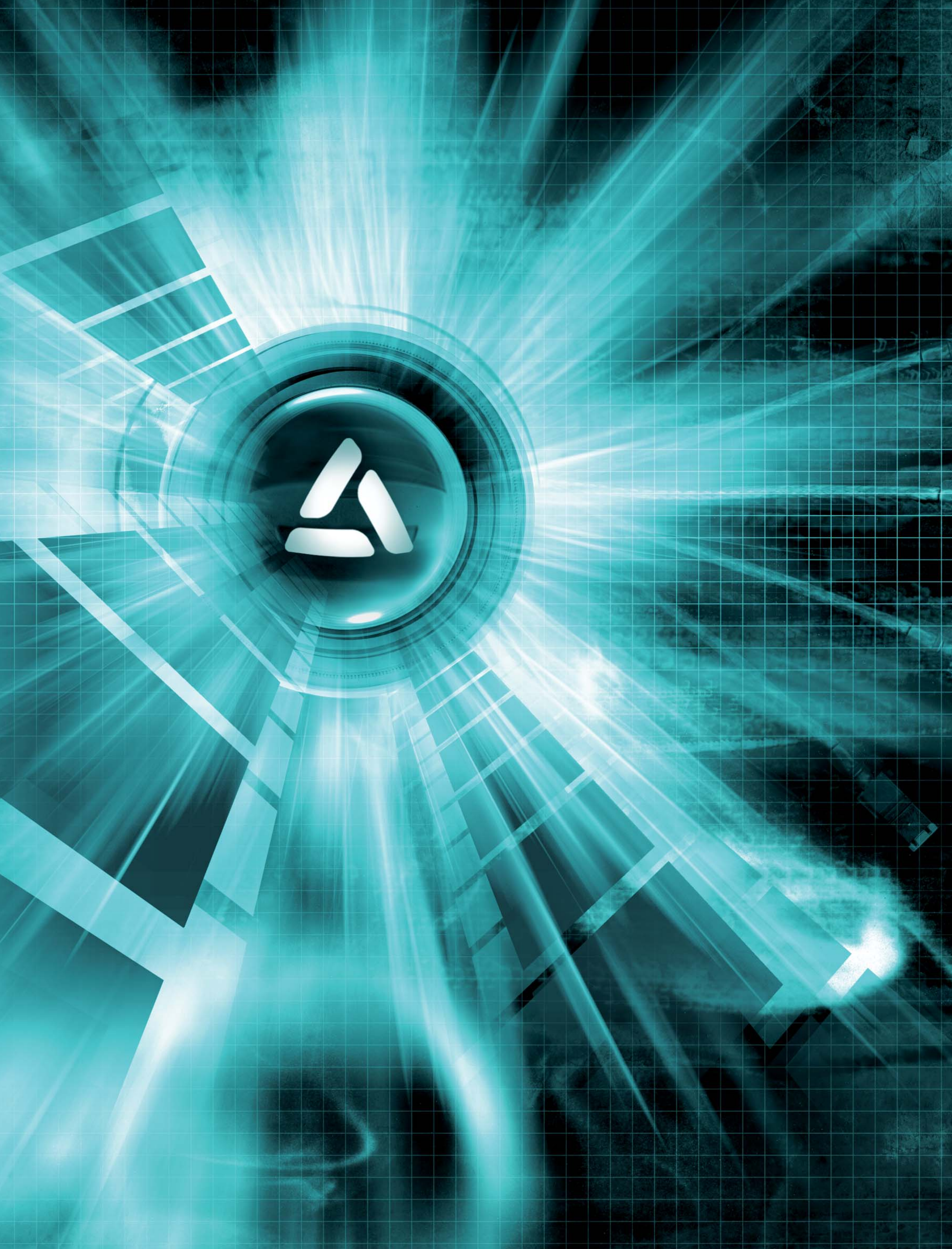


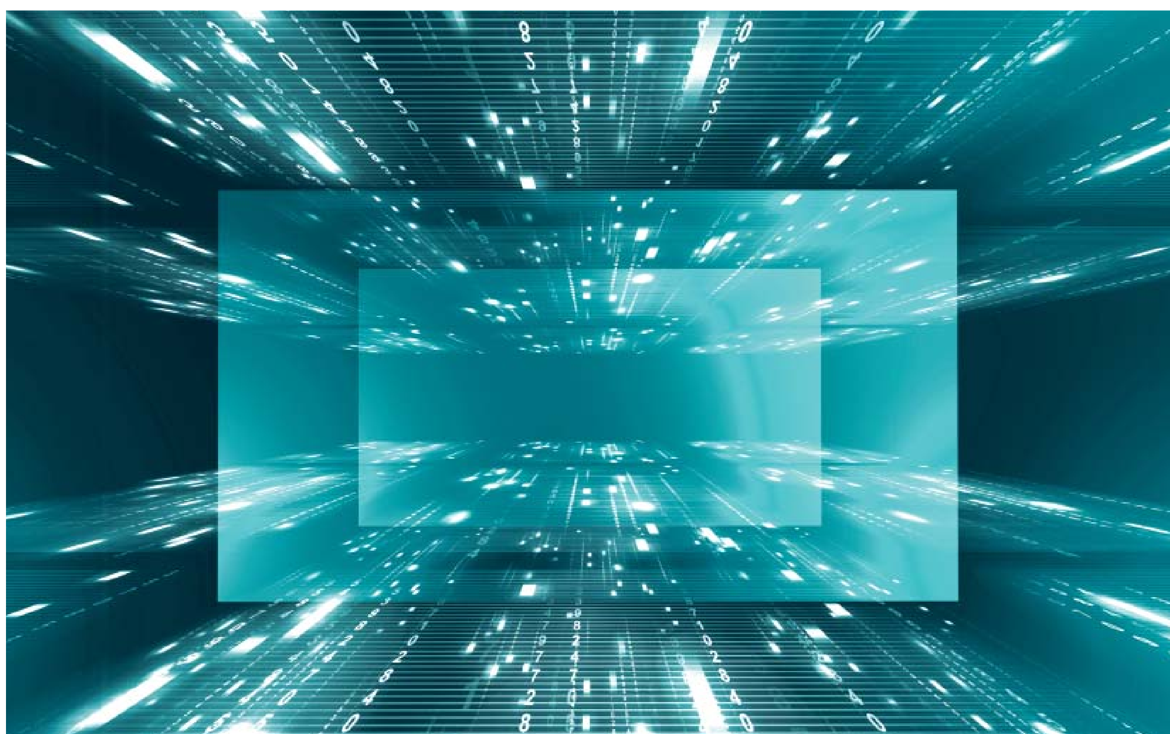
INTEGRALIS

ANNUAL REPORT 2008

INTEGRALIS GROUP AT A GLANCE

	Revenue	EBITDA	EBIT	Net Income	Earnings per share undiluted	Earnings per share diluted
	M€	M€	M€	M€	M€	M€
GJ 2008	168.9	7.8	6.0	9.3	0.86	0.85
GJ 2007	158.3	7.1	5.0	5.2	0.48	0.47
GJ 2006	136.7	4.3	2.9	2.8	0.25	0.24

	Revenue	Gross Profit	Gross Margin	Personell Expenses	Operating Expenses	EBITDA	EBIT	EBIT
	M€	M€	%	M€	M€	M€	M€	%
Q4/2008	48.0	16.2	33.6	10.3	2.4	3.5	3.1	6.3
Q3/2008	40.4	14.3	35.3	9.0	3.4	1.8	1.4	3.4
Q2/2008	41.1	13.6	33.1	9.1	3.1	1.4	0.9	2.3
Q1/2008	39.4	12.6	32.1	8.7	2.8	1.1	0.6	1.6
Q4/2007	47.3	15.4	32.6	9.5	2.6	3.2	2.9	6.1



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DEAR SHAREHOLDERS AND BUSINESS ASSOCIATES,

At the moment, you are probably unlikely to read a current annual report released by a listed company which does not include the word "financial crisis". Hardly a business entity – from major multinationals right down to one-man businesses – has been left unscathed by this calamitous financial "tsunami". Many companies are seeking shelter under government protection schemes in the hope of surviving the crisis. As justified as this may be in individual cases, there is no denying the fact that many are seeking to shirk their own responsibility for the errors and mistakes made in the past.

Yet, it is precisely in an economic crisis such as this one that company managements must rise to the occasion rather than relying on assistance from the government. When the weather is favourable, there is no shortage of experts. But, once the going gets tough, only long-term viable and resilient business models can survive in the market place.

Integralis has passed this test with flying colours and is one of the few companies which despite the adverse conditions were able to grow at all earnings levels. With consolidated revenues of 168.9 million € and operating profit of 6.0 million €, we have again reached a new record, achieving the best performance in our Company's history. We were also able to acquit ourselves well even in the difficult fourth quarter, during which many companies sustained losses, and achieved operating earnings of a magnitude equalling the combined total for the first three quarters.

However, we also completed important strategic groundwork in 2008, placing a further Security Operation Centre (SOC) in operation in Singapore at the end of the year. We are now present in all relevant time zones and it is with great pride that we are able to state that the sun never sets on Integralis IT security services. In this way, we are able to meet the needs of our international customers in particular.

We have also prepared further regional expansion with an option for the acquisition of the assets of China Managed Services, Inc., which is currently being established.

At the technological level, Integralis was able to add new services with the implementation of a new technology platform.
With its Managed Security Services (MSS), Integralis achieved the long-awaited breakthrough in IT security services. This segment, which management has been pushing, benefited in the second half of the year in particular. In this way, Integralis is one of the winners of the crisis as many companies are now outsourcing their IT services to cut costs. In the long term, the strategic dimension of these recurring revenues is of enormous importance.

That said, 2009 will doubtless pose challenges for us as well. However, we will be tackling them proactively to emerge further strengthened from the current economic crisis.
With the formation of virtual management teams, we will be

Georg Magg / Roger Friederich

specifically improving the quality of our business processes on a steady and sustained basis so that all Group members can benefit from the applicable best practices.
We hope that the financial markets acknowledge our operating success again soon and that Integralis stock returns to its former strength.
On behalf of fellow Management Board member Roger Friederich, I wish to thank our loyal shareholders, our business partners and our employees all around the world.

Georg Magg

CEO

REPORT OF THE SUPERVISORY BOARD 2008

During the fiscal year, the Supervisory Board performed the duties imposed on it by law and by the Company's articles of incorporation, monitoring and advising the Company's Management Board on an ongoing basis. The Management Board briefed the Supervisory Board in detail on the Company's condition, compliance with the principles of corporate governance, the risk situation and risk management as well as planned business strategies including corporate forecasts in written and oral reports submitted at a total of seven meetings as well as numerous telephone conferences. No committees were formed.

The Management Board was scaled down in the second half of 2008 from three to two members as COO Graham Jones stepped down effective from 30 June 2008 to assume responsibility as country manager for the UK.

All material investment decisions as well as decisions of fundamental importance were reviewed and approved by the Supervisory Board.

The Management Board and the Supervisory Board worked closely and consulted on the Company's strategic orientation in regular intervals. For this purpose, the Management Board kept us regularly informed in both written and oral reports of all relevant aspects of the Group's plans and strategic development, the course of business and its status with minimum delay and on a comprehensive basis. In addition to the risk situation and risk management, the Supervisory Board also de-

voted its attention to Integralis' compliance programme. In addition, the Management Board compensation system including the main contract elements was regularly reviewed. The half-year and quarterly financial reports were also discussed with the Management Board at the meetings prior to publication. Details of any differences between actual and target business performance were submitted to the Supervisory Board and examined on the basis of the documents provided.

The annual financial statements for 2008, the consolidated annual financial statements and the management report and Group management report were audited by auditing company AWT Horwath GmbH, Wirtschaftsprüfungsgesellschaft, Munich, which issued an unqualified auditor's report.

In connection with their activities, the auditors were also required to assess whether the Management Board had complied with the statutory requirements and, in particular, had established a monitoring and controlling system for the early detection of any events liable to impair the status of the Company or the Group as a going concern.

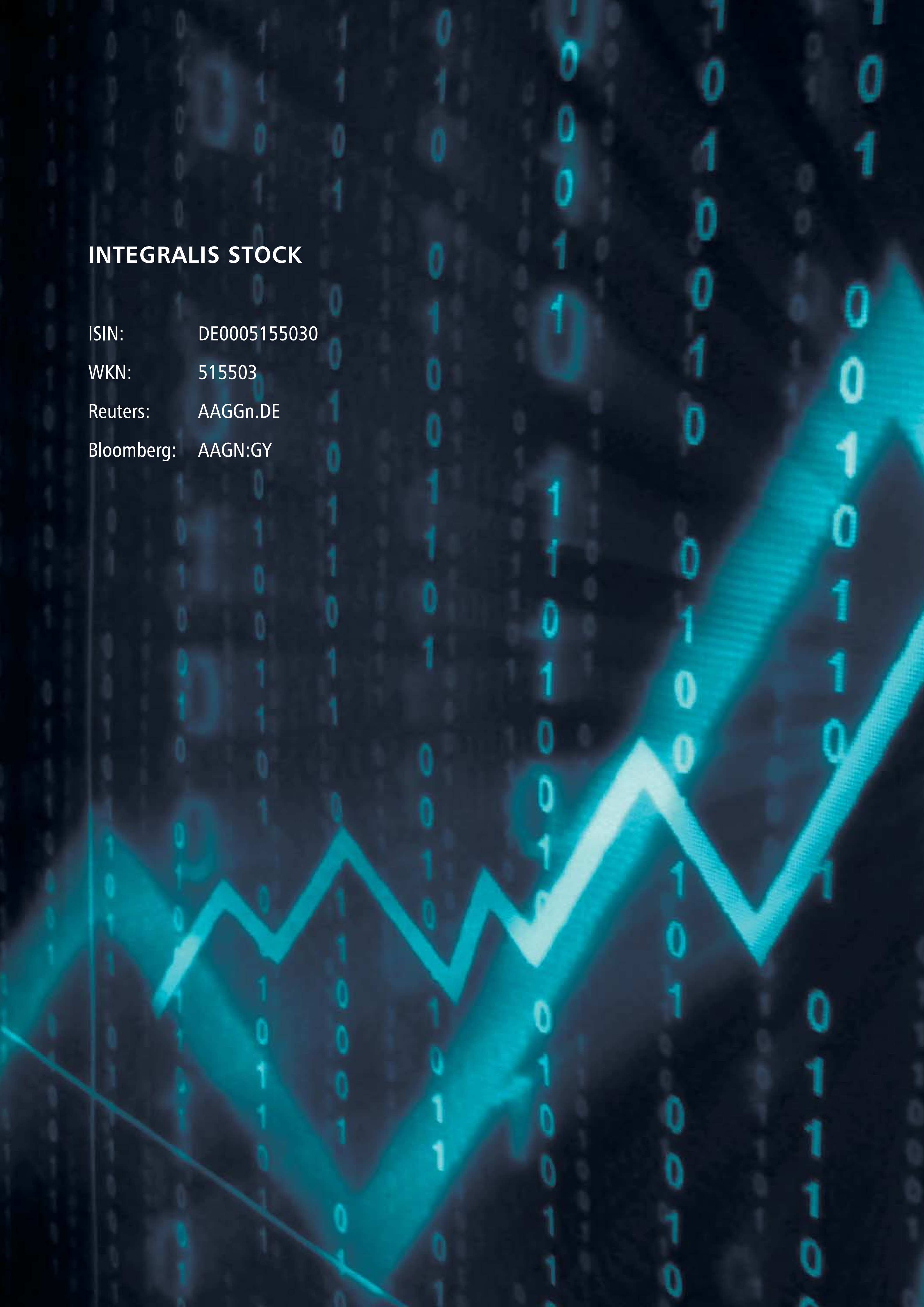
At its meeting of March 31, 2009, the Supervisory Board discussed at length the auditor's report of the annual financial statements for the year ending December 31, 2008, the management report, the consolidated annual financial statements for 2008 and the Group management report together with auditing company AWT Horwath GmbH and the Management Board. The auditing company reported on the material results of the audit at the meeting of the Supervisory Board on March 31, 2009. The Supervisory Board consented to the results of the audit. The examination of the management reports revealed that they were consistent with the reports which the Management Board had submitted to the Supervisory Board in the course of the year.

The Supervisory Board for its part examined the annual financial statements for the year ending December 31, 2008, the management report, the consolidated annual financial statements for 2008 and the Group management report. No objections arose. Accordingly, the Supervisory Board duly adopted the consolidated annual fi-nancial statements for 2008 and supports the Management Board's proposal for the allocation of the Company's profit.

The Supervisory Board wishes to thank all employees of Integralis AG as well as the members of the Management Board for the work which they have performed.

Magnus Wahlbäck

Chairman of the Supervisory Board



INTEGRALIS STOCK

ISIN:	DE0005155030
WKN:	515503
Reuters:	AAGGn.DE
Bloomberg:	AAGN:GY

INTEGRALIS STOCK – DRAGGED DOWN BY THE FINANCIAL CRISIS

In 2008, the bears clearly dominated the global stock markets, with all major bourses sustaining massive losses. The first wave of selling was triggered at the beginning of the year when it became known that the French securities trader Jérôme Kerviel had racked up losses of 5 billion € for his employer Bank Societé Générale from speculation on DAX futures far in excess of his limit.

Yet, stock markets clearly took their cues from the financial crisis in 2008. Many banks reported horrendous losses in the billions from structured investments such as collateralised debt obligations and asset backed securities and had to be bailed out by the government. These "toxic assets" had previously been sold to other banks and investment funds all around the world to finance subprime mortgages. After the real estate bubble burst, the market for these structured securities collapsed.

The nationalisation of UK mortgage bank Northern Rock in mid February 2008 marked a preliminary climax as the bank crisis unfolded, with customers withdrawing deposits worth several billion of euros in the space of a few days. The subprime crisis doubtless came to a head with the collapse of US investment bank Lehman Brothers, which the US Federal Reserve Bank had decided not to rescue in contrast to other banks of systemic importance. This triggered a domino effect in the capital markets as many global banks were exposed to Lehman Brothers, resulting in an extreme loss of confidence in the financial markets and the collapse of interbank trading. Although it was initially largely confined to the banks, the crisis spread quickly to the real economy, causing a downward spiral in many key industries.

With the crisis afflicting all main trading regions more or less simultaneously for the first time since the Second World War, the parallels with the Great Depression of the 1930s became unmistakable. Only by flooding the markets with liquidity were the central banks able to prevent an even worse crisis, while governments issued guarantees to protect savers' deposits.

Despite Integralis' operating success, its stock failed to escape the massive slide in global capital markets, retreating by more than 44 percent in the course of the year. However, the TecDax benchmark index with a loss of over 48 percent and the broader Tec All Shares Index technology index, which shed almost half of its value, fared even worse. After gaining in the first half of the year against the general trend and rising to EUR 6.00 at the end of June, Integralis stock experienced a massive selloff in the fourth quarter following the breach in the uptrend during the escalation in autumn 2008.

Main figures	2008	2007
End-of-year price	3.21 €	5.75 €
High for the year	6.00 €	6.22 €
Low for the year	2.44 €	3.20 €
Performance of Integralis stock	-44.2 %	55.8 %
Performance of Tec All Shares	-49.7 %	22.8 %
Performance of Tec Dax	-48.3 %	30.0 %
Performance of Dax	-40.4 %	22.0 %
Number of shares at the end of the year	11,585,137	11,585,137
Market capitalization at the end of the year	37.2 Mio. €	66.6 Mio. €
Earnings per share	**0.86 €**	**0.48 €**

INSIDE INTEGRALIS

INTEGRALIS HIGHLIGHTS IN 2008 – COMPANY NEWS AND ACTIVITIES

2 January:
Integralis continues its stock buy-back programme in 2008, acquiring up to 450,000 of its own shares by 30 June 2008

27 February:
Integralis releases its preliminary figures – earnings up double, resulting in record profit

28 March:
Integralis publishes its annual report for 2007: best figures in the Company's history

7 May:
Successful start to 2008 reported – operating profit up by more than 58 % in the first quarter of 2008

8 May:
Integralis' strategy confirmed by a large majority of the shareholders at the annual general meeting – new member appointed to the Supervisory Board

20 May: Coverage of the stock commenced by equinet with a buy recommendation and a target of 7.50 €

30 May:
Gartner rates Managed Security Services a "strong positive", with the analysts particularly praising the extremely competitive value for money and broad market coverage

10 June:
Integralis implements a fully outsourced managed security solution for Heidelberger Druckmaschinen AG

10 June:
Press conference held at Integralis Security World

18 June:
Integralis embarks on an investor road show in Frankfurt

24 June:
Integralis points out serious security shortfalls at government authorities and warns of the perils of careless handling of sensitive identity data.

3 July:
Major contract awarded for Management Security Services – largest individual MSS contract marking a breakthrough in this growth segment

21 July:
Integralis extends its portfolio with new technology platform and signs an option agreement for an acquisition in China

14 August:
Integralis reports seamless revenue and earnings growth in the first half of 2008

20 August:
Integralis embarks on an investor road show in London

26 August:
Integralis continues its stock buy-back programme, acquiring up to 250,000 of its own shares by 31 December 2008

15 September:
Integralis embarks on an investor road show in Zurich

10 November:
Integralis and Global Crossing pool their security and IP expertise, providing benefits for public-sector customers and private-sector business thanks to a shared secured VPN solution

10 November:
Integralis boosts its revenues and earnings steadily – recurring revenues pick up substantially – record order books and total contract volumes

19 November:
Major contract awarded by the Qatar Ministry of the Interior for an intelligent travel management system

WHEN YOU THINK INFORMATION SECURITY – THINK INTEGRALIS

Integralis Security World 2008 – placing CeBIT in the shadow

On 10 June 2008, Integralis held Integralis Security World, the premiere of the Company's new, innovative and well-regarded vendor and partner format at Stuttgart's Mövenpick Airport Hotel.
With roughly 30 of the top international vendors present, IT security "royalty" displayed their wares to a selected trade audience.
The interest in the total of 40 carefully selected addresses held by producers, partner companies and Integralis consultants exceeded expectations, resulting in jam-packed lecture halls in some cases.
The response by participants and also in the media was overwhelming.

