ohl has many years of experience in the IT sector. As the Chief Executive Officer of nextevolution AG, he takes special responsibility for the strategic development of the Group. In the past, Ohl has held management and executive positions at various well-known internationally active IT and software groups.

- **Nils Manegold**

Born in 1971 and the holder of a degree in macroeconomics, Nils Manegold is the Chief Financial Officer of nextevolution AG. His responsibilities also include capital market communication and the Group’s M&A activities. Before his appointment as CFO at nextevolution AG, Manegold held various positions in management in Participation Controlling, Group Accounting and Alternative Investments departments at well-known companies. Most recently, Mr Manegold held the post of Chief Financial Officer at an IT subsidiary of a large German retail group.

nextevolution AG Supervisory Board

- **Franz-Josef Lhomme,** Chair
- **Sven Lemiss,** Vice chair
- **Hans-Jürgen Beck,** Member

Foreword by the Executive Board

Dear Shareholders, Ladies and Gentlemen

nextevolution AG brought its financial year 2007 to a successful close, continuing its trend of dynamic growth established in the previous year, with further internal and external development.

The company strategy is based around the two core service areas of process-integrated content-management solutions and web or portal-based business solutions. The strategy is based on a concept of verticalization, or developing solutions in the context of specific application areas and industries. This approach has been further strengthened by two major acquisitions.

With its takeover of Centrum für Ertragsoptimierung AG (CEO AG), nextevolution reinforced its activities in the real estate management sector, which had already been successfully established in 2006. CEO AG generates more than 75% of its value added in this sector. The company provides customer-focused consultancy and develops CRM applications and web/portal applications on the basis of the SAP technology platform. Through these efforts it has developed an excellent customer profile, which offers the best opportunities for cross selling. Moreover, CEO AG also provides consultancy and a separate CRM solution to the manufacturing industry. With its existing expertise in the equally document-heavy area of customer relationship management, this takeover provides nextevolution with the opportunity of combining its own abilities in relation to process-oriented content management with the vertical expertise of CEO AG, and exploiting the existing foothold in the CRM applications market and in the manufacturing sector.

In the acquisition of BGS Beratungsgesellschaft Software Systemplanung AG (BGS AG), an IT service provider of 25 years' experience, we are exploring opportunities in the public sector. The aim of the acquisition was to join the dots in terms of services provided in relation to vertical penetration of existing application fields in the Defence, Government and Media/Broadcasting segments of the public sector. This will be accomplished by means of solutions for process-integrated content management and expanding business in web/portal-based solutions to join up the real estate management and public sector business areas by providing real estate management consultancy to the public sector.

Both companies have been established in their markets for many years, are profitable and have a stable customer profile.

nextevolution continued to increase its internal rate of growth by quickly and successfully realising existing synergies and potential for cross selling, and thus expanding business volumes.

Thanks to a demand-led, integrated range of services, and of course its technical expertise, the company won contracts with a range of well-known new customers. Among these are renowned companies such as BMW, Commerzbank and Commerz Real, as well as Kabel Baden Württemberg.

The operational performance can also be seen in the key financial indicators. With a year-on-year increase of 83%, the company generated total output of € 27.2 million, achieving the forecast band it had set for itself of € 25.7-27.7 million. Due to the one-off effects and unscheduled depreciation occurring during the period under review in the context of the change in segment and the takeovers, earnings before interest, tax and depreciation and amortization form a significant measure of the company's performance in the financial year 2007. As at the balance sheet date, EBITDA amounted to € 1.95 million, compared with € 463 thousand at the comparable point in the previous year, and is an impressive demonstration of the earning power of nextevolution AG. Non-operating expenditure for the past financial year amounted to approximately € 0.9 million. This included one-off expenses resulting from the change in segment amounting to approximately € 210 thousand, extraordinary expenses for the closure of the Frankfurt office and redundancy payments amounting to € 220 thousand, and unscheduled depreciation of € 184 thousand in the context of impairment tests. Despite these expenses, nextevolution AG generated EBIT of € 0.85 million, thus improving its earning power in terms of EBIT by approximately € 0.95 million within a period of one year, from € -87 thousand to € 0.85 million. This powerful growth produced a net profit of € 28 thousand, following the loss of € 430 thousand for the previous year which had been characterised by investment. Profit per share of € 0.03 is evidence of the earning power despite the investment in growth made during the reporting period.

By expanding our business activities and with the good performance of the financial indicators, we completed the move we started in 2006 to change stock exchange segment from the Entry Standard to the Prime Standard, which has increased obligations in terms of transparency. With effect from 14/05/2007, the company has presented itself to international investors through this segment, with the aim of increasing liquidity in the nextevolution share and raising awareness of the company.

Following strong, rapid growth in 2006 and 2007, activities are focused on results, with further planned exploitation of cross selling potential and further-reaching integration of the services offered by the nextevolution Group. We remain convinced that we can significantly improve our sales and earning power again in the coming financial year, thus also significantly increasing the company’s profitability.

Peter Ohl	Nils Manegold
Chief Executive Officer	Chief Financial Officer

High value added in the nextevolution Group

The nextevolution Group is pursuing an integrated approach of providing consultancy and solutions that cover the entire lifecycle of a business solution, from consulting in the design phase through implementation to administration and management during the operational phase. This approach allows us to ensure the entire range of services can be provided consistently and efficiently to the benefit of our customers.

With its core emphasis on process-integrated content management solutions and web/portal-based business solutions, the nextevolution Group targets niche markets that demonstrate increasing levels of demand. From the point of view of an environment consisting of conventional, exclusively process-oriented business systems, with all the deficiencies this entails, the purpose of content management solutions is to provide access to business content (weakly typed data in the form, for example, of documents and texts), to integrate these into process-oriented solutions (such as ERP systems) and to allow content or document-driven business processes to be replicated in IT. The use of web or portal technologies is ideal for the purpose of implementing customer-specific business processes and solutions. This state of the art technology supports SOA (service-oriented architecture) and is very well suited, beyond the realms of internal corporate solutions, to the implementation of application solutions that support business collaboration with partners. Frequently these applications take the form of an enhancement or complement to conventional business systems (such as ERP).

Meanwhile, building in a high degree of usefulness for the customer requires the use of trend-setting technologies in specific specialist and sector-related applications. nextevolution Group is operating this strategy of vertical market penetration in the real estate management, broadcasting, government, defence and manufacturing sectors through its management of companies that specialize in each area. In a wide range of application fields, we have developed our own software solutions that have been marketed through our own customer projects or via sales partners. Our solutions and applications are based on the technology platforms supplied by leading vendors such as IBM (FileNet), SAP and Microsoft.

Access to cross-selling potential, between the companies within the nextevolution Group, is gaining importance and represents a competitive advantage. Each specific business area in which we have a position matches a market segment that has demonstrated growing customer demand. We anticipate this trend to continue in the marketplace, and are convinced that consistently adhering to the path we have set ourselves will continue to contribute to positive growth in the company in the coming years.

The structure of the nextevolution Group allows us to provide offers for integrated solutions, which are introduced as part of the requirements analysis and subsequent design and product evaluation phases.

The design of the overall solution for each customer incorporates platform products supplied by leading vendors, our own application solutions as well as customer-specific models. Due to our high level of expertise in systems integration, we can meet these multi-faceted demands over the lifetime of the project, and implement solutions that demonstrate a high degree of usability. nextevolution Group supports the projects in the after-sales production phase with product maintenance and application management services.

As part of our verticalization strategy, we are also undertaking efforts to expand our business activities to other sectors and other application fields. The move into additional application fields supports the strengthening of our competitive position as a systems integrator focusing on the afore-mentioned core services, and is a significant driver for growth.

Management talk

Mr. Ohl, the performance of nextevolution in the financial year 2007 was extraordinarily dynamic. With year-on-year growth in sales of 83% or € 12.2 million, you have continued to progress the company's development and the success of 2006. What were the main growth drivers this year?

Ohl: Alongside the organic growth that was realised largely by expanding our project-based and product-based business in process-integrated content management solutions based on the SAP Netweaver/Records Management technologies, acquisition of other companies played a large role contributing approximately € 12.8 million to the Group's sales in 2007. In addition to the resulting consolidation effects, subsidiaries within the Group were able to expand their business activities by successfully realising cross-selling potential. This potential was exemplified in 2007 by the combination of the market access provided by BGS AG to the public sector with the core expertise in Enterprise Content Management contributed by nextevolution in successfully concluded, high-margin IT services projects. The objectives of this acquisition were twofold. Firstly, we were striving for an attractive company size and market presence that would bring us more into the eye of potential customers. Secondly, we wanted to deepen our commitment in the real estate management sector, and also add the public sector to our portfolio. With these aims in mind, we acquired two companies that are an ideal enhancement to the existing range of services, and therefore significantly strengthen the nextevolution Group in relation to the requirements of the market. With the integrated portfolio of services, the new group structure provides significant potential for growth that will sustainably increase the value of nextevolution AG and will have a positive impact on future sales and earning performance.

In taking over BGS AG, you have obtained access to the public sector market. Meanwhile, your acquisition of CEO AG represents an expansion of the services you can offer in relation to CRM (Customer Relationship Management) as part of nextevolution's existing real estate sector activities. In which areas do you think is the greatest potential to be derived from these takeovers?

Ohl: The acquisition and integration of both companies are of great value for the future development and market position of nextevolution AG. The existing potential is derived firstly from verticalization, i.e. obtaining access to new sectors of industry and fields of application for our core technology-driven services. Secondly, it also comes from the ability to connect the public sector and real estate management business areas. The public sector is a major operator of properties in both housing and buildings for public and official use. Where these two sectors intersect, there are additional advantages for our sales and service provision efforts.

CEO AG allows us to reinforce our commitment in real estate management, providing us with access to a highly attractive field of applications. The expertise of CEO AG in terms of consultancy and the realization of solutions for CRM, which we have incorporated into our services portfolio, offers a wide range of advantages. Commercially oriented customers see CRM as a business-critical application, attaching to it corresponding levels of importance and demonstrating a high propensity for investment in the field. CRM solutions are extremely content-heavy applications, and are ideal candidates for our approach of process-integrated content management. Alongside its activities in real estate management, CEO AG has also enjoyed success in the manufacturing sector. The manufacturing sector is a very wide-ranging market segment, offering further opportunities for verticalization, in addition to CRM.

Mr Manegold, you have successfully completed the steps you needed to take to establish a sustainable positioning of the nextevolution Group. What are the decisive factors in an acquisition, from your point of view?

Manegold: In our acquisitions we place particularly high value on sustainability and the suitability of the target company for integration in the nextevolution Group. The major factors affecting our investment decision are whether the acquisition represents a convincing enhancement of our services from a strategic point of view, and whether we can see obvious potential for synergies and cross selling at Group level that can be realised quickly. Moreover, the revenue situation of the company, or its potential for revenue optimization after integration in the nextevolution Group, is also a significant factor in increasing the Group's profitability alongside the expansion in business volumes.

The companies you have acquired generate sales of € 11.6 million (BGS AG) and € 7.1 million (CEO AG). Due to the consolidation in the nextevolution Group as at 1 June 2007 and 1 October 2007 respectively, these sales are only included at corresponding proportions in the consolidated result of nextevolution AG. What do you expect the effects of this consolidation to be in the coming financial year?

Manegold: If you extrapolate the sales of the two companies over the full year, this produces Group sales of approximately € 35 million. This performance will not be seen until the financial year 2008. By connecting up the individual business areas and services offered, we will also be able to drive organic growth, to the extent that profitability of nextevolution AG will increase significantly in the financial year 2008.

Third and fourth-quarter sales were significantly higher than performance in the first half of the year. What are the reasons for this development?

Manegold: Sales growth this financial year is definitely linked to the acquisitions and realisation of the cross-selling potential. In general, across all companies – and this applies equally for nextevolution AG, BGS AG and CEO AG – the final four months of a financial year produce the strongest sales results. This is due to the fact that the implementation phases of projects are normally completed by the year end. A further significant factor is that the sale of software licences enjoys a seasonal high at year end, so that major increases in product sales appear in the fourth quarter. These will continue to be the main reasons why our business model will record its most dynamic sales growth in the final two quarters of any given financial year.

Sales achieved by nextevolution AG can be differentiated according to services, products and maintenance. You grew sales of services by approximately 116% in comparison with the previous year, from € 8.3 million to € 17,9 million, while sales of products and maintenance rose only slightly or remained the same. What importance do these different sales have for the earning power of nextevolution AG?

Manegold: Sales of services form the core business of nextevolution AG. As a consultancy, the demand for our IT services and the associated specialist expertise of our employees is of significant importance to us, and for that reason these sales are especially important for us. Thanks to the high levels of employee utilization, at 82.0% in the financial year 2007, we have been able to achieve the higher margins in this segment. The advantage of maintenance sales is that they are not subject to seasonal fluctuations, generating continual monthly income. Moreover, the continuity of maintenance services and application management/administration is an effective form of ensuring customer retention, since we are able remain as the primary point of contact in the post-project phase for customers for whom we have implemented solutions, and can therefore keep in touch with the customer. Often, this reveals opportunities for further solution enhancements or new projects. The product sales, which comprise IT hardware and software licences, both our own and those of our partners, are solely the result of project-based implementations. Each of the three sales forms are dependent on the other two, and are important pillars of our overall sales profile.

Sales Split	2007	2006
Service	17.914.919,78	8.279.484,37
Goods	4.107.320,37	3.762.056,09
Maintenance	2.610.558,30	2.639.872,83
Others	2.267.236,60	54.197,01
	26.900.035,05	**14.735.610,30**

You have achieved your sales forecast for 2007. The final EBITDA amounting to € 1.95 million is € 1.49 million greater than the previous year's result of € 463 thousand, and is an impressive demonstration of the earning power of your company's business model. Nevertheless, EBIT remained slightly down on the expectations announced in your nine-month report. What is behind this performance?

Manegold: Firstly, it is important that we look very closely at sales performance and the company's strategic direction with its future growth and earning potential. Looking back over recent years, we have not only increased revenue from € 7.9 million in 2005 to € 26.9 million now, but have also achieved important milestones, which both contributed to a significant increase in the company's value, and also represent an excellent platform on which the company can now grow. In particular, we significantly strengthened the company's market position in 2007. This allowed us to generate EBITDA of € 1.95 million, significantly exceeding the previous year's figure with an increase of € 1.49 million. Due to special effects amounting to approximately € 935 thousand, which can be attributed mainly to the segment change and to expenditure relating to the acquisitions, such as, for example, impairment over less than five years of intangible assets as part of the Purchase Price Allocation process in Spring 2008, EBIT has remained slightly below forecast levels. We were able to increase this figure by € 939 thousand from € -93 thousand as at 31/12/2006 to € 852 thousand as at the balance sheet date. Due to the one-off and therefore non-recurring special effects amounting to approximately € 680 thousand, we are convinced that the coming years will see dynamic growth and increased profitability. Taking into account the full-year effects from the acquisitions, continuing organic growth, the fact that the special effects of the acquisitions were one-offs that will not recur and the segment change, in the financial year 2008 the company will be able to demonstrate its full earning power. For this reason we are extremely satisfied with performance so far, and anticipate further potential to growth revenue in coming years.

You have successfully attained the targets for the financial year 2007 and have built nextevolution AG up so that it is the biggest provider of ECM solutions across Germany. Despite the acquisitions and continued growth in 2007, the company's share price has fallen in this, the strongest year of growth. How do you assess this performance?

Manegold: The general performance of IT companies listed on the stock exchange has proven to be difficult in 2007. The sensitive and volatile market environment has also hit IT companies that have been established in the sector and on the capital markets for a long time. In our case, we also had to deal with the more critical view of investment professionals in relation to small caps with a short history on the capital markets. Investors analyse the opportunities in a share extremely closely, but also consider the risks that may be associated with an investment. During turbulent times on the stock exchange, the propensity to invest is higher when a company has proven that the strategy it has selected has produced the forecast results.

We believe that with the success of our growth in the financial year 2007 and the prospects for growth in the coming years that will result from the expansion of the company in 2007, we can prove to players in the capital market that the strategy we have chosen is the correct one. Confirmation of our strategy, as demonstrated by the positive performance of the key financial indicators, will set the stage for a complete revaluation of nextevolution AG on the stock exchange.

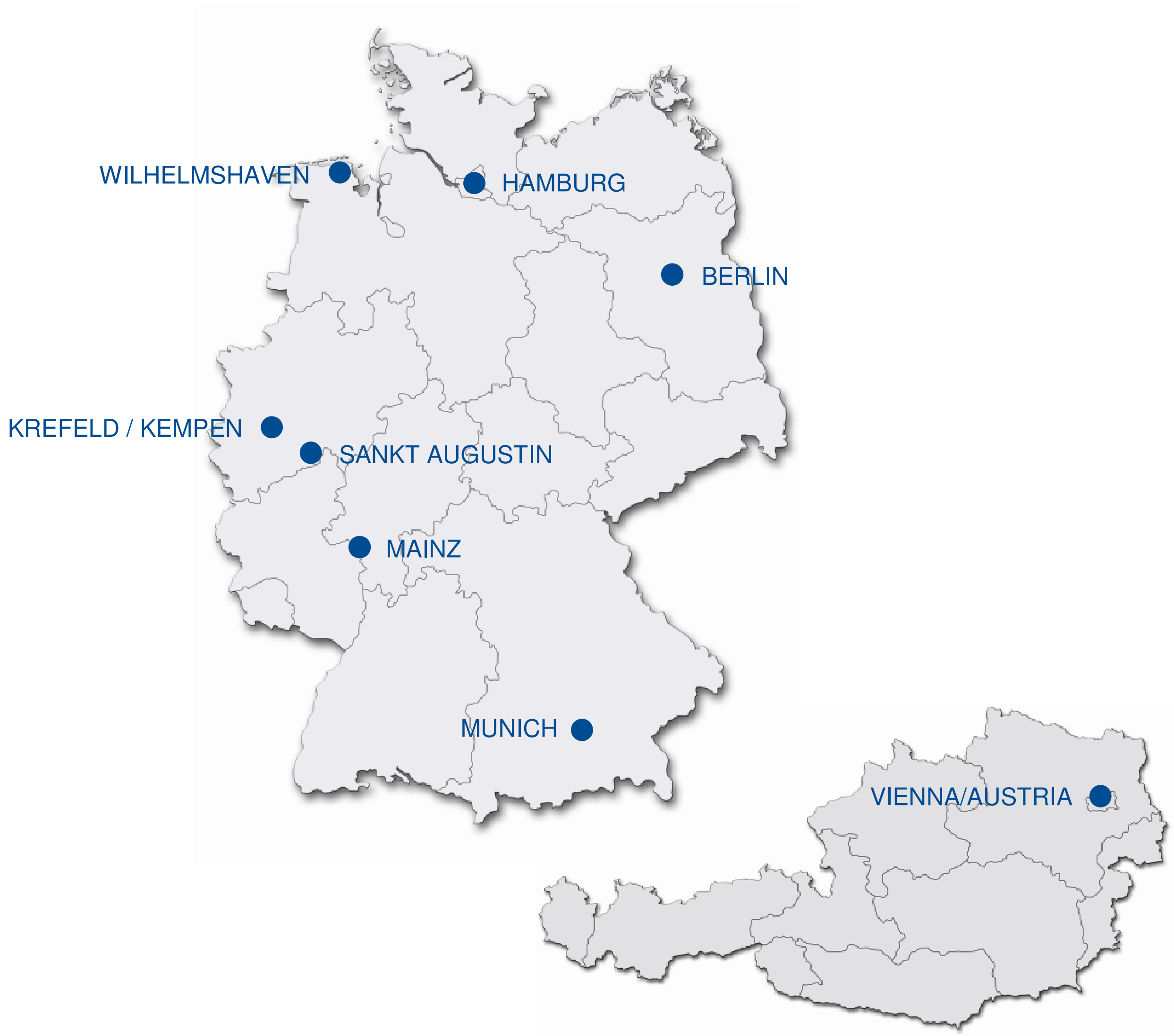
Mr Ohl, both 2006 and 2007 were marked by extraordinary growth. What are your operational targets for the financial year 2008?

Ohl: During the current financial year 2008 we are concentrating on realising the synergy and cross-selling potential that is now exposed by the acquisitions made by the Group. In continuing the process of linking together the various areas of our services, we are aiming to expand our business volumes significantly. In respect of this objective, we receive valuable support from our active partnerships with IBM (though FileNet) and SAP. A further aim is to determine additional application fields and sectors that are suitable to continue the verticalization of our core services, in order to maintain our successful strategy in the coming years and to further expand our existing competitive advantage. As part of our verticalization strategy, we will develop and sell more and more of our own solutions for application fields that demonstrate potential for standardization.

Offices of the nextevolution Group – acquisitions increase local presence

During the financial year 2007, nextevolution AG expanded its presence to 8 offices. The significantly wider stage on which the nextevolution Group is now active allows it to get closer to major existing customers, and reduces the costs of deploying consultants and software engineers to customer sites in the scope of projects. The new offices in Wilhelmshaven, St. Augustin, Krefeld/Kempen and Mainz were taken over as part of the acquisitions of BGS AG and CEO AG. The nextevolution branch in Frankfurt am Main was moved to Mainz in order to take advantage of the larger facilities in the offices of BGS AG.

The nextevolution Group is present in the major economic regions and with its local presence can offer and provide its services more effectively and more reliably to the market.



Group structure of the nextevolution Group

The group structure of nextevolution AG underwent significant expansion in the financial year 2007. Two acquisitions were successfully completed, to operate alongside the existing subsidiaries of NEMC GmbH and qdm GmbH. The takeover and integration of Mainz-based BGS AG and its subsidiary net on GmbH and Krefeld-based CEO AG strengthen the capabilities and positioning of the nextevolution Group as an IT service provider and systems integrator.

nextevolution AG

Business Areas	Investments
Enterprise Content Management	**BGS Systemplanung AG (90.0%)** ▪ Government ▪ Defense ▪ Media Enterprises
Financials & Business Integration	**CEO AG (64.8%)** ▪ Customer Relationship Management ▪ Manufacturing Industry ▪ Real Estate Management
Technical Integration	**NEMC GmbH (Mgmt. Consulting) (75.0%)** ▪ Performance Management ▪ IT-Management
Real Estate	**nextevolution GmbH (Austria) (100.0%)** ▪ Sales Representation
	qdm GmbH (IT-Sourcing) (100.0%) ▪ IT-Specialist (internal / external)
	Net On GmbH (Subsidiary BGS AG) (51.0%) ▪ Network Technologies

Milestones – paving the way for future growth

Acquisition of BGS AG – faster access to the public sector markets

In June 2007, nextevolution AG took over BGS Beratungsgesellschaft Software Systemplanung AG (BGS AG), with its base in Mainz. The objective of this acquisition was to continue the strategy of accessing attractive niche markets and verticalizing the core services of process-integrated content management solutions and web or portal-based business solutions. The interdisciplinary combination of IT expertise and specialist industry knowledge creates an advantage in the company's positioning vis-à-vis its competitors, which will help strengthen its market position on a sustainable basis. This strategy was already proven in the financial year 2006 by the successful establishment of business in the real estate management sector.

With the 90% acquisition of BGS AG (sales in 2006: € 10.9 million; EBT in 2006: € 0.8 million; employees in 2006: 103), which has established itself over 25 years as an IT services provider and systems integrator for public sector clients, nextevolution has succeeded impressively in acquiring access to the market and thus accelerating its strategy of verticalization. In addition, the acquisition also enhanced the nextevolution Group's local presence, adding three new offices.

The total purchase price was € 4.25 million, to be paid in 3 tranches as follows: € 2.8 million in June 2007, followed by payments of € 0.72 million in March 2008 and January 2009.

The strategy of linking together different aspects of the core services already demonstrated initial convincing success in projects in the financial year 2007, and will permit sustainable expansion of business volumes. With the takeover of BGS AG, the nextevolution Group has expanded its customer profile to include state and federal ministries, the armed forces, public-service media bodies and communal organizations.

Takeover of CEO AG

In October 2007, nextevolution AG acquired 64.8% of the shares in Krefeld-based Centrum für Ertragsoptimierung AG (CEO AG) from several corporate shareholders and other private shareholders. CEO AG focuses on Customer Relationship Management, supplying concepts and solutions to increase customer value in services and industrial sectors. CEO AG obtains the major proportion, more than 75%, of its value added from consulting and developing application solutions for the real estate management sector. Therefore, the services of CEO AG complement those currently offered by nextevolution AG.

With its base in Krefeld, CEO AG generated sales of approximately € 7.1 million in the financial year 2007, with an EBIT margin of around 8%. CEO AG will form an independent company within the nextevolution Group. The company was first consolidated as at 1 October 2007.

SAP Special Expertise Partner

Since 1 August 2007 nextevolution AG has been a certified Special Expertise Partner of SAP Deutschland AG & Co. KG in the product area NetWeaver / Records Management, which forms the basis for process-integrated content management solutions using the SAP technology base. In order to join the Special Expertise Partner (SEP) programme, companies must demonstrate particular expertise in specific SAP solutions. On the basis of this partnership, nextevolution AG has regular cooperation with SAP sales staff and consultants. The advantages for nextevolution AG are that it can share a stage with SAP at events and when acquiring new customers. Moreover, SAP sales staff inform their customers of the solutions offered by nextevolution and arrange contact with customers with the aim of initiating business. This proximity to the vendor will support the success of our sales efforts on a sustainable basis.

