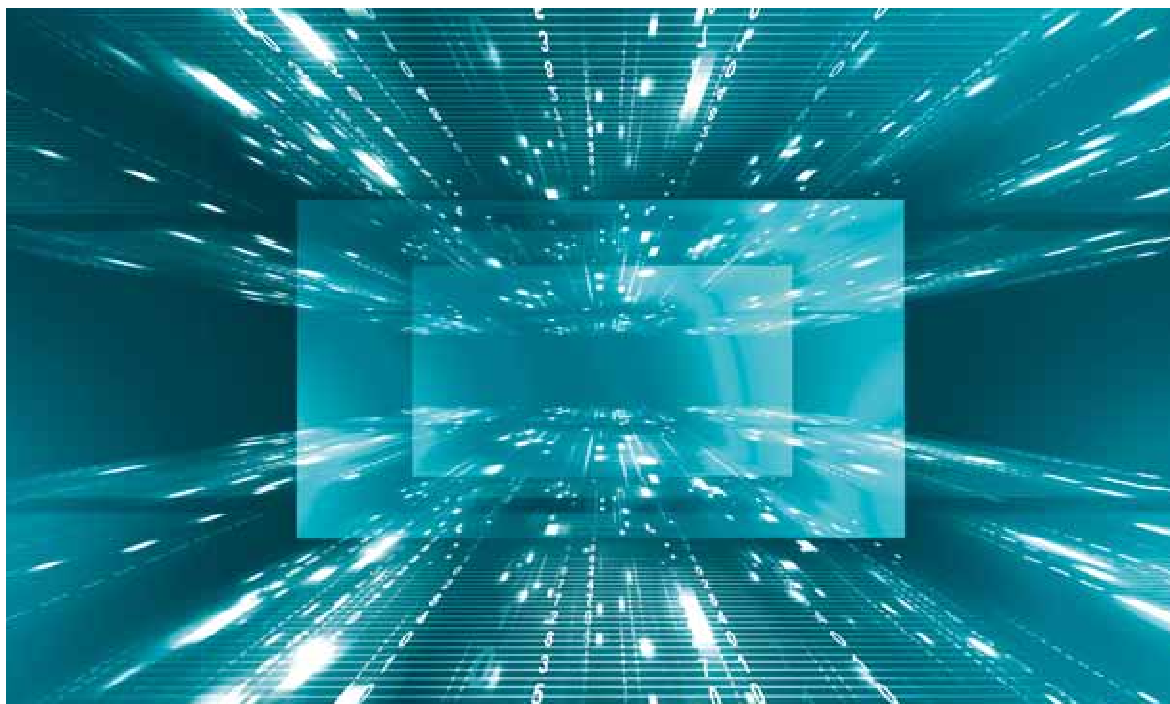
INTEGRALIS

ANNUAL REPORT 2009

INTEGRALIS GROUP AT A GLANCE

	Revenue	EBITDA	EBIT	Net Income	Earnings per share undiluted	Earnings per share diluted
	M€	M€	M€	M€	€	€
FY 2009	173.7	-1.9	-6.3	-9.0	-0.81	-0.79
FY 2008	168.9	7.8	6.0	9.3	0.86	0.85
FY 2007	158.3	7.1	5.0	5.2	0.48	0.47

	Revenue	Gross Profit	Gross Margin	Personell Expenses	Operating Expenses	EBITDA	EBIT	EBIT
	M€	M€	%	M€	M€	M€	M€	%
Q4/2009	49.4	15.8	31.9	11.1	4.4	0.3	-2.5	-5.0
Q3/2009	42.0	13.8	32.9	10.2	6.7	-3.1	-3.6	-8.6
Q2/2009	40.3	13.9	34.4	9.7	3.6	0.6	0.1	0.2
Q1/2009	42.0	14.2	33.9	9.6	4.4	0.2	-0.3	-0.7
Q4/2008	48.0	16.2	33.6	10.3	2.4	3.5	3.1	6.3



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DEAR SHAREHOLDERS AND BUSINESS ASSOCIATES,

More than any year since the beginning of the new millennium, when the Internet bubble popped, 2009 proved to be a year of great turmoil for people and markets. We saw renowned companies with long traditions swept off the market, while the pillars of the free market economy suffered a serious blow all over the world.

Last year, many companies did not merely face headwind but indeed gale conditions. The question was how best to act or react in this situation.

Some people build walls to shield themselves from the wind, while others build wind mills. We decided to harness the positive energy for Integralis. Professional market observers use the term "perfect storm" to describe a crisis which unleashes such a change in underlying conditions that new business ideas are able to find acceptance in the market more quickly . In our case, this means that demand for security solutions is rising but that specialist resources within the Company are becoming scarce on account of the external conditions. It was precisely this perfect storm that we utilized as an opportunity last year. For quite some time, we had been concentrating on broadening our global managed security services business as this segment has grown the most sharply in the face of the crisis and will continue to do so once conditions return to normal. At almost 13 percent, the growth in our managed services business was well up on the sector average.

The undisputed high quality of our managed security services is doubtless one of the reasons prompting NTT Communi-

cations Corporation (NTT Com), a 100% subsidiary of the world's second largest communications company NTT, to enter Integralis as its strategic majority shareholder. This strategic partnership provides both companies with clear benefits. The combination of the innovative and flexible structures of a mid-size company with a renowed global player points to great potential in the medium and long term.

I am already able to say that the partnership with our new majority shareholder NTT Com is very fruitful, promising and founded on a spirit of mutual trust at all levels of the Group.

In terms of earnings, 2009 was clearly a year of transition for us. Given the difficult economic conditions, we are justifiably satisfied with our revenues, although earnings came under pressure from expense arising in connection with the takeover bid and other exceptional items. However, in the new year we are in a substantially better position and also have more favourable cost structures. The measures implemented in the previous year to enhance the quality of our business processes and to harmonize best practices resulted in leaner regional responsibilities within the Group.

Thus, far from being foreign words for us, Japanese terms such as "kaizen" (steady improvements to all business processes at all functional and hierarchical levels) and "tenei" (focusing on details, for example, to improve quality standards and customer satisfaction) form a crucial part of the intercultural corporate environment in which we have been operating for quite some time now.

Jun Sawada, Senior Vice President NTT Communications and Georg Magg, CEO Integralis

The change in our ownership structure was also accompanied by new appointments to the Supervisory Board towards the end of the year. I would like to take this opportunity to thank the previous members of the Supervisory Board for their many years of successful support. I am sure that together with the new Supervisory Board we are laying the foundations for continued success for Integralis.

We, the members of Management Board, wish to thank our shareholders, business partners and all our employees.

Georg Magg

Chief Executive Officer

REPORT OF THE SUPERVISORY BOARD 2009

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 five meetings as well as numerous telephone conferences. No committees were formed.

All material investment decisions as well as decisions of fundamental and strategic 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 devoted its attention to Integralis' compliance program. At this point I refer to the detailed remuneration report in the group management report on pages 29-30. Furthermore the Management Board compensation system including the main contract elements was regularly reviewed. Discussion of half-

year and quarterly financial reports with the Management Board prior to publication was also subject-matter of the meetings. The details of any departures in business performance from targets and plans were submit-ted to the Supervisory Board and examined on the basis of the documents provided. The analysis and discussion of comprehensive questions regarding the takeover of-fer of NTT Communication Corporation (NTT Com) was also subject of Supervisory Board meetings.

After the resignation of the previous Supervisory Board members Magnus Wahlbäck, Arnd Wolpers and Dr. Gert Würtenberger effective 11 December 2009 the responsible register court approved an application of the new majority shareholder NTT Com requesting three new members of the Supervisory Board. Both of my Supervisory Board colleagues Makoto Takei and Kazu Yozawa satisfy the conditions for appointment as independent financial experts due to their expertise in financial accounting and annual audit.

There was a seamless transition in the Integralis supervisory body as good documentation and communication was very helpful for the new Supervisory Board starting its official functions.

The annual financial statements for 2009, 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 14 April 2010, the Supervisory Board discussed at length the auditor's report of the annual financial statements and the management report as well as the consolidated annual financial statements and the group management report for the year ended 31 December 2009 together with the auditor and the Management Board. The auditor reported on the material results of the audit at the meeting of the Supervisory Board on 14 April, 2010. The Supervisory Board consented to the results of the audit. The review 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 2009, the management report, the consolidated annual financial statements for 2009 and the Group management report. No objections arose. Accordingly, the Supervisory Board duty adopted the consolidated annual financial statements for 2009 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 heave performed.

Luc Loos

Chairman of the Supervisory Board

INTEGRALIS STOCK

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

INTEGRALIS STOCK – BUOYED BY SOLID RESULTS AND THE TAKEOVER BID LODGED BY NTT COMMUNICATIONS

2009 was overshadowed by the effects of and fallout from the global financial crisis. Many companies felt the full blast of the crisis in the first half of the year in particular. A sharp decline in order receipts and sales necessitated adjustments, resulting in higher unemployment and a greater volume of reduced working hours. A large number of sectors were hit by a veritable wave of insolvencies, which did not spare even well known companies with long traditions.

After a brief sellout in early March, all risks – right up to the demise of the world – were priced into the financial markets, reflecting the unprecedented degree of negative sentiment on the part of traders.

Yet, once again, the capital markets were quick to anticipate the end to the downswing in the real economy. The much maligned banks in particular were now suddenly paving the way for and at the vanguard of a sharp upward trend, which many fund managers missed out on. While most economists were vying with each other to produce the bleakest forecast in the first half of the year, the stock markets were already looking forward to an upswing. However, many investors were suspicious of the upside moves in the market as they did not consider them to be underpinned by fundamentals.

It was only in the third quarter that numerous economists revised their overly pessimistic assumptions when more and more market indicators started signalling an end to the global recession.

Integralis stock hit a low for the year at the end of February. After a period of base formation which ended at the end of March when the capital markets bottomed out, it started to rebound steadily and dynamically. The presentation of the Company's figures for 2008 generated new confidence on the part of investors as Integralis was able to clearly beat the previous year's figures despite the emergence of the crisis in 2008. The announcement of a takeover bid by NTT Communications Corporation (NTT Com) at the end of June triggered a further significant boost in the stock towards the takeover price of € 6.75, propelling it to its highest level in more than seven years. Speculative buying after the end of the acceptance period for the takeover bid caused the stock to reach a new high for the year of well over € 7.

In this way, Integralis stock more than doubled in price in the course of the year, thus clearly outperforming the DAX, which advanced by almost 24 percent. Whereas the benchmark TecDax and the technology index Tec All Shares performed a good deal better than the DAX, they still fell well short of the performance achieved by Integralis stock.

Main figures	2009	2008
End-of-year price	7.15 €	3.21 €
High for the year	7.45 €	6.00 €
Low for the year	2.14 €	2.44 €
Performance of Integralis stock	222.7 %	-44.2 %
Performance of Tec All Shares	58.0 %	-49.7 %
Performance of Tec Dax	53.1 %	-48.3 %
Performance of Dax	23.8%	-40.4%
Number of shares at the end of the year	11,585,137	11,585,137
Market capitalization at the end of the year	82.8 M€	37.2 M€
Earnings per share	**-0.81 €**	**0.86 €**

INSIDE INTEGRALIS

INTEGRALIS HIGHLIGHTS IN 2009 – COMPANY NEWS AND ACTIVITIES

3 March
Partnership between TELEHOUSE America and Integralis announced

9 March
NHS Blood and Transplant protects confidential data using Integralis' modern endpoint security solution

10 March
Integralis reports record earnings and profitable growth despite the economic crisis – swifter growth in Managed Security Services

1 April
Integralis confirms preliminary figures with the release of its consolidated financial statements for 2008 – best figures ever in the Company's history

29 April
Integralis presents itself to analysts and investors at the SCC_Small Cap Conference in Frankfurt

13 May
Integralis breaks even in the first quarter on increased revenues

14 May
New Supervisory Board elected at Integralis' annual general meeting – overwhelming majority in favour of the Company's strategy

30 June
NTT Communications announces friendly cash takeover bid for Integralis AG

9 July
Integralis and CAPS forge an alliance for integrated enterprise risk management for co-location und business continuity

13 July
NTT Com receives additional irrevocable undertakings for the acceptance of the public takeover bid for Integralis AG

30 July
NTT Com publishes the offer documents for the acquisition of Integralis - commencement of offering period

10 August
The Management Board and the Supervisory Board issue a joint statement on the voluntary public takeover bid submitted by NTT Communications Deutschland GmbH

11 August
The Management Board and the Supervisory Board advise the Integralis shareholders to accept the offer

13 August
Integralis reports a further increase in revenues despite difficult market conditions

3 September
NTT Com's takeover offer for Integralis meets with broad shareholder acceptance

10 September
NTT Com reduces the minimum acceptance threshold for the Integralis offer – acceptance period extended

16 September
The Management Board and the Supervisory Board of Integralis AG publish a joint supplementary statement on the modified voluntary takeover bid submitted by NTT Communications GmbH

17 September
The Management Board and Supervisory Board correct the supplementary statement of 16 September – acceptance of the takeover bid still recommended

30 September
Successful completion of the takeover bid:
NTT Com secures around 78 percent of Integralis stock

19 October
NTT Com holds around 78 percent of Integralis stock

10 November
Integralis reports a solid increase in revenues as of the end of the third quarter – earnings dragged down by takeover costs and impairments – new record reached in total contract volume

15 December
The new Supervisory Board at Integralis AG reflects the changed ownership structure – previous members of the Supervisory Board step down

WHEN YOU THINK INFORMATION SECURITY – THINK INTEGRALIS

Integralis Security World 2009 – where the IT world met

Organised for the first time in the previous year, Integralis Security World again took place on 23 - 24 June and in fact surpassed the successful 2008 event. At the vendor and partner forum held at the Mövenpick Airport Hotel in Stuttgart, around 40 of the leading IT security solution providers presented their products and services to over 550 guests from Germany, Austria and Switzerland.

As Johann Miller, managing director of Integralis Central Europe succinctly said, "We were again able to assemble the "who's who" of the IT security sector under our patronage in 2009.

Participant feedback was consistently favourable:

Oliver Trafela, leading IT security administrator, BITMARCK

"Integralis Security World struck a chord in the IT world in these difficult times. With the presentations, the exhibitor area and the Solution Campus, it highlighted possible product solutions. No customer wishes were left unanswered. Integralis was an outstanding host and with the second ISW demonstrated once more its function as a link between the vendor and the customer. The entire two days were very informative and there was plenty of time for networking. A truly impressive event."

Joachim Bode, IT security officer at EADS Astrium Space Transportation

"Two days which were really worth it – and not just because of the Security Night! The presentation and talks were all of a high quality!"

Jan Reitler, PGP

"As in the previous year, the contacts and conversations were all of a very high quality."

Mark Ratcliff, Periphery Security, EDS, an HP Company

"It really is a great event, everything planned perfectly (…). Great location – everything, food, rooms, presentations etc. were once again unsurpassed. I also thought the Solution Campus was a great addition to the event – very useful..."

Andreas Gerth, Technical Lead Platforms at Sunrise Communications AG

"ISW was an ideal combination of an IT security exhibition and a hands-on demonstration of how many IT security solutions work together at the Solution Campus thanks to innovative products and solutions, fantastic presentations and networking. All the information required was available from a single source."

The Integralis Solution Campus was unveiled to the public for the first time. This was a virtual company in which more than 100 security applications were demonstrated under realistic conditions, including live testing.

Integralis announcing customer project and partner awards for the first time

The Integralis Security Award was announced for the first time in recognition of outstanding projects and services on the part of our customers and partners. The award reflects Integralis' status in the IT security market as a highly skilled solutions provider. With the award, Integralis is seeking to express its particular gratitude and to generate a high degree of attention and appreciation for the award winners.

Amongst this year's award winners were Unique (Zurich Airport) from the transport & logistics segment, Energie AG Oberösterreich (utilities, banks and insurance), Karlsruhe Institute of Technology (KIT) at the University of Karlsruhe (public sector), REHAU (manufacturing), FoxMobile (services) and LGT (banks and insurance).

Out of its 40 portfolio partners, Integralis selected five for their outstanding services. CheckPoint received an award for best performance, F5 for best growth, Tufin for best newcomer, Juniper for best product quality and Bluecoat for best service quality.

Integralis Security World will be taking place again this year on 22 - 23 June 2010 at Mövenpick Airport Hotel in Stuttgart.

Integralis' road shows and webcasts in Germany, Austria and Switzerland

Integralis again organised the popular IT security road shows across 11 cities in the German-speaking region. This year, the focus was on endpoint security, "effectiviciency" (the combination of effectiveness and efficiency), security in virtualised IT environments and Windows 7. During the full-day events, Integralis specialists worked together with external experts to demonstrate the best processes and describe current strategies and solutions. For the first time, visitors to the road show were able to experience and intensively test the security solutions presented in live operations. These demonstrations in a virtual company, which had been presented as the "Integralis Solution Campus" at the ISW, met with an enthusiastic response. The road shows were accompanied by key strategic vendors as partners. Almost 700 visitors attended the roadshows, with the new customer rate reaching the previous year's high level.

In addition to the road shows, Integralis also offered webcasts for the first time last year. Produced in conjunction with publisher IDG-Verlag, six webcasts called "Special Knowledge for Security Professionals" were broadcast on selected security subjects. The webcasts attracted a high viewer rate of an average of almost 300 security professionals.

Integralis at Infosecurity Europe 2009 in the UK

Once against, Integralis was an exhibitor at the largest European IT security fair, Infosecurity Europe on 28-30 April in London. This year's motto was "protect your most valuable asset – information".

In addition to information protection, the presentation also focused on risk and compliance solutions.

US activities

Turning Disaster Recovery into Business Continuity in Boston

Turning Disaster Recovery into Business Continuity in Boston struck a chord with the local IT community. Several dozen IT executives from major financial, education and pharmaceutical companies attended an executive round table discussion to learn the ins and outs of proper business continuity planning.

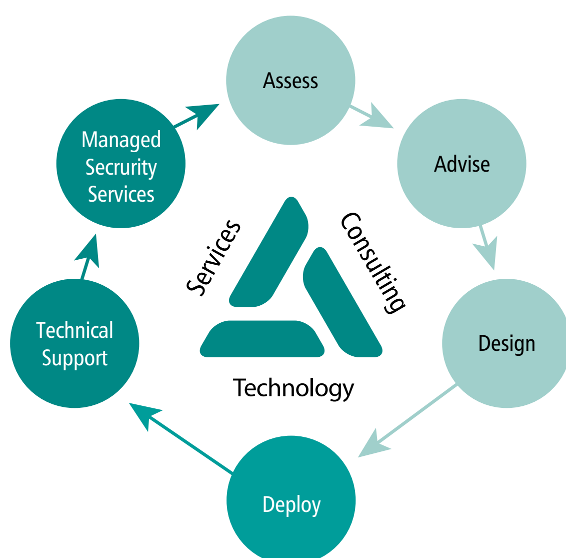
Smooth Sailing in a Web 2.0 World in San Francisco

Integralis gathered with a small, elite group of IT executives within the San Francisco area in mid July. At a local restaurant, an Integralis expert delivered a brief discussion on managing Web 2.0 risk. Following this discussion over lunch, the participants adjourned to sail boats for an excursion around the bay.

IT Security Forum in South California

It's a race to secure the enterprise and Integralis is the only partner who can help you finish first! This was the motto for the two-day IT security forum held in Los Angeles/Irvine. Over 100 IT executives came out to meet Integralis and some of its partners – Blue Coat, Citrix, Q1Labs, and Webroot. Participants milled about the display floor, challenged vendors to races out on the track and enjoyed food and beverage.

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.

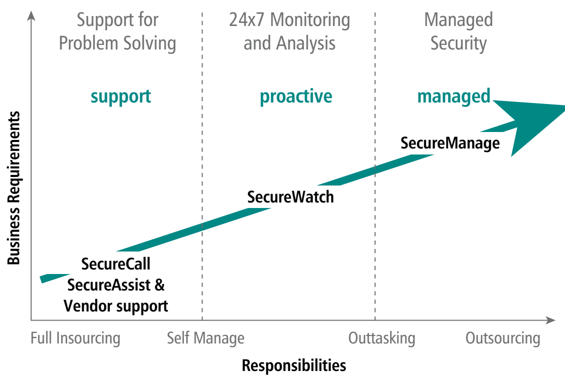
New focus on governance, risk and compliance (GRC)

In connection with advice on all matters concerning governance, risk management and compliance (GRC), the deployment of appropriate software tools is also steadily growing in importance. These instruments are used for gap and risk analysis as well as for business continuity management. They supply metrics and benchmarks and help to ensure compliance with legal and regulatory requirements, e.g. in the payment card industry (PCI). PCI audits in particular are currently highly sought after given the several incidents of security breaches involving credit cards and other types of data loss (including by banks). Thus, the leading credit card organisations MasterCard and VISA have implemented the PCI DSS programme to protect the security of credit card data. Integralis offers extensive compliance checks in this area and was recently authorised by the PCI Standards Council for this purpose. Compliance audits frequently also trigger further follow-up projects.

Integralis areas of expertise

Infrastructure Security	Secure Application Delivery	Secure Content Management	Security Operations	Identity & Access Managsement
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

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, up to 1.4 billion log entries are analysed – more than twice the volume as in previous year without the need for this data to be transferred across the network, thus clogging up to customer`s 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 50 highly trained specialists offer support in three languages (German, English, French) at facilities in Germany, the United Kingdom, the United States and Singapore. In addition, local SOCs in France and – via the NTT Communications Group – soon also Tokyo are in operation. Integralis services are being utilised by customers in over 50 countries.

GROUP MANAGEMENT REPORT

With the exception of the second quarter, revenues grew steadily year-on year. Revenue growth for the year as a whole came to just under 3 percent. This growth was also achieved at the Group level in the fourth quarter of the year, which in fact exceeded the previous record achieved in the previous year.

INTEGRALIS AG GROUP MANAGEMENT REPORT FOR 2009

1. General disclosures

The Integralis Group is an internationally active provider of IT security solutions and services. As of the balance sheet date, it had over 525 employees and 20 branches in six European countries, the United States, the United Arab Emirates and Singapore.
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 is the parent company. Its shares are listed in Deutsche Börse AG's Prime Standard segment in Frankfurt and it holds all of the capital of the companies within the Integralis Group either directly or indirectly.