Martin Ninnemann of Check Point Software Technologies:
"In my view, the entire conference was a complete success and made a very strong impact. The organisation, the location, the addresses, networking, catering, the accompanying programme – it was all perfect. This is also the feedback which we received from visitors to our stand. Integralis should make this a permanent fixture. I'm looking forward to the next one."

Marc Hudavert, VP & GM of ActivIdentity EMEA:
"Integralis Security World was a complete success! The venue, the format and the presentations were outstanding. At Integralis Security World we reached both existing and new customers and were able to conduct extremely interesting talks with our target groups. The organisation and assistance provided by the Integralis team were perfect – everything went off without a hitch. To sum up, a first-class conference, for which we would like to thank the Integralis team most sincerely. We'll definitely be back next year."

Sepp Lausch Area Director Enterprise GAS, Juniper Networks GmbH:
"Following the great success at Integralis Security World this year, our team are looking forward to taking part in your innovative conference again in 2009 to reach customers as expert partners. I am certain that you will be able to achieve far greater attendance numbers as news of the quality of Integralis Security World has spread quickly."

Ingo Wachter, Sales Director Central & Eastern Europe, PGP Deutschland AG:
"I would like to take this opportunity once more of thanking you for the great organisation and the very good event. I hope that you will be organising another conference like this next year. If so, we'll definitely be in attendance."

Ralf Kliemann, Sales Manager for New Products, Citrix Systems GmbH:
"Congratulations from us on a first-class conference and the opportunity of being able to take part. It gave us the chance to conduct interesting talks and to hold constructive discussions with our customers to arrange further partnership activities."
"Integralis landed a major success with its first "Integralis Security World" producer and partner forum at Mövenpick Hotel in Stuttgart. The roughly 400 guests felt visibly comfortable, using the event for discussions and networking. The unanimous view was that the Integralis forum has established itself as a small but all the more efficient version of Cebit for the IT security industry and is crying out for a continuation," wrote the renowned trade journal Computer Reseller News.

And, indeed, this successful format is to be repeated in 2009: Integralis Security World 2009 will be opening its doors at the same venue – but this time for two days on 23 and 24 June.

Integralis' road shows in Germany, Austria and Switzerland

Commenced in the previous year, Integralis' road shows covered 11 cities in Germany, Switzerland and Austria in 2008. This time, relevant IT securities matters, namely data loss prevention and secure application delivery, were on the agenda. During the full-day events, Integralis specialists together with external experts demonstrated the best processes and described current strategies and solutions. The road shows were accompanied by key strategic vendors as partners. More than 500 participants from over 400 companies visited the road shows, with the new customer rate exceeding 25 percent.

Integralis will be continuing this popular series this year, focusing on end-point security, amongst other things.

Integralis at Infosecurity Europe 2008 in the UK

Using the theme "fly your business securely with Integralis", Integralis UK presented its complete range of services at the largest European show for IT security. To project the theme, Integralis used several flight schedule boards.

- Professional Services were represented as the pre-flight checks.
- Technology Solutions were symbolised as the take-off.
- Managed Services were presented as absolute safe flying.

In keeping with this theme, the Integralis staff were dressed as pilots and stewardesses.
Visitors to the show were able to take part in a raffle for a flight in an aircraft simulator. At the same time, the Company presented its seminar series on the Integralis Information Security Management System (ISMS).
Infosecurity Europe 2009 is taking place on April 28 – 30, again with the participation of Integralis UK.

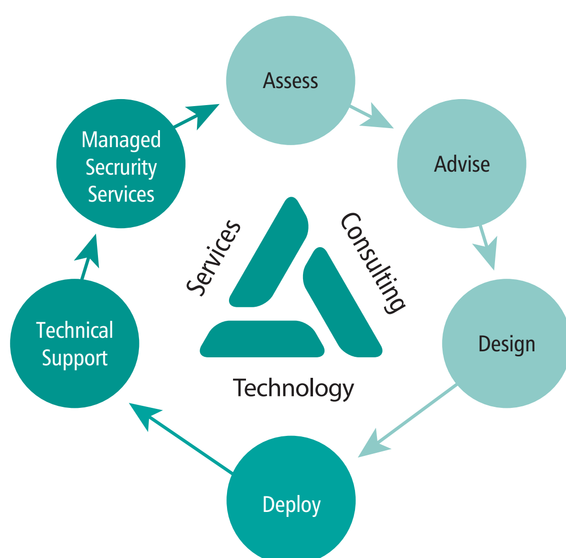
Integralis Managing Information Assets Seminar Series in the UK

In addition to the road shows stretching across Germany, Austria and Switzerland, the Management Information Assets Seminar series was held in the UK. Ahead of the series, Integralis had conducted a representative survey of 250 companies concerning the protection of enterprise assets, publishing the results in a release at the end of October.
Key strategic vendors also attended the seminars in Manchester, Birmingham, London and Bristol. More than 250 private and public-sector bodies registered in late autumn for the Managing Information Asset Seminar Series.
Several webinars have been planned for the new year in conjunction with vendors.

Licence to Secure in Sweden

The “Licence to Secure” forum was the top event marking the repositioning of Integralis Sweden.
The “Licence to Secure” motto had deliberately been selected by new country manager Auguste Goldman on account of its associations with a famous James Bond film. Integralis staff were all dressed in evening wear or cocktail dresses with accessories in the Integralis colours. More than 75 decision makers and 10 vendors attended this forum, which was hosted by a journalist from the Swedish IT publishing company IDG, which also reported in depth on the event. The success far exceeded expectations. The participants readily comprehended the message that Integralis had developed into a skilled, reliable and confidence-inspiring IT security solution provider. “Licence to Secure” has proved to be an excellent platform in repositioning Integralis Sweden and is helping to stoke interest on the part of both new and existing customers in being part of the “new” Integralis.

THE INTEGRALIS BUSINESS MODEL



In our consulting activities, we offer extensive expertise from strategic IT security advice through to the auditing of corporate networks.
In the technology segment we integrate the hardware and software of leading global vendors to produce integrated secure solutions.
Our services entail our own support and managed security services. With these highly scalable services, we are able to assist our customers around the clock. Our globally networked Security Operation Centres monitor and manage our customers' IT security environments.

Bespoke solutions for IT security in all process phases

Integralis offers bespoke solutions to optimise IT security in all phases of the IT security process. Roughly 70 percent of the DAX 100 and FTSE companies rely on the Company's specific IT security skills and its twenty years of experience which is derived from systematic specialisation in its core business.

Integralis' core competence in operational implementation – extended expertise for IT security

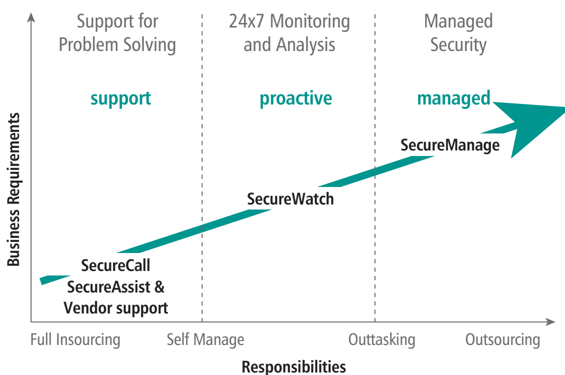
Application security is growing in importance. Today, 75% of all attacks are targeted at weaknesses in applications (source: Gartner).
The purpose of these attacks is to obtain sensitive information such as credit card numbers, customer or employee data as well as personal IDs and transaction histories.
Web servers are the most frequent and fruitful targets of attacks. It is precisely because enterprises are porting their main applications such as Siebel, SAP, BEA or Oracle to the web that security structures must be revised

Integralis areas of expertise

Infrastructure Security	Secure Application Delivery	Secure Content Management	Security Operations	Identity & Access Managgement
Firewall UTM, VPN	Application Delivery Controller	Secure Web Browsing	Security Information & Event Management	Identity Management
Intrusion Prevention	WAN Optimisation	EMail Security	Vulnerability & Configuration Management	Smartcard-Solutions
Network Access Control	Web Application Security	Encryption	Governance, Risk and Compliance Tool	Strong Authentication
Network Service Security	Web Services Security	Data Loss Prevention	Database Activity Monitoring	Single Sign-On

IT applications are increasingly forming the life line of enterprises.
Integralis has therefore extended its skills by amassing specific knowledge of all aspects of application security.
Internal applications such as office solutions, CRM systems and VOIP are expected to meet growing performance requirements. In B2B and B2C business, the web and e-business portals are also playing an increasingly important role.
The challenge is to render applications swift, stable and secure all at the same time.

Integralis service portfolio



Managed Security Services (MSS) are the most comprehensive form of support for customers' IT security environments. Even large companies are not always able to cope with the enormous requirements of network security using their own resources and are thus increasingly relying on external specialists to manage their mission-critical processes. Cost aspects are playing an increasingly important role in this respect.
Managed Security Services can handle even the most complex security tasks successfully, while simultaneously helping to lower operating costs and freeing up the customer's capital.

As a managed security service provider, Integralis is always at the forefront of the market and keeps pace with the latest technological developments.

Unique architecture for Managed Security Services

Integralis has established its own global fail-safe architecture and, with Integralis Security Information System (ISIS), completed anticipatory development work on its own Security Information and Event Management (SIEM) Security Service Appliance (SSA). The SSA is installed in the customer's network, where it offers the unique possibility of monitoring linked systems and additionally analysing log files on a real-time basis. Day for day, 600 million log entries are analysed – more than twice the volume as in the previous year without the need for this data to be transferred across the network, thus clogging up the customers' data lines. The preliminary evaluation of the security events is performed directly in the SSA, which condenses and correlates the data for transfer via a secure fail-safe link with the Integralis SOCs for further analysis. At the same time, the SSA operates as a secure remote access point for the systems managed on the customer's premises. If the Internet link or fire wall fails, a dial-up link is automatically established. This development work makes a crucial contribution to ensuring that Integralis is able to offer this unique Managed Security Service around the world.
In the Integralis MSS world the sun never sets. Indeed, Integralis' services "follow the sun". The Security Operation Centres (SOC) around the world are all linked to each other. Roughly 70 highly trained specialists offer support in three languages (German, English, French) at facilities in Germany, the United Kingdom, the United States and now also Singapore. In addition, a further two virtual SOCs operate in Sweden and France. Integralis services are being utilised by customers in over 50 countries.

MANAGEMENT REPORT

In 2008, Integralis continued where it had left off in the previous year, in which it had achieved its best-ever performance, further increasing its earnings despite the adverse economic conditions.

INTEGRALIS AG GROUP MANAGEMENT REPORT FOR 2008

1. Business performance, underlying conditions and competition

In 2008, the European economy grew by only 1.1 percent, down from 2.7 percent in the previous year. In the wake of the financial crisis and the emergence of strong recessionary tendencies, the rate by which the German economy grew almost halved. According to German Federal Bureau of Statistics estimates, gross domestic product (GDP) grew by only 1.3 percent, compared with 2.5 percent in 2007. There was a sharp slowdown in the fourth quarter in particular. With exports shrinking as a result of the global recession, the greatest impetus for the economy came from domestic consumption, particularly gross plant and construction spending. At 1.4 percent, the economic output of the 30 OECD countries was on a par with the United States in 2008.

The industry association BITKOM estimates that the information and telecommunications industry grew by 1.2 percent in 2008 to 145 billion €, while spending on information technology climbed by 3.7 percent to 66 billion €. The Experton Group expects the revenues generated by IT security services to equal 2.43 billion € in Germany alone in 2009, with an annual growth rate of 9 percent projected for the period through to 2012.

The year under review was characterised by a record volume of lost data. At T-Mobile alone, data on 17 million customers was compromised. Experts are convinced that data on millions of customers is circulating illegally. The securities breaches which have become known are merely the tip of the iceberg.

At the same time, global spam volumes are continuing to grow, accounting for some 90 percent of the total daily volume of 200 billion e-mail messages. Whereas the volume of malware, which is distributed in the form of e-mail attachments, is declining, phishing attacks and criminal activity via bot networks, social engineering and reputation hijacking are continuing to grow. Cyber criminals are determined in their efforts to find new ways of infiltrating home computers, corporate networks and the Internet.

In addition to the perennial problems in connection to e-mail and web security, the IT security business was also characterised by other issues such as network access restrictions, the control of outgoing data flows, identity management, measurability and reporting tools. Many companies sought to outsource IT security in an effort to harness swift savings, something which resulted in growing demand for managed security services.

In 2008, Integralis continued where it had left off in the previous year, in which it had achieved its best-ever performance, further increasing its earnings despite the adverse economic conditions. The business model is so far proving to be relatively resilient to cyclical effects.

The market in which Integralis operates is heterogeneous and comprises of three main groups:

- International telecommunications groups and IT outsourcers operating at an international level
- Local and international IT network integrators also involved in security
- Local IT security specialists

Integralis is successfully asserting itself in these environment and has also been able to gain market share from substantially larger competitors in some segments. Integralis' greatest assets are its IT security specialists, which form the largest team of its type in Europe and the United States. With its many years of experience and vendor-independence, the Company is able to implement individual security solutions. For this reason, many large corporates and roughly 70 percent of the DAX 100 and FTSE companies rely on Integralis' services for protecting mission-critical processes.

Integralis offers suitable integrated solutions along the entire IT security value chain. The broad range of services entails IT security consulting, IT audits, preparations for certification, design and on-site implementation as well as global 24/7 support and professional managed security services (MSS).

IT security experts see numerous key trends emerging in 2009. Cisco subsidiary Ironport has identified a growing risk within enterprises. In the wake of the global recession, careless or aggravated employees may pose a risk to a company's security. Data loss as a result of negligence, unauthorised intervention or espionage is posing a growing challenge in the monitoring of outgoing data flows. At the same time, mounting mobility, teleworking, web-based tools and applications, mobile devices and virtualisation are necessitating heightened security requirements in identity and access management as well as the administration of sensitive accounts.

2. Results of operations

The figures at a glance:*

M€	2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	2008
Revenues	158.3	39.4	41.1	40.4	48.0	168.9
Gross profit	54.1	12.6	13.6	14.3	16.2	56.7
Gross margin (%)	34.2	32.1	33.1	35.3	33.6	33.5
Personnel expenses	34.6	8.7	9.1	9.0	10.3	37.1
Personnel expenses (%)	21.9	22.2	22.0	22.3	21.4	22.0
Other operating expenses	12.4	2.8	3.1	3.4	2.4	11.7
Other operating expenses (%)	7.8	7.2	7.6	8.5	4.8	6.9
EBITDA	7.1	1.1	1.4	1.8	3.5	7.8
EBITDA margin (%)	4.5	2.7	3.4	4.5	7.4	4.6
EBIT	5.0	0.6	0.9	1.4	3.1	6.0
EBIT margin (%)	3.1	1.6	2.3	3.4	6.3	3.5
Net profit after tax	5.2	0.8	0.8	1.2	6.5	9.3
Net profit after tax (%)	3.3	1.9	1.9	3.0	13.6	5.5
Earnings per share IFRS (basic)	0.48 €	0.07 €	0.07 €	0.11 €	0.61 €	0.86 €

*All percentages in these financial statements have been calculated on the basis of rounded EUR thousands

2.1. Revenues by region

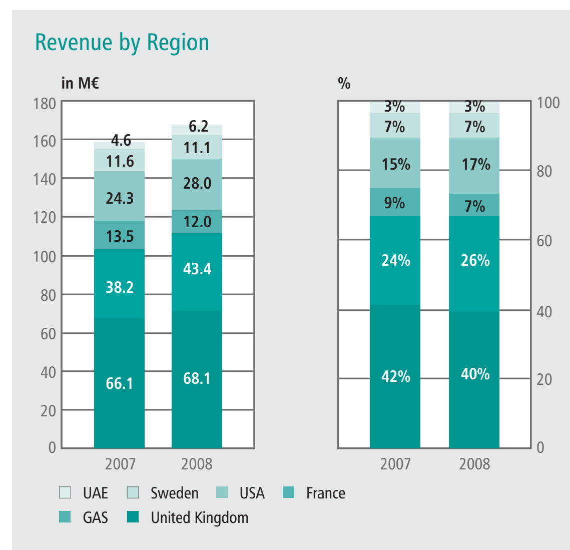
Despite the global economic crisis, Integralis grew solidly, with consolidated revenues rising by 6.7 percent to 168.9 million € in 2008 (previous year 158.3 million €). As in the previous year, the UK accounted for the greatest share of revenues. However, the slow rate of growth relative of the Group as a whole must also be seen in the light of the extreme weakness exhibited by pound sterling, which reached a record low against the euro at the end of the year. If this effect is taken into account, the revenue growth is remarkable. In fact, on the basis of the exchange rates prevailing at the end of 2007, UK revenues would have been up more than 20 percent. Assuming constant exchange rates, revenues came to 183.8 million €, an increase of 16.1 percent on the previous year.

Revenues in M€	2008	2007	Change %
United Kingdom	68.1	66.1	3.0
Germany / Austria / Switzerland	43.4	38.2	13.7
United States	28.0	24.3	15.3
France	12.0	13.5	-11.1
Sweden	11.1	11.6	-3.8
United Arab Emirates	6.2	4.6	35.1
Total	**168.9**	**158.3**	**6.7**

The pound's decline had an even more pronounced effect on EBIT, with the United Kingdom posting a figure of 2.0 million € (previous year 2.7 million €). Revenues in the German / Austria / Switzerland (GAS) region grew even more strongly than in the previous year, making a further seamless addition to the series of successes of earlier years. For the first time, the GAS region made the greatest earnings contribution to the Integralis Group. At 2.9 million € (previous year 1.8 million €), earnings rose by almost 63 percent in this region, resulting in an EBIT margin of 6.8 percent. Moreover, the GAS region posted by far the largest gross margin in the Group, something which testifies to the strong position held in this market. Despite the economic downturn, Integralis achieved top-line growth of 15.3 percent in the United States, accompanied by small EBIT of 0.1 million € (previous year 1.2 million €). This is related to the efforts to restructure the US national company as well as the start-up losses which had been expected in connection with the takeover of the Network Operations Center (NOC) following the acquisition of the CENTRIS technology.

EBIT in M€	2008	2007	Change %
United Kingdom	2.0	2.7	-26.0
Germany / Austria / Switzerland	2.9	1.8	62.9
United States	0.1	1.2	-90.3
France	-0.5	0.0	n.a.
Sweden	-0.3	0.6	n.a.
United Arab Emirates	0.9	0.2	252.9
Not allocated	0.9	-1.5	n.a.
Total	**6.0**	**5.0**	**20.5**

The revenue and earnings situation in France remains unsatis-factory. In the year under review, structural measures were taken to rectify this situation; however, their effect is not yet evident in the figures for this region.

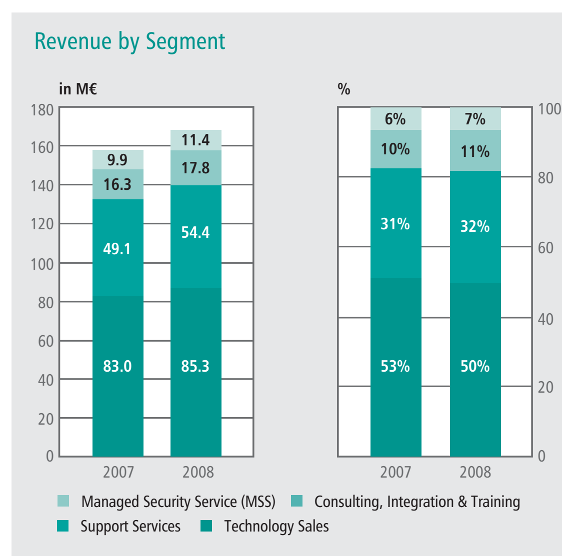


This also applies to Sweden, where hopes are being pinned to a new country manager and his team. Revenues in this market were lower than in France; however, with a loss of 0.3 million €, the bottom line was better than in France (0.5 million €). The United Arab Emirates proved to be the most dynamic region for Integralis, with local company ProtechT benefiting

from several major contracts awarded by the Qatar ministry of internal affairs, amongst other things. With revenues up 35.1 percent, earnings surged by 252.9 percent, resulting in a significant contribution of 0.9 million € to the Group's profits.