Reduction in Executive Board

As part of the dynamic expansion in the core business areas of nextevolution AG, the company reduced the size of its Executive Board on 1 October 2007. Marc Schomann, the Executive Board member with responsibility for Management Consulting left the board on 30 September 2007. With the acquisition of BGS AG and CEO AG, the share of the Management Consulting services segment in the overall Group services portfolio has dropped. In order to increase efficiency in collaboration between the Group companies, NEMC will now position itself more consistently to offer business management and concept consulting to customers in the early phases of their project proposals, and in the acquisition of new customers and in obtaining access to specialist application fields for process-integrated content management solutions. With effect from 1 October 2007, the Executive Board of nextevolution AG now comprises the existing Chief Executive Officer, Peter Ohl, and the Chief Financial Officer, Nils Manegold.

Technology Fast 50 Award – Deloitte rewards growth of nextevolution AG

The dynamic growth of nextevolution AG has been recognized by Deloitte, which named the company in ninth place in its Technology Fast 50 Award, given to the 50 strongest growing German technology companies, that take part at the competition. The company's five-year growth rate is 1439.22%. The Deloitte Technology Fast 50 forms part of an international competition in which the 500 fastest growing companies from Europe, Asia/Pacific and North America are rewarded.

Switch to Prime Standard

Following the listing of nextevolution AG in the Entry Standard of the German Stock Exchange and the successful conclusion of two capital increases, the company decided on the basis of the significant expansion in its business and excellent prospects for growth to undertake the switch in segment that had been targeted since 2006. With accession to the internationally recognized Prime Standard quality segment, nextevolution AG has underlined its position in the capital market and is taking account of the transparency requirements for participants in the international capital market. As part of the switch in segment, the entire share capital of one million shares was admitted to trading. The company's first day of trading in the Prime Standard was 14 May 2007.

DEUTSCHE BÖRSE
PRIME STANDARD

Structure of nextevolution Group supports acquisition of new customers

In the financial year 2007, the nextevolution Group intensified its cooperation with existing customers and acquired new customers across many segments. Besides these acquisitions, the company acquired a number of high-calibre customers from the takeovers of BGS AG and CEO AG. The expansion of the services offered encompasses significant potential for cross selling, the realization of which is planned for the financial year 2008. In conjunction with the successful acquisition of new customers, the share in sales of the ten largest customers fell considerably from 62.2% to 44.2%. This development ensures that nextevolution AG is less dependent on individual large customers.

BMW AG – automotive constructor opts for nextevolution contract management solution

Munich-based BMW AG is planning to introduce a group-wide and therefore global contract management solution for procurement. With this in mind, the company has commissioned nextevolution to consult on the concept phase. The projected solution will be introduced in two stages. Stage one comprises the management of legal service-level agreements, while stage two is concerned with the management of contracts on an operational basis.

Commerz Real AG – real estate asset manager opts for nextevolution AG

Commerz Real AG, one of Europe's largest real estate asset management companies with a managed portfolio of € 42 billion, has select nextevolution AG to provide consulting in relation to the creation of a single, consistent operating costs model for its wide-ranging commercial property portfolio and to implementation of this model into its existing business systems. The best-practice approach of optimized operating cost structures is intended, through medium and long-term planning, to support cost budgeting and budget monitoring as well as comparison analyses and benchmarking.

- ***Federal Defence Force WEWIS***

  nextevolution AG has been selected for cooperation on the WEWIS project of the German Federal Defence Force (*Bundeswehr*). WEWIS (*Wehrersatzinformationssystem*; Defence Recruitment Information System) provides several thousand users with fully automated handling of procedures at regional recruitment offices. The handling consists of working with electronically archived paper documents, e-mail messages and other documents. The application is designed to optimize internal workflows and will help shorten call-up periods. In this project, nextevolution AG was subcontracted by BWI. nextevolution AG is supporting the technical migration of the WEWIS application to a Service-Oriented Architecture (SOA) and won the job thanks to its position as Germany's largest provider of ECM solutions. The winning of this long-term project contract was enabled by the interdisciplinary cooperation between BGS AG and nextevolution AG, and represents the typical success of cross-selling potential.

- ***Kabel Baden-Württemberg-nextevolution AG successful in tender for invoice auditing solution***

  nextevolution AG beat off its competitors with its bid submitted to cable TV operators Kabel Baden Württemberg GmbH & Co. KG in relation to the introduction of an invoice auditing solution. Kabel Baden Württemberg is among the largest cable network operators in Germany and Europe, offering more than 600 digital TV channels alongside 80 analog channels as well as Internet and telephone services. nextevolution AG will implement the invoice auditing process on the basis of the IBM FileNet P8 BPM software system. nextevolution is designing and creating the entire solution which it will also integrate with SAP R/3.

- ***ÖBB-Dienstleistungs GmbH-***

  Austrian Federal Railways uses nextevolution to manage staff files

  Austrian Federal Railways is converting from paper-based personnel files to digital files throughout the group. As a SAP Special Expertise Partner for Records Management, nextevolution convinced ÖBB GmbH of its IT expertise and successfully beat other competitors. nextevolution has implemented the software which will look after 43,000 active employees.

- ***Deutsche Rentenanstalt***

  nextevolution AG has won the contract to implement an electronic personnel file system based on SAP Records Management for the German Pension Agency, *Deutsche Rentenanstalt*. The deal concerns a total of 30,000 personnel files. nextevolution beat off numerous competitors to obtain this contract, which was offered for tender throughout Europe.

- ***IBM is a nextevolution customer***

  The takeover by IBM of FileNet allowed nextevolution AG to expand its business relationship with Big Blue as a partner. IBM contracted nextevolution AG to take part in the DOMEA certification process for the IBM FileNet software. DOMEA certification is needed in order to operate as a provider in the public sector.

- ***nextevolution attains highest level of partnership with IBM***

  The success of the cooperation between IBM and nextevolution led in February 2008 to the latter's elevation within the PartnerWorld programme, as IBM promoted nextevolution from an Advanced Partner to a Premier Partner. Premier Partner is the highest level of partnership that a company can attain with IBM. This status provides nextevolution with access, for example, to IBM sales-support resources and services to support the acquisition of new contracts, accelerate the sales cycle and significantly strengthen the market position of nextevolution AG. Since the Premier Partner status applies to the entire group, nextevolution is also able to improve the competitiveness of its subsidiary companies, thus providing the group with a major advantage in its approaches to the market.

Investor Relations – living between the bulls and the bears

Excellent performance of German blue chips – difficult situation remains for small caps

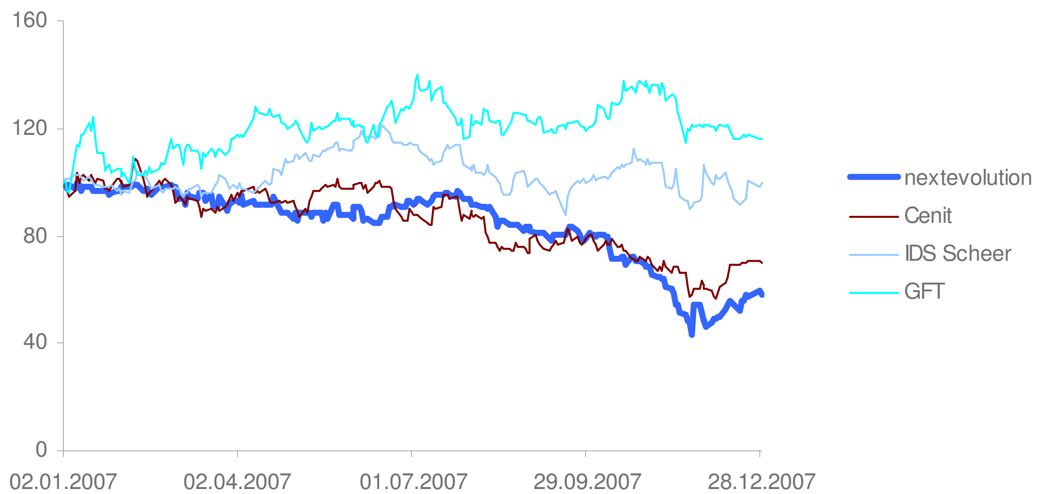
The headline indices of the major international stock exchanges continued their positive performance from the previous year. The *Deutsche Aktien Index* (DAX; German Share Index) also followed this trend, reflecting the high levels of demand for blue-chip stocks. Closing the end of 2007 at 8,067 points, the DAX recorded 20.7% growth from its level at the start of the year. The same trend was followed by the Prime All Share Index, which closed 18.4% up at then end of year, at 3,014 points. However, not all companies benefited from this overall market performance. Due to the propensity of mainly institutional investors to invest in German blue chips, small caps suffered, some recording sharp falls in value. An analysis of the Entry Standard, in which shares in nextevolution were listed until the beginning of May 2007, underlines this performance. The index fell from 1,222 points to 1,063, closing down 13.0% at year end. nextevolution AG was unable to escape this trend. While its shares were valued at € 15.24 at the beginning of the year, on the last day of trading in 2007 they were worth € 8.90. That corresponds to a percentage-terms fall of 41.60%.

Performance overview

	02.01.2007	28.12.2007	Performance	High	Low
nextevolution AG	15.24 €	8.90 €	-41.60%	15.24 €	7.00
Entry All Share Performance Index	1,222	1,064	-12.90%	1,294	1,025
Prime All Share Performance Index	2,547	3,014	18.30%	3,078	2,479
Deutscher Aktien Index	6,681	8,067	20.70%	8,092	6,447

Price performance of nextevolution share vs. indices (starting basis in %)

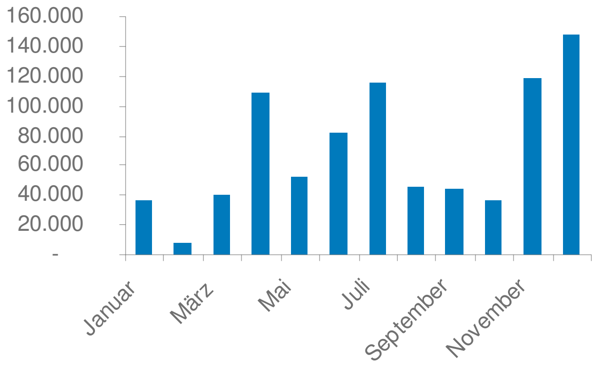
Price performance of nextevolution share vs. peer group (starting basis in %)

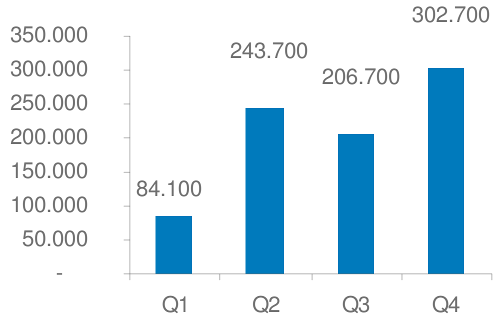


Segment switch underlines commitment to the capital market

In April 2007, nextevolution AG completed its aim set in 2006 of switching segment from the Entry Standard to the Prime Standard of the Frankfurt Stock Exchange. The switch in segment underlines the company's commitment to the capital market and its focus of meeting the requirements of international investors. After promotion to the Prime Standard the average number of traded shares increased considerably. While approximately 84,000 shares were traded during the first quarter of 2007, the following three quarters experienced average trading of around 250,000 shares. The higher levels of trading improve the opportunities for establishing a fair price of the share, making it easier for institutional investors to get on board.

Overview of traded shares (volumes in units of 1 share)

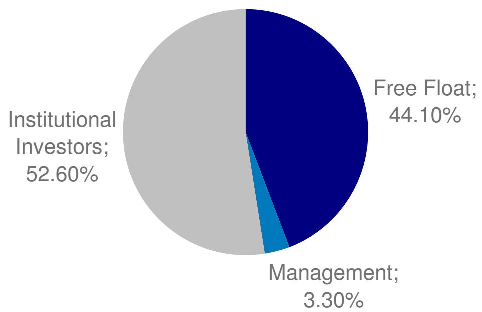




Shareholder structure thoroughly optimized by restructuring of 376,000 shares

As part of the segment switch, nextevolution AG restructured its shareholder profile. By rescinding the lock-up provisions with the agreement of the underwriting bank, the shareholdings of the founder and the previous major shareholder in nextevolution AG were restructured. The 376,000 shares were placed through a book building procedure with international investors who have a long-term view. With this successful secondary offering, the company now has a new, more independent shareholder structure, as can be seen from the chart below.

Free Float	44.14%
AvW Gruppe	16.10%
Allianz SE	11.61%
VA BW	9.00%
Fortis Investment Management Belgium S.A.	7.25%
DB Platinum SICAV Luxembourg	3.60%
Shareholder Value Beteiligungen AG	3.50%
Management nextevolution	3.30%
Allianz Global Investor	1.50%



Capital market communication continues

nextevolution AG maintained its intensive dialog with capital market participants during the financial year 2007. Alongside its communication published through the nextevolution web site (www.nextevolution.de > Investor Relations), which provides detailed information for investors, the company's management has been in constant communication with investors, analysts and journalists. A number of one-to-one discussions have been held, and nextevolution also participated in the German Equity Forum (*Deutsches Eigenkapitalforum*) in November 2007. This dialog will continue in 2008. Communication activities will focus on presenting nextevolution AG at several events for potential investors, with the objective of increasing the company's profile among investors and analysts in order to convince them of the attractiveness of the business model.

Investment analyses confirm future growth and earning power for nextevolution AG

During the financial year 2007, the number of analysis companies publishing reports on nextevolution AG rose. Alongside Independent Research, we also succeeded in persuading Vara Research to produce a company analysis. The reports confirm that nextevolution AG has a market-oriented outlook and high sales and earning power. Both analysis companies forecast a target price that is higher than the current share price. For 2008, the addition of further analysts will form a core element of our Investor Relations activities in order to provide capital market participants with a comprehensive, independent view of nextevolution AG thanks to the assessment of third parties.

Industry environment

- ***World economy stable in 2007***

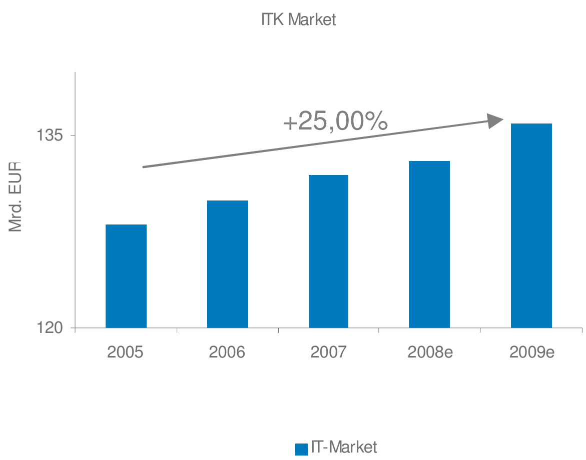
  The world economic performance was robust in 2007. The strong growth of the emerging markets also contributed to this positive development. Only the problems experienced in the middle of 2007 by US banks in relation to subprime loans led to debt worth billions being written off, causing a confidence crisis in the banking sector. With to the banks' reticence to provide loans and the rising rate of decline in prices in the US housing market, the global economy weakened as a result.

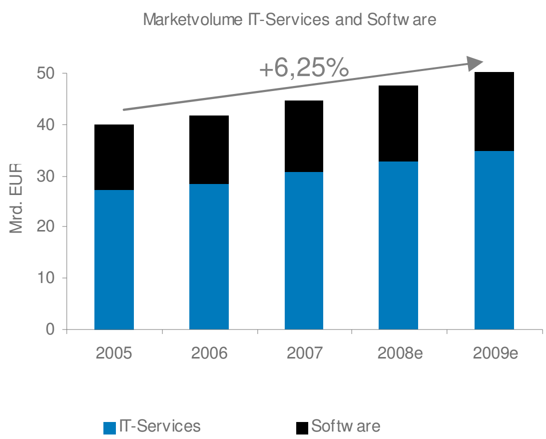
- ***Stable growth also recorded in Germany***

  According to provisional calculations by the *Statistische Bundesamt* (Federal Statistical Office), German economic growth (price adjusted) was 2.5%, while consumer prices increased at a rate of 2.3%. This corresponds to the strongest rise since 1994. The main drivers of this performance were, however, the fast-increasing prices for energy (oil and gas) and food. It is now assumed that economic growth will weaken slightly, due to both rising prices and the troubles dominating the financial markets. The *Deutsches Institut für Wirtschaftsforschung* (DIW; German Institute for Economic Research) in Berlin thus expects continued positive economic growth for 2008 and 2009. Forecasts for 2008 are for growth 2.1%, while the inflation rate is expected to be below 2%. Based on the positive performance of recent years, provisional calculations by the Federal Statistical Office indicate a balanced state budget for the first time since 1989 (discounting 2000, in which one-off income from the auction of UMTS licences produced a surplus).

IT services and software remain growth drivers in the sector

The IT market recorded gratifying levels of performance in 2007. As in previous years, according to figures published by the *Bundesverband Informationswirtschaft Telekommunikation und neue Medien e.V.* (BITKOM; German Association for Information technology, Telecommunications and New Media), the ITC market grew by some 1.5% in 2007, to € 131.4 billion. Telecommunications services fell by 2.2%. The continuing fall in prices for communications services could not be offset by increased volume. Once again, the telecommunications sector was characterized by high competitive pressure between individual providers. Performance of the IT hardware sector was stagnant, with a slight increase of 0.7%. The drivers of growth in the industry remain IT services (+7.9%) and software (+5.2%). According to BITKOM, this sustained trend will persist in the coming two years. Only the lack of specialist workers could increasingly become an obstacle to growth.





Industry performance

Corporate consultancy

According to data published by the *Bundesverband Deutscher Unternehmensberater* (BDU; German Federal Association of Corporate Consultants), turnover in the sector grew by 11.8% in 2007 to € 16.4 billion. In view of the fact, too, that some 90% of the consulting companies surveyed by the BDU plan to continue hiring, 2008 should enjoy similar levels of positive growth as 2007. From the consultants' point of view, their customers' five main priorities are "customer relationship management, innovation, cost management, globalization and organic growth".

Applications / Enterprise Content Management (ECM)

Due to the high degree of fragmentation of the IT consultant market, with many small companies and just a few large ones, it is obvious that many IT consulting companies attempt to escape the existing pressure of competition by specializing in a niche segment. With the growing demand for software solutions too, there are increasing numbers of industry-specific own-development IT applications. This area is characterized by larger barriers to market entry, due to the required development expertise of the IT sector and the associated industry expertise, which means significantly higher margins are available.

According to assessments by market experts, the ECM market did not miss out on growth in 2007 either. In total, the global market for ECM software is believed to have attained a volume of some US$ 2.3 billion, while the market for ECM services has been valued at US$ 7.0 billion. These figures represent growth of around 15%.

In Germany, the ECM market has not quite attained the strong growth rates of the world market. Nevertheless, forecasts for 2008 place the market volume for ECM software in Germany at around € 800 million (+7.4%), while the market for ECM services is expected to rise by around 6.3% to approximately € 1.06 billion.

- ***Real estate***

In 2007, the real estate sector was faced with new challenges, as energy prices continued their rise, which had started in 2004. The International Energy Agency (IEA) is of the opinion that this trend will persist further. At the same time, discussions about CO_2 emissions became more mainstream. The introduction of an energy performance certificate scheme for German buildings has taken account of this development. Furthermore, the subprime crisis in 2007 caused financing costs to rise for investors in the real estate sector. Due to the increasing levels of bureaucracy in dealing in real estate, as well as higher demands being made of properties in terms of efficiency and yields, the demand for consulting and software services in the real estate sector experienced a positive effect in 2007.

- ***Public service***

The advantages of IT specific applications for the public sector lie in both faster and more efficient workflows (higher productivity) and higher quality of service. Overall, improved productivity in public administration could lead to reduced cost to the state, while simultaneously increasing economic growth and competitiveness. In Germany, too, the state is placing great emphasis on the topic of e-government. While the e-government market volume in Germany was worth € 9.5 billion in 2004, a study carried out by MICUS Management Consulting GmbH on behalf of the *Bundesministerium für Wirtschaft und Technologie* (BMWi; Federal Ministry of Economics and Technology) into the effects on the overall economy of broadband usage reported that the corresponding figure in 2007 would have increased by +15.8% to € 11.0 billion. By 2010, the company's experts anticipate that the market for services relating to e-government will have grown by a further 15.4% to € 12.7 billion. Despite the high share of European total market volume contributed by German e-government, the consulting firm Accenture sees German e-government as somewhat of a latecomer in an international comparison, currently occupying a mid-table slot. As a country without its own resources of raw materials, it is even more important to take a place of leadership in relation to technology. For this reason there is a need for investment to catch up with those at the top.

The investment climate is favoured by the fact that budgets at Federal, Land and municipal levels, and in the social insurance accounts are in surplus for the first time since reunification in 1989. According to provisional calculations provided by the Federal Statistical Office in March 2008, the financing balance for the entire year 2007 was € 10.9 billion. In comparison with the previous year, in which a deficit of € 18.7 billion was reported, this is a rise of € 29.6 billion, and is mainly due to incomes rising (+3.40%) more quickly than spending (+0.43%).

Corporate Governance Report with Declaration of 1 December 2007

Preface

According to Item 3.10 of the German Corporate Governance Code, the Executive Board and Supervisory Board should provide a yearly statement regarding the corporate governance of the company in the Annual Report. This section comprises the nextevolution Corporate Governance Report for the financial year 2007.

As a joint-stock company under German law, nextevolution AG has a implemented a dual system of company management and supervision. There is a clear differentiation of the tasks and personnel between the corporate bodies of the company, the Executive Board and the Supervisory Board. The Shareholders' Meeting acts as the third corporate body within the management and organizational structure of the company, and is the body that formulates and expresses the wishes of the shareholders. This Corporate Governance Report underlines our commitment to the interests of our shareholders, efficient collaboration between the Executive Board and the Supervisory Board and our obligation to provide open and transparent communication.

nextevolution AG complies in substantial sections with the recommendations and suggestions of the German Corporate Governance Code.

Each year, the Executive Board and Supervisory Board declare the extent to which the company has complied with the recommendations of the Code (according to the principle of "comply or explain"). On 10 December 2006, they submitted a Declaration in accordance with section 161 of the *Aktiengesetz* (AktG; Joint Stock Companies Act). On 1 December 2007, the Executive Board and Supervisory Board issued a new Declaration in compliance with the requirement to do so annually. This Declaration can be viewed on the Internet, on the nextevolution web site.

Corporate bodies of nextevolution AG

Executive Board – tasks and responsibilities

The Executive Board of nextevolution AG is responsible for management of the business of the company on its own account in accordance with the provisions of legislation and the company's Articles of Association. It works with the other corporate bodies of the company and the representatives of the workforce in a spirit of trust. The members of the Executive Board jointly bear responsibility for the entire management of the company. They undertake to act in the company's interest and to increase the sustainable corporate value of nextevolution. The Executive Board decides the strategic direction of the nextevolution Group, in agreement with the Supervisory Board, and is responsible for implementation of this strategy. The Executive Board also has responsibility for maintaining and refining suitable planning, risk-management and control systems. As part of its responsibilities, the Executive Board is responsible for preparing interim and annual financial statements, and for appointing key personnel within the Group. Any deviations of the business of the company from the prepared plans and existing objectives are explained with reasons.

The Executive Board of nextevolution AG is comprised of one or more members, appointed by the Supervisory Board. The Supervisory Board normally appoints members of the Executive Board for a period of five years.

The members of the Executive Board of nextevolution AG are:

Mr Peter Ohl, Chief Executive Officer (Board member since 2006)
Mr Nils Manegold, Chief Financial Officer (Board member since 2006)

Dr. Marc Schomann left the Executive Board with effect from 30 September 2007.

Remuneration

The members of the Executive Board receive appropriate remuneration that is based on their individual tasks and performance, and on the economic situation and future prospects of the company. The remuneration of the members of the Executive Board is composed of fixed and variable components. It includes performance-related incentives that are suited to contribute to an increase in the value of the company. The current remuneration report is provided in the Notes.

Conflicts of interest and disclosure obligations

The members of the Executive Board put their entire working capacity at the disposal of the nextevolution Group. Additional positions, in particular seats on Supervisory Boards or Advisory Boards, may only be taken up with the agreement of the Supervisory Board. Transactions conducted between members of the Executive Board and the company must comply with industry standards. All significant transactions require the agreement of the Supervisory Board. Any potential conflicts of interest are disclosed immediately to the Supervisory Board and the other members of the Executive Board are also informed of this. Currently, neither member of the Executive Board holds a seat on a Supervisory Board of a company outside the Group.

Supervisory Board – tasks and responsibilities

As part of the legislative requirements and the Articles of Association of the company, the Supervisory Board advises the Executive Board and supervises the management of the company. The Supervisory Board is involved in decisions of fundamental importance for the company. The Chair of the Supervisory Board and the Chair of the Executive Board are in regular contact with each other, in order to ensure information regarding the performance of the company and important events is provided in due course. The Supervisory Board receives regular reports from the Executive Board on the performance of the company and its holdings. These reports comprise the planned business policy, and elementary questions of company planning (financial, investment and personnel planning), the profitability of the company, the progress of business including performance of sales and results, and the situation of the company. The Supervisory body commissions further-reaching audits and analyses if the Supervisory Board believes it needs additional information.