2. Business performance, underlying conditions and competition

General business performance
General trends in the IT security market as well underlying economic conditions materially influence the success of the Integralis group.
The market in which Integralis operates is heterogeneous and comprises three main groups:

- 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 asserting itself very successfully in this 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 as far as the Company is aware 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, according to the Company's own surveys, 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).
Towards the end of 2008, the Company's Management Board and Supervisory Board received specific expressions of interest concerning the acquisition of a material stake in or an outright takeover of Integralis AG. In order to assess the viability of these inquiries as well alternatives in the best interests of the Company, its employees, its customers and its shareholders, the Management Board and the Supervisory Board decided to retain the services of an investment bank to organise the bidding process. This process culminated in the acquisition of a 75.2% share in the Company by the NTT Communications Group (NTT Com). NTT Com's entry into Integralis AG in October 2009 as the new principal shareholder was of crucial importance for the Integralis Group's performance in 2009 and will continue to be so in the future.

General economic conditions
In Europe, real gross domestic product (GDP) contracted by 3.9 percent in 2009. Down 2.5 percent, US GDP did not shrink quite as severely, while the contraction in Japan of 5.3 percent was even more dramatic. With a decline of 5.0 percent in real GDP, the German economy slumped more severely than at any time since the Second World War in 2009, contracting for the first time in six years. As a result, the recession was five times worse than the previously most severe decline in 1975 in the wake of the oil crisis. Many companies were unable to escape the wave of insolvencies, which did not even spare well-known companies with traditions reaching back many decades. This triggered an increase in unemployment and particularly also substantial growth in reduced working hours.
The slump was primarily due to the state of the economy in the first half of 2009. As a result of the global financial crisis, exports and capital spending dropped sharply. By contrast, consumer spending held up reasonably well as inflation remained benign and the car scrapping scheme in many countries provided a strong boost for new car sales. As of the summer, conditions eased, with signs of an end to the recession emerging in the third quarter. Strong capital spending underpinned by

the government economic stimulus schemes and rebounding exports caused real GDP to expand by 0.7 percent. Even so, the moderate recovery towards the end of the year was nowhere near sufficient to offset the effects of the decline over the year as a whole.

Trends in the IT market

According to Gartner forecasts, global spending on IT and services contracted by over 5 percent, dropping by more than 10 percent in Western Europe. Whereas the US recorded a decline of 2.6 percent, Japan in fact reported year-on-year growth of 1.8 percent.

By contrast, the IT security segment performed substantially better than the economy as a whole and the IT sector. According to a Gartner study, spending on security software in Europe increased by seven percent to EUR 3.2 billion in 2009. Judging by a Forrester survey, global spending on IT security was virtually unchanged last year. On the other hand, managed security services expanded globally by a further 8 percent despite the crisis, underpinned by heightened corporate compliance requirements.

Research institute IDC estimates that the volume of the German IT services market shrank by 3 percent last year to around EUR 27 billion. The market was impeded by delays in new projects and contracts particularly in the training and education, IT consulting and hardware deployment and support segments. Decision-making processes also slowed down, with priority increasingly given to achieving short-term savings. In many cases, large projects were split into several subprojects. IDC is registering rising interest in price models which are not tied to consumption volumes, offerings such as cloud services including "software as a service" (Saas) and offshoring, which large, internationally active enterprises in particular are considering. Despite the economic crisis, there is still a sustained shortage of qualified IT specialists.

2009 was another black year for data privacy according to security expert Sophos in its review of the year. There was no letup in the chain of serious incidents of unauthorised data use. Even large internationally active companies evidently do not have the appropriate handling of sensitive and confidential customer data properly under control. To make matters worse, many instances of compromised security arise because it is possible to copy the entire content of database onto mobile data media or forward it by e-mail. This opens up the doors to the illicit use of and illegal trafficking in customer data. IT security expert Websense observed a 233 percent increase in websites with malware in the first half of 2009 alone. Spammers are increasingly attacking Web 2.0 sites via the comments function. In individual cases, 95 percent of the comments in blogs, chat rooms and on message boards are made up of spam or malware.

In a recent analysis conducted by security expert Trend Micro, 100 million computers infected with malware were examined. In half of all cases they were found to have been infected over a period of more than 300 days.

The Integralis Consulting experts assume that the most important security trends in 2010 will include virtualisation and consolidation, data loss prevention, GRC (governance, risk and compliance) tools, security under Windows 7 and security for SaaS or "in the cloud services". Websense expects to see an increase in the use of e-mail as a vehicle for cyber-criminals to transport threats, thus reversing the downward trend which had continued for quite some time. The FIFA World Cup will presumably also trigger a deluge of Trojans, forged ticket shops, spam and hacked online stores.

Attacks on the increasingly popular social networks such as Facebook, Twitter and LinkedIn are all but assured, as Finnish security expert F-Secure writes in a recent forecast. However, F-Secure is also identifying iPhones via the app store as an increasingly popular target for attacks. Antivirus specialist Kaspersky Lab assumes that malware will feature even more sophisticated programming, forcing IT security companies to develop increasingly complex protective mechanisms to address this threat. In addition to heightened attacks on iPhones, Kasperksy also considers the Android operating system used in mobile telephones and smart phones to be at risk. Security gaps in common programs from Adobe and Apple as well as Windows 7 are seen as being the main cause of malware attacks in 2010.

3. Results of operations

The figures at a glance:*

In M€	2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	2009
Revenues	168.9	42.0	40.3	42.0	49.4	173.7
Gross profit	56.7	14.2	13.9	13.8	15.8	57.7
Gross margin (%)	33.5	33.9	34.4	32.9	32.0	33.2
Personnel expenses	37.1	9.6	9.7	10.2	11.1	40.5
Personnel expenses (%)	22.0	22.8	24.0	24.4	22.4	23.3
Other operating expenses and income	11.7	4.4	3.6	6.7	4.4	19.1
Other operating expenses and income (%)	6.9	10.6	8.9	15.9	8.9	11.0
EBITDA	7.8	0.2	0.6	-3.1	0.3	-1.9
EBITDA margin (%)	4.6	0.6	1.6	-7.3	0.6	-1.1
EBIT	6.0	-0.3	0.1	-3.6	-2.5	-6.3
EBIT margin (%)	3.5	-0.8	0.2	-8.6	-4.9	-3.6
Net profit/loss after tax	9.3	0.0	-0.4	-6.7	-1.9	-9.0
Net profit/loss after tax (%)	5.5	0.0	-1.0	-16.0	-3.9	-5.2
Earnings/loss per share IFRS (basic)	0.86 €					-0.81 €

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

3.1 Revenues by region

With the exception of the second quarter, revenues grew steadily year-on year. Revenue growth for the year as a whole came to just under 3 percent. This growth was also achieved at the Group level in the fourth quarter of the year, which in fact exceeded the previous record achieved in the previous year.

Revenues in M€	2009	2008	Change %
United Kingdom	66.7	68.1	-2.0
Germany/ Austria/Switzerland	45.9	43.4	5.8
USA	34.7	28.0	23.8
France	13.2	12.0	9.6
Sweden	7.3	11.1	-34.2
United Arab Emirates	5.9	6.2	-4.7
Total	**173.7**	**168.9**	**2.9**

In accordance with IFRS 8 "Operating Segments", which has been applied since the beginning of 2009, the segment earnings have been reported on the basis of EBITDA and not EBIT since the interim financial report for the first quarter of 2009 – in contrast to the practice applied in earlier periods – due to the fact that this is the central management parameter used within the Group (see also "Significant Accounting Methods" in the notes to the consolidated financial statements). In addition, "Integralis Global Services" (IGS) is reported as a separate segment in line with internal management accounting. IGS is the internal Group supplier of all managed security services and internal support. Integralis Global Services is responsible for all Security Operation Centres (SOCs) and the Global Support Centre as well as the development of our MSS services. The regional segments source their MSS and support services from IGS and resell them to their final customers. Accordingly, IGS does not generate any external revenues from final customers. Its performance therefore hinges materially on the success with which the regional segments sell MSS and support services. The regional segments are granted very high internal discounts on the internal purchase of these sources in the interests of generating a strong incentive for establishing high-margin business with Managed Security and Support Services. This results in start-up losses in the IGS segment. However, at the cross-segment Group level, the services provided by IGS are highly profitable. For this reason, an analysis of the IGS segment earnings has been dispensed with.

EBITDA in M€	2009	2008	Change %
United Kingdom	1.9	2.7	-28.1
Germany/ Austria/Switzerland	2.9	3.7	-22.4
USA	0.1	0.7	-92.9
France	-0.5	-0.5	-15.5
Sweden	-0.8	-0.2	-424.4
United Arab Emirates	0.6	0.9	-35.0
Integralis Global Services	-0.1	-0.1	5.7
Headquarters & shared services	-5.6	0.9	-754.4
Eliminations	-0.3	-0.3	-2.5
Total	**-1.9**	**7.8**	**-124.7**

As in previous years, the United Kingdom contributed the lion's share to consolidated revenues. However, the sustained weakness of pound sterling against the euro and the still high proportion of technology sales caused total revenues to drop slightly to € 66.7 million (previous year € 68.1 million). Before currency translation, revenues would have been up by just under 9 percent. The effects on earnings were even more pronounced, with EBITDA dropping to € 1.9 million (previous year € 2.7 million).

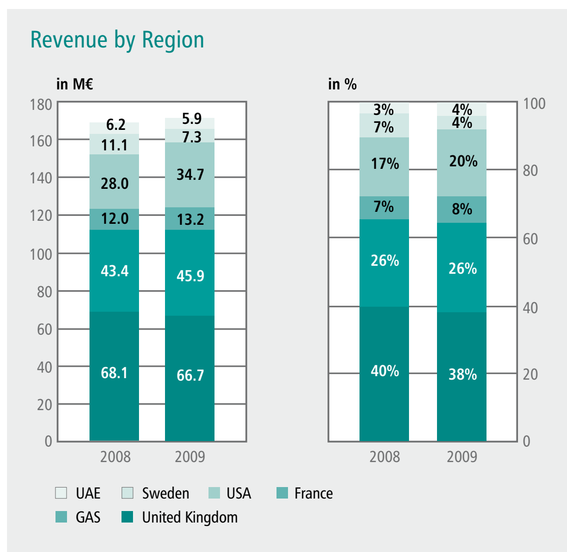
Revenues in Germany/Austria/Switzerland (GAS) continued to rise, increasing by a respectable 5.8 percent to € 45.9 million (previous year € 43.4 million). At € 2.9 million (previous year € 3.7 million), the contribution made by the GAS region to earnings was also significant, accounting as it did for some 75 percent of the total earnings across all of Integralis's operating units. The absolute decline over the previous year is due to currency translation losses of € 0.4 million caused by the end-of-year translation of foreign-currency items and higher personnel expenses of € 0.5 million.

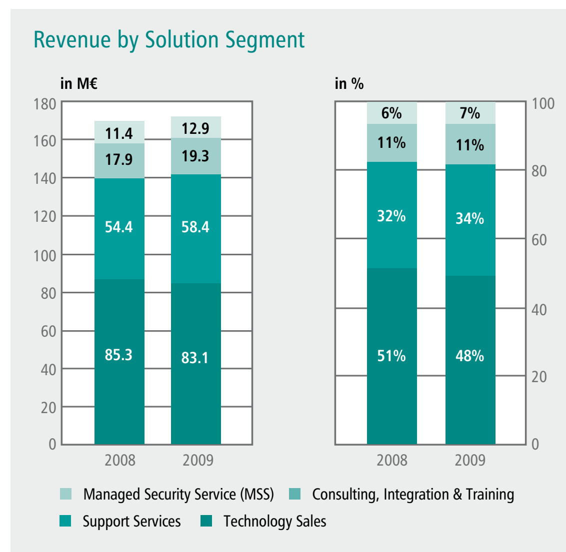
The greatest revenue growth was generated in the United States, which achieved gains of almost 24 percent in 2009 despite the crisis. Even so, the heavy start-up costs of € 1.0

million for the American network operation centre (NOC) resulted in only a marginal contribution to EBITDA of € 0.1 million (previous year € 0.7 million). This year, these costs should no longer arise thanks to the integration of the NOC in the existing MSS service structure at the beginning of 2010, meaning that earnings should be substantially better.
In France, the decline in revenues was halted with an increase to € 13.2 million (previous year € 12.0 million) slightly higher than in the previous year. Looking forward, this business will be coor-dinated from the GAS region so that it can benefit from the Group's best practices.
In Sweden, top and bottom line performance was disappointing. With a decline of more than one third in sales to € 7.3 million (previous year € 11.1 million) accompanied by a loss at the EBITDA level of € 0.8 million (previous year loss of € 0.2 million), this region is currently the laggard within the Integralis Group. Here as well, management has implemented structural measures to streamline regional responsibilities and taken steps for sales activities to be coordinated from the United Kingdom to a greater extent.
In the United Arab Emirates, Integralis Middle East (formerly ProtechT) did not quite reach the previous year's high level of € 6.2 million, recording revenues for the year of € 5.9 million. The dynamic business performance hitherto achieved faltered in the final quarter of the year in particular. Despite the decline in EBITDA to € 0.6 million (previous year € 0.9 million), the UAE achieved the highest EBITDA margin in the Group and, even though it made the smallest contribution to revenues, accounted for the third largest share in earnings after the two core regions (GAS and the UK).

3.2 Revenues by solution segment

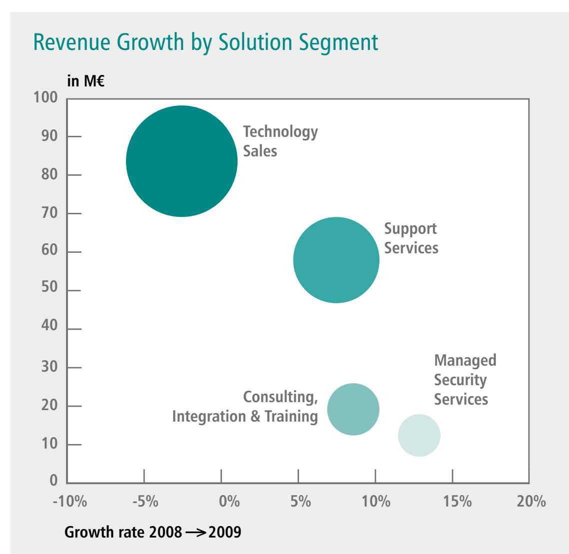
With the exception of the particularly cyclical Technology Sales segment, all Integralis segments generated steady growth. With revenues up by more than 12.9 percent, Managed Security Services achieved the greatest top-line growth again, even though the rate of growth levelled off somewhat in the final quarter. The sharp increase of 8.5 percent in Consulting, Integration and Training is primarily due to the dynamic performance of Integration business. Revenues from Support Services also expanded, underpinned by an encouraging increase in new business.
The proportion of recurring revenues widened again over the previous year, thus confirming the trend which has emerged over the past few years. The growth in Support Services and



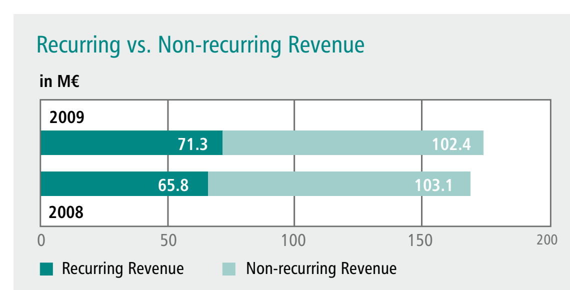


Revenue by Solution Segment	2009		2008		Change
	M€	%	M€	%	%
Technology Sales	83.1	47.8	85.3	50.5	-2.6
Support Services	58.4	33.6	54.4	32.2	7.5
Consulting, Integration and Training	19.3	11.2	17.8	10.6	8.5
Managed Security Services (MSS)	12.9	7.4	11.4	6.7	12.9
Total	**173.7**	**100.0**	**168.9**	**100.0**	**2.9**

Recurring vs. Non-recurring Revenue	2009		2008		Change
	M€	%	M€	%	%
Recurring revenues	71.3	41.0	65.8	38.9	8.4
Non-recurring revenues	102.4	59.0	103.1	61.1	-0.7
Total	**173.7**	**100.0**	**168.9**	**100.0**	**2.9**



Managed Security Services is improving the calculability of income flows, resulting in a more advantageous revenue mix thanks to the greater proportion of higher-margin business. The slight decline in non-recurring revenues is due to the performance of the Technology Sales segment, whose share in consolidated revenues dipped below 50 percent for the first time.

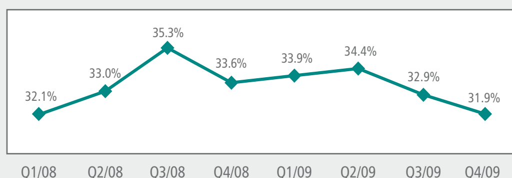


3.3 Gross profit and margins

At € 57.7 million, Integralis' gross profit exceeded the previous year's figure of € 56.7 million. The gross margin of 33.2 percent was down marginally on the previous year (33.5 percent), however. After stabilising up until the middle of the year, gross margins contracted slightly in the second half due to mounting price pressure on major projects in the United States and England.

Development of Gross Margin

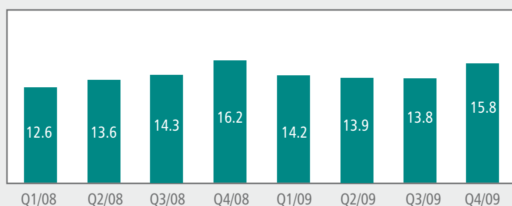
in %



Q1/08 Q2/08 Q3/08 Q4/08 Q1/09 Q2/09 Q3/09 Q4/09

Development of Gross Profit

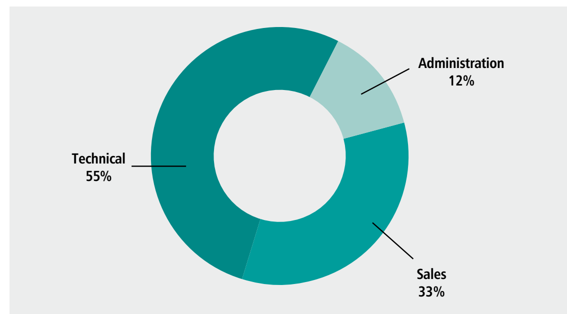
in M€



Q1/08 Q2/08 Q3/08 Q4/08 Q1/09 Q2/09 Q3/09 Q4/09

3.4 Staff costs, other operating expenses and income

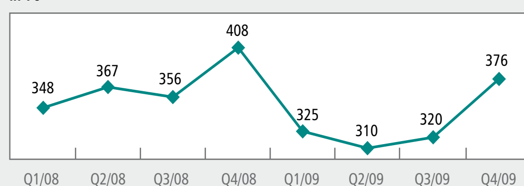
The mean headcount rose again over the previous year, with Integralis employing an annual average of 525 people around the world (previous year 471). At 525, the end-of-year headcount was also well up on the previous year (511). The increase in employee numbers resulted in substantially higher personnel expenses of € 40.5 million in the year under review (previous year € 37.1 million). The further absolute rise in personnel expenses in the second half of the year is related to the payment of a special bonus of € 0.6 million to management in connection with the completion of the sales process. The ratio of personnel expenses to revenues reached a low for the year in percentage terms in the fourth quarter. For the year as a whole, however, it increased to 23.3 percent (previous year 22.0 percent).



Despite the increase in headcount, there were shifts within the individual functions. With almost 50 new recruits, the greatest growth in headcount was in the technology area. Integralis thus sought to strengthen its core skills by investing in highly qualified IT security specialists. Headcount in the sales area increased at a disproportionately high rate relative to the total number of employees in the Group. On the other hand, the number of employees in the administrative segment was reduced in both absolute terms and relative to the total number thanks to the implementation of leaner structures. Here, the percentage contracted from 16 percent in the previous year to 12 percent in 2009. Personnel-related indicators deteriorated substantially in some cases due to the high advance outlays

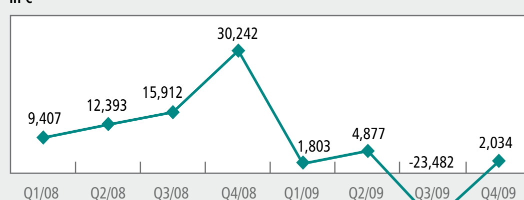
Revenue (annualised) per Employee

in T€



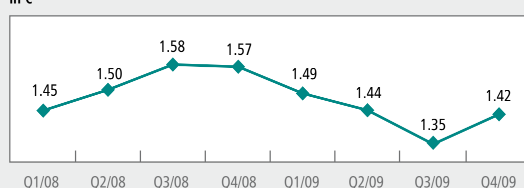
EDITDA (annualised) per Employee

in €



Gross Profit/Personnel Expenses

in €



caused by additional recruiting. These indicators hit a low at the end of the third quarter.
The decline in EBITDA per employee is largely also due to the substantial rise in other operating expenses to € 19.9 million (previous year € 12.6 million). A large part of these expenses were exceptional in nature. Thus, external consulting costs rose by € 1.2 million over the previous year in connection with the takeover bid. The Management Board's strategic decision to discontinue the activities with China Managed Services Inc. (CMS) due to the failure to reach the agreed targets resulted in an additional once-only loss of € 2.1 million. In addition, a sum of € 1.0 million arose from the aforementioned takeover of the CENTRIS activities (start-up costs for the network operation centre); net loss from foreign-currency translation also came to € 1.0 million, reversing the previous year's net gain of € 1.8 million. With the implementation of a Group-wide cash pool system at the end of 2009 and the optimisation of the intercompany netting processes planned for the first quarter of 2010, currency-translation differences should improve considerably in 2010 as Integralis AG will be operating centralised foreign currency management.
Adjusted for the aforementioned exceptionals, EBITDA would have come to € 4.0 million (previous year € 7.8 million) instead of the loss of € 1.9 million.