2.2 Revenues by segment

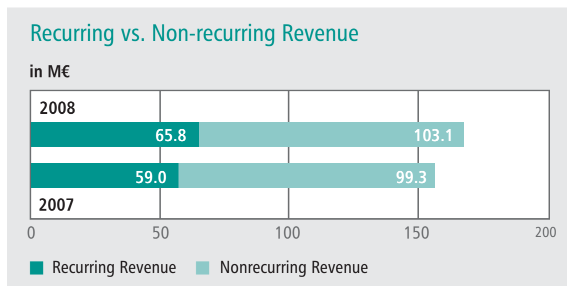
As in the previous year, all segments achieved solid growth. At a dynamic 15.3 percent, Managed Security Services recorded the greatest relative growth. In fact, before currency translation, growth in this segment exceeded 26,6 percent over the year as whole. This high-margin segment, to which management is devoting meticulous attention, is particularly benefiting from the current clear trend towards outsourcing IT services. In fact, this trend strengthened still further in the fourth quarter, with a year-on-year increase of 22.7 percent registered. At 54.4 million € (previous year 49.1 million €), Support Services were also driven by outsourcing effects. Similarly, revenues from consulting, integration and training climbed to 17.8 million € (previous year 16.3 million €). The weakest growth was achieved in technology sales. Even so, the figure of 85.3 million € was still up on the previous year in absolute terms (83.0 million €).



	2008		2007		Change
	M€	%	M€	%	%
Technology sales	85.3	50.5	83.0	52.4	2.7
Support Services	54.4	32.2	49.1	31.0	10.6
Consulting, integration and training	17.8	10.6	16.3	10.4	9.8
Managed security services (MSS)	11.4	6.7	9.9	6.2	15.3
Total	**168.9**	**100.0**	**158.3**	**100.0**	**6.7**

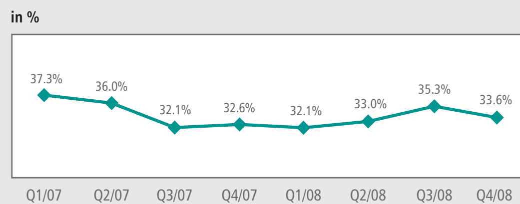
	2008		2007		Change
	M€	%	M€	%	%
Recurring revenues	65.8	38.9	59.0	37.3	11.4
Non-recurring revenues	103.1	61.1	99.3	62.7	3.9
Total	**168.9**	**100.0**	**158.3**	**100.0**	**6.7**

In the course of the year, there was a shift in the sales mix, with recurring revenues increasing at a swifter rate than non-recurring revenues. With this trend strengthening in the fourth quarter, we expect to see a growing shift towards recurring revenues against the backdrop of the current adverse economic conditions. This encouraging trend is having a favourable effect on long-term strategic planning as it renders future payment flows more reliable.



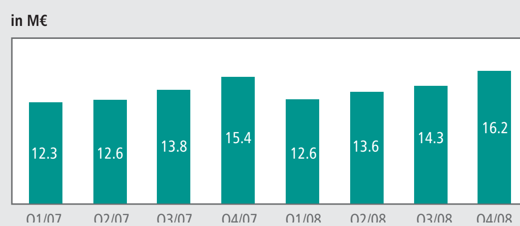
Development of Gross Margin

in %



Development of Gross Profit

in M€



2.3 Gross profit and margins

Consolidated gross profit rose to 56.7 million € (previous year 54.1 million €). At 33.5 percent, the gross margin fell short of the previous year's figure of 34.2 percent, but was right on the average for the first nine months of 2008. However, the previous year's slightly higher gross margin was primarily due to business performance in the first half of 2007.

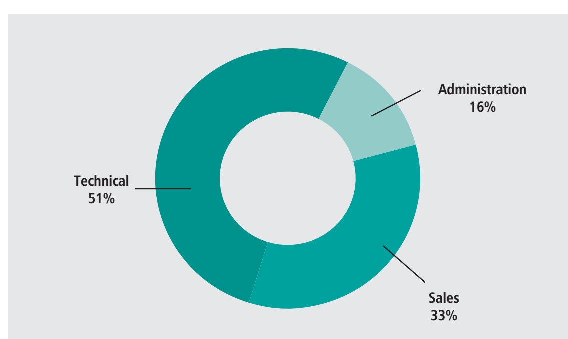
In the course of 2008, there was only relatively mild fluctuation in the gross margin. Margins were a good 1 percent higher than the average for the second half of 2007 and have clearly stabilised.

2.4 Staff costs and other operating expenses

The average headcount rose again in the course of the year, with Integralis employing an annual average of 471 people around the world, an increase of 11.1 percent over the previous year (424 employees). At the end of the year under review, the headcount stood at 511. Part of this increase is due to the asset deal and acquisition of the Centris technology platform from US companies Neohapsis Inc. and KSR Inc. As part of this transaction, 20 employees were absorbed and deployed at the Integralis Network Operation Center (NOC) on the US west coast. Additional recruiting was also necessary after a further Security Operation Center (SOC) went into operation in Singapore. The Integralis Group's pronounced technological competence is not least of all reflected in the number of technical employees, which came to an annual average of 242 (previous year 200). According to its own research, Integralis has more certified security experts than any other company in Europe.

Despite the economic climate, the market for qualified IT security staff remains characterised by strong demand. This constitutes a permanent challenge for the Group's human resources department in its efforts to protect and extend its expertise and competitive lead.

Group-wide staff costs came to 37.1 million € in 2008 (previous year 34.6 million €), thus rising at almost the same rate as revenues. At 22.0 percent, the ratio of staff costs to revenues was almost unchanged over the previous year.



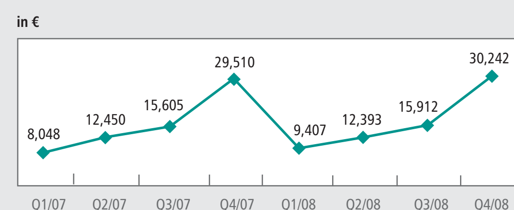
The sequential growth in staff costs in the individual quarters is due to moderate recruiting activities as well as the high variable compensation components, which correlate with the achievement of targets in the corresponding periods.

EBITDA per employee was on a par with the previous year, thus testifying to the strong employee efficiency. EBITDA per employee came to 16.6 T€ in 2008 (previous year 16.6 T€). The achievement of the EBITDA budget targets plays a key role in the measurement of the variable compensation components for many employees and thus acts as a clear incentive.

Other operating expenses declined to 11.7 million € (previous year 12.4 million €). The structure of total expenses (staff and others) improved relative to consolidated revenues, with the increase to 48.8 million € (previous year 47.0 million €) disproportionately small compared with the rise in revenues. Thus, the ratio of total expenses to gross profit improved from 87.0 percent in 2007 to 86.2 percent. This ratio was lowered steadily from quarter to quarter, dropping to 77.9 percent in the fourth quarter.

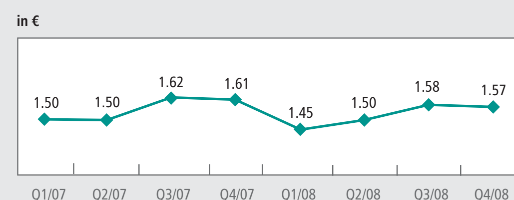
EDITDA (annualised) per Employee

in €



Gross Profit/ Personnel Expenses

in €



2.5 Depreciation/amortisation, interest, taxes and net profit for the year

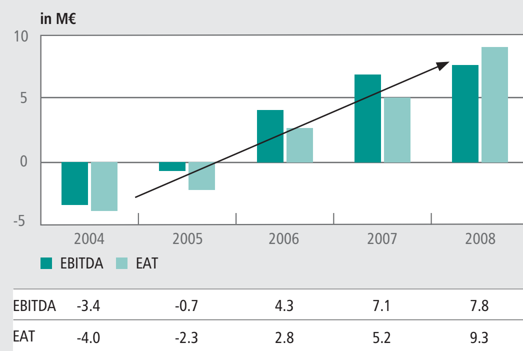
In 2008, depreciation/amortisation expense dropped back down to the long-term average of 1.8 million € (previous year 2.1 million €). In 2007, an amount of 0.3 million € had been recognised and written off in full as a result of purchase price allocation in accordance with IFRS 3 to allow for the orders held by new acquisition ProtechT.

Net interest income was again recorded at the Group level. However, as the interest income on fixed-term deposits shrank in 2007, this item came to only 0.1 million € (previous year 0.3 million €).

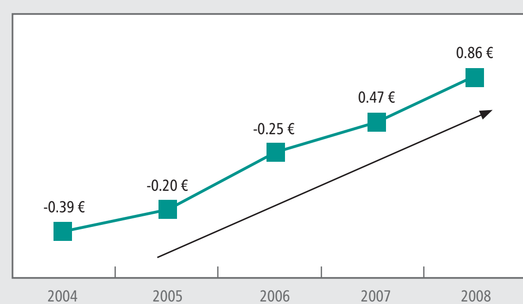
The Integralis Group grew profitably again in 2008, with EBITDA rising by 10.9 percent to 7.8 million € (previous year 7.1 million €). At 6.0 million € (previous year 5.0 million €), the growth in EBIT was even greater in 2008, causing the EBIT margin to widen from 3.1 percent to 3.5 percent.

Given the earnings achieved in earlier years and the signing of a profit transfer agreement with Integralis Deutschland GmbH,

the available tax losses were examined again to determine the extent to which they can be utilised. This primarily resulted in income from the recognition of deferred income taxes of 3.5 million €, leading to net tax income of 3.2 million € (previous year 0.0 million €).
As a result, net profit surged to 9.3 million € (previous year: 5.2 million €), translating into a substantial increase in earnings per share to 0.86 €, up from 0.48 € in 2007. Despite the adverse economic conditions, this is the best figure achieved in the Company's more than twenty-year history.

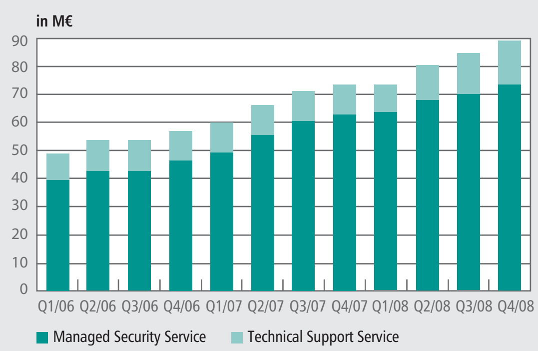


	2004	2005	2006	2007	2008
EBITDA	-3.4	-0.7	4.3	7.1	7.8
EAT	-4.0	-2.3	2.8	5.2	9.3



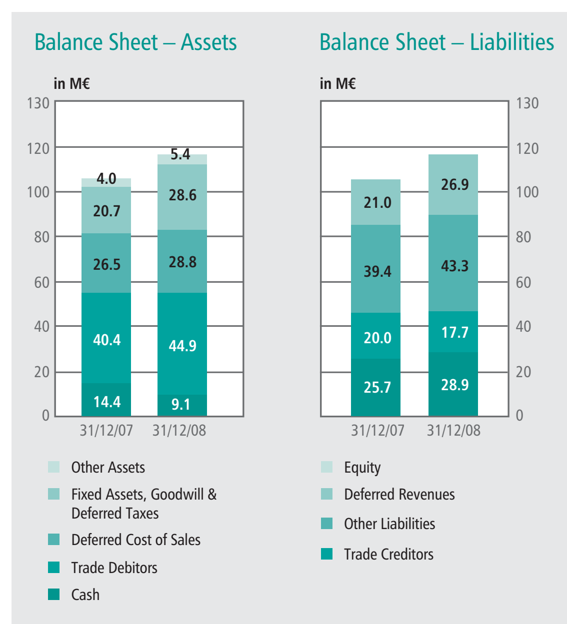
3. Financial position, net assets and order situation

The order backlog rose appreciably over the previous year from 17.9 million € to 21.7 million €. Total contract volumes, i.e. the total value of all support and MSS contracts which have been entered into and are active or to be commenced in the future, an indicator of future and recurring revenues, increased sharply in the course of the year, reaching a new record of 89.3 million € (previous year 70.0 million €) for the Group.
This is defined as the total value of all support and MSS contracts which have been entered into and are active or to be commenced in the future.

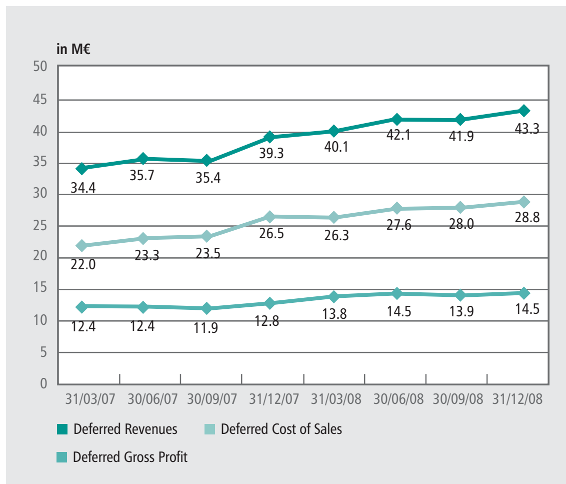


Total consolidated assets were up again year on year as of 31 December 2008, rising by 10.2 percent to 116.8 million € (2007: 106.0 million €) not least of all thanks to substantially improved net profit. The equity ratio also widened from 19.8 to 23.0 percent, resulting in a further improvement in balance sheet structures. This is all the more encouraging considering that receivables and liabilities systematically rise disproportionately towards the end of the year due to the seasonal nature of business in this industry. This effect is further amplified by the growing volume of recurring-income contracts, which are generally billed at the end of the year.
Current assets rose to 88.2 million € (2007: 85.3 million €), reflecting the Group's brisk business. Specifically, this is due to an increase in trade receivables, as well as prepaid material expenses and other prepaid items.

On the other hand, cash and cash equivalents shrank from 14.4 million € to 9.1 million € as of the end of the year. Even so, this is a substantial increase of 4.5 million € compared with the end of the third quarter, in which a temporary low was recorded.
In fact, in the fourth quarter, Integralis achieved a net cash inflow from operating activities of 6.2 million €. The cash flow from operating activities for 2008 as a whole came to 4.0 million € (previous year 5.4 million €). The change is primarily due to the somewhat weaker increase in deferred revenues as of the 2008 balance sheet date compared with 2007. A substantial proportion of the MSS and support contracts are renewed at the end of each year, thus explaining the fluctuation as of December 31, 2008. In addition, unrealised currency translation gains as of the balance sheet date primarily from USD-denominated liabilities had a negative effect of over 1 million €.
Capital spending focused on the acquisition of Integralis Österreich GmbH (previously Greschitz IT Security) and earn-out payments in connection with the acquisition of ProtechT, Dubai. In addition, Integralis recorded cash outflows as a result of its spending on the asset deal for the takeover of CENTRIS technology and the grant of bridge loans for China Managed Services Inc. (CMS). Moreover, Integralis acquired a CRM system for Group-wide deployment to strengthen its marketing activities and also spent on its IT infrastructure. In the year under review, cash flow from financing activities rose by around 1 million € to 2.3 million € on account of payments made for the purchase of the Company's own shares.
Non-current assets also increased to 28.6 million € at the end of the year (previous year 20.7 million €). At 4.9 million €, the greatest increase entailed the aforementioned recognition of deferred income taxes on tax losses in Germany and the United States. Intangible assets rose primarily as a result of the purchase of the CENTRIS technology as well as the start-up of the first module of the CRM system in large parts of the Group. Goodwill was also up in 2007 due to the acquisition of Greschitz IT Security GmbH, Vienna.
On the other side of the balance sheet, the further significant increase in net profit for the year of 9.3 million € resulted in a corresponding increase in equity. The loss of 2.4 million € carried forward from the previous year was thus more than offset. The profit carried forward stands at 6.8 million €.
In line with the aforementioned growth in revenues and the seasonal effects on business, current liabilities climbed to 86.4 million €, up from 80.6 million € in the previous year. Trade payables and deferred income made a key contribution to this, climbing as they did by 7.2 million €.
At 3.6 million € (2007: 4.5 million €), non-current liabilities were well down on the previous year due primarily to the reversal of non-current provisions of 2.1 million €. Aside from a small number of finance leases, the Group does not utilise any external borrowings with related borrowing costs.
As of 31 December 2008, the main items of the balance sheet compared with the corresponding figures for the previous year were as follows:



The gross margin included in the deferred items widened by one percentage point from 32.6 percent in the previous year to 33.6 percent in the year under review. The following chart sets out the changes in deferred income and prepaid cost of materials.



All told, the Company's net assets, financial condition and order situation were favourable in 2008. As expected, the changes the in main items of the balance sheet (receivables, liabilities and deferred items) reflected sales growth and the seasonal nature of the Company's business. No major payment defaults were sustained despite the changed economic conditions and, as far as can be foreseen at this stage, are currently not expected. The Group's liquidity remains positive, with flexibility set to widen in 2009 thanks to the precautions taken in 2008.

4. Remuneration report

4.1 Management Board remuneration

The members of Integralis AG's Management Board receive annual compensation comprising fixed and variable components. In addition, there are compensation components with a long-term incentive effect. The Supervisory Board reviews the reasonableness of the variable components in regular intervals. The Management Board compensation is performance-oriented and primarily comprises the following three components:

- a fixed component
- a variable component
- a share-based component (share options)

The fixed component is paid in the form of a monthly salary. The amount of the variable component depends on the extent to which the Group EBIT targets agreed upon with the Supervisory Board are achieved. The underlying model comprises two components: The first one constitutes a certain percentage of the consolidated EBIT exceeding a predefined minimum EBIT target. The second component is a percentage of the consolidated EBIT exceeding the EBIT for the previous year. The targets are based on a three-year forecast, which assumes a significant annual increase in the Group's EBIT.
The share-based compensation is paid in the form of share options and is reviewed regularly by the Supervisory Board. The existing share options were issued in accordance with the option terms applicable to all employees and explained in the notes to the annual financial statements. Retroactive changes to the targets are not possible. In 2008, the members of the Management Board were awarded 25,000 share options each from the SOP 2007 programme at a strike price of 5.31 € per option. As of the date of award, the present value per option stood at 1.73 € calculated in accordance with the provisions of IFRS 2 by utilising a Monte Carlo simulation. Further information on the fair value can be found in the description of the SOP 2007 option programme in the notes to the consolidated financial statements for 2008. In accordance with Section 285 No. 9a of the German Commercial Code, the full fair value of the subscription rights awarded in 2008 was allocated to Management Board compensation for 2008.
In addition, Georg Magg and Roger Friederich receive a monthly flat-rate car allowance to cover the use of private cars on

company business. Graham Jones, who was a member of the Management Board up until the middle of 2008, uses a company car in accordance with the internal guidelines for company cars applicable in the United Kingdom. The members of the Management Board receive allowances for private pension savings schemes, which are paid directly into corresponding insurance policies (e.g. support funds) by the Company. No direct pension obligations are held by the Company or any other Group members.

In the year under review, total Management Board compensation came to 697 T€ (2007: 1,241 T€). The individualised breakdown is as follows:

Breakdown of compensation in accordance with Section 315 (9) of the German Commercial Code	Georg Magg T€		Roger Friedrich T€		Graham Jones* T€		Total T€	
	2008	2007	2008	2007	2008	2007	2008	2007
Fixed compensation	200	180	150	129	79	172	**429**	**481**
Variable compensation	41	185	31	139	46	185	**118**	**509**
Share-based compensation	43	55	43	55	–	55	**86**	**165**
Car allowance	11	11	11	11	–	–	**22**	**22**
Allowances for private pension savings	21	18	18	15	3	31	**42**	**64**
Total	**316**	**449**	**253**	**349**	**128**	**443**	**697**	**1,241**

Shares and subscription rights held by the Management Board

Management Board	Shares		Stock options	
	2008	2007	2008	2007
Georg Magg	50,000	25,000	50,000	60,000
Graham Jones*	–	22,500	–	53,250
Roger Friederich	20,200	16,200	56,000	35,000
Total	**70,200**	**63,700**	**106,000**	**148,250**

Total shares held by the Management Board as of 31 December 2008: 0.61 percent

* Graham Jones stepped down from Integralis AG's Management Board effective 30 June 2008

Changes in stock options and weighted average exercise prices

	Georg Magg		Roger Friedrich		Graham Jones	
	Number of	Av. price in €	Number of	Av. price in €	Number of	Av. price in €
Options as of 1/1	60,000	3.32	35,000	3.79	53,250	3.40
Options granted	25,000	5.31	25,000	5.31	–	–
Options forfeited	–	–	–	–	–	–
Options exercised	35,000	2.70	4,000	2.80	28,250	2.70
Options expired	–	–	–	–	–	–
Options as of 31/12	**50,000**	**4.75**	**56,000**	**4.54**	**25,000**	**4.19**
Average price at strike		**5.20**		**5.19**		**5.27**

4.2 Remuneration of the Supervisory Board

The Supervisory Board of Integralis AG receives total fixed compensation of 50 T€ plus VAT, if applicable, as approved by the shareholders. Of this total amount, the Chairman of the Supervisory Board receives 4/9, his deputy 3/9 and an ordinary member of the Supervisory Board 2/9 per year. The compensation is paid on a prorated basis if office is held on the Supervisory Board for less than a full year.
In addition, a resolution was passed by the shareholders at the annual general meeting on 10 May 2007 providing for the members of the Supervisory Board to receive a performance-time compensation component. Accordingly, they receive variable performance-tied annual compensation. This compensation equals 15 T€ for every 1,000 T€ by which earnings before interest and taxes (EBIT) as reported in the consolidated financial statements exceed the EBIT recorded in the previous year. The EBIT-linked annual variable compensation is capped at a maximum of 150 T€ per year.
In the year under review, total compensation came to 73 T€ (2007: 82 T€). The individualised breakdown is as follows:

	2008	2007
	T€	T€
Fixed compensation	50	50
Variable compensation	23	32
Total	**73**	**82**

5. Explanatory report on the disclosures made in accordance with Section 315 (4) of the German Commercial Code

As of the end of the year, the Company's subscribed capital stood at 11,585,137 € and is divided into 11,585,137 no-par-value registered shares. There is no right to claim the issue of individual share certificates. The shares are ordinary shares granting full voting and asset rights.
There are no restrictions on voting rights or the transfer of shares.
The Company is aware of no direct or indirect shares in its capital exceeding 10 percent of the voting rights.
As there are no shares with special rights, there are no holders of such shares.
The shares held by employees do not exclude the exercise of controlling rights.
The Company's Management Board comprises two or more persons who are appointed by the Supervisory Board. Otherwise, the appointment and dismissal of the members of the Management Board is governed by Sections 84, 85 of the German Stock Corporation Act. Amendments to the articles of incorporation are governed by the provisions contained in Sections 133, 179 of the German Stock Corporation Act. In the absence of any binding statutory provisions to the contrary, Article 11 (2) of the Company's articles of incorporation stipulates that resolutions are passed with a simple majority of the votes cast and that the majority of capital is deemed to constitute the simple majority of the share capital represented during the passing of the resolution.
As of 31 December 2008, the following authorised and contingent capital was available for future use:

- **Authorised capital 2008/I:**

In accordance with a resolution passed at the annual general meeting of 8 May 2008 the Management Board is authorised, with the Supervisory Board's approval, to increase the Company's share capital by up to 5,750 T€ on or before 8 May 2013 either once or in several steps by issuing up to 5,750,000 new registered shares on a cash or non-cash basis. Pursuant to statutory regulations, the Management Board may (with the Supervisory Board's consent) exclude the shareholders' statutory subscription rights in order to acquire shares or all or part of other companies.