The Supervisory Board appoints and dismisses the members of the Executive Board, nominates the Chair of the Executive Board and works with the Chair for the purpose of long-term successor planning. Reappointments of Executive Board members are usually made only in exceptional circumstances for which there are reasons, taking account of an age limit and before expiry of one year prior to the end of the existing appointment.

The Supervisory Board usually holds four ordinary meetings per financial year. In particular circumstances, extraordinary sessions of the Supervisory body may also be convened flexibly and at short notice. The Supervisory Board verifies the Annual Financial Statements, the Management Report, the Consolidated Financial Statements, the Consolidated Management Report, the proposed balance-sheet profit appropriation and the report into relationships with affiliated companies. The auditor is party to the advisory of the Supervisory Board in relation to the Annual Financial Statements, and reports on the material findings of his audit. The Supervisory Board reports to the Shareholders' Meeting and nominates the auditor. The Supervisory Board commissions the auditor and verifies his independence. The Supervisory Board has not convened an Audit Committee, since questions relating to accounting, risk management and the core issues of the audit of the Annual Financial Statements are discussed by all members of the Supervisory Board in view of their importance.

Cooperation within the Supervisory Board is based on the principle of consensus. The Supervisory Board is composed of three members, all of whom are elected by the Shareholders' Meeting. There are no differences in the periods of office for the members of the Supervisory Board.

There is no age limit for members of the Supervisory Board, since the company believes that knowledge and expertise, as well as specialist experience, are of primary importance. When selecting the candidates nominated for election by the Shareholders' Meeting to the Supervisory Board of nextevolution AG, the Supervisory Board ensures that such candidates possess the required knowledge and expertise, specialist experience, independence and availability. Mr Franz-Josef Lhomme was appointed as a member of the Supervisory Board on 1 January 2007 by a court decision, after Mr Hartwig had resigned his mandate. At the Shareholders' Meeting of 12 July 2007, all members of the Supervisory Board submitted their resignation. The Shareholders Meeting then elected Messers Franz-Josef Lhomme, Hans-Jürgen Back and Sven Lemiss to the Supervisory Board. At the Supervisory Board held after the Shareholders' Meeting, Mr Lhomme was elected as Chair of the Supervisory Board and Mr Lemiss as Vice-Chair of the Supervisory Board. No former members of the Executive Board currently sit on the Supervisory Board of nextevolution AG.
The Supervisory Board was composed as follows:

Mr Franz-Josef Lhomme
Member of the Supervisory Board since 1 January 2007, Chair of the Supervisory Board since 4 April.

Mr Sven Lemiss, Managing Director,
(since 12 July 2007) as Vice-Chair of the Supervisory Board

Mr Hans-Jürgen Beck, Entrepreneur (since 12 July 2007)

Mr Eckhard Rickmann, Attorney,
Wilhelmshaven (Chair until 4 April 2007) Member of the Supervisory Board until 12 July 2007

Dr. Bodo Heinz, Attorney,
Wilhelmshaven (as Vice-Chair of the Supervisory Board until 12 July 2007)

Remuneration

The remuneration of the Supervisory Board is the responsibility of the Shareholders' Meeting and is set in the Articles of Association. The members of the Supervisory Board receive a fixed, annual honorarium and the reimbursement of their expenses. The position of Chair is taken into account in relation to the remuneration.

Details of the remuneration of members of the Supervisory Board are provided in the Notes.

Conflicts of interest and disclosure obligations

Members of the Supervisory Board are not bound by orders or instructions, and undertake to maintain the strictest confidence concerning the content of meetings, confidential information and operating and business secrets, including in relation to their membership of the Supervisory Board. Each member of the Supervisory Board undertakes to act in the interests of the company. Conflicts of interest must be notified to the Chair of the Supervisory Board immediately. This also applies in the event that a member of the Supervisory Board no longer occupies a position or function that was a reason for his/her appointment. Members of the Supervisory Board must abstain from voting on decisions that affect themselves or persons or companies related to or close to them.

In its report to the Shareholders' Meeting, the Supervisory Board provides information on any conflicts of interest that occurred in relation to members of the Supervisory Board and how these were resolved. The report also notes where a member has not taken part in more than half of the ordinary meetings, either in person or by electronic means, during the period of the financial year. During 2007, no member of the Supervisory Board was absent from any of the four meetings of the Supervisory Board without apology.

Share transactions and share ownership of the Executive Board and Supervisory Board – share dealings

According to section 15a of the *Wertpapierhandelsgesetz* (WpHG; Securities Trading Act), members of the Executive Board and the Supervisory Board are obliged to inform nextevolution AG of all trading in shares of nextevolution AG or financial instruments based thereon, in particular derivatives. Dispensation from this notification requirement is permitted in cases where the total amount of share deals undertaken by the member or a related person does not exceed € 5,000 by the end of the calendar year. During the past financial year, nextevolution AG was notified in relation to the following deals:

Date	Name	Function	Price	Quantity	Volume
14.08.2007	Peter Ohl	Managing Board	12,20	6.500	79.300
05.12.2007	FGB Financial Global Network Beteiligungs AG	Supervisory Board	7,50	3.300	24.750

Shareholdings

The following members of the Executive Board and Supervisory Board held shares in nextevolution as at 31 December 2007.

	Shares
Peter Ohl	19.834
Nils Manegold	7.849
Hans-Jürgen Beck	3.300
indirectly over FGB Financial Global Network Beteiligungs AG	

Share option programmes

During the financial year 2005, nextevolution for the first time issued a total of 50,000 share options to employees / Executive Board members, of which 25,000 were allocated to the Executive Board members and 25,000 to the employees. The option plans take the form of “equity-settled plans”. The purchase price per share in the option is € 11. As a prerequisite for exercise of the option, the value performance of the Prime All Share Performance Index or another index that functionally represents this index must be worse than the value performance of the nextevolution share, calculated from the day the share was first listed until the day the option is exercised. One third of the options can be exercised at the earliest on 10/03/2008. A further third can be exercised at the earliest on 10/03/2009 and the remainder at the earliest on 10/03/2010. Options may only be exercised during a period of at most four weeks starting from the fifth bank working day following the Shareholders’ Meeting of nextevolution. Other restrictions pertaining to general legislative requirements, in particular the Securities Trading Act, must also be taken into account. These options are non-transferable except in the case of inheritance. They cannot be sold, pledged or charged elsewhere.

The right to exercise the option terminates at the latest 5 years after issue date. If the options have not been exercised by this date, they will expire and will not be replaced. Specific details can be found in the Notes.
No further share options were issued in the financial year 2007.

Principles of accounting and the annual financial statements of nextevolution group

The consolidated financial statements and quarterly reporting of nextevolution AG are prepared according to the requirements of the IFRS/IAS. Consolidated financial statements and quarterly reports are made publicly accessible on the Internet within 120 days and 60 days of the corresponding reporting date, respectively. The consolidated financial statements also contain specific information on share option programmes and other incentive systems. Companies in which nextevolution has a participating interest are listed, with a summary of the amount of the shareholding and equity alongside the name and headquarters of each company. Exceptions to this are only made if the information is not required by legislation and is not of material importance for the asset, financial and income situation of the company. The Notes to the consolidated financial statements contain statements on the relationship with shareholders, where these are qualified as related persons in the context of accounting principles. Moreover, the Notes to the consolidated financial statements report the remuneration of members of the Executive Board and Supervisory Board, indicating both fixed and results-based components. If Supervisory Board members are paid fees or granted advantages in lieu services they have provided personally, this is specified separately and individually in the Notes.

Principles of the relationship of nextevolution AG to its shareholders

Statutory requirements and the Articles of Association of nextevolution AG ensure that shareholders' rights are upheld. These include:

• Freedom to buy and sell shares
• Each share bears an equal right to vote
• Voting rights and participation in the Shareholders' Meeting
• Appropriate satisfaction of information
• A share in the company's profits

All shareholders have the right to participate in the Shareholders Meeting, at which they may request information on the affairs of nextevolution AG from the Executive Board. All shareholders are permitted to exercise their voting rights in person or by means of a proxy. nextevolution will make it easier for shareholders to exercise their voting rights by appointing proxies to vote as instructed on the shareholders' behalf. These proxies can also be contacted during the Shareholders' Meeting. Statutory reports and documents, the Annual Report and the invitation to the Shareholders' Meeting and the agenda will also be published on the Internet in due course before the date of the Shareholders' Meeting. Shareholders and interested parties may request the Call to the Shareholders' Meeting and the other documents to be sent out. Shareholders will be informed in due course of all new facts that are also provided by financial analysts and comparable recipients. In this respect, in particular, use will be made of modern communication media such as Internet and e-mail.

Principles governing the communication of the nextevolution Group with the general public

nextevolution has undertaken to provide information to all significant target groups equally, in due course and comprehensively. In publishing and distributing information, nextevolution takes account of the principles of equal treatment, transparency, promptness, openness and clarity. Information will usually be distributed in German and English. The regularly published financial calendar and the web presence of the company at www.nextevolution.de help to increase transparency. All capital market participants, shareholders, analysts, investors and journalists are always informed at the same time and to the same extent of new facts. In this respect, in particular, use will be made of modern communication media such as Internet and e-mail. As part of their work in Investor Relations, members of the Executive Board regularly meet with analysts, investors and journalists. This usually comprises an annual conference and teleconference on the occasion of the publication of the Annual Report and in the case of other special events. Information that is for publication abroad will also be published in Germany. The Executive Board undertakes to publish any inside information that directly affects the company immediately, as long as no dispensation from this publication requirement has been granted in individual cases (ad hoc publicity).

The purchase and sale of nextevolution shares by members of the Executive Board or the Supervisory Board is published in accordance with the scope and provisions of the Securities Trading Act (WpHG). The Annual Report contains a yearly statement on the Corporate Governance of nextevolution AG, with an explanation on deviations from the recommendations of the Code.

Declaration according to section 161 AktG

In accordance with section 161 AktG, the Executive Board and Supervisory Board of nextevolution AG declare that:

nextevolution AG complies with the recommendations of the Government Commission on the German Corporate Governance Code with the following exceptions:

No. 3.8:
Contrary to the provision on D&O insurance, the company's D&O insurance policy has no deductible component. In this respect, nextevolution AG is of the view that the responsibility and motivation with which the members of the Executive Board and Supervisory Board perform their tasks at the company will not be improved by the instigation of such a deductible.

No. 5.3:
The Supervisory Board of nextevolution AG is composed of three members. Contrary to No. 5.3 of the Code, the Supervisory Board has currently not formed any committees. No Audit Committee has been convened. The functions of the Audit Committee are performed by the members of the Supervisory Board in its entirety. We wish to state that the number of members of the Supervisory Board
means it is not appropriate to form an Audit Committee or any other committees.

No. 5.4.1:
A mandatory age limit for members of the Supervisory Board is not planned. We believe that older members of the Supervisory Board, in particular, enrich the body with their wealth of experience.

No. 5.4.7:
Remuneration of members of the Supervisory Board comprises solely a fixed component. In order to allow it to function independently and make independent decisions, the Supervisory Board is not remunerated on a variable or profit-oriented basis.

No. 6.6 paragraph 2:
The company does not comply with No. 6.6 paragraph 2 of the Code. The Corporate Governance Report contains information in accordance with the requirements of section 15a WpHG. It is the view of the Executive Board and the Supervisory Board that the requirements of the Securities Trading Act are sufficient to comply with international guidelines on transparency. The Executive Board and Supervisory Board do not intend to provide more precise details on shareholdings.

No. 7.1.2:

The Consolidated Financial Statements is not published within 90 days (Code No. 7.1.2), but within four months, in accordance with the current guidelines of the German Stock Exchange. The Interim Report is not published within 45 days, but within two months, in accordance with the current guidelines of the German Stock Exchange. We believe that the time period prescribed by Deutsche Börse AG (the German Stock Exchange) is sufficient for the provision of comprehensive information to shareholders.

Moreover, nextevolution AG already largely complies with the additional recommendations of the Code on good Corporate Governance. A statement is made to this effect in the Annual Report for the financial year 2007 which finished on 31/12/2007.

Mainz, 1 December 2007

Chairman of the Supervisory Board

[signed] Franz-Josef Lhomme

Board of Managing Directors

[signed] Peter Ohl [signed] Nils Manegold

Group income statement for 01.01 to 31.12.2007

Income statement

	Notes	2007 €	2006 €
Revenue	[1]	26,900,035.05	14,735,610.30
Decrease in inventories of work in progress		-386,224.81	4,824.37
Other capitalised production costs	[2]	658,860.62	144,255.00
Other operating income	[3]	218,842.88	166,077.13
Cost of materials	[4]	-8,353,749.09	-5,793,947.62
Employee expenses	[5]	-11,769,346.01	-5,407,600.12
Other operating expenses	[6]	-5,320,824.40	-3,389,423.91
Participation result		540.00	3,426.06
Depreciation	[8]	-1,095,970.93	-549,767.87
Earnings before interest and tax (EBIT)		**852,163.31**	-86,546.66
Interest result	[7]	-91,302.18	-10,198.35
Earnings before tax (EBT)		**760,861.13**	-96,745.01
Taxes on income	[9] [17]	-485,970.91	-333,059.90
Net profit		**274,890.22**	-429,804.91
Minority interests in shareholders' equity		-246,828.29	0.00
Net profit after minority interests		**28,061.93**	-429,804.91
Basic earnings per share	[10]	0.03	-0.42
Diluted earnings per share	[10]	0.03	-0.42

The following notes to the group financial statement are an integral component of the consolidated financial statement.

Group balance sheet as at 31 December 2007

Balance sheet

	Notes	2007 €	2006 €
Current assets			
Cash, bank balances		535,973.86	2,030,877.13
Trade receivables	[12]	11,000,949.95	4,456,444.99
Other assets	[13]	277,556.61	95,227.07
Prepayments and accrued income	[14]	445,864.03	659,563.91
Inventories	[15]	617,050.56	533,669.56
		12,877,395.01	7,775,782.66
Long-term assets			
Intangible assets	[11]	6,533,236.31	1,032,590.80
Property, plan and equipment	[11]	1,031,763.59	304,787.90
Other long-term assets	[16]	248,272.50	34,565.91
Deferred tax assets	[9] + [17]	791,619.56	40,479.71
		8,604,891.96	1,412,424.32
Assets		**21,482,286.97**	9,188,206.98
Short-term liabilities			
Short-term financial liabilities	[18]	2,519,764.54	343,677.58
Prepayments received for orders	[19]	12,500.00	0.00
Trade payables		4,870,520.74	1,914,277.35
Other short-term liabilities	[20]	3,464,238.37	1,067,529.07
Deferred income	[21]	461,415.53	288,811.93
Current provisions	[22]	121,602.05	4,254.33
		11,450,041.23	3,618,550.26
Long-term liabilities			
Long-term financial liabilities	[23]	20,761.00	16,524.95
Long-term liabilities	[24]	684,586.55	0.00
Long-term provisions	[25]	112,977.17	0.00
Deferred tax liabilities	[26]	1,547,168.64	54,187.58
		2,365,493.36	70,712.53
Equity			
Subscribed capital	[27]	1,000,000.00	1,000,000.00
Capital reserves	[28]	8,557,836.07	8,557,836.07
Retained earnings		-9,173.15	0.00
Net loss	[29]	-4,030,829.95	-4,058,891.88
Reconciling item of minority interests in shareholders' equity	[30]	1,198,917.61	0.00
		6,716,750.58	5,498,944.19
Deposits made for purpose of carrying out declared capital increase	[31]	950,001.80	0.00
Liabilities & equity		**21,482,286.97**	9,188,206.98

The following notes to the group financial statement are an integral part of the consolidated financial statement.

Group cash flow statement

		Notes	2007 €	2006 €
Cash flow statement	**Net result before income taxes**		**760,861.13**	**-96,745.01**
	Depreciation on assets		1,095,970.93	549,767.87
	Non-cash decrease in provisions		-1,009,499.70	-3,745.67
	Taxes on income		-485,970.91	-333,059.90
	Interest expense		91,302.18	10,198.35
	Other financial result		-540.00	-3,426.06
	Other non-cash expenses/income		205,366.11	309,574.40
	Loss on disposal from assets		2,865.00	10,935.50
	Increase/decrease in inventories, trade receivables and other assets			
	not allocated to investment or financing			
	activities		-3,049,901.88	-2,870,865.27
	Increase/decrease in inventories/work in progress		387,705.42	-444,252.18
	Increase in trade receivables		-3,396,292.78	-1,769,934.95
	Increase in other assets		-41,314.52	-656,678.14
	Increase/decrease in trade payables and other liabilities			
	not allocated to investment or financing			
	activities		2,566,755.00	254,154.74
	Increase in trade receivables		813,558.73	249,074.88
	Increase in other liabilities		1,753,196.27	5,079.86
	Income tax received		25,658.83	3,062.69
	Income tax paid		-308,446.52	0.00
	Dividends received		540.00	3,426.06
	Interest received		170,455.39	13,748.11
	Interest paid		-354,230.68	-23,946.46
	Cash flow from operating activities	[32]	**-288,815.12**	**-2,176,920.65**
	Payments for property, plant and equipment		-270,858.13	-247,247.48
	Payments for intangible assets		-918,863.78	-1,083,910.00
	Payments for shares in fully consolidated companies		-2,122,713.36	0.00
	(minus acquired liquid assets)			
	Cash flow from investing activities	[33]	**-3,312,435.27**	**-1,331,157.48**
	Capital increase, net		0.00	5,844,444.84
	Due to banks		2,106,347.12	-438,413.86
	Cash flow from financing activities	[34]	**2,106,347.12**	**5,406,030.98**
	Net change in cash and cash equivalents		**-1,494,903.27**	**1,897,952.85**
	Cash and cash equivalents at start of period		2,030,877.13	132,924.28
	Cash and cash equivalents at end of period		535,973.86	2,030,877.13

Cash and cash equivalents include cash on hand, cheques and deposits with credit institutions.

The line structure of the operative cash flow was changed to increase transparency and make individual results components visible.

In the results the cash flow from current operations is unchanged.

The following notes to the group financial statement are an integral part of the consolidated financial statement.

Statement of recorded income and expenses (group)

	2007	2006
Cost of capital	0.00	-705,555.16
Market valuation of hedging instruments	-13,413.00	0.00
Deferred taxes on changes in value directly charged against equity	4,239.85	285,550.40
Income and expenses recognised directly in equity	**-9,173.15**	**-420,004.76**
Net profit	**274,890.22**	**-429,804.91**
Recognised income and expenses	**265,717.07**	**-849,809.67**
of which incurred on minority interests in shareholders equity	246,828.29	0.00
of which in the entitlement of the owners of the Group	18,888.78	-849,809.67

The market valuation of hedging instruments includes an interest rate swap with a term of 60 months, for the purpose of eliminating the interest rate risk exposures for payments that will lead to the utilisation of the short-term working fund credit line. The interest rate swap should be classified as a cash flow hedge in accordance with IAS 39.

The following notes to the group financial statement are an integral part of the consolidated financial statement.

Equity capital trends (group)

	Paid-up equity		Reserves				
	Subscribed capital	Capital reserves	Net loss	Other income and expense recognised in equity	Total excluding minority shareholdings	Minority interests in shareholders equity	Total
As at 01/01/2006	**500,000.00**	**2,903,816.83**	**-3,629,086.97**	**0.00**	**-225,270.14**	**0.00**	**-225,270.14**
Income after tax	0.00	0.00	-429,804.91	0.00	**-429,804.91**	0.00	**-429,804.91**
Capital increase [1)]	500,000.00	5,628,995.24	0.00	0.00	**6,128,995.24**	0.00	**6,128,995.24**
Share options	0.00	25,024.00	0.00	0.00	**25,024.00**	0.00	**25,024.00**
Other changes in equity recognised directly in equity	0.00	0.00	-66,933.71	0.00	**-66,933.71**	66,933.71	**0.00**
Minority interests in shareholders' equity	0.00	0.00	66,933.71	0.00	**66,933.71**	-66,933.71	**0.00**
As at 31/12/2006	**1,000,000.00**	**8,557,836.07**	**-4,058,891.88**	**0.00**	**5,498,944.19**	**0.00**	**5,498,944.19**
As at 01/01/2007	**1,000,000.00**	**8,557,836.07**	**-4,058,891.88**	**0.00**	**5,498,944.19**	**0.00**	**5,498,944.19**
Income after tax	0.00	0.00	28,061.93	0.00	**28,061.93**	246,828.29	**274,890.22**
Other income and expenditure recognised directly in equity	0.00	0.00	0.00	-9,173.15	**-9,173.15**	0.00	**-9,173.15**
Change to consolidated group	0.00	0.00	0.00	0.00	**0.00**	952,089.32	**952,089.32**
As at 31/12/2007	**1,000,000.00**	**8,557,836.07**	**-4,030,829.95**	**-9,173.15**	**5,517,832.97**	**1,198,917.61**	**6,716,750.58**

[1)] In the context of the capital increase nextevolution AG received € 6,550,000 gross. The addition to capital reserves takes account of directly attributable costs of the capital increase amounting to € 706,000. After deducting the associated income tax benefits of € 285,000 this produces a deduction of € 421,000.

The following notes to the group financial statement are an integral part of the consolidated financial statement.

Notes to the consolidated financial statement of 2007

General

General information

nextevolution Aktiengesellschaft („nextevolution“ or the „Company“) is a public limited company under German law and parent company of the following companies:

Beratungsgesellschaft Software Systemplanung AG, Mainz (BGS)
nextevolution management consulting GmbH, Hamburg (nemc)
qualified developers market GmbH, Hamburg (qdm)
nextevolution GmbH, Vienna (Austria) (ne Austria)
Centrum für Ertragsoptimierung Aktiengesellschaft, Krefeld (CEO)
net on Netzwerktechnologien Online GmbH, Mainz (net on)

Parent and subsidiaries are also described together as the „nextevolution group“. nextevolution is listed on the prime standard of the Frankfurt stock exchange. The company's head office is at 20457 Hamburg (Germany), Am Sandtorkai 74; the company is registered at the Hamburg HRB 75529 district court. The nextevolution group's range of services is structured under in enterprise content management, enterprise resource management, public sector, management consulting, IT services and real estate management segments.

The present consolidated financial statement was signed by the management board and released for publication on 10 April 2008.

Application of the IFRS – basic notes

The consolidated financial statement of nextevolution as at 31 December 2007 was drawn up on the basis of § 315a par. 1 German Commercial Code in accordance with the International Financial Reporting Standards (IFRS), the International Accounting Standards (IAS) the International Accounting Standards Board (IASB) and the reports of the International Financial Reporting Interpretations Committee (IFRIC) or Standing Interpretations Committee (SIC) as applied in the European Union (EU). They additionally comply with the commercial law regulations pursuant to § 315a par. 1 German Commercial Code. All IFRS valid on the balance sheet date were thereby taken into account. The financial year of the nextevolution group corresponds to the calendar year. The consolidated financial statement of the nextevolution group, drawn up as for the controlling company of nextevolution, were prepared in compliance with standard balance sheet and valuation rules. The consolidated financial statement and the commercial law annual accounts of nextevolution AG are published on the electronic Federal Official Gazette and can be obtained from the company.

nextevolution AG used the following IASB reports for the first time during the year:

» IFRS 7 Financial Instruments

The change to IFRS 7 produced more data about the group financial instruments and the control of capital shown in these annual accounts

» IAS 1 Presentation of Financial Instruments – Capital Disclosures
» IFRIC 7 Applying the Restatement Approach under IAS 29 Reporting in Hyperinflationary Economies
  » IFRIC 8 Scope of IFRS 2

  » IFRIC 9 Reassessment of Embedded Derivatives
  » IFRIC 10 Interim Financial Reporting and Impairment

The first use of these reports produced no essential consequences on the representation of the financial, asset and income position or cash flow of nextevolution AG.

The IASB has published new interpretations and changes to existing standards whose application is not yet binding. The following interpretation will be compulsory from 2008:

  » IFRIC 11 Group and Treasury Share Transactions

In November 2006 the IFRIC published the IFRIC Interpretation 11 „IFRS 2 – Group and Treasury Share Transactions“. IFRIC 11 was adopted into European law by the European Union in 2007. The interpretation governs how IFRS 2 is to be applied to share-based compensation agreements, including equity capital instruments of a company or of another company in the same group (e.g. equity capital instruments of the parent company). The interpretation prescribes that a share-based compensation agreement where a company receives goods or services as service in return for its equity capital instruments is recorded as a share-based compensation with settlement by equity-capital instruments, regardless of how the required equity capital instruments are received. IFRC 11 further states whether share-based compensation agreements, where suppliers of goods and services of a company receive equity capital instruments from the company's parent company, should be recorded in the annual accounts as share-based compensation with cash settlement or as share-based compensation with settlement by equity capital instruments. The interpretations should be applied for years that start on or after 1 March 2007. A company must apply the interpretation retrospectively in accordance with IAS 8 and the transitional provisions of IFRS 2. No essential consequences to the representation of the asset, financial and income situation or cash flow of nextevolution are forecast to arise from the application of IFRIC

The following standard will be binding from 2009:

  » IFRS 8 Operating Segments

The IFRS 8 rearranges the segment reporting of the risk and reward approach of IAS 14 towards the management approach for segment identification. The essential thing is the information regularly provided to the chief operation decision maker for decision purposes. At the same time the evaluation of the IAS 14 segments financial accounting approach is converted to the management approach. IFRS 8 will be binding on years starting on or after 1 January 2009. It can also be applied earlier. Applying IFRS 8 is not expected to have any effect on the representation of segment reporting for nextevolution.