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

Depreciation/amortisation rose to € 2.6 million in 2009 (previous year € 1.8 million). Of this, a sum of around € 0.3 million was due to adjustments to the customer list acquired from CENTRIS in 2008. In addition, impairment losses of € 1.8 million were recognised on the goodwill in Sweden as a result of impairment testing in accordance with IAS 36. This resulted in a loss of € 6.3 million at the EBIT level, compared with the profit of € 6.0 million which had been recorded at this level in the previous year.
Net interest expense came to € 0.1 million, reversing the previous year's net interest income of just under € 0.1 million. Consequently, the Company sustained a net loss before tax of € 6.7 million (previous year earnings before tax of € 6.1 million).
In the previous year, deferred income tax assets of € 6.3 million had been recognised on unused tax losses as it had been assumed at that time that they would be available for utilisation. With the entry of NTT Com as Integralis' strategic partner and the acquisition of more than 50 percent of its capital, all existing unused tax losses are forfeited under German law applicable after the date of acquisition. This meant that the deferred income tax assets of € 3.1 million in Germany can now no longer be recognised. On the other hand, deferred income tax assets of € 2.0 million have been set aside for the unused tax losses in the United States as these losses are still available for utilisation and such utilisation is considered to be likely. Total income tax expense stands at € 2.6 million.

Consequently, the Company sustained a net loss after tax of € 9.0 million (net profit after tax of € 9.3 million in the previous year). This translates into a loss per share of € 0.81 (earnings per shares of € 0.86 in the previous year). The non-recurring exceptionals of € 11.1 million included in the net loss break down as follows:

Exceptionals in 2009

€ 0.6 million	Management bonus for the completion of the sales process
€ 1.0 million	Discontinuation of US network operations centre
€ 1.2 million	Legal and advisory expense in connection with the sales process
€ 2.1 million	Writeoff of loan, interest and acquisition costs for CMS
€ 1.0 million	Net foreign-currency translation losses
€ 1.8 million	Impairment on goodwill in Sweden
€ 0.3 million	Impairment on customer list of CENTRIS, United States
€ 3.1 million	Derecognition of deferred income tax assets on unused tax losses due to change of ownership in more than 50% of Integralis AG's capital
€ 11.1 million	

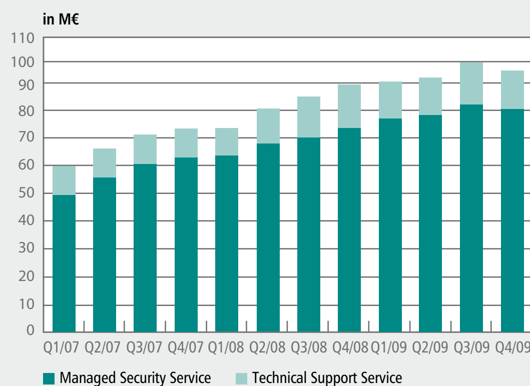
Earnings progression since 2005

	2005	2006	2007	2008	2009
EBITDA	-0.7	4.3	7.1	7.8	-1.9
EAT	-2.3	2.8	5.2	9.3	-9.0

4. Financial position, net assets and order situation

At € 23.0 million, order backlog was up again on the previous year (€ 21.7 million), growing substantially in the core regions, particularly GAS. Only the UAE recorded a significant decline following on from the major orders received in the previous year. The total contract volume, an indicator of future and recurring revenues, came to € 97.9 million at the end of the year, again well up on the previous year (€ 91.4 million). However, it fell slightly short of the record figure achieved in the third quarter. Whereas volumes in Technical Support Services were down somewhat, new highs were reached in MSS contracts at the end of the year. The total contract volume 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.

Developement of Total Contract Volume*



* For comparison purposes, total contract volume figures are calculated on the basis of the applicable end-of-year exchange rates

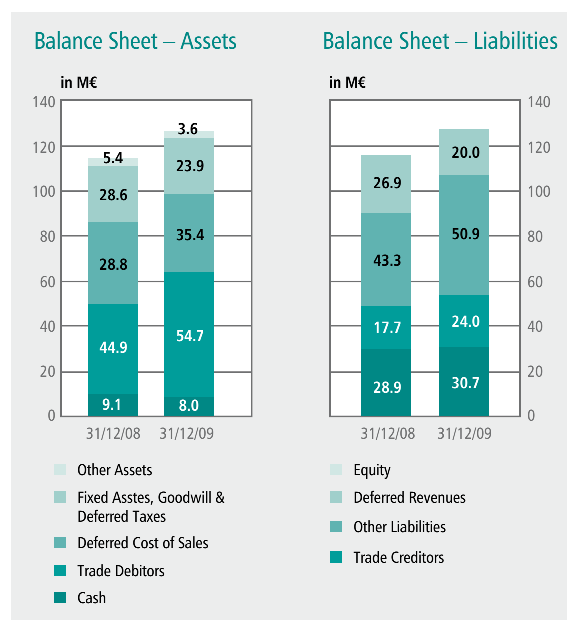
As in the previous years, total assets rose again steadily in 2009, coming to € 125.6 million as of December 31 (previous year € 116.8 million).

The asset side was characterised by an increase in current assets to € 101.6 million (previous year € 88.2 million) primarily due to the substantial increase in receivables and prepaid material expenses as a result of the typical seasonal pickup in business towards the end of the year.

Cash and cash equivalents were down on the previous year, declining by € 1.1 million to € 8.0 million. The Company recorded a net cash outflow of € 4.6 million from operating activities, contrasting with the previous year in which a net cash inflow of € 4.0 million had been generated from operating activities. In addition to the liquidity outflows for some of the non-recurring payments in 2009, the massive deterioration in payment practices on the part of customers in the United States and the United Arab Emirates left traces. Customers in both regions expect substantial advance outlays over protracted periods of time in the case of large projects. However, there were no substantial payment defaults, nor are these expected for the future. This made it all the more important to secure the funding for these projects via external credit facilities. As of the balance sheet date, facilities of just under € 5 million were being utilised.

The decline in non-current liabilities to € 23.9 million (previous year € 28.6 million) is related to the impairment of the goodwill attributable to the Swedish company as well as reduced deferred income tax assets following the acquisition of more than 50 percent of the Company's capital by NTT Com. In addition – as already mentioned – the carrying amount of the customer list for the MSS contracts acquired from Neohapsis Inc. in the United States was written down.
On the other side of the balance sheet, current liabilities increased slightly disproportionately to the increase in current assets to € 102.0 million (previous year € 86.3 million). The liabilities to affiliated companies include the current financial liabilities towards NTT Leasing Inc. United States of around € 4.3 million. In addition to Group funding, the Company was able to secure a further credit facility, of which an amount of € 0.6 million was utilised at the end of the year.
Whereas deferred revenues almost completely matched prepaid costs of materials, trade payables rose at a considerably lower rate than trade receivables. Non-current liabilities were valued at € 3.5 million (previous year 3.6 million). On balance, there was only a minor change on account of slightly lower liabilities under finance leases.
The equity ratio contracted to 15.9 percent (previous year 23.0 percent), thus reflecting the increase in total assets and the loss for the year.

As of 31 December 2009, the main items of the balance sheet compared with the corresponding figures for the previous year were as follows:



All told, the Company's economic position can be considered to be stable. At this stage, a repetition of the substantial exceptional expenses arising in 2009 is not expected. The new principal shareholder has expressed its commitment to a long-term partnership with Integralis and is already helping to secure its future growth by providing the necessary funding.

5. Research and development

The Integralis Group's research and development activities are driven by the Global Services segment, which develops new or enhanced offerings in consultation with the regions. Teams of developers based in the United States, England and Germany work closely together for this purpose. Development expense of € 0.5 million in this area was capitalised in 2009 as a whole in accordance with IAS 38 (previous year € 0.6 million).

6. Remuneration report

6.1 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. 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 2009, the members of the Management Board were not awarded any share options from the SOP 2007 programme. In accordance with Section 314 No. 6a 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 2009, the members of the Management Board received a once-only bonus linked to the acceptance of the takeover bid for the Company's shares, the amount of which was determined at the Supervisory Board's discretion. In addition, Georg Magg and Roger Friederich receive a monthly flat-rate car allowance to cover the use of private cars on company business. 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.
The service contracts for the Management Board and the underlying remuneration model are to be revised in 2010 to replace the share-based compensation component by a longer-term incentive model based on performance indicators.
In the year under review, total Management Board compensation came to T€ 1,187 (2008: T€ 697). The individualised breakdown is as follows:

Breakdown of compensation in accordance with Section 314 (6) of the German Commercial Code	Georg Magg T€		Roger Friedrich T€		Graham Jones* T€		Total T€	
	2009	2008	2009	2008	2009	2008	2009	2008
Fixed compensation	200	200	150	150	–	79	**350**	**429**
Variable compensation	443	41	333	31	–	45	**776**	**117**
Share-based compensation	–	43	–	43	–	–	**–**	**86**
Car allowance	11	11	11	11	–	–	**22**	**22**
Allowances for private pension savings	21	21	18	18	–	3	**39**	**42**
Total	**675**	**316**	**512**	**253**	**–**	**127**	**1,187**	**697**

Shares and subscription rights held by the Management Board

Management Board	Shares		Stock options	
	2009	2008	2009	2008
Georg Magg	–	50,000	25,000	50,000
Graham Jones*	–	–	–	–
Roger Friederich	–	20,200	25,000	56,000
Total	**–**	**70,200**	**50,000**	**106,000**

* 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	Av. price €	Number	Av. price €	Number	Av. price €
Options as of 1/1	50,000	4.75	56,000	4.54	25,000	4.19
Options granted	–	–	–	–	–	–
Options forfeited	–	–	–	–	25,000	4.19
Options exercised	25,000	4.19	31,000	3.92	–	–
Options expired	–	–	–	–	–	–
Options as of 31/12	**25,000**	**5.31**	**25,000**	**5.31**	**–**	**–**
Average price at strike		**6.75**		**6.39**		**–**

6.2 Remuneration of the Supervisory Board

The Supervisory Board of Integralis AG receives total fixed compensation of T€ 50 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-tied compensation component. Accordingly, they receive variable performance-tied annual compensation. This annual variable compensation equals T€ 15 for every T€ 1,000 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 T€ 150 per year.
In the year under review, total compensation came to T€ 88 (2008: T€ 73). The breakdown is as follows:

	2009 T€	2008 T€
Fixed compensation	50	50
Variable compensation	38	23
Total	**88**	**73**

7. 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.
As of 31 December 2009, NTT Communications Deutschland GmbH held 75.19% of the capital of Integralis AG. In this connection, it should be noted that the treasury stock held by Integralis AG is not voting-entitled.
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. The members of the Management Board 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, the Company's articles of incorporation stipulate 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 2009, 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 T€ 5,750 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 entities.

As of 31 December 2009, the entire volume of authorised capital 2008/I was still available for future use.

• 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 T€ 52. The shareholders have approved contingent capital of up to T€ 52 through the issue of up to 52,000 shares. 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 for the issue of stock options in 2006.

• Contingent capital 2007/I:

In accordance with a resolution passed at the annual general meeting on 10 May 2007, contingent capital 2007/I of T€ 945 was created. The shareholders have approved contingent capital of up to T€ 945 through the issue of up to 945,000 shares. 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 2009, 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 T€ 4,000 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 T€ 4,000 in accordance with the conditions for the convertible and/or warrant-linked bonds.
The share capital may be increased by up to T€ 4,000 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 2009, no convertible or option bonds had been issued for this contingent capital 2007/II.

• Authorisation to buy back the Company's own stock:

At the annual general meeting held on 14 May 2009, 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 stock on or before the expiry of a period of 18 months starting with the date on which such authorisation is granted. The authorisation may be utilised in full or in part, in the latter case also repeatedly, for one or several purposes. The Company may not utilise this authorisation to trade in its own shares. At no time may the treasury stock acquired exceed more than 10% of the Company's share capital together with other treasury stock held by the Company or attributable to it in accordance with Sections 71 a et seq. of the German Stock Corporation Act.
On 14 May 2009, the shareholders passed a resolution authorising the Management Board - with the Supervisory Board's approval - to sell the acquired treasury stock in a manner other than via the stock market or by means of an offer to all shareholders provided that the acquired treasury stock is sold at a price which is not materially less than the stock market price at which the stock of the same class is publicly traded on the date of such sale and the number of shares to be sold together with new shares issued on a cash basis during the term of this authorisation subject to the exclusion of the shareholders' pre-emp-

tive subscription rights in direct or corresponding application of Section 186 (3) Sentence 4 of the German Stock Corporation Act does not exceed a total of 10 percent of the Company's share capital. In the above case, the Management Board may with the Supervisory Board's approval exclude the shareholders' pre-emptive subscription rights. For the purposes of the above provision, the applicable stock market price is the unweighted arithmetic mean of the stock market prices of the Company's shares in the closing auction of Xetra trading (or, in lieu of the Xetra system, a separate successor system with comparable functions) on the Frankfurt stock exchange over the previous five trading days prior to the sale of the shares. This authorisation is limited to a maximum of 10 percent of the Company's share capital as of the date of the resolution or – if this value is lower – on the date on which this authorisation is exercised.
In addition, on 14 May 2009, the shareholders passed a resolution authorising the Management Board - with the Supervisory Board's approval - to utilise the acquired treasury stock subject to the exclusion of the shareholders' pre-emptive subscriptions rights for employee shares and to satisfy the obligations under the stock option programmes approved through the resolution of the shareholders of 26 May 2004 (stock option programme V) and through the resolution of the shareholders of 10 May 2007 (stock option programme 2007) or to utilise these shares to acquire parts or all of other entities and to satisfy the resultant purchase price obligations (as of the date of acquisition or as of another date specified in the purchase contract) as well as other payment obligations. If the acquired treasury stock is used to acquire all or part of other entities or to satisfy purchase price or other payment obligations under such acquisition, the price at which the shares are sold may not be more than 5 percent less than the stock market price of the Company's shares of the same class as of the date on which the binding agreement for the acquisition of all or part of the other entity or entities is entered into or as of the date on which the purchase price or other payment obligation falls due for settlement. For the purposes of the above provision, the applicable stock market price is the unweighted arithmetic mean of the stock market prices of the Company's shares in the closing auction of Xetra trading (or, in lieu of the Xetra system, a separate successor system with comparable functions) on the Frankfurt stock exchange over the previous five trading days prior to the acquisition of all or part of the other entity or entities or the date on which the purchase price or other payment obligation arising from such acquisition falls due for settlement
In addition, the shareholders passed a resolution on 14 May 2009 authorising the Management Board – with the approval of the Supervisory Board – to redeem the treasury stock without any further shareholder resolution and to revise the Company's articles of association to reflect such redemption. The redemption can be confined to part of the treasury stock acquired. Multiple use may be made of this redemption authorisation.

8. Corporate governance declaration

The Company's corporate governance declaration in accordance with Section 289a of the German Commercial Code may be inspected at the Investor Relations section of its website at www.integralis.de.

9. Material events occurring after the balance sheet date

Integralis announced an important change to its Management Board in an Ad hoc announcement published on 24 March 2010. Roger Friederich will be leaving the Company effective 31 March 2010 to pursue a new career opportunity outside the Integralis Group.

10. Dependence report

Integralis AG's principal shareholder has been NTT Communications Deutschland GmbH, Munich, since 1 October 2009. As there is no control contract in force with the principal shareholder, the Management Board of Integralis AG is required to prepare a report on relations with related companies.
The Management Board confirms in accordance with Section 312 (3) of the German Stock Corporation Act that Integralis AG has received reasonable consideration for all transactions and activities referred to in the related parties report in the light of the circumstances known to the Management Board on the date on which such transactions or activities were executed and has not suffered any disadvantage as a result of such activities being performed or omitted.

11. Opportunities and risks

Integralis AG's business operations involve both opportunities and risks. One of the core elements of corporate governance 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 weekly 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.
Group risk management forms part of Group controlling and reports directly to the Management Board. Group management tracks operating business and potential risks for the subsidiaries at all times. For this purpose, biweekly and monthly reports describing the subsidiaries' performance and target-achievement and setting out the main performance indicators and trends are prepared. These reports are regularly discussed at the meeting of the Management Board. In addition, any necessary measures are decided on. As well as this, meetings are systematically held with the local management of the subsidiaries to discuss, record and manage possible risks. The Management Board works with the management of the subsidiaries on an ongoing basis to enhance processes, utilise synergistic potential, strengthen marketing activities and boost profitability so as to reinforce and secure the subsidiaries' business

performance. Information on the market, the competition and the technological developments of the subsidiaries is regularly shared in various bodies, reconciled with Group controlling data and supplemented with evaluations on a case-by-case basis.

One key component of risk management and the internal control system is the internal "management assertion letters", which are updated quarterly by all of the Company's management around the world. These letters describe the main corporate risks and allow executives to disclose and identify risks or shortcomings in the internal controlling system. These can then be examined by the Management Board and evaluated in terms of appropriate precautions and their effect on the accounting process. Reconciliation with financial reporting both chronologically and in terms of content provides an additional checking mechanism for accounting purposes.

A risk management manual, which is regularly reviewed and updated, describes and documents the various components of the risk management system.

The basis for the internal and particularly the accounting-related control systems is provided by a uniform and centrally managed ERP system as well as a CRM system, which tracks more than 95% of all of the Company's global business. This ensures a high degree of predefined functions in central sales and business processes. Clearly defined processes, the allocation of responsibility and uniform IT systems thus help to systematically avoid errors. All accounting-relevant IT systems are equipped with appropriate access restrictions. Similarly, the subsidiaries observe the double-sign-off principle. As part of consolidated accounting, a large number of processes were standardised and documented in 2009 in particular to ensure more effective supervision of consolidation-related matters. Internal auditing is to be established in the future. The inclusion of Integralis AG's financial statements in the NTT Group's consolidated financial statements as of 2009 provides a further mechanism for verifying the Group's data.

In addition, local management has numerous internal controls and measures, e.g. process descriptions and documentation in the local Intranets, which are aimed at avoiding unnecessary risks.

Following the acquisition by NTT Com, Integralis has been able to reduce its risk exposure substantially. The Management Board assumes that NTT Com is pursuing long-term goals with this acquisition and will support the Company in the event of any unexpected difficulties. In this connection, Integralis AG is, for example, able to access substantial credit facilities from NTT Leasing (U.S.A) LLC to bridge any short-term funding shortfalls. In addition, it is now able to harness growth potential more effectively. An attempt is being made to offer joint customers shared solutions in specific projects. Not least of all, task forces have been mandated with identifying growth potential for both companies in Asia.

11.1 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 currency swaps, were used.
A detailed description of hedging activities can be found in the consolidated financial statements.
As of April 2010, the Group's hedging operations are to be centralised step by step and rendered more professional. As long as hedge accounting in accordance with IFRS is not applied, foreign-currency translation differences will leave a trace on profit and loss due to the volatility of exchange rates. This is due to the fact that hedging is commenced as soon as an order is accepted even though the hedged item has not yet been placed on the books. This form of hedging fixes the gross margin at the date on which the order is placed. The remaining foreign-currency translation differences are offset by higher or lower cost of materials.

11.2 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-relevant 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.

11.3 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 few 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.

11.4 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. To support this, a review of the international HR standards and processes was performed followed by a global employee survey. Further activities are planned for future years. One main aspect of this is personnel development, with internal training and skills development forming a key element of this at Integralis.

11.5 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. Further improvements were implemented in 2009, with the Company's own customer help desk to be converted in the second half of 2010.

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. Despite this, failures arose in our IT infrastructure last year. This year, we are working at full pace to continue the work already commenced in the previous year on enhancing reliability and network performance.

11.6 Impairment risks

This refers to the risk of further impairment losses on goodwill or other assets. The management report already refers to the impairment loss recognised on goodwill in 2009. The impairment risks are for the most part the result of the aforementioned risks in their local permutations exerting a possible effect on consolidated profit and loss as a result of regular impairment testing in accordance with IAS 36.
In France and Sweden in particular, there is a risk of the restructuring efforts which have been taken not producing the necessary results or of other circumstances arising requiring the recognition of impairment losses.

12. Outlook

Following the most severe recession since the end of the Second World War, experts now project moderate growth in 2010. The consensus forecast for the euro zone is for GDP expansion of 1.2 percent. At 1.2 to 1.7 percent, the range of expectations for Germany is somewhat greater. On the other hand, economists are a good deal more upbeat about the United States, with growth estimated to come in at between 1.5 and 2.7 percent. Economic growth in Japan is expect to match that of Germany, i.e. expansion of between 1.1 and 1.8 percent. Despite the encouraging figures for 2009, the Chinese economy faces a difficult balancing act in 2010 given fears of overheating. The increase in the minimum reserve rate by 0.5 percent points in mid January is viewed by the market as a clear sign of an imminent change in the direction of interest rates. Even so, the International Monetary Fund (IMF) expects growth of nine percent this year. However, the restrictive lending policy being pursued by the government could leave traces in the second half of the year.

According to the World Bank, the expected recovery in the global economy will lose momentum in the course of the year as the government economic stimulus programmes will be phased out. Even so, it projects GDP expansion of 2.7 percent this year and 3.2 percent in 2011.

According to a Gartner study (Market Trends: Security Markets, Worldwide, 2007 – 2013), the market for security software will grow by a further 13 percent to USD 16.3 billion in 2010. Gartner sees the greatest growth potential in "software as a service" (SaaS), application-based offerings and applications for small and mid-size enterprises, which are currently catching up with large companies in terms of IT security budgets. The Experton Group also forecasts a return to growth in the IT outsourcing market in 2010. After shrinking by one percent in 2009, the German outsourcing market should expand by 2.5 percent.
Managed hosting, security and application management service provider NTT Europe Online forecasts rapid growth in the outsourcing of enterprise applications to managed hosting providers, with the economic and financial crisis additionally spurring this trend. Forrester also sees a greater willingness to outsource given shrinking budgets. In fact, the conditions for the "perfect storm" will improve still further next year. Accordingly, one third of the companies surveyed expect to outsource IT security on account of budget cuts.

Against this backdrop, the Integralis Group is ideally positioned. In 2009, it was already able to boost revenues in the course of the year despite the muted economic conditions, outperforming the previous record year of 2008 in this respect. The economic conditions for 2010 have continued to improve, although it is still too early to speak of any general recovery. In contrast to 2009, no major exceptionals are expected to arise in 2010. In addition, Integralis should be able to benefit from considerable advance outlays and investments in the Group's own Global Services.
The integration of the US NOC within the existing MSS service structure at the beginning of the year will help to reduce costs significantly.

Management also expects to be able to harness synergistic benefits on nearly all levels from the strategic partnership with NTT Com. This partnership should in particular help it to acquire new customers this year – and not only in the Asia/Pacific region.

Accordingly, the Management Board expects consolidated revenues to grow solidly by around 10 percent, yielding EBITDA of over € 5 million again in 2010. After its disappointing performance, US business in particular should make substantially greater contributions to earnings over the next two years. Similarly, management assumes that UK business has the potential to deliver higher earnings. Swedish business is unlikely to make any contributions to earnings in 2010. France has progressed further in this respect and should break even. Assuming unchanged conditions, these trends should also continue in 2011.