As of 31 December 2008, the entire volume of authorised capital 2008/I was still available.

- **Contingent capital 2003/I:**

In accordance with a resolution passed at the annual general meeting on 10 May 2007, the contingent capital 2003/I was reduced to 82.5 T€. The share capital may be increased by up to 82.5 T€ through the issue of up to 82,500 shares on a contingent basis. The contingent capital 2003/I is required to grant option rights to members of the Management Board and staff of the Company and affiliated companies as well as the managements of other companies affiliated with the Company (stock option programme IV). After the issue of shares, contingent capital 2003/I in an amount of 82,440.00 € was still available.

- **Contingent capital 2005/I:**

In accordance with a resolution passed at the annual general meeting on 10 May 2007, the contingent capital 2005/I was reduced to 52 T€. The share capital may be increased by up to 52 T€ through the issue of up to 52,000 shares on a contingent basis. The contingent capital 2005/I is required to grant option rights to members of the Management Board and staff of the Company and affiliated companies as well as the managements of other companies affiliated with the Company in accordance with stock option programme V. After the issue of shares, contingent capital 2005/I in an amount of 42,000.00 € was still available.

- **Contingent capital 2007/I:**

In accordance with a resolution passed at the annual general meeting on 10 May 2007, contingent capital 2007/I of 945 T€ was created. The share capital may be increased by up to 945 T€ through the issue of up to 945,000 shares on a contingent basis. The contingent capital 2007/I is required to grant option rights to members of the Management Board and staff of the Company and affiliated companies as well as the managements of other companies affiliated with the Company in accordance with stock option programme SOP 2007. As of 31 December 2008, no option rights had been exercised for this contingent capital 2007/I.

- **Contingent capital 2007/II:**

At the annual general meeting of 10 May 2007, a resolution was passed authorising the Management Board with the Supervisory Board's approval to issue registered convertible or warrant-linked bonds with a total nominal amount of up to 4,000 T€ and a term of no more than ten years once or in several steps on or before 9 May 2012. For this purpose, new contingent capital 2007/II was created. The Management Board was additionally authorised to award the bearers or creditors of the convertible and/or warrant-linked bonds new shares with a prorated amount of share capital of up to a total of 4,000 T€ in accordance with the conditions for the convertible and/or warrant-linked bonds.
The share capital may be increased by up to 4,000 T€ through the issue of up to 4,000,000 shares on a contingent basis. The option or conversion price equals 90 percent of the average price of the Company's stock in the XETRA closing auction at the Frankfurt stock exchange during the ten trading days prior to the day on which the Management Board passes a resolution to issue the bonds, provided that this is no less than the minimum issue price stipulated in Section 9 (1) of the German Stock Corporation Act. As of 31 December 2008, no convertible or option bonds had been issued for this contingent capital 2007/II.

- **Authorisation to buy back stock**

At the annual general meeting held on 8 May 2008, the shareholders passed a resolution authorising the Management Board in accordance with Section 71 (1) No. 8 of the German Stock Corporation Act to buy back with the Supervisory Board's approval up to a maximum of 10 percent of the Company's own shares on or before the expiry of a period of 18 months starting with the date on which such authorisation is granted.

6. Opportunities and risks

Integralis AG's business operations involve both opportunities and risks. One of the core elements of corporate management is to detect, analyze and manage risks. The Company endeavours to make optimum use of opportunities while minimising the risks as far as possible. Risk management plays a crucial role in the early detection of any trends liable to jeopardise the Company's going-concern status and in the definition of suitable strategies for ensuring its continued existence. As a matter of principle, the risk management system covers the organisational, reporting and management structures and is supplemented with specific elements. Specifically this entails an analysis of the risk dimensions strategy, market and competition, service and support, partner and technology management, personnel, finance, IT and compliance. The risk management system identifies and evaluates risks and monitors and caps them by means of a regular management, reporting and controlling system. Group management monitors operating risks in the form of regular reports on business performance and particular occurrences in the individual companies. The parameters of relevance for steering the Group and the national companies are available at short notice and updated on a fortnightly or monthly basis in line with Group-wide rules. Where necessary, measures necessary to reduce risk are then taken. The Management Board meets regularly at the offices of the individual national companies to review their situation at close quarters. Risks are quantified and a scoring system used to assess their estimated probability. A particular hazard is deemed to arise if the weighted risk equals 20 percent or more of the Company's equity.

6.1 Currency risks

As a large part of our business is transacted in US dollars and pound sterling, we are exposed to exchange rate risks when these amounts are translated into our Group currency, the euro. At our national companies, our main suppliers issue their invoices in the local currency, meaning that the currency risk is primarily confined to the translation of the national companies' financial statements (currency translation risk). In Germany and the UK part of the goods are purchased in US dollars. For this reason, various hedges, such as currency forwards, zero-cost options and average-rate options, were used.

A detailed description of hedging activities can be found in Note 8.3 to the consolidated financial statements.

In the year under review, an extensive treasury system was defined to achieve substantial structural improvements in the corporate finance, FX risk management and cash management for the Integralis Group. Work on implementing the new system was commenced in 2008 for completion in the first half of 2009.

6.2 Market and sector conditions

Over the past few years, IT security business has grown more quickly than the economy as a whole, a trend which sector experts assume will continue. Even so, this sector will not be able to fully shield itself from the economy as a whole, with growth in individual areas liable to come under pressure.

The IT security market is subject to permanent change, with the speed of technological progress accelerating. Accordingly, the time required to react to security threat situations is a competitive factor. As a result of changes in individual technological areas, margins on the main revenue drivers may erode, thus exerting pressure on the Integralis Group's earnings. The competitive situation and nascent trends in the sector and the economy as a whole are therefore monitored closely and analysed to detect risks at an early stage so that the Company's range of products and services can be adjusted accordingly with minimum delay.

Successive efforts to extend the range of high-margin services and to increase the proportion of recurring revenues are reducing the Integralis Group's exposure to market and sector risks, while allowing it to harness economies of scale. This strategy entails extensions to the range as well as a reduction in the dependence on products and producers. Systematic spending on technological expertise through the development of the Company's own services and new IT security technologies will help to increase market penetration and enhance the Company's standing in its relations with project partners.

6.3 Product portfolio and vendor risks

Integralis works closely with numerous top international companies. Accordingly, it is exposed to the risk of strategic changes on the part of the vendors from whom it sources technology. This entails changes to price and discount structures as well as modifications to corporate policy. Producers may sign contracts with our competitors or change their distribution or marketing strategies. In the past two years, several producers with whom Integralis works closely have been the subject of takeovers. The sector is continuing to consolidate at a swift pace. The ramifications of these trends are difficult to assess. In an effort to minimise such risks, we maintain permanent contact with the management of our suppliers on an international and national level. This ensures that we are kept informed at short notice of any possible positive or negative changes and allows us to take action quickly to benefit from such changes or to alleviate their effects. The dual sourcing strategy is continuing to be pursued. As a result, Integralis has alternative suppliers as well as product and solution vendors.

6.4 Staff expertise and motivation

Our employees' skills form a crucial element of our success and part of the basis on which we are extending and defending our competitive lead. For this reason, human resources management is a key aspect of corporate management.
The Integralis Group's continued success hinges materially on its ability to recruit new qualified staff and to motivate, retain and train existing employees. In addition to an interesting area of activity and systematic personnel development policies, appropriate remuneration and participation in the Company's success are an important source of motivation, providing employees with an incentive to remain with the Group.
Almost half of the employees come from a technical background. For this reason, the Company is particularly committed to offering staff scope for professional or career development to bind expertise bearers on a sustained basis. As part of the integrated human resources strategy, new career models are currently being developed for scientific/technical staff.
In addition, the sustained organisational changes are making high demands of staff. On the one hand, this offers constantly new prospects of development and challenges but, on the other, may place an excessive burden on staff. For this reason, the planned activities call for a high degree of management competence on the part of the individual supervisors. This is to be supported with the international establishment of uniform human resources standards and processes.
In the year under review, the Group implemented an innovative long-term human resources strategy. One main aspect of this is personnel development, with internal training and skills development forming a key element of this at Integralis.

6.5 IT risks

This comprises network failure, the risk of data being corrupted, destroyed or stolen as a result of operating errors and/or external factors and restrictions in the availability of applications. Allowance is being made for changing requirements at the application level. In 2008, a new Group-wide CRM system was implemented to provide the best possible support for standardised internal processes.
As specialists in IT security, we are familiar with the relevant security precautions in the configuration of hardware and software for mission-critical enterprise processes and are able to react swiftly. We are increasingly using standardised software on a cross-border basis and making greater use of virtualisation of the server infrastructure and encryption for mobile terminals.
In addition to seeking greater reliability, the measures being taken this year also aim at improving network and application speed. Internal IT support is to be extended in the first half of 2008 in an effort to enhance both quality and availability in line with the needs of our increasingly internationalised business.

7. Outlook

All economic research institutes expect a substantial decline in gross domestic product in 2009, with the euro-zone economy seen as contracting by between 0.5 and 1.9 percent. The experts project a drop of between 0.9 and 2.5 percent in the German economy and between 0.9 and 1.8 percent in the United States. The consensus view is that we face the worst recession since the end of World War II. The financial crisis has since fed through to the real economy with great momentum. In contrast to earlier recessions, this crisis is not confined to individual regions but is afflicting nearly all main economies and key industries at the same time. Only the massive decline in oil prices is providing some relief for industry and households.

Although the IT market is showing initial signs of slowing, it is a good deal more robust than many other industries.

IDC (Source: "Economic Crisis Response: Worldwide IT Spending 2008 – 2012 Forecast Update") has lowered its forecasts for IT spending growth in 2009 from 4 to 1 percent in Western Europe and from 16 to 9 percent in Eastern Europe, with the German market also set to expand by only 1.2 percent in this period. However, it sees growth returning to 1.8 percent in Germany as early as in 2010. IDC expects project-oriented services such as IT consulting or system integration to be more heavily affected by the crisis. However, given the necessary infrastructure and application projects, system integration should weather the economic crisis reasonably well. However, IDC expects IT service business to achieve steady growth, with an increase of 3.3 percent possible in 2009. An average annual rate of 4.7 percent is forecast for the period from 2007 through 2012.

The analysts at PAC (source; "Economic Meltdown" webinar) also see growth in some areas, with project services, for example, to expand by 1.5 percent in 2009 and by 3 percent in 2010. Application software business should also grow by 2.0 percent this year and 3.3 percent next year. However, PAC expects outsourcing to achieve the greatest growth, namely 7.2 percent this year and as much as 7.7 percent in 2010.

Forrester Research also considers US business to be a growing market for IT outsourcing with expansion rates of between 4.5 and 5 percent over the next two years. IT services are also expected to rise moderately by 2.2 percent in 2009 and by as much as 7.9 percent in 2010.

In an online survey of 200 IT and security experts, Finjan has identified positive trends for IT budgets in 2009. Although IT budgets will generally be slightly lower than in 2008, companies are allocating a greater portion of their budget to IT security. The study comes to the conclusion that the trend towards increased IT security budgets is a good deal more pronounced in the financial services industry and in the public sector than in other areas.

In 2008, the Integralis Group was able to improve its position by gaining market share. In particular, it benefited from the trend towards outsourcing IT services as many companies see this as a way of achieving quick savings.

Over the past few years, management at Integralis has been steadily focusing on Managed Security Services (MSS) with its strong potential for future growth and high margins. The expected continued expansion in this segment should offset the effects on earnings of possible revenue declines in other areas.

With total order volumes reaching a new record at the end of the year, Integralis is able to react from a position of relative strength.

Integralis is in fact benefiting from the crisis in some business areas. Its business model is so far proving to be stable precisely in the face of difficult economic conditions.

Looking ahead over the next two years, we also expect a continuation of the trend which emerged in the second half of the year towards a shift in the revenue breakdown. We assume that income from the sale of technology will remain flat or contract slightly. On the other hand, the second half of 2008 already revealed positive signals indicating rising revenues and earnings from service and particularly MSS business. As a pure-play IT security specialist, Integralis can help customers to lower their costs and concentrate on their core business. This means that the current economic conditions may facilitate the transformation process which we are seeking. However, this success is not yet visible due to the deferred recognition of revenues from contract business.

The decisive challenge facing Integralis in 2009 and 2010 will be to manage the speed at which revenue flows change.

Ismaning, March 2009

The Management Board

Responsibility Statement

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

Ismaning, March 2009

Integralis AG
The Management Board

Georg Magg   Roger Friedrich

FIGURES, DATA & FACTS

INCOME STATEMENT (IFRS)

	Note	01/01 - 31/12/2008 T€	01/01 - 31/12/2007 T€
Revenue		168,870	158,269
Cost of Sales		112,218	104,174
Gross Profit		**56,652**	**54,095**
Personnel expenses	5.1	37,096	34,648
Other operating expenses	5.2	11,729	12,393
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**7,827**	**7,054**
Depreciation and amortisation	5.5	**1,837**	**1,811**
Amortisation of order backlog ProtechT (IFRS 3)		0	270
Earnings before interest and taxes (EBIT)		**5,990**	**4,973**
Interest income		285	413
Interest expense		203	149
Other financial result		0	1
Financial result	5.6	**82**	**266**
Earnings before taxes (EBT)		**6,072**	**5,238**
Taxes	5.7	-3,203	11
Net profit		**9,275**	**5,228**

Basic weighted average number of shares outstanding		10,713,340	10,816,842
Basic net earnings per share (EUR)	5.8	0.86	0.48
Diluted weighted average number of shares outstanding		10,848,296	11,225,768
Diluted net earnings per share (EUR)	5.8	0.85	0.47

BALANCE SHEET (IFRS)

Assets	Note	31/12/2008 T€	31/12/2007 T€
Cash and cash equivalents	4.1	9,089	14,366
Trade receivables	4.2	44,944	40,368
Inventories	4.3	1,469	1,638
Deferred cost of sales		28,780	26,525
Prepaid expenses and other current assets	4.4	3,935	2,445
Current assets		**88,217**	**85,342**
Property, plant and equipment	4.5	3,085	2,699
Intangible assets	4.6	3,313	1,681
Goodwill	4.7	15,937	14,895
Deferred tax assets	4.8	6,297	1,428
Non-current assets		**28,632**	**20,703**
Total assets		**116,849**	**106,045**

Liabilities and Shareholders' Equity	Note	31/12/2008 T€	31/12/2007 T€
Financial liabilities		68	63
Trade payables		28,871	25,661
Accrued expenses	4.9	7,731	8,863
Deferred revenue		43,328	39,350
Income tax payables		669	1,037
Other current liabilities	4.10	3,995	3,896
Current provisions	4.12	1,688	1,685
Current liabilities		**86,350**	**80,555**
Financial liabilities		1430	1,497
Long-term debts		0	118
Deferred tax liability	4.11	1,473	83
Provisions	4.12	701	2,835
Non-current liabilities		**3,604**	**4,533**
Subscribed capital	4.13	11,585	11,585
Treasury shares		-1,151	-849
Capital reserves		10,919	11,966
Share option reserve		729	550
Foreign currency translation reserve		-2,019	148
Profit/loss brought forward		-2,443	-7,671
Net profit		9,275	5,228
Retained earnings		6,832	-2,443
Shareholders' equity		26,895	20,957
Total liabilities and shareholders' equity		**116,849**	**106,045**

CASH FLOW STATEMENT (IFRS)

	01/01 - 31/12/2008 T€	01/01 - 31/12/2007 T€
Net profit	**9,275**	**5,228**
Adjustments for:		
Interest result	-82	-265
Tax result	301	1,050
Depreciation and amortisation	1,837	2,081
Increase / (decrease) deferred taxes	- 3,478	- 1,039
Increase / (decrease) in provisions	-1,332	-1,429
Increase in share option reserve	179	127
Foreign exchange losses / (gains)	-1,084	-305
Interest received	285	506
Interest paid	-203	-241
Taxes received	–	52
Taxes paid	- 301	- 343
Change of net working capital	-1,376	-62
Cash flow from / (used in) operating activities	**4,021**	**5,360**
Acquisition of subsidiaries, net of cash acquired	-1,587	-1,958
Payment for the future investment	-285	–
Purchases of property, plant and equipment and intangible assets	-3,350	-1,729
Cash flow from / (used in) investing activities	**-5,222**	**-3,687**
Proceeds from issue of share capital and exercise of stock options	223	160
Payment for the purchase of treasury shares	-2,297	-1,347
Granting of loan	-1,291	–
Proceeds from short or long-term borrowings	-118	118
Payment of capital lease liabilities	-63	-76
Cash flow from / (used in) financing activities	**-3,546**	**-1,145**
Net effect of currency translation in cash and cash equivalents	-530	-505
Decrease / (increase) in cash and cash equivalents	**-5,277**	**23**
Cash and cash equivalents at beginning of period	**14,366**	**14,342**
Cash and cash equivalents at end of period	**9,089**	**14,366**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Number of shares issued at 31/12/2008: 11.585.137 registered shares	Subscribed capital	Treasury shares	Capital reserves	Share option reserve	Foreign currency translation reserve	Retained earnings	Total
	T€	T€	T€	T€	T€	T€	T€
01/01/2007	**11,548**	**-1,040**	**11,736**	**423**	**893**	**-7,671**	**15,889**
Utilisation for earn-out for Netsecure purchase		172	473				645
Utilisation for purchase of ProtechT		225	776				1,001
Fulfilment for stock options exercised		34	48				82
Decrease through acquisition of own shares		-240	-1,108				-1,348
Issue of new shares	37		41				78
Increase on grant of share options				127			127
Changes arising from currency conversion					-745		-745
Net profit						5,228	5,228
31/12/2007	**11,585**	**-849**	**11,966**	**550**	**148**	**-2,443**	**20,957**
01/01/2008	**11,585**	**-849**	**11,966**	**550**	**148**	**-2,443**	**20,957**
Utilisation for earn-Out for ProtechT purchase		96	439				535
Utilisation for purchase of Greschitz IT Security GmbH, Wien		35	155				190
Fulfilment for stock options exercised		80	143				223
Decrease through acquisition of own shares		-513	-1,784				-2,297
Increase on grant of share options				179			179
Changes arising from currency conversion					-2,167		-2,167
Net profit						9,275	9,275
31/12/2008	**11,585**	**-1,151**	**10,919**	**729**	**-2,019**	**6,832**	**26,895**

INTEGRALIS

FIXED ASSETS MOVEMENTS 2007

	Costs of Acquisition or Production						
	Balance 01/01/2007 T€	Additions T€	Acquired assets T€	Disposals T€	Transfers T€	Currency conversion T€	Balance 31/12/2007 T€
Property, plant and equipment							
Property and leasehold rights including buildings on non-owned land	1,943	–	32	–	–	–	1,975
Other equipment, fixtures, fittings and equipment	16,233	604	24	-2,969	-702	-1,151	12,039
	18,176	**604**	**56**	**-2,969**	**-702**	**-1,151**	**14,014**
Intangible assets							
Industrial property rights and similar rights and licences to such rights	2,207	581	270	-276	617	-115	3,284
Self developed intangible assets	632	545	–	–	86	-28	1,235
	2,839	**1,126**	**270**	**-276**	**703**	**-143**	**4,519**
Goodwill							
Goodwill	29,875	–	4,960	–	–	–	34,835
	29,875	**–**	**4,960**	**–**	**–**	**–**	**34,835**
	50,890	**1,730**	**5,286**	**-3,245**	**1**	**-1,294**	**53,368**