The following changes in standards and interpretations by the International Accounting Standards Board (IASB), or International Reporting Interpretations Committee (IFRIC) were also published and have still not been recognised by the European Union:

In January 2008 the IASB published the revised version of IFRS standards 2 „Share-based Payments – Vesting Conditions and Cancellations“. The revised version of IFRS 2 has to date not been adopted into European law by the European Union. Essential changes and clarifications are:

- Vesting conditions are exclusively standard service or performance conditions.
- Premature cancellation of the plan will be handled the same whether the cancellation comes from the company itself or from the employee. Changes to IFRS 2 must be applied for annual reporting periods starting on or after 1 January 2009. Earlier application is allowed. nextevolution is currently checking the effect of the application of the revised IFRS 2 on the representation of the asset, financial and income situation or cash flow.

In January 2008 the IASB published the revised IFRS 3 „Business Combinations“ and IAS 27 „Consolidated and Separate Financial Statements“ standards. The standards are the results of the second phase of the project jointly implemented with the FASB to reform the preparation of balance sheets for mergers. The revised version of IFRS 3 and IAS 27 have to date not been adopted into European law by the European Union. The essential changes to the previous version of the IFRS 3 can be summarised as follows:

- For the accounting treatment of minority shares the new version of the IFRS 3 provides for a voting right to evaluate at fair value or the prorated identifiable net assets. This voting right can be individually exercised for each merger.
- When control is gained in subsequent acquisitions of companies there is a re-evaluation affecting operating results of already existing shares in the acquiree. Goodwill is then calculated as the difference between the re-evaluated holdings at book value plus the purchase price payments for the acquisition of new shares less the acquired net assets.
- Incidental acquisition costs will in future be recorded as expenses.
- Goodwill can no longer be restated in the subsequent valuation for possible restatements of the acquisition costs depending on future events (contingent consideration), which must be recorded as liabilities at the time of the acquisition.
- The consequences of handling business relationships that existed before the merger must, according to the new revision of the IFRS 3, not be included when recording the service in return for the merger.
- Compared to the previous version IFRS 3 in the revised version governs the use and evaluation of rights that were granted to another company before the merger and are now beneficially retrieved in the context of the merger (repurchased rights).

The essential changes to the previous versions of IAS 27 can be summarised as follows:

- Changes to the participation quota without loss of control should exclusively be recorded as equity capital transactions.
- On loss of control of a subsidiary the consolidated assets and debts must be written off. One of the new regulations is that a remaining investment in the former subsidiary must be evaluated at fair value on initial recognition and that any differences arising thereto be recorded as affecting net income.
- Should the losses accruing to minority stakes exceed the minority share in the subsidiary’s equity capital, they should be assigned to the minority shares despite any negative balance arising.

The new version of IFRS 3 should prospectively be applied to mergers whose time of acquisition occurs in annual reporting periods that start on or after 1 January 2009. Earlier applications are allowed but restricted to annual reporting periods that start on or after 30 June 2007. Changes to IAS 27 must be applied to annual reporting periods that start on or after 1 July 2009. Earlier applications are allowed. Earlier application of one of the two standards however assumes the simultaneous earlier application of the other standards. nextevolution is currently checking the time for implementing changes to IFRS 3 and IAS 27 and the resulting effects on the representation of the asset, finance and income situation or cash flow.

In March 2007 the IASB published a change to the IAS 23 „Borrowing Costs". The change to IAS 23 has to date not been adopted into European law by the European Union. The essential change to the standards relates to the removal of the voting right and borrowing costs, which can be directly allocated to acquisition, construction or production of qualified assets and are directly recorded as expenses. nextevolution is currently recording these expenses directly as costs. A qualifying asset in this connection exists when a considerable period is required to replace the asset in its intended consumption or saleable condition. Companies must therefore in future activate such borrowing costs as part of the acquisition costs of qualifying assets. The changed standard does not require activation of borrowing costs for assets that are evaluated at fair value and for stocks that are regularly manufactured or produced in large amounts even when the period is essential up to saleable condition. The standard should be used for the first time on borrowing costs for qualifying assets whose starting point for activation is on or after 1 January 2009. nextevolution is currently checking the time of implementation of the change to IAS 23 and the resulting effects on the representation of the asset, finance and income situation or cash flow of nextevolution .

In November 2006 the IFRIC published the IFRIC 12 „Service Concession Rights" interpretation. IFRIC 12 has to date not been adopted into European law by the European Union. Service concession agreements are agreements where a government or another public institution as licensor awards contracts for the provision of public services like streets, airports, prisons and energy and water companies to private companies as concessionaires. IFRIC 12 governs how concessionaires in the context of service concession agreements must apply existing IFRS to record the obligations and received rights entered into in the context of the service concession agreements. Depending on the type of services in return that the concessionaire receives from the licensor, the concessionaire records a financial or intangible asset. A financial asset must be stated if the concessionaire has an absolute contractual right to receive cash or other financial assets from the licensor. If on the other hand the licensor's service in return consists in granting a right to receive payments from users, an intangible asset must be recognised. Depending on the contractual agreements both a financial and an intangible asset can be recognised. The IFRIC 12 regulations must be applied for financial years that start on or after 1 January 2008. Applying IFRIC 12 is not expected to have any essential consequences on the representation of the asset, finance and income situation or cash flow of nextevolution.

In June 2007 the IFRIC published the IFRIC 13 „Customer Loyalty Programmes" interpretation. IFRIC 13 has to date not been adopted into European law by the European Union. The interpretation deals with the accounting and evaluation of customer loyalty programs where customers receive points (bonuses) allowing them to receive goods or services free or at reduced prices from the seller or from a third party. Until now the question whether the bonuses should represent a liability in connection with a completed sales transaction or a consideration in the sense of a prepayment for a future sales transaction has to date remained open. In accordance with the now available interpretation the revenue from the sale must be divided into two components. One part accrues to the current business through which the bonuses arise.

The other part accrues to the future business which results from the bonuses to be cashed. The part of the revenue that should be allocated to the already implemented supply should be recorded as affecting operating results. The part of the revenue that should be allocated to the bonuses should be reported in the balance sheet as a prepayment until the bonus is cashed by the customer and the obligation from granting the bonus is fulfilled. The interpretation should be applied to financial years that start on or after 1 July 2008. Applying IFRIC 13 is not expected to have any essential consequences on the representation of the asset, finance and income situation or cash flow of nextevolution AG.

In July 2007 the IFRIC published the IFRIC 14 „IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" interpretation. IFRIC 14 has to date not been adopted into European law by the European Union. The interpretation governs the evaluation of an asset which results in the plan asset exceeding pension obligations. The interpretation puts into concrete terms how to establish whether economic uses arise from the over-allocation of a pension plan. In addition it also regulates how the cash value of the asset should be calculated in the event of a future refunding or reduction of contributions if there is a minimum requirement for allocating a pension plan. It also regulates how to proceed when evaluating a defined benefit asset or defined benefit liability if the company is obliged to make minimum contributions to a pension plan. The interpretation must be applied to financial years that start on or after 1 January 2008. Applying IFRIC 13 is not expected to have any essential consequences on the representation of the asset, finance and income situation or cash flow of nextevolution.

In September 2007 the IASB published a change to IAS 1: "Presentation of Financial Statements: A Revised Presentation". The change to IAS 1 has to date not been adopted into European law by the European Union. IAS 1 (revised) uses the concept "statement of financial position" (formerly "balance sheet") and "statement of cash flows" (formerly "cash flow statement") and introduces a calculating device described as a "statement of comprehensive income". The descriptions are however not obligatory. The change to IAS 1 obliges companies to display comparative information for the previous reporting period. The revised standard also supports the representation of another balance sheet ("statement of financial position") at the start of the first comparative period represented if the company has retroactively changed the accounting policy or has retroactively restated the financial statements.

Estimates and assumptions

When preparing the consolidated financial statement, to a certain extent assumptions and estimates must be made that affect the amount and statement of the reported assets and liabilities, income and expenditure as well as contingent liabilities of the reporting period. They essentially relate to an evaluation of the value of the intangible assets, the standardised group establishment of the useful economic life of tangible and intangible assets as well as the reporting and evaluation of accruals. These assumptions and estimates are underpinned by premises based on the currently available state of knowledge. Expected future business trends were particularly based on the circumstances at the time the consolidated financial statement was being prepared and what was considered to be the realistic future development of the environment. The amounts to be adjusted can deviate from the originally expected estimated values if these prevailing conditions come to deviate from the assumptions and outside the management's scope of influence. Our estimates are based on experience figures and other assumptions that are considered accurate in the given circumstances. The estimates and assumptions are continuously checked.

There is an annual check of the value of the goodwill and tangible assets which are not yet ready for use on the basis of the smallest cash generating unit to which this asset is allocated. A change in these influence factors can lead to higher or lower unscheduled write-offs. All estimates and evaluations are continuously reassessed and based on historical experience and other factors including expectations relating to future events that may reasonably take place in given circumstances. The nextevolution group makes estimates and assumptions about the future. The resulting accompanying estimates will naturally very rarely correspond to later actual conditions. Estimates and assumptions which bring with them a significant risk in the form of an essential restatement of the book value of assets and liabilities within the nest year are discussed below.

- Acquired customer relations are depreciated over three to twelve years on the basis of experience figures.
- Acquired and own-account software is depreciated over four to ten years.
- Acquired brands are depreciated over five to fifteen years.
- In the context of the value test in evaluating goodwill as well as intangible assets that are not ready for use, future developments will be forecast on the basis of experience figures and market analyses.
- The recognition and measurement of accruals are based on experience figures and well-founded assumptions.

- **Currency**

  The consolidated financial statement is drawn up in €. To increase the expressiveness of the figure in the financial statement they are sometimes rounded off to thousand € (T€) or million € (m €).

- **Reporting date for preparing the annual accounts**

  The consolidated financial statement was prepared as at the 31 December on the reporting date of the annual accounts of the parent company nextevolution. The annual accounts of the companies included in the consolidated financial statement were drawn up on the reporting date of the annual accounts for nextevolution.

- **Mergers**

  nextevolution acquired shares in the following companies during the year:

  » **BGS Beratungsgesellschaft Software Systemplanung AG (BGS), Mainz and net on Netzwerktechnologien Online GmbH, Mainz (net on):**

  On 1 June 2007 nextevolution AG acquired a 90% stake in BGS. The acquisition price for BGS Beratungsgesellschaft Software Systemplanung AG was a total of 4,305 T€, of which 52 T€ consisted of incidental acquisition costs. The purchase price was divided into three instalments. Payment of the first instalment of 2.8 m € was made in June 2007, payment of the second instalment of 715 T€ on 31 March 2008 and payment of the third instalment of a nominal 715 T€ will take place on 31 January 2009.
  BGS for its part owns 51% of the equity of net on. nextevolution undertook this transaction with the aim of using the services of BGS to add to and enhance its core competencies such as IT consulting and system integration. The merger also brought distribution synergies as there is no overlap in the customer base of the two companies. In addition, there are opportunities for employees to switch places to take advantage of the available know-how and to replace outsourced project service providers with BGS employees before the transaction. The share purchase was made in the form of a share deal leading to a parent company-subsidiary relationship.

  The merger with BGS / net on has produced goodwill of 1,397 T€. The goodwill mainly comes from positive earnings expectations for the future, expected cost savings from synergy effects and from the unreported recognisability of the acquired employee base. As an assembled workforce the employee base does not fulfil the recognition criteria of intangible assets. The acquisition of BGS/net on brought in cash resources of 793 T€.

The following table shows the recognised fair value of the acquired assets and liabilities of BGS/net on the acquisition date of 1 June 2007 and their book values immediately before the merger:

	BGS / neton		
- all figures in thousands of euros -	Carrying amount before acquisition	Adjustment	Fair value at time of acquisition
Assets			
Current assets			
Cash, bank balances	793	0	793
Inventories	456	0	456
Other current assets	2,246	0	2,246
	3,495	**0**	**3,495**
Non-current assets			
Other Intangible assets	19	1,727	1,746
Property, plant and equipment	723	0	723
Deferred tax assets	326	0	326
	1,068	**1,727**	**2,795**
Assets	**4,563**	**1,727**	**6,290**
Liabilities			
Current liabilities			
Current financial liabilities	70	0	70
Other current liabilities	2,256	0	2,256
	2,326	**0**	**2,326**
Non-current liabilities			
Deferred tax liabilities	0	585	585
	0	**585**	**585**
Liabilities	**2,326**	**585**	**2,911**
Net assets	2,237	1,142	3,379
Proportional net assets			2,908
Goodwill from acquisition			1,397
Purchase price			**4,305**
Purchase price liabilities			1,373
Cash purchase price (including costs of acquisition)			2,932
Acquired liquid assets			793
Cash flow out due to company acquisition			**2,139**
Cash purchase price (excluding costs of acquisition)			2,818
Costs of acquisition in cash			114
Cash purchase price (including costs of acquisition)			2,932
Purchase price liabilities			1,373
Total costs of acquisition			4,305
Proportional net assets			-2,908
Goodwill from acquisition			**1,397**

Following the purchase price allocation in accordance with IFRS 3 the „BGS“ brand, the acquired contractual customer relationships of the defence, government, media and technology business areas and the BGS own-account KISS and COSMOSL.net software as well the “net on” brand, the acquired contractual customer relationships of net on and the net on own-account time@web software are identified as intangible assets which were previously not recorded and are to be reported separately in the balance sheet.

The acquisition costs of the acquired contractual customer relationship were 647 T€ on 1 June 2007.

The depreciation period was established at two and twelve years in accordance with the existing order book, the value of the „BGS“ brand at the reporting date of 1 June 2007 was 334 T€ and it will be depreciated over 15 years. The KISS internal settlement acquired in the context of the merger has a fair value of 149 T€ and will be depreciated over eight years. The acquired COSMOL.net software is a tool for rule-based modernisation of application programs that were developed using Microsoft technology. The fair value at the time of acquisition was 357 T€. The software will be depreciated over ten years.

The value of the „net on“ brand on the reporting date of 1 June 2007 was 46 T€ with a useful life of five years. The acquisition costs of the acquired contractual customer relationships of net on were 49 T€ on 1 June 2007. The depreciation period was established at between three and ten years in accordance with the existing order book. The acquired time@web internal time registration system had a fair value of 146 T€ on 1 June 2007 and will be depreciated over eight years.

Because of the acquisition group sales increased by 8,438.30 T€. Had the merger already occurred on 01 January 2007 group sales would have 3,119.90 T€ higher.

The merger meant that the consolidated financial statement contained a surplus of 1,001.80 T€. The annual group surplus would have been 808.70 T€ lower if the merger had been completed by 01 January 2007.

» Centrum für Ertragsoptimierung Aktiengesellschaft, Krefeld (CEO)

Pursuant to § 4 par. 3 of nextevolution's articles of incorporation of 12 July 2007, the management board is empowered to increase the company's capital stock by 11 July 2012 with the agreement of the supervisory board by issuing new bearer shares for cash or non-cash capital contributions one or more times, but at most by € 500,000.00 (approved capital 2007). With the agreement of the supervisory board the management board is empowered to exclude the subscription right for shareholders for among other reasons if the capital increase is made for non-cash capital contributions and serves for the acquisition of companies, company units or holdings.

On the basis of this authorisation, on 1 October 2007 the management acquired 64.8% of the shares of CEO while the capital stock of nextevolution against non-cash capital contributions of € 1,000.000.00 was increased by € 77,869.00 to € 1,077.869.00 by the issue of 77.869 new ordinary bearer shares. The amount for which the shares were issued was € 12.20 per share and thus the total amount was € 950,001.80. The subscription right of shareholders was excluded and the CEO-NE Aktientausch GbR was allowed to become a shareholder after contributing a capital contribution to a majority stake in CEO.
CEO-NE-Aktientausch GbR contributed 59,006 shares in CEO to nextevolution, embodied in a new CEO multiple instrument in fulfilment of its obligation to make a capital contribution from the subscription and purchase of 77,869 new shares from nextevolution's capital increase.

With the acquisition of a majority stake in CEO nextevolution is significantly expanding the existing business in the real estate management market segment and at the same time completing the thematic spectrum of the range of services it offers for greater coverage of the customer's consulting needs. The purchase meets the consistently pursued objective of a vertical structure and the growth strategy of nextevolution AG. The shares CEO-NE-Aktientausch GbR is bring give nextevolution a minimum stake of under 8%. The non-cash capital contribution was made under appropriate conditions. The value of the non-cash capital contribution corresponds to the technical report drawn up by Franz Reissner Treuhandgesellschaft mbH auditing company and hence the actual value of the new shares, so there is no dilution of shareholders' assets.

The merger with CEO has produced goodwill of 204 T€. The goodwill mainly comes from positive earnings expectations for the future, expected cost savings from synergy effects and from the unreported recognisability of the acquired employee base. As an assembled workforce the employee base does not fulfil the recognition criteria of intangible assets. The acquisition of CEO brought in cash resources of 156 T€.
The following table displays the recognised fair value for the acquired assets and liabilities of CEO on the acquisition date and their book values immediately before the merger:

- all figures in thousands of euros -	CEO Carrying amount before acquisition	CEO Adjustment	CEO Fair value at time of acquisition
Assets			
Current assets			
Cash, bank balances	156	0	156
Inventories	15	0	15
Other current assets	1,689	0	1,689
	1,860	**0**	**1,860**
Non-current assets			
Other intangible assets	0	2,063	2,063
Property, plant and equipment	7	0	7
Deferred tax assets	414	0	414
	421	**2,063**	**2,484**
Assets	**2,281**	**2,063**	**4,344**
Liabilities			
Current liabilities			
Other current liabilities	2,332	0	2,332
	2,332	**0**	**2,332**
Non-current liabilities			
Deferred tax liabilities	0	644	644
	0	**644**	**644**
Liabilities	**2,332**	**644**	**2,976**
Net assets	-51	1,419	1,368
Proportional net assets			886
Goodwill from acquisition			204
Purchase price			1,090
Capital increase against non-cash contribution			950
Cash purchase price (including costs of acquisition)			140
Acquired liquid assets			156
Cash flow in due to company acquisition			**16**
Costs of acquisition in cash			140
Capital increase against non-cash contribution			950
Total costs of acquisition			1,090
Proportional net assets (64.8% share)			-886
Goodwill from acquisition			**204**

Following the purchase price allocation in accordance with IFRS 3 the software products VEworks and reload were valued at 1,059 T€ and the purchased customer relationships at 1,003 T€. The depreciation period was established in accordance with the existing order book at 4.25 years.

Group sales increased by 2,366.20 T€ because of the acquisition. Had the merger already taken place on 01 January 2007, group sales would have been 4,781.40 T€ higher. Because of the acquisition the consolidated financial statement contains a surplus of 376.10 T€. The annual group surplus would have been higher by 821.70 T€ if the merger had already been completed by 01 January 2007.

Consolidated group

Including the parent company nextevolution will fully consolidate seven companies in the nextevolution's annual accounts:

» nextevolution Aktiengesellschaft, Hamburg (nextevolution)
(Parent company)
» BGS Beratungsgesellschaft Software Systemplanung AG, Mainz (BGS)
(Share 31.12.2007: 90.0%), since 1 June 2007
» nextevolution management consulting GmbH, Hamburg (nemc)
(Share 31.12.2007: 75.0%)
» qualified developers market GmbH, Hamburg (qdm)
(Share 31.12.2007: 100.0%)
» nextevolution GmbH, Vienna(Austria)
(Share 31.12.2007: 100.0%)
» Centrum für Ertragsoptimierung AG, Krefeld (CEO)
(Share 31.12.2007: 64.8%) since 1 October 2007
» net on Netzwerktechnologien Online GmbH, Mainz (net on)
(Share of BGS on 31.12.2007: 51.0%), since 1 June 2007

Consolidation methods

The annual accounts are based on the financial statements of the companies in the group drawn up in accordance with the uniform regulations of the IFRS as at 31 December 2007. According to IFRS all mergers must be prepared according to the acquisition method. The purchase price of the acquired subsidiary is distributed between assets, liabilities and contingent liabilities. The crucial point is the value at the time control over the subsidiaries was achieved. Recognisable assets and the liabilities and contingent liabilities acquired are – regardless of the amount of the holdings – valued at their full amount with their fair value. A remaining active differential amount is reported as goodwill. Goodwill is subjected to a value test at least once a year, which can lead to a depreciation requirement (impairment-only approach). Revenues and expenses of a subsidiary are included in the consolidated financial statement from the acquisition date. Revenues and expenses of a subsidiary remain in the consolidated financial statement until control by the parent company ends. Expenditures and revenues, claims and liabilities as well as results between the companies included in the consolidated financial statement are eliminated. Negative minority shares are not represented. They are calculated with the group equity capital.

Summary of essential accounting principles

- **Intangible assets - general**

Intangible assets are valued on acquisition with their acquisition or production costs. Intangible assets are reported when it is likely that the future economic use assigned to the assets will accrue to the company and that the assets' acquisition or production costs can be reliably measured. For intangible assets it should first be established whether they have a limited or unlimited useful economic life. Intangible assets with a limited useful economic life are depreciated over the useful economic life and examined for possible impairment whenever there is are grounds for the intangible assets being impaired. The depreciation date and method are checked at the end of each year.

Intangible assets with limited useful economic life include:

» **Acquired intangible assets and acquired customer relationships**

The acquisition costs of new software are capitalised and considered intangible assets if these costs are not an integral component of the accompanying hardware. Software is linearly depreciated over a period of four to ten years. Costs that arise to maintain the original economic useful life of available software systems are recorded as expenses if maintenance work was carried out.
In the context of the purchase price allocation of mergers identified customer contracts are depreciated over the anticipated contract life of three to ten years and acquired brands over their anticipated useful economic life of five to fifteen years.

» **Own-account intangible assets**

R&D costs are recorded as expenses in the period during which they occur. Excluded from them are development costs for own-account, essentially in-house improved software products that in addition to the general conditions for recognition and the initial valuation fulfil the following criteria:

- » The technical feasibility of the software can be proved.
- » There is the intention to complete the corresponding software.
- » The group is in a position to use or sell the software.
- » The existence of a market for the software can be proved.
- » Sufficient technical, financial and other resources are available to conclude the software developments.
- » The relevant software is clearly and unambiguously delimited and the corresponding costs can be clearly allocated and reliably calculated.

Production costs include all costs that can directly be assigned to the production process, as well as appropriate parts of production-related indirect costs. Financial costs are not capitalised. Capitalised software development costs are linearly depreciated over their estimated useful economic life of four years. The depreciation method and period reflect the useful economic life of the assets for the company.

Intangible assets with unlimited useful economic life:

Goodwill

Goodwill arising in the context of mergers represents the surplus of acquisition costs from the acquisition of a company above the share of the group in the fair value of the identifiable assets and liabilities of a subsidiary at the time of the acquisition.

Goodwill with an indeterminate useful economic is, in accordance with IFRS 3, not regularly depreciated. Instead it is, in accordance with IAS 36, subject to an annual impairment test in accordance with IAS 36 (impairment of assets) and also if there are corresponding grounds and if necessary depreciated at its recoverable amount. For the purpose of the value test goodwill is distributed to cash generating units.

Should the book value of the cash generating unit to which the goodwill was allocated exceed the recoverable amount, the recoverable amount of this goodwill allocated to this cash generating unit is impaired and depreciated by the differential amount. Any impairment in goodwill should not be cancelled. The recoverable amount of a cash generating unit is calculated using its fair value less disposal costs. Fair value less disposal costs is calculated using the discounted cash flow method (DCF). These DCF calculations are based on forecasts that relate to five-year financial plans approved by management. Any impairment is immediately recorded as affecting operating results. There will be no later reinstatement of original values.

- **Tangible fixed assets**

Fixed assets are reported at their acquisition or production costs less accumulated regular depreciations and accumulated impairment. If tangible assets are disposed of or retired their acquisition or production costs and their accumulated depreciation and impairment are eliminated from the balance sheet and the profit or loss resulting from their sale is recorded in the income statement. The original acquisition or production costs of tangible assets include the purchase price including import duty and non-recoverable sales tax and all directly allocated costs incurred in putting the assets in an operation-ready condition and bringing them to the place of intended use. Expenses that arise after the useful economic life has begun (e.g. maintenance, repair and obsolescence costs) are usually recorded as affecting operating results in the period when the costs arise. Should expenses lead to additional future economic uses resulting as expected from the use of an item in the fixed tangible assets over and above its originally measured performance level, these expenses are capitalised as subsequent tangible asset costs.

Depreciations are linearly calculated over the following estimated useful economic life:

» Technical equipment:
3-10 years
» Office equipment:
3-15 years

Low-value fixed asset items pursuant to § 6 par. 2 Income Tax Law are fully depreciated in the acquisition year. The useful economic life and depreciation methods used are checked in each period to ensure that the depreciation method and period match the expected economic use for fixed asset items. The book values of the fixed asset are checked for impairment as soon as the indicators are available that the book value of an asset exceeds its recoverable amount. Fixed asset items are not subject to any restraint on disposal.