Ismaning, March 2010

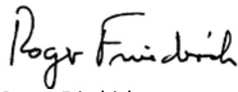
The Management Board

Responsibility statement

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

Ismaning, March 2010

Integralis AG
The Management Board



Georg Magg Roger Friedrich

FIGURES, DATA & FACTS

INCOME STATEMENT (IFRS)

	Notes	01/01 - 31/12/2009 T€	01/01 - 31/12/2008 T€
Revenue	5.1	173,716	168,870
Cost of Sales		116,008	112,218
Gross Profit		**57,708**	**56,652**
Other operating income	5.2	793	905
Personnel expenses	5.3	40,545	37,096
Other operating expenses	5.4	19,887	12,634
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**-1,931**	**7,827**
Depreciation and amortisation	5.7	**4,383**	**1,837**
Earnings before interest and taxes (EBIT)		**-6,314**	**5,990**
Interest income	5.8	76	285
Interest expense	5.8	160	203
Financial result		**-84**	**82**
Earnings before taxes (EBT)		**-6,398**	**6,072**
Taxes	5.9	2,600	-3,203
Net profit		**-8,998**	**9,275**
Thereof fall upon			
Shareholders of the parent company		-8,998	9,275
Non-controlling partners		0	0
Basic weighted average number of shares outstanding	5.10	11,134,642	10,713,340
Basic net earnings per share (€)		-0.81	0.86
Diluted weighted average number of shares outstanding	5.10	11,336,133	10,848,296
Diluted net earnings per share (€)		-0.81	0.85

Other comprehensive income

Net result		-8,998	9,275
Foreign Currency Translation Reserve		-358	-2,167
Sum of other (captured in shareholders equity) results		**-358**	**-2,167**
Tax on change in value directly set off against equity		0	0
Other comprehensive income		**-9,356**	**7,108**
Thereof fall upon			
Shareholders of the parent company		-9,356	7,108
Non-controlling partners		0	0

BALANCE SHEET (IFRS)

Assets	Notes	31/12/2009 T€	31/12/2008 T€
Cash and cash equivalents	4.1	7,980	9,089
Trade receivables	4.2	54,670	44,944
Inventories	4.3	683	1,469
Deferred cost of sales	4.4	35,419	28,780
Prepaid expenses and other current assets	4.5	2,961	3,935
Current assets		**101,713**	**88,217**
Property, plant and equipment	4.6	3,098	3,085
Intangible assets	4.7	2,967	3,313
Goodwill	4.8	13,492	15,937
Deferred tax assets	4.9	4,349	6,297
Non-current assets		**23,906**	**28,632**
Total assets		**125,619**	**116,849**

Liabilities and Shareholders' Equity	Notes	31/12/2009 T€	31/12/2008 T€
Financial liabilities		72	68
Trade payables	4.10	30,734	28,871
Accounts payables to affiliates	4.11	4,339	0
Bank liabilities	4.12	600	0
Accrued expenses	4.13	10,212	7,731
Deferred revenue	4.14	50,860	43,328
Income tax payables		268	669
Other current liabilities	4.15	4,987	3,995
Current provisions		0	1,688
Current liabilities		**102,072**	**86,350**
Financial liabilities		1,358	1,430
Deferred tax liability	4.16	1,498	1,473
Provisions	4.17	660	701
Non-current liabilities		**3,516**	**3,604**
Subscribed capital	4.18	11,585	11,585
Treasury shares		-409	-1,151
Capital reserves		12,478	10,919
Share option reserve		921	729
Foreign currency translation reserve		-2,377	-2,019
Profit/loss brought forward		6,832	-2,443
Net profit		-8,998	9,275
Retained earnings		-2,166	6,832
Equity attributable to equity holders of the parent		20,031	26,895
Shareholders' equity		20,031	26,895
Total liabilities and shareholders' equity		**125,619**	**116,849**

INTEGRALIS

CASH FLOW STATEMENT (IFRS)

	01/01 - 31/12/2009 T€	01/01 - 31/12/2008 T€
Net profit	**-8,998**	**9,275**
Adjustments for:		
Interest result	84	-82
Tax result	372	301
Depreciation and amortisation	4,383	1,837
Increase / decrease deferred taxes	1,923	-3,478
(Increase) / decrease in provisions	-41	-1,332
Increase in share option reserve	192	179
Foreign exchange losses / (gains)	-231	-1,084
Interest received	76	285
Interest paid	-160	-203
Taxes paid	-372	-301
Change of net working capital	-1,845	-1,376
Cash flow from / (used in) operating activities	**-4,617**	**4,021**
Acquisition of subsidiaries, net of cash acquired	–	-1,587
Disposal of subsidiaries	-2	–
Payment for the future investment	–	-285
Granting of loan	-361	-1,291
Purchases of property, plant and equipment and intangible assets	-1,939	-3,350
Cash flow from / (used in) investing activities	**-2,302**	**-6,513**
Proceeds from issue of share capital and exercise of stock options	763	223
Payment for the purchase of treasury shares	–	-2,297
Proceeds from short or long-term borrowings	4,939	-118
Payment of capital lease liabilities	-67	-63
Cash flow from / (used in) financing activities	**5,635**	**-2,255**
Net effect of currency translation in cash and cash equivalents	175	-530
Decrease / (increase) in cash and cash equivalents	**-1,109**	**-5,277**
Cash and cash equivalents at beginning of period	**9,089**	**14,366**
Cash and cash equivalents at end of period	**7,980**	**9,089**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Number of shares issued at 31/012/2008: 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€
01/01/2008	**11,585**	**-849**	**11,966**	**550**	**148**	**-2,443**	**20,957***
Utilisation for earn-out for Protecht T purchase		96	439				535
Utilisation for purchase of Greschitz IT Security GmbH, Vienna		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
Net result						9,275	9,275
Sum of other results					-2,167		-2,167
Overall result					-2,167	9,275	7,108
31/12/2008	**11,585**	**-1,151**	**10,919**	**729**	**-2,019**	**6,832**	**26,895***

Number of shares issued at 31/012/2009: 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€
01/01/2009	**11,585**	**-1,151**	**10,919**	**729**	**-2,019**	**6,832**	**26,895***
Utilisation for earn-out for Protecht T purchase		559	966				1,525
Fulfilment for stock options exercised		183	592				775
Decrease through acquisition of own shares							0
Increase on grant of share options				192			192
Net result						-8,998	-8,998
Sum of other results					-358		-358
Overall result					-358	-8,998	-9,356
31/12/2009	**11,585**	**-409**	**12,477**	**921**	**-2,377**	**-2,166**	**20,031***

* in each case accounted for the shareholders of the parent company

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**

FIXED ASSETS MOVEMENTS 2009

	Costs of Acquisition or Production						
	Balance 01/01/2009 T€	Additions T€	Acquired assets T€	Disposals T€	Transfers T€	Currency conversion T€	Balance 31/12/2009 T€
Property, plant and equipment							
Property and leasehold rights including buildings on non-owned land	2,000	–	–	-33	–	-72	1,895
Other equipment, fixtures, fittings and equipment	7,483	749	–	-312	–	181	8,101
	9,483	**749**	**–**	**-345**	**–**	**109**	**9,996**
Intangible assets							
Industrial property rights and similar rights and licences to such rights	5,946	243	–	-32	–	305	6,461
Self developed intangible assets	3,319	947	–	–	–	253	4,519
	9,265	**1,190**	**–**	**-32**	**–**	**558**	**10,980**
Goodwill							
Goodwill	35,877	–	–	-133	–	- 546	35,198
	35,877	**–**	**–**	**-133**	**–**	**- 546**	**35,198**
	54,625	**1,939**	**–**	**-510**	**–**	**121**	**56,174**

Accumulated Depreciation							Net Book Value	
Balance 01/01/2009 T€	Additions T€	Acquired assets T€	Disposals T€	Transfers T€	Currency conversion T€	Balance 31/12/2009 T€	31/12/2009 T€	31/12/2008 T€
636	5	–	- 33	–	-1	607	1,288	1,363
5,761	1,087	–	- 312	-233	-13	6,290	1,811	1,722
6,398	**1,092**	**–**	**- 345**	**-233**	**-14**	**6,898**	**3,098**	**3,085**
5,096	360	–	-1	233	273	5,961	500	850
856	1,165	–	–	–	31	2,052	2,467	2,462
5,952	**1,525**	**–**	**-1**	**233**	**304**	**8,013**	**2,967**	**3,312**
19,940	1,766	–	–	–	–	21,706	13,492	15,937
19,940	**1,766**	**–**	**–**	**–**	**–**	**21,706**	**13,492**	**15,937**
32,290	**4,383**	**–**	**-346**	**–**	**290**	**36,617**	**19,557**	**22,334**

SEGMENT REPORTING

Segment reporting	01/01 - 31/12/2009 T€	01/01 - 31/12/2008 T€
Revenue		
United Kingdom	66,730	68,118
Germany / Austria / Switzerland	45,892	43,384
USA	34,696	28,015
France	13,182	12,032
Sweden	7,326	11,138
United Arab Emirates	5,890	6,183
Integralis Global Services	7,195	7,375
Total Segments	**180,911**	**176,245**
Elimination of intersegmental business / Consolidation	-7,195	-7,375
Group Headquarter & shared services	–	–
Integralis Group	**173,716**	**168,870**
EBITDA		
United Kingdom	1,907	2,652
Germany / Austria / Switzerland	2,887	3,732
USA	51	721
France	-523	-453
Sweden	-818	-156
United Arab Emirates	589	906
Integralis Global Services	-141	-149
Total Segments	**3,952**	**7,253**
Elimination of intersegmental business / Consolidation	-288	-281
Group Headquarter & shared services	-5,595	855
Integralis Group	**-1,931**	**7,827**
EBITDA Margin		
United Kingdom	2.9%	3.9%
Germany / Austria / Switzerland	6.3%	8.6%
USA	0.1%	2.6%
France	-4.0%	-3.8%
Sweden	-11.2%	-1.4%
United Arab Emirates	10.0%	14.7%
Integralis Global Services	-2.0%	-2.0%
Total Segments	**2.2%**	**4.1%**
Elimination of intersegmental business / Consolidation	–	–
Group Headquarter & shared services	–	–
Integralis Group	**-1.1%**	**4.6%**

SEGMENT REPORTING

Segment reporting	01/01 - 31/12/2009 T€	01/01 - 31/12/2008 T€
Receivables		
United Kingdom	21,805	13,967
Germany / Austria / Switzerland	13,977	12,674
USA	8,704	9,490
France	4,519	4,891
Sweden	1,885	3,249
United Arab Emirates	5,823	5,473
Integralis Global Services	1,028	2,337
Total Segments	**57,741**	**52,081**
Elimination of intersegmental business / Consolidation	-11,984	-27,087
Group Headquarter & shared services	8,913	19,950
Integralis Group	**54,670**	**44,944**
Liabilities		
United Kingdom	9,387	8,760
Germany / Austria / Switzerland	11,114	12,083
USA	6,292	6,485
France	5,686	7,002
Sweden	1,128	2,821
United Arab Emirates	2,885	1,213
Integralis Global Services	1,105	1,256
Total Segments	**37,597**	**39,620**
Elimination of intersegmental business / Consolidation	-43,703	-59,439
Group Headquarter & shared services	36,840	48,690
Integralis Group	**30,734**	**28,871**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. General disclosures

The Integralis Group is an internationally active provider of IT security solutions and services. As of the balance sheet date, it had over 525 employees and 20 branches in six European countries, the United States, the United Arab Emirates and Singapore. 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 is the parent company. Its shares are listed in Deutsche Börse AG's Prime Standard segment in Frankfurt and it holds all of the capital of the companies within the Integralis Group either directly or indirectly.
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 and for publication on 31 March 2010. The Supervisory Board is responsible for examining the consolidated financial statements and stating whether it approves them.

1.1 Legal disclosures

Integralis AG is a listed joint stock 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 conformity

The consolidated financial statements as of 31 December 2009 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 additional provisions of German corporate law were observed in accordance with Section 315a (1) of the German Commercial Code. The figures for the previous year have been calculated using the same methods.
The consolidated financial statements as of 31 December 2009 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 Services LLC	Hartford, USA	100
Integralis Schweiz AG	Glattbrugg, Switzerland	100
Integralis Services 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
Integralis ME FZ LLC (vormals ProtechT FZ LLC)	Dubai, UAE	100
ProtechT Technical Services LLC*	Abu Dhabi, UAE	49
Integralis Services Pte. Ltd.	Singapore	100

*Controlled in accordance with the Company's business and financial policy.

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.
There was a change in the basis of consolidation due to the dissolution of Integralis Holdings Ltd., Reading, UK. The deconsolidation of this entity did not have any material effects on the consolidated financial statements.

1.4 Date of group statement

The consolidated financial statements were compiled as of 31 December 2009. The income statement, the cash flow statement and the statement of changes in equity cover the period from 1 January 2009 until 31 December 2009. The balance sheet date for 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 remeasurement of certain non-current assets and financial instruments. The main recognition and measurement methods are explained below.
The consolidated financial statements include the parent company's financial statements and those of the companies which it controls. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.
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 pooling-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.
Under IFRS, all business combinations must be accounted for using the purchase method. The price of the subsidiary acquired is allocated to the assets, liabilities and contingent liabilities acquired at the values applicable as of the date on which control is obtained over the subsidiary. The assets received and liabilities and contingent liabilities absorbed are recorded at their full fair values regardless of the size of the share. Non-current available-for-sale assets are recognised at fair value less the cost to sell. Any remaining positive difference is recognised as goodwill.

The other companies were consolidated in accordance with the aforementioned 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 written off.
Companies acquired after 1 January 2005 are consolidated in accordance with the provisions of IFRS 3 by allocating the costs of the business combination with 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). Any remaining positive difference is reported as goodwill.
Since 1 January 2005, the impairment-only approach stipulated by IAS 36 has been applied to subsequent measurement. When necessary, goodwill is adjusted to match its 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 have remained unchanged since 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 resultant translation differences were recognised under equity. Any translation differences arising from 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	
	31/12/09	31/12/08	31/12/09	31/12/08
GBP	1.12	1.04	1.12	1.24
USD	0.69	0.72	0.72	0.68
CHF	0.67	0.67	0.66	0.63
SEK	0.09	0.09	0.09	0.11
SGD	0.50	0.50	0.49	0.48
AED	0.19	0.19	0.19	0.18

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 accounted for in the income statement. Foreign currency receivables and liabilities are translated at the closing rate, with any resultant translation gains or losses accounted for in the income statement.

1.7 Changes to presentation of the cash flow statement

The presentation of the cash flow statement was altered in 2009. Cash outflows from the grant of loans of T€ 361 (2008: T€ 1,291) are recorded within cash flow from investing activities and no longer within cash flow from financing activities in line with the economic characteristic of the payments. The previous year's figures were restated accordingly.

1.8 Changes to presentation in the income statement

The presentation of the income statement was altered in 2009. Other operating income (T€ 793, 2008: T€ 905) is presented separately instead of being netted with other operating expenses. The previous year's figures were restated accordingly to improve the transparency of the Company's results of operations.

2. Recognition and valuation principles

2.1 Changes in accounting policies due to new standards

Integralis AG applied the following standards and interpretations of the IASB for the first time in the year under review:
- IAS 1 (revised): Presentation of Financial Statements
- IAS 23 (revised): Borrowing Costs
- IAS 32 / IAS 1: Amendments to IAS 32 Financial Instruments: Presentation
- IAS 39 / IFRS 7: Reclassification of financial assets – Effective date and transitional provisions
- IAS 39 / IFRIC 9: Amendments to IFRIC 9 and IAS 39
- IFRS 1 IAS 27: Acquisition-Related Costs
- IFRS 2: Share-based Payment, Vesting Conditions and Cancellations
- IFRS 7: Financial instruments: Disclosures
- IFRS 8: Operating Segments
- IFRIC 11: Group and Treasury Share Transactions
- IFRIC 13: Customer Loyalty Programmes
- IFRIC 14: The limit on a defined benefit asset, minimum funding requirements and their interaction
- Annual improvement project 2008

New accounting rules
The following standards and interpretations which had been announced and endorsed by the European Union as of 31 December 2009 were not applied to these financial statements:
- IFRS 1: Restructuring of the standard
- IFRS 3: Business Combinations (IFRS 3 (2008))
- IAS 27: Consolidated and Separate Financial Statements (IAS 27 (2008))
- IAS 32: Financial Instruments: Presentation: classification of rights issues
- IAS 39: Financial instruments: Recognition and measurement of hedges
- 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

In addition, the following standards and interpretations had been published but not yet endorsed by the European Union:
- IAS 24: Related Party Disclosures
- IFRS 1: Additional assumptions for the first-time adoption of IFRS
- IFRS 2: Group Cash-settled Share-based Payment Transactions
- IFRS 9: Financial Instruments: Revisions to and Replacement of all Existing Standards: Classification and Measurement
- IFRS for small and mid-size enterprises
- IFRIC 14 / IAS 19: Prepayments of a Minimum Funding Requirement
- IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments
- Annual improvement project 2009

The material effects of the first-time application of these new and revised standards and interpretations on the Company's net assets, financial condition and results of operations as well as its cash flows 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 reporting periods commencing on or after 1 January 2009. Early adoption is permitted. The first-time application of IAS1 has resulted in changes to the way in which Integralis AG presents its annual financial statements. IAS 1 introduces new terminology (including new terms for the components of the annual financial statements and changes with respect to the presentation and content of the annual financial statements).

IAS 23 – Amendments to IAS 23: Borrowing Costs
In March 2007, the IASB published the amended IAS 23 "Borrowing Costs", which stipulate the capitalisation of borrowing costs in connection with the acquisition, construction or production of a qualifying asset. The previous option of taking such borrowing costs directly to the income statement has been abolished. This does not have any effect on Integralis AG's consolidated financial statements.

IAS 24 – Related Party Disclosures
In November 2009, the IASB published amendments to "IAS 24 Related Party Disclosures" to provide guidance on the partial exemption from disclosure requirements for entities with significant state ownership and to clarify the definition of a related party. The revised standard must be applied for the first time to reporting periods commencing on or after 1 January 2011; earlier adoption is permissible. The amendments have not yet been endorsed by the EU. The revised standards will not have any material effect on the net assets, financial condition and results of operations or cash flows of Integralis AG.

IAS 27 – Consolidated and Separate Financial Statements (IAS 27 (2008))
In January 2008, the IASB published the revised standard IAS 27 "Consolidated and Separate Financial Statements" (IAS 27 (2008)).
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 standard must be applied to reporting periods commencing on or after 1 July 2009. The revised standard will not have any material effect on the net assets, financial condition and results of operations or cash flows of Integralis AG.

IAS 32 – Amendments to Financial Instruments: Presentation: classification of rights issues

In October 2009, the IAS published amended versions of "IAS 32 Financial Instruments: Presentation: Classification of Rights Issues". Certain subscription rights such as options and warrants in a foreign currency (i.e. a currency other than the functional currency) may now only be recognised as equity and no longer as liabilities by the issuer to whose equity instruments these rights refer. This amendment applies only to rights in connection with which the number of instruments to be received and the foreign-currency amount are fixed in advance and if all previous holders of equity instruments of the same class are granted this right on a proportionate basis. The revised standards must be applied for the first time to reporting periods commencing on or after 1 February 2010; earlier adoption is permissible. The application of the revised standard will not have any material effect on future consolidated financial statements.

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. The revised standards must be applied for the first time to reporting 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 (see Note 8.3 Financial instruments).

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 reporting periods commencing on or after 1 July 2009. Earlier adoption is permissible. The application of the standard is not expected to have any material effect on Integralis AG's consolidated financial statements.

IAS 39 / IFRS 7 – Reclassification of financial assets – effective date and transitional provisions

In October 2008, the IASB published amendments to IAS 39 "Financial Instruments: Recognition and Measurement and IFRS 7 "Financial Instruments". These amendments are in response to the requests by groups, particularly in the European Union, to create equal competitive conditions with US-GAAP with respect to the scope for reclassifying financial assets. The amendments to IAS 39 permit the reporting entity to reclassify financial assets from "at fair value through profit and loss" to "available-for-sale" under certain circumstances. Such reclassification requires additional disclosures.

The revised standards must be applied for the first time to reporting periods commencing on or after 1 February 2008; earlier adoption is permissible. This standard was endorsed by the European Union in September 2009. The application of the revised standard will not have any effect on future consolidated financial statements.

IAS 39 / IFRIC 9 – Amendments to IFRIC 9 and IAS 39

In March 2009, the IASB published amendments to IAS 2008 "Financial Instruments: Recognition and Measurement" and IFRIC 9 "Reassessment of embedded derivatives", which clarify the recognition of embedded derivatives for companies making use of the scope for reclassification permitted by the IASB in October 2008. As a result, certain financial instruments which were previously classified as at fair value through profit and loss may be reclassified. The amendments to IFRIC 9 and IAS 39 clarify that, if financial instruments which were previously classified as at fair value through profit and loss are reclassified, all embedded derivatives must be reassessed and, if necessary, reported separately in the financial statements.
The revised standard must be applied for the first time to reporting periods commencing on or after 1 January 2009; earlier adoption is permissible. This standard was endorsed by the European Union in November 2009. The application of the revised standard will not have any effect on future consolidated financial statements.

IFRS 1 – Additional assumptions for the first-time adoption of IFRS

In July 2009, the IASB published amendments to IFRS 1 "First-time adoption of International Financial Reporting Standards". The amendments concern the retroactive application of the IFRSs in certain situations to avoid unnecessary costs or strain during the transitional phase for entities adopting the standards for the first time. Under these revisions, entities applying the full cost method are exempt from retroactive application of the IFRSs to oil and gas assets while entities with existing leases are exempt from the requirement to classify such leases in accordance with IFRS 4 "Determining whether an arrangement contains a lease" if application of the national GAAP has led to the same results. These revisions apply to reporting periods commencing on or after 1 January 2010. Earlier adoption is permissible. The EU Commission has not yet endorsed these amendments. The amendments to IFRS are not expected to have any material effect on the net assets, financial condition and results of operations or cash flows of Integralis AG.