Accumulated Depreciation							Net Book Value	
Balance 01/01/2007 T€	Additions T€	Acquired assets T€	Disposals T€	Transfers T€	Currency conversion T€	Balance 31/12/2007 T€	31/12/2007 T€	31/12/2006 T€
501	79	9	–	- 39	–	550	1,425	1,439
13,977	1,028	22	-2,954	- 262	-1,047	10,764	1,275	2,256
14,478	**1,107**	**31**	**-2,954**	**- 301**	**-1,047**	**11,314**	**2,700**	**3,695**
1,875	576	290	-133	100	-179	2,529	755	332
–	108	–	–	201	–	309	926	632
1,875	**684**	**290**	**-133**	**301**	**-179**	**2,838**	**1,681**	**964**
19,940	–	–	–	–	–	19,940	14,895	9,935
19,940	**–**	**–**	**–**	**–**	**–**	**19,940**	**14,895**	**9,935**
36,293	**1,791**	**321**	**-3,087**	**–**	**-1,226**	**34,092**	**19,276**	**14,594**

FIXED ASSETS MOVEMENTS 2008

	Costs of Acquisition or Production						
	Balance 01/01/2008 T€	Additions T€	Acquired assets T€	Disposals T€	Transfers T€	Currency conversion T€	Balance 31/12/2008 T€
Property, plant and equipment							
Property and leasehold rights including buildings on non-owned land	1,975	15	8	–	–	2	2,000
Other equipment, fixtures, fittings and equipment	12,039	1,103	31	-2	-3,350	-2,338	7,483
	14,014	**1,118**	**39**	**-2**	**-3,350**	**-2,336**	**9,483**
Intangible assets							
Industrial property rights and similar rights and licences to such rights	3,284	372	108	-43	3,350	-1,125	5,946
Self developed intangible assets	1,235	2,082	–	-201	–	203	3,319
	4,519	**2,454**	**108**	**-244**	**3,350**	**-922**	**9,265**
Goodwill							
Goodwill	34,835	213	829	–	–	–	35,877
	34,835	**213**	**829**	**–**	**–**	**–**	**35,877**
	53,368	**3,785**	**976**	**-246**	**–**	**-3,259**	**54,625**

Accumulated Depreciation							Net Book Value	
Balance 01/01/2008 T€	Additions T€	Acquired assets T€	Disposals T€	Transfers T€	Currency conversion T€	Balance 31/12/2008 T€	31/12/2008 T€	31/12/2007 T€
550	85	–	–	–	2	636	1,363	1,425
10,764	785	–	-5	-3,350	-2,433	5,761	1,722	1,275
11,314	**870**	**–**	**-5**	**-3,350**	**-2,431**	**6,398**	**3,085**	**2,700**
2,529	353	–	183	3,350	-1,319	5,096	850	755
309	614	–	-177	–	111	856	2,462	926
2,838	**967**	**–**	**6**	**3,350**	**-1,208**	**5,952**	**3,312**	**1,681**
19,940	–	–	–	–	–	19,940	15,937	14,895
19,940	**–**	**–**	**–**	**–**	**–**	**19,940**	**15,937**	**14,895**
34,092	**1,837**	**–**	**1**	**–**	**-3,639**	**32,290**	**22,334**	**19,276**

SEGMENT REPORTING

PRIMARY SEGMENT REPORTING

Primary segment reporting	01/01 - 31/12/2008 T€	01/01 - 31/12/2007 T€
Revenue		
United Kingdom	68,118	66,113
Germany / Austria / Switzerland	43,384	38,151
United States	28,015	24,306
France	12,032	13,540
Sweden	11,138	11,580
United Arab Emirates	6,183	4,578
Total Revenue	**168,870**	**158,269**
Gross profit		
United Kingdom	21,606	21,846
Germany / Austria / Switzerland	17,227	15,013
United States	8,662	7,987
France	3,450	4,483
Sweden	3,400	3,731
United Arab Emirates	2,308	1,035
Total gross profit	**56,652**	**54,095**
Earnings before interest and taxes (EBIT)		
United Kingdom	2,017	2,724
Germany / Austria / Switzerland	2,942	1,806
United States	112	1,159
France	-531	21
Sweden	-273	640
United Arab Emirates	861	244
Unallocated / Headquarter	862	- 1,621
Total earnings before interest and taxes (EBIT)	**5,990**	**4,973**
Depreciation and amortisation		
United Kingdom	532	553
Germany / Austria / Switzerland	672	665
United States	322	307
France	96	94
Sweden	119	90
United Arab Emirates	44	304
Unallocated / Headquarter	52	67
Total depreciation and amortisation	**1,837**	**2,081**

PRIMARY SEGMENT REPORTING

Primary segment reporting	01/01 - 31/12/2008 T€	01/01 - 31/12/2007 T€
Capital expenditure & investment		
United Kingdom	1,035	459
Germany / Austria / Switzerland	1,307	553
United States	626	255
France	187	78
Sweden	232	75
United Arab Emirates	86	253
Unallocated / Headquarter	100	56
Total capital expenditure & investment	**3,573**	**1,729**
Segment assets		
United Kingdom	25,554	30,078
Germany / Austria / Switzerland	25,397	22,020
United States	19,426	11,561
France	10,443	9,630
Sweden	10,927	9,842
United Arab Emirates	10,611	7,781
Unallocated / Headquarter	4,011	771
Total segment assets	**106,370**	**91,682**
Segment liabilities		
United Kingdom	24,478	27,502
Germany / Austria / Switzerland	24,392	21,979
United States	15,668	9,897
France	10,356	9,425
Sweden	5,219	4,472
United Arab Emirates	3,792	2,883
Unallocated / Headquarter	1,019	6,252
Total segment liabilities	**84,924**	**82,410**

SECONDARY SEGMENT REPORTING

Secondary segment reporting	01/01 - 31/12/2008 T€	01/01 - 31/12/2007 T€
Revenue		
Support Services	54,352	49,132
Managed Security Services	11,388	9,881
Consulting, integration & training	17,850	16,251
Technology sale	85,280	83,006
Total revenue	**168,870**	**158,269**
Capital expenditure & investment		
Support Services	888	438
Managed Security Services	640	272
Consulting, integration & training	835	322
Technology sale	1,210	697
Total capital expenditure & investment	**3,573**	**1,729**
Segment assets		
Support Services	56.633	49,945
Managed Security Services	5.046	4,438
Consulting, integration & training	7.293	5,952
Technology sale	37.398	31,346
Total segment assets	**106.370**	**91,682**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS) OF INTEGRALIS AG

1. General disclosures

Integralis Group is an internationally active provider of IT security solutions and services. As of the balance sheet date, it had 511 employees and 20 branches in five European countries, the United States, the United Arab Emirates and Singapore. Integralis AG's shares are listed in the Prime Standard segment of the Frankfurt stock exchange.
Integralis helps companies to establish secure communications networks and to handle transactions via public and private networks. The broad range of services comprises extensive IT security solutions, consulting, system integration and support.
Integralis AG prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) as endorsed in the European Union, as well as the supplementary accounting provisions contained in Section 315a of the German Commercial Code. The consolidated balance sheet, consolidated income statement, consolidated cash flow statement, Group segment report and the consolidated statement of changes in equity have been prepared in thousands of Euros (T€). The consolidated income statement has been prepared using the nature of expense method.
The Management Board of Integralis AG released the consolidated financial statements and the Group management report for submission to the Supervisory Board on 31 March 2009. The Supervisory Board is responsible for examining the consolidated financial statements and for determining whether it approves them.

1.1 Legal disclosures

Integralis AG is a listed joint share company (Aktiengesellschaft) incorporated and operating in accordance with German law with registered offices in 85737 Ismaning, Robert-Bürkle-Straße 3, Germany. It is entered in the Munich commercial register under the number HRB 121349.

1.2 Application of International Financial Reporting Standards (IFRS) and declaration of conformance

The consolidated financial statements as of 31 December 2008 of Integralis AG as the parent company in the Integralis Group, have been prepared using consistent accounting and valuation principles in accordance with the IAS/IFRS standards including the SIC/IFRIC interpretations endorsed by the European Union and mandatory as of the balance sheet date. The figures for the previous year have been calculated using the same methods.
The consolidated financial statements as of 31 December 2008 conform to all International Financial Reporting Standards which were required to be applied in the European Union in the year under review.

1.3 Consolidation

All domestic and non-domestic subsidiaries are consolidated in full by Integralis AG. In the year under review, the following companies in which Integralis AG holds a 100 % share either directly or indirectly or which are controlled by it were consolidated:

Subsidiary	Domicile	Share in capital held %
Activis Inc.	Hartford, USA	100
Articon-Integralis SAS	Paris, France	100
Integralis SAS	Paris, France	100
Integralis AB	Stockholm, Sweden	100
Integralis Inc.	Hartford, USA	100
Integralis LLC	Hartford, USA	100
Integralis Schweiz AG	Givisiez, Switzerland	100
Integralis Services Ltd.	Reading, UK	100
Integralis Holdings Ltd.	Reading, UK	100
Integralis Ltd.	Reading, UK	100
Integralis Services GmbH	Ismaning, Germany	100
Integralis Deutschland GmbH	Ismaning, Germany	100
Integralis Österreich GmbH	Vienna, Austria	100
Nocitra Ltd.	Reading, UK	100
ProtechT FZ LLC	Dubai, UAE	100
ProtechT Technical Services LLC	Abu Dhabi, UAE	49
Integralis Services Pte. Ltd.	Singapore	100

The profit or loss of subsidiaries acquired or sold during the year under review is reported in the consolidated financial statements up until the actual date of sale or as of the actual date of acquisition, as the case may be.

On 12 November 2007, Integralis announced the planned acquisition of the Vienna-based company Greschitz IT Security, with first-time consolidation effective as of 1 January 2008. The Group expanded into Austria under the roof of Integralis Deutschland GmbH. The purpose of the acquisition was to penetrate the Austrian market more swiftly using the excellent reputation enjoyed by the company, which was founded in 1995 by Thomas Greschitz, on the strength of competent advice and first-class expertise in the areas of identity and access management with small and large companies in the past 13 years. The company was renamed Integralis Österreich GmbH on 5 June 2008.
Since being consolidated for the first time, Greschitz IT Security GmbH has generated revenues of 0.206 million €, with a loss of 0.122 million € sustained at the EBITDA level. In connection with the allocation of the business combination expenses in accordance with IFRS 3, the expected gross profit of 0.083 million € from the existing backlog of maintenance contracts was capitalised and will be written off over a period of five years. Amortization expense for 2008 came to 0.030 million €.
As payment for the acquisition, the company transferred 34,521 of its own shares at a value of 5.50 € each.

The following table sets out the net assets acquired, the total acquisition costs and the goodwill as of 1 January 2008.

Greschitz IT Security GmbH: Net assets acquired

	Carrying amount as of 1 Jan 2008	Adjustments	Fair value as of 1 Jan 2008
Intangible assets (order backlog)	–	83	83
Cash and cash equivalents	17	–	17
Trade receivables	9	–	9
Other assets	65	–	65
Other current liabilities and provisions	28	–	28
Net assets acquired	**63**	**83**	**146**

Greschitz IT Security GmbH: business combination costs and goodwill as of 31 December 2008

	T€
Purchase price paid in cash	760
Purchase price paid using treasury share	190
Preliminary ancillary business combination costs	25
Outstanding consideration	140
Expected business combination costs	1,115
Less fair value of net assets acquired	146
Goodwill	**969**

On the basis of the agreed earnings targets for 2007 and 2008, earn-out obligations of 0.073 million € arose in connection with ProtechT.

1.4 Date of group statements

The consolidated financial statements were prepared effective 31 December 2008. The income statement, the cash flow statement and the statement of changes in equity cover the period from 1 January 2008 until 31 December 2008. The date of the consolidated financial statements is identical to that used in the single-entity financial statements prepared by the consolidated companies.

1.5 Summary of significant accounting and consolidation policies

The consolidated financial statements are prepared on the basis of historical cost with the exception of the revaluation of certain non-current assets and financial instruments. The main recognition and valuation methods are explained below.
Nocitra Ltd. (formerly Articon-Integralis Ltd.; Reading, UK) and its subsidiaries were included in the consolidated financial statements on 1 January 2000 for the first time using the uniting-of-interests method. For this purpose, the difference between the proportionate share capital of these subsidiaries plus a peak cash settlement amount and the carrying value of the shares in the subsidiaries were offset against equity in the capital consolidation.
The other companies were consolidated in accordance with the purchase method set out in IFRS 3. In the case of companies

acquired prior to 1 January 2005, the assets were measured at their fair values as of the date of acquisition in accordance with IAS 22. Any differences were recognised as goodwill and amortised.
Companies acquired after 1 January 2005 are consolidated in accordance with the provisions of IFRS 3 by allocating the purchase price to the fair value of the net assets as of the date of acquisition. On the date of acquisition, the business combination costs are allocated to the identifiable assets and liabilities acquired up to the amount of their fair value (purchase price allocation).
Since 1 January 2005, the impairment-only approach stipulated by IAS 36 has been applied to subsequent valuation. Where necessary, goodwill is adjusted to a lower fair value.
Intercompany revenues and profits, expenses and income as well as all receivables and liabilities between consolidated companies are eliminated in accordance with IAS 27.24.
The consolidation methods applied were unchanged over the previous year.

1.6 Currency translation

Single-entity financial statements in foreign currencies
The currencies of all the single-entity financial statements prepared in a currency other than the Euro were translated in accordance with IAS 21 using the functional currency principle. The functional currencies of the Integralis Group companies are the same as their respective national currencies.
The consolidated financial statements were prepared using the Euro as the functional currency, this also being the parent company's functional currency.
The assets and liabilities of foreign subsidiaries were translated to Euro at the end-of-year exchange rate and expenses and income at the annual average exchange rate. The resulting translation differences were recognised under equity. Any translation differences arising from capital consolidation are also recognised under equity.
The goodwill arising from the acquisition of a foreign business as well as any adjustments to fair value are translated using the end-of-year exchange rate.

The application of IAS 29 "Financial Reporting in Hyperinflationary Economies" was not necessary as Integralis does not have any subsidiaries in such hyperinflationary economies.
The single-entity financial statements not prepared in Euros were translated using the following exchange rates:

	Closing rate		Average rate	
	31/12/08	31/12/07	31/12/08	31/12/07
GBP	1.04	1.36	1.24	1.46
USD	0.72	0.68	0.68	0.73
CHF	0.67	0.60	0.63	0.61
SEK	0.09	0.11	0.11	0.11
SGD	0.50	–	0.48	–
AED	0.19	0.18	0.18	0.20

Foreign-currency transactions
Foreign-currency transactions are translated at the exchange rate prevailing on the date on which they are executed. Any translation differences arising between the date of transaction and the date of payment are taken to the profit and loss account. Foreign-currency receivables and liabilities are translated at the closing rate, with any resulting translation gains or losses taken to the profit and loss account.

2. Recognition and valuation principles

2.1 Changes in accounting policies due to new standards

In 2008, it was necessary to apply the following IASB/IFRIC standards and interpretations for the first time. However, they did not have any effect on Integralis AG's consolidated financial statements:

- IAS 39/IFRS 7: Reclassification of non-derivative financial instruments
- IFRIC 11/IFRS 2: Group and treasury share transactions
- IFRIC 14 /IAS 19: The limit on a defined benefit asset, minimum funding requirements and their interaction

It was necessary for Integralis to modify its recognition and valuation principles as a result of the compulsory application of the new standards.

New accounting rules
The following standards and interpretations which had been announced and endorsed by the European Union as of December 31, 2008 had not yet taken effect as of the balance sheet date and were therefore not applied to these financial statements:

- IAS 1 (revised): Presentation of Financial Statements
- IAS 23 (revised): Borrowing costs
- IAS 32/IAS 1: Amendments to IAS 32 Financial instruments: Presentation
- IFRS 2: Share-based payment, vesting conditions and cancellations
- IFRS 8: Operating segments
- IFRIC 13: Customer loyalty programmes

In addition, the following standard and interpretations had been published but not yet endorsed by the European Union:

- IFRS 3: Business combinations (IFRS 3 (2008))
- IAS 27: Consolidated and separate financial statements (IAS 27 (2008))
- IAS 39: Financial instruments
- IFRS 1/ IAS 27: Cost of an investment in a subsidiary, jointly-controlled entity or associate
- IFRIC 12: Service concession arrangements
- IFRIC 15: Agreements for the construction of real estate
- IFRIC 16: Hedges of a net investment in a foreign operation
- IFRIC 17: Distributions of non-cash assets to owners
- IFRIC 18: Transfers of assets from customers

The material effects on the Company's financial statements of the first-time application of these new and revised standards and interpretations will now be analysed:

IAS 1 – Presentation of Financial Statements
In September 2007, the International Accounting Standard Board (IASB), published IAS 1 "Presentation of financial statements (revised)". This replaces IAS 1, "Presentation of financial statements (revised in 2003)" in the 2005 version. The revision seeks to improve the possibility for analyses as well as the comparability of financial statements for users. IAS 1 provides guidance on the presentation and structure of the financial statements. In addition, it sets out minimum requirements for the content of the financial statements. The revised standard must be applied to accounting periods commencing on or after 1 January 2009. Early adoption is permitted. The first-time application of IAS will result in changes to the way in which Integralis AG presents its financial statements.

IAS 23 – Amendments to IAS 23: Borrowing costs

In March 2007, the IASB announced the amended IAS 23 "Borrowing Costs", which stipulates the capitalisation of borrowing costs in connection with the acquisition, construction or production of a qualifying asset. The option of taking such borrowing costs directly to the profit and loss account has been abolished. This is not expected to exert any material effect on Integralis AG's future consolidated financial statements.

IIFRS 3 – Business combinations, (IFRS 3 (2008) and IAS 27, Consolidated financial statements and accounting for investments in subsidiaries (IAS 27 (2008))

In January 2008, the IASB published the revised standards IFRS 3 „Business combinations", (IFRS 3 (2008)) and IAS 27 „Consolidated separate financial statements (IAS 27 (2008)).

IFRS 3 (2008) provides new guidance on the application of the purchase method for business combinations. The material amendments relate to the measurement of non-controlling interests, the recognition of step transactions and the treatment of purchase price components and transaction costs. IFRS 3 is to be applied to business combinations of mutual entities and business combinations in the absence of valuable consideration (shares listed in two markets). These entities had previously not come within the scope of IFRS 3 (2004). IFRS 3 does not apply to joint ventures or to business combinations under joint control. All business combinations coming within the scope of IFRS 3 must be recognised in accordance with the purchase method. Assets and liabilities are recognised at their fair value on the date of acquisition. Under the new rules, non-controlling interests can be measured either at their fair value (full-goodwill method) or at the fair value of the identifiable net assets acquired. Intangible assets acquired must always be recognised and measured. Goodwill is measured as the difference between the sum total of the fair value of the consideration transferred as of the date of acquisition, the amount of all non-controlling interests and, in the case of a step transaction, the fair value of the shares in the entity acquired held by the acquirer prior to such step transaction and the net fair value of the identifiable assets acquired and liabilities assumed. In the case of step transactions, the shares are remeasured at the fair value of the shares held as of the transfer of control adjustments to contingent consideration recognised as of the date of acquisition as liabilities must be recognised in profit and loss in the future. Transaction costs are recorded as expense as of the date on which they arise.

Material amendments included in IAS 27 (2008) relate to the recognition of transactions in which a company retains control as well as transactions in which control is lost. Transactions which do not result in a loss of control, are recognised under equity as equity transactions. The remaining shares are measured at their fair value as of the date on which control is lost. In the case of non-controlling interests, negative balances are permissible, meaning that in the future losses can be allocated without any limits in proportion to the share held. The standards must be applied to accounting periods commencing on or after 1 July 2009. The effects on Integralis AG's future consolidated financial statements cannot be assessed until the standards are actually applied.

IAS 32 / IAS 1: Amendments to IAS 32 Financial instruments: Presentation

In February 2008, the IASB published amended versions of "IAS 32 Financial instruments presentation and IAS 1 Presentation of financial statements – puttable financial instruments and obligations arising on liquidation". The amendments primarily concern the classification of certain types of financial instruments as equity or debt capital. In addition, further disclosures in the notes are stipulated for the financial instruments in question. These revisions apply to accounting periods commencing on or after 1 January 2009; earlier adoption is permissible. The application of the revised standard will not have any material effect on future consolidated financial statements.

IAS 39 – Financial instruments

In July 2008, the IASB published amendments to IAS 39 "Financial Instruments: Recognition and Measurement". The amendments are set out in a document entitled „Eligible hedged items – amendment to IAS 39 financial instruments: recognition and measurement". They are based on the current rules under which an entity may include all, part or certain risks of a hedged item. To simplify the application of the unchanged basic principles, the application principles have been extended with respect to the inclusion of inflation in a financial hedged item as well as the inclusion of a one-sided risk in a hedged item (e.g. with an option as a hedge). It is stated that as a principle inflation risks cannot be hedged except if changes in inflation are a contractually specified portion of cash flows of a recognised financial instrument. In the case of a one-sided risk, the entity may designate an option as a hedge of changes in the cash flows or fair value of a hedged item above or below a specified price or other variable. The amendments make clear that the intrinsic value, not the time value, of an option reflects a one-sided risk. Therefore, if an entity designates an option in its entirety as a hedge of a one-sided risk arising from a forecast transaction, hedge ineffectiveness will arise as only the hedge has a fair value component. These amendments are to be applied for the first time in accounting periods commencing on or after 1 July 2009; earlier adoption is permissible The EU Commission has not yet endorsed these amendments. Integralis AG is currently examining the effects which application of this standard will have on its consolidated financial statements.