- **Impairment of assets**

Fixed assets and intangible assets with limited useful economic life are checked with regard to impairment whenever there are grounds for this because of events or changes in circumstances book value cannot be recovered or annually for goodwill as well as intangible assets not yet ready for use. If the book value of an asset exceeds its recoverable amount, with fixed assets and intangible assets that are used as acquisition or production costs, a cost for impairment is recorded as affecting operating results. The recoverable amount is the higher amount of fair value less purchase costs and utility value. Fair value less purchase costs is the recoverable amount in a standard transaction from the sale of an asset after deducting disposal costs while utility value is understood as the cash value of the estimated cash flow expected from the continued use of an asset and its disposal at the end of its useful economic life. The recoverable amount is estimated for an individual asset or if this is not possible for the cash generating unit. If grounds for impairment no longer exist or are reduced, this reinstatement of original values up to the continued acquisition costs is recorded as revenue in the income statement. A cost for impairment recorded to goodwill is not reinstated in the following reporting periods.

- **Leasing**

Assets that are used by the group as lessee and where essential economic opportunities and risks remain with the lessor are not recorded in the balance sheet as operating leases. In accordance with IAS 17 a sale and leaseback contract is classified according to the general leasing criteria and correspondingly recorded in the balance sheet. Gains on disposals are treated by the lessee depending on the classification of the underlying leasing agreement. All leasing transactions were classified as operating leases. Lease payment for operating leases are recorded as affecting expenses.

- **Stocks**

Stocks are reported with the lower value of the acquisition or production costs and at net realisable value, if necessary taking into account a valuation adjustment for restricted usability. Net realisable value corresponds to the purchase price in the normal course of business less costs for completion and distribution costs. Acquisition or production costs are essentially determined on the basis of the weighted average cost. With work in process costs contain fixed and variable indirect costs to be included.

- **Claims and other assets**

Accounts receivable are initially recognised at fair value and if necessary subsequently valued as continued acquisition costs using the effective interest method and deducting impairment. Impairment, which is carried out in the form of individual value adjustments, sufficiently takes into account the expected risk of default. Concrete losses lead to the relevant receivable being written off. In the context of individual value adjustments financial assets for which there is a potential need for depreciation are grouped on the basis of identical default risk features, examined for impairment and if necessary value adjusted. When making the necessary calculation of expected future cash flows for the portfolios, historical default experience is taken into account as well as contractually provided for payment flows. Impairment in receivables is sometimes created using valuation adjustment accounts. The decision whether a default risk is to be taken into account using a valuation adjustment account or a direct reduction in the receivable depends on the level of reliability of the assessment of the risk situation. The amount of the impairment is measured as the difference between the book value of the receivable and the cash value of the estimated future cash flows from this receivable discounted with the effective interest rate. The impairment is recorded as affecting the operating results. If there are no longer grounds for the value adjustments made in earlier periods, corresponding value appreciations are made.

- **Liquid assets**

Liquid assets consist of cash on hand and deposits with credit institutions and are entered in the balance sheet as nominal values

- **Equity capital**

Ordinary shares are classified as equity capital. Costs that are to be directly allocated to the issue of new shares are entered in the equity capital net after taxes as deductions from the proceeds of an issue. Capital reserves also contain amounts recorded the previous year within the scope of the record of share options in accordance with IFRS 2. In 2007 the market value of the financial instruments qualified as a cash flow hedge are recorded as financial instruments in the equity capital (net).

- **Other short-term accruals**

An accrual is only recorded when the company has a current (legal or real) obligation because of a past occurrence, and it is probable that fulfilling the obligation will lead to a drain on resources and the amount of the obligation can be reliably calculated. Accruals are audited on each balance sheet date and adjusted to the currently best estimate. Should the fulfilment period produce the obligation of an essential interest effect, the accrual is entered as a cash value. If in individual cases no reliable estimate is possible, no accrual is represented but a contingent liability is entered.

- **Accounts payable and other original financial liabilities**

  After the initial record at fair value all financial liabilities that are not derivative liabilities are valued as continued acquisition costs in accordance with the effective interest method.

- **Derivative financial instruments**

  Derivative financial instruments are used to hedge against interest rate risk. Derivatives are not held or issued for speculation purposes. Derivative financial instruments are initially recognised at fair value. Subsequent valuations are likewise at fair value. Derivatives treated at fair value correspond to the market value. This value can be positive or negative. If there is no market value fair value must be calculated using recognised mathematical models. Interest rate derivatives are used by the group to control the risk of changes in the interest rate. If there is an effective hedging relationship in accordance with IAS 39, the hedging connection is entered in the balance sheet as such. If there is no hedge accounting, the changes to the fair value of the derivative financial instruments are immediately recorded as affecting operating results. The interest derivatives used by nextevolution AG are classified as a cash-flow hedge. Cash flow hedges are used to hedge future payment flows against liabilities to credit institutions reported in the balance sheet against interest rate fluctuations. If there is a cash flow hedge, the effective part of the change in the value of the hedging tool until the results from the hedged underlying transaction are recognised as not affecting the operating result in the equity capital (hedging reserve). The ineffective part of the change in the value of the hedging instrument should be recognised as affecting the operating result. Existing hedges are continuously monitored for their effectiveness. The term of the financial instruments used is 60 months.

- **Share-based compensation**

  In accordance with IFRS 2 the employee's services compensated by existing share option programmes are recognised as expenses. Share-based compensation is a form of compensation where employees receive equity capital instruments for services (equity-settled share-based payments). All share options were concluded in 2006. With equity-settled share-based payments personnel costs are valued indirectly at fair value at the time of the undertaking. Then the expense is calculated as the time the share options were issued using the fair value of granted rights determined by the Black-Scholes options price model and charged against capital reserves. The share-based compensation system is explained in detail in the miscellaneous notes.

- **Sales implementation**

  Sales revenue includes the fair value of the received value in return or the receivable from activities that are carried out by the nextevolution group within the scope of normal business operations. Sales revenue is reported net, i.e. without taking into account sales tax and is balanced out with credit notes and discounts and if necessary after eliminating internal group sales.

The nextevolution group realises the corresponding sales revenue when the amount of revenue can reliably be determined, providing the probability of a future economic utility influx and also the following specific conditions for each of the activities listed below are fulfilled:

» Sales of licences: the nextevolution group realises sales revenue on the basis of an agreement with customers as soon as licences are supplied to customers, the sales prices is fixed or ascertainable and there are no essential obligations towards customers and the contribution of receivables is considered probable.
» Maintenance: Revenue from maintenance agreements is realised linearly pro rata temporis over the period for which it is calculated. Maintenance agreements are invoiced to customers one a year or quarterly in advance and the revenue realised is distributed linearly pro rata over the invoice period.
» Services: consulting revenue is realised as soon as the service is provided. For this to happen the sales price has to be fixed or ascertainable and the contribution of receivables must be considered probable.

Borrowing costs

Borrowing costs are recorded as an expense in the period in which they were incurred.

Foreign currency

Foreign currency business is recorded in the reporting currency while the amount of foreign currency is translated at the conversion rate valid between reporting and foreign currency at the time of the business transaction. Conversion differences from handling monetary items at prices that differ from the original during the period recorded are recorded as an expense or revenue in the period in which they arose.

Taxes from income and from revenue/deferred taxes

Profits to be taxed (losses) from group companies on the basis of which income tax payment (refunds) from the reporting period are calculated using valid national tax rates, are calculated in compliance with the tax laws of each country where the company operates.

Deferred taxes are calculated using the liability method. Deferred income taxes reflect the net tax expenditure/revenue of temporary differences between the book value of an asset or liability in the consolidated financial statement and the tax balance sheet. Active deferred taxes are also formulated within the scope of still unused tax accumulated losses brought forward where it is probable that future results to be taxed are available, against which the not yet used tax losses and tax credits can be used.

Deferred tax claims and liabilities are measured using tax rates which apply for the period as expected where an asset is realised or liability is paid. Deferred tax liabilities and claims are valued taking into account the tax consequences that are likely to result from the type and method of reversing temporary differences between the estimate on the reporting date. A deferred tax claim should be reported for all income tax relevant temporary differences if it is likely that income to be taxed is available against which the temporary difference can be used.

Contingent liabilities and claims

A company should not report contingent liabilities unless the possibility of an outflow of resources with an economic use is likely. Within the scope of the company appraisal for the year no contingency liabilities in accordance with IFRS 3 were identified. Contingency liabilities are not recognised in the financial statement. They should however be entered if there is the likelihood of an inflow of economic use.

Events after the balance sheet date

Events after the balance sheet date that provide additional information on the company's situation at the balance sheet date are taken into account in the balance sheet. Value-creating events after the balance sheet date are exclusively entered in the notes to the group financial statements.

Cash flow statement

The cash flow statement shows how the funds change in the course of the reporting year by inflows and outflows of funds. In accordance with IAS 7 payment streams from current business operations, investment activity and financial operations are differentiated. The funds reported in the cash flow statement include cash on hand, cheques and deposits with credit institutions.

Segment reporting

Segment reporting arranges the asset and revenue position according to area of operations in accordance with IAS 14. Segment reporting takes place in accordance with the internal reporting of the nextevolution group, whereby the regional characteristics of our business is largely restricted to Germany. This means that reporting according to secondary segment regions does not apply. The acquisition of BGS, net on and CEO as well as internal restructuring has redefined the business segments. In contrast to previous reporting nextevolution AG reports on the following segments:

» Enterprise content management (unchanged compared to 2006)

» Enterprise resource management (summary of the Financial & Business Integration and Technical Integration business areas)

» Management consulting (unchanged compared to 2006)

» Real estate management (unchanged compared to 2006) expanded by acquisition of CEO AG since 01.10.2007

» Public sector (based on the acquisition of BGS since 01 June 2007)

» IT services (renaming of IT sourcing as IT services, expansion since 01 June 2007 by acquisition of net on)

» Other/consolidation (unchanged compared to 2006)

Within the scope of the restructuring of the business segments the business activities of the financial & business integration and technical integration reporting segments were brought together in the enterprise resource management segment. For comparability reasons the results of all previous year periods were restated according to the current representation of enterprise resource management. In the case of the acquisition of the companies there was no restatement of the previous year.

Group units that were not directly allocated to the above-mentioned operative segments were recorded in the other/consolidation segment. Segment assets and liabilities include all assets and liabilities that are allocated to the business sphere and whose positive and negative results determine the business results. Segment investments involve additions to intangible assets and fixed assets.

- **Finance risk management**

As an IT service provider and software licence reseller the nextevolution group is subject to a range of risks. Essential risks are consequently the successful handling of projects, product marketing, competition with other companies, the ability to prepare adequate financial resources to finance future business development and cooperation with strategic partners. The main clients of the nextevolution group are mostly German, large groups or public institutions from all sectors. In addition to receivables the company's financial instruments consist of supplies and cash and cash equivalent services. The aim of these financial instruments is to finance the operative business.

The management board of nextevolution AG has set up for the group a monitoring system for early recognition and valuation of financial risks. The risk early warning system is an integral component of the planning, control and reporting process. Risks are effectively identified with the help of a risk management system. The system is implemented throughout the company. nextevolution applies a bottom-up approach for early recognition and communication. Controlling assumes a central position in the risk management system. Results are discussed, pursued and processed through a variety of management groups at different hierarchy levels. Cooperation between management board and supervisory board is likewise a component of the process of this integrated risk early warning system.

The aim of liquidity managements is to guarantee sufficient financial flexibility. Sufficiently unused credit lines that are constantly monitored and adjusted to needs are particularly needed for this.

Changes to market interest rates affect nextevolution to the extent that the charging of interest on our credit lines is focussed on the Euro Overnight Indexed Average (EUONIA). This risk can be countered by a correspondingly long-term development in interest rates by switching to long-term interest-rate-bound credits. nextevolution uses derivative instruments to hedge against the interest rate level of parts of the short-term operating credit line. Risk can arise from these financial instruments. As we however use financial instruments for hedging we do not plan to sell them. Hence we do not undergo any price change risk. We likewise see only a very limited risk of default as our partner is a large German bank. Liquidity risks from financial instruments are likewise to a large extent excluded as cash flows develop in opposition to cash flows from short-term operating credit lines or are of subordinate importance. We have credit lines of 3.5 m € to cover short-term liquidity needs, particularly for sales financing. Risks exist to the extent that, on the basis of its general terms and conditions, the bank has reserved a cancellation right for lending commitments at any time. Credits are collateralised with our customer claims.

» Default risks or the risk that a contracting partner will not meet its payment obligations are controlled using our own bank credit line and appropriate control procedures, particularly continuous monitoring of the economic situation using appropriate economic information services. As there is usually a monthly billing of the services we provide, there is no concentration of default risk despite the fact that our sales turnover derives from comparatively few large clients. Previous payment behaviour of clients shows no essential defaults in the past. The maximum risk exists in accounts receivables of 11,000 T€ at the end of 2007 which were entered into the balance sheet. Call deposits exist exclusively with banks of first-class credit worthiness.

» Liquidity risks also arise when clients cannot fulfil their obligations to the company within the scope of the agreed conditions. The group also takes pains to have enough cash or corresponding credit lines to fulfil its future obligations.

- **Breakdown of the balance sheet and income statement**

  The balance sheet and income statement are broken down in accordance with IAS 1. To enhance the clarity of the representation, individual items of the balance sheet and income statement are summarised and separately reported in the notes to the financial statement. To improve clarity memo item details are exclusively included in the notes to the financial statement.

- **Earnings per share**

  Undiluted earnings per share are calculated by dividing the net income which the parent company's ordinary shareholders are entitled to by the average number of outstanding ordinary shares. Added to this is the number of (potential) ordinary shares included on the basis of a capitalisation on the balance sheet date, but before the publication release. Undiluted earnings per share take into account the weighted number of issued share options.

Notes to the income statement

		2007 €	2006 €
Revenue 1	Services	20,060,546.04	8,279,484.37
	Goods	4,107,320.37	3,762,056.09
	Maintenance	2,610,558.30	2,639,872.83
	Other	121,610.34	54,197.01
		26,900,035.05	14,735,610.30
Other capitalised production costs 2	In-house software development	**658,860.62**	144,255.00
Other operating income 3	Income from offsetting of non-cash receipts	82,543.93	40,761.71
	Income from sub-letting of space	43,707.57	0.00
	Income from an audit	0.00	23,025.00
	Income from other periods	0.00	74,604.02
	Other	92,591.38	27,686.40
		218,842.88	166,077.13
Cost of materials 4	Services	-6,218,879.03	-1,959,084.57
	Goods		
	Licences	-695,285.06	-2,379,067.69
	Hardware	-388,854.29	-220,433.66
	Other	-13,032.78	-28,364.73
		-1,097,172.13	-2,627,866.08
	Maintenance	-1,037,697.93	-1,206,996.97
		-8,353,749.09	-5,793,947.62
Personnel expenses 5	Wages and salaries	-10,127,404.21	-4,686,333.70
	Social contributions	-1,517,652.87	-669,705.70
	Expense for retirement pension	-124,288.93	-51,560.72
		-11,769,346.01	-5,407,600.12

	2007 €	2006 €

Other operating expenses 6

	2007 €	2006 €
Advertising costs and travel expenses	-1,477,015.67	-1,150,417.30
Third-party services	-699,652.10	-671,692.53
Office space	-1,132,321.84	-322,912.36
Vehicle costs	-438,436.13	-290,689.26
Telecommunications and office equipment	-321,821.11	-212,591.59
Legal and professional costs	-297,417.64	-151,131.71
Training costs	-224,531.26	-94,085.27
Hardware and software costs	-116,126.93	-73,678.60
Insurance and premiums	-122,664.20	-70,766.35
Leasing	-215,784.88	-17,720.00
Capital market costs	-364,561.31	-36,250.00
Other	89,508.67	-297,488.94
	-5,320,824.40	-3,389,423.91

For adjustments to previous year figures cf. 9

Interest result 7

	2007 €	2006 €
Interest and similar expenses	-150,284.83	-23,946.46
Interest and similar income	58,982.65	13,748.11
Interest result	**-91,302.18**	-10,198.35

The interest result is primarily due to the use of the working fund credit line.
In addition, the interest expense contains an amount of € 7,348.00 caused by charging the market value of the interest cap.

Depreciations 8

The depreciation of € 1,095,970.93 contains unscheduled deparecation due to an impairment in the intangible assets in the amount of € 187,048.20. Details are reported in the notes for intangible assets.
There were no further impairments.

Taxes on income 9

	2007 €	2006 €
Taxes on income	-228,406.96	3,062.69
Deferred tax	-257,563.95	-336,122.59
	-485,970.91	-333,059.90

Motor vehicle tax is reported under other operating expenses.
The previous year's figures have been adjusted accordingly (€ 3,234.50).

Earnings per share

10

a) Basic earnings per share

The basic earnings per share is calculated by dividing the profit attributable to the ordinary shareholders of the parent company by the average weighted number of ordinary shares in circulation during the reporting year.

When calculating the average number of shares, the capital increase, agreed in 2007 but not registered until January 2008, against a non-cash contribution of 64.8% of CEO AG was taken into account at the time of the initial consolidation on 1 October 2007. In accordance with IAS 33.64, the previous year's values were adjusted accordingly.

	2007	2006
	€	€
Net profit/deficit	28,061.93	-429,804.91
Average weighted number of ordinary shares	1,019,627.00	1,019,627.00
Basic earnings per share	**0.03**	**-0.42**

b) Diluted earnings per share

In order to calculate the diluted earnings per share, a company must remove any diluting effects of potential ordinary shares from the net profit attributable to ordinary shareholders of the parent company and from the average weighted number of shares in circulation.

In 2006, 50,000 options were granted as part of a share option plan.

When calculating the dilution effect, it was assumed that the exercise price was € 11 and that the average price was € 12.77 in 2007 and € 16.15 in 2006. This produces a number of diluting potential outstanding shares in the amount of 6,913.98 units in 2007 and 15.939,56 in 2006.

	2007	2006
	€	€
Net profit/deficit	28,061.93	-429,804.91
Average weighted number of ordinary shares	1,026,541.23	1,035,566.81
Diluted earnings per share	**0.03**	**-0.42**

Fixed asset movement schedule

The development of the assets is shown in the fixed asset movement schedule below:

11

Change in assets during the period 01/01/2006 to 31/12/2006	Acquisition and manufacturing costs				
	As at 01/01	Change in consolidated group	Additions	Disposals	As at 31/12
Concessions and similar rights	1,373,573.78	0.00	855,254.03	20,483.33	2,208,344.48
Goodwill	0.00	0.00	84,400.97	0.00	84,400.97
Own produced intangible assets	0.00	0.00	144,255.00	0.00	144,255.00
Intangible assets	**1,373,573.78**	**0.00**	**1,083,910.00**	**20,483.33**	**2,437,000.45**
Other tools and equipment, office fixtures	456,391.05	0.00	247,247.48	185,259.40	518,379.13
Property, plant and equipment	**456,391.05**	**0.00**	**247,247.48**	**185,259.40**	**518,379.13**
Holdings	20,001.00	0.00	0.00	0.00	20,001.00
Financial assets	**20,001.00**	**0.00**	**0.00**	***0.00***	**20,001.00**
Total assets	**1,849,965.83**	**0.00**	**1,331,157.48**	**205,742.73**	**2,975,380.58**

Change in assets during the period 01/01/2007 to 31/12/2007	Acquisition and manufacturing costs				
	As at 01/01	Change in consolidated group	Additions	Disposals	As at 31/12
Concessions and similar rights	2,208,344.48	18,925.29	276,673.09	2,283.98	2,501,658.88
Goodwill	84,400.97	1,600,214.93	0.00	0.00	1,684,615.90
Own produced intangible assets	144,255.00	0.00	658,860.61	0.00	803,115.61
Other intangible assets	0.00	3,789,552.70	0.00	0.00	3,789,552.70
Intangible assets	**2,437,000.45**	**5,408,692.92**	**935,533.70**	**2,283.98**	**8,778,943.09**
Other tools and equipment, office fixtures	518,379.13	729,440.54	262,834.97	33,423.34	1,477,231.30
Property, plant and equipment	**518,379.13**	**729,440.54**	**262,834.97**	**33,423.34**	**1,477,231.30**
Holdings	20,001.00	0.00	0.00	0.00	20,001.00
Financial assets	**20,001.00**	**0.00**	**0.00**	**0.00**	**20,001.00**
Total assets	**2,975,380.58**	**6,138,133.46**	**1,198,368.67**	**35,707.32**	**10,276,175.39**

Accumulated depreciation						Carrying amounts	
As at 01/01	Change in consolidated group	Additions scheduled depreciation	Additions unscheduled depreciation	Disposals	As at 31/12	**31.12.2006**	31.12.2005
1,003,972.69	0.00	403,995.48	0.00	13,276.33	1,394,691.84	813,652.64	369,601.09
0.00	0.00	0.00	0.00	0.00	0.00	84,400.97	0.00
0.00	0.00	9,717.81	0.00	0.00	9,717.81	134,537.19	0.00
1,003,972.69	**0.00**	**413,713.29**	**0.00**	**13,276.33**	**1,404,409.65**	**1,032,590.80**	**369,601.09**
279,067.55	0.00	116,054.58	0.00	181,530.90	213,591.23	304,787.90	177,323.50
279,067.55	**0.00**	**116,054.58**	**0.00**	**181,530.90**	**213,591.23**	**304,787.90**	**177,323.50**
1.00	0.00	20,000.00	0.00	0.00	20,001.00	0.00	20,000.00
1.00	**0.00**	**20,000.00**	**0.00**	**0.00**	**20,001.00**	**0.00**	**20,000.00**
1,283,041.24	**0.00**	**549,767.87**	**0.00**	**194,807.23**	**1,638,001.88**	**1,337,378.70**	**566,924.59**

Accumulated depreciation						Carrying amounts	
As at 01/01	Change in consolidated group	Additions scheduled depreciation	Additions unscheduled depreciation	Disposals	As at 31/12	**31.12.2007**	31.12.2006
1,394,691.84	0.00	362,874.93	187,048.20	2,283.98	1,942,330.99	559,327.89	813,652.64
0.00	0.00	0.00	0.00	0.00	0.00	1,684,615.90	84,400.97
9,717.81	0.00	47,225.62	0.00	0.00	56,943.43	746,172.18	134,537.19
0.00	0.00	246,432.36	0.00	0.00	246,432.36	3,543,120.34	0.00
1,404,409.65	**0.00**	**656,532.91**	**187,048.20**	**2,283.98**	**2,245,706.78**	**6,533,236.31**	**1,032,590.80**
213,591.23	0.00	252,389.82	0.00	20,513.34	445,467.71	1,031,763.59	304,787.90
213,591.23	**0.00**	**252,389.82**	**0.00**	**20,513.34**	**445,467.71**	**1,031,763.59**	**304,787.90**
20,001.00	0.00	0.00	0.00	0.00	20,001.00	0.00	0.00
20,001.00	**0.00**	**0.00**	**0.00**	**0.00**	**20,001.00**	**0.00**	**0.00**
1,638,001.88	**0.00**	**908,922.73**	**187,048.20**	**22,797.32**	**2,711,175.49**	**7,564,999.90**	**1,337,378.70**

Concessions and similar rights

Concessions and similar rights essentially result from maintenance or customer agreements acquired in previous years as well as newly acquired software. In the context of an impairment test there was unplanned depreciation of 187 T€ on maintenance agreements acquired by PDT Pylon Document Technology GmbH in the enterprise content management segment. This happened because the relevant maintenance contracts were unexpectedly cancelled before the term expired. The interest rate used to estimate the utility value of the asset in the context of a discounted cash flow method was 13% the previous year. This represented the only expense for impairment in the reporting period.

Goodwill

Goodwill arising from the takeover of BGS was 1,397 T€, that from the takeover of CEO was 204 T€. The book values of the goodwill are allocated to the following cash generating units:

	2007	2006
	€	€
Real estate management	203,472.69	0.00
Public sector	1,396,742.24	0.00
Enterprise content management	84,400.97	84,400.97
	1,684,615.90	84,400.97

The change in the goodwill of the real estate management cash generating unit results from the acquisition of CEO, while the first reporting of goodwill in the public sector cash generating unit resulted from the acquisition of BGS and net on. The annual value test for the goodwill performed on 31.12.2007 produced no impairment. The recoverable amount of the cash generating unit corresponds to the cash value of the expected future payment stream that arises from this cash generating unit. The acceptance used for calculating by future sales and cost planning is based on the current business planning with a planning horizon of five years approved by the management including for internal purposes as we assume that developments in the acquired business areas would be handled over a five year cycle. Among the essential acceptances used by the management to calculate the utility value include growth rates, customer acquisition, costs of winning customer loyalty and discount interest rates. Future essential changes in the market and competition field can lead to a negative effect on cash generating units.

- **Own-account assets**

  Additions to own-account assets in 2007 of 658.9 T€ (previous year: 84.4 T€) arose essentially through the development of software products that will be marketed as nextevolution products in coming years. The marketing will mainly take place in connection with corresponding service projects consisting of implementing mainly preconfigured software products with clients.

- **Other intangible assets**

  The other intangible Assets result from the managed mergers and acquisitions in the business year. See notes.

- **Financial assets**

  As at 31.12.2007 nextevolution AG has only one financial asset in netpier GmbH, Hamburg. Accounting is mainly for acquisition costs as there is no active market for the shares of this company and its fair value cannot be reliable calculated. In 2006 there was a currency depreciation to 0 € on objective grounds.