IFRS 1/IAS 27 – Acquisition-Related Costs

In May 2008, the IASB published the revised versions of the standards 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 involve 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 reporting periods commencing on or after 1 January 2009. Earlier adoption is permissible. The revised standard will not have any material effect on the net assets, financial condition and results of operations or cash flows of Integralis AG.

IFRS 2 – Share-based payment, conditions of exercise 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 reporting periods commencing on or after 1 January 2009. Application of IFRS 2 does not have any effect on Integralis AG's consolidated financial statements.

IFRS 2 – Share based payments with cash settlement within the reporting entity

In June 2009, the IASB published amendments to IFRS 2 "Share-based payment" to clarify the accounting of cash-settled share-based transactions within the entity. The amendment describes how an individual subsidiary is to account for certain share-based compensation agreements. Under such agreements, the subsidiary receives goods or services from employees or suppliers but the parent or another group company pays these employees or suppliers. An entity receiving goods or services under a share-based compensation agreement must account for these goods or services regardless of which entity within the group performs the obligations concerned and regardless of whether the obligation is settled in shares or in cash.

The amendments also include guidance which was previously included in IFRIC 8 "Scope of IFRS 2" and IFRIC 11 "IFRS 2-Group and treasury share transactions". Accordingly, the IASB has withdrawn IFRIC 8 and IFRIC 11.

The amendments to IFRS 2 must be applied to reporting periods commencing on or after 1 January 2010. The amendments have not yet been endorsed by the EU. Integralis does not expect IFRS 2 to have any material effect on its future consolidated financial statements.

IFRS 3 – Business Combinations (IFRS 3 (2008))

In January 2008, the IASB published the revised standards IFRS 3 "Business Combinations" (IFRS 3 (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 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. Adjustment 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.

These amendments are to be applied to business combinations for the first time in reporting periods commencing on or after 1 July 2009. Earlier adoption is permissible. The revised standards will not have any material effect on the net assets, financial condition and results of operations or cash flows of Integralis AG.

IFRS 7 – Financial instruments: Disclosures
In March 2009, the IASB released amendments to the requirements for the disclosure of financial instruments (Amendments to IFRS 7). These amendments provide for extended disclosure duties with respect to fair-value measurement and the liquidity risk. They must be applied prospectively to reporting periods commencing on or after 1 January 2009. Earlier adoption is permissible. However, it is not necessary for comparative data to be disclosed in the first year of application. The application of the revised standard will not have any material effect on future consolidated financial statements (see Note 8.3 Financial instruments).

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 organisational 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 reporting 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 reporting periods commencing on or after 1 January 2009. Early adoption is permissible provided that this fact is disclosed. The first-time application of IFRS 8 resulted in changes to the way in which Integralis AG presents its annual financial statements (see Note 6 Segment reporting).

IFRS 9 – Financial Instruments: Revisions to and Replacement of all Existing Standards: Classification and Measurement
In November 2009, the IASB published a new standard for the classification and measurement of financial instruments (IFRS 9). This marks the first part of a three-phase project to replace IAS 39 – Financial instruments: Recognition and Measurement. IFRS 9 introduces new guidance for the classification and measurement of financial assets. IFRS 9 is to replace IAS 39 in full by the end of 2010. IFRS 9 must be applied in reporting periods commencing on or after 1 January 2013. Earlier adoption is permissible. The EU Commission has not yet endorsed these amendments. The first-time application of IFRS 9 will result in changes to the way in which Integralis AG presents its annual financial statements.

IFRS for small and mid-size enterprises
In July 2009, the IASB published the IFRS for small and mid-size enterprises (SME). These are international accounting standards which have been especially developed for small and mid-size enterprises. Although they are based on the IFRSs, they can be considered to be a separate set of rules. They comprise simplifications which cater to the specific needs of SMEs. The amendments have not yet been endorsed by the EU. IFRS for SME does not have any relevance for Integralis AG on account of its classification as a large enterprise.

IFRIC 11 – Group and Treasury Share Transactions
The Interpretation contains guidance on the application of IFRS 2 in three situations

- An entity grants to its employees rights to equity instruments of the entity (e.g. share options), and either chooses or is required to buy equity instruments (i.e. treasury shares) from another party, to satisfy its obligations to its employees – is this an equity-settled or a cash-settled transaction?
- A parent grants rights to its equity instruments direct to the employees of its subsidiary – how is this to be recognised in the individual financial statements?
- A subsidiary grants rights to the parent's equity instruments direct to its employees – how is this to be recognised in the individual financial statements?

The EU Commission endorsed the amendments in June 2007. IFRIC 11 must be applied by no later than the beginning of 2008; however, entities whose reporting period commences in January or February must apply IFRIC 11 no later than 1 January 2009. This does not have any effect on Integralis AG's consolidated financial statements.

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. The EU Commission endorsed the amendments in March 2009. IFRIC 12 must be applied to reporting periods commencing on or after 1 January 2010. It is not expected to have any effect on Integralis AG's future consolidated financial statements.

IFRIC 13 – Customer Loyalty Programmes

IFRIC 13 "Customer Loyalty Programmes" 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 reporting periods commencing on or after 1 January 2009; earlier application is recommended. This does not have any effect on Integralis AG's consolidated financial statements.

IFRIC 14 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

In July 2007, the IASB published IFRIC 14 which provides general guidance on the determination of an upper limit of the surplus from a pension fund recognised as an asset under IAS 19. The interpretation also clarifies how statutory or contractual minimum funding requirements may affect plan assets or liabilities. Under IFRIC 14, the employer does not recognise any further liability unless the amounts payable under the minimum funding rules cannot be repaid to the entity.The EU Commission endorsed the amendments in December 2008. The amendment must be applied to reporting periods commencing on or after 1 January 2009. This does not have any effect on Integralis AG's consolidated financial statements.

IFRIC 14 / IAS 19 – Prepayments of a Minimum Funding Requirement

In November 2009, the International Financial Reporting Interpretations Committee (IFRIC) published a minor amendment to the guidance for accounting for retirement benefit plans. This amendment applies in the limited circumstances in which an entity is subject to minimum funding requirements and a prepayment meeting these requirements is made. Under this amendment, it is now possible for the entity to record the benefit from such a prepayment as an asset. This amendment must be applied to reporting periods commencing on or after 1 January 2011. Earlier adoption is permissible. The amendment must be applied with retroactive effect from the beginning of the earliest comparison period shown. The amendments have not yet been endorsed by the EU. It is not expected to have any effect on Integralis AG's future consolidated financial statements.

IFRIC 15 – Agreements for the Construction of Real Estate

IFRIC 15 "Agreements for the Construction of Real Estate" 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. The EU Commission endorsed the amendments in July 2009. IFRIC 15 must be applied to reporting periods commencing on or after 1 January 2010. 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 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 can be determined using the step or the direct consolidation method. The EU Commission endorsed the amendments in June 2009. IFRIC 16 must be applied to reporting 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 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. The EU Commission endorsed the amendments in November 2009. IFRIC 17 must be applied to reporting periods commencing on or after 1 November 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.

The EU Commission endorsed the amendments in November 2009. IFRIC 18 must be applied prospectively to transfers of assets from customers received on or after 1 November 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.

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

In November 2009, the IASB published IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" to provide guidance on accounting for debt-for-equity swaps. IFRIC 19 elaborates on the IFRS requirements which must be observed if an entity settles a financial liability in full or in part by issuing shares or other equity instruments.

IFRIC 19 clarifies that

- the equity instruments issued to a creditor to settle a financial liability form part of the consideration paid as defined in IAS 39.41;
- the corresponding equity instruments must be measured at their fair value. If this fair value cannot be reliably determined, the equity instruments should be recognised at the fair value of the settled liability.
- the difference between the carrying amount of the extinguished financial liability and the initially measured fair value of the equity instrument is recorded in profit and loss.

IFRIC 19 must be applied to reporting periods commencing on or after 1 July 2010. Earlier adoption is permissible. The amendments have not yet been endorsed by the EU. 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. It primarily concerns IFRS 5, IAS 16, IAS 19, IAS 20, IAS 27, IAS 28, IAS 31, IAS 36, IAS 38, IAS 39 and IAS 40. 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 reporting periods commencing on or after 1 January 2009; earlier adoption is permissible. The revised versions of the standards will not have any material effect on the net assets, financial condition and results of operations or cash flows of Integralis AG.

In April 2009, the IASB released a further collective standard "Improvements to IFRS" detailing minor amendments to the existing IFRSs. This standard contains amendments to 12 IFRSs in two sections. THE IASB made necessary changes which are not urgent or form part of a major project. They relate to IFRS 2, 5 and 8, die IAS 1, 7, 17, 18 36, 38, 39 as well as IFRIC 9 and 16. In the absence of anything to the contrary in the applicable standards, the revisions must be applied for the first time to reporting periods commencing on or after 1 January 2010; earlier adoption is permissible. The amendments have not yet been endorsed by the EU. 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 Classification and recognition of financial assets

Financial assets which are delivered within the customary period for the market in question are recognised and derecognised on the day of trading. Financial assets are initially recognised at their fair value plus transaction costs. This does not apply to financial assets at fair value through profit or loss. These are initially recognised at their fair value net of transaction costs. Financial assets can be divided into the following categories:

- Financial assets at fair value through profit and loss
- Held-to-maturity financial assets
- Available-for-sale financial assets
- Loans and receivables

Classification is based on the type and purpose of the financial assets and is determined upon receipt.

Effective interest method
The effective interest method is a means of calculating the amortised cost of a liability and of allocating the interest income to the corresponding period. It equals the interest rate with which the estimated future payments (including all fees forming part of the effective interest rate and other premiums and discounts) can be discounted over the experted term of the liability or, where applicable, a shorter period to arrive at its net carrying amount upon first-time recognition.
Income from liabilities is recorded using the effective interest method. This does not apply to financial assets at fair value through profit or loss.

Financial assets at fair value through profit and loss
Financial assets are classified as being at fair value through profit and loss if they are held for trading purposes or are designated as being at fair value through profit and loss.

A financial asset is classified as held for trading if

- it was acquired primarily for the purpose of being sold again in the near term
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or
- it is a derivative except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Financial assets at fair value through profit and loss are measured at their fair value. Any gains or losses arising from fair value measurement are recognised in profit and loss.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company has the positive intention and ability to hold to maturity are categorised as held-to-maturity financial instruments. They are recognised at amortised cost using the effective interest method less impairments. Interest income is calculated using the effective interest method.

Available-for-sale financial assets
Available-for-sale financial assets are recorded at their fair value. Gains and losses arising from changes in the fair value of available-for-sale financial assets are reported in other comprehensive income and in the revaluation reserve for financial investments. This does not apply to impairment losses, interest calculated using the effective interest method and gains and losses from the translation of foreign currency monetary items. Instead, these are recorded within profit and loss. If a financial asset is sold or found to be impaired, the gains and losses previously allocated to the revaluation reserve, are recognised in profit and loss.

Loans and receivables
Trade receivables, loans and other receivables with fixed or determinable payments that are not quoted in an active market, are classified as loans and receivables. Loans and receivables are measured using the effective interest method at amortised

cost net of any acquisition costs. Interest income is recognised using the effective interest method with the exception of current receivables, with which the interest effect is negligible.

Impairment of financial assets
Financial assets with the exception of those at fair value through profit or loss are reviewed on each balance sheet date for any indication of impairment. Financial assets are deemed to be impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that such event or events have a negative impact on the cash flows of the financial asset in question. In the case of listed or non-listed equity investments which are classified as available for sale, a material or permanent reduction in the fair value of the assets below their historical cost is interpreted as objective evidence of impairment.
In the case of all other financial assets, including those categorised as available for sale, objective evidence of impairment may include the following:

- significant financial difficulty of the issuer or obliger,
- default or delinquency in interest or principal payments, or
- heightened probability that the borrower will enter bankruptcy or other financial reorganisation.

In the case of financial assets at amortised cost, the amount of the loss is the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate.
An impairment results in a direct reduction in the carrying amount of the financial assets concerned with the exception of trade receivables, whose carrying amount is impaired by means of an allowance account. If a trade receivable is deemed to be uncollectable, the amount is charged to the allowance account. Any subsequent receipts towards derecognised receivables are also charged to the allowance account. Any changes in the carrying amount of the allowance account are recognised directly in profit and loss.

2.3 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-term deposits.

2.4 Receivables and other assets

Receivables and other assets are recognised at amortised cost subject, where applicable, to the effective interest method. 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 impaired.

2.5 Derivative financial instruments

Derivative financial instruments such as currency forwards, currency swaps 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 fair 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 income statement. Fair value is defined as the value which can be achieved in business operations under prevailing market conditions.

2.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes costs of purchase, conversion and overheads incurred in bringing inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale less reasonable adjustments for all discernible risks arising from reduced or absent marketability. All goods are measuring using the FIFO (first in-first out) method.

2.7 Prepaid cost of materials

The prepaid cost of materials primarily comprises payments made for maintenance contracts purchased from suppliers which do not yet give rise to any expenditure in the year under review. This item is reversed over the remaining term of the contract.

2.8 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 recoverable amount, 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 of 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. The lessee recognises the lease at the beginning of its term at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. 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.

2.9 Intangible assets

Intangible assets acquired are recognised at cost. Software and licences are written down 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.
In 2008, customer relations were acquired from the US company Neohapsis Inc./ KSR Inc. under the terms of an asset deal and the acquisition of the Centris technology platform. The cost of this amount to $ 0.720 million. These customer relations are not subject to scheduled amortisation. Instead, they are tested for impairment once a year (see Note 2.10).
The useful lives of and the amortisation method selected for intangible assets are examined at least once a year on each balance sheet date; in the event of any difference in the expectations over previous estimates, the corresponding changes are recorded as changes to estimates in accordance with IAS 8.
Development expenses are capitalised as intangible assets if the conditions for recognition stated in IAS 38 are satisfied. 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 written down over three years.
Research costs are not capitalised but recognised as expenses upon arising.

2.10 Impairment of property, plant and equipment and intangible assets except for goodwill

At each balance sheet date the Group reviews the carrying amounts of the property, plant and equipment and intangible assets to identify any evidence of impairment of these assets. If such evidence is found, the recoverable amount of the asset is estimated to determine the extent of any impairment loss. If the recoverable amount cannot be estimated, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

In the case of intangible assets with an indefinite useful life or those which are not yet available for use, an impairment test is performed once a year and whenever any evidence of impairment arises.
The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In measuring value in use, the estimated future payment flows are discounted using a pre-tax interest rate. This pre-tax interest rate takes account of the current market estimate of the present value of the present value and the risks inherent in the asset, unless these are already reflected in the estimate of the payment flows.
If the estimated recoverable amount of an asset (or cash-generating unit) is less than its carrying amount, the carrying amount is written down to the recoverable value of the asset (or the cash-generating unit). The impairment loss is recognised in profit and loss.
In the event of any ensuing reversal of the impairment loss, the carrying amount of the asset (or the cash-generating unit) is increased to reflect the new estimate of the recoverable amount. The increase in the carrying amount is limited to the amount which would have arisen had no impairment loss been recorded for the asset (or cash-generating unit) in previous periods. The reversal of impairment losses is recognised in profit and loss.

2.11 Goodwill

Any excess in acquisition costs over the Group's share in the fair values of the identifiable assets, liabilities and contingent liabilities acquired as a result of a business combination is recognised initially as goodwill. Goodwill is subsequently measured at amortised cost less any impairments.
It is not amortised periodically but is instead subject to an impairment test at least once a year at the level of the cash-generating unit. In the event of special events indicating that the carrying amount of a cash-generating unit may no longer be covered by the recoverable amount, an impairment test must also be performed during the year.
New goodwill is always allocated to the cash-generating unit which is expected to derive benefits from the business combination.

Goodwill is tested for impairment by comparing the recoverable amount of a cash-generating unit with its carrying amount including goodwill. If the carrying amount exceeds the realisable amount, the asset is deemed to be impaired and written down to the realisable amount. For this purpose, Integralis initially calculates the value in use on the basis of generally acknowledged measuring methods based on the medium-term forecasts of the cash generating units in question. A discounted cash flow model is used and the plausibility of the results tested by means of suitable multiples. The discounted cash flow calculated are based on forecasts derived from the company plans approved by management and also used for internal purposes. The material assumptions used to calculate value in use relate to sales and costs, growth rates and the discount rate.
Any impairment identified is initially deducted from goodwill. If the impairment exceeds the goodwill, it is applied to the other assets held by the unit coming within the scope of IAS 36 pro rata on the basis of the carrying amount of each asset. When an impairment is allocated, the carrying amount of the asset must not be reduced below the highest of

- its fair value less costs to sell,
- the value in use, and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset should be allocated to the other assets of the unit on a pro-rata basis.
A later reversal of the impairment due to the fact indicating that an impairment loss recognised in prior periods for an asset may no longer exist is not permissible.

2.12 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 tax 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 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 measured on the basis of the tax rates expected to be applicable. 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%.

2.13 Deferred revenues

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

2.14 Provisions and liabilities

Classification of financial liabilities
Financial liabilities are classified either as financial liabilities at fair value through profit and loss or as other financial liabilities.

Financial liabilities at fair value through profit and loss
Financial liabilities are classified at fair value through profit and loss if they are held for trading purposes or are voluntarily designated as being at fair value through profit and loss.
A financial liability is classified as held for trading if

- it is acquired primarily for the purpose of being sold again in the near term
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or
- it is a derivative except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Other financial liabilities
Other financial liabilities, including loans raised, are initially recorded at fair value less transaction costs.
They are subsequently measured at amortised cost using the effective interest method. In this case, interest expense is recorded on the basis of the effective interest rate.
The effective interest method is a means of calculating the amortised cost of a financial liability and of allocating the interest expense to the corresponding period. It equals the interest rate with which the estimated future payments can be discounted over the expected term of the financial instrument or, where applicable, a shorter period to arrive at its net carrying amount upon first-time recognition.
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.
The cost of setting aside provisions is taken to the income statement.

Provisions which are not expected to be used for more than one year are discounted at normal market conditions.

2.15 Equity

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

Comprehensive income	2009 T€	2008 T€
Profit (after taxes)	-8,998	9,275
Currency translation reserve	-358	-2,167
Total income and expenses recognised directly in equity	-9,356	7,108
Of which attributable to the shareholders of Integralis AG	**-9,356**	**7,108**

2.16 Revenues

Revenues are measured at the fair value of the consideration received or owed 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.

2.17 Borrowing costs

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

2.18 Treasury stock

Treasury stock is deducted from the subscribed capital at its nominal value of € 1 per share. The difference between the nominal value and the buying or selling price is netted with the share premium. Treasury stock was sold in 2009.

2.19 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. However, there is no dilutory effect in the event of a basic loss per share.

2.20 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 stock 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 stock 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 stock option programmes are tied to the performance of Integralis AG's stock. 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 stock 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 stock options is regularly reviewed.

3. Critical accounting estimates and judgements

In the application of the aforementioned accounting principles, it is necessary to make estimates, assumptions and judgements in order to calculate the carrying amount 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. The 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 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 totalls T€ 13,492 leading to an impairment of T€ 1,766 which is recognised in 2009.

3.2 Threatened 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 during of the lease. As of 31 December 2009, it has accrued for provisions of T€ 660 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 long-term

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 accounted for in the income statement.

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

The Group recognised deferred tax assets from temporary differences as well as unused tax losses as of 31 December 2009. 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 T€ 7,980 (2008: T€ 9,089). Of this, an amount of T€ 261 (2008: T€ 58) 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 impairments for bad debts. All trade receivables and other assets are due for settlement within one year. Individual adjustments of a total of T€ 194 have been included to allow for any reduced payment receipts.

	2009 T€	2008 T€
Trade receivables	54,864	44,997
Impairments	-194	-53
Total	**54,670**	**44,944**

4.3 Inventories

Inventories break down as follows:

	2009 T€	2008 T€
Finished goods and merchandise	683	1,469
Impairments	–	–
Total	**683**	**1,469**

4.4 Prepaid cost of materials

The prepaid cost of materials of T€ 35,419 (2008: T€ 28,780) primarily comprises payments made for maintenance contracts purchased from suppliers which do not yet give rise to any expenditure in the year under review. This item is reversed over the remaining term of the contract.

4.5 Prepaid expenses and other assets

Prepaid expenses and other assets are valued at T€ 2,961 (2008: T€ 3,935) and comprise deposits and other security payments of T€ 34 (2008: T€ 34), advance payments of T€ 491 (2008: T€ 566) and prepaid expenses of T€ 1,545 (2008: T€ 1,267). Prepaid expenses primarily entail rentals, insurance premiums and maintenance contracts. In 2008, this item also included T€ 116 (2008: T€ 85) for the fair value of derivative financial instruments.

4.6 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 in connection with property, plant and equipment in the year under review.
Property, plant and equipment include assets valued at T€ 1,430 (previous year: T€ 1,497) 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 T€ 95 (2008: T€ 99) on the basis of an interest rate of 6.54%.
As of the balance sheet date, future lease payments break down as follows:

Duration	Future payments T€	Discount T€	Present value T€
Less than one year	163	-90	72
Between one and five years	650	-310	341
More than five years	1,184	-167	1,017
Total	**1,997**	**-567**	**1,430**

4.7 Intangible assets

This item comprises software and related licenses, development costs capitalised in accordance with IAS 38 and the order books gained in connection with the allocation of the business combination costs arising from the acquisition of Netsecure Sweden. These order books have now been written down to T€ 0 after 3 years. Further orders of T€ 83 were obtained in 2008 through the acquisition of Greschitz IT Security GmbH, Vienna. In the year under review, they were written down to T€ 41.
In 2008, customer relations were acquired from the US company Neohapsis Inc./ KSR Inc. under the terms of an asset deal and the acquisition of the Centris technology platform. This asset is assumed to have an indefinite life and is therefore not subject to amortisation (IAS 38.90). The costs of this client base totalls $ 0.720 million.
The Group examined the recoverable amount of the customer relations as of the balance sheet date, leading to the recognition of an impairment loss of T€ 285. The recoverable value of the customer relations was determined on the basis of the value in use applying a discount rate of 9.43% to future cash flows.
The customer relations have a carrying amount of T€ 215 after impairment.