IFRS 1 / IAS 27 - Acquisition-related costs

In May 2008, the IASB published the revised versions of IFRS 1 "First-time adoption of international financial reporting standards" and IAS 27 "Consolidated and separate financial statements" under the changes, entities adopting the International Financial Reporting Standards for the first time are able to recognise the cost of acquiring an investment either at its fair value or at the carrying amount determined using the previously applied national accounting principles. This applies to jointly controlled entities, associates and subsidiaries. This amendment allows for the fact that the retroactive measurement of transaction costs under IAS 27 may in some cases necessitate unreasonably high expense or efforts when IFRS is adopted for the first time. In addition, the obligation provided for in IAS 27 to reduce the transaction costs when retained earnings formed prior to the acquisition of the share are distributed has been deleted. Dividends of jointly controlled entities, associates and subsidiaries must now be recorded in profit and loss regardless of whether the dividend stems from profits arising before the date of acquisition or not. If the dividends for a given year exceed the total earnings for that year, an impairment test must be performed. These revisions apply to accounting periods commencing on or after 1 January 2009; earlier adoption is permissible. The effects on Integralis AG's future consolidated financial statements cannot be assessed until the standards are actually applied.

IFRS 2 – Share-based payment, vesting conditions and cancellations

In January 2008, the IASB published an amendment to IFRS 2 "Share-based payment, vesting conditions and cancellations". The amendment clearly states that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. In addition, it stipulates that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment must be applied to accounting periods commencing on or after 1 January 2009. Integralis does not expect IFRS 2 to have any material effect on its future consolidated financial statements.

IFRS 8 – Operating segments
As part of the Short Term Convergence Projects (IFRS 8.BC2) between the IASB and the FASB, segment reporting was placed on a different conceptual basis as a result of IFRS 8, which was endorsed by the European Union in November 2007. The definition of segments, the determination of reportable segments, segment accounting methods and the segment information to be disclosed are now based solely on the internal organisation structure of the reporting entity and hence its internal financial reporting structure ("management approach"). External segment reporting is thus brought into line with internal financial to give users the same information that management also uses as a basis for its decisions. This marks a departure from the "risk and reward approach" applied in IAS 14 to segment identification. At the same time, the financial accounting approach provided for in IAS 14 is replaced by the management approach for measuring the segments. IFRS 8 must be applied in accounting periods commencing on or after 1 January 2009. Early adoption is permissible provided that this fact is disclosed in the financial statements. The first-time application of IFRS 8 will result in changes to Integralis AG's segment reporting.

IFRIC 12 – Service concession arrangements
IFRIC 12 "Service concession arrangements" provides guidance on accounting for arrangements whereby a government or other body grants contracts for the supply of public services – such as roads, energy distribution, prisons or hospitals – to private operators. IFRIC 12 must be applied to accounting periods commencing on or after 1 January 2009. It is not expected to have any effect on Integralis AG's future consolidated financial statements.

IFRIC 13 – Customer loyalty programmes
IFRIC 13 provides guidance on accounting for customer loyalty programmes. It stipulates that premiums granted under such programmes must be treated as future sales transactions separately from the basic transaction. Accordingly, they are contracts with several separately identifiable components as defined in IAS 18.13. IFRIC 13 must be applied in accounting periods commencing on or after 1 January 2009; earlier application is recommended. This interpretation will not have any effect on Integralis AG's future consolidated financial statements.

IFRIC 15 – Agreements for the construction of real estate
IFRIC 15 provides guidance on accounting for entities which develop land and, in this capacity, sell units, such as residential apartments or houses, prior to completion. It defines the criteria for accounting for them in accordance with either IAS 11 Construction Contracts or IAS 18 Revenue. IFRIC 15 must be applied to accounting periods commencing on or after 1 January 2009. It is not expected to have any effect on Integralis AG's future consolidated financial statements.

IFRIC 16 – Hedges of a net investment in a foreign operation
IFRIC 16 provides guidance on hedge accounting for net investments in a foreign operation. It stipulates that hedge relationships can only be recognised between the functional currency of the foreign operation and the parent's functional currency. The amount of the net assets of the foreign operation recognised in the consolidated financial statements can be hedged. The hedge can then be held by any group company (with the exception of the one whose foreign currency exposure is being hedged). When the foreign operation is deconsolidated, the changes in the value of the hedge recorded under equity and the exchange rate gains and losses of the foreign operation recorded under equity must be recognised in profit and loss. The amount of the cumulative profit or loss attributable to the foreign entity being deconsolidated is determined using the step or the direct consolidation method. IFRIC 16 must be applied to accounting periods commencing on or after 1 October 2009. It is not expected to have any effect on Integralis AG's future consolidated financial statements.

IFRIC 17 – Distributions of non-cash assets to owners
IFRIC 17 provides guidance on how non-cash assets paid to owners as dividends are to be treated. A dividend liability must be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity. An entity should measure the dividend payable at the fair value of the net assets

to be distributed. It should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Additional disclosures should be provided if the net assets being held for distribution to owners meet the definition of a discontinued operation. IFRIC 17 must be applied to accounting periods commencing on or after 1 July 2009. It is not expected to have any effect on Integralis AG's future consolidated financial statements.

IFRIC 18 - Transfers of assets from customers

Published in January 2009, IFRIC 18 "Transfers of assets from customers" provides additional guidance on accounting for the transfer of assets by customers. According to the IASB, it is particularly relevant for the energy industry. IFRIC 18 clarifies the requirements stipulated in the IFRSs with respect to agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. It also relates to cases in which the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant and equipment.
The interpretation governs:

- the criteria for determining whether an asset has arisen;
- recognition and initial measurement of the asset;
- the identification of individually identifiable service obligations in exchange for the asset transferred;
- recognition of revenues;
- accounting for the transfer of cash from the customer.

IFRIC 18 must be applied prospectively to transfers of assets from customers received on or after 1 July 2009. Earlier application is permitted provided that certain conditions are met. It is not expected to have any effect on Integralis AG's future consolidated financial statements.

In May 2008, the IASB released its first collective standard "Improvements to IFRS" detailing minor amendments to the existing IFRSs. This standard contains amendments to 20 IFRSs in two sections. The first section details changes affecting presentation, recognition and measurement. The second section comprises changes to wording or editorial changes. In the absence of any stipulation to the contrary in the individual standards, these amendments are to apply for the first time in accounting periods commencing on or after 1 January 2009; earlier adoption is permissible. Assuming that they are endorsed by the EU in this form, Integralis does not expect these amendments to have any material effect on its consolidated financial statements.

2.2 Cash and cash equivalents

For the purpose of the cash flow statement in accordance with IAS 7, all cash and cash equivalents with an original term of less than three months are recognised at their nominal value. This item primarily comprises cash at banks, cheques and cash in hand as well as short-term fixed deposits.

2.3 Receivables and other assets

Receivables and other assets are recognised at their fair value. Allowance is made for individual interest and credit risks. Profit and loss is assigned to earnings for the period if the receivables are derecognised or written down.

2.4 Derivative financial instruments

Derivative financial instruments such as currency forwards, average-rate options and zero-cost options are used to partially hedge the risks arising from currency fluctuations. Derivative financial instruments are not treated as fair-value hedges or cash-flow hedges as defined in IAS 39. They are recorded at their market value as of the balance sheet date. Financial assets are recognised at their buying/selling price as of the date of the transaction and reported as other assets or other liabilities.
Any changes in fair value are recognised in the profit and loss account. Fair value is defined as the value which can be achieved in business operations under prevailing market conditions.

2.5 Inventories

Inventories are recognised at cost in accordance with IAS 2 less reasonable adjustments for all discernible risks arising from reduced or absent marketability. All goods are measured using the FIFO (first in-first out) method.

2.6 Deferred cost of goods sold

The deferred cost of goods sold primarily comprises of payments made for maintenance contracts purchased from suppliers which do not yet represent expenses in the year under review. This item is expensed over the remaining term of the contract.

2.7 Property, plant and equipment

In accordance with IAS 16, property, plant and equipment are recognised at cost less systematic straight-line depreciation. Where necessary, they are adjusted to match their fair value, if this is lower. Maintenance costs are reported as expense for the period. The expected useful lives are between one and ten years. In accordance with IAS 16.67, property, plant and equipment is either derecognised upon being disposed or when continued use or sale of the asset are not expected to generate any economic benefits. The gains or losses resulting from the disposal of an asset are calculated as the difference of the net proceeds of the sale and the carrying value of the asset and recognised in the income statement for the period in which the asset is derecognised. The expected useful lives, residual values and depreciation methods are reviewed once a year and all necessary changes to estimates made on a preemptive basis.
In the case of leases in which the Group is the lessee, economic ownership of the leased assets is assigned to the lessee in accordance with IAS 17 if it bears materially all of the opportunities and risks from the ownership of such asset (finance lease). The depreciation methods and useful lives are the same as those for comparable assets acquired. As a matter of principle, they are recognised at cost as of the date of the contract. The corresponding lease obligations are reported under liabilities. The interest component of the lease liabilities is recorded in the income statement and spread over the term of the lease.
If leases provide for economic ownership to remain with the lessor (operating lease), the asset in question is carried on the lessor's books. The resultant lease payments are expensed in full.

2.8 Intangible assets

Intangible assets acquired are recognised at cost. Software and licences are amortised on a straight-line basis over their expected useful lives of three to five years. Where necessary, they are adjusted to match their fair value, if this is lower.
Development costs are recognised as intangible assets if in the light of the technical and economic viability it is likely that the Company will derive a future economic benefit from the development project and the costs attributable to the project during the development phase can be reliably calculated. The development costs recognised in accordance with IAS 38 are amortised over three years.

2.9 Goodwill

In accordance with IFRS 3, the Group stopped recording systematic depreciation for goodwill as of 1 January 2005.
The carrying values of the goodwill recognised by the Group are subject to impairment testing in accordance with IAS 36 as of each balance sheet date or on other dates in the event of any indication of impairment. Assets are always written down to their fair value if the expected recoverable amount of an asset or a cash-generating unit is less than its carrying value. Impairments are reported in the income statement under "Goodwill amortisation". Impairment losses reported for goodwill are not reversed in later periods.

2.10 Taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.
Deferred taxes are calculated using the balance-sheet oriented liability method (IAS 12), under which deferred taxes are recognised for all accounting and measurement differences arising between IFRS-based measurement and the applicable tax bases.
In addition, current tax assets are recognised for future tax reduction claims arising from tax losses.
Deferred tax assets are calculated for all deductible temporary differences and tax losses, however only to the extent that it is probable that the Company will have sufficient taxable income in the future against which the temporary differences or unused tax losses can be utilised.
Deferred taxes were calculated on the basis of income tax rates which according to IAS 12 applied or were expected to apply as of the balance sheet date.

2.11 Deferred revenues

Deferred revenues primarily comprise income received from customers for maintenance and MSS contracts which do not yet constitute any revenue in the year under review. This item is reversed over the remaining term of the contract.

2.12 Provisions and liabilities

Liabilities are recognised at their settlement amount.
Current provisions comprise liabilities for goods or services already received but not yet paid for or invoiced or for which no formal contract has yet been entered into with the creditor. This also includes staff payments due for payment, e.g. variable compensation components.
Provisions are recognised if there is a current (legal or constructive) obligation towards a third party from a past event which will probably result in an outflow of resources and whose amount can be reliably estimated. Provisions are recognised at the most likely amount.
Provisions are expensed through the profit and loss account.
Provisions which have a residual term of more than one year are discounted at normal market conditions.

2.13 Equity

The breakdown of and movements in equity can be seen from the consolidated statement of changes in equity and the notes to the balance sheet. In accordance with IAS 32, treasury shares are deducted from the Company's equity in an amount equalling the cost of such shares.

	2008 in T€	2007 in T€
Net profit for the period	9,275	5,228
Foreign currency translation reserve	-2,167	-745
Sum of gains and expenses included in equity	7,108	4,483
Thereof attributable to shareholders	**7,108**	**4,483**

2.14 Revenue recognition

Revenues are measured at the fair value of the consideration received or owing and are recognised when it is likely that the economic benefit will flow to the Group and the amount of the revenues can be reliably determined.
Revenues are recognised upon the sale of a product provided that the material opportunities and risks arising from ownership of the products sold are transferred to the buyer. This generally occurs upon the products being dispatched.
Revenues are not recognised if there is any uncertainty as to the consideration or if there is a high likelihood of the goods being returned.
In the case of long-term maintenance, support and MSS contracts, the revenues and related costs are distributed over the term of the contracts.
Some services are provided by third parties, while in other cases the Company sells its own services. In the case of the Company's own services, the resultant revenues are recorded in accordance with the percentage of completion achieved as of the balance sheet date. If it is not possible to reliably determine the percentage of completion of a contract, only revenues equalling the expenses which have arisen and are subject to reimbursement are recognised.

2.15 Borrowing costs

Borrowing costs are recognised in the income statement for the period in which they arise (IAS 23).

2.16 Treasury shares

Treasury shares are deducted from subscribed capital at its nominal value of 1 € per share. The difference between the nominal value and the buying or selling price is offset with the capital reserve. In 2008, the Company acquired and also sold treasury shares.

2.17 Earnings per share

Basic earnings per share are calculated by dividing the net profit for the year attributable to the shares by the average number of shares outstanding. This figure may be diluted by potential shares (primarily share options). Earnings per shares are calculated in accordance with IAS 33.

2.18 Employee benefits

Post-retirement benefit plans
The subsidiaries in the UK, the United States and Sweden have established post-retirement benefit plans for staff. With all these plans, the subsidiaries pay a certain percentage of their employees' remuneration into a pension fund; employees are entitled to join the post-retirement benefit plan. The Group's financial obligation is confined solely to the prorated share; it has no other obligations beyond this. There are no obligations for post-retirement benefits on the face of the balance sheet.

Share-based compensation

The Integralis Group awards share options to members of the Management Board as well as the officers of affiliated companies and employees of the Group. All of the options awarded after 7 November 2002 and vesting after 1 January 2005 were recognised in accordance with IFRS 2. If the share options are exercised, the obligation is settled either by utilising treasury shares or by issuing new shares from the Company's contingent capital. All existing share option programmes are tied to the performance of Integralis AG's share. Accordingly, the utilisation of option rights is subject to market conditions. When options are awarded, their fair value is calculated and distributed over the period ending upon the options vesting in full. The share options awarded prior to 1 January 2007 were measured in accordance with the Black-Scholes option price model. Options awarded after 1 January 2007 undergo Monte-Carlo simulation to determine their fair value on the date of award. The expected number of vested share options is regularly reviewed as of the balance sheet date.

In addition, members of the Supervisory Board were awarded share appreciation rights (STAR programme). These rights were also subject to market conditions but are always settled in cash when they are exercised. Integralis remeasures the fair value of all outstanding rights as of each balance sheet date pending settlement.

3. Important accounting estimates and judgements

In the application of the aforementioned accounting principles, it is necessary to make estimates, assumptions and judgements to calculate the carrying value of assets and liabilities if no information is available from any other sources. The estimates and underlying assumptions are based on historical experience and other factors which are considered to be relevant. Actual figures may differ from the estimates.
The assumptions underlying the estimates are reviewed regularly. Any changes in estimates which concern only a single period are allowed for only in such period. If the changes concern the current and future periods, allowance is made for them in this and future periods.
The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years are discussed below.

3.1 Impairment of goodwill

To identify any impairment of goodwill, it is necessary to calculate the value in use of the cash-generating unit to which the goodwill has been allocated. The calculation of the value in use necessitates an estimate of future cash flows from the cash-generating unit as well as a suitable discount rate for calculating the present value. The carrying value of the goodwill as of the balance sheet date stands at 15,937 T€.

3.2 Imminent losses in connection with vacant buildings

In the United Kingdom, there are rental leases in force for office space expiring in 2019. The Group does not use all of the office space concerned and has not sublet all of it or for the remaining duration of the lease. As of 31 December 2008, it has set aside provisions of 701 T€ to cover rental shortfalls on the assumption that all of the premises which it does not use itself will be sublet as of 2013. If the vacancy extends beyond 2013 or the existing subleases are terminated earlier than planned, this may exert pressure on earnings as it will be necessary to adjust the provisions accordingly. In the event of a sustained sublease being signed for all of the unused premises prior to 2013, this may result in the provisions being reversed, in which case the proceeds from such reversal will be taken to the profit and loss account.

3.3 Recognition of deferred tax assets for future tax reimbursement claims as a result of tax losses and temporary differences

The Group recognised deferred tax assets from temporary differences as well as tax losses as of 31 December 2008. The tax reimbursement claims are recognised only to the extent that it is probable that taxable profits will be available in the foreseeable future against which the deferred tax assets can be utilised.
The estimate as to future taxable profit has been made on the basis of historical experience as well as future expectations of the business performance of the companies in question. If business does not perform as expected and it is no longer considered probable that sufficient taxable profit will be available to realise all or part of the tax reimbursement claims, the carrying value of the deferred tax assets will be lowered as of the next balance sheet date and the resultant expense taken to the income statement.

4. Notes on the consolidated balance sheet

4.1 Cash and cash equivalents

As of the balance sheet date, there were cash and cash equivalents of 9,089 T€ (previous year: 14,366 T€). Of this, an amount of 58 T€ (2007: 255 T€) is subject to restricted availability as it has been pledged to cover bank guarantees issued for rental deposits and contractual performance obligations.

4.2 Trade receivables

Trade receivables are shown net of adjustments for bad debts. All trade receivables and other assets are due for settlement within one year. Individual adjustments of a total of 53 T€ have been included to allow for any reduced payment receipts.

	2008 T€	2007 T€
Trade receivables	44,997	40,414
Impairments	-53	-46
Total	**44,944**	**40,368**

4.3 Inventories

Inventories break down as follows:

	2008 T€	2007 T€
Finished goods	1,469	1,638
Impairments	–	–
Total	**1,469**	**1,638**

4.4 Prepaid expenses and other assets

Prepaid expenses and other assets are valued at 3,935 T€ (2007: 2,445 T€) and comprise deposits and other security payments of 34 T€ (2007: 76 T€), advance payments of 566 T€ (2007: 470 T€) and prepaid expenses of 1,267 T€ (2007: 1,899 T€). Prepaid expenses primarily entail rentals, insurance premiums and maintenance contracts. In 2008, this item also included 85 T€ (2007: 8 T€) for the fair value of derivative financial instruments.

4.5 Property, plant and equipment

Property, plant and equipment are broken down in the statement of changes in assets (see appendix).
Currency translation differences between the balance sheet dates are reported in the consolidated statement of change in assets under “Translation”.
There were no impairment losses or reversals of previous impairment losses in connection with property, plant and equipment in the year under review.
Property, plant and equipment include assets valued at 1,497 T€ (previous year: 1,411 T€) for which the Group company in question is deemed to be the economic owner on account of the structure of the underlying leases.
Finance leases primarily concern two buildings and a piece of land, for which call options may be exercised in 2010 and 2017, respectively. The leased items are recognised at their fair value by the lessee in accordance with IAS 17. A depreciation rate of 4 % is applied. The interest expense arising in connection with finance leases stands at 99 T€ (2007: 105 T€) on the basis of an interest rate of 6.54 %.

As of the balance sheet date, future lease payments break down as follows:

Settlement period	Future payments T€	Discount T€	Present value T€
In less than one year	163	-95	68
Between one and five years	813	-400	413
Over five years	487	-167	320
Total	**1,463**	**-662**	**801**

4.6 Intangible assets

This item comprises software and related licenses, development costs capitalised in accordance with IAS 38 and the maintenance contract backlog of 67 T€ (2007: 137 T€) gained in connection with the allocation of the business combination costs arising from the acquisition of Netsecure Sweden. Further contracts of 83 T€ were obtained through the acquisition of Greschitz IT Security GmbH, Vienna.

4.7 Goodwill

Since 1 January 2005, the impairment-only approach stipulated by IFRS 3 has been applied to the revaluation of goodwill. The goodwill of 15,937 T€ (2007: 14,895 T€) has been calculated on the basis of the value in use. The addition of 829 T€ relates to the acquisition of Greschitz IT Security GmbH, Vienna, on 1 January 2008 and the outstanding payment of a further instalment of 140 T€ towards the purchase price. In addition, further payments of 73 T€ were made in 2008 in connection with the acquisition of ProtechT in 2007.
Impairment testing involved a comparison of the carrying values in question with the values in use. The values in use were calculated on the basis of the present value of future pre-tax earnings (EBITDA) in the light of the following assumptions:

- Period of five years as of 2009
- Use of internal forecasts for 2009
- For the years after 2009:
  - Revenue growth of between 5 % and 7.5 %
  - Increase in costs of between 1.3 % and 1.9 %
  - Pre-tax discount rates of between 10.1 % and 14.9 %

No impairment losses were recorded in 2008.

The carrying values of the goodwill were assigned to the following cash-generating units (CGUs):

	2008 T€	2007 T€
Integralis Germany	224	224
Integralis UK	22	22
Integralis Switzerland	906	906
Integralis Austria	969	–
Integralis US	644	644
Integralis France	3,114	3,114
Integralis Sweden	5,025	5,025
Integralis UAE	5,033	4,960
Total	**15,937**	**14,895**

The recoverable amounts of the cash generating units were calculated on the basis of the following assumptions, which are subject to estimation uncertainties:

Revenue growth and growth rates used to extrapolate the cash flow forecasts beyond the current planning period:
The growth rates are based on various studies on the future performance of the market. These include a risk discount on account of the management estimates. In this connection, it was assumed that the smaller CGUs have greater growth potential than the larger ones. To allow for the estimation uncertainty, all growth rates applied are below the forecast for the sector as a whole as well as the Group's historical revenue growth before currency translation.