Notes to the balance sheet

		2007 €	2006 €
Trade receivables 12	Trade receivables, gross	11,074,277.95	4,504,972.99
	Value adjustments	-73,328.00	-48,528.00
		11,000,949.95	4,456,444.99
	All receivables are due within one year.		
Other assets 13	Tax receivables	172,789.80	10,506.95
	Receivables from employees	57,184.26	48,939.67
	Other	47,582.55	35,780.45
		277,556.61	95,227.07

Prepayments and accrued income 14

Prepayments and accrued income in the amount of € 445.8 thousand (2006: € 660.0 thousand) are primarily the result of prepayments for maintenance, rental and leasing agreements.

		2007 €	2006 €
Inventories 15	Work in progress	178,806.94	94,241.75
	Goods	438,243.62	439,427.81
		617,050.56	533,669.56

Other non-current assets 16

The other non-current assets in the amount of € 248.3 thousand (2006: € 34.6 thousand) are concerned with long-term tax receivables in the amount of € 183.5 thousand and employee loans in the amount of € 65.3 thousand. The fair value is the same as the carrying amount.

Taxes on income

17

Reported as income tax are the paid or owed actual taxed on income and deferred taxes.

The summarised income tax rate for nextevolution in 2007 remained at the previous year's tax rate of 40.33% comprising corporation tax of 25% and the solidarity surcharge which is leveied at a rate of 5.5% on the corporation tax, plus the trade tax charge of 18.96%. From 2008, the summarised income tax rate will be 31.61% due to the company taxation reforms, and deferred tax assets and liabilities in 2007 have already been adjusted to reflect this.

The deferred tax temporary differences are composed as follows:

	2007		2006	
	Assets	Liabilities	Assets	Liabilities
Deferred tax				
Intangible assets	36,860.81	1,394,329.18	40,479.71	54,258.85
Loss carried forward	748,196.20	0.00	0.00	0.00
Financial liabilities	6,562.55	0.00	0.00	0.00
Provisions	0.00	13,439.36	0.00	0.00
Other assets	0.00	139,400.10	0.00	0.00
Other liabilities	0.00	0.00	0.00	-71.27
	791,619.56	1,547,168.64	40,479.71	54,187.58

Deferred tax assets in the amount of € 4 thousand have been taken into account for items directly charged to equity.

The table below shows the transition from expected to reported tax expense.
In order to calculate the expected tax expense, the assumed tax rate of 40.33 % was applied to the net earnings before tax. The summarised income tax rate is composed of corporation tax and trade tax, and takes account of the trade tax deductible.
The share of deferred tax assets that will be realised after 12 months amounts to € 468,580.10.
The share of deferred tax liabilities that will be realised after 12 months amounts to € 1,283,168.89.

	2007	2006
	€	€
Earnings before tax	**760,861.13**	**-96,745.01**
Expected tax expense/revenue	**306,855.29**	**-39,017.26**
Tax effects from losses carried forward	171,773.94	0.00
Effects of changes to the tax rate	-2,908.00	0.00
Effects of variant local tax rates	-7,044.28	0.00
Net effect of items charged directly to equity		
in relation to cost of equity against capital provisions	0.00	284,550.40
Tax-neutral income	0.00	54,258.85
Effects of non-deductible operating expense	17,293.96	0.00
Other	0.00	33,267.91
Tax expense as per income statement	**485,970.91**	**333,059.90**
Effectove tax rate (in %)	63.87	-344.27

For adjustments to previous year figures cf. 9

The actual income tax expenses taken into account are all to be attributed to 2007.
The income taxes can be broken down as follows:

	2007	2006
	€	€
Actual income taxes	228,406.96	3,062.69
Deferred tax		
Deferred tax due to changes in tax rate	2,908.00	0.00
Deferred tax temporary differences	254,655.95	-336,122.59
	257,563.95	-336,122.59
	485,970.91	**-333,059.90**

No deferred tax assets have been formed on losses carried forward for tax amounting to € 1,112 thousand since it is not currently anticipated that these tax claims will be realised.
The losses carried forward are not vested for tax.

Current financial liabilities

18

The amount due to banks of € 2,519.8 thousand (2006: € 343.7 thousand) is related to the use of the working fund credit line. These liabilities are secured by a general assignment of receivables amounting to € 11,001 thousand.

Prepayments received for orders

19

The prepayments received for orders of € 12.5 thousand (2006: € 0) consist of a prepayment for an order received in December 2007.

Other current liabilities

20

	2007 €	2006 €
Liabilities from outstanding variable employee payments	435,112.85	462,344.09
Liabilities from the takeover of business operations of DD Synergie eSolutions GmbH	55,393.24	204,242.48
Liabilities from the acquisition of BGS Beratungsgesellschaft Software Systemplanung AG	717,500.00	0.00
Tax liabilities	1,120,669.57	319,289.91
Liabilities relating to social security and liabilities to professional associations (liability insurance)	97,286.41	42,874.93
Other liabilities to employees	392,135.35	0.00
Other	646,140.95	38,777.66
	3,464,238.37	1,067,529.07

Deferred income

21

The deferred income of € 461.4 thousand (2006: € 288.8 thousand) is the result mainly of the fact that in some cases invoices for maintenance agreements for which prepayments have been agreed have already been issued to customers although the services will not be provided until after 31/12/2007.

Current provisions 22

	2007 €	2006 €
Provisions for process risk		
Starting balance as at 01/01	4,254.33	8,000.00
Change to consolidated group	0.00	0.00
Additions	4,133.40	0.00
Use	-4,254.33	-3,745.67
As at 31/12	**4,133.40**	4,254.33
Provision for guarantees		
Starting balance as at 01/01	0.00	0.00
Change to consolidated group	492,623.97	0.00
Additions	0.00	0.00
Reversal	-300,000.00	0.00
Use	-112,173.97	0.00
As at 31/12	**80,450.00**	0.00

The change to the consolidated group is mainly caused by the takeover of CEO.
The reversal is due to a non-claim on a guarantee case by a customer.

	2007 €	2006 €
Provision for statutory duty to keep and retain records		
Starting balance as at 01/01	0.00	0.00
Change to consolidated group	4,545.45	0.00
Additions	5,040.00	0.00
Use	0.00	0.00
As at 31/12	**9,585.45**	0.00
Provision for impending losses		
Starting balance as at 01/01	0.00	0.00
Change to consolidated group	0.00	0.00
Additions	27,433.20	0.00
Use	0.00	0.00
As at 31/12	**27,433.20**	0.00

The addition relates to the formation of a reserve in relation to the sub-letting of the Frankfurt office.

	2007 €	2006 €
Provisions for process risk	4,133.40	4,254.33
Provision for guarantees	80,450.00	0.00
Provision for statutory duty to keep and retain records	9,585.45	0.00
Provision for impending losses	27,433.20	0.00
	121,602.05	4,254.33

		2007 €	2006 €

Long-term financial debts 23

The long-term financial liabilities of 20.8 K€ (prev. year. 0€) result on the one hand from a negative market value of a derivative in the security context (hedge) at the date of balance), hat can be offset in the equity capital as neutral in success and on the other hand a derivative without security context that was covered in the interest expenditures.

Long-term liabilities 24

The long-term liabilities of 684.6 K€ (prev. year. 16.5 K€) arise essentially from the acquisition of BGS. A part amount of the purchase price with a book value of 676.7 K€ is due on 31 January 2009. the book value corresponds to the fair value.

Long-term provisions 25

	2007 €	2006 €
Provisions for statutory obligation to preserve records		
Initial amount on 01.01.	0.00	0.00
Changes in the scope of consolidation	32,475.76	0.00
Additions	26,806.06	0.00
Claims	0.00	0.00
Status at 31.12.	**59,281.82**	0.00
Amount with a term of 1-5 years	31,846.88	0.00
Amount with a term of > 5 years	27,434.94	0.00
Provisions for anticipated losses		
Initial amount on 01.01.	0.00	0.00
Changes in the scope of consolidation	0.00	0.00
Additions	53,695.35	0.00
Claims	0.00	0.00
Status at 31.12.	**53,695.35**	0.00
Amount with a term of 1-5 years	53,695.35	0.00
Amount with a term of > 5 years	0.00	0.00
The additions correspond to the long-term part of the anticipated loss provisions from the subleasing of the Frankfurt location.		
	112,977.17	0.00

Deferred tax liabilities 26

The tax liabilities of 1,547.5 K€ (prev. year. 54.2 K€) result largely from the purchase price allocations for BGS/ net on and CEO.

Issued capital 27

We refer in this context to the information made with regard to Miscellaneous Items.

Capital reserve
28

As at 31 December 2007 the capital reserve amounts to € 8,558 thousand as in the previous year and comprises the premium from the issue of shares by nextevolution AG.

Net loss
29

The net loss of € -4,031 thousand is based on the loss of € -4,059 thousand carried forward from previous years and the result for the financial year of € 28 thousand.

Reconciling item of minority interests in shareholders' equity
30

The reconoiling items for minority interests in shareholders equity report an amount of € 1,198.9 thousand in 2007 (2006: € 0). The change is the result of the company acquisitions during the year under review.

Deposits made for purpose of carrying out declared capital increase
31

In the financial year a capital increase was carried out against a non-cash contribution. This capital increase was entered in the Commercial Register on 14 January 2008. As at 31/12/2007 therefore this is reported as a deposit made for purpose of carrying out a declared capital increase

Notes to the cash flow statement

Cash flow from operating activities

32

The cash flow from operating activities is mainly due to the increase in trade receivables from BGS. The reasons for this are that as at the time of initial consolidation, this item, due to the seasonal nature of business, was comparable low, while as at year end the increased invoices caused a higher level to be reached. This effect is only conditionally offset by the corresponding rise in trade liabilities. Moreover, the significant rise of other liabilities also has an effect.

Cash flow from investing activities

33

The cash flow from investing activities increased year on year by € 1,981 thousand to € 3,312 thousand. The investing activity is affected mainly by the acquisitions during the year under review of the companies BGS, net on and CEO. For the merger with BGS liquid funds of € 2,932 thousand were used. As part of the company acquisition, funds of € 949 thousand were taken over.

The amount of investment in property, plant and equipment and in intangible assets corresponds largely to that of the previous year.

Cash flow from financing activities

34

The cash flow from financing activities of € 2,106 thousand is the result of the use of the financial credit line.

Other details

Segment report (group)

	ECM 2007	ECM 2006
	€	€
External revenue	11,718,318.05	11,193,927.20
Internal revenue	628,546.53	0.00
Sonstige betriebliche Erträge	291,824.23	0.00
Cost of materials	-4,176,824.25	-4,741,325.48
Gross profit	8,170,040.33	6,452,601.72
Employee expenses & other operating expenses	-6,117,901.13	-4,883,835.41
Depreciation	-590,688.99	-99,522.56
Participation result	0.00	0.00
Segment result from normal business activity	**2,271,907.16**	**1,469,243.75**
Segment assets	1,110,731.21	42,054.60
Segment investment	821,306.98	972,111.08
Segment liabilities	627,767.52	0.00

	ERM 2007	ERM 2006
	€	€
External revenue	976,900.57	1,477,444.20
Internal revenue	0.00	0.00
Other operating income	0.00	0.00
Cost of materials	-113,156.05	-237,660.89
Gross profit	863,744.52	1,239,783.31
Employee expenses & other operating expenses	-609,608.61	-798,885.01
Depreciation	-942.98	-595.34
Participation result	0.00	0.00
Segment result from normal business activity	**249,948.13**	**440,302.96**
Segment assets	671.00	0.00
Segment investment	0.00	4,083.20
Segment liabilities	0.00	0.00

Real estate management		Management consulting		IT Services	
2007	2006	**2007**	2006	**2007**	2006
€	€	€	€	€	€
3,069,496.59	1,026,591.94	1,335,986.76	998,670.16	1,735,300.91	0.00
13,155.06	0.00	70,611.36	0.00	917,208.93	333,963.00
4,489.62	0.00	2,043.32	0.00	92,932.34	0.00
-1,932,481.92	-81,018.15	-673,645.79	-701,796.19	-1,755,249.88	-284,127.00
1,150,169.73	945,573.79	732,952.33	296,873.97	897,259.96	49,836.00
-539,977.20	-837,153.75	-1,180,838.89	-487,100.01	-734,507.19	-108,470.59
-131,202.82	-66,489.71	-8,811.88	-2,816.17	-34,673.13	-22,871.67
0.00	0.00	0.00	0.00	540.00	0.00
494,965.93	**41,930.33**	**-393,825.12**	**-193,042.21**	**298,026.98**	**-81,506.26**
2,282,679.51	0.00	1,334,974.60	627,350.89	709,262.55	260,852.30
2,070,511.07	57,047.80	80,113.88	26,028.17	377,478.25	1,119.83
2,105,044.49	0.00	1,334,974.60	0.00	489,997.53	0.00

Public Sector		Other / consolidation		nextevolution group	
2007	2006	**2007**	2006	**2007**	2006
€	€	€	€	€	€
8,438,322.30	0.00	-374,290.13	38,976.80	26,900,035.05	14,735,610.30
7,759.14	0.00	-1,637,281.02	-333,963.00	0.00	0.00
135,552.61	0.00	-307,999.24	166,077.13	218,842.88	166,077.13
-1,450,917.96	0.00	1,748,526.76	251,980.09	-8,353,749.09	-5,793,947.62
6,995,163.48	0.00	-263,044.39	-43,006.11	18,546,285.96	8,941,662.68
-5,840,382.73	0.00	-1,794,318.85	-1,532,499.89	-16,817,534.60	-8,647,944.66
-237,573.05	0.00	-92,078.08	-357,472.42	-1,095,970.93	-549,767.87
0.00	0.00	0.00	3,426.06	540.00	3,426.06
648,192.31	**0.00**	**-2,444,416.27**	**-1,763,475.23**	**852,163.31**	**-86,546.66**
5,334,352.13	0.00	9,956,177.77	8,206,962.53	20,334,838.99	9,137,220.32
2,317,489.05	0.00	2,063,612.68	270,767.40	7,730,511.91	1,331,157.48

		nextevolution group	
		2007	2006
		€	€
Segment report	**Segment assets**	20,334,838.99	9,137,220.32
	Tax receivables	355,828.42	10,506.95
	Deferred tax assets	791,619.56	40,479.71
	Consolidated assets	21,482,286.97	9,188,206.98
	Segment liabilities	8,607,170.84	2,955,582.77
	Tax liabilities	1,120,669.57	319,289.91
	Deferred tax liabilities	1,547,168.64	54,187.58
	Current and non-current financial liabilities	2,540,525.54	360,202.53
	Consolidated liabilities	13,815,534.59	3,689,262.79

Notes to the segment report

The business activities of the nextevolution group is carried out in the following segments represented below:

Enterprise content management

Enterprise content management operations extend over solutions for collecting, managing, storing, preserving and preparing content and documents for supporting organisational processes. Nextevolution here relies on both large IBM/FileNet and SAP software platforms. In addition nextevolution offers a range of its own products that are loaded on IBM / FileNet P8 or SAP platforms. The segment's depreciation contains unplanned depreciation of 187 T€.

Enterprise resource management

The enterprise resource management segment consists of the financials & business integration and technical integration business fields. The financials & business integration business field analyses and optimises IT system landscapes. Existing SAP installations are further developed and managed and new SAP installations and individual adjustments are carried out. nextevolution specialises in the customer-tailored integration of preconfigured systems for automating internal company business processes with SAP. In the technical integration business field nextevolution employees work on topics like IT project management, application development and technology advice. Among other things the company advises clients on the selection and introduction of new technologies and procedures (technology consulting) and the successful implementation of technologically demanding projects (project management). In addition, nextevolution develops applications for both client servers and mainframe systems, for example database software or client-specific user interfaces for portals.

Real estate management

This business area offers sector-related services for real estate management with a focus on topic areas like process analysis and energy optimisation. nextevolution offers real estate management companies the following consulting and IT services: business process advice, IT strategy advice, product evaluation, implementation of total business systems, operating costs/energy management, maintenance management, document management and finance management advice.

Public sector

The Public sector segment is subdivided into defence, media and government business fields. The defence business field developed into the biggest BGS business field as a result long-term contractual cooperation with the Bundeswehr in dominantly administrative IT projects. Other markets are friendly countries, their common agencies, Nato and the defence technology industry which however currently play a subordinate role. In addition, internal security and rescue organisations which come under the rubric 'homeland security' are of interest, but to date this business field has not been much developed. The awarding of the public private partnership project Herkules to IBM and Siemens at the end of 2006 gave BWI systems, BWI services and BWI-IT essential IT operational service and services. The media business field essentially consists of ZDF clients. Nevertheless the business field sees itself as a provider to all public radio and television bodies and participates in invitations to tender for these organisations. The client is offered service-oriented IT support. The existing IT is to be developed so as to be consolidated and integrated in the business processes.

Among the clients of the government business field where concrete projects are being implemented are federal agencies in the field of health and the Ministries for Food, Agriculture and Consumer Protection. In the regions BGS operates in Bavaria, Berlin/Brandenburg, Baden-Württemberg, Bremen, North Rhine Westphalia, Rhineland-Palatinate and Schleswig-Holstein.

Management Consulting

The service spectrum of this area goes from focused advice services such as strategy and process advice via information management to programme management support relevant to implementation.

IT services

The IT Services segment consists of the IT sourcing business field. The main activity of the business field lies in the procurement of qualified IT specialists for internal and external group projects and also clients. This means that internal group and inter-segment allocation is provided without margin. It also consists of the network technologies/IT support business area in net on. Net on is a specialist in the efficient management of IT networks. Here clients from the economic and management sectors are accompanied and supported over the entire process chain of advice via project management to support. As a partner of leading manufacturers such as Citrix, net on seeks for its clients not only appropriate solutions but also helps in planning, implementation and commissioning necessary products.

Other financial obligations

Other financial obligations result exclusively from leasing, rental agreements and guarantees (operating leases according to standard conditions) which is represented as follows:

Financial year	Up to 1 year	1 - 5 years	More than 5 years	Total
Rental expense	1,109,952.36	3,056,819.71	2,905,081.28	7,071,853.35
Rental income	160,310.84	13,561.56	0.00	173,872.40
Rents	949,641.52	3,043,258.15	2,905,081.28	**6,897,980.95**
Leasing	100,508.09	80,094.94	0.00	**180,603.03**
Others (guarantees)	144,262.77	0.00	0.00	**144,262.77**
Total	1,194,412.38	3,123,353.09	2,905,081.28	**7,222,846.75**

Rental agreements relate to office space at sites belonging to the nextevolution group. The rental agreements were concluded for the periods to March 2009 (Berlin), April 2011 (Frankfurt and Hamburg), October 2020 (Mainz), September 2011 (St. Augustin) with a six month cancellation notice (Wilhelmshaven) or three months cancellation notice at the end of the quarter (Munich). Vehicle and office machines were leased within the scope of operating leasing contracts. The company also in 2006 sold and leased back its own products with a sale and leaseback agreement. These transactions produced for the nextevolution group in 2008 and 2009 expenses of approx. 213 T€ per annum. The guarantees were mainly drawn up in the context of site rental agreements.

The year produced an expense for rental and leasing payments of 1,348 T€ while the previous year this was 341 T€.

Derivative financial instruments

In order to guarantee the group's flexibility at any time, nextevolution AG holds a liquidity reserve in the form of credit lines. As this fund is subject to variable interest rates, the group is subject to interest rate risks. To control this interest rate risk in 2007 interest rate hedging transactions were concluded. This relates to an interest rate swap and an interest rate limitation deal in the form of a highest rate agreement with a term of 60 months. The interest rate swap should be classified as a cash flow hedge under IAS 39. The intention is to eliminate the interest rate change risk with payments that mean drawing on short-term operating credit. The hedging measures are regularly assessed to match them with interest rate expectations. The interest rate limitation deal in the form of a highest rate agreement should not be qualified as a hedging system under IAS 39.

Interest rate swap

With an interest rate swap the group exchanges fixed for variable interest rate payments which were calculated based on agreed nominal amounts. These agreements allow the group to avoid the risk of changing interest rates at the fair value of fixed interest-bearing debt instruments and payment stream risks and variable interest-bearing debt instruments. The fair value of interest swaps on the reporting date are determined by discounting future cash flows using interest rate structure curves on the reporting date and the credit risks linked with the agreements. This is shown below. The average interest rate is based on the outstanding stocks at the end of the year. The interest rate swap which exchanges variable interest-bearing amounts for fixed-interest amounts is designated as a hedge for payment streams to reduce the group's payment streams arising from variable interest-bearing outside funds.

- **Interest rate limitation system**

With this interest rate limitation system the group exchanges interest rate hedging in the form of equalisation payments for interest rates over a particular limit for equalisation payments for the interest rate difference between the two-year and ten-year Euribor Swap rate. The interest rate limitation system is allocated to the „at fair through P&L" category in accordance with IAS 39.

The following table shows the fair values of the derivative financial instruments reported in the balance sheet:

	31/12/2007
Liabilities	
Interest rate swap with hedging relationship	-13,413.00
Interest cap without hedging relationship	-7,348.00
	-20,761.00

- **Interest rate sensitivity analysis**

The sensitivity analysis represented below was determined using the interest rate risk exposures of derivative instruments on the balance sheet date by the issuing bank. For variable interest-bearing liabilities the analysis is drawn up on the assumption that the amount of the outstanding liabilities was outstanding on the balance sheet date for the entire year.

If the interest rates had been 100 basis points higher and all other variables had been kept constant:

- The annual surplus for the year would have risen by 13,751 T€ and
- The group's equity capital would have been higher by 52,265 T€

If the interest rates had been 100 basis points lower and the other variables had been kept constant:

- The annual surplus for the year would have dropped by 5.067 T€ and
- The group's equity capital would have been reported as 45,837 T€ lower

Share-based compensation

In 2006 nextevolution issued a total of 50,000 share options to employees/board members, 25,0000 to the board and 25,000 to employees. The option plans are equity-settled plans. The subscription price for a share in the option is 11€. A precondition for exercising the option is that the performance of the Prime All Share Performance Index or another Index that functions in place of this index is worse than the performance of the nextevolution share, starting from the day of the initial admission of the quotation to the day the option is exercised. Options can be exercised from 10.3.2008 at the earliest. Another third can be exercised at the earliest on 10.3.2009 and the remainder on 10.3.2010 at the earliest. Exercising the option is only possible within a period from at most four weeks starting from the fifth working day after the nextevolution ordinary general meeting of shareholders. In addition restrictions deriving from the general legal regulations, particularly the Securities Act, should not be complied with. These options are not transferable with the exception of inheritance. They cannot be disposed of, pledged or charged in any other way. The right to exercise the option ends five years after the issue date at the latest. If options by this date have not been exercised, they lapse without being replaced. Hence the weighted average of the remaining contractual term for the options outstanding as at 31.12. 2007 is still 4.75 years. The Option value of 25 T€ was in 2006 recorded as affecting operating results in personnel expenses. The value of the options was calculated using the Black-Scholes option price model at the time of granting. In 2007 no other share options were issued. In the reporting period no expense was recorded from the share options.

Breakdown of shareholdings

Name and seat of company	Shareholding	Equity as at 31/12/2006	Result Financial year 2006
	%	€	€
Affiliated companies			
BGS Beratungsgesellschaft Software Systemplanung AG,			
Mainz	90.0	2,830,929.99	755,524.79
Centrum für Ertragsoptimierung AG, Krefeld	64.8	-1,347,402.34	-1,770,914.36
net on GmbH, Mainz	51.0	152,128.96	29,471.53
Nextevolution GmbH, Wien	100.0	-58,454.75	-93,454.75
nextevolution management consulting GmbH, Hamburg	75.0	-267,734.83	114,350.92
qualified developers market GmbH, Hamburg	100.0	-43,325.62	-34,333.88

The data represents the values reported according to the local GAAP.

- **Board**

The board consists of:

Peter Ohl, chairman,
Rödermark

Nils Manegold, Financial board,
Dreieich

Dr. Marc Schomann, Department management advice
Hamburg, until 30.09.2007

- **Supervisory board**

The following were on the supervisory board during the year:

Franz-Josef Lhomme,
Member of the supervisory board since 1 January 2007, chairman of the supervisory board since 4 April

Sven Lemiss, manager (since 12 July 2007)

Hans-Jürgen Beck, entrepreneur (since 12 July 2007)

Eckhard Rickmann, lawyer,
Wilhelmshaven (chairman until 4 April 2007) member of the supervisory board until 12July 2007

Dr. Bodo Heinz, lawyer,
Wilhelmshaven (until 12 July 2007)

Compensation report of the board and the supervisory board

- **Compensation for the board**

The cost-affecting earnings of members of the board in 2007 were 464 T€. This is distributed in operating results-independent salary components of 439 T€ and operating results-dependent components of 25 T€. 138 T€ accrued to the former chairman Dr. Marc Schomann. As at 31 December 2006 the board or former board held 25,000 share options which were distributed as follows:

	Number of options
Peter Ohl	10,000
Nils Manegold	5,000
Dr. Marc Schomann	10,000

The amount of operating results-dependent compensation was arranged according to the company results of the previous year. The value of the share options relates to the share price of the nextevolution share. Exercising the options is linked to conditions. They can be exercised in 2008, 2009 and 2010, The structure of the share option programme is detailed in the miscellaneous notes to the consolidated financial statement. The fair value of the options at the time of granting was 25 T€. In 2007 no other share options were issued.
Disclosure of individual board salaries in accordance with § 286 par. 5 Commercial Code is prohibited from 12 July 2008 to 11 July 2011 on the basis of the shareholder's general meeting resolution.