4.8 Goodwill

Since 1 January 2005, the impairment-only approach stipulated by IFRS 3 has been applied to the remeasurement of goodwill.
Impairment testing involved a comparison of the carrying amounts in question with the recoverable amount. The recoverable amount of the cash-generating unit in question is determined on the basis of the value in use. The value in use is calculated on the basis of the following assumptions:

- Period of five years as of 2010
- Perpetual annuity with growth rates of between one and two percent
- Use of internal forecasts for 2010
- For the years after 2010:
  - o Revenue growth of between 2% and (in individual cases) 15.0%
  - o Change in gross margin between -0.5% and 1.0%
  - o Pre-tax discount rates of between 9.43% and 15.39%

In the year under review, goodwill of T€ 13,492 (2008: T€ 15,937) was subject of an impairment. The aforementioned calculation (comparison of value in use with net assets including goodwill) resulted in an impairment loss of T€ 1,766 on the goodwill of Integralis AB, Sweden, as of the balance sheet date. The impairment loss is reported in the income statement within "Impairment loss on intangible assets, property, plant and equipment".
The carrying amounts of the goodwill were assigned to the following cash-generating units (CGUs):

	2009 T€	2008 T€
(Germany, Austria, Switzerland)	2,099	2,099
Integralis UK	22	22
Integralis US	644	644
Integralis France	3,114	3,114
Integralis Sweden	2,942	5,025
Integralis U.A.E	4,671	5,033
Total	**13,492**	**15,937**

There was a disposal of T€ 133 on the goodwill of the Integralis U.A.E. cash generating unit in connection with the settlement of the earn-out obligation. The reduction was also due to currency translation effects.

Integralis Sweden
The recoverable amount of the cash generating unit was determined by calculating the value in use on the basis of payment flow forecasts derived from a 5-year plan prepared by the Management Board and a pre-tax discount rate of 12.8% p.a. (2008: 14.1% p.a.).
The payments flowing after the fifth year were extrapolated on the basis of a constant annual growth rate of 2%. Given the decline in revenues and earnings in the current year, it was also necessary to adjust the forecasts for future years resulting in goodwill amortisation of T€ 1,766.
A change in the underlying assumptions on which the determination of the recoverable amount is based would result in appreciable changes in the amount of the goodwill amortisation (e.g. an increase of 1% in the post-tax discount rate would result in additional amortisation of T€ 500, while a growth rate of 3% would result in a reduction of around T€ 300 in amortisation).

Integralis France
The recoverable amount of the cash generating unit was determined by calculating the value in use on the basis of payment flow forecasts derived from a 5-year plan prepared by the Management Board and a pre-tax discount rate of 14.15% p.a. (2008: 14.5% p.a.).
The payments flowing after the fifth year were extrapolated on the basis of a constant annual growth rate of 2%. The calculated value in use is approximately T€ 300 higher than the carrying amount of the cash generating unit and leading to no impairment.
A change in the underlying assumptions on which the determination of the recoverable amount is based would possibly result in appreciable changes in the amount of the goodwill amortisation (e.g. an increase of 1% in the post-tax discount rate would result in additional amortisation of T€ 100, while a growth rate of 1% would not result in any goodwill impairment).

Integralis U.A.E.

The recoverable amount of the cash generating unit was determined by calculating the value in use on the basis of payment flow forecasts derived from a 5-year plan prepared by the Management Board and a pre-tax discount rate of 9.43% p.a. (2008: 10.1% p.a.).

The payments flowing after the fifth year were extrapolated on the basis of a constant annual growth rate of 2%. The Management Board assumes that no reasonably foreseeable change in the underlying assumptions on which the determination of the recoverable amount is based would cause the cumulative carrying amount of the cash generating unit to exceed the cumulative recoverable amount.

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 based on 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.

- **Personnel and other costs relative to changes in revenues:**
  It was assumed that costs will increase at a slightly slower rate than that at which revenues increase.

- **Discount rate:**
  A post-tax discount rate of 9.43% 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) calculated by external analysis (IAS 36.A17). This interest rate is also used internally for measurement purposes in connection with acquisition projects.

4.9 Deferred tax assets

Deferred tax assets are broken down as follows:

	2009 T€	2008 T€
Non-current assets/ intangible assets	766	757
Receivables and other assets	88	5
Unused tax losses	2,045	4,433
Deferred income	1,057	361
Lease liabilities	393	413
Provisions	1	273
Other liabilities	0	55
Total	**4,349**	**6,297**

All changes in deferred taxes were recognised in profit and loss.

4.10 Trade payables

All the trade payables of T€ 30,734 (2008: T€ 28,871) are due for settlement in less than one year.

4.11 Liabilities to affiliated companies

In the year under review, liabilities to affiliated companies totalled T€ 4,339 (2008: T€ 0). This concerns a liability to NTT Leasing (U.S.A.) (related party). The master loan contract expires on 30 June 2010. The agreed-upon interest rates on the loans are 2.257% and 2.035%, respectively.

4.12 Bank borrowings

In 2009, a sum of T€ 600 was drawn down from a credit facility provided by a bank for the first time as of the balance sheet date. The loan is due for repayment in less than one year and is subject to interest of 3.01%.

4.13 Current provisions

Current provisions comprise the following:

	2009 T€	2008 T€
Outstanding invoices for material	5,646	3,694
Personnel obligations	1,703	1,610
Miscellaneous	2,863	2,427
Total	**10,212**	**7,731**

4.14 Deferred revenues

In the year under review, deferred revenues amounted T€ 50,860 (2008: T€ 43,328).
Deferred revenues primarily comprise payments received from customers for maintenance and MSS contracts which do not yet constitute any income in the year under review. This item is reversed over the remaining term of the contract.

4.15 Other current liabilities

The other current liabilities of T€ 4,987 (2008 : T€ 3,995) comprise liabilities in connection with social security contributions of T€ 1,065 (2008: T€ 985), deferred income of T€ 1,381 (2008: T€ 1,470) and other current liabilities.

4.16 Deferred tax liabilities

Deferred tax liabilities are broken down as follows:

	2009 T€	2008 T€
Receivables and prepaid cost of materials	819	242
Non-current assets/ intangible assets	534	615
Liabilities	117	616
Provisions	28	0
Total	**1,498**	**1,473**

4.17 Non-current provisions

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

	01/01/2009	Utilised	Released	Added	Changes in currency parities	31/12/2009
	T€	T€	T€	T€	T€	T€
Rental vacancies	701	41	0	0	0	660
Earn-out ProtechT, Dubai	1,688	1,526	162	0	0	0
Total	**2,389**	**1,567**	**162**	**0**	**0**	**660**

The provisions for rental vacancies concern the office space in the United Kingdom. The rental and lease contracts entered into by Nocitra Ltd. valued at € 1.2 million have a remaining term of around 9 years. Please refer to the relevant disclosures in Section 3.2.
An amount of T€ 1,688 was accrued in 2008 to provide for the earn-out commitments in connection with the acquisition of ProtechT FZ LLC, Dubai. An amount of T€ 1,526 was settled in the year under review.

4.18 Equity

4.18.1 Share capital, authorised capital and contingent capital

The share capital totalled € 11,585,137 as of 31 December 2009 (31 December 2008: € 11,585,137) and is divided into 11,585,137 registered no-par-value shares.
As of 31 December 2009, 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 T€ 5,750 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 entities.
  As of 31 December 2009, the entire volume of authorised capital 2008/I was still available for future use.

- **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 T€ 52. The share capital may be increased by up to T€ 52 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 stock options in 2006, contingent capital 2005/I in an amount of € 42,000.00 was still available.

- **Contingent capital 2007/II:**
  In accordance with a resolution passed at the annual general meeting on 10 May 2007, contingent capital 2007/I of T€ 945 was created. The share capital may be increased by up to T€ 945 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 2009, no option rights had been issued 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 T€ 4,000 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 T€ 4,000 in accordance with the conditions for the convertible and/or warrant-linked bonds.
The share capital may be increased by up to T€ 4,000 through the issue of up to 4,000,000 shares on a contingent basis. The option or conversion price equals 9 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 2009, no convertible or option bonds had been issued for this contingent capital 2007/II.

4.18.2 Disclosures concerning capital management

As of 31 December 2009, the equity ratio stood at 15.9% (previous year: 23.0%). 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 heighten flexibility with respect to solvency. These activities were completed in 2009. In connection with the related extension to a Group-wide treasury function, greater attention was also paid in 2009 to the management of capital structures.
The Group is not subject to any externally imposed capital requirements.

4.18.3 Net profit/loss for the year and profit/loss carried forward

The net loss for 2009 of T€ 8,998 (2008: net profit of T€ 9,275) will be carried forward.

4.18.4 Share premium

The Group's share premium (T€ 12,478; 2008: T€ 10,919) comprises Integralis AG's share premium. The size of the share premium is influenced by the use of treasury stock to settle the purchase price obligation for Integralis ME FZ LLC (formerly ProtechT) (earn-out T€ 966). Treasury stock of T€ 592 was used to honour obligations from the exercise of options.
In addition, there is a reserve for stock options of T€ 921 (2008: T€ 729). The increase results from the grant of new options of T€ 192.

5. Notes on the consolidated income statement

5.1 Revenues

Consolidated revenues for the year break down as follows:

	2009 T€	2008 T€
Technology Sales	83,073	85,280
Support Services	58,406	54,352
Consulting, Integration & Training	19,375	17,850
Managed Security Services (MSS)	12,862	11,388
Total	**173,716**	**168,870**

5.2 Other operating income

Other operating income breaks down as follows:

	2009 T€	2008 T€
Other operating income in advertising area	578	638
Other operating income in personnel area	92	247
Other operating income in building area	0	4
Miscellaneous other operating income	123	16
Total	**793**	**905**

5.3 Personnel expenses

In the year under review, wages and salaries came to T€ 34,794 (2008: T€ 31,588). Social security payments were valued at T€ 5,751 (2008: T€ 5,508) and included expenditure on defined-contribution post-retirement benefits of T€ 525 (2008: T€ 412) (see also Note 8.8). Personnel expenses include T€ 192 (2008: T€ 178) by way of share-based payments under the stock option programmes.

5.4 Other operating expenses

Other operating expenses are broken down as follows:

	2009 T€	2008 T€
Miscellaneous personnel expenses (e.g. travel, training, temporary staff)	3,836	3,977
Company cars (maintenance, leases, insurance etc.)	2,137	2,216
Miscellaneous	3,881	3,142
Legal and consulting costs	3,078	895
Rental, repairs, maintenance	2,013	1,673
Marketing	1,091	1,385
Insurance	441	501
Recruiting	349	684
Finance costs (e.g. bank fees, net currency translation gains and losses)	3,061	-1,839
Total	**19,887**	**12,634**

Finance costs include net currency translation gains and losses netted with bank fees, adjustments to receivables and other finance costs. This resulted in net expense of T€ 3,061 in 2009 (2008: T€ -1,839).
Personnel and other operating expenses in the “Development” segment came to T€ 483 in 2009 (2008: T€ 663).

5.5 Currency translation gains and losses

Currency translation losses of a total of T€ 1,028 (2008: T€ 1,823) from the translation of monetary items were reported in the income statement under other operating expenses. Currency translation losses of T€ 358 (2008: T€ 2,167) from the currency translation of non-domestic subsidiaries were recognised under equity.

5.6 Gains from the sale of financial assets

The Company did not record any gains from the sale of financial assets in 2009.

5.7 Depreciation and amortisation

The breakdown of depreciation/amortisation expense by intangible assets, property, plant and equipment can be seen in the statement of changes in assets.
Total depreciation/amortisation expense came to T€ 4,383 in 2009 (2008 : T€ 1,837).
The increase over the previous year is due to the goodwill amortisation of T€ 1,766 in the year under review. This amortisation was recognised due to the results of impairment testing of the Swedish goodwill in accordance with IAS 36.
Similarly, an impairment loss of T€ 285 was recognised on the customer relations which had been acquired in the United States in 2008.

5.8 Interest income and expense

Interest income and expense breaks down as follows:

	2009 T€	2008 T€
Interest income	76	285
Interest income from discounting provisions	–	–
Total finance income	76	285
Interest expenses	-160	-203
Interest cost of provisions	–	–
Total finance expense	-160	-203
Finance income and costs	**-84**	**82**

5.9 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 as of 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 2009 is as follows:

	2009 T€	2008 T€
Current tax expense	236	1,750
Tax expense in previous years	135	0
Deferred tax liabilities/(assets)	2,229	- 4,953
Total	**2,600**	**-3,203**

In the year under review, deferred tax expense of T€ 3,120 (2008: T€ 0) was created due to a reversal of deferred tax assets which may no longer be used.
The reversal of a previous impairment of a deferred tax asset resulted in a sum of T€ 491 (2008: T€ 4,432).

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

	2009 T€	2008 T€
Net profit/loss before taxes	**-6.398**	**6.072**
Income tax expense/(refund) on the basis of the German tax rate of 28.9%	-1.850	1.755
Differences in tax rates		
Difference arising from the application of national tax rates	-214	-243
Differences arising from changes in national tax rates	154	0
Tax effects from differences in tax bases		
Goodwill impairments	510	0
Non-deductible expenses	59	114
Non-taxable income	-88	-152
Recognition and measurement of deferred taxes		
Additions to deferred taxes on unused tax losses	-491	-3.916
Reduction in deferred taxes on unused tax losses	3.120	0
Non-recognition of deferred tax assets	1.973	0
Changes to deferred tax assets on temporary differences	-691	-1.037
Changes to deferred tax liabilities on temporary differences	67	1.449
Offperiod effects		
Current and deferred taxes in previous years	135	-13
Tax refund from the utilisation of unused tax losses	0	-1.336
Miscellaneous		
Miscellaneous items	-86	176
Actual tax expense/(income)	**2.600**	**-3.203**

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%.

5.10 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 11,134,642 in the year under review (2008: 10,713,340) and diluted shares of 11,336,133 (2008: 10,848,296).
The basic number of shares is reconciled with the diluted number of shares as follows:

	Shares
Shareholdings as of 31 December 2009	11,585,137
Less treasury stock as of 31 December 2009	-409,105
Adjusted number of shares as of 31 December 2009	11,176,032

Weighted average number of shares in 2009 (basic)	11,134,642
plus weighted average number of options in 2009	201,491
Weighted average number of shares in 2009 (diluted)	11,336,133

The basic loss per share as defined in IAS 33 came to € 0.81 in 2009 (2008: earnings per share € 0.86). Diluted loss per share totalled € 0.81 in 2009 (2008: earnings per share € 0.85). However, there is no dilutory effect in the event of a basic loss per share.
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 reporting

Segment reporting complies with the requirements of IFRS 8 "Operating Segments", which replaces the former standard IAS 14 "Segment Reporting" and must be applied in reporting periods commencing on or after 1 January 2009.
IFRS 8 stipulates that entities must disclose financial and descriptive information on their reportable segments. Reportable segments are operating segments or aggregations of operatåing segments that meet specified criteria. Operating segments are components of an entity on which separate financial information is available, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Generally speaking, financial information must be reported on the basis of the internal management system used to assess the output of the operating segments and to decide how resources are to be allocated to the operating segments.
IFRS 8 replaces the "risk and return approach" adopted by IAS 14 with the "management approach" thus following SFAS 131. Accordingly, segments are fundamentally defined in accordance with the internal reporting system rather than on the basis of geographic segments as specified in IAS 14.
The systematic application of the management approach seeks to permit users of the external accounts to see the entity from management's point of view.
Segment reporting is designed to

- provide a better understanding of the entity's financial condition and earnings
- permit an accurate assessment of the opportunities and risks
- approximate cash flows more precisely
- enhance the comparability of individual units with similar segments of other entities
- supply data for improved calculation of enterprise value

The determination of the chief operating decision maker (CODM) plays a key role in the segmentation process and the information to be disclosed. IFRS 8 defines the CODM as the person or group of persons deciding on the allocation of resources and assessing the performance of the operating segments. Rather than a specific title, CODM thus refers to a special function. In practice, this function will normally be held

by management. This is in line with the current interpretation of the almost identical SFAS 131 on segment reporting (US GAAP), according to which a decision on the enterprise-wide allocation of resources is generally made on the top management level, even though individual decisions may be prepared on lower management tiers.

It is not necessary to report separately on all operating segments. Operating segments are only reportable if they exceed certain thresholds.

It is necessary to report separately on an operating segment if

- its reported revenue (including sales to external customers and intersegment sales or transfers) is 10% or more of the combined revenue, internal and external, of all operating segments, or
- the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute terms of:
  - o the combined reported profit of all operating segments that did not report a loss, and
  - o the combined reported loss of all operating segments that reported a loss, or
- its assets are 10% more of the combined assets of all operating segments.

Not all the parts of an entity constitute operating segments or form part of operating segments. For example, corporate headquarters of functional departments may not generate any income or only incidental income. Such units are not operating segments for the purpose of IFRS 8. Rather, they are reported separately in a collective segment. It is necessary to determine whether the units reported on internally constitute operating segments or not.

Under certain circumstances, two or more segments may be aggregated and treated as a single operating segment provided that they exhibit similar economic characteristics.

Under certain circumstances, two or more segments may be combined and treated as a single operating segment if

- as a result of the combination of the users of the financial statements receives information allowing them to evaluate the entity and the environment in which it operates,
- their economic characteristics are similar, and
- they exhibit similarities in the following respects:
  - o the nature of the products and services,
  - o the nature of the production processes,
  - o the type or class of customer for their products and services,
  - o the methods used to distribute their products or provide their services, and
  - o if applicable, the nature of the regulatory environment (e.g. banking, insurance or public utilities).

IFRS 8 distinguishes between segment disclosures and entity-wide disclosures. In the case of segment disclosures, there is fundamentally a greater degree of freedom with respect to the reportable size of the segment due to the application of the management approach. In any case, total segment assets and a central measure of profit or loss must be reported.

Further reporting duties are tied to the measure of profit or loss selected, i.e. what is reviewed by the CODM. If, for example, EBITDA is used as the measurement of profit or loss, there is no need to disclose segment depreciation and amortisation. At Integralis, the members of the Management Board are deemed to be CODMs.

As a matter of principle, IAS 14, which provides for geographical segmentation, is no longer applied. However, management reporting at Integralis is based on national companies.

One exception to this is the region of Germany, Austria and Switzerland, which are allocated to the "Central Europe" (GAS) business segment.

The Group headquarters and shared services segment comprise the Group management which cannot be allocated to any of the operating segments.

The measure of profit or loss selected is EBITDA. The performance of the responsible national managers is also measured on the basis of EBITDA. The CODMs do not use any other measures of profit or loss such as EBIT, EBT or net result for the segments.

Accordingly, the following segment disclosures are waived:

- Depreciation and amortisation
- Share of profit of associates
- Investments in non-current assets
- Borrowing costs
- Interest income
- Income tax expense/income
- Material non-cash expenses and income
- Main expense and income items in accordance with IAS 1.86

No monthly balance-sheet figures are reported to the CODMs; only outstanding receivables and liabilities are monitored. Accordingly, only receivables and liabilities are recorded in the segment report.
Reference should be made to Section 3.1 et seq of the Management Report for information on revenues, net profit/loss for the period and segment assets and liabilities.
Integralis AG primarily uses revenues and EBITDA as the parameter for measuring segment performance. Intrasegmental revenues and services are calculated on arms' length terms. Administrative activities are calculated in accordance with the principles of transfer pricing.
As no major customer accounts for more than 10% of revenues, the disclosures required by IFRS 8.34 can be waived.
Revenues from the Group's continuing operations are broken down as follows:

	2009 T€	2008 T€
Technology Sales	83,073	85,280
Support Services	58,406	54,352
Consulting, Integration & Training	19,375	17,850
Managed Security Services (MSS)	12,862	11,388
Total	**173,716**	**168,870**

Revenues	2009 T€	2008 T€
United Kingdom	66,730	68.118
Germany/Austria/Switzerland	45,892	43.384
USA	34,696	28,015
France	13,182	12,032
Sweden	7,326	11,138
United Arab Emirates	5,890	6,183
Integralis Global Services	7,195	7,375
Total for all segments	**180,911**	**176,245**
Elimination of intersegmental business/Consolidation	-7,195	-7,375
Group Headquarter & shared services	–	–
Integralis Group	**173,716**	**168,870**

EBIDTA	2009 T€	2008 T€
United Kingdom	1,907	2,652
Germany/Austria/Switzerland	2,887	3,732
USA	51	721
France	-523	-453
Sweden	-818	-156
United Arab Emirates	589	906
Integralis Global Services	-141	-149
Total for all segments	**3,952**	**7,253**
Elimination of intersegmental business/Consolidation	-288	-281
Group Headquarter & shared services	-5,595	855
Integralis Group	**- 1,931**	**7,827**

EBITDA Margin	2009	2008
	%	%
United Kingdom	2.9	3.9
Germany/Austria/Switzerland	6.3	8.6
USA	0.1	2.6
France	-4.0	-3.8
Sweden	-11.2	-1.4
United Arab Emirates	10.0	14.7
Integralis Global Services	-2.0	-2.0
Total for all segments	**2.2**	**4.1**
Elimination of intersegmental business/Consolidation	–	–
Group Headquarter & shared services	–	–
Integralis Group	**-1.1**	**4.6**

Liabilities	31/12/2009	31/12/2008
	T€	T€
United Kingdom	9,387	8,760
Germany/Austria/Switzerland	11,114	12,083
USA	6,292	6,485
France	5,686	7,002
Sweden	1,128	2,821
United Arab Emirates	2,885	1,213
Integralis Global Services	1,105	1,256
Total for all segments	**37,597**	**39,620**
Elimination of intersegmental business/Consolidation	-43,703	-59,439
Group Headquarter & shared services	36,840	48,690
Integralis Group	**30,734**	**28,871**

Receivables	31/12/2009	31/12/2008
	T€	T€
United Kingdom	21,805	13,967
Germany/Austria/Switzerland	13,977	12,674
USA	8,704	9,490
France	4,519	4,891
Sweden	1,885	3,249
United Arab Emirates	5,823	5,473
Integralis Global Services	1,028	2,337
Total for all segments	**57,741**	**52,081**
Elimination of intersegmental business/Consolidation	-11,984	-27,087
Group Headquarter & shared services	8,913	19,950
Integralis Group	**54,670**	**44,944**

The Group is active in nine regions – Germany, Austria, Switzerland, France, the UK, Sweden, the United States, Singapore and the United Arab Emirates.
Non-current assets (net of deferred tax assets) are broken down by geographic region as follows:

	31/12/2009	31/12/2008
	T€	T€
Germany	2,894	1,229
Austria	1,059	1,012
Switzerland	930	919
France	3,189	3,194
United Kingdom	2,546	2,423
Sweden	2,986	5,813
USA	1,238	2,664
Singapore	2	4
United Arab Emirates	4,712	5,076
Total	**19,557**	**22,335**

In addition to scheduled amortisation, goodwill impairment of T€ 1,766 (2008: T€ 0) was recognised. This impairment is allocated to the Sweden segment.
The previous year and comparison figures have been adjusted accordingly pursuant to IFRS 8.
The reconciliation statement eliminates the intragroup activities between the segments.
The measurement principles used in the segment report are based on the IFRS rules applied to the consolidated financial statements (see also Note 2 et.seq)

7. Notes on the cash flow statement

The cash flow statement has been prepared using the indirect method permitted by 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. Of this, an amount of T€ 261 (2008: T€ 58) constitutes restricted cash as it has been pledged to cover bank guarantees issued for rental deposits and contractual performance obligations.
The cash outflow of T€ 2 from the disposal of subsidiaries relates to the absorption of the loss sustained by Integralis Holdings Ltd. UK (net cash outflow). As this company was dissolved, there were no further material assets or liabilities.