Gross margin:
Gross margins were calculated on the basis of management's experience and historical performance. To allow for the estimation uncertainty, a deduction was made to the assumed gross margins. Thus, declines of between 1 and 1.25 percentage points p.a. in the margin were used to calculate the recoverable amount for one CGU.

Personnel and other costs relative to changes in revenues:
It was assumed that costs will increase by around 50 % of the rate at which revenues increase. Here as well, cautious assumptions were applied to allow for estimation uncertainties. Thus, in these consolidated financial statements, for example, costs rose by only 56.6 % of the rate at which revenues increased.

Discount rate:
A post-tax discount rate of 10.1 % is applied, on the basis of which the pre-tax discount rates were adjusted in accordance with IAS 36.A20. This rate was determined on the basis of the Company's weighted average cost of capital (WACC) using external analysis (IAS 36.A17) adjusted for a risk premium on the basis of CAPM. This interest rate is also used internally for measurement purposes in connection with acquisition projects.

4.8 Deferred tax assets

Deferred tax assets break down as follows:

	2008 T€	2007 T€
Non-current assets/ intangible assets	1,864	840
Unused tax losses	4,433	573
Provisions	0	15
Total	**6,297**	**1,428**

4.9 Accruals

Accruals comprise the following:

	2008 T€	2007 T€
Outstanding invoices for material	3,694	6,152
Personnel obligations	1,610	2,283
Others	2,427	428
Total	**7,731**	**8,863**

4.10 Other current liabilities

The other current liabilities of 3,995 T€ (2007: 3,896 T€) comprise liabilities in connection with social security of 985 T€ (2007: 1,001 T€), deferred income of 1,470 T€ (2007: 851 T€) and other current liabilities.

4.11 Deferred tax liabilities

Deferred tax liabilities break down as follows:

	2008 T€	2007 T€
Retained earnings	0	58
Provisions	1,473	25
Total	**1,473**	**83**

4.12 Non-current provisions

The changes in non-current provisions were as follows in the year under review:

	01/01/2008	Utilised	Released	Additions	Exchange Rate Effect	31/12/2008
	T€	T€	T€	T€	T€	T€
Onerous leases	1,486	–	-442	–	-343	701
Earn-Out ProtechT, Dubai	2,952	-1,337	–	73	–	1,688
STAR program	82	-82	–	–	–	0
Total	**4,520**	**-1,419**	**-442**	**73**	**-343**	**2,389**

The provisions for onerous lease concern the office space in the United Kingdom. The rental and lease contracts entered into by Nocitra Ltd. valued at 527 T€ have a remaining term of around 11 years.
An amount of 1,688 T€ was set aside to provide for the earn-out commitments in connection with the acquisition of ProtechT FZ LLC, Dubai. This commitment is due for settlement in less than one year.
The provisions for the STAR programme concern the share appreciation rights awarded to the Supervisory Board. This programme expired in 2008.

4.13 Equity

4.13.1 Share capital, authorised capital and contingent capital

The share capital stood at 11,585,137 € as of 31 December 2008 (31 December 2007: 11,585,137 €) and is divided into 11,585,137 registered no-par-value shares.
As of 31 December 2008, the following authorised and contingent capital was available for future use:

Authorised capital 2008 / I:
In accordance with a resolution passed at the annual general meeting of 8 May 2008 the Management Board is authorised, with the Supervisory Board's approval, to increase the Company's share capital by up to 5,750 T€ on or before 8 May 2013 either once or in several steps by issuing up to 5,750,000 new registered shares on a cash or non-cash basis. Pursuant to statutory regulations, the Management Board may (with the Supervisory Board's consent) exclude the shareholders' statutory subscription rights in order to acquire shares or all or part of other companies.
As of 31 December 2008, the entire volume of authorised capital 2008 / I was still available.

Contingent capital 2003 / I:
In accordance with a resolution passed at the annual general meeting on 10 May 2007, the contingent capital 2003 / I was reduced to 82.5 T€. The share capital may be increased by up to 82.5 T€ through the issue of up to 82,500 shares on a contingent basis. The contingent capital 2003 / I is required to grant option rights to members of the Management Board and staff of the Company and affiliated companies as well as the managements of other companies affiliated with the Company (share option programme IV). After the issue of shares, contingent capital 2003 / I in an amount of 82,440.00 € was available.

Contingent capital 2005 / I:
In accordance with a resolution passed at the annual general meeting on 10 May 2007, the contingent capital 2005 / I was reduced to 52 T€. The share capital may be increased by up to 52 T€ through the issue of up to 52,000 shares on a contingent basis. The contingent capital 2005 / I is required to grant op-

tion rights to members of the Management Board and staff of the Company and affiliated companies as well as the managements of other companies affiliated with the Company in accordance with share option programme V. After the issue of shares, contingent capital 2005 / I in an amount of 42,000.00 € was available.

Contingent capital 2007 / I:
In accordance with a resolution passed at the annual general meeting on 10 May 2007, contingent capital 2007 / I of 945 T€ was created. The share capital may be increased by up to 945 T€ through the issue of up to 945,000 shares on a contingent basis. The contingent capital 2007 / I is required to grant option rights to members of the Management Board and staff of the Company and affiliated companies as well as the managements of other companies affiliated with the Company in accordance with share option programme SOP 2007. As of 31 December 2008, no option rights had been exercised for this contingent capital 2007 / I.

Contingent capital 2007 / II:
At the annual general meeting of 10 May 2007, a resolution was passed authorising the Management Board with the Supervisory Board's approval to issue registered convertible or warrant-linked bonds with a total nominal amount of up to 4,000 T€ and a term of no more than ten years once or in several steps on or before 9 May 2012. For this purpose, new contingent capital 2007 / II was created. The Management Board was additionally authorised to award the bearers or creditors of the convertible and / or warrant-linked bonds new shares with a prorated amount of share capital of up to a total of 4,000 T€ in accordance with the conditions for the convertible and / or warrant-linked bonds.
The share capital may be increased by up to 4,000 T€ through the issue of up to 4,000,000 shares on a contingent basis. The option or conversion price equals 90 percent of the average price of the Company's share in the XETRA closing auction at the Frankfurt share exchange during the ten trading days prior to the day on which the Management Board passes a resolution to issue the bonds, provided that this is no less than the minimum issue price stipulated in Section 9 (1) of the German Stock Corporation Act. As of 31 December 2008, no convertible or option bonds had been issued for this contingent capital 2007 / II.

4.13.2 Disclosures concerning capital management

As of 31 December 2008, the equity ratio stood at 23.0 % (previous year: 19.8 %). The Integralis Group's main financial objectives are to increase its enterprise value on a sustained basis and to ensure solvency at all times. Integralis' enterprise value is materially influenced by steady growth in profitability. Work on establishing group-wide currency-based cash pools was commenced in 2008 to increase flexibility with respect to liquidity. In connection with the related extension to a Group-wide treasury function, greater attention will be paid in 2009 to the management of the capital structure.

4.13.3 Net income for the year and profit carried forward

The net income for 2008 of 9,275 T€ (2007: 5,228 T€) will be carried forward.

4.13.4 Capital reserve

The Group's capital reserve (10,919 T€; 2007: 11,966 T€) particularly comprises Integralis AG's capital reserve. The amount of this item was influenced by a withdrawal for the purchase of ProtechT (earn-out of 439 T€) and the purchase of Greschitz IT Security (155 T€). Treasury shares of 143 T€ were used to honour obligations from the exercise of options. Treasury shares for 1,784 T€ were acquired.
In addition, there is a reserve for share options of 729 T€ (2007: 550 T€). The increase results from the grant of new options of 179 T€.

5. Notes on the consolidated income statement

5.1 Personnel expenses

In the year under review, wages and salaries came to 31,588 T€ (2007: 29,457 T€). Social security payments were valued at 5,508 T€ (2007: 5,191 T€) and included expenditure on defined-contribution benefits of 412 T€ (2007: 435 T€) (see also Note 8.8). Personnel expenses include 178 T€ (2007: 127 T€) by way of share-based compensations under the share option programmes.

5.2 Other operating expenses

Other operating expenses break down as follows:

	2008 T€	2007 T€
Other personnel expenses (e.g. travel, training, temporary staff)	3,977	3,902
Company cars (maintenance, leases, insurance etc.)	2,216	2,105
Others	2,891	1,789
Legal and advisory costs	895	1,488
Rental, repairs	1,673	1,437
Marketing	747	1,065
Insurance	501	550
Recruiting	684	367
Finance costs (e.g. bank fees net currency gains and losses)	-1,855	-311
Total	**11,729**	**12,392**

Finance costs include exchange rate gains and losses netted with bank fees, adjustments to receivables and other finance costs. This resulted in net income of 1,855 T€ in 2008 (2007: 311 T€).
Personnel and other operating expenses relating to research and development came to 663 T€ in 2008 (2007: 719 T€).

5.3 Exchange rate gains and losses

Exchange rate gains of a total of 1,823 T€ (2007: 482 T€) from the translation of monetary items were reported in the income statement under other operating expenses. A sum of 2,167 T€ (2007: 745 T€) was recognised under equity.

5.4 Profit from the sale of financial assets

The Company did not receive any profit from the sale of financial assets in 2008.

5.5 Depreciation / amortisation

The breakdown of depreciation / amortisation expense by intangible assets, property, plant and equipment and financial assets can be seen in the statement of changes in assets.
Total depreciation / amortisation expense came to 1,837 T€ in 2008 (2007: 2,081 T€). In 2007, this included the depreciation of 270 T€ in connection with the order books capitalised as a result of the acquisition of ProtechT FZ LLZ, which were identified as intangible assets as part of the purchase price allocation in accordance with IFRS 3.

5.6 Interest income and expense

Interest income and expense breaks down as follows:

	2008 T€	2007 T€
Interest income	285	413
Interest income from discounting provisions	–	–
Total finance income	285	413
Interest expense	-203	-114
Interest cost of provisions	–	-35
Total finance expense	-203	-149
Total	**82**	**264**

5.7 Income taxes

Income taxes include the current and deferred income taxes paid or owed in the individual countries. Deferred taxes are calculated on the basis of the tax rates applicable or expected

as of the date of recognition in the individual countries. As a matter of principle, these are based on the statutory rules in force or enacted on the balance sheet date. Non-domestic income taxes are based on the rules and laws applicable or enacted in the individual countries. The income tax rates applied to the non-domestic companies is between 0 % and 40 %.

Tax expense for 2008 and 2007 is as follows:

	2008 T€	2007 T€
Current tax expense	1,750	1,050
Tax refunds for earlier years	0	0
Deferred tax liabilities / (assets)	4,953	-1,039
Summe	**3,203**	**11**

Income tax expense on earnings before tax is calculated as follows:

	2008 T€	2007 T€
Ergebnis von Steuern	**6,072**	**5,238**
Income tax expense / (income) on the basis of the German tax rate of 28.9 %	1,755	2,043
Difference arising from the application of national tax rates	-243	-56
Non-deductible expenses	114	1,061
Deferred tax assets on unused tax losses	-3,916	-573
Deferred tax assets on temporary differences	-1,037	-466
Deferred tax liabilities on temporary differences	1,449	–
Non-taxable income	-152	-384
Utilisation of unused tax losses	-1,336	-1,703
Income from the reversal of tax provisions	-13	30
Other items	176	59
Income tax expense / (income)	**-3,203**	**11**

In the year under review, the corporate tax rate stood at 15 % plus the solidarity surcharge of 5.5 %. This results in an effective corporate tax rate of 15.8 %. Including trade tax of 13.1 %, the total tax rate stood at 28.9 %.

5.8 Earnings per share

Basic earnings per share as defined in IAS 33 are calculated by dividing the consolidated post-tax profit by the average number of outstanding shares. In addition the diluted average number of shares is calculated. There was an average number of basic shares of 10,713,340 in the year under review (2007: 10,816,842) and diluted shares of 10,848,296 (2007: 11,225,768).

The basic number of shares is reconciled with the diluted number of shares as follows:

	Shares
Number of shares at 31 December 2008	11,585,137
Less treasury shares at 31 December 2008	-1,150,885
Adjusted number of shares at 31 December 2008	10,434,252

Weighted average number of shares in 2008 (basic)	10,713,340
plus weighted average number of options in 2008	134,956
Weighted average number of shares in 2008 (diluted)	10,848,296

Basic earnings per shares as defined in IAS 33 came to 0.86 € in 2008 (2007: 0.48 €). Diluted earnings per shares stood at 0.85 € in 2008 (2007: 0.47 €)

To calculate the average number of shares, new shares issued were included on a time-proportionate basis. In addition, shares bought back and reissued were also included on a time-proportionate basis. To calculate the diluted number of shares, the weighted average number of shares is adjusted by the number of all potentially diluting shares (options).

6. Segment report

Segment reporting complies with the stipulations in IAS 14. Integralis' internal reporting system primarily makes distinctions on the basis of geographic regions as the risks and local markets vary. Accordingly, primary segmentation is based on geographic segments. Secondary segmentation is based on the individual sales segments.

6.1 Primary segment reporting

The following geographic segments form the primary reporting format for Integralis AG: the United Kingdom, Germany / Switzerland / Austria, the United States, France, Sweden and the United Arab Emirates.
The cost of resources used on a cross-border basis (Helpdesk, Managed Security Service Centre, IT, product management etc.) was allocated in accordance with actual use by the individual countries. Only Group expense was reported separately. This ensures a more reliable comparison of the country-based segments. Depreciation / amortisation and capital spending have also been allocated to the individual regions, with group-wide items shown separately.
Assets and liabilities which cannot be directly allocated to the geographical segments or which concern Group activities are reported separately.
The table setting out the primary segment report is attached to the notes.

6.2 Secondary segment reporting

The secondary segment report is broken down by products and services. Capital spending is assigned to the segments in accordance with their share in gross profit.
Trade receivables as well as deferred costs of materials were allocated directly to the segments to which they refer; the remaining assets were reported in accordance with trade receivables and the deferred costs of materials.

7. Notes on the cash flow statement

The cash flow statement has been prepared using the indirect method in accordance with IAS 7. For this purpose, non-cash investing and financing activities are ignored.
Cash and cash equivalents include cash in hand, cash at banks and fixed-term deposits available at short notice. Current account loans are not included.

8. Other notes

8.1 Disclosures in accordance with Section 314 (1) No. 9 of the German Commercial Code

The fees for the auditors of the consolidated financial statements reported as expenses in 2008 break down as follows:

	2008 T€	2007 T€
Audit of annual accounts	135	154
Other confirmation and evaluation	15	17
Tax advisory services	3	8
Other services	3	9
Total	**156**	**188**

8.2 Disclosures in accordance with Section 314 (1) No. 6 of the German Commercial Code

In accordance with Section 314 (1) No. 6 of the German Commercial Code, the disclosures on management compensation are included in the remuneration report, which forms part of the management report.

8.3 Financial instruments

Categorisation of financial instruments	31/12/2008 in T€	31/12/2007 in T€
Financial assets		
At fair value through profit and loss		
Held for trading	–	–
Derivative instruments qualifying for hedge accounting	–	8
Loans and receivables (including cash and cash equivalents)	54,033	54,734

Categorisation of financial instruments	31/12/2008 in T€	31/12/2007 in T€
Financial liabilities		
At fair value through profit and loss		
Held for trading	–	–
Derivative instruments qualifying for hedge accounting	85	8
Financial liabilities at amortised costs	28,871	25,661
Liabilities under finance leases	1,498	1,560
Non-current loans	**–**	**118**

The fair value of derivative financial instruments is determined on the basis of listed prices. The fair value of other financial assets and liabilities is determined using generally acknowledged measurement models.

Exchange rate risk

The Group's activities primarily expose it to financial risks as a result of changes in exchange rates.

At our national companies, our main suppliers issue their invoices in the local currency, meaning that the currency risk is for the most part confined to the translation of the national companies' financial statements (currency translation risk). In Germany and the UK, some sourcing activities are denominated in US dollars, resulting in a transaction risk.

In 2007, currency management was introduced at the German company with the aim of reducing exposure to exchange rates in the event of an unfavourable EUR/USD parity. At the same time, it seeks to derive gains from favourable exchange rate trends. For this purpose, the following derivative financial instruments were used in Germany:

- Currency forwards
- Zero-cost options
- Average-rate options

These hedging operations cover around 50 % of the exposure. The use of hedges to minimise the exchange rate risk is governed by internal guidelines which document in writing the rules to be applied in managing exchange rate risks. In addition, a quarterly report on the currency management activities is produced. Currency management is handled with moderate administrative resource requirements in accordance with the scope of business.

The following table sets out the financial instruments outstanding as of the balance sheet date, all of which are zero-cost options. All outstanding options expire in less than three months.

Zero-cost options	Year	Foreign-currency amount in T US$	Value of contract T€	Fair value of premium T€
Call options	2006	–	–	–
	2007	2,500	1,729	8
	2008	–	–	–
Put options	2006	–	–	–
	2007	2,500	1,674	8
	2008	–	–	–

The following table sets out the financial instruments outstanding as of the balance sheet date, all of which are currency forwards / swaps. All outstanding forwards expire in less than three months.

Currency forwards and swaps	Year	Foreign-currency amount in T	Value of contract T€	Fair value of premium T€
Currency forwards	2008	USD 4,500	3,236	-85
Currency swaps	2008	GBP 99	104	-1

The fair value of all financial assets is calculated on the basis of quoted market prices.
The general translation risk is predominantly limited to the subsidiaries in the United States and the United Kingdom as these companies constitute a large part of our overall business and the US Dollar and Pound Sterling fluctuate against the Euro.

Foreign currency sensitivity analysis:
Consolidated earnings are influenced by fluctuations in the US Dollar and Pound Sterling relative to the Euro. The following table shows the Group's sensitivity to a ten percent rise or fall in the Euro against the US Dollar and Pound Sterling. The ten-percent shift represents management's appraisal of a reasonable possible change in exchange rates. The sensitivity analysis shows the influence of the local earnings denominated in US Dollars and Pound Sterling. A positive figure indicates an increase in consolidated earnings for the year if the Euro increases by 10% against the US Dollar and Pound Sterling. If the Euro drops by 10% against the US Dollar and Pound Sterling, this has an opposite effect of the same amplitude on net earnings for the year and equity. As a result, the items shown in the table below would be negative.

	Effect of US Dollar		Effect of GB Pound	
	2008	2007	2008	2007
	T€	T€	T€	T€
Net profit/equity	33	209	239	302

Credit risk:
Group management operates within a defined credit policy, monitors the extent of any exposure to credit risks on an ongoing basis and performs credit reviews when and as required. As of the balance sheet date, there was no material clustering of credit risks necessitating provisions or adjustments. The maximum risk of default is limited to the carrying value of the receivables.

Interest risk:
The Group is not exposed to any interest risk as the Group companies have not raised any material volumes of external debt.

Default risk:
Default risks or the risk of a counterparty failing to satisfy its payment obligations are monitored as part of receivables management and minimised by means of credit checks and the assignment of credit limits. The default risk equals the total value of receivables recognised. The maximum default risk roughly equals the receivables reported in the balance sheet. In the light of historical experience and the composition of the customer base, the Management Board assumes that the default risk is very small and that actual risk is covered by adjustments to individual receivables.

8.4 Share option programmes

The Integralis Group has implemented various share option programmes over the past years to allow employees and management to participate in the Company's success. The existing share option programmes are described below:

8.4.1 Share option programme IV ("SOP IV")

The fourth employee participation programme was established in accordance with a resolution passed at the annual general meeting of 23 June 2003. The share options may be exercised within five years in four three-month exercise windows: 50% after two years (exercise window I), 20% after three years (exercise window II) and 30% after four years (exercise window III), followed by a final special exercise right (exercise window IV). The condition for exercise is that, during the exercise window, the Xetra closing price of Integralis shares exceeds the grant price on at least one trading day by 10% for exercise window I, by 15% for exercise window II, by 20% for exercise window III and by 22.5% for exercise window IV. In 2008, 8,005 share options were exercised at 3.24€ and 63,250 at 2.70€. Of these, all 71,255 options were honoured by using treasury shares.

This option programme expired at the end of the year, meaning that the remaining unexercised options lapsed.

Analysis of the number of options as of December 31, 2008:

	2008 Number	2007 Number
Options outstanding at the beginning of the period	88,689	117,139
Options granted	–	–
Options exercised	71,255	17,894
Options expired	17,434	10,556
Options outstanding at the end of the period	–	**88,689**

The outstanding options break down as follows:

	2008 Number	2007 Number
Members of the Management Board and managing directors of the subsidiaries	–	63,250
Staff	–	25,439
Options outstanding at the end of the period	–	**88,689**

8.4.2 Share option programme V ("SOP V")

The fifth employee participation programme was established in accordance with a resolution passed at the annual general meeting of 26 May 2004. As of the balance sheet date, employees and management held 13,000 options that were issued on 10 June 2005 at 2.80 €.

The share options may be exercised within five years in four three-month exercise windows: 50 % after two years (exercise window I), 20 % after three years (exercise window II) and 30 % after four years (exercise window III), followed by a final special exercise right (exercise window IV).