Compensation for the supervisory board

Compensation for the supervisory board of nextevolution AG is governed by § 21 of the articles of incorporation. In accordance with this provision the members of the supervisory board receive a fixed compensation in addition to compensation for their outlays. The chairman of the supervisory board is entitled to double the amount for the other members. The fixed compensation for the chairman is 10,000 Euros and for the other members 5,000 Euros. In 2007 nextevolution AG provided no advance for future compensation or credits to members of the supervisory board or contingencies on behalf of these persons.

Equity capital

The capital stock is 1,000,000.00 € (previous year 1,000,000.00 €) and is divided into 1,000,000 ordinary bearer shares

Approved capital

In accordance with § 4 par. 3 of the nextevolution articles of incorporation the board is authorised to increase the company's capital stock up to 11 July 2012 with the agreement of the supervisory board by issuing new, ordinary bearer shares for cash or non-cash capital contributions one or more times, but in total for a maximum of € 500,000 (approved capital 2007).

Conditional capital 2006

The company's capital stock is conditionally increased (conditional capital 2006) by 50,000.00 EUR by the issue of up to 50,000 bearer shares (ordinary shares). The conditional increase in capital stock serves exclusively to fulfil options that were granted on the basis of the authorisation of the shareholders' general meeting of 08 March 2006 to 08 March 2011. The conditional capital increase is only carried out if the bearer of the issued options uses his right to the allocation of company shares and the company does not grant its own shares to fulfil the options. The new shares participate in profits at the beginning of the year in which they arise when the options are exercised.

Conditional capital 2007

The company's capital stock is conditionally increased (conditional capital 2007) by 50,000.00 EUR by the issue of up to 50,000 bearer shares (ordinary shares). The conditional increase in capital stock serves exclusively to fulfil options that were granted on the basis of the authorisation of the shareholders' general meeting of 12 July 2007 to 11 July 2012. The conditional capital increase is only carried out if the bearer of the issued options uses his right to the allocation of company shares and the company does not grant its own shares to fulfil the options. The new shares participate in profits at the beginning of the year in which they arise when the options are exercised.

The supervisory board is only authorised to decide on changes to the articles of incorporation that relate to the wording. In all other respects please refer to §§ 133, 179 German Stock Corporation Law. In addition, the supervisory board decides on the conclusion, change or cancellation of the employment contract with the members of the board. For all other matters please refer to §§ 84 and 85 German Stock Corporation Law.

Capital management details:

The priority task of the group's capital management is to ensure that the group's debt repayment capability and financial assets continues in existence. An important amount here is the equity ratio which sets the equity capital in a ratio to the balance sheet total. The equity ratio represents an important parameter for nextevolution in communicating with banks, investors and analysts. This parameter is not a component of the statutory accounting requirements according to the IFRS and can deviate from the definition and calculation of this amount by other companies. The equity ratio was 31.3% as at 31.12.2007 (previous year: 59.9%).

- **Shareholder structure**

As at 31 December 2007 nextevolution has the following shareholder structure:

AvW Invest AG, Austria	16.10 Percent
Allianz SE	11.61 Percent
Baden-Württemberg pension fund for doctors, dentists and vets	9.00 Percent
Fortis Investment Management	7.25 Percent
Allianz Global Investors	1.50 Percent
DB Platinum SICAV, Luxemburg	3.60 percent
Shareholder Value Beteiligungen AG	3.50 percent

The following members of the board and supervisory board held shares in nextevolution as at 31 December 2007:

	Shares:
Peter Ohl (chairman of the board)	19,834
Nils Manegold (Financial board)	7,849
Hans-Jürgen Beck (member of the supervisory board)	3,300
Indirect through FGB Financial Global Network Beteiligungs AG	

- **Consolidated financial statement**

  The consolidated financial statement of nextevolution AG is published in the electronic Federal Official Gazette and can be obtained from the company.

- **Statement on the Corporate Governance Code pursuant to § 161 German Stock Corporation Act**

  The board and the supervisory board have issued a supported statement pursuant to § 161 German Stock Corporation Act which complied and complies with the recommendations of the “Government Commission on the German Corporate Governance Code” announced by the federal Ministry of Justice in the official section of the electronic Federal Official Gazette as well as what recommendations were and are currently not used. The statement has also been permanently made accessible to nextevolution AG shareholders on the company’s website.

Details pursuant to § 160 par. 1 no. 8 German Stock Corporation ACT

Name	Voting rights notification Date	Effective Date	Text	Share	No. of shares Units
Allianz Global Investors Kapital-anlagegesellschaft mbH	11/05/2007	11/05/2007	Notification due to entry to listing on Prime Standard	6.00%	60,000
LRI Invest S.A.	16/05/2007	12/05/2007	Notification due to entry to listing on Prime Standard	10.00%	100,000
AvW Invest Aktiengesellschaft	18/05/2007	11/05/2007	Notification due to entry to listing on Prime Standard	9.50%	95,000
AvW Invest Aktiengesellschaft	23/05/2007	21/05/2007	Exceeded 10%	10.15%	101,500
Fortis Investment Managment	23/05/2007	11/05/2007	Notification due to entry to listing on Prime Standard	7.25%	72,532
Allianz SE	30/05/2007	11/05/2007	Notification due to entry to listing on Prime Standard	11.61%	116,129
DB Platinum SICAV	01/06/2007	11/05/2007	Notification due to entry to listing on Prime Standard	3.00%	30,000
DB Platinum SICAV	08/06/2007	25/05/2007	Exceeded 3%	3.60%	36,000
Allianz Global Investors Kapital-anlagegesellschaft mbH	08/06/2007	04/06/2007	Fell below 3%	1.50%	15,000
LRI Invest S.A.	05/07/2007	02/07/2007	Fell below 3%	0.00%	0
Shareholder Value Beteiligungen AG	11/07/2007	03/07/2007	Exceeded 3%	3.50%	35,000
Baden-Würtembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte	18/07/2007	11/07/2007	Exceeded 5%	9.00%	90,000
AvW Invest Aktiengesellschaft	13/12/2007	10/12/2007	Exceeded 15%	16.10%	161,000

Auditor fees and services

At the general shareholders' meeting on 12 July 2007 the shareholders of nextevolution AG appointed Dr. Andreas Grau auditor and group auditor of nextevolution AG for 2007. The following fees accrue to the auditor pursuant to § 319 par. 1 clause 1, 2 German Commercial Code for the current year:

	2007 TEUR
Audit fee	169
Fees for tax advice services	9
Fees for audit-relevant services	59
Fees for other services	1

Employees

Wages and salaries including social security contributions due from them and expenses for old age pensions amount for the nextevolution group to a total of 11,769 T€ (previous year: 5,408 T€). During the year the nextevolution group employed an average of 183.5 staff.

Relations with associated companies and persons

Among the nextevolution group's associated persons and companies are members of the board and supervisory board, including their close family members as well as those companies over which board or supervisory board members of nextevolution group or their close family members can exercise control or substantial influence or in which they have an essential voting right share. In addition associated persons consist of those companies in which the nextevolution group has holdings, enabling them control of or a substantial influence in the business policies of the holding company as well as the main shareholders of nextevolution including their associated companies.

The nextevolution group has or had a variety of contractual relationship with associated persons. There are or were the following essential legal relations between the nextevolution group and their associated persons.

As at 31.12.2007 there were no receivables to associated companies and persons. There were approx. 15 T€ in liabilities against associated companies and persons for still outstanding bills for supervisory board activities of serving supervisory board members in 2007. There are no other liabilities.

» Legal transactions with board members

In addition to the previously indicated pay and share options in favour of the board, there were the following legal transactions with board members:

There is a contract between reliabIT GmbH, in which the chairman of the board Peter Ohl has a stake of just under 91% and qualified developers market GmbH (qdm), according to which reliabIT GmbH provides the qdm Peter Ohl as manager with a monthly compensation of 5,000.00 € net plus reimbursement of expenses for a car. This is part of his compensation as board member of nextevolution. At the same time Mr Ohl has reduced his board compensation from 15,000.00 € to 10,000.00 €.

» **Legal transactions with members of the supervisory board**

In addition to the previously indicated pay of the supervisory board there are the following legal transactions with members of the supervisory board.

The law firm Eickmeier, Rickmann, Dr. Heinz GbR have represented nextevolution in a variety of legal cases. Mr Rickmann and Dr Heinz belong to this law firm. The volume of advice services in 2007 was 16 T €.

» **Relations with companies that are owned by main shareholders**

Impala Consulting GmbH is 100% owned by Gerd Nicklisch, who until May 2007 had an approx. 39% stake in nextevolution. In 2007 the relationship consisted of the purchase and resale of consulting services from an IT consultant for other clients. The margins are standard at approx. 10%. The volumes of the purchased services were 102 T€ in 2007.

Responsibility statement

According to our best information we assert that in accordance with the statutory accounting requirements to be used the consolidated financial statement provides a portrait of the asset, financial and revenue situation of the group that corresponds to the actual position and in the group management report the business trends including business results and the position of the group are so represented as to provide a portrait that corresponds to the actual situation and describe the essential chances and risks of the probable development of the group.

Events after the balance sheet date

On 14 January 2008 the trade register registered an increase in non-cash capital against 64.8% of the shares to the Centrum für Ertragsoptimierung AG, Krefeld. This brought the capital stock of nextevolution AG to 1,077,869 shares. In addition no operations of special significance occurred after the close of the year.

Hamburg, 10 April 2008

Peter Ohl Nils Manegold

Group management report for 2007

Highlights in the group

- Sales growth of 83% to 26.9 m €
- Increase in EBITDA despite special charges of 320 % of 463 T€ to 1,948 T€
- Prime Standard Listing as planned and successfully carried out
- Strategic sector alignment strengthened
- Integration of BGS, net on and CEO successfully carried out
- New sites in Mainz, St. Augustin, Wilhelmshaven and Krefeld

Macroeconomic situation

With a real growth in gross domestic product (GDP) of 2.5% in 2007 Germany is slightly under the Eurozone average of 2.6%. After growth rates of 0.8% and 2.9% in 2005 and 2006 this means a drop after a big jump in growth. The slowdown in growth occurred particularly as a result of the increase in VAT at the beginning of 2007. For 2008 experts count on GDP growth of 1.7% (Rhineland-Westphalia Institute for Economic Research) or 1.9% (German Council of Economic Experts).

Sector development

The market for IT services grew in 2007 compared to 2006 according to a survey of the Bundesverbandes Informationswirtschaft, Telekommunikation und neue Medien e.V. (BITKOM) by a total of 7.9% after 4.8% the previous year. As in previous years this produced a considerably higher growth rate than for the total market.

After growth in 2006/2007 of 7.9% in the IT services sector, BITKOM forecasts growth of 6.6% in 2008 compared to the previous year.

The German market for IT services thus remains the second largest in Europe after the UK (more than 60.1 billion Euros). Gartner, the market research company forecasts for the sector in Germany an average annual growth rate of 5.3% until 2010. "The IT services market in Germany is in very good shape according to Gartner because of the economic recovery in Germany and the push in German companies towards innovation and modernisation of existing IT structures. The maintenance of European directives, for example SEPA or MiFID, and European innovation programmes like i2010 will affect the German market more strongly in the future. Gartner forecasts an annual growth rate of 5.5% for IT consulting as a growth driver – with sales of an estimated two billion Euros.

Business development

The nextevolution group consists of nextevolution Aktiengesellschaft, Hamburg, (nextevolution), nextevolution management consulting GmbH, Hamburg, (nemc), qualified developers market GmbH, Hamburg, (qdm), BGS Beratungsgesellschaft Software Systemplanung AG, Mainz, (BGS), Centrum für Ertragsoptimierung AG, Krefeld, (CEO), net on Netzwerktechnologien Online GmbH, Mainz (net on) and nextevolution GmbH, Vienna, Austria.
The range of services offered by nextevolution is divided into the enterprise content management, enterprise resource management, IT services, management consulting, public sector and real estate management segments. This puts the company in a position both to support the total lifecycle of client solutions and to provide focused expert IT advice.
Our specialist focus is on the enterprise content management (ECM), enterprise resource management (ERM) application fields and industry focus on real estate management, public sector and manufacturing industry. Under these subject areas we develop and implement useful concepts for our clients. To do this nextevolution works with market leading software providers like SAP, IBM/FileNet, SAPERION and Microsoft. nextevolution also offers a range of its own products, which are usually derived from service projects and which meet special market requirements.
Together with clients our consultants develop on site customised IT strategies and support from planning, implementation and integration of business systems that are tailored to their sectors and company-specific requirements up to production start-up. nextevolution offers continued services for the subsequent usage phase. We focus on optimising and integrating business processes, document and management application system – in doing this we can rely on product platforms from various standard software producers. The industry focus on real estate management started at the beginning of 2007 has been consistently followed up and expanded. The acquisition of CEO, Krefelt contributed to enhancing our real estate management area. This at the same time established our entry into the new manufacturing industry sector. The industry focus on the public sector took place through a majority stake in BGS Beratungsgesellschaft Software Systemplanung AG, Mainz. We also offer through our subsidiaries nextevolution management consulting GmbH (nemc) and qualified developers market (qdm) management consulting and services in the IT sourcing area. nextevolution GmbH Austria was set up as a distribution site at the end of 2006. It started operations in 2007.
In June 2007 we acquired a 90% stake in BGS Beratungsgesellschaft Software Systemplanung AG, Mainz, which came with entry into the next sector, the public sector. In 2006 BGS had sales of 210.9 m €. The purchase was made by both public limited companies prior to registration and boards in the context of successor regulations for 2.8 m in cash and two other payments in March 2008 and January 2009 of 715 T€. In this connection the Frankfurt site of nextevolution was closed down and amalgamated with the BGS site in Mainz.
In October 2007 we acquired 64.84% of CEO, Krefeld with the aim of strengthening our real estate management area, sector entry into the manufacturing industry and entry into customer relationship management (CRM). The purchase was made with a non-cash capital contribution of 59,006 CEO AG shares for 77,869 nextevolution AG shares.

Among our clients are companies in the sectors listed below in Germany: Industry, trade, financial services, telecommunications, real estate management and public sector.

Business development was affected by macroeconomic and sector-specific market developments. The macroeconomic climate contributed to a better investment climate and led to an improved development in the IT market, so that overall companies invested more in expanding or optimising their IT systems. This stood the company in good stead. Business development was essentially marked after the strong growth in the year by holding on to gains and integrating the

acquired firms into the nextevolution group. Sales of software products fell compared to 2007 because the activities of IBM/Filenet in Germany were slack and we sold our own software products instead of outside products. The results were essentially burdened with integration costs, costs for changing the stock market tier (prime standard) and indemnities that were paid in connection with restructuring.
In addition to financial indicators non-financial performance indicators are important to us in binding our most important resource, our employees, to the nextevolution group. These non-financial performance indicators had a positive development during the year, an expression of which is the low amount of undesired fluctuations.

The economic situation of the nextevolution group is generally satisfactory. The funds taken in 2006 in the context of the capital increases were extensively used with the acquisition of BGS and the expansion of business operations. The development of the management consulting business field remained behind expectations in the year and even in the second year of operational business activities the profit threshold has not been reached here. A restructuring led to a new management team being installed at the turn of the year. In Austria there was a positive earnings contribution after the start-up year 2007 into the new year 2008. Overall we can see, after considerable one-off special effects in the context of the stock market listing and strong expansion, the basis for a successful future for the nextevolution group in coming years.

In accordance with §91 par. 2 German Stock Corporation Act the board of nextevolution AG in its overall responsibility for the group has set up a monitoring system for early recognition and evaluation of risks. This risk early warning system is an integral component of the planning, control and reporting process. Risks are effectively identified using a risk management system. The system is implemented right across the company. Nextevolution uses a bottoms up approach for early recognition and communication of risk. The management of the subsidiaries and the management of each operational business area regularly keeps the company informed of the development and risks of each business area in the form of monthly reports, a rolling planning process and monitoring of the order book and the distribution pipeline. Control assumes a central position in the risk management system. Results are discussed, pursued and processed by different management groups which are set up at different hierarchical levels. Cooperation between the board and the supervisory board is likewise a component of the process of this integrated risk early warning system.

Internal control of the nextevolution group is the responsibility of the group executive board. An important task of our central control system consists in ensuring the group-wide exchange of information using control-relevant factual frames. Among these include coordination of group-wide data collection and systematic evaluation of all essential facts using uniform standards. These results are summarised in a monthly report which provides a comprehensive view of the situation of the nextevolution group. The essential control factors of nextevolution are continuous EBIT and sales. In the context of the group-wide liquidity control nextevolution has installed a group-wide cash pool.

Since March 2006 the company has been listed in the entry standard of Deutsche Börse. In May 2007 there was a segment change to the prime standard of Deutsche Börse.

For 2007 the company has drawn up a consolidated financial statement in accordance with International Financial Reporting Standard (IFRS) pursuant to § 315a par. German Commercial Code.

The nextevolution group operates sites in Berlin, Hamburg, Krefeld, Munich, Mainz, St. Augustin, Wilhelmshaven and Vienna (Austria).

The business areas

In 2007 the enterprise content management (ECM) business area increased sales by approx. 10% to 12.3 m €. Sales in goods declined while maintenance sales remain at around the previous year's level. Sales in services rose compared to the previous year. The focus of activities lay in expanding service projects which was expressed in the increase in staff numbers. In addition the orientation towards sales of our own solutions continued more strongly so as not to be exclusively allocated to resource employees with the scalability of value added.

The gross performance of the enterprise resource Management (ERM) business area sank considerably from approx. 1.5 m € to approx. 1 m. € in 2007. This is mainly due to the decline in the very high operating performance of our inventory clients and to the fact that we are offering more of these services in our other service contexts and the services have thereby been reported in other business areas. The real estate management business area increased its gross performance by the acquisition of CEO AG from approx. 1.0 to approx. 3.1 m. €. Here in addition to a large CEO project priority was given to establishing services for new clients, including in the field of commercial real estate management.

The management consulting business area also rose in its first year 2006 from approx 1 m € to approx. 1.4 m €. The IT services business area consists of net on and qdm. The rise from approx. 0.3 m € to approx. 2.6 m € is essentially due to the purchase of net on.

In the public sector business area the acquisition of BGS produced gross performance of 8.4 m €. BGS produced gross performance in the defence business field (Bundeswehr, defence technology industry, Nato and agencies), as well as media and government (with the focus on federal bodies in the field of health agencies and the Ministries for Food, Agriculture and Consumer Protection as well as various regional ministries).

In our activities we set great store by a balanced service portfolio, high cross selling potential and as high as possible use of customer loyalty in interplay with the business areas. Hence a large part of the management activities is applied to integrating business areas to enhance potential.

Financial position and results of operations

- **Proceeds**

In the trading year 2007, the turnover was increased by 82.6 % to 26.9 K€. The strong rise in turnover resulted essentially from those of BGS and net on that were taken over on June 1, 2007 and the takeover of CEO on October 1, 2007.

The change in inventory of work in progress clearly fell in the fiscal year 2007 by 386 T€ (rose in previous year 5 T€). This effect is essentially due to the acquisition of the BGS company, which had a high inventory of work in progress at the time of the assimilation into the basis of consolidation. The inventories were reduced during the period in which the company was part of the group.

Other operational proceeds rose from 166 K€ to 219 K€. The rise can be largely explained by income from (sub) leasing as well as the offsetting of payment in kind to employees.

- **Material costs**

The purchases increased in 2007 against the previous year by 2.6 m € (+44 %) to 8.4 m €. The purchases of the nextevolution group consist essentially of purchases in connection with the employment of subcontractors in the context of service supply projects, the purchase of software licences that are invoiced on to the client within the framework of implementation projects and maintenance services that we procure from software producers as part of our maintenance contracts with the client.
The acquisition of freelance staff (project services) is made on the one hand to minimise the risk of underemployment of our own staff and on the other, to be able to offer special skills in the project whose provision by our own staff would not appear to make sense. The employment of a certain proportion of subcontractors who can be immediately released means a reduction in risk for the company.

- **Personnel costs**

The increase in personnel costs of around 118% to 11.8m € result from the rise in the number of full-time staff (VB) from an average of 64.4 in 2006 by 176 % to 178 in 2007. The personnel costs per average full member of staff sank by approx. 27 % from about 84 T€ to about 66 T€ per annum. The rise can largely be accounted for by the acquisition of BGS (113 in full-time employment averaged over the year). The personnel costs as a percentage of turnover have dropped by about 7% points to 56.3%. The personnel costs include expenditure for redundancy payments to a value of 99 T€ (previous year: 0 T€).

- **Miscellaneous operational expenditures**

The rise in miscellaneous operational expenditures by about 1,931 K€ to around 5,321 K€ is at 57 % is disproportionately low relative to the increase in turnover of 83 % and is to be seen in the context powerful expansion of the group. The expenditure for costs of office and workshop space rose by approximately 809 K€ to 1,132 K€. The advertising and travel expenses rose by 28.4% to 1,477 T€. The other miscellaneous business-typical operational expenditures have largely developed in an analogue fashion to the expansion of business activity.

The costs for the change of segment and the associated higher expenditures for the capital market of were around 365 K€ (previous year. 36 K€) are affecting the current result.

- **Interest income**

Following the balance of interest of -10 T€ in the previous year, it amounted to about -91 K€ in 2007. This is due to the expenditure in connection with the acquisition of BGS (2.8 m €) and the extension to the operational credit against the background of the expansion in business activities and turnover.

- **Amortisation**

The total amortisation rose in the business year 2007 to 1,096 K€ (previous year: 550 K€). This depreciation was according to plan except for writing off of about 187 T€ of maintenance contracts taken over from the Pylon Document Technology GmbH. The rise is largely due to the writing down of intangible assets, especially in the context of the acquisition of BGS and CEO within the framework of the purchase price allocation that was assigned to the elements of the intangible assets and written off as planned.

- **Earnings before tax (EBT)**

The EBT was raised in the fiscal year just ended from -97 T€ to 761 T€. The expenditures, which were also dominated in the fiscal year 2007 by growth and diverse special effects such as the move from the Frankfurt location, the segment change into the prime standard, the integration of BGS, CEO and net on, and the restructuring following the change in the principal share holder, have nevertheless developed disproportionately low relative to revenue growth.

- **Taxes**

Tax expenditure rose against the previous year from 333.1 K€ to 485.9 K€. The tax burden in 2007 consists of the effective tax on earnings of approximately 228.4 K€ and latent tax expenditure of 257.6 K€.

- **Annual surplus**

The annual surplus rose against the previous year from -429.8 K€ to 274.9 K€. The annual surplus after minority interests rose to 28.1 K€ (previous year: -429.8 K€).

- **Financial situation**

Following the cash inflow from the capitalisation in 2006, cash expenditure of 2.8 m € was made in fiscal 2007 for the acquisition of BGS and commitments of 1.4 m € were entered into. This is why liquidity at the end of the year was down from about 1.9 m € to 0.1 m €. The equity ratio sank in the fiscal 2007 from 59.8% to 31.3%.
The source of liquidity is the group-internal revenue equalisation (cash pooling), through which cash surpluses of individual group companies can be used to finance the cash requirements of the others.
In the fiscal year 2007, we have used derivative financial instruments to secure the interest level of a part of our operational credit.

Financial instruments

To be able to secure the financial flexibility of the group at any time, the nextevolution AG maintains a liquidity reserve in the form of credit lines. As these financial means are taken up at variable interest levels, the group is exposed to interest risks. To regulate this interest risk, interest hedging deals were concluded in fiscal 2007. This is an interest swap and an interest limiting deal in the form of a maximum rate agreement over a period of 60 months. The interest swap is to be classified a cash flow hedge in terms of the IAS 39. The aim is to eliminate the interest change risk by payments that take up the short-term operational credit. The security measures are assessed regularly to adapt them to the interest expectations. The interest limiting deal in the form of a maximum rate agreement is not to be qualified as a hedging activity in terms of the IAS 39. A balance according to the rules of hedge accounting is therefore out of the question.

Interest swap

In an interest swap, the group exchanges fixed against variable interest payments that have been calculated on the basis of agreed nominal amounts. Such agreements allow the group to reduce the risk of varying interest rates on the fair value of fixed-interest debt instruments and the cash flow risks of the variable-interest debt instruments. The fair value of interest swaps on the date of accounting is determined by the discounting of future cash flows utilising interest structures on the date accounting and the credit risks connected with the contracts. This is reproduced below. The average interest rate is based on the outstanding amounts at the end of the fiscal year.

The interest swap that replaces the amounts subject to fixed interest by those with variable is designated as the safeguard of cash flows in order to reduce the group's cash flow risks that have arisen by using variable-interest external funds.

Interest limiting transactions

In this interest-limiting deal, the group replaces the interest safeguards in the form of equalisation payments for interest rates above a certain limit by equalisation payments for the difference in interest between the two-year and the ten-year Euribor Swap Rate. The interest limiting deal is assigned to the category "at fair value through profit and loss" in compliance with IAS 39.

Interest sensitivity analysis

The sensitivity analyses shown below have been defined on the basis of the interest risk exposure from derivative instruments to the date of balance. For variable-interest liabilities, the analysis is made on the assumption that the sum of the outstanding liabilities on the date of balance was outstanding for the whole year.

If the interest had been 100 basis points higher and all other variables were held constant:

- the annual surplus for the fiscal year would have climbed by 13,751 € and
- the equity of the group would have been greater by 52,265 €.