8. Other disclosures

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 2009 are broken down as follows:

	2009 T€	2008 T€
Audit of financial statements	172	135
Other consulting activities	13	15
Tax consulting services	7	3
Other services	3	3
Total	**195**	**156**

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

In accordance with Section 315 (2) No. 4 of the German Commercial Code, the disclosures on management compensation are included in the remuneration report, which forms part of the management report. The compensation of the Management Board and the Supervisory Board is described in Note 8.9.

8.3 Financial instruments

Categorisation of financial instruments

The following table analyses the allocation of financial assets and liabilities to the individual categories in accordance with IAS 39 as well as their carrying amounts and fair values as of 31 December 2009. The fair value of derivative instruments is calculated by reference to the listed market prices as of the balance sheet date. The fair values of cash and cash equivalents, current receivables and liabilities and other current financial liabilities match their carrying amounts due to the short-term nature of these instruments.

Explanation of the categories (see Note 2.2):

LaR: Loans and receivables

Afv: Financial assets at fair value through profit and loss (derivatives classified as held for trading)

FLAC: Other financial liabilities

Recognised in accordance with IAS 39	Category in accordance with IAS 39 T€	Carrying amount as of 31/12/2008 T€	Amortised cost T€	Fair value in equity T€	Fair value in P/L T€	Fair value as of 31/12/2008 T€
Assets						
Cash and cash equivalents	LaR	9,089	9,089	–	–	9,089
Trade receivables	LaR	44,944	44,944	–	–	44,944
Other receivables	LaR	2,583	2,583	–	–	2,583
Derivatives with no hedging relationship	Afv	85	–	–	85	85
Liabilities						
Trade payables	FLAC	28,871	28,871	–	–	28,871
Liabilities from finance leases	IAS 17	1,498	–	–	–	1,498
Of which aggregated by category in accordance with IAS 39:						
Loans and Receivables (LaR)		56,616	–	–	–	56,616
Financial assets through P/L (Afv)		85	–	–	–	85
Financial liabilities at amortised costs (FLAC)		28,871	–	–	–	28,871

Recognised in accordance with IAS 39	Category in accordance with IAS 39	Carrying amount as of 31/12/2009	Amortised cost	Fair value in equity	Fair value in P/L	Fair value as of 31/12/2009
	T€	T€	T€	T€	T€	T€
Assets						
Cash and cash equivalents	LaR	7,980	7,980	–	–	7,980
Trade receivables	LaR	54,670	54,670	–	–	54,670
Other receivables	LaR	1,300	1,300	–	–	1,300
Derivatives with no hedging relationship	Afv	116	–	–	116	116
Liabilities						
Trade payables	FLAC	30,734	30,734	–	–	30,734
Bank borrowings	FLAC	600	600	–	–	600
Liabilities to affiliated companies	FLAC	4,339	4,339	–	–	4,339
Liabilities from finance leases	IAS 17	1,430	–	–	–	1,430
Of which aggregated by category in accordance with IAS 39:						
Loans and Receivables (LaR)		63,950	–	–	–	63,950
Financial assets through P/L (Afv)		116	–	–	–	116
Financial liabilities at amortised costs (FLAC)		35,673	–	–	–	35,673

Collateral

As of 31 December 2009, Integralis had pledged financial assets of USD 375k (carrying amount T€ 261; 2008: T€ 58) as collateral for bank guarantees obtained for rental deposits and contractual performance obligations.

Derivative financial instruments

As part of its risk management activities, Integralis uses various derivative financial instruments, chiefly to limit the exposure to exchange rate fluctuation. The approved derivative financial instruments used in 2009 comprised the following:

- Currency forwards
- Currency swaps
- Plain-vanilla options, primarily zero-cost options

The following table sets out the derivative financial instruments outstanding as of the balance sheet date, all of which expire in less than 3 months.

Derivates have been designated as hedges and as such are effective and therefore classified as held for trading.

Currency forwards and swaps	Year	Foreign-currency amount T		Value of contract T€	Amount measured T€	Fair value T€
Currency forwards	2008	USD	4,500	3,236	3,321	85
Currency swaps	2008	GBP	99	104	-105	1

Currency forwards and swaps	Year	Foreign-currency amount T		Value of contract T€	Amount measured T€	Fair value T€
Currency forwards	2009	USD	3,500	2,316	2,430	115
Currency swaps	2009	USD	-550	-383	-382	1

All derivatives are recorded at their market value in the consolidated balance sheet. As the derivatives are not part of hedging relationships, any changes in market value are reported in profit and loss.
The following net gains/losses were recognised in profit and loss:

- Foreign-currency translation of loans and receivables and other financial liabilities: currency translation losses of a total of T€ 1,028 (2008: currency translation gains of T€ 1,823)
- Adjustments to and loss of loans and receivables: T€ 1,820 (2008: T€ 87) The loss of receivables arose from the discontinuation of the Chinese managed service business in the year under review.
- Fair value measurement of derivatives (held for trading): T€ 116 (2008: T€ 86)

There were no adjustments to receivables due to receipts towards derecognised receivables in the year under review or in the previous year. Reference should be made to Note 5.8 for an analysis of the interest income and expenses recorded.
All assets classified as loans and receivables are due for settlement in less than one year. Impairments of T€ 194 (2008: T€ 53) were recognised on trade receivables. Overdue receivables were tested for impairment. For the purpose of identifying impairment, the causes of the payment delay (possible payment difficulties, poor credit rating, other reasons) were analysed.

With respect to the loans and receivables which are not overdue and have not been adjusted, there is no evidence as of the balance sheet date indicating that debtors will be unable to honour their payment obligations.

Management of financial risks

Foreign-currency risks

The Group's international business operations particularly expose it to foreign currency risks. These arise from the measurement of balance sheet items as of the balance sheet date, outstanding transactions in a foreign currency (transaction-related foreign currency risks) and from the translation of the financial statements of the non-euro national companies into euros (translation-related foreign currency risk).
The transaction-related foreign currency risks arise with transactions with international partners which are not settled in the functional currency of the national Integralis company in question. At the moment, these risks are recorded, monitored and hedged by each national company. However, centralised Group-wide foreign currency management is to be introduced in the near future.
Reference should be additionally made to the risk report in the Group management report.

Foreign currency sensitivity analysis:
Consolidated earnings are particularly 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	
	2009	2008	2009	2008
	T€	T€	T€	T€
Net profit/equity	-98	33	78	239

The translation-related effects arising from a change in the net asset position translated into euros on account of fluctuations in the exchange rate are recorded within equity in Integralis's consolidated financial statements.

Interest risks
Although the Company had raised external funding as of the balance sheet date, it was not exposed to any interest risks as the loans have fixed rates and are not reported at their fair value but at amortised cost.

Liquidity risks
The Company is exposed to liquidity risks if it is unable to honour its payment obligations. Integralis limits this risk by means of effective working capital and cash management as well as access to credit facilities.
Liquidity risk is managed through short and medium-term finance planning over a period of 6 months. In this way, it is possible to secure funding for any foreseeable liquidity shortfalls. There are bilateral credit facilities in force with the banks and with NTT to ensure adequate liquidity. Reference should be made to Notes 4.11 and 4.12 for details of the contractual settlement periods.

Credit risks
A credit risk is defined as the unexpected loss of cash or income. This occurs if the customer or counterparty is unable to honour its obligations upon maturity. Integralis limits this risk by means of effective receivables management, as a part of which a regular analysis of the age structure of receivables is performed and efficient monitoring procedures installed. The credit risk from financial contracts is minimised by engaging in business solely with investment-grade counterparties. The carrying amounts of the financial assets equal the maximum credit risk.
As of the balance sheet date, there was no material clustering of credit risks necessitating provisions or adjustments.

Risks of payment default
Payment default risks occur if the counterparty is unable to honour its obligations on account of a deterioration in its rating or in the event of insolvency. Risks are managed by means of credit management, credit checks of individual customers and the definition 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 minimal and that actual risk is covered by adjustments to individual receivables. The high loss of receivables in the year under review is due to exceptional factors (China Managed Services).

8.4 Stock option programmes

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

8.4.1 Stock 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. The 13,000 options still outstanding at the beginning of the year were issued to employees on 10 June 2005 at € 2.80.

The stock 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 2009, 7,000 options were exercised under this stock option programme, all of which were honoured using the Company's treasury stock. In addition, 6,000 options expired in 2009. Accordingly, there were no outstanding options under this programme as of the balance sheet date.

Analysis of the number of options as of 31 December 2009:

	2009 Number	2008 Number
Options outstanding at the beginning of the period	13,000	25,000
Options granted	–	–
Options exercised	7,000	9,500
Options expired	6,000	2,500
Options outstanding at the end of the period	**–**	**13,000**

The outstanding options are broken down as follows:

	2009 Number	2008 Number
Members of the Management Board and managing directors of the subsidiaries	–	6,000
Staff	–	7,000
Options outstanding at the end of the period	**–**	**13,000**

8.4.2 Stock 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 193,400 options, of which 50,000 had been issued on 9 June 2008 at a price of € 5.31 and 143,400 on 27 February 2009 at a price of € 2.31.

The stock options may be exercised no earlier than two years and no later than five years after 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 stock 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. As of 30 December 2009, the value per option on the basis of the XETRA closing price of € 7.15 on 30 December 2009

amounted € 1.84 for the options granted on 9 June 2008 and € 4.84 for the options granted on 27 February 2009.
The fair value is calculated on the basis of the following parameters:

Installment	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 stock	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 €**

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

Installment	2009
Eligible persons	Staff
Allocation date	27/02/2009
Issue price	2.31 €
Closing price of Integralis stock	2.50 €
Dividend return	8.56%
Interest rate	2.22%
Volatility of Integralis	54.42%
Employee fluctuation	0.00%
Fair Value	**0.52 €**

The estimates of future volatility are derived from the historical price of Integralis AG stock. The historical time window is the residual term of the options.
Analysis of the number of options as of 31 December 2009:

	2009 Number	2008 Number
Options outstanding at the beginning of the period	259,000	241,000
Options granted	169,400	50,000
Options exercised	176,000	–
Options expired	59,000	32,000
Options outstanding at the end of the period	**193,400**	**259,000**

The outstanding options break down as follows:

	2009 Number	2008 Number
Members of the Management Board and managing directors of the subsidiaries	95,400	155,000
Staff	98,000	104,000
Options outstanding at the end of the period	**193,400**	**259,000**

The average price of the stock on the day on which the options were exercised and on which the earn-out obligation was satisfied was as follows:

1 May 2009 (earn-out)	€ 3.20
30 June 2009 (option exercise)	€ 6.67
24 August 2009 (option exercise)	€ 6.74
2 October 2009 (option exercise)	€ 6.90
10 December 2009 (option exercise)	€ 7.13

Personnel expenses include T€ 192 (2008: T€ 178) by way of share-based payments under the stock option programmes.

8.4.3 Stock buyback programme and treasury stock

Various stock buyback programmes were carried out in 2006 though 2008 in accordance with Section 71 (1) No. 8 of the German Stock Corporation Act. All shares were bought back on the stock 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 stock 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 stock option programmes

On 28 March 2006, the commencement of a stock 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 stock buyback program from 12 June 2006 to 29 December 2006 was announced. Under this programme, a total of 615,116 shares with a value of € 2,024,755.47 was acquired up until 29 December 2006.

On 31 October 2007, a stock buyback programme from 5 November 2007 until 29 December 2007 was announced. Under this program, a total of 239,522 shares with a value of € 1,346,945.28 was acquired up until 29 December 2007.

On 2 January 2008, a further stock buyback programme 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 stock buyback programme 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 stock 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 2009 to settle the purchase-price obligation of € 534,845.20 for the acquisition of ProtechT FZ LLC, Dubai (since renamed Integralis ME FZ LLC).

- 558,780 shares in April and May 2009 to settle a purchase price payment of € 1,525,386.32 for the acquisition of ProtechT FZ LLC, Dubai (since renamed Integralis ME FZ LLC).

As of 31 December 2009, Integralis AG held a total of 409,105 treasury shares, equivalent to 3.53% of its total share capital as of that date.

Analysis of treasury stock holdings:

Period	Additions	Disposal	Number at end of month	Share in subscribed capital*
2006	1,269,949	229,551	1,040,398	9.01%
2007	239,522	430,555	849,365	7.33%
2008	512,595	211,075	1,150,885	9.93%
May 2009	0	558,780	592,105	5.11%
June 2009	0	6,000	586,105	5.06%
August 2009	0	12,000	574,105	4.96%
October 2009	0	164,000	410,105	3.54%
December 2009	0	1,000	409,105	3.53%
Total on 31 Dec. 2009	**2,022,066**	**1,612,961**	**409,105**	**3.53%**

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

8.5 Other financial obligations and contingent liabilities

The operating leases primarily cover office space and company cars. Lease and rental expense came to T€ 2,345 in 2009 (2008: T€ 2,228). Expense is quoted net of the income from subletting the premises to third parties, which came to T€ 730 in 2009 (2008: T€ 1,073).
Analysis of future lease payments and subletting income as of 31 December 2009 broken down by duration:

Duration	Operating leases T€	Subletting income T€
Less than one year	2,866	1,345
Between 1 and 5 years	7,124	5,804
More than 5 years	5,333	4,660
Total	**15,323**	**11,809**

8.6 Unused 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 the year under review, the net profit/loss for the coming five years was taken into account on the basis of the impairment test in cases in which profit had been demonstrably recorded in the past.
The unused tax losses from corporate tax and trade tax arising in Germany have been forfeited in full as a result of the acquisition of more than half of the share capital of Integralis AG. This applies to both Integralis AG and Integralis Deutschland GmbH.

The tax losses and the periods in which they must be utilised are set out below:

Maturing in	31/12/2009 T€	31/12/2008 T€
Less than one year	0	0
Between 1 and 5 years	0	0
Between 6 and 20 years	10,921	3,034
No maturity date	0	81,365
Total	**10,921**	**84,399**

No deferred taxes have been recognised on unused tax losses of T€ 1,117 (2008: T€ 62,924).

8.7 Employees

The average headcount in the year under review totalled 525 (2008: 471) and is broken down as follows:

	2009 Number	2008 Number
Sales and marketing	172	153
Technology	290	242
Administration and management	63	76
Total	**525**	**471**

8.8 Pension 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 T€ 525 (2008: T€ 412). At the German companies, contributions for direct insurance for employees are valued at T€ 7 (2008: T€ 7). There are no post-retirement benefit plans at any of the other companies of the Integralis Group.

8.9 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.
Related party transaction entail the transfer of resources or obligations between related parties, regardless of whether a price is charged [IAS 24.9].

Group membership
As of 2 October 2009, Integralis AG's major shareholder is NTT Communications Deutschland GmbH, Munich, (NTT Com Germany). The purpose of this company, which was incorporated on 9 January 2009, is to directly or indirectly acquire, hold, manage and sell shares in other entities as well as to engage in other related activities. NTT Communications Deutschland GmbH will be publishing its first consolidated financial statements for 2009 in the electronic "Bundesanzeiger" in 2010. NTT Com Germany holds 75.19% of Integralis AG's capital (Section 160 (1) No. 8 in connection with Section 16 (1) of the German Stock Corporation Act))
NTT Communications Deutschland GmbH is an indirect subsidiary of Nippon Telephone and Telegraph Corporation (NTT), Tokyo, Japan. NTT's consolidated financial statements are published in Japan, the United States and the UK, where it is listed.
Balances and transactions between the Company and its subsidiaries are eliminated as part of consolidation and not disclosed in these notes. Details of transactions between the Group and other related parties are disclosed below:
In accordance with the definition in IAS 24, related parties include the Management Board and the Supervisory Board of Integralis AG as well as its main shareholders (NTT Communications GmbH and its affiliated companies).

Management compensation
In the year under review, the members of the Management Board received the following compensation:
In the year under review, total Management Board compensation came to T€ 1,187 (2008: T€ 697). The individualised breakdown is as follows:

Breakdown of compensation in accordance with Section 314 (6) of the German Commercial Code	Georg Magg T€		Roger Friedrich T€		Graham Jones* T€		Total T€	
	2009	2008	2009	2008	2009	2008	2009	2008
Fixed compensation	200	200	150	150	–	79	**350**	**429**
Variable compensation	443	41	333	31	–	45	**776**	**117**
Share-based compensation	–	43	–	43	–	–	**–**	**86**
Car allowance	11	11	11	11	–	–	**22**	**22**
Allowances for private pension savings	21	21	18	18	–	3	**39**	**42**
Total	**675**	**316**	**512**	**253**	**–**	**127**	**1,187**	**697**

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

With the exception of the share-based compensation, all the compensation components are short-term employee benefits as defined in IAS 24.16a.

Shares and options held by members of the Management Board and Supervisory Board as of 31 December 2009

Management Board	Shares	Share options
Georg Magg	–	25,000
Roger Friederich	–	25,000

Supervisory Board compensation

The members of the Supervisory Board received the following compensation during the year under review:

	2009 T€	2008 T€
Fixed compensation	50	50
Variable compensation	38	23
Total	**88**	**73**

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.

Reportable transactions between the Group and companies affiliated with NTT Communications Deutschland GmbH

There were no reportable transactions between NTT Communications Deutschland GmbH and Integralis AG.

However, there were reportable transactions between Integralis AG and companies affiliated with NTT Communications Deutschland GmbH. On 13 November 2009 a master loan agreement was entered into by Integralis AG and NTT Leasing (U.S.A.) Inc. providing for maximum utilisation of USD 6,500,000.00 during a period expiring on 30 June 2010. Utilisation of the loan was documented by means of individual confirmations as schedules to the master loan agreement. Actual utilisation as of the balance sheet date totalled USD 3,800,000.00 plus EUR 1,700,000.00 amounting to

EUR 4,338,872.00. The resultant borrowing costs incurred by Integralis AG in the period under review totalled T€ 4.

In the period under review, Integralis Deutschland GmbH received and executed various contracts for the provision of IT support to Cirquent GmbH, Munich, resulting in income of T€ 45. A balance of T€ 44 was outstanding at the end of the period.

In the period under review, Integralis Deutschland GmbH received and executed various contracts for the delivery of IT software and hardware to Itelligence AG, Bielefeld, resulting in income of T€ 31. A balance of T€ 4 was outstanding at the end of the period.

Sales to related parties complied with arms' length principles. The outstanding amounts are not secured and are subject to settlement in cash. No guarantees were given or received. No impairment was recognised on receivables from related parties in the period under review.

8.10 Management Board and Supervisory Board

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

- Georg Magg, (CEO), Bad Wörishofen, Germany
- 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 Stockholm, Sweden
  (until 11 December 2009)
- Arnd Wolpers (deputy chairman),
  business man in Münsing/Ammerland
  (until 11 December 2009)
- Carl-Franz von Quadt
  publisher in Munich (until 14 May 2009)
- Dr. Gert Würtenberger
  attorney at law in Munich
  (from 14 May 2009 until 11 December 2009)
- Luc Loos (chairman)
  Country Manager NTT Europe Online GmbH, Brakel, Germany (since 17 December 2009)
- Makoto Takei (deputy chairman)
  President Digital Knowledge Co., Ltd., Tokyo, Japan
  (since 17 December 2009)
- Kazunowi Yozawa
  Senior Vice President NTT Communications Corporation, Tokyo, Japan (since 17 December 2009)

8.11 Exemption of subsidiaries in accordance with Section 264 (3) of the German Commercial Code

In accordance with Section 264 (3) of the German Commercial Code, Integralis Deutschland GmbH, Ismaning, and Integralis Services GmbH, Ismaning, are exempt from the provisions of the first, third and fourth subsection of the second section of the third book of the German Commercial Code and are thus absolved of the obligation to prepare notes to the financial statements, a management report and to have the financial statements for 2009 audited and published.

9. Disclosures in accordance with Section 160 (1) No. 8 of the German Stock Corporation 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 Publication of an announcement in accordance with Section 21 (1) of the German Securities Trading Act on 20 January 2009

Forum European Smallcaps GmbH, Ridlerstr. 33, 80339 Munich, Germany, informed us in accordance with Section 21 (1) of the German Securities Trading Act on 19 January 2009 that its share in Integralis AG, Ismaning, Germany, ISIN: DE0005155030, WKN: 515503 had dropped below the threshold of 3% of voting rights and that it now held 2.92% (equivalent to 338,962 voting rights).

9.2 Publication of an announcement in accordance with Section 21 (1) of the German Securities Trading Act on 20 January 2009

Dr. Burkhard Wittek, Germany, informed us in accordance with Section 21 (1) of the German Securities Trading Act on 16 January 2009 that his share in Integralis AG, Ismaning, Germany, ISIN: DE0005155030, WKN: 515503 had dropped below the threshold of 3% of voting rights and that he now held 2.92% (equivalent to 338,962 voting rights). 2.92% of the voting rights (equivalent to 338,962 voting rights) are attributable to Dr. Wittek in accordance with Section 22 (1) Sentence 1 No. 1 of the German Securities Trading Act through Forum European Smallcaps GmbH, Ridlerstr. 33, 80339 Munich.

9.3 Publication of an announcement in accordance with Section 21 (1) of the German Securities Trading Act on 26 January 2009

Alfred Bauer, Germany, informed us in accordance with Section 21 (1) of the German Securities Trading Act on 26 January 2009 that his share in Integralis AG, Ismaning, Germany, ISIN: DE0005155030, WKN: 515503 had exceeded the threshold of 3% of voting rights on 26 January 2009 and that he now held 3.00% (equivalent to 347,602 voting rights).