The condition for exercise is that, during the exercise window, the Xetra closing price of Integralis shares exceeds the grant price on at least one trading day by 10 % for exercise window I, by 15 % for exercise window II, by 20 % for exercise window III and by 22.5 % for exercise window IV. In 2008, 9,500 options were exercised under this share option programme, all of which were honoured using the Company's treasury share. As of 31 December 2008, the value of an option on the basis of the XETRA closing price of 3.21 € on 30 December 2008 stood at 0.41 €.

Analysis of the number of options as of 31 December 2008:

	2008 Number	2007 Number
Options outstanding at the beginning of the period	25,000	52,000
Options granted	–	–
Options exercised	9,500	15,000
Options forfeited	2,500	12,000
Options expired	–	–
Options outstanding at the end of the period	**13,000**	**25,000**
Options vesting at the end of the period	–	–

The outstanding options break down as follows:

	2008 Number	2007 Number
Members of the Management Board and managing directors of the subsidiaries	6,000	10,000
Staff	7,000	15,000
Options outstanding at the end of the period	**13,000**	**25,000**

8.4.3 Share option programme VI ("SOP 2007")

The new employee participation programme was established in accordance with a resolution passed at the annual general meeting of 10 May 2007. As of the balance sheet, employees and management held 259,000 options, of which 209,000 had been issued on 2 August 2007 at a price of 4.19 € and 50,000 on 9 June 2008 at a price of 5.31 €.
The share options may be exercised no earlier than two years after and no later than five years of issue. The exercise periods are from 1 July until 15 August and from 1 November until 15 December of each year. For the options to be exercised, the average price of Integralis share in XETRA trading between the 6th and 10th day of trading before the commencement of an exercise period must have risen by at least 25 % over the issue price.

Instalment	2007 / I	2007 / II
Eligible persons	Staff	Management Board
Allocation date	02/08/2007	02/08/2007
Issue price	4.19 €	4.19 €
Closing price of Integralis share	4.22 €	4.22 €
Dividend return	0.00 %	0.00 %
Interest rate	4.27 %	4.27 %
Volatility of Integralis	65.04 %	65.04 %
Employee fluctuation	3.00 %	0.00 %
Fair value	**2.18 €**	**2.20 €**

Instalment	2008
Eligible persons	Management Board
Allocation date	09/06/2008
Issue price	5.31 €
Closing price of Integralis share	5.33 €
Dividend return	5.02 %
Interest rate	4.48 %
Volatility of Integralis	52.06 %
Employee fluctuation	3.00 %
Fair value	**1.73 €**

The estimates of future volatility are derived from the historical price of Integralis AG share. The historical time window is the residual term of the options.

Analysis of the number of options as of 31 December 2008:

	2008 Number	2007 Number
Options outstanding at the beginning of the period	241,000	–
Options granted	50,000	259,000
Options exercised	–	–
Options expired	32,000	18,000
Options outstanding at the end of the period	**259,000**	**241,000**
Options vesting at the end of the period	**259,000**	**241,000**

The outstanding options break down as follows:

	2008 Number	2007 Number
Members of the Management Board and managing directors of the subsidiaries	155,000	125,000
Staff	104,000	116,000
Options outstanding at the end of the period	**259,000**	**241,000**

8.4.4 Share appreciation rights program (STAR programme)

At the annual general meeting held on 23 June 2003, a resolution was passed to award the members of the Supervisory Board variable compensation in addition to their fixed compensation in the form of share appreciation rights (STAR) under the conditions of the Company's Share Appreciation Rights Programme I of 2003. The STAR programme comprises a total of 150,000 appreciation rights, 50,000 of which are attributable to each member of the Supervisory Board.
The offer to acquire appreciation rights was made in three tranches in each case on the fifth working day after Integralis AG's interim report for the respective period was published. Each member of the Supervisory Board was offered 25,000

appreciation rights in 2003; 12,500 were offered in each of the years 2004 and 2005. The vesting period is one year after the grant. Share appreciation rights may be exercised only within the two weeks following the release of an annual, semi-annual or quarterly report of Integralis AG, and only on banking days. The condition for exercise (exercise hurdle) is that the price of Integralis shares on the date of exercise must be at least 10 % above the base price. The rights lapse if they are not exercised within five years of issue.
The total compensation received by the individual members of the Supervisory Board comprising a fixed and a variable component under the STAR programme must not exceed a total of 75,000 € per year.
On 31 December 2007, the members of the Supervisory Board held 50,000 share appreciation rights (25,000 at 2.33 € and 25,000 at 3.52 €). As of the end of the year, the value of a share appreciation right on the basis of the XETRA closing price of 5.75 € on 28 December 2007 stood at 3.42 € in the case of the rights granted in 2004 and 2.23 € in the case of the rights granted in 2005.

Analysis of share appreciation rights as of 31 December 2008:

	2008 Number	2007 Number
Options outstanding at the beginning of the period	**50,000**	**100,000**
Rights granted	–	–
Rights exercised	50,000	50,000
Rights forfeited	–	–
Rights expired	–	–
Rights outstanding at the beginning of the period	**–**	**50,000**
Rights vesting at the beginning of the period	**–**	**–**

The STAR programme has expired on 31. December 2008.

8.4.5 Share buyback programme and treasury shares

Various share buyback programmes were carried out in 2006 though 2008 in accordance with Section 71 (1) No. 8 of the German Share Corporation Act. All shares were bought back on the market floor. The transactions complied with the trading restrictions provided for in Article 5 of Regulation (EC) No. 2273/2003 of the Commission of 22 December 2003. Regular reports on the progress of the buyback programme were published on the Company's website. In accordance with the authorisation granted at the annual general meeting, the treasury shares acquired may be used for the following purposes:

- Acquisition of all or part of other entities and to satisfy purchase-price and other payment obligations arising from such acquisition
- Redemption of shares
- Honouring of existing share option programmes

On 28 March 2006, the commencement of a share buyback programme from 29 March 2006 through 22 May 2006 was announced, during which a total of 654,833 shares with a total value of 2,329,356.51 € was acquired.
On 8 June 2006, a further share buyback program from 12 June 2006 to 29 December 2006 was announced. Under this program, a total of 615,116 shares with a value of 2,024,755.47 € was acquired up until 29 December 2006.
On 2 January 2008, a further share buyback program from 3 January 2008 to 30 June 2008 was announced, during which a total of 262,595 shares valued at 1,341,381.73 € was acquired.
On 26 August 2008, a further share buyback program for a period expiring on 31 December 2008 was announced, during which a total of 250,000 shares valued at 955,002.78 € was acquired.

The purposes for which this treasury share was used are described below.

For acquisitions and earn-out obligations:

- 208,193 shares on 27 April 2006 and 9,810 shares on 17 May 2006 to settle earn-out obligations of 646,596.65 € from the acquisition of the Swedish company Netsecure AB. The price per share on which the settlement of the earn-out obligations was based was 2.97 €.

- 145,950 shares on 19 March 2007 and 24,752 shares on 1 April 2007 to settle earn-out obligations of 643,597.75 € from the acquisition of the Swedish company Netsecure AB. The price per share on which the settlement of the earn-out obligations was based was 3.77 €.

- 225,534 shares on 4 April 2007 to settle the purchase-price obligation of 1,001,370.96 € for the acquisition of ProtechT FZ LLC, Dubai.

- 34,521 shares on 4 January 2008 to settle a purchase price payment obligation of 190,000.00 € to Integralis Deutschland GmbH for the acquisition of Greschitz IT Security GmbH.

- 95,799 shares on 3 March 2008 to settle the purchase-price obligation of 534,845.20 € for the acquisition of ProtechT FZ LLC, Dubai.

To date, the following shares have been used to honour obligations under share option programmes:

Period	Number	Value in €	Average exercise price in €
December 2006	11,548	26,250.85	2.27
January 2007	4,871	10,243.04	2.10
April 2007	1,200	1,596.00	1.33
May 2007	450	598.50	1.33
June 2007	1,125	1,496.25	1.33
July 2007	10,750	18,647.50	1.73
September 2007	9	29.16	3.24
October 2007	3,630	11,761.20	3.24
November 2007	7,644	23,006.56	3.01
December 2007	4,640	14,593.60	3.15
January 2008	5,535	17,273.40	3.12
February 2008	4,000	11,200.00	2.80
April 2008	35,000	94,500.00	2.70
May 2008	28,870	78,283.80	2.71
June 2008	4,460	12,690.40	2.85
July 2008	2,890	9,363.60	3.24
Total	**126,622**	**331,533.68**	**2.61**

As of 31 December 2008, Integralis AG held a total of 1,150,885 treasury shares, equivalent to 9.93 % of its total share capital as of that date.

Analysis of treasury share holdings:

Period	Addition	Disposal	End-of-month balance	Proportion of share capital*
2006	1,269,949	229,551	1,040,398	9.01 %
2007	239,522	430,555	849,365	7.33 %
January 2008	86,220	40,056	895,529	7.73 %
February 2008	56,004	4,000	947,533	8.18 %
March 2008	38,134	95,799	889,868	7.68 %
April 2008	23,651	35,000	878,519	7.58 %
May 2008	28,420	28,870	878,069	7.58 %
June 2008	30,166	4,460	903,775	7.80 %
July 2008	–	2,890	900,885	7.78 %
August 2008	12,760	–	913,645	7.89 %
September 2008	77,367	–	991,012	8.55 %
October 2008	56,424	–	1,047,436	9.04 %
November 2008	103,449	–	1,150,885	9.93 %
December 2008	–	–	1,150,885	9.93 %
Total on 31 Dec. 2008	**2,022,066**	**871,181**	**1,150,885**	**9.93 %**

* Proportion of share capital as of the end of the month in question.

The average price of the Company's treasury shares was at 4.20 € as of the balance sheet date (2007: 4.03 €).

8.5 Contingent liabilities

The operating leases primarily cover office space and company cars. Lease and rental expense came to 2,228 T€ in 2008 (2007: 2,317 T€). Expense is quoted net of the income from subletting the premises to third parties, which came to 1,073 T€ in 2008 (2007: 943 T€).

Analysis of future lease payments and subletting income as of 31 December 2008 broken down by term:

Term	Operating leases	Income from sub-leasing
	T€	T€
In less than one year	2,857	318
Between 1 and 5 years	7,776	602
More than 5 years	6,483	0
Total	**17,116**	**920**

8.6 Tax losses

In accordance with IAS 12.34, a deferred tax asset should be recognised for the carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. IAS 12.35 calls for strong evidence of the future existence of taxable profits for deferred tax assets to be recognised.
The Company recognised deferred tax assets for unused tax losses for the first time in 2007. In the case of subsidiaries which continued to operate profitably in 2007, deferred tax assets were recognised for unused tax losses in an amount equalling the expected tax income from the utilisation of the existing tax losses against the forecast profit in 2008. In the year under review, the expected profits for the following five years based on the results of the impairment test were taken into consideration.
The tax losses and the periods in which they must be utilised are set out below:

Expiry Date	31/12/2008 T€	31/12/2007 T€
In less than one year	-	1,689
Between 1 and 5 years	-	-
Between 6 and 20 years	3,034	5,068
No expiry date	81,365	79,440
Total	**84,399**	**86,197**

8.7 Staff

The average headcount in the year under review stood at 471 (2007: 424) and breaks down as follows:

	2008 Number	2007 Number
Sales	153	158
Technical	242	201
Administration and management	76	65
Total	**471**	**424**

8.8 Post-retirement benefit obligations

The subsidiaries in the UK, the United States and Sweden have established post-retirement benefit plans for staff. The expenditure recorded in the income statement for the individual plans during the year stands at 411 T€ (2007: 429 T€). At the German companies, contributions for direct insurance for employees are valued at 7 T€ (2007: 6 T€). There are no post-retirement benefit plans at any of the other companies of the Integralis Group. Expenditure on defined-contribution commitments came to a total of 205 T€ (2007: 435 T€).

8.9 Related parties

In accordance with the definition in IAS 24, related parties include the Management Board and the Supervisory Board of Integralis AG as well as their main shareholders. No payments were made to related parties other than the contractual compensation to the members of the Management Board and the Supervisory Board. The remuneration paid to the members of the Supervisory Board and the Management Board is described in detail in the remuneration report, which forms part of the management report.

Shares and options held by members of the Management Board and Supervisory Board as of 31 December 2008

Management Board	Shares	Share options
Georg Magg	50,000	50,000
Roger Friederich	20,200	56,000
Total shares held by Management Board: 0.60 %		

Supervisory Board	Shares	STAR rights
Magnus Wahlbäck and related persons	940,843	–
Arnd Wolpers and related persons	622,561	–
Jochen Tschunke (until 8 May 2008)	–	–
Carl-Franz von Quadt (since 8 May 2008)	–	–
Total shares held by the Supervisory Board: 13.49 %		

8.10 Management Board and Supervisory Board

The members of the Management Board in the year under review were:

- Georg Magg (Chief Executive Officer), Bad Wörishofen, Germany
- Graham Jones (Chief Operations Officer), Malvern, Worcestershire, United Kingdom (until 30 June 2008)
- Roger Friederich (Chief Financial Officer), Vaterstetten, Germany

The members of the Supervisory Board in the year under review were:

- Magnus Wahlbäck, chairman, business man in Sweden
- Arnd Wolpers (deputy chairman), business man in Münsing/Ammerland
- Prof. Jochen Tschunke, business man in Munich (until 8 May 2008)
- Carl-Franz von Quadt, publisher in Munich (since 8 May 2008)

9. Disclosures in accordance with Section 160 (1) No. 8 of the German Stock Corporations Act concerning existing shares held in the Company as of the balance sheet date subject to compulsory disclosure in accordance with Sections 21 et seq. of the German Securities Trading Act

9.1 Disclosure by Highclere International Investors Smaller Companies Fund, London, UK of 4 March 2008

Disclosure in accordance with Section 21 (1) of the German Securities Trading Act:

- The voting right share threshold of 5% was exceeded on 29 February 2007 and now stands at 5.02% (equivalent to 581,072 voting rights). 4.9% of the voting rights (567,652 voting rights) are attributable to Highclere International Investors Smaller Companies Fund in accordance with Section 22 (1) Sentence 1 No. 6 of the German Securities Trading Act; 0.12% of the voting rights (13,420) of are attributable to Highclere (Jersey) Investors Smaller Companies Fund in accordance with Section 22 (1) Sentence 1 No. 6 of the German Securities Trading Act.

9.2 Disclosure by Axxion S.A. Luxembourg of 7 July 2008

Disclosure in accordance with Section 21 (1) of the German Securities Trading Act:

- The voting right share threshold of 3% was dropped below on 3 July 2008 and now stands at 2.23% (equivalent to 258,858 voting rights).

10. Declaration of conformance with the German Corporate Governance Code

The declaration of conformance with the Corporate Governance Code stipulated by Section 161 of the German Stock Corporations Act has been issued by the Management Board and the Supervisory Board and is available for inspection by the shareholders at all times at the Company's website.

Ismaning, March 2009

The Management Board

DECLARATION OF CONFORMANCE OF INTEGRALIS AG FOR 2009

I. Introduction

Under Section 161 of the German Stock Corporations Act, the Management Board and Supervisory Board are required to declare once a year whether and to what extent the Company conforms to the recommendations set out in the German Corporate Governance Code and to specify which recommendations have not been applied. This declaration must be made available to the shareholders at all times.
This is a non-authoritative English translation of the original German-language declaration issued by Integralis AG.
The declaration for 2009 applies to both fiscal 2008 and fiscal 2009.
The Management Board and the Supervisory Board have examined the recommendations contained in the German Corporate Governance Code carefully. At the Company's annual general meetings, the Company's shareholders are regularly informed of individual matters relating to corporate governance.

II. Declaration issued by the Management Board and the Supervisory Board of Integralis AG pursuant to Section 161 of the German Stock Corporations Act

On the basis of the German Corporate Governance Code (GCGC) as amended on 06 June 2008 and in accordance with Section 161 of the German Stock Corporations Act, the Management Board and the Supervisory Board of Integralis AG hereby declare that the Company conformed to the recommendations of the German Corporate Governance Code in the prevailing version for 2008 and will do so for 2009 with the exception of the following:

Article 3.8:
If the company takes out a D&O (directors and officers' liability insurance) policy for the Management Board and Supervisory Board, a suitable deductible shall be agreed.
Integralis AG has had D&O cover for the Management Board and Supervisory Board since 1999. This is group insurance which also covers numerous other national and international employees. We see the reason for this cover as being to protecting the Company from any risks and will therefore not be introducing any deductible for members of the Management Board and Supervisory Board.

Article 4.2.3:
In particular, company stocks with a multi-year blocking period, stock options or comparable instruments (e.g. phantom stocks) serve as variable compensation components with long-term incentive effect and risk elements. Stock options and comparable instruments shall be related to demanding, relevant comparison parameters. Changing such performance targets or the comparison parameters retroactively shall be excluded. For extraordinary, unforeseen developments a possibility of limitation (Cap) shall be agreed for by the Supervisory Board.

Integralis AG's share option plans prior to 2007 provide for a 10% increase on the base price as a target, increasing by a further 5% per year. Options granted in 2007 and later require an increase over base price of 25% The Supervisory Board does not have any scope for limitation (cap) for extraordinary, unforeseen developments.

Article 5.2:
The Chairman of the Supervisory Board shall also chair the committees that handle contracts with members of the Management Board and prepare the Supervisory Board meetings. He should not be Chairman of the Audit Committee.
In the interests of effective and lean structures, there is currently no need to establish committees due to the small number of Supervisory Board members. For this reason, these duties are executed by the Supervisory Board as a whole.

Article 5.3.1:
Depending on the specifics of the enterprise and the number of its members, the Supervisory Board shall form committees with sufficient expertise.
In the interests of effective and lean structures, there is currently no need to establish committees due to the small number of Supervisory Board members.

Article 5.3.2:
The Supervisory Board shall set up an Audit Committee which, in particular, handles issues of accounting and risk management, the necessary independence required of the auditor, the issuing of the audit mandate to the auditor, the determination of auditing focal points and the fee agreement.
On account of its small size, the Supervisory Board in its entirety deals with the aforementioned questions relating to accounting and risk management and performs the necessary checks in connection with the auditor.

Article 5.3.2:
The Supervisory Board shall form a nomination committee composed exclusively of shareholder representatives which proposes suitable candidates to the Supervisory Board for recommendation to the General Meeting.
On account of its small size, the Supervisory Board in its entirety deals with the nomination of suitable candidates to recommend them to the General Meeting.

Article 5.4.1:
There shall be no age limit for members of the Supervisory Board.
No age limit has been set aside for members of the Supervisory Board as the Company wishes to continue benefiting from the skills of experienced Supervisory Board members.

Article 5.4.3:

Proposed candidates for the Supervisory Board chair shall be announced to the shareholders.

This recommendation stipulates that the candidates for the Supervisory Board chair should be announced to the shareholders even though the Supervisory Board has generally not yet been elected. The law provides for the chairman of the Supervisory Board to be elected from amongst the members of the Supervisory Board. There is no provision in the law for candidates for the Supervisory Board chair to be elected from amongst the other members of the Supervisory Board, who themselves have not yet been elected. This would effectively result in a preliminary determination not anticipated by the law. For this reason, we do not follow this recommendation.

Article 7.1.2:

Interim financial reports shall be discussed between the supervisory board and the management board before its release.

In 2008, the quarterly results were discussed between management and supervisory board. It is planned to extend this discussion to cover the financial reports as well.

Ismaning, February 2009

Integralis AG

For the Supervisory Board

Magnus Wahlbäck

For the Management Board

Georg Magg

Contact:
Georg Magg, Roger Friederich and Peter Banholzer (IR)
ir@integralis.com

AUDITORS' OPINION

We have audited the consolidated financial statements prepared by the Integralis Aktiengesellschaft comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the financial statements, together with the group management report for the business year from 1 January 2008 to 31 December 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to Article 315a (1) HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.
We conducted our audit of the consolidated financial statements in accordance with Article 317 HGB and the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). These standards require that we plan and perform the audit so that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group, and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in the consolidation, the determining of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.
Our audit has not led to any qualifications.

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

Munich, 23 March 2009
AWT Horwath GmbH
Wirtschaftsprüfungsgesellschaft

signed ppa. D. Rose	signed G. Wörl
Wirtschaftsprüferin	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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ORDINARY STOCK

Integralis stock is listed in Deutsche Börse AG's Prime Standard.

Tickersymbol:	AAGN
WKN:	515503
ISIN:	DE0005155030
Reuters:	AAGGn.DE
Bloomberg:	AAGN:GY

FINANCIAL CALENDAR FOR 2009

March 31
Annual Report 2008: Our Annual Report 2008 will be released

April 29
DVFA Small Cap Forum SCF, Frankfurt

May 13
Q1-Report 2009: The quarterly Report for the first three months 2009 will be released

May 14
Annual General Meeting, Mercedes-Benz Branch, Munich

May 27
Baader Small and Mid Cap Conference, Unterschleißheim

August 13
Q2-Report 2009: The Half Year Report 2009 will be released

November 10
Q3-Report 2009: The Nine Months Report 2009 will be released

November 9 – 11
German Equity Forum, Frankfurt

IMPRINT

Management Board
Georg Magg, CEO
Roger Friederich, CFO

Supervisory Board
Magnus Wahlbäck, Chairman
Arnd Wolpers, Deputy Chairman
Carl-Franz von Quadt

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The company is entered on the Munich Commercial Register number HRB 121349

Investor Relations
You can register by e-mail with ir@integralis.com to receive regular financial information on Integralis AG. Please also use this address for any other requests for financial information such as quarterly reports or answers to investment-related questions. Or contact us using the following address:

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