If the interest had been 100 basis points lower and all other variables were held constant:

- the annual surplus for the fiscal year would have fallen by 5,067 € and
- the equity of the group would have been lower by 45,837 €.

- **Long-term assets**

The intangible asset values result largely from those in the context of the acquisition of BGS, net on and CEO. This largely explains the rise in this item.

The fixed assets consist almost exclusively of office and business equipment in our offices. The increase results mostly from business acquisitions in the fiscal 2007 and so correlate with the rise in the number of employees.

- **Short-term assets**

The short-term asset values increased by 5.1 m € to 12.9 m € and are sufficient to cover the short-term liabilities that have increased in the same period by 7.8 m € to 11.5 m €. They consist largely of receivables from goods and services (11.0 m €), inventories (0.6 m€) and liquid assets (0.5 M €).
Included in the inventories for the fiscal 2007 are finished products and goods – in addition to unfinished services that were invoiced to the client in the previous year, The unfinished services rose by 85 K€ to 179 K€. The rise is due essentially to the expansion in business operations. The finished products are software licences that were acquired with the intention of resale to the client.

The considerable growth in receivables from goods and services by 147% to 11.0 m € results from the almost doubling of the sales volume against that of the previous year and from the fact that the BGS business has longer term payment targets.

- **Liabilities**

The accruals have increased considerably in the fiscal 2007. The short and long-term accruals essentially cover accruals for guarantees, for anticipated losses and for expenditure in connection with statutory obligation to preserve records of business documents. Provisions for anticipated losses, amongst other things, were set up in the fiscal year 2007 to cover the loss from subleasing of the former location in Frankfurt (81 K€) and accruals for statutory record-keeping periods (69 K€).
The distinct rise in the trade payables item by 154% correlates more or less with the receivables from goods and services (147%).

The miscellaneous liabilities consist largely of the purchase price liability of approximately 718 K€ for the takeover of BGS and of 55 K€ for DD Synergie eSolutions GmbH (previous year: 204 K€), as well as from tax liabilities of 1,011 K€ (previous year: 319 K€), and liabilities in connection with profit-related shares of our employee remunerations which are paid out when the annual financial report has been concluded.

The equity rose in the fiscal year by 1,218 K€ to 6,717 K€. The main cause for this was the acquisition of the companies BGS, net on (on 1 June 2007) and CEO on 1 October 2007. The item “adjustment items for shares of other shareholders” rose to 1,199 (previous year: 0) K€ and is obtained from the minority interests in BGS and CEO.
The item “Deposit made for carrying out the agreed increase in capital” at 950 K€ resulted within the framework of the fixed equity capitalisation that was decided on in the context of the takeover of CEO that was entered in the register of companies on 14 January 2008.

Innovation and development

The nextevolution group is convinced that its range of products and services with the focus on the application areas of enterprise content management (ECM) as well as specialising in real estate management and the civil service will be enriched by the development of innovative products. Based on standard software, functional features will be developed that cover a large part of the client requirements. In this context, the nextevolution group is working together with leading software producers such as SAP and IBM / FileNet and using their standard product platforms to build up a solution. In addition, nextevolution are providing a series of their own products that have originated as a rule from product developments – satisfy, however, special market requirements.

The centre of the innovation and development activities in 2007 was the further development of our enterprise content management products. In this context, investment in our own intangible assets of 659 K€ were made. This also includes development of systems for planning and control of the company.

Employees

On 31 December 2007, there were 222 members of staff in the nextevolution group. This was an increase of 140 over the number on 31.12.2006. At 31.12.2007 we had two (previous year: 2) employees under training as clerkesses.

As our services are very personnel-intensive and the company has hardly any material resources, our staff are the most important asset the company possesses. Our service assets are directly dependent on the qualification, experience and know-how of our employees.

Remuneration of the board of directors

The remuneration of the board members in 2007 reporting as expenditure was 464 K€. These are divided into payments of 439 K€ that are performance non-related and performance-related emoluments of 25 K€. The level of the performance-related remunerations is oriented on the company results of the previous year. In addition, 25,000 share options were given out to the members of the board in 2006. The value of the share options is based on the nextevolution share price. The exercising of the options is linked to certain conditions. The exercising of the option can take place in 2008, 2009 and 2010. The fair value of the options was 25 T€ at the time of the granting. No further expenditure arose out of this in the business year and no further share options were issued.

Remuneration of the supervisory board

The remuneration of the supervisory board of nextevolution AG is regulated in § 21 of the company articles. According to this provision, the members of the supervisory board receive a fixed remuneration and the reimbursement of their expenses. The remuneration of the chairman of the supervisory board is double that of the other board members. The fixed remuneration for the chairman is 10,000 € and the other members each receive 5,000 €. In the fiscal year 2007, the nextevolution AG awarded no advances on future remuneration or credits to members of the supervisory board nor did they enter into any contingent liability relationships in favour of these persons.

Equity capital

The nominal capital is 1,000,000.00 € (previous year: 1,000,000.00 €) and is divided in 1,000,000 individual share certificates made out in the name of the holder

Authorised capital

According to § 4 Clause 3 of the articles of nextevolution, the executive board is empowered to increase the nominal capital of the company up to 11 July 2012 with the consent of the supervisory board, by issuing new, individual share certificates made out in the name of the holder against cash contribution or contribution in kind, once or several times, however limited to a maximum of € 500,000 (authorised capital 2007).

Contingent capital 2006

The nominal capital of the company is raised contingently by EUR 50,000,– by the issue of up to 50,000 individual share certificates made out in the name of the holder (contingent capital 2006). The contingent raising of capital is exclusively for the purpose of fulfilling the options authorised by the annual general meeting from 08 March 2006 to 08 March 2011. The contingent raising of capital is executed only in so far as the holders of the issued options exercise their right to the company shares and the company grants no shares of its own to satisfy the options. The new shares partake in the profit from the beginning of the year in which the exercise of the options takes place.

Contingent capital 2007

The nominal capital of the company is raised contingently by EUR 50,000,– by the issue of up to 50,000 individual share certificates made out in the name of the holder (contingent capital 2007). The contingent raising of capital is exclusively for the purpose of fulfilling the options authorised by the annual general meeting from 12.07.07 to 11.07.12. The contingent raising of capital is executed only in so far as the holders of the issued options exercise their right to the company shares and the company grants no shares of its own to satisfy the options. The new shares participate in the profit from the beginning of the year in which the exercise of the options takes place.

The supervisory board may decide on changes to the articles that only affect the wording. Otherwise, we refer to §§ 133, 179 of the German Stock Corporation Act (AktG). In addition, the supervisory decides on the financial statement, the change in or the termination of the employment contracts of the executive board members. Otherwise, we refer to §§ 84 and 85 of the German Stock Corporation Act (AktG).

Shareholder structure

The shareholder structure of nextevolution as it existed on 31 December 2007 was as follows:

AvW Invest AG, Austria	16.10%
Allianz SE	11.61%
Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte	9.00%
Fortis Investment Management	7.25%
Allianz Global Investors	1.50%
DB Platinum SICAV, Luxemburg	3.60%
Shareholder Value Beteiligungen AG	3.50%

The following members of the board and supervisory board received shares of the nextevolution AG on 31 December 2007:

	Shares:
Peter Ohl (chairman of the executive board)	19,834
Nils Manegold (finance director)	7,849
Hans-Jürgen Beck (member of the supervisory board) indirectly via the FGB Financial Global Network Beteiligungs AG	3,300

Supplementary report

The register of companies has, on 14 January 2008, entered the fixed equity capitalisation against 64.8% of the shares of the Centrum für Ertragsoptimierung AG, Krefeld. With that, the nominal capital of nextevolution AG is now 1,077,869 shares. Apart from that there are no activities of special importance that occurred subsequent to the closing of the fiscal year.

Balance sheet oath

We affirm, according the best of our knowledge that, according to the accounting principles to be applied in the consolidated financial statement, we have conveyed an image of the net assets, financial position and results of operations of the group corresponding to the actual conditions and have, in the consolidated annual report, presented the business trend including the group results and the state of the group corresponding to the actual conditions as well as describing the essential opportunities and risks of the prospective development of the group.

Risk report

Entrepreneurial action offers opportunities but also risks. The following applies: the achievement of economic success is more or less inseparable from various risks. As an IT service provider, nextevolution sees itself exposed to the risks typical of this business. In terms of a value-oriented business management conscious of its responsibility, it is the aim of management to forcefully exploit business opportunities, to recognise potential risks at an early stage and control with foresight.
The criteria of sales growth and growth in the operative results (EBIT) will be principally employed to control the operative business of nextevolution. The control factors will be matched to each other to achieve a profitable growth.

Risk management and risks in future business development

The executive board of nextevolution AG in its overall responsibility for the group, has established a monitoring system for the early recognition and evaluation of risks in compliance with § 91 Clause 2 of the German Stock Corporation Act (AktG). The risk early detection system is an integral part of the planning, control and reporting process. Risks are effectively identified with the help of a risk management system. The system is implemented in the entire business. nextevolution uses a bottom-up approach for the early detection and communication of risks. The executive boards of the subsidiaries and the management of the individual operative business areas provide information regularly by means of monthly reports, a rolling planning process as well as the monitoring of the orders in hand and the sales pipeline on the development and risks in the relevant business area. The controlling occupies a central role in the risk management system. The results are discussed, pursued and processed in various management circles at various levels in the hierarchy. The cooperation between executive and supervisory boards is also a component in this process of integrated risk early detection system.

Liquidity risks

These are continuously countered by near-term liquidity planning and medium-term requirement projections. The aim of liquidity management is to guarantee an adequate flexibility in financing. A special requirement here are adequate unused credit that are permanently monitored and adapted to needs. Changes in market interest levels affect nextevolution in that the interest charges on our credit are tied to Euro Overnight Indexed Average (EUONIA). This risk can be countered for correspondingly long-term interest development by shifting into long-term fixed-interest credits. nextevolution uses derivative financial instruments for securing the interest level for parts of the operational credit. Risks can also arise from the use of such financial instruments. However, as we use the financial instruments for hedging purposes, we do not plan to sell them. There is therefore no resulting price fluctuation risk for us. We also see the risk of default as only very slight due to our contract partner being a large German bank. Liquidity risks are also largely excluded, as the cash flows change counter to the cash flow trends from the operational credit or are of secondary importance. There are credits 3.5 m € to cover short-term liquidity requirements – especially for sales financing. Risks exist in the sense that the bank, because of its general business conditions, reserves the right to refuse a credit at any time. The credits are secured by our accounts receivables. Risks due to fluctuations in foreign currencies are secondary importance as invoicing is largely carried out in €. Hedging transactions are therefore not concluded in this area. Liquidity risks also arise at nextevolution due to the fact that agreed payment conditions with the clients cannot be adhered to. Because of this, it can happen that nextevolution cannot pay its debts as agreed if insufficient operational credit is guaranteed.

- **Market and sales risks**

There is a risk in the project business of a growing dependence on large clients. Although the nextevolution group carried out around 62.2% of its business in the trading year 2006 with its ten largest customers, it was possible to considerably reduce this share to 44.2%. The average duration of a project is, however, less than 12 months so that no cluster risks can form over a longer period of time. These risks are assessed very closely and our principal clients receive close attention and observation. Any negative developments in these client relationships can be recognised at any early date and measures taken. Attempts are also made to counter the dependence on individual large clients by expanding the marketing activities to deliberately broaden the client base. In the maintenance business there is a risk as our maintenance contracts are, in principle, terminable on an annual basis. Experience shows, however, that the maintenance contracts are concluded for a longer period.

- **Project risks**

In terms of quality in providing services and the associated risks of guarantee and liability, nextevolution has largely countered this mainly by concluding service contracts that are invoiced monthly and are almost always subject to a limitation in the liability. However, it is ultimately the qualified staff and management of nextevolution that is the basis for the marketing and provision of services. Preserving the quality of our employees' skills is a central item in the day-to-day management and is being selectively developed by cross-functional training and workshops.
The preservation of the performance quality also leads to our being able to cope with other risks, such as the pressure on prices from competitors, and that they can be looked on with optimism. The market is kept permanently under observation so as to recognise developments at an early stage and be able to counter these if required.
The risk of orders falling off due to the overall economic situation can only be countered to a limited extent by the group. A regular check of progress in projects by internal project management, the use of a comprehensive ERP system as well as other measures such as budgeting and intensified controlling can minimise internal risks.

- **Personnel risks**

arise in nextevolution from the potential fluctuation of employees in key positions. Should one of the executive board members or a key member of staff leave nextevolution, there is a danger that the company cannot replace the person with someone having the same management qualifications and able to meet the challenges or persons with comparable know-how at the right market conditions and within an adequate period of time and so maintain a continuity of successful management. It is therefore the declared aim of nextevolution to retain and motivate this human capital. The risk of a noticeable impairment in the development of the company due to the loss of high performers is considered at the moment to be not very high because of the good staff loyalty. With the increasing regional expansion of nextevolution and becoming better known, we see opportunities for acquiring potential staff as the company is seen as an attractive employer.

- **Risk from dependence on software providers**

Risks due to dependence on a few software providers arise from the close links between the business activities of nextevolution and the diverse standard products of the large software providers – especially with SAP AG and the IBM FileNet product group which form the basis for some of our consultation activities and the cornerstone for some of our own IT solutions. nextevolution is therefore dependent to some extent on the success of the application software from these software producers. We consider the risk of price increases that we cannot, or only partially, pass on to our clients to be very slight.

- **Risks from the employment of information technologies**

  Our IT risks lie within the normal range for companies that work with IT software and the corresponding hardware. Our data are safeguarded by specific software against attacks from hackers and viruses. Our network is based on a virtual private network (VPN) that uses the internet as a transfer medium. We consider the probability of a complete internet failure as slight.

- **Risks from expansion**

  A new risk results from the expansion of nextevolution into new fields of business and in the existing area of real estate and the public sector. Here, as with any new project in tapping into a new market, there are risks that the initial losses could be higher than planned or the entry into the market is completely unsuccessful and the investment associated with trying to break into the market are lost. This risk can be countered by a prompt controlling of the developments in the new business areas.

We see no further risks of any great size.

Forecast Report

We assume, based on our knowledge of the business and our estimates, that we shall continue the expansion of our services programme that was begun successfully in 2006, consistently followed up in 2007 and is well set up for the trading year 2008, and expect that the market requirement for these services will continue to expand.

Even when the prospects for the overall economic development and for the development in this particular branch of the business no longer appear as positive as in the previous year, we nevertheless look optimistically into the future for the years 2008 and 2009. We still want, however, to continue moving carefully and, for example, plan our resources in such a way that we can react quickly and flexibly to fluctuations in demand. Experts reckon with a growth in the GDP of 2.2% (Dresdner Bank) or 2.0% (consensus) for the fiscal 2008. The market for IT services grew in 2007 compared with 2008 by a total of 6.0% compared with 5.5% in the previous year according to opinion polls carried out by the German Information and Telecomunication Industry Association (BITKOM). This means that in the past few years a much higher growth rate has been achieve compared with that in the market as a whole. Following a growth rate in 2006/2007 of 6.0% in the IT area, BITKOM reckons with a growth of in 2008 of 5.8% over the previous year. Against this background, the nextevolution group is also striving for further growth and to be successful in the markets mentioned. According to the estimates by the management, nextevolution will be able to raise its sales, excluding external acquisitions, above that of the market average.

In addition to the real estate business the company will position itself increasingly in the areas of public sector and manufacturing industry. A close service association to the subjects of content and portals is important for us here, as is given in the generic direction of enterprise content management (ECM). The industry specific services provided will cover consultancy, system integration and application management with reference to comprehensive business systems solutions, including their underlying business processes, as well as advisory services on the subject of finance management. We will also expand the vertical depth of the services so that we shall be in a position to tackle client projects more comprehensively. For that reason, we would like to supplement our service provisions with the subjects of storage and networks.

In our “ECM” range of services, we intend to continue on the path that was initiated as long ago as 2006. We shall also extend our range with products tailored to meet the specific requirements of companies. We want to provide products here based on standard software solutions, but still cover the client requirements to a large extent. There is a risk here that the products developed by us are not requested by the client.

Our overall growth should continue also in 2008 and 2009 as a combination of internal growth and external growth through the takeover of companies or employee groups. In doing this, we continue to ensure the consistency of the range of services from the nextevolution group, which is characterised by a high cross-selling potential. There is however a risk here that the integration is not a complete success and clients acquired by this are again lost.

New business sectors should again be addressed within the framework of this growth. Sectors that are interesting for us are those who, when seen from the perspective of an IT consultant, excel in a niche and, on the other hand, those characterised by their close proximity to the subjects of documents and contents. There is again here a risk that the approach to new business sectors is not successful and the expected income does not match the expenditure.

We plan in the financial situation that the financing of the necessary capital will be made using an appropriate operational credit or a longer term loan. Die funds that we have received within the framework of the capital raised were given out for in 2007 for acquisitions and business expansion. The exploitation of the authorised capital of 500

K€ has, in part, already taken place within the framework of the capital raised against the in kind capital deposit from the 64.8% share of the CEO. The entry in the register of companies took place in January 2008. We are striving for further raising a capital when the stock exchange conditions again allow this or raising of capital at attractive rates within the framework of raising capital in kind when possible. We therefore assume that we will be able to achieve sustainable sales growth in the business year 2008 and continue this development trend also beyond 2008. We also expect a rise in the results in the following years due to the simultaneous reduction in costs by the amount of the non-recurring expenditure for segment change, integration costs and extraordinary amortizations in 2007.

- **Opportunities for future business development**

nextevolution is well placed for numerous growth opportunities because of its good position as IT system integrator in the field of enterprise content management and in connection with the selected orientation towards dedicated business sectors . We are in a position to service even large clients due to the highest, Premier, membership level in IBM PartnerWorld® and as SAP Special Expertise Partner. We see growth potential especially in the development of the business sectors through the combination of extensive business sector knowledge and technological skills. Even the further vertical extension of our range of services by the addition of the subject of storage provides us with the opportunity of offering our clients even further-reaching services.

nextevolution AG has, with a five-year growth rate of 1,430.22%, taken an outstanding ninth place in the Deloitte Technology Fast 50. Only one company in the software category was able to qualify for a place ahead of nextevolution AG. The Deloitte Technology Fast 50 is part of an international competition in the course of which the 500 strongest growth-oriented companies from the regions Europe, Asia/Pacific and North America are chosen. This demonstrates to us that we do not need to be afraid of a comparison with others.

Hamburg, 10 April 2008

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Peter Ohl Nils Manegold

Auditor’s report

I have audited the consolidated financial statement submitted by the nextevolution Aktiengesellschaft, Hamburg, consisting of the balance sheet, profit and loss statement, statement of shareholders’ equity, statement of changes in financial position and appendix – as well as the consolidated annual report for the fiscal year from 1 January to 31 December 2007. The preparation of the consolidated financial statement and consolidated annual report in compliance with the IFRS, as they are to be applied in the EU and supplemented by the applicable commercially legal regulations according to § 315a Clause 1 of the German Commercial Code (HGB) as well as the supplementary provisions of the articles lie within the responsibility of the company’s legal representative. It is my task, on the basis of the audit carried out by myself, to give a judgement on the consolidated financial statement and the consolidated annual report.

I have carried out my audit of the consolidated financial statement according to § 317 of the German Commercial Code (HGB) taking into account the German principles of orderly financial statement auditing as laid down by the Institute of German Auditors (IDW). The audit is then so to be planned and executed that errors and infringements that have a substantial effect on the representation of the consolidated financial statement taking into account the picture conveyed by the financial position and results of operations while taking into consideration the accounting regulations to be applied and the consolidated annual report, can be recognised with sufficient certainty. In laying down the audit procedures, knowledge of the business activities and the commercial and legal surroundings of the group as well as the expectations and possible errors are taken into account. Within the framework of the audit, the effectiveness of the accounting-relevant, internal control system as well as proof of statements made in the consolidated financial statement and consolidated annual report must be largely judged on the basis of spot checks. The audit comprises the assessment of the financial statements of the companies that are included in the consolidated financial statement, the demarcation of the scope of consolidation, the accounting and consolidation principles applied and the essential appraisal by the legal representatives as well as the evaluation of the overall representation of the consolidated financial statement and consolidated annual report. I am of the opinion that my audit forms a sufficiently secure basis for my assessment.
My audit has not led to any objections.

According to my assessment based on the information gained in the course of the audit, the consolidated financial statement complies with the IFRS, as it is to be applied in the EU, and also with the commercial requirements of § 315a Clause 1 of the German Commercial Code (HGB) that are to be applied as well as the supplementary provisions of the articles and conveys under consideration of these requirements the actual conditions corresponding picture of the financial position and results of operations of the group. The consolidated annual report accords with the consolidated financial statement, conveys overall a correct picture of the group’s situation and correctly portrays the opportunities and risks in future development.

Frankfurt am Main, 10 April 2008

Dr. Grau
Auditor

Report of the supervisory board

The supervisory board has carefully supervised advised the company management of the executive board of directors in the fiscal year 2007. It has executed without limitation the tasks authority within its responsibility according to the law and articles of the company in advising and supervising the board of directors.

The board of directors informed the supervisory board regularly during the reporting period on the situation of the group, its business development and of the main holding companies as well as on the risk management. In its meetings, it has advised and acted in detail on the reports of the board of directors. The supervisory board has, after checking and discussion, given its vote on reports and decisions of the executive board in so far as this was required by the legal and article-related provisions. The business development and the strategic orientation of the company were treated in a total of four meetings of the supervisory board with the board of directors and thoroughly discussed. The supervisory board did not set up any committees. The ordinary meetings of the supervisory board took place on 13 February 2007, 04 April 2007, 12 July 2007 and 28 November 2007. In addition to that, the board of directors informed the members of the supervisory board in monthly reports about the current business progress.

Focus of the supervisory board work

Regular subjects at the meetings, apart from the development of sales and results for the group, were the general company planning and strategy as well as the financial situation and risk management. In the fiscal year just ended, the supervisory board has dealt repeatedly and in detail with the developments and changes in the German IT market. The main emphases were especially on the acquisition of BGS Beratungsgesellschaft Software Systemplanung AG, Mainz and CEO Centrum für Ertragoptimierung AG, Krefeld.

The executive board explained the projects to the supervisory board and reported on an ongoing basis using analyses and other detailed documentation.

The supervisory board was informed of and presented detailed information about the current financial situation and the associated planning for the coming business year 2008 and the subsequent year, 2009.

Supervisory and executive boards have renewed their implementation of the German Code of Corporate Governance (DCGK) in the version of 12 June 2006 and checked the efficiency of the supervisory board activity. In this business report are further explanations on corporate governance of nextevolution AG as well as the last compliance statement passed in October 2006 in conformity with § 161 of the German Stock Corporation Act (AktG). This corresponds to the recommendations of the “Governmental Commission of the German Code of Corporate Governance” with the exception of six recommendations that are not used at the moment.

Changes in membership of the supervisory board

The following changes in the composition of the supervisory board took place in the fiscal 2007. Mr Franz-Josef Lhomme was legally appointed on 1 January 2007 to membership of the supervisory, after Mr Hartwig gave up his post. All members of the supervisory board gave up their posts in the annual general meeting on 12 July 2007. The annual general meeting voted Mr Franz-Josef Lhomme, Mr Hans-Jürgen Beck and Mr Sven Lemiss onto the supervisory board. In the supervisory board meeting held after the annual general meeting, Mr Lhomme was elected as chairman of the supervisory board and Mr Lemiss elected as his deputy.

Annual financial statement and consolidated financial statement

The annual financial statement of nextevolution AG submitted by the board of directors on 31 December 2007, the consolidated financial statement and the situation reports for the AG and the group were audited by Dr. Andreas Grau, Frankfurt am Main who was appointed as auditor of the annual accounts by the annual general meeting on 12 July 2007.

The auditor of the annual accounts returned an approval without reservation in each case.

The annual financial statement of nextevolution AG submitted on by the board of directors on 31 December 2007 as well as the consolidated financial statement, the situation reports for the AG and the group as well as the audit reports of the auditor were available to the supervisory board in good time prior to the relevant meeting. We have subjected the submitted financial statements and situation reports to our own scrutiny in accordance with § 171 of the German Stock Corporation Act (AktG). The auditor took part in the meeting of the supervisory board dealing with the annual financial statement, reported on the essential insights of the audit and made himself available for answering any questions.

We have no objections to raise following the concluding result of our scrutiny. The supervisory board approved in the meeting on 14 April 2008 the annual financial statement and the consolidated financial statement, including the situation reports, submitted on 31 December 2007 by the board of directors. The annual financial report is therefore established.

The risk management system of nextevolution AG was subject to an examination by the auditor who found , the system being able to meet the legal requirements.

The supervisory board thanks the members of the executive board and all members of staff for their dedication and the work performed.

Hamburg, 14 April 2008

For the supervisory board

Franz-Josef Lhomme
Chairman of the Supervisory Board

Publisher / Contact / Financial Calendar

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Financial calendar

Analysts' and Investors' Conference CB Seydler Small- and Mid-Cap-Conference	07/05/2008
Shareholders' Meeting	29/05/2008
Publication of Report on Q1 2008	30/05/2008
Publication of Report on Q2 2008	29/08/2008
Analysts' and Investors' Conference German Equity Forum	November 2008
Publication of Report on Q3 2008	28/11/2008

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