9.4 Publication of an announcement in accordance with Section 21 (1) of the German Securities Trading Act on 29 January 2009

Alfred Bauer, Germany, informed us in accordance with Section 21 (1) of the German Securities Trading Act on 28 January 2009 that his share in Integralis AG, Ismaning, Germany, ISIN: DE0005155030, WKN: 515503 had dropped below the threshold of 3% of voting rights on 20 February 2007 and that he now held 2.9897% (equivalent to 345,237 voting rights).

Correction to publication of 26 January 2009:
At the same time, Alfred Bauer, Germany, corrected the notification of 26 January 2009 and informed us in accordance with Section 21 (1) of the German Securities Trading Act on 28 January 2009 that his share in Integralis AG, Ismaning, Germany, ISIN: DE0005155030, WKN: 515503 had exceeded the threshold of 3% of voting rights on 26 January 2009 and that he now held 3.0004% (equivalent to 347,602 voting rights).

9.5 Publication of an announcement in accordance with Section 21 (1) of the German Securities Trading Act on 19 February 2009

Alfred Bauer, Germany, informed us in accordance with Section 21 (1) of the German Securities Trading Act on 17 February 2009 that his share in Integralis AG, Ismaning, Germany, ISIN: DE0005155030, WKN: 515503 had dropped below the threshold of 3% of voting rights on 17 February 2009 and that he now held 2.958% (equivalent to 342,702 voting rights).

9.6 Publication of an announcement in accordance with Section 21 (1) of the German Securities Trading Act on 19 February 2009

Capital Management Wolpers GmbH, Ammerland, Germany, informed us in accordance with Section 21 (1) of the German Securities Trading Act on 19 February 2009 that its share in Integralis AG, Ismaning, Germany, ISIN: DE0005155030, WKN: 515503 had exceeded the thresholds of 3% and 5% of voting rights on 19 February 2009 and that it now held 5.32% (equivalent to 616,561 voting rights).

9.7 Publication of an announcement in accordance with Section 21 (1) of the German Securities Trading Act on 4 June 2009

DJE Investment S.A., Luxembourg submitted the following report to us on 3 June 2009:

- On behalf of Dr. Jens Ehrhardt, Germany
  "This is to inform you that I exceeded the threshold of 3% of the voting rights in Integralis AG, Robert-Bürkle-Str. 3, 85737 Ismaning, on 28 May 2009. I now hold 3.21% of the voting rights, equivalent to 371,684 votes. This share comprises 371,684 voting rights (3.21%) attributable to me in accordance with Section 22 (1) Sentence 1 No. 6 in connection with Sentence 2 of the German Securities Trading Act."

- On behalf of DJE Kapital AG, 82049 Pullach, Germany
  "This is to inform you that we exceeded the threshold of 3% of the voting rights in Integralis AG, Robert-Bürkle-Str. 3, 85737 Ismaning, on 28 May 2009. We now hold 3.21% of the voting rights, equivalent to 371,684 votes. This share comprises 371,684 voting rights (3.21%) attributable to us in accordance with Section 371.684 (1) Sentence 1 No. 6 in connection with Sentence 2 of the German Securities Trading Act.'

- On behalf of DJE Investment S.A., 60, L-1420 Luxembourg, Luxembourg
  "This is to inform you that we exceeded the threshold of 3% of the voting rights in Integralis AG, Robert-Bürkle-Str. 3, 85737 Ismaning, on 28 May 2009. We now hold 3.21% of the voting rights, equivalent to 371,684 votes. This share comprises 371,684 voting rights (3.21%) attributable to us in accordance with Section 22 (1) Sentence 1 No. 6 of the German Securities Trading Act.'

9.8 Publication of an announcement in accordance with Section 21 (1) of the German Securities Trading Act on 31 August 2009

Integralis AG, Germany, stated in accordance with Section 26 (1) Sentence 2 of the German Securities Trading Act on 31 August 2009 that its share in Integralis AG, Ismaning, Germany, ISIN: DE0005155030, WKN: 515503 had dropped belowthe threshold of 5% of voting rights on that date and that it now held 4.96% (equivalent to 574,105 voting rights).

9.9 Publication of an announcement in accordance with Section 21 (1) of the German Securities Trading Act on 6 October 2009

Highclere International Investors Smaller Companies Fund, Westport, United States, informed us in accordance with Section 21 (1) of the German Securities Trading Act on 6 October 2009 that its share in Integralis AG, Ismaning, Germany, ISIN: DE0005155030, WKN: 515503 had dropped below the thresholds of 5% and 3% of voting rights on 2 October 2009 and that it now held 0.00% (equivalent to 0 voting rights).

9.10 Publication of an announcement in accordance with Section 21 (1) of the German Securities Trading Act on 6 October 2009

Highclere International Investors Limited, London, United Kingdom, informed us in accordance with Section 21 (1) of the German Securities Trading Act on 6 October 2009 that its share in Integralis AG, Ismaning, Germany, ISIN: DE0005155030, WKN: 515503 had dropped below the

thresholds of 5% and 3% of voting rights on 2 October 2009 and that it now held 0.00% (equivalent to 0 voting rights).

9.11 Publication of an announcement in accordance with Section 21 (1) of the German Securities Trading Act on 6 October 2009

Capital Management Wolpers GmbH, Ammerland, Germany, informed us in accordance with Section 21 (1) of the German Securities Trading Act on 6 October 2009 that its share in Integralis AG, Ismaning, Germany, ISIN: DE0005155030, WKN: 515503 had dropped below the thresholds of 5% and 3% of voting rights on 2 October 2009 and that it now held 0.00% (equivalent to 0 voting rights).

9.12 Publication of an announcement in accordance with Section 21 (1) of the German Securities Trading Act on 7 October 2009

NTT Communications Corporation, Tokyo, Japan, informed us in accordance with Section 21 (1) of the German Securities Trading Act on 7 October 2009 that its share in Integralis AG, Ismaning, Germany, ISIN: DE0005155030, WKN: 515503 had exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of voting rights on 2 October 2009 and that it now held 75.19% (equivalent to 8,711,311 voting rights). 75.19% of the voting rights (equivalent to 8,711,311 shares) are attributable to the Company in accordance with Section 22 (1) Sentence 1 No. 1 of the German Securities Trading Act through NTT Communications Deutschland GmbH.

9.13 Publication of an announcement in accordance with Section 21 (1) of the German Securities Trading Act on 7 October 2009

Nippon Telegraph and Telephone Corporation, Tokyo, Japan, informed us in accordance with Section 21 (1) of the German Securities Trading Act on 7 October 2009 that its share in Integralis AG, Ismaning, Germany, ISIN: DE0005155030, WKN: 515503 had exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of voting rights on 2 October 2009 and that it now held 75.19% (equivalent to 8,711,311 voting rights). 75.19% of the voting rights (equivalent to 8,711,311 shares) are attributable to the Company in accordance with Section 22 (1) Sentence 1 No. 1 of the German Securities Trading Act through NTT Communications Deutschland GmbH and NTT Communications Corporation.

9.14 Publication of an announcement in accordance with Section 21 (1) of the German Securities Trading Act on 7 October 2009

NTT Communications Deutschland GmbH, Frankfurt, Germany, informed us in accordance with Section 21 (1) of the German Securities Trading Act on 7 October 2009 that its share in Integralis AG, Ismaning, Germany, ISIN: DE0005155030, WKN: 515503 had exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of voting rights on 2 October 2009 and that it now held 75.19% (equivalent to 8,711,311 voting rights).

9.15 Publication of an announcement in accordance with Section 21 (1) of the German Securities Trading Act on 7 October 2009

Molentor S.a.r.L., Luxembourg, Luxembourg, informed us in accordance with Section 21 (1) of the German Securities Trading Act on 7 October 2009 that its share in Integralis AG, Ismaning, Germany, ISIN: DE0005155030, WKN: 515503 had dropped below the thresholds of 5% and 3% of voting rights on 2 October 2009 and that it now held 0.00% (equivalent to 0 voting rights).

9.16 Publication of an announcement in accordance with Section 21 (1) of the German Securities Trading Act on 7 October 2009

Molentor Holding Ltd., Valetta, Malta, informed us in accordance with Section 21 (1) of the German Securities Trading Act on 7 October 2009 that its share in Integralis AG, Ismaning, Germany, ISIN: DE0005155030, WKN: 515503 had dropped below the thresholds of 5% and 3% of voting rights on 2 October 2009 and that it now held 0.00% (equivalent to 0 voting rights).

9.17 Publication of an announcement in accordance with Section 21 (1) of the German Securities Trading Act on 7 October 2009

Mr. Arnd Wolpers, Germany, informed us in accordance with Section 21 (1) of the German Securities Trading Act on 7 October 2009 that his share in Integralis AG, Ismaning, Germany, ISIN: DE0005155030, WKN: 515503 had dropped below the thresholds of 5% and 3% of voting rights on 2 October 2009 and that he now held 0.00% (equivalent to 0 voting rights).

9.18 Publication of an announcement in accordance with Section 21 (1) of the German Securities Trading Act on 9 October 2009

DJE Investment S.A, Luxembourg, Luxembourg, informed us in accordance with Section 21 (1) of the German Securities Trading Act on 9 October 2009 that its share in Integralis AG, Ismaning, Germany, ISIN: DE0005155030, WKN: 515503 had dropped below the thresholds of 3% of voting rights on 7 October 2009 and that it now held 0.00% (equivalent to 0 voting rights).

9.19 Publication of an announcement in accordance with Section 21 (1) of the German Securities Trading Act on 9 October 2009

DJE Kapital AG, Pullach, Germany, informed us in accordance with Section 21 (1) of the German Securities Trading Act on 9 October 2009 that its share in Integralis AG, Ismaning, Germany, ISIN: DE0005155030, WKN: 515503 had dropped below the thresholds of 3% of voting rights on 7 October 2009 and that it now held 0.00% (equivalent to 0 voting rights).

9.20 Publication of an announcement in accordance with Section 21 (1) of the German Securities Trading Act on 9 October 2009

Dr. Jens Erhardt, Germany, informed us in accordance with Section 21 (1) of the German Securities Trading Act on 9 October 2009 that his share in Integralis AG, Ismaning, Germany, ISIN: DE0005155030, WKN: 515503 had dropped below the thresholds of 3% of voting rights on 7 October 2009 and that he now held 0.00% (equivalent to 0 voting rights).

9.21 Publication of an announcement in accordance with Section 21 (1) of the German Securities Trading Act on 9 October 2009

Argos Investment Managers S.A., Geneva, Switzerland, informed us in accordance with Section 21 (1) of the German Securities Trading Act on 9 October 2009 that its share in Integralis AG, Ismaning, Germany, ISIN: DE0005155030, WKN: 515503 had dropped below the thresholds of 5% and 3% of voting rights on 7 October 2009 and that it now held 0.00% (equivalent to 0 voting rights).

9.22 Publication of an announcement in accordance with Section 21 (1) of the German Securities Trading Act on 14 October 2009

Argos Funds, Luxembourg, Luxembourg, informed us in accordance with Section 21 (1) of the German Securities Trading Act on 13 October 2009 that its share in Integralis AG, Ismaning, Germany, ISIN: DE0005155030, WKN: 515503 had dropped below the thresholds of 5% and 3% of voting rights on 7 October 2009 and that it now held 0.00% (equivalent to 0 voting rights).

10. Declaration of conformity with the German Corporate Governance Code

The declaration of conformity with the Corporate Governance Code stipulated by Section 161 of the German Stock Corporation Act together with the corporate governance declaration 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 2010

The Management Board

DECLARATION OF CONFORMITY OF INTEGRALIS AG FOR 2010

I. Introduction

Under Section 161 of the German Stock Corporation 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 an indicative English translation of the original German-language declaration issued by Integralis AG.
The declaration for 2010 applies to both 2009 and 2010.
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 Corporation Act

On the basis of the German Corporate Governance Code (GCGC) as amended on 18 June 2009 and in accordance with Section 161 of the German Stock Corporation 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 2009 and will continue to do so in 2010 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, a deductible of at least 10% of the loss up to at least the amount of one and a half times the fixed annual compensation of the Management Board member must be agreed upon.
A similar deductible must be agreed upon in any D&O policy for the Supervisory Board.
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 protect the Company from any risks and do not think that the motivation and responsibility of the members of the Supervisory Board in the performance of their duties is enhanced through the imposition of a deductible. Accordingly, we will not be introducing any deductible for members of the Supervisory Board or the Company's employees.
With respect to the Management Board, arrangements reflecting the statutory requirements concerning the introduction of a deductible will be implemented by 30 June 2010.

Article 4.2.3:
The compensation structure must be oriented toward sustainable growth of the enterprise. […] The Supervisory Board must make sure that the variable compensation elements are in general based on a multi-year assessment. Both positive and negative developments shall be taken into account when determining variable compensation components. [...] For extraordinary developments a possibility of limitation (cap) must in general be agreed upon by the Supervisory Board. […] In concluding Management Board contracts, care shall be taken to ensure that payments made to a Management Board member on premature termination of his contract without serious cause do not exceed the value of two years' compensation (severance payment cap) and compensate no more than the remaining term of the contract.
The Management Board compensation system in force in 2009 did not yet fully satisfy the requirements of the Corporate Gover-

nance Code. Thus, for example, it does not include a basis for multi-year assessment or a severance payment cap. These conditions are the reserve of individual negotiations between the members of the Management Board and the Supervisory Board. The service contracts with the members of the Management Board are to be revised in 2010. In this connection, the future remuneration model is to be modified to ensure full compliance with the requirements of the Corporate Governance Code.

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.

As the Supervisory Board currently only comprises three members and a committee must have no less than three members, there is no need to establish any committees at this stage. Accordingly, the Supervisory Board in its entirety performs the duties of the committees.

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.

See the notes on Article 5.2 of the German Corporate Governance Code for the reasons for non-conformity to Article 5.3.1 of the German Corporate Governance Code.

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 Similarly, it deals in its entirety with all matters concerning the auditor. The Supervisory Board comprises at least two members who hold the necessary knowledge of accounting and auditing matters.

Article 5.3.3:

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.

See the notes on Article 5.2 of the German Corporate Governance Code for the reasons for non-conformity to Article 5.3.3 of the German Corporate Governance Code.

Article 5.4.1:

There shall be an age limit for members of the Supervisory Board.

No age limit has been set 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 at that stage. The election of the chairman of the Supervisory Board is the sole responsibility of the newly elected Supervisory Board, which elects one of its number to this position. 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 with respect to the shareholders not anticipated by the law. For this reason, we do not follow this recommendation.

Article 7.1.2:
The Consolidated Financial Statements shall be publicly accessible within 90 days of the end of the financial year; interim reports shall be publicly accessible within 45 days of the end of the reporting period.
Given the heightened financial reporting requirements, the Company may deviate from this recommendation in individual cases and publish the reports within the extended periods stipulated by Deutsche Börse AG for the applicable stock market segment so as to ensure compliance with its own standards with respect to the highest possible quality of financial reporting.

Ismaning, March 2010

Integralis AG

For the Supervisory Board

Luc Loos

For the Management Board

Georg Magg

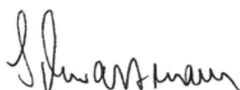
Contact persons:
Georg Magg and Peter Banholzer (IR)
ir@integralis.com

AUDITORS' OPINION

We have audited the consolidated financial statements prepared by the Integralis Aktiengesellschaft comprising the balance sheet, the income statement, the statement of comprehensive income, 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 2009 to 31 December 2009. 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, 1 April 2010
AWT Horwath GmbH
Wirtschaftsprüfungsgesellschaft



G. Wörl	i.V. Prof. Dr. W. Schwarzmann
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

```
    temp=y/x;
    ans=x*sqrt(1.0+temp*temp);
} else {
    temp=x/y;
    ans=y*sqrt(1.0+temp*temp);
}
return ans;

fcomplex Csqrt(fcomplex z)
{
    fcomplex c;
    float w;
    if ((z.r == 0.0) && (z.i = 0.0))
        c.r=0.0;
        c.i=0.0;
    } else {
        w = sqrt((sqrt(z.r*z.r
        if (z.r >= 0.0){
            c.r=w;
            c.i=z.i/(2.0*w);
    } else {
        c.i=(z.i >= 0)
```

INTEGRALIS WORLDWIDE

Germany

Headquarters
Integralis AG – Munich
Robert-Bürkle-Straße 3
85737 Ismaning
Tel: +49 (0) 89 94573 0
Fax: +40 (0) 89 94573 180
E-Mail: ir@integralis.com

Integralis Deutschland GmbH
Munich
Robert-Bürkle-Straße 3
85737 Ismaning
Tel: +49 (0) 89 94573 0
Fax: +40 (0) 89 94573 180
E-Mail: de.info@integralis.com

Integralis Deutschland GmbH
Heilbronn
Ferdinand-Braun-Straße 1
74074 Heilbronn
Tel: +49 (0) 7131 799 0
Fax: +49 (0) 7131 799 150
E-Mail: de.info@integralis.com

Integralis Deutschland GmbH –
Cologne
Industriestraße 23a
51399 Burscheid
Tel: +49 (0) 2174 677 0
Fax: +49 (0) 2174 677 77
E-Mail: de.info@integralis.com

Integralis Deutschland GmbH
Hamburg
Behringstraße 16b
22765 Hamburg
Tel: +49 (0) 40 2981126 0
Fax: +49 (0) 40 2981126 29
E-Mail: de.info@integralis.com

Austria

Integralis Österreich GmbH –
Vienna
Millennium Tower,
Handelskai 94-96
A-1030 Vienna
Tel.: +43 (1) 7109019-0
Fax: +43 (1) 7109019-99
E-Mail: at.info@integralis.com

Switzerland

Integralis Schweiz AG – Zurich
Zunstraße 11
CH-8152 Glattbrugg
Tel: +41 (0) 44 56729 29
Fax: +41 (0) 44 56729 30
E-Mail: ch.info@integralis.com

Integralis Suisse SA – Givisiez
Route du Crochet 7
CH-1762 Givisiez
Tel: +41 (0) 26 460 3300
Fax: +41 (0) 26 460 3399
E-Mail: ch.info@integralis.com

France

Integralis SAS – Paris
Parc de Garlande 1
Rue de l'égalité
F-92220 Bagneux
Tel: +33 (0) 155 5817 50
Fax: +33 (0) 155 5817 57
E-Mail: fr.info@integralis.com

Singapore

Integralis Services Pte Ltd.
– Singapore
30 Cecil Street 15-14
Prudential Tower
Singapore 049712
Tel: +65 6622 5760
E-mail: sqsoc@integralis.com

United Kingdom

Integralis Ltd. – Theale
Theale House Brunel Road
Theale, Reading
RG7 4AQ
Tel: +44 (0) 118 930 6060
Fax: +44 (0) 118 930 2143
E-Mail: uk.info@integralis.com

Integralis Ltd. – London
4 Lombard Street
London
EC3V 9HD
Tel: +44 (0) 207 190 2900
Fax: +44 (0) 207 190 2901
E-Mail: uk.info@integralis.com

Integralis Ltd. – Manchester
Manchester Business Park
3000, Aviator Way
M22 5TG Manchester
Tel: +44 (0) 1925 854444
Fax: +44 (0) 1925 854455
E-Mail: uk.info@integralis.com

Sweden

Integralis AB – Stockholm
Torshamnsgatan 39
S-164 40 Kista
Tel: +46 (0) 8 633 76 00
Fax: +46 (0) 8 633 76 01
E-Mail: se.info@integralis.com

Integralis AB – Göteborg
Gamlestadsvägen 2-4, B3
S-41502 Göteborg
Tel: +46 (0) 31 761 07 20
Fax: +46 (0) 31 33 88 520
E-Mail: se.info@integralis.com

USA

Integralis Inc. – Connecticut
111 Founders Plaza, 13th floor
CT 06108 East Hartford
Tel: +1 860 291 0851
Fax: +1 860 291 0847
E-Mail: us.info@integralis.com

Integralis Inc. – New York
1 Penn Plaza 36th Fl.
NY 10001 New York
Tel: +1 646 495 0989
Fax: +1 646 688 4817
E-Mail: us.info@integralis.com

Integralis, Inc. – California
65 Enterprise
CA 92656 Aliso Vieto
Tel: +1 949 330 6258
E-Mail: us.info@integralis.com

Integralis, Inc. – Central Region
6240 W. 135th St., Suite 234
KS 66223 Overland Park
Tel.: +1 913 647 5130
E-Mail: us.info@integralis.com

United Arab Emirates

Integralis Middle East – Dubai
P.O.Box 500505
Dubai
Tel: +971 4 36 70 240
Fax: +971 4 36 86 735
E-Mail: me.info@integralis.com

Integralis Middle East –
Abu Dhabi
P.O. Box 54789
Abu Dhabi
Tel: +971 2 4146 626
Fax: +971 2 4146 600
E-Mail: me.info@integralis.com

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 2010

April 19
Annual Report 2009:
Our Annual Report 2009 will be released

May 14
Q1-Report 2010: The quarterly Report for the first three months 2010 will be released

June 29
Annual General Meeting 2010
Convention Center, Rochusberg 6, 80331 Munich

August 13
Q2-Report 2010:
The Half Year Report 2010 will be released

November 15
Q3-Report 2010:
The Nine Months Report 2010 will be released

IMPRINT

Management Board
Georg Magg, CEO
Heiner Luntz, CFO

Supervisory Board
Luc Loos (Chairman)
Makoto Takei (Deputy Chairman)
Kazu Yozawa

Shareholder Information
Integralis AG is a Stock corporation registered at:

Robert-Bürkle-Straße 3
85737 Ismaning
Germany
Tel: +49 (0) 89 945 73 0
Fax: +49 (0) 89 945 73 180
E-mail: ir@integralis.com

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:

Integralis AG
Peter Banholzer
Robert-Bürkle-Straße 3
85737 Ismaning
Germanny
Tel: +49 (0) 89 945 73 178
Fax: +49 (0) 89 945 73 180

Our latest financial reports and corporate updates are available on the Internet at **www.integralis.com**

Design: ad Borsche GmbH, München

Headquarters
Integralis AG – Munich
Robert-Bürkle-Strasse 3
85737 Ismaning
Germany

Tel: +49 (0) 89 94573 0
Fax: +49 (0) 89 94573 180
E-Mail: ir@integralis.com

www.integralis.com